

**GREATER MANCHESTER PENSION FUND - LOCAL PENSIONS BOARD**

**Day:** Thursday  
**Date:** 13 October 2016  
**Time:** 3.00 pm  
**Place:** Guardsman Tony Downes House, Manchester Road,  
 Droylsden, M43 6SF

Item No.	AGENDA	Page No
1.	<b>APOLOGIES FOR ABSENCE</b>	
2.	<b>DECLARATIONS OF INTEREST</b>  To receive any declarations of interest from Members of the Board.	
3.	<b>MINUTES</b>  The Minutes of the meeting of the Local Pensions Board held on 1 August 2016 to be approved as a correct record.	1 - 8
4.	<b>UPDATE FROM GMPF MANAGEMENT PANEL</b>  Report of the Assistant Executive Director of Pensions – Investments, attached.	9 - 22
5.	<b>ACTUARIAL VALUATION</b>  Report of the Assistant Executive Director of Pensions – Funding and Business Development, attached.	23 - 44
6.	<b>SECTION 13 VALUATION</b>  Report of the Assistant Executive Director of Pensions – Funding and Business Development, attached.	45 - 48
7.	<b>MEMBER COMMUNICATIONS</b>  Report of the Assistant Executive Director of Pensions – Funding and Business Development, attached.	49 - 64
8.	<b>COMPLIANCE WITH THE PENSION REGULATOR CODE OF PRACTICE 14 - GOVERNANCE AND ADMINISTRATION OF PUBLIC SERVICES PENSION SCHEMES</b>  Report of the Assistant Executive Director of Pensions – Funding and Business Development and the Head of Risk Management and Audit Services, attached.	65 - 88

Item No.	AGENDA	Page No
9.	<b>STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2015-16</b> Report of the Assistant Executive Director of Pensions – Local Investments and Property, attached.	89 - 118
10.	<b>RISK MANAGEMENT AND AUDIT SERVICES - SUMMARY REPORT JULY - SEPTEMBER 2016</b> Report of the Head of Risk Management and Audit Services attached.	119 - 124
11.	<b>ANNUAL GOVERNANCE STATEMENT 2015-16</b> Report of the Head of Risk Management and Internal Audit Services attached.	125 - 142
12.	<b>IMPLICATIONS OF CHANGES IN SERVICE DELIVERY</b> Report of the Assistant Executive Director of Pensions – Funding and Business Development, attached.	143 - 146

---

From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Carolyn Eaton, Senior Democratic Services Officer, on 0161 342 3050 or via email: carolyn.eaton@tameside.gov.uk, to whom any apologies for absence should be notified.

## GREATER MANCHESTER PENSION FUND

### LOCAL PENSIONS BOARD

1 August 2016

Commenced: 3.00pm

Terminated: 5.00pm

<b>Present:</b>	<b>Councillor Fairfoull (Chair)</b>	<b>Employer Representative</b>
	<b>Richard Paver</b>	<b>Employer Representative</b>
	<b>Jayne Hammond</b>	<b>Employer Representative</b>
	<b>Paul Taylor</b>	<b>Employer Representative</b>
	<b>David Schofield</b>	<b>Employee Representative</b>
	<b>Chris Goodwin</b>	<b>Employee Representative</b>
	<b>Pat Catterall</b>	<b>Employee Representative</b>

**Apologies for absence:** Councillor Cooper, Mark Rayner and Catherine Lloyd

#### 1. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members in relation to items on the agenda.

#### 2. MINUTES

The Minutes of the meeting of the Local Pensions Board held on 30 March 2016, having been circulated, were signed by the Chair as a correct record.

#### 3. FUNDING AND INVESTMENT TRAINING

The Assistant Executive Director, Funding and Business Development and the Assistant Executive Director Pension Fund Investments, delivered a presentation, providing information/guidance on funding and investment processes and principles, including:

- Purpose of the Actuarial Valuation process;
- How contribution rates are set;
- The Funding Strategy Statement;
- Statement of Investment Principles; and
- Role of the Custodian.

#### 4. GMPF MANAGEMENT PANEL UPDATE

The Assistant Executive Director, Funding and Business Development submitted a report providing an update for Board members on some of the key agenda items from the meeting of GMPF Management/Advisory Panel held on 1 July 2016, as follows:

##### **Pooling of Assets**

It was reported that the progression of the Government's proposals for the pooling of assets was a key area of work for the Panel, Chair of the Fund and Officers. The final submission from the Pool had been made to Government on 15 July 2016 in line with the timetable and a separate progress report would be presented to the Board later in the agenda.

### **Actuarial Valuation**

Members were advised that the next actuarial valuation was due to be undertaken as at 31 March 2016, with revised employer contribution rates to take effect from 1 April 2017. This was a major task for all areas of the Pension Service and it was time critical for both employers and the administering authority. Progress would be monitored by the Employer Funding and Viability Working Group with the valuation being the main item at its forthcoming meetings. Updates would be presented to Panel meetings throughout the year. A separate progress report would be presented to the Board later in the agenda.

As reported at previous Panel meetings, the Employer Funding and Viability Working Group was giving consideration to the case for giving employers a discount for paying employer contributions in advance. This matter had also been discussed with local authority treasurers, several of whom had expressed interest in participating. Discussions were progressing with the local authorities' auditors on potential accounting requirements regarding this matter.

### **GMPVF – One St Peter's Square**

The Assistant Executive Director, Property and Local Investments, reported that the sale of One St Peter's Square was progressing. There had been some delay following the result of the EU Referendum and progress would be reported at the Property Working Group and future Panel meetings.

### **Climate Change**

It was reported that, on 18 May 2016, 'Fossil Free Greater Manchester' (FFGM) published an open letter to the Chair of the Panel. The letter contained questions to the Chair of the Panel, following a Tameside Radio interview with the Chair and a member of FFGM. The questions related to the Fund's holding in coal mining companies, and the fund's engagement strategy with fossil fuel companies.

On 6 June 2016, the chair of the panel replied to the FFGM letter. The reply reiterated, amongst other things, that the fund had no plans to divest from fossil fuel companies at this time.

Copies of the letter and the reply were attached to the report.

### **GMPF & LFPA Infrastructure LLP (GLIL)**

Members were informed that GLIL continued to proactively pursue a number of infrastructure investment opportunities across a variety of sub-sectors within the UK, achieving full investment Committee approval for two deals in 2016 so far.

One approval was for a stake in one of Europe's largest onshore wind farms and the other was for anaerobic waste digestion plants. There had been some bids that had not been successful including a minority stake in a regulated water utility.

### **LGPS Update**

Members were updated in respect of a DCLG consultation about possible changes to the Scheme Regulations and Academy Schools.

### **RESOLVED**

**That the content of the report be noted.**

## **5. POOLING OF ASSETS**

The Assistant Executive Director, Funding and Business Development, submitted a report, which provided an update on recent developments relating to the proposals for pooling investments across the LGPS in England and Wales and the recent activities of GMPF in this area.

Members were reminded that, as reported at previous meetings of the Panel and the Policy and Development Working Group, discussions regarding collaboration had been ongoing on a regular basis with a number of other, predominantly northern based LGPS funds. During this process, the Funds involved in discussions had developed a Memorandum of Understanding setting out the operation of a 'Collective Asset Pool' and the proposed steps in its formation. The Memorandum of Understanding had been signed by GMPF, Merseyside Pension Fund (MPF) and West Yorkshire Pension Fund (WYPF).

It was reported that the 3 Funds had combined assets of around £35 billion, therefore clearly meeting the scale criteria (in excess of £25 billion).

Members were informed that there were currently 8 proposed pools, made up as follows:

- Northern Powerhouse;
- London CIV (the 33 London Boroughs) – this has already been established;
- South West Funds plus Environment Agency ('Project Brunel');
- 'ACCESS' (Most of the south East County Council Funds);
- Midlands;
- 'Border to Coast' (The remaining northern funds plus a small number of others);
- Wales; and
- LPFA/Lancashire (plus potentially Berkshire) ('the Local Pensions Partnership – LLP').

Members were informed that Government had previously stated that it was looking for around 6 pools, each of at least £25 billion. The Wales and LPFA/Lancashire pools do not currently meet the Government's scale criteria. However, the Welsh pool had been granted an exemption from the scale criteria. The Northern Pool had links with the pool of LPFA and Lancashire (£10 billion or £12 billion with Berkshire) via GMPF's joint infrastructure vehicle with LPFA. The intention was for the Northern Pool to work alongside LPP on infrastructure investment going forward.

In late March 2016, all pools received a response from Government to their February submissions. The Northern Pool's response was appended to the report. The response confirmed that the Northern pool clearly met the scale criteria.

In respect of the progress of the Northern Pool, it was explained that, for the foreseeable future, the funds in the Northern Pool would be allocating considerable resource towards completing the July submission to Government and creating the pooling arrangements.

Five workstreams had been created to progress the various aspects, as follows:

- Asset Pools;
- Governance;
- Cost Savings;
- Infrastructure and Property; and
- Other alternative assets.

A particularly important task prior to the July submission was to determine the most appropriate operating model for the management of the Pool's assets. The main options for consideration were detailed in the report.

Members were informed that a 'cross-pool' group with representation from each of the individual pools had been created. The purpose of this group was to share best practice amongst the pools and to liaise effectively with the LGA pensions team and the civil servants at DCLG and HMT. The group would also play a role in developing the capability and capacity in infrastructure investment across the LGPS in England and Wales. The cross-pool group was helping Government to develop a standard template for the July submissions. This template effectively removed the requirement for Funds to submit an individual submission in addition to the joint pool submission, although each pool would still be able to submit feedback to Government on particular aspects of pooling. However, the Director of Governance, Resources and Pensions, commented that there

was no political oversight of the cross pool and this was something that needed to be reviewed to ensure democratic deficit was addressed. Each pool was expected to be asked to make presentations to the Government assessment panel in advance of the July submission. The Northern Pool's presentation had taken place on 16 June 2016.

In respect of developing capacity and capability in infrastructure, it was reported that general consensus across the LGPS was that improved access to infrastructure investment and lower cost was most likely to be achieved through a national platform accessible to all the LGPS asset pools. The cross-pool group was considering how the national platform could be established and whether it built on or ran alongside, any existing arrangements.

Ahead of the pooling agenda, GMPF, which had a long track record of investing in infrastructure funds, had developed capacity to invest in direct infrastructure opportunities through its joint venture with the London Pension Fund Authority (LPFA). The joint venture partnership was known as 'GLIL'. This vehicle had been designed to be extended to accommodate other Funds and could form part of the national solution.

The report concluded that, as discussed at previous Panel meetings, one of the requirements of the Government's pooling guidance was that the Pool management team would report in the first instance to an oversight board consisting of a small number of representatives of the 3 participating funds. These were expected to be current Panel members.

This oversight board would act as a forum in which the views of the Funds' pension committees on the performance and future direction of the Pool could be expressed and acted upon.

There was considerable work to be done in establishing the Pool and the timescales for obtaining Financial Conduct Authority (FCA) authorisation could be particularly lengthy. In order to ensure the Pool was fully operational by the deadline of 1 April 2018, it was possible that the oversight board may need to be established in shadow form over the next few months.

As previously stated, the final submission from the Pool had been made to Government on 15 July 2016 and feedback was awaited and further information on this would be submitted to the next meeting of the Board.

## **RESOLVED**

**That the content of the report be noted.**

## **6. ACTUARIAL VALUATION**

Consideration was given to a report and presentation of the Assistant Executive Director of Pensions, Funding and Business Development, which explained that the triennial valuation of the Fund was due as at 31 March 2016, with formal completion of the process required no later than 31 March 2017.

The Assistant Executive Director gave details of the valuation timetable and outlined factors influencing the valuation outcome, including;

- key financial assumptions;
- impact of change to assumptions;
- market conditions;
- discount rate assumption;
- salary growth assumption;
- inflation – the RPI/CPI gap;
- differences in longevity;
- calculating contribution rates; and
- deficit contributions.

The report summarised that the funding level was similar to that of 2013, however falling active membership made repaying the deficit more challenging. Contributions would remain stable for main employers, however some employers would see an increase in contributions.

**RESOLVED**

**That the content of the report be noted.**

**7. 2015/16 EXTERNAL AUDIT PLAN**

Consideration was given to a report of the External Auditor, Grant Thornton, which set out their approach to the 2015/16 audit. The report had previously been considered by the Employer Funding Working Group and approved by the Management Panel.

Members sought clarification of any issues arising from the report. The Assistant Executive Director – Local Investments and Property, explained that he was due to meet with Grant Thornton in August ahead of formal agreement of the Plan at an Urgent Matters meeting of the Management Panel in early September and that he was not anticipating any major concerns.

Members further requested that the Annual Governance Statement be submitted to the next meeting of the Board.

**RESOLVED**

- (i) That the content of the External Audit Plan be noted; and**
- (ii) That the Annual Governance Statement be submitted to the next meeting of the Board.**

**8. RISK MANAGEMENT AND AUDIT SERVICES – ANNUAL REPORT 2015/16**

The Head of Risk Management and Audit Services submitted a report summarising the work performed by the Service Unit and provided assurances as to the adequacy of the Pension Fund's systems of internal control.

Key achievements of the service provided to the Pension Fund for 2015/16 were detailed.

The full year position of the audit plan was appended to the report. Actual days spent as at 31 March 2016 were 254.8 which equated to 102% and 94% of planned audits were completed in those days.

It was reported that audits were undertaken on a number of the financial systems used by the Pension Fund. Where issues were identified as part of the systems audit work, action plans were agreed with management and where not already done, these would be followed up in due course:-

- Pensions Benefits Payable;
- Contribution Income; and
- Creditors.

Details were also given of post audit reviews carried out and it was reported that assurance had been given that systems were now operating more effectively and that the majority of recommendations made had been implemented. No significant recommendations were outstanding and Internal Audit was satisfied with the reasons put forward by management.

With regard to anti-fraud work and irregularity investigations, Board members were informed of one potential fraud case notified to the Internal Audit team during the year, which was an allegation in respect of a pension in payment. The allegation was investigated and shown to be unfounded.

In respect of the National Fraud Initiative, it was reported that work had continued during 2015/16 on the matches identified from the NFI 2014 Data Matching Exercise, which became available at the end of January 2015 and the results were summarised in the report.

With regard to Risk Management and Insurance, it was explained that resources had been directed towards training during the last few months of 2015/16 to ensure that all staff completed the On-Line Data Protection at Work and Responsible for Information E-tutorials via the Virtual College Training System. Further training was being reviewed by the Information Governance Group and would be rolled out to appropriate staff once approved.

Key Performance Indicators for 2015/16 applicable to the Pension Fund were detailed in the report and it was reported that all four performance indicators had been achieved.

The report concluded that, overall, the Head of Risk Management and Audit provided assurance that the Pension Fund's governance, risk and control framework was generally sound and operated reasonably consistently. No significant control issues were identified in the year. This opinion was based on the work of the Risk Management and Audit Service Unit carried out between April 2015 and March 2016.

## **RESOLVED**

**That the content of the report be noted.**

### **9. RISK MANAGEMENT AND AUDIT SERVICES 2016/17**

A report was submitted by the Head of Risk Management and Audit Services summarising the work of the Internal Audit Service for the period April – June 2016.

Details were given of final and draft reports issued during the period.

Details were also given of audits in progress as follows:

- Unitisation;
- Visit to the Property Fund Manager ;
- Visits to Contributing Bodies; and
- Risk Management Review.

Information was provided of other work carried out in the period, including:

- Advice – Year End Return Compliance checklist for Employers, Signing Off a Service Charge account (GMPVF), Starters/Leavers late notification query; Compliance with The Pensions Regulator Code of Practice 14;
- Irregularities – none in this quarter.

In respect of the Internal Audit Plan 2016/17, details of the days spent against the plan to date, were appended to the report.

In respect of one of the final reports issued – Visits to Contributing Bodies, Board members raised concerns in respect of instances of the incorrect calculation and application of Assumed Pensionable Pay (APP), identified at all three employers visited.

