



# Constitutional Document

**Version 6.3**  
**Revised March 2016**

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## Constitutional document – Change History Record

<b>Document Title: Constitutional Document</b>			
<b>Version no.</b>	<b>Name of file in folder</b>	<b>Description of change</b>	<b>Date of change</b>
1.0	LPFA summary of constitution proposals – Board approved 19 <sup>th</sup> Dec 2007 (PF1253)	All governing documents and codes brought into one comprehensive document.	18/01/2008
2.0	LPFA revised Corporate Government Documents – Board approved 19 <sup>th</sup> Dec 2007 (PF1253)	Further codes and governing documents added. Review of governance arrangements: Restrictions on Political activity, Board member Indemnity and Code of conduct on Gifts and Hospitality.	18/01/2008
2.1	LPFA revised Corporate Government Documents [2] – Board approved 19 <sup>th</sup> Dec 2007 (PF1253)	Revised sentences to the recently added documents in version 2.0.	22/01/2008
3.0	Corporate Government Documents – Board approval 7 <sup>th</sup> Feb 2008 (PF1263)	Updated to reflect changes in best practice since last formal review: introduced matters reserved for Board, empowered Committees to take executive action, quorum for Board 4 and for committees 3, strengthened provisions on public access, Board/Committees to be able to appoint lay members (without voting rights), separate right of report for CEO, CFO and MO, Code of Conduct for Board members, CEO can designate to PO, delegations to officers backed up by a code of practice, contract standing orders introduced	06/03/2008
3.1	Constitutional document – approved by Board 1 <sup>st</sup> April 2008	Revised sentences to the recent changes made in version 3.0	01/04/2008
3.2	Constitutional document – for board approval June 2008	Revised sentences, Gifts and Hospitality amended to include a cross reference to the Code of Conduct for Board Members in the guidance to clarify the circumstances in which the guidance applies.	17/06/2008
3.3	Constitutional document – approved by board 26 <sup>th</sup> June 2008	Revised job titles - Head of Finance replaces the Director of Corporate Resources as Chief Financial Officer.  Delegations to Officers now includes reference to the recent delegation to the Director of Investments and delegations	26/06/2008
4.0	Constitutional document – updated December 2008	Revised sentences related to the Principle officers RE more detail of their responsibilities.	31/12/2008
4.1	Constitutional document – revised 5 <sup>th</sup> February 2009	Revised Standing Order relating to the annual election of Committee Chairs, reference included in the Contract Standing Orders to 'preferred suppliers', Tender processes above the OJEU to be approved by Board.	05/02/2009
4.2	Constitutional document – revised 9 <sup>th</sup> October 2009	Revised sentence RE The Restructure of CMT, To enable a quorum to be established via telecommunications, a revised policy for admitting new bodies into the Fund.	09/10/2009
4.3	Constitutional document – revised 1 <sup>st</sup> July 2010	Revised sentences in relation to the periodical election of Committee Chairmen.	01/07/2010
4.4	Constitutional document – revised 6 <sup>th</sup> April 2011	Revised sentences in relation to the membership and Chairmanship of each Committee.	06/04/2011
4.5	Constitutional document – approved by Board 6 <sup>th</sup> October 2011	Revised sentences to the Audit Committee Terms of Reference.	06/10/2011
4.6	Constitutional document – approved by Board 2 <sup>nd</sup> Feb 2012	Revised sentences to job titles (CD to DCE), senior officer appointments, EU procurement Thresholds.	02/02/2012
4.7	Constitutional document – revised 5 <sup>th</sup> April 2013	Revised job and committee titles (risk committee), revised ToR of AC re RK, revised Contract Standing Order, added Standing Order 9. (j), increased delegation to Investment Sub Committee	05/04/2013
4.8	Constitutional document – revised 15 <sup>th</sup> April 2013 post Board	Revised Contract Standing Order and Standing Order 9. (j) (electronic voting). Introduction of Standing Order 9. (k). and 9. (l).	16/04/2013

		Board reserved "works" as a matter reserved.	
4.9	Constitutional document – revised 20 <sup>th</sup> August 2013	Removal of Chair position as ex officio. Extension of write off limits to £10k for Principle Officers	20/08/13
5.0	Constitutional document – revised 6 <sup>th</sup> December 2013	Removal of co-opted members from all committees, DF on ISC, replaced section 5 of the staff code of conduct, replaced Appendix 1.	06/12/2013
5.1	Constitutional document – revised 30 <sup>th</sup> December 2013	conflict of interests policy as appendix 3, ToR for RemC, Skip under ISC ToR	17/01/13
5.2	Constitutional document – revised 4 <sup>th</sup> Feb 2014	Rem & Nom ToR and updated Committee's name on page 18,20,44	10 <sup>th</sup> Feb 2014
5.3	Constitutional document – revised 17 <sup>th</sup> Feb 2014	Committee quorum temporarily reduced to 2 see page11	19 <sup>th</sup> Feb 2014
5.4	Constitutional document – revised 8 <sup>th</sup> May 2014	Change from Commercial Director to Director of Operations, removed Deputy CEO on page 47 and 51 – factual change. Write-offs p48 – removed reference to Chair of AC – Board approved change on 8.5.14.	8 <sup>th</sup> May 2014
5.5	Constitutional document – approved by Board 2 <sup>nd</sup> October 2014	Replaced: Appendix 3: Conflicts of interest policy (with Annexes 1, 2 and 3).	2 <sup>nd</sup> Oct 2014
5.6	Constitutional document – approved by Board 2 <sup>nd</sup> October 2014	Change of ToR for AC and RK, CoP approval by CMT (p.13,15)	12 <sup>th</sup> Nov 2014
5.7	Constitutional document – approved by Board 2 <sup>nd</sup> October 2014	Reference to DoO – factual change	07/01/2015
5.8	Constitutional document – approved by Board 2 <sup>nd</sup> October 2014	Change of office address – factual change	15/01/2015
5.9	Constitutional document – approved by Board 3 <sup>rd</sup> Feb 2015	Local Pension Board ToR, B&A Committee ToR, establishment of companies and their directorship, DoF title change to CFRO, write offs below £250 for death overpayments, reference to the Finance Regulations and Treasury Management Strategy in the corporate governance framework, factual changes by MO, added: 'or other area considered by the LPFA for investment' - alignment with the Conflicts Policy)	25/02/2015
6.0	Constitutional document – revised and approved by Board 7 <sup>th</sup> May 2015	Revised sentences to the Audit and Risk Committee Terms of Reference. Transactional vehicles directorship. Investee companies directorship.	10/06/2015
6.1	Constitutional document – revised and approved by Board 20 <sup>th</sup> July 2015.	Updated IC ToR	08/09/2015
6.2	Constitutional document – revised and approved by Board 10 <sup>th</sup> November 2015.	Section 151 Officer and Chief Risk and Finance Officer roles; directorship on transactional vehicles; change of PO name from Chief Finance and Risk Officer to Chief Risk and Finance Officer, Quorum, other very minor updates.	
6.3	Constitutional document – revised and approved by MD of LPFA and Chair of LPFA.	Changes agreed by B&A (matters reserved including committee items); the audit and risk committee terms of reference as agreed by the Committee; Updated titles to reflect the partnership arrangements; and removed the outgoing committees – IC, RK, B&A and RemCom.	31/03/2016

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## Constitutional document

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**London Pensions Fund Authority, 2nd Floor, 169 Union Street, London, SE1 0LL**

**Mike Allen, Managing Director of LPFA**

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## A. STATUTORY POWERS AND DUTIES

### 1 **Originating powers**

The Authority was set up by the London Government Reorganisation (Pensions etc.) Order 1989 [SI 1989 No. 1815] to discharge the functions of the London Residuary Body as an administering body under the Local Government Superannuation Regulations 1986, which have now been superseded by the Local Government Pension Regulations 1997 [SI 1997 No. 1612]. The London Residuary Body was itself established by Section 57 of the London Government Act 1985 on the abolition of the Greater London Council. This Act and Order contain all the basic powers and responsibilities applied to the Authority, for the administration of the Local Government Pension Scheme for former employees of the Greater London Council.

The Authority is a statutory corporation, deriving its basic powers from these provisions, but it is also granted additional powers of a local authority for a number of purposes as set out in Schedule 1 to the 1989 Order. These additional powers include the power to enter arrangements to discharge functions on behalf of other local authorities under Section 101 of the Local Government Act 1972, and under these provisions the Authority administers a number of other pension schemes on behalf of other local authorities.

Further powers have been added to the Authority since 1989 by statutory order but these relate to the transfer of residual functions, not new powers. Thus, the statutory framework remained unchanged until the London reorganisation in 2000.

Sections 402 and 403 of the Greater London Authority Act 1999 effectively transferred the Secretary of State's functions in respect of the Authority (which relate to the appointment of members of the Authority and the provision of reports and information) to the Mayor of London, and required the Authority to have regard to any comments of the Mayor of London in setting its budget.

The Authority seeks to operate in accordance with industry best practice, and now in accordance with the requirements of the Pensions Act 2007.

### 2 **Investment Regulations**

The Authority's powers for the investment and management of the funds in its care are set out in the Local Government Pension Scheme (Investment and Management of Funds) Regulations 1998 [SI 1998 No. 1831], as amended.

### 3 **Provision of Benefits**

The Authority's powers for the determination of entitlement to, payment and administration of benefits to members of the schemes in its care are set out in the Local Government Pension Scheme Regulations 1997 [SI 1997 No. 1612], as amended.

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## B. INTERNAL GOVERNANCE ARRANGEMENTS

The Authority has approved a corporate governance framework.

This framework was modelled on guidance issued by the Chartered Institute of Public Financial and Accountancy (CIPFA) for Non Departmental Public Bodies as this is the closest constitutional basis for the Authority, but adjusted to reflect best local government practice where applicable and the requirements placed on pension funds to demonstrate effective scheme governance.

The Authority's corporate governance framework comprises the following key documents:

- Standing Orders
- Matters reserved for decision by the Board
- Terms of Reference of the Standing Committees
- Code of Conduct for Members
- Code of Best Practice for Members
- Scheme of Delegation to Officers
- Contract Standing Orders
- The Code of Conduct for Officers
- Financial Regulations
- Treasury Management Strategy
- The LPFA Local Pension Board (LPB) Terms of Reference\*

\*The LPB is created by the LGPS Governance Regulations 2014 and as such is distinct from the rest of the LPFA's Standing Committees. LPFA's standing orders do **not apply** to this committee with the exception of those outlined below. Any reference to Board member under these particular standing orders should be read as if it refers to a Local pension board member.

- 2(f), (g), (r) – Reports to be issued to the LPB at least 5 working days in advance of the meeting.
- 5 (a) ii-vii Procedure at meetings
- 7 – Disruptive conduct
- 8 (a) and (b) – Minutes of proceedings
- 9 (e) and (j) – electronic participation and decision making
- 10 – Confidentiality
- 13 – Personal liability

Meetings of the Local Pension Board will not take place in public; however the minutes will be published in line with LPFA's Freedom of Information publication scheme.

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## C. STANDING ORDERS

These Standing Orders have been adopted by the Authority under the power to regulate its own proceedings contained in Paragraph 5(1) of Schedule 13 to the Local Government 1985

Section	
1	Interpretation
2	Board meetings
3	Powers of the Chairman
4	Quorum
5	Procedure at Board Meetings
6	Interests of Board members
7	Disruptive conduct
8	Minutes of proceedings
9	Standing committees
10	Confidentiality
11	Execution of instruments
12	Authorisation of Officers
13	Indemnity
14	Staff
15	General reporting and financial procedures
16	The Strategy Statement
17	Authorisation of expenditure
18	Treasury management
19	Tenders and contracts
20	Periodic reports of expenditure and income
21	Annual Report and Accounts
22	Requests for information
23	Legality of proposals and payments
24	Amendments to standing orders

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## **1 Interpretation**

In these Standing Orders:

"the Mayor" means the Mayor of London as elected under the provisions of the Greater London Authority Act 1999;

"the Order" means the London Government Reorganisation (Pensions etc.) Order 1989 [SI 1989 No. 1815];

"the Authority" means the London Pensions Fund Authority established by article 2(1) of the Order;

"a Board Member" means a member of the Authority appointed under paragraph 1 of the Schedule 1 to the Order;

"the Board" describes those members collectively, including in formal Meetings;

"the Chairman" means the member so appointed under paragraph 1(2) of Schedule 1 to the Order, or the person presiding at the meeting, as appropriate;

"the Principal Officers" means the Managing Director and such other officers, not exceeding 6, as designated by the Managing Director as Principal Officers

"present" present at a meeting in person or deemed to be so because of participation in that meeting by means of a telephone conference or using similar communication equipment,

"the Chief Financial Officer" means Section 151 Officer. Section 151 Officer is also referred to as the responsible financial officer in The Accounts and Audit Regulations 2003 (which names the LPFA).

## **2. Board meetings**

- (a) Ordinary meetings shall take place in public at such times and places as the Board may from time to time decide.
- (b) A special meeting of the Board may be called by the Chairman at any time, and shall be so called if the Chairman is so requested in writing by not less than three Board members.
- (c) A Board Member may place an item on the agenda of an ordinary meeting by giving at least seven clear working days written notice thereof to the Chairman who shall, in consultation with the Managing Director, determine whether or not the item is confidential
- (d) Notice in writing of each meeting shall be sent to each Board Member by the Managing Director at least five working days before the meeting.
- (e) Every such notice shall specify the time, date and location of the meeting and all items of business to be transacted at the meeting to which it refers, and shall be accompanied by any reports relating to those items of business.
- (f) Reports relating to items of business to be transacted at the meeting shall be sent to each board member and the Principal Officers at least 5 working days before the meeting.



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- (g) A late item of business may only be added to the agenda of an ordinary meeting if the Chairman agrees that the item is urgent and cannot reasonably wait for the next ordinary meeting of the Board.
- (h) Subject to paragraph (i) below, the Managing Director shall publish the notice of each meeting of the Board and any reports for such meetings at the time when he sends the notice and reports to each Board Member, and shall thereafter make them available for public inspection, and provide copies of the same upon reasonable charge.
- (i) The Managing Director in consultation with the Chairman may decide that a meeting or part of a meeting is likely to be held in private, and may then withhold the notice of the meeting, or parts of the notice, and any reports relating to that meeting or part of that meeting from the press and public in advance of the meeting.
- (j) All meetings of the Board shall be open to the press and public unless the meeting decides to exclude press and public for all or part of the meeting. Members of the public have no right of audience at any meeting, but the Chairman may invite persons who are not members of the Board to attend and participate in meetings [and on terms and conditions to be determined by the Chairman] where he is of the opinion that this will advance the business of the Board. Such persons may be specialist advisers and Fund employer or Fund member representatives.
- (k) The Board must exclude the press and public from meetings where the business of the Board is likely to disclose information which the Board is prohibited by law from disclosing, and may exclude the press and public from meetings where the business of the Board is likely to disclose information which –
- (i) relates to or discloses the identity of an individual;
  - (ii) relates to the financial or business affairs of an individual;
  - (iii) relates to the conduct of consultations or negotiations in respect of labour relations;
  - (iv) relates to the conduct of consultations or negotiations with a Minister of the Crown;
  - (v) is information in respect of which legal privilege may be maintained in legal proceedings; or
  - (vi) disclosure of which would seriously prejudice the interests of the Authority or of any individual.
- [ This provision matches The Local Authority (Executive Arrangements) (Access to Information) (Amendment) (England) Regulations 2006 ]
- (l) Where the Managing Director has withheld any report or part of a report from the press and public in advance of a meeting, he/she shall disclose that report or part of report when the meeting considers that matter, unless the meeting resolves to exclude press and public from such consideration.
- (m) The Managing Director shall ensure that all agendas of and reports to the Board shall be available for public inspection at the meeting and for 6 years thereafter, except in so far as the Authority is prohibited by law from publishing such agenda or report, or, in their opinion, the public interest in maintaining the confidentiality of the agenda or report outweighs the public interest in disclosure, having regard to the criteria set out in paragraph 2(i) above.
- (n) Any Board Member may participate in a meeting of the Board by means of a telephone conference or using similar communications equipment whereby all persons participating in the meeting can hear each other and participation in a meeting in this manner shall be deemed to constitute presence in person at such meeting, and, subject to these Standing Orders and the London Government Reorganisation (Pensions etc.) Order 1989, he or she shall be entitled to vote and be counted in a quorum accordingly. Such a

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meeting shall be deemed to take place where the largest group of those members participating is assembled or if there is no such group where the Chairman is located.

In the case of an equality of votes, the person presiding at the meeting shall have a second or casting vote.

Standing Order 2 (n) should only be used with advance permission from the Chairman of the Board and in situations where the meeting would be inquorate if this Order were not applied. As a general rule this should not replace Board Members giving their apologies when they are unable to attend a meeting.

- (o) All decisions shall be by a majority of the Board Members present and voting at a Board Meeting. Voting shall be by a show of hands. In the case of an equality of votes, the person presiding at the meeting shall have a second or casting vote.
- (p) Any member of the Board may ask for their vote to be specifically recorded in the minutes of the meeting
- (q) If a Board Member has been absent from meetings of the Board or Committees thereof of which he/she is a member on more than three consecutive occasions otherwise than for a reason approved by the Board, the Chairman shall inform the Mayor thereof.
- (r) The Managing Director, the Section 151 Officer, and the Monitoring Officer shall have the right to report to and a right of audience at meetings of the Board.

### **3. Powers of the Chairman**

- (a) The Chairman shall, if present, preside at all Meetings of the Board. In the absence of the Chairman, the Board Members present shall elect the chairman of one of the Committees of the Board to preside at the meeting or, if all such chairmen are absent, shall elect one of their number to preside at that meeting.
- (b) No business shall be transacted at a meeting of the Board other than that specified in the notice of the meeting unless the Chairman or other person presiding agrees that the additional item(s) of business are urgent and cannot reasonably wait for the next ordinary meeting of the Board.

### **4. Quorum**

- (a) No business shall be transacted at a meeting of the Board unless at least four Board Members are present. In accordance with standing order 2, a Board Member who participates in a meeting by means of a telephone conference or using similar communications equipment whereby all persons participating in the meeting can hear each other shall be regarded as present at that meeting.
- (b) If during any meeting of the Board the Chairman or other person presiding is satisfied that there is not a quorum present, the meeting shall be adjourned to such time and place as shall be appointed or, if not so appointed, the remaining business shall be taken at the next ordinary meeting of the Board.

### **5. Procedure at Board Meetings**

- (a) The procedure for meetings of the Board shall be as follows:
  - (i) Election of person to preside (if appropriate) [see 3.(a)]
  - (ii) Apologies for absence
  - (iii) Declarations of interest
  - (iv) Statements by the Chairman or person presiding
  - (v) Formal reports of the Managing Director and others as requested

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- (vi) Items of business as set out in the notification for the meeting
  - (vii) Any urgent items of business with the agreement of the Chairman or person presiding.

