

Staff & Pensions Committee

Date: Monday, 9 December 2019
Time: 2.00 pm
Venue: Committee Room 1 - Shire Hall

Membership

Councillor Neil Dirveiks
Councillor Bill Gifford
Councillor John Horner
Councillor Kam Kaur
Councillor Bhagwant Singh Pandher
Councillor Bob Stevens

Items on the agenda: -

1. General

(1) Apologies

(2) Members' Disclosures of Pecuniary and Non-Pecuniary Interests

(3) Minutes of Previous Meetings

To confirm the minutes of the meetings held on 9 September 2019 and 15 October 2019

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2. Proposal for Additional Paid Employee Leave Provision

Report enclosed

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3. Pension Administration Update

Report enclosed

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4. Pension Fund Admissions - Academies

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5. LGPS Development Update

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6. Pensions Fund Breaches Policy

Report enclosed

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7. Cubbington Parish Council

Report enclosed

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8. Urgent Business

Any other items the Chair considers are urgent

9. Next Meeting

The next meeting of the Committee will be held at 2pm on Monday 9 March 2020

Disclaimers

Disclosures of Pecuniary and Non-Pecuniary Interests

Members are required to register their disclosable pecuniary interests within 28 days of their election of appointment to the Council. A member attending a meeting where a matter arises in which s/he has a disclosable pecuniary interest must (unless s/he has a dispensation):

- Declare the interest if s/he has not already registered it
- Not participate in any discussion or vote
- Must leave the meeting room until the matter has been dealt with
- Give written notice of any unregistered interest to the Monitoring Officer within 28 days of the meeting

Non-pecuniary interests must still be declared in accordance with the Code of Conduct.

These should be declared at the commencement of the meeting

The public reports referred to are available on the Warwickshire Web

www.warwickshire.gov.uk/committee-papers_2

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Minutes of the meeting of the Staff and Pensions Committee held on 9 September 2019

Present

Members of the Committee

Councillors Bill Gifford, John Horner, Kam Kaur (Chair), Bhagwant Singh Pandher and Bob Stevens

Other members in attendance

None

Officers

Neil Buxton, Pension Services Manager
Felicity Davies, Strategy and Commissioning Manager, HR&OD
Andy Dunn, HR Business Partner, Communities
Sarah Duxbury, Assistant Director, Governance and Policy
Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk)
Keira Rounsley, Senior Equality and Diversity Advisor
Paul Williams, Democratic Services Team Leader

1. General

(1) Apologies for absence

Apologies were received from Councillor Richard Chattaway

(2) Members' Disclosures of Pecuniary and Non-pecuniary Interests

None

(3) Minutes

The minutes of the meeting held on 28 June 2019 were considered. It was noted that contrary to that stated, Councillor Izzi Seccombe was not present at the meeting on the 28 June 2019. Members agreed that, taking account of the change required regarding Councillor Seccombe, the minutes be signed as a true and accurate record by the Chair.

Before the commencement of the meeting members were informed that for the foreseeable future Councillor Richard Chattaway will remain as a member of the Staff and Pensions Committee.

2. Annual Equality and Diversity Workforce and Gender Pay Gap

The Chair welcomed Keira Rounsley (Senior Equality and Diversity Advisor) to the meeting. Following a brief introduction members' questions and observations were invited.

Councillor Bill Gifford (referencing page 5 of 10) expressed his concern over low reported promotion rates particularly amongst younger and BAME employees. Members agreed that there is a clear need to understand why this is. In response, the committee was informed that having recognised the issue this is now being followed up through talent management initiatives, workforce analytics and the People Strategy through talent development and career progression.

Councillor John Horner informed the committee that at the meeting of the Pension Fund Investment Sub-Committee held on the morning of the 9 September it had been reported that the number of members of the Warwickshire Pension Fund had decreased whilst the number of deferred pensions had increased. Councillor Horner asked if this was indicative of staff feeling the need to leave the employment of the County Council in order to gain promotion. In response, Neil Buxton (Pensions Services Manager) stated that the number of members of the fund has increased but academisation has resulted in the loss of Council staff as their schools change status. Felicity Davies (Strategy and Commissioning Manager, HR&OD) observed that unlike previous generations, young people frequently change jobs and many often change careers. The introduction of flexible working is expected to appeal to a range of demographics including young people. A good strong brand for the County Council would also serve to attract them to the organisation.

It was agreed that an update on the position be presented to the Staff and Pensions Committee in 6 to 9 months

Resolved

- 1) That the Council's Equality and Diversity Workforce and Gender Pay Gap Report, as outlined at Appendix A of the report, is published on the Council's website, to meet the statutory requirement to publish annually equality information relating to employees, including gender pay gap information;
- 2) That the Council's gender pay gap figures, based on 31 March 2019, are published on the government's gender pay gap website, as required by the gender pay gap regulations;
- 3) That elected members endorse the areas identified for future work proposed in section 5 of the report; and
- 4) That elected members note previous work undertaken in section 6 of the report.
- 5) That officers be requested to present an update report to the committee in six or nine months.

3. Employee Sickness Absence Management

Andy Dunn (HR Business Partner, Communities) summarised the key elements of the report after which members of the committee commented and asked a series of questions.

Councillor John Horner observed that there is a distinction between stress and pressure. Stress often results from circumstances at home whilst pressure can be the result of work. With stress and depression being the largest cause of sickness,

Councillor Horner questioned what the County Council could do to reduce it. Felicity Davies responded by stating that at present the cause of any stress is not monitored. However, it has been recorded through the Employee Assistance Programme that 75% of referrals concern home related issues. Staff, she added, are encouraged to take responsibility for their own well-being and there is evidence that the Council's well-being initiatives are having a positive impact.

The Committee recognised that a significant proportion of staff (c40%) have not recorded any sickness absence in the last year. The Committee also acknowledged the observation made by officers that initiatives that have been put in place will take some time to take effect.

The committee recognised that sickness levels are generally lower amongst staff in the private sector and that some local authorities appear to be performing better than others in managing sickness.

It was noted that when staff are off sick the burden of work falls on those that continue at work.

Resolved

That the Committee:

- 1) notes the performance information in relation to the management of employee sickness absence during 2018-19;
- 2) endorses a target reduction to 9.04 days per employee for 2019-20; and
- 3) supports a proactive approach to the health and wellbeing of employees and in managing employee sickness absence.

4. New Starters – Flexible Working

Felicity Davies explained to the committee that after over 20 years the current flextime arrangement that applies to most staff under the green book terms and conditions is now considered obsolete. New technology such as Microsoft 365 allows for greater flexibility of working, moving away from traditional office-based approaches. The committee was informed that the Trades Unions had been consulted on the proposals and those who have responded are supportive of them. It was noted that flextime is not available to Hay staff.

Councillor Bill Gifford suggested that flexible working practices should serve to make the County Council a more attractive employer.

Councillor John Horner expressed some reservations stating that in his role he wants to be able to access and speak to staff in their offices. Technological solutions such as Skype are not conducive to free-flowing communication and problem solving. In response to this the committee was informed that the value of face to face communication is recognised and the extent to which flexible working is used will vary from team to team. Offices will need to be staffed but some teams will find that they can make more use of technology to conduct their business.

In response to concerns that the new system could be open to abuse the committee was told that managers will be required to monitor outcomes, moving away from a focus on presenteeism.

Councillor Kam Kaur (Chair) observed that for this new approach to succeed the Medium-Term Financial plan, the performance framework and the People Strategy will all need to work together.

Resolved

That the Committee agrees to amend the Council's standard terms and conditions of employment for staff new to Warwickshire County Council such that flexi time is not included in the contract of employment.

5. Local Government Pension Scheme – Update

Neil Buxton summarised the published report. Members' attention was drawn to the outcome of the McCloud Judgement which led to the suspension of a series of proposals originally made by the Local Government Pension Scheme Advisory Board. (para 2.1.3 of the report). The cost implications of this are yet to be established but the effect of any costs may be spread over many years as the pension fund is long term in nature.

Regarding valuation cycles it was recognised that increasing these from 3 to 4 years could carry greater risk for pension funds. However, interim updates at 2 years are expected to reduce that risk. In addition, where there are observed to be significant events such as a large number of early retirements, funds will be able to undertake interim valuations. The 2019 valuation will not take account of the McCloud judgement as it is too soon to gauge its impact.

Regarding the cap on exit payments (section 4.0), Neil Buxton stated that where large numbers of staff are released early this can place an excessive strain on the pension fund. The scheme has been proposed in order to reduce the number of "fat cat" payments. However, there is some concern that long serving employees on relatively low incomes could lose out through the introduction of the cap.

Councillor John Horner observed that staff are rarely aware of the value of the employers' contribution to their pension. At the County Council this is around 21%. This information should be included on pay slips. In response it was suggested that those on higher salaries tend to be aware of this but those on lower salaries are not. Also, in general young people have little understanding of pensions as they appear of little relevance to them.

Resolved

That the Committee notes the report.

6. Pension Fund Admissions – Academies

Following an introduction and in response to a question from Councillor John Horner it was confirmed that actuaries review the position of each academy or trust. This creates a considerable amount of work, but it does enable each school to be tracked and if one closes then it can be picked up individually.

Resolved

That the Staff and Pensions Committee delegates authority to the Strategic Director for Resources to approve applications from the listed schools converting to academy status, subject to the applications meeting the criteria:

- St. Gabriel's (Houlton CoE Multiple Academy Trust; 20 August 2018)
- Stockingford Primary School (Inspired Education Trust: 1 September 2019)
- Kineton High School (Stowe Valley; 1 September 2019)
- Henry Hinde Juniors Academy transferring from the National Education Trust to the Transforming Lives Education Trust (TLET) (1 August 2019)

7. ABM Catering

The committee considered and agreed its support for this proposal.

Resolved

That the Staff and pensions Committee approves the application from ABM Catering for admission and authorises the Strategic Director for Resources to complete the arrangements to be admitted to the Warwickshire Pension Fund.

8. Chartwell (Compass) Catering

The committee considered and agreed its support for this proposal.

Resolved

That the Staff and Pensions Committee approves the application from Chartwell (Compass) Catering for admission and authorises the Strategic Director for Resources to complete the arrangements to be admitted to the Warwickshire Pension Fund.

9. Any Urgent Business

None

10. Next Meeting

The Committee noted that the next meeting would be held on 10 October 2019

The meeting rose at 2.53p.m.

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Chair

Actions Resulting from this Meeting

	Action	Due Date	Responsible Officer(s)
1.	Item 2 - An update report be presented to the committee in 6 to 9 months	March or June 2020	Felicity Davies/Keira Rounsley

**Minutes of the Special meeting of the Staff and Pensions Committee
held on 15 October 2019**

Present

Members of the Committee

Councillors Bill Gifford, John Horner, Kam Kaur (Chair), Bhagwant Singh Pandher, Bob Stevens

Other members in attendance

None

Officers

Sarah Cowen, Senior Solicitor

Sarah McCluskey, HR Business Partner

Isabelle Moorhouse, Trainee Democratic Services Officer

Paul Spencer, Senior Democratic Services Officer

Nichola Vine, Strategy and Commissioning Manager, Legal and Democratic

1. General

(1) Apologies for absence

Councillor Richard Chattaway

(2) Members' Disclosures of Pecuniary and Non-pecuniary Interests

Councillor Gifford disclosed that he was on the pay committee at Brookhurst Primary School.

2. Pay award for Warwickshire County Council Employees on School Teachers' Pay and Conditions

The Committee were provided an update of the proposed 2.75% pay award.

In response to a question from the Chair, officers expressed a view that the level of the proposed pay award was unlikely to set a precedent for non-teaching council staff because the pay award applied to those on teachers' pay and conditions.

Officers stated that the first 2% would be funded by schools in the usual way through the local authority dedicated schools grant budget. The remaining 0.75% will be met by additional Department of Education (DfE) funding from 1 September 2019 to March 2020 with further grant funding for 2020/21. For teachers employed centrally, the local authority must meet the increase from its own budgets, without any DfE funding.

Sarah McCluskey stated consultation with the unions will be concluded by the end of the week. The Unions' expectation is that teachers will receive a pay increase of at least 2.75% and if not implemented, National Association of Schoolmasters Union of Women Teachers (NASWUT) have expressed an intention to secure this by taking "appropriate action".

Resolved

That Members approve the application of the national pay award to WCC staff employed on School Teachers' Pay and Conditions Document in line with the approach set out at paragraph 4 of the report.

Next Meeting

The next meeting of the Committee is scheduled for 9 December 2019

The meeting rose 3:12pm

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Chair

Staff and Pensions Committee

9 December 2019

Proposal for Additional Paid Employee Leave Provision

Recommendations

That the Staff and Pensions Committee:

- 1) Approves the proposal for up to 10 days paid leave per annum (pro rata for part time staff) for employees serving in the Reserve Armed Forces or those volunteering their time as Adult Cadet Instructors for undertaking their annual training camp or other training specific to their Reserve or Adult Cadet Instructor role.
- 2) Approves the proposal for up to 10 days additional unpaid leave in total (pro rata for part time staff) within a 3 year period, and each successive 3 year period thereafter, for those serving in the Reserve Armed Forces or volunteering their time as Adult Cadet Instructors, for undertaking additional specialist training to enhance their role or for progression within the Reserve or Cadet Forces.
- 3) Approves the proposal to introduce a Guaranteed Interview Scheme where the essential criteria for a post are met by external candidates:
 - who are serving Armed Forces personnel during the 12 weeks prior to their discharge date from the Armed Forces;
 - who are ex-Armed Forces personnel within 3 years of their discharge date or;
 - where the Armed Forces were their last long-term substantive employer
- 4) Approves Warwickshire County Council becoming a Fostering Friendly Employer, through subscribing to the Fostering Network's Fostering Friendly Employer Scheme.
- 5) Approves the proposal for up to 5 days paid leave (pro rata for part time staff) for employees who intend to become foster carers, in the first year of fostering for the purposes of undertaking training and/or activity in relation to their assessment as foster carers.
- 6) Approves the proposal for up to 3 days additional paid leave per annum (pro rata for part time staff) for employees who are approved foster carers in the years following approval for the purposes of undertaking

learning, development or preparation for the placement of a child or young person.

