

# Croydon Council

<b>REPORT TO:</b>	<b>Local Pension Board 16 January 2020</b>
<b>SUBJECT:</b>	<b>Good Governance in the LGPS – Scheme Advisory Board</b>
<b>LEAD OFFICER:</b>	<b>Nigel Cook Head of Pensions and Treasury</b>

## 1. RECOMMENDATION

- 1.1 To note this report and the implications for the Committee's future work programme.

## 2. EXECUTIVE SUMMARY

- 2.1 This report introduces a report published by the Local Government Pension Scheme Advisory Board (SAB) detailing recommendations to improve governance in the LGPS which they wish to see implemented by the Ministry of Housing, Communities and Local Government (MHCLG) by way of statutory guidance.

## 3. DETAIL

- 3.1 During the second half of 2019 two working groups were set up by the Scheme Advisory Board to take forward proposals included in the Good Governance Report considered by the Board at their meeting on 8 July 2019.
- 3.2 The groups comprised a wide range of interested parties including elected members and officers of administering authorities, investment consultants and scheme actuaries and representatives of The Pensions Regulator, MHCLG, CIPFA Pensions Panel, trade unions and National Audit Office.
- 3.3 The first working group considered "Standards and Outcomes" and the second "Compliance and Improvement."
- 3.4 The report consolidating the work of the two groups is included as Appendix A.
- 3.5 Both working groups recommend that MHCLG introduces new statutory governance guidance which will supersede current and previous guidance. The recommendations made by the groups for inclusion in the guidance are included as page 12 of the Report at Appendix A. They are set out as Appendix B with a brief narrative detailing their relevance for the Croydon fund. However, it is understood that with Brexit and other matters there may be capacity issues at MHCLG preventing immediate implementation.

- 3.6 The SAB's recommendations are grouped into 6 categories: General; Conflicts of Interest; Representation; Knowledge and Understanding; Service delivery for the LGPS function; and Compliance and Improvement. Overall there are 17 specific recommendations. 5 of these recommendations are dependent on further work from other bodies, mostly by the MHCLG. A further 11 either are already established practice or else exist in a form that are subject to review of further development. It may be that the Board would wish to focus its discussion on what appear to be poorly resolved items, including:
- How the roles of the administering authority should be resolved with the pooling agenda and the function of the London CIV and other pooling vehicles;
  - The approach outlined for tackling staff recruitment and retention issues, (recommendation E6);
  - The role of the S. 151 officer.
- 3.7 The Board are invited to note this report and comment as they see fit, with a view to assisting the Scheme Manager in responding to these findings and recommendations.

#### **4. DATA PROTECTION IMPLICATIONS**

- 4.1 Will the subject of the Report involve the processing of "personal data?"

No

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#### **BACKGROUND DOCUMENTS:**

None.

#### **APPENDICES**

**Appendix A** – Good Governance in the LGPS: Scheme Advisory Board, Hymans Robertson, November 2019

**Appendix B** – Scheme Advisory Board recommendations

## APPENDIX B

<p style="text-align: center;"><b>SCHEME ADVISORY BOARD RECOMMENDATIONS</b></p>	<p style="text-align: center;"><b>CROYDON COMPLIANCE</b></p>
<p><b>A General</b></p> <p><b>A1</b> MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. (“the Guidance”)</p> <p><b>A2</b> Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. (“the LGPS senior officer”).</p> <p><b>A3</b> Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be signed by the LGPS senior officer and, where different, co-signed by the S151 officer.</p>	<p>Dependent on MHCLG issuing guidance</p> <p>To be decided when statutory guidance published.</p> <p>Statement in accordance with current guidance was agreed by the Committee on 17 September 2019. As all Committee reports are signed off by the S151 officer the Fund is effectively already compliant.</p>
<p><b>B Conflicts of interest</b></p> <p><b>B1</b> Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, including reference to key conflicts identified in the Guidance.</p> <p><b>B2</b> The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB.</p>	<p>The current policy relies on the Council’s Conflicts of Interest Policy. It will be reviewed in the light of its relevance to specific Pension Fund issues.</p> <p>Not a requirement for the Fund until guidance published.</p>

<p><b>C Representation</b></p> <p><b>C1</b> Each fund manager must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party..</p>	<p>This is set out in the Council's Constitution.</p>
<p><b>D Knowledge and understanding</b></p> <p><b>D1</b> Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.</p> <p><b>D2</b> Introduce a requirement for S151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding</p> <p><b>D3</b> Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.</p> <p><b>D4</b> CIPFA and other relevant professional bodies should be asked to produce appropriate guidance and training modules for S151 officers and to consider including LGPS training within their training qualification syllabus</p>	<p>A training programme has been developed to address the needs of both the Committee and the Board as well as officers.</p> <p>This requirement is implicit in the role of the S151 officer as it is currently understood.</p> <p>A training policy has been adopted by the Pension Board and training logs are maintained for members of both the Board and the Committee.</p> <p>Not a requirement for the Fund. It will feature in the work programme of CIPFA's Pensions Panel.</p>

<p><b>E Service delivery for the LGPS function</b></p> <p><b>E1</b> Each administering authority must document key roles and responsibilities relating to its LGPS fund and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority's scheme of delegation and constitution and be consistent with role descriptions and business processes.</p> <p><b>E2</b> Each administering authority must publish an administration strategy.</p> <p><b>E3</b> Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service.</p> <p><b>E4</b> Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.</p> <p><b>E5</b> Each Administering Authority must give proper consideration to the utilisation of pay and recruitment policies, including as appropriate market supplements, relevant to the needs of their pension function. Administering authorities should not simply apply general council staffing policies such as recruitment freezes to the pensions function.</p>	<p>The Council's Constitution features the Scheme of Delegation as applicable to the Pension Fund. Matters relating to the Fund are in flux as the role of the London CIV evolves. The contribution of the Fund's advisers will also need to be recognised.</p> <p>The Fund's Administration Strategy was most recently approved by the Committee on 20 June 2017.</p> <p>Key Performance Indicators, as described by the Guidance, are produced and reported to the Committee and the Board</p> <p>The Committee and the Board both maintain dynamic business plans. By challenging and scrutinising these documents the Council can be assured of the adequacy of resources made available.</p> <p>Staffing issues present a challenge to authorities across London and the South East. Short-term options such as market supplements have proved to be ineffectual, serving only to inflate costs. The long-term solutions must be to develop staff skills in house.</p>
<p><b>F Compliance and improvement</b></p> <p><b>F1</b> Each administering authority must undergo a biennial independent Governance Review and, if applicable, produced the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts.</p> <p><b>F2</b> LGA to consider establishing a peer review process for LGPS funds.</p>	<p>This is already factored into the work programme of the Pension Board. This process began in 2016 and is in the second biennial cycle.</p> <p>Awaiting further developments</p>