

Pension Board Agenda



To: Michael Ellsmore (Chair)

Councillor Margaret Bird

Co-optees: Richard Elliott, Teresa Fritz, Ava Payne and David Whickman

A meeting of the **Pension Board** which you are hereby summoned to attend, will be held on **Thursday, 13 October 2022 at 2.00 pm** in

Katherine Kerswell
Chief Executive
London Borough of Croydon
Bernard Weatherill House
8 Mint Walk, Croydon CR0 1EA

Tariq Aniemeka-Bailey
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Tuesday, 4 October 2022

AGENDA – PART A

1. Apologies for Absence

To receive any apologies for absence from any members of the Board.

2. Minutes of the Previous Meeting (Pages 7 - 10)

To approve the minutes of the meeting held on Thursday, 7 July 2022 as an accurate record.

3. Disclosure of Interests

Members and co-opted Members of the Council are reminded that, in accordance with the Council's Code of Conduct and the statutory provisions of the Localism Act, they are required to consider in advance of each meeting whether they have a disclosable pecuniary interest (DPI), another registrable interest (ORI) or a non-registrable interest (NRI) in relation to any matter on the agenda. If advice is needed, Members should contact the Monitoring Officer in good time before the meeting.

If any Member or co-opted Member of the Council identifies a DPI or ORI which they have not already registered on the Council's register of interests or which requires updating, they should complete the disclosure form which can be obtained from Democratic Services at any time, copies of which will be available at the meeting for return to the Monitoring Officer.

Members and co-opted Members are required to disclose any DPIs and ORIs at the meeting.

- Where the matter relates to a DPI they may not participate in any discussion or vote on the matter and must not stay in the meeting unless granted a dispensation.
- Where the matter relates to an ORI they may not vote on the matter unless granted a dispensation.
- Where a Member or co-opted Member has an NRI which directly relates to their financial interest or wellbeing, or that of a relative or close associate, they must disclose the interest at the meeting, may not take part in any discussion or vote on the matter and must not stay in the meeting unless granted a dispensation. Where a matter affects the NRI of a Member or co-opted Member, section 9 of Appendix B of the Code of Conduct sets out the test which must be applied by the Member to decide whether disclosure is required.

The Chair will invite Members to make their disclosure orally at the commencement of Agenda item 3, to be recorded in the minutes.

4. Urgent Business (if any)

To receive notice of any business not on the agenda which in the opinion of the Chair, by reason of special circumstances, be considered as a matter of urgency.

5. Croydon Pensions Administration Team Key Performance Indicators for the Period From June 2022 to August 2022 (Pages 11 - 26)

This report sets out Key Performance Indicators for the administration of the Local Government Pension Scheme for the three-month period up to the end of August 2022.

6. Reporting Breaches of the Law (Pages 27 - 48)

This report asks the Board to note and comment on the revised Reporting Breaches of the Law Policy to the Committee and attached appendices.

7. Review of Breaches Log (Pages 49 - 62)

It is consistent with The Pension Regulator's Code of Practice that the Pension Fund maintains a breaches log detailing incidences where breaches have occurred. In line with the recommendations of the Aon Hewitt Governance Review, on 15 September 2020 the Committee agreed the revised Reporting Breaches of the Law Policy. This included a requirement for the Board to monitor breaches on a regular basis. This report presents the current log (Appendix A) for the Board's consideration and comment.

8. Review of Risk Register (Pages 63 - 84)

It is recommended best practice for the Pension Board to maintain a risk register covering the most significant risks faced by the Fund. This report presents the current register (Appendix A) for the Board's consideration.

9. Triennial Valuation (Pages 85 - 148)

This report sets out a revised structure to the FSS and a few technical or regulatory updates required since the May 2021 review. The main updates are in relation to the funding assumptions, climate risk and the 'McCloud' judgement.

- 10. Governance and Compliance Statement** (Pages 149 - 158)

This report updates the Governance Best Practice Compliance Statement for noting and comment by the Board.
- 11. Progress on Implementing Findings of Governance** (Pages 159 - 168)

The Pension Board are asked to note the latest agreed list of outstanding recommendations as presented to the Committee on 11 October 2022 and detailed in this report.

This report updates the Board on the progress made in completing recommendation actions to August 2022.
- 12. Training Plan and Review of Committee and Board Training** (Pages 169 - 190)

This report advises the Board of training undertaken by the Pension Board and Pension Committee members since January 2021 and asks them note and comment on the proposed joint Pension Committee and Pension Board training plan for 2022/23.
- 13. Local Government Pension Scheme Advisory Board / The Pensions Regulator Update** (Pages 191 - 196)

This report advises the Board of the matters currently being considered by the Local Government Pension Scheme Advisory Board and The Pensions Regulator which are relevant to the Fund. Any implications for the Fund have been noted and are being addressed in consultation with Fund advisors.
- 14. Pension Board Annual Report 2021/22** (Pages 197 - 204)

This report asks the Board to note the draft Pension Board Annual Report 2021/22 (Appendix A) and comment as they see fit.
- 15. Proposed Changes to the Constitution** (Pages 205 - 280)

The Pension Committee and Pension Board operate within the parameters defined within the Constitution. The Constitution should be reviewed annually and updated as appropriate. This report asks the Board to note and comment on the proposed amended sections of the Constitution as they relate to The Pension Committee and Pension Board which are being considered at the Pension Committee meeting on 11 October 2022 for recommendation to the Monitoring Officer.
- 16. Exclusion of the Press and Public**

The following motion is to be moved and seconded where it is proposed to exclude the press and public from the remainder of a meeting:

“That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it involves the likely disclosure of exempt information falling within those paragraphs indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended.”

PART B

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Pension Board

Meeting of held on Thursday, 7 July 2022 at 2.00 pm in Room 1.01, Bernard Weatherill House, 8 Mint Walk, Croydon CR0 1EA

MINUTES

Present: Michael Ellsmore (Chair);

Co-optee Members

Richard Elliott (Employer Representative), Teresa Fritz (Employee Representative) and David Whickman (Employee Representative)

Councillor Margaret Bird (online)

Apologies: Ava Payne

PART A

15/20 Minutes of the Previous Meeting

The minutes of the meeting held on 13 January 2022 were agreed as an accurate record of the proceedings.

16/20 Disclosure of Interests

There were none.

17/20 Urgent Business (if any)

Before the meeting it was brought to the Chair's attention that the Breaches Log should have been included in the agenda. Copies of the Breaches Log and accompanying report were circulated to members and Matthew Hallett, Acting Head of Pensions and Treasury, summarised the contents, drawing particular attention to the four unresolved entries on the log. Matthew Hallett explained that there was a plan in place to deal with the first unresolved entry which involved 356 historic cases of benefits not having been paid to members. The Board asked that this entry be removed as the Pension Team had taken all reasonable steps to resolve this issue.

Officers confirmed that with regards to outstanding minutes the Board was up to date but that there were three sets left for the Pension Committee to approve, which would be done at the next Committee meeting and would bring the Committee up to date.

Officers explained that the draft 2019-20 and 2020-21 statements of accounts had been published but that they could not be signed off until the Council accounts had been signed off. Board members queried whether this was a breach that should be reported by them to the Pensions Regulator, and officers agreed to look at the Regulator's guidance and report back their conclusion about this to the Board.

RESOLVED to note the contents of the Pension Fund Breaches Log, Appendix A, and to comment as appropriate.

18/20 Review of Recommendations and Update on Progress of Governance Review

The Chair expressed that he and the Board were very impressed and pleased with the progress made on the recommendations of the Governance Review. The next steps were to consolidate all the findings of the review into an action plan. The Chair recommended that the Acting Head of Pensions and Treasury and the Section 151 Officer worked together to support the Pensions Administration Team to achieve this.

The Board then commented on a number of aspects of the report, including:

- Creation of a Head of Pension Fund position. The new Section 151 Officer would review the structure over the coming months and decide on the most appropriate structure;
- Their desire to appoint a voting non-councillor employer representative and voting member representative to the Pension Committee, on which officers agreed to take a report to the Committee;
- The Board requested a report on Procurement and Recruitment to the Fund in twelve months' time;
- That the Board confirmed that it was happy with the position of the Pension Board minutes;
- The Board noted that the Council's main financial accounts would not be expected to be signed off until at least October;
- The Board requested a standalone Governance Review Action Log;
- The Chair decided that the South Yorkshire Pension Fund model was not a fair comparator to Croydon for reasons laid out by Alison Murray, adviser from Aon, and that the Pension Team should put resources into developing its own action plan;
- The Board requested that the Pension Team performed an options appraisal for payments of benefits and the Pension Administration Team.

It was noted that the Pensions Dashboard and dealing with cases identified under the McCloud ruling would need careful resourcing and the Board requested a report on resourcing twice a year. It was also noted that induction training had been completed by Pension Committee members and the Chair encouraged Board members to do the same.

The Board asked that the Pension Team report back with details about the committee member who had been appointed to the London Collective Investment Vehicle (LCIV) Shareholder Committee. The Board also asked that the comments of the Board also be sought on the recommendation regarding the Breaches of Law Policy, and that the first recommendation involving the creation of a Head of Pension Fund position included resourcing.

RESOLVED to:

- 1.1 Note and comment on the recommendations of the Governance Review as agreed at the 13 April 2022 Pension Committee meeting and on the revised suggested list of recommendations which was formulated as a result of discussions between the Chairs of the Pension Board and Committee, The Head of Pensions and Treasury, The Pensions Manager and the Fund governance advisers Aon on 3 February 2022.
- 1.2 Note the progress made in addressing the findings of the Governance Review.

19/20 Croydon Pensions Administration Team Key Performance Indicators for the Period 1 February 2022 to 30 April 2022

Gillian Phillip, Pensions Manager, gave a summary of the report highlighting that:

- Auto-enrolment to the scheme had begun in January;
- There had been some successful recruitment to the team;
- The team was focussing on the end of year valuation process and the was on target to update the Fund's actuaries on time.

Officers were expecting Hymans to complete clearing the cases identified in the backlog project by the Autumn. It was noted that the Annual Benefit Statement was also expected to meet its target date for reporting to employers.

RESOLVED to note the Key Performance Indicators and the performance against these indicators set out in Appendix A to the report.

20/20 Knowledge and Skills Policy

Matthew Hallett, Acting Head of Pensions and Treasury, introduced the report and stated to members that the Hymans online portal and LGA courses scheduled in October covered the expectations of skills and knowledge training required by the Pension Committee and Board.

It was suggested that the Pension Team could inform both the Committee and Board of a 'hot topic' training session relevant to current issues within Local Government Pension Scheme in sessions preceding meetings.

RESOLVED to note the attached Knowledge and Skills Policy, (Appendix E) and the CIPFA Knowledge and Skills Framework, (Appendices A, B and C).

21/20 Pension Board Forward Plan 2022-23

The Board requested a report on the progress of Governance arrangements, a specific item to update on the work around the McCloud judgement and a training session before the October meeting on the same, and Cyber Security Arrangements to be added to the Work Plan.

RESOLVED to agree the Forward Plan for the remainder of financial year 2022/23.

The meeting ended at 3.37 pm

Signed:

Date:

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.....

Croydon Council

REPORT TO:	Pension Board 13 October 2022
SUBJECT:	Croydon Pensions Administration Team Key Performance Indicators for the Period From June 2022 to August 2022
LEAD OFFICER:	Matthew Hallett - Acting Head of Pensions and Treasury

1. **RECOMMENDATION**

The Committee is asked to:

- 1.1 Note the Key Performance Indicators and the performance against these indicators set out in Appendix A to this report.

2. **EXECUTIVE SUMMARY**

- 2.1 This report sets out Key Performance Indicators for the administration of the Local Government Pension Scheme for the three-month period up to the end of August 2022

3. **DETAIL**

- 3.1 Good governance suggests that the performance of the administration of the Local Government Pension Scheme should be monitored. This report has been developed using the guidance published by CIPFA (Administration in the LGPS: A Guide for Pension Authorities) and is reporting to the committee on the LGPS administration performance for the period June 2022 to August 2022. The indicators cover legal deadlines; team performance targets, case levels, take up of the member self-service and the indicators and performance against these are details more fully in Appendix A to this report.

4. **COMMENTARY**

- 4.1 The team continue to perform well on life event cases such deaths and retirements.
- 4.2 Annual benefits statements were published online within the statutory timeframe, by 31 August. Annual benefit statements were produced for 100% of active members and 86.19% of deferred members giving a total of 92.30%. An analysis of the deferred statements not produced indicated the majority related to outstanding leaver calculations, which have been identified as part of the backlog project contracted to a third party. Work on this project continues and members are being contacted once the calculations have been completed. The remainder relate to leavers where we are awaiting transfer details from other LGPS funds before the deferred benefits can be processed or those that have left the scheme post 31 March 2022 and we await leaver information from employers. These cases are included in BAU work and handled by the Pension Administration Team as part of the daily workflow. Members will be contacted once the

calculations have been completed.

- 4.3 Work on the backlog project is in the final stages. As at the 31 August 2022 there remain 758 outstanding tasks assigned to the backlog project. Of these 708 are in the process of being calculated or checked.
- 4.4 Scheme employers were contacted in February and March 2022 regarding end of year returns the deadline for submission. The response from employers was positive with 34 received by the deadline a further 9 were received in May. The quality of returns was generally good but it highlighted that some of the larger employers were not notifying the administration team of members starting and leaving promptly. A communication will be sent to employers reminding them of their responsibility in this regard.
- 4.5 We have agreed a plan to trace former leavers identified as part of the backlog project. This will commence in October following completion of the annual allowance calculations. As at the 31 August 2022 tracing tasks equated to just over 27% of our case load. We will be able to complete hundreds of DBTRACE tasks as a result, as well as increasing Member Self-Service uptake.
- 4.6 We have onboarded three more payroll providers to full I-Connect, this encompasses six employers in total. There are still issues with the Oracle I-connect files which has required the Technical Team to spend time sorting out the Oracle end of year information.
- 4.7 We have met with our software provider to discuss the Data Dashboard solution and ways to improve the quality of data matching criteria in readiness for the implementation of Data Dashboard requirements.
- 4.8 The Data Quality scores for The Pensions Regulator were run in late August and we anticipate the results in early October.
- 4.9 We are currently working on the Annual Allowance calculations for over 9000 active members. We are required to provide Pension Saving Statements by 6 October 2022.
- 4.10 Cyber Security
- 4.11 We completed the Aon Cyber Scorecard based on available information gathered from different Council departments and external advisers. In some cases the information was not available.
- 4.12 The results were as expected and show that we are at the beginning of the process in most areas.
- 4.13 A mapping exercise will be undertaken to clearly identify how data moves and where any potential risks are. We anticipate starting this project later in the autumn.
- 4.14 McCloud
- 4.15 Final reports are expected from the Council's HR data team week commencing the 10 October. Comparisons and updates can then commence for Croydon Council for the period April 2014 to March 2022. This represents the bulk of the membership and data to be checked.
- 4.16 Analysis has been carried out on the data reports taken from the pension administration system to narrow down the checks required. This exercise has removed approximately 15% of the data lines required to be checked.
- 4.17 Final checks are currently being made to data due to be issued to employers.

5. CONSULTATION

- 5.1 Officers have previously consulted with both the Pension Committee and Local Pension Board in the template for the key performance indicator report which forms the basis of Appendix A

6. DATA PROTECTION IMPLICATIONS

- 6.1 Will the subject of the report involve the processing of 'personal data'?

No.

Has a data protection impact assessment (DPIA) been completed?

No. This report relates to matters relating to the administration of the LGPS and the Croydon Pension Fund.

Approved by: Matthew Hallett on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

CONTACT OFFICER:

Matthew Hallett - Acting Head of Pensions and Treasury

BACKGROUND DOCUMENTS:

None.

APPENDIX

Appendix A: Croydon Pensions Admin Team Performance Report, June 2022 to August 2022

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Croydon Pensions Admin Team Performance Report

October 2022



Contents





- Reference Key Table.....3
- Legal Deadlines.....4
- Team Performance Targets7
- Case levels.....9
- Outstanding Cases by Type**Error! Bookmark not defined.**
- Member self-service11


Reference Key Table

Direction of travel reference table	
	100% achieved against target performance improved
	100% achieved on target and performance static
	>90% achieved against target and performance improved
	>90% achieved against target and performance static
	>90% achieved against target and performance declined
	<90% achieved against target and performance improved
	<90% achieved against target and performance static
	<90% achieved against target and performance declined

Legal Deadlines

Process	Legal Requirement	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Direction of Travel	Comments
		June 2022		July 2022		August 2022			
Send a notification of joining the LGPS to a scheme member	Two months from the date of joining the scheme or earlier if within one month of receiving jobholder information where the individual is being automatically enrolled/re-enrolled	54	81%	58	88%	176	100%		New starter cases increase at this time of year as a result of the end of year processes. New starters that employers have failed to inform us of through out the year are identified.
Inform a scheme member of their calculated benefits (refund or deferred)	As soon as practicable and no more than two months from the date of notification (from employer or scheme member)	303	16%	474	16%	428	18%		Historical backlog has now been passed to Hymans Robertson for processing. As old cases are processed this will impact on performance against target. Until the backlog is cleared 100% performance against this deadline will not be met.






Process	Legal Requirement	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Direction of Travel	Comments
		June 2022		July 2022		August 2022			
To process and pay a refund	Two months from the date of request	22	100%	32	100%	13	100%		
Obtain transfer details for transfer in, calculate and provide quotation to member	Two months from the date of request	1	100%	1	100%	5	100%		
Notify the amount of retirement benefits	One month from the date of retirement if on or after normal pension age or two months from the date of retirement if after normal pension age	39	100%	39	100%	43	100%		
Provide a retirement quotation on request	As soon as practicable but no more than two months from the date of request unless there has already been a request in the last 12 months	61	100%	75	100%	91	100%		We have seen an increase in the number of estimate requests.

Process	Legal Requirement	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Total Number Completed	% Achieved in legal deadline	Direction of Travel	Comments
		June 2022		July 2022		August 2022			
Calculate and notify (dependent(s) of amount of death benefits	As soon as possible but in any event no more than two months from date of becoming aware of death or from date of request from a third party (e.g. personal representative)	20	100%	17	100%	22	100%		
Provide all active and deferred members with annual benefit statements each year	By 31 st August								

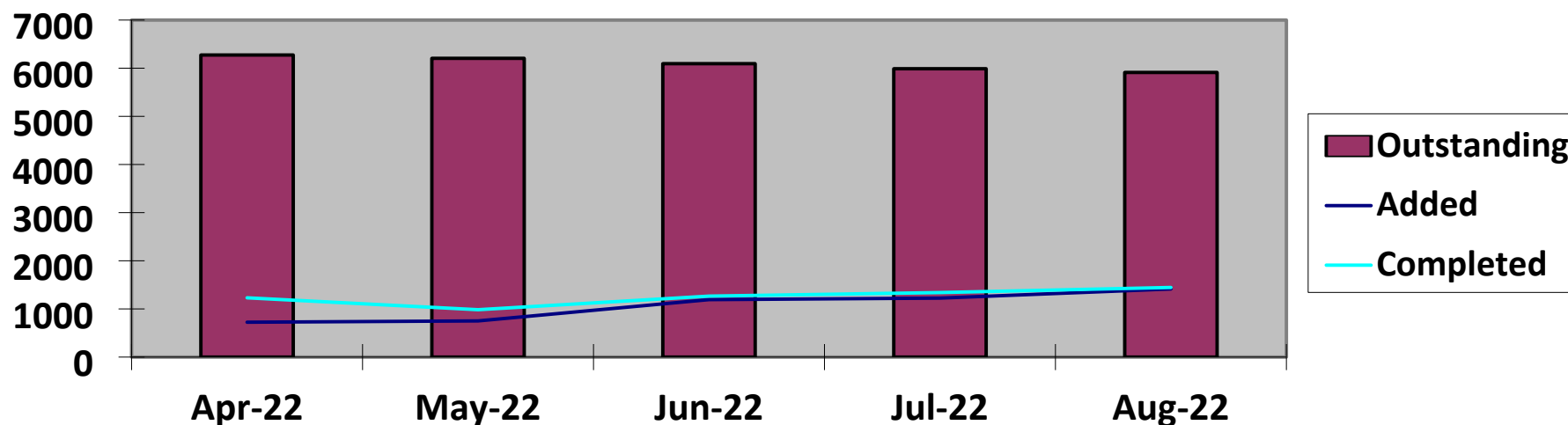
Team Performance Targets

Process	Team Target	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Direction of Travel	Comments
		June 2022			July 2022			August 2022				
Send a notification of joining the LGPS to a scheme member	30 days from date of notification of joining member	54	69%	28	58	88%	27	176	99%	1	↑	New starters that employers have not informed us about are being identified as part of the end of year process. The extra resources diverted to processing new starters has vastly improved KPIs in this area.
Inform a scheme member of their calculated benefits (refund or deferred)	40 working days from date of notification (from employer or scheme member)	303	15%	893	474	15%	914	428	18%	866	↑	<p>Historical backlog has now been passed to Hymans Robertson for processing. As old cases are processed this will impact on performance against target. Until the backlog is cleared 100% performance against target will not be met.</p> <p>The Pension Committee have requested a breakdown between backlog and current cases. It has not been possible to seaparte the current and historic cases in the reporting without significant changes of the report. As the backlog project is due to end in Sept/Oct a deciosn has been made to keep the KPI reporting as one</p>

and add additional information on the backlog in the tables below.

Process	Team Target	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Total Number Completed	% Achieved against target	Average days to process	Direction of Travel	Comments
		June 2022			July 2022			August 2022				
To process and pay a refund	40 working days from the date of request	22	100%	5	32	100%	2	13	100%	1		
Obtain transfer details for transfer in, calculate and provide quotation to member	40 working days from the date of request	1	100%	0	1	100%	1	5	100%	1		
Notify the amount of retirement benefits	20 working days from date of retirement	39	100%	2	39	100%	3	43	100%	2		
Provide a retirement quotation on request	15 working days from date of request	61	98%	2	75	99%	3	91	100%	2		One case missed target in July.
Calculate and notify (dependent(s) of amount of death benefits	20 working days from receipt of all information	20	100%	5	17	100%	3	22	100%	2		

Case levels



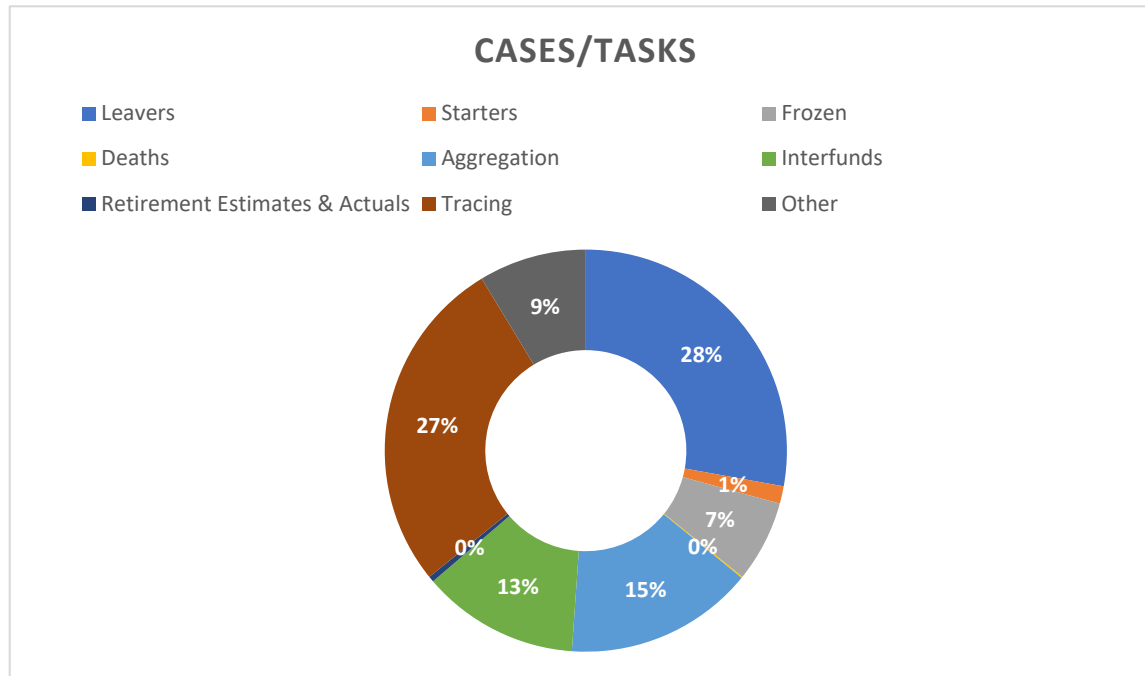
This chart details the number of cases and stand-alone tasks added and completed and the number of outstanding cases/tasks at the end of each period. The number of tasks and cases added and completed each month is also being tracked.

The figures used to compile this chart are taken from three separate reports using real time data. As a result there are some discrepancies between the reports and it has been necessary to remove the number of cases/tasks brought forward each month. The team is working to resolve these issues.

The majority of stand-alone tasks are generated automatically by the iConnect system and do not always result in a calculation case being created. The iConnect tasks are assessed by the Technical Team and appropriate action is taken. Although a task may not result in a calculation we have included them in the figures to show the volume of work processed by the team.

A stand-alone tracing task is setup once a backlog deferred case has been completed. Resources have been allocated to trace these members in October 2022. The number of tracing tasks amounts to 27.14% of outstanding cases/tasks as at 31 August 2022.

Breakdown of case/task type



Member self-service

Scheme members registered	6010 (22.74%)
Number scheme members who accessed annual benefit statement Q2 Apr 2022 – Jun 2022	737

Contributions Monitoring

Contributions reconciled to schedules	% Completed
April 2022 to June 2022	97.57

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Croydon Council

REPORT TO:	Pension Board 13 October 2022
SUBJECT:	Reporting Breaches of the Law
LEAD OFFICER:	Matthew Hallett, Acting Head of Pensions and Treasury

1 RECOMMENDATION

- 1.1 The Board are asked to note and comment on revisions to the Fund's "Reporting Breaches of the Law Policy" and to note the Fund's Breaches of the Law log.

2 EXECUTIVE SUMMARY

- 2.1 This report asks the Board to note and comment on the revised Reporting Breaches of the Law Policy to the Committee and attached appendices.

3 DETAIL

- 3.1. The current policy was agreed by the Committee on 15 September 2020. The policy is required to be reviewed at least every three years. Following recommendations from the Governance Review around further areas for development, the Policy has now been reviewed.
- 3.2 The revised Policy is attached as Appendix A. Appendices B and C detail the reporting process as follows:
- Appendix B Breaches Reporting Form – to be completed by anyone wishing to report a breach.
 - Appendix C Breaches Flowchart – the process of investigation.
- 3.3 The Board are asked to note and comment on the Policy and Appendices.

4 CONSULTATION

- 4.1 Officers have consulted the Fund Governance Advisors Aon on this Policy.

5 DATA PROTECTION IMPLICATIONS

5.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF
'PERSONAL DATA'?
NO

Approved by: Matthew Hallett on behalf of Jane West, Corporate Director of
Resources (Section 151 Officer)

CONTACT OFFICER:

Matthew Hallett, Acting Head of Pensions and Treasury

BACKGROUND DOCUMENTS:

None.

APPENDIX:

Appendix A: Reporting Breaches of the Law

Appendix B: Breaches Reporting Form

Appendix C: Breaches Flowchart

Appendix D: Breaches Risk Process

Appendix E: Reporting Breaches of the Law (revised)

Appendix F: Breaches Log

Reporting Breaches of the Law Policy

Background and Introduction

This Policy sets out the procedure to be followed by certain persons involved with the Croydon Pension Fund (the "Fund"), which is managed and administered by Croydon Council (the "Administering Authority"), in relation to identifying, recording and, where necessary, reporting breaches of the law to The Pensions Regulator ("The Regulator").

Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a Scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions, as well as in relation to lack of relevant knowledge or skills to effectively manage The Scheme.

This Policy has been developed to assist those individuals who have a legal responsibility to report certain breaches to The Regulator in determining whether a breach they have identified should be reported. It has also been developed to assist the Administering Authority, in ensuring it is aware of all breaches of the law in relation to the Fund and that these are appropriately recorded and then dealt with.

The Administering Authority has delegated responsibility for the implementation of this Policy to the Head of Pensions and Treasury. A breaches log for the Fund is maintained by the Head of Pensions and Treasury.

This Policy was agreed by the Pension Committee on XXXXX and is effective from that date.

The Policy will be reviewed in October 2025, or sooner as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure set out in this Policy.

Legal requirements

Certain people are required to report breaches of the law in writing to the Pensions Regulator as soon as reasonably practicable and where they have reasonable cause to believe that:

- A legal duty which is relevant to the administration of the Local Government Pension Scheme (The Scheme) has not been, or is not being, complied with, e.g. keeping records/internal controls; and
- The failure to comply is likely to be of material significance to The Regulator in the exercise of any of its functions.

Those subject to the reporting requirements in the context of public service pension schemes are as follows:

- A Scheme Manager which in the LGPS means the Administering Authority and in context means anyone acting on behalf of the London Borough of Croydon in managing the Pension Fund, including the Pension Committee, Fund Officers and the Section 151 Officer.
- All members of the Pension Committee and Pension Board
- Any person who is otherwise involved in the administration of a public service pension scheme
- Employers. In the case of a multiemployer scheme, any participating employer who becomes aware of a breach should consider their duty to report, regardless of whether the breach relates to, or affects members who are its employees or those of other employers
- Professional advisers including auditors, actuaries, legal advisers and fund managers and external suppliers (noting that legal privilege may apply)
- Any person who is otherwise involved in advising The Scheme Manager in relation to The Scheme including the Monitoring Officer, and staff members of the internal audit function.

Requirements

This section clarifies these legal requirements and to whom they apply.

Pensions Act 2004

Section 70 (1) of the Pensions Act 2004 (the "Act") imposes a requirement on the following persons to report a matter to The Regulator as soon as is reasonably practicable where, under Section 70 (2) of the Act, that person has reasonable cause to believe that:

a) a legal duty relating to the administration of The Scheme has not been or is not being complied with, and

b) the failure to comply is likely to be of material significance to The Regulator in the exercise of any of its functions:

- a trustee or manager of an occupational or personal pension scheme
- a member of the pension board of a public service pension scheme
- a person who is otherwise involved in the administration of such a scheme
- the employer in relation to an occupational pension scheme
- a professional adviser in relation to such a scheme

- a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme.

Section 70(4) of the Act states that under Section 10 of the Pensions Act 1995 (c. 26) (civil penalties) a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse.

The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However, the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

The Pensions Regulator's Code of Practice 14

The current version of the Code of Practice was issued in April 2015.

Practical guidance in relation to this legal requirement is included in The Pensions Regulator's Code of Practice including in the following areas:

- implementing adequate procedures to consider and record breaches
- judging whether a breach must be reported
- submitting a report to The Regulator
- whistleblowing protection and confidentiality.

A draft new code of practice was issued in March 2021 but is yet to come into force. This consolidates a number of the Regulator's previous codes (including Code 14) into a single document. The sections in relation to breaches are collated under 3 headings and are drawn from the following sections of the previous codes:

Who must report

Code 1 paragraphs 3-6, 9-17, 19-24, 29

Code 13 paragraphs 165-166

Code 14 paragraphs 241-244, 272-275

Decision to report

Code 1 paragraphs 30-38, 40-42, 44-45, 50

Code 5 paragraph 46

Code 6 paragraph 47

Code 13 paragraphs 165-166

Code 14 paragraphs 173-186, 247-262

How to report

Code 1 paragraphs 18, 46-47, 49, 51-67

Code 5 paragraph 48-49, 52-53

Code 6 paragraph 49-50, 53-54

Code 13 paragraphs 78, 165-166

Code 14 paragraphs 245-246, 263-271

Status of codes of practice

Codes of practice are issued by The Pensions Regulator under the powers given to them in section 90 and section 90A of the Pensions Act 2004.

The expectations set for administering authorities within the code have been developed in light of The Regulator's statutory objectives, which were introduced by the Pensions Act 2004.

Codes of practice are not statements of the law but they do set out the expectations of how governing bodies should comply with their legal duties. When determining whether legal requirements have been met, a court or tribunal must take any relevant provisions of a code of practice into account.

The draft new code of practice states

This code applies to governing bodies of occupational, personal and public service pension schemes. Some legal obligations do not apply to all types of governing bodies or schemes.

Governing bodies are defined as trustees or managers of occupational pension schemes, managers of personal pension schemes, and scheme managers (The Scheme Manager is the Pension Committee) and/or pension boards of public service schemes that are regulated by The Pensions Regulator.

Governing bodies should be confident that they have a working knowledge of the pensions legislation relevant to them. If they do not then they need to consider whether they are meeting the requirements for knowledge and understanding, as these apply to them, and to undertake training as appropriate. Failure to do so could itself be deemed a breach.

The knowledge requirements for Pension Boards, Committees and Officers are set out in the CIPFA Knowledge and Skills Framework 2021. Further information on these requirements is set out in the Fund's Knowledge and Skills Policy which was agreed by the Pension Committee on 14 June 2022.

The SAB Good Governance Review is expected to extend the knowledge requirement to cover committees. It may then be something that the Regulator would take an interest in.

If governing bodies are, for any reason, unable to act in line with the standards referred to by the code, they should consider if they have a statutory duty under section 70 of the Pensions Act 2004 to assess and report breaches of the law.

Application to the Croydon Pension Fund

The Administering Authority has developed this Policy in relation to The Fund. This document sets out how the Administering Authority will strive to achieve best practice through use of a formal reporting breaches procedure. It reflects the guidance contained in The Pensions Regulator's Code of Practice.

Implementing adequate procedures

Identifying and assessing a breach of the law is important in reducing risk and providing an early warning of possible malpractice. Those people with a responsibility to report breaches ("reporters"), including Scheme Managers (in particular, Pension Committee Members and Officers) and Pension Board members should establish and operate appropriate and effective procedures to ensure that they are able to meet their legal obligations. Procedures should enable people to raise concerns and facilitate the objective consideration of those matters

There are four steps in the Breaches process:

1. Understanding the law and what is a breach
2. Determining whether a suspected breach is an actual breach
3. Determining whether the breach is likely to be of material significance and so should be reported to the Regulator
4. Recording the breach, even if it is not reported

Procedures will include the following features:

- Obtaining clarification of the law where it is not clear to those responsible for reporting
- Clarifying the facts around the suspected breach where they are not known in order to establish whether there has been a breach

- Consideration of the material significance of the breach to the Regulator taking into account its cause, effect, the reaction to it, and its wider implications, including where appropriate, dialogue with the Scheme Head of Pensions and Treasury or the Pension Board
- The breach should be reported to the Governance and Compliance Manager in the first instance, who will assess the cause, effect and the wider implications and determine if it is likely to be of material significance to The Pensions Regulator.
- A timeframe for the procedure to take place that is appropriate to the breach and allows the report to the Regulator (if required) to be made as soon as reasonably practicable.

1. Understanding the law and what is a breach

In order to assist in deciding if a breach of the law has occurred, some of the key provisions are available via the links below:

Section 70(1) and 70(2) of the Pensions Act 2004:
<https://www.legislation.gov.uk/ukpga/2004/35/contents>

Employment Rights Act 1996:
<https://www.legislation.gov.uk/ukpga/1996/18/contents>

Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations):
<https://www.legislation.gov.uk/uksi/2013/2734/contents/made>

Public Service Pension Schemes Act 2013
<https://www.legislation.gov.uk/ukpga/2013/25/contents>

Local Government Pension Scheme Regulations (various):
<https://www.lgpsregs.org/timelineregs/Default.html>
<https://lgpsregs.org/schemeregs/index.php>

The Pensions Regulator's Code of Practice
<https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-14-public-service-pension-code-of-practice>

The Draft of the Pensions Regulator's New Code of Practice
[full-draft-new-code-of-practice%20\(13\)](https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/full-draft-new-code-of-practice%20(13))

Further guidance and assistance can be provided by the Fund's Governance and Compliance Manager, provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

2. Determining whether a suspected breach is an actual breach

Individuals need to have reasonable cause to believe that a breach of the relevant legal provision has occurred, not just a suspicion. Where a breach is suspected the individual should carry out further checks to confirm the breach has occurred.

Where the individual does not know the facts or events, it will usually be appropriate to check with the Fund's Governance and Compliance manager, the Head of Pensions and Treasury, a member of the Pension Committee or Pension Board or others who are able to explain what has happened.

However, there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases The Pensions Regulator should be contacted without delay.

Breaches can occur in relation to a wide variety of the tasks normally associated with the administration function of the scheme such as keeping records, internal controls, calculating benefits, making investments, or investments related decisions, as well as in relation to lack of relevant knowledge or skills to effectively manage the scheme.

Having 'reasonable cause' to believe that a breach has occurred means more than merely having a suspicion that cannot be substantiated. Therefore, it is imperative that where a breach is suspected, individuals refer the matter to the Governance and Compliance Manager so that investigations can be undertaken to establish whether or not a breach has in fact occurred and if the matter requires escalation to The Head of Pensions and Treasury.

In establishing whether there is reasonable cause to believe that a breach has occurred, it is not necessary for a reporter to gather all the evidence which the Scheme Manager or The Pensions Regulator may require before taking further action.

It is also important that a reporter is aware that any delay in reporting any potential breach may exacerbate or increase the risk of the breach causing further and more significant issues.

3. Judging whether a breach must be reported

Should an individual have reasonable cause to believe that breach of the law has occurred, they must decide whether that breach is likely to be of material significance to The Pensions Regulator, and therefore should be reported to The Pensions

Regulator. To do this, an individual should consider the following, both separately and collectively:

- cause of the breach (what made it happen)
- effect of the breach (the consequence(s) of the breach)
- reaction to the breach
- wider implications of the breach

The Fund's Governance and Compliance Manager (or another officer if appropriate) will assist with carrying out this assessment.

3.1 The cause of the breach

The breach is likely to be of material significance to the Pensions Regulator where it is for example, caused by (but not limited to):

- Dishonesty
- Poor governance, inadequate controls resulting in deficient administration, or slow or inappropriate decision-making practices
- Incomplete or inaccurate advice
- Acting (or failing to act) in deliberate contravention of the law

A breach will not normally be regarded as materially significant if it has arisen from an isolated incident, for example resulting from teething problems with a new system or procedure, or from an unusual or unpredictable combination of circumstances or where prompt action has been taken to rectify the issue.

3.2 The effect of the breach

Evidence in relation to any of the following matters is particularly important and likely to be of material significance to the Pensions Regulator:

- Pension Board Members, Committee Members or Officers not having the appropriate degree of knowledge and understanding which may result in them not fulfilling their roles, the Fund not being properly governed and administered and/or breaching other legal requirements.
- Pension Board Members, Committee Members or Officers having a conflict of interest which may result in them being prejudiced in the way that they carry out their role, ineffective governance and administration of the Fund and/or breaching legal requirements.
- Adequate internal controls not being established and operated which may lead to the Fund not being run in accordance with their scheme regulations and other legal requirements, risks not being properly

identified and managed and/or the right money not being paid to or by the Fund at the right time.

- The right money/contributions not being paid to the scheme at the right time.
- Internal Dispute Resolution Procedures not having been made and/or implemented.
- Information about benefits and other information about Scheme administration not being disclosed to scheme members and others which may result in members not being able to effectively plan or make decisions about their retirement.
- Information about the Pension Board or Committee not being published.
- The scheme not being administered properly.
- Appropriate records not being maintained.
- Pension Board Members, Committee Members or Officers having misappropriated any assets of The Scheme or being likely to do so.
- Repeated miscalculations or incorrect payment of benefits which have a detrimental impact on Scheme Members.

3.3 The reaction to the breach

Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, The Pensions Regulator will not normally deem it to be materially significant.

A breach is likely to be of concern and material significance to The Pensions Regulator where a breach has been identified and those involved:

- Do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence.
- Are not pursuing corrective action to a proper conclusion or
- Fail to notify affected scheme members where it would have been appropriate to do so.

3.4 The wider implications of the breach

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to The Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

4. Recording the breach, even if it is not reported

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). The Governance and Compliance Manager will maintain a record of all breaches identified. Therefore, individuals should provide information relating to all breaches that have been identified to the Governance and Compliance Manager so they can be recorded.

The record of all breaches (reported or otherwise) will be provided to each Pension Committee meeting and Pension Board meeting.

5. Submitting a report to The Scheme Manager

The Fund's Governance and Compliance Manager can provide further guidance in relation to breaches and will also be responsible for ensuring that a record of all breaches is maintained.

All reports of possible breaches must be submitted in writing to the Governance and Compliance Manager. However, if the matter is considered particularly serious by the reporter and if appropriate, it can be preceded by a telephone call and brought directly to The Scheme Manager's attention (which in the LGPS means the Administering Authority and, in this context, means anyone acting on behalf of the London Borough of Croydon in managing the Pension Fund, including the Pension Committee, Fund officers and the Section 151 Officer)

However, you should not contact the Fund's Governance and Compliance Manager if this could result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

Individuals must bear in mind, however, that the involvement of the Governance and Compliance Manager is to help them understand their obligations in relation to the reporting of breaches and to ensure this procedure is followed. The individual remains responsible for the final decision as to whether a matter should be reported to The Pensions Regulator and for completing the reporting procedure

6. Reporting more serious concerns

Where sufficiently serious concerns exist, it may be more appropriate for the Pension Board to report these directly to the Pensions Regulator. This could also apply where a concern has been raised with the Pension Committee and the Pension Board

consider that the Pension Committee have not taken appropriate action to rectify the issue, in which case the Pension Board may consider reporting directly to the Pensions Regulator.

Such concerns could include (but are not limited to) fundamental breaches of The Regulations

Reporting Procedure

Any member of The Scheme or member of staff is able to report a breach. The individual reporting such a breach will be referred to as the 'reporter'.