(b) The person presiding at a meeting may alter the order of business.

## **6. Interests of Board members**

- (a) At the commencement of the meeting, or as soon as the interest becomes apparent, each Member of the Board shall make a declaration, in accordance with the Code of Conduct for Members, of any personal or prejudicial interests which may prejudice or conflict with their responsibilities as Board Members of the Authority, including any hospitality or material gifts that are accepted in the course of undertaking the Authority's business.
- (b) If a Member of the Board has in accordance with this Standing order a prejudicial interest in any matter to be considered at a meeting of the Board at which they are present, they shall disclose the fact, they may not take part in the consideration or discussion of the matter or vote on any question with respect to it, and they shall withdraw from the Board Meeting for the period during which the relevant matter is being considered.
- (c) Where all or a majority of the Board Members have a common prejudicial interest in any matter to be considered, the Board Members present may decide that such a matter can be properly considered and determined, so long as the interest is declared and recorded in the minutes of the meeting.

## **7. Disruptive conduct**

- (a) The Chairman may warn any member for disruptive conduct. If such disruptive conduct is repeated, the Chairman may put it to the meeting for approval that the member be removed from the remainder of the meeting.
- (b) The Chairman may instruct the removal of any disruptive person other than a member of the Board for the remainder of the meeting.

## **8. Minutes of proceedings**

- (a) The Managing Director shall cause minutes of the proceedings of all meetings of the Board to be drawn up and kept in a book provided for the purpose or otherwise bound together.
- (b) Such minutes shall be presented to the next convenient meeting of the Board to be approved as a correct record thereof and, if signed by a person purporting to have presided at the meeting to which the minutes relate, or at a meeting at which they were approved as a correct record, be evidence of those proceedings.
- (c) A meeting of the Board to which any such minutes relate shall, unless the contrary be proved, be deemed to have been lawfully convened and constituted.
- (d) The minutes shall include a record of any disclosure made under paragraph 5(a) above.
- (e) Where the minutes would disclose information which gave cause for the exclusion of the press and public from the meeting, the public minutes shall contain a summary of the business excluding such information, and the Managing Director shall keep a confidential minute as a full record of that item of business separate from the public minute of the meeting.

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- (f) The Managing Director shall cause the public minutes of meetings of the Board to be made available for inspection by the press and public from the date when they are approved as a correct record and for 6 years thereafter.

## **9. Standing committees**

- (a) The Board shall appoint an emergency Committee comprising all members of the Board with powers to deal with such business of the Board as will not admit of delay, or is of a routine or minor character.
- (b) The Board may at its discretion appoint other committees comprising of such Board Members as it shall consider appropriate and with such terms of reference as it may decide. (Note: The composition and terms of reference of the current Committees are set out below).
- (c) Meetings of committees may be called by the Managing Director giving not less than five clear days' notice to each member of the Committee and such notice shall wherever the circumstances allow specify the nature of the business to be transacted.
- (d) The Managing Director shall call a meeting of a Committee –
- (i) on such dates as may be agreed by the Committee
  - (ii) upon receiving a request from the Chairman of the Committee,
  - (iii) upon receiving a request from 2 or more members of the Committee, and
  - (iv) as necessary in the opinion of the Managing Director for the proper discharge of the Committee's business
- (e) Any Board Member may participate in a meeting of a committee of the Board by means of a telephone conference or using similar communications equipment whereby all persons participating in the meeting can hear each other and participation in a meeting shall be deemed to constitute presence in person at such meeting, and, subject to these Standing Orders and the London Government Reorganisation (Pension s etc.) Order 1989, he or she shall be entitled to vote and be counted in a quorum accordingly. Such a meeting shall be deemed to take place where the largest group of those members participating is assembled or if there is no such group where the Chairman is located.
- (f) No business shall be transacted at a meeting of a committee unless at least two Members are present. In the absence of a quorum, any remaining business shall be taken at the next ordinary meeting of the Board. In the absence of the Chairman of the Committee, a Deputy will be selected from the other eligible Board Members present.
- (g) The Board, at its first meeting each year, will review the membership, and confirm the Chairman, of each Committee. The Chairman of each Committee shall hold office until the earlier of:
- (i) the nomination of their successor as Chairman by the Board;
  - (ii) their resignation as Chairman;
  - (iii) their resignation from the Committee;
  - (iv) their ceasing to be a member of the Board.
- (h) Any Committee may decide any matter which is within its terms of reference or may make a report and recommendation to the Board for decision.
- (i) The Standing Orders relating to meetings of the Board shall, except in so far as Standing Order 7 specifies otherwise, apply equally to meetings of the Committees, and as if references to the Board were read as references to the relevant Committee.
- (j) Board and Committee members can allow email approval for decisions. Votes, whether they be affirmative or negative, are obligatory before any decision can be made.

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- (k) All Board Members should be able to attend Committee as observers – if they are not Committee members they will not be able to vote or count towards a quorum.
  - (l) All Board Members must attend a Committee meeting when requested to do so by the Chairman of the Committee or via a Board decision.

## **10. Confidentiality**

The proceedings and minutes of meetings of the Board and committees, and all reports submitted to those meetings are subject to the Freedom of Information Publication Scheme and shall be published unless categorised as 'exempt from publication' under the Scheme. The Authority will comply with any Freedom of Information, Environmental Information Regulation or Data Subject Access requests under the relevant legislation.

## **11. Execution of instruments**

- (a) The Seal of the Authority shall be kept in a safe place in the custody of the Managing Director and shall not be affixed to any document unless the sealing is in accordance with a decision of the Board or in accordance with arrangements for the discharge of any of the functions, powers or duties of the Authority made by the Board.
- (b) The application of the Seal or the execution of a document by Deed shall be authenticated by the signatures of at least two of the following persons: -
  - the Chairman;
  - any Board Member;
  - the Managing Director or any Principal Officer;provided that in any case where the application of the Seal is authenticated by two Principal Officers, one of those officers shall be the Managing Director.
- (c) An entry of the sealing of every document to which the Seal shall have been affixed or which is executed as a Deed shall be made in a register to be kept for the purpose by the Managing Director and shall be signed by the persons signing the document.
- (d) Every document purporting to be an instrument executed or issued by or on behalf of the Authority and to be duly executed under its Seal or executed as a Deed, or to be signed by a person authorised by the Board to act in that behalf, shall be received in evidence and be deemed, without further proof, to be so executed, or issued unless the contrary is shown.

## **12. Authorisation of officers**

Insofar as authorised by law, the Board may entrust to and confer upon the Principal Officers any of the powers, duties, authorities and discretions exercisable by the Authority upon such terms and conditions as the Board thinks fit.

## **13. Personal Liability of Members**

The Authority is a "joint board" for the purpose of Section 265 of the Public Health Act 1875, which means that a member of the Board has statutory immunity from any action or liability in respect of any actions or decisions which he/she takes in good faith and within the powers of the Authority.

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## **14. Staff**

- (a) The terms and conditions of employment of all employees shall be those terms and conditions determined from time to time by the Board, any joint negotiating committee approved by the Board or the Principal Officers as authorised so to do. The terms and conditions shall be set out in the Staff Handbook.
- (b) Applicants for employment with the Authority may not in any case or in any circumstances canvass Board Members or ask from them letters of introduction or recommendation. To canvass any Board Member or to obtain from a Board Member a letter of introduction or recommendation to any employee of the Authority shall disqualify an applicant from employment. No member of the Board shall provide or offer to provide any letter of introduction or recommendation for any candidate for employment or promotion with the Authority.
- (c) Any notice given by an officer of the Authority under the provisions of the Staff Handbook to the effect that such officer has a pecuniary interest in any contract, proposed contract or other matter, shall be addressed to the Managing Director who shall report such notice to the next ensuing meeting of the Board and shall record it in the minutes thereof.
- (d) In reporting to the Board, the Managing Director shall ensure that all relevant staffing matters including details of any proposal on staff numbers, grades, working methods and conditions or accommodation services are included in the report together with the results of any consultation which has taken place with the staff or trades unions.

## **15. General reporting and financial procedures**

- (a) All financial, financing, and accounting procedures of the Authority shall be conducted in accordance with these Standing Orders, the Officer Authorisations, the LPFA's Financial Regulations, and any Code of Practice approved from time to time by the Corporate Management Team. The Managing Director shall be responsible for ensuring that such procedures are communicated to all relevant staff.
- (b) Where any reports or recommendations are submitted to a meeting of the Board or, any decision is to be made involving expenditure or income, or relating to financing or accounting arrangements each report shall include all relevant financial and legal considerations.

## **16. Corporate documentation**

- (a) The Board shall consider each year a Strategy Statement covering a three-year forward planning period and setting out the Authority's Aim and Objectives for the period. The Statement shall be submitted to the Mayor by 31<sup>st</sup> December of the year preceding the first year of the planning period.
- (b) The Board shall consider each year a Budget Statement for the forthcoming financial year which shall be submitted to the Mayor by 31<sup>st</sup> December in the preceding year for comment.
- (c) The Board shall reach decisions, subject to consideration of any comments received from the Mayor by 14<sup>th</sup> February preceding the financial year, on the Annual Budget for the ensuing year, including:
  - (i) expenditure and income for approved staffing levels, approved policies and levels of service, and a contingency provision;
  - (ii) an estimate of the necessary working balances; and

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(iii) in the light of these requirements, the amount of any levy to be made in accordance with article 4 of the Order and any regulations issued under the Local Government Financial Acts which apply to the Authority.

(e) The Managing Director shall arrange for the publication of the Strategy Statement and the Budget Statement as approved by the Board and send a copy thereof as soon as practicable after its approval to the Mayor, to the Greater London Authority and to functional bodies, to each of the authorities upon whom the Authority is empowered to levy, and to any other interested bodies.

## **17. Authorisation of expenditure**

(a) When the Board Meeting has approved the Annual Budget, individual items of expenditure may be authorised within the approved estimates by the Board, a Committee or an officer in accordance with their terms of reference and any powers delegated to them. Where expenditure is to be authorised by the Board or by a Committee, such authority shall be given following consideration of a report by the Principal Officers, provided that the Board Meeting may make such arrangements as it considers appropriate to authorise the Principal Officers pursuant to Standing Order 10 above to act on its behalf, and any such arrangements shall be included in and subject to approved Officer Authorisations and Code of Practice.

(b) Reports by the Principal Officers as referred to above shall:

(i) indicate the cost of each proposal, including estimates of the cost in the current financial year and any consequential expenditure and income in future financial years; if the proposal is part of a scheme, an estimate of the costs of the whole of the scheme, and the incidence of expenditure and income over successive financial years;

(ii) for proposals involving capital expenditure, provide estimates of any associated revenue expenditure, including annual running costs;

(iii) provide details and indicate separately the cost of any staffing element of the proposal;

(iv) state the proposed source of budget provision, any associated income, and indicate clearly any virement of budget provision, or drawing upon the contingency reserve, which is required.

(c) Any proposal to authorise expenditure for which sufficient provision has not been made in the approved estimates, shall require the approval of the Board, and any report to a meeting of the Board seeking such approval shall include advice on the financial implications, the financial resources available and the financial consequences for the Budget should such approval be given.

## **18. Treasury management**

The management of the Authority's treasury functions shall be undertaken, pursuant to Standing Order 10 above, by the Principal Officers in accordance with a the Treasury Management Strategy and Code of Practice (which adopts the key recommendations of CIPFA's Treasury Management in the public services: Code of Practice) approved by the Board which shall incorporate the following documents:

- (a) Treasury Policy Statement
- (b) Treasury Control Notes
- (c) List of Approved Borrowers and Limits



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## **19. Tenders and contracts**

- (a) All contracts made by the Authority or on its behalf shall comply with these Standing Orders, the Officer Authorisations, and any Code of Practice approved by the Corporate Management Team.
- (b) Subject to compliance as above, to the appropriate budgetary provision being available, and to authority to incur the necessary expenditure, the Principal Officers may accept a tender within such limits as the Board shall have determined for the purposes of this Standing Order.

## **20. Periodic reports of expenditure and income**

- (a) At such times as the Board shall decide, the Principal Officers shall submit a report, showing expenditure and income compared with the budget estimates. Such report shall where appropriate include observations on the likely out-turn for the full financial year, and shall make recommendations as considered necessary.
- (b) On consideration of such reports and any recommendations, the Board shall make such decisions on individual budget heads, or the budget as a whole, as it considers necessary and appropriate.

## **21. Annual report and accounts**

- (a) After the end of each financial year the Managing Director shall prepare an Annual Report on the discharge of the functions and duties of the Authority for approval by the Board.
- (b) The Chief Financial Officer shall secure that the annual accounts of the Authority for the previous year shall be drawn up and submit to a meeting of the Board for approval. Upon approval of the annual accounts, the Board shall authorise the Chief Financial Officer to sign the accounts on behalf of the Authority.
- (c) The Managing Director shall arrange for the publication, by no later than 30<sup>th</sup> September, of the Annual Report and Accounts as approved by the Board and send a copy thereof to the Mayor, to the Greater London Authority and to the functional bodies, to each of the authorities in Greater London upon whom the Authority is empowered to levy, to any other bodies participating in the Fund and to other interested bodies. In practice this is achieved by publication on the LPFA website.

## **22. Requests for information**

All requests from the Mayor pursuant to paragraph 10 (3) to the Local Government Act 1985 to be furnished with information relating to the discharge of the functions of the Authority or for any person authorised by the Mayor to inspect and make copies of any accounts of documents and to receive explanation of them shall be referred to the Managing Director who shall, in consultation with other officers be responsible for ensuring that such requests are complied with. The Managing Director shall keep a record of all such requests and of the date of compliance therewith, which shall be available for inspection by any member of the Board.

## **23. Legality of proposals and payments**

- (a) The Managing Director shall be responsible for ensuring that all proposals to incur expenditure or to receive income, and sums which they or their staff certify for payment on behalf of the Authority are legally and properly undertaken.
- (b) Any question as to the legality of any proposed payment shall be referred to the Managing Director for advice, as to the relevant financial and legal considerations of the proposal and where the Managing Director considers it appropriate, the proposal shall be reported to a meeting of the Board with the relevant financial and legal advice.



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## **24. Amendments to standing orders**

No amendment to these Standing Orders shall be made unless written notice of any proposed amendment has been despatched to all Board Members at least five working days before the Board meeting at which such proposed amendments are to be considered. No such amendment shall take effect unless:

- (a) no objection has been received to the amendment from any member of the Board within 20 clear working days following the date of that meeting, in which case the amendment shall take effect on the expiry of that period, or
- (b) such objection is received within that period and the proposed amendment has been confirmed by a resolution of the Board at the next convenient meeting of the Board following the receipt of that objection.

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## D. MATTERS RESERVED FOR DECISION BY THE BOARD

### 1. Accounts and audit

- 1.1 Approval of the annual report and accounts. [Audit & Risk Committee assurance]
- 1.2 Accounting policies and practices and any changes thereto; the use of any off balance sheet structures. [Audit & Risk Committee assurance]
- 1.3 Acceptance of any proposed audit qualification of the accounts. [Audit & Risk Committee assurance]
- 1.4 Approval of Audit and Risk Committee's recommendations for appointment or removal of internal auditors and external auditors [Board]

### 2. Strategic, partnership, performance and policy considerations

- 2.1 Determining LPFA's overall strategy and business plan and submitting this to the Mayor. [Board]
- 2.2 Major organisation and control structure changes. [Board]
- 2.3 Review of partnership performance in light of the Authority's strategic aims, objectives, business plans and budgets and ensuring any necessary corrective action is taken. This includes monitoring pension administration, liability and investment activities
- 2.4 Approval of shareholder reserved matters and engagement with the Mayor over pre-consent items

### Policy considerations

- 2.4 Agreement of codes of business practice\* and the constitutional document\*\*, taking into account environmental, social and governance matters. [Board]

\*The approval of all Codes of Practices have been delegated to the Managing Director

\*\*Factual changes to the constitutional document have been delegated to the Monitoring Officer.

- 2.5 Approval of the Environmental, Health & Safety and Equality & Diversity policies
- 2.6 Approval of public policy statements
- 2.7 Any matter which could reasonably be expected to have a material effect on the reputation or standing of the LPFA. [Board]

### 3. Risk management

- 3.1 Ensuring a robust system for risk management and internal control policies **is in place** [Audit & Risk Committee assurance]
- 3.2 Approve changes to risk management and internal control policies [Audit & Risk Committee assurance]
- 3.3 Carrying out an assessment (at least annually) of significant risks and effectiveness of risk management and internal control policies. [Audit & Risk Committee assurance]
- 3.4 Commencement of prosecution, defence or settlement of litigation, arbitration or other proceedings [Board]

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#### **4. Transactions**

- 4.1 Major projects and contracts in excess of the European tender threshold for goods and services. All significant “works” projects in excess of the tender threshold for goods and services should also have Board approval. [Board]
- 4.2 Contracts in which a director or other related party is interested. [Board]
- 4.3 Any binding commitment to enter into a material strategic alliance, joint venture, partnership or profit sharing arrangement (other than in the ordinary course of business) including any extension of the Partnership or pooling arrangements. [Board]

#### **5. Finance**

- 5.1 Any increase beyond the borrowing limits previously adopted. [Audit & Risk Committee assurance]
- 5.2 Determining the annual operating budget & changes thereto/review of performance against budgets.
- 5.3 Shareholder Approval of the budget and Strategic Plan of the Partnership annually
- 5.4 Approve changes to Treasury policies [Audit & Risk Committee assurance]
- 5.5 Shareholder approval of any changes to the accounting policy or Treasury Policies of the Partnership.
- 5.6 Management of the discharge of LPFA’s inherited residual liability function. Day to day management may be delegated to Officers or the Partnership and the Audit and Risk Committee will consider an annual report on the discharge of these functions.

#### **6. Regulatory requirements**

- 6.1 Approval of announcements concerning matters decided by the board are delegated to the Managing Director and Chair of the Board. [Board]
- 6.2 Charitable donations. [Board]

#### **7. Appointments**

- 7.1 7.1.1 Managing Director appointments and the continuation in office of the Managing Director position are Board reserved appointments. A selection panel of Board members will be set up to interview candidates with the final ratification going to Board.
  - 7.1.2 Board and senior employee succession; [Board]
  - 7.1.3 Any matters concerning the appointment and continuation in office of any Principal Officer at any time.
- 7.2 Terms of engagement of directors. [Board]
- 7.3 Approval of remuneration and nomination committee's recommendations on remuneration for senior employees. [Board]
- 7.4 The establishment of companies, with the exception of transactional vehicles which are limited in scope, is a matter reserved for Board. The appointment of Directors to these “non-transactional” companies is a matter reserved for Board; the Managing Director has delegated authority to appoint Directors to transactional, limited in scope vehicles.