It was confirmed that although small in scale, further guidance had been issued to employers via the Employers Bulletin in respect of this matter and it was suggested that an article be published in the next edition of the Pension Power magazine. It was agreed that a further update be provided to the next meeting of the Board.



**RESOLVED**

- (i) That the content of the report be noted;
- (ii) That an update be provided in respect of instances of the incorrect calculation and application of Assumed Pensionable Pay to the next meeting of the Board.

**CHAIR**

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

<b>Report To:</b>	<b>GMPF LOCAL PENSIONS BOARD</b>
<b>Date:</b>	13 October 2016
<b>Reporting Officer:</b>	Sandra Stewart, Executive Director - Governance, Resources and Pensions  Euan Miller, Assistant Executive Director of Pensions - Funding and Business Development
<b>Subject :</b>	<b>ACTUARIAL VALUATION</b>
<b>Report Summary:</b>	The Actuary has been giving periodic updates to the Fund regarding the 2013 actuarial valuation and the issues that will arise therefrom. The purpose of this report is to provide a further update. The Actuary's presentation to the GMPF Management Panel on 23 September is also included as <b>Appendix 1</b> to this report.
<b>Recommendation:</b>	The Board is recommended to note: <ul style="list-style-type: none"><li>(i) The Actuary's current estimated funding position of the Fund as a whole.</li><li>(ii) The projected timescales and actions required to finalise the valuation process.</li></ul>
<b>Policy Implications:</b>	None.
<b>Financial Implications:</b> <b>(Authorised by the Section 151 Officer)</b>	Whilst the funding level and deficit has not changed significantly since the previous valuation, the cost of providing future service benefits has increased, largely due to falls in long-term interest rates which reduce the level of expected investment returns. The impact on contribution rates will differ across employers depending on membership experience over the period and membership profile.
<b>Legal Implications:</b> <b>(Authorised by the Solicitor to the Fund)</b>	<p>The LGPS Regulations require each administering authority in England and Wales to undertake an actuarial valuation as at 31 March 2016 and every third anniversary of that date thereafter. The valuation process must be completed within a year of the effective date of the valuation.</p> <p>In undertaking the valuation the actuary must have regard, in particular, to:</p> <ul style="list-style-type: none"><li>• the Authority's Funding Strategy Statement;</li><li>• the desirability of maintaining as constant a contribution rate as possible, and</li><li>• the requirement to ensure the solvency of the pension fund and the long-term cost efficiency of the Scheme.</li></ul>
<b>Risk Management:</b>	A key risk when administering the LGPS is that an employer fails whilst its sub fund is in deficit. The valuation adjusts employer contribution rates with the aim of matching asset and employer values in the future, in line with the GMPF's Funding Strategy Statement.

**ACCESS TO INFORMATION:**

**NON-CONFIDENTIAL**

**This report does not contain information which warrants its consideration in the absence of the Press or members of the public.**

**Background Papers:**

The background papers relating to this report can be inspected by contacting Euan Miller, Assistant Executive Director – Funding and Business Development



Telephone: 0161 301 7141



e-mail: [euan.miller@tameside.gov.uk](mailto:euan.miller@tameside.gov.uk)

## 1. INTRODUCTION

- 1.1 The Management Panel and Local Board have received periodic updates on the likely outcomes of the 2016 actuarial valuation and this has been discussed in detail at the Employer Funding and Viability Working Group.
- 1.2 At the end of July, the Fund's Actuary, Hymans Robertson, received updated membership data from GMPF which it has been using to undertake the valuation calculations. Hymans gave a further update at the Panel allowing for the impact of membership experience over the last 3 years at the whole fund level, such as pay increases and mortality.
- 1.3 The aims of this report are:-
- (i) to give an indication of the whole fund position based on the assumptions set out in section 3;
  - (ii) to flag material issues that the Actuary, the Employer Funding and Viability Working Group and Panel will need to consider as part of the valuation process; and
  - (iii) to comment on the outlook for employer contributions.

## 2. DEVELOPMENTS INFLUENCING EMPLOYER COSTS

- 2.1 There has been a significant change in the membership of GMPF over the inter-valuation period. Over 40,000 members transferred to GMPF as a result of the changes to the Probation Service. The number of employee members has also been supported by the implementation of auto-enrolment, which is likely to have offset much of the impact of employers reducing their workforce due to the continuing austerity in public sector spending. In 2015/16 alone GMPF processed around 18,000 new joiners and the total membership of GMPF now stands at over 350,000.
- 2.2 A summary of the GMPF membership at the current and previous valuation dates is provided in Table 1 below:

**Table 1 – Comparison of GMPF membership at 2013 and 2016 valuations**

	<b>31 March 2013</b>	<b>31 March 2016</b>	<b>Increase</b>
Employee members	88,265	109,702	24%
Deferred members	95,597	126,868	33%
Pensioner members	91,807	115,005	25%
<b>Total membership</b>	<b>275,669</b>	<b>351,575</b>	<b>28%</b>

- 2.3 Pay restraint has continued for public sector workers and inflation has been lower than anticipated at the previous valuation. GMPF's assets have also produced a higher return than assumed over the 3-year period (18.4% vs 15.1%). These factors help to reduce the deficit in the Fund.
- 2.4 However, these factors are offset by a fall in long-term interest rates which result in the expectation of future investment returns being lower than at the last valuation. This increases both the expected cost of paying the benefits that members have earned to date and the cost of members building up future benefits.

## 3. FINANCIAL ASSUMPTIONS AND INDICATIVE FUNDING LEVEL

- 3.1 Provisional valuation assumptions were recommended by the April meeting of the Employer Funding and Viability Working Group. The financial assumptions used in the 2013 valuation and the assumptions proposed for the 2016 valuation are summarised

below in Table 2. The reduction in assumed investment return reflects the reduction in long-term interest rates over the inter-valuation period. This assumption (and in particular the difference between this assumption and the CPI inflation assumption) generally has the most material impact on funding outcomes.

- 3.2 The assumption for future pay growth is becoming less material following the introduction of the 2014 Scheme. Benefits earned under the 2014 scheme are calculated with reference to pay over a member's working lifetime rather than a member's final pay. This assumption is becoming increasingly challenging to set as the number of employers in GMPF increases and they become increasingly diverse.
- 3.3 Increases to pensions and deferred benefits are linked to the Consumer Prices Index (CPI). Expectations of future CPI inflation are obtained by using market statistics to estimate Retail Price Inflation (RPI) and adjusting this to reflect the expected differences between RPI and CPI in future. The Actuary has reassessed this and he is intending to increase his estimate of the difference from 0.8% to 1.0% (i.e. CPI is assumed to be 1.0% less than RPI). This will have a beneficial impact on funding levels and the cost of future benefits earned.
- 3.4 There are also minor changes being made to the demographic assumptions such as future life-expectancy and the likelihood of ill-health retirement. However, these are unlikely to have a material impact on the valuation result. The one potential exception to this is that the assumption for take-up of the 50:50 Scheme will be lowered to reflect actual experience (there have been very few members taking up this option) and this will increase the expected cost of future-service benefits.

**Table 2 – Comparison of assumptions used in 2013 vs proposed 2016 assumptions**

	31 March 2013		31 March 2016	
	Nominal %	Real %	Nominal %	Real %
Investment Return	4.8	2.3	4.2	2.1
Pay increases*	3.55	1.05	2.9**	0.8**
Inflation - RPI	3.3		3.1	
- CPI	2.5		2.1	

\* Plus an allowance for promotional pay increases

\*\* For local authorities, assumed pay increases will be adjusted in the short-term to allow for the pay growth restrictions that are in force

- 3.5 Applying the indicative assumptions outlined above is likely to result in a funding level of approximately 92%.

#### **4. FUNDING STRATEGY STATEMENT**

- 4.1 The Funding Strategy Statement (FSS) provides guidance to the Actuary in undertaking the actuarial valuation. CIPFA have updated their guidance on preparing the FSS and this was released in early September. GMPF Officers will be reviewing what updates need to be made to the FSS and a revised FSS will be tabled for review at the Employer Funding and Viability Working Group meeting in October. It is also a requirement for the FSS to be issued to employers for consultation.

- 4.2 The Employer Funding and Viability Working Group will review the responses to the FSS consultation and bring a final version to the GMPF Management Panel for approval in early 2017. The FSS needs to be considered in tandem with the results of the actuarial valuation.

## **5. OUTLOOK FOR EMPLOYER CONTRIBUTIONS**

- 5.1 The employer contribution rate comprises two components, the estimated cost of providing future service benefits and an allowance towards repaying the deficit over a period of time. The fall in the assumed future investment return will mean that the estimated cost of providing future service benefits has increased from 2013. This may be offset to an extent by a small reduction in deficit contributions for the average employer. The Actuary will give an update at the meeting.
- 5.2 The outcome at the individual employer level can result in very different contribution rates and rate of change. The factors influencing the outcome include:
- Different membership profiles (average age, sex, employee/pensioner mix etc);
  - Different experience (pay increases, mortality, retirement experience, transfers);
  - Previous contributions paid to recover the deficit;
  - Security/guarantees; and
  - Deficit recovery period.
- 5.3 In setting contribution rates the Actuary and the Panel need to consider the risks and protect the Fund but will also need to balance this with the affordability challenge for employers. Contribution rates should reflect the creditworthiness of the employer and the “security” provided to the Fund, e.g. the provision of a guarantee or a bond or the taking of security such as a charge on property. Early dialogue with employers in this area is essential and some external support and advice is likely to be required in dealing with employers, (e.g. legal, accountancy and actuarial).
- 5.4 For an increasing number of employers the Fund will need to recover deficits through specified monetary payments rather than simply adjusting the contribution rate, in particular for those employers that are closed to new members, have shrinking workforces and where the current payroll at the employer is small relative to the value of pension liabilities.
- 5.5 The measures that employers can take to help improve the funding position include pay restraint, controlling early retirements, understanding the impact of transfers and making additional employer contributions.

## **6. SUMMARY AND CONCLUSIONS**

- 6.1 Whilst very few valuations have reached a conclusion, the expectation is that GMPF will maintain its position as one of the better funded local authority schemes and its employers’ average employer contribution rate will again be at the lower end of the range.
- 6.2 The expectation of further material reductions in public expenditure will affect many of the Fund’s employers. Further reductions in the public sector workforce are expected over the next 3 to 5 years, and the impact of auto-enrolment on increasing employee members will decline as most employers pass their Auto-enrolment staging dates. Some employers will cease to be viable and some employers will be abolished. This is a very challenging environment for employers and as previously commented, raises complex matters for the Fund where issues of prudence, stewardship, affordability and stability will need to be considered.

- 6.3 The Actuary is aiming to have more clarity on individual employer results ready for detailed discussion at the Employer Funding and Viability Working Group in October and a summary of the results will be brought to the November Panel meeting and the next meeting of the Local Pensions Board.

## **7. RECOMMENDATIONS**

- 7.1 The Board is recommended to note:

- (i) The Actuary's current estimate of the funding position of the Fund as a whole; and
- (ii) The projected timescales and actions required to finalise the valuation process.



# Greater Manchester Pension Fund

Page 29

2016 valuation – Initial results

- Barry McKay
- Steven Law
- 23 September 2016

# 2016 progress report



Event	Timescale	Progress
Assumptions agreed with Employer Working Group	June 2016	
Data received and cleansed	24 August 2016	
Whole Fund results presented at Panel/AGM	23 September 2016	
Submission of results to Scheme Advisory Board	30 September 2016	
Contribution strategies tested using modelling	Early October 2016	
Employer results issued to officers	Early October 2016	
Funding strategies reviewed with Pensions Committee	22 November 2016	
Finalise employer results and Funding Strategy Statement	February/March 2017	
Sign off valuation report and R&A	31 March 2017	

Page 30

# Valuation assumptions

Page 31

# Key assumptions for funding target

	2013 valuation	2016 valuation	Derivation of assumption
Discount rate (assumed future investment return)	4.8%	4.2%	Change in approach: Gilts plus asset out-performance assumption (AOA) At 2013: AOA = 1.6% p.a. At 2016: AOA = 2.0% p.a.
Pension increases (CPI)	2.5%	2.1%	Change in approach: At 2013: CPI = RPI - 0.8% At 2016: CPI = RPI - 1.0%
50:50 take up	10%	1%	Lower than anticipated take up
Longevity	Bespoke fund analysis, peaked improvements, CMI 2010 model for future improvements	Bespoke fund analysis, peaked improvements, CMI 2013 for future improvements	2013 adopted as more representative of trend

# Key assumptions – salary growth

	2013 valuation	2016 valuation	Derivation of assumption
Long term salary growth	3.55%	2.9%	Change in approach: At 2013: RPI + 0.25% At 2016: RPI – 0.25%
Short term salary growth	N/A	1%	Change in approach Allow explicitly for local authority pay award where appropriate
Single equivalent rate (for local authorities)	3.55%	2.2%	Change in approach: At 2013: RPI + 0.25% At 2016: RPI – 0.95%

# Whole fund results



# Whole fund valuation results (Provisional)

	31 March 2013	31 March 2016
Active	5,145m	6,409m
Deferred	2,261m	3,322m
Pensioner	6,501m	9,004m
<b>Total liabilities</b>	<b>13,907m</b>	<b>18,735m</b>
Assets	12,590m	17,325m
<b>Deficit</b>	<b>(1,317m)</b>	<b>(1,410m)</b>
Funding level	90.5%	92.5%

Funding level improved but deficit increased

# Why has the funding position improved?

- **Asset returns**

- Stronger than expected, 18.4% cf 14.5%, + £200m

- **Assumptions**

- Lower investment return, lower inflation, (£270m)

- **Contributions**

- Excess contributions paid, + £55m

- **Membership experience**

- Salary, pension increases, other, + £500m
- MoJ transfer, (£580m)

Positive outcome in a difficult market



# Setting contributions

Page 37

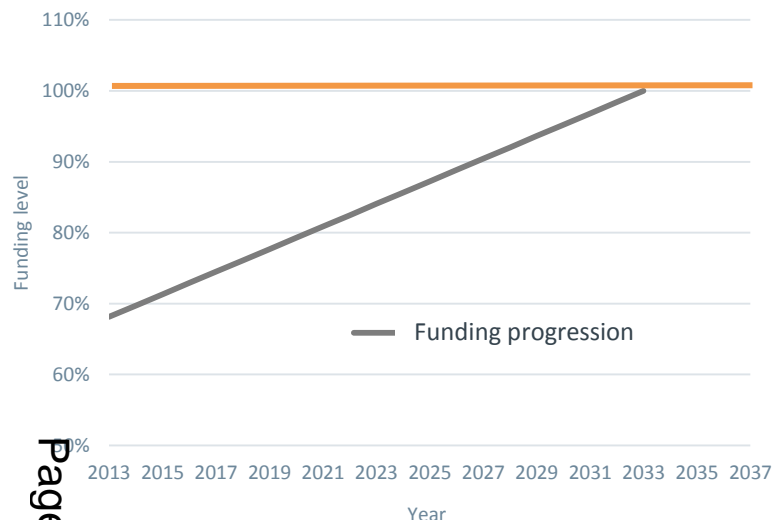
# Risk based approach

- The future is uncertain
- A single set of assumptions is ineffective
- Important to understand level of risk
- Increased number and diversity of employers so....
- One size fits all strategy is not appropriate
- Tailored strategies reduces risk and achieves better outcomes
- Increased scrutiny