The reporter should, in the first instance, bring any concerns that a breach of the law has occurred to the Governance and Compliance Manager as soon as possible preferably within 3 working days at latest. To bring a suspected breach to the attention of the Governance and Compliance Manager, the reporter must submit the details of the suspected breach in writing by hard copy by post or by electronic submission to the Governance and Compliance Manager.

Once received, the Governance and Compliance Manager will undertake the necessary review of the reporting document and then decide whether this represents a breach in considering the above. Once the Governance and Compliance Manager has ascertained that it is an actual breach, they will record it in the breaches log.

The Governance and Compliance Manager is able to:

1. Obtain clarification of the law if it is not clear;
2. Clarify the facts where they are not known; and
3. Consider the material significance of the breach.

The Governance and Compliance Manager will follow the Internal Escalation Matrix later in this Policy to ensure appropriate escalation within Croydon Council, subject to this not alerting those responsible for any serious offence (where the breach is in relation to such an offence).

The Pensions Act and Regulator's Code require that if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable.

The time taken to reach the judgements on "reasonable cause to believe" and on "material significance" should be consistent with the speed implied by 'as soon as reasonably practicable'. In particular, the time taken should reflect the seriousness of the suspected breach.

In cases of immediate risk to the Fund, for instance, where there is any indication of dishonesty, The Regulator does not expect reporters to seek an explanation or to

assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary.

The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty, the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert the Regulator to the breach.

Reporting a breach to The Pensions Regulator

Reports must be submitted either to The Regulator's online system at <https://login.thepensionsregulator.gov.uk/> or by post or email and should be marked urgent if appropriate.

If necessary, a written report can be preceded by a telephone call. The individual should ensure they receive an acknowledgement for any report they send to The Regulator. The Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by The Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- full Scheme name :Croydon Pension Fund
- description of the breach/breaches
- any relevant dates
- name, position, and contact details
- role in connection to the Scheme
- employer name or name of Croydon Council as the Administering Authority/Scheme Manager.

If possible, reporters should also indicate:

- the reason why the breach is thought to be of material significance to The Regulator
- Scheme address: Bernard Weatherill House, 8 Mint Walk, Croydon CR0 1EA
- Scheme Manager's contact details: Matthew.Hallett@croydon.gov.uk
- Pension Scheme Registry Number: 10165249
- whether the breach has been reported before.

The individual should provide further information or reports of further breaches if this may help The Regulator in the exercise of its functions. The Regulator may make contact to request further information.

If requested, the Regulator will do its best to protect the identity of the individual who has reported the breach and will not disclose information except where it is lawfully required to do so in relation to their employer.

An employee may have protection under the Employment Rights Act 1996 if they make a report in good faith.

The Regulator will acknowledge all reports within five working days of receipt. If reporters have not received an acknowledgement from them within five days, they should contact them.

Review of Breaches of the Law log

The Breaches Log will be presented to quarterly meetings of the Pension Committee and the Pension Board containing the following information:

- Date
- Category
- Description and cause of breach
- Possible effect of breach and wider implications
- Reaction of relevant parties to the breach
- Reported/not reported to the Regulator (with justification if not reported with dates)
- Traffic light colour
- Outcome of report and/or investigations
- Outstanding actions

Breaches Matrix

Type of Breach	Timescale for reporting	Internal actions	Further actions
Urgent and Material	Responsible officer informs Head of Pensions and Treasury and the governance team, the breach is reported immediately to The Pensions Regulator	Governance team to keep record of the breach and investigate options to prevent further occurrence	Report urgent and material breaches to Section 151 officer, Chair and Vice Chair of Committee and Local Pension Board. Full report to be submitted at the next available meeting
Non urgent: Assess whether Material / Immaterial	Responsible Officer informs Head of Pensions and Treasury and the governance team, the breach is considered and, if deemed necessary, it is reported to the Regulator	Governance team to keep record of the breach and investigate options to prevent further occurrence	Report breach at next Pension Committee and Pension Board meeting
Immaterial	Responsible Officer informs Head of Pensions and Treasury and the governance team	Governance team to keep record of the breach and investigate options to prevent further occurrence	Report immaterial breach at next Pension Committee and Pension Board meeting

Reporting Guide

Rating	Description	Breach occurred	Breach identified	Action taken	Decision
	Cause, effect, reaction and wider implications considered together ARE LIKELY to be of material significance	Error has occurred	PLUS Errors not recognised	PLUS No action taken to rectify and tackle the cause	MUST Report to TPR
	Cause, effect, reaction and wider implications considered together MAY be of material significance	Error has occurred	PLUS Errors rectified	PLUS Systemic causes not addressed so issue may arise again	MAY Report to TPR
					Consider the evidence and make a decision.
	Cause, effect, reaction and wider implications considered together ARE NOT Likely to be of material significance	Error has occurred	PLUS Errors rectified	PLUS Systemic causes addressed to mitigate against issue arising again	DON'T Report to TPR

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Appendix B

Breach Reporting Form

Name of reporter	
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Date of breach	
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Why do you think this is breach?			
Details of breach			
Implications of breach			
Actions to rectify breach			
Has the breach been rectified?	Yes		Date
	No		Expected resolution date

Ongoing actions to rectify			
Other relevant information			
Changes to practice / procedures			

Ref to Governance Manager	Date	
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Ref to Head of Pensions	Date	
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Ref to S151 Officer	Date	
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APPENDIX C
Breaches Flowchart

APPENDIX C

1	a	Possible Breach identified	Complete form as soon as possible
	b	Serious Breach raised with Head of Pensions	Head of Pensions to complete stage 3
	c	Breaches have been raised with the Pension Committee	Head of Pensions to complete stage 3

2	Breach form completed	Pass to Governance and Compliance Manager
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3	Form received by Governance and Compliance Manager	Check facts
		Check requirements of the law

4	Has a breach occurred	No	Refer to Head of Pensions to sign off
		Yes	Enter in Breaches log

5	Is the breach Material	No	Refer to Head of Pensions to sign off	Update Breaches Log
		Not clear	Refer to Head of Pensions to make recommendation	Update Breaches Log
		Yes	Refer to Head of Pensions to make recommendation	Update Breaches Log

6	Head of Pensions receives referral	Not clear if Breach is Material	Make recommendation and refer to S151 Officer for decision	Update Breaches Log
		Breach is Material	Make recommendation and refer to S151 Officer for decision	Update Breaches Log

7	S151 Officer decides breach is Material	Scheme Manager reports Breach to the Pensions Regulator	Update Breaches Log
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APPENDIX A

LONDON BOROUGH OF CROYDON PENSION FUND

Pension Board Annual Report 2021/22

Introduction

Local Pension Boards were established under the 2013 Pensions Act. Each Local Government Pension Scheme Administering Authority is required to establish a Board to assist with the effective and efficient governance and administration of the Local Government Pension Scheme. The Croydon Board is tasked with assisting the Pension Committee in ensuring compliance with legislative requirements and those of The Pensions Regulator. The Board has an oversight role, with the decision-making body remaining the Committee.

The Board is an important part of the governance structure of the Fund. Board members take their responsibilities seriously and have particularly highlighted their wish to be seen to be properly fulfilling their role in the eyes of The Pensions Regulator.

I would like to express my thanks to all members of the Board for their continued diligence.

Membership

The Board consists of 6 voting members, comprising 3 member representatives and 3 employer representatives, plus an independent Chair, making 7 members in all. During 2021/22 there was an “Employer Representative” vacancy with the other posts held by:

Chair

Michael Ellsmore

Employer Representatives

Richard Elliott

Councillor Humayun Kabir

Member Representatives

Teresa Fritz

Ava Payne (Union representative)

David Whickman (Union representative)

The Board is supported by the Corporate Director of Resources (s151 Officer) the Head of Pensions and Treasury and the Investment, Governance and Administration teams.

Activity during 2021/22

Whilst we were able to hold four meetings, some of the challenges of the previous year continued with no meetings held until 21 July 2021 and all of them conducted remotely. Whilst it was disappointing that the vacant employer representative position remained unfilled and the Council representative was rarely able to attend the meetings there were at least four members present at each of the meetings. Councillor Pelling, Chair of the Pension Committee, continued his support for the work of the Board by attending and contributing to most of the meetings as a guest.

At three of our meetings we received a report on the performance of the Administration Team and sought to be satisfied that the service was being delivered to a high standard. We were happy to acknowledge difficulties arising from the pandemic which were exacerbated by the large number of queries from staff as to the consequences of the Council's financial difficulties.

Nevertheless, we were pleased to see that performance in relation to the key "retirements" and "deaths" indicators and the issue of Annual Benefits Statements remained at a very high level. The Board expressed concern over shortcomings in the promotion of the self-service functions and were assured that they would be further promoted when functionality improvements had been made. The Board also considered a report detailing the results of the quality assessment of common and scheme-specific data undertaken during the year. Whilst some concerns were acknowledged officers were confident that pension payments were accurate.

At various times over the previous three years the Board and its members had raised concerns over the Council's and Committee's decision to transfer property from Croydon Affordable Homes and Croydon Affordable Tenures to the Pension Fund. At our meeting on 21 July 2021, we received a report and agreed to recommend to the Committee that they rescind this decision. We were pleased to note that this process was completed by the Council at its meeting on 7 March 2022.

At most of our meetings the Board received a report on the Fund's breaches of the law. We understand that The Pensions Regulator expects us to play a key oversight role but are also keen to emphasise the importance of the role of the Pension Committee as the key decision maker. At our meeting in October, in this context we expressed concern over:

- The failure to publish audited accounts for either of the years since 2018-19 due to wider problems at Croydon Council. – officers were requested to ask the auditors whether it was possible to publish the Fund accounts independently of the Council;
- The criteria for reporting breaches of the law to The Pensions Regulator; and
- The failure to produce minutes of the Board in a timely manner;

We resolved that I should seek to write a joint letter with the Chair of the Committee to The Pensions Regulator which outlined the administration breaches and the steps being taken to resolve them.

We allocated the whole of our meeting in November to review the progress made in implementing the action plan arising from the Aon Governance Review of the Fund. We were generally satisfied as to progress though we raised the following:

- That a shortage of staff resources remained an issue and officers were asked to consider more innovative solutions including employing staff from out of the area who would work remotely;
- Whether a Code of Conduct for Members and a new Officer Protocol was required;
- Whether it would be possible to include a 3-year term for councillors on the Committee to reduce turnover and ensure greater continuity;
- Whether the Committee met on a sufficient number of occasions;
- Whether it would be possible to receive copies of London CIV reports;
- That the Committee consider creating a Head of Pension Fund post which would focus on the Fund with no other Council responsibilities;
- That an employer representative be invited to join the Committee;
- That in areas where the Council provided administrative services, service level agreements be drawn up;
- That bespoke procurement and recruitment policies for the Fund be created;
- That it be mandatory for the Annual Report and Accounts to be presented to the Committee before the General Purposes Committee; and
- That a small allowance be paid to those members of the Board who were not part of the Council.

The Board will be looking for early progress on many of these items.

Other significant items considered formally by the Board during the year included:

- Risk Register – Board members were particularly interested in cyber security and asked for a training session to be held;
- Governance Consulting contract;
- Report by Government Actuary's Department;
- Fund Medium Term Business Plan and Board Forward Plan;
- Progress on investment "pooling" arrangements;
- Updates from the Local Government Pension Scheme Advisory Board and The Pensions Regulator;
- Reporting and monitoring contributions by employers to the Fund;
- Environmental, Social and Governance Policy.
- Training Plan - Officers have procured an online training application which members can access at their convenience to supplement other training opportunities.

Looking Ahead

Firstly, we are looking forward to less disruption to the Board's work than occurred last year and, in particular, to holding face-to-face meetings again.

Training and keeping our knowledge and skills up-to-date will remain important to us and we shall be looking to take advantage of opportunities that become available. We have specifically asked for a more structured training plan and, specifically, for training on cyber security to take place as early as possible.

Following on from the work done in the last three years the Board will continue to take a keen interest in the implementation of the Action Plan arising from the Aon Governance Report and will receive regular updates. We shall also be paying attention to the progress of the Local Government Pension Scheme Advisory Board's final report on "Good Governance in the LGPS" and the action plan submitted to the Secretary of State.

Pensions administration will continue to attract attention from The Pensions Regulator and the Board will be taking a particular interest in the administration of the Fund and the service provided to both employers and members. In particular we look forward to the clearance of outstanding issues currently being carried out by the Fund's external provider. We also expect to review the Fund's Administration Strategy and the Governance and Best Practice Statement and to see a report on procurement and recruitment.

The implications of the "McCloud" case for the LGPS are still being reviewed and we are keen to be involved in considering its effect on the Fund.

Until we see the audited Fund Accounts for the last three years we shall remain concerned and stand by our suggestion that they be produced independently of those of the Council. Coincidentally, we understand that the Scheme Advisory Board Chair has written to the Minister about problems facing funds as a result of audit issues relating to the main local authority accounts. The letter proposes separating pension fund accounts from main local authority accounts as a potential solution to the problem.

Finally, whilst the Board is expecting 2022/23 to be another busy year for the Fund it may also see developments to the Scheme at a national level. Foremost amongst them could be proposals requiring LGPS funds to assess, manage and report on climate-related risks. We shall look at the implications of all the relevant legislation and reports and guidance issued by the Scheme Advisory Board and The Pensions Regulator.

Michael Ellsmore
Chair
October 2022

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No	Date	Category	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to the breach	Reported/Not reported (with justification if not reported) and dates	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
1	Aug-20	Administration ABS	Failure to produce 100% of Annual Benefit Statement notifications	Members and former members have not received up to date information on the value of their LGPS benefits which may affect their ability to make informed decisions around pension provision. Noncompliance with LGPS regulations timescales. Member has been unable to check personal data is complete and accurate or that the correct contributions have been credited.	The technical team issued 98.69% of the statements due. For the remainder, tasks are set up on Altair to enable the admin team to carry out any necessary tasks on the member records as part of the work schedule, such as resolving queries or completing benefit calculations.	The matter was not referred to the Pensions Regulator. All the issues were identified and tasks have been set up on Altair to be dealt with as part of the work schedule		Not reported. Only 2.12% for active and 0.27% for deferred members were not issued. The issues will be dealt with and member records updated as part of the work schedule		

No	Date	Category	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to the breach	Reported/Not reported (with justification if not reported) and dates	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
2	Aug-21	Administration ABS	Failure to produce 100% of Annual Benefit Statement notifications	Members and former members have not received up to date information on the value of their LGPS benefits which may affect their ability to make informed decisions around pension provision. Noncompliance with LGPS regulations timescales. Member has been unable to check personal data is complete and accurate or that the correct contributions have been credited.	The team managed to issue 99.94% of annual benefit statements.	The matter was not referred to the Pensions Regulator. All the issues were identified and tasks have been set up on Altair to be dealt with as part of the work schedule		Not Reported. Only 0.06% of the notifications were not issued. The issues are dealt with and member records updated as part of the work schedule.		

No	Date	Category	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to the breach	Reported/Not reported (with justification if not reported) and dates	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
3	Aug-22	Administration ABS	Failure to produce 100% of Annual Benefit Statement notifications	Members and former members have not received up to date information on the value of their LGPS benefits which may affect their ability to make informed decisions around pension provision. Noncompliance with LGPS regulations timescales. Member has been unable to check personal data is complete and accurate or that the correct contributions have been credited.	The technical team have issued 92.30% of the statements due. The majority of the deferred ABSs not issued are a result of outstanding leaver calculations which have been identified as part of the backlog project contracted to a third party. Work on this project continues and members are being contacted once the calculations have been completed. The remainder relate to leavers where we are awaiting transfer details from other LGPS funds before the deferred benefits can be processed or those that have left the scheme post 31 March 2022 and we await leaver information from employers. These cases are included in BAU work and handled by the Pension Admin Team on a daily process. Members will be contacted once the calculations have been completed.	The matter was not referred to the Pensions Regulator. All the issues were identified and tasks have been set up on Altair to be dealt with as part of the work schedule		Not reported. 100% for active members were issued. While 86.19% for deferred members were issued, the balance were not produced due to ongoing benefit calculations or transfer calculations where we are awaiting information. These cases are included in BAU work and handled by the Pension Admin Team on a daily process. Members will be contacted once the calculations have been completed		

No	Date	Category	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to the breach	Reported/Not reported (with justification if not reported) and dates	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
4	Jan-21	Administration Backlog	Failure to inform 100% of scheme members of their calculated benefits (refund or deferred) – backlog cases. The original number of backlog cases was 2665. To 31 July 2022, 1083 cases are outstanding. However, 773 of these outstanding cases are in the process of being completed or checked.	Members and former members have not received up to date information on the value of their LGPS benefits which may affect their ability to make informed decisions around pension provision. Noncompliance with LGPS regulations timescales. Members have been unable to check personal data is complete and accurate or that the correct contributions have been credited	Historical backlog is impacting performance. Hymans Robertson have been engaged to provide administration services to clear this backlog	The issue has been identified and action taken to rectify it. Outsourcing the historical backlog provides greater administrative capacity , mitigating the risk of recurrence. This has therefore been judged as not necessary to report to the Pensions Regulator		Not reported to The Pensions Regulator		A separate. A table has been added to the KPI report detailing progress with the backlog cases

No	Date	Category	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to the breach	Reported/Not reported (with justification if not reported) and dates	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
5	Oct-21	Administration Minutes	Failure to publish Committee and Board meeting Minutes	Without minutes any decisions made are not recorded and so have no legal basis. Any actions taken as a result of those decisions have no legal authority. There is no public access to decisions taken, preventing openness and challenge.	The matter was discussed at the meeting on 14 September 2021. Democratic Services have been experiencing resourcing issues and backlogs of all Council Committee meeting minutes have arisen. The team are now fully resourced and will be trying to catch up on the backlog and produce future minutes in a more timely fashion moving forward. Members requested that officers look into sourcing external minuting provision in respect of Pension Meetings to safeguard Fund business	Officers have designated the breach as amber in line with TPR guidance. Whilst there is an impact on the administration of the Fund, action has been taken to resolve the issue. The Monitoring Officer has advised that the matter should be reported to the TPR which has been done by the Chairs of the Board and Committee		Democratic Services are now adequately resourced and are producing the minutes themselves. All outstanding draft Committee minutes have been published and will be included on the agenda for the 11 October 2022 meeting for consideration and approval. The three outstanding draft Board minutes have been published and approved by the Board		Feedback has been received following referral of the matter to the TPR. They expect processes to be put into place to produce minutes in a timely manner and for them to be reviewed and approved promptly. These matters have been addressed. There is a named clerk who produces and circulates draft minutes shortly after each meeting. These are

											<p>then entered onto the agenda for the next meeting. The Governance Team have created a log to record when each set of minutes has been approved</p>
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No	Date	Category	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to the breach	Reported/Not reported (with justification if not reported) and dates	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
6	Sep-21	Finance Accounts	Failure of the Fund to publish audited Fund Accounts for year 2019/20 by 30 September 2020.	Lack of accurate data available on which to base funding requirements. This could result in insufficient funds to pay all benefit liabilities	The Fund report and accounts were prepared but had not been signed off by the Auditors. The Fund accounts form part of the Council accounts. External auditors would not sign off on the Council accounts as there was an issue around the accounting treatment involving Croydon Affordable Homes LLP. However, this is being resolved and it is expected that the paperwork will be in place shortly to allow sign off to be completed. The draft Annual Report and Accounts were presented to Pension Committee on 3 December 2021.	The matter has not been reported to the Pension Regulator. Progress had initially been delayed due to the issuing of the Section 114 notice applicable to Croydon and, more widely, to the impact of the Covid 19 pandemic. Many other LGPS Funds had been unable to finalise their accounts due to the impact of the pandemic. The continued delay in signing the accounts is as a result of the issues caused with Council's accounts around the accounting treatment of Croydon Affordable Homes LLP. The failure to sign off the accounts does not relate to a failure on the part of the Fund. The audit of the accounts is substantially complete and it is expected that the paperwork will be in place shortly to allow sign off to be finalised. The draft Annual Report and Accounts have been published on the website.			The Fund Accounts form part of the Council Accounts and cannot be signed off separately. The Head of Pensions will continue to liaise with Audit on progress on signing off the Council accounts	

No	Date	Category	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to the breach	Reported/Not reported (with justification if not reported) and dates	Colour Rating	Outcome of report and/or investigations	Outstanding actions	Comments
7	Sep-22	Finance Accounts	Failure to publish the audited Fund Accounts for year 20/21 by 30 September 2021	Lack of accurate data available on which to base funding requirements. This could result in insufficient funds to pay all benefit liabilities.	The report and accounts were prepared but the accounts had not been signed off by the auditors due to issues with the Council's accounts for 2019/20 around the accounting treatment of Croydon Affordable Homes LLP. The draft Annual Report and Accounts were presented to Pension Committee on 3 December 2021	The matter has not been reported to the Regulator. Due to the passage of time, in July 2022 the Head of Pensions and Treasury reconsidered whether to report the breach, the main consideration being whether it would affect the valuation. Having consulted the Actuary and deemed that the valuation could still be signed off, it was decided that the breach still did not need reporting.			The Fund Accounts form part of the Council Accounts and cannot be signed off separately. The Head of Pensions will continue to liaise with Audit on progress on signing off the Council accounts.	

REPORT TO:	Pension Board 13 October 2022
SUBJECT:	Review of Risk Register
LEAD OFFICER:	Matthew Hallett, Acting Head of Pensions and Treasury

1. RECOMMENDATION
1.1 The Board is asked to note the contents of the Pension Fund Risk Register and to comment as appropriate.

2. EXECUTIVE SUMMARY

- 2.1 It is recommended best practice for the Pension Board to maintain a risk register covering the most significant risks faced by the Fund. This report presents the current register (Appendix A) for the Board's consideration.

3. DETAIL

- 3.1 Best practice recommends that a risk register is maintained by the Pension Board recording relevant risk scenarios, together with an assessment of their likelihood and impact and appropriate mitigations. This report discusses the most significant risks relating to governance, funding, assets and liabilities and operational matters. Appendix A details these risks.
- 3.2 The Board is invited to comment on whether it considers this list sufficiently exhaustive and whether the assessment of each risk matches its perception on the adequacy of existing and future controls.
- 3.3 In accordance with the Risk Management Policy, the Risk Register is reviewed periodically and reported to the Board on a quarterly basis.
- 3.4 Risks are rated on a scale of 1 to 5 on the likelihood of the risk occurring and its impact if it does. This allows a range of potential scores of between 1 and 25. The register shows that there are 17 risks on the main register with 13 being significant risks for the Fund (i.e. scored 10 or higher). With all of the planned future controls in place, the significant risks could be reduced to 4.

The risk register is attached as Appendix A.

- 3.5 Since the Board last reviewed the Register:

Four risks have been removed from the register as follows:

Risk 5 - Under the S.13 reporting regime, the Government Actuary's Department (GAD) form a view of the viability of LGPS funds. Using GAD assumptions, rather than the Scheme Actuary's, the Fund is in the bottom decile for funding. There is a risk that the Government may intervene in the investment of the Fund.

Reason for removal: The results reported in September 2021 gave the Fund a clean bill of health and moved from 81st to 72nd out of 88

Risk 9 - There is still a risk that a "Hard Brexit" will result in disruption to the way that fund managers can operate and that this will have a damaging impact on the Fund.

Reason for removal: The Fund's investment managers took appropriate action to ensure that there has been no disruption caused.

Risk 10- Coronavirus – risk to investment returns of the Pension Fund from a global financial crisis. The UK economy is in recession and European and US markets are fragile. If returns on the investment of the Pension Fund are negatively impacted long term there may not be adequate resources to meet the Fund's liabilities. This may lead to a need to increase employer contribution rates. This impacts on Council budgets.

Reason for removal: The risk due to coronavirus has subsided. It is covered general risk.

Risk 11 - There are a number of specific geopolitical risks which could affect the performance of global equities. The ones most likely to impact on the Fund are global trade tensions especially those arising from US/China competition. Others with potentially serious impact are internal US politics, Gulf tensions, and Brexit.

Reason for removal: This risk has been replaced by risk 16 on the register.

Seven new risks have been added to the register as follows:

Risk 15 - Cyber Security – The heightened security threat level due to the Russian invasion of Ukraine could potentially result in added risks to the pension administration system.

Risk 16 - Russia has invaded Ukraine. There are global economic repercussions relating to oil and gas prices; energy markets; stock markets; and currencies. The Pension Fund will be impacted by these developments because it has exposure to these markets and geographies.

Risk 17 - In February 2022 DLUHC issued the Levelling Up white paper requiring Funds to deploy at least an additional 5% of their capital to relevant investment opportunities in the UK. The additional requirement could be problematic for funds such as Croydon which already allocate a significant proportion of their capital to the UK in illiquid assets.

Risk 18 - Changes in legislation affect the level of performance of the Pensions Admin Team. Scheme members experiencing delays in receipt of their pension

entitlement. Statutory deadlines are not met leading to breaches of legislation and pension regulator requirements. Scheme member dissatisfaction. Reputational damage. Financial penalties. Legal action / challenge.

Risk 19 - System malfunction or interruption of our banking systems. The FCA disclosed that in the last 9 months of 2018 there were more than 300 IT failures impacting on bank customers ability to access their funds. The 6 largest banks on average experience one IT failure every 2 weeks. The risk is that one of these failures is for a sustained period of time impacting on BACS and CHAPS payments both into and out of the council. This could prevent members of the public and businesses from accessing funds result in financial loss and /or service interruption.

Risk 20 - Risk of losing or being unable to recruit suitably experienced staff. The Head of Pensions and Treasury has retired and other positions within the Pension Team have been vacant for a while. Lack of resourcing and knowledge will have a detrimental impact on the performance of the fund.

Risk 21 - Liquidity risk - Inflation is currently running at 10% which will feed into pension increases and lead to pressures on cashflow. This means there is a risk that the authority might find itself with insufficient cash to meet short term and medium term liabilities without having to disinvest and thus damage the prospects of generating adequate investment returns.

Eight risks have had the existing or future controls updated. Those risks are numbers 1, 2, 3, 4, 6, 8, 12 and 13.

Two risks have not been changed. Those risks are numbers 7 and 14.

- 3.6 The Board is asked to note the contents of the Pension Fund Risk Register and to comment as appropriate.

4. CONSULTATION

- 4.1 Officers have previously consulted with both the Pension Committee and Local Pension Board on the template for the Risk Register which forms the basis of Appendix A.

5. DATA PROTECTION IMPLICATIONS

- 5.1 **WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

NO

Approved by: Matthew Hallett on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

CONTACT OFFICER:

Matthew Hallett, Acting Head of Pensions and Treasury

BACKGROUND DOCUMENTS:

None

APPENDIX:

Appendix A: Risk Register

Risk Scenario					Current Risk Rating			Future Risk Rating				
	Risk	Type	Assigned to	Existing Controls	Impact	Likelihood	Risk factor	Future controls	Impact	Likelihood	Risk Factor	
1	If other scheme employers cease trading or operating for any reason the Scheme Actuary will calculate a cessation valuation of their liabilities. If that employer cannot meet that liability the Council has to make good the shortfall.	Governance Risks	Governance and Compliance Manager	Employers contributions are monitored on a monthly basis. Council officers rely on good communications to identify any problems at the earliest stage. The range of remedies includes reporting to The Pensions Regulator, involving other statutory bodies, such as the Education Funding Agency, up to court enforcement action.	3	4	12	Admission, Cessation and Bulk Transfers Policies were agreed by the Committee at their meeting of 3 December 2021 which will mitigate the risk. The Fund puts measures in place such as bonds and parent company guarantees or reduces the funding time horizon to reduce the impact resulting from employer failures. These areas will be reviewed as	2	3	6	

								part of the triennial valuation.			
2	The Fund's invested assets are not sufficient to meet its current or future liabilities.	Funding - Assets and Liabilities Risks	Head of Pensions and Treasury	A formal actuarial valuation is carried out every three years, although the Government have consulted on changing this to every 4 years. This results in a Funding Strategy Statement which is regularly reviewed to ensure contribution rates and the investment strategy are set to meet the	4	3	12	Officers are looking at ways of monitoring the funding level on a more frequent basis rather than waiting for a full valuation every three years, although this needs to be done efficiently and in a cost effective manner. Officers will work with the Actuary to seek a cost efficient way of estimating changes to the funding level.	4	2	8

				<p>long term solvency of the Fund. The Scheme Actuary's view is that there is a 75% chance that the funding target will be achieved. The current Strategy was agreed by the Committee on 17 March 2020 with updates being agreed at the Committee meeting on 25 May 2021. The Fund is current carrying out the March 22 valuation which has indicated an improvement in the funding level.</p>							
3	Liquidity risk - A third of the Fund is held in illiquid investments. This means there is a	Funding - Assets and Liabilities Risks	Head of Pensions and Treasury	The Fund's contribution income is currently enough to cover	3	2	6	The illiquid assets are reaching a point where distributions are	3	2	6

	<p>risk that the authority might find itself with insufficient cash to meet short term and medium term liabilities without having to disinvest and thus damage the prospects of generating adequate investment returns.</p>			<p>the short term liabilities. This is kept under constant review. The amount of cash held by the fund has increased to 2% of the Fund to mitigate this risk.</p>				<p>higher than calls, so are generating cash. Further commitments to investments will be put on hold until a medium term cash projection has been completed.</p>			
4	<p>There is a possible risk of scheduled or admitted bodies not paying over contributions, which involves the administering authority in incurring unnecessary costs.</p>	<p>Funding - Assets and Liabilities Risks</p>	<p>Governance and Compliance Manager</p>	<p>The authority has retained legal advisors to mitigate this risk, possibly through legal channels. There is one significant case, in terms of contributions due, which is currently being considered by the Pensions Ombudsman.</p>	3	5	15	<p>A structured process has been introduced to monitor receipts of contributions. Contributions and schedules are chased promptly and reconciled. Improved team communications is aiding in this process. which is monitored by</p>	3	2	6

								the Pensions Board. These measures are improving outcomes. However, they require more time to administer and resources across the governance and accounts teams are impacted. Additional staffing is in the process of being secured.			
6	There is a risk that, under any set of circumstances, an assets will will underperform. The Fund has a significant allocation to several single asset categories - for example, equities, fixed interest, property or alternatives -	Investment Risks	Head of Pensions and Treasury	The investment allocation mix is in a variety of uncorrelated investments designed to give a diverse porfolio, meaning any one investment class should not unduly impact on the performance of the overall	3	3	9	Officers with the help of the Fund's Investment Adviser will continue to assess the asset mix of the Fund to ensure it continues to meet the required returns.	3	2	6

	which potentially leaves the Fund exposed to the possibility that a particular class of assets will underperform relative to expectation.			portfolio if it underperforms relative to expectation.							
7	The London CIV has been experiencing problems recruiting to key roles, including to the Chief Investment Officer vacancy. This raises a number of concerns, including: fund launches; progress on the ESG project; and expanded permissions from the FCA. This latter point relates to their ability to transition funds.	Investment Risks	Head of Pensions and Treasury	Recruitment has inevitably been impacted by the lockdown but the CIV has now filled a number of key roles. This provides a degree of reassurance that fund launches and key projects should be able to proceed according to plan.	4	2	8	As the CIV becomes more established recruitment issues should become less significant.	4	2	8

8	<p>Specific macro-economic risks are addressed below but there is a more general, underlying risk of a global collapse in investment markets. The markets have experienced a continuous sequence of such events: Latin American sovereign debt; Black Friday crash; the Dot.com bubble; sub-prime, credit crunch and the Coronavirus pandemic. Other crises are inevitable.</p>	<p>Global Macro-economic Risks</p>	<p>Pension Fund Investment Manager</p>	<p>The discount rate assumption is reviewed at every valuation to ensure it gives appropriate views on future return expectations. The Fund is also well-diversified which provides a degree of protection. The diversified nature of the Fund meant that the Fund was well protected during the Coronavirus pandemic.</p>	4	3	12	<p>The asset allocation strategy will be revised during 2022/2023. Consultations with the Fund's Investment Adviser are ongoing to ensure that, so far as possible, the Fund remains conscious of these risks and is taking reasonable precautions.</p>	4	3	12
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12	<p>Cyber Security – Risk to systems including by system failure, ineffective business continuity plan and lack of adequate monitoring arrangements for third party suppliers. If adequate protections are not in place to prevent system failure working time could be affected impacting workloads and delivery of key performance indicators. If an effective business continuity plan is not in place and communicated to staff the impact of any system failure will be increased. If</p>	<p>Operational Risks</p>	<p>Head of Pensions Administration</p>	<p>Heywoods is a hosted system. They have processes in place for backing up files, storing data safely and preventing system failure. This is included in the contract we have with them. The technical team keep logs of issues and responses to monitor this. We have a business continuity plan in place should issues arise. Key suppliers, Aquila Heywood and Hymans Robertson both have ISO:270001 which is the international standard for</p>	4	3	12	<p>We are currently working with Aon to strengthen our Cyber Security arrangements. We will be producing and implementing policies and processes focusing on this area.</p>	4	2	8
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	adequate monitor arrangements for suppliers are not implemented and reviewed service delivery may be adversely affected.			information security management systems (ISMS).							
13	Cyber Security - risk of unauthorised access to personal and other data including by unsafe home working practices, data access protection and levels and safe storage of data. If safe working practices are not followed devices could be lost or stolen or data could be viewed or tampered with. If data access levels	Operational Risks	Pensions Administration Manager	Mandatory GDPR and Cyber Security training has been provided to all new and existing staff. There is a remote working protocol available on the staff intranet which includes guidance on working securely, in addition to a good practice guide on information management. When working	4	3	12	We are currently working with Aon to strengthen our Cyber Security arrangements. We will be producing and implementing policies and processes focusing on this area.	4	2	8

	<p>are not kept up to date and set at a level appropriate for the performance of the duties of the role only, any possible misuse or error will have a more severe effect. If data held on the pension system is not backed up there is a risk of data being lost in the event of a system failure.</p>			<p>from home devices are encrypted and accessed via a VPN. Bit locker and passwords are required to access systems. No physical papers are taken home and staff are advised of the need to keep computers in a secure place, never to leave devices unattended and not to access systems in public locations. Appropriate data access levels to the pensions administration system are assigned by the Technical Support Team on appointment or change of role, according</p>							
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				to the requirements of the role.							
14	McCloud Judgement. There is a risk affecting our ability to implement the requirements of the McCloud judgement post resolution. Issues include lack of historic data, appropriate resource, capacity or budget to undertake the	Operational Risks	Pensions Manager	Keeping up to date with information from the Scheme Advisory Board, Local Government Association, and the Government actuary's Department. The Technical Team are ensuring that part time hours	4	4	16	Decide how gathering of data from employers will be resourced. Once regulations issued and remedies understood, ensure pension service is appropriately resourced to deal with additional workload	4	3	12

	work. This could result in legal breaches reportable to the Pensions Regulator, incorrect pension entitlements being calculated for pensioners and loss of confidence in the service by scheme members and employers.			are being recorded on Altair.							
15	Cyber Security – The heightened security threat level due to the Russian invasion of Ukraine could potentially result in added risks to the pension administration system.	Operational Risks	Pensions Administration Manager	In response to the heightened threat, Heywoods have conducted focused threat simulations based upon potentially malicious email traffic, reinforced organisational awareness of the threat landscape and raised vigilance through	4	3	12	Heywoods will continue to closely monitor the cyber threat landscape, particularly threats connected with events in Ukraine. When necessary, they will take immediate action to mitigate against new threats as they emerge.	4	2	8

				additional staff training and blocked access/internet traffic from specific countries.							
16	Russia has invaded Ukraine. There are global economic repercussions relating to oil and gas prices; energy markets; stock markets; and currencies. The Pension Fund will be impacted by these developments because it has exposure to these markets and geographies.	Global Macro-economic Risks	Head of Treasury and Pensions	The Fund's direct exposure to assets held in Russia and the Ukraine has been assessed and impact was immaterial. The diversified nature of the portfolio helps protect the Fund against the wider implications to Global markets.	3	5	15	If the conflict ends markets should recover; otherwise the financial markets will adapt. The Funds asset allocation is being reviewed to make sure it is still appropriate to keep the fund on track.	3	4	12
17	In February 2022 DLUHC issued the Levelling Up white paper requiring Funds to deploy at least an additional 5%	Investment Risks	Head of Pensions and Treasury	It is unlikely that the Fund will be forced into a position which would mean an unacceptable	4	2	8	If the risk materialises the Fund will seek to follow the direction over a period of time in order to	4	2	8

	of their capital to relevant investment opportunities in the UK. The additional requirement could be problematic for funds such as Croydon which already allocate a significant proportion of their capital to the UK in illiquid assets.			imbalance in the asset allocation of the Fund. The Fund is not currently committing any further investments to its illiquid portfolio.				manage any imbalance in the portfolio.			
18	Changes in legislation affect the level of performance of the Pensions Admin Team. Scheme members experiencing delays in receipt of their pension entitlement. Statutory deadlines are not met leading to breaches of legislation and	Operational Risks	Pensions Manager	A third party administrative contract with Hymans Robertson to provide additional resources. Key Performance Monitoring Report completed each month against legal deadlines and team targets reported	4	4	16	A review of the effectiveness of 3rd party arrangement on activity levels. Continue detailed planning in respect of legislative changes. Development of IT and automation. Increase to Employer	4	2	8

	pension regulator requirements. Scheme member dissatisfaction. Reputational damage. Financial penalties. Legal action / challenge.			to Pensions Committee and Board each meeting. Maintaining awareness of latest legislative requirements. Robust checking procedures at all stages. Staff knowledge - Recruitment of staff of suitable experience Continuous training of existing staff. Currently fully resourced administrative function.				engagement. Regular Performance Reporting (activity rates & service KPI's) to Pensions Committee			
19	System malfunction or interruption of our banking systems.The FCA disclosed that in the last 9 months of 2018 there were more than 300 IT failures impacting on	Operational Risks	Head of Pensions and Treasury	Actively review/assure in relation to bank controls. Automatic compensation paid for major interruptions	4	3	12	No future controls planned	4	3	12

	bank customers ability to access their funds.The 6 largest banks on average experience one IT failure every 2 weeks.The risk is that one of these failures is for a sustained period of time impacting on BACS and CHAPS payments both into and out of the council.This could prevent members of the public and businesses from accessing funds,result in financial loss and /or service interruption.										
20	Risk of losing or being unable to recruit suitably experienced staff. The Head of Pensions and Treasury has retired and other	Operational Risks	Head of Pensions and Treasury	The Pension Team have recruited temporary resources in the Treasury Team for the immediate	3	4	12	Developing in-house knowledge and capacity will mitigate the risk of skills drain if staff leave. A review of the	3	3	9

	positions within the Pension Team have been vacant for a while. Lack of resourcing and knowledge will have a detrimental impact on the performance of the fund.			future and are in the process of creating two new posts in the governance team. We are working with our advisors more widely to make greater use of their resources.				pensions function will assist in further developing effective service delivery.			
21	Liquidity risk - Inflation is currently running at 10% which will feed into pension increases and lead to pressures on cashflow. This means there is a risk that the authority might find itself with insufficient cash to meet short term and medium term liabilities without having to disinvest and thus damage the prospects of	Funding - Assets and Liabilities Risks	Head of Pensions and Treasury	The Fund has increased the amount of cash it holds in order to cover any potential net outflow from the Fund	3	5	15	A medium term cashflow projection will be carried out in order to gain assurance that the fund has sufficient liquidity.	3	2	6

generating adequate investment returns.											
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Below 10 is considered a Green Risk.

A score between 10 and 19 is an Amber Risk.

A score of 20 or above is a Red Risk.

Risk Matrix		IMPACT					
		1	2	3	4	5	
		Insignificant	Minor	Moderate	Major	Catastrophic	
LIKELIHOOD	5	Almost Certain	5	10	15	20	25
	4	Likely	4	8	12	16	20
	3	Possible	3	6	9	12	15
	2	Unlikely	2	4	6	8	10
	1	Rare	1	2	3	4	5

Croydon Council

REPORT TO:	PENSION BOARD 13 October 2022
SUBJECT:	Croydon Pension Fund - 2022 Valuation Initial Results and Funding Strategy Statement Review
LEAD OFFICER:	Matthew Hallett Head of Pensions and Treasury

1 RECOMMENDATIONS

- 1.1 The Board are asked to note and comment on the draft FSS (Appendix A) and 'satellite' policy documents on contribution reviews (Appendix B), academy funding (Appendix C), bulk transfers (Appendix D), cessations (Appendix E) and prepayments (Appendix F) to be issued to all participating employers for comment alongside their 2022 valuation results.
- 1.2 Note the progress made towards the 2022 valuation.
- 1.3 Note the initial whole Fund results effective 31 March 2022.

2 BACKGROUND

- 2.1 Under LGPS Regulations, all funds have a statutory obligation to produce an FSS. It is a key document for the Fund, in two ways:

Firstly: the inputs it requires: the Fund's officers and Pensions Committee need to go through a process to be satisfied that the Fund is managing funding risks and will be collecting an appropriate level of contributions from all employers in the Fund. The FSS provides a helpful framework for organising this process and covering all the necessary areas.

Secondly: the outputs it gives: the finalised FSS itself should be a clear and transparent reference point for the Fund's stakeholders, to set out how the Fund manages funding risks and provide proof that the contribution arrangements are solidly derived, fair and consistent. It will also help in any future discussions with employers, perhaps where an approach is queried or questions are raised.

The FSS is prepared in collaboration with the Fund Actuary and forms an integral part of the framework within which to carry out the triennial valuation to set employer contributions. The FSS also outlines how the funding strategy fits in with the investment strategy.

The current FSS was approved by the Pensions Committee at the May 2021 meeting following updates to allow for regulation amendments for exit credits and employer flexibilities.

This report sets out a revised structure to the FSS and a few technical or regulatory updates required since the May 2021 review. The main updates are in relation to the funding assumptions, climate risk and the 'McCloud' judgement.

- 2.2 The 2022 valuation of the Fund is a regulatory requirement and is used to determine contribution rates payable by participating employers for the period commencing 1 April 2023. The valuation is carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Fund officers are currently working with the actuary to progress the valuation. To date this has included: contribution modelling analysis and discussion with Croydon Council; assumptions analysis; and provision and cleansing of membership and cashflow data. The actuary has now used the data to calculate the initial results of the Fund as a whole.

