

Appendix III - Governance Compliance Statement

1. Summary

Regulation 55(1) of the Local Government Pension Scheme Regulations 2013 (SI2014-1146) requires the Administering Authority (Sutton Council) to maintain a statement, which assesses the pension fund governance arrangements against guidance from the Secretary of State, and to make revisions to the statement following a material change in the arrangements. Part 1 of this statement relates to the arrangements for pension fund administration. Part 2 relates to the arrangements for the new Local Pension Board, a stand-alone body. By producing such a statement (shown below) the Administering Authority is compliant with the legislation from the Secretary of State, however the statement does show that there are two areas where best practice is not met. These areas relate to the inclusion of scheme representatives on the Pension Fund Committee.

Part 1: Pension fund administration

2. Delegation to the pension committee

Guidance:	Assessment:
2.1 The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant - This is discharged through a formal decision-making committee, the Pension Committee.
2.2 Representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Non Compliant - Under the best practice guidance issued by DCLG, scheme member representatives may be included as members of the Pension Committee. There are currently no scheme representatives on the Pension Committee. However scheme representatives are included within the Pension Board.
2.3 Where a secondary committee or panel has been established the structure ensures effective communication across both levels.	Not applicable as there is currently no secondary committee or panel.
2.4 Where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Not applicable as there is currently no secondary committee or panel.

3. Committee membership and representation

Guidance:	Assessment:
3.1 All key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include employing authorities, scheme members, independent professional observers, and expert advisors.	Non Compliant - See comments under 2.2 above. All key stakeholders are represented on the Pension Board.
3.2 Where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Compliant - All members are treated equally regarding access to papers, meetings and training. They are given full opportunity and encouragement to contribute to the decision making process.
3.3 Committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Compliant - Members receive induction training and further training to enable them to fulfil their roles and responsibilities. An annual training plan ensures that any knowledge and skill gaps are filled.
3.4 At the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Compliant - Members receive briefings and training including the need to declare at the start of any meeting any financial or pecuniary interest related to specific matters on the agenda.

4. Voting

Guidance:	Assessment:
4.1 The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant - The policy on voting rights is clear and transparent. All elected members on the Pension Committee have equal voting rights. All member or employer representatives on the Pension Board have equal voting rights.

5. Training / facility time / expenses

Guidance:	Assessment:
5.1 In relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Compliant - The Committee and the Board have adopted the CIPFA Knowledge and Skills Framework and an annual training plan for each body exists. Members have equal access to training and reimbursement of expenses to enable them to fulfil their roles and responsibilities.
5.2 That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Compliant - As above.

6. Meetings (frequency/ quorum)

Guidance:	Assessment:
6.1 An administering authority's main committee or committees meet at least quarterly.	Compliant - The Pension Fund Committee meet with a quorum at quarterly intervals as required by its terms of reference.
6.2 An administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Not applicable as there is currently no secondary committee or panel.
6.3 An administering authority who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Compliant - All key stakeholders are represented on the Pension Board.

7. Access

Guidance:	Assessment:
7.1 Subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Compliant - All members have equal access to papers, documents and advice.

8. Scope

Guidance:	Assessment:
8.1 Administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Compliant - Under the Pension Committee's terms of reference it can consider any matter relevant to the Pension Fund. Wider scheme issues are evident in policy statements.

9. Publicity

Guidance:	Assessment:
9.1 Administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.	Compliant - The Governance Policy and Communications Policy are published on the Council's web site along with details of planned meetings of the Pension Committee that are open to stakeholders.

Part 2: Arrangements for the local pension board

10. Functions of the board

Guidance:	Assessment:
10.1 The terms should set out the function of the Board i.e. to assist the Administering Authority to secure compliance and ensure the effective and efficient governance and administration of the LGPS.	Compliant - This is clearly set out in the Pension Board Terms of Reference (Appendix II to the Annual Report).

