



## PENSIONS COMMITTEE

24 November 2015

## Report

**Subject Heading:**

**REVIEW OF GOVERNANCE  
COMPLIANCE STATEMENT**

**CMT Lead:**

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**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

Havering will be clean and its environment will be cared for	<input type="checkbox"/>
People will be safe, in their homes and in the community	<input type="checkbox"/>
Residents will be proud to live in Havering	<input checked="" type="checkbox"/>

### SUMMARY

In line with the Local Government Pensions Scheme Regulations (LGPS) 2013 (as amended), and LGPS (Governance ) Regulations 2015 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.

Since the 1 April 2008 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).

This report sets out the pension fund's draft Governance Compliance Statement for November 2015 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. **Background**

#### 1.1 **LGPS Regulations**

The LGPS Regulations 2013 (55) (as amended) and the LGPS (Governance) Regulations 2015 states that an Administering Authority must prepare a written statement setting out;

- 1) (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.
- 2) An administering authority has a duty to keep the Governance Compliance Statement under review and make revisions as appropriate.

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- 3) Before revising a statement an administering authority must consult such persons as it considers appropriate
- 4) The administering authority must publish its statement and any revised statement.

### **1.2 LGPS (Governance) Regulations 2015 - Local Pension Boards: establishment, Regulation 106.**

- 106** (1) Each administering authority shall no later than 1st April 2015 establish a pension board (“a local pension board”) responsible for assisting it—
- (a) to secure compliance with:
    - (i) these Regulations,
    - (ii) any other legislation relating to the governance and administration of the Scheme and any connected scheme (a), and
    - (iii) any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme; and
  - (b) to ensure the effective and efficient governance and administration of the Scheme and any connected scheme

The expenses of a local pension board are to be regarded as part of the costs of administration of the fund held by the administering authority.

### **1.3 LGPS (Governance) Regulations 2015 -Scheme Advisory Board (SAB)**

A Local Government Pension Scheme Advisory Board has formerly been established from 1 April 2015 (previously known as the Shadow Scheme Advisory Board). The function of the Local Government Pension Scheme Advisory Board is to provide advice to the Secretary of State on the desirability of making changes to the Scheme and also has the function of providing advice to administering authorities and local pension boards in relation to the effective and efficient administration and management of the Scheme and any connected scheme and their pension funds.

The expenses of the Local Government Pension Scheme Advisory Board are to be treated as administration costs of the Scheme and are to be defrayed by the administering authorities within the Scheme in such proportions as shall be determined by the Board.

## **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, state the reasons for not complying.

The Council agreed changes to its constitution on the 25 March 2015 to establish the Havering Pension Board and the Governance Compliance Statement has now

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been updated to reflect the regulatory requirements (as shown in section 1.1 1) (d)).

In line with regulations before revising this statement an administering authority must consult. The other employers in the fund were notified of the intended revisions to the Governance Compliance Statement on the 5 October 2015 and comments were invited by no later than the 29 October 2015. No views or comments were received.

### **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 is the area 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 2.** *Changes reflect amendments made to new committee members.*
- iii) **Other changes** - 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 by 1 April 2015. The Governance Compliance statement has now been updated to reflect that Council agreed the establishment of a Local Pension Board on the 25 March 2015.
- b) The compliance statement will be amended if necessary after the committee meeting and will be published on the Council's website. This updated version will also be included in the 2015/16 Pension Fund Annual Report.

## 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 1, paragraph 1.2 are included 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 scheme advisory board, mentioned in section 1 paragraph 1.3, are to be viewed as part of administrating costs for the LGPS as a whole and are met by the administrating 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 departures from guidance have been explained and are set out at paragraph 3 and given that these are not new issues and there have been no comments in response to the consultation 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.

### **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  
LGPS Regulations