



Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	23 October 2019
Classification:	General Release
Title:	Governance of the LGPS – Good Governance Report
Wards Affected:	None
Policy Context:	Effective control over council activities
Financial Summary:	There are no immediate financial implications arising from this report.
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1. EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to present the LGPS Good Governance Report which was commissioned by the LGPS Scheme Advisory Board (SAB).

2. RECOMMENDATIONS

- 2.1 The Pension Fund Committee is recommended to consider the contents of this report.

3 BACKGROUND

- 3.1 The LGPS SAB is established under the Public Service Pensions Act 2013 to advise the Secretary of State for Ministry of Housing, Communities and Local Government on the development of the Local Government Pension Scheme (LGPS). Recently, the SAB has been looking at arrangements and structures of the LGPS funds with a view to identifying if any improvements can be made to the governance process.
- 3.2 In February 2019, the SAB commissioned Hymans Robertson to facilitate a consultation on good governance structures for the LGPS. The study considered how best to accommodate LGPS functions within the democratically

accountable local authority framework in a way that ensures that conflicts of interest are addressed and managed appropriately.

- 3.3 Fund officers contributed to the consultation survey in support of governance improvements, whilst outlining that the costs of setting up separate entities could be considerable, particularly in the light of recent pooling implementation costs that have also been borne by the Fund.
- 3.4 It is the SAB's aim that the LGPS will remain appropriately resourced and able to deliver its statutory functions.
- 3.5 At the end of July 2019 the Hymans Robertson report was published by the SAB.

4 The Good Governance in the LGPS Report.

- 4.1 The report considered four governance models based on various criteria, including standards, consistency, conflict management, clarity of roles and responsibility, and cost.
- 4.2 The four models were:

Model 1: Improved Practices

This model would seek to modify the existing LGPS regulation and introduce additional guidance that would improve the independence of the management of the fund.

Model 2: Greater Ringfencing

Model 2 would put a greater distance between the Fund and administering authority when compared with Model 1. The budgeting process, resourcing the Fund and discretionary pay policies would be examples of areas of responsibility that would be considered independently from one another, with independent management structures in place.

Model 3: A Joint Committee

A Joint Committee model would see a separate committee set up that would have responsibility for LGPS functions. The committee would comprise of representatives from both the host administering authority and the non-administering authorities in the Fund.

Model 4: New Local Authority

The introduction of a democratically accountable entity that would be subject to the provisions of the Local Government Act 1972.

5 Next Steps

- 5.1 The Scheme Advisory Board has invited Hymans Robertson to assist in taking forward the next stage of the good governance project. Two working groups will be established, one to focus on defining good governance outcomes and the guidance needed to clearly set them out, and the other to focus on options for the independent assessment of outcomes and mechanisms to improve the delivery of those outcomes.
- 5.2 Both working groups will comprise a wide range of scheme stakeholders to ensure a full range of views and options are considered. The SAB aims for an options report to be ready for consideration in November 2019.
- 5.3 Any proposals agreed by the SAB following the November 2019 meeting would be subject to further consultation with funds, before being put to MHCLG. These proposals will be presented to the Committee for comment when published.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

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BACKGROUND PAPERS: None

APPENDICES:

Appendix 1 – Good Governance in the LGPS, Hymans Robertson