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- 7.5 Appointment of the Fund Actuary, investment provider and the Custodian.
  - 7.6 Appointment of LPFA's statutory officers – Monitoring Officer and s151 Officer

## **8. Employment issues**

- 8.1 Major changes in the rules or funding of the pension schemes, or fund management arrangements. [Board]
- 8.2 Decisions regarding trade union recognition. [Board]
- 8.2 Decisions regarding redundancy policy. [Board]
- 8.4 Approval of LPFA's employer discretions under the LGPS Admin Regs 2008

## **9. Governance issues**

- 9.1 Establishment, terms of reference, Chairmanship and membership of Board committees. [Board]
- 9.2 Delegation of the Board's powers. [Board]
- 9.3 The making and amending of the Standing Orders to regulate its own proceedings [Board]
- 9.4 The submission of formal comments on behalf of the Authority to government departments where the matter is strategic or fundamental to the interests of the Authority [Board]
- 9.5 The consideration of matters upon which the formal consent of the Mayor or of a Government Department is required by law, unless the Managing Director considers it impractical to do so in the circumstances, including those items highlighted as Partnership GLA pre-consent matters. [Board]

## **10. Investment issues**

- 10.1 The setting of the overall investment policy and strategy of the Fund – the strategic asset allocation strategy
- 10.2 Approval of the Strategic Investment Principles and/or Investment Strategy Statement.
- 10.3 Approval of the Advisory and Management Agreement (Fiduciary Agreement) for management of funds and any changes to this and receipt of performance monitoring and compliance reports against this
- 10.4 Receipt of all FCA regulatory investment reports and all publically available investment reports
- 10.5 Regular reports from the LPP to highlight performance against the SIP/ISS, the Advisory and Management Agreement; approval of anything which falls outside that AMA, any issues identified and how LPP are resolving them.

## **11. Delegations of Authority**

- 11.1 Hierarchy of delegations [Board]

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## **12. Valuation and Pension Administration**

- 12.1 Approval of initial valuation assumptions prior to Actuary making his determinations, and approval of final assumptions, as negotiated by the Managing Director and Actuary, and any associated recovery plan.
- 12.2 To consider funding issues in relation to the valuation and communications with employers.
- 12.3 Consideration and approval of all applications from organisations wishing to be admitted to the Fund for pension administration outside the established criteria/parameters

## **13. Local pension Board**

- 13.1 Maintain a Local Pension Board and appoint members to the Board.
- 13.2 Receive an annual report from the LPB on activities throughout the year.

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## E. TERMS OF REFERENCE OF COMMITTEES AND LOCAL PENSION BOARD

The Authority has the power to arrange for the discharge of its functions by Committees of the Authority<sup>1</sup>. Under Standing Order 9, the Board currently operates one standing committee and a Local Pension Board, as follows:

1. Audit and Risk Committee
2. Local Pension Board

The composition and terms of reference for the Audit & Risk Committee and Local Pension Board is set out below.

These terms of reference are subject to the matters reserved for decision of the Board.

Officers of the Authority attend meetings of Committees as required to support the business of the Committees. The Managing Director, the Monitoring Officer and the Authority's Auditor may attend any meetings at their discretion.

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<sup>1</sup> Under Section 101 of the Local Government Act 1972 as applied to the Authority by Paragraph 5(a) of Schedule 1 to the London Government reorganisations (Pensions etc.) Order 1989

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1. Audit & Risk Committee Terms of Reference

**1. Purpose**

**1.1** The function of the Audit & Risk Committee is to monitor the operation of the Authority's internal control, governance, risk and compliance arrangements, to consider reports on these, and to make recommendations to the Board as necessary.

**2. Delegated Powers**

**2.1** The Committee is empowered to carry out the specific duties set out in these terms of reference. Beyond these specific delegated powers, the Committee acts as an advisory body with no executive powers, but is authorised to investigate any activity within its terms of reference.

**2.2** The Committee may obtain, at the Authority's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so.

**2.3** The Section 151 Officer has a specific statutory responsibility for the administration of the Authority's financial affairs and has a duty to report and act upon unlawful expenditure. Such action by the Section 151 Officer should be taken in consultation with the Managing Director, Monitoring Officer and notified to the Chair of the Committee.

**3. Duties**

The Committees duties relate to: financial reporting (3.1); and risk management systems (3.2); internal controls and compliance (3.3); internal audit (3.4); external audit (3.5) and oversight of Partnership matters (section 4).

The Committee shall:

**3.1 Financial reporting**

**3.1.1** Monitor the integrity of the financial statements of the Authority and any other formal announcements relating to the Authority's financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor.

**3.1.2** Review and challenge where necessary:

**3.1.2.1** The consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Authority;

**3.1.2.2** The methods used to account for significant or unusual transactions where different approaches are possible;

**3.1.2.3** Whether the Authority has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

**3.1.2.4** The clarity and completeness of disclosure in the Authority's financial reports and the context in which statements are made; and

**3.1.2.5** All material information presented with the financial statements, such as the corporate governance statements relating to the audit and to risk management.

**3.1.3** Review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary to assess the Authority's performance and strategy.

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- 3.1.4 Review and approve the statements to be included in the annual report concerning internal controls, governance and risk management.
  - 3.1.5 Provide an annual report to Board on activities undertaken during the year to manage the significant risks facing the Authority. This should be included in the Annual Report and Accounts.
  - 3.1.6 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Authority, it shall report its views to the Board.

## **3.2 Risk management systems**

### **Risk Framework**

- 3.2.1 Keep under review the effectiveness of the risk management framework and the Authority's overall risk assessment processes that inform the board's decision making, ensuring both qualitative and quantitative metrics are used.
- 3.2.2 Advise the Board on the Authority's overall risk appetite, tolerance and strategy taking into account all relevant factors.
- 3.2.3 Review the Authority's capability to identify and manage new risks and types of risk.
- 3.2.4 Consider and approve the remit of the risk management services and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.

### **Risk Oversight**

- 3.2.5 Oversee and advise the Board on the current risk exposures of the Authority and future risk strategy.
- 3.2.6 Advise the Board on risks surrounding any strategic transaction alliances, co-investment processes or joint working and take external advice where appropriate including any specific significant partnership risks.
- 3.2.7 Review reports on any material breaches of risk limits and the adequacy of the proposed action.
- 3.2.8 Review any specific risks relating to employer covenant and liability risks.

## **3.3 Internal controls and Compliance**

- 3.3.1 Ensure robust internal controls are in place throughout the Authority and that this is reported on via Executive reports and auditor reports.
- 3.3.2 Ensure appropriate policies and processes are in place to ensure compliance with the Authority's legal and regulatory framework and that these are being adhered to.
- 3.3.3 Consider reports on compliance with the Authority's formal codes of practice, policies and procedures including Treasury Management and ethical standards, and keep under review the adequacy and effectiveness of the Authority's compliance support. At least annually review:
  - 3.3.3.1 The adequacy and security of the Authority's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;



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- 3.3.3.2 The Authority's procedures for detecting fraud;
  - 3.3.3.3 The Authority's systems and controls for the prevention of bribery and receive reports on non-compliance;
  - 3.3.3.4 Regular reports from the Monitoring Officer and the Section 151 Officer on the adequacy and effectiveness of the Authority's anti-money laundering systems and controls;
  - 3.3.3.5 The management of residual liabilities (asbestosis).
- 3.3.4 Receive reports on any breaches of any of the compliance policies of the Authority.
  - 3.3.5 Undertake a quarterly review of the contract register, the gifts and hospitality register and approval of related party transactions and the declaration of interest registers.
  - 3.3.6 At least annually review the security arrangements over assets i.e. ensuring appropriate custody arrangements are in place for all assets.

### **3.4 Internal audit**

#### **Appointments and effectiveness**

- 3.4.1 Appoint internal audit appointments and advise the Board accordingly.
- 3.4.2 Ensure the internal auditors have direct access to the Board Chair and to the Committee Chair, and is accountable to the Committee.
- 3.4.3 Monitor and review the effectiveness of the Authority's internal audit function, in the context of the Authority's overall risk management system.

#### **Plan**

- 3.4.4 Review, assess and agree the scope of the annual internal audit work plan and to report this to Board for discussion.

#### **Reports**

- 3.4.5 Consider reports on the results of the internal auditor's work, and arrangements for the implementation of agreed recommendations.
- 3.4.6 Review and monitor management's responsiveness to the internal auditor's findings and recommendations.
- 3.4.7 If required, meet with the internal auditor at least once a year without the presence of management.

### **3.5 External audit**

#### **Appointments and effectiveness**

- 3.5.1 Keep under review the appointment, re-appointment, removal and performance of the Authority's external auditor.
- 3.5.2 If an auditor resigns, investigate the issues leading to this and decide whether any action is required.
- 3.5.3 Oversee the relationship with the external auditor including (but not limited to):

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- 3.5.3.1 Recommendations on their remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
  - 3.5.3.2 Approval of their terms of engagement where these are set locally, including any engagement letter issued at the start of each audit and the scope of the audit;
  - 3.5.3.3 Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Authority (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
  - 3.5.3.4 Monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Authority compared to the overall fee income of the firm, and other related requirements;
  - 3.5.3.5 Assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
  - 3.5.3.6 Review use of external auditors to provide non-audit services, identifying improvements and making recommendations.

#### **Plan**

- 3.5.4 Meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year, without management being present if required, to discuss the auditor's remit and any issues arising from the audit.
- 3.5.5 Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team; and seeking to ensure co-ordination with the activities of the internal audit function.

#### **Report**

- 3.5.6 Review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
  - 3.5.6.1 Discussion of any major issues which arose during the audit;
  - 3.5.6.2 Key accounting and audit judgements;
  - 3.5.6.3 Levels of errors identified during the audit; and
  - 3.5.6.4 The effectiveness of the audit process.
- 3.5.7 Review any representation letter(s) requested by the external auditor before they are signed by management.
- 3.5.8 Review all relevant reports including reports on the accounts, achievement of value for money and the response to external audit recommendations and management letters.

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#### **4. Partnership Oversight**

The Committee shall:

- 4.1** Review the compliance with the service level agreement of the Authority's partnership arrangements as requested but at least on an annual basis via access to the partnership's internal auditors and direct reports from the LLPP Executive.
- 4.2** At least annually, review the key risks of major shareholdings including the partnership risks. Request as necessary a full risk or compliance review of any part of the Partnership business.
- 4.3** At least annually, review the risk exposures, sensitives and scenarios relating to hedging, inflation and liquidity risks (being managed via the Partnership's risk management arrangement).
  - 4.3.1 Ensure that the LLPP Chief Risk Officer has the right of unfettered direct access to the Chair of the LPFA Board and Audit & Risk Committee.
  - 4.3.2 Receive reports on any significant breaches of any of the material compliance policies of the Partnership.
- 4.4** Consider External Audit arrangements for the partnerships with particular reference to independence and provision of non-audit services at least every 3 years.
- 4.5** Ensure that the Audit and Risk Committee has the ability to request and review the partnership's policies and procedures, e.g. around equalities.

#### **5. Reporting responsibilities**

- 5.1** The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities.
- 5.2** The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed or if there should be cause for concern. This shall be applicable for the Authority, any major shareholder undertakings and partnership arrangements as necessary.
- 5.3** The Committee shall compile a report on its activities to be included in the Authority's annual report. The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor.

#### **6. Membership**

- 6.1** The Committee shall comprise at least two members of the Board as determined and elected by the Board. Membership shall exclude both the Chair and Deputy Chair of the Board.
- 6.2** The Principal Officers of the Authority shall attend meetings of the Audit & Risk Committee where there are items of business relevant to their responsibilities.
- 6.3** The Authority's External Auditor and representatives of the Authority's Internal Auditor shall attend meetings of the Audit & Risk Committee to present their reports and as required to support the functions of the Committee.

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## **7. Secretary**

- 7.1** The Monitoring Officer shall appoint a nominee to act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

## **8. Frequency of meetings**

- 8.1** The Committee shall meet at least three times a year and may be called at such other times as may be deemed necessary by the Chair or the Managing Director.
- 8.2** Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Authority's governance, including the Board Chair, the Managing Director, the Monitoring Officer and Section 151 Officer, the external audit lead partner and the head of internal audit.

## **9. Other matters**

The Committee shall:

- 9.1** Have access to sufficient resources in order to carry out its duties, including access to the Monitoring Officer and their nominee for assistance as required.
- 9.2** Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 9.3** Work and liaise as necessary with all other Board Committees.
- 9.4** Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.
- 9.5** Consider any other matters when requested to do so by the Board.
- 9.6** Seek any information it requires from any employee of the Authority, or of a major shareholding entity or the Partnership in order to perform its duties.
- 9.7** Have the right to publish in the Authority's annual report, details of any issues that cannot be resolved between the Committee and the Board.

## 10. Annual Agenda Planner

In order to deliver the above terms of reference, an outline agenda map has been highlighted below:

### Regular Cycle of Audit & Risk Committee Business

<b>June meeting</b>	ToR section:
External Auditor <ul style="list-style-type: none"> <li>• Progress on audit actions</li> <li>• Draft Audit Plan</li> </ul>	3.5.6 3.5.4, 3.5.5
<ul style="list-style-type: none"> <li>• Approval of the annual governance statements on risk, governance and internal controls</li> </ul>	3.3.1, 3.1.4
<ul style="list-style-type: none"> <li>• Annual report from Audit &amp; Risk Committee to Board on audit activities to be included in the Pension Fund Annual Report</li> </ul>	3.1.5, 5.3
Internal Audit Progress Report <ul style="list-style-type: none"> <li>• Audit Plan for the coming year</li> <li>• IA reports</li> <li>• Update on the implementation</li> </ul>	3.4.4 3.4.5 3.4.6
Risk Management: <ul style="list-style-type: none"> <li>• Corporate Risk Management Report</li> <li>• Quarterly Financial Risk Report</li> <li>• Employer covenant and liability risk update</li> <li>• Annual review of Hedging, inflation and liquidity risks</li> </ul>	3.2.5 3.2.5 3.2.8 4.3
Compliance reports: <ul style="list-style-type: none"> <li>• Gifts &amp; Hospitality (quarterly review)</li> <li>• Related Party Transactions + Interests registers (quarterly review)</li> <li>• Treasury Management including any write-offs –annual compliance review</li> </ul>	3.3.3 3.3.5 3.3.5 3.3.3

<b>September meeting</b>	<i>ToR Section</i>
Closed session of the Auditors and Committee Members	3.4.7, 3.5.4
External audit <ul style="list-style-type: none"> <li>presenting final statement of accounts</li> <li>letter of representation</li> <li>Management response on actions</li> <li>Progress on audit actions</li> </ul>	3.1.1, 3.1.2, 3.1.3, 3.1.6, 3.5.6, 3.5.7, 3.5.8
Internal Audit Progress Report <ul style="list-style-type: none"> <li>IA reports</li> <li>Update on the implementation</li> </ul>	3.4.5 3.4.6
<ul style="list-style-type: none"> <li>Internal Audit contract renewal and effectiveness review</li> </ul>	3.4.1, 3.4.3
Risk Management: <ul style="list-style-type: none"> <li>Corporate Risk Management Report</li> <li>Quarterly Financial Risk Report</li> <li>Employers risk report</li> </ul>	3.2.5 3.2.5 3.2.8
Compliance reports: <ul style="list-style-type: none"> <li>Gifts &amp; Hospitality (quarterly review)</li> <li>Related Party Transactions + Interests registers (quarterly review)</li> <li>Fraud Control Framework - annual review</li> <li>Residual liabilities (asbestosis claims) - annual review</li> <li>Custodian arrangements – annual review</li> <li>Annual review of ToR and effectiveness</li> </ul>	3.3.3 3.3.5 3.3.5 3.3.3.2 3.3.3.5 3.3.6 9.4
<b>November Meeting (Risk focused meeting)</b>	
Risk Management: <ul style="list-style-type: none"> <li>Corporate Risk Management Report</li> <li>Quarterly Financial Risk Report</li> <li>Employers risk report</li> </ul>	3.2.5 3.2.5 3.2.8
Annual Review: <ul style="list-style-type: none"> <li>Partnership’s compliance and due diligence</li> <li>Partnership’s key risks</li> <li>Partnership’s policies and processes</li> </ul>	4.1 4.2 4.1
Compliance reports: <ul style="list-style-type: none"> <li>Contracts (annual review)</li> <li>Gifts &amp; Hospitality (quarterly review)</li> <li>Related Party Transactions + Interests registers (quarterly review)</li> <li>Authority’s policies and procedures</li> </ul>	3.3.3 3.3.5 3.3.5 3.3.5 3.3.2
Appointment of the External Auditors and effectiveness	3.5.1, 3.5.3
<b>Feb/March meeting</b>	
External Auditor <ul style="list-style-type: none"> <li>Audit Letter</li> </ul>	3.5.3.2
Internal Audit Progress Report <ul style="list-style-type: none"> <li>IA reports</li> <li>Update on the implementation</li> </ul>	3.4.5 3.4.6
Risk Management: <ul style="list-style-type: none"> <li>Corporate Risk Management Report</li> <li>Quarterly Financial Risk Report</li> <li>Employers risk report</li> </ul>	3.2.5 3.2.5 3.2.8
Compliance reports: <ul style="list-style-type: none"> <li>Gifts &amp; Hospitality (quarterly review)</li> <li>Related Party Transactions + Interests registers (quarterly review)</li> </ul>	3.3.3 3.3.5 3.3.5

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**Additional business**

Audit can request any additional items to be added to the agenda, any breaches or compliance issues will automatically be reported to the Committee. This will include items referenced in the following sections of the terms of reference: 3.2.6, 3.2.7, 3.3.4, 3.5.2, 4.3.2, 4.4, 3.1.6.

Managing Director

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2. Local Pension Board (LPB)

The role of the LPB is defined by sections 5(1) and (2) of the Public Service Pensions Act 2013. In summary it is to assist LPFA as the administering authority in securing compliance with the LGPS and other regulations. More detail on the remit can be found under (e) below.

**a. Membership and voting**

The Committee shall comprise at least three Employer Representatives, three Member representatives and an Independent Chair as determined and appointed by the LPFA.

The quorum for each meeting shall be at least 1 member and at least 1 employer representative plus the Independent Chair. Should the Chair not be present the meeting may continue to discuss items but decisions will need to be deferred to a future meeting.

All decisions shall be by a majority of the LPB members present and voting. Voting shall be via a show of hands. The Chair shall not have a vote. In the case of an equality of votes the chair shall defer the matter to the next meeting.

Terms of appointment are for a period of up to 4 years. The periods may be staggered to avoid wholesale turnover. No LPB member should serve more than 2 consecutive terms. The appointment process and resulting terms and conditions is a matter delegated to the officers of the administering authority.