3 FSS - REVIEW DETAIL

- 3.1 The 2022 review has focussed on adapting the FSS to fit in with the changing environment and circumstances within which the Fund operates.
- 3.2 The evolving challenges, increasing diversity of employers and the growing complexity and regulation in the LGPS over the last few years has meant the FSS has become increasingly unwieldy. While the purpose of the FSS is to act as a compliant and robust reference document, it is acknowledged that a more streamlined document and modular approach to policies would enhance the

accessibility and useability - ultimately making it more practical for all stakeholders (particularly employers).

- 3.3 The revised structure is a streamlined “core” FSS document which is complemented by a number of “satellite” policy documents. The core document includes all the funding information required by LGPS Regulations and Statutory Guidance. It has also been restructured into sections within an LGPS employer’s lifecycle (ie arrangements on joining, calculating assets and liabilities, setting contributions, arrangements on leaving, etc)
- 3.4 The satellite policies work both to complement the FSS and as standalone documents in their own right. These documents set out the Fund’s policies with regards to specific elements of strategy and include more details on process and practicalities. Working with the actuary we have updated the bulk transfers and cessation policies and created policies to cover contribution reviews, contribution prepayment requests and academies.
- 3.5 Alongside the restructure there has been relatively few technical or regulatory updates required since the May 2021 FSS review. The most significant changes to bring to the Board’s attention include:

1. Review of funding assumptions

The actuary has reviewed the funding assumptions as part of the 2022 valuation. These have been updated to reflect emerging experience and market conditions as at 31 March 2022. All assumptions remain best estimate except for the discount rate assumption which includes the margin of prudence required by the LGPS Regulations.

In summary:

- Future investment return assumption – this covers the projected annual returns and volatility on asset classes invested by the Fund. For the purposes of reporting a funding level, a flat 4.0% pa future investment return assumption has been selected. The likelihood of the Fund’s assets yielding at least 4.0% pa over the next 20 years is 75%. This is the same level of prudence that was adopted at the 2019 valuation.
- Benefit increases / CARE revaluation assumption - to determine the size of future benefit payments (LGPS benefits are index-linked to CPI inflation). Significantly higher short-term inflation expectations have increased the CPI assumption.
- Life expectancy assumptions - the effect of recent experience has been allowed for in the longevity assumptions. However, an appropriate adjustment has been made to avoid the assumption being skewed by excess deaths due to Covid-19 in 2020 and 2021.

2. Climate risk

The Fund recognises that climate change is a key risk due to the open-ended time horizons of the liabilities. As part of the modelling analysis for reviewing the Council’s

contribution strategy, the actuary stress-tested the results under additional climate scenarios.

The modelling results under the stress tests were slightly worse than the core modelling results but were still within risk tolerance levels, particularly given the severity of the stresses applied. The results provide assurance that the modelling approach does not significantly underestimate the potential impact of climate change and that the funding strategy is resilient to climate risks.

3. 'McCloud' judgement treatment

The benefits accrued by certain members between 2014 and 2022 are expected to increase following the McCloud case, which ruled that transitional protections introduced in 2014 for older members were discriminatory. At the 2019 valuation there was uncertainty around if and how to allow for the potential extra costs. The Fund made an approximate allowance for the potential impact in setting employer contribution rates by building in a slightly higher level of prudence. However, the Department for Levelling Up, Housing and Communities has since provided guidance (dated 22 March 2022) around the treatment of McCloud for valuation purposes. The actuary has therefore now been able to use the guidance to build the expected impact of the benefit improvements directly into the liability calculations. The extra prudence allowed for at 2019 can now be removed from the assessment of employer contributions.

4 FSS - RECOMMENDATION AND NEXT STEPS

- 4.1 The Board are asked to note and comment on the draft FSS (Appendix A) and 'satellite' policy documents on contribution reviews (Appendix B), academy funding (Appendix C), bulk transfers (Appendix D), cessations (Appendix E) and prepayments (Appendix F) to be issued to all participating employers for comment alongside their 2022 valuation results.
- 4.2 Once approved by Committee, a draft version of the FSS and policies will be issued to all participating employers for comment alongside their 2022 valuation results. Following the end of the consultation period, any comments received may lead to amendments to the document. The Committee will then be asked to approve the final version of the FSS at its March 2023 meeting thus allowing the Actuary to sign off the final valuation report in time for the statutory deadline of 31 March 2023. The Board will be updated once this has been done.

5 2022 VALUATION UPDATE

- 5.1 Fund officers are currently working with the actuary to progress the valuation. To date this has included: contribution modelling analysis and discussion with Croydon Council; assumptions analysis; and provision and cleansing of membership and cashflow data. The actuary has now used the data to calculate the initial results of the Fund as a whole.
- 5.2 A key output of the valuation is a measurement of past service liabilities at the valuation date to determine the funding level. To calculate a current funding level, the actuary compares the market value of assets against a value of the benefits accrued to date. The value of assets is easily obtained via market valuations. Placing

a single value on the liabilities requires a single set of assumptions about the future, so it is important to acknowledge the results are very sensitive to the choice of assumptions.

- 5.3 Using this approach, a high-level snapshot of the funding position on 31 March 2022 is below:

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	(£m)	(£m)
Employees	520	395
Deferred Pensioners	459	351
Pensioners	811	676
Total Liabilities	1,790	1,423
Assets	1,731	1,258
Surplus/(Deficit)	(59)	(165)
Funding Level	97%	88%

- 5.4 As at 31 March 2022, the past service funding position has improved from a funding level of 88% at the last valuation to 97%. This is based on assumed future investment returns of 4.0% pa.
- 5.5 The future investment return the Fund would need to generate to be 100% funded is now 4.2% pa (compared to 4.8% pa at 2019). The likelihood of the Fund's investment strategy achieving this required return of 4.2% pa is now 73% (there was a 66% of the Fund achieving the required 4.8% pa at 2019). Put another way, the Fund is putting less reliance on future investment return to pay for benefits already accrued by members than at 2019.
- 5.6 The main factor driving the funding position improvement is stronger than expected investment returns since the 2019 valuation. These have more than offset the increase in liabilities due to the short- to medium-term inflation expectations. Despite the Covid-19 pandemic, the funding impact of mortality experience has not been significantly different from expectations.
- 5.7 However, it is important to understand reported funding level does not directly drive employers' contribution rates. Contribution rates consider how assets and liabilities will evolve over time in different economic scenarios and reflect each employer's funding profile and covenant.
- 5.8 Being 100% funded in a scheme like the LGPS which is both open to future accrual and new entrants, is not the endgame. For the average fund employer, two-thirds of the benefit payments made over the next 50 years will be in respect of future service benefits, i.e. benefits yet to be earned. This will include benefits earned by existing members (new accrual) and benefits earned by new members who begin service in the LGPS after the valuation date (new joiners). The assets held today only cover past service benefits – we still need to fund those benefits yet to be earned.
- 5.9 Every employer is responsible for its own 'share' of the pension fund. While individual employer results will be varied depending on each employer's own membership, the main drivers of change such as investment performance and market conditions

effect all employers to a similar degree. Therefore, the actuary expects most employers to see improvements to their funding positions.

- 5.10 The worsening future economic outlook, notably short-term inflationary pressures, will lead to upward pressure on the cost of future benefit accrual (Primary contribution rates). The improvement in past service funding position may see a reduction in Secondary contribution rates for most employers. The net impact on total contributions will vary across employers.
- 5.11 The contribution modelling analysis carried out for the Council supports a contribution freeze or moderate reduction from 1 April 2023.

6 VALUATION - NEXT STEPS

- 6.1 Subject to Committee agreement of the Funding Strategy Statement, the next major step in the valuation process is to calculate the individual funding positions and set the contribution rates for all other employers in the Fund. The results will then be issued to employers who will be invited to ask questions and comments as part of an employer consultation period, including at the planned employer forum.
- 6.2 As above, this consultation process is already underway for the Council.
- 6.3 The outcome of these discussions and final contribution rates will be presented to the Committee for approval at the March meeting and the Board will be updated once this has been done. The contribution rates will then come into payment from 1 April 2023.
- 6.4 A summary of the valuation timetable is set out below:

Date	Activity
Q1 2022	Council contribution rate modelling and discussion
Q2 2022	Assumptions analysis
Q3 2022	<ul style="list-style-type: none"> • Data provision to actuary • Ongoing engagement with Fund employers
13 October 2022	Committee meeting: Approval sought for draft Funding Strategy Statement
Q4 2022	<ul style="list-style-type: none"> • Funding Strategy Statement consultation with employers invited to comment • Issue valuation results schedules to employers • Employer forum
31 January 2023	Employer contribution rates finalised
March 2023	Committee meeting: Approval sought for final Funding Strategy Statement and 2022 valuation report
31 March 2023	Statutory deadline for completion of final 2022 valuation report and certifying new employer contribution rates
1 April 2023	New employer contribution rates come into payment

7 CONSULTATION

- 7.1 Officers have fully consulted with the Pension Fund's actuarial advisers in preparing this report.

8. DATA PROTECTION CONSIDERATIONS

- 8.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

NO

- 8.2 HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?

NO

Approved by: Matthew Hallett on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

CONTACT OFFICER:

Matthew Hallett, Acting Head of Pensions and Treasury,

BACKGROUND DOCUMENTS:

N/a

Appendices:

APPENDIX A Croydon PF - Draft Funding Strategy Statement (Oct 2022)

APPENDIX B Croydon PF - Policy on contribution reviews (Oct 2022)

APPENDIX C Croydon PF - Academies funding policy (Oct 2022)

APPENDIX D Croydon PF - Bulk Transfer Policy (Oct 2022)

APPENDIX E Croydon PF - Cessation Policy (Oct 2022)

APPENDIX F Croydon PF - Prepayments policy (Oct 2022)

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Croydon Pension Fund
Funding Strategy Statement
October 2022

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Contents

Croydon Pension Fund – Funding Strategy Statement		Page
1	Welcome to Croydon pension fund's funding strategy statement	1
2	How does the fund calculate employer contributions?	3
3	What additional contributions may be payable?	6
4	How does the fund calculate assets and liabilities?	7
5	What happens when an employer joins the fund?	8
6	What happens if an employer has a bulk transfer of staff?	10
7	What happens when an employer leaves the fund?	11
8	What are the statutory reporting requirements?	13

Appendices

- Appendix A – The regulatory framework
- Appendix B – Roles and responsibilities
- Appendix C – Risks and controls
- Appendix D – Actuarial assumptions

1 Welcome to our Funding Strategy Statement

This document sets out the Funding Strategy Statement (FSS) for Croydon Pension Fund.

The Croydon Pension Fund is administered by Croydon Council, known as the administering authority. Croydon Council worked with the Fund's actuary, Hymans Robertson, to prepare this FSS which is effective from **[DATE POST CONSULTATION]**.

There's a regulatory requirement for Croydon Council to prepare an FSS. You can find out more about the regulatory framework in [Appendix A](#). If you have any queries about the FSS, contact pensions@croydon.gov.uk

1.1 What is the Croydon Pension Fund?

The Croydon Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at www.lgpsmember.org. The administering authority runs the Fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in [Appendix B](#).

1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

1.3 Who is the FSS for?

The FSS is mainly for employers participating in the Fund, because it sets out how money will be collected from them to meet the Fund's obligations to pay members' benefits.

Different types of employers participate in the Fund:

Scheduled bodies

Employers who are specified in a schedule to the LGPS regulations, including councils and employers like academies and further education establishments. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

Designating employers

Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the Fund can't refuse entry. The employer then decides which employees can join the scheme.

Admission bodies

Other employers can join through an admission agreement. The Fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transferee admission bodies** (TABs), that provide services for scheme employers. These terms aren't defined under current regulations but remain in common use from previous regulations.

1.4 How does the funding strategy link to the investment strategy?

The funding strategy sets out how money will be collected from employers to meet the Fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority. You can find the investment strategy at [link](#).

The funding and investment strategies are closely linked. The Fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the Fund won't be able to pay benefits, so higher contributions would be required from employers.

1.5 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see [Appendix A](#))

1.6 How is the funding strategy specific to the Croydon Pension Fund?

The funding strategy reflects the specific characteristics of the Fund employers and its own investment strategy.

2 How does the Fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer total contributions are calculated and set by the Fund actuary and are expressed into two elements:

- **the primary contribution rate** – contributions payable towards future benefits
- **the secondary contribution rate** – any adjustment to the primary contribution rate (such as additional contributions to repair any deficits)

The primary rate also includes an allowance for the Fund's expenses.

The Fund actuary uses a model to project each employer's asset share over a range of future economic scenarios (as detailed in [Appendix D](#)). The contribution rate takes each employer's assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in [Appendix D](#).

The total contribution rate for each employer is then based on:

- **the funding target** – how much money the Fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the funding target
- **the likelihood of success** – the proportion of modelled scenarios where the funding target is met.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

2.2 The contribution rate calculation

Table 2: contribution rate calculation for individual or pooled employers

Type of employer	Scheduled bodies			CABs and designating employers		TABs*
	Council	Colleges	Academies	Open to new entrants	Closed to new entrants	(all)
Funding target**	Ongoing	Ongoing	Ongoing	Ongoing, but may move to low-risk exit basis		Ongoing
Minimum likelihood of success	75%	75%	75%	75%	75%	55-75% (dependent on outstanding contract term)
Maximum time horizon	20 years	15 years	15 years	15 years	15 years or average future working lifetime, if less	Same as the letting employer
Primary rate approach	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon					

Type of employer	Scheduled bodies			CABs and designating employers		TABs*
	Sub-type	Council	Colleges	Academies	Open to new entrants	Closed to new entrants
Secondary rate	% of payroll	% of payroll	% of payroll	% of payroll	Monetary amount	% of payroll
Stabilised contribution rate?	Yes	No	Yes	No	No	No
Treatment of surplus	Covered by stabilisation arrangement	Preferred approach: contributions kept at primary rate. Reductions may be permitted by the administering authority			Reduce contributions by spreading the surplus over the remaining contract term	
Phasing of contribution changes	Covered by stabilisation arrangement	None	None	None	None	None

* Employers participating in the Fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting authority

** See [Appendix D](#) for further information on funding targets.

2.3 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind. The Fund may adopt a stabilised approach to setting contributions for individual employers, which keeps contribution variations within a pre-determined range from year-to-year.

After taking advice from the Fund actuary, the administering authority believes a stabilised approach is a prudent longer-term strategy.

Table 1: current stabilisation approach

Type of employer	Council
Maximum contribution increase per year	+1% of pay
Maximum contribution decrease per year	-1% of pay

Stabilisation criteria and limits are reviewed during the valuation process. The administering authority may review them between valuations to respond to membership or employer changes.

2.4 Reviewing contributions between valuations

The Fund may amend contribution rates between formal valuations, in line with its policy on contribution reviews. The Fund's contribution review policy is available [here \[add link\]](#). The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

2.5 Administering authority discretion

The administering authority may exercise its discretion in managing employer risks and adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

The Fund permits the prepayment of employer contributions in specific circumstances. However, in general, this is most appropriate for large, secure employers with stable active memberships.

Further details are set out in the Fund's prepayment policy available [here \[add link\]](#).

3 What additional contributions may be payable?

3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the Fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers may be asked to pay additional contributions called strain payments.

Employers typically make strain payments as a single lump sum, though strain payments may be spread in exceptional circumstances if the administering authority agrees.

3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, their employer must pay a funding strain, which may be a large sum. Such strain costs are the responsibility of the member's employer to pay.

The Fund recognises ill health early retirement costs can have a significant impact on an employer's funding and contribution rate, which could ultimately jeopardise their continued operation.

The Fund therefore has put in place an approach to help manage ill health early retirement costs by obtaining an external insurance quotation on behalf of employers.

If an employer provides satisfactory evidence to the Fund of a current external insurance policy covering ill health early retirement strains, then:

- the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that the total contribution is unchanged, and
- there is no need for monitoring of allowances.

The employer must keep the Fund notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

4 How does the Fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

The Fund adopts a cashflow approach to track individual employer assets.

The Fund uses Hymans Robertson's HEAT system to track employer assets monthly. Each employer's assets from the previous month end are added to monthly cashflows paid in/out and investment returns to give a new month-end asset value.

If an employee moves one from one employer to another within the Fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share.

Alternatively, if employees move when a new academy is formed or an outsourced contract begins, the Fund actuary will calculate assets linked to the value of the liabilities transferring (see section 5).

4.2 How are employer liabilities calculated?

The Fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in [Appendix D](#), the Fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

5 What happens when an employer joins the Fund?

5.1 When can an employer join the Fund

Employers can join the Fund if they are a new scheduled body or a new admission body. New designated employers may also join the Fund if they pass a designation to do so.

On joining, the Fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement). More details on this are in Section 5.4 below.

5.2 New academies

New academies (including free schools) join the Fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the Fund actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (ie members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%. The council's estimated funding level will be based on market conditions on the day before conversion.

The Fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities.

If an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT.

The Fund's policies on academies may change based on updates to guidance from the Department for Levelling Up, Housing and Communities or the Department for Education. Any changes will be communicated and reflected in future Funding Strategy Statements.

The Fund's Academies Policy is available [here\[add link\]](#).

5.3 New admission bodies as a results of outsourcing services

New admission bodies usually join the Fund because an existing employer (usually a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating Fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

There is flexibility for outsourcing when it comes to pension risk potentially taken on by the contractor. You can find more details on outsourcing options from the administering authority or in the contract admission agreement. However, in general, the funding arrangements are set up as one of the following two options:

(i) Pass-through admissions

The Fund may look at new admission bodies being set up via a pass-through arrangement.

(ii) Other admissions

Liabilities for transferring active members will be calculated by the Fund actuary on the day before the outsourcing occurs. New contractors will then be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

Further details are set out in the Fund's admissions policy [here](#).

5.4 Other new employers

There may be other circumstances that lead to a new admission body entering the Fund, eg set up of a wholly owned subsidiary company by a Local Authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designated employers may also join the Fund. These are usually town and parish councils. Contribution rates will be set using the same approach as other designated employers in the Fund.

5.5 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the Fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the Fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

The Fund's admissions policy can be found [here](#).

6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- the Fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the Fund, or the value of the liabilities of the transferring members, whichever is lower
- the Fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- the Fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

The bulk transfer policy is available [here \[add link\]](#).

7 What happens when an employer leaves the Fund?

7.1 What is a cessation event?

Triggers for considering cessation from the Fund are:

- the last active member stops participation in the Fund. The administering authority, at its discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time.
- insolvency, winding up or liquidation of the admission body
- a breach of the agreement obligations that isn't remedied to the Fund's satisfaction
- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor

On cessation, the employer may be permitted to enter into a deferred debt agreement (DDA) and become a deferred employer in the Fund (as detailed in Section 7.4). If no DDA exists, the administering authority will instruct the Fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the employer leaves the scheme.

7.2 What happens on cessation?

The administering authority must protect the interests of the remaining Fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in [Appendix D](#).

- Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in [Appendix D](#).
- Where there is a guarantor, the guarantee will be considered before the cessation valuation. Where the guarantor is a guarantor of last resort, this will have no effect on the cessation valuation. If this isn't the case, cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the Fund.
- Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms.

If the Fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other Fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The Fund actuary charges a fee for cessation valuations. Fees and expenses are at the employer's expense and may be deducted from the cessation surplus or added to the cessation deficit. This improves efficiency by reducing transactions between employer and Fund.

The cessation policy is available [here \[add link\]](#).

7.1 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period, if the employer enters into a deferred spreading arrangement (DSA)
- if an exiting employer enters into a DDA, it stays in the Fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

Further details are set out in the cessation policy available [here](#).

7.2 What if an employer has no active members?

When employers leave the Fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond this they have no further obligation to the Fund and either:

- a) their asset share runs out before all ex-employees' benefits have been paid, in which case the other Fund employers will be required to contribute to the remaining benefits. The Fund actuary will apportion the liabilities on a pro-rata basis at the formal valuation.
- b) the last ex-employee or dependant dies before the employer's asset share is fully run down, in which case the Fund actuary will apportion the remaining assets to the other Fund employers on a pro-rata basis at the formal valuation.

7.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the administering authority can decide how much will be paid back to the employer based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

The exit credit policy is set out within [section 3.3](#) of the Fund's cessation policy, available [here](#).

8 What are the statutory reporting requirements?

8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report should include confirmation that employer contributions are set at the right level to ensure the Fund's solvency and long-term cost efficiency.

8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

- (a) employers collectively can increase their contributions, or the Fund can realise contingencies to target a 100% funding level

or

- (b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for Fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the funds' actuarial bases don't offer straightforward comparisons.

Appendices

Appendix A – The regulatory framework

A1 Why do funds need a funding strategy statement?

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a Funding Strategy Statement (FSS). According to the Department for Levelling Up, Housing and Communities (DLUHC) the purpose of the FSS is to document the processes the administering authority uses to:

- establish a **clear and transparent fund-specific strategy** identifying how employers' pension liabilities are best met going forward
- support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**
- ensure the fund meets its **solvency and long-term cost efficiency** objectives
- take a **prudent longer-term view** of funding those liabilities.

To prepare this FSS, the administering authority has used guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA).

A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with "persons the authority considers appropriate". This should include 'meaningful dialogue... with council tax raising authorities and representatives of other participating employers'.

The consultation process included issuing a draft version to participating employers and invitation to attend an open employers' forum. The administering authority should circulate the CIPFA guidance. The draft should include an estimate of the impact of any variations from the previous funding strategy.

A3 How is the FSS published?

The FSS is emailed to participating employers and employee and pensioner representatives. Summaries are issued to members and a full copy is included in the Fund's annual report and accounts. Copies are freely available on request and is published on the website at <https://www.croydonpensionscheme.org/>

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pensions Committee and included in the Committee meeting minutes.

A5 How does the FSS fit into the overall Fund documentation?

The FSS is a summary of the Fund's approach to funding liabilities. It isn't exhaustive – the Fund publishes other statements like the Investment Strategy Statement, Governance strategy and Communications strategy. The Fund's annual report and accounts also includes up-to-date Fund information.

You can see all Fund documentation at <https://www.croydonpensionscheme.org/>

Appendix B – Roles and responsibilities

B1 The administering authority:

- 1 operates the Fund and follows all Local Government Pension Scheme (LGPS) regulations
- 2 manages any conflicts of interest from its dual role as administering authority and a Fund employer
- 3 collects employer and employee contributions, investment income and other amounts due
- 4 ensures cash is available to meet benefit payments when due
- 5 pays all benefits and entitlements
- 6 invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy
- 7 communicates with employers so they understand their obligations
- 8 safeguards the Fund against employer default
- 9 works with the Fund actuary to manage the valuation process
- 10 provides information to the Government Actuary's Department so they can carry out their statutory obligations
- 11 consults on, prepares and maintains the funding and investment strategy statements
- 12 tells the actuary about changes which could affect funding
- 13 monitors the Fund's performance and funding, amending the strategy statements as necessary
- 14 enables the local pension board to review the valuation process.

B2 Individual employers:

- 1 deduct the correct contributions from employees' pay
- 2 pay all contributions by the due date
- 3 have appropriate policies in place to work within the regulatory framework
- 4 make additional contributions as agreed, for example to augment scheme benefits or early retirement strain
- 5 tell the administering authority promptly about any changes to circumstances, prospects or membership which could affect future funding.
- 6 make any required exit payments when leaving the Fund.

B3 The fund actuary:

- 1 prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting Fund solvency and long-term cost efficiency
- 2 provides information to the Government Actuary's Department so they can carry out their statutory obligations
- 3 advises on Fund employers, including giving advice about and monitoring bonds or other security
- 4 prepares advice and calculations around bulk transfers and individual benefits

- 5 assists the administering authority to consider changes to employer contributions between formal valuations
- 6 advises on terminating employers' participation in the Fund
- 7 fully reflects actuarial professional guidance and requirements in all advice.

Appendix C – Risks and controls

C1 Managing risks

The administering authority has a risk management programme to identify and control financial, demographic, regulatory, governance, covenant and climate risks.

A summary of the key fund-specific risks and controls is set out below. For more details, please see the Fund's risk register.

C2 Financial risks

Risk	Control
Fund assets don't deliver the anticipated returns that underpin the valuation of liabilities and contribution rates over the long-term.	<p>Anticipate long-term returns on a prudent basis to reduce risk of under-performing.</p> <p>Use specialist advice to invest and diversify assets across asset classes, geographies, managers, etc.</p> <p>Analyse progress at three-year valuations for all employers.</p> <p>Roll forward whole Fund liabilities between valuations.</p>
Inappropriate long-term investment strategy.	<p>Consider overall investment strategy options as part of the funding strategy. Use asset liability modelling to measure outcomes and choose the option that provides the best balance.</p> <p>Operate various strategies to meet the needs of a diverse employer group.</p>
Active investment manager under-performs relative to benchmark.	Use quarterly investment monitoring to analyse market performance and active managers, relative to index benchmark.
Pay and price inflation is significantly more than anticipated.	<p>Focus valuation on real returns on assets, net of price and pay increases.</p> <p>Use inter-valuation monitoring to give early warning.</p> <p>Invest in assets with real returns.</p> <p>Employers to be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.</p>
Increased employer's contribution rate affects service delivery.	Consider phasing to limit sudden increases in contributions.
Orphaned employers create added Fund costs.	<p>Seek a cessation debt (or security/guarantor).</p> <p>Spread added costs among employers.</p>

C3 Demographic risks**Risk****Control**

Pensioners live longer, increasing Fund costs.

Set mortality assumptions with allowances for future increases in life expectancy.

Use the Fund actuary's experience and access to over 50 LGPS funds to identify changes in life expectancy that might affect the longevity assumptions early.

As the Fund matures, the proportion of actively contributing employees declines relative to retired employees.

Monitor at each valuation, consider seeking monetary amounts rather than % of pay.

Consider alternative investment strategies.

Deteriorating patterns of early retirements

Charge employers the extra cost of non ill-health retirements following each individual decision.

Monitor employer ill-health retirement experience and insurance is an option.

Reductions in payroll cause insufficient deficit recovery payments.

Review contributions between valuations. This may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks**Risk****Control**

Changes to national pension requirements or HMRC rules.

Consider all Government consultation papers and comment where appropriate.

Monitor progress on the McCloud court case and consider an interim valuation or other action once more information is known.

Build preferred solutions into valuations as required.

Time, cost or reputational risks associated with any DLUHC intervention triggered by the Section 13 analysis

Take advice from the actuary and consider the proposed valuation approach, relative to anticipated Section 13 analysis.

Changes to employer participation in LGPS funds leads to impacts on funding or investment strategies.

Consider all Government consultation papers and comment where appropriate.

Take advice from the fund actuary and amend strategy.

C5 Governance risks

Risk

Control

The administering authority is not aware of employer membership changes, for example a large fall in employee members, large number of retirements, or is not advised that an employer is closed to new entrants.

The administering authority develops a close relationship with employing bodies and communicates required standards.

The actuary may revise the rates and adjustments certificate to increase an employer's contributions between valuations

Deficit contributions may be expressed as monetary amounts.

Actuarial or investment advice is not sought, heeded, or proves to be insufficient in some way

The administering authority maintains close contact with its advisers.

Advice is delivered through formal meetings and recorded appropriately.

Actuarial advice is subject to professional requirements like peer review.

The administering authority fails to commission the actuary to carry out a termination valuation for an admission body leaving the Fund.

The administering authority requires employers with Best Value contractors to inform it of changes.

CABs' memberships are monitored and steps are taken if active membership decreases.

An employer ceases to exist with insufficient funding or bonds.

It's normally too late to manage this risk if left to the time of departure. This risk is mitigated by:

Seeking a funding guarantee from another scheme employer, or external body.

Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.

Vetting prospective employers before admission.

Requiring a bond to protect the Fund, where permitted.

Requiring a guarantor for new CABs.

Regularly reviewing bond or guarantor arrangements.

Reviewing contributions well ahead of cessation.

An employer ceases to exist, so an exit credit is payable.

The administering authority regularly monitors admission bodies coming up to cessation.

The administering authority invests in liquid assets so that exit credits can be paid.

C6 Employer covenant assessment and monitoring

Many of the employers participating in the Fund, such as admitted bodies (including TABs and CABs), have no local tax-raising powers. The Fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

C7 Climate risk and TCFD reporting

The Fund has considered climate-related risks when setting the funding strategy. The fund included climate scenario stress testing in the contribution modelling exercise for the Council at the 2022 valuation. The modelling results under the stress tests were slightly worse than the core results but were still within risk tolerance levels, particularly given the severity of the stresses applied. The results provide assurance that the modelling approach does not significantly underestimate the potential impact of climate change and that the funding strategy is resilient to climate risks. The results of these stress tests may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.

The same stress tests were not applied to the funding strategy modelling for smaller employers. However, given that the same underlying model is used for all employers and that the local authority employers make up the vast majority of the fund's assets and liabilities, applying the stress tests to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans.

Appendix D – Actuarial assumptions

The Fund's actuary uses a set of assumptions to determine the strategy, and so assumptions are a fundamental part of the Funding Strategy Statement.

D1 What are assumptions?

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefit to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the Fund aims to hold to meet the benefits earned to date.

Any change in the assumptions will affect the funding target and contribution rate, but different assumptions don't affect the actual benefits the Fund will pay in future.

D2 What assumptions are used to set the contribution rate?

The Fund doesn't rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson's Economic Scenario Service (ESS) to project each employer's assets, benefits and cashflows to the end of the funding time horizon.

ESS projects future benefit payments, contributions and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the Fund actuary can assess if the funding target is satisfied at the end of the time horizon.

Table: Summary of assumptions underlying the ESS, 31 March 2022

		Annualised total returns									
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (Medium)	UK Equity	Overseas Equity	Property	A rated corporate bonds (medium)	RPI inflation expectation	17 year real govt yield (RPI)	17 year govt bond
10 Years	16 th %ile	0.8%	-1.9%	-0.3%	-0.4%	-0.7%	-0.6%	-0.1%	2.4%	-1.7%	1.1%
	50 th %ile	1.8%	0.2%	1.1%	5.7%	5.6%	4.4%	1.6%	4.1%	-0.5%	2.5%
	84 th %ile	2.9%	2.4%	2.4%	11.6%	11.7%	9.5%	3.2%	5.7%	0.7%	4.3%
20 Years	16 th %ile	1.0%	-1.5%	0.7%	1.7%	1.5%	1.4%	1.1%	1.6%	-0.7%	1.3%
	50 th %ile	2.4%	0.1%	1.5%	6.2%	6.1%	5.0%	2.1%	3.1%	1.0%	3.2%
	84 th %ile	4.0%	1.9%	2.2%	10.6%	10.8%	8.9%	3.2%	4.7%	2.7%	5.7%
40 Years	16 th %ile	1.2%	-0.3%	1.5%	3.2%	3.1%	2.6%	2.0%	1.1%	-0.6%	1.1%
	50 th %ile	2.9%	1.2%	2.3%	6.7%	6.5%	5.5%	3.1%	2.4%	1.3%	3.3%
	84 th %ile	4.9%	3.1%	3.5%	10.2%	10.2%	8.8%	4.4%	3.9%	3.2%	6.1%
Volatility (5 yr)		2%	7%	6%	18%	19%	15%	7%	3%		

D3 What financial assumptions were used?

Future investment returns and discount rate (for setting contribution rates)

The Fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy.

The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate.

Assumptions for future investment returns depend on the funding objective.

	Employer type	Margin above risk-free rate (at end of funding time horizon)
Ongoing basis	All employers except employer approaching exit	2.4%
Low-risk exit basis	Employer approaching cessation	0%

Discount rate (ongoing basis for funding level calculations)

For the purpose of calculating the ongoing funding level, the discount rate is based on a prudent estimate of future returns, specifically that there is a 75% likelihood of these returns being achieved over the 20 years following the calculation date.

At the 2022 valuation, the ongoing basis discount rate of 4.0% applies. This is based on a there being a 75% likelihood that the Fund's assets will achieve future investment returns of 4.0% over the 20 years following the 2022 valuation date.

If an employer is funded on the low risk exit basis, a higher discount rate may apply – see section D5 below.

Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Price Index (CPI) and determined by the regulations.

The CPI assumption is based on Hymans Robertson's Economic Scenario Service (ESS) model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.

Salary growth

The salary increase assumption at the latest valuation has been set to CPI plus a promotional salary scale.

D4 What demographic assumptions were used?

Demographic assumptions are best estimates of future experience. The Fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the Fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the Fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by +0.25% to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

The smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long-term effect of Covid-19 on life expectancies. To avoid an undue impact from recently mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

Other demographic assumptions

Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Males are assumed to be 3 years older than females, and partner dependants are assumed to be opposite sex to members.
Commutation	45% of maximum tax-free cash
50:50 option	1% of members will choose the 50:50 option.

Males

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
			FT &PT	FT	PT	FT	PT	FT
20	105	0.17	606.46	813.01	0	0	0	0
25	117	0.17	400.59	537.03	0	0	0	0
30	131	0.2	284.23	380.97	0	0	0	0
35	144	0.24	222.07	297.63	0.1	0.07	0.02	0.01
40	150	0.41	178.79	239.55	0.16	0.12	0.03	0.02
45	157	0.68	167.94	224.96	0.35	0.27	0.07	0.05
50	162	1.09	138.44	185.23	0.9	0.68	0.23	0.17
55	162	1.7	109.02	145.94	3.54	2.65	0.51	0.38
60	162	3.06	97.17	130.02	6.23	4.67	0.44	0.33

Females

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
			FT &PT	FT	PT	FT	PT	FT
20	105	0.1	528.64	467.37	0	0	0	0
25	117	0.1	355.71	314.44	0.1	0.07	0.02	0.01
30	131	0.14	298.17	263.54	0.13	0.1	0.03	0.02

35	144	0.24	257.35	227.38	0.26	0.19	0.05	0.04
40	150	0.38	214.19	189.18	0.39	0.29	0.08	0.06
45	157	0.62	199.88	176.51	0.52	0.39	0.1	0.08
50	162	0.9	168.51	148.65	0.97	0.73	0.24	0.18
55	162	1.19	125.74	111.03	3.59	2.69	0.52	0.39
60	162	1.52	101.33	89.37	5.71	4.28	0.54	0.4

D5 What assumptions apply in a cessation valuation following an employer's exit from the Fund?

Where there is a guarantor, the ongoing basis will apply.

Where there is no guarantor, the low-risk exit basis will apply. The financial assumptions underlying the low-risk exit basis are explained below:

- The discount rate used for calculating the exit position will be lower than the ongoing funding basis, specifically additional prudence will be applied to the assumption.
- The CPI assumption is based the median value of CPI inflation from Hymans Robertson's ESS model.

Croydon Pension Fund

Policy on contribution reviews

Effective date of policy	
Date approved	
Next review	

1 Introduction

The purpose of this policy is to set out the administering authority's approach to reviewing contribution rates between triennial valuations.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

1.1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To provide employers with clarity around the circumstances where contribution rates may be reviewed between valuations.
- To outline specific circumstances where contribution rates will not be reviewed.

1.2 Background

The Fund may amend contribution rates between valuations for 'significant change' to the liabilities or covenant of an employer.

Such reviews may be instigated by the Fund or at the request of a participating employer.

Any review may lead to a change in the required contributions from the employer.

1.3 Guidance and regulatory framework

[Regulation 64](#) of the Local Government Pension Scheme Regulations 2013 (as amended) sets out the way in which LGPS funds should determine employer contributions, including the following;

- Regulation 64 (4) – allows the administering authority to review the contribution rate if it becomes likely that an employer will cease participation in the Fund, with a view to ensuring that the employer is fully funded at the expected exit date.
- Regulation 64A - sets out specific circumstances where the administering authority may revise contributions between valuations (including where a review is requested by one or more employers).

This policy also reflects [statutory guidance](#) from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to the review of employer contributions. Interested parties may want to refer to an accompanying [guide](#) that has been produced by the Scheme Advisory Board.

2 Statement of principles

This Statement of Principles covers review of contributions between valuations. Each case will be treated on its own merits, but in general:

- The administering authority reserves the right to review contributions in line with the provisions set out in the LGPS Regulations.
- The decision to make a change to contribution rates rests with the administering authority, subject to consultation with employers during the review period.
- Full justification for any change in contribution rates will be provided to employers.
- Advice will be taken from the Fund actuary in respect of any review of contribution rates.
- Any revision to contribution rates will be reflected in the Rates & Adjustment certificate.

3 Policy

3.1 Circumstances for review

The Fund would consider the following circumstances as a potential trigger for review:

- in the opinion of an administering authority there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner than anticipated at the last valuation;
- an employer is approaching exit from the Fund within the next two years and before completion of the next triennial valuation;
- there are changes to the benefit structure set out in the LGPS Regulations which have not been allowed for at the last valuation;
- it appears likely to the administering authority that the amount of the liabilities arising or likely to arise for an employer or employers has changed significantly since the last valuation;
- it appears likely to the administering authority that there has been a significant change in the ability of an employer or employers to meet their obligations (e.g. a material change in employer covenant, or provision of additional security);
- it appears to the administering authority that the membership of the employer has changed materially such as bulk transfers, significant reductions to payroll or large-scale restructuring; or
- where an employer has failed to pay contributions or has not arranged appropriate security as required by the administering authority.

3.2 Employer requests

The administering authority will also consider a request from any employer to review contributions where the employer has undertaken to meet the costs of that review and sets out the reasoning for the review (which would be expected to fall into one of the above categories, such as a belief that their covenant has changed materially, or they are going through a significant restructuring impacting their membership).

The administering authority will require additional information to support a contribution review made at the employer's request. The specific requirements will be confirmed following any request and this is likely to include the following:

- a copy of the latest accounts;
- details of any additional security being offered (which may include insurance certificates);
- budget forecasts; and/or

- information relating to sources of funding.

The costs incurred by the administering authority in carrying out a contribution review (at the employer's request) will be met by the employer. These will be confirmed upfront to the employer prior to the review taking place.

3.3 Other employers

When undertaking any review of contributions, the administering authority will also consider the impact of a change to contribution rates on other Fund employers. This will include the following factors:

- The existence of a guarantor.
- The amount of any other security held.
- The size of the employer's liabilities relative to the whole Fund.

The administering authority will consult with other Fund employers as necessary.

3.4 Effect of market volatility

Except in circumstances such as an employer nearing cessation, the administering authority will not consider market volatility or changes to asset values as a basis for a change in contributions outside a formal valuation.

3.5 Documentation

Where revisions to contribution rates are necessary, the Fund will provide the employer with a note of the information used to determine these, including:

- Explanation of the key factors leading to the need for a review of the contribution rates, including, if appropriate, the updated funding position.
- A note of the new contribution rates and effective date of these.
- Date of next review.
- Details of any processes in place to monitor any change in the employer's circumstances (if appropriate), including information required by the administering authority to carry out this monitoring.

The Rates & Adjustments certificate will be updated to reflect the revised contribution rates.

4 Related Policies

The Fund's Funding Strategy Statement should be read in conjunction with this document. In particular, exiting employers should familiarise themselves with:

- Section 2 – How does the Fund calculate employer contributions?
- Appendix D – Actuarial assumptions (specifically section D5)

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Croydon Pension Fund

Policy on academy funding

Effective date of policy	
Date approved	
Next review	

1 Introduction

The purpose of this policy is to set out the administering authority's funding principles relating to academies and Multi-Academy Trusts (MATs).

1.1 Aims and Objectives

The administering authority's objectives related to this policy are as follows:

- to state the approach for the treatment and valuation of academy liabilities and asset shares on conversion from a local maintained school, if establishing as a new academy or when joining or leaving a MAT
- to state the approach for setting contribution rates for MATs
- to outline the responsibilities of academies seeking to consolidate
- to outline the responsibilities of academies when outsourcing

1.2 Background

As described in Section 5.2 of the Funding Strategy Statement (FSS), new academies join the Fund on conversion from a local authority school or on creation (eg newly established academies, Free Schools, etc). Upon joining the Fund, for funding purposes, academies may become stand-alone employers or may join an existing MAT.

Funding policy relating to academies and MATs is largely at the Fund's discretion, however guidance on how the Fund will apply this discretion is set out within this policy.

1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contains general guidance on Scheme employers' participation within the Fund which may be relevant but is not specific to academies.

There is currently a [written ministerial guarantee of academy LGPS liabilities](#), which was [reviewed](#) in 2022.

Academy guidance from the Department for Education and the Department for Levelling Up, Housing and Communities may also be relevant.

2 Statement of Principles

This Statement of Principles covers the Fund's approach to funding academies and MATs. Each case will be treated on its own merits but in general:

- the Fund will seek to apply a consistent approach to funding academies that achieves fairness to the ceding councils, MATs and individual academies.

- the Fund's current approach is to track all academies within a MAT as single employers.
- academies must consult with the Fund prior to carrying out any outsourcing activity.
- the Fund will generally not consider receiving additional academies into the Fund as part of a consolidation exercise.

3 Policies

3.1 Admission to the Fund

As set out in section 5.2 of the FSS:

Asset allocation on conversion

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund its deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

Contribution rate

New academy contribution rates are based on the current funding strategy (set out in section 2 of the FSS) and the transferring membership. If an academy is joining an existing MAT within the Fund then it may pay the MAT contribution rate (which may or may not be updated as a result - see below) if the individual asset shares are pooled.

3.2 Multi-academy trusts

Asset tracking

The Fund's current policy is to individually track the asset shares of each academy within the Fund. Where a MAT exists, the individual asset shares may be pooled together to provide a pooled funding level or for setting a pooled contribution rate if requested but this is at the discretion of the Fund.

Contribution rate

If an academy is joining an existing pooled MAT (within the Fund), in general, the transferring academy will pay the certified contribution rate of the MAT it is joining.

At the discretion of the Fund, a new contribution may be calculated by the Fund actuary to allow for impact of the transferring academy joining the MAT.

Academies leaving a MAT

As set out in section 5.2 of the FSS, if an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT. The individual asset share of that academy (as tracked individually) will be transferred to the new MAT in full, noting that this may be more (or less) than 100% of the transferring liabilities.

