

CIPFA GUIDANCE

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Governance Statement

Regulation 31 of the [Local Government Pension Scheme \(Administration\) Regulations 2008](#) requires each administering authority (after consultation with interested parties) to prepare, maintain and publish a governance statement.

Governance is how authorities ensure that they do the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems, processes, culture and values by which local government bodies are directed and controlled, and through which they account to, engage with and where appropriate lead their communities.

As a public sector scheme, the LGPS needs to demonstrate the highest levels of governance. This area has received much attention in recent years.

The governance compliance statement required by Regulation 31 must set out whether the authority delegates any part of their pension fund to a committee, sub-committee or officer, and must record the frequency of meetings, terms of reference and whether there is employee representation with or without voting rights. If they delegate, the statement must record:

- the frequency of committee or sub-committee meetings
- the delegation's terms of reference, structure and operational procedures
- whether the committee or sub-committee includes representatives of employing authorities or members, and if so, whether these representatives have voting rights.

The governance compliance statement must also record the extent to which the delegation (or absence of a delegation) complies with the secretary of state's guidance and, to the extent it does not comply, the reasons for not complying.

The discharge of the administering authority role is not an executive function. It is usually discharged through a standing committee.

The guidance, *Governance Compliance Statements Statutory Guidance*, can be accessed via the [Local Government Pensions Committee website](#). This guidance covers structure, membership and representation, selection and role of members, voting, training facility time and expenses, meetings (frequency and quorum), access, scope and publicity.

In preparing the statement, the administering authority must consult with such persons as they consider appropriate. The statement requires authorities to consider the adoption of annual training plans for committee members and maintain a log of training undertaken. When published or revised, a copy of the statement must be forwarded to the secretary of state.

With the introduction of local pension boards from April 2015, administering authorities need to consider updating governance statements to include the role, responsibilities and constitutional arrangements for these boards.

Compliance with CIPFA guidance

Within the governance statement, authorities need to also demonstrate compliance with CIPFA best practice guidance and the CIPFA/SOLACE framework. The relevant CIPFA guidance is:

- [Delivering Good Governance in Local Government Pension Funds](#) (CIPFA, 2009)
- [Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012](#) (CIPFA, 2012).

The CIPFA/SOLACE framework, [Delivering Good Governance in Local Government](#) (CIPFA, 2007), recommends that authorities must be able to demonstrate that they are complying with six core principles of good governance. An [Addendum](#) to the framework was published by CIPFA in 2012.

The six core principles are:

- focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- members and officers working together to achieve a common purpose with clearly defined functions and roles
- promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- developing the capacity and capability of members and officers to be effective
- engaging with local people and other stakeholders to ensure robust public accountability.

The framework urges local authorities to test their structures against these principles by:

- reviewing their existing governance arrangements against the framework
- developing and maintaining an up-to-date local code of governance, including arrangements for ensuring its ongoing application and effectiveness
- preparing a governance statement in order to report publicly on the extent to which they comply with their own code on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year and any planned changes for the coming period.

In drawing up statutory guidance for administering authorities, DCLG have drawn heavily on the principles laid down in the CIPFA/SOLACE framework. Administering authorities should therefore have little difficulty in applying both sets of principles to the governance of funds for which they have responsibility.