



PENSIONS COMMITTEE 25 November 2014	REPORT
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Subject Heading:	REVIEW OF GOVERNANCE COMPLIANCE STATEMENT
CMT Lead:	Andrew Blake Herbert
Report Author and contact details:	Contact: Debbie Ford Designation: Pension Fund Accountant Telephone: (01708) 432569 E-mail address: Debbie.ford@havering.gov.uk
Policy context:	Regulation 55(2) of the LGPS Regulations 2013 requires an administrative authority to keep this document under review
Financial summary:	No financial implications

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	<input type="checkbox"/>
Excellence in education and learning	<input type="checkbox"/>
Opportunities for all through economic, social and cultural activity	<input type="checkbox"/>
Value and enhance the life of every individual	<input checked="" type="checkbox"/>
High customer satisfaction and a stable council tax	<input type="checkbox"/>

SUMMARY

In line with the Local Government Pensions Scheme Regulations (LGPS) 2013, Regulation 55(2), the London Borough of Havering, as an administering authority, has a duty to keep the Governance Compliance Statement under review and make revisions as appropriate.

With effect from 1 April 2008, under the LGPS (Administration) Regulations 2008, Regulation 31, it has been a requirement for the administering authority to prepare

and publish a report outlining the extent of compliance against a set of best practice principles published by the Department of Communities and Local Government (DCLG).

The Governance Compliance statement has been updated annually since its first publication in 2008.

This report sets out the pension fund's draft Governance Compliance Statement for November 2014 and highlights where changes may be required.

RECOMMENDATIONS

That the committee:

Consider and agree any issues as needing to be amended in the Governance Compliance Statement (**Appendix A**).

REPORT DETAIL

1) LGPS Regulations

Regulation 31 of the LGPS (Administration) Regulations 2008 has been updated by regulation 55 of the LGPS Regulations 2013 which states that an Administering Authority must prepare a written statement setting out;

- a) Whether the authority delegates its functions to a committee or an officer of the authority;
- b) If the authority does so –
 - i. the terms, structure and operational procedures of the delegation,
 - ii. the frequency of any committee meetings,
 - iii. whether such a committee includes representatives of scheme employers or members, and if so, whether those representatives have voting rights
- c) the extent to which a delegation, or in the absence of a delegation, complies with guidance given by the Secretary of State, and if it does not comply, the reasons for not complying; and
- d) details of the terms, structure and operational procedures relating to the establishment of a Local Pension Board.

Regulation 55(2) states that an administration authority has a duty to keep the Governance Compliance Statement under review and make revisions as appropriate.

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Regulation 55 (3) states that before revising a statement an administering authority must consult such persons as it considers appropriate.

Regulation 55 (4) states that an administration authority must publish its statement and any revised statement.

2) Governance Compliance Statement (Appendix A)

The Governance compliance statement as set out in Appendix A has been prepared and revised in line with the best practice principles published by the DCLG in 2008 and includes a compliance table which shows how the pension fund is compliant against best practice standards and if it does not, states the reasons for not complying.

3) Key points for the committee to consider:

- a) **Appendix A** sets out the authority's position on compliance against the set of best practice principles.

Listed below are the areas where the authority is currently not fully compliant. **It should be noted that the authority does not have to be fully compliant but where it is not the authority has to state why.**

- i) **Principle B Representation Item (a) (iii)** – To meet the required standards all stakeholders are afforded the opportunity to be represented by, where appropriate, appointing independent observers. *Members have previously considered whether or not to employ the services of an independent professional observer to participate in the governance arrangements and decided against it on the basis that the current monitoring arrangements are sufficient for the size of the fund.*
 - ii) **Other changes – please refer to Appendix A, section 3.** *Changes reflect amendments made to new committee members and job titles of senior management.*
 - iii) **Regulation 55 (1) (d)** - This states that the Administering Authority must prepare a written statement setting out the details of the terms, structure and operational procedures relating to the local pension board established under regulation 53 (4) (Scheme managers). A working party has been established and is currently in the process of planning the creation of a local pension board for the Havering Pension Fund. Regulations state that the local pension board must be established by no later than the **1 April 2015. Officers will present a report to the Governance Committee on the 11 March 2015 and then the Council meeting on the 25 March 2015 to establish the local pension board. Once this has been completed the Governance Compliance Statement will be further updated to be compliant with this regulation.**
- b) The compliance statement will be amended as necessary after the committee meeting and will be published on the Council's website. This

updated version will also be included in the 2013/14 Pension Fund Annual Report.

- c) The DCLG had previously consulted on draft LGPS governance regulations, issued on the 23 June, which were intended to put in place the framework for the new-look governance arrangements for the LGPS from April 2015. A further consultation and revised guidance has subsequently been issued in October. This new consultation runs until 21 November 2014. This revised guidance includes provision for the creation of two new types of entity – the **Local Pension Board** and a **National Scheme Advisory Board**.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no direct financial implications arising directly from this report as the review of the Governance Compliance Statement will ensure that the London Borough of Havering as the administering authority is compliant with regulations.

However, the expenses of a Local Pension Board, mentioned in section 3 paragraph c, are viewed as part of the administration costs for the relevant LGPS fund. This means that the administering authority will be able to require employers to contribute to those expenses under existing LGPS regulations.

The expenses of the Advisory Board, mentioned in section 3 paragraph c, are to be viewed as part of administering costs for the LGPS as a whole and are met by the administering authorities. Each authority's share will be based on the Boards approved budget and the split will be based on the number of members in each authority's fund.

The impact of meeting the above costs is likely to impact the employer contributions in future valuations.

Legal implications and risks:

The relevant legislation is set out in the main report.

The only revisions to the Governance Compliance Statement relate to personnel changes and therefore whilst the regulations require any revisions to be the subject of consultation in the circumstances this appears to be unnecessary, and there would be minimal risk in revising the statement accordingly without consultation.

The departures from guidance have been explained and are set out at paragraph 3 and given that these are not new issues there is minimal legal risk in leaving the

statement intact in that respect, although it is open to the Pensions Committee to suggest any changes if they think this is appropriate.

Further the Regulations require the statement to record the terms, structure and operational procedures of the Local Pension Board, however, the Regulations concerning the governance of such boards has not yet been finalised as they are still the subject of consultation. There does appear to be a lack of synchronisation of the various pieces of legislation concerning the Pension Board, however, in the circumstances it appears reasonable to delay the revisions that will be required to set out the matters relating to the Pension Board until this has been formally agreed.

Human Resources implications and risks:

None arise from this report.

Equalities implications and risks:

In line with the Local Pensions Scheme Regulations (LGPS) 2013, Regulation 55(2), the Council is required to prepare and publish a report outlining the extent of compliance against a set of best practice principles published by DCLG. In the areas in which the Council has not met best practice, as outlined in section 3, there are no equality implications or risks for staff or local residents.

BACKGROUND PAPERS

Background Papers List

Governance Compliance Statement (Nov 13)