3.3 Merging of MATs (contribution rates)

If two MATs merge during the period between formal valuations, the new merged MAT will pay the higher of the two certified individual MAT rates until the rates are reassessed at the next formal valuation (NB if one or both MATs are paying a monetary secondary contribution rate, these will be converted to a % of pay for the purposes of determining the new merged contribution rate).

Alternatively, as set out in the Fund's contribution review policy and as per Regulation 64 A (1)(b) (iii), the MAT may request that a contribution review is carried out. The MAT would be liable for the costs of this review.

3.4 Cessations of academies and multi-academy trusts

A cessation event will occur if a current academy or MATs cease to exist as an entity or an employer in the Fund.

The cessation treatment will depend on the circumstances:

- If the cessation event occurs due to an academy or MAT merging with another academy or MAT within the Fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity.
- If the MAT is split into more than one new or existing employers within the Fund, the actuary will calculate a split of the assets and liabilities to be transferred from the exiting employer to the new employers as described in 3.2 above.
- In all other circumstances, and following payment of any cessation debt, section 7 of the FSS would apply.

3.5 Academy consolidations

If an academy or MAT is seeking to merge with another MAT outside of the Fund it would need to seek approval from the Secretary of State to consolidate its liabilities (and assets) into one LGPS fund.

The Fund will provide the necessary administrative assistance to academies seeking to consolidate into another LGPS fund, however the academy (or MAT) will be fully liable for all actuarial, professional and administrative costs.

3.6 Outsourcing

An academy (or MAT) may outsource or transfer a part of its services and workforce via an admission agreement to another organisation (usually a contractor). The contractor becomes a new participating Fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership.

The contractor will pay towards the LGPS benefits accrued by the transferring members for the duration of the contract, but ultimately the obligation to pay for these benefits will revert to the academy (or MAT) at the end of the contract.

It is the Fund's preference for the contractor's contribution rate to be set equal to the letting academy's (or MAT's) total contribution rate.

It is critical for any academy (or MAT) considering any outsourcing to contact the Fund initially to fully understand the administrative and funding implications. The academy should also read and fully understand the Fund's admissions / pass-through policy.

In some cases, it is necessary to seek approval from Department for Education before completing an outsourcing (including seeking confirmation that the guarantee provided to academies will remain in place for the transferring members).

3.7 Accounting

Academies (or MATs) may choose to prepare combined FRS102 disclosures (eg for all academies within a MAT). Any pooling arrangements for accounting purposes may be independent of the funding arrangements (eg academies may be pooled for contribution or funding risks but prepare individual disclosures, or vice versa).

4 Related Policies

- Section 5.2 of the FSS
- Contribution review policy
- Cessation policy
- Bulk transfer policy

Croydon Pension Fund

Policy on bulk transfers

Effective date of policy	
Date approved	
Next review	

1 Introduction

The purpose of this policy is to set out the administering authority's approach to dealing with the bulk transfer of scheme member pension rights into and out of the Fund in prescribed circumstances.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

1.1 Aims and Objectives

The administering authority's aims and objectives related to this policy are as follows:

- Bulk transfers out of the Fund do not allow a deficit to remain behind unless a scheme employer is committed to repairing this; and
- Bulk transfers received by the Fund must be sufficient to pay for the added benefits being awarded to the members, again with the scheme employer making good any shortfall where necessary.

Bulk transfer requests will be considered on a case-by-case basis.

1.2 Background

Bulk transfers into and out of the Fund can occur for a variety of reasons, such as:

- where an outsourcing arrangement is entered into and active Fund members join another LGPS fund, or leave the LGPS to join a broadly comparable scheme;
- where an outsourcing arrangement ceases and active scheme members re-join the Fund from another LGPS fund or a broadly comparable scheme;
- where there is a reorganisation of central government operations (transfers in from, or out to, other government sponsored schemes);
- where there is a reorganisation or consolidation of local operations (brought about by, for example, local government shared services, college mergers or multi-academy trust consolidations); or
- a national restructuring resulting in the admission of an employer whose employees have LGPS service in another LGPS fund, or vice versa.

Unlike bulk transfers out of the LGPS, there is no specific provision to allow for bulk transfers into the LGPS. As a result, any transfer value received into the LGPS, whether on the voluntary movement of an individual or the compulsory transfer of a number of employees, must be treated the same way as individual transfers.

1.3 Guidance and regulatory framework

Local Government Pension Scheme Regulations

When considering any circumstances involving bulk transfer provisions, the administering authority will always ensure adherence to any overriding requirements set out in the Local Government Pension Scheme Regulations 2013 (as amended), including:

- Regulation 98 – applies on transfer out to non-LGPS schemes. It allows for the payment of a bulk transfer value where at least two active members of the LGPS cease scheme membership and join another approved pension arrangement.
- Regulation 99 - gives the LGPS actuary discretion as to the choice of method of calculation used to calculate the bulk transfer value.
- Regulation 100 – allows an individual who holds relevant pension rights under a previous employer to request to be admitted for past service into the LGPS. Members wishing to transfer in accrued rights from a [Club scheme](#) (that is schemes with benefits broadly similar to those of the LGPS), who request to do so within 12 months of joining their new LGPS employment, must be granted their request. For members with “non-Club” accrued rights the LGPS fund does not have to grant the request. Any request must be received in writing from the individual within 12 months of active employment commencing or longer at the discretion of the employer and the administering authority.
- Regulation 103 - states that any transfer between one LGPS fund and another LGPS fund (in England and Wales) where 10 or more members elect to transfer will trigger bulk transfer negotiations between fund actuaries.

Best Value authorities

The [Best Value Authorities Staff Transfers \(Pensions\) Direction 2007](#), which came into force on 1 October 2007, applies to all “Best Value Authorities” in England. Best Value Authorities include all county, district and borough councils in England, together with police and fire and rescue authorities, National Park Authorities and waste disposal authorities. The Direction:

- requires the contractor to secure pension protection for each transferring employee through the provision of pension rights that are the same as or are broadly comparable to or better than those they had as an employee of the authority, and
- provides that the provision of pension protection is enforceable by the employee.

Second and subsequent rounds of outsourcing arrangements

The Best Value Direction also provides similar pension protection when former employees of an authority who were transferred under TUPE to a contractor, are subsequently transferred again as a result of any re-tendering of a contract for the provision of services (i.e. second and subsequent rounds of outsourcing). The Direction requires the subsequent contractor to secure pension protection for each transferring employee.

Academies and multi-academy trusts

[New Fair Deal guidance](#), introduced in October 2013, applies to academies and multi-academy trusts. It requires that, where they outsource services, they ensure pension protection for non-teaching staff transferred is achieved via continued access to the LGPS. As a result, the Fund would not expect to have any bulk transfers out of the LGPS in respect of outsourcings from academies or multi-academy trusts.

Other employers

For all scheme employers that do not fall under the definition of a Best Value Authority or are not an academy (i.e. town and parish councils, arms-length organisations, further and higher education establishments, charities

and other admitted bodies), and who are not subject to the requirements of Best Value Direction or new Fair Deal guidance, there is no explicit requirement to provide pension protection on the outsourcing or insourcing of services. However, any successful contractor is free to seek admission body status in the Fund, subject to complying with the administering authority's requirements (e.g. having a bond or guarantor in place).

The old Fair Deal guidance may still apply to a specific staff transfer if permitted by the new Fair Deal guidance or if outside the coverage of the new Fair Deal guidance. (If the individual remains in their original scheme then their past service rights are automatically protected). In the absence of a bulk transfer agreement the administering authority would not expect to pay out more than individual Cash Equivalent Transfer Value (CETV) amounts, in accordance with appropriate [Government Actuary's Department \(GAD\) guidance](#).

2 Statement of principles

This statement of principles covers bulk transfer payments into and out of the Fund. Each case will be treated on its own merits alongside appropriate actuarial advice, but in general:

- Where a group of active scheme members joins (or leaves) the Fund, the administering authority's objective is to ensure that sufficient assets are received (or paid out) to meet the cost of providing those benefits.
- Ordinarily the administering authority's default approach for bulk transfers out (or in) will be to propose (or accept) that the transfer value is calculated using ongoing assumptions based on the employer's share of fund assets (capped at 100% of the value of the liabilities). The Fund will retain the discretion to amend the bulk transfer basis to reflect the specific circumstances of each transfer – including (but not restricted to):
 - the use of cessation assumptions where unsecured liabilities are being left behind;
 - where a subset of an employer's membership is transferring (in or out), the Fund may consider an approach of calculating the bulk transfer payment as the sum of CETVs for the members concerned; or
 - where transfer terms are subject to commercial factors.
- Where an entire employer is transferring in or out of the Fund the bulk transfer should equal the asset share of the employer in the transferring fund regardless of whether this is greater or lesser than the value of past service liabilities for members.
- There may be situations where the Fund accepts a transfer in amount which is less than required to fully fund the transferred in benefits on the Fund's ongoing basis (e.g. where the employer has suitable strength of covenant and commits to meeting that shortfall over an appropriate period). In such cases the administering authority reserves the right to require the receiving employer to fund this shortfall (either by lump sum or by increasing in ongoing employer contributions) ahead of the next formal valuation.
- Any shortfall between the bulk transfer payable by the Fund and that which the receiving scheme is prepared to accept must be dealt with outside of the Fund, for example by a top up from the employer to the receiving scheme or through higher ongoing contributions to that scheme.
- Service credits granted to transferring scheme members should fully reflect the value of the benefits being transferred, irrespective of the size of the transfer value paid or received.

3 Policy

The following summarises the various scenarios for bulk transfers in or out of the Fund, together with the administering authority's associated policies.

3.1 Inter-fund transfer (transfer between the fund and another LGPS fund)

Scenario	Bulk transfer mechanism	Policy	Methodology
In	< 10 members – GAD guidance	CETVs in accordance with GAD guidance.	On receipt of a transfer value (calculated in line with the CETV transfer out formulae), the Fund will award the member a pension credit on a day-for-day basis.
	10 or more members – Regulation 103 of the Local Government Pension Scheme Regulations 2013	<p>Where agreement can be reached, the Fund and the transferring fund (and their two actuaries) may agree to a negotiated bulk transfer arrangement. However, where agreement cannot be reached:</p> <p>Actives only transferring: CETVs in accordance with GAD guidance using transferring fund's actual fund returns for roll up to date of payment (rather than the interest applied for standard CETV's).</p> <p>All members transferring (i.e. all actives, deferred and pensioners): Receive all assets attributable to the membership within the transferring scheme.</p>	<p>The Fund's default policy is to accept a transfer value that is at least equal to the total of the individual CETVs calculated using the Club transfer-out formulae. The Fund will consult with the scheme employer whose funding position will be impacted by the transfer before agreeing to a negotiated bulk transfer arrangement.</p> <p>Pension credits will be awarded to the transferring members on a day-for-day basis.</p>
Out	< 10 members – GAD guidance	CETVs in accordance with GAD guidance.	The transfer value paid to the receiving fund will be calculated in line with the CETV transfer-out formulae.
	10 or more members – Regulation 103 of the Local Government Pension Scheme Regulations 2013	<p>Where agreement can be reached, the Fund and the receiving fund (and their two actuaries) may agree to a negotiated bulk transfer arrangement. However, where agreement cannot be reached:</p> <p>Actives only transferring (i.e. remaining members left behind): CETV in accordance with GAD guidance using transferring fund's actual fund returns for roll-up to date of payment (rather than the interest applied for standard CETV's).</p> <p>All actives transferring (i.e. deferred and pensioner members left behind): Assets will be retained by the Fund to cover the liabilities of the deferred and pensioner members calculated using the Fund's cessation assumptions. The residual assets will then be transferred to the receiving scheme.</p> <p>All members transferring (i.e. all actives, deferred and pensioners): Transfer all assets attributable to the membership to the receiving scheme.</p>	<p>The Fund's default policy is to offer a transfer value that is equal to the total of the individual CETV calculated using the Club transfer-out formulae. The Fund will consult with the scheme employer whose funding position will be impacted by the transfer before agreeing to a negotiated bulk transfer arrangement.</p> <p>Discretion exists to amend this to reflect specific circumstances of the situation.</p>

3.2 Club Scheme

Scenario	Bulk transfer mechanism	Policy	Methodology
In	Club Memorandum	The Club mechanism ensures the pension credit in the Fund provides actuarially equivalent benefits.	The pension credit awarded to members transferring in will be calculated in line with the Club transfer-in formulae.
Out	Regulation 98 of the Local Government Pension Scheme Regulations 2013 or Club Memorandum	Where agreement can be reached, the Fund and the receiving scheme (and their two actuaries) may agree to a negotiated bulk transfer arrangement. Or Where agreement cannot be reached, revert to the Club transfer out formulae in accordance with GAD guidance.	The Fund's default policy is to offer the receiving scheme transfers out calculated using ongoing assumptions based on the ceding employer's share of fund assets (capped at 100% of the liability value). Discretion exists to amend this to reflect specific circumstances of the situation.

3.3 Broadly Comparable Scheme or non-Club scheme

Scenario	Bulk transfer mechanism	Policy	Methodology
In	GAD guidance	Non-Club transfer in formulae in accordance with GAD guidance	The pension credit awarded to members transferring in will be calculated in line with the non-Club transfer in formulae.
Out	1 member only – GAD guidance	CETV in accordance with GAD guidance	The transfer value paid to the receiving scheme will be calculated in line with the CETV transfer-out formulae.
	2 or more members – Regulation 98 of the Local Government Pension Scheme Regulations 2013	Where agreement can be reached, the Fund and the receiving scheme (and their two actuaries) may agree to a negotiated bulk transfer arrangement. Or Where agreement cannot be reached, revert to cash equivalent transfer values under GAD guidance	The Fund's default policy is to offer the receiving scheme transfers out calculated in line with the CETV transfer-out formulae. Discretion exists to amend this to reflect specific circumstances of the situation.

4 Practicalities and process

4.1 Format of transfer payment

Ordinarily payment will be in cash.

A deduction from the bulk transfer will be made for any administration, legal and transaction costs incurred by the Fund as a result of having to disinvest any assets to meet the form of payment that suits the receiving scheme.

4.2 Impact on transferring employer

Any transfer out or in of pension rights may have an effect on the valuation position of the employer and consequently their individual contribution rate.

The Fund will agree with the transferring employer how this change is dealt with. Though it is likely this will be through adjustments to its employer contribution rate, the Fund may require a lump sum payment or instalments of lump sums to cover any relative deterioration in deficit, for example where the deterioration in deficit is a large proportion of its total notional assets and liabilities. Where the transfer is small relative to the employer's share of the Fund, any adjustment may be deferred to the next valuation.

4.3 Consent

Where required within the Regulations, for any bulk transfer the Administering Authority will ensure the necessary consent is obtained from each individual eligible to be part of the transfer.

4.4 Approval process

The Fund will normally agree to bulk transfers into or out of the Fund where this policy is adhered to.

4.5 Non-negotiable

It should be noted that, as far as possible, the Fund's preferred terms on bulk transfers are non-negotiable. Any differences between the value the Fund is prepared to pay (or receive) and that which the other scheme involved is prepared to accept (or pay) should be dealt with by the employers concerned outside the Fund.

4.6 Costs

Actuarial and other professional costs will be recharged in full to the employer.

Staff time involved on the Fund side will be charged at the rate defined within the [Administration Strategy Statement](#).

5 Related Policies

Section 6 of the Fund's Funding Strategy Statement.

Croydon Pension Fund

Cessation policy

Effective date of policy	
Date approved	
Next review	

1 Introduction

The purpose of this policy is to set out the administering authority's approach to dealing with circumstances where a Scheme Employer leaves the Fund and becomes an Exiting Employer (a cessation event).

It should be noted that this policy is not exhaustive. Each cessation will be treated on a case-by-case basis, however certain principles will apply as governed by the regulatory framework (see below) and the Fund's discretionary policies (as described under Section 3 – Policies).

1.1 Aims and Objectives

The administering authority's aims and objectives related to this policy are as follows:

- To confirm the approach for the treatment and valuation of liabilities for employers leaving the Fund.
- To provide information about how the Fund may apply its discretionary powers when managing employer cessations.
- To outline the responsibilities of (and flexibilities for) Exiting Employers, the administering authority, the Actuary and, where relevant, the original ceding Scheme Employer (usually a Letting Authority).

1.2 Background

As described in Section 7 of the Funding Strategy Statement (FSS), a Scheme Employer may become an Exiting Employer when a cessation event is triggered e.g. when the last active member stops participating in the Fund. On cessation from the Fund, the Administering Authority will instruct the Fund Actuary to carry out a valuation of assets and liabilities for the Exiting Employer to determine whether a deficit or surplus exists. The Fund has full discretion over the repayment terms of any deficit, and the extent to which any surplus results in the payment of an exit credit.

1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contain relevant provisions regarding employers leaving the Fund ([Regulation 64](#)) and include the following:

- Regulation 64 (1) – this regulation states that, where an employing authority ceases to be a Scheme Employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the termination date. Further, it requires the Rates and Adjustments Certificate to be amended to show the revised contributions due from the Exiting Employer
- Regulation 64 (2) – where an employing authority ceases to be a Scheme Employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the Exit Date. Further, it requires the Rates and Adjustments Certificate to be amended to show the Exit Payment due from the Exiting Employer or the excess of assets over the liabilities in the Fund.

- Regulation 64 (2ZAB) – the administering authority must determine the amount of an Exit Credit, which may be zero, taking into account the factors specified in paragraph (2ZC) and must:
 - a) Notify its intention to make a determination to-
 - (i) The Exiting Employer and any other body that has provided a guarantee to the Exiting Employer
 - (ii) The Scheme Employer, where the Exiting Employer is a body that participated in the Scheme as a result of an admission agreement
 - b) Pay the amount determined to that Exiting Employer within six months of the Exit Date, or such longer time as the administering authority and the Exiting Employer agree.
- Regulation (2ZC) – In exercising its discretion to determine the amount of any Exit Credit, the administering authority must have regard to the following factors-
 - a) The extent to which there is an excess of assets in the Fund relating to that employer in paragraph (2)(a)
 - b) The proportion of this excess of assets which has arisen because of the value of the employer's contributions
 - c) Any representations to the administering authority made by the Exiting Employer and, where that employer participates in the scheme by virtue of an admission agreement, any body listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 of the Regulations: and
 - d) Any other relevant factors
- Regulation 64 (2A) & (2B)– the administering authority, at its discretion, may issue a suspension notice to suspend payment of an exit amount for up to three years, where it reasonably believes the Exiting Employer is to have one or more active members contributing to the Fund within the period specified in the suspension notice.
- Regulation 64 (3) – in instances where it is not possible to obtain additional contributions from the employer leaving the Fund or from the bond/indemnity or guarantor, the contribution rate(s) for the appropriate Scheme Employer or remaining Fund employers may be amended.
- Regulation 64 (4) – where it is believed a Scheme Employer may cease at some point in the future, the administering authority may obtain a certificate from the Fund actuary revising the contributions for that employer, with a view to ensuring that the assets are expected to be broadly equivalent to the Exit Payment that will be due.
- Regulation 64 (5) – following the payment of an Exit Payment to the Fund, no further payments are due to the Fund from the Exiting Employer.
- Regulation 64 (7A-7G) – the administering authority may enter into a written Deferred Debt Agreement, allowing the employer to have Deferred Employer status and to delay crystallisation of debt despite having no active members.
- Regulation 64B (1) – the administering authority may set out a policy on spreading Exit Payments.

In addition to the 2013 Regulations summarised above, [Regulation 25A](#) of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (“the Transitional Regulations”) give the Fund the ability to levy a cessation debt on employers who have ceased participation in the Fund (under the previous regulations) but for whom a cessation valuation was not carried out at the time. This policy document describes how the Fund expects to deal with any such cases.

This policy also reflects [statutory guidance](#) from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to employer exits. Interested parties may want to refer to an accompanying [guide](#) that has been produced by the Scheme Advisory Board.

These regulations relate to all employers in the Fund.

2 Statement of Principles

This Statement of Principles covers the Fund's approach to Exiting Employers. Each case will be treated on its own merits but in general:

- it is the Fund's policy that the determination of any surplus or deficit on exit should aim to minimise, as far as is practicable, the risk that the remaining, unconnected employers in the Fund have to make contributions in future towards meeting the past service liabilities of current and former employees of employers leaving the Fund.
- the Fund's preferred approach is to request the full payment of any Exit Debt (an Exit Payment), which is calculated by the actuary on the appropriate basis (as per Section 7 of the FSS and Section 3.1 below). This would extinguish any liability to the Fund by the Exiting Employer.
- the Fund's key objective is to protect the interests of the Fund, which is aligned to protecting the interests of the remaining employers. A secondary objective is to consider the circumstances of the Exiting Employer in determining arrangements for the recovery of the Exit Debt.

3 Policies

On cessation, the administering authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus as defined in Section 4.3 of the FSS.

Where there is a deficit, payment of this amount in full would normally be sought from the Exiting Employer. The Fund's normal policy is that this cessation debt is paid in full in a single lump sum within 28 days of the employer being notified.

However, the Fund will consider written requests from employers to spread the payment over an agreed period. In general, this would only be acceptable in the exceptional circumstances where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation (see [3.2 Repayment flexibility on exit payments](#) below).

In circumstances where there is a surplus, the Administering Authority will determine, at its sole discretion, the amount of exit credit (if any) to be paid to the Exiting Employer (see [3.3 Exit credits](#) below).

3.1 Approach to cessation calculations

Cessation valuations are carried out on a case-by-case basis at the sole discretion of the Fund depending on the exiting employer's circumstances. However, in general the following broad principles and assumptions may apply, as described in Section 7.2 of the FSS and summarised below:

Type of employer	Cessation exit basis	Responsible parties for unpaid or future deficit emerging
Local Authorities, Police, Fire	Low risk basis ¹	Shared between other Fund employers
Colleges & Universities	Low risk basis	Shared between other Fund employers
Academies	Low risk basis	DfE guarantee may apply, otherwise see below
Admission bodies (TABs)	Ongoing basis ²	Letting authority (where applicable), otherwise shared between other Fund employers
Admission bodies (CABs)	Low risk basis	Shared between other Fund employers (if no guarantor exists)
Designating employers	Low risk basis	Shared between other Fund employers (if no guarantor exists)

¹Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (e.g. machinery of Government changes), these cessation principles would apply.

²Where a TAB has taken, in the view of the administering authority, action that has been deliberately designed to bring about a cessation event (e.g. stopping future accrual of LGPS benefits), then the cessation valuation will be carried out on a low-risk basis.

Cessation of academies and multi-academy trusts (MATs)

A cessation event will occur if a current academy or MATs cease to exist as an entity or an employer in the Fund.

The cessation treatment will depend on the circumstances:

- If the cessation event occurs due to an academy or MAT merging with another academy or MAT within the Fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity.
- If the MAT is split into more than one new or existing employers within the Fund, the actuary will calculate a split of the assets and liabilities to be transferred from the exiting employer to the new employers. The actuary will use their professional judgement to determine an appropriate and fair methodology for this calculation in consultation with the administering authority.
- In all other circumstances, and following payment of any cessation debt, section 7.5 of the FSS would apply.

Further details are included in the Fund's Academies Policy.

3.2 Repayment flexibility on exit payments

Deferred spreading arrangement (DSA)

As above, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation, the Fund will consider written requests to spread an exit payment over an agreed period.

In this exceptional case, the Fund's policy is:

- The agreed spread period is no more than three years, but the Fund could use its discretion to extend this period in extreme circumstances.
- The Fund may consider factors such as the size of the exit payment and the financial covenant of the exiting employer in determining an appropriate spreading period.
- The exiting employer may be asked to provide the Administering Authority with relevant financial information such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) etc. to help in this determination.
- Payments due under the DSA may be subject to an interest charge.
- The Fund will only consider written requests within six months of the employer exiting the Fund. The exiting employer would be required to provide the Fund with detailed financial information to support its request.
- The Fund would take into account the amount of any security offered and seek actuarial, covenant and legal advice in all cases.
- The Fund proposes a legal document, setting out the terms of the exit payment agreement, would be prepared by the Fund and signed by all relevant parties prior to the payment agreement commencing.
- The terms of the legal document should include reference to the spreading period, the annual payments due, interest rates applicable, other costs payable and the responsibilities of the exiting employer during the exit spreading period.

- Any breach of the agreed payment plan would require payment of the outstanding cessation amount immediately.
- Where appropriate, cases may be referred to the Pensions Committee for consideration and considered on its individual merit. Decisions may be made by the Chair in consultation with Officers if an urgent decision is required between Committee meetings.

Deferred debt agreement (DDA)

The Fund's policy is for cessation debts to be paid as a single lump sum in full or in exceptional circumstances spread over an agreed period via a DSA (see above).

However, in the event that both these options create a high risk of bankruptcy for the exiting employer, the Fund may exercise its discretion to set up a Deferred Debt Agreement as described in [Regulation 64 \(7A\)](#).

The employer must meet all requirements on Scheme employers and pay the secondary rate of contributions as determined by the Fund actuary until the termination of the Deferred Debt Agreement.

The Administering Authority will consider Deferred Debt Agreements in the following circumstances:

- The employer requests the Fund consider a Deferred Debt Agreement.
- The employer is expected to have a deficit if a cessation valuation was carried out.
- The employer is expected to be a going concern.
- The covenant of the employer is considered sufficient by the administering authority.

The administering authority will normally require:

- A legal document to be prepared, setting out the terms of the Deferred Debt Agreement and signed by all relevant parties prior to the arrangement commencing (including details of the time period of the Deferred Debt Agreement, the annual payments due, the frequency of review and the responsibilities of the employer during the period).
- Relevant financial information for the employer such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) to support its covenant assessment.
- Security be put in place covering the employer's deficit on their cessation basis and the Fund will seek actuarial, covenant and legal advice in all cases.
- Regular monitoring of the contribution requirements and security requirements.
- All costs of the arrangement are met by the employer, such as the cost of advice to the Fund, ongoing monitoring or the arrangement and correspondence on any ongoing contribution and security requirements.

A Deferred Debt Agreement will normally terminate on the first date on which one of the following events occurs:

- The employer enrolls new active Fund members.
- The period specified, or as varied, under the Deferred Debt Agreement elapses.
- The take-over, amalgamation, insolvency, winding up or liquidation of the employer.
- The administering authority serves a notice on the employer that the administering authority is reasonably satisfied that the employer's ability to meet the contributions payable under the Deferred Debt Agreement has weakened materially or is likely to weaken materially in the next 12 months.

- The Fund actuary assesses that the employer has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (i.e. employer is now largely fully funded on their cessation basis).
- The Fund actuary assesses that the employer's value of liabilities has fallen below an agreed *de minimis* level and the employer becomes an Exiting Employer on the calculation date.
- The employer requests early termination of the agreement and settles the exit payment in full as calculated by the Fund actuary on the calculation date (i.e. the employer pays their outstanding cessation debt on their cessation basis).

On the termination of a Deferred Debt Agreement, the employer will become an Exiting Employer and a cessation valuation will be completed in line with this policy.

3.3 Exit credits

The administering authority's entitlement to determine whether exit credits are payable in accordance with these provisions shall apply to all employers ceasing their participation in the Fund after 14 May 2018. This provision therefore is retrospectively effective to the same extent as provisions of the [Local Government Pension Scheme \(Amendment\) Regulations 2020](#).

The administering authority may determine the amount of exit credit payable to be zero, however, in making a determination, the administering authority will take into account the following factors;

- a) the extent to which there is an excess of assets in the Fund relating to the employer over and above the liabilities specified.
- b) the proportion of the excess of assets which has arisen because of the value of the employer's contributions.
- c) any representations to the administering authority made by the exiting employer, guarantor, ceding Scheme Employer (usually the Letting Authority) or by a body which owns, funds or controls the exiting employer; or in some cases, the Secretary of State.
- d) any other relevant factors

The below sets out the general guidelines that the Fund will consider when determining the amount of an exit credit payable to an exiting employer in line with Regulation 64, depending on employer's participation conditions. Please note that these are guidelines only and the Fund will also consider any other factors that are relevant on a case-by-case basis. These considerations may result in a determination that would be different if the below guidelines were rigorously adhered to. In all cases, the Fund will not be bound by the guidelines, and will make its decision on a discretionary basis.

Admitted bodies

- i. No exit credit will be payable in respect of admissions who joined the Fund before 14 May 2018 unless it is subject to a risk sharing arrangement as per paragraph iii) below. Prior to this date, the payment of an exit credit was not permitted under the Regulations and this will have been reflected in the commercial terms agreed between the admission body and the letting authority/awarding authority/ceding employer. This will also apply to any pre-14 May 2018 admission which has been extended or 'rolled over' beyond the initial expiry date and on the same terms that applied on joining the Fund.
- ii. No exit credit will be payable to any admission body who participates in the Fund via the mandated pass through approach as set out in this Funding Strategy Statement. For the avoidance of doubt, whether an

exit credit is payable to any admission body who participates in the Fund via the “Letting employer retains pre-contract risks” route is subject to its risk sharing arrangement, as per paragraph iii) below.

- iii. The Fund will make an exit credit payment in line with any contractual or risk sharing agreements which specifically covers the ownership of exit credits/cessation surpluses or if the admission body and letting authority have agreed any alternative approach (which is consistent with the Regulations and any other legal obligations). This information, which will include which party is responsible for which funding risk, must be presented to the Fund in a clear and unambiguous document with the agreement of both the admission body and the letting authority/awarding authority/ceding employer and within one month (or such longer time as may be agreed with the administering authority) of the admission body ceasing participation in the Fund.
- iv. In the absence of this information or if there is any dispute from either party with regards interpretation of contractual or risk sharing agreements as outlined in c), the Fund will withhold payment of the exit credit until such disputes are resolved and the information is provided to the Administering Authority.
- v. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the admission body during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.
- vi. If the admission agreement ends early, the Fund will consider the reason for the early termination, and whether that should have any relevance on the Fund’s determination of the value of any exit credit payment. In these cases, the Fund will consider the differential between employers’ contributions paid (including investment returns earned on these monies) and the size of any cessation surplus.
- vii. If an admitted body leaves on a low risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.
- viii. The decision of the Fund is final in interpreting how any arrangement described under iii), v), vi) and vii) applies to the value of an exit credit payment.

Scheduled bodies and designating bodies

- i. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.
- ii. Where no formal guarantor or risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects the extent to which it is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.
- iii. The decision of the Fund is final in interpreting how any arrangement described under i) and ii) applies to the value of an exit credit payment.
- iv. If a scheduled body or designating body becomes an exiting employer due to a reorganisation, merger or take-over, then no exit credit will be paid.
- v. If a scheduled body or designating body leaves on a low-risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

General

- i. The Fund will advise the exiting employer as well as the letting authority and/or other relevant scheme employers of its decision to make an exit credit determination under Regulation 64.
- ii. Subject to any risk sharing or other arrangements and factors discussed above, when determining the cessation funding position the Fund will generally make an assessment based on the value of contributions paid by the employer during their participation, the assets allocated when they joined the Fund and the respective investment returns earned on both.
- iii. The Fund will also factor in if any contributions due or monies owed to the Fund remain unpaid by the employer at the cessation date. If this is the case, the Fund's default position will be to deduct these from any exit credit payment.
- iv. The final decision will be made by the Head of Pensions, in conjunction with advice from the Fund's Actuary and/or legal advisors where necessary, in consideration of the points held within this policy. Each and every decision will be taken in a discretionary manner, and whilst this policy provides guidelines, nothing in it should be taken as fettering the administering authority's discretion in making a determination in any given case.
- v. The Fund accepts that there may be some situations that are bespoke in nature and do not fall into any of the categories above. In these situations, the Fund will discuss its approach to determining an exit credit with all affected parties. The decision of the Fund in these instances is final.
- vi. The guidelines above at point v) in the 'Admitted Bodies' section, and at points i) and ii) in the 'Scheduled bodies and designating bodies' section, make reference to the Fund 'considering the approach to setting contribution rates during the employer's participation'. The different funding approaches, including the parameters used and how these can vary based on employer type, are covered in detail in Table 2 (section 2.5) in the FSS. Considering the approach taken when setting contribution rates of the exiting employer may help the Fund to understand the extent to which the employer is responsible for funding the underlying liabilities on exit. For example, if contribution rates have always been based on ongoing assumptions then this may suggest that these are also appropriate assumptions for exit credit purposes (subject to the other considerations outlined within this policy). Equally, a shorter than usual funding time horizon or lower than usual probability of success parameter may reflect underlying commercial terms about how responsibility for pension risks is split between the employer and its guarantor. For the avoidance of doubt, each exiting employer will be considered in the round alongside the other factors mentioned above.

Disputes

In the event of any dispute or disagreement on the amount of any exit credit paid and the process by which that has been considered, the appeals and adjudication provisions contained in Regulations 74-78 of the LGPS Regulations 2013 would apply.

4 Practicalities and process

4.1 Responsibilities of ceasing employers

An employer which is aware that its participation in the Fund is likely to come to an end must:

- advise the Fund, in writing, of the likely ending of its participation (either within the terms of the admission agreement in respect of an admission body (typically a 3 month notice period is required) or otherwise as required by the Regulations for all other Scheme Employers). It should be noted that this includes closed employers where the last employee member is leaving (whether due to retirement, death or otherwise leaving employment).
- provide any relevant information on the reason for leaving the Fund and, where appropriate, contact information in the case of a take-over, merger or insolvency.
- provide all other information and data requirements as requested by the Administering Authority which are relevant, including in particular any changes to the membership which could affect the liabilities (e.g. salary increases and early retirements) and an indication of what will happen to current employee members on cessation (e.g. will they transfer to another Fund employer, will they cease to accrue benefits within the Fund, etc.).

4.2 Responsibilities of administering authority

The administering authority will:

- gather information as required, including, but not limited to, the following:
 - details of the cessation - the reason the employer is leaving the Fund (i.e. end of contract, insolvency, merger, machinery of government changes, etc.) and any supporting documentation that may have an effect on the cessation.
 - complete membership data for the outgoing employer and identify changes since the previous formal valuation.
 - the likely outcome for any remaining employee members (e.g. will they be transferred to a new employer, or will they cease to accrue liabilities in the Fund).
- identify the party that will be responsible for the employer's deficit on cessation (i.e. the employer itself, an insurance company, a receiver, another Fund employer, guarantor, etc.).
- commission the Fund actuary to carry out a cessation valuation under the appropriate regulation.
- where applicable, discuss with the employer the possibility of paying adjusted contribution rates that target a 100% funding level by the date of cessation through increased contributions in the case of a deficit on the cessation basis or reduced contributions in respect of a surplus.
- where applicable, liaise with the original ceding employer or guarantor and ensure it is aware of its responsibilities, in particular for any residual liabilities or risk associated with the outgoing employer's membership.
- having taken actuarial advice, notify the employer and other relevant parties in writing of the payment required in respect of any deficit on cessation and pursue payment.

Payment of an exit credit

- If the actuary determines that there is an excess of assets over the liabilities at the cessation date, the administering authority will act in accordance with the Exit Credit Policy above. If payment is required, the administering authority will advise the Exiting Employer of the amount due to be repaid and seek to make payment within six months of the Exit Date. However, in order to meet the six month timeframe, the administering authority requires prompt notification of an employers' exit and all data requested to be provided in a timely manner. The administering authority is unable to make any Exit Credit payment until it has received all data requested.
- At the time this policy was produced, the Fund has been informed by HMRC that Exit Credits are not subject to tax, however all Exiting Employers must seek their own advice on the tax and accounting treatment of any Exit Credit.

4.3 Responsibilities of the actuary

Following commission of a cessation valuation by the administering authority, the Fund Actuary will:

- calculate the surplus or deficit attributable to the outgoing employer on an appropriate basis, taking into account the principles set out in this policy.
- provide actuarial advice to the administering authority on how any cessation deficit should be recovered, giving consideration to the circumstances of the employer and any information collected to date in respect to the cessation.
- where appropriate, advise on the implications of the employer leaving on the remaining Fund employers, including any residual effects to be considered as part of triennial valuations.

5 Related Policies

- What happens when an employer leaves the Fund? (Section 7 of the FSS)
- Financials assumptions used (Appendix D3 of the FSS)

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Croydon Pension Fund

Policy on Prepayments

Effective date of policy	
Date approved	
Next review	

1 Introduction

The purpose of this policy is to set out the administering authority's approach to the prepayment of regular contributions due by participating employers.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

1.1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To provide employers with clarity around the circumstances where prepayment of contributions will be permitted.
- To outline the key principles followed when calculating prepayment amounts.
- To outline the approach taken to assess the suitability of a prepayment as sufficient to meet the required contributions.

1.2 Background

It is common practice in the LGPS for employers to pre-pay regular contributions that were otherwise due to be paid to the Fund in future. Employer contributions include the 'Primary Rate' – which is expressed as a percentage of payroll and reflects the employer's share of the cost of future service benefits, and the 'Secondary Rate' – which can be expressed as a percentage of payroll or a monetary amount and is an additional contribution designed to ensure that the total contributions payable by the Employer meet the funding objective.

On 22 March 2022, following a request from the LGPS Scheme Advisory Board, James Goudie QC provided an [Opinion](#) on the legal status of prepayments. This Opinion found that the prepayment of employee and employer contributions was not illegal, subject to the basis for determining the prepayment amount being reasonable, proportionate and prudent. Further, the Opinion set out specific requirements around the presentation of prepayments.

1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) set out the way in which LGPS funds should determine employer contributions and contain relevant provisions regarding the payment of these, including the following:

- Regulation 67 – sets out the requirement for employers to pay contributions in line with the Rates and Adjustments (R&A) certificate and specifies that primary contributions be expressed as a percentage of pensionable pay of active members.
- Regulation 62 - sets the requirement for an administering authority to prepare an R&A certificate.
- Regulation 9 – outlines the contribution rates payable by active members

2 Statement of principles

This statement of principles covers the prepayment of regular employer contributions to the Fund. Each case will be treated on its own merits, but in general:

- The administering authority will permit the prepayment of employer contributions.
- Prepaying contributions expressed as a percentage of pay introduces the risk that the prepayment amount will be insufficient to meet the scheduled contribution (as a result of differences between expected and actual payroll). Prepaying contributions is therefore only permissible in the case of secure, long-term employers (e.g. local authorities).
- The prepayment of employee contributions is not permitted.
- A discount will be applied where employer contributions are prepaid, to reflect the investment return that is assumed to be generated by the Fund over the period of prepayment.
- The Fund actuary will determine the prepayment amount, which may require assumptions to be made about payroll over the period which the scheduled contribution is due.
- Where contributions expressed as a percentage of pay have been prepaid, the administering authority will carry out an annual check (and additional contributions may be required by the employer) to make sure that the actual amounts paid are sufficient to meet the contribution requirements set out in the R&A certificate.
- Prepayment agreements will be documented by way of correspondence between the administering authority and the employer.
- The R&A certificate will be updated on an annual basis to reflect any prepayment agreements in place.
- Employers are responsible for ensuring that any prepayment agreement is treated appropriately when accounting for pensions costs.
- Prepayment agreements can cover any annual period of the R&A (or a consecutive number of annual periods).

3 Policy

3.1 Eligibility and periods covered

The Fund is happy to consider requests from any employers to pre-pay certified primary and secondary contributions. However, in general, this is most appropriate for large, secure employers with stable active memberships.

Employer contributions over the period of the existing R&A certificate (and, where a draft R&A certificate is being prepared following the triennial valuation, the draft R&A certificate) may be pre-paid by employers.

Prepayment of contributions due after the end of the existing (or draft) R&A certificate is not permitted, i.e. it would not be possible to prepay employer contributions due in the 2026/27 year until the results of the 2025 valuation are known and a draft R&A certificate covering the 2026 to 2029 period has been prepared.

3.2 Request and timing

Prior to making any prepayment, employers are required to inform the Fund in writing of their wish to prepay employer contributions and to request details of the amount required by the Fund to meet the scheduled future contribution.

This request should be received by the Fund within 2 months of the start of the period for which the prepayment is in respect of.

The Fund will then provide the employer with a note of the prepayment amount and the date by which this should be paid. In general, the prepayment should be made as close as possible to the beginning of the appropriate R&A period and by 31 May at the latest.

Failure to pay the prepayment amount by the specified date may lead to the need for an additional and immediate payment from the employer to ensure that the amount paid is sufficient to meet the certified amount set out in the R&A certificate.

3.3 Calculation

The Fund actuary will determine the prepayment amount required.

Where the prepayment is in respect of contributions expressed as a percentage of pay:

- The Fund actuary will determine the discounted value of scheduled contributions based on an estimate of payroll over the period (using the information available and assumptions set at the previous valuation) and the discount rate set for the purpose of the previous actuarial valuation (as specified in the previous actuarial valuation report).
- A sufficiency check will be required at the end of the period (see section 3.4)

Where the prepayment is in respect of contributions expressed as a monetary amount:

- The Fund actuary will determine the discounted value of scheduled contributions based on the discount rate set for the purpose of the previous actuarial valuation (as specified in the previous actuarial valuation report).
- No sufficiency check will be required

Employers may pay more than the prepayment amount determined by the Fund actuary.

No allowance for expected outsourcing of services and/or expected academy conversions will be made in the Fund actuary's estimation of payroll for the prepayment period.

3.4 Sufficiency check

Where required, the Fund actuary will carry out an **annual** assessment to check that sufficient contributions have been prepaid in respect of that period. Specifically, this will review the prepayment calculation based on actual payroll of active members over the period and this may lead to a top-up payment being required from the employer.

If this sufficiency check reveals that the prepayment amount was higher than that which would have been required based on actual payroll (i.e. if actual payroll over the period is less than was assumed), this will not lead to a refund of contributions to the employer.

The sufficiency check will not compare the assumed investment return (i.e. the discount rate) with actual returns generated over the period. i.e. the check considers payroll only. Any shortfall arising due to actual investment returns being lower than that assumed will form part of the regular contribution assessment at the next valuation (as per the normal course of events).

The administering authority will notify the employer of any top-up amount payable following this annual sufficiency check and the date by which any top-up payment should be made.