Removal from the LPB could be via:

- Failure to be re-appointed by the administering authority
- An employer is no longer a member of the fund (for Employer Representatives only)
- Failure to attend three consecutive meetings without prior approval from the Chair
- Serving the maximum number of terms
- All remaining LPB members proposing to the administering authority that a particular member should be removed. The decision will remain with the administering authority.
- Resignation by the LPB member with 3 months' notice
- Inability for a conflict to be effectively managed in the eyes of the administering authority
- Failure in the eyes of the administering authority to have the appropriate experience and capacity required for the role.
- Death or incapacity of the LPB member.

LPB members will comply with the administering authority's training programme and be conversant with all public policy statements

Alternate members may not be appointed.



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**b. Attendance at meetings**

- i. All LPFA Board Members may be able to attend LPB meetings as observers – however they will not be able to vote or count towards a quorum. All LPFA Board Members must attend a LPB meeting when requested to do so by the LPB Chair or via a LPB decision.
- ii. The Managing Director will attend meetings of the LPB. However other Officers should attend as required for the conduct of the LPB’s business.

**c. Arrangements for meetings**

Meetings of the LPB shall be held at least twice per year and may be called at such other times as may be deemed necessary by the Chair of the LPB.

All meetings will be held in confidential session although the public minutes and some reports will be published on LPFA’s website.

The LPB will prepare an Annual Report of activities for presentation to the LPFA Board and for inclusion as part of the administering authority’s Pension Fund Annual Report

A register of conflicts of interest will be maintained for each LPB member. Declaration of new conflicts should be made at the start of each LPB meeting or in advance to the Monitoring Officer.

LPFA’s Gifts, Hospitality and Expenses Policy will apply and the entries will be published on the LPFA website.

The role of Pension Board members requires the highest standards of conduct and therefore the “seven principles of public life” and The Pension Regulator’s Code of Practice 14 will be applied to all LPB members.

**d. Delegated Powers**

The LPB is empowered to carry out the specific duties set out in these terms of reference. Beyond these specific delegated powers, the LPB acts as an advisory body with no executive powers.

The Principal Officers may be requested to obtain independent professional advice on any matter falling within these terms of reference. This is subject to business requirements and budgetary constraints and it would be usual for the LPB to call upon the services of the administering authority’s existing advisors. Should further expenditure be required the LPB must make representation to the s151 Officer and to the Board.

The LPB will undertake each year a formal review process to assess how well it and its members are performing with a view to seeking continuous improvement.

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**e. Specific Remit of the Local Pension Board**

1. The first core function of the LPB is to assist the administering authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme. Within this extent of this core function this may include:
  - a) Reviewing regular compliance monitoring reports and decisions made under the Regulations by the administering authority. This could include public monthly Financial Monitoring reports for example
  - b) Reviewing administrative and governance processes and procedures in order to ensure they remain compliant with regulations and in particular the Pension Regulators Code of Practice number 14
  - c) Reviewing the compliance of scheme employers with their duties under the regulations
  - d) Assisting with the development of and reviewing such documentation as is required by the regulations including Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles
  - e) Assisting with the development of and reviewing scheme member and employer communications as required by regulations
  - f) Monitoring complaints and reviewing trends in IDR/Pension Ombudsman cases
  - g) Reviewing the implementation of revised regulations following changes to the Scheme
  - h) Monitoring employer and administering authority discretions
  - i) Reviewing draft Pension Fund Annual Report and draft LGPS consultation responses for comment
  
2. The second core function of the LPB is to ensure the effective and efficient governance and administration of the Scheme. Within this extent of this core function this may include:
  - a) Assisting with the development of improved customer services
  - b) Monitoring performance of administration, governance and investments against key performance targets and indicators
  - c) Monitoring investment costs including custodian and transaction costs
  - d) Reviewing the risk register as it relates to scheme risks
  - e) Reviewing the outcome of the triennial valuation.
  - f) Any other area within the core function the Business & Administration Committee deems appropriate
  
3. In support of its core functions the LPB may make a request for information to the Board, via the Managing Director, with regard to any aspect of the administering authority function. Any such request should be reasonably complied with in both scope and timing.

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4. The Chair of the LPB will be encouraged to report back to Board. All LPB members are allowed to attend Part 1 Board Meetings.

Once approved these terms of reference can only be amended by the LPFA Board, with the exception of factual changes which have been delegated to LPFA's Monitoring Officer.

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## F. CODE OF CONDUCT FOR BOARD MEMBERS

The Board has resolved to adopt the Code of Conduct which is for the time being prescribed for members of local authorities, subject to such amendment as is necessary to apply its provisions to the Authority.

The Authority is not covered by Part 3 of the Local Government Act 2000 and so does not have to establish a Standards Committee, and does not have the statutory powers of enforcement available to local authorities. However, the Code of Conduct will be enforced by the Board under the Authority's power of self-regulation and by recommendation to the Mayor of London where the Board is of the opinion that a member of the Board is no longer suitable to continue as a Board member.

The authority is under a duty to disclose "related party transactions" (transaction between the authority and a party in respect of whom a member of the Authority has a significant interest) in its Annual Report and Accounts, to comply with Financial Reporting Standard 8 (FRS 8). The registration by members of the Authority of interests under the Code of Conduct provides the basis for identifying all such "related party transactions" and accordingly the complete and prompt registration of interests by members of the Authority is important not just in terms of member's own responsibilities, but also to enable the Authority to comply with its obligations under FRS 8.

Disclosures of personal and prejudicial interests by members at meetings of the Authority are recorded in the minutes of such meetings. The Register of Members Interests is made available for public inspection by the Managing Director, with the exception of any "sensitive information."

**1<sup>st</sup> April 2008**

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### **THE CODE OF CONDUCT FOR BOARD MEMBERS**

#### PART 1 General Provisions

##### **Introduction and interpretation**

1. (1) This Code applies to you as a Board member.
  - (2) You should read this Code together with the general principles prescribed by the Secretary of State (appended hereto, below).
  - (3) It is your responsibility to comply with the provisions of this Code.
  - (4) In this Code
    - "meeting" means—
      - (a) any meeting of the authority;
      - (b) any meeting of any of the authority's committees
      - (c) any informal meeting between Board members of the Authority or one or more Board members of the Authority and officers of the Authority in connection with the discharge of the functions of the Authority

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## Scope

2. (1) Subject to sub-paragraphs (2) to (5), you must comply with this Code whenever you—
- (a) conduct the business of the Authority (which, in this Code, includes the business of the office to which you are elected or appointed); or
  - (b) act, claim to act or give the impression you are acting as a representative of the Authority,
- and references to your official capacity are construed accordingly.
- (2) Subject to sub-paragraphs (3) and (4), this Code does not have effect in relation to your conduct other than where it is in your official capacity.
- (3) In addition to having effect in relation to conduct in your official capacity, paragraphs 3(2)(c), 5 and 6(a) also have effect, at any other time, where that conduct constitutes a criminal offence for which you have been convicted.
- (4) Conduct to which this Code applies (whether that is conduct in your official capacity or conduct mentioned in sub-paragraph (3)) includes a criminal offence for which you are convicted (including an offence you committed before the date you took office, but for which you are convicted after that date).
- (5) Where you act as a representative of the Authority on any other body, you must, when acting for that other body, comply with this Authority's code of conduct, except and insofar as it conflicts with any other lawful obligations to which that other body may be subject.

## General obligations

3. (1) You must treat others with respect.
- (2) You must not—
- (a) do anything which may cause the Authority to breach any of the equality enactments (as defined in section 33 of the Equality Act 2006);
  - (b) bully any person;
  - (c) intimidate or attempt to intimidate any person who is or is likely to be—
    - (i) a complainant,
    - (ii) a witness, or
    - (iii) involved in the administration of any investigation or proceedings,in relation to an allegation that a member (including yourself) has failed to comply with his or her authority's code of conduct; or
  - (d) do anything which compromises or is likely to compromise the impartiality of those who work for, or on behalf of, the Authority.

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**4. You must not—**

- (a) disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, except where—
  - (i) you have the consent of a person authorised to give it;
  - (ii) you are required by law to do so;
  - (iii) the disclosure is made to a third party for the purpose of obtaining professional advice provided that the third party agrees not to disclose the information to any other person; or
  - (iv) the disclosure is—
    - (aa) reasonable and in the public interest; and
    - (bb) made in good faith and in compliance with the reasonable requirements of the Authority; or
- (b) prevent another person from gaining access to information to which that person is entitled by law.

**5. You must not conduct yourself in a manner which could reasonably be regarded as bringing your office or authority into disrepute.**

**6. You—**

- (a) must not use or attempt to use your position as a member improperly to confer on or secure for yourself or any other person, an advantage or disadvantage; and
- (b) must, when using or authorising the use by others of the resources of the Authority—
  - (i) act in accordance with the Authority's reasonable requirements;
  - (ii) ensure that such resources are not used improperly for political purposes (including party political purposes);
- (c) must have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986.

**7. (1) When reaching decisions on any matter you must have regard to any relevant advice provided to you by officers of the Authority, and particularly the Authority's Principal Officers.**

- (2) You must give reasons for all decisions in accordance with any statutory requirements and any reasonable additional requirements imposed by the Authority.

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## PART 2

### Interests

#### Personal interests

- 8.** (1) You have a personal interest in any business of the Authority where either—
- (a) it relates to or is likely to affect—
    - (i) any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by the Authority;
    - (ii) any body—
      - (aa) exercising functions of a public nature;
      - (bb) directed to charitable purposes; or
      - (cc) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union),  
of which you are a member or in a position of general control or management;
    - (iii) any employment or business carried on by you;
    - (iv) any person or body who employs or has appointed you;
    - (v) any person or body, other than a relevant authority, who has made a payment to you in respect of your election or any expenses incurred by you in carrying out your duties;
    - (vi) any person or body who has a place of business or land in the area of Greater London or other area considered by the LPFA for investment, and in whom you have a beneficial interest in a class of securities of that person or body that exceeds the nominal value of £25,000 or one hundredth of the total issued share capital (whichever is the lower);
    - (vii) any contract for goods, services or works made between the Authority and you or a firm in which you are a partner, a company of which you are a remunerated director, or a person or body of the description specified in paragraph (vi);
    - (viii) the interests of any person from whom you have received a gift or hospitality with an estimated value of at least £75;  
**Note:** Hospitality received in the normal course of investment or other Authority business should be recorded but need not be disclosed as a personal or prejudicial interest.
    - (ix) any land in the area of Greater London or other area considered by the LPFA for investment in which you have a beneficial interest;
    - (x) any land where the landlord is the Authority and you are, or a firm in which you are a partner, a company of which you are a remunerated director, or a person or body of the description specified in paragraph (vi) is, the tenant;
    - (xi) any land in the area of Greater London or other area considered by the LPFA for investment for which you have a licence (alone or jointly with others) to occupy for 28 days or longer; or

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- (b) a decision in relation to that business might reasonably be regarded as affecting your well-being or financial position or the well-being or financial position of a relevant person to a greater extent than the majority of other local council tax payers, ratepayers or inhabitants of the Greater London or other area considered by the LPFA for investment.
- (2) In sub-paragraph (1)(b), a relevant person is:
- (a) a member of your family or any person with whom you have a close association; or
  - (b) any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors;
  - (c) any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
  - (d) any body of a type described in sub-paragraph (1)(a)(i) or (ii).

### **Disclosure of personal interests**

9. (1) Subject to sub-paragraphs (2) to (7), where you have a personal interest in any business of the Authority and you attend a meeting of the Authority at which the business is considered, you must disclose to that meeting the existence and nature of that interest at the commencement of that consideration, or when the interest becomes apparent.
- (2) Where you have a personal interest in any business of the Authority which relates to or is likely to affect a person described in paragraph 8(1)(a)(i) or 8(1)(a)(ii)(aa), you need only disclose to the meeting the existence and nature of that interest when you address the meeting on that business.
- (3) Where you have a personal interest in any business of the authority of the type mentioned in paragraph 8(1)(a)(viii), you need not disclose the nature or existence of that interest to the meeting if the interest was registered more than three years before the date of the meeting.
- (4) Sub-paragraph (1) only applies where you are aware or ought reasonably to be aware of the existence of the personal interest.
- (5) Where you have a personal interest but, by virtue of paragraph 14, sensitive information relating to it is not registered in the Authority's register of members' interests, you must indicate to the meeting that you have a personal interest, but need not disclose the sensitive information to the meeting.
- (6) Subject to paragraph 12(1)(b), where you have a personal interest in any business of the Authority and you have made an executive decision in relation to that business, you must ensure that any written statement of that decision records the existence and nature of that interest.
- (7) In this paragraph, "executive decision" is to be construed in accordance with any regulations made by the Secretary of State under section 22 of the LG Act 2000.



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## **Prejudicial interest generally**

- 10.** (1) Subject to sub-paragraph (2), where you have a personal interest in any business of the Authority you also have a prejudicial interest in that business where the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice your judgement of the public interest.
- (2) You do not have a prejudicial interest in any business of the authority where that business—
- (a) does not affect your financial position or the financial position of a person or body described in paragraph 8;
  - (b) does not relate to the determining of any approval, consent, licence, permission or registration in relation to you or any person or body described in paragraph 8; or
  - (c) relates to the functions of the Authority in respect of—
    - (i) statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where you are in receipt of, or are entitled to the receipt of, such pay;
    - (ii) an allowance, payment or indemnity given to members;
    - (iii) setting a levy upon a local authority

## **Effect of prejudicial interests on participation**

- 11.** (1) Subject to sub-paragraph (2), where you have a prejudicial interest in any business of the Authority—
- (a) you must withdraw from the room or chamber where a meeting considering the business is being held—
    - (i) in a case where sub-paragraph (2) applies, immediately after making representations, answering questions or giving evidence;
    - (ii) in any other case, whenever it becomes apparent that the business is being considered at that meeting;unless you have obtained a dispensation from the Authority;
  - (b) you must not exercise executive functions in relation to that business; and
  - (c) you must not seek improperly to influence a decision about that business.
- (2) Where you have a prejudicial interest in any business of the Authority, you may attend a meeting but only for the purpose of making representations, answering questions or giving evidence relating to the business, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.

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PART 3

Registration of Members' Interests

**Registration of members' interests**

**12.** (1) Subject to paragraph 13, you must, within 28 days of—

(a) this Code being adopted by the Authority; or

(b) your election or appointment to office (where that is later),

register in the Authority's register of members' interests (maintained under section 81(1) of the Local Government Act 2000) details of your personal interests where they fall within a category mentioned in paragraph 8(1)(a), by providing written notification to the Authority's monitoring officer.

(2) Subject to paragraph 13, you must, within 28 days of becoming aware of any new personal interest or change to any personal interest registered under paragraph (1), register details of that new personal interest or change by providing written notification to the Authority's monitoring officer.

**Sensitive information**

**13.** (1) Where you consider that the information relating to any of your personal interests is sensitive information, and the Authority's monitoring officer agrees, you need not include that information when registering that interest, or, as the case may be, a change to that interest under paragraph 12.

(2) You must, within 28 days of becoming aware of any change of circumstances which means that information excluded under paragraph (1) is no longer sensitive information, notify the Authority's monitoring officer asking that the information be included in the Authority's register of members' interests.

(3) In this Code, "sensitive information" means information whose availability for inspection by the public creates, or is likely to create, a serious risk that you or a person who lives with you may be subjected to violence or intimidation.

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## Standards of Conduct for Members

### The General Principles

**Selflessness** — members should serve only the public interest and should never improperly confer an advantage or disadvantage on any person.

**Honesty and integrity** — members should not place themselves in situations where their honesty and integrity may be questioned, should not behave improperly and should on all occasions avoid the appearance of such behaviour.

**Objectivity** — members should make decisions on merit, including when making appointments, awarding contracts, or recommending individuals for rewards or benefits.

**Accountability** — members should be accountable to the public for their actions and the manner in which they carry out their responsibilities, and should co-operate fully and honestly with any scrutiny appropriate to their particular office.

**Openness** — members should be as open as possible about their actions and those of their authority, and should be prepared to give reasons for those actions.

**Personal judgement** — members may take account of the views of others, including their political groups, but should reach their own conclusions on the issues before them and act in accordance with those conclusions.

**Respect for others** — members should promote equality by not discriminating unlawfully against any person, and by treating people with respect, regardless of their race, age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of the authority's statutory officers and its other employees.

**Duty to uphold the law** — members should uphold the law and, on all occasions, act in accordance with the trust that the public is entitled to place in them

**Stewardship** — members should do whatever they are able to do to ensure that their authorities use their resources prudently and in accordance with the law.

**Leadership** — members should promote and support these principles by leadership, and by example, and should act in a way that secures or preserves public confidence.

Extracted from the Relevant Authorities (General Principles) Order 2001 and which specifies the principles which govern the conduct of members and co-opted members of relevant authorities in England in accordance with section 49(1) of the Local Government Act 2000.

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## G. THE AUTHORITY'S CODE OF BEST PRACTICE

The following Code has been adopted by the Authority to define the respective roles and responsibilities of the members and officers of the Authority.

### 1. Public service values

The Authority and its Board Members shall at all times:

- a. promote and support the principles of public life as set out in the Annex to this Code, by leadership and example;  
  
and, as regards **openness**,
- b. comply with all reasonable requests for information from The Mayor and the London Assembly, users of services and individual citizens;  
  
and, as regards **accountability**,
- c. be accountable to the Mayor, users of services, individual citizens and staff for all the Authority's activities, their stewardship of public funds and the extent to which key performance targets and objectives have been met;  
  
and seek to
- d. maximise **value for money** through ensuring that services are delivered in the most efficient and economical way, within available resources, and with independent validation of performance achieved wherever practicable.

### 2. Role of the Chairman

- a. Communications between the Board and the Mayor will normally be through the Chairman except where the Board has agreed that an individual member should act on their behalf. Nevertheless, individual members have the right of access to the Mayor on any other matter which they believe raises important issues relating to their duties as a member of the Board. In such cases the agreement of the rest of the Board would normally be sought.
- b. The main point of contact between the Authority and the GLA on day-to-day matters will normally be the Managing Director or a Principal Officer, or another person who is authorised specifically to act on behalf of the Authority.
- c. The Chairman should ensure that all members of the Board, when taking up office, are fully briefed on the terms of their appointment, and on their duties and responsibilities. They should also be given a copy of the Authority's Constitutional document, the latest Strategy and Budget Statements and Annual Reports and Accounts; the Statement of Investment Principles and Funding Strategy Statement and relevant background material such as notes describing the body's organisational structure and statutory basis of operation.
- d. The Chairman should discuss with each Board member whether they would find it helpful to attend an induction course on the duties of Board members of public bodies or some other suitable form of training related to their new responsibilities, and their continuing training requirements as the Authority's Board members.
- e. The Chairman has particular responsibility for providing effective strategic leadership on matters such as:

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- formulating the Board’s strategy for discharging its statutory duties;
  - representing the views of the Board to the general public;
  - ensuring that the Board, in reaching decisions, takes proper account of the Mayor’s strategies and views;
  - encouraging high standards of propriety, and promoting efficient and effective use of staff and other resources throughout the organisation; and
  - providing an assessment of performance of individual Board members, on request, when they are being considered for reappointment to the Board or appointment to the Board of some other public body.
  - Declaring recommendations carried or lost
- f. The Chairman should ensure that the Board meets at regular intervals throughout the year; and that minutes of meetings accurately record decisions taken and, where appropriate, the views of individual Board members. [S.O.2]

### **3. Responsibilities of Chairmen of the Board and of Committees**

- a. Chairmen of the Board and of Committees are responsible for the conduct of meetings, ensuring the orderly discharge of business, ensuring that all members have an opportunity to participate, and that any members of the public present can understand the process.
- b. Chairmen should liaise regularly with the appropriate officers to identify priorities for the business of the Board or Committee, and should be available for consultation by appropriate officers in connection with the discharge of such business.

