

Subject	Governance Review	Status	For Publication
Report to	Authority	Date	30 th September 2020
Report of	Director		
Equality Impact Assessment	Required	Attached	No
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1 Purpose of the Report

- 1.1 To present the results of the Governance Review conducted by Hymans Robertson and secure agreement to actions in response to the recommendations.

2 Recommendations

- 2.1 Members are recommended to:
- a. **Note and comment upon the contents of the Governance Review at Appendix A.**
 - b. **Approve the action plan set out in Appendix B**

3 Link to Corporate Objectives

- 3.1 This report links to the delivery of the following corporate objectives:
Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times.

Being open to review and external challenge is a key hallmark of effective governance and of organisations which continually seek to improve. Undertaking this review and acting in response to its recommendations places the Authority on the front foot in relation to the increasing level of external scrutiny of LGPS governance from both the Scheme Advisory Board and Pensions Regulator.

4 Implications for the Corporate Risk Register

- 4.1 The actions outlined in this report address the various governance risks set out in the Corporate Risk Register.

5 Background and Options

5.1 In September 2019 the Authority considered a report on the LGPS Good Governance Review conducted by the Scheme Advisory Board. One of the recommendations of this review which will be implemented at some point in the next two years is for the creation of an enhanced Governance Compliance Statement for LGPS Funds / Administering Authorities which will be subject to regular external reviews (usually every two years). The new Governance Compliance Statement will need to show how Funds meet a wider range of hallmarks of good governance covering the whole governance framework rather than the current relatively narrow range of issues.

5.2 Recognising the need to ensure that the Authority is well placed to deal with this increased level of scrutiny and focus on governance the Authority agreed to conduct an external review of Governance in order to establish a baseline position prior to the introduction of the new process. Hymans Robertson were appointed from the LGPS national consultancy framework to carry out this review and their report is at Appendix A.

Findings

5.3 In general Hymans findings are positive indicating both that the Authority has effective arrangements and processes in place and also that its unique place amongst LGPS administering authorities provides a number of advantages which result from the greater focus that a single purpose organisation has.

5.4 There are a number of areas where Hymans highlight particular good practice, for instance in relation to the corporate planning process, and there are no areas of significant weakness. There are however a number of recommendations which the Authority should address in order to put itself in the best possible position ready for the introduction of the new arrangements. In general these recommendations are non-controversial and can be dealt with in the ordinary course of business. There are, however, two areas which are either more difficult or which require a specific piece of work to be undertaken. These are:

- The issue of the overlapping membership of the Authority and Local Pension Board in the case of 2 Trade Union representatives. This is dealt with in more detail below.
- The recommendation that a review of the detailed requirements for the provision of the statutory officers be undertaken. This is a specific piece of work which will need to involve a range of stakeholder and political inputs.

Comments of the Local Pension Board

5.5 The Local Pension Board considered the report by Hymans at their July meeting and raised no issues on the majority of the findings and recommendations. However, there was significant debate on the issue of overlapping membership and while the Board did not reach a formal conclusion the view of the Trade Union representatives was that:

- Given that the role of the TU representatives on the Authority is non-voting there is no conflict of interest indeed it is beneficial to their involvement in the Board as they are able to gain a deeper understanding of the Authority's work.
- It should be for the Trade Unions and not for anyone else to decide who represents them.

- This issue had previously been raised with the Scheme Advisory Board who raised no issues and it is not something that is specifically prohibited in the relevant regulations.

Overlapping Membership

- 5.6 The issue of overlapping membership is a difficult one in the sense that it is an issue of perception rather than regulation. It is not something that is outlawed by the regulations and in those administering authorities that have been permitted to have a combined committee and board it is explicitly permitted. However, given the consensus decision making approach adopted by the Authority there remains the opportunity for the perception to be created that individuals are scrutinising themselves. In addition from the point of view of the Board it potentially creates a two tier membership with some members in a privileged position although, the way in which information is generally shared equally between Authority and Board members limits this.
- 5.7 The situation in South Yorkshire while not contrary to regulation is somewhat unusual and consequently may draw criticism from the likes of the Pensions Regulator who takes a particular view on issues of conflict. Officers have consulted the Scheme Advisory Board secretariat who's view is that there is no conflict and they point out that the relevant guidance promotes interchange between the Board and (in our case) Authority through attendance at each other's meetings, although attendance is not the same as participation.
- 5.8 Ultimately it is a matter for the Authority to approve the Constitution of the Local Pension Board and while officers are sympathetic to the recommendation made by Hymans on the ground that it removes any possibility of perception of conflict and that it provides the opportunity for the Trade Unions to use the Board as an opportunity to develop future members of the Authority, it is a decision for members.
- 5.9 Should members decide to maintain the status quo it would be sensible in doing so to recognise the existence of the potential conflict and to identify steps which will allow it to be managed. This would demonstrate that the Authority acknowledges the issue and has exercised its judgement in relation to it.

Statutory Officers

- 5.9 The arrangements for the Statutory Officers are historic and result from the arrangements put in place on the winding up of the Joint Secretariat. Since that time the way in which LGPS operates, in particular in relation to governance, has changed significantly becoming more specialist. Indeed, arguably the last 5 years have seen more change impacting LGPS than at any time since the 1974 local government reorganisation. It is also the case that as an organisation in its own right the Authority is also subject to a very wide range of other requirements which place any debate in this area in a different context to other LGPS funds.
- 5.10 Given this it is appropriate to consider whether the current arrangements can deliver the type and more specifically the volume of input necessary to add value to the Authority's operations. This is not something that officers can do in isolation and requires a discussion with the relevant individuals and organisations to define what the Authority needs and understand how best it can be provided. As, should any change be proposed there will be impacts beyond the Authority itself these will need to be addressed through the relevant political channels before any decisions are made.

5.11 With the exception of the two recommendations addressed above the other recommendations can be easily accommodated within ongoing work plans. In relation to the recommendation regarding employer discretions the opportunity is being taken to go a bit further, in particular to provide consolidated access to all employers' policies and to fully document the Authority's approach to its administering authority discretions. Both of these steps provide additional transparency over these important areas.

6 **Implications**

6.1 The proposals outlined in this report have the following implications:

Financial	There are no immediate financial implications arising from this report. Where there are implications arising from the implementation of any of the specific recommendations they will be reported to the Authority at the appropriate time before expenditure is committed.
Human Resources	None directly from this report.
ICT	None
Legal	Any review of the arrangements for the statutory officer roles will need to respect the specific legal framework provided by the Local Government Act 1985 within which the Authority exists.
Procurement	None

George Graham

Director

Background Papers	
Document	Place of Inspection
Good Governance Review	http://www.lgpsboard.org/images/PDF/GGreport.pdf