- 7) Approval of leave in recommendations 1,2, 5 and 6 will be at the discretion of the line manager subject to business need, with ultimate discretion by the Assistant Director if the employee is not satisfied with their decision.

1.0 Key Issues

- 1.1 Two proposals for additional employee leave provision have come forward recently. The purpose of this report is to seek elected member approval of the proposals prior to their implementation.
- 1.2 The Assistant Director, Business and Customer Services, Resources Directorate, is proposing additional leave for employees who are also members of the armed forces community by serving in the Reserve armed forces or acting as Adult Cadet Instructors, as part of proposals for the County Council to achieve the Gold Defence (MOD) Employer Recognition Award.
- 1.3 The Assistant Director, Children and Families, People Directorate, is proposing additional leave for employees intending to also become foster carers, or who are approved foster carers, as part of a proposal that the County Council becomes a fostering friendly employer.

Improving support for the Armed Forces community within WCC

- 1.4 The Armed Forces Covenant was enshrined in law under the Armed Forces Act (2011). The Covenant has 2 key principles and seeks to ensure that members of the Armed Forces community:
 - 1) Face no disadvantage compared to other citizens in the provision of public and commercial services. This includes accessing employment opportunities,
 - 2) Special consideration is provided in some cases, especially for those who have given the most such as the injured and the bereaved.
- 1.5 WCC signed the Armed Forces Covenant in 2012 and is the lead agency for the Coventry, Solihull and Warwickshire Armed Forces Covenant (CSW AFC) partnership. Councillor Stevens is the Armed Forces Champion for WCC and chairs the CSW AFC partnership.
- 1.6 The MOD has a Defence Employer Recognition Scheme (ERS), which encourages employers to support Defence and inspire others to do the same. Currently the County Council has achieved Bronze on this scheme. As the lead local authority of the CSW AFC partnership the Council should be an exemplar in delivering the Covenant and aspires to achieve Gold standard.

Becoming a Fostering Friendly Employer

- 1.7 The Council aims to increase the level of foster carers recruited each year to cope with new demand for foster care, against a backdrop of an ageing demographic amongst the foster care population, and a resulting risk of increased pressure on the demand for external care placements which would cause a significant increase in placement spend.
- 1.8 As a large employer within the County there is a potentially untapped pool of employees who would consider becoming a foster carer if they could be assured that their employer was sensitive to the demands placed on foster carers and that they could be offered an appropriate level of support in discharging their fostering duties.
- 1.9 By becoming a Fostering Friendly Employer the Council will also show an overt and public commitment to the importance of foster carers in Warwickshire in providing care and support for our looked after children, setting a leading example for the business sector and other employers to follow.

2.0 Options and Proposal

Improving support for the Armed Forces community within WCC

- 2.1 Outside the statutory requirements under the Reserve Forces (Safeguard of Employment) Act 1985 to, for example, comply with a call up (mobilisation) notice to active service issued by the Ministry of Defence for employees who are members of the Reserve Forces, and re-employ them following the period of military service, other than in Fire and Rescue (see 2.2) there is no additional leave provision for employees who are Reservists, or volunteer as Cadet Force Adult Instructors. Current WCC intranet guidance states “there is no obligation on an employer to grant a request for additional paid or unpaid leave for Reserve Forces Training”.
- 2.2 The Fire and Rescue service have their own Volunteer Reservist Force Service Order which allows employees to apply for paid special leave to cover the two-week Reserves Forces annual training camp. Under this order there is no provision for unpaid additional leave or paid/unpaid leave for Cadet Force Adult Volunteers.
- 2.3 To achieve the outcomes in section 2.11 the following leave provision is proposed: -
 - 10 days paid leave (pro rata for part time staff) for those serving in the Reserve Forces or those volunteering their time as Adult Cadet Instructors for undertaking their annual camp or other training specific to their Reserve or Adult Cadet Instructor role,
 - Up to 10 days additional unpaid leave in total (pro rata for part time

staff) within a 3 year period, and each successive 3 year period thereafter, for those serving in the Reserve Forces or volunteering their time as Adult Cadet Instructors for undertaking additional specialist training to enhance their role or for progression within the Reserve or Cadet Forces.

- 2.4 Impact of the additional leave provision is likely to be low. Based on the staff survey about the Armed Forces community within the County Council carried out in March 2019 there are 9 Reservists and 5 Cadet Force Adult Volunteers out of 4508 (0.3%) staff on the payroll as at May 2019
- 2.5 Leave will be at the discretion of the line manager subject to business need, with ultimate discretion by the Assistant Director if the employee is not satisfied with their decision.
- 2.6 The criteria for the gold award under the Defence Employer Recognition Scheme include demonstrating support and removing disadvantage for the Armed Forces community within and outside the Council. It is therefore proposed that a Guaranteed Interview Scheme is introduced where the essential criteria for a post are met by external candidates who are: -
- serving Armed Forces personnel during the 12 weeks prior to their discharge date from the Armed Forces,
 - ex-Armed Forces personnel within 3 years of their discharge date,
 - or where the Armed Forces were their last long-term substantive employer.
- 2.7 The level of take up of the Guaranteed Interview Scheme is expected to be low and equate to a handful of applications each year. Based on 2007-15 data there are approximately 250 people discharged into the Coventry, Solihull and Warwickshire (CSW) area from the Armed Forces each year and the veteran needs to both meet the essential criteria for the post and live within the CSW area.
- 2.8 However, by demonstrating that we have adopted best practice as the lead agency for the CSW partnership, and publicly showing our commitment to support Defence, the Guaranteed Interview Scheme will provide a leading example for other employers to follow.
- 2.9 The Guaranteed Interview Scheme will have the additional benefit of giving ready access to a pool of individuals who are highly skilled and motivated and whose standards and ethics from a military career transfer directly to the 6 'behaviours' in the Council's Our People strategy.
- 2.10 The legal team have confirmed that there are no increased potential

discrimination risks of doing this, in view of the existing Guaranteed Interview Scheme for disabled candidates who meet the essential criteria for a job.

2.11 One option for the way forward is to take no action to improve the level of support for the armed forces community in Warwickshire by not introducing the proposed additional employee leave provision or the Guaranteed Interview Scheme. However, taking no action is not recommended as it would inhibit the Council in achieving a number of positive outcomes as follows: -

- Enable the Council to deliver more effectively its role as lead agency for the Coventry, Solihull and Warwickshire Armed Forces Covenant (CSW AFC) partnership, and act as a role model,
- Improved level of support to the Armed Forces community within the Council and across the partnership geographical area in line with the Armed Forces Covenant to which it has signed up,
- Evidence the Council's commitment to the Armed Forces Covenant and to reducing disadvantage to the Armed Forces community,
- Promote the County Council as an Armed Forces friendly employer, increasing the attraction of a talented pool of high calibre members of the Armed Forces community to live and work within Warwickshire,
- Facilitate staff who are members of the Armed Forces community carrying out their forces role whilst maintaining work life balance,
- Enable the Council to submit a successful application for Defence Employer Recognition Scheme (ERS) Gold level,
- Parity with other local authorities who have achieved Gold nationally, and with other authorities within the CSW Covenant partnership. Solihull MBC has achieved Silver, and Nuneaton and Bedworth BC, North Warwickshire BC and Warwickshire Police have recently achieved Gold.

Becoming a Fostering Friendly Employer

2.12 Currently foster carers at the Council can exercise the general statutory rights available to all employees to take dependents leave to deal with unexpected emergencies involving a dependent, (normally no more than 1-2 days unpaid), and to request flexible working, however there is no other special leave provision for them. It is proposed that Warwickshire County Council becomes a Fostering Friendly employer, and provides additional paid leave for employees as follows: -

- up to 5 days paid leave (pro rata for part time staff) for employees who intend to become foster carers, in the first year of fostering for the

purposes of undertaking training and/or activity in relation to their assessment as foster carers,

- up to 3 days additional paid leave per annum (pro rata for part time staff) for employees who are approved foster carers in the years following approval for the purposes of undertaking learning, development or preparation for the placement of a child or young person.

2.13 Foster carers who combine fostering with other work say that a supportive employer can make all the difference, enabling them to balance employment with caring for looked after children. Many fostering services are encouraging employers locally to show their support for looked after children by supporting the foster carers who look after them. A growing number of employers are leading by example by adopting fostering friendly employment policies, such as paid leave for training and settling a new child into their home. The Fostering Network's Fostering Friendly Employer scheme helps employers to support and recognise the roles of their employees who foster by implementing a Fostering Friendly policy for all foster carers in their employment and promoting Foster Carer Fortnight, the annual campaign to raise the profile of fostering and to encourage people to consider becoming foster carers.

2.14 The list of organisations becoming Fostering Friendly Employers has grown significantly in recent years, and includes companies such as Tesco, O2 and many local authorities, for example, Cumbria and Buckinghamshire, who see the benefits of an overt, positive commitment to their corporate parenting task. Such organisations have launched new policies and recruitment campaigns aimed at busting the myth that you cannot foster and work.

2.15 Implementation of the proposals is beneficial to the County Council for several reasons, including: -

- Practical incentive and encouragement to employees who are considering fostering,
- Direct support to employees who are already foster carers,
- Promotes publicly the crucial role played by foster carers in Warwickshire in providing care and support to our looked after children,
- Provides a leading example for the business community and other employers to follow,
- A potential boost to external foster carer recruitment in the wider County,
- Very modest levels of cost/outlay for potential significant rewards for employers and the Council in managing demand and providing the best care for children in care.

2.16 As referred to in 1.7 above, the County Council aims to increase the number of foster carers recruited in Warwickshire. Whilst an option for the way forward is to take no action in relation to becoming a fostering friendly employer, if a

net growth of foster carers is not achieved it is likely to put increased pressure on the demand for external placements and will cause a significant increase in placement spend.

- 2.17 Impact of the additional leave provision for foster carers is likely to be low. Based on a recent survey there are no current known permanent employees who are foster carers, and five on zero hours contracts as cleaners, administrative or sessional workers.
- 2.18 Leave will be at the discretion of the line manager subject to business need, with ultimate discretion by the Assistant Director to ensure that the needs of County Council's business are prioritised. Evidence of the fostering assessment process and approval will need to be provided by the employee to their manager on an annual basis.

Other considerations

- 2.19 The proposals in this report will support the Council's Our People strategy by:
- enhancing our employer brand as an employer of choice,
 - enabling us to attract and recruit from a broad talent pool, and by
 - furthering a diverse and highly engaged workforce that displays the organisation's values.

3.0 Financial Implications

- 3.1 There will only be a direct cost to the additional leave provision where the nature of the role means that backfill cover needs to be arranged. It is expected that for most roles such cover will not be necessary, as the additional leave will effectively work in the same way as normal annual leave.
- 3.2 Where additional cover is necessary it is not possible to calculate an exact cost as the identity and therefore grade of employees who are army reservists or foster carers is not known.
- 3.3 As an indication, the estimated total cost if full time backfill cover was needed for the 10-day annual training camp, for 50% (7) of the 14 known employees who are either armed forces reservists or cadet force adult volunteers, based on agency cover for the average WCC salary, is £10,955 per year.
- 3.4 As there are no current known permanent employees who are foster carers the financial impact will be extremely low initially. If the number of foster carers in the workforce increases to, for example, ten and back fill cover is needed for 50% (5) of these who take 3 days leave per annum, the estimated total cost based on agency cover for the average WCC salary, is £2,350 per year.
- 3.5 These costs are considered to be relatively modest compared with the benefits of the proposals outlined in this report. As noted above any leave is at

the discretion of the manager and subject to business need, to ensure that the needs of the County Council's business are prioritised.

- 3.6 Services will meet any costs of this additional leave provision from their existing resources. Additional funding will not need to be identified as part of the 2020/21 budget or Medium-Term Financial Strategy (MTFS). This will be kept under review and any change will come forward in future years as part of the annual refresh and roll-forward of the MTFS.

4.0 Environmental Implications

- 4.1 There are no environmental implications to this report.

5.0 Timescales associated with the decision and next steps

- 5.1 Subject to approval by Staff and Pensions Committee next steps for both improving support for the Armed Forces community within WCC and/or becoming a Fostering Friendly Employer include: -

- Writing of policy/guidance document for employee and managers
- Amending recruitment process to include Guaranteed Interview Scheme,
- Promote Foster Care fortnight, the annual campaign in May to raise the profile of fostering and to encourage people to consider becoming foster carers,
- Amending YourHR to enable paid/unpaid leave to be recorded
- Communication plan to employees, prospective employees, external partners,
- Once achieved, promote the logos on the Council's job board in the recruitment process.

- 5.2 The intention is to implement between December 2019 and March 2020 to enable the Council to submit for Gold under the Defence Employer Recognition Scheme in spring 2020, and to become a Fostering Friendly Employer in readiness for Foster Care fortnight on 11-24 May 2020.

Background papers

N/A

	Name	Contact Information
Report Author	Sarah McCluskey	sarahmccluskey@warwickshire.gov.uk Tel: 01926 412770
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Portfolio Holder	Cllr Kam Kaur	kamkaur@warwickshire.gov.uk

The report was circulated to the following members prior to publication:

Local Member(s): N/A

Other members:

Councillor Kaur, Portfolio Holder

Councillor Stevens, Chair, Coventry, Solihull and Warwickshire Armed Forces

Covenant (CSW AFC) partnership

Councillor Seccombe.

