



PENSIONS COMMITTEE

13 November 8

Subject Heading:

**REVIEW OF GOVERNANCE
COMPLIANCE STATEMENT**

SLT Lead:

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Policy context:

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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**

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

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 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), now called Ministry of Housing, Communities and Local Government (MCHLG).

This report sets out the pension fund's draft Governance Compliance Statement for November 2018 and highlights where changes may be required.

RECOMMENDATIONS

That the committee:

1. Consider whether any, and if so what, amendments are required to the Governance Compliance Statement, and
2. Agree the Governance Compliance Statement, as amended at (**Appendix A**).

REPORT DETAIL

1. **Background**

1.1 **LGPS Regulations**

The LGPS Regulations 2013 (Regulation 55) as amended 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, following a material change.

- 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)

Following the annual review, it is considered necessary to make some minor amendments to the Governance Compliance Statement. The new 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 to update the wording on Local Pension Board training. 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.*

b) Listed below are areas where the authority has made or considering changes:

- i. **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, for Havering the pool is the London Collective Investment Vehicle. 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.
- ii. **Other changes – please refer to Appendix A, section 2.** *Changes reflect amendments made to new committee members.*

c) If approved, the compliance statement will be amended after the committee meeting and will be published on the Council's website. This updated version will also be included in the 2018/19 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.

The possible refinement of the Constitution in the light of the new investment pooling arrangements for the London Collective Investment Vehicle is currently being considered with external advisers.

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:

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- i. the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- ii. the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- iii. foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment/identity.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants

Note here the equalities and social implications of, and risks relating to, the proposed decision.

An Equalities Assessment (EA) will normally be required. Where the EA suggests that there is a significant impact upon ANY of the "protected characteristics", the

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EA must be an appendix to the report. In all other cases, the EA must be treated as a background paper.

If it is considered that an EA is not necessary, the reason for that MUST be stated here.

BACKGROUND PAPERS

Background Papers List

None