

Scheme Advisory Board Good Governance Survey

In February 2019 the Scheme Advisory Board (SAB) commissioned Hymans Robertson to facilitate a consultation on Good Governance structures for the LGPS. Hymans issued a survey to all stakeholder groups and fund types throughout April and May. The Pension Advisory Board received a report on the survey at their meeting in May.

Hymans presented their findings to the SAB on 8 July and SAB published the report on the 31 July. The report is summarised below.

Findings

The results show that improved practice and greater ringfencing of pension fund management are preferred to creating a new joint committee for decision making or creating a separate legal entity to carry out the pension function.

There was also an almost unanimous view that a single model of LGPS governance should not be imposed on all funds and that one size does not fit all. The training requirement of Pension Committee/Panel members should be mandated to be the same as Pension Board members.

There was strong support for the professionalism of s151 officers and the role they play but felt that statutory/fiduciary clarity would be useful. There was also a sense that conflicts were managed well but that there needed to be a better distinction between the employer and the administering authority role within Councils.

Proposals

Hymans have made a number of proposals –

1. **Outcomes based approach** to LGPS governance rather than a prescribed governance structure. This would involve a consultation from SAB regarding desirable features and attributes of LGPS governance, what outcomes governance arrangements should be expected to deliver and how this can be evidenced by administering authorities. Once identified this should be set out in statutory MHCLG guidance.
2. The **critical features of the outcomes based model** Hymans recommend are mandatory include –
 - a. Robust conflict management including a published conflicts policy, protocols for setting and managing budgets, schemes of delegations and documented roles and responsibilities of elected members on s101 committees, s151 officers and pension fund officers.
 - b. Assurance administration and other resource sufficient to meet regulatory requirements and budget appropriate including a transparent budget setting and managing process, possibly using market supplements to attract and retain staff who should not be tied to council staffing policies such a recruitment freezes. This could be evidenced by benchmarking, internal or external audit or using the Pension Board with appropriate expert advice.

- c. Explain policy on employer and member engagement and representation in governance. Currently employer and member representation should be encouraged but not compelled. Decisions on the approach to member representation should remain at a local level but administering authorities should explain their approach.
 - d. Regular independent review of governance to assess the effectiveness of administering authority's governance arrangements. This could be done by internal or external audit, Pension Board scrutiny or a peer review process.
3. **Enhanced training requirements** for all s151s and s101 committee members. This is to include all s151 officers and not just those with current administering authority responsibility. Hymans suggest that CIPFA develop a CPD model for s151 officers and that SAB/MHCLG issue guidance to require s101 committees to have the same level of training as Pension Boards.
4. **Update relevant guidance and provide better signposting.** This will provide greater clarity to officers and elected members on their statutory and fiduciary responsibilities. There are currently a few of documents that are out of date and pre date the involvement of the Pensions Regulator and therefore Hymans recommends that CIPFA and MHCLG review and update their guidance.

Next steps

The Scheme Advisory Board has invited the Hymans Robertson project team to assist the Secretariat 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. Both groups will comprise a wide range of scheme stakeholders to ensure a full range of views and options are considered. The aim is for an options report to be ready for the Board's consideration when it meets in November. Any proposals agreed by the Board would be subject to a full stakeholder consultation before being put to MHCLG.