11. Membership

Guidance:	Assessment:
<p>11.1. The terms should include the number of each category of Board member (including other representatives), the appointment and selection process, term of office and procedures for termination of office.</p>	<p>Compliant - The Pension Board consists of 7 members and is constituted as follows:</p> <ul style="list-style-type: none"> · 3 Scheme employer representatives · 3 scheme member representatives · 1 Independent member selected by the Administering Authority <p>Person specifications and job descriptions exist for each role. Vacancies are publicised. Officers from the Administering Authority assess each candidate's statement against the Person Specification and form a shortlist of suitable candidates. If there are more than 3 suitable candidates for each vacancy then a ballot will be held. Representatives serve for a fixed two year term which can be extended subject to re-nomination. Termination occurs automatically at the expiry of a term. Other than ceasing to be eligible a Board member may only be removed from office during a term by the unanimous agreement of all of the other Board members. The removal of the independent member requires the consent of the Scheme Manager.</p>

12. Code of conduct

Guidance:	Assessment:
<p>12.1. The terms should refer to the requirement for the Local Pension Board to have a code of conduct for its members and that members of the Board should abide by the code.</p>	<p>Compliant - Board members are subject to the code of conduct for Board members.</p>

13. Voting rights

Guidance:	Assessment:
13.1. The terms should: set out that employer and member representatives of the Board have equal voting rights; indicate where the chair is from either the employer or member representatives whether the chair has a casting vote; and note that other members do not have voting rights on the Board.	Compliant - The Board consists of 6 voting members, as follows: 3 Member Representatives; and 3 Employer Representatives. There is an equal number of Member and Employer Representatives and 1 independent Chair who is not entitled to vote. Other members do not have voting rights on the Board.

14. Conflict of interests

Guidance:	Assessment:
14.1. The terms should refer to the requirement for the Board to always act within the terms of reference. The Local Pension Board should have a conflicts policy for its members and that members should abide by the policy and provide information that the Administering Authority may reasonably require from time to time to ensure that members do not have a conflict of interest.	Compliant – The term provide the purpose, scope and administrative procedures for the Board and requires the Board at all times to act in a reasonable manner in the conduct of its purpose and abide by the conflicts policy and code of conduct. All members of the Board must declare on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.

15. Appointment of a chair / vice-chair

Guidance:	Assessment:
15.1. The terms should specify whether the Board is to have a chair and/or vice-chair and if so specify the roles, including administrative and leadership responsibilities, and how they are appointed.	Compliant – The terms cover the appointment of an independent chair and a vice chair and their responsibilities.

16. Role of advisors

Guidance:	Assessment:
16.1. The terms should set out the role of professional advisers, or other advisors to the Board and the process for their appointment and agreeing their fees. In addition the process for the Board accessing existing advisors to the Administering Authority should also be set out.	Compliant - The Board may be supported through the appointment of advisers and can consult with such advisers to the Board and on such terms as it shall see fit within the budget for the Board that is met from the Fund. The Chair is required to notify the Administering Authority of any proposed use of the existing advisors to the Pensions Committee or of the intention to consult with other advisers.

17. Role of officers

Guidance:	Assessment:
17.1. The terms should set out the role of officers of the Administering Authority to the Board, for example in the provision of secretariat services to the Board or providing pension fund information to the Board.	Compliant – The role of officers is to provide support to the Board. This includes support finance, pension administration and secretarial support.

18. Administration of meetings including data protection

Guidance:	Assessment:
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<p>18.1. The terms should include the notice period of Board meetings, the circulation of papers in advance of meetings, the decision making process, recording minutes of meetings, a procedure for dealing with urgent items of business and the publication of information.</p>	<p>Compliant – The Board meets as a minimum 3 times each year. The chair of the Board with the consent of the Board membership may call additional meetings. The agenda notice and supporting papers must be issued at least 5 clear working days in advance of a meeting except in the case of matters of urgency. Any urgent items of business must be agreed by the Chair and be of such matter that cannot wait until the next ordinary meeting. The Board seeks to reach consensus and decisions are put to a vote when it cannot be reached. Draft minutes of each meeting must be circulated to all Board members within 10 working days after the meeting. Draft minutes will are then subject to formal agreement by the Board at their next meeting. The minutes may, with the agreement of the Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.</p>
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19. Quorum