### **4. Corporate responsibilities of Board members**

Members of the Board have corporate responsibility for ensuring that the Authority complies with any statutory or administrative requirements for the use of public funds. Other important responsibilities of Board members include:

- establishing the overall strategic direction of the organisation within the policy and resources framework agreed with the Mayor;
- formulating a strategy for implementing the Freedom of Information Scheme, including prompt responses to public requests for information;
- striving to operate sound environmental policies and practices in accordance with the Mayor’s strategies and other relevant guidance;
- ensuring that high standards of corporate governance are observed at all times;
- overseeing the delivery of planned results by monitoring performance against agreed strategic objectives and targets;
- ensuring that, in reaching decisions, the Board has taken into account any guidance issued by the Mayor;
- ensuring that the Board operates within the limits of its statutory authority; and in accordance with any other conditions relating to the use of public funds.

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## **5. Responsibilities of individual Board members**

- a. Individual Board members should also be aware of their wider responsibilities as members of the Board. These include the duty to comply at all times with this Code of Best Practice (or any agreed modification of it) and with rules relating to the use of public funds; and to act in good faith and in the best interests of the public body. They should not use information gained in the course of their public service for personal gain; nor seek to use the opportunity of public service to promote their private interests. All Board members should ensure that they comply with the Board's rules on declaring personal interests and on the giving, receiving and recording of gifts and hospitality. (see paras.12 and 13 of the Code of Conduct).
- b. Although any legal proceedings initiated by a third party are likely to be brought against the Board, in exceptional cases proceedings (civil or, in certain cases, criminal) may be brought against the Chairman or other individual Board members. For example, a Board member may be personally liable if they make a fraudulent or negligent statement which results in loss to a third party. A Board member who misuses information gained by virtue of their position may be liable for breach of confidence under common law or under insider dealing legislation. The Board's agreed practice is that an individual Board member who has acted honestly, reasonably, in good faith and without negligence will not have to meet out of their own personal resources any personal civil liability which is incurred in execution or purported execution of Board functions.
- c. The arrangements for appointing individual Board members normally make it possible to remove them from office if they fail to perform the duties required of a Board member to the standards expected of persons who hold public office. The Mayors role in this respect is set out in each members' appointment letter.

## **6. Financial and other interests of Board members**

- a. The Chairman and other Board members should declare any personal or business interests which may conflict with their responsibilities as Board members. The register of interests of Board members should be open for public inspection and publicised each year. [S.O.5]
- b. Board Members should not give or accept hospitality or any material gift which might prejudice or conflict with their duties or responsibilities as set out in this Code. However, any such hospitality or gifts that are accepted in the course of undertaking the Authority's business should be notified to the Managing Director for recording in the register of interests. Any offer of a material gift or hospitality received in the course of undertaking the Authority's business which is refused should be notified to the Managing Director for recording in the register of interests.

## **7. Delegation – matters reserved for board**

- a. Board members normally serve on a part-time basis. To the extent permitted by the originating legislation or other provisions under which the Authority is established, responsibility for day-to-day management matters should be delegated to staff so far as is practicable, within a clearly understood framework of strategic control
- b. The Board may also decide to delegate, where it has power to do so, responsibility for specified matters to committees of the Board, officers or authorised representatives (via contractual terms).

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## **8. Strategic planning and control**

One of the main tasks of the Board is likely to be oversight of the production of a Strategy Statement and a Budget Statement in accordance with section 402 of the Greater London Authority Act 1999. The process of preparing such documents provides an opportunity for agreeing, with the Mayor, or officials, the policy and resources framework within which the Authority will discharge its duties; and for determining its key strategic objectives and targets. Such targets should normally cover areas such as the organisation's financial performance; the efficiency and effectiveness of its operations; and the quality of the services it provides.

## **9. Openness and responsiveness**

Members of the Board are responsible for providing the Mayor and the public with as full information as may be requested concerning their policy decisions and actions. They should ensure they can demonstrate that they are using resources to good effect, with probity, and without grounds for criticism that public funds are being used for private, partisan or party political purposes. Board members and their staff should conduct all their dealings with the public in an open and responsible way, and ensure full compliance with the provisions of the Freedom of Information Act 2000.

## **10. Accountability for public funds**

Members of the Board have a duty to ensure that public funds – which for this purpose should be taken to include all forms of receipts from fees, charges and other sources – are properly safeguarded; and that, at all times, the Authority conducts its operations as economically, efficiently and effectively as possible, with full regard to the relevant statutory provisions.

Members of the Board are responsible for ensuring that the Authority does not exceed its powers or functions, whether defined in statute or otherwise, or through any limitations on its authority to incur expenditure. They are normally advised on these matters by the Principal Officers, authorised representatives (via contractual terms) and legal advisers.

## **11. Annual Report and Accounts**

As part of its responsibilities for the stewardship of public funds, the Board must ensure that it includes a full statement of the use of such resources in its Annual Report and Accounts. Such accounts should be prepared in accordance with the statutory regulations and such other guidance as may be issued, from time to time.

The Annual Report should provide a full description of the Board's activities; state the extent to which key strategic objectives and agreed financial and other performance targets have been met; list the names of the current members of the Board and senior staff; and provide details of remuneration of Board members and senior staff within the range of prescribed salary bands.

## **12. The role of the principal officers**

The principal officers have certain statutory roles with personal responsibilities to ensure that appropriate advice is given to the Board on all matters relating to financial propriety and regularity, for the keeping of proper accounts and for the efficient and effective use of resources.

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### **13. Audit**

All public bodies should establish an Audit Committee as a Committee of the Board. The Committee should consist primarily of Board members and should normally be chaired by a member of the Board, other than the Chairman, who has experience of financial matters. Details of the role and appointment of the Committee is set out in their terms of reference.

### **14. The Board as employer**

- a. The Board should ensure that it complies with all relevant employment legislation and that it employs suitably qualified staff – for example, in key areas such as Finance – who will discharge their responsibilities in accordance with the high standards expected of staff employed by such bodies. All staff should be familiar with the Authority’s corporate strategy, including its main aims and objectives, and the internal management and control systems which relate to their work. In filling senior staff appointments, the Board should satisfy itself that an adequate field of qualified candidates is considered, and should always consider the merits of full open competition, which should normally be used for recruitment of external candidates.
- b. The Board should ensure that its members, and the organisation’s staff, have access to expert advice and suitable training opportunities which they may require in order to exercise their responsibilities effectively.
- c. The Board should ensure that the body’s rules for the recruitment and management of employees provide for appointment and advancement on merit on the basis of equal opportunity for all applications and staff; and that the organisation adopts rules of conduct for its employees which reflect the public service values set out in paragraph 2 above and management practices which will use resources in the most efficient and economical manner.
- d. The Chairman and the Board have a responsibility to monitor the performance of the Managing Director and Principal Officers. Where the terms and conditions of employment of the Managing Director, and other senior members of staff, include an entitlement to be considered for performance-related pay, and where such payments are assessed by Board members, the Board should ensure that they have access to the information and advice required to make the necessary judgements.



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## H. SCHEME OF DELEGATIONS TO OFFICERS

The Authority may delegate the discharge of its functions to officers of the Authority<sup>2</sup>. This Scheme of Delegations sets out the powers which have been delegated to officers. The Scheme provides for delegation of functions to Principal Officers via the Managing Director. Those officers may then in turn authorise other employees of the Authority to undertake actions on behalf of the Authority or authorised representatives (via contractual services). This scheme is subject to the statement of matters reserved for decision by the Board. This Scheme should be read with the Code of Practice for Officers, which sets out how such delegated powers are to be exercised.

### 1 General criteria

The following general criteria are to be applied by the Principal Officers in undertaking their responsibilities and in exercising the powers delegated under this Scheme:

- (a) The Board shall be responsible for the determination of the Authority's budget, policies, strategies and principles. Principal Officers are given very broad delegated powers but those delegated powers are to be operated and implemented strictly in accordance with the budget, policies, strategies and principles approved by the Board.
- (b) Delegated powers decisions are taken generally by the Principal Officers within such detailed arrangements as the Managing Director shall from time to time determine.
- (c) Principal Officers are responsible for reporting up to the Board for decision on any matter which is controversial, or where there is a known or suspected possibility of litigation, or which has policy or significant budget implications for the Authority. Where urgent action is required in circumstances which would otherwise require to be reported to the Board for decision in such circumstances, an emergency meeting to the Board should be called. Only in very exceptional circumstances, where it is necessary for the Authority to take a decision or action with such urgency as does not permit for the calling of the urgent meeting, should the Managing Director exercise their reserve emergency powers, in consultation where practicable with the Chairman of the Board.
- (d) Some authorisations are specifically subject to consultation with the Chairman. In other cases, the Principal Officers are responsible for informing the Chairman, or a Member of the Board of the action to be taken where they consider that to be appropriate in the circumstances.
- (e) Where it is necessary for the Principal Officers to authorise other officers to act on their behalf, clear guidelines must be given to those officers, in a way which defines the delegated powers and the principles upon which they should be operated.

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<sup>2</sup> Under Section 101 of the local Government Act 1972 as applied to the Authority by Paragraph 5 of Schedule 1 to the London Government Reorganisation (Pensions Etc.) Order 1989

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## 2 Specific Functions

The following Principal Officers have been given the specific functions set out below and shall have such powers as are necessary to enable them to carry out these functions

(a) **Managing Director**

(i) "Head of the Paid Service"

To secure the proper co-ordination of the officers and resources of the Authority to secure the effective discharge of the Authority's functions and with a power to report to the Board as necessary to secure the discharge of their functions.

To re-allocate and review functions between Principal Officers as necessary to cover vacancies and absence.

(ii) "Emergency Powers"

To take such action as may be necessary to protect the interests of the Authority or to secure the proper discharge of the Authority's functions in cases of exceptional urgency which would otherwise require a decision of the Board, and then only after such consultation as is practicable with the Chairman of the Board.

(iii) "Adviser"

To advise the Board generally on all matters, particularly in relation to their statutory duties under the Regulations.

(iv) "Authorised Officer"

There are certain specific duties assigned to the Managing Director by Standing Orders; these relate to such matters as recording a pecuniary interest, reporting staffing matters, preparation and publication of the Annual Report and Accounts and the Strategy Statement, formal requests for information, and legality.

(v) "Proper Officer"

Appointed under S.2 (2) and S.19 of the Local Government and Housing Act 1989, to maintain a list of politically restricted posts and a record of members' pecuniary interests.

(vi) "Transactional vehicles"

Authorised to establish transactional vehicles (and the related directors and authorised representatives) which are limited in scope to the specific project. This should be reflected in the legal documentation.

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(b) **Section 151 Officer**

(i) "Adviser"

To advise the Board on all financial and investment matters, and particularly in relation to their duties under the Regulations.

(ii) "Authorised Officer"

Specifically authorised by the Board to take executive action on their behalf in the administration of the Authority's functions.

In accordance with section 151 of the Local Government Act 1972, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.<sup>3</sup>

(iii) In some legislations referred to as "Section 151 Officer"

(iv) Under the Common Council and New Successor Bodies (Chief Finance Officer) Regulations 1991, the Section 151 Officer has a duty to report to the Board in respect of any unlawful expenditure

(c) **"Monitoring Officer"**<sup>4</sup>

Designated by the Board to perform the functions of the Monitoring Officer under Section 5 of the Local Government and Housing Act 1989 with a duty to report to the Board in respect of any action or proposal of the Authority or any part of the Authority which in their opinion is or would be contrary to law, and to be responsible for the administration of the Code of Conduct for Members.

### 3 Delegated Powers

The following powers have been delegated to the Principal Officers in respect only of the Authority's pension operations:

(a) Operational management

To take all such actions as considered necessary and appropriate, at any time, for the proper management and administration of the affairs of the Authority as regards:

- (i) the operation of the pension scheme, including the calculation and payment of benefits and receipt of contributions;
- (ii) the calculation and payment of non-scheme benefits, including injury allowances, claims, gratuities, and detriment compensation;
- (iii) the investment of surplus Fund monies;
- (iv) The Chief Investment Officer (via the investment Sub Committee) is delegated to carry out the tactical implementation of the investment strategy, including the appointment of managers or purchase of units in funds for mandates up to the limits specified under IC terms of reference
- (v) the borrowing and lending of monies related to cash management;
- (vi) the administration of former GLC loan stocks;
- (vii) accounting and accountancy matters;

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<sup>3</sup> Note that under the Local Government and Housing Act 1989 section 6(4) in relation with 6(7), the officer responsible for the financial affairs of the Authority must have an appropriate professional qualification as defined in the Act and cannot be the Authority's Monitoring Officer.

<sup>4</sup> Note that under the 1989 Act the Authority's Monitoring Officer cannot also be the Section 151 Officer.

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- (viii) the provision of agency services to other bodies;
  - (ix) such other matters involved in the discharge of their responsibilities.

(b) Expenditure and budgets

- (i) To incur expenditure chargeable to revenue account in respect of regular or recurring payments arising from statutory or contractual commitments (e.g. salaries, wages, pensions, loan repayments, gas, electricity, telephones, rates, rents, fees, etc.) subject to budget provision being available for the specific purpose.
- (ii) To incur expenditure chargeable to revenue account in respect of either new proposals or renewals of existing contracts, provided that specific budget provision is available.
- (iii) To agree variations, or increases in costs -
  - A either in respect of increases in the cost of labour and materials payable under a contract,
  - B or, when the increased estimated or actual cost is within 5% or £50,000 of the approved estimate (or authorised expenditure) for the proposal, whichever be the less;

such action to be reported subsequently to the Board.

- (iv) To enable financial provision within a single budget head, subject to subsequent report to the Board.
- (v) To draw from the revenue contingency reserve and to supplement the estimates as necessary, subject to consultation with the Chairman and subsequent report to the Board.
- (vi) To write-off losses involving;
  - A monies due to the Authority that have become irrecoverable; or
  - A the loss arising in respect of property belonging to the Authority which has been lost, stolen, damaged or destroyed, and the loss is not recoverable from insurance or other sources; or
  - B the loss incurred on the disposal of damaged, obsolete, or redundant stock at less than the book value at the time of disposal.

All items above £1,000 must be referred to one of the Authority's Principal Officers prior to final approval by the Section 151 Officer.

In respect of a loss of more than £50,000 related to any one item a report to the appropriate committee must be provided for approval.

Final approval to write off any amount (s) is wholly the responsibility of the Chief Risk and Finance Officer. \*

\* The only exception is any over-payments arising from a death with a value of up to £250, which is written off automatically with no need for approval.

- (vii) To pay such costs and disbursements as considered reasonable, incurred in taking authorised legal action or settling claims, and in respect of costs awarded against the Authority by any court or tribunal, subject to report to the appropriate Committee of the Authority in respect of any instance of costs exceeding £50,000 being awarded against the Authority.

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(c) Agency agreements

- (i) To negotiate, enter into, modify and terminate agreements for the provision of services to, or the discharge of functions on behalf of, other bodies pursuant to the relevant legislation, subject to subsequent report to the Board.
- (ii) To incur expenditure necessary to fulfil approved agency agreements, where no specific budgetary provision is available and subject to the terms of the agreement or otherwise to the client's prior agreement wholly to reimburse or directly meet all costs incurred.

(d) Tenders and contracts

To invite tenders, enter into contracts, and take action in respect of contract matters for goods, works or services authorised either by the Board, or by a Committee thereof, or pursuant to these authorities, or otherwise subject to the terms of:-

- (i) The Authority's Standing Orders;
- (ii) Authorisations to Officers;
- (iii) any Code of Practice adopted by the Authority.

(e) Legal matters

- (i) To take such action as may be necessary in order to protect the Authority's rights or interests in connection with claims by the Authority or against the Authority, its officers, servants or agents, or to settle such claims, or in connection with any legal or other proceedings before any Court or tribunal or matter likely to be heard by a Court or tribunal. Where it is foreseen that on-going legal costs are likely to be required, and are in excess of budget, a report should be presented to Audit and Risk Committee outlining the amount required from the reserves and the reasoning.
- (ii) To employ Counsel, solicitors in private practice, shorthand writers, inquiry agents, consulting engineers, surveyors and other independent consultants and pay medical fees in relation to any other matter in which it is deemed necessary or expedient.
- (iii) To make any affidavit, statement or other document which it is considered appropriate in relation to any court or tribunal proceedings, and this authority shall extend to any Member or officer of the Authority nominated to make any such affidavit, statement or other document.

[N.B. The Chairman shall be notified of any action to be taken, or taken, under paragraphs (i) to (iii) above and the Board notified as appropriate.]

- (iv) To take such steps as may be necessary (including the institution or defence of legal proceedings, and the giving of notices) to protect the Authority's rights or interests in relation to land and other property held for the purposes of the Superannuation Fund.
- (v) To take such steps (including legal action and proceedings) as may be necessary to protect the interests of the Authority as actual or potential owner, occupier, lessor, lessee, or covenantee.

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- (f) Personnel matters
- (i) To recruit, appoint or otherwise engage staff up to the approved complement.
  - (ii) To engage and authorise payments to consultants, contractors or agency staff to fill shortfalls against the approved complement or to meet temporary increases in workloads.
  - (iii) To determine rates of pay, grading and terms and conditions of service for individual employees, and to approve the granting of allowances, compensatory or other supplementary payments to individual employees in accordance with arrangements agreed by the Board.
  - (iv) To take action in respect of staff in accordance with the provisions of the Staff Handbook including dismissing or otherwise terminating the contract of employment of individual staff, where there is reasonable cause to do so.
  - (v) To summarily dismiss, (i.e. dismiss without notice and without delay for any appeals procedure), any employee whose misconduct is so serious that in their opinion, the normal processes of the discipline procedure should not apply.
- (g) General administration
- (i) To engage consultants to advise upon matters falling within the scope of their responsibilities on management and organisation matters, subject to a limit of £50,000 on each occasion and to specific budget provision being available.
  - (ii) To sign on behalf of the Authority, any agreement, contract notice or other document which the Authority is authorised or required to give, make or issue.
  - (iii) To make proper arrangements for the identification, security, and disposal of surplus equipment, furniture, or other items of material value.