Bespoke employer funding strategies



# Setting contribution rates



Page 39

**The 'old' world**

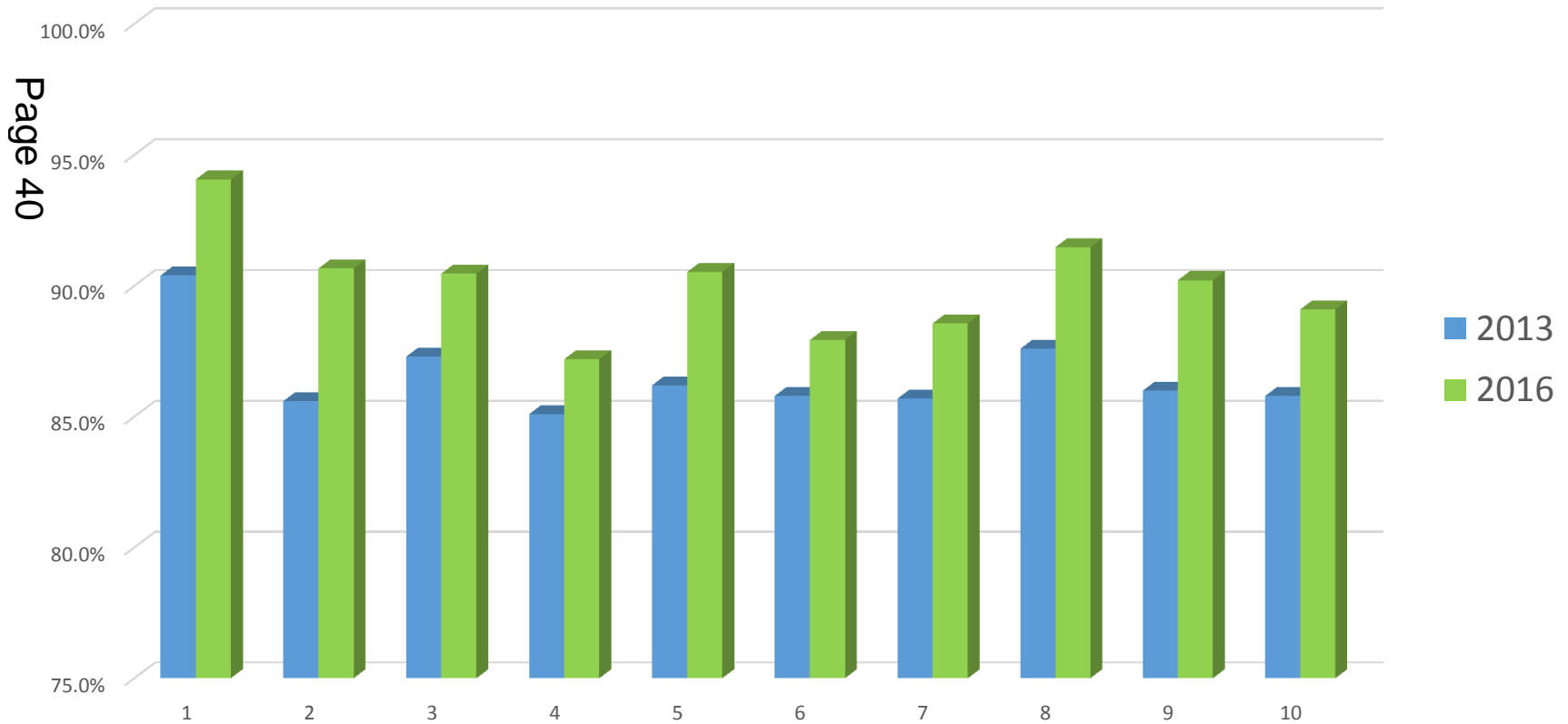
**Bespoke risk based  
contribution rate strategies  
set for selected high risk  
employers**

**The 'new' world**

CONTRIBUTION STRATEGY	LONG TERM LIKELIHOOD OF SUCCESS	AVERAGE OF THE WORST 5% OF FUNDING LEVELS IN 2035
Strategy 1	58%	39%
Strategy 2	77%	55%
Strategy 3	67%	45%

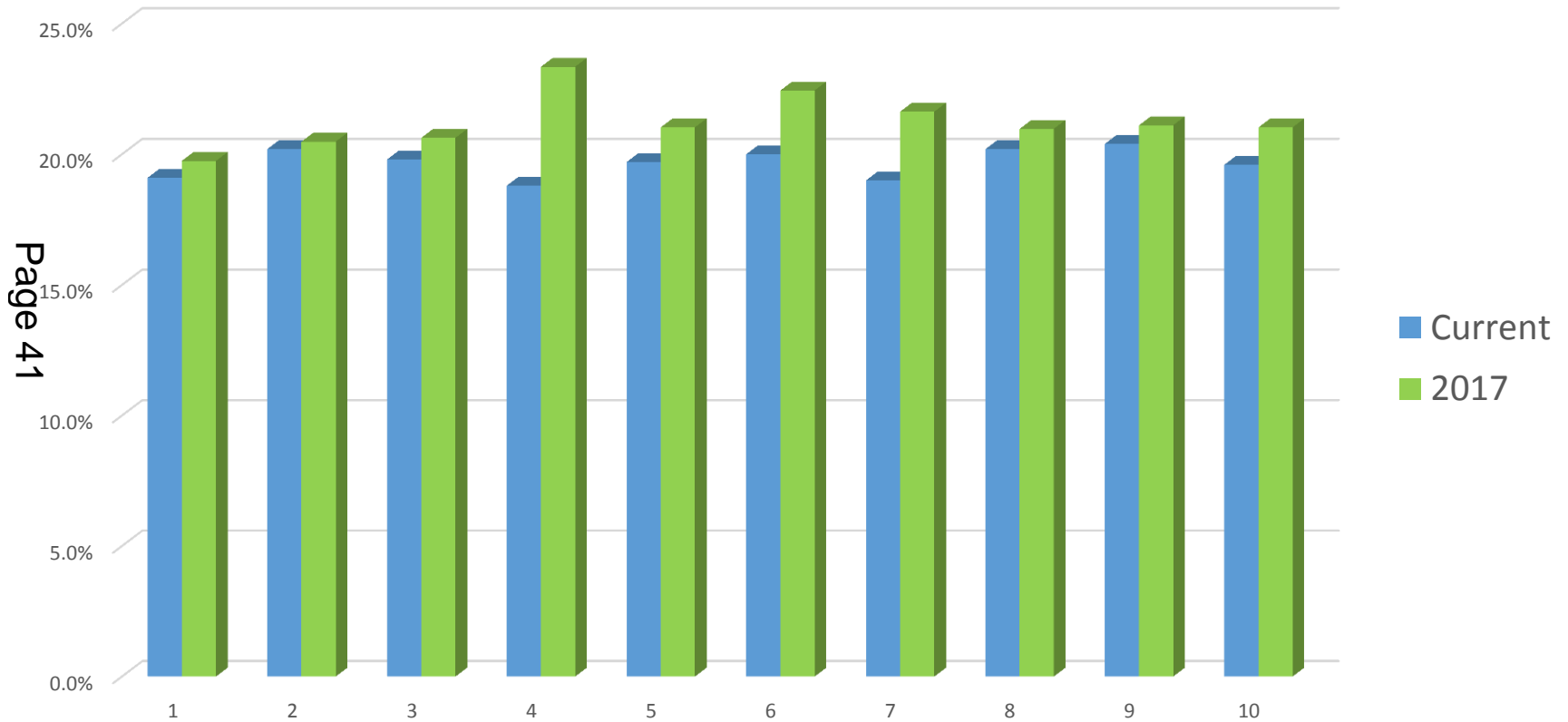
# Funding level (provisional)

## MBCs - Funding level



# Contribution rates (provisional)

## MBCs - contribution rates





# Conclusions

- Another challenging 3 year period
- Retained prudent approach
- Increase in funding level
- Increase in cash deficit
- Contributions similar for MBCs
- Variations at employer level likely

Thank you

This page is intentionally left blank



<b>Report To:</b>	<b>GMPF LOCAL PENSIONS BOARD</b>
<b>Date:</b>	13 October 2016
<b>Reporting Officer:</b>	Sandra Stewart, Executive Director of Governance, Resources and Pensions  Euan Miller, Assistant Executive Director of Pensions - Funding and Business Development
<b>Subject:</b>	<b>SECTION 13 VALUATION</b>
<b>Report Summary:</b>	This report provides a summary of the Section 13 valuation which will be undertaken by the Government Actuary's Department (GAD) as part of the 2016 actuarial valuation process for LGPS funds in England and Wales. The report also provides a summary of the 'dry-run' that GAD has undertaken using the 2013 LGPS valuations.
<b>Recommendations:</b>	Local Board members are recommended to note the report.
<b>Policy Implications:</b>	None.
<b>Financial Implications: (Authorised by the Section 151 Officer)</b>	Employer contribution rates in the LGPS are determined by the triennial actuarial valuation process. The latest actuarial valuation is currently ongoing, with an effective date of 31 March 2016. The Section 13 valuation has no direct impact on contribution rates, but its existence may help ensure that all funds set contributions at an appropriate level.
<b>Legal Implications: (Authorised by the Solicitor to the Fund)</b>	It is a statutory requirement for an actuarial valuation of the Fund to be undertaken every three years. The work carried out must comply with the relevant regulations and professional standards. The Section 13 valuation process helps ensure that this is the case.
<b>Risk Management:</b>	A key risk when administering the LGPS is that an employer fails whilst its sub fund is in deficit. The valuation adjusts employer contribution rates with the aim of matching asset and employer values in the future, in line with the GMPF's Funding Strategy Statement.
<b>Access to Information:</b>	<b>NON-CONFIDENTIAL</b>  <b>This report does not contain information which warrants its consideration in the absence of the Press or members of the public.</b>
<b>Background Papers:</b>	The background papers relating to this report can be inspected by contacting Euan Miller, Assistant Executive Director – Funding and Business Development   Telephone: 0161 301 7141   e-mail: euan.miller@tameside.gov.uk

## 1 BACKGROUND

- 1.1 The 2016 LGPS valuations in England and Wales will be the first to be reviewed under the new framework set out in Section 13 of the Public Service Pensions Act (“S13”). This piece of primary legislation requires that an appointed person, in this case, the Government Actuary’s Department (“GAD”), reports on whether each LGPS fund’s formal funding valuation adheres to the following criteria.

**Compliance** – to confirm the valuation has been carried out in accordance with the LGPS Regulations.

**Consistency** – to confirm the valuation is not inconsistent with other LGPS funds’ valuations and that differences in assumption and methodology can be justified and evidenced.

**Solvency** – to confirm contributions are sufficient to ensure solvency.

**Long term cost efficiency** – to confirm contributions are sufficient to meet benefit accrual and repay any existing deficit.

- 1.2 If GAD has concerns about LGPS funds under any of these measures then they can recommend remedial actions (such as imposing a given level of contributions on employers in the fund) which may ultimately be enforced by DCLG using powers granted under the legislation.

## 2. APPROACH

- 2.1 In summary, GAD will calculate a number of metrics for each of the LGPS funds using consistent actuarial assumptions. Funds will be ranked in a league table based on these metrics and assigned a RAG (Red/Amber/Green) status against each metric to identify those funds that may need to take action. The absolute value of the assumptions in the chosen actuarial basis is not important – the important fact is that all LGPS funds are measured on the same assumptions, allowing comparison across funds.

## 3. DRY RUN

- 3.1 In preparation for the 2016 Section 13 valuation, GAD has carried out a reivew of the 2013 LGPS valuations against the criteria set out above. GAD has published its report and this is available on the link below.

<http://www.lgpsboard.org/images/Reports/Section13DryRun20160711.pdf>

- 3.2 The 2013 valuations pre-date the effective date of the legislation. As such, the work on the 2013 valuations has no legal force but serves as a ‘dry run’ to familiarise all parties with the process and sets expectations as to how the 2016 valuation review might be implemented.

## 4. DRY RUN RESULTS – LGPS

- 4.1 As anticipated, no compliance issues were found.
- 4.2 GAD reported that they had found both presentational and evidential inconsistencies in the valuation approach adopted by some LGPS funds, and in assumptions used and disclosure of results. These inconsistencies make meaningful comparison of local valuation results difficult.

- 4.3 GAD reported concerns over securing solvency for two passenger transport funds that are closed to new members. A number of funds raised amber flags on one or more metrics examined under solvency. No funds were red flagged.
- 4.4 GAD named two funds (Berkshire and Somerset) with whom they would have wanted to have further discussion over the long term cost efficiency of their funding plans (i.e. their employers may not be paying enough contributions to fully repay the deficits in the funds)
- 4.5 GAD clarified that meeting solvency and long term cost-efficiency requirements takes precedence in the regulatory framework over the desirability of stable contributions (which is an objective in the LGPS regulations).

## **5. DRY RUN RESULTS – GMPF**

- 5.1 Using the standard set of assumptions, GMPF has a funding level of 103% at 31 March 2016. This is the joint 4<sup>th</sup> highest funding level across England and Wales. GMPF's funding level assessed using the Fund's own assumptions was 91%, this was the joint 5<sup>th</sup> highest.
- 5.2 There were no red flags for GMPF under either the solvency or long-term cost efficiency criteria. GMPF was one of several funds to receive an amber flag on one of the solvency sub-criteria. This sub-criteria is a measure of the amount that contributions would need to increase by should the value of return-seeking assets decrease by 15%. This largely reflects the maturity of GMPF's membership compared to the average LGPS fund. If a fund received amber flags on several sub-criteria then GAD may seek further discussion with the fund to determine whether any further action may be required.

## **6. COMMENT**

- 6.1 The GAD Section 13 report should help ensure fair comparisons can be made between LGPS funds and reduce the number of funds showing artificially inflated funding levels based on highly optimistic assumptions about the future. This additional level of scrutiny will hopefully improve funding standards, increase transparency and enhance the understanding of stakeholders and commentators.
- 6.2 However, each LGPS fund is responsible for meeting its own liabilities and should be able to, in conjunction with its advisors, implement a funding approach that reflects its local situation, beliefs and attitude to risk. Considerable risks are introduced by taking an approach which encourages funds to set their funding plan by reference to either a standard basis or the approach adopted by other LGPS funds. These risks include less engagement and ownership of funding decisions, loss of diversification within the LGPS leading to a concentration of funding risk, loss of innovation and creative solutions to funding challenges and the adoption of unsuitable assumptions. Perhaps the most potentially damaging risk is herding towards a "minimum funding requirement" – often described as a "race to the bottom".
- 6.3 GAD has examined a number of metrics, all at whole of fund level. However, administering authorities and fund actuaries address funding challenges at the individual employer level and try to optimise both solvency and long term cost efficiency for every employer in the fund through the valuation process. There are considerable complexities in this process which will not be captured by examination of high-level whole fund results.
- 6.4 The primary purpose of the triennial funding valuations is to allow each administering authority to put in place a funding plan that levies adequate contributions from employers and invests assets appropriately in order to meet the liabilities of their individual LGPS

fund. Section 13 can play a valuable role in reassuring stakeholders that the LGPS as whole is in a position to meet the benefits earned by members and to flag where individual funds appear to be outliers from the main pack. However, it would be counter-productive if, by having undue regard to how they appear under Section 13, funds compromised their funding valuations and reduced their chances of meeting their liabilities cost effectively - the tail should not wag the dog!

## **7. RECOMMENDATIONS**


- 7.1 Local Board members are recommended to note the report.

