



PENSIONS COMMITTEE

22 November 2016

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 by 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 2016 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 (Regulation 55) as amended by 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.
- 3) Before revising a statement an administering authority must consult such persons as it considers appropriate

Pensions Committee, 22 November 2016

- 4) The administering authority must publish its statement and any revised statement.

1.2 LGPS Regulations 2013 - 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.

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.

In line with regulations, before revising this statement an administering authority must consult. In this instance no consultation was carried out as the only amendment made to the Compliance Statement was to reflect the change in the Pensions Committee membership and it was considered that there were no persons it was appropriate to consult for such a minor change.

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) **Investment Pooling Governance Principles** – In October 2016 AON Hewitt with support from CIPFA developed guidance to support the LGPS in demonstrating best practice governance during the implementation of, and when participating in, LGPS asset pooling arrangements. The guidance suggests reviewing the wording of the Local Authority's constitution and/or the Terms of Reference for the Pensions Committee to consider whether they may need to be refined to adapt with the new investment pooling arrangements. Legal Services are currently reviewing the wording and if any changes are required then these will need to go via Governance Committee for approval before adoption. Any changes required will be reflected at the next review of the Governance compliance statement.
- 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 2016/17 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 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.

Pensions Committee, 22 November 2016

The departures from guidance have been explained and are set out at paragraph 3 and therefore 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