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# I. CODE OF PRACTICE ON THE DELEGATION OF POWERS FROM PRINCIPAL OFFICERS

## 1 INTRODUCTION

- (a) No officer has any power to act in any way on behalf of the Authority unless granted specific discretion by a decision of the Board or, more usually, by a written direction from one of the designated Principal Officers.
- (b) Principal Officers are defined by approved Standing Orders as the Managing Director and such other officers, not exceeding 6, designated by the Managing Director as Principal Officers. Currently, the Principal Officers comprise the Managing Director, s151 Officer, and Monitoring Officer. The powers delegated to the Principal Officers are set out in the Scheme of Delegations to Officers. Where other officers or authorised representatives are authorised by a Principal Officer to act on their behalf, those persons are entitled to undertake those duties on the assumption that such authorisations are properly granted.
- (c) The proper application and discharge by those officers of any such authorisations, however, is a matter wholly reserved for the named individual. Accountability and responsibilities, therefore, are clearly delineated.
- (d) In addition, once granted there can be no passing-on, or "sub-delegation", of an authorisation under any circumstances.
- (e) Specific circumstances may arise at times where, with the prior agreement of the appropriate Principal Officer, temporary variations may be necessary. In any event managers may, when necessary, act on behalf of each other but only within a common expertise and ability.

## 2 GENERAL CRITERIA

The following general criteria are to be applied by the Authority's officers in undertaking their responsibilities and in exercising their authorities.

- (a) Authorisations are to be operated and implemented at all times in accordance with the budget, policies, strategies and principles laid down by the Board.
- (b) The Principal Officer issuing the instruction is responsible for ensuring that the officer to whom the instruction is given has the capability and resources to discharge the instruction effectively, and for specifying any requirements for consultation prior to action, and for the reporting and recording of the actions taken.
- (c) All decisions are deemed ultimately to be taken by the Principal Officers, acting corporately as the Authority's Management Team, and within such detailed arrangements as they shall from time to time determine. No officer should instigate action on any issue, except as they would otherwise recommend the Board or Management Team to take.
- (d) Any matter which is controversial, or where there is a known or suspected possibility of litigation, or which has significant budget or policy implications, should be reported to the relevant Principal Officer for decision.
- (e) Some authorisations are specifically subject to consultation with the Chairman, a Board Member or one of the Principal Officers. In all other cases, officers should

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inform as appropriate, any of these persons of an action to be taken where they consider that appropriate in the circumstances.

- (f) All actions are taken in the name of the London Pensions Fund Authority and, therefore, must always be undertaken reasonably and with due care.
- (g) The basis on which all authorisations are exercised, as well as the financial conduct to be observed, are set out in the Financial Handbook.

### **3 OPERATIONAL MANAGEMENT**

- (a) The job description forms the basis of an individual's duties to be undertaken on behalf of the Authority. By itself, however, this does not represent any specific authorisation or instruction to act in respect of any particular matter; instead, only the general scope of an officer's responsibilities are highlighted and summarised (although, as such, this may indicate where specific authorisations may be required).
- (b) In turn, this document obliges the relevant member of staff to ensure suitable arrangements are in place to enable all such actions as are considered necessary and appropriate, to be undertaken on a timely basis for the proper discharge and administration of the affairs of the Authority.
- (c) This constitutes the general power to act, only (e.g. to pay a pension entitlement, where the original authority was exercised previously and elsewhere - in this specific instance, an Act of Parliament, of course).
- (d) It can be seen, therefore, that any action which arises consequently - including the making of a payment - is an executive action and, while subject still to the test of reasonableness does not of itself require specific authorisation. However, the Authority has determined as a matter of policy, that only Managers/ Directors generally can make payments.
- (e) It is imperative also that an appropriate separation of duties is maintained at all times. (For example, all payments executed on behalf of the Authority must involve three separate stages - an initial certification / calculation, followed by a verification / check on input and, subsequently, a release action to enable that payment actually to proceed. No one officer can undertake all stages and operational instructions in each Team must *clearly identify* the circumstances in which any officers are able to undertake one, or more, of these processes).
- (f) This is wholly an operational matter for a Manager to implement and Director to monitor within the relevant Team (and within any parameters set by a Principal Officer) so long as this process is both documented and communicated to all Team members, and suitable arrangements for "cover" are available and understood for periods of absence from the office.



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#### 4 SPECIFIC AUTHORISATIONS GRANTED

- (a) Authorisations normally are delegated to those specifically responsible for relevant and operational matters within the scope of their functions (where within LPFA or via contractual arrangements). Where other officers are involved, individuals must be clearly identified and notified to the Chief Risk and Finance Officer and the execution of the authorisations granted remains identical. (There is no authority to act unless so identified).

#### 5 INDIVIDUAL RESPONSIBILITY

- (a) It remains, at all times, the responsibility of an individual member of staff or authorised representative to satisfy him/herself that, before taking action, he/she has authority to undertake the action and that he/she understands the rules within which the action or decision must be taken.
- (b) If there is any doubt at any time regarding any matter relating to these rules (including their application in practice) these must be raised immediately with the relevant Principal Officer or the Managing Director, and *prior* to any action being undertaken.
- (c) **This Code forms part of the staff contract of employment and a breach will be viewed, at a minimum, as a breach of contract and appropriate disciplinary action will be taken.**

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## J CONTRACT STANDING ORDERS

These Contract Standing Orders have been adopted by the Authority and operate as a standing instruction to all staff.

### 1 INTRODUCTION

- (a) The purpose of these Contract Standing Orders is to supplement standing orders, provide guidance and establish a fair and common basis for contract practice. It is intended as a working document, which is to be updated to ensure compliance with the law, regulations and other requirements as they arise. It is the responsibility of the Principal Officers acting corporately as the Authority's Management Team to enforce the Code and ensure that all purchases of goods and services comply with legal requirements.
- (b) All contracts entered into by the Authority, with the exception of those listed below, should comply with the Standing Orders, Codes of Practice and Financial Procedures. Contracts exempt from the Code are:
  - (i) the purchase or sale of land
  - (ii) the sale of fixed assets
  - (iii) contracts of employment
  - (iv) indemnities; and
  - (v) publication of adverts in newspapers and periodicals.
- (c) Named selection panels should make all the key judgements in OJEU selection procedures including final recommendations. How panels reach decisions and how their working documentation is presented needs to be agreed in advance. Panels have to decide what evidence they need to ask for in order to judge whether firms are eligible and meet the minimum requirements (financial standing and capacity to do the work). The make-up of the panel in OJEU tender situations should be approved by Board in advance. Board will need to ratify the final decision since entry into contracts in excess of the European threshold is a matter reserved for Board.

Entry into investment related contracts, e.g. for the appointment of Fund Managers, is a matter delegated via the Advisory and Management Agreement with LPP Investment. . However where the threshold dictates, OJEU procedures need to be followed and the Board must apply the principles of transparency and fairness of competition when appointing Fund Managers.

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## 2 CONSIDERATIONS

- (a) In dealing with any matter related directly or indirectly to any contract, staff should act in the best interests of the Authority (consider the specifications, secure the best possible terms, act in a proper manner, maintain strict impartiality). All orders should be confirmed in writing and obligations expressed in an agreed set of contract documents. Before the Authority is committed to any contract, appropriate authorisation is needed to sign documentation.
- (b) The following financial limits apply for the purposes of the Code. These limits should be applied on the basis of the estimated cost to the authority over the life of the contract:

1	Below £10,000	A contract can be entered on the basis of a single quote, not necessarily in writing, provided that the officer is satisfied that it secures value for money for the Authority
2	£10,000 to £49,999	Obtain at least 3 written quotes
3	£50,000 to European Tender threshold	Invite tenders or use Government Portals. Applicants should be sought by public notice.
4	Goods, supplies, services, and works above the European Tender threshold <sup>5</sup>	Competitive procurement in accordance with the Public Contracts Regulations 2006

- (c) EU directives impose procedures on the advertising of contracts, the rejection of suppliers, technical specification and award criteria. These requirements are implemented in the UK by the Public Contracts Regulations 2006 for contracts in excess of the threshold values set out in the last row of the above table. For tenders above these European (OJEU) limits, specialist advice is required and strict adherence to the process outlined in the Public Contracts Regulations 2006 (as amended) is required.
- (d) As an exception to the above, where it is in the interests of the Authority, officers may procure contracts from existing framework agreements entered into by other public authorities following procurement processes at least as rigorous as that which would be required by the Authority for the purpose, Such framework agreements would include the SCat, GCat and Catalist framework arrangements undertaken by the Office of Government Commerce.
- (e) For all procurements of works, goods or services it is necessary to specify in advance as precisely as possible what is to be procured, to assess the competence of the proposed supplier(s), to obtain a clear statement of the supplier's proposal, to undertake an evaluation of alternative proposals, to make clear acceptance of the terms of the contract and to document the resultant contract. The degree of detail appropriate is dependent upon the value of the contract and the risks associated for the Authority in accordance with the following provisions. Note that these are minimum requirements and should be exceeded where the circumstances justify:

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<sup>5</sup> The threshold values for competitive tendering for the Public Contracts Regulations 2006 are recalculated periodically, based on the sterling value of values expressed in Euros. See <http://www.oiec.com/Thresholds.aspx> for more details of the current threshold values.

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- (i) Contracts below a value of £10,000 may be entered on an exchange of correspondence, provided that the correspondence is sufficient to record the exact nature of the contract.
  - (ii) Contracts with a value of between £10,000 and £49,999 must be set out in a specific form of agreement setting out the terms of the contract.
- (f) Acceptance and Signature of Contracts
- (i) Principal Officers may authorise officers to accept and to sign contracts up to a value of £20,000
  - (ii) Contracts with a value of £20,000 or more can only be accepted and signed by Principal Officers
  - (iii) Contracts with a value above the European threshold can only be accepted by a Principal Officer with the prior approval in writing of the Section 151 Officer [subject to matters reserved for decision by the Board].
- (g) All contract and procurements processes shall comply with the Authority's equalities approach as set out in the budget holder's guidance notes. Purchasing should take into consideration the Mayor of London's Green Procurement Code, and credit will be given to bidders that demonstrate positive environmental policies are in operation.
- (h) In exceptional circumstances, Principal Officers may enter contracts without compliance with the procurement requirements set out above, but only where the contract is so urgent that compliance is not practicable, or where there is specific statutory authority for departing from these requirements, or where the prior consent of the Managing Director has been obtained. Any urgent contract entered into under this provision must be reported to the Chief Risk and Finance Officer as soon as practicable after entry.
- (i) No officer shall enter any contract unless and until he/she has established that provision has been made by the Authority for any payments required under the contract, or in the case of urgency, that the Chief Risk and Finance Officer has given prior approval for entry into the contract.

### **3 APPROVED SUPPLIERS**

- (a) Those suppliers who have satisfied the procurement requirements set out above will be added to the Authority's approved supplier list.
- (b) Organisations on the approved supplier list will not have to prove compliance with requirements (subject to the review process set out below) for each subsequent contract.
- (c) The approved supplier list is to be reviewed annually to ensure continued compliance by all those listed. Any supplier who cannot prove compliance with requirements will be removed from the list. Suppliers can be removed from the list at any time should;
  - 1. Performance deteriorate to an unacceptable level
  - 2. Non-compliance be proven
- (d) When using suppliers from the list officers should ensure an effective balance between the use of a number of suppliers for similar purposes in order to obtain competitive bids and the use of a single supplier in order to obtain preferential rates.

### **4 CONTRACT CONDITIONS**

- (a) Wherever practicable, the conditions of the contract shall be based on the standard form issued by a recognised regulatory body. A contractor's own conditions may

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only be accepted if the relevant officer is satisfied that they are not prejudicial to Authority.

- (b) Provision must be made for the contractor to take out adequate insurance to cover any liability to the Authority and to third parties arising from the performance of the contract, and the officer responsible for authorising entry to the contract must ensure that such insurance is in place prior to the commencement of the contract and remains in place for the duration of the contract.
- (c) Price review clauses or price fluctuation clauses may be included if the Managing Director considers that it is in the Authority's best interests to do so.
- (d) Wherever late/non-performance by contractor would cause a loss to the Authority, the contract shall provide for payment of appropriate liquidated and ascertained damages.
- (e) Every contract shall specify that the contractor shall not transfer or assign to any person, firm, or party or sub-let the whole or part of the contract without written permission of the Authority.

## **5 OBTAINING QUOTES (NON-OJEU)**

- (a) The requirement for at least 3 quotes is seen as balancing the cost of the procurement process against the requirement to secure value for money for the Authority. Where it appears to be appropriate to do so, a greater number of quotes may be obtained.
- (b) Where a particular type of goods, services or works are likely to be obtained on more than one occasion, the Authority should establish lists of preferred firms from whom quotes will be obtained. Firms are selected by taking into account the locality and the nature of the requirement, past performance, and recent competitiveness in quoting, applying the requirements set out in Paragraph 2(b) above. The Authority will build up its own approved lists, from their own experience, that of other clients with whom they have contact or recommendations. Where the particular goods, services or works to be ordered from one supplier under such an arrangement are likely to have a cost exceeding £10,000, the requirement for obtaining at least 3 quotes in the compiling of such lists applies. The role of lists is to save some of the usual selection enquiries but not to act as the sole source of quotes.

## **6 ADVERTISE TENDER (NON-OJEU)**

- (a) Applicants should be sought by public notice. At least four weeks' notice is to be given from the latest time fixed by the submission for documentation by the tenderer. The invitation to tender should:
  - (i) set out the criteria which LPFA will apply in the evaluation of tenders;
  - (ii) state the period for which the tender is to be open to acceptance by the Authority;
  - (iii) indicate the form in which the tenders should be submitted;
  - (iv) wherever practicable, require tenders to be submitted in an envelope with a label identifying it as a tender for the specific goods, services or works, stating the place of delivery, date and time for receipt, but with no external indication from which the identity of the tenderer can be ascertained;
  - (v) Advise tenderers that a tender will be treated as invalid if the tender is not properly signed on behalf of the tenderer, the words and figures do not agree, the tender price is not ascertainable from documents, the document been altered without consent, requested documents are not enclosed, or if the tender is not compliant with the Authority's invitation to tender or seeks to impose the tenderer's own conditions of contract or late tenders; and

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- (vi) States that a tender will be disqualified if any attempt is made by or on behalf of the tenderer to canvass the Authority in favour of the tender.
  - (b) Tenders submitted in competition should be received, stored and opened to ensure impartiality. Where a single tender has been invited, it can be opened as soon as it is received. After tenders are opened, an evaluation should be completed which includes checks of prices and rates and an evaluation of differences between tenders to determine any technical and financial consequences, which may arise. .
  - (c) As soon as possible after opening and examining the tenders, each tenderer must be notified that their tender has been received and whether or not it is under consideration. After the selection process has been completed (in normal circumstances to take no more than 5 working days) tenderers are to be notified in writing if unsuccessful. In the case of tenders subject to the Public Contracts Regulations, such notification shall be notification of the intention to enter the contract, followed by notice of entry into the contract no less than 10 working days later, in the event that no objection to such entry has been received. Where less than three tenders are submitted, the most favourable may be accepted provided the sum is within the approved budget or the nature and urgency of work commands it. Tenders are accepted by a formal letter of acceptance or, where appropriate, by entry into a formal contract documentation.

## **7 CONTRACTING**

- (a) Each officer authorising entry into a contract shall be responsible for ensuring that the contract is properly documented and that the performance of the contract by the contractor is properly monitored and managed.
- (b) The appropriate officer shall, as soon as practicable after entry into a contract with a value over £20,000, inform the Chief Financial Officer in writing of entry into the contract together with such supporting information as the Chief Financial Officer may require. The Chief Financial Officer shall maintain a register of all such contracts entered into by the Authority, to permit any suspected irregularities to be investigated. The Internal Auditor must be notified where necessary and any checks are to be conducted by Internal Audit.
- (c) Contract award documents, variations and final account documentation, and other supporting documentation should be kept for a minimum of 12 years from the date of the issue of the final certificate or completion of the works or services required under the contract as appropriate. Documents other than the above are kept for a minimum of 6 years.

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## K. CODE OF CONDUCT FOR STAFF

### 1 Introduction

- (a) Staff appointed to the Authority are required to undertake their duties and responsibilities in accordance with:
- this Code of Conduct;
  - the Authority's Standing Orders;
  - the Scheme of Delegations to Officers;
  - any Codes of Practice and Procedure Notes issued; and
  - the policies, strategies and principles laid down from time-to-time by the Board.
- (b) All staff should be familiar with the Authority's corporate strategy, including its main aims and objectives, and the internal management and control systems which relate to their work and ensure that they are fully aware of the requirements placed upon them. Failure to comply with this Code will be investigated and may result in disciplinary action being taken.

### 2 Public service values

- (a) Staff shall at all times:
- promote and support the principles of public life as set out in the Annex to this Code, by leadership and example;
- and, as regards **openness**,
- comply with all reasonable requests for information from Parliament, users of services and individual citizens in accordance with the Code of Openness;
- and, as regards **accountability**,
- be accountable to users of services, individual citizens and staff for the activities of the bodies concerned, their stewardship of public funds and the extent to which key performance targets and objectives have been met;
- and seek to
- maximise **value for money** through ensuring that services are delivered in the most efficient and economical way, within available resources, and with independent validation of performance achieved wherever practicable.

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### **3 Relationships**

- (a) Employees should always remember their responsibilities to service users and ensure courteous, efficient and impartial service delivery to all groups and individuals as defined by the policies of the Authority.
- (b) All relationships of a business or private nature with external contractors, or potential contractors, should be made known to the Chief Executive. Orders and contracts must be awarded on merit, by fair competition against other tenders, and no special favour should be shown to businesses run by, for example, friends, partners or relatives in the tendering process.
- (c) Employees who engage or supervise contractors or have any other official relationship with contractors and have previously had or currently have a relationship in a private or domestic capacity with contractors, should declare that relationship to the Chief Executive.<sup>6</sup>

### **4 Responsibilities of individual members of staff**

- (a) Individual members of staff should also be aware of their wider responsibilities as employees of the Authority. These include –
  - (i) the duty to comply at all times with this Code of Conduct (or any agreed modification of it) and with rules relating to the use of public funds;
  - (ii) the duty to act in good faith, and in the best interests of the public body.
  - (iii) They should not use information gained in the course of their public service for personal gain;
  - (iv) They should not seek to use the opportunity of public service to promote their private interests<sup>7</sup>. [See also the In-House Investment Rules ~ CP 13]
- (b) Although any legal proceedings initiated by a third party are likely to be brought against the Board, in exceptional cases proceedings (civil or, in certain cases, criminal) may be brought against individual members of staff. For example, a member of staff may be personally liable if he or she makes a fraudulent or negligent statement which results in loss to a third party. Staff who misuse information gained by virtue of their position may be liable legally for breach of confidence or under insider dealing legislation. However, individual members of staff who act honestly, reasonably and in good faith should not normally incur any liability in an individual capacity.<sup>8</sup>

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<sup>6</sup> All staff are under a duty under Section 117 of the Local Government Act 1972 to disclose to the Authority any interest which they may have in any contract which the Authority has entered or proposes to enter.