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Staff and Pensions Committee

9 December 2019

Pension Administration Update

Recommendation

That the Staff and Pensions Committee:

1. Approve the proposals for future reports to the Committee in relation to the Pensions Administration Service.
2. Advise officers of any other topics it wishes to be included on the Forward Plan.

1.0 Introduction

- 1.1 The Pensions Administration service has been reviewing its governance arrangements, and as part of its plans to continue to improve this aspect of the service, it is proposed that Staff and Pensions Committee has greater oversight of the governance, activity and performance of the service.
- 1.2 The purpose of this report is to seek the Committee's views on the nature of Pensions Administration business that should be included in future reports.

2.0 Background

- 2.1 The Pensions Administration team is responsible for the administration of the Local Government Pension Scheme (LGPS) for over 200 employers and more than 50,000 scheme members. It is also responsible for administering the Firefighters' pension schemes.
- 2.2 The team's operations are governed by The Pensions Regulator (TPR), and specifically by its Code of Practice 14: Governance and administration of public service pension schemes.
- 2.3 There is a statutory requirement for all Local Government Pension Scheme (LGPS) Funds to have in place a Local Pensions Board, whose role is to support the administering authority in all aspects of governance and administration, including funding and investments. The Local Pensions Board does not make decisions, but can provide advice and, where necessary, challenge, to ensure the effectiveness and efficiency of the service. Executive decisions regarding pensions administration rest with the Staff and Pensions Committee.
- 2.4 As part of ensuring ongoing compliance with the Code and continuing to improve the Pensions Administration service, it is proposed that the Staff and Pensions Committee is given greater oversight of key developments within the service. This report proposes

a number of areas where the Committee's approval would be sought in future and seeks views on any other matters which should be reported.

3.0 Proposals for Future Reports to Staff and Pensions Committee

- 3.1 Staff and Pensions Committee already receives reports and takes decisions relating to a number of pensions administration issues. These include employers joining and leaving the scheme, and updates on national developments regarding the LGPS. It is proposed that reports continue to be presented on these subjects.
- 3.2 TPR requires Pension Funds to have in place a number of key strategies and policies, and for these to be reviewed on a regular basis. It is proposed that in future these strategies and policies would be brought to Staff and Pensions Committee for approval. The Appendix sets out the strategies and policies that are required.
- 3.3 The Pensions Administration service is required to report its performance using a set of statutory Key Performance Indicators. It is proposed that these are reported to Staff and Pensions as part of a regular Pensions Administration Update report.
- 3.4 Through the Code of Practice TPR advises Funds of the developing areas that are under its consideration. At present the three developing areas are:
- Cyber risk
 - Climate change risk strategy
 - Reporting on voting and engagement activity

It is proposed that information on how the Pensions Administration service is responding to any developing areas as part of a regular Pensions Administration Update report.

- 3.5 From time to time issues will arise which require an executive decision on pensions administration. These will continue to be presented to the Committee as they occur.
- 3.6 Members are asked to consider any other areas of Pensions Administration they would wish to be reported, in order that they can be added to the Forward Plan.

4.0 Financial Implications

- 4.1 There are no financial implications associated with this report.

5.0 Environmental Implications

- 5.1 There are no direct environmental implications associated with this report. If the recommendations are approved then the future business of the committee would include approval of the Pension Fund's Environmental, Social and Governance (ESG) Policy and Climate Change Risk Strategy.

6.0 Timescales associated with the decision and next steps

- 6.1 Reports will be added to the Committee's Forward Plan based on the decisions taken on these recommendations.

7.0 Background Papers

None

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The report was not circulated to members prior to publication.

Appendix: Pension Fund Required Strategies and Policies

Strategy / Policy
Breaches Policy
Communications Strategy
Conflicts of Interest Policy
Pensions Administration Strategy
Environmental, Social and Governance (ESG) Policy
Climate Change Risk Strategy
Cyber Security Policy
Admissions and Terminations Policy

Item 4

Staff and Pensions Committee**9 December 2019****Pension Fund Admissions - Academies****Recommendation**

That the Staff and Pensions Committee delegates authority to the Strategic Director for Resources to approve applications from the listed schools converting to academy status, subject to the applications meeting the criteria:

- Meon Vale (Tudor Grange Academy Trust; 1 September 2019)
- Henley High School (Arden Multiple Academy Trust; 1 September 2019).
- Lower Farm Academy (REAch2 Academy Trust; 1 September 2019)

1.0 Background

- 1.1 An updated Admissions and Terminations Policy was approved by the Staff and Pensions Committee in June 2017, this includes a requirement for admissions and terminations to be approved by the Committee.
- 1.2 A number of pending applications to join the scheme have been recently identified driven by planned academy conversions. This report summarises the schools intending to convert to academy status in the near future or have recently converted.

2.0 Options and Proposal

- 2.1 An academy is automatically a Scheme Employer on the basis that it meets the criteria of paragraph 20 of Part 1 of Schedule 2 of the Local Government Pension Scheme Regulations 2013 i.e. it is a 'scheduled body'.
- 2.2 When submitting an application for membership each academy will be required to confirm:
 - That it has internal authority to be admitted to the Pension Fund.
 - The number of members to join the Pension Fund.
 - That the academy will comply with the relevant LGPS Regulations.

3.0 Academy Conversions

- 3.1 The Pension Fund has contacted the following schools regarding conversion to academy status:

- Meon Vale (Tudor Grange Academy Trust; 1 September 2019).
- Lower Farm (REAch2 Academy Trust; 1 September 2019)

3.2 The Pension Fund has received notification that Henley High Academy is joining the Arden Multiple Academy Trust. The transfer took place on 1 September 2019. Although the Arden MAT is based in the West Midlands, Henley High will continue to be a member of the Warwickshire Pension Fund.

4.0 Next Steps

4.1 The Pension Fund must accept applications from scheduled bodies where the requirements of the regulations are met.

4.2 The Committee is asked to delegate responsibility for dealing with applications from the academies listed above.

4.3 The actual date of conversion to academy status is outside of the control of the Pension Fund. If the conversion of a school does not happen within a reasonable timescale – by the end of March 2020, then a revised application will be brought to the Committee.

5.0 Financial Implications

5.1 New entrants to the scheme will be required to cover their own costs and the actuarial process will ensure that employer contributions are appropriate to ensure this is the case.

6.0 Environmental Implications

6.1 There are no direct environmental implications resulting from this proposal.

Background papers

None

Supporting paper

Pension Fund Admissions and Termination Policy approved by Staff and Pensions Committee 12 June 2017.

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The report was not circulated to members prior to publication:

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Staff and Pensions Committee

9 December 2019

LGPS Development update

Recommendation

That the Staff and Pensions Committee note and comment on the report.

1.0 Introduction

1.1 This report seeks to update the Committee on current and future LGPS developments.

2.0 McCloud Update

2.1 Earlier this year the government lost its right to appeal the McCloud age discrimination court case at the supreme court.

2.2 As a result the LGPS benefit structure is under review but to date no details on what alterations will be made to benefits accrued from April 2014 to remedy the discrimination have been proposed.

2.3 Furthermore, the Scheme Advisory Board (SAB) advised pension funds that fund actuaries should value the benefits accrued from 1 April 2014 in line with the current regulations for the purpose of the ongoing 2019 valuation.

2.4 The Fund's Actuary attended a recent meeting with the Local Government Association (LGA) and the Ministry for Housing, Communities and Local Government (MHCLG) at which MHCLG confirmed their expectation that local authority pension funds should state in their actuarial valuation report and/or Funding Strategy Statement how they have made an allowance for the McCloud ruling.

2.5 Officers are speaking with the Actuary about the possible impact on employer contribution rates.

3.0 LGPS Consultation on valuation cycles / managing employers

3.1 Transitioning local government pension funds from a three yearly to four yearly valuation cycle so that the national LGPS cost management valuation and local LGPS valuations are aligned from 31 March 2024 onwards. This change is being brought in to match the same four yearly cycle that applies to the non-funded public service schemes.

3.2 The next valuation of assets and liabilities is currently expected to take place at 31 March 2022.

4.0 Exit Payment Cap

- 4.1 The government first introduced the idea of capping exit payments to £95k in 2015 and have now issued final consultation for introduction later this year.
- 4.2 The £95k exit cap applies to most public sector employers and simply means the total exit payments which can be made to an employee must not exceed £95,000.00 in total
- 4.3 For the LGPS this cap also includes any actuarial strain incurred if the benefits are released early on the grounds, for example, redundancy or efficiency etc
- 4.4 HM Treasury (HMT) received approximately 600 responses and it is likely they will publish their response in the Autumn. The Local Government Association understands that HMT are to introduce the cap no sooner than 1 April 2020.

5.0 Good Governance in the LGPS

- 5.1 Hymans Robertson issued a report Good governance in the LGPS (Appendix).
- 5.2 Officers are currently reviewing the governance of the Fund and will be discussing the report and best practice with Hymans as part of this review.

6.0 Financial Implications

- 6.1 There are no direct implications at this point in time.

7.0 Environmental Implications

- 7.1 There are no direct environmental implications resulting from the proposals set out in this report.

8.0 Background papers

None

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Report Author	Neil Buxton	neilbuxton@warwickshire.gov.uk
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The report was not circulated to members prior to publication.

Good governance in the LGPS

July 2019

Addressee

This report is addressed to our client, the Scheme Advisory Board for the Local Government Pension Scheme in England and Wales (SAB).

This Report has been prepared for the benefit of our client, the SAB. As this Report has not been prepared for a third party, no reliance by any third party may be placed on the Report. It follows that there is no duty or liability by Hymans Robertson LLP (or its members, partners, officers, employees and agents) to any party other than the SAB. If this report is shared with any third party, it must be shared in its entirety.

Thanks to contributors

We are indebted to all those who responded to the survey and engaged in interviews and events that helped inform this report. We are grateful to you for being generous with your time and expertise, for your confidence in sharing your experiences openly and for responding so constructively and creatively.

Your views on current best practice, areas for improvement and creative and practical ideas for further strengthening governance in the LGPS are reflected in the proposals we present to SAB here.

We hope that your contribution will help further strengthen and future-proof governance in the LGPS.

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Executive summary

Governance in the LGPS is evolving to accommodate new developments in the last decade, including oversight by The Pensions Regulator, introduction of Local Pension Boards, increasing complexity in scheme benefits and administration, local government funding cuts and pooling of LGPS investments which has changed the role of local pensions committees and the way LGPS administering authorities work with one another.

The SAB commissioned this report to examine the effectiveness of current LGPS governance models and to consider alternatives or enhancements to existing models which can strengthen LGPS governance going forward.

Given the unique nature of the LGPS, guaranteed by administering authorities and funded to a large degree by tax-payers, a criterion specified by SAB is that any models considered must maintain strong links to local democratic accountability.

Process

We engaged extensively with all stakeholder groups and all fund types via an online survey (140 respondents), one-to-one conversations through interviews and seminars (153 respondents), speaking engagements, a workshop with the Association of Local Authority Treasurers (ALATS), and discussion with the CIPFA Pensions Panel and the Society of County Treasurers (SCT).

We focussed on the following criteria for assessing governance arrangements; Standards, Consistency, Representation, Conflict Management, Clarity of Roles and Responsibilities and Cost. We were asked by SAB to consider how existing and alternative governance models fared against these criteria.

We considered four governance models:

- **Model 1:** improved practice
- **Model 2:** Model 1 plus greater ring-fencing
- **Model 3:** joint committee; and
- **Model 4:** separate Local Authority body.

These models were described in qualitative terms with the recognition that some of the characteristics attributed to one model could also be replicated in another model and that the final solution may draw on the features of more than one model.

Results and themes from survey responses

The online survey responses indicated a first preference for governance Model 2 (greater ring-fencing) followed by support for Model 1 (improved practice). Respondents recognised that governance models along these lines may need independent monitoring to add bite and ensure consistency of application. »



140 respondents to our online survey



one-to-one conversations



153 attendees at interviews and seminars



discussions with CIPFA and SCT

Respondents favour developing a set of standards that all funds are required to achieve...

Model 2 was also the clear preference in additional surveys at the PLSA conference in May* and other events (*Models 1 and 2 between them had more than 70% support).

Few respondents supported Model 3 (joint committee) citing no benefits over existing arrangements and considerable added complexity as the main reasons. Some respondents could see value in Model 4 (separate LA body), including one trade union for whom a version of this was the favoured model. However, for most this value was outweighed by concern about weakening relationships with councils who are key sponsors of the scheme and a belief that establishing this model would incur disproportionate cost to any benefits that could be delivered.

Through the written responses, interviews and other engagement, many stakeholders pointed out that their existing models provided many of the features and benefits of Models 1 and 2. Many had found good solutions to some of the challenges faced within the current structure and welcomed the opportunity to share these with peers and learn from others' experiences. This process enabled us to identify

- i. Some best practice within current governance arrangements that is delivering good outcomes and may have potential for wider application across the LGPS; and
- ii. Additional ideas for further strengthening governance within the current regulatory framework.

We have included these in the report.

Conclusions

- It is clear from survey responses that governance structure is not the only determinant of good governance. Funds with similar governance models deliver different results and good examples exist across a range of different set ups.
- Survey respondents were also clear that establishment of new bodies is not required, although this should be facilitated for funds who wish to pursue other arrangements voluntarily. Instead, the focus should be on greater specification of required governance outcomes from within the existing structures, and a process to hold funds to account for this.
- Respondents favour developing a set of standards that all funds are required to achieve, drawing on current best practice and not imposing disproportionate burden on administering authorities or disrupting current practices that deliver good outcomes already.
- Respondents emphasised that independent review is needed to ensure consistency in application of standards.

