



PENSIONS COMMITTEE

17 September 2019

Subject Heading:

GOOD GOVERNANCE IN THE LGPS

SLT Lead:

Jane West

Report Author and contact details:

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Policy context:

Governance policy

Financial summary:

No immediate cost 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

The Committee is advised of the Good Governance Report in the LGPS (Local Government Pension Scheme) produced by Hymans in July 2019 for the Scheme Advisory Board (SAB).

RECOMMENDATIONS

That the Committee:

1. Note the “*Good governance report in the LGPS*” produced by Hymans Robertson (Appendix A refers);

REPORT DETAIL

1. Background

1.1. Earlier this year, Hymans Robertson was appointed by SAB to facilitate a review of governance structures for the LGPS. The SAB commissioned this report to examine the effectiveness of current LGPS governance models and to consider alternatives or enhancements to existing models which can strengthen LGPS governance.

1.2. Hymans engaged with all stakeholder groups and all fund types via an online survey, one to one conversations through interviews and seminars.

1.3. Four governance models were considered:

- Model 1 (improved practices) – Enhance existing arrangements by introducing guidance or amendments to existing arrangements
- Model 2 (Greater ring-fencing) – clearer ring-fencing from the host authority, including budgets, resourcing and pay policies
- Model 3 (Joint committee) – functions delegated to a joint committee
- Model 4 (Separate New Local Authority Body) – An alternative single legal entity.

1.4. In carrying out the survey, respondents were asked whether each of the models would have a negative or positive impact on each of the following criteria:

- Standards
- Consistency
- Representation
- Conflict management
- Clarity of Roles
- Responsibilities and cost

1.5. Conclusions

1.6. Survey responses indicated a preference for Model 2 (greater ring-fencing) followed by support for Model 1 (improved practices)

1.7. The report was presented to the SAB on **8 July 2019**. The report sets out the results of the survey, recognising strengths and weaknesses in all governance models and proposes that an outcomes-based approach would be the most effective method of improving governance, rather than mandating a single governance structure for all. This allows funds to continue doing what currently works well while still ensuring the highest governance standards across the scheme.

1.8. Summary of proposals

1. 'Outcomes-based' approach to LGPS governance with minimum standards rather than a prescribed governance structure

2. Critical features of the 'outcomes- based' model to include:

- a) Robust conflict management including clarity on roles and responsibilities for decision making
- b) Assurance on sufficiency of administration and other resources (quantity and competence) and appropriate budget
- c) Explanation of policy on employer and scheme member engagement and representation in governance
- d) Regular independent review of governance – this should be based on an enhanced governance compliance statement which should explain how the required outcomes are delivered

3. Enhanced training requirements for S151s and s101 committee members (requirements for s101 are currently best practice and should be on a par with Local Pension Board (LPB) members which is statutory)

4. Update relevant guidance and better sign-posting

1.9. Further details and recommended actions can be found in Appendix A page numbers 14 - 18.

1.10. The SAB has taken on Board the recommendations in the report and the team working on this project will be going back to SAB to the November meeting with an implementation plan.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no initial financial implications but the report contains suggested actions that may lead to the fund incurring costs in the future if certain actions are implemented. An example would be under proposal 2(b) where it is recommended that pension administration teams are adequately resourced and/or introduce separate pay and recruitment remuneration policies for pensions to attract and retain staff

Each administering authority may have to evidence that its own governance model displays the required attributes so there is a possibility that this may impact work pressures for staff. However, the Fund currently has in place all the statutory documents required to evidence good governance but may need to consider if some of the non statutory recommended policies need to be developed. Consideration will have to be given to any new requirements imposed due to any change in governance regulations and guidance.

Legal implications and risks:

The suggested actions include further consultation which may result in the introduction of new governance regulations which the Fund will have to adhere to.

Human Resources implications and risks:

There are no immediate HR implications.

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.

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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

An EIA is not considered necessary regarding this matter as the protected groups are not directly or indirectly affected.

BACKGROUND PAPERS

None