# Agenda Item 7

<b>Report To:</b>	<b>GMPF LOCAL PENSIONS BOARD</b>
<b>Date:</b>	13 October 2016
<b>Reporting Officer:</b>	Sandra Stewart, Executive Director of Governance, Resources and Pensions  Euan Miller – Assistant Executive Director of Pensions (Funding and Business Development)
<b>Subject:</b>	<b>MEMBER COMMUNICATIONS</b>
<b>Report Summary</b>	This report provides the Board with an overview of the regular communications issued to GMPF members and provides links to examples of these communications.
<b>Recommendations:</b>	The Board is recommended to: <ul style="list-style-type: none"><li>(i) Note the report;</li><li>(ii) Consider and comment on the communications which GMPF issues to members;</li><li>(iii) Note that the Executive Director of Governance, Resources and Pensions will be arranging for a review/audit of communications taking into account best practice and what other funds do both within and outside LGPS so that we can ensure we remain award winning and a leader in this field</li></ul>
<b>Policy Implications:</b>	None.
<b>Financial Implications:</b> (Authorised by the Section 151 Officer)	Effective communications help ensure efficient administration of the Scheme and assist in reducing the administrative costs which are recharged to employers.
<b>Legal Implications:</b> (Authorised by the Solicitor to the Fund)	Each LGPS fund is required to prepare, maintain and publish a written statement setting out its policy on communicating with members.
<b>Risk Management:</b>	It is important that all communication are fair, balanced and capable of being easily understood by the target audience.
<b>ACCESS TO INFORMATION:</b>	<b>NON-CONFIDENTIAL</b>  <b>This report does not contain information which warrants its consideration in the absence of the Press or members of the public.</b>
<b>Background Papers:</b>	The background papers relating to this report can be inspected by contacting Malcolm Tyrer, Communications Manager



Telephone: 0161 301 7275

 e-mail: [malcolm.tyrer@gmpf.org.uk](mailto:malcolm.tyrer@gmpf.org.uk)

## 1. INTRODUCTION

- 1.1 It is extremely important to communicate effectively with Scheme members in order to ensure members understand their benefits, member engagement is maximised and Scheme administration operates efficiently.
- 1.2 Each LGPS fund is required to prepare, maintain and publish a written statement setting out its policy on communicating with members. GMPF's communications policy statement can be viewed on the link below. This was last updated in 2014 and will be revised and republished following any material change in policy.

<http://www.gmpf.org.uk/documents/policies/communications.pdf>

- 1.3 This report provides the Board with an overview of the regular communications issued to GMPF members and provides links to examples of these communications.
- 1.4 The communications are tailored to the needs of the three main groups of members:
- **Active members:** members who are currently paying contributions into the Scheme.
  - **Deferred members:** members who used to pay into the Scheme, but who have left their employer (or opted out of the Scheme) and their benefits have not yet entered payment.
  - **Pensioners:** members to whom GMPF pays a pension. These are either retired members, or members drawing a spouse's or partner's pension following the death of the member.

## 2. ACTIVE MEMBERS

- 2.1 **Annual Benefit Statement (ABS):** This is one of the key pieces of information an active member receives. By law all LGPS funds have to produce this document by 31 August each year and it has to contain certain compulsory information. In brief it includes the following:
- Current value of member's benefits (split between career average (post 1/4/2014) and final salary (pre 1/4/2014) if applicable)
  - Forecast of member's benefits should they remain an active member until their Normal Pension Age (65 or later)
  - Explanation of Normal Pension Age
  - Death benefits – lump sum life cover & spouse's/partner's pension
  - Breakdown of career average pension build up during the year (new accrual and inflationary increases on previous years' accrual)
- 2.2 As well as the names & figures varying by member, GMPF uses an advanced form of digital printing, so each member gets paragraphs of explanatory text which are relevant to them.
- 2.3 An example of how GMPF helps members understand their ABS is provided on the GMPF members' website: <http://www.gmpf.org.uk/statements.htm>
- 2.4 **Pension Power:** Pension Power is GMPF's active members' newsletter, and is produced to respond to the requirement to disclose items, such as changes in the Scheme Regulations. It is also a useful way of passing on "did you know" type articles of general information, such as reminders about the importance of nominating beneficiaries. Over the past few years GMPF has worked hard to collate email addresses for active members in particular. Under the disclosure regulations, it is acceptable to communicate such matters

by email or in print, GMPF does a mixture of the two, depending on whether an email address is held for the member.

- 2.5 A Link to a recent Pension Power is provided below:

<http://www.gmpf.org.uk/publications/power/35.htm>

- 2.6 **Email alerts:** GMPF only produces Pension Power once or twice a year. At other times email alerts are sent to active members as required.

- 2.7 **Additional Voluntary Contributions (AVCs) mailings:** AVCs are one of the ways of topping up benefits. LGPS funds such as GMPF provide them via a third party, (in GMPF's case via Prudential). From time to time Prudential will ask GMPF if they can write to a category of active members, to remind them about the option of paying or increasing AVCs. (for example active members over age 40, earning £25,000 or more). Due to Data Protection requirements, GMPF does not release members' names & addresses to Prudential, but can carry the mailing out on their behalf via GMPF's print provider and recharge the cost to Prudential.

### 3. DEFERRED MEMBERS

- 3.1 **Annual Benefit Statement (ABS):** This is the main piece of information a deferred member receives from GMPF each year. GMPF has set a target of producing these by the end of May each year, which is well in advance of the statutory deadline. As for the active members ABSs, GMPF uses the same digital print technology to produce a bespoke ABS booklet for each deferred member.

- 3.2 **Deferred bulletins/updates:** It is rare that there are enough significant changes to regulations to warrant a newsletter or bulletin to deferred members. GMPF generally alerts deferred members via an extra couple of pages in the ABS. However, if a significant change impacting deferred members was to take place, a one-off mailing to deferred members would be issued.

### 4. PENSIONER MEMBERS

- 4.1 **P60:** Each April GMPF is required to write to all of its 100,000 plus pensioners with a P60 – their statement of earnings & tax for the year. An example of a P60 is provided on the link below:

<http://www.gmpf.org.uk/documents/payslip/example.pdf>

- 4.2 **Pensions Grapevine:** GMPF's annual newsletter for pensioner members, Pensions Grapevine, is mailed alongside the P60s (to avoid the cost of a separate mailing). Grapevine contains a mix of technical articles – for example pensions tax changes, to legal reminders (such as the need to declare pensions in payment when claiming certain benefits), and also stories sent in by Pensions Grapevine readers. A link to the most recent Grapevine is provided below:

<http://www.gmpf.org.uk/publications/grapevine/21.htm>

### 5. GMPF WEBSITE

- 5.1 In addition to the communications which are issued to members, there is a large amount of information available on the GMPF website, which is updated regularly. Examples include:
- A designated section for members approaching retirements
  - A News and Updates section



- An A-Z of Scheme documents
- A library of online forms

## **6. RECOMMENDATIONS**

The Board is recommended to:

- (i) Note the report;
- (ii) Consider and comment on the communications which GMPF issues to members; and
- (iii) Note that the Executive Director of Governance, Resources and Pensions will be arranging for a review/audit of communications taking into account best practice and what other funds do both within and outside LGPS so that we can ensure we remain award winning and a leader in this field.

This page is intentionally left blank



# Local Pensions Board

*Member Communications*

# Member Communications

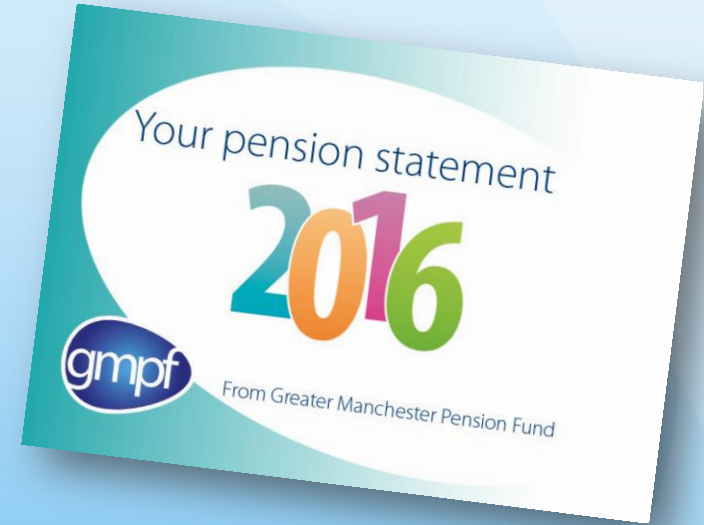
Page 56

- 3 categories - active, deferred, pensioners.



# Actives - pension statement

- Once a year
- Legal requirement to be mailed by end Aug
- Advanced digital print to create bespoke message per member, with custom figures & also variable explanatory text
- Some funds cram everything onto one page. Instead we have a booklet format - one simple topic per page, for example...



# Actives - pension statement

Page 58

## More about **normal pension age**

Normal pension age is the date you can take your pension benefits at your own choice without any early retirement reduction.

Since 1/4/2014 normal pension age has been age 65 or your State Pension Age if later. And please bear in mind, your State Pension Age could change by the time you get to retirement - this is set by Government and is something we have no control over.

### Can I choose to draw my benefits earlier?

Yes, you can choose to retire anytime from age 55, but your benefits will be lower for two reasons. First you will have paid in less by leaving at a younger age, and second, early retirement reductions will apply. You can find out more about this on our website at [www.gmpf.org.uk](http://www.gmpf.org.uk) by searching for *early retirement*.

### What if I retire early because of ill health or I'm made redundant?

In this case there are no early retirement reductions - please see our website for more.

### My statement used to show age 65 - why is that?

Before 1/4/2014, the final salary scheme had a normal pension age of 65. But if you were to draw your benefits at this age early retirement reductions would still apply to the benefits you have built up *from* 1/4/2014.

So by showing benefits at your 'new' normal retirement date it means the figures are based on:

- No early retirement reductions in any of your benefits
- A 'late retirement' enhancement in your final salary benefits for the period from 65 to this later age.

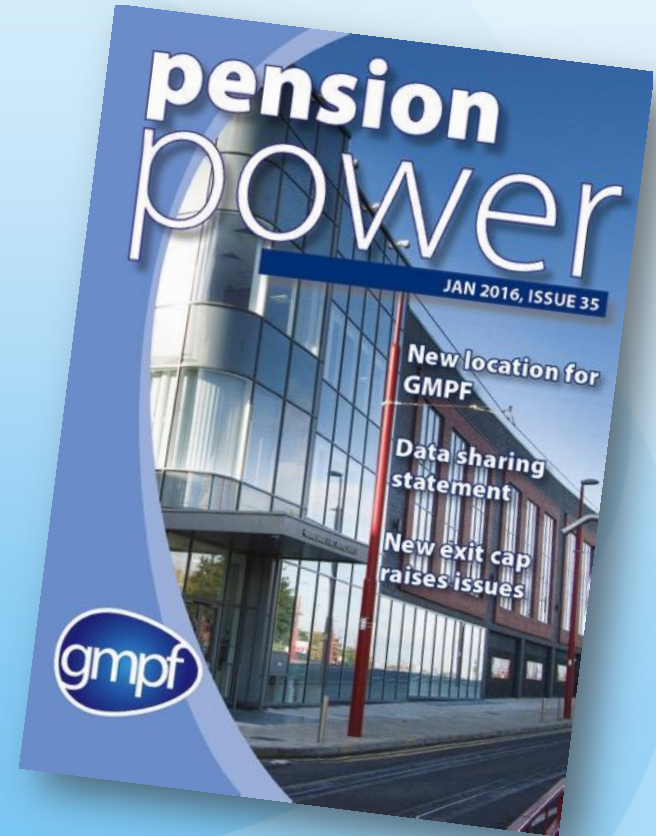


[A] PRE 2014, NPA = OVER 65, MEMBER IS UNDER NPA.

Investing time  
& money in this  
format helps  
members  
understand and  
means far less  
calls to the  
helpline.

# Actives - newsletter: *Pension Power*

- Approx once a year, but Regs driven
- Articles to comply with disclosure (eg change in Regs) and also “did you know” articles, eg 50/50 option
- Delivered in print & by email
- Eyecatching & engaging style...





# Actives - newsletter: *Pension Power*

Page 60

## Let's go halves

Don't forget the scheme now has a 50/50 option, where if you feel you can't afford the full pension contribution, you can choose to pay in **half** the amount. Then - just for the period you're paying **half** in - you build up **half** the pension. But the good news is there's no change to things like the excellent life cover you have as a member. We think this is a clever way of helping people out who feel they can no longer afford the main scheme. Thanks to the 50/50 option, they can carry on paying something into their pension rather than opting out completely.





# Deferreds- pension statement

- Once a year
- GMPF requirement to be mailed by end May (well ahead of legal deadline)
- Similar booklet format to active members'
- Advanced digital print to create bespoke message per member, with custom figures & also variable explanatory text



# Pensioners - P60

Page 62

- Legal requirement once a year - combined payslip & P60 (statement of pay & tax)
- Format & wording has to be signed off by HMRC

**Your April 2016 Payslip**

Name

Pension No.

Nat. Ins. No.

PAYE Ref.

Tax Code

Your percentage of standard Lifetime Allowance used is:  %

For more information on Lifetime Allowance please see the enclosed Grapevine Newsletter or visit: [www.gmpf.org.uk](http://www.gmpf.org.uk)

**For tax queries** ☎ 0300 200 3300  
HM Revenue & Customs, quoting your National Insurance number and PAYE reference S82/MS010.

**For pension queries** ☎ 0161 301 7100  
Greater Manchester Pension Fund,  
Guardsman Tony Downes House, 5 Manchester Road,  
Droylsden, Tameside, M43 6SF.

If you need to separate your payslip from your P60 you can tear along this dotted line

**YOUR GROSS PENSION (Before deductions)**  
Taxable

**YOUR DEDUCTIONS**  
Tax

**YOUR NET PENSION (After deductions)**

Tax Year	Month	Taxable Pay to date	Tax Paid to date
		£ <input type="text"/>	£ <input type="text"/>

Your payment date:

**P60 End of Year Certificate for 2015 - 2016**

Name

Pension No.

Nat. Ins. No.

Final Tax Code

Messages this month

PAYE Ref.

**PREVIOUS EMPLOYMENT**

PAY	TAX
£ <input type="text"/>	£ <input type="text"/>

**THIS PENSION FUND**

PENSION	TAX
£ <input type="text"/>	£ <input type="text"/>

Figures shown here should be for your Tax Return if you get one.

**TOTAL PENSION/PAY FOR THE YEAR**

PAY	TAX
£ <input type="text"/>	£ <input type="text"/>

**P60 END OF YEAR CERTIFICATE**  
This certificate shows the total amount of pension for income tax purposes that we have paid to you in the year. It also gives details of the total income tax deducted by us (less any refunds).

**Please keep this certificate in a safe place as you will need it if you have to fill in a tax return, make a claim for tax credits or to renew your claim. It also helps you check that we are using the correct National Insurance number.**

By law you are required to tell HM Revenue & Customs of any income that is not fully taxed, even if you are not sent a Tax Return.

Year Ending 5th April 2016  
P60 Substitute (GMPF)

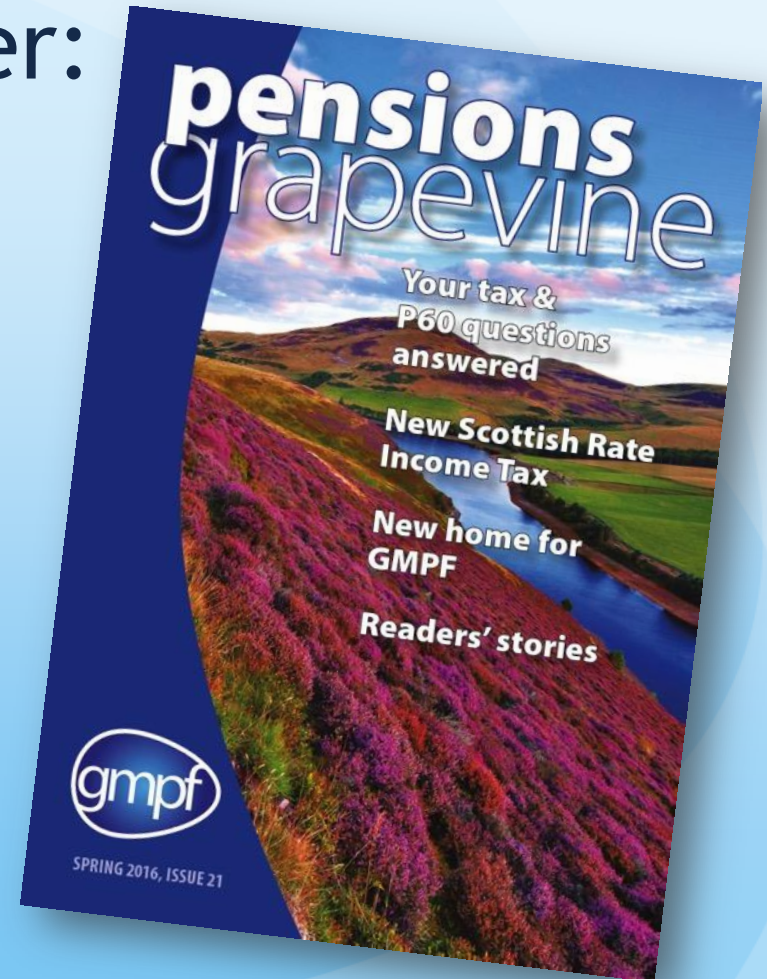
Look out for more information about your pensions increase in the enclosed Grapevine Newsletter.