3.5 Documentation and auditor approval

The Fund will provide the employer with a note of the information used to determine the prepayment amount, including:

- Discount rate used in the calculations
- The estimate of payroll (where applicable)
- The effective date of the calculation (and the date by which payment should be made)
- The scheduled regular payments which the prepayment amount covers.

The prepayment agreement will be reflected in the R&A certificate as follows:

- The unadjusted employer regular contribution rate payable over the period of the certificate
- As a note to the contribution rate table, information relating to the prepayment amount and the discount applied, for each employer where a prepayment agreement exists.

The R&A certificate will be updated on an annual basis to reflect any prepayment agreements in place.

Employers should discuss the prepayment agreement with their auditor prior to making payment and agree the accounting treatment of this. The Fund will not accept any responsibility for the accounting implications of any prepayment agreement.

3.6 Costs

Employers entering into a prepayment agreement will be required to meet the cost of this, which includes (but is not limited to) the actuarial fees incurred by the administering authority.

3.7 Risks

Employers enter into prepayment agreements on the expectation that the Fund will be able to generate higher returns than they can over the prepayment period. Employers should be aware that future returns are not guaranteed, and it is possible that the returns generated on prepayment amounts may generate a lower return than that which can be generated by the employer. It is also possible that negative returns will lead to the value of any prepayment being less than that which was scheduled to be paid. In such circumstances, a top-up payment would not be required (as the sufficiency check only considers the effect of actual payroll being different to that assumed in the prepayment calculation), however the employer's asset share would be lower than it would have been if contributions were paid as scheduled. This would be considered by the Fund actuary at the next triennial valuation (as per the normal course of events).

4 Related Policies

The Fund's approach to setting regular employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the Fund calculate employer contributions?".

Croydon Council

REPORT TO:	Pension Board 13 October 2022
SUBJECT:	Governance Best Practice Compliance Statement
LEAD OFFICER:	Matthew Hallett – Acting Head of Pensions and Treasury

1. **RECOMMENDATION**

- 1.1 The Board are asked to note and comment on the revised draft Governance Best Practice Compliance Statement attached as Appendix A.

2. **EXECUTIVE SUMMARY**

- 2.1 This report updates the Governance Best Practice Compliance Statement for noting and comment by the Board.

3 **DETAIL**

- 3.1. Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires an administering authority to prepare a written statement setting out the extent to which a delegation of its functions to a committee, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not comply, the reasons for not complying. In addition A3 of the Scheme Advisory Board Good Governance Review recommends Local Government Pension Scheme Administering Authorities to measure their governance arrangements against any standards set out. Statutory Guidance issued by the, then, Secretary of State for Communities and Local Government or (now) by the Secretary of State for Levelling Up, Housing and Communities. The Committee is expected to review the Governance Best Practice Compliance Statement annually and must consult such persons as it considers appropriate when preparing revisions to the Statement.
- 3.2 At their meeting on 14 June 2022 the Committee considered a draft Compliance Statement and the minutes of their discussion were as follows:

In response to comments from members, officers noted that Principal G of the report (That subject to any rules in the Council's Constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee) could not be described as fully compliant due to the historical poor performance in producing meeting papers and minutes on time. The Pension Team also agreed to look at whether or not item d) of the Compliance Statement on Structure could be described as fully compliant. Officers would review whether

or not the Pension Board should be described as a sub-committee and if decided not then the Pension Committee did not have sub-committees. It should still be recognised that the Chair of the Pension Board observed Pension Committee meetings and was invited to speak and comment on the work of the Board.

RESOLVED to review and agree the draft Governance Best Practice Compliance Statement attached as Appendix A.

- 3.3 The updated compliance statement included as Appendix A takes into account the points made by the Committee and other matters consequent upon the Committee's consideration. Officers confirm that soon after local pension boards were established in 2015 administering authorities, via the Local Government Association, received advice from Leading Counsel that they are not council committees and have no corporate status. Council Committees are created under section 101(1) and 102 of the Local Government Act 1972. Pension Boards are established under section 5(1) of the Public Service Pensions Act 2013 and The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015. Appendix A sets out where the Pension Fund is fully compliant with the guidance and, where it is not fully compliant, provides an explanation.
- 3.4 The Committee further considered the Statement at their meeting on 11 October 2022 and the Board will be advised verbally of their conclusions.
- 3.5 The Board are asked to note and comment on the attached Governance Best Practice and Compliance Statement.

4. DATA PROTECTION IMPLICATIONS

- 4.1 Will the subject of the report involve the processing of 'personal data'?

No.

Has a data protection impact assessment (DPIA) been completed?

No. This report relates to matters relating to the administration of the LGPS and the Croydon Pension Fund.

Approved by: Matthew Hallett on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

CONTACT OFFICER:

Matthew Hallett – Acting Head of Pensions and Treasury.

BACKGROUND DOCUMENTS:

PB 13102022

None.

APPENDIX:

Appendix A: Governance Best Practice Compliance Statement

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Governance Best Practice - Compliance Statement

Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires an administering authority to prepare a written statement setting out the extent to which a delegation of its functions to a committee, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying. In addition, A3 of the Scheme Advisory Board Good Governance Review recommends Local Government Pension Scheme Administering Authorities to measure their governance arrangements against any standards set out in the Statutory Guidance issued by the, then, Secretary of State for Communities and Local Government or (now) by the Secretary of State for Levelling Up, Housing and Communities. The Committee is expected to review the Governance Best Practice Compliance Statement annually and must consult such persons as it considers appropriate when preparing or revising the statement. The following compliance statement sets out where the Pension Fund is fully compliant with current guidance and, where it is not fully compliant, provides an explanation.

Principle A - Structure	London Borough of Croydon Pension Fund Compliance
a. The management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing council.	Fully Compliant The Council Constitution delegates responsibility for the Pension Fund to the Pension Committee in respect of these matters.
b. That representatives of participating LGPS employers, admitted bodies and Scheme members (including pensioners and deferred members) are members of either the main or secondary committee to underpin the work of the main committee.	Partially Compliant Pensioner and Union representatives are appointed to the Pension Committee. The Committee does not currently have representatives of participating employers.
c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Not applicable – the Fund does not have a secondary committee.
d. That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Not applicable – the Fund does not have a secondary committee.

Principle B – Committee Membership and Representation	London Borough of Croydon Pension Fund Compliance
<p>a. That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:-</p> <ul style="list-style-type: none"> i) Employing authorities (including non-scheme employers, eg admitted bodies); ii) Scheme members (including deferred and pensioner scheme members); iii) Where appropriate, independent professional observers; and iv) Expert advisers (on an ad-hoc basis). 	<ul style="list-style-type: none"> i) Partially Compliant The Committee includes eight Councillors, but does not include employer representation. ii) Fully Compliant The Committee includes 2 pensioner representatives and one trade union representative. iii) Fully Compliant The Committee does not have an independent professional observer as does not deem it appropriate. However, the Chair of the Pension Board is often invited to comment at meetings. iv) Fully Compliant The Fund has an Investment Advisor, Actuary and Governance and Legal Advisors.
<p>b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights</p>	<p>Fully Compliant All members of the Committee are sent papers ahead of meetings, are invited to training and are able to contribute fully to the decision-making process.</p>

Principle C - Selection and role of lay members	London Borough of Croydon Pension Fund Compliance
a. That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee	Fully Compliant See the Governance Policy; training sessions specifically cover these points.
b. That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Fully Compliant Members of the Committee declare interests as appropriate at the start of each meeting.

Principle D – Voting	London Borough of Croydon Pension Fund Compliance
a. The policy of individual administering authority on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Fully Compliant See Governance Statement. Whilst one of the pensioners' representatives and the trade union member representative do not have voting rights at the Committee, they are encouraged to participate fully in the meetings and decision making process.

Principle E - Training/Facility time/Expenses	London Borough of Croydon Pension Fund Compliance
a. That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process	Fully Compliant. See the Fund's Knowledge and Skills / Training Policy
b. That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum	Fully Compliant
c. That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Fully Compliant The Council seeks to ensure that all members of the Committee are aware of the eight areas of knowledge and skills relating to the LGPS which CIPFA has identified as being the core technical requirements for those involved in decision taking; they are advised of training opportunities and a log is maintained of all training undertaken.

Principle F - Meetings (frequency/quorum)	London Borough of Croydon Pension Fund Compliance
a. That an administering authority's main committee or committees meet at least quarterly	Fully Compliant
b. That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Not applicable – the Fund does not have a secondary committee.
c. That an administering authority that does not include lay members in their formal governance arrangements must provide a forum outside of those arrangements by which the interest of key stakeholders can be represented.	Fully Compliant This is achieved through representation on the Pension Committee or via the Pension Board.

Principle G - Access	London Borough of Croydon Pension Fund Compliance
a. That subject to any rules in the Council's Constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee	Partially Compliant Meeting papers are generally dispatched to all members 5 clear working days prior to each meeting and, at the same time, published on the website. However, over the last two years some papers have not been published on time and sometimes not in a format requested by some Members. In addition, the production of minutes on time has been very poor. However, action has been taken to rectify this. Democratic services are now fully resourced and are producing and circulating and publishing draft minutes shortly after meetings.

Principle H - Scope	London Borough of Croydon Pension Fund Compliance
a. That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Fully Compliant The Committee reviews all aspects of the Pension Fund management.

Principle I - Publicity	London Borough of Croydon Pension Fund Compliance
a. That administering authority have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements	Fully Compliant Governance Policy and Compliance statement is published in full on the Pensions website http://www.croydonpensionscheme.org/

September 2022

To be reviewed in June 2023

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REPORT TO:	PENSION BOARD 13 October 2022
SUBJECT:	Progress on implementing findings of Governance Review
LEAD OFFICER:	Matthew Hallett, Acting Head of Pensions and Treasury

1 RECOMMENDATIONS

- 1.1 To note the outstanding actions to be taken forward as a result of the findings from the various Governance Reviews as detailed in section 3.4 of this report.
- 1.2 To note the progress achieved in addressing the findings of the Governance Reviews of 2019 and 2021.

2. EXECUTIVE SUMMARY

- 2.1 The Pension Board are asked to note the latest agreed list of outstanding recommendations as presented to the Committee on 11 October 2022 and detailed in this report.
- 2.2 This report updates the Board on the progress made in completing recommendation actions to August 2022.

3. DETAIL

- 3.1 A governance review carried out by AON, the Fund's governance advisors, was commissioned by the Fund and its findings were reported in September 2019. It was envisaged that completion of the actions identified would be delivered over a 3 year period. A follow up review was carried out in June 2021. A list of recommendations from both of these reviews and from a meeting between the Chairs of the Pension Board and Committee, The Head of Pensions, The Pensions Manager and the Fund governance advisers AON on 3 February 2022 was formulated.
- 3.2 At their 7 July 2022 meeting the Pension Board were asked to consider these recommendations and whether to request that the Committee amend the work programme in respect of any of the items.
- 3.3 The Chair expressed that he and the Board were very impressed and pleased with the progress made on the recommendations of the Governance Reviews and that the next steps were to consolidate all the findings of the reviews into an action plan.

3.4 Officers have consolidated all of the findings and detailed these findings and recommendations in the Governance Review Action Plan which is attached as Appendix A. The Pension Board are asked to note the outstanding actions to be taken forward as detailed below:

Non-Pension Officer Actions

- That the Chair of the Local Board write to the Chief Whips of current party groups to draw attention to the report's concerns about lack of continuity on the Committee and the Council representatives on the Board and that the outgoing Chair write in similar vein after the May 2022 municipal elections
- Democratic Services to keep Pension Officers informed of changes to Board and Committee membership in a timely way
- Relevant individuals within the appropriate teams in the Council are reminded of the responsibility placed on members of the Committee and Board.
- That the Committee recommends that the Council looks at appointing members to the Committee and the Board for a period of 4 years within the electoral cycle
- To create a Head of the Pension Fund position, accountable directly to the Pension Committee and the S151 officer for all aspects of the Fund including governance, investment and pensions administration

Constitutional Actions

- To create a Fund wide Conflicts of Interest Policy covering Committee, Board and Senior Officers and incorporating work with the LCIV
- That a small annual allowance should be paid to Pension Board members to reflect the increasingly onerous skills and training requirements.
- To include LCIV relationships structures in the constitution
- To appoint non-council employer representatives to the Pension Committee
- Update Part 3 of the Constitution is updated to be consistent to avoid any confusion around the responsibilities of the Pension Board.
- Clearly documented Scheme of Delegation – to include greater detail regarding the delegation to the Director of Finance Investment and Risk and Section 151 Officer in the next update to the constitution
- To review voting rights of categories of Committee members

Resourcing

- To review the operation of procurement and recruitment for the Fund
- That the administering authority should proactively consider the use of third party suppliers to increase the resources available to the Fund ;
- The Board requested a report on Procurement and Recruitment to the Fund in July 2023;
- That the Board receive a report on resourcing twice a year
- The Board requested that the Pension Team performed an options appraisal for payments of benefits and the Pension Administration Team.

Finance and Business Planning

- That the Fund Annual Report and Accounts be reported to the Pension Committee prior to being reported to the General Purposes and Audit Committee ;

- To report when the 2019/20 pension fund report and accounts have been signed off by audit
- To compile a 3-year financial plan covering admin, fund management and other overhead costs ;
- Review structure and content of the business plan, including a three year financial plan, ensuring compliance with CIPFA guidance

Website

- That the Committee receive a report on compliance with the Aon report on publication of the Funds policies and documents by September 2023
- Consider adding additional information from Code of Practice paragraph 96 about the Pension Board and Pension Committee members onto the Fund website

Policy and Process

- To review the Breaches of the Law Policy
- To review the Investment Strategy Statement- to include compliance statement against the Myners Principles
- To review the Administration Strategy
- To review the Communications Policy
- To create a Data Improvement Plan
- To review the Governance and Compliance Policy
- To review the IDRP procedure to include details on what is exempt (as per section 50(9) of the 1995 Pensions Act.
- To create a Record Management Policy
- Regularly review knowledge and skills requirements as a standing agenda item for Board and Committee meetings
- Report on meeting administration and process

Projects

- That the Committee will carry out a check on how the Fund complies with the recommendations of the Good Governance and where work will be required to ensure compliance by March 2023
- That the Committee is provided with an evaluation against the new TPR Code requirements in due course and will address areas of partial compliance and non-compliance in a timely manner

3.5 Members' attention is drawn to the significant positive actions already embedded in practices and progress made by officers in delivering the recommendations of the original review in 2019 and the latest review, as well as the updated recommendations list, and should note that officers continue to work to address the remaining points covered by both reviews.

3.6 This latest review rated areas of practice considered as:

positive – meets legal requirements, national guidance and good practice;
 neutral – meets legal practice, in the main, but could be improved to meet good practice or national guidance; negative – requires improvement as it does not

appear to meet legal requirements or practices we consider key to good governance.

- 3.7 Eleven elements in the latest governance review were highlighted as positive.
- 3.8 Three elements were rated as negative. As at August 2022, 33% of the negative rating actions have been completed and a further 67% are in progress, making a total of 100% of actions having been progressed.
- 3.9 Thirty-eight elements were rated as neutral. 21% of neutral items are constitutional and are being taken forward as part of an overall review of the constitution. The Board and Committee are receiving a report on proposed constitutional changes in October 2022.
- 3.10 As at August 2022, of the remaining neutral items 43% have been completed and a further 30% are in progress, making a total progressed of 73%.
- 3.11 Of the original points on the 2019 Governance review, as at August 2022, 80% of the actions have been completed and a further 17% are in progress, making a total of 97% of actions either completed or in progress.
- 3.12 The updated recommendations list had 28 items categorised as follows:

The updated recommendations list has 23 items for pension officers to take forward. This includes 4 constitutional items that are being taken forward as part of an overall review of the constitution. The Board and Committee are receiving a report on proposed constitutional changes in October 2022.

Of the remaining 19 items 26% have been completed, 35% are in progress, making a total of 61% of these items having been progressed, and 22% are still to be actioned. However, of that 22%, 9% are not due to be completed until at least March 2023.

- 3.13 The Board are asked to note the latest agreed list of outstanding recommendations as presented to the Committee on 11 October 2022 and detailed in this report and to note progress in completion of actions

4 CONSULTATION

- 4.1 Officers have prepared this report in line with previous recommendations of the Pension Fund's advisers Aon in.

5 DATA PROTECTION IMPLICATIONS

- 5.1 Will the subject of the report involve the processing of 'personal data'?

No.

Has a data protection impact assessment (DPIA) been completed?

No. This report relates to matters relating to the administration of the LGPS and the Croydon Pension Fund.

Approved by: Matthew Hallett on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

CONTACT OFFICER:

Matthew Hallett, Acting Head of Pensions and Treasury

BACKGROUND DOCUMENTS:

None

APPENDICES

Appendix A: Governance Review Action Plan

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**London Borough of Croydon Pension Fund
Governance Review Action Plan September 2022**

APPENDIX A

Category	Action	Comments	Date Due
Non-Pension Officer Actions	That the Committee recommends that the Council looks at appointing members to the Committee and the Board for a period of 4 years within the electoral cycle	At the June 2022 Pension Committee, the Chair of the Board requested that Committee members committed to four-year terms to aid continuity.	
Non-Pension Officer Actions	The Section 151 Officer to review the structure of the Pensions Function and how that sits within the Council structure.	This will be carried out when considering the plan for 2023-24	31 March 2023
Constitutional Actions	To create a Fund wide Conflicts of Interest Policy covering Committee, Board and Senior Officers and incorporating work with the LCIV	Officers are awaiting comment from the Monitoring Officer	October 2022
Constitutional Actions	That a small annual allowance should be paid to Pension Board members to reflect the increasingly onerous skills and training requirements	This is being done through amendment to the Constitution Officers support this.	October 2022
Constitutional Actions	To include LCIV relationships structures in the constitution	This is being done through amendment to the Constitution	October 2022
Constitutional Actions	Update Part 3 of the Constitution to be consistent to avoid any confusion around the responsibilities of the Pension Board	This is being done through amendment to the Constitution	October 2022
Constitutional Actions	Clearly documented Scheme of Delegation – to include greater detail regarding the delegation to the Director of Finance Investment and Risk and Section 151 Officer in the next update to the constitution	This is being done through amendment to the Constitution	October 2022
Constitutional Actions	To review voting rights of categories of Pension Committee members. Board would like to see inclusion of a voting non-council	This is being done through amendment to the Constitution	October 2022

**London Borough of Croydon Pension Fund
Governance Review Action Plan September 2022**

APPENDIX A

	employer representative and a voting member representative.		
Resourcing	To review the operation of procurement and recruitment for the Fund	This will be worked on over the year and reported back.	July 2023
Resourcing	That the administering authority should proactively consider the use of third party suppliers to increase the resources available to the Fund	The Fund is using Hymans to assist with backlog work and continues to benefit from governance consultancy provision from AON. Additionally, Burges Salmon now undertake legal comment for reports.	Completed
Resourcing	Where services are provided by the Council, including the provision of payroll and meeting support services, to put in place service level agreements covering delivery times, volumes and price.	It was felt that the service had improved, so no formal SLA's were required at this stage. This is to be reviewed in six months	January 2023
Resourcing	That the resourcing required in order to provide an efficient service be reviewed especially considering McCloud and Pension Dashboards. The Board receive a report on resourcing twice a year	This will be added to the agenda planner	January 2023
Resourcing	The Board requested that an options appraisal of the Pensions Administration Function be carried out.		July 2023
Finance and Business Planning	That the Fund Annual Report and Accounts be reported to the Pension Committee prior to being reported to the General Purposes and Audit Committee	There are currently 3 years of accounts where the audit is still to be completed. When the backlog has been removed this will be incorporated in the normal cycle of reporting.	July 2023
Finance and Business Planning	To report when the 2019/20 pension fund report and accounts have been signed off by audit		January 2023
Finance and Business Planning	To compile a 3-year financial plan covering admin, fund management and other overhead costs	This was presented to Committee in June 2022 and further enhancements will be incorporated into the next review.	March 2023

**London Borough of Croydon Pension Fund
Governance Review Action Plan September 2022**

APPENDIX A

Website	That the Committee receive a report on compliance with the Aon report on publication of the Funds policies and documents by September 2023		September 2023
Website	Consider adding additional information from Code of Practice paragraph 96 about the Pension Board and Pension Committee members onto the Fund website		January 2023
Policy and Process	To review the Breaches of the Law Policy		October 2022
Policy and Process	To review the Investment Strategy Statement- to include compliance statement against the Myners Principles	Will be done alongside the Triennial Valuation	March 2023
Policy and Process	To review the Administration Strategy		December 2022
Policy and Process	To review the Communications Policy		December 2022
Policy and Process	To create a Data Improvement Plan	Checks are currently carried out on data but officers will formalise this in a policy document	March 2023
Policy and Process	To review the Governance and Compliance Policy		June 2023
Policy and Process	To review the IDR procedure to include details on what is exempt (as per section 50(9) of the 1995 Pensions Act		January 2023
Policy and Process	To create a Record Management Policy		January 2023
Policy and Process	Regularly review knowledge and skills requirements as a standing agenda item for Board and Committee meetings	Added to forward plan	Ongoing

**London Borough of Croydon Pension Fund
Governance Review Action Plan September 2022**

APPENDIX A

Projects	That the Committee will carry out a check on how the Fund complies with the recommendations of the Good Governance and where work will be required to ensure compliance by March 2023	Some work on actions required by the Fund has already been undertaken. Officers will continue to progress actions required.	March 2023
Projects	That the Committee is provided with an evaluation against the new TPR Code requirements in due course and will address areas of partial compliance and non-compliance in a timely manner	The TPR Code is still in draft form and has not yet been agreed. Officers have begun to look at the draft document and will complete a full assessment of Fund compliance and carry out actions to address requirements in due course.	TBC

REPORT TO:	Pension Board 13 October 2022
SUBJECT:	Training Plan and Review of Committee and Board Training
LEAD OFFICER:	Matthew Hallett, Acting Head of Pensions and Treasury
<p>1. RECOMMENDATION</p> <p>1.1 The Board is asked to note the contents of the joint Pension Committee and Pension Board Training Log and note and comment on the Training Plan.</p>	

2. EXECUTIVE SUMMARY

- 2.1 This report advises the Board of training undertaken by the Pension Board and Pension Committee members since January 2021 and asks them note and comment on the proposed joint Pension Committee and Pension Board training plan for 2022/23.

3 DETAIL

- 3.1 In their 2019 governance review Aon recommended that the scope of the Knowledge and Skills Policy be extended to the Pensions Committee and Officers, as well as the Pensions Board. They further recommended that the policy should incorporate knowledge of the work of the London Collective Investment Vehicle (London CIV) and have regard to CIPFA guidance. The policy was agreed on 17 March 2020 (Minute 26/20). This policy has since been reviewed and the revised version was agreed by the Committee in their meeting of 14 June 2022.
- 3.2 Following the introduction of Markets in Financial Instruments Directive (MiFID II) in January 2018, in order to be treated as a professional client (rather than a retail investor) a Fund, as a collective, must be able to demonstrate sufficient expertise, experience and knowledge to satisfy financial institutions that it is capable of making investment decisions and understanding the nature of potential risks by ensuring that levels of expertise, experience and knowledge are maintained to satisfy the MiFID II requirements.
- 3.3 All officers and Pension Committee Members charged with management. Operations and decision-making with regard to the Fund must be fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them. All Committee and Board members and officers are expected continually to demonstrate their personal commitment to training and to ensuring that the knowledge and skills objective is met.

3.4 The CIPFA Knowledge and Skills Framework was updated in 2021 eight areas of knowledge and skills identified as the core requirements:

- pensions legislation;
- pensions governance;
- pension accounting and auditing standards;
- pensions administration;
- pension services procurement and relationship management;
- investment performance and risk management;
- financial markets and products knowledge; and
- actuarial methods, standards and practice.

The CIPFA requirements for Pension Board members, Committee members and Officers are attached as appendices to the Knowledge and Skills Policy as approved at the Pension Committee meeting of 14 June 2022.

3.5 Members of the Committee had previously asked for a job description of their role to be provided. There is no standard document available as the role of the Committee is as defined in the Constitution and will be different for every Local Authority to reflect their individual structures. However, officers have created a document giving an overview of the role based on Croydon's constitution, as well as statutory, regulatory, CIPFA and SAB requirements, along with details of the Pension Board responsibilities (attached as Appendix D)

3.6 This report provides the Board with a summary of the training undertaken by the Pension Board and Pension Committee since January 2021 (attached as Appendix A). Update reports on uptake of training opportunities by members of the Pension Board and Pension Committee will be presented at every Pension Board and Pension Committee Meeting.

3.7 This report provides the Committee with the proposed joint training plan for the Pension Board and Pension Committee for 2022/23 (attached as Appendix B) and an information document explaining the requirements (attached as appendix C)

3.8 This report provides the Board with a standard feedback form for members of the Pension Board and Pension Committee to complete and forward to officers on completion of every training event attended by Pension Board and Committee members (attached as appendix E). This will confirm that the event was attended and will be recorded on the training log. If members do not inform officers of attendance at training events then details cannot be recorded on the log.

3.9 Members of the Pension Board and Pension Committee have been asked to take part in the National Knowledge Assessment run by Hymans which is taking place in October 2022. This will involve the completion of a multiple choice questionnaire which assess knowledge across all areas of Fund management. The results will inform provision of further training opportunities.

4. CONSULTATION

- 4.1 The Knowledge and Skills Training Policy has been agreed by Committee. This is reviewed every 3 years. The Aon governance review recommendations and CIPFA knowledge and skills requirements as well as action points from Board and Committee minutes have been incorporated into the plan.

5. DATA PROTECTION IMPLICATIONS

- 5.1 Will the subject of the report involve the processing of 'personal data'?

No.

Has a data protection impact assessment (DPIA) been completed?

No. This report relates to matters relating to the administration of the LGPS and the Croydon Pension Fund.

Approved by: Matthew Hallett on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

CONTACT OFFICER:

Matthew Hallett, Acting Head of Pensions and Treasury

BACKGROUND DOCUMENTS:

None

APPENDICES:

Appendix A: Summary of Training Undertaken

Appendix B: Proposed Training Plan

Appendix C: Training Plan Information Document

Appendix D: Committee and Board Roles Document

Appendix E: Feedback Form

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Training undertaken by Pension Board and Pension Committee April 2022 to August 2022

Date	Board/ Committee / Reserve Committee	Member	Event
07/06/2022	C	Cllr Simon Brew	Induction Training
07/06/2022	C	Cllr Nina Degrads	Induction Training
07/06/2022	C	Cllr Clive Fraser	Induction Training
07/06/2022	C	Cllr Patricia Hay-Justice	Induction Training
07/06/2022	C	Cllr Yvette Hopley	Induction Training
07/06/2022	C	Cllr Alasdair Stewart	Induction Training
07/06/2022	C	Cllr Callton Young	Induction Training
07/06/2022	R	Cllr Louis Carserides	Induction Training
07/06/2022	R	Cllr Richard Chatterjee	Induction Training
07/06/2022	R	Cllr Enid Mollyneaux	Induction Training
07/06/2022	R	Cllr Rober Ward	Induction Training
07/07/2022	B	Cllr Margaret Bird	Governance Review Update
07/07/2022	B	Mike Ellsmore	Governance Review Update
07/07/2022	B	Richard Elliott	Governance Review Update
07/07/2022	B	Teresa Fritz	Governance Review Update
07/07/2022	B	Ava Payne	Governance Review Update
07/07/2022	B	David Wickman	Governance Review Update

Training undertaken by Pension Board and Pension Committee January 2021 to March 2022

Date	Board/ Committee / Reserve Committee	Member	Event
26/01/2021	B	Richard Elliott	LGA Governance and Investment webinar
26/01/2021	C	Cllr Humayun Kabir	LGA Governance and Investment webinar
26/01/2021	B	Mike Ellsmore	LGA Governance and Investment webinar
25/03/2021	B	Teresa Fritz	AON webinar on TPR Code of Practice
25/03/2021	B	Mike Ellsmore	AON webinar on TPR Code of Practice
25/03/2021	C	Cllr Yvette Hopley	AON webinar on TPR Code of Practice
25/03/2021	C	Peter Howard	AON webinar on TPR Code of Practice
03/06/2021	B	Mike Ellsmore	Competancy self assessment matrix
03/06/2021	B	Richard Elliott	Competancy self assessment matrix
03/06/2021	B	David Whickman	Competancy self assessment matrix
03/06/2021	B	Teresa Fritz	Competancy self assessment matrix
23/06/2021	B	David Whickman	Barnett Waddingham Pension Board Annual Event
23/06/2021	B	Ava Payne	Barnett Waddingham Pension Board Annual Event
23/06/2021	B	Mike Ellsmore	Barnett Waddingham Pension Board Annual Event
23/06/2021	B	Richard Elliott	Barnett Waddingham Pension Board Annual Event
24/06/2021	B	David Whickman	CIPFA Board Members Annual Event
24/06/2021	B	Mike Ellsmore	CIPFA Board Members Annual Event
19/10/2021	B	Mike Ellsmore	AON webinar Refreshing and redesigning a 'one pension team'
19/10/2021	C	Peter Howard	AON webinar Refreshing and redesigning a 'one pension team'

Hymans On-line Training Modules Progress for Pension Board and Pension Committee

Fullname	LGPS Role	Course Name	Course Progress (%)
Appu Srinivasan	Pension Committee	Module 1 - An introduction to the LGPS	100
Appu Srinivasan	Pension Committee	Module 2 - LGPS Governance & Oversight Bodies	100
Appu Srinivasan	Pension Committee	Module 3 - Administration & Fund Management	100
Appu Srinivasan	Pension Committee	Module 4 - Funding and Actuarial Matters	100
Appu Srinivasan	Pension Committee	Module 5 - Investments	100
Appu Srinivasan	Pension Committee	Module 6 - Current Issues	100
Ava Payne	Pension Board	Module 1 - An introduction to the LGPS	100
Charles Quaye	Pension Committee	Module 1 - An introduction to the LGPS	16
Endri Llabuti	Pension Committee	Module 1 - An introduction to the LGPS	100
Endri Llabuti	Pension Committee	Module 2 - LGPS Governance & Oversight Bodies	14
Mike Ellsmore	Pension Board	Module 1 - An introduction to the LGPS	33
Mike Ellsmore	Pension Board	Module 2 - LGPS Governance & Oversight Bodies	35
Mike Ellsmore	Pension Board	Module 3 - Administration & Fund Management	41
Mike Ellsmore	Pension Board	Module 4 - Funding and Actuarial Matters	57
Mike Ellsmore	Pension Board	Module 5 - Investments	52
Mike Ellsmore	Pension Board	Module 6 - Current Issues	26
Peter Howard	Pension Committee	Module 1 - An introduction to the LGPS	33
Peter Howard	Pension Committee	Module 2 - LGPS Governance & Oversight Bodies	14
Peter Howard	Pension Committee	Module 3 - Administration & Fund Management	5
Peter Howard	Pension Committee	Module 4 - Funding and Actuarial Matters	21
Peter Howard	Pension Committee	Module 5 - Investments	5

Fullname	LGPS Role	Course Name	Course Progress (%)
Richard Elliott	Pension Board	Module 1 - An introduction to the LGPS	83
Richard Elliott	Pension Board	Module 2 - LGPS Governance & Oversight Bodies	71
Richard Elliott	Pension Board	Module 3 - Administration & Fund Management	70
Richard Elliott	Pension Board	Module 4 - Funding and Actuarial Matters	71
Richard Elliott	Pension Board	Module 5 - Investments	70
Richard Elliott	Pension Board	Module 6 - Current Issues	36
Robert Ward	Pension Committee	Module 1 - An introduction to the LGPS	100
Robert Ward	Pension Committee	Module 2 - LGPS Governance & Oversight Bodies	78
Robert Ward	Pension Committee	Module 3 - Administration & Fund Management	70
Robert Ward	Pension Committee	Module 4 - Funding and Actuarial Matters	92
Robert Ward	Pension Committee	Module 5 - Investments	76
Robert Ward	Pension Committee	Module 6 - Current Issues	31
Teresa Fritz	Pension Board	Module 1 - An introduction to the LGPS	100
Teresa Fritz	Pension Board	Module 2 - LGPS Governance & Oversight Bodies	100
Teresa Fritz	Pension Board	Module 3 - Administration & Fund Management	100
Yvette Hopley	Pension Committee	Module 1 - An introduction to the LGPS	50
Yvette Hopley	Pension Committee	Module 2 - LGPS Governance & Oversight Bodies	7

Pension Board and Committee Training Plan 2022/ 23

Mandatory Training

Either

Event	Details	Date	Offered To	Form
Hymans Module 1	Introduction	As required	All Board, Committee and Reserves	On line
Hymans Module 2	Governance & Regulators	As required	All Board, Committee and Reserves	On line
Hymans Module 3	Administration & Management	As required	All Board, Committee and Reserves	On line
Hymans Module 4	Funding & Actuarial Matters	As required	All Board, Committee and Reserves	On line
Hymans Module 5	Investments	As required	All Board, Committee and Reserves	On line

Or

LGE Fundamentals Course	Legal structure of LGPS	18/10/2022	All Board, Committee and Reserves	On line	20/10/2022	In Person
LGE Fundamentals Course	Investment framework of the LGPS	22/11/2022	All Board, Committee and Reserves	On line	10/11/2022	In Person
LGE Fundamentals Course	Duties and Responsibilities	20/12/2022	All Board, Committee and Reserves	On line	06/12/2022	In Person

Plus

Induction Presentation	In house Induction Event delivered by Hymans	07/06/2022	Committee and Reserves	Council Chamber
	In house Induction Event delivered by Hymans	TBA	Board	
	Also as required on an individual basis			
National Knowledge Assessment	Form to be completed	Start Financial Yr	All Board, Committee and Reserves	Email

Plus

Aon pre-meeting session	Cyber Security	TBA				AON	All Board
Aon pre-meeting session	Data Dashboard	TBA				AON	All Board
AON in meeting advice	Governance Review Update	07/07/2022			During Board Meeting	AON	All Board
Aon pre-meeting session	McCloud Update	TBA				AON	All Board
Hymans pre-meeting session	Trienniel Valuation	11/10/2022				Hymans	All Board, Committee and Reserves
Mercers pre-meeting session	Investment Advisors Presentations	06/12/2022				Mercers	All Board, Committee and Reserves

		07/07/2022	13/10/2022	Jan-23
Governance Review	AON			
Cyber Security	AON			
Data Dashboard	AON			
McCloud Update	AON			

Additional Training Opportunities

Events	es			Details	Details	Offered To
PLSA Annual Conference	12/10/2022	13/10/2022		2 Days	ACC Liverpool	All Board, Committee and Reserves
Barnett waddingham DB trustee online training sessions	04/10/2022	05/10/2022	06/10/2022	3 Days	On line	All Board, Committee and Reserves
LGPS Conference	19/01/2023	20/01/2023		2 Days	Marriott Hotel Cardiff	2 Members of Board and 2 Members of Committee
Webinars						
Barnett Waddingham on-demand webinars	Any Time				On line	All Board, Committee and Reserves
Aon webinars					TBA	All Board, Committee and Reserves
Fund Manager Visits						
Investment Managers Presentations	Rota			1 Hour	See rota	All Board, Committee and Reserves

				10.00 AM	10.00 AM	10.00 AM			
				11/10/2022	09/11/2022	06/12/2022	Jan-23	Feb-23	Mar-23
1	Fund Manager Presentation	RBC with CIV							
2	Fund Manager Presentation	Wellington							
3	Fund Manager Presentation	Schroders							
4	Pre-meeting Training	Hymans (valuation)							
5	Pre-meeting Training	Mercers (investment)							
6	Fund Manager Presentation	Access	TBA						

Induction						
Induction Training Committee	As required				Delivered 7/6/2022	All Committee and Reserves
Induction Training Board	As required				To be delivered by Board Chair	All Board

Useful Reference Site						
SAB Website	As required			Reference Information		All Board, Committee and Reserves

<https://lgpsboard.org/index.php/welcome>

Hymans on-line training Module 6 - Current Issues						
Topics currently available						
Understanding McCloud	As required		Videos		On line	All Board, Committee and Reserves
Understanding Goodwin	As required		Videos		On line	All Board, Committee and Reserves
Cost Sharing	As required		Videos		On line	All Board, Committee and Reserves
Introduction to Cyber Risk	As required		Videos		On line	All Board, Committee and Reserves
GAD Section 13	As required		Videos		On line	All Board, Committee and Reserves
Climate Change and TCFD (Taskforce for Climate-related Financial Disclosures)	As required		Videos		On line	All Board, Committee and Reserves

Planned Hymans Additions to Module 6

TPR Single Code

Good Governance

Responsible Investment

Mandatory Training

CIPFA Knowledge and Skills Framework

To enable you to meet the CIPFA knowledge and Skills requirements you will need to complete **either** of the two following resources (both Hymans and the organisers of the LGE Fundamentals course have ensured that these training provisions meet the CIPFA knowledge and skills requirements):

Hymans On-line training Facility

We provide an online training programme which is delivered by Hymans. It gives you the flexibility to complete training whenever it is convenient for you. You can access it at any time and complete as much or as little as want; you do not have to complete a whole module at once as your progress will be saved.

The programme is split into 6 modules. The first 5 modules deliver the mandatory CIPFA training. Module 6 is entitled 'Current Issues'. It will deliver training on various hot topics and will be refreshed on an ongoing basis. It will keep you up to date with issues concerning the LGPS as they emerge. **Even if you choose to complete the LGE Fundamentals sessions, the Hymans on-line facility is still a valuable reference tool and we would urge you to make use of it.**

We will be able to check on your progress in completing the modules through regular reports. The data for modules 1 to 5 will be included in periodic reports to Board and Committee and will be added to your training record.

You have been sent login details via email to allow you to access this learning.

LGA Fundamentals Course

The LGA run an annual training course run over 3 days which provides a scheme overview and covers current issues in relation to administration, investment and governance of the LGPS. Attending all three days will allow you to meet the relevant requirements for knowledge, skills and understanding either required in statute or encouraged by relevant guidance. Each day has a different theme and will include sessions delivered by experts in their field.

The dates for this year's sessions and links to the agendas have been emailed to Board and Committee members and reserve members; there is a choice of attending remotely or in person. If you haven't already done so, please email the Governance and Compliance Manager if you would like to attend and we will make the booking for you.

Competency Self – Assessment Matrix

The CIPFA Competency Self-Assessment Matrix is a checklist for you to rate your knowledge against the CIPFA knowledge requirements. It will help you and us to identify where there are gaps in your knowledge so that these can be addressed. We will usually ask you to complete this once a year. Your answers will be used to feed into the training plan so that we can tailor training events to specific areas of need. However, this year an alternative method will be used – [The National Knowledge Assessment](#).

National Knowledge Assessment

In 2020, Hymans designed a National Knowledge assessment following recommendations from the Scheme Advisory Board that LGPS pension committee and board members will need to start evidencing their understanding of and capability in respect of their pension knowledge.

The assessment results from all participating LGPS funds are used to produce a national report containing analysis of the LGPS Pension Committee and Board landscape. Additionally, each Fund receives the following:

- Their own Fund results report
- Individual participant scores
- Benchmarked Fund results against other LGPS funds and tracked against 2020 results
- Benchmarked engagement scores
- Analysis and suggested next steps
- A recommended training plan tailored for your Committee and Board

We will be participating in the 2022 National Knowledge assessment. It takes the form of a set of multiple-choice questions across a range of knowledge areas which takes 15 to 20 minutes for Board and Committee members to complete.

For us to get the maximum benefit from this exercise we need all Board, Committee and Reserve members to participate. You will be sent information on what you need to do in due course.

Induction Training

An induction session for the Committee took place on 7 June 2022. It was delivered by Hymans and gave you some background information about the LGPS and some specific information about the Croydon Fund.

As and when new Committee or Board members join us, individual induction training will be arranged.

Additional Pre-meeting Training

Officers have arranged some topic- specific training sessions before Board and Committee meetings so that members do not need to attend training on additional days. These are current issues affecting the Fund and Committee and Board members should be informed on these areas.

Supplementary Training

We will be offering you additional supplementary training opportunities during the year. These will be either external sessions with outside providers, sessions delivered by the Fund advisers or guest speakers and presentations from the Fund Investment Managers. Details will be provided on the Fund Training Plan and/or via email.

We would urge members to participate in as many of these opportunities as possible as they will further enhance your knowledge and understanding and will keep you up to date with current developments and issues.

General

A feedback form is provided for you to tell us when you have completed any training opportunities (you do not need to complete one for the Hymans on-line resource). This informs us when you have attended an event and allows you to provide comment on how useful you found it. Please ensure you complete a form for every training opportunity you attend and forward it to the Governance and Compliance Manager for recording in the training records (including any events that you attend that have not been facilitated by us). If you do not provide us with the completed forms, we will not always know that you attended a training session and will therefore not be able to record it on the training log.

If you become aware of a training opportunity that we haven't facilitated please make us aware so that we can publicise it to other members.

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Summary of the role of the Committee

The committee is the responsible committee of the London Borough of Croydon in its capacity as scheme manager/ administering authority. The role of the Committee is setting strategy whilst officers will provide advice and ensure the strategy is implemented. The main areas of strategic responsibility are as follows:

To ensure that the Fund is properly operated in accordance with the Local Government Pensions Scheme Regulations (“the Regulations”) all other relevant legislation, statutory guidance and best practice as advised by Department for Levelling Up, Housing and Communities, the Pensions Regulator and the Scheme Advisory Board (as applicable), including financial, governance and administrative matters.

To adopt Fund specific policies concerning the administration of the Fund, investing of Fund monies and the management of the Fund’s solvency level. In addition, the committee is responsible for compliance with all financial and regulatory requirements of the Fund.

To discharge its fiduciary responsibilities in the best interests of the Fund.

To set the investment policy and review the performance of the Fund’s investment managers, pooling arrangements, scheme administration, and external advisors.

To make arrangements for the triennial actuarial valuation.

