



# AUDIT AND PENSIONS COMMITTEE

17<sup>th</sup> February 2011

**CONTRIBUTORS**

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**GOVERNANCE COMPLIANCE STATEMENT**

This report seeks approval of the Governance Compliance Statement. The statement has been updated to take account of the new Audit and Pensions Committee structure.

**WARDS  
All**

**RECOMMENDATION:**

1. To approve the Governance Compliance Statement.

**LOCAL GOVERNMENT ACT 2000 LIST OF BACKGROUND PAPERS**

| <b>No.</b> | <b>Description of Background Papers</b> | <b>Name/Ext. of Holder of File/Copy</b> | <b>Department/ Location</b> |
|------------|---|---|-----------------------------|
| 1          | Governance Compliance Statement File    | P. Gough<br>Extension 2542              | Room 42,<br>Town Hall       |

## 1. Introduction

1.1. The Local Government Pension Scheme (Administration) Regulations 2008 require LGPS administering authorities to measure their governance arrangements against the standards set out in statutory guidance issued by Communities and Local Government in November 2008.

1.2 The regulations require administering authorities to prepare a statement reporting the extent of their compliance with a set of best practice principles published by CLG and guidance issued by CIPFA entitled “Delivering Good Governance in Local Government Pension Funds”, and where an authority has chosen not to comply, to state the reasons why. The Statement is known as the “Governance Compliance Statement”

1.3. The relevant provision, shown below, is set out in regulation 31 of the Local Government Pension Scheme (Administration) Regulations 2008:-

31—(1) This regulation applies to the written statement prepared and published by an administering authority under regulation 73A of the 1997 Regulations.

(2) The authority must—

- (a) keep the statement under review;
- (b) make such revisions as are appropriate following a material change in respect of any of the matters mentioned in paragraph (3); and
- (c) if revisions are made—
  - (i) publish the statement as revised, and
  - (ii) send a copy of it to the Secretary of State.

(3) The matters are—

(a) whether the authority delegates its function, or part of its function, in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the authority;

(b) if it does so—

- (i) the terms, structure and operational procedures of the delegation,
- (ii) the frequency of any committee or sub-committee meetings,
- (iii) whether such a committee or sub-committee includes representatives of employing authorities (including authorities which are not Scheme employers) or members, and, if so, whether those representatives have voting rights;

(c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent it does not so comply, the reasons for not complying.

(4) In reviewing and making revisions to the statement, the authority must consult such persons as it considers appropriate.

## **2. Statement**

- 2.1. The statement was last agreed by the committee in February 2008 and has now been updated to take into account the new format of the Audit and Pensions Committee and its terms of reference. The statement shows the extent of the Council's compliance with the set of best practice principles published by CLG and the guidance issued by CIPFA, and where the Council does not comply, it states the reasons why.
- 2.2. It has not been felt necessary to consult with the admitted bodies in the scheme as the changes made to the statement are mainly to update the terms of reference of the committee which have been agreed by Council. The statement will be published on the Council's website and a copy sent to the Secretary of State in accordance with the regulations.

# **LONDON BOROUGH OF HAMMERSMITH & FULHAM PENSION FUND GOVERNANCE COMPLIANCE STATEMENT**

## **1. OVERVIEW**

1.1 This Statement has been prepared in accordance with Regulation 31 of the Local Government Pension Scheme (administration) Regulations 2008 (the LGPS Regulations). The Statement describes the London Borough of Hammersmith & Fulham's (the Council) governance structures and arrangements in its capacity as Administering Authority of the London Borough of Hammersmith & Fulham Pension Fund (the Fund).

## **2. PURPOSE OF STATEMENT**

2.1 The main purpose of this Governance Compliance Statement is to establish whether the administering authority delegate their function, or part of their function, in relation to maintaining the Pension Fund to a committee, a sub-committee or an officer of the administering authority; and if they do delegate that function or part of that function:

- to state the terms, structure and operational procedures of the delegation; and
- to state the frequency of any committee or sub-committee meetings; and
- to state whether the committee or sub-committee includes representatives of employing authorities or members, and if so, whether those representatives have voting rights.

2.2 The statement shows how any delegation, or the absence of a delegation, currently complies with each of the best practice principles in the guidelines published by Communities and Local Government (CLG) and in accordance with guidance issued by CIPFA entitled "Delivering Good Governance in Local Government Pension Funds", and to the extent that it does not so comply, the reasons for not complying.

2.3 The guidelines cover nine principles:

- Structure
- Committee Membership and Representation
- Selection and role of lay members
- Voting
- Training/Facility Time/Expenses
- Meetings (Frequency/Quorum)
- Access
- Scope
- Publicity

### **3. TERMS OF REFERENCE, STRUCTURE AND OPERATIONAL PROCEDURES**

3.1 The Council as administering authority of the Pension Fund has delegated its functions in relation to maintaining the Pension Fund to the Audit and Pensions Committee. The Terms of Reference of the Committee are reproduced below:

#### **AUDIT AND PENSIONS COMMITTEE** **TERMS OF REFERENCE**

##### **1. Membership**

1.1 The Committee will have the following membership:

4 Administration Councillors, 2 Opposition Councillors

1.2 The Chairman will be drawn from one of the Administration Councillors; the Vice-Chairman will be an Opposition Councillor.

