

SURREY COUNTY COUNCIL**SURREY PENSION FUND COMMITTEE****DATE: 13 SEPTEMBER 2019****LEAD OFFICER: ANNA D'ALESSANDRO, DIRECTOR OF CORPORATE FINANCE****SUBJECT: SCHEME ADVISORY BOARD REVIEW OF GOVERNANCE IN THE LGPS****SUMMARY OF ISSUE:**

In January 2019, the Scheme Advisory Board (SAB) appointed Hymans Robertson (Hymans) to facilitate a review of governance structures for the LGPS. This paper provides details of the survey issued by Hymans and the subsequent report "Good Governance in the LGPS", published in July 2019. Any changes to the LGPS governance will have an impact on the Surrey Fund.

RECOMMENDATIONS:

The Pension Fund Committee is asked to note the report.

REASON FOR RECOMMENDATIONS:

The Pension Fund Committee will be made aware of all national initiatives, in accordance its Governance objectives as included in its 2019/20 Business Plan.

BACKGROUND:

1. In January 2019 the SAB appointed Hymans to facilitate a review of governance structures for the LGPS. The review consisted of two stages:
 - i) Stage 1 fact-find: An initial fact-finding stage involving a sample of key stakeholders from across the LGPS in order to draw out important issues, themes and ideas for improving LGPS governance. This also assisted in informing the proposed options for consultation.
 - ii) Stage 2 survey: The survey invited stakeholders to comment on proposed governance models and how they measure against proposed assessment criteria as follows.
 - Standards: The model enables funds to meet good standards of governance across all areas of statutory responsibility including TPR requirements.
 - Conflict: The model minimises S151 officer conflicts (including in operational areas such budgets, resourcing, recruitment and pay policies and in strategic areas such as funding and investment policy).
 - Representation: The model allows for appropriate involvement in decision making for key stakeholders (including administering

authority, non-administering authorities, other employer and member representative).

- Clarity: The model delivers clarity of accountability and responsibility for each relevant role
- Consistency: The model minimises dependence on goodwill and relationships to deliver statutory responsibilities
- Cost: The cost of implementing and running the model is likely to be worthwhile versus benefits delivered

2. The survey identified four governance models:

- i) Improved practice: Introduce guidance or amendments to LGPS Regulations 2013 to enhance the existing arrangements by increasing the independence of the management of the fund.
- ii) Greater ring fencing of the LGPS within existing structures: Greater separation of pension fund management from the host authority, including budgets, resourcing and pay policies.
- iii) Joint Committee (JC): Responsibility for all LGPS functions delegated to a JC comprising the administering authority and non-administering authorities in the fund. Inter-authority agreement (IAA) makes JC responsible for recommending budget, resourcing and pay policies.
- iv) Combined Authority (CA): Establish a CA, a local authority in its own right and a separate legal entity which exists for the sole purpose of administering an LGPS fund.

3. In May 2019 Hymans issued the survey to interested parties, including officers, pension fund committee members and local pension board members (the survey was forwarded to Pension Fund Committee members and Local Pension Board members via email on 22 May).

DETAILS:

4. Hymans issued a report outlining the results of their survey in July 2019. The report was forwarded to pension fund committee members and local pension board members via email on 1 August 2019.
5. The results of the survey showed a clear preference for option ii) *greater ring fencing of the LGPS within existing structures*.
6. Hymans provided the following conclusions:
 - Governance structure is not the only determinant of good governance. Funds with similar governance models produced differing results.
 - There was a clear view that the establishment of new bodies was not necessary and instead there should be greater guidance within the existing structures.
 - There is preference for a set of mandatory standards that all funds should achieve, drawing on current good practice.

- Standards should be regularly and independently reviewed.
7. Leading from these conclusions Hymans made the following proposals:
- There should be an outcome based approach, based on minimum standards.
 - This outcome based approach should include:
 - i) Robust conflict management, including defining roles and responsibilities.
 - ii) Assurance on the sufficiency of administration, along with the appropriate budget.
 - iii) Policy on employer and member engagement.
 - iv) Regular independent review of governance.
 - Enhanced training (particularly for S151s and S101 committees).
 - Update of relevant guidance and better sign-posting.

NEXT STEPS:

8. The SAB has invited the Hymans project team to assist them in taking forward the next stage of the good governance project.
9. Two working groups will be established:
- i) Focus on defining good governance outcomes and the guidance needed to clearly set them out.
 - ii) Focus on options for the independent assessment of outcomes and mechanisms to improve the delivery of those outcomes.
10. Both groups will comprise a wide range of scheme stakeholders to ensure a full range of views and options are considered.
11. The aim is for an options report to be ready for the SAB's consideration when it meets in November.
12. Any proposals agreed by the SAB would then be subject to a full stakeholder consultation before being put to MHCLG.
13. Details of both working groups will be made available shortly.

CONSULTATION:

14. The Chairman of the Pension Fund Committee has been consulted on this report

RISK MANAGEMENT AND IMPLICATIONS:

15. Risk related issues have been discussed and are contained within the report.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

16. Financial and value for money implications are discussed within the report.

DIRECTOR OF CORPORATE FINANCE COMMENTARY

17. The Director of Corporate Finance is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed.

LEGAL IMPLICATIONS – MONITORING OFFICER

18. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY

19. This does not require an equality analysis, as there is no major policy, project or function being created or changed.

OTHER IMPLICATIONS

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

WHAT HAPPENS NEXT

21. The following next steps are planned:

- Keep the Pension Fund Committee apprised on developments in the Good Governance project.

Contact Officer:

Neil Mason, Strategic Finance Manager (Pensions)

Consulted:

Pension Fund Committee Chairman

Sources/background papers:

- Good governance in the LGPS – Hymans Robertson