

GOVERNANCE COMMITTEE

REPORT

14 March 2012

Subject Heading:	AUDIT AND PENSIONS COMMITTEES – Terms of Reference and Constitution
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Policy context:	The Terms of Reference require amendment to ensure the Pensions Committee fully comply with the six principles set out in the Local Government Pension Scheme Regulations and to ensure members of the Audit Committee are adequately trained to carry out their role.
Financial summary:	There are no direct 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 type="checkbox"/>
High customer satisfaction and a stable council tax	<input checked="" type="checkbox"/>

SUMMARY

The Pensions Committee at its meeting on 9 November 2011 considered the outcome of the Annual review of the Statement of Investment Principles and undertook a review of its Governance Compliance Statement.

The Pensions Committee were concerned to note that not all members of that Committee had received suitable training. They also expressed the view that named substitute members should be trained to the same level. To encourage all members to avail themselves of the training opportunities they were recommending this Committee to amend the Terms of Reference.

Whilst reviewing its Governance Compliance Statement the Pensions Committee also considered the current duties and terms of reference on the appointment of advisors and felt that these needed amendment.

The Audit Committee had also given consideration to the need to ensure all members of that Committee and named substitutes should be adequately trained.

RECOMMENDATIONS

That the Committee recommend to Council that:

1. Part 3 of the Constitution, paragraph 1.2 Functions delegated to general council committees be **amended** as follows:
 - a. **Advisers and Investment managers**
To “Authorise staff to invite tenders and to award contracts to actuaries, advisers and fund managers and other related investment matters

To appoint and review the performance of advisers and investment managers for pension fund investments.”
2. Part 4 of the Constitution, Paragraph 12 **Pensions Committee amended** to read:
 - (a) The bodies that are Scheduled or Admitted Bodies of the Havering Pensions Fund for the purposes of the Local Government Pensions Scheme are entitled between them to nominate a representative who shall be co-opted to serve on the Committee with voting rights.
3. Part 4, section 3, of the constitution, **Committee Procedure Rules** paragraph 17 ‘**Training and continuity of membership of certain committees**’, sub paragraphs (a) and (c) should be strengthened by the addition of the following sentence at the end of both paragraphs “If a member does not undertake the required training within six months of appointment then that member shall not partake in the decision making of the Committee until their training has been completed” and at the end of paragraph (c): “ Non-nominated members may not act as substitutes.”

REPORT DETAIL

1. Since January 2010 the Pensions administering authority (the Pensions Committee) must publish its compliance against the revised set of Myners Principles. At the end of 2000, beginning of 2001 Paul Myners, then Chairman of Gartmore Investment Management plc, carried out a review, on behalf of the Government, of Institutional Investment in the United Kingdom. He came up with a set of principles, as a model of best practice, and recommended that Pension Funds should show in their Statement of Investment Principles what they were doing to implement each of the principles. Where they had chosen not to meet a given principle they should explain publicly, and to their members, why not. Over the intervening years the principles have been refined and the current 6 principles are set out in Appendix 'A'.
2. In carrying out their annual review of the Statement of Investment Principles the Pensions Committee expressed concern that nearly two years into the life of the current committee not all members had undertaken suitable training. Although members of the Committee had been asked to complete the Skills and Knowledge Framework to assess their level of knowledge not all members had completed the questionnaire. The Committee had urged all members to do so as a matter of urgency.
3. The Pensions Committee appreciated that it was not possible for members to attend every meeting, and to ensure trained substitutes were available they asking Group Leaders to nominate named substitutes who could also receive the same training.
4. Given the fact that not all members had yet availed themselves of the available training the Pensions Committee were asking this Committee to amend the Constitution to require all members of the Pensions Committee, and named substitutes, to avail themselves of suitable training within six months of being appointed to serve on the Committee, or as a named substitute. Failure to avail themselves of the training should disbar them from membership until such time as they have undertaken the necessary training.
5. Annually the Pensions Committee undertake a review of its Governance Compliance Statement. The Pensions Committee considered two key points. The first related to the Constitutional arrangements. The Committee have over its last two meetings been reviewing its Terms of Reference. Having given the matter due consideration the Pensions Committee are recommending this Committee to amend their Terms of reference to read:
 1. Item ii) Change to "Recommend the authorisation of staff to invite tenders and to award contracts to actuaries, advisers and fund managers and other related investment matters";
 2. Item iii) – Change to "To appoint and review the performance of advisers and investment managers for pension fund investments."

6. Secondly, as recommended in the Myner's Principles, the Committee reviewed the situation of the representative of the Admitted and Scheduled Bodies. In previous years the Committee had decided not to give voting rights to this representative. This year having had the benefit of a number of years experience with the representative serving on the committee without voting rights the Committee agreed to recommend that voting rights be extended to the representative or representatives of the scheduled and/or admitted bodies.
7. At Audit Committee at its meeting on 21 December 2011 members gave consideration to the need to ensure all members of the Committee received adequate training to enable them to carry out their role. They wish to see similar provision in their constitution to that of the Pensions Committee to require all members of the audit committee and designated substitutes to avail themselves of the necessary training within 6 months of joining the Committee.

Financial implications and risks:

There is an expectation that committee members are suitably trained to undertake their responsibilities. There are specific requirements of both the Pensions and Audit Committees that mean that members serving on those committees require specialist knowledge to enable them to make informed decisions. There are risks arising if decisions are then reached where not all members of those committees are suitably trained. Specialist training is provided, especially for dealing with pensions matters, and the report recommends that the council ensures that both regular committee members and named substitutes undergo this training. The costs of pensions training can be met from the pensions fund itself, other training would need to be met from the members training budget. There are no other financial implications or risks arising from this report.

Legal implications and risks:

Failure to comply with the Myner's Principles may well attract adverse criticism of the Council.

Human Resources implications and risks:

None arising directly from this report.

Equalities implications and risks:

None arising directly from this report.

BACKGROUND PAPERS

None