1.3 The Committee may co-opt non-voting independent members as appropriate.

1.5 The agenda of meetings of the Committee will be divided into separate sections for Audit and Pensions matters.

1.6 The Pension Fund's external investment managers will be required to attend meetings of the Committee when dealing with Pensions matters and to submit reports and make presentations as required.

1.7 The Trades Unions and representatives from the admitted and scheduled bodies in the Pensions Fund shall be invited to attend and participate in meetings considering Pensions matters, but shall not have a formal vote.

1.8 The Committee may ask the Head of Internal Audit, a representative of External Audit, the Risk Management Consultant, Assistant Director (Business Support) and any other official of the organisation to attend any of its meetings to assist it with its discussions on any particular matter.

##### **2. Quorum**

2,1 The quorum of the Committee shall be 3 members.

##### **3. Voting**

3.1 All Councillors on the Committee shall have voting rights. In the event of an equality of votes, the Chairman of the Committee shall have a second casting vote. Where the Chairman is not in attendance, the Vice-Chairman will take the casting vote.

**4. Procedures**

- 4.1 Except as provided herein, Council Procedure Rules (as applicable to all Committees) shall apply in all other respects to the conduct of the Committee.
- 4.2 Meetings of the Committee shall be held in public, subject to the provisions for considering exempt items in accordance with sections 100A-D of the Local Government Act 1972 (as amended).

**5. Meetings**

- 5.1 The Audit and Pensions Committee will meet at least four times a year.
- 5.2 Meetings will generally take place in the spring, summer, autumn, and winter. The Chairman of the Committee may convene additional meetings as necessary.
- 5.3 The Chief Executive may ask the Committee to convene further meetings to discuss particular issues on which the Committee's advice is sought.

**6. Reporting**

- 6.1 The Audit and Pensions Committee will formally report back in writing to the full Council at least annually.

**7. Responsibilities**

**(a) Audit**

- 7.1 The Audit and Pensions Committee will advise the Executive on:
- the strategic processes for risk, control and governance and the Statement on Internal Control;
  - the accounting policies and the annual accounts of the organisation, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
  - the planned activity and results of both internal and external audit;
  - the adequacy of management responses to issues identified by audit activity, including the external auditor's annual letter

- the Chief Internal Auditor's annual assurance report and the annual report of the External Auditors.
- assurances relating to the corporate governance requirements for the organisation;
- (where appropriate) proposals for tendering for either Internal or External Audit services or for purchase of non-audit services from contractors who provide audit services.

7.2 The Committee's responsibilities in relation to the annual accounts will include:

- to approve the Council's Statement of Accounts, in accordance with the deadlines set out in the Accounts & Audit Regulations 2003;
- acting as the Approval of Accounts Committee, to be held in June;
- to consider any report as necessary from the external auditor under Statement of Auditing Standard 610;
- to re-approve the Council's Statement of Accounts following any amendments arising from the external audit, in accordance with the deadlines set out in the Accounts & Audit Regulations 2003.

7.3 The Committee's responsibilities in relation to risk management will encompass the oversight of all risk analysis and risk assessment, risk response, and risk monitoring. This includes:

- the establishment of risk management across the organisation, including partnerships;
- awareness of the Council's risk appetite and tolerance;
- reviewing of the risk portfolio (including IT risks);
- being appraised of the most significant risks;
- determining whether management's response to risk and changes in risk are appropriate.

7.4 The Council has nominated the Committee to be responsible for the effective scrutiny of the Treasury Management Strategy and policies.

**(b) Pensions - Decision-Making Powers (The following powers are hereby delegated on behalf of the Council)**

- 7.5 To determine the overall investment strategy and strategic asset allocation of the Pension Fund.
- 7.6 To appoint the investment manager(s), custodian, actuary and any independent external advisors felt to be necessary for the good stewardship of the Pension Fund.
- 7.7 To monitor the qualitative performance of the investment managers, custodians, actuary and external advisors to ensure that they remain suitable.
- 7.8 To review on a regular basis the investment managers' performance against established benchmarks, and satisfy themselves as to the managers' expertise and the quality of their internal systems and controls,
- 7.9 To prepare, publish and maintain the Statement of Investment Principles, and monitor compliance with the statement and review its contents,
- 7.10 To prepare, publish and maintain the Funding Strategy Statement, the Governance Compliance Statement, and the Communications Policy and Practice Statement and revise the statements to reflect any material changes in policy,
- 7.11 To approve the final accounts and balance sheet of the Pension Fund and approve the Annual Report.
- 7.12 To receive actuarial valuations of the Pension Fund regarding the level of employers' contributions necessary to balance the Pension Fund.
- 7.13 To oversee and approve any changes to the administrative arrangements and policies and procedures of the Council for the payment of pensions, compensation payments and allowances to beneficiaries.
- 7.14 To consider any proposed legislative changes in respect of the Compensation and Pension Regulations and to respond appropriately.
- 7.15 To approve the arrangements for the provision of AVCs for fund members.
- 7.16 To receive and consider the Audit Commission's report on the governance of the Pension Fund.