To determine the Pension Administration Strategy and communications policy and keep them under review.

To approve and monitor compliance of statutory statements and policies required under the Regulations.

To approve the Fund’s Statements of Accounts and annual report;

To ensure that the Council discharges its obligation, as administering authority for the local government pension scheme, to other scheme employers;

To make representations to government as appropriate concerning any proposed changes to the Local Government Pension Scheme.

To ensure the terms of reference are reviewed at least annually

To meet the knowledge and skills requirements of CIPFA knowledge and Skills framework

To attend pension training events

To keep officers advised of training completed

To attend committee meetings

To take advice and oversee actions arising from the Pension Board recommendations

To monitor Breaches and Risks and take any necessary action

To approve the annual business plan

To appoint external Fund advisors and other service providers

To oversee the application of the Internal Disputes Resolution Procedure

To monitor performance across all aspects of the service undertaken by the Fund

To receive and where necessary instruct corrective action, in response to both internal and external auditor reports

To review the investment strategy statement and Funding Strategy Statement

To review the administrative authority mandatory discretions policy

To review the Governance policy and compliance statement

To review the Training policy

To oversee keeping records and ensuring the quality of member data

To ensure the correct contributions are paid to the Fund

To manage conflicts of interest

To publish information

To communicate information to Fund members

Role of The Pension Board

Pension boards are responsible for assisting the scheme manager in securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme; the scheme manager is the administering authority (the pension committee) in the local government scheme. The Board and Committee work together in practice in support of the management of the Fund for the benefit of stakeholders.

The pension board will:

Secure compliance with requirements imposed in relation to the scheme by the Pensions Regulator.

Assist the Scheme Manager to ensure the effective and efficient governance and administration of the scheme.

Secure compliance with legislative requirements.

Advise and make recommendations to the pension committee on all aspects of their areas of responsibility

Attend board meetings

Meet the knowledge and skills requirements of CIPFA knowledge and Skills framework

Attend pension training events

Keep officers advised of training completed

Monitor Breaches and Risks and take any necessary action

Monitor compliance with the Conflicts of Interest policy

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Training Attendance

Name of event:

Date of event:

Name of Board / Committee Member:

Rate effectiveness of training 1 (Poor) to 5 (Excellent):

Feedback / Comments:

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Croydon Council

REPORT TO:	Pension Board 13 October 2022
SUBJECT:	Local Government Pension Scheme Advisory Board / The Pensions Regulator Update
LEAD OFFICER:	Matthew Hallett – Acting Head of Pensions and Treasury

1. **RECOMMENDATION**

- 1.1 The Board are asked to note the contents of this report.

2. **EXECUTIVE SUMMARY**

- 2.1 This report advises the Board of the matters currently being considered by the Local Government Pension Scheme Advisory Board and The Pensions Regulator which are relevant to the Fund. Any implications for the Fund have been noted and are being addressed in consultation with Fund advisors.

3 **DETAIL**

3.1. **Local Government Pension Scheme Advisory Board (SAB)**

Taskforce on Climate-related Financial Disclosures (TCFD)

On 1 September 2022 The Department for Levelling Up, Housing and Communities (DLUHC) [launched its consultation](#) regarding governance and reporting of climate change risks. The consultation seeks views on proposals to require Local Government Pension Scheme administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). The consultation closes at 11:45pm on 24th November 2022.

Audit issues within the Local Government Pension Scheme (LGPS)

On 3 August 2022 the Board Chair, Cllr Phillips, [has written to the Minister](#) outlining issues facing funds as a result of audit issues relating to the main local authority accounts. The letter proposes separating pension fund accounts from main local authority accounts as a potential solution to the problem and asks the Minister to task officials to work with the Board and its committees to consider the benefits and risks of such an approach.

PB 13102022

Age discrimination in LGPS benefits

On 26 August 2022 the Board Chair, Cllr Phillips, has written to the Minister recommending reform of the LGPS rules on death grants and survivor benefits. This is to address recent challenges that the current rules are discriminatory and also to investigate “future proofing” Scheme benefits against potential future legal challenge

Queen’s Speech

On 11 May 2022, the Queen’s Speech included a Procurement Bill which will cover the procurement, purchasing and investment decisions of public bodies and a Boycotts, Divestment and Sanctions Bill.

Special Severance Payment Guidance

On 12 May 2022 DLUHC published statutory guidance on the making and disclosure of special severance payments by local authorities in England. The guidance sets out the criteria employers should consider in the circumstances in which it may be appropriate to make a special severance payment. It also the clarifies the disclosure and reporting requirements.

[Statutory guidance on the making and disclosure of Special Severance Payments by local authorities in England - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/111111/Statutory-guidance-on-the-making-and-disclosure-of-Special-Severance-Payments-by-local-authorities-in-England-2022.pdf)

Academy Trust and Local Government Pension Update

On 21 July 2022 the Department for Education (DfE) made a statement confirming an extension of the guarantee that the closure of an academy trust will not lead to any outstanding LGPS liabilities reverting to the fund. This guarantee was first made in 2013 and now includes a new increased annual ceiling of £20m. The Guarantee provides academy trusts with direct Government backing for certain pension costs. The DfE has asked administering authorities to ensure that this is reflected in this year’s scheme valuation, both in the setting of employer contribution rates and the length of deficit recovery periods.

LGPS Investments in Russia

On 4 March 2022 SAB advised that they had drafted a relevant note available on the [Boycotts, Divestment and Sanctions page](#) of their website.

https://www.lgpsboard.org/images/PDF/BDS/Investments_in_Russia_4_March_2022.pdf

On 28 February 2022 SAB advised that in the light of events in Ukraine and resultant extant and potential sanctions by the UK Government any LGPS funds which are not already doing so should consider the implications for their investment portfolios and discuss with their pools and asset managers what action should prudently be taken.

McCloud response

On 2 August 2022 the DLUHC provided an update on its work to rectify “McCloud” age discrimination. This has already been shared with LGPS administering authorities in England and Wales and software suppliers. Full details are available in the [July LGPC bulletin](#).

On 17 March 2022 the Queen gave Royal Assent to the Public Service Pensions and Judicial Offices Bill and it became the Public Service Pensions and Judicial Offices Act 2022.

Levelling Up White Paper

On 27 April 2022 the Board Chair wrote to the Minister in response to the White Paper.

[https://lgpsboard.org/images/Other/Letter to Kemi Badenoch Levelling Up 270422.pdf](https://lgpsboard.org/images/Other/Letter%20to%20Kemi%20Badenoch%20Levelling%20Up%20270422.pdf)

On 2 February 2022 the Government published the [Levelling Up White Paper](#) which includes references to LGPS funds having plans for up to 5% of assets to be allocated to projects which support local areas. SAB understands that in this context local refers to UK rather than local to a particular fund and that there will be no mandation beyond the requirement to have a plan. Further details are expected to emerge over the period up to an expected summer consultation which SAB understands will also include the outstanding climate risk and reporting regulations and the pooling guidance.

The White Paper also notes that the UK Infrastructure Bank is committed to expanding institutional investment in UK infrastructure, including exploring opportunities with the LGPS

[Levelling Up the United Kingdom - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/levelling-up-the-united-kingdom)

Pensions Dashboards

On 31 January 2022, the DWP launched a consultation on the draft Pensions Dashboards Regulations. The consultation closed on 13 March 2022.

<https://www.gov.uk/government/consultations/pensions-dashboards-consultation-on-the-draft-pensions-dashboards-regulations-2022>

Public Service Pensions and Judicial Offices Act 2022

On 17 March 2022 the Queen gave Royal Assent to the Bill and it became the Public Service Pensions and Judicial Offices Act 2022.

On 22 February 2022 an amendment to the Bill relating to investment in line with UK foreign and defence policy was passed at the report stage.

3.2 The Pensions Regulator (TPR)

TPR has a wider remit than the SAB and most of its publications / press releases concern private sector schemes. However, in recent months it has published the following matter of interest to the LGPS:

[Guidance on tendering for fiduciary managers and setting objectives for investment consultants](#)

On 4 August TPR took over the regulation of trustee duties from the Competition and Markets Authority. TPR has revised its guidance on the tender process for fiduciary management services and trustees setting objectives for their investment consultants.

Since December 2019, trustees have been legally required to run a competitive tender process when appointing fiduciary managers in relation to 20% or more of scheme assets. They have also been prohibited from receiving investment consultancy services without having set strategic objectives for their investment consultancy provider.

<https://www.thepensionsregulator.gov.uk/en/document-library/scheme-management-detailed-guidance/funding-and-investment-detailed-guidance/tender-and-set-objectives-for-investment-service-providers/tender-for-fiduciary-management-services>

<https://www.thepensionsregulator.gov.uk/en/document-library/scheme-management-detailed-guidance/funding-and-investment-detailed-guidance/tender-and-set-objectives-for-investment-service-providers/set-objectives-for-your-investment-consultant>

4. DATA PROTECTION IMPLICATIONS

4.1 Will the subject of the report involve the processing of 'personal data'?

No.

Has a data protection impact assessment (DPIA) been completed?

No. This report relates to matters relating to the administration of the LGPS and the Croydon Pension Fund.

Approved by: Matthew Hallett on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

CONTACT OFFICER:

Matthew Hallett – Acting Head of Pensions and Treasury.

BACKGROUND DOCUMENTS:

None.

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Croydon Council

REPORT TO:	Pension Board 13 October 2022
SUBJECT:	Pension Board Annual Report 2021/22
LEAD OFFICER:	Matthew Hallett, Acting Head of Pensions and Treasury

1. RECOMMENDATION

- 1.1 The Board are invited to note the draft Pension Board Annual Report 2021/22 prepared by the Chair of the Board and comment as they see fit.

2. EXECUTIVE SUMMARY

- 2.1 This report asks the Board to note the draft Pension Board Annual Report 2021/22 (Appendix A) and comment as they see fit.

3. DETAIL

- 3.1 This report highlights the Pension Board Annual Report 2021/22 drafted by the Chair of the Board (Appendix A). The Report sets out the work of the Board over the past year and our plans for the future. The final version of the Report will be published on the Fund's website.
- 3.2 The Board are invited to note this report and comment as they see fit.

CONTACT OFFICER:

Matthew Hallett, Acting Head of Pensions and Treasury,

BACKGROUND DOCUMENTS:

None

APPENDIX:

A Draft Pension Board Annual Report 2021/22

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APPENDIX A

LONDON BOROUGH OF CROYDON PENSION FUND

Pension Board Annual Report 2021/22

Introduction

Local Pension Boards were established under the 2013 Pensions Act. Each Local Government Pension Scheme Administering Authority is required to establish a Board to assist with the effective and efficient governance and administration of the Local Government Pension Scheme. The Croydon Board is tasked with assisting the Pension Committee in ensuring compliance with legislative requirements and those of The Pensions Regulator. The Board has an oversight role, with the decision-making body remaining the Committee.

The Board is an important part of the governance structure of the Fund. Board members take their responsibilities seriously and have particularly highlighted their wish to be seen to be properly fulfilling their role in the eyes of The Pensions Regulator.

I would like to express my thanks to all members of the Board for their continued diligence.

Membership

The Board consists of 6 voting members, comprising 3 member representatives and 3 employer representatives, plus an independent Chair, making 7 members in all. During 2021/22 there was an “Employer Representative” vacancy with the other posts held by:

Chair

Michael Ellsmore

Employer Representatives

Richard Elliott

Councillor Humayun Kabir

Member Representatives

Teresa Fritz

Ava Payne (Union representative)

David Whickman (Union representative)

The Board is supported by the Corporate Director of Resources (s151 Officer) the Head of Pensions and Treasury and the Investment, Governance and Administration teams.

Activity during 2021/22

Whilst we were able to hold four meetings, some of the challenges of the previous year continued with no meetings held until 21 July 2021 and all of them conducted remotely. Whilst it was disappointing that the vacant employer representative position remained unfilled and the Council representative was rarely able to attend the meetings there were at least four members present at each of the meetings. Councillor Pelling, Chair of the Pension Committee, continued his support for the work of the Board by attending and contributing to most of the meetings as a guest.

At three of our meetings we received a report on the performance of the Administration Team and sought to be satisfied that the service was being delivered to a high standard. We were happy to acknowledge difficulties arising from the pandemic which were exacerbated by the large number of queries from staff as to the consequences of the Council's financial difficulties.

Nevertheless, we were pleased to see that performance in relation to the key "retirements" and "deaths" indicators and the issue of Annual Benefits Statements remained at a very high level. The Board expressed concern over shortcomings in the promotion of the self-service functions and were assured that they would be further promoted when functionality improvements had been made. The Board also considered a report detailing the results of the quality assessment of common and scheme-specific data undertaken during the year. Whilst some concerns were acknowledged officers were confident that pension payments were accurate.

At various times over the previous three years the Board and its members had raised concerns over the Council's and Committee's decision to transfer property from Croydon Affordable Homes and Croydon Affordable Tenures to the Pension Fund. At our meeting on 21 July 2021, we received a report and agreed to recommend to the Committee that they rescind this decision. We were pleased to note that this process was completed by the Council at its meeting on 7 March 2022.

At most of our meetings the Board received a report on the Fund's breaches of the law. We understand that The Pensions Regulator expects us to play a key oversight role but are also keen to emphasise the importance of the role of the Pension Committee as the key decision maker. At our meeting in October, in this context we expressed concern over:

- The failure to publish audited accounts for either of the years since 2018-19 due to wider problems at Croydon Council. – officers were requested to ask the auditors whether it was possible to publish the Fund accounts independently of the Council;
- The criteria for reporting breaches of the law to The Pensions Regulator; and
- The failure to produce minutes of the Board in a timely manner;

We resolved that I should seek to write a joint letter with the Chair of the Committee to The Pensions Regulator which outlined the administration breaches and the steps being taken to resolve them.

We allocated the whole of our meeting in November to review the progress made in implementing the action plan arising from the Aon Governance Review of the Fund. We were generally satisfied as to progress though we raised the following:

- That a shortage of staff resources remained an issue and officers were asked to consider more innovative solutions including employing staff from out of the area who would work remotely;
- Whether a Code of Conduct for Members and a new Officer Protocol was required;
- Whether it would be possible to include a 4-year term for councillors on the Committee to reduce turnover and ensure greater continuity;
- Whether the Committee met on a sufficient number of occasions;
- Whether it would be possible to receive copies of London CIV reports;
- That the Committee consider creating a Head of Pension Fund post which would focus on the Fund with no other Council responsibilities;
- That an employer representative for the Council be invited to join the Committee;
- That in areas where the Council provided administrative services, service level agreements be drawn up;
- That bespoke procurement and recruitment policies for the Fund be created;
- That it be mandatory for the Annual Report and Accounts to be presented to the Committee before the General Purposes Committee; and
- That a small allowance be paid to those members of the Board who were not part of the Council.

The Board will be looking for early progress on many of these items.

Other significant items considered formally by the Board during the year included:

- Risk Register – Board members were particularly interested in cyber security and asked for a training session to be held;
- *Governance Consulting contract*;
- Report by Government Actuary's Department;
- Fund Medium Term Business Plan and Board Forward Plan;
- Progress on investment "pooling" arrangements;
- Updates from the Local Government Pension Scheme Advisory Board and The Pensions Regulator;
- Reporting and monitoring contributions by employers to the Fund;
- Environmental, Social and Governance Policy.
- Training Plan - Officers have procured an online training application which members can access at their convenience to supplement other training opportunities.

Looking Ahead

Firstly, we are looking forward to less disruption to the Board's work than occurred last year and, in particular, to holding face-to-face meetings again.

Training and keeping our knowledge and skills up-to-date will remain important to us and we shall be looking to take advantage of opportunities that become available. We have specifically asked for a more structured training plan and, specifically, for training on cyber security to take place as early as possible.

Following on from the work done in the last three years the Board will continue to take a keen interest in the implementation of the Action Plan arising from the Aon Governance Report and will receive regular updates. We shall also be paying attention to the progress of the Local Government Pension Scheme Advisory Board's final report on "Good Governance in the LGPS" and the action plan submitted to the Secretary of State.

Pensions administration will continue to attract attention from The Pensions Regulator and the Board will be taking a particular interest in the administration of the Fund and the service provided to both employers and members. In particular we look forward to the clearance of outstanding issues currently being carried out by the Fund's external provider. We also expect to review the Fund's Administration Strategy and the Governance and Best Practice Statement and to see a report on procurement and recruitment.

The implications of the "McCloud" case for the LGPS are still being reviewed and we are keen to be involved in considering its effect on the Fund.

Until we see the audited Fund Accounts for the last three years we shall remain concerned and stand by our suggestion that they be produced independently of those of the Council. Coincidentally, we understand that the Scheme Advisory Board Chair has written to the Minister about problems facing funds as a result of audit issues relating to the main local authority accounts. The letter proposes separating pension fund accounts from main local authority accounts as a potential solution to the problem.

Finally, whilst the Board is expecting 2022/23 to be another busy year for the Fund it may also see developments to the Scheme at a national level. Foremost amongst them could be proposals requiring LGPS funds to assess, manage and report on climate-related risks. We shall look at the implications of all the relevant legislation and reports and guidance issued by the Scheme Advisory Board and The Pensions Regulator.

Michael Ellsmore
Chair
October 2022

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REPORT TO:	Pension Board 13 October 2022
SUBJECT:	Proposed changes to the Constitution
LEAD OFFICER:	Matthew Hallett, Acting Head of Pensions and Treasury

1.	RECOMMENDATION
1.1	The Board is asked to note and comment on the proposed amended sections of the Constitution as they relate to The Pension Committee and Pension Board which are being considered at the Pension Committee meeting on 11 October 2022 for recommendation to the Monitoring Officer.

2. EXECUTIVE SUMMARY

- 2.1 The Pension Committee and Pension Board operate within the parameters defined within the Constitution. The Constitution should be reviewed annually and updated as appropriate. This report asks the Board to note and comment on the proposed amended sections of the Constitution as they relate to The Pension Committee and Pension Board which are being considered at the Pension Committee meeting on 11 October 2022 for recommendation to the Monitoring Officer.

3. DETAIL

- 3.1 The Constitution sets out the scope and terms of reference within which the Committee and Board must operate. It is made up of various sections and these must be kept under review and updated as appropriate.
- 3.2 The governance review carried out by Aon made various recommendations concerning the constitution. In particular, they recommended that part 3 be updated to ensure the responsibilities of the Board were accurately reflected, to review the voting rights of members of the Committee and Board, to add an employer representative to the membership of the Committee, to include the London CIV structure and to provide an annual allowance to certain members of the Pension Board in recognition of the time and knowledge and skills requirements of their roles.
- 3.3 The amendments need to be made across several sections of the Constitution. These are detailed below and are shown in red on the appendices for ease of reference:
- Part 3 – Responsibility for Functions (attached as Appendix A) – 2.9 the role of the Pension Board has been added and 2.10 under the Pension Committee an Employer voting member has been added to make the representation more reflective of the Fund .

- Part 4 F – Non-Executive Committee Procedure Rules (attached as Appendix B) – 1.1 the pension board and its status has been added
- Part 4 M - Pension Board Terms of Reference (attached as Appendix C) – References to ‘LPB’ have been replaced with ‘Pension Board’, under definitions the commentary on Fund, ,Scheme, Pension Board, Pensions Regulator, Scheme Manager and Scheme Regulations have been amended and Internal Disputes Resolution Procedure has been removed; legal advice was that it was not relevant to this document, 3.1 has an update to the regulations added,4. The status of the Board has been added, 10 the commentary on the conflicts of interest has been amended, 12 has some additions to Advisors shown as more than one,13.5 the commentary on the knowledge and skills policy has been amended, 20.2 reimbursement of employer has been removed, 21 an annual allowance for Board members has been added, 23 has been removed; legal advice was that it was not relevant to this document
- Part 4 N – Pension Committee Terms of Reference (attached as Appendix D) – 1.1 amended wording regarding administering authority, 2.1 addition of 2013 to regulations quoted, 2.3g removed on legal advice; the responsibility for this rests with the Scheme Advisory Board, 4.1c staff side has been added, 4.1 d voting employer representative has been added to make the representation more reflective of the Fund, 4.3 the structure of the London CIV has been added
- Part 5 I – Members’ Code of Conduct (attached as Appendix E) Definitions – the status of the Board has been added, ‘or Board member’ has been added throughout the document
- Part 6 D – Scheme of Co-option (attached as Appendix F) – 8.1 and 8.2 have been amended to include a voting employer representative.

3.5 The Board is asked to note and comment on the proposed amended sections of the Constitution as they relate to The Pension Committee and Pension Board which are being considered at the Pension Committee meeting on 11 October 2022 for recommendation to the Monitoring Officer.

4. CONSULTATION

4.1 Officers have previously consulted with both the Pension Committee and Local Pension Board on the Aon recommendations

5. DATA PROTECTION IMPLICATIONS

5.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

NO

Approved by: Matthew Hallett on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

CONTACT OFFICER:

Matthew Hallett, Acting Head of Pensions and Treasury

BACKGROUND DOCUMENTS:

None

APPENDICES:

Appendix A : Part 3 – Responsibility for Functions

Appendix B: Part 4 F – Non-Executive Committee Procedure Rules

Appendix C: Part 4 M - Pension Board Terms of Reference

Appendix D: Part 4 N – Pension Committee Terms of Reference

Appendix E: Part 5 I – Members' Code of Conduct

Appendix F: Part 6 D – Scheme of Co-option

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CONSTITUTION OF THE LONDON BOROUGH OF CROYDON

PART 3 - RESPONSIBILITY FOR FUNCTIONS

Local Authority Functions are split between Executive Functions which are the responsibility of the Mayor and Executive and then Non-Executive Functions which are the responsibility of Council and its Committees. These functions derive from specific legislation and cannot be the responsibility of the Executive. The Council is required to set out where there are delegations of Council functions to Committees and officers.

This part of the Constitution sets out which parts of the Council are responsible for carrying out particular functions. Functions fall into three categories:

- i) Council functions (sometimes referred to as non-executive functions). These functions may be exercised by the Council itself or by a Committee, Sub-Committee or officer. Where a matter is delegated to a Committee or Sub-Committee, it will be set out in the Terms of Reference for that Committee/Sub-Committee in section 2 below.
- ii) Executive functions. The Mayor may decide to arrange for these functions to be delegated to the Executive (Mayor and Cabinet), a Committee of the Executive, a single Executive (Lead) Member or an officer.
- iii) Local choice functions. These are functions which the Council can choose to discharge either through a Committee/Sub-Committee or the Executive. They may also be delegated to officers. Where the Council discharges local choice functions these must comply with all relevant local acts connected to the London Borough of Croydon.

1 RESPONSIBILITY FOR LOCAL CHOICE FUNCTIONS

The Council has determined that all local choice functions (set out in the table below) contained in Schedules 2 of The Local Authorities (Functions and Responsibilities) Regulations (to be known as the Functions Regulations) except approval of non- executive contracts, are to be Executive functions.

Function
The determination of any appeals against any decision of the Council
The appointment of review boards under regulations made under Section 34(4) Social Security Act 1998 (determination of claims and reviews)
Making arrangements for appeals against exclusions of pupils from maintained schools

Making arrangements for admissions appeals under Section 94(1) (1A) and (4) School Standards and Framework Act 1998
Making arrangements for appeals by governing bodies under Section 95(2) School Standards and Framework Act 1998 in respect of children who have been excluded from 2 or more schools
Functions relating to contaminated land
Functions relating to the control of pollution or the management of air quality
The service of an abatement notice in respect of a statutory nuisance (Section 80 Environmental Protection Act 1990)
The passing of a resolution that Schedule 2 to the Noise and Statutory Nuisance Act 1993 should apply in the area
The inspection of the area to detect any statutory nuisance (Section 79 Environmental Protection Act 1990)
Investigation of complaints relating to existence of statutory nuisance
Obtaining information under Section 330 Town and Country Planning Act 1990 as to interests in land
Obtaining particulars of persons interested in land under Section 16 Local Government (Miscellaneous Provisions) Act 1976
Making agreements for the execution of highways works

Appointments to any office (save employment with the Council) and to any body (or committee or sub committee of such a body) save the Council itself or a joint committee of two or more authorities and the revocation of any such appointment provided that the body etc is exercising executive functions.

For example, it will be the responsibility of the Executive to make the following appointments:-

Local Government Association;

One Croydon Alliance

The Place Committee (sub-committee of South West London Integrated Care Board)

and any other bodies, which in the opinion of the Monitoring Officer, are of a similar nature.

The making of all other appointments will be a non-executive responsibility.

The making of agreements with other local authorities for the placing of staff at the disposal of those other authorities

2 RESPONSIBILITY FOR COUNCIL FUNCTIONS

The Council has delegated the responsibilities and functions to the Committees and Sub-Committees named below. These Committees may consider and decide any matter of relevant non-executive business referred to the Committee by a Sub-Committee, the Chief Executive or a Corporate Director.

All Committees have power to create such Sub-Committees as are necessary for the efficient conduct of their business.

2.1 Appointments and Disciplinary Committee (Membership 6.)

1. To carry out interviews and recommend to Council appointments to the roles of Corporate Directors and the Chief Executive (Head of Paid Service) and to such other senior posts in accordance with the Staff Employment Procedure Rules in Part 4 of this Constitution
2. To carry out interviews and recommend to Council appointments in respect of the Independent Chair of Audit and Governance Committee
3. The function in respect of voting on salary packages upon appointment

4. Consideration of disciplinary action, as defined within the Staff Employment Procedure Rules in Part 4 of the Constitution, which could result in dismissal and any action short of dismissal of the Head of Paid Service, the Chief Finance Officer or the Monitoring Officer. For this purpose, the Appointments and Disciplinary Committee shall include at least one Member of the Executive when consideration is being given to dismissal of the Head of Paid Service, the Chief Finance Officer or the Monitoring Officer. The Appointments and Disciplinary Committee shall consider the matter in accordance with the processes and procedures approved by Ethics Committee for this purpose from time to time. Where Appointments and Disciplinary Committee recommends dismissal it shall make a report and recommendations to full Council for consideration and final determination. Any such report shall specifically include the Committee's recommendations on appropriate action and the views of the Independent Panel.
5. Consideration of Suspension of the Head of Paid Service, Chief Finance Officer or Monitoring Officer, including following provisional suspension in accordance with the Staff Employment Procedure Rules in Part 4 of the Constitution;

2.2 Appeals Committee

(Membership 5: Members who shall not be members of Appointments and Disciplinary Committee but must include at least one member of the Executive).

Purpose

1. To hear appeals against any action short of dismissal taken by the Appointments and Disciplinary Committee against the Head of Paid Service, Monitoring Officer or Chief Finance Officer.

2.3 Audit and Governance Committee

(Membership 7 including independent, suitably qualified Chair who may not be a Member or officer of the Council and one independent, suitably qualified co-optee)

Purpose

The Audit and Governance Committee provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. The Committee's purpose is to:

1. provide independent assurance to the Council of the adequacy of the risk management framework and the internal control environment;
2. oversee internal and external audit, helping to ensure that efficient and effective assurance arrangements are in place;

3. provide independent review of the Council's governance, risk management and control frameworks
4. oversee the financial reporting and annual governance processes and
5. provide independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment.

Governance, risk and control

1. To monitor the effective development and operation of the Council's risk management arrangements, the control environment and associated antifraud, whistleblowing and anti-corruption, strategies, actions and resources. To consider a quarterly report on whistleblowing activity in the Council.
2. To monitor progress in addressing risk-related issues reported to the committee. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
3. To consider the Council's framework of assurance, including the Statement on Internal Control, and ensure that it adequately addresses the risks and priorities of the Council. To review the Council's corporate governance arrangements against the good governance framework and consider the local code of governance. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances.
4. To review the governance and assurance arrangements for significant partnerships or collaborations. To ensure appropriate arrangements are in place in relation to any subsidiary bodies controlled by the Council.
5. To consider the effectiveness of the Council's policies, standards and processes for transparency, ensuring that they meet Government requirements and take into account best practice.
6. To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
7. To approve the internal audit charter.

Internal audit

8. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations. To consider any impairments to independence or objectivity arising from additional roles or

responsibilities outside of internal auditing of the head of internal audit. To periodically review safeguards to limit such impairments.

9. To review (but not direct) internal audit's risk-based strategy, plan and resource requirements, the approach to using other sources of assurance and any work required to place reliance on those other sources. To approve significant interim changes to the risk-based internal audit plan and resource requirements.
10. To review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary. To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
11. To receive the annual report of the Head of Internal Audit and make recommendations as appropriate to management, Cabinet and/or Full Council. To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services and make recommendations as appropriate to management, Cabinet and/or Full Council.
12. To advise and recommend on effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
13. To contribute to the Quality Assurance Improvement Programme and in particular to the external quality assessment of internal audit.
14. To provide free and unfettered access to the Committee Chair for the head of internal audit, including the opportunity for a private meeting with the Committee.

External audit

15. To consider the external auditor's annual assessment of its independence and review any issues raised by Public Sector Audit Appointments Ltd.
16. To make recommendations to Council relating to the appointment of the external auditor.
17. To consider the reports of external audit and inspection agencies and make recommendations as appropriate to management, Cabinet and/or Full Council. To review the external auditor's opinion and reports to Members,

and monitor management action in response to the issues raised by external audit.

18. To comment on the scope and depth of external audit work and ensure it gives value for money.

Financial reporting

19. To review the annual statement of accounts and specifically to consider whether appropriate accounting policies and the CIPFA Financial Management Code have been followed, and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

Accountability and escalation

20. To report to the full Council on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of the Council's governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
21. To make an annual report to the full Council on the Committee's performance in relation to its terms of reference and the effectiveness of the Committee in meeting its purpose.

2.4 Ethics Committee (Membership 6 + 2 Independent non-voting co-optees)

1. Supporting the statutory role of the Monitoring Officer as set out in Article 12 of the Constitution, including the promotion of high standards of Member conduct.
 1. Receiving reports from the Monitoring Officer on matters of probity and ethics, and to consider and recommend any necessary revisions of the Members' Code of Conduct (the Code) to the Council.
 2. Reviewing the operation of the Code and recommending revisions for the consideration of full Council as necessary.
 3. Monitoring compliance with the Code and granting any dispensations church and parent governor representatives from requirements relating to interests set out in the Code.
 4. Commenting on the content of guidance and advice to be issued to elected and non-elected Members.
 5. Considering reports and recommendations from the Member Development Panel in relation to training for elected and co-opted Members.

6. Agreeing programmes of advice and training for elected, co-opted and non-elected Members on ethics and probity, and on the Code.
7. To consider applications for a grant of dispensation in the following circumstances:
 - a) That, without the dispensation, the representation of different political groups on the body transacting the business would be so upset as to alter the outcome of any vote on the matter.
 - b) That the authority considers that the dispensation is in the interests of persons living in the authority's area.
 - c) That the authority considers that it is otherwise appropriate to grant a dispensation.
 - d) If referred to them for consideration by the Monitoring Officer, to advise on or express a view on whether a dispensation would be appropriate in either of the following circumstances:
 - i. That so many Members of the decision-making body have disclosable pecuniary interests (DPIs), Other Registrable Interests (ORIs) or NonRegistrable Interests (NRIs) in a matter that it would impede the transaction of the business; or
 - ii. That, without a dispensation, no Member of the Cabinet would be able to participate on this matter.
8. To agree the processes and procedures for the Appointments and Disciplinary Committee for the consideration of disciplinary action and suspension pursuant to Part 4J of the Constitution.
9. To make future invitations for appointment of Independent Persons in accordance with and for the purposes of the Staff Procedure Rules.
10. To undertake the role of Hearings Panel in respect of a complaint that a Member or co-opted Member has failed to comply with the Code of Conduct upon the matter being referred to the Committee by the Monitoring Officer in accordance with the arrangements adopted by the Council under the Localism Act 2011.

2.5 General Purposes Committee (Membership 8)

1. Periodic review of the Scheme of Members' Allowances and approval of arrangements in respect of the scheme to reimburse costs incurred for childcare/dependent relative care, travel and subsistence whilst a Member is on Council business.
2. Appointments to outside bodies, subsequent to the Annual Council Meeting. [Note: The Monitoring Officer, after consultation with the Chair of the General Purposes Committee or (in respect of Executive appointments) the Mayor, may also make appointments to outside bodies as necessary during the year.]

- 3 Consideration of changes to the Constitution recommended by the Constitution Working Group, except for the allocation of responsibilities by the Mayor, and referral of any proposals to full Council for approval. Periodic review of the Constitution.
- 4 The Authority's Consultation requirements with the staff side.
- 5 Consideration and recommendation to Full Council of the Pay Policy Statement as required.
- 6 The function in respect of voting on severance packages of staff above such specified threshold as may, from time to time, be updated by statutory guidance.
- 7 The function of deciding, in respect of severance packages, whether the Council wishes to vote on a severance package above the specified threshold.
- 8 Any matter not reserved to the Council or delegated to another Committee which pertains to a staffing matter and is referred to the Committee by the Head of Paid Service for consideration.
9. Receive reports relating to the Council's use of powers under the Regulation of Investigatory Powers Act 2000.
10. Any matter not reserved to the Council or delegated to another Committee and related to a non-executive function.
11. Any matter reserved to the Council and a non-executive function, or a matter reserved to a non-executive committee or sub-committee of the Council which requires, in the Committee's view or on the recommendation of the Mayor, the Chief Executive or a Corporate Director, action as a matter of urgency.
12. Any protocol concerning the exercise of relevant delegated powers of the Committee.

General Purposes Urgency Sub-Committee

(Membership of 3 drawn from the Membership of the General Purposes Committee and constituted as and when necessary, by the Monitoring Officer)

All of the responsibilities and functions of the General Purposes Committee where in the opinion of the Monitoring Officer it is necessary for a decision to be taken before the next meeting of the Committee.

2.6 Health and Wellbeing Board (Membership: 5 Majority Group Members (voting) such members to include the Cabinet Member for Families Health and Social Care and the Cabinet Member for Children, Young People and Learning , 2 Minority Group Members (voting), Corporate Director Adult Social Care & Health (non-voting), Director of Public Health (non-voting), CCG Representative (voting), Croydon

May 2022 Responsibilities for Functions

Updated 05.22 †

University Hospital Chair (non-voting), Healthwatch Representative (voting), SLAM representative (non-voting), Croydon Voluntary Action representative (non-voting). The terms of Reference of the Health and Wellbeing Board are set out in Part 4L

2.7 Licensing Committee (Membership 12. A further 10 Members shall form a pool of reserve Members for the Committee).

1. All licensing, registration and related functions as set out in Schedule 1 of the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 as amended and the Licensing Act 2003 (Note: Applications and other matters under the Licensing Act 2003 shall be determined in accordance with the schedule of delegations at Annex 3 to the Protocol on Licensing Hearings. Responsibility for hearing and determining applications where a hearing is required under the provisions of the Licensing Act 2003 shall be delegated to the Licensing Sub- Committee).
2. Matters relating to the adoption or review of the Authority's Licensing Statement prior to final consideration by the Council as part of the policy framework.
3. Subject to any matters reserved to the full Council by statute, to exercise all functions of the Council as Licensing Authority under the Gambling Act 2005 including the power to set fees under s212 of the Act. (Note: Responsibility for hearing and determining applications where a hearing is required under the Gambling Act 2005 shall be delegated to the Licensing Sub-Committee).
4. To comment on the three-year Statement of Principles in respect of the Authority's functions under the Gambling Act 2005 prior to its adoption by the full Council; and to make recommendations to the full Council on all Licensing functions under both the Gambling Act 2005 and the Licensing Act 2003 where those functions are reserved to full Council.
5. Health and Safety functions under the relevant statutory provision within the meaning of Part 1 of the Health and Safety at Work etc. Act 1974, to the extent that those functions are discharged otherwise than in the Council's capacity as employer.
6. Registration of births, deaths and marriages.
7. To agree any protocol concerning the exercise of relevant delegated powers.

Licensing Sub-Committee (Membership 3, drawn from the Membership of the Licensing Committee and constituted as and when necessary by the Monitoring Officer)

Hearing and determining applications when a hearing is required under the provisions of the Licensing Act 2003 and the Gambling Act 2005. Hearings will be

conducted in accordance with the requirements of the relevant Act, Regulations issued under the Act, and the Council's agreed Protocol for Licensing Hearings.

2.8 Civic Mayoralty and Honorary Freedom Selection Committee (Membership 5)

To make recommendations directly to the Council on the selection of:

- a) The Civic Mayor;
- b) Persons that should be admitted to the Roll of Honorary Aldermen and Alderwomen;
- c) Persons or organisations that should be granted Freedom of the Borough; and
- d) Honorary Recorder.

2.9 Pension Board (Membership 1 Independent non-voting Chair, 3 Employer representatives (one to be a Councillor) and 3 Employee representatives)

The Pension Board, with an independent non-voting Chair, is formed of three employer representatives and three representatives of the Pension Fund.

The Board secures the effective and efficient governance and administration of the Croydon Council Pension Fund. Terms of reference are set out in Part 4M. Functions of the Pension Board are as follows:

The role of the Pension Board, as defined by section 5(1) and (2) of the Public Services Pensions Act 2013 supplemented by regulations 106-108 of the Local Government Pension Scheme Regulations 2013, is to –

- a. Assist the Administering Authority (Croydon Council) in its role as a Scheme Manager of the Scheme;-
- b. To secure compliance with the Scheme Regulations and any other legislation relating to the governance and administration of the LGPS;
- c. To secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator;
- d. In such other matters as the LGPS regulations may specify;
- e. Secure effective and efficient governance and administration of the LGPS for the Fund;
- f. Provide the Scheme Manager with such information as is required to ensure any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.

2.10 Pension Committee (Membership 8, plus 1 Staff Side voting co-opted member **nominated by the unions**, **1 Employer voting member** and 2 Pensioner Side Members (1 voting member and one non- voting member). **This is representative of Fund stakeholders**. Staff side and **Employer side** members are appointed on an annual basis. Pensioners' side members are appointed in keeping with the outcome of an election by ballot of Pensioners of the Fund, normally for a term of four years. Terms of Reference are set out at Part 4N. Functions of the Pensions Committee are:

- 2.10.1 To ensure that the Fund is properly operated in accordance with the Local Government Pensions Scheme Regulations 2013 ("the Regulations") all other relevant legislation and best practice as advised by the Pensions Regulator, including financial, governance and administrative matters.
- 2.10.2 To adopt Fund specific policies concerning the administration of the Fund, investing of Fund monies and the management of the Fund's solvency level. In addition, the Committee is responsible for compliance with all financial and regulatory requirements of the Fund.
- 2.10.3 To discharge its fiduciary responsibility in the best interest of the Fund, in particular:
 - a) To set the investment policy and review the performance of the Fund's investment managers, pooling operators, scheme administration, and external advisors;
 - b) To make arrangements for the triennial actuarial valuation;
 - c) To determine the Pension Administration Strategy;
 - d) To approve and monitor compliance of statutory statements and policies required under the Regulations;
 - e) To approve the Fund's Statements of Accounts and annual report;
 - f) To ensure that the Council discharges its obligation, as administering authority for the local government pension scheme, to other scheme employers;
 - g) To make representations to government as appropriate concerning any proposed changes to the Local Government Pension Scheme; and
 - h) To keep these terms of reference under review.

2.11 Planning Committee (Membership: 10. A further 10 councillors shall form a pool of reserve members for the committee.)

1. To determine applications for planning permission, where the recommendation is for approval by the Director of Planning & Sustainable Regeneration, and the development is for:
 - a) a residential development containing 200 or more new dwellings or, where the number of dwellings is not given, the site area is 4 hectares or more; or

- b) the erection of a building or buildings with a gross floor space of 10,000 square metres or more or, where the floorspace is not given, the site area is 2 hectares or more.
2. To determine applications for planning permission where the recommendation is for approval and the application exceeds the Sub Committee thresholds (see 2.10 below) and the development is for:
- a) a residential development containing less than 200 new dwellings or, where the number of dwellings is not given, the site area is less than 4 hectares; or
 - b) the erection of a building or buildings with a gross floor space of less than 10,000 square metres or, where the floor space is not given, the site area is 2 hectares or more:

where the Committee Consideration Criteria (part 4K of this Constitution) are met.

3. The confirmation of Directions under Article 4 of the Town and Country Planning (General Permitted Development) Order 2015 – as amended.
4. Any other application or planning matter referred to the Planning Committee by the Director of Planning & Sustainable Regeneration acting in his or her discretion.
5. Planning Committee will only deal with reserved matters pursuant to outline planning permission where the Planning Committee have expressly requested (when determining applications for outline planning permission) that the subsequent reserved matters should be referred to Planning Committee for determination. This request should be included in the minutes and specified by way of an informative attached to the outline planning permission.
6. Applications for minor material amendments, variations of planning conditions and non-material amendments submitted under S.73 and S.96A of the Town and Country Planning Act 1990 will be determined by officers under delegated authority in all instances unless they fall within the remit of Planning Sub Committee (see 2.10 below).
7. Where the Planning Committee determines an item on an agenda:
- a) In the event of changes being made to an officer recommendation by the committee, the task of formalising the wording of those changes, in accordance with the substantive nature of the committee's decision, is delegated to the Director of Planning & Sustainable Regeneration;
 - b) The Director of Planning & Sustainable Regeneration has delegated authority to make changes to the wording of the committee's decision (such as to delete, vary or add conditions, informatives, planning

obligations or reasons for the decision) prior to the decision being actioned, provided that the Director of Planning & Sustainable Regeneration is satisfied that any such changes could not reasonably be regarded as deviating from the overall principle of the decision reached by the committee nor that such change(s) could reasonably have led to a different decision having been reached by the committee.

8. Meetings of the Planning Committee shall ordinarily conclude by 10pm. In the event that there is remaining business by 9.55pm the Chair shall interrupt the meeting and call for a vote of Members present on whether the meeting shall continue for a further 30 minutes. If Members decide that the meeting shall not continue, or if there is remaining business after the additional period of 30 minutes, any item on the agenda that has not started to be considered by the Committee is delegated to the Director of Planning & Sustainable Regeneration to determine along the lines set out in the Committee report unless the meeting has already voted (on a two thirds majority) to defer or adjourn the non-determined item earlier in the meeting.