Key proposals

- 1 **'Outcomes-based' approach** to LGPS governance with minimum standards rather than a prescribed governance model.
- 2 **Critical features of the 'outcomes-based' model** should include:
 - (a) robust conflict management including clarity on roles and responsibilities for decision-making;
 - (b) assurance on sufficiency of administration and other resources (quantity and competency) and appropriate budget;
 - (c) explanation of policy on employer and scheme member engagement and representation in governance; and
 - (d) regular independent review of governance – this should be based on an enhanced governance compliance statement which should explain how the required outcomes are delivered.
- 3 **Enhanced training requirements** for s151s and s101 committee members (requirements for s101 should be on a par with LPB members).
- 4 **Update relevant guidance and better sign-posting.** This should include 2014 CIPFA guidance for s151s on LGPS responsibilities and 2008 statutory guidance on governance compliance statements. This guidance pre-dates both TPR involvement in LGPS oversight, local pension boards and LGPS investment pooling.

We also set out suggested actions for implementing these proposals if agreed by SAB.

1. Introduction



Governance in the LGPS is evolving to accommodate developments in the last decade...

Context, purpose and scope

Governance in the LGPS is evolving to accommodate new developments in the last decade, including oversight by The Pensions Regulator, introduction of Local Pension Boards, increasing complexity in the scheme benefits and administration, local government funding cuts and pooling of LGPS investments which has changed the role of local pensions committees and the way LGPS administering authorities work with one another.

The purpose of the survey, undertaken for SAB, was to identify ways of further strengthening LGPS governance in the face of these new challenges, setting a bar for standards that all funds should achieve, drawing on current best practice and not imposing additional unnecessary burden on administering authorities or disrupting current practices that deliver good outcomes already.

Given the unique nature of the LGPS, guaranteed and funded to a large degree by council tax-payers, a critical condition specified by the SAB was that any proposals must maintain strong links to local democratic accountability.

In developing the proposals made in this report, we consulted with many LGPS stakeholders. As expected, there were many different views and suggestions made to improve the governance arrangements in the LGPS. We have reflected many of these views in the body of the report, particularly where a view or proposal was articulated by several parties, and where possible we have indicated why some of these views or suggestions have not been taken forward in the final proposals. The proposals submitted to SAB in this report are those we believe would deliver improved governance at proportionate cost and reflect a consensus across most stakeholders.

We recognise that there are a small number of administering authorities (such as London Pensions Fund Authority and the Environment Agency) with unique arrangements. While we engaged with both of these funds to understand their perspectives and approaches to governance we recognise that some of the potential governance models as set out in the survey may not be appropriate, or even possible, for these bodies.

2. Process

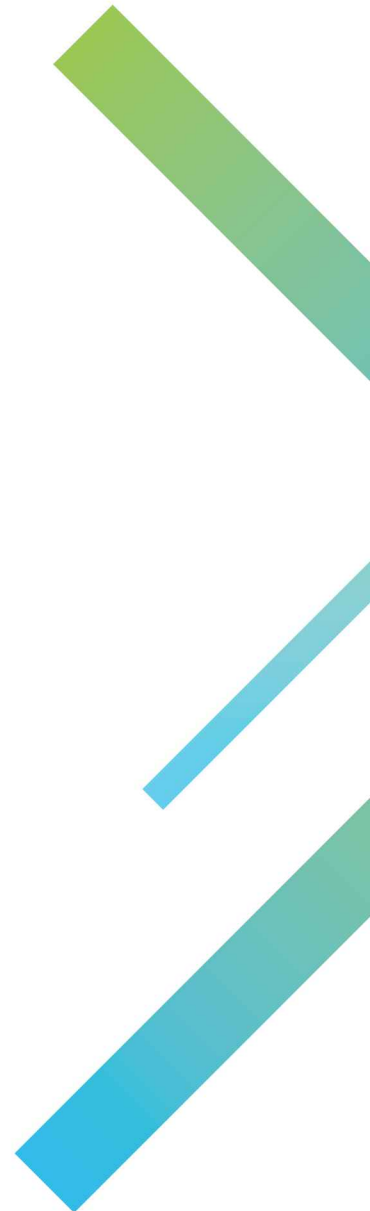
The aim of the work we have undertaken was to deliver proposals to the Scheme Advisory Board that:

- Identify and address any actual or perceived issues within current LGPS governance arrangements, including conflicts for LGPS host authorities;
- Are based on a wide consultation to increase the likelihood of stakeholder support;
- Are proportionate and can be readily implemented; and
- Maintain local democratic accountability.

Process

The process we used is described below:

- 1. Fact-find phase:** We carried out interviews based on an open-scripted questionnaire with a diverse range of experienced officers, elected members and other stakeholders in order to identify any issues within current LGPS governance arrangements. The outcome and conclusions were shared with SAB in order to assist in developing the governance models which were consulted on in the online survey.
- 2. Online survey:** We conducted a wider consultation in the form of an online survey on the governance models identified by SAB. Input was sought from all relevant parties including s151 officers, s151 officers of non-administering authorities, pension fund officers, elected members, pension board members including scheme member and employer representatives as well as other interested parties and organisations.
- 3. Other engagement activities:** In addition to the survey, we engaged stakeholders through other activities such as interviews, seminars and speaking events to capture as wide a view as possible.
- 4. Report:** This report sets out the outcomes of our consultation activities including a full analysis of the key issues and proposals for addressing these issues, including commentary on any required legislative or guidance changes were these would realise significant benefits.



Who we consulted

In conducting our wider consultation, we engaged directly with all stakeholder groups and all fund types via:

- Online surveys which were sent to all relevant contacts on SAB's and Hymans Robertson's databases. These were also sent to any individual or organisation that requested them out with the initial mailing lists. In total, 140 responses were received to our online surveys by the closing date.
- One-to-one interviews were carried out with individuals or organisations by request or where further clarification of online responses were sought. Organisations included PSAA, NAO, CIPFA, SLT, Unite and Unison.
- Some organisations, such as CIPFA and PIRC, provided their own written submissions.

- Three seminars were held with open invitations to collate feedback from larger group.

There are 87¹ funds within the LGPS in England and Wales. We had direct feedback from representatives at 76 of these split across the various designations used by SAB in their annual report (see **Table 1**).

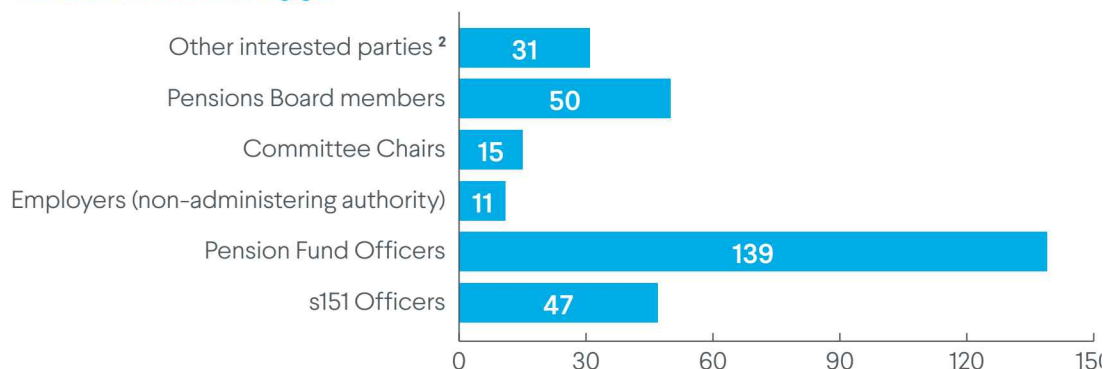
We engaged with a wide variety of stakeholders as set out in **Chart 1** below.

In addition, we have presented and collected feedback at key events over the period including the PLSA conference, CIPFA Pensions Panel, meetings of the Society of County Treasurers, Society of Welsh Treasurers and ALATS. Our findings and proposals reflect feedback from all of these.

Table 1: Respondents from LGPS funds in England and Wales, as designated by SAB annual report

	Universe	Responses	Interaction through	
			Survey	Interview
Unitary Authorities	12	11	24	17
London Boroughs	31	22	20	25
County Councils	27	26	64	55
Welsh Funds	8	8	15	14
Metropolitan Boroughs	6	6	8	17
Other	3	3	2	3
Independent responses			7	22
TOTAL	87	76	140	153

Chart 1: Stakeholders we engaged



¹ Excluding admission body funds, passenger transport funds and the environment agency closed fund.

² Including trade union representatives.

3. Survey results

The online survey issued as part of the consultation is set out in **Appendix A**. We sought views on four potential governance models SAB chose to consult on. All were assessed by respondents against criteria agreed with SAB. This was done through a combination of numerical scoring and free form commentary.

A summary of the numerical scores are set out below for each of the four structures:

- **Model 1 (Improved practice)**
Introduce guidance or amendments to the LGPS Regulations to enhance the existing arrangements by increasing the independence of the management of the fund and clarifying the standards expected in key areas.
- **Model 2 (Greater ringfencing)**
Clearer ringfencing of pension fund management from the host authority, including budgets, resourcing and pay policies.
- **Model 3 (Joint committee)** Responsibility for all LGPS functions delegated to a joint committee comprising the administering authority and non-administering authorities in the fund. Inter-authority agreement (IAA) makes joint committee responsible for recommending budget, resourcing and pay policies.
- **Model 4 (New Local Authority Body)**
An alternative single purpose legal entity that would retain local democratic accountability and be subject to Local Government Act 1972 provisions.

In carrying out the survey, respondents were asked whether each of the models shown would have a positive or negative impact on each of the following criteria:

1 Standards	The model enables funds to meet good standards of governance across all areas of statutory responsibility including TPR requirements.
2 Clarity	The model delivers clarity of accountability and responsibility for each relevant role.
3 Conflict	The model minimises conflicts between the pension function and the host local authority, including but not limited to s151 officer conflicts (in operational areas such as budgets, resourcing, recruitment and pay policies and in strategic areas such as funding and investment policy).
4 Consistency	The model minimises dependence on the professionalism of individuals and existing relationships to deliver statutory responsibilities.
5 Representation	The model allows for appropriate involvement in decision-making for key stakeholders (including administering authority, non-administering authorities, other employer and member representatives).
6 Cost	The cost of implementing and running the model is likely to be worthwhile versus benefits delivered.

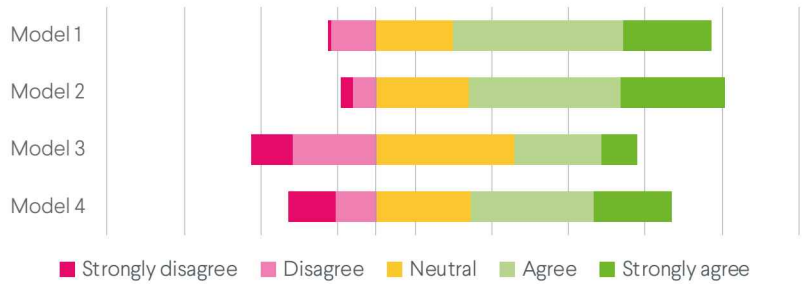


The following charts summarise the extent to which respondents agreed that each model delivered against the six criteria. The further to the right the line appears, the more strongly respondents favoured the model against the criteria.

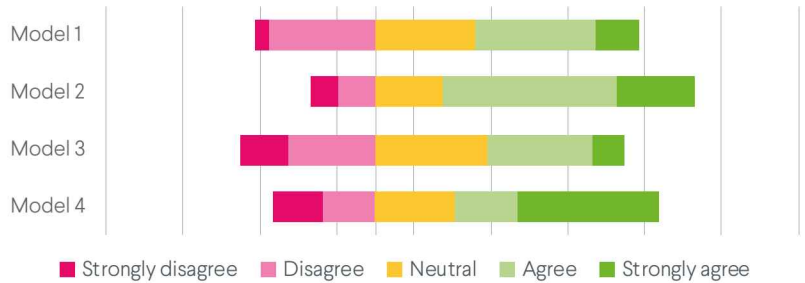
Comments on survey responses

- Across all questions and criteria, respondents gave the highest scores to Model 2, followed closely by Model 1.
- Model 4 scored reasonably well on questions relating to criteria 1 to 4. A minority of respondents supported this model or some variation on it. For example, one of the trade unions favoured a variant of Model 4 with a changed role for local councillors because they believe that it could reduce potential governance conflicts they see in the role of local councillors who must act in the best interests of scheme members and at the same time in the interests of local tax-payers. However, the majority of respondents raised concerns over the question of appropriate involvement in decision making. These respondents felt that democratic accountability may be weakened in this model or the influence of the lead local authority, who is the guarantor of last resort for the fund, would be diluted. The model also scored very poorly on cost or value for money with a majority of respondents feeling that the model would be very expensive and disruptive to implement.
- Model 3 received weakest support overall. Respondents felt that the model would be complex to set up and manage and would deliver no perceived improvements in governance outcomes.
- The sentiment reflected within the commentary in the responses was also strongly in favour of Models 1 and 2, with many respondents identifying features of Models 1 and 2 that are already delivered in their current structure.
- However, responses also recognised that in order to achieve governance improvements through Models 1 and 2, the governance regime needs to include independent monitoring or review of local fund arrangements to ensure that everyone attains a minimum standard and that those beyond that level seek continuous improvement.