GMPF is administered by **Tameside**  
Pension Fund

# Pensioners - newsletter: Grapevine

- Informative articles - eg summary annual report
- More light hearted items, reader stories.

Page 63



# Pensioners - newsletter: Grapevine

Page 64

## Crunching the numbers



As you probably know, each year GMPF invests in all kinds of areas, to grow the pot of money that we use to pay your benefits. You can get the full run down on these in our 2015 annual report & accounts, which is published digitally on our website, but we have included a brief summary here...

In his introduction, the Chair comments that GMPF has had a successful year and achieved an overall investment return of 11.7%. This has helped maintain a funding level amongst the best funded of LGPS funds which means employer contribution rates are, on average, at the lower end of the range. Over the 12 months, the value of GMPF's assets grew by £4.3 billion to £17.6 billion. Part of this growth also came from us becoming the LGPS fund for all Probation members in England & Wales.

Here's a little more about some of our investments...

### Mothercare

Most of our money is held in stocks & shares in UK and overseas companies, and Mothercare is an example of one of them. This specialist retailer is best known for its range of products for mothers-to-be, babies and young children.

It also owns the well known high street brand Early Learning Centre. Through its high street stores, its online business, and its catalogue mail order operations, the Group has customers all over the UK and in more than 60 countries worldwide. It has also launched a social networking site aimed at new parents, which is called (rather appropriately) Gurgle.com!



16



### Auto trader

GMPF invests a smaller amount in something called private equity - a little like the folks on Dragon's Den who invest in private companies, through things like management buy outs. We handle this type of investment through specialist partners such as Apax, and through them we invested in Auto Trader.

From humble beginnings in 1977 as a magazine, the company has grown to become the UK's largest digital automotive marketplace, and can proudly claim that 80% of UK car dealers advertise with them.

### Property

We also invest in property - most of it on a nationwide basis through an investment manager called LaSalle. We also have a local property arm called GMPVF, and it recently completed a flagship project, called Number One St Peters Square.

This high profile office is directly opposite Manchester's Central Library and it has already been let to various tenants including accountancy KPMG, and law firms DLA Piper and Addleshaws.



Get the full report here: [www.gmpf.org.uk/publications/annualreport.htm](http://www.gmpf.org.uk/publications/annualreport.htm)

17

## Don't put your foot in it!

A chance walk through the office one lunch time had Grapevine reader Angela Heathcote chuckling. She says:

I worked for Tameside during the 1990s, working for the department that arranged home helps for people. Even back then budgets were tight, so we had to look at each case carefully, and assess them on a "need not want" basis.

Walking through the office one lunch time I overheard a phone conversation between one of my colleagues and an irate customer who was demanding that we send round a home help immediately to help her prepare her lunch. My colleague politely explained that this wouldn't be possible, and I heard the voice on the other end of the phone shout "Have you any idea how hard it is to cut bread with a wooden leg?"

Reader's story



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank



<b>Report To:</b>	<b>GMPF LOCAL PENSIONS BOARD</b>
<b>Date:</b>	13 October 2016
<b>Reporting Officer:</b>	Sandra Stewart, Executive Director of Governance, Resources and Pensions  Paddy Dowdall Assistant Executive Director (Local Investments and Property)
<b>Subject:</b>	<b>GMPF STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2015-2016</b>
<b>Report Summary</b>	This report was submitted to GMPF Panel on 23 September for information and Board Members are asked to note the completion of the governance arrangements previously reported to the Board. It should be noted that the Auditors have given a clean bill of health, the accounts are unqualified and this is a testament to the work undertaken by the Panel.
<b>Recommendations:</b>	Members are asked to note  (i) The completion of governance arrangements for approval of GMPF accounts  (ii) The Audit Findings Report from Grant Thornton  (iii) The Annual Report
<b>Policy Implications:</b>	None.
<b>Financial Implications:</b> <b>(Authorised by the Section 151 Officer)</b>	As the administering authority, Tameside MBC has important responsibilities in relation to the Greater Manchester Pension Fund. As the largest fund in the Local Government Pension Scheme, the Fund also has significant resources it deploys to meet those responsibilities. This paper sets out where the responsibilities lie.  The assumptions used for valuing assets will have an impact on the value of assets reported in the accounts. In most circumstances the impact is unlikely to be material. For equities and bonds a bid basis is used that results in a more prudent outcome (compared to mid or offer prices).
<b>Legal Implications:</b> <b>(Authorised by the Solicitor to the Fund)</b>	The administering authority must produce an annual report and accounts in line with statutory provisions.
<b>Risk Management:</b>	GMPF's accounts are used to provide information to a variety of users and for a variety of purposes. The accuracy of the statements is critical in the determination of employer costs and there are clearly reputational issues relating to the validity of the accounts. The audit process provides reassurance on the integrity of the statements and mitigates against the possibility of material misstatement

**ACCESS TO INFORMATION:**

**NON-CONFIDENTIAL**

**This report does not contain information which warrants its consideration in the absence of the Press or members of the public.**

**Background Papers:**

For further information please contact Paddy Dowdall, Assistant Executive Director – Local Investments and Property, tel 0161 301 7140, email [paddy.dowdall@tameside.gov.uk](mailto:paddy.dowdall@tameside.gov.uk).

## 1. INTRODUCTION

1.1 This report covers four sections:

- Governance Arrangements for the approval of the accounts;
- Audit Findings Report
- Simplified summary of the accounts for this year.
- Annual Report

## 2. GOVERNANCE ARRANGEMENTS

2.1 The Management Panel approves the GMPF accounts and formal letters required by the external auditor. It also receives external audit reports.

2.2 The key decision making bodies for the Council are the Audit Panel which receives accounting policies reports for both GMPF and the Council and the Overview (Audit) Panel which receives the report of the external auditor following the audit of the accounts. The Council retains overall responsibility for the accounts of both, and the follow-up on the audit reports received for both, but in practice delegates the responsibility for GMPF to GMPF.

2.3 The timetable for approval of the accounts and audit reports by these bodies for 2016/17 is outlined in the table below. This meeting is the final stage in the process.

Date	Group	Stage
31 May	Audit Panel	Approval of key assumptions and noting of governance arrangements (TMBC and GMPF)
1 July	GMPF Management Panel	Approval of key assumptions and noting of governance arrangements (GMPF)
1 September	GMPF Urgent Matters Panel	Approval of final accounts, annual report and audit report (GMPF)
12 September	Overview (Audit) Panel	Approval of final accounts, annual report and audit report (GMPF and TMBC)
23 September	GMPF Management Panel	Noting of the approval of final accounts, annual report and audit report

2.4 Financial requirements are that the pre-audit accounts of both TMBC and GMPF must be signed off by the S151 officer of the Council by 30 June.

2.5 The review by the external auditors commenced thereafter. Grant Thornton LLP provide the external audit contract for both, but a separate team conducted the GMPF audit due to the specialist and technical demands of LGPS accounts.

2.6 The audit process is now complete.

## 3. AUDIT FINDINGS REPORT

3.1 The report from Grant Thornton was received at the Urgent matters meeting on 1 September and by the Overview (Audit) Panel on the 12 September. The report is very positive and no material issues were raised by the auditors. It is attached for information as **Appendix 1**

#### 4. SIMPLIFIED ACCOUNTS SUMMARY

- 4.1 The table below shows the key financial movements during the financial year to 31 March 2016 taken from the pre-audit financial accounts:

	£m	£m	£m
<b>Fund Value at 31 March 2015</b>			<b>17,591</b>
<b>Contributions and Benefits</b>			(110)
Employee contributions	142		
Employer contributions	455		
Pension benefits Paid		(705)	
Net Transfers		(2)	
<b>Management Costs</b>			(19)
Investment		(13)	
Administration		(5)	
Oversight		(1)	
<b>Investments</b>			(137)
Income	319		
Change in market value		(456)	
<b>Total change in value of Fund</b>			(266)
<b>Fund Value 31 March 2016</b>			<b>17,325</b>

#### 5. ANNUAL REPORT

- 5.1 The annual report was approved by the urgent matters panel on 1 September 2016 and can be found at

<http://www.gmpf.org.uk/AR/>

Select the document 2016.pdf

#### 6. RECOMMENDATIONS

- 6.1 To note the completion of governance arrangements for the approval of GMPF's accounts.
- 6.2 To note the Audit Findings Report from Grant Thornton.
- 6.3 To note the approval of the annual report by Urgent Matters Panel on 1 September 2016.

# The Audit Findings Report for Greater Manchester Pension Fund

---

**Year ended 31 March 2016**

18 August 2016

Page 93

**Mike Thomas**

Director / Engagement Lead

T 0161 214 6368

E [mike.thomas@uk.gt.com](mailto:mike.thomas@uk.gt.com)

**Marianne Dixon**

Engagement Manager

T 0113 200 2699

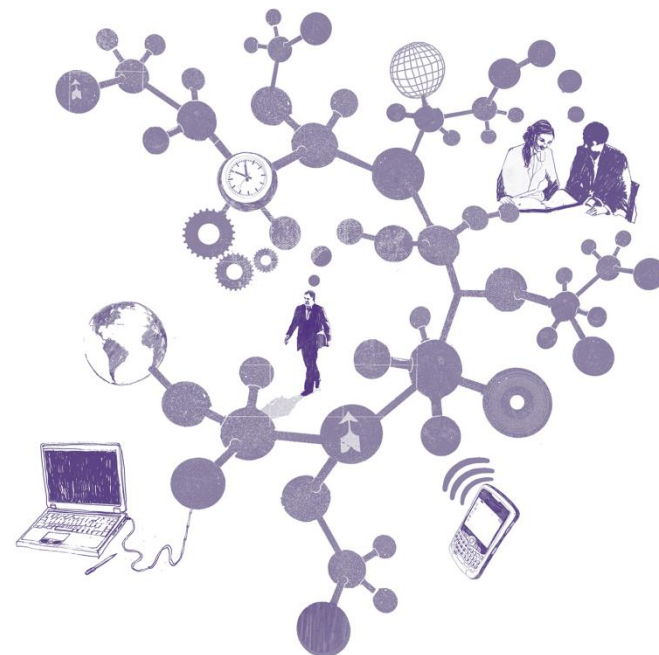
E [marianne.dixon@uk.gt.com](mailto:marianne.dixon@uk.gt.com)

**Mark Stansfield**

Executive In charge

T 0161 234 6356

E [mark.stansfield@uk.gt.com](mailto:mark.stansfield@uk.gt.com)



Overview (Audit) Panel  
Tameside MBC  
Dukinfield Town Hall  
King Street  
Dukinfield  
SK16 4LA

Grant Thornton UK LLP  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

0161 953 600  
[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)

16 August 2016

Dear Members

**Audit Findings for Greater Manchester Pension Fund for the year ending 31 March 2016**

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of the Greater Manchester Pension Fund, the Overview (Audit) Panel of Tameside MBC), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relates only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Mike Thomas

Engagement Lead

**Chartered Accountants**

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No. OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP.

A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please see [grant-thornton.co.uk](http://grant-thornton.co.uk) for further details.

---

# Contents

Section	Page
1. Executive summary	4
2. Audit findings	7
3. Fees, non-audit services and independence	19
4. Communication of audit matters	21

## Appendices

- A Audit opinion
- B Audit opinion on the annual report

---

# Section 1: Executive summary

Page 96

01.	Executive summary
02.	Audit findings
03.	Fees, non audit services and independence
04.	Communication of audit matters



## Purpose of this report

This report highlights the key issues affecting the results of the Greater Manchester Pension Fund ('the Fund') and the preparation of the Fund's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Fund's financial statements give a true and fair view of the financial position of the Fund and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance. This includes the Narrative Report and the Pension Fund Annual Report.

## Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 18 April 2016.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- review of the final version of the financial statements
- review of the final version of the Annual Report
- completion of our final internal reviews
- obtaining and reviewing the management letter of representation and
- updating our post balance sheet events review, to the date of signing the opinion.

We received draft financial statements on the 9<sup>th</sup> June 2016 and accompanying working papers at the commencement of our work, in accordance with the agreed timetable.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix A). We have also included our anticipated opinion on the Annual Report at Appendix B.

## Key audit and financial reporting issues

### Financial statements opinion

We have identified no adjustments affecting the Fund's reported net assets position in the draft financial statements. The draft financial statements for the year ended 31 March 2016 recorded net assets of £17,324,623k and the audited financial statements record the same outcome.

There were no significant issues arising from our work. The draft financial statements provided to audit were of a high quality and supported by good working papers. The finance team responded promptly and knowledgeably to audit requests and queries. We have recommended a very small number of adjustments to improve disclosure and the presentation of the financial statements, further details of which can be seen within section two of this report.

We anticipate providing an unqualified opinion in respect of the Fund's financial statements.

## Controls

### Roles and responsibilities

The Fund's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Fund.

## Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention. Further details are provided within section two of this report.

### **The way forward**

Matters arising from the financial statements audit have been discussed with the Assistant Executive Director of Pensions and the Assistant Director of Resources (section 151 Officer to the Fund).

### **Acknowledgement**

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

**Grant Thornton UK LLP**  
**August 2016**

# Section 2:    Audit findings

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

This section summarises the findings of the audit, we report on the final level of materiality used and the work undertaken against the risks we identified in our initial audit plan. We also conclude on the accounting policies, estimates and judgements used and highlight any weaknesses found as part of the audit in internal controls. As required by auditing standards we detail both adjusted and unadjusted misstatements to the accounts and their impact on the financial statements.

# Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £175,9120k (being 1% of net assets from the prior year audited accounts). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £8,769k. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items as key figures / disclosures in the accounts that should be reviewed in more detail to ensure they do not affect the users understanding of the financial statements.

Balance/transaction/disclosure	Explanation	Materiality level
Management expenses	Due to public interest in these disclosures and the statutory requirement for them to be made	Any errors identified by testing will be considered as to whether they would affect the users understanding of the financial statements
Related party transactions	Due to public interest in these disclosures and the statutory requirement for them to be made.	Any errors identified by testing will be assessed individually, with due regard given to the nature of the error and its potential impact on users of the financial statements. We are unable to quantify a materiality level as the concept of related party transactions takes in to account what is material to both the Pension Fund and the related party.
Auditor's remuneration	This is a statutory requirement and also a requirement of ethical and auditing standards.	Any errors identified by testing will be recommended for correction.
Cash and cash equivalents	The balance of cash and cash equivalents is usually material, and as the majority of your transactions affect the balance it is therefore considered to be material by nature also.	Any errors identified by testing will be considered as to whether they would affect the users understanding of the financial statements.

# Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgemental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgemental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA(UK&I)315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;I)240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA(UK&amp;I)240 and the nature of the revenue streams at Greater Manchester Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited due to clear separation of duties between the Fund, fund managers, custodian and accountancy partner (HSBC); and</li> <li>• the culture and ethical frameworks of local authorities, including Tameside MBC as the administering authority, mean that all forms of fraud are seen as unacceptable.</li> </ul>	<p>Our audit work has not identified any material issues in respect of revenue recognition.</p>
2.	<p><b>Management over-ride of controls</b></p> <p>Under ISA(UK&amp;I)240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>In line with our plan we:</p> <ul style="list-style-type: none"> <li>• reviewed entity-level controls</li> <li>• reviewed journal controls and tested a sample of journal entries</li> <li>• reviewed accounting estimates, judgements and decisions made by management</li> <li>• reviewed any unusual significant transactions</li> </ul>	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

# Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	<p><b>Level 3 Investments – Valuation is incorrect</b></p> <p>Under ISA(UK&amp;I)315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p>	<p>In line with our plan we:</p> <ul style="list-style-type: none"><li>• carried out walkthrough tests of the controls identified in the cycle.</li><li>• tested a sample of private equity investments valuations by obtaining and reviewing the latest audited accounts for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31 March with reference to known movements in the intervening period.</li><li>• reviewed the qualifications of fund managers as experts to value the level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached.</li><li>• reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments.</li></ul>	<p>Our audit work has not identified any issues around the valuation of the Level 3 Investments reported at year end.</p>

Page 102

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Investments (income purchases and sales)</b>	Investment Income not correct (Accuracy)  Investment activity not valid. (Occurrence)  Investment valuation not correct. (Valuation gross)	<b>We have undertaken the following work in relation to these risks</b> <ul style="list-style-type: none"> <li>• updated our understanding of processes and key controls</li> <li>• undertaken walkthrough of the key controls to assess whether those controls operated in line with our understanding</li> <li>• For investments held by fund managers, reviewed reconciliation between JP Morgan, fund managers, HSBC and GMPF following up any significant variance and gain appropriate explanations/evidence for these.</li> <li>• For other investments (eg direct property), agreed a sample to supporting documentation.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Investment values – Let 2 investments</b>	Valuation is incorrect. (Valuation net)	<b>We have undertaken the following work in relation to this risk:</b> <ul style="list-style-type: none"> <li>• We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.</li> <li>• We have reviewed the reconciliation of information provided by the fund managers, the custodian and the Fund's own records and sought explanations for variances</li> <li>• For direct property investments agreed values in total to valuer's report and undertaken steps to gain reliance on the valuer as an expert.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.

# Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Contributions	Recorded contributions not correct (Occurrence)	<b>We have undertaken the following work in relation to this risk:</b> <ul style="list-style-type: none"> <li>performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.</li> <li>Tested a sample of contributions to source data to gain assurance over their accuracy and occurrence.</li> <li>Rationalised contributions received with reference to changes in member body payrolls and numbers of contributing pensioners and ensured that any unexpected trends were satisfactorily explained.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
Benefits payable	Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)	<b>We have undertaken the following work in relation to this risk:</b> <ul style="list-style-type: none"> <li>performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.</li> <li>Controls testing over completeness, accuracy and occurrence of benefit payments.</li> <li>Sample testing of pension payments, lump sums, and refunds</li> <li>Rationalised pensions paid with reference to changes in pensioner numbers and increases applied in the year and ensured that any unusual trends were satisfactorily explained.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
Member Data	Member data not correct. (Rights and Obligations)	<b>We have undertaken the following work in relation to this risk:</b> <ul style="list-style-type: none"> <li>performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.</li> <li>reconciliation of member numbers</li> <li>Sample tested changes to member data for new member, leavers and new pensioners made during the year to source documentation.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.






# Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Member Data	Member data not correct. (Rights and Obligations)	<p><b>We have undertaken the following work in relation to this risk:</b></p> <ul style="list-style-type: none"><li>performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.</li><li>reconciliation of member numbers</li><li>Sample tested changes to member data for new member, leavers and new pensioners made during the year to source documentation.</li></ul>	Our audit work has not identified any significant issues in relation to the risk identified.

# Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Fund's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>  <div>Page 106</div>	<p>The financial statements include policies for recognition of the following:</p> <ul style="list-style-type: none"> <li>Contributions</li> <li>Investment income</li> <li>Transfers in to the scheme</li> </ul> <p>Contributions and Investment Income are recognised on an accruals basis, whilst transfers in are recognised on a cash basis, with the exception of bulk transfers, which are accounted for on an accruals basis in accordance with the terms of the transfer agreement.</p>	<p>Review of your policies for revenue recognition confirms they are in line with the requirements of the CIPFA Code of Practice and cover all the expected areas in accordance with the Fund's activities.</p> <p>Our testing has confirmed that these policies have been correctly and consistently applied.</p>	 <b>Green</b>
<b>Judgements and estimates</b>	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> <li>Pension Fund Liability – present value of future retirement benefits</li> <li>Valuation of investments - unquoted equities, infrastructure and special opportunities.</li> </ul>	<p>Our review of your key judgements disclosed in the draft financial statements has confirmed they are complete in accordance with our understanding of the Fund.</p> <p>Our testing has confirmed that the accounting policies in relation to these areas are in accordance with the CIPFA Code of Practice and have been correctly and consistently applied.</p>	 <b>Green</b>
<b>Going concern</b>	<p>Officers have a reasonable expectation that the services provided by the Fund will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.</p>	<p>We have reviewed officers' assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.</p>	 <b>Green</b>

## Assessment

● **Red** - Marginal accounting policy which could potentially attract attention from regulators  
 policy appropriate and disclosures sufficient

● **Amber** - Accounting policy appropriate but scope for improved disclosure

● **Green** - Accounting

# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have discussed the risk of fraud with the officers and members and have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
2.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>From the work we carried out, we have not identified any related party transactions which have not been disclosed.</li> </ul>
3.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
4.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Fund.</li> </ul>
5.	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We obtained direct confirmations from your fund managers, custodian and accountancy partner for investment balances and from your bank for your cash balances (outside of the cash held by your fund managers). All of these requests have been returned with positive confirmation</li> </ul>
6.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material errors or omissions but we have requested management to make some minor amendments to further improve the clarity of the information included within the financial statements.</li> </ul>
7.	<b>Matters on which we report by exception</b>	<ul style="list-style-type: none"> <li>We are required to report by exception where the Pension Fund Annual Report is inconsistent with the financial statements. We have not identified any issues we wish to report.</li> </ul>

## Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Investment Purchases and Sales, Investment Valuations – Levels 2 and 3, Contributions, Benefits Payable, and Member Data as set out on pages 10 to 13 within this report.

The controls were found to be operating effectively and we have no matters to report..

## Adjusted and unadjusted misstatements

We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. There were no adjusted or unadjusted misstatements identified as a result of our procedures.

# Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type		Value £'000	Account balance	Impact on the financial statements
1	Disclosure	n/a	Note 3 - Classification of Financial Instruments -	Other Investment liabilities (£21,925k) incorrectly typed into the classification 'designated as Fair value through profit and loss' – this has now been corrected in the revised version of the accounts
	Disclosure	n/a	Note 8 - Management Expenses – prior year figures restatement	Whilst only a reclassification of figures, the note is required to highlight this fact in the column of prior year figres.

Page 110

---

## Section 3: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Proposed fee per Audit Plan £	Actual fees £
Pension fund scale fee	56,341	56,341
IAS 19 work for admitted bodies auditors (PSAA regime only)	5,996	5,996
<b>Total audit fees (excluding VAT)</b>	<b>62,337</b>	<b>62,337</b>

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Grant Thornton UK LLP also provides audit services to:

- Matrix Homes Limited Partnership for fees totalling £11,500 and other services of £2,000; and
- Greater Manchester and London Infrastructure Limited Partnership for audit and accounts fees of £9,600 and other services of £1,800.

These are separate engagements outside the remit of Public Sector Audit Appointments Limited.

Fees for other services

Service	Fees £
<b>Audit related services</b>	<b>Nil</b>
<b>Non-audit services</b>	<b>Nil</b>

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.



---

## Section 4: Communication of audit matters

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

# Communication to those charged with governance

International Standards on Auditing (ISA) (UK&I) 260, as well as other ISA(UK&I)s, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

**Respective responsibilities**

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code>). Our work considers the Fund's key risks when reaching our conclusions under the Code of Audit Practice.

It is the responsibility of the Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Fund is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Appendix A: Audit opinion

We anticipate we will provide the Fund with an unqualified audit report .

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TAMESIDE METROPOLITAN BOROUGH COUNCIL – GREATER MANCHESTER PENSION FUND

We have audited the pension fund financial statements of Greater Manchester Pension Fund ("the pension fund") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Tameside Metropolitan Borough Council ("the authority"), as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Assistant Executive Director –Resources and auditor

As explained more fully in the Statement of the Assistant Executive Director –Resources, the Assistant Executive Director - Resources is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Assistant Executive Director - Resources; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on the pension fund financial statements

In our opinion the pension fund financial statements:

- present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and of the amount and disposition at that date of the fund's assets and liabilities, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

### Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts is consistent with the audited pension fund financial statements.

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

# Appendix B: Proposed audit opinion on the annual report

We anticipate we will provide the Fund with an unqualified audit report

## INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF TAMESIDE METROPOLITAN BOROUGH COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS INCLUDED IN THE GREATER MANCHESTER PENSION FUND ANNUAL REPORT

The accompanying pension fund financial statements of Greater Manchester Pension Fund for the year ended 31 March 2016 which comprise the fund account, the net assets statement and the related notes are derived from the audited pension fund financial statements for the year ended 31 March 2016 included in Tameside Metropolitan Council's ('the authority') Statement of Accounts. We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated xx September 2016

The pension fund annual report, and the pension fund financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements is not a substitute for reading the audited Statement of Accounts of the Authority.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### The Assistant Executive Director – Resources responsibilities for the pension fund financial statements in the pension fund annual report

Under the Local Government Pension Scheme Regulations 2013 the Assistant Executive Director - Resources is responsible for the preparation of the pension fund financial statements, which must include the fund account, the net asset statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Authority Statement of Accounts and the pension fund annual report are set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

## Auditor's responsibility

Our responsibility is to state to you whether the pension fund financial statements in the pension fund annual report are consistent with the pension fund financial statements in the Authority's Statement of Accounts in accordance with International Standard on Auditing 810, Engagements to Report on Summary Financial Statements.

In addition we read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of the Chair's Introduction, Top 20 Equity Holdings, Investment Report, Financial Performance Report, Actuarial Statement, Scheme Administration, Funding Strategy Statement, Governance Compliance Statement, Statement of Investment Principles and Communications Policy

## Opinion

In our opinion, the pension fund financial statements in the pension fund annual report derived from the audited pension fund financial statements in the Authority Statement of Accounts for the year ended 31 March 2016 are consistent, in all material respects, with those financial statements in accordance with proper practices as defined in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

© 2016 Grant Thornton UK LLP. All rights served.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International LTD (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL, and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

**[grant-thornton.co.uk](http://grant-thornton.co.uk)**

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted



This page is intentionally left blank



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

<b>Report To:</b>	<b>GMPF LOCAL PENSIONS BOARD</b>
<b>Date:</b>	13 October 2016
<b>Reporting Officer:</b>	Ian Duncan – Assistant Executive Director (Finance) Wendy Poole – Head of Risk Management and Audit Services
<b>Subject:</b>	<b>ANNUAL GOVERNANCE STATEMENT 2015/16</b>
<b>Report Summary:</b>	To present the Annual Governance Statement for 2015/16 to Members of the Local Board for information ( <b>Appendix 1</b> ).
<b>Recommendations:</b>	Members of the Local Board to note the Annual Governance Statement for 2015/16.
<b>Links to Community Strategy:</b>	Demonstrates proper Corporate Governance.
<b>Policy Implications:</b>	The Governance Statement demonstrates proper compliance with the Accounts and Audit Regulations 2015.
<b>Financial Implications:</b> (Authorised by the Section 151 Officer)	Sound corporate governance and proper systems of internal control are essential for the long-term financial health and reputation of the Council.
<b>Legal Implications:</b> (Authorised by the Borough Solicitor)	The production of the statement meets the requirements of the Accounts and Audit Regulations 2015.
<b>Risk Management:</b>	The statement provides assurance that the Council has a sound system of corporate governance in place. It is considered to be an important public expression of how the Council directs and controls its functions and relates to its community.
<b>Access to Information:</b>	<b>NON-CONFIDENTIAL</b>  <b>This report does not contain information which warrants its consideration in the absence of the Press or members of the public.</b>
<b>Background Papers:</b>	The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by:   Telephone: 0161 342 3846   e-mail: <a href="mailto:wendy.poole@tameside.gov.uk">wendy.poole@tameside.gov.uk</a>

## **1. INTRODUCTION**

- 1.1 Corporate Governance is the system by which the Council directs and controls its functions and relates to its community. This is the means by which sound and ethical practice can be assured and unacceptable practice identified and eradicated. Historically there has been a general recognition that all local authorities should be seen to meet the highest standards and governance arrangements that should not only be sound but need to be seen to be sound by the public.
- 1.2 The issues faced by local authorities in recent years reflecting social, economic, and legislative change have led to new, diverse ways of working as opposed to traditional roles. The common theme that continues to run through Government initiatives is the need for local authorities to review the various systems and processes they have in place for managing both their internal affairs and their relationships with their expanding number of key stakeholders. Together these systems comprise corporate governance.

## **2 ANNUAL GOVERNANCE STATEMENT**

- 2.1 The preparation and publication of an Annual Governance Statement is necessary to meet the requirements set out in Regulation 6 of the Accounts and Audit Regulations 2015. It requires authorities to “conduct a review at least once in a year of the effectiveness of its system of internal control” and “following the review, the body must approve an annual governance statement prepared in accordance with proper practices in relation to internal control”.
- 2.2 The Annual Governance Statement is based on:-
- Executive Team Assurance Self-Assessments and signed Assurance Statements;
  - Head of Audit’s Annual Report;
  - Executive Team Budget and Assurance Statements;
  - Review of System of Internal Audit;
  - Annual Audit Letter;
  - Review of the Role of the Chief Financial Officer;
  - Review of the Role of the Head of Internal Audit;
  - Corporate Plan; and
  - Statutory Inspections.
- 2.3 The Annual Governance Statement covers both Tameside MBC and the Greater Manchester Pension Fund.
- 2.4 The Draft Annual Governance Statement was presented to the Senior Management Team for challenge and comments on 3 May 2016 and then presented to the Audit Panel on 31 May 2016. Consultation with Executive Members was undertaken during June 2016. All comments received were incorporated into the document.
- 2.5 The Draft Annual Governance Statement was then certified by the Assistant Executive Director (Finance), before it was submitted to External Audit for review. Comments received from External Audit have been incorporated and the final version is attached at **Appendix 1** for approval.
- 2.6 The Final Annual Governance Statement was approved by the Overview (Audit) Panel on 12 September and signed thereafter by the Executive Leader and Chief Executive.
- 2.7 The Annual Governance Statement covers the governance framework in place for 2015/16 and up to 12 September 2016 which is the date the accounts were signed off by External Audit.

### **3 RECOMMENDATION**

- 3.1 Members of the Local Board note the Annual Governance Statement for 2015/16.

This page is intentionally left blank

# **Annual Governance Statement 2015/2016**

This is a signed statement by the Executive Leader and Chief Executive certifying that governance arrangements are adequate and operating effectively within the Council.

## **1. Scope of Responsibility**

Tameside MBC (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk. These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in good time, and in a fair, open, honest and accountable way. The Council has approved and introduced a Code of Corporate Governance.

This governance statement explains how we have followed the code and the requirements of the Accounts and Audit (England) Regulations 2015.

The Greater Manchester Pension Fund (GMPF) is administered by the Council in accordance with the Local Government Pension Scheme (LGPS) Regulations, which are written by the DCLG and passed by Parliament.

The Council delegates its function in relation to maintaining the GMPF to the following:-

- Pension Fund Management Panel
- Pension Fund Advisory Panel
- Pension Fund Working Groups
- The Executive Director of Pensions
- The Local Pensions Board

The Management Panel is chaired by the Executive Leader of the Council and all panels and working groups have elected members from the other nine GM Authorities, as the fund is accountable to its member authorities. The Local Board has an equal number of scheme employer and scheme member representatives. Whilst the GMPF has different governance arrangements to other council services (which are all detailed on its website), all officers are employees of the Council and therefore comply with the Council's Code of Corporate Governance and Constitution. Specific reference will not be made to GMPF throughout the Annual Governance Statement unless appropriate to do so as it is considered to be part of the Council.

## **2. The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, and culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of



those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2016, and up to the date of approval of the annual accounts.