2.12 Planning Sub-Committee (Membership: for each meeting, 5 drawn from the membership of the Planning Committee).

1. To determine the following application types where the recommendation is for approval:
 - a) Applications for Planning Permission made under the Town & Country Planning Act 1990 for the construction of or a development in relation to building(s) with an existing
 - b) floorspace of no greater than 500 square or building(s) or extension(s) within the curtilage of such qualifying building(s);
 - c) Applications for planning permission made under the Town & Country Planning Act 1990 for development providing up to 5 units of residential accommodation;
 - d) Applications for listed building consent made under the Planning and Conservation Areas Act 1990;
 - e) Variations of planning conditions (covering issues such as variations in hours of use or other related changes in how a use operates pursuant to previous grants of planning permission)

where the Committee Consideration Criteria (part 4K of this Constitution) are met.

2. All applications submitted pursuant to the Town and Country Planning (General Permitted Development) Order, applications for advertisement consent, minor material amendments and non-material amendments submitted under S.73 and 96A of the Town and Country Planning Act 1990, applications to discharge planning conditions and notwithstanding the above, minor extensions and alterations (including boundaries and rear outbuildings)

involving less than 20 square metres of additional internal accommodation (gross internal) will be determined by officers under delegated authority in all instances

3. Any other application or planning matter referred to the Planning Sub-Committee by the Director of Planning & Sustainable Regeneration acting in his or her discretion.
4. The Planning Sub-Committee may refer agenda items to Planning Committee for consideration and determination if they consider it necessary or appropriate to do so.
5. Where the Planning Sub-Committee determine an item on an agenda:
 - a) In the event of changes being made to an officer recommendation by the committee, the task of formalising the wording of those changes in accordance with the substantive nature of the committee's decision, is delegated to the Director of Planning & Sustainable Regeneration;
 - b) The Director of Planning & Sustainable Regeneration has delegated authority to make changes to the wording of the committee's decision (such as to delete, vary or add conditions, informatives, planning obligations or reasons for the decision) prior to the decision being actioned, provided that the Director of Planning & Sustainable Regeneration is satisfied that any such changes could not reasonably be regarded as deviating from the overall principle of the decision reached by the committee nor that such change(s) could reasonably have led to a different decision having been reached by the committee.
6. Meetings of the Planning Sub-Committee shall ordinarily conclude by 10pm. In the event that there is remaining business by 9.55pm the Chair shall interrupt the meeting and call for a vote of Members present on whether the meeting shall continue for a further 30 minutes. If Members decide that the meeting shall not continue, or if there is remaining business after the additional period of 30 minutes, any item of the agenda that has not started to be considered by the Committee is delegated to the Director of Planning & Sustainable Regeneration to determine along the lines set out in the Committee report.

3. RESPONSIBILITY FOR EXECUTIVE FUNCTIONS

- 3.1 Other than those matters reserved to the Council or delegated to a non- executive Committee or to the Chief Executive as a non-executive function, all other remaining functions are allocated as executive functions.
- 3.2 The Mayor has power to create Cabinet Committees, agree protocols on matters relating to the operation of their remit and, between Annual Meetings of the Council, to make

nominations to Outside Bodies where Executive Members are required to be appointed.

3.3 The Mayor will provide the Monitoring Officer with a list ('the Executive Scheme of Delegation') setting out who of the following are responsible for particular Executive functions:

- Mayor
- the Mayor and Cabinet collectively; or
- an individual Cabinet Member; or
- a committee of the Cabinet; or
- an officer; or
- a ward councillor in accordance with Section 236 of the Local Government and Public Involvement in Health Act 2007; or □ through joint arrangements.

The Mayor may revoke any delegations at any time.

3.4 If the Mayor amends the Executive Scheme of Delegation the Mayor must provide the Monitoring Officer with an updated scheme within five working days.

3.5 In the event that the Mayor wishes to delegate executive decision-making powers to an individual Cabinet Member or Members; or to a ward councillor in accordance with Section 236 of the Local Government and Public Involvement in Health Act 2007, they will first need to take advice from the Monitoring Officer as to the appropriate rules that will need to be in place to govern the exercise of such powers before they are so exercised.

4. CORPORATE DIRECTORS

4.1. The Council may appoint such officers as it considers appropriate for the discharge of its functions. The following posts shall be Corporate Directors for the purposes of this Constitution and which form the Corporate Management Team together with the Chief Executive and Assistant Chief Executive:

Corporate Director /DCS Children, Young People & Education

Corporate Director/DASS Adult Social Care & Health

Corporate Director Sustainable Communities, Regeneration & Economic Recovery

Corporate Director Resources

Corporate Director Housing

The statutory officers are detailed in Article 12 of this Constitution.

Delegations to the Chief Executive and Corporate Directors

4.2. The Chief Executive has delegated to them all the powers of the Council other than those reserved to the Council or to a Non-Executive Committee or Sub-Committee or allocated to the Mayor by Statute or this Constitution.

May 2022 Responsibilities for Functions

Updated 05.22 †

4.3 The Chief Executive and the Corporate Directors may exercise any functions of the Council or the Executive which have been delegated to any other officer and may delegate decisions or functions to one or more officers in any of the Council's Directorates, except when prohibited to do so by this Constitution or by law.

4.4 Until the Council decides otherwise the Chief Executive is appointed the Proper Officer for the purpose of all statutory provisions, whether existing or future, in respect of which no express Proper Officer appointment has, for the time being, been made.

4.5 The Corporate and Officer Schemes of Delegation are made under Section 101 of the Local Government Act 1972 and all other powers enabling such delegation. They delegate all the powers and duties necessary for the discharge of the Council's functions and not specifically reserved to the Mayor or the Mayor and Cabinet, the Council or a Committee or Sub-Committee of Council to the Officers. The delegations include:

- All functions powers and duties of the Authority, whether under any specific legislation identified in the scheme or not.
- All powers incidental to Section 101 of the Local Government Act 1972 including the application of the incidental powers under Section 111 of the Local Government Act 1972 and including management of the human and material resources made available for the service areas unless specifically reserved to Council, a Committee or Sub-Committee of the Council or to the Mayor, the Mayor and Cabinet or a Cabinet Sub-Committee.

4.6 The Corporate and Officer Schemes of Delegations do not delegate:

- Any matter reserved to the Council by law or by Council's Constitution.
- Any matter which is a function which cannot by law be discharged by an officer.
- Any matter which is specifically excluded from delegation by this Scheme or by resolution of Council, a Committee or a Sub-Committee (in the case of a Council function), or the Mayor, Mayor in Cabinet or cabinet sub-Committee (in the case of an executive function)
- Any matter where an Officer has declined to exercise delegated powers and instead reports to the Mayor, Executive or appropriate Committee.

4.7 This delegation is subject to:

4.7.1 the relevant Procedure Rules set out in this Constitution and such protocols as may be approved by a Committee or Sub-Committee from time to time and deposited with the Monitoring Officer;

4.7.2 all Policies of the Authority;

4.7.3 any consequent expenditure being included in the Council's Revenue Budget or approved Capital Programme;

- 4.7.4 the requirements of the Tenders and Contracts and Financial Regulations;
 - 4.7.5 compliance with any legal requirements and the provisions of any statutory codes of conduct or statutory guidance;
 - 4.7.6 the approval of the Director of Legal Services to the instigation and conduct and settlement of legal proceedings and to the engagement of any lawyer to act for the Council;
 - 4.7.7 compliance with any legal requirements and the provisions of any statutory codes of conduct or statutory guidance;
 - 4.7.8 the approval of the Chief People Officer to the grading and conditions of service of staff (other than those based in schools or subject to the conditions of service of the Chief Officers and Chief Executives J.N.C.);
 - 4.7.9 the approval of the Appointments and Disciplinary Committee to the grading and conditions of service of staff employed subject to the conditions of service of the Chief Officers and Chief Executives J.N.C.
 - 4.7.10 any instructions given by the Chief Executive.
- 4.8 Officers exercising delegated powers should also have regard to:
- any legal advice given by the Director of Legal Services
 - any financial advice given by the Corporate Director Resources.
 - any appropriate technical or other advice given by a suitably qualified Council officer.
 - all other parts of this Constitution.
- 4.9 In exercising any delegated function, the following principles apply:
- Corporate Directors must ensure that this Scheme is fully implemented, monitored, maintained and regularly reviewed and any changes required to Directorate Schemes are reported to the Monitoring Officer.
 - Corporate Directors and Directors may further delegate their powers to officers within their Directorate or withdraw powers provided that
 - a) such action is in writing, is subsequently included in the Directorate's Officer Scheme of Delegation and the Monitoring Officer is notified in writing.
 - b) any such delegation, while being as near to the point of service delivery as possible, is only to officers within their Directorate that hold the appropriate level of responsibility.
- 4.10 The Corporate and Directorate Schemes of Delegations will be superseded in any case where a Council or Mayoral decision expressly delegates any of the powers in this Scheme to a specific officer or officers whether for a single event, decision or transaction or permanently.

- 4.11 Where it is considered that in exercising a delegated power or duty a departure in policy, procedure or a significant change in financial practice is likely to be involved, the decision maker shall consult with the Director of Legal Services and/or the Corporate Director, Resources as appropriate, who shall, if necessary, refer the matter to the Mayor, the Mayor in Cabinet or the appropriate Council Committee/SubCommittee.
- 4.12 Where any function is delegated to an officer, that officer may choose not to exercise that function and may instead refer a matter to Council, the Mayor, the Mayor in Cabinet, a Cabinet Sub-Committee or relevant Council Committee as appropriate with the agreement of the appropriate Corporate Director. The criteria that officers may have to consider when determining whether to exercise a function could include-
- Whether the decision may incur a significant social, economic reputational or environmental risk.
 - The likely extent of the impact of the decision both within and outside of the borough.
 - Whether the decision is likely to be a matter of political controversy.
 - The extent to which the decision is likely to generate substantial public interest.
- 4.13 If at any time, the Authority acquires a new duty, power or function, in the absence of any Member decision with regard to delegation, the Chief Executive and the Corporate Director with responsibility for the relevant service shall be deemed to have full delegated authority to discharge the duty, power or function on the authority's behalf unless it is expressly reserved to the Council, a Council Committee or SubCommittee or the Mayor/Mayor in Cabinet either by law or in this Constitution.
- 4.14 Any function or power which may be discharged by a Corporate Director, may also be discharged by any person(s) formally "acting-up" into that post or an "interim" post holder or who is deputising (whether on a full, part time or on an ad hoc basis) for that post or occupies a successor post following any reorganisation, restructure or similar process.
- 4.15 The Mayor, Mayor in Cabinet, a Cabinet Sub-Committee or a Council Committee/Sub-Committee may reserve to themselves decisions delegated to officers, by giving notice to the officer holding the delegated power or to the Chief Executive of their intention to do so.
- 4.16 References in the Corporate and/or Officer Schemes of Delegations to any statute, statutory instrument, regulation, rule, circular, agency or other agreement or any such matter in respect of which a power or duty is delegated shall be deemed to include any modification or re-enactment of the same as may be made from time to time.
- 4.17 The Mayor's delegation of Executive functions is contained in Part 6C of this Constitution. The Council's Scheme of Delegation to Officers is contained within this section of the Constitution (Responsibility for Functions) and the Mayor's Scheme of Delegation.

Functions of Statutory Officers and members of the Corporate Management Team

Functions of the Chief Executive as Head of Paid Service

4.18 The Chief Executive is appointed as Head of Paid Service under Section 4 of the Local Government and Housing Act 1989 to carry out the Council's statutory obligations to report to the Council as appropriate with regard to the way in which the overall discharge by the Council of its different functions is co-ordinated, the number and grades of staff required for the discharge of these functions, the way in which these people are organised and managed, and the way in which they are appointed under that Act.

4.19 This post is responsible for the corporate and overall strategic management of the Council as a whole and is responsible for establishing a framework for management direction, style, culture and standards and for monitoring the performance of the Council. Its overriding responsibility is to the Council and not to the Mayor, any partypolitical group, or other grouping of Members. It must report to and provide information for the Executive, the full Council, the Scrutiny and Overview Committee and other Committees. The political neutrality of the office holder must be respected at all times.

4.20 Working with the Mayor.

The Chief Executive works closely with the Mayor to assist in the development of the Mayor's strategic policy and to ensure that such is then put into practice and, in that regard, will:

- (i) Strategic direction. Ensure that the Mayor and Council's priorities and goals can be implemented in a timely, efficient and innovative way through focused strategies, projects and programmes.
- (ii) Policy advice. Act as the principal policy adviser to the Mayor and Members and will secure the best professional advice on all relevant matters in respect of the Council's functions and services. In consultation with the Monitoring Officer and Chief Finance Officer, the Chief Executive will take action if they consider that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission would give rise to unlawful action.
- (iii) Partnerships (internal). Develop a professional partnership with the Mayor and Members to ensure that the Council's vision, goals and core values are made reality and to provide a clear sense of direction, optimism and purpose and marshal the resources of the whole organisation to this end.
- (iv) Partnerships (external). Assist the Mayor in partnership working by taking the lead in developing effective partnerships at management level with other public

agencies, private companies and local community organisations to achieve better public services and improved results for local people.

4.21 **Emergency or Extreme Urgency.**

- (i) The Chief Executive may exercise any executive function in cases of **emergency or extreme urgency** whether or not reserved to the Mayor, subject to complying with any statutory requirements and following the exercise of such power will provide a written report to the Mayor setting out the decision taken and the reason for it including the reasons for emergency or extreme urgency.
- (ii) The Chief Executive may exercise any non-executive function in cases of emergency or extreme urgency whether or not reserved to the Council, subject to complying with any statutory requirements and following the exercise of such power will provide a written report to the Council setting out the decision taken and the reasons for it, including the reasons for emergency or extreme urgency.

4.22 **Ensuring overall correctness of decision making.**

- (i) The Chief Executive is also responsible for ensuring that all decisions made by the Mayor and the reasons for them are made public and will ensure that Council Members are aware of decisions made by the Mayor and of those made by officers who have delegated executive responsibility.
- (ii) If the Chief Executive considers that any proposal, decision or omission raises a significant concern it must be reported in writing by the Monitoring Officer to the Mayor in relation to an executive function or to the Council in relation to a non-executive function. Such a report will have the effect of immediately stopping the proposal or decision being implemented until the report has been considered. The report must be considered within 21 days at a meeting of either Council or the Mayor/Mayor in Cabinet as appropriate.
- (iii) As soon as practicable after either the Council or the Mayor/Mayor in Cabinet has considered this report, it shall prepare and publish a report that will include;
 - (a) what action it has taken in response to the report;
 - (b) what action it proposes to take in response to the report and when it proposes to take that action;
 - (c) the reasons for taking that action, or the reason for not taking any action.

The exercise of this function needs to be considered in conjunction with the Monitoring Officer ensuring lawfulness and fairness of decision making and the Chief Finance Officer to ensure lawfulness and financial prudence of decisionmaking.

4.23 **Management Structure.**

The Chief Executive will determine and publicise a description of the overall structure of the Council showing the management structure and deployment of officers.

4.24 **Restrictions on functions.**

The Chief Executive may not be the Monitoring Officer but may hold the post of Chief Finance Officer if a qualified accountant.

4.25 **Consideration of applications for dispensation by Executive Members in relation to Conflicts of Interest relating to Executive Decisions in which they are involved.**

The Chief Executive, by virtue of the Access to Information Procedure Rules in Part 4B of the Constitution, is required to consider applications for a dispensation from Members of the Executive in relation to an Executive Decision where they are either:

- (i) a Member of the executive decision making body and have a conflict of interest; or
- (ii) are consulted by a Member taking an Executive Decision and the Executive Member consulted has a conflict of interest; or
- (iii) are consulted by an officer taking an Executive Decision and the Executive Member consulted has a conflict of interest

And grant a note of dispensation if satisfied that it is appropriate to do so.

Functions of the Monitoring Officer

4.26 The Monitoring Officer is appointed under the provisions of s5 of the Local Government and Housing Act 1989 to be the Council's Monitoring Officer and to carry out the Council's statutory functions under that Act in respect of matters of legality, conduct, and probity. A Monitoring Officer Protocol is included at Part 5C of this Constitution.

Maintaining and interpreting the Constitution.

4.27 The Monitoring Officer shall maintain an up-to-date version of the Constitution including making such changes as envisaged by paragraph 15.02 of the Articles and shall ensure that it is widely available on the Council's website for Members, staff and the public to consult. The Monitoring Officer will monitor and review the operation of the Constitution and may make recommendations to ensure that the aims and principles of the Constitution are given full effect. The Monitoring Officer will advise as to the construction or application of the Constitution and will consult with the Chief Executive and Chief Finance Officer as required.

Ensuring lawfulness and fairness of decision-making.

4.28 After consulting with the Chief Executive and the Chief Finance Officer, the Monitoring Officer shall report to the Full Council, or the Mayor in relation to an executive function, if they consider that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission would give rise to unlawful action. Such

a report shall have the effect of stopping the proposal or decision being implemented until the report has been considered. The report must be considered within 21 days at a meeting of either Council or by the Mayor/Mayor in Cabinet as appropriate.

4.29 As soon as practicable after Council or the Mayor/Mayor in Cabinet has considered the Monitoring Officer's report, it shall prepare and publish a report that will include:

- (i) what action it has taken in response to the report;
- (ii) what action it proposes to take in response to the report and when it proposes to take that action;
- (iii) the reasons for taking that action, or the reasons for not taking any action. (The exercise of this function needs to be considered in conjunction with the function of the Chief Executive to ensure lawfulness and fairness of decision making and the function of the Chief Finance Officer to ensure lawfulness and financial prudence of decision-making).

Supporting the Ethics Committee.

4.30 The Monitoring Officer shall contribute to the promotion and maintenance of high standards of conduct through provision of support to the Ethics Committee, in particular by:

Receiving reports. Receiving and having regard to recommendations from the Ethics Committee regarding Member conduct.

Register of Interests. Establishing and maintaining a Register of Interests of Members and Co-opted Members of the Council.

Conducting investigations. The Monitoring Officer shall conduct investigations into matters referred by the Ethics Committee including investigations required in accordance with the agreed arrangements for dealing with an alleged breach of the Code of Conduct by a Member, conducting or arranging for that investigation to be carried out and shall make reports and recommendations in respect of them to the Ethics Committee.

Dispensations where Disclosable pecuniary interests exist.

4.31 The Monitoring Officer shall consider applications for a grant of a dispensation for a Member with a Disclosable Pecuniary Interest (DPI), Other Registrable Interest (ORI) or Non-Registrable Interest (NRI) in the following circumstances:

- (i) That so many Members of the decision-making body have DPIs, ORIs or NRIs in a matter that it would impede the transaction of the business; or

- (ii) That without the dispensation, the representation of different political groups on the body transacting the business would be so upset as to alter the outcome of any vote on the matter; or
- (iii) That the dispensation is in the interests of persons living in the Borough; or
- (iv) That, without a dispensation, no Member of the Cabinet would be able to participate in consideration of this matter; or
- (v) That it is otherwise appropriate to grant a dispensation.

And may refer the dispensation request in relation to grounds (i) and (iv) above to the Ethics Committee to advise on or express a view should the Monitoring Officer consider it appropriate to do so. In respect of grounds (ii), (iii) and (v) above granting dispensations is a matter reserved to the Ethics Committee after consultation with the Independent Person. The Monitoring Officer will report at least annually to Ethics Committee on any dispensations granted.

Proper Officer for Access to Information

4.32 The Monitoring Officer shall ensure that Cabinet and other executive decisions, together with the reasons for those decisions and relevant officer reports and background papers are made publicly available as soon as possible.

Advising whether decisions are within the Budget and Policy Framework

4.33 The Monitoring Officer shall advise whether decisions of the Council, a Committee, or Sub-Committee, the Mayor, the Cabinet, or Cabinet Committee or an Officer under their allocated or delegated powers are in accordance with the budget and policy framework.

Providing advice

4.34 The Monitoring Officer shall provide advice on the scope of powers and authority to take decisions, maladministration, probity and Budget and Policy Framework issues to the Mayor and all Members.

Restrictions on functions

4.35 The Monitoring Officer cannot be the Chief Finance Officer or the Chief Executive but will liaise as appropriate with the Head of Paid Service in the discharge of their functions as Monitoring Officer.

Functions of the Corporate Director of Resources as Chief Finance Officer

4.36 The Corporate Director, Resources has the statutory responsibilities defined in section 151 of the Local Government Act 1972 and section 114 of the Local Government Finance Act 1988 as the Council's Chief Finance Officer to ensure the proper administration of the financial affairs of the Authority including:

- Leading development and implementation of the financial strategy necessary to deliver the Council's strategic objectives sustainably;
- Promoting and delivering good financial management;
- Leading the coordination and facilitation of a culture of efficiency and value for money
- Implementation and maintenance of a framework of financial controls and procedures for managing financial risks;
- Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management;
- Providing financial information for decision makers (in conjunction with Senior Managers);
- Ensuring that the annual statement of accounts is prepared in accordance with appropriate financial standards and within the statutory deadlines.
- Preparing the revenue budget and capital programme relating to the General Fund and the Housing Revenue Account and Parking Places Reserve Account
- Providing information and advice to those who officially scrutinise and review the authority.

Ensuring lawfulness and financial prudence of decision-making.

4.37 After consulting with the Chief Executive and the Monitoring Officer, the Chief Finance Officer shall report to the Full Council, or to the Leader (and/or Cabinet as appropriate) in relation to an executive function, and the Council's external auditor if they consider that any proposal, decision or course of action shall involve incurring unlawful expenditure, or is unlawful and is likely to cause a loss or deficiency or if the Council is about to enter an item of account unlawfully.

4.38 Such a report will have the effect of immediately stopping the proposal or decision being implemented until such time as the report has been considered. Once Members have received the Monitoring Officer's report, the report must be considered within 21 days at a meeting of either Council or the Mayor as appropriate.

4.39 As soon as practicable after Council or the Mayor/Mayor in Cabinet has considered the report, it shall prepare and publish a report that will include:

- (i) what action it has taken in response to the report;
- (ii) what action it proposes to take in response to the report and when it proposes to take that action;

- (iii) the reasons for taking that action, or the reasons for not taking any action. The exercise of this function needs to be considered in conjunction with the function of the Monitoring Officer to ensure lawfulness and fairness of decision making and the function of the Chief Executive to ensure lawfulness and financial prudence of decision-making.

Administration of financial affairs

4.40 The Chief Finance Officer shall have responsibility for the administration of the financial affairs of the Council, including:

- Determining the accounting procedures and records for the authority.
- Maintaining a regular review of the Financial Regulations and issuing updates as necessary.
Setting and monitoring compliance with financial management standards
- Reporting breaches of the Financial Regulations to the Audit and Governance Committee and the external auditor.

Contributing to corporate management.

4.41 The Chief Finance Officer shall contribute to the corporate management of the Council, in particular through the provision of professional financial advice.

Providing advice.

4.42 The Chief Finance Officer shall provide advice on the scope of powers and authority to take financial decisions, financial impropriety, probity and budget and policy framework issues to the Mayor and all Members and shall support and advise the Mayor and all Members and staff in their respective roles.

Give financial information.

4.43 The Chief Finance Officer shall provide requisite financial information to the media, members of the public and the community.

Assets and disposals.

4.44 The Chief Finance Officer is:

- (i) required to issue guidelines on best practice for the disposal of land based assets and to approve the purchase or sale of land if it has been declared surplus by the Mayor/Mayor in Cabinet and if authority to do so has been delegated to him/her;
- (ii) authorised to recommend to the Mayor/Mayor in Cabinet for acceptance, disposals which are proposed to be less than the unrestricted market value as defined by the General Disposal Consent (England) 2003 and/or where State Aid issues may arise. The report shall make the level of undervalue explicit and

the report will need to set out the well-being benefits to be derived and provide a statement that the wellbeing “value” matches or exceeds the value foregone. Where a sale is pursuant to Section 123 Local Government Act 1972, Section 32 Housing Act 1985 or Section 25 Local Government Act 1988, consent of the Secretary of State may be sought as necessary, unless the sale falls within the General Housing Consents 2013 issued pursuant to powers contained in sections 32, 33 and 34 Housing Act 1985, 133 of the Housing Act 1988, which permit certain disposals to occur without the need to secure express consent.

- (iii) authorised to accept a late offer for land/property, with the prior agreement of the Director of Legal Services, if to do so, would ensure that the Council secures best consideration, provided other bids have not been opened.

Restrictions of Functions.

4.45 The Chief Finance Officer cannot be the Monitoring Officer.

The Corporate Resources portfolio

4.46 The Corporate Resources portfolio currently includes: Finance, Internal Audit, Insurance, Anti-Fraud and Risk, Treasury Management and Pensions, Commercial Investment and Property and Legal Services. These functions can be varied at any time by the Chief Executive, who may also allocate to the role additional functions and responsibilities.

The Director of Legal Services

4.47 The Director of Legal Services is authorised to:

- (i) institute, defend, settle or participate in any legal proceedings in any case where such action is necessary to give effect to decisions of the Council or in any case where such action is considered to be necessary to protect the Council's interests and may designate nominated officers to carry out this function on their behalf.
- (ii) consult with and instruct counsel, solicitors and other experts for legal proceedings, public inquiries, and other matters involving the Council, and the negotiation and settlement of legal disputes on behalf of the Council, the Mayor, Mayor and Cabinet, Committees of the Council or officers and arrangements for their representation in any court, public inquiry or other forum where formal representation is considered to be proper, including the incurring of such fees in respect thereof as may be appropriate.
- (iii) sign any document that is necessary to any legal procedure or proceedings on behalf of the Council, or to authorise another to sign, unless any enactment otherwise authorises or requires, or the Council has given specific authority to some other person.

- (iv) sign contracts (and similar documents where intended to have legal binding effect) on behalf of the Council, where any required authority or approval of the Mayor/Mayor and Cabinet, a Committee or a Sub-Committee has been obtained, or where such authority has been delegated to another officer of the Council and that officer has requested the Director of Legal Services to do so.
- (v) keep the Common Seal of the Council in a safe place. A decision of the Council, or of any part of it, will be sufficient authority for sealing any document necessary to give effect to the decision. The Common Seal will be affixed to those documents which should be sealed. The affixing of the Common Seal will be attested by the Director of Legal Services or any other duly authorised person.
- (vi) authorise officers to appear on behalf of the Council in proceedings in the magistrate' courts, pursuant to section 223 of the Local Government Act 1972.
- (vii) authorise officers to appear on behalf of the Council in any proceedings in the county court in relation to the recovery of possession of a house belonging to the Council or the recovery of any rent, mesne profits, damages or other sum claimed in respect of the occupation by any person of such a house, pursuant to section 60 of the County Courts Act 1984.
- (viii) contribute to the corporate management of the Council, in particular through the provision of professional legal advice.

Functions of the Corporate Director, Adult Social Care and Health

4.48 The Corporate Director, Adult Social Care and Health is the Statutory Director of Adult Social care under s 6 of the Local Authority Social Services Act 1970 as amended by s18 of the Children Act 2004 and is responsible for the delivery of those local authority social services functions listed in Schedule 1 of the Local Authority Social Services Act 1970 (as amended), other than those for which the Director of Children Young People and Education is responsible, and the public health functions contained in the Health and Social Care Act 2012. The function includes the role of Caldicott Guardian.

- 4.49 The Corporate Director, Adult Social Care and Health is responsible for implementing and ensuring compliance with any statutory guidance issued by the Department of Health or other Government department and is currently required to:-
- Assess local needs and ensure availability and delivery of a full range of local authority services;
 - Give professional leadership, including workforce planning;
 - Lead the implementation of standards;
 - Manage cultural change;
 - Promote local access and ownership and drive partnership working;

May 2022 Responsibilities for Functions

Updated 05.22 †

- Deliver an integrated whole systems approach to supporting communities; and
- Promote social inclusion and wellbeing.

4.50 The Adult Social Care and Health portfolio currently includes Adult Social Care and Health and Integrated Commissioning. These functions can be varied at any time by the Chief Executive, who may also allocate to the role additional functions and responsibilities.

Functions of the Corporate Director, Children, Young People and Education

4.51 The Corporate Director, Children, Young People and Education is the Council's Statutory Director of Children's services under s 18(7) of the Children Act 2004 with statutory duties to discharge the education and children's social care functions of the local authority including those detailed as follows:

- (a) education functions conferred on or exercisable by the Council;
- (b) functions conferred on or exercisable by the Council which are social care functions so far as those functions relate to children;
- (c) the functions conferred on the authority under sections 23C to 24D of the Children Act 1989 (so far as not falling within paragraph (b));
- (d) the functions conferred on the authority under sections 10 to 12, 12C, 12D and 17A of the Children Act 2004;
- (e) any functions exercisable by the Council under section 75 of the National Health Service Act 2006 on behalf of an NHS body, so far as those functions relate to children;
- (f) the functions conferred on the Council under Part 1 of the Childcare Act 2006;
- (g) the role of Caldicott Guardian; and
- (h) any function conferred on the authority under section 2 of the Childcare Act 2016.

4.52 The Children, Young People and Education portfolio currently includes Children's Social Care; Education and Partnership, and Youth and Children's Commissioning. These functions can be varied at any time by the Chief Executive, who may also allocate to the role additional functions and responsibilities.

Functions of the Corporate Director, Sustainable Communities, Regeneration and Economic Recovery

4.53 The Sustainable Communities, Regeneration and Economic Recovery portfolio

currently includes responsibility for discharging all the Council's duties, powers and functions in the following areas:- Property and Major Programmes; Growth, Economic Development and Regeneration; Planning and Building Control; Public Realm (including Highways, Trading Standards and Environmental Health); Community Safety; Sports, Leisure, Libraries and Culture. These functions can be varied at any time by the Chief Executive, who may also allocate to the role additional functions and responsibilities.

4.54 The Corporate Director, Sustainable Communities, Regeneration and Economic Recovery is authorised to consider and determine any applications for licenses not specifically reserved to the Licensing Committee under the Constitution and all applications for licences where no objections have been received.

Functions of the Corporate Director, Housing

4.55 The Housing portfolio currently includes responsibility for discharging all the Council's duties, powers and functions in relation to:

- i) properties held within the Council's Housing Revenue Account and properties held within the Council's General Fund and used as temporary accommodation;
- ii) homelessness

These functions can be varied at any time by the Chief Executive, who may also allocate to the role additional functions and responsibilities.

4.56 The Corporate Director Housing is authorised to approve any sale or lease of land pursuant to the Right to Buy or the Right of Enfranchisement under the Housing Act 1985, the Leasehold Reform Act 1967 or The Leasehold Reform Housing and Urban Development Act 1993 subject to compliance with the relevant statutory procedures.

Functions of the Assistant Chief Executive

4.57 The Assistant Chief Executive portfolio currently includes responsibility for discharging all the Council's duties, powers and functions in the following areas: - HR and Organisational Development, IT, Customer Services, Public Health, Information Management, Freedom of Information and Subject Access Requests, Registrars, Elections, Mayoral Support, Coroner and Policy, Partnerships and Projects. These functions can be varied at any time by the Chief Executive, who may also allocate to the role additional functions and responsibilities.

The Director of Public Health

4.58 The Director of Public Health is the statutory Director of Public Health under section 73 of the National Health Service Act 2006 as amended by s30 of the Health and Social Care Act 2012.

CONSTITUTION OF THE LONDON BOROUGH OF CROYDON

Part 4.F - Non-Executive Committee Procedure Rules

1 Application

- 1.1 Without prejudice to the Licensing, Licensing Sub-Committee, Planning Committee and Planning Sub-Committee Procedure Rules, these Rules shall apply to meetings of all Non-Executive Committees and Sub-Committees established by the Council and the Pension Board which is constituted under the Public Service Pensions Act 2013 and The Local Government Pension Scheme (Amendment (Governance) Regulations 2015 is neither a Committee or Sub-Committee of the Council, although it is appointed by the Pension Committee.

2 Appointments

- 2.1 Appointment as a member of a Committee or Sub-Committee shall be limited to the duration of the Council Year or the remainder of it, with the exception of the role of Independent Chair of Audit and Governance Committee, which is a four year term. Vacancies on Sub-Committees arising during the Council year shall be filled by decision of the parent Committee.
- 2.2 Membership of a Statutory Review Board shall be drawn from a Panel of Members appointed for that purpose by the Council. The Monitoring Officer shall have delegated power to constitute a Review Board. The Appointments Committee shall be constituted as and when a Committee is required to make an appointment. Membership of the Licensing Sub-Committee shall be drawn from the membership of the Licensing Committee. The Monitoring Officer shall have delegated power to constitute a Licensing Sub-Committee as and when a hearing under the Licensing Act 2003 or Gambling Act 2005 is required.
- 2.3 With the exception of the Licensing Sub-Committee and Audit and Governance Committee, every Committee and Sub-Committee and Panel, at their first meeting shall appoint a Chair and Vice-Chair for the duration of the Council Year. The Licensing Committee shall appoint a Chair and two Vice-Chairs. The Licensing Sub-Committee shall appoint a Chair for the duration of business for which that Sub-Committee is convened. Council will appoint an Independent Chair of Audit and Governance Committee for a four-year term. When meeting to recruit an Independent

Chair of Audit and Governance Committee, the role of Chair of Appointments and Disciplinary Committee shall not be held by the Cabinet Member with responsibility for finance.

2.4 With the exception of Audit and Governance Committee, in the event of a vacancy to either the Chair or Vice-Chair arising during the Council Year, this shall be filled by election at the first meeting of the relevant Committee or Sub-Committee following notification of the vacancy to the Monitoring Officer. In the event of the absence of a Chair and Vice-Chair from a Committee or Sub-Committee, the representative of the Monitoring Officer shall arrange for the election of a Chair for the purposes of the meeting.

2.5 Seats shall be allocated in accordance with the rules governing proportionality, by the Council at its Annual Meeting or at any Ordinary or Extraordinary Meeting as appropriate should a vacancy arise during the Council Year. Except in the case of the Licensing Sub-Committee it shall be in order for a Member to be appointed to a Sub-Committee although they are not a member of the parent Committee. The Monitoring Officer is empowered to make in year appointment to committees after consultation with party whips.

2.6 During the Council Year, changes in membership shall be notified either by way of a resignation from the Member concerned or notification from the relevant Group Secretary. The relevant Group Secretary shall also submit a notification of the Member nominated to fill a vacancy arising for a seat allocated to that particular Group. In all cases the notification shall be submitted to the Monitoring Officer.

2.7 The Monitoring Officer shall cause an item to be placed on the agenda of the next meeting of the relevant Committee, or in case of urgency the General Purposes Committee, and the Committee shall resolve that a named Member be appointed to the vacancy.

2.8 The Monitoring Officer shall arrange for any Member appointed to the Licensing Committee or its Sub-Committee to receive appropriate training before that Member shall serve as a Member of the Committee or Sub-Committee.

3 Powers of the Chair

3.1 The Chair of the meeting shall decide on all matters of order, competence, relevance and interpretation of these Rules. The Chair shall have the power to vary the order of business to give precedence to any item of business. Matters of urgent business shall be taken at the discretion of the Chair if satisfied that the item cannot reasonably be deferred until the next meeting of the Committee. The reports concerning such matters shall explain the reason for urgency.

- 3.2 The Chair shall ensure that the split of business between Parts A and B (i.e. Part B shall constitute that part which is exempt or confidential business) is agreed, if necessary by a majority of the Members present. The Chair shall ensure that Members that wish to speak on any item of business have the opportunity to do so, within the scope of the meeting and within reasonable limits of time. The decision of the Chair as to the general conduct of the meeting shall be final.
- 3.3 The Chair may direct a Member to discontinue speaking if they consider the Member is being repetitive, tedious or irrelevant, uses unbecoming language, or is in some other way breaching the order of the meeting. When necessary, the Chair, having warned the Member shall move that the Member called by name, leaves the meeting. The motion, if seconded, shall be put to the vote without further debate and if carried the Member shall leave immediately.
- 3.4 In the case of a member of the public disrupting the meeting or if there is a general disturbance, the Chair may order the removal of a person or that the public areas be cleared. Re-admission shall be at the discretion of the Chair.
- 3.5 In the event that a meeting of a non-executive committee (not including Planning or Planning Sub Committee, Licensing or Licensing Sub Committee) has lasted for three hours the Chair shall interrupt the meeting and call for a vote of Members present on whether the meeting shall continue for a further 30 minutes.
- 3.6 If Members decide that the meeting shall not continue, or if there is remaining business after the additional period of 30 minutes, the Chair will decide if any of the remaining business is of sufficient importance to warrant an adjournment of the meeting and if so will declare the meeting adjourned to such date and time (prior to the next ordinary Committee meeting) as they may direct at the time or afterwards.
- 3.7 With the exception of business so specified, the Chair shall put to the vote without further debate all outstanding reports on the agenda.
- 3.8 The Guillotine procedure for Planning and Planning Sub Committee is set out at section 6.8 of Part 4K – Planning and Planning Sub Committee Procedure
- 3.9 The recording/reporting of meetings using any type of audio or visual equipment is permitted subject to the proviso that any such reporting/filming/photography does not become distracting, disruptive or contrary to the good order or conduct of the meeting. Should any such reporting/filming/photography become distracting, disruptive or contrary to the good order or conduct of a meeting, the person/s responsible may be asked by the Chair to terminate this, regardless of the format in which the reporting/filming/photography is taking place.

4 Recommendation to Council

4.1 Any recommendation referred to the Council for approval shall be made by way of a report summarising the matter and setting out the recommendation for the Council to consider. The Report shall be presented to the next convenient Ordinary Council Meeting following the meeting or meetings of the relevant Committee at which the recommendations are made.

5 Agendas and Minutes

5.1 The Monitoring Officer shall ensure that an Agenda and Summons for each meeting are dispatched to Members and available to the public in advance of the meeting.

5.2 The Monitoring Officer shall ensure that a record is made of the decisions taken at every meeting of a Committee or Sub-Committee. The minutes shall also include a record of the Members in attendance, those absent and any apologies received.

5.3 The disclosure of any disclosable pecuniary interests not already on a Members' Register of Interest or subject to a pending notification to the Monitoring Officer shall be recorded in the minutes of the meeting and notified by the Member to the Monitoring Officer in accordance with the Members' Code of Conduct.

5.4 All minutes, except those prepared following a meeting of an Appointments and Disciplinary Committee or Licensing Sub-Committee shall be considered for approval at the next meeting of the Committee or Sub-Committee to which they relate and shall be open to question as to their accuracy before being signed. The accuracy of the minutes of a meeting shall not be open to question or amendment other than at a meeting of the Committee or Sub-Committee concerned.

5.5 Minutes shall be made available to Members, the public and press in accordance with the Access to Information Procedure Rules at Part 4B of this Constitution.

6 Dates and Frequency of Meetings

6.1 The dates of scheduled meetings with the exception of those for the Appointments and Disciplinary Committee and Licensing Sub-Committees shall be as printed in the Council diary. Each Committee or Sub-Committee or the Monitoring Officer in consultation with the relevant Chair may convene meetings on such other dates as they may agree in the light of business to be transacted.

6.2 The Planning Committee shall generally meet at three-weekly intervals and the Planning Sub-Committee at six-weekly intervals. The Licensing Committee and its Sub-Committee shall meet as frequently as business requires.

6.3 The Chair shall have power to cancel a meeting for lack of business or reschedule a meeting, having observed the courtesy of consulting any member of the Committee or Sub-Committee designated as the Opposition Spokesperson for the Committee or Sub-Committee in question.

7 Attendance by Members not appointed to a Committee or Sub-Committee

7.1 The Chair of a Committee or Sub-Committee may agree that a Member not appointed to the Committee or Sub-Committee may attend and participate in the debate of an item of business on the grounds that the presence of the Member concerned can be justified. Such a Member shall not have any right to vote in deciding the outcome of the matter under consideration. This provision shall not apply in respect of the Licensing Sub-Committee.

8 Quorum

8.1 No business shall be considered at a meeting of a Committee or Sub-Committee unless there are present either one third of the membership of the Committee or Sub-Committee or 3 members, whichever figure is the greater. If the meeting is inquorate, it shall be deferred for 15 minutes. If after 15 minutes there is still no quorum, the consideration of any business not transacted shall be held over until the next scheduled meeting or another date fixed by the Chair.

8.2 Where the Licensing Sub-Committee is inquorate and it is not possible to appoint a Chair for the duration of the business as provided for in Rule 2.03 above, the Chair of the Licensing Committee or in the absence of the Chair, one of the Vice Chairs, shall be deemed to be appointed as Chair for the purpose of deferring the business to the next scheduled meeting if appropriate, to another date fixed for hearing of the business or to a later time on the date of the scheduled meeting for hearing of the business.

9 Rules of Debate

9.1 A Member may indicate their desire to speak by raising their hand, but shall only speak when called by name by the Chair.

9.2 Members shall, when speaking, address the Chair and:

1 refer to each other as Chair or Member, as the case may be;

2 refrain from using unbecoming language;

- 3 refrain from comments of a personal nature about another Member;
 - 4 not attribute improper motives to another Member.
- 9.3 Only one motion or amendment may be considered at a time. A motion or amendment once moved and seconded may be withdrawn, only by the mover. No further debate shall take place on a motion or amendment once it has been withdrawn.
- 9.4 Every motion or amendment must be moved and seconded.
- 9.5 An amendment to a motion may be proposed, provided it is seconded and:
- 1 is not moved whilst another amendment is under discussion;
 - 2 does not have the same meaning as one already defeated at the meeting;
 - 3 refers to the subject matter under discussion and does not introduce a new subject.
- 9.6 A Member may raise a point of order by declaring “point of order” identifying the appropriate Procedure Rule number, in which case the Chair shall ask the Member speaking to give way. A point of order may only relate to an alleged breach of these Non-Executive Committee Procedure Rules or the law. The Member must indicate the rule or law and the way in which they consider it has been broken. The ruling on the Chair on the matter will be final.
- 9.7 A Member may seek to make a personal explanation at any time during the course of another Member’s speech if they have been referred to by name or position, by declaring “point of personal explanation”, in which case the Chair shall ask the Member speaking to give way. A personal explanation may only relate to some material part of an earlier speech by the Member which may appear to have been misunderstood. The ruling of the Chair on the admissibility of a personal explanation and the time allowed for any personal explanation will be final.
- 9.8 A Member may seek leave from the Chair to clarify a point made in an earlier speech by that Member if it appears from comments made in a subsequent speech that the earlier speech by the Member had been misunderstood. The ruling of the Chair on the admissibility of, and the time allowed for, any clarification will be final.