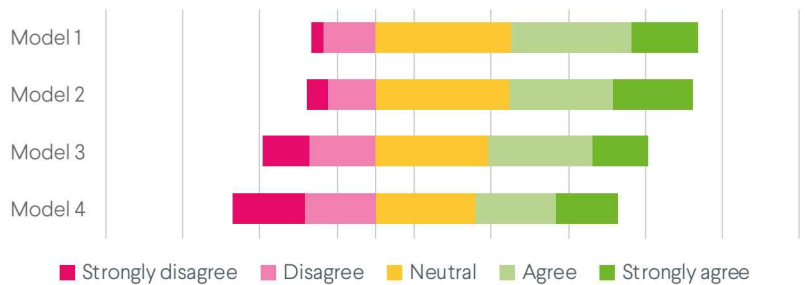
The model enables funds to meet the required standards



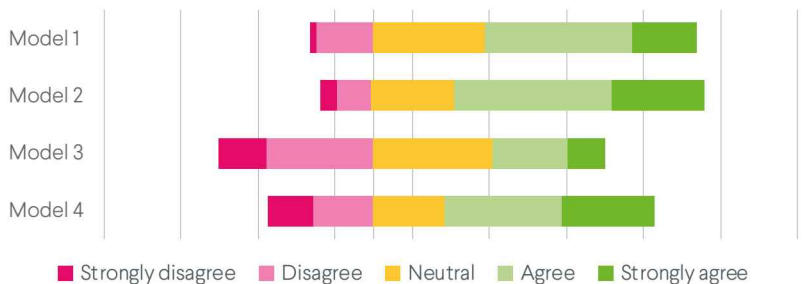
The model minimises conflicts between the pension function and the host local authority



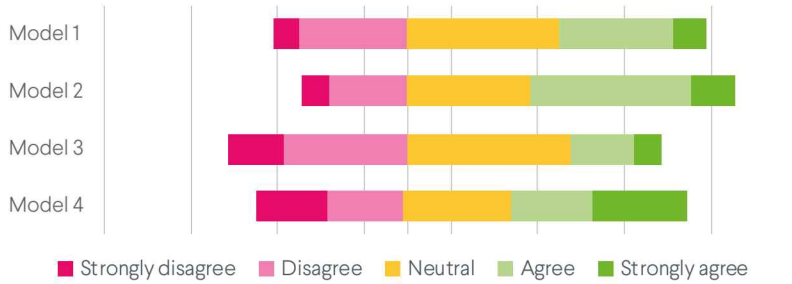
The model allows for appropriate involvement in decision-making for key stakeholder



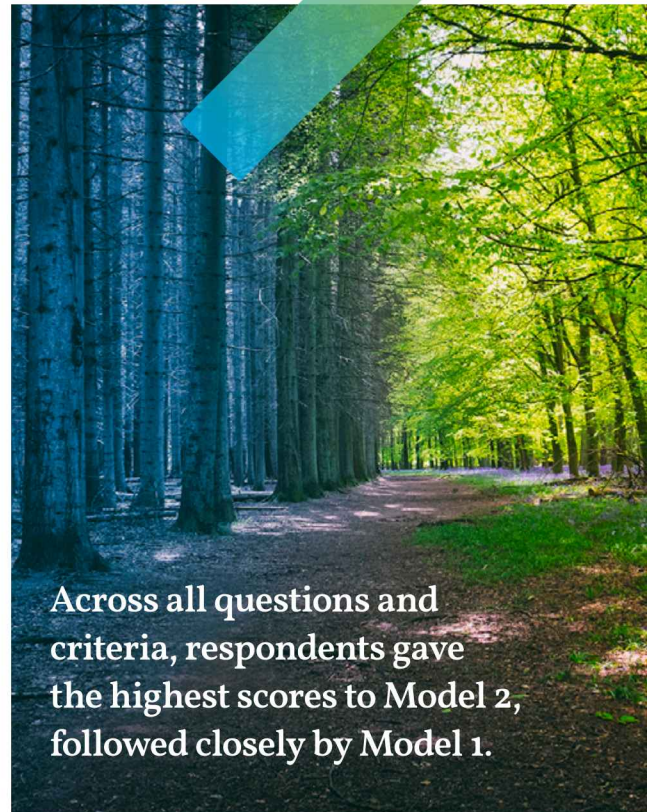
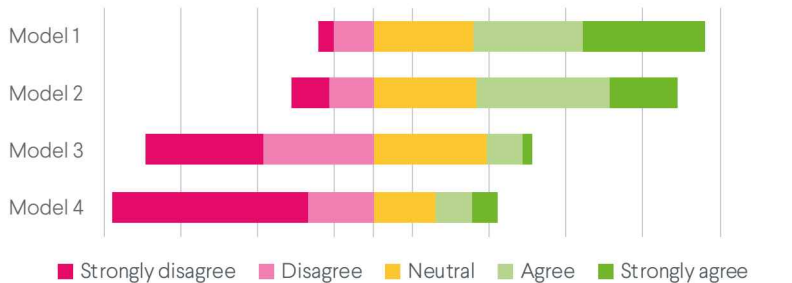
The model delivers clarity of accountability and responsibility for each relevant role



The model minimises dependence on professionalism and relationships to deliver statutory responsibilities



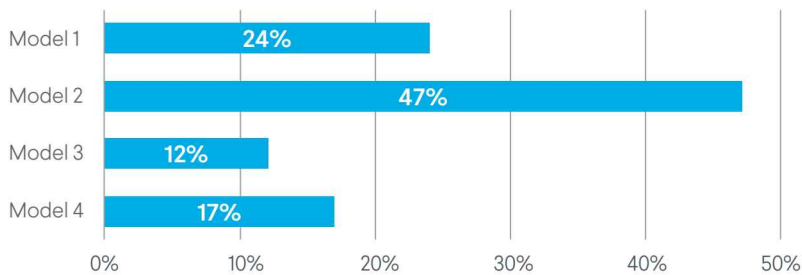
The cost of implementing and running the model is likely to be worthwhile versus benefits delivered



Across all questions and criteria, respondents gave the highest scores to Model 2, followed closely by Model 1.

PLSA

Which structural governance model do you prefer from the four models discussed?



Additional survey data

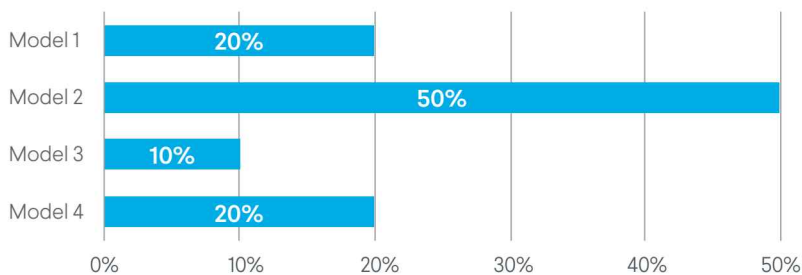
In addition to the online survey, we asked attendees at our PLSA session and other events a set of questions on their preferences.

Around 70% of respondents favoured Models 1 or 2.

Very similar results (from a smaller sample size) were recorded at our webinar.

Webinar

Which structural governance model do you prefer from the four models discussed?



4. Survey themes

The following section reflects some of the views raised during various conversations. Direct quotations reflect a specific point made by an individual which we judged to be representative of views of a number of respondents. Comments not in quotations are our expression of views expressed by a significant number of respondents.

Key:

CC	County Council
Met	Metropolitan
LB	London Borough
TU	Trade Union



Standards

1. There was an almost unanimous view that there should not be a single model of LGPS governance imposed on all funds.
2. The view 'one size does not fit all' was frequently stated by respondents from all categories of respondent.
3. There was a strong view from respondents that members of pension committees should be mandated to have the same level of training as local pension board members.
4. A small minority expressed the view that this would lead to problems getting elected members to sit on pension committees.
5. The fact that pension committee members can change due to elections or being moved around can cause problems with consistency and maintaining knowledge and skills.

“It is a perversion that LPB members require a higher degree of training than elected members.”

Officer, LB

“[The] biggest issue is stability at elected member level. Too much turnover.”

Officer, LB

6. Several respondents said that guidance from several sources caused confusion as to which was current, which was relevant and what are 'musts' (mandatory) and 'shoulds' (guidance or best practice):

“Funds are currently pulled in too many directions by lots of guidance – CIPFA, SAB, TPA etc.”

Officer, CC

“[Guidance from numerous sources] muddies the waters between what is statutory guidance and what isn't.”

Independent Advisor

7. The idea of extending the existing concept of peer challenge to include pensions was mentioned by some respondents. (Committee Chair CC, s151 CC and officers Met)

Clarity of decision-making

1. Some respondents felt that there was already a clear framework around decision making within their authority but other reported that there was very little clarity around where key decisions were made.
2. Two funds suggested that it was unclear who was responsible for decisions around outsourcing the administration function; was it the pension committee, s151 officer, full council?
3. One fund reported it very difficult for the council's constitution to be updated - the updates required for pooling have still not been made.
4. Greater clarity around decision-making is a good idea: **“Some decision-making conventions are lost in the mists of time.”**

Officer, CC



Consistency

1. Commentary on Models 1 and 2 recognised that some sort of monitoring, enforcement or independent review would be needed to ensure that the required standards and governance outcomes are delivered.
2. There was strong support for the professionalism of s151 officers and the role they play.
3. A few respondents noted that the work pressures on s151 officers is greater than ever before and worried about their scope to devote the necessary time to the fund.

“My s151 is incredibly supportive and helpful but I accept s151s at other funds are not as engaged or are engaged in the ‘wrong way’”.

Officer, CC

“Separation would actually push s151s away from the fund, leading to less responsibility and engagement with the fund, leading in turn to less expertise and worse decisions. Better to get s151s more closely involved so they understand the requirements of the LGPS and make better decisions.”

Officer, CC

4. A number of respondents stated that “Statutory/ fiduciary duty clarity would be useful.”



Conflicts

1. Most respondents felt that there was acknowledgement of the potential conflict faced by elected members and officers and that those potential conflicts were managed well.
2. However, it was not unusual for respondents to suggest that there needed to be better distinction between the employer and administering authority role.

“No one in the council understands the difference between the ‘council’ function and the ‘pension’ function.”

Officer, LB

“The make-up of panel/committees is not working – too much political interference.”

LPB Chair

On conflicts:

“I don’t see abuses. The ability is there for there to be abuse but it doesn’t happen.”

Officer, CC

“LGPS is full of conflict, s101 committees are beholden to the council who are mainly focused on council tax-payers.”

TU

3. Some pointed out that concentrating on conflicts missed some of the advantages of LGPS funds being part of local authorities.

“[This review] should address the many advantages and benefits of working for a large, well-run and modern council.

s151 CC

“[s151] role involves tensions, not conflicts. Tension can’t always be seen as a bad thing.”

Officers, Met

Budgets and resourcing

1. There was a range of approaches when it came to budget setting. In some instances, the budget available to the pension fund was determined as part of the wider council budget setting process with little or no input from pension officers and no role for the pension committee. Other funds reported that budget setting and in-year management of the budget was the responsibility of pension officers and that the local authority’s s151 was ‘kept informed’.

“It hadn’t occurred to me that the [pension] committee could get involved with budget setting. Guidance on that would be good.”

Officer, LB

“Potential problems include transparency in the AA of its costs. Recharges of time. Costs recovered by the AA via the PF.”

LPB Chair

2. There was also a split in terms of whether funds had the ability to set their own staffing or whether they were subject to recruitment freezes or downsizing exercises that apply to the main council.

“[There should be] resourcing such that there is the quality and competence to deliver their statutory duties”

s151, CC

One s151 expressed **“disbelief that blanket hiring bans and pay policies affected the pensions section. s151’s should be flexible enough to understand how to ‘spend’ resources. If they need to pay differently for pensions to get the right experience/quality.”**

s151, CC

When it comes to budgeting and workplans

“...the s101 committee decides including requests for extra resource if required.”

Chair of Committee. CC

Representation

1. Most respondents felt that there was a role for some sort of scheme member presence on pension committees, although there was a difference of opinion about whether this should be a voting role or an observer role. A number of funds suggested that the scheme member role should not be limited to trade union representative. All agreed that the majority representation must lie with the administering authority.

“Less than 50% of our members are in a union.”

s151, CC

“Representation is key – members must have a say”

TU

“Other employers reps and member reps should have voting rights [on the committee]. That’s right and should happen.”

Chair of Committee, CC

“We are warm towards the idea of an independent advisor/trustee who sits on committees.”

s151, CC

“We want to improve things for our members in terms of governance, transparency and representation.”

TU

2. There were strong views on both sides about the value that local pension boards bring. Some feeling that they increased bureaucracy without adding value while for others they had become a useful part of the fund’s governance arrangements.

“I welcome the involvement of the Pension Board it adds value, second opinion.”

Chair Committee, CC

One respondent believed that joint committee and local pension boards **“give scheme members and other employers a voice and avoids duplication.”**

s151, CC

“Many administering authorities see boards as threats rather than opportunities. There are still boards who are dictated to. Need administering authorities to release tight control.”

Chair of LPB

3. There were a range of practices in how funds engaged with employers:

“As s151 of a non-admin authority, I didn’t feel engaged in the pension fund, it was something that was dictated to me every few years.”

s151 speaking of their time in a non administering authority

“Employer liaison is tricky as your participating employers often don’t see it as a priority.”

s151, CC



5. Examples of current best practice

It was apparent during our conversations that many funds exhibited excellent examples of good governance but that practices across funds were not consistent. This section captures some of the examples of best practice that we identified.

Regular governance reviews

A number of funds confirmed that they use internal audit to provide assurance on administration and governance matters. Some reported an annual programme of work with different aspects of delivery being assessed each time.

Other funds had commissioned external governance reviews in order to receive an independent assessment of their current arrangements.

Committee membership and effectiveness

A large number of funds stated that they required pension committee members to attain the same level of knowledge and expertise as local pension board members. This was achieved through training policies which set out clearly how the fund will deliver training and assess its effectiveness.

One fund reported how members of the pension committee are required to sign a declaration stating that they will act in the interests of the fund and not be influenced by party political matters. One view is that councils should waive the requirement for political representation on committees to allow the most appropriate members to sit, rather than allocate places according to political party.

Most funds have some sort of scheme member representation on pension committees and a small number allow scheme member representatives to vote.

