



Committee report

Committee	ISLE OF WIGHT PENSION FUND COMMITTEE
Date	20 MAY 2016
Title	APPROVAL OF THE GOVERNANCE COMPLAINEE STATEMENT – YEAR ENDED 31 MARCH 2016
Report of	TECHNICAL FINANCE MANAGER

EXECUTIVE SUMMARY

1. This report presents the committee's annual governance compliance statement, showing the extent to which the committee's governance arrangements comply with requirements of Department for Communities and Local Government (DCLG), the Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives (CIPFA/SOLACE) framework and CIPFA best practice guidance.
2. The committee is asked to approve the statement, which has been reviewed and updated as at 31 March 2016. The changes made since last year's report are summarised in paragraphs 14 and 15 below.
3. The approved statement will then be included in the fund's annual report and accounts for the year ended 31 March 2016.

BACKGROUND

4. Governance for local authorities is defined as how they 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.
5. The Isle of Wight Council is the administering authority for the Isle of Wight Council Pension Fund. An administering authority is defined in the Local government Pension Scheme Regulations 2013 as "a [local authority] required to maintain a pension fund under the local government pension scheme regulations".
6. 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.

7. 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:
 - a) the frequency of committee or sub-committee meetings;
 - b) the delegation's terms of reference, structure and operational procedures;
 - c) whether the committee or sub-committee includes representatives of employing authorities or members, and if so, whether these representatives have voting rights.
8. 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.
9. 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.
10. 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.

PROCESS FOR REVIEW

11. The pension board at its meeting on 11 March 2016 considered both the governance policy for the fund and the governance compliance statement for the year ended 31 March 2016.
12. The board reviewed the governance compliance statement with reference to the existing governance policy, which does not contain specific reference to the pension board, and existing CIPFA/SOLACE guidance, which has not been updated for the establishment of pension boards. The findings of the recent internal audit review of pensions governance (the executive summary of which is being presented to the committee today) were also taken into account.
13. It was agreed that the governance policy itself would be reviewed at the June meeting of the board, to cover the 2016-17 financial year, and that work on the 2016-17 governance compliance statement would commence at the December board meeting.

RESULTS OF THE REVIEW

14. The revised governance compliance statement for the year ended 31 March 2016 is appended to this report. It is proposed that the fund is fully compliant with seven of the nine principles of best practice. The two areas of partial compliance are:
- a) Principle E – Training/Facility time/Expenses. The training needs analysis for the committee has not been refreshed since July 2013 (although membership of the committee has been relatively stable since then, so the underlying levels of understanding will have improved over that period). More critically there has been no formal training needs analysis undertaken for pension board members.
 - b) Principle I – Publicity. The council has two areas of its website relating to the pension fund: the scheme members area (<https://www.iwight.com/Council/OtherServices/Pensions-IWC/About0>) and the council meetings pages (for both committee and board meetings). There is no cross reference between the main pension pages and the committee/board pages, restricting access of scheme members to governance arrangements.
15. For all principles, the statement of compliance has been updated to reflect the operation of the pension board. Other changes made to the statement since last year are summarised below:
- a) Principle D – Voting: an area for improvement has been added in respect of the justification for not extending voting rights to non-elected members of the committee.
 - b) Principle E – Training/Facility time/Expenses: an area for improvement has been added in respect of the inclusion of a statement on reimbursement of expenses in the terms of reference for both committee and board.
 - c) Principle H – Scope: the responsibility of the committee for the oversight of the fire pension schemes has been added, with a note that this area needs to be further developed. An additional statement that the board will be responsible for reviewing the governance arrangements of the fund, and that this area continues to be developed.

STRATEGIC CONTEXT

16. The primary objective of the fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, in accordance with the Local Government Pension Scheme (LGPS) regulations and statutory provisions. The committee aims to operate the fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.
17. Having appropriate governance processes in place ensures that all decisions made in respect of the pension fund are sound, based on appropriate advice and guidance, in order to meet the primary objective above.

CONSULTATION

18. The governance compliance statement has been reviewed by the LGPS Pension Board, in line with their objective: “to secure the effective and efficient governance and administration of the LGPS for the Isle of Wight Council Pension Fund”. Board members have been consulted on the proposed changes to the compliance statement.

FINANCIAL / BUDGET IMPLICATIONS

19. There are no direct financial implications relating to the review and revision of the governance compliance statement.

LEGAL IMPLICATIONS

20. 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.
21. Within this statement they are required to demonstrate compliance with DCLG requirements, the CIPFA/SOLACE framework and CIPFA best practice guidance

EQUALITY AND DIVERSITY

22. The council has a legal duty under the Equality Act 2010 to seek to eliminate discrimination, victimisation and harassment in relation to age, disability, gender re-assignment, pregnancy and maternity, race, religion, sex, sexual orientation and marriage and civil partnership.
23. Initial screening has indicated that there are no specific equality and diversity issues arising from the content of this report.

RECOMMENDATION

24. That the committee approves the governance compliance statement for the year ended 31 March 2016.

APPENDICES ATTACHED

25. [Appendix 1](#) – Governance compliance statement for the year ended 31 March 2016.

BACKGROUND PAPERS

26. Isle of Wight Council Pension Board minutes 11 March 2016
<https://www.iwight.com/Meetings/committees/Pension%20Board/11-3-16/minutes.pdf>

27. Governance Compliance Statements Statutory Guidance, (DCLG, December 2008)
[http://timeline.lge.gov.uk/Statutory%20Guidance%20and%20circulars/Governance Statutory Guidance.doc](http://timeline.lge.gov.uk/Statutory%20Guidance%20and%20circulars/Governance%20Statutory%20Guidance.doc)
28. CIPFA/SOLACE framework, Delivering Good Governance in Local Government (CIPFA, 2007)
[http://www.tisonline.net/managementoffinance/default.asp?section=CIPFA Publications&secpos=Delivering Good Governance in Local Government - Framework \(CIPFA, 2007\)](http://www.tisonline.net/managementoffinance/default.asp?section=CIPFA%20Publications&secpos=Delivering%20Good%20Governance%20in%20Local%20Government%20-%20Framework%20(CIPFA,%202007))
29. Delivering Good Governance in Local Government Pension Funds (CIPFA, 2009)
[http://www.tisonline.net/pensions/default.asp?section=CIPFA Guidance&secpos=CIPFA Pensions Panel Guidance](http://www.tisonline.net/pensions/default.asp?section=CIPFA%20Guidance&secpos=CIPFA%20Pensions%20Panel%20Guidance)

Contact Point: Jo Thistlewood, Technical Finance Manager, ☎ 821000 e-mail jo.thistlewood@iow.gov.uk

CHRIS WARD
Director of Finance

CLLR IVOR WARLOW
Chair of Pension Fund Committee