10 Voting

- 10.1 Unless required otherwise by law, all matters shall be decided by a simple majority.

10.2 Where immediately after a vote is taken at a meeting of a Committee or Sub-Committee, if any Member so requires there shall be recorded in the minutes of that meeting whether the person cast their vote for or against the question or whether they abstained from voting.

10.3 If a demand is made at a meeting by the required number of Members, the names for and against the motion or amendment or abstaining from voting will be taken down in writing and entered into the minutes. The required number of Members is:

- (a) one third of the Members entitled to vote at the meeting; or
- (b) where the authority is divided into Political Groups, in accordance with the Local Government and Housing Act 1989, the number of seats on the Committee or Sub-Committee allocated to the second largest Political Group among the Members of the Council, whichever is the less.

10.4 In the event of an equality of votes on either side, the Chair shall have a second or casting vote.

11 Disclosure of Interests

11.1 Every agenda shall include as an item of business "Disclosures of Interest". Members shall abide by the Members Code of Conduct set out at Part 5I of this Constitution. It is the responsibility of every Member to declare any disclosable pecuniary interest and other registrable interest during the course of a meeting that is not already on their register of interests or subject to a pending notification to the Monitoring Officer and to declare any non-registrable interest. Each disclosure shall be minuted but Members are required to notify the Monitoring Officer of any disclosure so minuted in accordance with the Members' Code of Conduct.

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CONSTITUTION OF THE LONDON BOROUGH OF CROYDON

PART 4.M – Local Pension Board Procedure Rules

1. Definitions

“Advisers” means those provided for in paragraph 11 of these Terms of Reference;

“Administering Authority” means a body listed in Part 1 of Schedule 3 of the Regulations who maintains a fund within the LGPS

“Board” means the members of the **Local Pension Board**;

“Chair” means the suitably qualified individual who is selected and appointed by the Scheme Manager who has responsibility of ensuring the Board acts appropriately in accordance with these Terms of Reference;

“Employer Representative” means persons appointed to the Board for the purpose of representing employers of the Scheme and any connected Scheme;

“Fund” means the Croydon Council Pension Fund that is run by Croydon Council and is part of the **National Local Government Pension Scheme for England and Wales**;

“Internal Dispute Resolution Procedure” means the Local Pension Board’s internal dispute resolution procedure as set out in a separate document titled **“Internal Dispute Resolution Procedure”**.

“LGPS” means the Local Government Pension

	Scheme;
“Local Pension Board”	means the Local Pension Board (LPB) for Croydon Council as administering authority for the Fund as required under the Public Service Pension Act 2013 and the Local Government Pension Scheme Regulations 2013 ;
“Member Representative”	means persons appointed to the Board for the purpose of representing members of the Scheme and any connected Scheme;
“Members”	means the Employer and Member Representatives collectively;
“Pensions Regulator”	means the UK regulator of work-based pensions whose powers derive from the Pensions Act 2004 (as amended) and its powers inherited from the Occupational Pensions Regulatory Authority (OPRA) from 6 April 2005
“Scheme”	means the Local Government Pension Scheme in England and Wales;
“Scheme Manager”	means the Croydon Council in its capacity as Administering Authority of the Fund exercised through the Corporate Director of Resources and section 151 Officer Pension Committee ;

“Scheme Regulations”

means the Local Government Pension Scheme as constituted by the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014, The Local Government Pension Scheme (Amendment (Governance) Regulations 2015 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 and any subsequent legislation made in relation to the LGPS;

2. Introduction

2.1 The purpose of this document is to set out the terms of reference for the Local Pension Board (“LPB”) of the Fund, and to set out the rules of the Procedure of the Board. .

3. Role of the Local Pension Board

3.1. The role of the LPB Pension Board, as defined by section 5(1) and (2) of the Public Services Pensions Act 2013 and regulations 106-108 of the Local Government Pension Scheme Regulations 2013, is to –

- a. Assist the Administering Authority (Croydon Council) in its role as a Scheme Manager of the Scheme Fund;-
- b. To secure compliance with the Scheme Regulations and any other legislation relating to the governance and administration of the LGPS;
- c. To secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator;
- d. In such other matters as the LGPS regulations may specify;

Secure effective and efficient governance and administration of the LGPS for the Fund;

Provide the Scheme Manager with such information as is required to ensure any member of the LBP Pension Board or person to be appointed to the LPB Pension Board does not have a conflict of interest.

3.2. The **LPB Pension Board** will ensure it effectively and efficiently complies with any code of practice on the governance and administration of public service schemes issued by the Pensions Regulator.

3.3. The **LPB Pension Board** shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

4. Status of the Board

4.1. The Pension Board is constituted under the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 and The Local Government Pension Scheme (Amendment (Governance) Regulations 2015 and is neither a Committee or Sub-Committee of the Council, although it is appointed by the Pension Committee.

5. Establishment

5.1. The **LPB Pension Board** is established on 1 April 2015 subsequent to recommendation by the Croydon Council Pension Committee to the General Purposes and Audit Committee on 24/03/2015 of the recommendation to establish the **LPB Pension Board** [report reference GPAC20150325AR9].

6. Appointment of members of the Local Pension Board

6.1. The process for the selection and appointment of members of the **LPB Pension Board** is set out below, with all appointments being made by the Scheme Manager.

6.2. The **LPB Pension Board** shall consist of 6 voting members constituted as follows:

- a. 3 Employer Representatives;
- b. 3 Member Representatives;

6.3. The **LPB Pension Board** shall be an equal number of voting Employer representatives and voting Member Representatives. No person shall be a representative on both the London Borough of Croydon Pension Committee and Croydon Council's **LPB Pension Board**.

Employer Representatives

6.4. Employer Representatives shall be office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity. No officer or elected member of Croydon Council who is responsible for the discharge of any function of Croydon Council under the Scheme Regulations may serve as a member of the **LPB Pension Board**.

6.5. Employer Representatives should be able to demonstrate their capacity to represent the employers. This will be in relation to attending and completing the

necessary preparation for meetings and participating in training as and when required.

6.6. Substitutes for Employer Representatives shall be appointed by the same process as Member and Employer Representatives. This will be limited to one (1) substitute per Employer Representative. Where appointed, substitutes should be named and must undertake the same training as full members.

6.7. Each Employer Representative shall serve for a fixed 2 year term which may be extended by the Scheme Manager for further periods subject to their re-nomination. Such appointments will be determined following an expression of interest and then a shortlist and interview process.

6.8. Employer Representatives shall endeavour to attend all Board meetings during each year.

Member Representatives

6.9. Member Representatives shall either be Scheme members or have capacity to represent Scheme members of the Fund.

6.10. Member Representatives should be able to demonstrate their capacity to attend and completed the necessary preparation for meetings and participate in training as and when required.

6.11. Substitutes shall be appointed by the same process as Member and Employer Representatives. This will be limited to one (1) substitute per Member Representative. Where appointed substitutes should be named and must undertake the same training as full members

6.12. Each Member Representative shall serve for a fixed 2 year term which may be extended by the Scheme Manager for further periods subject to their re-nomination.

6.13. Member Representatives shall endeavour to attend all Board meetings during each year.

7. Suspension/Termination/Removal of Employer Representatives, Member Representatives and Substitutes

7.1. A Representative's (including substitute's) term of office may be suspended or come to an end in any of the following circumstances:

- a. Expiry of a fixed term of office without any extension being granted/authorised by the Scheme Manager;
- b. A Representative's death;
- c. Unable to act appropriately in his/her role because of illness or injury;
- d. Failure to attend two consecutive meetings (this would be **to at** the Scheme Manager's discretion);

- e. Representative wishes to resign – a notice period of 4 weeks is required to be given to the Scheme Manager;
- f. Representative ceases to represent their constituency, for example if an employer representative leaves the employment of their employer and therefore ceases to have the capacity to represent the Fund's employers;
- g. Representative has a conflict of interest which cannot be managed in accordance with the LPB's Fund's conflicts policy;
- h. Representative has breached the Members' code of conduct.

7.2. The Scheme Manager may suspend a Member Representative whilst investigations into (but not limited to) the above are conducted. Upon the conclusion of any investigation the Scheme Manager may either approve the Member to return to his/her role or can terminate their appointment and secure a replacement.

8. The Chair

8.1. The Chair of the LPB Pension Board will be a suitably qualified person who is selected and appointed by the Scheme Manager for a fixed term of office to be determined by the Scheme Manager. It will be the role of the Chair to ensure that all Members of the Board show due respect for process, that all views are fully heard and considered and to determine when consensus has been met.

8.2. The Chair shall:

- a. Ensure the LPB Pension Board delivers its purpose as set out in these Terms of Reference;
- b. Ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered; and
- c. Seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published;
- d. Be non-voting.

9. Quorum

9.1. The Board shall have a quorum of three (3) Members not including the Chair. If a meeting is inquorate it will be re-scheduled for as soon as is reasonably practicable.

9.2. Advisers do not count towards the quorum.

10. Conflicts of Interest

10.1. The policy applicable to Members and for identifying conflicts of interest is set out in a separate policy document titled "Local Pension Board Conflicts of Interest Policy". A Fund Conflicts of Interest Policy which is applicable to all Pension Board and Pension Committee members is being developed.

11. Board Review Process

11.1. The Board will undertake a formal review process during June of each year to assess how well it and the voting and non-voting members are performing with a view to seeking continuous improvement in the Board's performance.

12. Advisers to the Board

12.1. The Board may be supported in its role and responsibilities by Council officers and by External Advisers appointed by the Pension Committee, to support the London Borough of Croydon Pension Committee. Subject to any applicable regulation and legislation from time to time in force, the Board may consult with Advisers including but not limited to:

- a. Governance Adviser
- b. The Fund's Actuary;
- c. The Fund's Legal Adviser
- d. The Fund's Investment Managers(s)
- e. The Fund's Investment Advisers(s)
- f. The Fund's Employer Covenant Adviser(s)
- g. The Scheme Manager.

12.2. The Board shall ensure that the performance of all Advisers who are appointed ~~are~~ **is** reviewed on a regular basis as part of the Board Review Process.

13. Knowledge and Skills

13.1. Employer and Member Representatives (including substitutes) of the **LPB Pension Board** must be conversant with –

- a. The legislation, Scheme Regulations and associated guidance of the LGPS;
- b. Any document recording policy about the administration of the LGPS (which is for the time being adopted by the Fund).

13.2. All members of the **LPB Pension Board** must have a working knowledge and understanding of –

- a. The law relating to pensions, and
- b. Any other matters which are prescribed in Scheme Regulations.

13.3. It is for the Scheme Manager to be satisfied that those seeking to be appointed have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the **LPB Pension Board**.

13.4. In line with the duties under their role, the **LPB Pension Board** members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date on anything that would fall within

the remit of their role. LPB Pension Board members are therefore required to maintain a written record of all relevant training and development (whether internal or external) they have undertaken. In the event that LPB Pension Board members wish to attend an external course/training event prior approval must be sought from the Scheme Manager. All information in relation to training and development of all LPB Pension Board members shall be made available to the Board as part of the Board Review Process. In addition, the Scheme Manager may, at any time request to inspect such records upon providing the relevant member with a written request which must be adhered to within 7 days of receipt of such a request.

13.5. All LPB Pension Board members will undertake an annual personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses as well as mandatory training that the Board or Scheme Manager considers is required to ensure the Board operates as effectively as possible. LPB Pension Board members will comply with the Scheme Manager's training Knowledge and Skills Policy, details of which are found in the separate document titled "Local Pension Board Training Policy".

14. Board Meetings – Notice, Agendas, Minutes, Timings and Location

14.1. The Scheme Manager shall give 5 days' written notice, by email, to the Chair and to all Employer and Member Representatives of every meeting of the LPB Pension Board. The Scheme Manager shall ensure that formal minutes of all LPB Pension Board meetings are maintained. Following the approval of the minutes by the Chair they shall be circulated by email to all members within 14 days of the meeting date and then published in accordance with paragraph 17.

14.2. There will be a minimum of 4 LPB Pension Board meetings each year. The dates of such meetings are to be agreed in June of each year by the Board, taking into account the dates of scheduled Pensions Committees which will then provide the Board with the opportunity to effectively review the work of the Pensions Committee.

14.3. All LPB Pension Board meetings will be held in the Croydon Town Hall, Katharine Street, Croydon, CR0 1NX at 2pm, unless stated otherwise in the notice for the meetings.

15. Remit of the Board

15.1. The role of the LPB Pension Board will be determined by the relevant Scheme Regulations. The LPB Pension Board will assist the Scheme Manager with such other matters as any relevant Scheme Regulations may specify.

16. Standards of Conduct of Members

16.1. The role of LPB Pension Board members requires the highest standards of conduct and therefore the "seven principles of public life" embodied in the

Council's Code of Conduct will be applied to all **LPB Pension Board** members. These are –

- a. Selflessness
- b. Integrity
- c. Objectivity
- d. Accountability
- e. Openness
- f. Honesty
- g. Leadership

16.2. **LPB Pension Board** members will be required to sign the Council's Code of Conduct as soon as reasonably practicable on being appointed, but in any case before attending their first meeting of the **LPB Pension Board**. The Council Code of Conduct for Members which will apply to Members of the **LPB Pension Board** is set out in a separate document.

17. Decision making

17.1. All Employer Representatives and Member Representatives of the **LPB Pension Board** will have an individual voting right but it is expected the **LPB's Pension Board's** decisions (in so far as is possible) will be reached by consensus.

18. Publication of Local Pension Board Information

18.1. Scheme members and other interested parties will want to know that the Croydon Council Pension Fund is being efficiently and effectively managed. They will also want to be confident that the **LPB Pension Board** is properly constituted, trained and competent in order to comply with Scheme Regulations, the governance and administration of the Scheme and requirements of the Pension Regulator.

18.2. To this end information will be posted on the Fund website showing:

- a. The names and biographies about the LPB members
- b. How the Scheme and employer members are represented on the **LPB Pension Board**
- c. The responsibilities of the LPB as a whole
- d. The full terms of reference and policies of the **LPB Pension Board** and how they operate
- e. The **LPB Pension Board** appointment process
- f. Who each individual **LPB Pension Board** members represents
- g. Any specific roles and responsibilities of individual **LPB Pension Board** members.

18.3. **LPB Pension Board** papers, agendas and minutes of meetings will be published on the Council's website. These may be published in redacted form

at the discretion of the Council Monitoring Officer in consultation with the Scheme Manager and having consideration to s100A Local Government Act 1972 or exempt information as specified in Part 1 Schedule 12A of the Local Government Act 1972, which provides that information should not be disclosed due to its confidential nature. The Scheme Manager will also consider requests for additional information to be published or made available to individual scheme members to encourage scheme member engagement and promote a culture of openness and transparency. However, the final decision as regards the release of exempt information rests with the Council Monitoring Officer.

19. Accountability

19.1. The **LPB Pension Board** will be collectively and individually accountable to the Scheme Manager and must also report annually to the Secretary of State, as provided in the Regulations.

20. Expense Reimbursement

20.1. The Administering Authority shall meet the expenses of Member Representatives for Out-of-Borough travel in line with the relevant travel allowances/rates, as agreed from time to time by (Croydon Council) Members' Allowances Scheme.

20.2. The Administering Authority shall reimburse the Employer of the relevant Employer Representative in respect of any time off work that has been taken that is both necessary and reasonable in the opinion of the Scheme Manager to fulfil their role as a member of the LPB.

21. Pension Board Member Allowances

21.1 An annual allowance will be paid to certain Pension Board Members in recognition of the time commitment and the knowledge and skills and training required of the role.

22. Reporting Breaches

22.1. Any reported breach in connection with the administration of the LGPS, whether potential, or actual, brought to the attention of the **LPB Pension Board** shall be dealt with in accordance with the procedure set out in **the 'Reporting Breaches of the Law' policy**. a separate policy document titled "Local Pension Board Reporting Breaches Policy". For the purposes of this policy a breach is considered to include any statutory responsibilities/obligations that have not been performed as and when required.

23. Internal Dispute Resolution Procedure

The LPB's Internal Dispute Resolution is set out in a separate policy document titled "Internal Dispute Resolution Procedure (IDRP) System Employees' Guide."

24. Complaints

24.1. Any complaint received in relation to the **LPB Pension Board** will be dealt with in accordance with the Complaints Policy, which is set out in a separate document titled "Local Pension Board Complaints Procedure".

25. Budget

25.1. The **LPB Pension Board** must seek approval from the Administering Authority's s151 Officer or Deputy s151 Officer for any expenditure it wishes to incur in line with its responsibilities. Until a written decision has been communicated to the **LPB Pension Board** by the relevant officer, the **LPB Pension Board** is not authorised to make any financial commitment to a third party.

26. Review of Terms of Reference

26.1. These Terms of Reference shall be reviewed:-

- a. on the making of any material change to those part of the Scheme Regulations; and
- b. annually.

27. Interpretation

27.1. Any uncertainty or ambiguity or interpretation required relating to any matters contained in this document shall be resolved by reference to the Scheme Manager.

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CONSTITUTION OF THE LONDON BOROUGH OF CROYDON

PART 4.N – Pension Committee Terms of Reference

1. Introduction

- 1.1 Without prejudice to the Non-Executive Committee Procedure Rules, Part 4.F of the Constitution, the purpose of this document is to set out the terms of reference for the Pension Committee (“the Committee”), to discharge the responsibilities for Croydon Council in its role as **lead authority for the administration** **administering authority** of the Croydon Pension Fund (“the Fund”).

2. Role of the Committee

- 2.1 To ensure that the Fund is properly operated in accordance with the Local Government Pensions Scheme Regulations 2013 (“the Regulations”) all other relevant legislation and best practice as advised by the Pensions Regulator, including financial, governance and administrative matters.
- 2.2 To adopt Fund specific policies concerning the administration of the Fund, investing of Fund monies and the management of the Fund’s solvency level. In addition, the Committee is responsible for compliance with all financial and regulatory requirements of the Fund.
- 2.3 To discharge its fiduciary responsibility in the best interest of the Fund, in particular:
 - a. To set the investment policy and review the performance of the Fund’s investment managers, pooling arrangements, scheme administration, and external advisors;
 - b. To make arrangements for the triennial actuarial valuation;
 - c. To determine the Pension Administration Strategy;
 - d. To approve and monitor compliance of statutory statements and policies required under the Regulations;
 - e. To approve the Fund’s Statements of Accounts and annual report;

- f. To ensure that the Council discharges its obligation, as administrating authority for the local government pension scheme, to other scheme employers;
- g. To make representations to government as appropriate concerning any proposed changes to the Local Government Pension Scheme; and
- h. To keep these terms of reference under review.

3. Delegations

- 3.1 Unless otherwise reserved for this Committee or Full Council by law or the Constitution, this Committee hereby delegates all Fund matters to the Corporate Director of Resources and Section 151 Officer. As appropriate the Corporate Director of Resources and Section 151 Officer will delegate aspects of the role to other officers of the Council including the Head of Pensions and Treasury, and to professional advisors within the scope of the Regulations.

4. Structure

- 4.1 In accordance with those recommendations made by Chartered Institute of Public Finance and Accountancy (CIPFA) and the Myners Principles and notwithstanding resignations etc. the Committee will comprise the following members:
 - a. 8 elected voting Members (plus 6 substitutes) at a ratio of 5 majority Members to three minority Members;
 - b. Two representatives of Pensioners of the Fund elected by ballot of Pensioners of the Fund, one of whom shall be a voting member and one of whom shall be a non-voting member. The representative with the most votes following the ballot of Pensioners of the Fund shall be the voting member. The other representative of the Pensioners of the Fund shall be non-voting however is permitted to exercise a vote only in the absence of, and on behalf of, the voting representative and
 - c. One **staff side** voting member representative nominated by the three Trade Unions.
 - d. **One voting employer representative**

This is representative of Fund stakeholders.

- 4.2 There will be a minimum of three meetings in public a year of the Committee. Informal meetings will be arranged as required. The

outcomes of informal meetings will be reported at formal Committee meetings.

- 4.3 The Pension Fund makes some investments through the London CIV. Their governance structure is a Corporate Governance and Controls framework of a Shareholder Committee, comprising Leaders and Treasurers of twelve of the London boroughs, and a Board made up of executive and non-executive directors all of whom must meet FCA fitness to serve requirements.

Major decisions, including approval of the budget, strategic objectives and business plan are reserved to shareholders in General Meeting as set out in a Shareholder Agreement.

Certain decisions require approval from all (or a majority of) shareholders. There are two meetings each year of all shareholders and quarterly meetings of a Shareholder Committee representative of shareholders. The Committee considers all reserved matters, emerging issues and corporate and financial performance. In addition, there are two shareholder nominated directors who are Leaders of London Local Authorities and a Treasurer Observer (s151 officer) on the Board.

The overall strategic direction, management and general policy of London CIV is vested in the Board, which is responsible for major decisions unless reserved to shareholders. The Executive Directors, led by the Chief Executive, are responsible for the day to-day management of the company and there is an Executive Committee which is attended by other senior managers in the firm. The Board Committees are an Investment Oversight Committee (IOC); a Compliance, Audit, and Risk Committee (CARCO); and a Remuneration and Nomination Committee (RemNomCo) which includes the Chair of the Shareholder Committee amongst its membership. The Shareholder Committee is a consultative committee to the Board.

5. Quorum

- 5.1 Three voting members.

6. Local Pensions Board

- 6.1 As part of good governance of the scheme, the Committee will work with, receive and consider reports from the Pensions Board. The Board is not a decision making body and it will be for the Committee to ensure that the appropriate actions are undertaken as required.

7. Knowledge and Understanding

- 7.1 Members of the Committee are expected to continually demonstrate their own personal commitment to training and to ensure that governance objectives are met. To assist in achieving these objectives training sessions will be organised to ensure Committee members are familiar with the rules of the Fund with relevant legislation.

8. Review of Terms of Reference Policy

- 8.1 The Terms of Reference will be reviewed annually and updated as required.

CONSTITUTION OF THE LONDON BOROUGH OF CROYDON

Part 5.I

MEMBERS' CODE OF CONDUCT

Definitions

For the purposes of this Code of Conduct, a “councillor” means a member or co-opted member of a local authority or a directly elected mayor. A “co-opted member” is defined in the Localism Act 2011 Section 27(4) as “a person who is not a member of the authority but who

- a) is a member of any committee or sub-committee of the authority, or;
- b) is a member of, and represents the authority on, any joint committee or joint subcommittee of the authority; and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee”.

The Pension Board which is constituted under the Public Service Pensions Act 2013 and The Local Government Pension Scheme (Amendment (Governance) Regulations 2015 is neither a Committee or Sub-Committee of the Council, although it is appointed by the Pension Committee.

Purpose of the Code of Conduct

The purpose of this Code of Conduct is to assist members as detailed above , in modelling the behaviour that is expected of you, to provide a personal check and balance, and to set out the type of conduct that could lead to action being taken against you.

It is also to protect you, the public, fellow councillors, local authority officers and the reputation of local government. It sets out general principles of conduct expected of all councillors and your specific obligations in relation to standards of conduct. The fundamental aim of the Code is to create and maintain public confidence in the role of councillor and local government.

General principles of member conduct

Everyone in public office at all levels; all who serve the public or deliver public services, including ministers, civil servants, councillors and local authority officers; should uphold the Seven Principles of Public Life, also known as the Nolan Principles (Appendix A).

Building on these principles, the following general principles have been developed specifically for the role of councillor.

In accordance with the public trust placed in me, on all occasions:

- I act with integrity and honesty
- I act lawfully
- I treat all persons fairly and with respect; and
- I lead by example and act in a way that secures public confidence in the role of councillor.

In undertaking my role:

- I impartially exercise my responsibilities in the interests of the local community
- I do not improperly seek to confer an advantage, or disadvantage, on any person
- I avoid conflicts of interest
- I exercise reasonable care and diligence; and
- I ensure that public resources are used prudently in accordance with my local authority's requirements and in the public interest.

Application of the Code of Conduct

This Code of Conduct applies to you as soon as you sign your declaration of acceptance of the office of councillor or attend your first meeting as a co-opted member **or Pension Board member** and continues to apply to you until you cease to be a councillor or **Pension Board member**.

This Code of Conduct applies to you when you are acting in your capacity as a councillor or Pension Board member which may include when:

- you misuse your position as a councillor **or Pension Board member**
- your actions would give the impression to a reasonable member of the public with knowledge of all the facts that you are acting as a councillor **or Pension Board member**;

The Code applies to all forms of communication and interaction, including:

- at face-to-face meetings
- at online or telephone meetings
- in written communication
- in verbal communication
- in non-verbal communication
- in electronic and social media communication, posts, statements and comments.

You are also expected to uphold high standards of conduct and show leadership at all times when acting as a councillor.

Your Monitoring Officer has statutory responsibility for the implementation of the Code of Conduct, and you are encouraged to seek advice from your Monitoring Officer on any matters that may relate to the Code of Conduct.

Standards of councillor and Pension Board member conduct

This section sets out your obligations, which are the minimum standards of conduct required of you. Should your conduct fall short of these standards, a complaint may be made against you, which may result in action being taken. This may include a hearing by a sub-committee of the Ethics Committee which has powers to take action in respect of individual Members in order to promote and maintain high standards of conduct. A list of the possible sanctions which the Hearings Panel may apply appears in the Hearings Panel: Rules of Procedure.

Guidance is given at Appendix C to help explain the reasons for the obligations and how they should be followed.

General Conduct

1. Respect

As a councillor or Pension Board member:

- 1.1 I treat other councillors and members of the public with respect.**
- 1.2 I treat local authority employees, employees and representatives of partner organisations and those volunteering for the local authority with respect and respect the role they play.**

2. Bullying, harassment and discrimination

As a councillor or Pension Board member:

- 2.1 I do not bully any person.**
- 2.2 I do not harass any person.**
- 2.3 I promote and value equality and diversity and do not discriminate unlawfully against any person.**

3. Impartiality of officers of the council

As a councillor or Pension Board member:

- 3.1 I do not compromise, or attempt to compromise, the impartiality of anyone who works for, or on behalf of, the local authority.**

4. Confidentiality and access to information

As a councillor or Pension Board member:

4.1 I do not disclose information:

- a. given to me in confidence by anyone
- b. acquired by me which I believe, or ought reasonably to be aware, is of a confidential nature, unless
 - i. I have received the consent of a person authorised to give it;
 - ii. I am required by law to do so;
 - iii. the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or
 - iv. the disclosure is:
 1. reasonable and in the public interest; and
 2. made in good faith and in compliance with the reasonable requirements of the local authority; and
 3. I have consulted the Monitoring Officer prior to its release.

4.2 I do not improperly use knowledge gained solely as a result of my role as a councillor or Pension Board member for the advancement of myself, my friends, my family members, my employer or my business interests.

4.3 I do not prevent anyone from getting information that they are entitled to by law.

5. Disrepute

As a councillor or Pension Board member:

5.1 I do not bring my role or local authority into disrepute.

6. Use of position

As a councillor or Pension Board member:

6.1 I do not use, or attempt to use, my position improperly to the advantage or disadvantage of myself or anyone else.

7. Use of local authority resources and facilities

As a councillor or Pension Board member:

7.1 I do not misuse council resources.

7.2 I will, when using the resources of the local authority or authorising their use by others:

- a. act in accordance with the local authority's requirements; and
- b. ensure that such resources are not used for political purposes unless that use could reasonably be regarded as likely to facilitate, or be

conducive to, the discharge of the functions of the local authority or of the office to which I have been elected or appointed.

8. Complying with the Code of Conduct

As a Councillor **or Pension Board member**:

- 8.1 I undertake Code of Conduct training provided by my local authority.
- 8.2 I cooperate with any Code of Conduct investigation and/or determination.
- 8.3 I do not intimidate or attempt to intimidate any person who is likely to be involved with the administration of any investigation or proceedings.
- 8.4 I comply with any sanction imposed on me following a finding that I have breached the Code of Conduct.
- 8.5 I comply with the Council's Constitution, all relevant Protocols contained within it and any such reasonable guidance issued from time to time by the Chief Executive, Chief Finance Officer and/or Monitoring Officer. [In the event that one of the Council's Statutory Chief Officers issues such guidance, it will be reported to the next meeting of the Ethics Committee.]
- 8.6 I undertake essential Councillor training provided or commissioned by the Council.

Protecting your reputation and the reputation of the local authority

9. Interests

As a councillor **or Pension Board member**:

- 9.1 I register and disclose my interests in accordance with detailed provisions set out at Appendix B.
- 9.2 I make all decisions on merit, without discrimination or bias.

10. Gifts and hospitality

As a councillor **or Pension Board member**:

- 10.1 I do not accept gifts or hospitality, irrespective of estimated value, which could give rise to real or substantive personal gain or a reasonable suspicion of influence on my part to show favour from persons seeking to acquire, develop or do business with the local authority or from persons who may apply to the local authority for any permission, licence or other significant advantage.

10.2 I register with the Monitoring Officer any gift or hospitality with an estimated value of at least £50 or multiple gifts and/or instances of hospitality with a cumulative value of £50 or more when received from a single donor within a rolling twelve-month period within 28 days of its receipt.

10.3 I register with the Monitoring Officer any significant gift or hospitality that I have been offered but have refused to accept.

Appendix A – The Seven Principles of Public Life

The principles are:

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must disclose and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Appendix B – REGISTERING INTERESTS

Within 28 days of becoming a member or your re-election or re-appointment to office you must register with the Monitoring Officer the interests which fall within the categories set out in **Table 1 (Disclosable Pecuniary Interests)** which are as described in “The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012”. You should also register details of your other personal interests which fall within the categories set out in **Table 2 (Other Registrable Interests)**.

“Disclosable Pecuniary Interest” means an interest of yourself, or of your partner if you are aware of your partner’s interest, within the descriptions set out in Table 1 below.

“Partner” means a spouse or civil partner, or a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners.

1. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest, or of any change to a registered interest, notify the Monitoring Officer.
2. A ‘sensitive interest’ is as an interest which, if disclosed, could lead to the councillor, or a person connected with the councillor, being subject to violence or intimidation.
3. Where you have a ‘sensitive interest’ you must notify the Monitoring Officer with the reasons why you believe it is a sensitive interest. If the Monitoring Officer agrees they will withhold the interest from the public register.

Non participation in case of disclosable pecuniary interest

4. Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in **Table 1**, you must disclose the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a ‘sensitive interest’, you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.
5. Where you have a disclosable pecuniary interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it.

Disclosure of Other Registrable Interests

6. Where a matter arises at a meeting which **directly relates** to the financial interest or wellbeing of one of your Other Registrable Interests (as set out in **Table 2**), you must disclose the interest and not vote on the matter unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

Disclosure of Non-Registrable Interests

7. Where a matter arises at a meeting which **directly relates** to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in Table 1) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.
8. Where a matter arises at a meeting which **affects** –
 - a. your own financial interest or well-being;
 - b. a financial interest or well-being of a relative or close associate; or
 - c. a financial interest or wellbeing of a body included under Other Registrable Interests as set out in **Table 2**

you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied

9. Where a matter (referred to in paragraph 8 above) **affects** the financial interest or wellbeing:
 - a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
 - b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

you may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

10. Where you have an Other Registrable Interest or Non-Registrable Interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it.

Table 1: Disclosable Pecuniary Interests

This table sets out the explanation of Disclosable Pecuniary Interests as set out in the [Relevant Authorities \(Disclosable Pecuniary Interests\) Regulations 2012](#).

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Subject	Description
Sponsorship	<p>Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses.</p> <p>This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.</p>
Contracts	<p>Any contract made between the councillor or his/ her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
Land and Property	<p>Any beneficial interest in land which is within the area of the council.</p> <p>'Land' excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/ her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners (alone or jointly with another) a right to occupy or to receive income.</p>
Licenses	Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer.

Corporate tenancies	Any tenancy where (to the councillor's knowledge)— (a) the landlord is the council; and (b) the tenant is a body that the councillor, or his/ her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.
Securities	Any beneficial interest in securities* of a body where— (a) that body (to the councillor's knowledge) has a place of business or land in the area of the council; and
Subject	Description
	(b) either— (i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/ her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners have a beneficial interest exceeds one hundredth of the total issued share capital of that class.

* 'director' includes a member of the committee of management of an industrial and provident society.

* 'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Table 2: Other Registrable Interests

You must register as an Other Registrable Interest:

- a) any unpaid directorships
 - b) any body of which you are a member or are in a position of general control or management and to which you are nominated or appointed by your authority
 - c) any body
 - (i) exercising functions of a public nature
 - (ii) directed to charitable purposes or
 - (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)
- of which you are a member or in a position of general control or management.

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CONSTITUTION OF THE LONDON BOROUGH OF CROYDON

PART 6D

SCHEME OF CO-OPTION

- 1.1 This scheme applies to all Co-opted Members whether they are voting or non-voting. The scheme covers the co-option of voting and non-voting co-opted Members onto current Committees as detailed in sections 2 - 10 below.
- 1.2 The purpose of this scheme of co-option is to:
- Bring together in one document the various provisions in place for cooption across the Committees and statutory Boards of the Council. Outline the role and expected contribution of co-opted Members
 - Clarify the induction to be provided to co-opted Members and the support and training to be made available
- 1.3 Co-opted Members can provide committees with outside knowledge, experience and skills that can inform the work of the Committee and supplement the role of councillors.
- 1.4 All Co-opted Members (voting and non-voting) and any appointees to Task and Finish Groups are subject to the Members' Code of Conduct, Part 5I of the Constitution.
- 2. Co-opted Members on Scrutiny and Overview Sub-Committees required by Statute**
- 2.1 The Parent Governor representatives and the arch/diocesan representatives on the Scrutiny Sub-Committees exercising education function are required by law (*The School Standards and Framework Act 1998 for Parent Governors and the Education Act 1996 for Diocesan representatives*). The legislation explains that these co-opted Members will have full speaking and voting rights for any decisions relating to education and school matters. Parent Governor representatives are elected by the Borough's parent governors, but once coopted their role is to be an apolitical voice for *all* parents in the area. The Church of England and Roman Catholic representatives are nominated by the Bishop and Archbishop of Southwark respectively. Voting Co-opted Members on Scrutiny and Overview have the same rights of access to information as councillors in relation to their role on Scrutiny and Overview.
- 3. Co-opted Members on Scrutiny and Overview Sub-Committees appointed at the Committee's discretion**

- 3.1 Currently in Croydon there are two non-statutory co-opted Members: a teacher representative and the Healthwatch (Croydon) representative. These “nonstatutory” co-opted Members do not have voting rights and are co-opted at the discretion of the Scrutiny & Overview Committee, which can also rescind the appointment if it feels it is necessary.
- 3.2 The Scrutiny and Overview Committee has the power to appoint these additional co-opted Members if it is judged that they will be beneficial to the committee as it carries out its work. Before recommending any additional co-opted Members to full Council for appointment, the committee should demonstrate that it has considered the composition of the local community to ensure it is as representative as possible. An over-representation of any particular specialist area should also be avoided and the elected Members of the committee should always have a majority over co-opted Members.
- 3.3 These co-opted Members will usually (but not exclusively) be representatives of specific organisations relevant to the work of the committee. The recommending committee should invite the organisation to make an appropriate nomination, although a vacancy can be advertised more widely if the committee agrees it would be beneficial. Anyone who lives, works (including voluntary work) and/or studies in Croydon is eligible to be a co-opted Member, except if they are a Croydon Council Member or Croydon Council Officer. In approving an appointment, the committee will be mindful of the potential for any ongoing prejudicial interests between, for example, the co-opted Member’s paid employment and the work of the committee and there are declaration requirements placed on any such appointees.

4. Appointments and Disciplinary Committee Co-opted Members

- 4.1 The independent voting Co-optees on the Appointments and Disciplinary Committee are appointed to consider specified disciplinary matters.
- 4.2 Where the Appointments and Disciplinary Committee is giving consideration to dismissal of the Head of Paid Service, the Chief Finance Officer or the Monitoring Officer, the Appointments and Disciplinary Committee shall include at least two voting co-opted Independent Persons.

5. Ethics Committee Co-opted Members

- 5.1 The Independent non-voting Co-optees are required to be appointed by statute and are invited to attend all meetings of the Ethics Committee and their views are sought and taken into consideration before the Ethics Committee takes any decision on whether the Member’s conduct constitutes a failure to comply with the Code of Conduct and as to any action to be taken following a finding of failure to comply with the Code of Conduct.

6. Audit and Governance Committee Co-opted Members

- 6.1 Appointments and Disciplinary Committee recommends to Council the appointment of the independent (non-voting) Chair of Audit and Governance Committee. The Audit and Governance Committee appoints one further independent non-voting co-opted committee member.

7. Pensions Board Members

- 7.1 The Pension Board, with an independent non-voting Chair, is formed of three voting employer representatives and three voting representatives of the Pension Fund. The Board secures the effective and efficient governance and administration of the Croydon Council Pension Fund.

8. Pensions Committee Co-opted Members

- 8.1 The Pensions committee includes 1 voting co-opted Fund member representative nominated by the trade unions Staff Side non-, 1 Employer voting representative and 2 Pensioner Side co-opted Members (1 of whom is a voting co-opted member and one of whom is a non- voting co-opted member). This is representative of Fund stakeholders.
- 8.2 Staff Fund member side and Employers' side members are appointed on an annual basis following consultation with the Staff side and Pensioners of the Pension Fund.
- 8.3 Two representatives of Pensioners of the Fund are elected by ballot of Pensioners of the Fund, one of whom shall be a voting member and one of whom shall be a non- voting member. The representative with the most votes following the ballot of Pensioners of the Fund shall be the voting member. The other representative of the Pensioners of the Fund shall be non-voting however is permitted to exercise a vote only in the absence of, and on behalf of, the voting representative. The ballot is normally undertaken every 3-4 years.

9. Appointees to Panels/Forums

- 9.1 Panels and forums are not regarded as Committees of the Council, nor are appointees to such forums regarded as co-optees. As such they are not subject to the Code of Conduct requirements placed either on voting or non-voting cooptees of the Council.

10. Terms of Office

- 10.1 Subject to the requirements of the Committee in question, Co-opted Members will usually be invited to serve for a term of office of four years but be appointed annually at Full Council. Towards the end of a term of office, the relevant committee will consider whether any non-statutory co-opted post is still required. If it is, the committee shall advertise the vacancy by

means appropriate to the nature of the vacancy, which will usually include via the Council's website.

- 10.2 Non-statutory co-opted Members can be disqualified during their term of office if they do not attend four consecutive meetings of the committee to which they have been co-opted without giving an apology; if they fail to adhere to the Code of Conduct which applies to them or if they are subsequently elected as a Member of Croydon Council.
- 10.3 Where Co-optees are appointed on the basis of representing a particular organisation or group, then their term of office will also end if they resign from or are disqualified from being a Member of that organisation or representative of that group, or if that organisation/group ceases to exist.
- 10.4 It is the responsibility of the co-opted Member to inform the Council if a circumstance arises that they believe disqualifies them from continuing in their term of office.
- 10.5 Co-opted Members can also resign during their term of office if they feel that they can no longer fulfil the requirements of the role.
- 10.6 Non-statutory co-opted Members can also be appointed for a shorter period, for example, to be involved with a specific piece of work.

11. Powers and responsibilities

11.1 Co-opted Members will:

- Be required to comply with the Members' Code of Conduct and register and declare/ register and notify interests as required by the Code.
- Be expected to agree, in writing, to abide by the Code.
- Be entitled to speak on any matter that is discussed by the committee to which they have been appointed provided that it falls within their remit (for example on Appointments and Disciplinary Committee and Audit and Governance Committee, the co-optees are only appointed for specific purposes)
- Be encouraged to contribute to the development of the committee work programme and propose agenda items for future meetings
- Be expected to attend all meetings of the committee to which they have been appointed having read the agenda papers
- Bring an external perspective to the work of the Committee by utilising their specialist knowledge and experience
- Be expected to represent the whole community and not just one sector or viewpoint
- Act independently of party politics and lobbying interests
- Be responsible for keeping the organisation or interest they were appointed to represent informed and engaged in the work of the Committee

- Be expected to treat other committee Members, officers and external parties with respect
- Be required to recognise that they may encounter sensitive information and to act with discretion
- Not to disclose or - other than in the performance of their role on the Committee - use exempt or confidential information
- To raise issues with the Monitoring Officer or Head of Democratic Services at the earliest possible opportunity if there are any concerns

12. Support for Co-opted Members

- 12.1 All co-opted Members will be provided with a comparable level of support to the elected Members. This will include:
- All summons, agendas and committee reports will be sent to coopted Members at the same time as elected Members and will comply with the public access to information regulations
 - An induction will be provided for new co-opted Members that will outline their expected contribution and familiarise them with the Code of Conduct.
 - Co-opted Members will be invited to attend Member training sessions that relate to their role.
- 12.2 With the exception of the Chair of General Purposes and Audit Committee, co-opted Members will not receive an allowance or salary.

13. Why co-opt

- 13.1 Co-option is a way of ensuring that under represented voices are represented on Council committees. The Equality Act 2010(section 149) places a public sector equality duty on the council. The duty requires the Council to have due regard to *the need to advance equality of opportunity* between persons who share a relevant protected characteristic and persons who do not share it.
- 13.2 Having “due regard” to the need to advance equality of opportunity involves having due regard, in particular, to the need to *encourage persons* who share a relevant protected characteristic *to participate in public life* or in any other activity in which participation by such persons is disproportionately low.

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