Independence

A number of funds reported that there was a clear understanding of, and separation between, the functions of the pension fund and the local authority which recognised the specialist nature of the LGPS. This was typically achieved through one or more of the following features:

- A dedicated Head of Pensions role which was at an appropriately senior level within the authority's structure.
- A recognition by elected members serving on the pension committee that, when carrying fund specific business, they were acting on behalf of scheme members and all of the employers in the fund, not simply their own local authority.
- Independent business planning and resourcing decisions made by pension fund officers and signed off by the pension committee and s151. This allows the pension fund to plan and resource appropriately to deliver its strategic objectives.
- Pension fund not subject to same recruitment freezes or restructuring exercises applied at a council level. Some funds reported using market supplements to attract appropriately skilled staff, where a strong business case could be made.

Focus on quality of service to scheme members

Some funds were prepared to 'go the extra mile' in terms of the quality of service delivered to scheme members. This might involve encouraging face-to-face interaction between pensions staff and scheme members (particularly when considering complex or emotive matters), producing a range of communications aimed at active, deferred and pensioner members or holding annual member meetings to raise awareness of current issues.

6. Proposals

The proposals we set out for consideration by SAB are informed by feedback from stakeholders. Many are things which well-run funds already do.

- **Table 1** shows the proposals in summary.
- **Table 2** sets out the rationale for each proposal and, if SAB agrees with proposals, suggested actions to implement.

Table 1: Summary of proposals

1	'Outcomes-based' approach to LGPS governance with minimum standards rather than a prescribed governance structure.
2	Critical features of the 'outcomes-based' model to include: <ol style="list-style-type: none"> Robust conflict management including clarity on roles and responsibilities for decision making. Assurance on sufficiency of administration and other resources (quantity and competency) and appropriate budget. Explanation of policy on employer and scheme member engagement and representation in governance. Regular independent review of governance - this should be based on an enhanced governance compliance statement which should explain how the required outcomes are delivered.
3	Enhanced training requirements for s151s and s101 committee members (requirements for s101 should be on a par with LPB members).
4	Update relevant guidance and better sign-posting.

Table 2: Rationale for proposals and suggested actions

	Proposal	Why	Suggested actions
1	'Outcomes-based' approach to LGPS governance rather than a prescribed governance structure.	<p>We observe (and the survey evidences) that different administering authorities with the same governance structure can have different outcomes in terms of quality and standards of governance. All the governance models in the SAB survey can deliver good or bad governance outcomes. Focussing on the desirable traits and outcomes expected of LGPS governance will enhance governance in a more reliable and cost-effective manner than prescribed changes in structure.</p> <p>Further, we do not believe it is appropriate to impose a 'one size fits all' approach.</p>	<ol style="list-style-type: none"> SAB should consult on: <ul style="list-style-type: none"> Desirable features and attributes of LGPS governance arrangements; The outcomes governance arrangements should be expected to deliver; and How each administering authority might evidence that its own governance model displays the required attributes. Once identified and agreed through consultation, the desirable features and expected outcomes should be set out in statutory MHCLG guidance (replacing the 2008 CLG guidance).



Table 2: Rationale for proposals and suggested actions (continued)

	Proposal	Why	Suggested actions
2	<p>Critical features of the ‘outcomes-based’ model to include:</p> <ul style="list-style-type: none"> a. Robust conflict management. b. Assurance on sufficiency of administration resources (quantity and competency) and appropriate budget. c. Explanation of policy on employer and scheme member engagement and representation in governance. d. Regular independent review of governance. 	<p>The detailed specification of the desirable features and expected outcomes of an ‘outcomes-based’ model are beyond the scope of this project and should be determined in a second stage of work and through consultation.</p> <p>However, based on responses to the survey we propose a small number of critical elements to ensure this approach is effective. These proposals are shown below under 2(a) – (d).</p>	<p>SAB to consider making these features mandatory but determining other aspects of the detailed specification of features and expected outcomes in a further phase of work (as per Proposal 1).</p>
2a	<p>Robust conflict management.</p> <p>Administering authorities should be able to decide locally how they will evidence this requirement including for example:</p> <ul style="list-style-type: none"> • Published conflicts policy. • Protocols for setting and managing budgets. • Schemes of delegation. • Documented roles and responsibilities of elected members on s101 committees, s151 officers and pension fund officers. 	<p>Elected councillors and s151 officers have multiple competing statutory responsibilities, within their roles in the LGPS and in wider council responsibilities. High professional standards and experience help them to navigate. Additional measures specific to their LGPS duties can help reduce conflicts and perception of conflicts.</p> <p>Many administering authorities already have a conflicts policy or alternative arrangements to help reduce the risk of conflicts including, for example, schemes of delegation or well defined and documented roles and responsibilities.</p>	<p>SAB should consider making this a mandatory feature of any ‘outcomes-based’ governance model.</p>



Table 2: Rationale for proposals and suggested actions (continued)

	Proposal	Why	Suggested actions
2b	<p>Assurance administration and other resource (quantity and competency) sufficient to meet regulatory requirements and budget appropriate.</p> <p>This will require a transparent approach to setting and managing budgets.</p> <p>Administering authorities should be able to decide locally how they will evidence this requirement including for example:</p> <ul style="list-style-type: none"> • Benchmarking. • External expert advice. • Internal or external audit. • Review by LPB with appropriate expert advice. <p>Administering authorities may need freedom to use market supplements to attract and retain staff and should not be tied to council staffing policies such as recruitment freezes.</p>	<p>The administrative burden on the LGPS has increased significantly due to increasing complexity (pre- and post-Hutton benefits) and the massive growth in employer numbers.</p> <p>At the same time, there is increased scrutiny from TPR and risk of fines and other regulator interventions.</p> <p>It is critical that pension administration teams are sufficiently well resourced with competent personnel and appropriate administration systems.</p> <p>This aim must be supported by transparent processes for setting appropriate budgets.</p> <p>Pensions administration is a specialist role and, at the current time, it is difficult to attract and retain staff.</p> <p>Many administering authorities already have pay and recruitment policies relevant to the needs of their pension functions rather than being tied to the general policies of the council.</p>	<p>SAB should consider making this a mandatory feature of any ‘outcomes-based’ governance model.</p>
2c	<p>Explain policy on employer and member engagement and representation in governance.</p> <p>At the current time, employer and member representation (with or without voting rights) should be encouraged but not compelled. Decisions on the approach to member representation should remain a local matter but administering authorities should explain their approach.</p>	<p>Most administering authorities have non-administering authority employer and scheme member representatives.</p> <p>Non-administering authority employers are often chosen to represent certain employer constituencies (e.g. academies, FE, charities and housing associations).</p> <p>In some cases, scheme member representatives have voting rights.</p> <p>»</p>	<p>SAB to consider making these features mandatory but determining other aspects of the detailed specification of features and expected outcomes in a further phase of work (as per Proposal 1).</p>



Table 2: Rationale for proposals and suggested actions (continued)

	Proposal	Why	Suggested actions
		<p>Many survey respondents support greater encouragement to include scheme member reps on s101 committees.</p> <p>However, administering authorities prefer some local flexibility on this, including how representatives are selected and whether they have voting rights. Importantly, administering authorities should retain majority voting representation because of the statutory responsibilities they bear.</p>	
2d	<p>Regular independent review of governance to assess effectiveness of administering authority’s governance arrangements in the context of the desirable features and expected outcomes set out in guidance on an ‘outcomes-based’ model. This should be based on an enhanced governance compliance statement which should explain how the required outcomes are delivered.</p> <p>Guidance should not prescribe the approach but could set out acceptable methods which may include:</p> <ul style="list-style-type: none"> i. Internal or external audit assessment; ii. Scrutiny by LPBs; iii. A peer review process. 	<p>It is important that any ‘outcomes-based’ approach is policed.</p> <p>Self-assessment is insufficient. Independent review is required for a more objective assessment.</p> <p>We discovered that some funds do this on a regular basis already using a variety of approaches including internal and external audit and other external experts and advisors.</p>	<p>SAB should consider making this a mandatory feature of any ‘outcomes-based’ governance model.</p>



Table 2: Rationale for proposals and suggested actions (continued)

	Proposal	Why	Suggested actions
3	<p>Enhanced training requirements for s151s and s101 committee members. This is to include all s151 officers, not just those currently with administering authority responsibilities.</p>	<p>s151s: Current CIPFA training does not have specific pensions modules. CPD for those at or close to s151 level would be more effective and have impact sooner than changes to exam syllabus, although the latter would also have longer term benefit. Greater understanding of the LGPS amongst the wider s151 community may also reduce perception of conflicts.</p> <p>s101 committees: Currently the training requirements for Local Pension Board members (which are statutory) are more onerous than those for s101 committee members. Survey respondents felt this inconsistency was unacceptable and that s101 training should be on a par with LPB requirements.</p>	<ul style="list-style-type: none"> i. CIPFA to develop a CPD module for s151 practitioners in the LGPS. ii. SAB / MHCLG statutory guidance to require training for s101s to be on a par with members of Local Pension Boards.
4	<p>Update relevant guidance and provide better sign-posting.</p> <p>It would also be helpful to provide greater clarity to officers and elected members on their statutory and fiduciary obligations.</p> <p>As well as sign-posting, there should be clarity on the status of current and future guidance (e.g. statutory and therefore compulsory or best practice)</p>	<p>The main guidance relevant to governance includes:</p> <ul style="list-style-type: none"> i. CIPFA guidance for s151s in respect of LGPS responsibilities (2014); and ii. CLG’s statutory guidance on governance of governance compliance statements (2008). <p>Both pre-date PSPA 2013, involvement of TPR in LGPS governance and investment pooling.</p> <p>Both must be updated.</p>	<ul style="list-style-type: none"> i. CIPFA to review and update guidance for s151s in respect of LGPS governance. ii. MHCLG to review and update statutory guidance on governance. In particular, this should put greater emphasis on non-investment aspects of governance such as administration. iii. SAB should consider commissioning legal input to give greater clarity on statutory and fiduciary responsibilities of s151 officers and s101 elected members. iv. SAB or MHCLG should provide greater clarity on the status of current and future guidance (e.g. statutory and therefore compulsory or best practice.)

Table 3: Other ideas considered but rejected or out of scope

	Proposal	Reason for non-recommendation
1	Separate s151 for pension fund.	<ul style="list-style-type: none"> • A benefit would be specific focus on LGPS matters and therefore greater depth of understanding. • However, this is unlikely to help reduce conflicts (the pension fund s151 still has fiduciary responsibility to local tax-payers and may report to council s151) and may not be practical for smaller funds with greater resource constraints.
2	Compulsory benchmarking.	<ul style="list-style-type: none"> • Concerns because benchmark data not like for like (e.g. same cost per member but different service); and (ii) risk this drives lowest common denominator results instead of innovation in service delivery • We recognise that benchmarking has a place and would welcome the development of more sophisticated forms of benchmarking that focus on the quality of the service delivered.
3	Legal separation of pension fund accounts.	<ul style="list-style-type: none"> • Requires change in primary legislation. • Pension fund accounts already separated, audited and shown in Pension Fund Annual Report (annual report is a statutory requirement). • It is unclear what additional benefit there is in legal separation of PF accounts form administering authority/council.
4	Mandating extension of audit to include an opinion on suitability of LGPS governance arrangements.	<ul style="list-style-type: none"> • Some funds commission an external (or internal) audit view voluntarily. • NAO has confirmed that this could only be mandated through legal separation of pension fund accounts (see above). • Concerns on some external auditors' lack of LGPS knowledge and lack of continuity due to changing personnel. • Preference to allow flexibility in approach to independent assessment of governance arrangements and their efficacy.
5	Removing s151 from decisions around admin budgeting due to conflicts.	<ul style="list-style-type: none"> • s151 has statutory responsibility.
6	Merger of funds to facilitate different governance models.	<ul style="list-style-type: none"> • Weakened link to local democratic accountability. • Outside of the scope of the project.



Table 4: Suggested follow up work beyond the scope of this report

	Suggested follow up work	Why
1	SAB to consult on detailed specification of desirable features and expected outcomes from an ‘outcomes-based’ model.	<ul style="list-style-type: none"> • Important to get buy-in and support for the practical details of an ‘outcomes-based’ governance model.
2	CIPFA and MHCLG to update existing guidance.	<ul style="list-style-type: none"> • Existing guidance is out of date.
3	Commission legal work to provide greater clarity on statutory versus fiduciary obligations (s151 and s101 committee members).	<ul style="list-style-type: none"> • Statutory responsibilities take precedence. • Currently unclear.
4	SAB to consider a ‘Good Administration’ review.	<ul style="list-style-type: none"> • Survey respondents expressed interest in some work to set out what good administration looks like, examples of current best practice, good approaches to meeting the needs of scheme members and employers, and greater clarity on what standards will be required to satisfy TPR. • This will help administering authorities to be clear what standards they must achieve in order to provide ‘assurance’ that administration resources are sufficient in quantity and competency, identify any gaps and determine what practical steps they might take to address those gaps.
5	SAB to consider a review of the role of Pension Boards in LGPS.	<ul style="list-style-type: none"> • Very mixed reports on the role and success in working with Pension Boards in the LGPS.