<sup>7</sup> Note that it is a criminal offence for an employee of the Authority to misuse his/her position for personal advantage, or knowingly to solicit or accept any gift or advantage from a third party as an inducement or reward for anything which the employee does or forebears to do in the course his/her employment.

<sup>8</sup> Officers of the Authority have statutory immunity from suit under Section 265 of the Public Health Act 1875 for any actions which they take in good faith and within the powers of the authority. However, they can be personally liable where they act dishonestly or recklessly and cause loss to the Authority or to a third party. Misuse of their position for personal advantage can give rise to both civil and criminal personal liability.



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## 5 Financial and other interests

- a) Employees must declare to the Chief Executive, or Monitoring Officer any non-financial or financial interests which could conflict with the Authority's interests
- b) Employees should not usually accept offers of gifts or hospitality unless there is a genuine need to represent the Authority.

Offers to attend purely social or sporting functions should be declined. However in limited circumstances where there is a business need or where the Authority should be seen to be represented they may be accepted. Any hospitality received must be reasonable and have a value of under £75. However in line with (b) above there must be a genuine need to represent the Authority.

If the hospitality is in excess of £75 special consent rules apply and the monitoring officer should be consulted in advance.

They should be properly authorised and recorded. Examples of acceptable and unacceptable hospitality are included in the Gifts, Hospitality and Expenses Framework. Any uncertainty as to whether an invitation is in line with this Framework should be referred to the Monitoring Officer or his team.

- c) For the purposes of this Staff Code of Conduct the disclosable level is £25. This means that any gifts or hospitality in excess of this amount must be referred to the Monitoring Officer for recording.

Employees should not accept material personal gifts from contractors, outside suppliers and fund members, although they may keep insignificant items of token value such as pens, diaries, etc.

- d) When hospitality or gifts have to be declined those making the offer should be courteously but firmly informed of the procedures and standards operating within the Authority.
- e) When receiving authorised hospitality employees should be particularly sensitive as to its timing in relation to decisions which the Authority may be taking affecting those providing the hospitality.
- f) Acceptance by employees of hospitality through attendance at relevant conferences and courses is acceptable where it is clear the hospitality is corporate rather than personal, where the Authority gives consent in advance and where the Authority is satisfied that any purchasing decisions are not compromised. Where visits to inspect equipment, etc. are required, employees should ensure that the Authority meets the cost of such visits to avoid jeopardising the integrity of subsequent purchasing decisions.
- g) Any decisions as to the acceptance of gifts and hospitality shall be referred to the Monitoring Officer and any such hospitality or gifts that are accepted in the course of undertaking the Authority's business in excess of the £25 limit should be notified to the Monitoring Officer for recording in the register of interests.
- h) Where an outside organisation wishes to sponsor or is seeking to sponsor an Authority activity, whether by invitation, tender, negotiation or voluntarily, the basic conventions concerning acceptance of gifts or hospitality apply. Particular care must be taken when dealing with contractors or potential contractors. A sponsorship is essentially a contract and should be subject to the normal rules on contracts.

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- i) Where the Authority wishes to sponsor an event or service, neither an employee nor any partner, spouse or relative must benefit from such sponsorship in a direct way without there being full disclosure to the Monitoring Officer of any such interest.

## **6 Openness and responsiveness**

- (a) Staff should at all times ensure they can demonstrate that they are using resources to good effect, with probity, and without grounds for criticism that public funds are being used for private, partisan or party political purposes. Staff should conduct all their dealings with the public in an open and responsible way, and ensure full compliance with the principles of the Citizen's Charter and the Code of Openness.

## **7 Accountability for public funds**

- (a) Staff have a duty to ensure that public funds ~ which for this purpose should be taken to include all forms of receipts from fees, charges, and other sources - are properly safeguarded; and that, at all times, the Authority conducts its operations as economically, efficiently and effectively as possible, with full regard to the relevant statutory provisions.
- (b) Staff have a duty to ensure that appropriate records are maintained of their actions to ensure that their actions can be audited and verified.

## **8 Political neutrality**

- (a) Employees serve the Authority as a whole and, whether or not politically restricted, must follow every lawful expressed policy of the Authority and must not allow their own personal or political opinions to interfere with their work.

## **9 Equality issues**

- (a) All employees should ensure that policies relating to equality issues as agreed by the Authority are complied with in addition to the requirements of the law. All members of the local community, customers and other employees have a right to be treated with fairness and equity.

## **10 Appointment and other employment matters**

- (a) Employees involved in appointments should ensure that these are made on the basis of merit. It would be unlawful for an employee to make an appointment which was based on anything other than the ability of the candidate to undertake the duties of the post. In order to avoid any possible accusation of bias, employees should not be involved in an appointment where they are related to an applicant, or have a close personal relationship outside work with him or her.
- (b) Similarly, employees should not be involved in decisions relating to discipline, promotion or pay adjustments for any other employee who is a relative, partner, etc.

## **11 Outside Commitments**

- (a) All employees should be clear about their contractual obligations and should not take outside employment which conflicts with the Authority's interests. Employees should follow the Authority's rules on the ownership of intellectual property or copyright created during their employment.

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You should at all times conduct yourself in a professional manner and treat others how you would like to be treated. Always remember that you are representing the Authority, and conduct yourself accordingly. There is an extensive booklet available if you need to reference any queries you may have. Here are some guidelines for you:

### **The Seven Principles of Public Life**

- Selflessness** Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.
- Integrity** Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their duties.
- Objectivity** In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices of merit.
- Accountability** Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- Openness** Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
- Honesty** Holders of public office have a duty to declare any private interest relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
- Leadership** Holders of public office should promote and support these principles by leadership and example.

The Committee on Standards in Public Life was established in 1994 and they agreed the 'Seven Principles of Public Life' which it believes should apply to all in the public service and all who serve the public in any way.

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## L. POLICIES AND CODES OF PRACTICE (COP)

LPFA publishes a series of Public Policy Statements. In the main, these statements are published to satisfy legislative requirements. Other 'non-statutory' statements are published as best practice and serve to strengthen our commitment to the three principles of good corporate governance: Accountability ~ Integrity ~ Openness and Inclusivity. The statements are

- Statement of Investment Principles
- Funding Strategy Statement
- LGPS Governance Policy Statement
- Communications Policy Statement
- Fraud Control Framework
- Risk Management
- Corporate Equalities Plan
- Environmental Plan
- Health & Safety
- Freedom of Information Scheme
- Independent Dispute Resolution Procedure

At the LPFA, Codes of Practice and other staff related policies are a systematic collection of rules, standards and other information relating to the practices and procedures followed in a particular area. Generally they are designed to provide practical guidance and should be followed by all staff. In most cases, non-compliance with a Code of Practice or a policy may result in disciplinary action.

Compliance with the Codes and policies is monitored by the Governance and Performance Team, Principal Officers and the Audit and Risk Committee. The making or amending of a Code or policy is a matter reserved for Board. The current policies and Codes of Practice are:

- Code of Conduct for staff
- Conflicts of interest policy
- Computer usage and policies manual
- Contract Standing Orders
- Business Continuity Plan
- Treasury management COP 1
- Execution of instruments and documents COP 2
- Confidentiality and data protection COP 3
- Disposal of surplus furniture and equipment COP 4
- Officer authorisations ~ 'write offs' COP 5
- Environmental policy COP 6
- Whistleblowing and fraud prevention COP 7
- Security Principles COP 8

Copies of the Codes of Practice and policies are available upon request from the Governance and Performance Team.

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## Appendix 1

### Local guidance on gifts and hospitality for LPFA Board Members

(This guidance should be read in conjunction with the Authority's Code of Conduct for Board Members which refer to Members acting in the course of undertaking the authority's business.)

The acceptance of gifts and hospitality by Board Members does not simply result in the administrative exercise of declaration and registration; it can influence the public perception of Members and of the Authority. By following this local guidance, along with the general principle of full declaration, Members will be seen to be acting in the public interest rather than for personal gain.

The law on the acceptance of gifts and hospitality is set out in the Authority's Code of Conduct for Members and in the Prevention of Corruption Acts. These requirements are then supplemented by the procedures which have been adopted by this Authority, to provide a clear set of rules for the protection of both Board Members and the Authority. Acceptance of a gift or hospitality in breach of the Code, or failure to declare receipt of such a gift or hospitality, can lead to disqualification from holding any public office for a period of up to five years. Corrupt acceptance of a gift or hospitality can lead to a heavy fine or up to 7 years' imprisonment.

This Code of Conduct sets out:

- a) the principles which you should apply whenever you have to decide whether it would be proper to accept any gift or hospitality
- b) a procedure for obtaining consent to accept a gift or hospitality, when you consider that it would be proper to accept it
- c) a procedure for declaring any gift or hospitality which you receive and for accounting for any gift to the Authority

This Code does not apply to the acceptance of any facilities or hospitality which may be provided to you by this Authority.

#### 1. General Principles

In deciding whether it is proper to accept any gift or hospitality, you should apply the following principles. Even if the gift or hospitality comes within one of the general consents set out below, you should not accept it if to do so would be in breach of one or more of these principles:

**(a) Never accept a gift or hospitality as an inducement or reward for anything you do as a Board Member**

As a Board Member, you must act in the public interest and must not be swayed in the discharge of your duties by the offer, prospect of an offer, or the non-offer of any inducement or reward for discharging those duties in a particular manner.

The Public Bodies (Corrupt Offences) Act 1889 provides that if you accept any gift, loan, fee, reward or advantage whatsoever as an inducement to or reward for doing or forbearing to do anything in respect of any matter or transaction in which the Authority is concerned, you commit a criminal offence carrying a maximum term of imprisonment of 7 years.

Further, the Authority's Code of Conduct for Members provides that you must act in the public interest, serving the Authority and the whole community, rather than

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acting in the interests of any particular individual or section of the community, and that it is a breach of the Code to improperly confer any advantage or disadvantage on any person, including yourself.

**(b) You should only accept a specific gift or hospitality if there is a commensurate benefit to the Authority**

The only proper reason for accepting any gift or hospitality is that there is a commensurate benefit for the Authority which would not have been available but for the acceptance of that gift or hospitality.

Acceptance of hospitality can confer an advantage on the Authority, such as an opportunity to progress the business of the Authority expeditiously through a working lunch, or to canvass the interests of the Authority and its area at a meeting. Acceptance of a gift is much less likely to confer such an advantage. However, unless the benefit to the Authority is clear, and is commensurate with the value of the gift or hospitality, the presumption must be that the gift or hospitality is purely for your personal benefit.

As set out above, the Authority's code provides that you must not improperly confer any advantage on anyone, including yourself. Acceptance as a Board Member of a gift or hospitality for your own benefit or advantage, rather than for the benefit to the Authority, would be a breach of the Code.

**(c) Never accept a gift or hospitality if acceptance might be open to misinterpretation**

The appearance of impropriety can be just as damaging to the Authority and to you as a Board Member as actual impropriety. The Authority's ability to govern rests upon its reputation for acting fairly and in the public interest. You must therefore consider whether the acceptance of the gift or hospitality is capable of being interpreted as a sign that you or the Authority favours any particular person, company or section of the community or as placing you under any improper obligation to any person or organisation. If there is any possibility that it might be so interpreted, you must either refuse the gift or hospitality, or take appropriate steps to ensure that such a misunderstanding cannot arise.

Certain occasions are particularly sensitive and require the avoidance of any opportunity for such misunderstanding. These include:

- (i) occasions when the Authority is going through a competitive procurement process, in respect of any indication of favour for a particular tenderer.

**(d) Never accept a gift or hospitality which puts you under an improper obligation**

Recognise that some commercial organisations and private individuals see the provision of gifts and hospitality as a means of buying influence. If you accept a gift or hospitality improperly, it is possible that they may seek to use this fact to persuade you to determine an issue in their favour. Equally, if others note that you have been prepared to accept a gift or hospitality improperly, they may feel that they will no longer be able to secure impartial consideration from the Authority.

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**(e) Never solicit a gift or hospitality**

You must never solicit or invite an offer of a gift or hospitality in connection with your position as a Board Member unless the acceptance of that gift or hospitality would be permitted under this Code. You should also take care to avoid giving any indication that you might be open to such any improper offer.

**Article I.**

**2 Consent Regimes**

**(a) General consent provisions**

For clarity, the Authority has agreed that you may accept gifts and hospitality in the following circumstances:

- (i) civic hospitality provided by another public Authority
- (ii) modest refreshment in connection with any meeting in the ordinary course of your work, such as tea, coffee, soft drinks and biscuits
- (iii) small gifts of low intrinsic value below £25, branded with the individual name of the company or organisation making the gift, such as pens, pencils, mouse pads, calendars and diaries. However, you should take care not to display any such branded items when this might be taken as an indication of favour to a particular supplier or contractor, for example in the course of a procurement exercise
- (iv) a modest alcoholic or soft drink such as a pint of beer from an employee of a contractor. In such cases, you should make reasonable efforts to return the offer where this is practicable
- (v) a working lunch not exceeding £75
- (vii) modest souvenir gifts with a value below £75 from another public Authority given on the occasion of a visit by or to the Authority
- (viii) Hospitality received in the course of an external visit or meeting which has been duly authorised by the Authority. Board Members should not make such arrangements themselves, but request officers to settle the detailed arrangements
- (ix) other unsolicited gifts, where it is impracticable to return them to the person or organisation making the gift, provided that the Board Member declares it

**(b) Special consent provisions**

If you wish to accept any gift or hospitality which is in accordance with the General Principles set out in Paragraph 1, but is not within any of the general consents set out in Paragraph 2(a), you may only do so in accordance with the following procedure:

You must notify the Monitoring Officer in writing, setting out:

- (i) the nature and your estimate of the market value of the gift or hospitality
- (ii) who the invitation or offer has been made by or on behalf of

- 
- (iii) the connection which you have with the person or organisation making the offer or invitation, such as any work which you have undertaken for the Authority in which they have been involved
  - (iv) any work, permission, concession or facility which you are aware that the person or organisation making the offer or invitation may seek from the Authority

The Monitoring Officer will enter details of any approval in a register which will be available for public inspection on the occasion of the public inspection of the Authority's accounts for the relevant year. Please note that this does not relieve you of the obligation to register the receipt of gifts and hospitality in accordance with Paragraph 3 below.

### **3 Reporting**

Where you accept any gift or hospitality which you estimate to have a market value or cost of provision of £25 or greater, you must, as soon as possible after receipt of the gift or hospitality, make a declaration in writing to the Monitoring Officer, providing information set out in Paragraph 2(b) above. A form for this purpose is attached to this Code, although you can send the same information by any convenient means. The Monitoring Officer will retain a copy of any such declaration in a register which will be available for public inspection until the approval of the Authority's accounts for the year in question.

Even if the value of the gift or hospitality is less than £25, if you are concerned that its acceptance might be misinterpreted, and particularly where it comes from a contractor or tenderer, you may make a voluntary declaration in the same manner to ensure that there is nothing secret or underhand about the gift or hospitality.

### **4 Gifts to the Authority**

Gifts to the Authority may take the form of the provision of land, goods or services, either to keep or to test with a view to future acquisition, an offer to carry out works or sponsorship of a function which is organised or supported by the Authority. You should not solicit any such gift on behalf of the Authority except where the Authority has formally identified the opportunity for participation by an external party and how that participation is to be secured. If you receive such an offer on behalf of the Authority, you must first consider whether it is appropriate for the Authority to accept the offer (in terms of whether the acceptance of the gift might be seen as putting the Authority under any improper obligation, whether there is a real benefit to the Authority which would outweigh any dis-benefits). Gifts and the offer of a gift should be reported to the Monitoring Officer. The Monitoring Officer will then write back to the person or organisation making the offer, to record the acceptance or non-acceptance of the gift, record the gift for audit purposes and ensure that the gift is properly applied for the benefit of the Authority. If you have any concerns about the motives of the person or organisation making the offer, or whether it would be proper for the Authority to accept the gift, you should consult the Monitoring Officer directly.

### **5 Definitions**

- (a) "Gift or hospitality" includes any:
  - (b) (i) the free gift of any goods or services
  - (c) (ii) the opportunity to acquire any goods or services at a discount or on terms which are more advantageous than those which are available to the general public



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- (iii) the opportunity to obtain any goods or services which are not available to the general public
  - (iv) the offer of food, drink, accommodation or entertainment, or the opportunity to attend any cultural, sporting or entertainment event
- (b) References to the "value" or "cost" of any gift or hospitality are references to the higher of:
- (i) your estimate of the cost to the person or organisation of providing the gift or consideration
  - (ii) the open market price which a member of the public would have to pay for the gift or hospitality, if it were made available commercially to the public, less the cash sum of any contribution which you would be required to make toward that price to the person or organisation providing or offering the gift or hospitality.

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## Appendix 2

### **The LGPS context: Status and Legal Frameworks – extract from a 2006 CLG consultation.**

As a statutory, public service scheme, the LGPS has a different legal status compared with trust based schemes in the private sector. Matters of governance in the LGPS therefore need to be considered on their own merits and with a proper regard to the legal status of the scheme. This includes how and where it fits in with the local democratic process through local government law and locally elected councillors who have the final responsibility for its stewardship and management.

The LGPS is also different in the respect that unlike most private sector schemes where scheme members bear some, if not all, of the investment risk, the benefits paid by local authorities are guaranteed by statute and, perhaps more importantly, are paid out of local authority revenue and not from the pension funds themselves.

On this basis, it is the local authority itself, and local council tax payers, who are the final guarantors of the scheme. In coming forward with these proposals, the paper recognises the particular status in law of local authorities in comparison with non-statutory bodies and institutions, and flowing from that, the constraints arising from the statutory nature of the LGPS, compared with trust based schemes in the private sector, and the body of law that dictates the composition of local authority committees and the status of lay members on such committees.

#### **What is a “trustee”?**

The word “trustee” is often used in a very general sense to mean somebody who acts on behalf of other people but in pensions law it has a more specific meaning. Certain occupational pension schemes, primarily in the private sector, are established under trust law. Under a trust, named people (“trustees”) hold property on behalf of other people (called beneficiaries).

Trustees owe a duty of care to their beneficiaries and are required to act in their best interests, particularly in terms of their investment decisions.