<p>Guidance:</p>	<p>Assessment:</p>
<p>19.1. The terms should specify a quorum for meetings and in particular whether the quorum should include a minimum number of employer and member representatives.</p>	<p>Compliant - A meeting is only quorate when at least one employer member representative, one employer representatives and the Independent Chair are present. Substitute members are included within the quorum. A meeting that becomes inquorate may continue but any decisions will be non-binding.</p>

20. Attendance requirements

Guidance:	Assessment:
20.1. The terms should specify the requirements for attending meetings and the consequences of continued failure to attend Board meetings.	Compliant - Representatives should endeavour to attend all meetings and are required to attend at least 2 out of 3 meetings each year. Board membership may be terminated prior to the end of the term of office due to a Board member no longer being able to demonstrate to their capacity to attend and prepare for meetings or to participate in required training.

21. Role of substitutes

Guidance:	Assessment:
21.1. The terms should specify whether members are allowed to send substitutes to meetings where they are unable to attend themselves. Training requirements should also be considered where substitutes are permitted.	Compliant - Substitutes can be appointed by Member representatives. Where appointed, substitutes should be named and must undertake the same training as full members. Substitutes are allowed to attend on behalf of absent representatives if sufficient notice is given.

22. Creation of working groups / sub-committees

Guidance:	Assessment:
22.1. The terms should specify whether the Board has the power to set up working groups or sub-committees.	Compliant - The Board may establish sub-committees.

23. Allowances / expenses

Guidance:	Assessment:
23.1. The terms should specify the policy in relation to the payment of allowances and expenses to Board members.	Compliant - An annual allowance is paid to the Independent Chair, in line with the Administering Authority's policy on allowances. The Administering Authority does not pay allowances for Board members. Expenses are paid to Board members in line with the Administering Authority's policy on expenses.

24. Budget

Guidance:	Assessment:
24.1. The terms should set out a process for the Board to have access to a budget for specified purposes	Compliant - The Board is to be provided with adequate resources to fulfil its role set out in the terms. The budget is met from the Fund and determined by The Strategic Director – Resources.

25. Knowledge and Understanding

Guidance:	Assessment:
25.1. The terms should refer to the requirement for the Board to have a policy and framework to meet the knowledge and understanding requirements of the 2004 Act.	Compliant - The Board has adopted the CIPFA Knowledge and Skills Framework and has an annual training plan for the Board.

26. Reporting

Guidance:	Assessment:
<p>26.1. The terms should include arrangements for the reporting of information to the Administering Authority including direct reporting arrangements where the Board has material concern. In addition the methods used to communicate to scheme members and employers should be included.</p>	<p>Compliant - The Board is required to report its requests, recommendations or concerns to the Pension Committee.</p> <p>The Board should report any concerns over a decision made by the Pension Committee to the Committee subject to the agreement of at least 50% of voting Board members provided that all voting members are present. If not all voting members are present then the agreement should be of all voting members who are present, where the meeting remains quorate.</p> <p>Where the Board is satisfied that there has been a breach of regulation which has been reported to the Committee and has not been rectified within a reasonable period of time it is under an obligation to escalate the breach. The appropriate internal route for escalation is to the Monitoring Officer and / or the Section 151 Officer.</p> <p>The Board may report concerns to the LGPS Scheme Advisory Board for consideration subsequent to, but not instead of, using the appropriate internal route for escalation. Board members are also subject to the requirements to report breaches of law under the Act and the Code [and the whistleblowing provisions set out in the Administering Authority's whistle blowing policy].</p> <p>Where the Board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the Fund's annual report.</p> <p>Board agendas and minutes and training and attendance logs may be published using the following means: on the Fund's website, as part of the Fund's own annual report; as part of the Governance Compliance Statement.</p>