

**SURREY COUNTY COUNCIL**

**PENSION FUND COMMITTEE**

**DATE: 14 SEPTEMBER 2018**

**LEAD OFFICER: KEVIN KILBURN, ACTING SECTION 151 OFFICER**

**SUBJECT: GOVERNANCE REVIEW**



#### **SUMMARY OF ISSUE:**

As part of the governance and oversight of the pension fund, a regular review and update to the governance framework, policies and procedures is essential to ensure that the Fund is compliant with latest legislation, regulations and good practice.

There have been significant developments in the LGPS over the past three years, which make a review of the governance of the Fund necessary and appropriate.

This report sets out the scope and timetable for a governance review which, if approved by the Committee, will be jointly undertaken by officers and appointed specialist advisors.

#### **RECOMMENDATIONS:**

It is recommended that the Pension Fund Committee:

1. Approve officers to undertake a governance review and procure specialist governance advisors to assist with this review.

#### **REASON FOR RECOMMENDATIONS:**

The LGPS Regulations require each administering authority to publish a statement setting out the authority's policy on pension fund governance, including issues concerning the representation and participation of key stakeholders on pension committees/boards.

Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires administering authorities to prepare a written governance compliance statement. Governance is defined as the leadership, direction and control of organisations to ensure they achieve their aims and objectives.

In public service organisations particularly, these processes need to be clear and open to scrutiny

The Pension Fund Committee must approve the governance compliance of the Pension Fund.

## **BACKGROUND:**

1. Since 2015 there have been several major changes within the LGPS, including the following:
  - The introduction of the Pensions Regulator as regulator for the scheme;
  - The formation of local pension boards for each LGPS scheme;
  - The creation of a national Scheme Advisory Board which plays a significant role in the guidance and stewardship of the scheme;
  - The progress made under Government guidance in the formation of national asset pools leading to the Fund becoming a partner in the Border to Coast Pension Partnership (BCPP).
2. Taking the above major changes which in a way affect the LGPS - presents Funds with a new set of governance challenges. It is therefore necessary and appropriate to carry out a review of the Fund's existing way of thinking about their strategy and management going forward.
3. These changes make a review of the governance of the Fund necessary and appropriate.

## **DETAILS:**

4. The proposed scope of the governance review has three sections, Overview, Background and Review.
5. **Overview:** Examine the existing governance framework, identify the main risks associated with the governance of the Fund and suggest possible improvements. In particular to comment on:
  - The extent to which the Committee takes proper advice on those matters which require specialist input;
  - The relationship between the Pensions Fund Committee and the Local Board;
  - The role of BCPP;
  - Compliance with the regulatory framework.
6. **Background:** The following Fund policies and other documents will be considered in the review:
  - Terms of reference of the Pension Fund Committee and Local Pension Board;
  - Investment Strategy Statement;
  - Policy on Discretions;
  - Governance policy/Governance compliance statement;
  - Communication Policy;
  - Process for reporting breaches of legislation;
  - Funding Strategy Statement;
  - Training Policy;
  - Conflict of Interest Policy;
  - Administration Strategy;
  - Service specification between the Fund and administration team;
  - ESG/Responsible investment policy.

7. **Review:** The review will include the following:
- Direction – mission statement and supporting objectives
    - Legislative and regulatory compliance
    - Strategies and Policies
  - Delivery – How does the Fund meet its aims?
    - Annual business plan
    - Performance Monitoring
    - Risk Management
  - Decisions – Does the Fund have effective decision making?
    - Governance Structure
    - Behaviour
    - Pensions Skills and Knowledge
    - Governance structure: are all appropriate areas included, is ownership clear, appropriate and compliant with delegations of authority
    - Timeliness and quality control
    - In-house competency and use of expert advisors
  - The review should include an assessment of current Pensions Fund Committee and Local Pension Board meetings.
8. A report outlining the conclusions after interaction with officers, should be available for delivery to the Pension Fund Committee.
9. It is proposed to use the National LGPS Framework to procure a specialist governance consultant to provide specialist advice for this review. The cost of this advice is estimated at £25k-£30k.
10. The procurement process is estimated to take approximately one month from approval. Draft review findings would then be expected for the November 2018 Pension Fund Committee, with a final review available for the February 2019 Pension Fund Committee meeting.

#### **CONSULTATION:**

11. The Chairman of the Pension Fund has been consulted and offered full support for the proposals.

#### **RISK MANAGEMENT AND IMPLICATIONS:**

12. A regular review of governance is a suitable method of identifying and monitoring risk.

#### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

13. The estimated cost to the pension fund of £25k-£30k in procuring a governance review are appropriate in the context of the risk management inherent in this activity.

#### **DIRECTOR OF FINANCE COMMENTARY**

14. The Acting Section 151 Officer has been consulted and is satisfied at the necessity of this review.

**LEGAL IMPLICATIONS – MONITORING OFFICER**

15. There are no legal implications or legislative requirements

**EQUALITIES AND DIVERSITY**

16. A review of governance does not require an equality analysis, as the initiative is not a major policy, project or function being created or changed.

**OTHER IMPLICATIONS**

17. There are no potential implications for council priorities and policy areas.

**WHAT HAPPENS NEXT**

18. The following next steps are planned:

- Procure a governance advisor to assist with the governance review.

**Contact Officer:**

Neil Mason (Head of Pensions)

**Consulted:**

Pension Fund Committee Chairman.

**Annexes:****Sources/background papers:**

None