Although those entrusted to make statutory decisions under the LGPS are, in many ways, required to act in the same way as trustees in terms of their duty of care, they are subject to a different legal framework and to all the normal duties and responsibilities of local authority councillors. **But they are not trustees in the strict legal sense of that word.**

#### **Why are trustees required in the private sector but not in statutory schemes like the LGPS?**

Trustees are needed in the private sector to help ensure better scheme security by compliance with the necessary legislation; prevent employer-led actions which could undermine a scheme’s solvency and to ensure that investment decisions are not in any way imprudent. But **in a statutory scheme like the LGPS, benefits are guaranteed by statute, regardless of investment performance and scheme members in the LGPS bear none of the investment risk.** The entitlements and benefits payable to scheme members in trust based schemes are, potentially at least, more volatile and dependent ultimately on the effectiveness and stewardship of their trustees. It is because of this greater risk to security that the Pensions Act 1995 first introduced the concept of member nominated trustees to ensure that scheme beneficiaries are part of the decision making process and a raft of other legislation. But even member nominated trustees must act in the interest of the fund/scheme and must not take decisions out of self-interest. The Pensions Act 2004 extends that status.

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## **Who is responsible for the stewardship of the LGPS?**

Elected councillors have legal responsibilities for the prudent and effective stewardship of LGPS funds and in more general terms, have a clear fiduciary duty in the performance of their functions. Although there is no one single model in operation throughout the 89 LGPS fund authorities in England and Wales, most funds are managed by a formal committee representing the political balance of that particular authority. Under section 101 of the Local Government Act 1972, a local authority can delegate their pension investment functions to the Council, committees, sub-committees or officers, but there are a small number of LGPS fund authorities which are not local authorities and therefore have their own, distinct arrangements.

**London Pensions Fund Authority, Board Secretariat**

**Tel: 020 7369 6058**

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## **Appendix 3**

### **Conflicts of interest policy to govern investment**

#### **Contents**

1. Introduction
  2. Interpretation
  3. Application of the policy
  4. Identifying conflicts of interest
  5. Disclosure of interests: General requirements
  6. Managing conflicts of interest: General requirements
  7. Managing conflicts of interest: Co-investment
  8. Managing conflicts of interest: Introducing investment opportunities
  9. Professional advisers
  10. Evaluating conflicts of interest
  11. Other relevant policies and guidance
- Annex 1 – Examples of conflicts of interests  
Annex 2 – Code of Conduct for Board Members (see page 36 of the Constitutional Document)  
Annex 3 - 4.0 Co-investment principles

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## 1. Introduction

- 1.1 Conflicts of interest need to be identified and managed as a matter of transparency and good governance of the LPFA. This policy is concerned with the management of conflicts of interest arising as a result of the LPFA's investment activity.
- 1.2 Individuals subject to this policy will take all reasonable steps to disclose interests and manage conflicts as they arise and at all times to act in accordance with the seven principles of public life which are:
- Selflessness
  - Integrity
  - Objectivity
  - Accountability
  - Openness
  - Honesty
  - Leadership
- 1.3 It is recognised that the way in which conflicts may arise may evolve over time. Individuals are expected to adhere to both the spirit and content of this policy to ensure that conflicts of interest are identified and disclosed in a timely fashion and managed appropriately.
- 1.4 Paragraph 11 below explains the way in which this policy sits with other parts of the LPFA's constitutional and policy framework.

## 2. Interpretation

In this policy:

<b>co-investment</b>	occurs where two or more investors share ownership of an asset
<b>conflicted co-investment</b>	a situation in which LPFA has invested in (or is considering investing in) an investment which is also held by (or which is under consideration as an investment for) an individual who is subject to this policy pursuant to paragraph 3.1;
<b>conflict of interest</b>	is any interest or relationship that an individual or a Related Party (as defined below) has that a member of the public with knowledge of the relevant facts would reasonably regard as giving rise to a conflict of interest between that interest or relationship and the interests of the LPFA;
<b>material conflict</b>	exists where an individual has an interest in relation to an investment which is being proposed to; is under

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consideration by or has been made by the LPFA which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is might prejudice that individual's judgment so far as his role within or connection to LPFA is concerned

**professional advisers**

in paragraph 9 means any legal advisers, accountants, investment managers or others providing advice to the LPFA in connection with the management, monitoring or selection of the LPFA's investments;

**proper advice**

is the advice of a person:

- (a) who is reasonably believed by the LPFA Board to be qualified by their ability in and practical experience of investment matters; and
- (b) who has no financial interest in relation to the investment with which the advice is given;

and such advice may constitute proper advice for these purposes even though the person giving the advice is an employee, consultant or contractor of LPFA; and

**Related Party**

means:

- (a) a family member of or any person or entity with whom an individual to whom this policy applies has a close association; The Board Secretary should be consulted if there is doubt as to the nature of a close association. This may include business partners, companies and limited liability partnerships, fellow trustees and may extend to divorced partners with continuing joint financial interests; and
- (b) any relationship an individual has that may be relevant in the context of an investment that is under consideration by LPFA or has been made by LPFA.

**3. Application of the policy**

3.1 This policy applies to:

- (a) all Board Members;
- (b) all Principal Officers of the LPFA;
- (c) any other person performing a role within LPFA (whether as a committee member or employee) who has a significant role in managing, monitoring or selecting the LPFA's investments.

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3.2 Each individual to whom this policy applies is responsible for complying with the terms of this policy and making all necessary disclosures and the intention is for training on conflicts of interest to be provided when an individual first becomes subject to this policy and at 3 yearly intervals thereafter.

3.3 Professional Advisers to the LPFA who have a significant role in managing, monitoring or selecting the LPFA's investments are subject to this policy, but only to the extent specified in paragraph 9 (Professional Advisers).

#### **4. Identifying conflicts of interest**

Individuals should consider at every stage of their involvement in the investment process whether they have a direct or indirect interest that conflicts, or possibly may conflict or be perceived to conflict with the interests of the LPFA. Examples of where a potential conflict of interest may arise in the investment context are set out at **Annex 1**.

#### **5. Disclosure of interests: General requirements**

5.1 A Disclosure of Interests Statement should be completed on an annual basis by individuals subject to this policy, except for Board Members who register their interests with the LPFA in accordance with paragraph 12 of the Code of Conduct for Board Members (see **Annex 2** 'Code of Conduct for Board Members').

5.2 The Disclosure of Interests Statement will require disclose of interests an individual has including:

- (a) executive and non-executive directorships;
- (b) paid or unpaid employment or self-employment (including partnerships);
- (c) consultancies, advisory posts and other positions of responsibility (whether remunerated or not);
- (d) public or voluntary sector appointments;
- (e) holdings in land;
- (f) substantial shareholdings and beneficial interests (where the shareholding or beneficial interest has an interest of at least 1% of the issued share capital in the company or other entity) held by the individual and/or a Related Party in a company or other entity
- (g) any other interest that he or she considers should be disclosed because of the potential for that interest to conflict or be perceived to conflict with the interests of the LPFA having considered the examples of conflicts of interest in **Annex 1**.

5.3 Within 28 days of an individual becoming aware of any new interest or any change to any interest registered in accordance with paragraph 5.2, the details of the new interest or change should be provided by written notification to the LPFA's Board Secretary.

5.4 Immediately upon an individual becoming aware of a conflict of interest in relation to a specific investment that arise as a result of an individual's relationship with a Related

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Party, a disclosure of interests statement shall be completed by the individual in relation to that Related Party.

5.5 Should this policy require an individual to disclose a market sensitive matter then the advice of the Chair of Audit and Risk Committee should be sought.

5.6 The Board Secretary will make available on the website public declarations of interests. However the Board Secretary will not publish any market sensitive declarations or any "sensitive information" in line with Part 3 of the Code of Conduct for Board Members.

## **6. Managing conflicts of interest: General requirements**

6.1 Whenever an individual becomes aware of an actual or a potential conflict of interest (or an interest that might be perceived as a conflict of interest) that he or she has in a proposed or current investment of LPFA that individual should inform the Board Secretary of the interest, the nature of the interest and any other relevant information at the earliest opportunity. Such disclosure should also be made in the event of any doubt as to whether it is required. Individuals may also seek the advice of the Chair of Audit or his nominated deputy as appropriate.

6.2 Where a material conflict arises the individual with the material conflict must not participate (in any capacity) in the decision-making process regarding the investment that is the subject of the material conflict and in particular that individual:

(a) should not be involved in preparing any papers to review the proposed investment or proposed dealing in an investment held by the LPFA;

(b) should not be provided with any internal papers or documents relating to the proposed investment or dealing in the investment;

(c) should not be involved in any capacity in the selection of professional advisers appointed in relation to advising on that investment;

(d) must follow the procedure in paragraph 6.3 in any meeting at which the proposed investment is considered and where any decision is taken as to whether the investment is made by the LPFA;

(e) must follow the procedure in paragraph 6.3 at any meeting at which the performance of an investment is reviewed or evaluated and where any decision is taken as to whether to sell the investment.

6.3 Board Members and other individuals participating (in whatever capacity) in any meeting must declare at the beginning of the relevant item of business any matter in which he or she has a conflict of interest (or in which a Related Party has a conflict of interest), and in the event that he or she (or a Related Party) has a material conflict of interest, the individual shall:

(a) withdraw from the meeting for that item (including any voting on the matter); and

(b) not be counted in the quorum for that part of the meeting.

6.4 All conflicts of interest declared will be recorded in the minutes of the meeting.



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6.5 Independent advice will be sought where conflicts cannot be resolved through the usual procedures. In the case of grave or repeated conflicts of interest between an individual who is subject to this policy and the LPFA, that individual shall consider whether it may be that, in the best interests of the LPFA, he or she should stand down from his or her position in relation to investment at the LPFA.

## **7. Managing conflicts of interest: Co-investment and conflicted co-investments**

7.1 Co-investment can only be undertaken in accordance with the co-investment principles set by the Board as part of the Investment policy and strategy.

7.2 An individual subject to this policy who is a prospective co-investor with the LPFA must:

- (a) adhere to the conflict management provisions in paragraph 6; and
- (b) make an enhanced disclosure in accordance with paragraph 7.3.

7.3 The enhanced disclosure required from an individual subject to this policy who is a prospective co-investor with LPFA is a disclosure of their interest or potential interest in the co-investment opportunity that provides details of the following:

- (a) what is the nature of the current or prospective interest in the investment to include details of any percentage shareholding or other details about the nature and extent of the interest, the financial value of the proposed investment and any options to acquire further shares or be issued new shares;
- (b) any benefits available to the individual in consequence of the LPFA co-investing whether arising before, during or after the co-investment and whether or not the benefit is financial; and
- (c) whether the individual would invest if the LPFA did not co-invest.

7.4 Proper advice should be obtained on every co-investment opportunity in which an individual has a material conflict of interest before a final decision is taken by the LPFA as to whether to proceed with the co-investment that considers:

- (a) whether the terms of the investment are reasonable in the circumstances; and
- (b) the key representations made in relation to the proposed investment.

7.5 All co-investment in which an individual has a material conflict of interest should be approved by the LPFA Board (after having considered the proper advice). The number of un-conflicted Board Members participating in approving the investment must be at least 4.

## **8. Managing conflicts of interest: Introducing investment opportunities**

8.1 Any investment opportunity introduced by a person to whom this policy applies must fit within the investment policy and strategy set by the Board

8.2 An individual who introduces an investment opportunity to the LPFA must adhere to the conflict management provisions in paragraph 6 as if he or she has a conflict of interest in the investment opportunity that he or she introduces.

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- 8.3 An individual introducing an investment opportunity must make an enhanced disclosure that provides details of the following:
- (a) any direct or indirect interest that (i) he or she or (ii) a Related Party, has in the subject matter of the investment opportunity and any entities that are related to that investment opportunity; and
  - (b) any additional benefits available to the individual if the LPFA invests in that investment opportunity whether arising before or after the investment is made and whether or not the benefit is financial.
- 8.4 Investment opportunities introduced by individuals who are subject to this policy should be approved at Board level.
- 8.5 Proper advice should be obtained on an investment opportunity introduced to the LPFA where the Board consider this to be appropriate in the circumstances before a decision is taken as to whether to proceed with the investment and the advice shall include:
- (a) whether the terms of the investment are reasonable in the circumstances;
  - (b) the key representations made in relation to the proposed investment; and

## **9. Professional advisers**

- 9.1 Individuals selecting or appointing professional advisers in relation to investments for the LPFA should require prospective professional advisers to disclose any conflicts of interest at the outset of the selection/appointment process.
- 9.2 Where a professional adviser has a conflict of interest it should be considered whether that professional adviser can manage conflicts of interest through the use of internal procedures (such as information barriers and the use of different teams to provide the advice) or whether in the circumstances alternative professional advisers should be appointed.
- 9.3 Where professional advice is sought on a conflicted co-investment opportunity the professional adviser appointed to review the opportunity must not be the same adviser that is advising the person co-investing with the LPFA.

## **10. Evaluating conflicts of interest**

- 10.1 Compliance with this policy will be reviewed periodically and reported to the Audit and Risk Committee annually. A report on compliance will be provided to the Board, which shall detail any incidences of non-compliance identified.
- 10.2 The procedures set out in this policy must be monitored and may be amended from time to time. Notice of any changes will be provided promptly to all persons who are subject to this policy.

## **11. Other relevant policies and guidance**

- 11.1 In the event of any conflict between this policy and the LPFA Constitution, the provisions of the LPFA Constitution take precedence.
- 11.2 This policy is solely concerned with investment. The LPFA Constitution and the other LPFA policies listed below may apply in relation to an individual's interests outside LPFA:

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- Code of Conduct for Board Members
  - The Authority's Code of Best Practice
  - Conflict Policy (applicable to staff only).

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## **Annex 1**

### **Examples of conflicts of interest**

Examples of where a conflict of interest may arise in the investment context includes where an individual or a Related Party has:

- (a) a direct or indirect interest in or relationship (whether as an employee, consultant or otherwise) with an entity that LPFA proposes to invest in by any means;
- (b) a direct or indirect interest in a fund manager overseeing LPFA's investments;
- (c) a direct or indirect interest or relationship (whether as an employee, consultant or client) with a professional adviser to the LPFA;
- (d) or may co-invest with the LPFA and other third parties; or
- (e) introduced (directly or indirectly) to the LPFA an investment opportunity by any means.

This list of examples is non-exhaustive and there are likely to be other scenarios where a conflict of interest may arise.

## **Annex 2**

### **Code of Conduct for Board Members**

(see Standing Order F in the Constitutional Document)

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## **Annex 3**

### **4.0 Co-investment principles**

This document constitutes a part of the Conflicts Policy (the Policy) framework and should be updated to reflect any changes made to the Policy. Staff will be made aware of any changes to this document and the Policy via email.

For interpretation of words/phrases used in this document, please refer to the Policy.

There may be times when LPFA invests in unison with other parties in a co-investment capacity.

The following section outlines LPFA's co-investment principles for both conflicted and non-conflicted co investments and the process if a Board Member or a related party is a co-investor.

#### **Principles of non-conflicted co-investments:**

- 1) LPFA should only co-invest with:
  - institutional investors (i.e. pension funds, charities, private equity houses, infrastructure companies, investment trusts, etc.), or
  - suitable high net worth individualsvia a limited liability vehicle.
- 2) Investment committee approval is required for any co-investment opportunity in excess of the ISC delegated authority limits. Opportunities below this amount can be approved by the Investment Sub Committee. The LPFA investment committee should consider a co-investment in a timely manner. All non-conflicted members should vote. All co-investments should be reported to Board via the Investment Committee minute process.

Board have approved a list of attributes that would potentially disqualify a co-investment partner and which seek to protect LPFA's reputation. These characteristics must be applied to all co-investment partners. If Investment Committee wish to co-invest with a partner with these characteristics then full board approval is required. The list of undesirable attributes is at the end of these principles.

#### **List of attributes that would potentially disqualify a co-investment partner:**

- Where the institutional investor is headquartered outside of developed markets and no recourse to the British legal system
- Where the accounts of the institutional investor are not readily available and access to senior management is restricted
- Where the co-investment would be a disproportionality large percentage of AUM for the institutional investor (i.e. over 80%)

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- Where the institutional investor is to gain economic benefit from the co-investment to the detriment of the investment opportunity
  - Where the institutional investor has been convicted of money laundering, fraud or other financial offence
  - Where the institutional investor is under investigation by any authorised regulatory bodies or there is any pending litigation against the body
  - Where the institutional investor is on any official sanctions or watch lists
  - Where after the due diligence performed by the investment team reveals that the institutional investor may not act in the long term interests of the LPFA (noted below)

The LPFA are required to perform rigorous and robust due diligence on any potential partner, this is to ensure that they are a sophisticated investor and aligned with the LPFA's interests. This process will include a number of checks on their financial health and ownership structure (AUM, etc.), reference checks (clients, suppliers, etc.) and their investment process (team, prior investments, etc.).

If the board is in any doubt as to the quality of the investment partner then it should look to hire Kroll or some such agency to perform an in depth reference check.

- 3) Any co-investment opportunity is subject to full due diligence process by
  - a) Investment Team, or
  - b) external independent assessment.
- 4) Where commercially viable if the LPFA co-invests then it should do so at the same time, at the same price and economic terms as the other parties.

**Principles of conflicted co-investments:**

- 5) Potential investment is conflicted where LPFA plans to invest alongside another institutional investor and where an LPFA Board member is also a trustee or a director of the co-investor. This can include use by the co-investors of the same fund manager for example which does not fall under the definition of conflicted co-investment.

This is distinct from a personal conflicted co-investment and is managed via the usual declaration of interest policy as indicated in paragraph 5.6 of the Policy and as per the Board member Code of Conduct.

If LPFA seeks to enter into a conflicted co-investment opportunity the following should apply:

- 6) Any co-investment opportunities where a Board Member is also an investor in a personal capacity should include a third party and not solely be between the LPFA and a Board Member, or a Board Member's connected business. This third party should preferably be an institutional investor, or a high net worth individual, independent of both the LPFA and Board Member, or a Board Member's connected business.

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- 7) When a Board member or officer is co-investing they should remove themselves from any voting process at Investment Committee or Board in line with LPFA's Conflicts Policy.
  - 8) Board should approve all conflicted co-investment opportunities.
  - 9) ALL Board Members must declare any related party interests in co-investment opportunities when they become aware of the details of the opportunity. Related party is defined as per LPFA's Conflict's policy. The conflicted member must remove themselves from the voting process.
  - 10) The conflicted 'introducer' / 'manager' should not personally receive any upfront fee from the LPFA. Any personal share of a management or performance fee should also be waived. This does not impact on the usual fee a Board Member is paid in relation to their Board position. On-going monitoring of the opportunity should be carried out by an independent third party. Neither the conflicted party nor a related party is permitted to receive any fees from the investment opportunity, whether that be introductory, performance, carry or management fees.