#### **4. COMPLIANCE WITH THE GUIDANCE ISSUED BY COMMUNITIES AND LOCAL GOVERNMENT (CLG)**

The guidance provides a detailed description of each of the best practice principles against which compliance should be measured. The principles are set out in **bold** type below, together with details as to whether the Council complies with them or not.

##### **4.1 Structure**

**a) 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 - The Council, as Administering Authority, delegates its function in maintaining the Fund to a committee, the Audit and Pensions Committee (the Committee). The Council agrees the appointments to the Committee and the discharge of its functions under its constitution.

The day to day administration of the Fund, including administration of benefits, the investment of pension fund monies, the monitoring of fund performance and the entering into of pension fund admission agreements with external providers subject to appropriate actuarial advice is delegated by the Council to the Director of Finance and Corporate Services.

**b) That 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.**

Partially Compliant - representatives of Trade Unions and participating LGPS employers, and admitted bodies are invited to attend the Committee and receive copies of the committee papers. Scheme members, pensioner and deferred members have not been invited although committee meetings are open to the general public.

**c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.**

The Council does not have a secondary committee or panel.

**d) That 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.**

The Council does not have a secondary committee or panel.

## **4.2 Committee Membership and Representation**

**a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:-**

- i) employing authorities (including non-scheme employers, eg, admitted bodies);**
- ii) scheme members (including deferred and pensioner scheme members),**
- iii) where appropriate, independent professional observers, and**
- iv) expert advisors (on an ad-hoc basis).**

Partially Compliant - representatives of Trade Unions and participating LGPS employers and admitted bodies are invited to attend the Committee. Scheme members, pensioner and deferred members have not been invited. The Committee has not appointed an independent professional observer but has appointed expert advisors who attend each Committee meeting.

**b) That 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.**

Partially Compliant – all lay members on the Committee are sent committee papers with dates of meetings. All who attend meetings may contribute to the decision making process. Training normally takes place during actual Committee meetings. Training outside these meetings has been offered to elected councillors and trade union representatives only.

## **4.3 Selection and role of lay members**

**a) That 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 – all committee and lay members are fully aware of their status, role and function.

**b) That 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 - all Committee members have to make a declaration of any interest in specific matters on the agenda at the start of every committee meeting.

#### **4.4 Voting**

**a) 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 - There are six councillors who sit on the Committee, four from the majority party and two from the opposition party, all of whom have voting rights. In addition trade union members and representatives from the admitted and scheduled bodies in the fund are invited to attend the Committee meetings. Trade Union members and representatives from the admitted and scheduled bodies are allowed to voice opinions but have no voting rights.

#### **4.5 Training/Facility Time/Expenses**

**a) That 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 – training for councillors who sit on the Committee, is organised as and when required, meetings take place in the evenings and councillors receive allowances in accordance with the Council's allowances policy.

**b) 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 – the policy applies to all members of the Committee. The Council does not have a secondary committee or panel or any other form of secondary forum.

#### **4.6 Meetings (frequency/quorum)**

**a) That an administering authority's main committee or committees meet at least quarterly.**

Compliant – The Committee meets at least four times a year. The meetings generally take place in the spring, summer, autumn, and winter. The Chairman of the Committee may convene additional meetings as necessary.

**b) That 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.**

The Council does not have a secondary committee or panel.

**c) That administering authorities 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.**

Partially Compliant – Trade Union members and representatives of participating LGPS employers and admitted bodies are invited to every Committee meeting and included in the formal governance arrangements. Scheme members, pensioner and deferred members have not been invited although committee meetings are open to the general public.

#### **4.7 Access**

**a) That 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 invited to the Committee have equal access to committee papers, documents and advice.

#### **4.8 Scope**

**a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements**

Compliant – The Committee considers and makes decisions on general scheme and other administrative issues as well as the management and investment of the funds under its supervision.

#### **4.9 Publicity**

**a) That 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 – This statement will be published on the Council’s website and will be included in the Pension Fund Annual Report which is also available on the Council’s website. Any member can also request a copy of this statement. All representatives of trade union members, admitted and scheduled bodies in the fund receive committee papers and are invited to the Committee.

### **5.0 REVIEW OF THIS STATEMENT**

This Statement will be revised and a new version published by the Committee following any material change in the Council’s policy on any of the matters included in the Statement.