Table 5: ‘Outcomes-based’ model – concept illustration

	Outcome: examples	How to demonstrate that your governance model complies: examples
1	Robust conflict management.	<ul style="list-style-type: none"> • Conflicts policy. • Scheme of delegation or decision matrix setting out who makes what decisions. • Transparent process for approving budgets. • Documented roles and responsibilities of elected members on s101 committees, s151 officers and pension fund officers.
2	Assurance administration and other resource (quantity and competency) sufficient to meet regulatory requirements and budget appropriate.	<ul style="list-style-type: none"> • Benchmarking. • External expert advice. • Internal or external audit. • Review by LPB with appropriate expert advice. • Process for setting administration budget. • Policies in respect of recruitment and market supplements to attract and retain staff.
3	Explain policy on employer and member engagement and representation in governance.	<ul style="list-style-type: none"> • Set out approach to employer and member engagement e.g. communication plan, AGM, employer liaison and support. • Set out approach to participation of non-administering authority employers in governance of fund e.g. representatives of academies, admitted bodies, FE, charity sector, etc. • Set out approach participation of scheme members in governance (e.g. observers, voting members, how selected, etc.) and rationale for approach.
4	Regular independent assessment of governance arrangements.	<p>State method e.g.</p> <ul style="list-style-type: none"> • Internal or external audit assessment; or • Scrutiny by Local Pension Board; or • External expert / consultant; or • Peer review process. <p>Describe scope and approach e.g.</p> <ul style="list-style-type: none"> • Reviewing policies, meeting minutes. • Reviewing committee efficacy in decision-making, etc.

Appendix A

Scheme Advisory Board: Good Governance Survey

The following pages replicate the online Good Governance survey on governance models for the LGPS. **The survey closed on 31 May 2019.**

Introduction

The Scheme Advisory Board has commissioned Hymans Robertson to review LGPS governance structures and practices. This survey is part of a key part of the project and we are keen to collect views from as wide a range of stakeholders as possible. Further details on the scope and background to the project can be found on the SAB website.

To help inform this survey and the options for governance change presented for feedback, views were sought from a representative range of LGPS stakeholders (including pension fund officers, section 151 officers, trade unions and other advisors) in order to understand the issues and challenges that the current LGPS governance arrangements present.

Examples of issues cited by respondents included:

- **Clarity:** There is sometimes lack of clarity over roles and responsibilities.
- **Conflicts:** A number of stakeholders raised the issue of perceived conflicts of interest between the fund and the council, in particular for the section 151 of the administering authority given his or her responsibilities for the financial management of other council functions. It was suggested these could manifest themselves in terms of the strategic decisions taken by the fund in respect of funding (contribution rate decisions) and investment or in respect of allocating resource to the pension fund.
- **Consistency:** It is widely recognised that there are many examples of good practice within the LGPS and that section 151s and pension funds manage these conflicts well. However, it was noted that this good practice largely relies on the professionalism and good will of individuals and the ethos of the authority. There is very little regulation or guidance that would safeguard the situation if such high standards were absent.
- **Representation:** The issue of appropriate representation was raised, in particular for non-administering authorities. Some respondents suggested that there could be improvements in the way administering authorities engage with the other employers in the fund on administration resourcing as well as funding, contributions and investment matters.
- **Standards:** It was also noted that LGPS funds evidence varying levels of compliance with the standards for administration, funding and investment set out in statutory legislation, relevant guidance and the TPR Code of Practice 14.
- **Miscellaneous:** Other issues raised included lack of continuity in committee members; shortage of in-house skills, expertise and subject matter knowledge in investment and funding; and restrictions on recruitment and pay policy for the pensions function.

Please use the box below to provide details of any additional issues which you believe the Board should address as part of this exercise.

Comment box provided.



The criteria

Based on the issues raised by stakeholders, the Board has agreed 6 criteria which will be used to assess any proposed changes to LGPS governance arrangements.

Standards	The model enables funds to meet good standards of governance across all areas of statutory responsibility including TPR requirements.
Conflict	The model minimises conflicts between the pension function and the host local authority, including but not limited to s151 officer conflicts (in operational areas such budgets, resourcing, recruitment and pay policies and in strategic areas such as funding and investment policy).
Representation	The model allows for appropriate involvement in decision making for key stakeholders (including administering authority, non-administering authorities, other employer and member representatives).
Clarity	The model delivers clarity of accountability and responsibility for each relevant role.
Consistency	The model minimises dependence on the professionalism of individuals and existing relationships to deliver statutory responsibilities.
Cost	The cost of implementing and running the model is likely to be worthwhile versus benefits delivered.

Please use the box below to provide details of any additional criteria which you believe the Board should consider as part of this exercise.

Comment box provided.



Governance models in this survey

The Scheme Advisory Board would like to hear your views on four governance models set out below.

Option 1 – Improved practice: Introduce guidance or amendments to LGPS Regulations 2013 to enhance the existing arrangements by increasing the independence of the management of the fund and clarifying the standards expected in key areas.

Option 2 – Greater ring fencing of the LGPS within existing structures: Clearer ring-fencing of pension fund management from the host authority, including budgets, resourcing and pay policies.

Option 3 – Joint Committee (JC): Responsibility for all LGPS functions delegated to a JC comprising the administering authority and non-administering authorities in the fund. Inter-authority agreement (IAA) makes JC responsible for recommending budget, resourcing and pay policies.

Option 4 - New local authority body – an alternative single purpose legal entity that would retain local democratic accountability and be subject to Local Government Act provisions.

It is recognised that a one size fits all approach may not be appropriate.

Final recommendations by SAB could be variations on the models described here, taking account of your feedback. Any regulation changes needed will be fully assessed before SAB makes final recommendations. We have not provided detailed costing of each of the models presented in the survey. The cost of implementation would in any case vary across different funds, but, generally, the effort and cost to implement increases as we move from Option 1 to Option 4. Detailed costing of any recommendations emerging from this exercise would be undertaken prior to implementation.

In the next section we set out a brief description of each of the options along with the opportunity for you to provide your views on how well each option compares against the agreed criteria.

For brevity the option descriptions have been included on the next two pages, followed by the response form (which was identical for all four options).



Option 1 - Improved practice

Features

- SAB guidance on minimum expected levels of staffing and resourcing;
- SAB guidance on representation on pension committees and expected levels of training for those on pension committees and officers with an LGPS role. Additional guidance could also be considered on the best practice for pension boards.
- Legal clarification on the fiduciary and statutory duties of key individuals within LGPS funds.
- LGPS regulations set out enhanced process for consulting on FSS and ISS to ensure greater voice for the full range of employers in the fund.

Option 2 - Greater ring fencing of the LGPS within existing structures

Features

- The pension fund budget is set at the start of the financial year with reference to its own business plan and service needs.
- Any charges to the fund in respect of support services provided by the host authority, for example legal support, HR and procurement is included in the budget up front.
- Pension fund related expenditure then comes directly from the fund. This removes the common practice whereby pension fund expenditure is paid through the host authority's revenue account to be recharged at a later date.
- The section 151 of the administering authority would retain responsibility for the pensions function but recommendations on budget (including administration resources required to meet TPR standards) would be made by a pension fund officer to the pensions committee which would be responsible for agreeing the budget. (Alternatively, the pension fund could have a separate s151 officer to reduce conflicts currently faced by s151s.*)
- The pension committee would be responsible for agreeing the budget as well as approving any changes to that budget during the financial year.
- The cost of staffing would be met through the fund including any additional costs such as market supplements or redundancy strain.
- Changes to the Audit and Accounting Regulations 2015 could be considered to make the fund accounts legally separate and subject to a separate audit.

In addition to the budget related aspects outlined above further steps could be taken which would give funds greater autonomy over employment policies. The model is analogous to the fund being treated as an internal business unit of the council.

- Staff will continue to be employed by the host council but polices over certain HR matters such as recruitment and the payment of market supplements will be delegated to the pension committee.
- Decisions over other matters pertinent to the fund, for example investment in new administration technology, would also lie with the pension committee.
- Decisions around the structure of the pension function would be for the fund's management team to make with the approval of the pension committee.*

* Further consideration is required as to whether these practices could simply be encouraged by regulatory bodies or whether it is possible and/or desirable to find a mechanism by which these could be mandated.



Option 3 - Use of new structures: Joint Committees (JC)

Features

- The scheme manager function and all LGPS decision making, which currently sits with the administering authority, would be delegated to a section 102 JC. The committee would comprise all the local authorities who currently participate in the fund as employers.
- Consideration could be given to the representation of other employers and scheme members on the JC.
- Assets and liabilities still sit with the existing administering authority.
- Employment of staff and contractual issues dealt with through a lead authority or a wholly owned company. This could be codified within an Inter Authority Agreement (IAA).
- The IAA would stipulate that the budget will be agreed by the JC. s151s of the constituent local authority employers retain a fiduciary duty to the local taxpayer but the IAA would distance them legally from budget setting responsibilities in respect of the pensions function.

Option 4 - New local authority body

Features

An alternative single purpose legal entity that would retain local democratic accountability and be subject to Local Government Act provisions.

This might be through a combined authority route or through a public body established by statute.

- The new body must retain a strong link to democratic accountability.
- Employment of staff and contractual issues dealt with by the new body.
- Assets and liabilities transferred to the new body.
- Separate accounts based on CIPFA guidance.
- Funded by an element of the contribution rate and by a levy on constituent authorities.
- Officers in the new body are responsible only for the delivery of the LGPS function.



Please use the voting buttons to indicate to what extent moving from existing arrangements to Option (1, 2, 3 or 4) would achieve each of the criteria.

Standards	The model enables funds to meet good standards of governance across all areas of statutory responsibility including TPR requirements.	Strongly disagree 1 2 3 4 5 Strongly agree
Conflict	The model minimises conflicts between the pension function and the host local authority, including but not limited to s151 officer conflicts (in operational areas such budgets, resourcing, recruitment and pay policies and in strategic areas such as funding and investment policy).	Strongly disagree 1 2 3 4 5 Strongly agree
Representation	The model allows for appropriate involvement in decision making for key stakeholders (including administering authority, non-administering authorities, other employer and member representatives).	Strongly disagree 1 2 3 4 5 Strongly agree
Clarity	The model delivers clarity of accountability and responsibility for each relevant role.	Strongly disagree 1 2 3 4 5 Strongly agree
Consistency	The model minimises dependence on professionalism and relationships to deliver statutory responsibilities.	Strongly disagree 1 2 3 4 5 Strongly agree
Cost	The cost of implementing and running the model is likely to be worthwhile versus benefits delivered.	Strongly disagree 1 2 3 4 5 Strongly agree

Please provide any comments you may have regarding Option 1/2/3/4 in the box below.

Comment box provided.

Finally, respondents were asked:

Are there any alternative governance structures not covered between Option 1 – Option 4 which you believe the Board should consider?

Comment box provided.

Appendix B

Abbreviations

Abbreviations

ALATS	The Association of Local Authorities' Treasurers Societies
CIPFA	The Chartered Institute of Public Finance and Accountancy
CLG	Communities and Local Government (former name of MHCLG)
CPD	Continuous Professional Development
FE	Further Education
JC	Joint Committee formed under s102 of the Local Government Act 1972
LA	Local Authority
LGPS	Local Government Pension Scheme
LPB	Local Pension Board
MHCLG	Ministry of Housing, Communities and Local Government
NAO	National Audit Office
PF	Pension Fund
PIRC	Pensions and Investment Research Consultants Ltd
PLSA	Pension and Lifetime Savings Association
PSPA 2013	Public Service Pensions Act 2013
PSAA	Public Sector Audit Appointments
s101	A committee established under s101 of the Local Government Act 1972
s151	An officer with responsibilities under s151 of the Local Government Act 1972
SAB	Scheme Advisory Board for the Local Government Pension Scheme in England and Wales
SCT	Society of County Treasurers
SLT	Society of London Treasurers
SWT	Society of Welsh Treasurers
TPR	The Pensions Regulator



Staff and Pensions Committee

9 December 2019

Pensions Fund Breaches Policy

Recommendation

That the Staff and Pensions Committee approves the Breaches Policy.

1.0 Introduction

1.1 The Fund is required to publish a policy statement (Appendix) concerning its approach to the reporting of Breaches under The Pension Regulator's code of practice.

2.0 Breaches Policy

2.1 The amended policy document updates the previous version, with greater emphasis on how to assess and report breaches as they occur.

2.2 A practitioner's guide is also being drafted for staff.

3.0 Financial Implications

3.1 There are no financial implications associated with this report.

4.0 Environmental Implications

4.1 There are no direct environmental implications associated with this report.

5.0 Background Papers

None

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This report was not circulated to members prior to publication.

WARWICKSHIRE

pension fund

**Policy for reporting
breaches of the law to
The Pensions
Regulator**

Version 3



Introduction

In April 2015 the Pensions Regulator (the Regulator) published its Code of Practice no 14 (the Code) on the Governance and administration of public service pension schemes. This is not a statement of law but nonetheless it carries great weight. Some of its contents refer to statutory requirements, whilst others are advisory. A court or tribunal must take into account the Code when determining whether any pensions related legal requirements have been met.

Legal Requirements

Certain people are required to report breaches of the law to the Regulator where they have reasonable cause to believe that:

- a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with;
- the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions.

Those who have an obligation to report ('reporters') for public service pension schemes are:

- scheme managers (meaning, in the case of the Warwickshire Pension Fund (WPF), the Staff and Pensions Committee);
- members of the pension board (meaning, in the case of the WPF, the Local LGPS Pension Board);
- any person who is otherwise involved in the administration of the Fund (and thus members of the Pension Fund Investment Sub-Committee and all of the Fund's officers);
- employers, and any participating employer who becomes aware of a breach should consider their statutory duty to report, regardless of whether the breach relates to, or affects, members who are its employees or those of other employers;
- professional advisers including auditors, actuaries, legal advisers and fund managers; and
- any person who is otherwise involved in advising the managers of the scheme in relation to the scheme (and thus the Fund's three external advisers).

Non- compliance under LGPS regulations

Non-compliance with the LGPS regulations can cover many aspects of the management and administration of the scheme and includes;

- Failure to do anything required under the LGPS Regulations
- Failure to comply with policies and procedures e.g. the Funds statement of investment principles, funding strategy, discretionary policies etc.

