



PENSIONS COMMITTEE

9 NOVEMBER 2011

REPORT

Subject Heading:	REVIEW OF GOVERNANCE COMPLIANCE STATEMENT
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Policy context:	Regulation 31 of the LGPS (Administration) Regulations 2008 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 2008, Regulation 31 and good practice, the London Borough of Havering as an administrating authority has a duty to undertake a review the Pension Fund's Governance Compliance Statement.

This report sets out the Pension Fund's reviewed Governance Compliance Statement and highlights where changes may be required.

RECOMMENDATIONS

That the committee:

1. Consider whether to recommend to the Governance Committee the changes to the Pensions Committee terms and conditions as set out at paragraph 3.
2. Consider and agree any issues as needing to be amended in the Governance Compliance Statement (**Appendix A**).

REPORT DETAIL

1. LGPS (Administration) Regulations 2008 Regulation 31 states that the administrative authority must keep the Governance Compliance Statement under review.
2. **Governance Compliance Statement (Appendix A)**
 - a) This sets out the administrative authorities approach towards governance of the pension fund 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.
 - b) Guidance was issued by the Department of Communities and Local Government (CLG) in June 2008 and the Havering compliance statement based on these guidelines, was submitted to the CLG in July 08. The CLG later confirmed that the authority had fulfilled its obligation in submitting its first governance compliance statement.
 - c) The next steps for the CLG were to analyse all the statements and make an assessment of compliance against the best practices they laid out. They have yet to complete all their assessments but in May 2009 the CLG issued the initial results. In overall terms compliance against the principles was significantly high with many boroughs scoring 80% or higher (Individual authority results have not been published). Although the initial review highlighted substantive progress it also identified a small number of boroughs had areas of weakness in the following principles:
 - Training, Facility Time and expenses (Principle E of the compliance statement refers).
 - Communication and representation in instances where scheme members were not represented on the committee (Principle F, part c of the compliance statement refers).

- d) In conjunction with the above the CLG also issued a consultation paper seeking views on how to bring about higher standards on governance and involvement and to see where and how future improvements can be made. This consultation closed on the 30 September 09 but no further guidance has been issued.
- e) The Governance Compliance statement has been updated annually since its first publication.

3. Key points for the committee to consider:

- a) Section 2. Constitutional arrangements

The Pensions Committee current duties and terms of reference included in the Governance Compliance Statement are as stated in the current Council's constitution as follows:

- i) "To consider and agree the investment strategy and statement of investment principles for the pension fund and subsequently monitor and review performance".
- ii) "Where appropriate and above staff delegation levels to recommend staff to invite tenders and award contracts for actuaries, advisers and fund managers or other related investment matters".
- iii) "To appoint and review the performance of advisers and investment managers for Council and pension fund investments".
- iv) "To take decisions on those matters not to be the responsibility of the Cabinet under the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 relating to those matters concerning the Local Government Pension Scheme"

In response to a query raised by the chairman of the Pensions Committee the Committee are to consider making a recommendation to the Governance Committee to change the wording of items (ii) and (iii), as follows:

Item (ii) – Change to - Approve to recommend staff to invite tenders and to award contracts for actuaries, advisers and fund managers or other related investment matters.

Item (iii) – Change to - To appoint and review the performance of advisers and investment managers for pension fund investments".

- b) **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) **Principle D Voting** – To meet the required standards a declaration should be included in the governance policy statement on the justification for not extending voting rights to each body or group represented on the committee. *Members previously agreed to review voting rights when the new membership arrangements are in place. The Committee is to now review whether to extend voting rights to the co-opted member.*
- iii) **Other changes** – *please refer to Appendix A where track changes highlights where some wording has been changed.*

The compliance statement will be amended as necessary after the committee and will be published on the Council's website. The updated version will also be included in the 2010/11 Pension Fund Annual Report.

IMPLICATIONS AND RISKS

Financial implications and risks:

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

Legal implications and risks:

None arise from this report.

Human Resources implications and risks:

None arise from this report.

Equalities implications and risks:

None arise from this report.

BACKGROUND PAPERS

Background Papers List

Governance Compliance Statement (Nov 10)