Requirement to report a breach of the Law

Breaches of the law which affects pension schemes should be considered for reporting to the Pensions Regulator.

The decision whether to report an identified breach depends on the following;

- If there is reasonable cause to believe there has been a breach of the law
- If so, is the breach likely to be of material significant to the Regulator

Reasonable Cause

Having 'reasonable cause' to believe that a breach has occurred means more than merely having a suspicion that cannot be substantiated there must be a factual basis.

Reporters should ensure that where a breach is suspected, they carry out checks to establish whether or not a breach has in fact occurred. For example, a member of a funded pension scheme may allege that there has been a misappropriation of scheme assets because they have seen in the annual accounts that the value of the scheme's assets have fallen. However, the real reason for the apparent loss in value of scheme assets may be due to the behavior of the stock market over the period. This would mean that there is not reasonable cause to believe that a breach has occurred.

Where the reporter does not know the facts or events around the suspected breach, it will usually be appropriate to consult the Pension Services Manager, or Assistant Director Finance , or the Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk) , regarding what has happened.

If the reporter is unclear about the relevant legal provision, they should clarify their understanding of the law to the extent necessary to form a view.

In establishing whether there is reasonable cause to believe that a breach has occurred, it is not necessary for a reporter to gather all the evidence which the Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach.

Determining whether the breach is likely to be of material significance

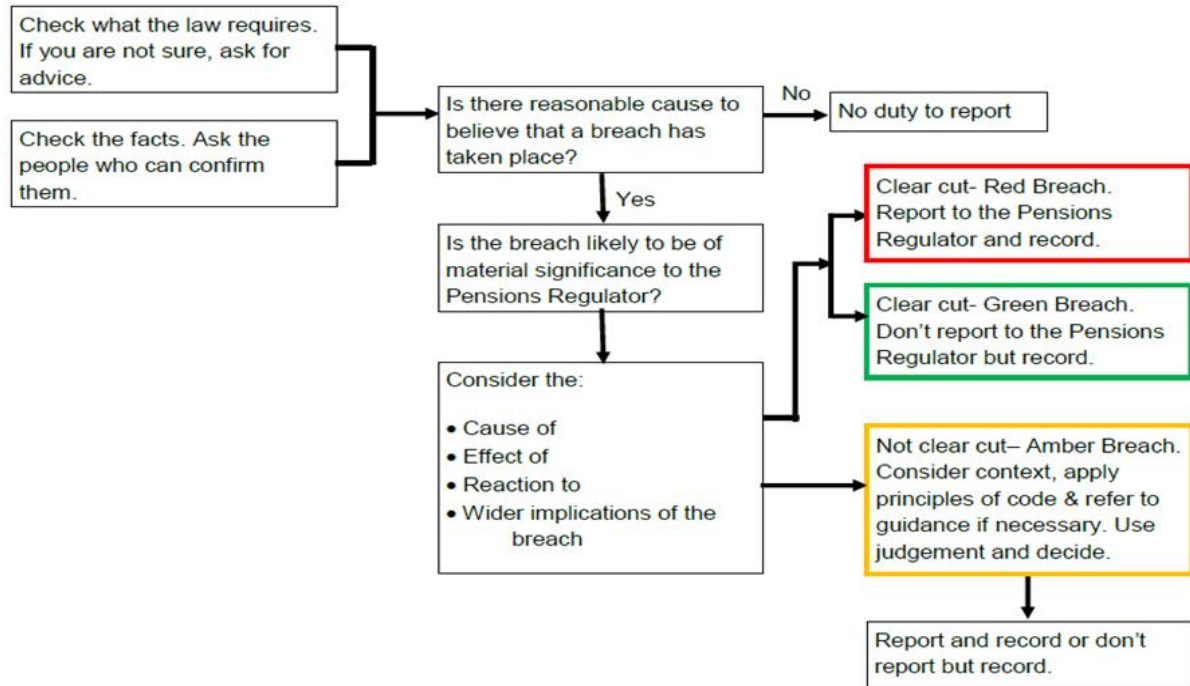
In deciding whether a breach is likely to be of material significance to the Regulator, it would be advisable for the reporter to consider the:

- cause of the breach;
- effect of the breach;
- reaction to the breach; and
- the wider implications of the breach.

The reporter should use the traffic light framework set out by the described in Appendix A to help assess whether the breach is of material significance and to formally support and document their decision. It will be necessary to consider a number of factors:

Cause	e.g. dishonesty, poor governance, incomplete or inaccurate information, acting or failing to act in contravention of the law.
Effect	Does the nature of the breach lead to an increased likelihood of further material breaches? Is it likely to cause, for example, ineffective internal controls, lack of knowledge and understanding, inaccurate records, potential for further breaches occurring.
Reaction	e.g. taking prompt and effective action to resolve a breach, notifying scheme members where appropriate.
Wider Implications	e.g. where a breach has occurred due to lack of knowledge or poor systems and processes making it more likely that other breaches will emerge in the future.

Reporters should take into account expert or professional advice, where appropriate, when deciding whether the breach is likely to be of material significance to the Regulator. A decision tree is provided below to show the process for deciding whether or not a breach has taken place and whether it is materially significant and therefore requires to be reported.



Submitting a report to the Regulator

Before you submit a report you should obtain clarification of the law around the suspected breach. If:

- you are a member of the Staff and Pensions Committee, Investment Sub-committee, Local Pension Board or you are an external adviser, please contact the Monitoring Officer;
- you are an actuary, auditor or other external agent, please contact the Pensions Services Manger
- you represent an employer, please contact the Pensions Services Manager
- you are an officer of the Fund and you work in Administration, please contact Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk).

The person you contact will consider in the round whether the Regulator would regard the breach as being material. They will also clarify any facts, if required. If the case is difficult, they will seek advice, as required.

Some matters could be urgent, if for example a fraud is imminent, whilst others will be less so. Non-urgent but material breaches should be reported to the Regulator within 30 working days of them being confirmed, and in the same time breaches that are not material should be recorded (see later).

Some breaches could be so serious that they must always be reported, for example a theft of funds by anyone involved with the administration or management of the Fund. It is difficult to

be definitive about what constitutes a breach that must always be reported, but one test is: might it reasonably lead to a criminal prosecution or a serious loss in public confidence?

Any report that is made (which must be in writing and made as soon as reasonably practicable) should be dated and include as a minimum:

- full name of the Fund;
- description of the breach or breaches;
- any relevant dates;
- name of the employer or scheme manager (where known);
- name, position and contact details of the reporter; and
- role of the reporter in relation to the Fund.

Additional information that would help the Regulator includes:

- the reason the breach is thought to be of material significance to the Regulator;
- the address of the Fund;
- the pension scheme's registry number (if available); and
- whether the concern has been reported before.

Reporters should mark urgent reports as such and draw attention to matters they consider particularly serious. They can precede a written report with a telephone call, if appropriate.

Reporters should ensure they receive an acknowledgement for any report they send to the Regulator. Only when they receive an acknowledgement can the reporter be confident that the Regulator has received their report.

The Regulator will acknowledge all reports within five working days of receipt; however it will not generally keep a reporter informed of the steps taken in response to a report of a breach as there are restrictions on the information it can disclose.

The reporter should provide further information or reports of further breaches if this may help the Regulator to exercise its functions. The Regulator may make contact to request further information.

Breaches should be reported as soon as reasonably practicable, which will depend on the circumstances. In particular, the time taken should reflect the seriousness of the suspected breach.

In cases of immediate risk to the Fund, for instance, where there is any indication of dishonesty, the Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more

serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert the Regulator to the breach.

Recording breaches that are not reported to the Regulator

Breaches that are found not to be material to the Regulator must still be recorded. This is so that if similar breaches continue, then they become material. Recording all breaches also highlights where improvements are required, to try and prevent similar breaches.

Breaches that are not being reported should be recorded on the breaches log on the pension fund website. Please contact the Pension Fund Services manager.

Whistleblowing protection and confidentiality

The Pensions Act 2004 makes clear that the statutory duty to report overrides any other duties a reporter may have such as confidentiality and that any such duty is not breached by making a report. The Regulator understands the potential impact of a report on relationships, for example, between an employee and their employer.

The statutory duty to report does not, however, override 'legal privilege. This means that oral and written communications between a professional legal adviser and their client, or a person representing that client, while obtaining legal advice, do not have to be disclosed. Where appropriate a legal adviser will be able to provide further information on this.

The Regulator will do its best to protect a reporter's identity (if desired) and will not disclose the information except where lawfully required to do so. The Regulator will take all reasonable steps to maintain confidentiality, but it cannot give any categorical assurances as the circumstances may mean that disclosure of the reporter's identity becomes unavoidable in law. This includes circumstances where the regulator is ordered by a court to disclose it.

The Employment Rights Act 1996 (ERA) provides protection for employees making a whistleblowing disclosure to the regulator. Consequently, where individuals employed by firms or another organisation having a statutory duty to report disagree with a decision not to report to the regulator, they may have protection under the ERA if they make an individual report in good faith. The Regulator expects such individual reports to be rare and confined to the most serious cases.

Warwickshire County Council whistleblowing policy

The Council has its own whistleblowing policy. The person contacted about the potential breach, will take this into account when assessing the case.

Further information

If you require further information about reporting breaches or this procedure, please contact:

Liz Firmstone

Service Manager – Transformation

Email: lizfirmstone@warwickshire.gov.uk

Telephone: 01926 412458

Neil Buxton

Pension Services Manager

Email: neilbuxton@warwickshire.gov.uk

Telephone: 01926 412195

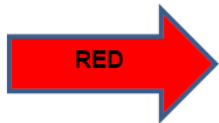
Warwickshire Pension Fund, Shire Hall, Warwick, CV34 4RL

Email: pensions@warwickshire.gov.uk

Website: www.warwickshirepensionfund.org.uk

Breaches Log Appendix A

It is recommended that those responsible for reporting use the traffic light framework when deciding whether to report to The Pensions Regulator. This is illustrated below:



Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance.

These must be reported to The Pensions Regulator.

Example: An employer is late in paying over employee and employer contributions, and so late that it is in breach of the statutory period for making such payments. It is also late in paying AVCs to Standard Life. It is contacted by officers from the administering authority, and it eventually pays the moneys that are overdue, including AVCs to the Standard Life. This has happened before, with there being no evidence that the employer is putting its house in order. In this instance there has been a breach that is relevant to the Regulator, in part because of the employer's repeated failures, and also because those members paying AVCs will typically be adversely affected by the delay in the investing of their AVCs.



Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right. You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported.

Example: An employer is late in submitting its statutory year-end return of pay and contributions in respect of each of its active members and as such it is in breach. Despite repeated reminders it still does not supply its year-end return. Because the administering authority does not have the year-end data it is unable to supply, by 31 August, annual benefit statements to the employer's members. In this instance there has been a breach which is relevant to the Regulator, in part because of the employer's failures, in part because of the enforced breach by the administering authority, and also because members are being denied their annual benefits statements.



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Where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance. These should be recorded but do not need to be reported.

Example: An employer is late in paying over employee and employer contributions, and so late that it is in breach of the statutory period for making such payments. It is contacted by officers from the administering authority, it immediately pays the moneys that are overdue, and it improves its procedures so that in future contributions are paid over on time. In this instance there has been a breach but members have not been adversely affected and the employer has put its house in order regarding future payments. The breach is therefore not material to the Regulator and need not be reported.

All breaches should be recorded even if the decision is not to report. *Appendix B* shows an example record of recording breaches. A log of breaches recorded are available on our website - <https://www.warwickshirepensionfund.org.uk/employers>

When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this is framework is provided by The Pensions Regulator at the following link:

<https://www.thepensionsregulator.gov.uk/en/document-library/code-related-guidance/the-notifiable-events-framework>

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Staff and Pensions Committee

9 December 2019

Cubbington Parish Council

Recommendation

That the Staff and Pensions Committee approve the application from Cubbington Parish Council for admission to the Warwickshire Pension Fund.

1.0 Background

- 1.1 On 31 July 2019 the Pension Fund received an application from Cubbington Parish Council (the “Applicant Body”) for admission to the Warwickshire LGPS Pension Scheme.
- 1.2 The Applicant Body has resolved that their parish clerk has access

2.0 Legal and Policy Requirements

- 2.1 The Applicant Body has made the application on the basis that it meets the criteria of paragraph 2 a of Part 2 of Schedule 2 of the Local Government Pension Scheme Regulations 2013 (i.e. it is a ‘scheduled body’ within the meaning of the Pension Fund’s Admissions and Termination Policy).
- 2.2 The Applicant Body has confirmed that it has internal authority to be admitted to the Pension Fund.
- 2.3 The Applicant Body has stated that there is potentially one member who will join the Pension Fund.
- 2.4 The Applicant Body has undertaken to comply with the relevant LGPS Regulations.
- 2.5 To date no concerns have been expressed regarding the financial viability of the Applicant Body.

3.0 Next Step

- 3.1 The Pension Fund must accept an application from an applicant body made under Parts 1, 2 and the first column of the table in Part 4 of Schedule 2 of the Local Government Pension Scheme Regulations 2013 where the requirements of the Regulations are met.

- 3.2 Provided that the Committee is satisfied that the requirements of the Regulations are met, the application should be granted.
- 3.3. In the event that the application is accepted, an admission agreement will not be required because the Regulations govern how a Scheduled Body participates in the LGPS.

4.0 Financial Implications

- 4.1 New entrants to the scheme will be required to cover their own costs and the actuarial process will ensure that employer contributions are appropriate to ensure this is the case.

5.0 Environmental Implications

- 5.1 There are no direct environmental implication resulting from the proposals set out in this report.

6.0 Background papers

None

7.0 Supporting Papers

Pension Fund Admissions and Termination Policy approved by Staff and Pensions Committee 12 June 2017.

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The report was not circulated to members prior to publication.