### 3. The Governance Framework

#### ***Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users***

The Council needs to set out a clear vision that members, employees and the public can identify with and help deliver as public services are changing rapidly due to new legislation and funding cuts. The vision detailed below is set out in the Corporate Plan 2016–21.

The Council as a representative body exists to maximise the wellbeing and health of the people within the borough:

- Supporting economic growth and opportunity;
- Increasing self-sufficiency and resilience of individuals and families; and
- Protect the most vulnerable.

Everything the Council does will aim to make this vision a reality by focusing resources on what matters. Its core purpose and values put people at the forefront of services to ensure that every decision made supports economic growth and self sufficiency. The aim is to work with residents to this by asking them to take on greater responsibility in their families, communities and area, supporting them when they need help.

No one organisation can achieve the change aimed for on its own. The Council and its partners are committed to working together along with the people of Tameside to achieve lasting change for the borough.

The landscape the Council operates in has changed significantly over the last 5 years and this has impacted significant on how the Council delivers against its objectives. The Spending Review in 2010 and 2015, the Local Government Finance Settlement and key legislation like the Localism Act and the Care Act have all had implications for the work of the Council.

The development of the Council's strategic approach through the Corporate Plan has been informed by a number of factors not least the following, (although this list is not exhaustive).

- Ongoing engagement between the Council and local people;
- Budget Consultation 2014 and 2015;
- Big Conversation – service specific consultations to inform service redesign;
- Public Service Reform;
- Greater Manchester Devolution Agreement;
- Greater Manchester Health & Social Care Devolution;
- Care Together / Integrated Care Organisation (health and social care integration);
- Medium Term Financial Strategy; and
- Vision Tameside.

The Tameside pledges are a commitment to deliver work on a number of priority areas that have been identified as being of importance to Tameside Residents. Each of the pledges is delivered through a bespoke programme of activity centring around areas that local residents tell us are important to them, such as supporting local businesses, cleaning up local grot spots and the improvement of recycling facilities. The pledges for 2016 are:

- Honour Our Fallen;
- Pothole Buster;
- Generation Savers;
- Every Child a Coder;

- Lots More Lighting;
- Big clean Up;
- Get Tameside Growing;
- Woodland for Wildlife;
- Keeping it Green;
- Refresh Tameside Works first;
- Get Connected;
- Silver Surfers;
- Healthy Lives;
- Mind Your Health;
- Dementia Friendly Tameside;
- Do more Together.

### ***Reviewing the Council's vision and its implications for the Council's governance arrangements***

Because we understand our community, the Council's goals have remained relatively constant for the last ten years that is to maximise the wellbeing and health of the people of the Borough. However giving the changing landscape reference above how the Council delivers against its priorities has evolved. There is a constant thread running from the vision in the Corporate Plan and the key service priorities. Sound corporate governance arrangements underpin the delivery of the vision. The Corporate Plan priorities are as follows:

People – Tameside residents to have the best possible opportunities to live healthy and fulfilling lives.

Place – Tameside is a great place to live and work and the Council will strive to make it even better.

Growth and Reform – Undertaking significant reforms taking demand out of the system, cutting costs while improving outcomes. Projects in this area will stimulate the economy, connect people, businesses and services, improve outcomes and provide our young people with the best opportunities in life.

Resources – The Council will use its resources such as money and people to get maximum benefit for communities in Tameside.

Grant Thornton our External Auditors in their Audit Findings (ISA260) Report for 2014/15 commented that. "The Council continues to have adequate governance arrangements in place. Through the business planning and budget setting process, the Council's financial environment and financial performance is understood by senior management and members are actively engaged in the process".

The Peer Challenge of 2014 recognised that the Council's key governance structures, including the Executive and arrangements like the Health and Wellbeing Board, are clear and appear to work well. The Peer Team heard consistently positive feedback from staff within the Council and external partner agencies on how leaders in the organisation communicate the change and aim to get staff involved.

### ***Translating the vision into objectives for the Council and its partnerships***

The Tameside Corporate Plan 2016 - 21 is the borough's plan to maximise the wellbeing and health of the people within the borough. Working with partners across public services, industry, commerce, the community and voluntary sectors the vision is translated into objectives which are detailed service plans, team plans, and individual development plans.

The Care Together Programme and the creation of an Integrated Care Organisation brings together Tameside and Glossop Clinical Commissioning Group ('the CCG'), Tameside Metropolitan Borough Council ('TMBC') and Tameside Hospital Foundation Trust ('THFT') to reform health and social care services to improve the health outcomes of our residents and reduce health inequalities.

Vision Tameside, Ashton Old Baths and Bin Swap are examples of the major projects that the Council has and is continuing to deliver with partners that demonstrate that it has translated its vision into objectives.

The A+ Trust is a new model of school improvement. Educational attainment levels in Tameside go from strength to strength. 56% of pupils achieved 5 or more GCSEs at grades A\*-C (including English and Maths) in the 2015 results. Tameside was the most improved local authority in the North West and the eleventh most improved in England. GCSE achievement in Tameside is now above the national average and the third best in the North West.

***Measuring the quality of services for users, for ensuring they are delivered in accordance with the Authority's objectives and for ensuring that they represent the best use of resources and value for money.***

Effective challenge is an integral part of how the Council and its partners manage Tameside. It ensures that the partnership and constituent organisations remain focused on improvement and achievement. Challenge helps to identify areas for benchmarking and the development of best practice. Similarly, it supports individuals and teams further develop their own skills and capacity, which in turn helps to deliver better outcomes for local people.

The Tameside Challenge Framework has five main elements. They are:-

- Peer Assessment and Challenge;
- Performance Management – People and Places Scorecard;
- Big Conversation and Service Redesign;
- Scrutiny; and
- Risk Management.

In the absence of external inspection the Council commissioned a Corporate Peer Challenge via the Local Government Association and the final report was issued in June 2014. It reviewed:-

- Leadership and governance;
- Financial Viability;
- Organisational capacity;
- Economic growth; and
- Public service reform.

In the Executive Summary the review team concluded that:

“The council has a number of achievements on which it can continue to build. It has strong and stable political and managerial leadership. It has had a sound approach to financial management for a number of years which has stood it in good stead and enabled it to take early decisions to redesign services and manage the national public sector budget reductions. Frontline staff are proud, enthusiastic, energetic and a great asset to the council.”

Continual improvement has always been at the heart of the organisation and the results can be seen through our sustained record of achievement. In the External Auditor's Audit Letter dated October 2015, the Council received an unqualified value for money conclusion, which means that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in the use of its resources and to ensure proper stewardship and governance. The External Auditor noted that:

“The Council has been proactive in taking difficult decisions in relation to its cost base and continues to show strong financial resilience and good financial planning and management arrangements”.

The Value for Money conclusion assessed by External Audit is based on two criteria:-

- ***The Council has proper arrangements in place for securing financial resilience*** - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that

enables it to continue to operate for the foreseeable future.

- ***The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness*** - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

The auditors use a red/amber/green rating to make their assessments and the definitions are as follows:

- Green – Adequate Arrangements
- Amber - Adequate arrangements with areas for development
- Red - Inadequate arrangements

All areas were assessed to be Green for 2014/15 which means that the External Auditor was satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

Being recognised as the Local Government Chronicle Council of the Year for 2016 further demonstrates that the Council's ambition to improve the lives of Tameside residents is being achieved. Projects which particularly impressed the judges were; English Fine Cottons, Care Together, Vision Tameside, Ashton Old Baths, Tameside Investment Partnership, A+ Trust and education attainment and the Greater Manchester Pension Fund being named as Pension Fund of the Decade.

While planning for the future we remain focused on the present. The need to balance the budget focuses us on service redesign. We ensure service users are engaged and involved, and services they rely on are safeguarded wherever possible. Our Customer Service Excellence award is testament. Tameside gained 100% compliance against all criteria, and eight areas of compliance plus – a discretionary award for 'exceptional best practice'. The report stated '... continued to improve and focus on the development and delivery of customer-focussed services, despite the continuing financial challenges...'

Greater Manchester Pension Fund is leading the way in investment and pooling innovation, particularly in the areas of housing and infrastructure development. Airport City is a joint venture between GMPF, Manchester Airport Group, Carillion and Beijing Construction Engineering Group. The partners are developing over 5 million square feet of hotels, offices, manufacturing, logistics and retail space directly adjacent to Manchester Airport, an ideal gateway to carry out business throughout the UK, Europe and the world. One St. Peter's is a £40 million investment in the heart of Manchester city centre.

***Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the council and partnership arrangements.***

The Council Constitution sets out the roles and responsibilities of each Executive Member, and the responsibilities delegated to the Chief Executive, members of the Executive Team and senior managers of the Council, including the Director of Pensions. It includes the post and responsibilities of the Statutory and Proper Officers.

Protocols for effective communication are in place. Meetings have agendas and minutes published on the Council's Website and a Forward Plan is published. The Executive Leader's Annual Key Note Address, the Corporate Plan, the Citizen Newspaper, Scrutiny, Budget Consultation and the Big Conversation and increasingly the use of Social Media (Facebook, Twitter and Instagram) are examples of how the Council communicates with partners and residents of the Borough.

The constitution is reviewed and updated regularly and changes are disseminated across the Council via the Chief Executives Brief, The Wire and team briefings.

The Tameside Health and Wellbeing Board is a statutory partnership with health commissioners, providers and other interested parties. It is chaired by the Executive Leader of the Council and has developed the Tameside Health and Wellbeing Strategy that identifies priorities to address local health inequalities.

***Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.***

Members and Officers are governed by Codes of Conduct, Cabinet Portfolios, contracts of employment, employment rules and procedures, Professional Codes of Conduct and bound by the Constitution and Code of Corporate Governance.

The Council is committed to leading on and maintaining the highest standards of behaviour and in support of this hosts and chairs the National Anti-Fraud Network (NAFN). In addition to those mentioned above, documentation to eliminate corruption includes Procurement Standing Orders, Financial Regulations, Terms of Reference, Protocols for Gifts and Hospitality and Standards of Conduct and Ethics. The constitution is supplemented by the Whistleblowing Policy, Information Governance Framework and guidance on procedures relevant to individual services. Such guidance is accompanied by training and communications. The work of the Monitoring Officer, Standards Committee and the Standards Panel are fundamental in defining and achieving high standards.

***Reviewing the effectiveness of the Council's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality.***

The Council has a well-defined decision-making process and scheme of delegation, which are documented in the constitution. It publishes a forward plan and all agendas and minutes of meetings can be found on the Council's public website. The Safe and Sound Decision Making Framework was introduced during 2014/15 and a training programme was delivered for managers to ensure that good processes are in place for making and implementing decisions, which are informed by good information and data, stakeholder views and an open and honest debate which reflects the interests of the community.

The robustness of data quality is the responsibility of managers and is reviewed as part of the Internal Audit and External Audit functions. Performance indicators, which are collated centrally, are regularly reported to the Senior Management Team and Members, via the People and Places Scorecard. A Corporate Performance Group chaired by the First Deputy (Performance and Finance) meets regularly and is responsible for; performance management and improvement including the oversight of the People and Places Scorecard, the corporate plan, service planning and service redesign and review.

***Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability.***

The Council empowers its employees to be innovative and to find solutions to problems, but recognises that there are potential risks for the Council. Therefore, risk management is strong throughout the Council. As part of the Service Planning process, individual services develop their own risk registers and monitor controls. Significant and cross cutting service risks are amalgamated into the Corporate Risk Register. Every report presented to senior managers, panels, board and for key/executive decisions is risk assessed. The risk management process embraces best practice.

The Information Governance Framework which was introduced in November 2013 continued to be a key priority for the Council during 2015/16, ensuring that the guidance contained in the supporting documents was fully disseminated and embedded across all service areas. The Information Governance Group which was chaired by the Executive Director (Governance and Resources) ensured that the framework remained up to date and in line with the requirements of

the Information Commissioners Office, the regulatory body for enforcing the requirements of the Data Protection Act. Information Governance, Risk Management and Data Protection training is delivered via a range of media, including briefing notes, the Chief Executive's Briefing, the Wire, workshops, DVD's and E-Tutorials. Priority during 2015/16 was to ensure that all staff in appropriate roles undertook the Data Protection and Responsible for Information E-Tutorials.

***Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained.***

The Council has an Anti-Fraud, Bribery and Corruption Strategy: Statement of Intent as part of the constitution and all investigations are undertaken by Internal Audit. All investigations are conducted in line with the fraud response plan and operational guidance notes. The Standards Panel receives monthly reports on investigations underway to monitor progress and provide direction where appropriate. The Council continues to participate in the National Fraud Initiative, which is coordinated by Internal Audit and during a recent visit from the Cabinet Office, the work undertaken by the Council to investigate the matches identified was highly commended.

A whistleblowing policy is maintained and available on the Council's website.

***Ensuring effective management of change and transformation.***

Change and transformation are essential if cost effective and efficient services are to be delivered and savings targets achieved. A tried and tested service redesign process is in place to deliver a flexible workforce responsive to customer need.

The transformation agenda in health and social care as the Council moves towards an Integrated Care Organisation with the Tameside and Glossop Clinical Commissioning Group ('the CCG') and Tameside Hospital Foundation Trust ('THFT') has gathered pace during 2015/16 and we now have co-located teams working towards shared aims and objectives.

Tameside is the lead and chair of i-Network a self-sustaining local public sector improvement partnership with cross-sector membership from the North West, Yorkshire and the West Midlands. Membership has grown by 30% since 2010 with over 80 members sitting on Network Leadership Groups. In 2015 i-Network delivered 45 'What Works' events attended by nearly 2,000 delegates.

***Ensuring the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact.***

The financial management arrangements in place conform with the CIPFA statement and the service was managed by the Assistant Executive Director (Finance) the Council's Section 151 Officer up to 31 March 2016.

***Ensuring the Council's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit and, where they do not, explain why and how they deliver the same impact.***

The Council's assurance arrangements conform with the governance requirements of the CIPFA statement. The Head of Risk Management and Audit Services reported directly to the Assistant Executive Director (Finance), the Section 151 Officer and reported on a quarterly basis to the Audit Panel and the Greater Manchester Pension Fund Local board.

***Ensure effective arrangements are in place for the discharge of the monitoring officer function.***

The Executive Director (Governance and Resources) is the Monitoring Officer for the Council and the function is detailed in the Constitution. A Monitoring Officer Protocol is in place and detailed on the website.

***Ensure effective arrangements are in place for the discharge of the head of paid service function.***

The Chief Executive is the head of paid service and the role and function are detailed in the Constitution.

***Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.***

The Audit Panel does comply with the guidance issued by CIPFA and is regularly attended by our External Auditor. Training is assessed for members of the panel based on their existing skills and knowledge.

***Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.***

All reports to Senior Managers, Board, Panels, Working Groups, Council and for Key/Executive Decisions are subject to review by the Executive Director (Governance and Resources), the Monitoring Officer and the Assistant Executive Director (Finance), the Section 151 Officer. Internal Audit assesses compliance with internal policies on an ongoing basis and annually all members of the Executive Team (including the Director of Pensions) complete an assurance self-assessment, which includes questions on the above issues.

Standing orders, financial regulations and the scheme of delegation are all reviewed and updated regularly and presented to the Council for approval. All decisions of the Council are minuted and available on the website. Supporting procedure notes/manuals to manage risks and ensure consistency of approach are updated regularly and checked as part of the internal audit process.

The Medium Term Financial Strategy, the Budget Report and a detailed monitoring regime for both revenue and capital expenditure, together with the Section 151 Officer and Monitoring Officer ensures that expenditure is lawful. Officers of the Council are well trained, competent in their areas of expertise and governed by rules and procedures. Officers have regular supervision meetings to ensure that performance is satisfactory and the attendance at training seminars/courses ensures that officers are up to date with developments in their areas of expertise.

***Whistle-blowing and for receiving and investigating complaints from the public.***

The Council has a published Whistleblowing Policy on its public website and awareness and updates are provided in the Wire. Allegations received are investigated by either Internal Audit or the Monitoring Officer. Complaints are received and monitored via the Customer Relationship Management (CRM) system, which includes an automatic escalation process if response targets are breached.

***Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.***

Training needs are assessed using Annual Development Reviews for officers. The process takes into account the needs of the service and then identifies any gaps in the skills and knowledge of its workforce to enable it to meet its objectives. All training requirements are reviewed by

management and then compiled into service training plans, which are submitted to People and Workforce Development to inform and direct the provision of future training and development opportunities. Training for members is assessed on an annual basis and a programme of events is scheduled to ensure both local and national subjects are covered.

***Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.***

Significant improvements in the quality of life for our residents will only be achieved through effective partnership working. Working together through a shared vision for the future of the borough, to create a prosperous economy where people learn and achieve, feel safe and healthy and take active responsibility for their environment.

The Corporate Plan is the key document that communicates the vision for Tameside, and the delivery of the vision is supported by outcome specific networks, joint teams and partnerships.

In addition to the website, the Council has embraced social media (Facebook, Twitter and Instagram) as modern communication channels to endeavour to reach all sections of the community.

The Tameside Engagement Strategy sets out the way the Council will involve local people in shaping delivery of high quality services across the borough. It aims to help ensure that a co-ordinated and strategic approach to consultation and engagement is undertaken.

Consultation has continued using the Big Conversation which provides residents and service users the opportunity to express their views and opinions about the services they use and how they can be delivered in the future in light of the extremely challenging cuts faced by Tameside. Resident opinion surveys are also conducted to provide feedback from service users and residents.

Building on the success of the 2014 budget consultation process, the 2015 budget consultation was launched by the Executive Leader at the Full Council Meeting on 29 September 2015 and ran for 12 weeks closing on 22 December and feedback was presented to the Executive Cabinet/Overview (Audit) Panel on 10 February 2016 and built into the budget report that was presented to Full Council on 23 February 2016.

Accountability is demonstrated by the publication of the Statement of Accounts, the annual report in the Citizen Newspaper, the annual governance statement and the review of service plans and the People and Places Scorecard.

***Enhancing the accountability for service delivery and effectiveness of other public service providers.***

This role is performed both by the Scrutiny function and by Tameside Members who sit on outside bodies' committees. The Scrutiny function conducts reviews across Tameside which may call into account other public service providers like the NHS. Reviews conducted are reported to the scrutiny panels and the programme of reviews and reports are available on the scrutiny website together with an annual report. Members who represent the Council on outside bodies are ensuring that service delivery is effective, providing a challenge function and that the needs of Tameside are taken into account.

***Incorporating good governance arrangements in respect of partnerships and other group working as identified by best practice and reflecting these in the authority's overall governance arrangements.***

Good governance arrangements in respect of partnership working were established many years ago when the Tameside Strategic Partnership was created and those standards are still adopted today.



The continued successful delivery of outcomes by the various networks, joint teams and partnerships operating across Tameside to maximise the wellbeing and health of the people of the borough demonstrates that the arrangements in place are sound. Tameside has always promoted working with partners and this is recognised as 'The Tameside Way'. It is through our strong and long-standing partnerships, along with new ones that may develop in the future, that help us to produce solutions and real improvements for Tameside.

#### **4. Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Risk Management and Audit Service's Annual Report, and also by comments made by the external auditor and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following measures and actions:-

- The Council has adopted a planning and performance framework and carries out a programme of monitoring which runs throughout its annual cycle. This includes quarterly monitoring of all budgets, regular monitoring of Service Delivery Plans and the People and Places Scorecard.
- The Corporate Plan is refreshed regularly to take into account changes in circumstances and need. These reviews are influenced from the outcomes of the Business Days held between the Executive Cabinet and the Executive Team.
- The Capital programme is regularly monitored and reported to the Strategic Planning and Capital Monitoring Panel, Overview (Audit) Panel and the Executive Cabinet.
- The Executive Cabinet carries out its functions in accordance with responsibilities outlined in cabinet portfolios, which are detailed in the Council's Constitution. Several non-executive members are appointed to specific roles to assist Executive Members in the delivery of their particular areas of responsibility. All roles are assigned at the annual meeting of the Council.
- There is a well established Overview and Scrutiny function, which has been revised and updated in the light of experience. Scrutiny Panels review the work of the Council throughout the year; make a series of recommendations to Executive Cabinet, which then require a formal response and action as appropriate. There is a public website where the public can access completed review reports and annual plans and annual reports.
- To support delivery of the Medium Term Financial Strategy and be in a positive position to respond to the financial challenges facing the Council, a structured programme of service reviews/redesigns has continued during the year. The continuation of this work is necessary to ensure that we are in a strong position to manage and use our resources effectively to maintain good outcomes and achieve the level of savings required. Service areas are looking for new and innovative ways of doing things as well as working more closely with our partners. Given the magnitude of the tasks the Council faces, consultation via the Big Conversation has continued so that residents' views on any changes can be taken into consideration. Budget Assurance Statements were signed by all Executive Directors in February 2016 providing assurance that financial processes were in place within each directorate and that a robust set of savings plans are in place and a clear delivery plan has been drawn up.

- The Executive Directors have each reviewed the operation of key controls throughout the Council, from the perspective of their own directorates, using a detailed assurance self-assessment. They have provided a signed assurance letter and identified any areas for improvement, which will form the basis of an action plan to this governance statement.
- The Executive Director (Governance and Resources), the Monitoring Officer, carried out a continuous review of all legal and ethical matters, receiving copies of all agendas, minutes, reports and associated papers, and commented on all reports that go to members and when necessary taking appropriate action, should it be required.
- The Assistant Executive Director (Finance), the Section 151 Officer, carried out a continuous review of all financial matters, receiving copies of all agendas, minutes, reports and associated papers, and commented on all reports that go to members and when necessary taking appropriate action, should it be required.
- The Standards Committee is responsible for standards and probity, and receives regular reports from the Executive Director (Governance and Resources), the Monitoring Officer.
- The role held by the Assistant Executive Director (Finance) from 1 April 2015 conformed to the requirements of the five principles of the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government.
- The Audit Panel carries out an overview of the activities of the Council's risk management, internal audit and external audit functions. Members are provided with a summary of reports issued and their associated audit opinion. They approve the annual plans for each, and receive regular progress reports throughout the year. The Head of Risk Management and Audit Services presents to them an Annual Report and Opinion, and the External Auditor submits an Annual Audit Letter along with other reports during the year.
- The Internal Audit service provides a continuous review in accordance with the Council's obligations under the Local Government Act 1972, and the Accounts and Audit Regulations 2015. It operates under the Public Sector Internal Audit Standards and a self-assessment completed for 2015/16 shows that the service is fully compliant with all the standards, and the assessment was reported to the Audit Panel in May 2016.
- The Council's External Auditors review the activities of the Council and issue an annual opinion on the annual accounts and a value for money conclusion. Conclusions and significant issues arising are detailed in their report to those charged with governance.
- Progress on the further development areas identified in Section 5 are regularly reported to the Audit Panel throughout the year by the Head of Risk Management and Audit Services.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Panel, and an action plan to address further developments and ensure continuous improvement of the system is in place.

## **5. Significant Governance Issues**

No significant governance issues have been highlighted as a result of this review; however, areas for improvement arising from Internal/External Audit Reports and inspection reports have already been built into service area action plans and are monitored as part of the performance management framework.

Areas identified for further development include:-

- The ongoing level of change across the organisation, reduced resources and staff capacity to deliver the challenges faced by the Council is managed by ensuring that proper

governance procedures and risk management are in place to safeguard that the overall control environment is not adversely affected.

- As we move towards an Integrated Care Organisation it is critical that strong governance arrangements are in place to ensure that positive outcomes are achieved through robust systems and procedures, that are open and transparent and monitored accordingly.
- Vision Tameside, which is a multi-million pound project in partnership with Tameside College, is delivered in accordance with agreed milestones and that the risks to service delivery during the interim period are kept under review to minimise disruption to the people and businesses of Tameside so that together the mutual benefits of the project will be recognised and celebrated. It is also important to ensure that the benefits of the new building are realised in terms of different ways of working and reducing future running costs.
- Greater Manchester Pension Fund is working with other large metropolitan LGPS funds to create a £35 billion asset pool. Pooling of assets will provide greater scope to allow the funds to invest in major regional and national infrastructure projects such as airport expansion, major new road and rail schemes, housing developments and energy production growth, all driving economic growth and prosperity. Strong governance arrangements will need to be in place, underpinned by robust and resilient systems and procedures to ensure the desired outcomes are realised.

We propose over the coming year to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the improvements that were identified in our review of effectiveness and will monitor their implementation and operations as part of our next annual review.

Signed:



.....  
Councillor Kieran Quinn  
Executive Leader of Tameside MBC

Dated: 12 September 2016



Signed:



.....  
Steven Pleasant  
Chief Executive of Tameside MBC

Dated: 12 September 2016

This page is intentionally left blank

<b>Report To:</b>	<b>GMPF LOCAL PENSIONS BOARD</b>
<b>Date:</b>	13 October 2016
<b>Reporting Officer:</b>	Sandra Stewart – Executive Director, Governance, Resources and Pensions Euan Miller – Assistant Executive Director, Pensions (Funding and Business Development)
<b>Subject :</b>	<b>IMPLICATIONS OF CHANGES IN SERVICE DELIVERY</b>
<b>Report Summary:</b>	The numbers of participating employers in GMPF is continuing to increase rapidly. Further cutbacks in local authority budgets are likely to result in further outsourcing and an increase in applications for admitted body status. This rapid increase in the number of employers presents both administrative and funding challenges. This reports sets out some of these challenges and the mechanisms available to tackle them.
<b>Recommendation:</b>	To note the content of the report.
<b>Financial Implications:</b> <b>(Authorised by the Section 151 Officer)</b>	An increase in the number of admission bodies is likely to increase the rate at which the scheme matures and increase the shortfall of contribution income received compared to benefits paid out. This makes it more difficult for the Fund to withstand any sustained period of poor investment returns which could ultimately result in contribution rate increases.
<b>Legal Implications:</b> <b>(Authorised by the Solicitor to the Fund)</b>	Under the LPGS Regulations, employers who are contracted to carry out services previously provided by Scheme Employers (such as local authorities) are required to have their liabilities guaranteed by the relevant Scheme Employer. Should the Scheme Employer provide such a guarantee then the Fund are required under the regulations to admit the new employer.
<b>Risk Management:</b>	At the whole fund level an increase in the rate at which the scheme matures makes it more difficult for the Fund to withstand any sustained period of poor investment returns.  At the individual employer level, incidences of employer cessation are likely to increase. The Fund has various measures to protect itself against any employer incurring a cessation event whilst its sub-fund is in deficit.
<b>ACCESS TO INFORMATION:</b>	<b>NON-CONFIDENTIAL</b>  <b>This report does not contain information which warrants its consideration in the absence of the Press or members of the public.</b>
<b>Background Papers:</b>	The background papers relating to this report can be inspected by contacting Euan Miller, Assistant Executive Director – Funding and Business Development  Telephone: 0161 301 7141  e-mail: <a href="mailto:ewan.miller@tameside.gov.uk">ewan.miller@tameside.gov.uk</a>

## **1. INTRODUCTION**

### **1.1 The LGPS has two main types of employer:**

- Scheme Employers – required to admit new employees to the Scheme under the LGPS Regulations. Examples include local authorities, academy schools, further education colleges and certain universities.
- Admission Bodies – either “community admission bodies” that provide a public service and have a community of interest with a Scheme Employer or “transferee admission bodies” formed as a result of Scheme Employers outsourcing services. The employer is admitted to the LGPS by the signing of an ‘admission agreement’ setting out the terms and conditions of their participation.

1.2 The numbers of participating employers in GMPF is continuing to increase rapidly. At 31 March 2016 the Fund had around 470 contributing employers, about half of these being Scheme Employers, including around 200 academy schools. The number of admitted bodies includes the 21 Community Rehabilitation Companies (‘CRCs’) that joined GMPF as part of the probation service transfer. At any given time, GMPF can have as many as 70 admission applications in process.

1.3 Further cutbacks in local authority budgets are likely to result in further outsourcing and an increase in applications for admitted body status. We are also increasingly seeing ‘2nd generation outsourcing’, where non-local authority employers themselves outsource and subcontract services. A common example is academy schools outsourcing catering or cleaning services, where often the transfers involve only a couple of staff (often part time workers). The CRCs also subcontract services and this is expected to increase in future.

1.4 It is conceivable that the Fund could have in excess of 1,000 employers within 5 years. This rapid increase in the number of employers presents both administrative and funding challenges. It is important to note that these challenges are faced not just within GMPF but across the LGPS as a whole, although these issues are generally more acute in the larger ‘metropolitan’ funds.

## **2. THE ADMISSION PROCESS**

2.1 On transfers of employment, many LGPS employers are currently subject to the Best Value Authorities (Pensions) Direction 2007, in broad terms this requires for existing members of the Scheme to retain their membership or for ‘broadly comparable’ benefits to be provided via another arrangement. Membership can be retained by the employer receiving the transfer of staff applying to the LGPS for admitted body status.

2.2 On receiving an application to join the Fund from a prospective employer, GMPF will check that it meets the admission criteria set out in Schedule 2 to the LGPS Regulations. It is up to the employer to determine which members of their staff are eligible and supply a staff list to the Fund.

2.3 GMPF will then administer the benefits that these members earn in the Scheme, which will involve receiving contributions and membership data from their employer and paying the pensions and other benefits in accordance with the LGPS Regulations.

2.4 GMPF meets with employers when they join the Scheme to ensure the employer understands their duties as an employer.

- 2.5 If the new employer will be an 'admission body, then an admission agreement is signed by the ceding employer, the new employer and GMPF. The admission agreement sets out the terms and conditions of the new employer's participation in the Fund. This includes:
- Whether or not new employees will be allowed to join the Fund ('open' or 'closed' agreement);
  - Policy of recouping costs of early retirement, pay rises, transfer strains etc...
  - Events that may cause the agreement to terminate and what happens to the liabilities on termination.
- 2.6 The majority of admission bodies created via the outsourcing of services are likely to seek 'closed admission agreements', where new employees are not offered membership of the LGPS and over time the membership ages and the number of active members will reduce.
- 2.7 At the whole fund level this increases the rate at which the scheme matures and we are likely to see an increasing shortfall of contribution income received compared to benefits paid out. This makes it more difficult for the Fund to withstand any sustained period of poor investment returns, where assets may have to be realised at depressed prices.
- 2.8 At the individual employer level, incidences of employer cessation are likely to increase, both via employers' last active members leaving employment and employers ceasing to exist, for example as a result of an insolvency. The Fund has various measures to protect itself against any employer incurring a cessation event whilst its sub-fund is in deficit. These are covered in section 3 below.
- 2.9 The maturity and funding level of individual employer sub-funds are also likely to become increasingly diverse.

### **3. FUNDING GUARANTEES**

- 3.1 Under the LGPS Regulations, employers who are contracted to carry out services previously provided by Scheme Employers (such as local authorities) are required to have their liabilities guaranteed by the relevant Scheme Employer. Should the Scheme Employer provide such a guarantee then the Fund are required under the regulations to admit the new employer.
- 3.2 This guarantee protects the Fund from loss should an admission body's participation terminate. Often the Scheme Employer requires the admission body to take out a bond to cover the risk it is taking on by providing this guarantee.
- 3.3 Further comfort is provided to the Fund if admission bodies are 'pooled' with Scheme Employers such as local authorities for the purposes of calculating contribution rates and also, in some instances, the additional costs of early retirements.
- 3.4 The Best Value Authorities (Pensions) Direction 2007 is due to be superseded in the LGPS by the implementation of the Fair Deal Regulations. Under the current regime GMPF can refuse admission for prospective community admission bodies if it thought that admission would be detrimental to the other employers in the Fund. GMPF therefore requires a Scheme Employer to guarantee the admission bodies liabilities on termination. However, under Fair Deal it is likely that it will be a legal requirement for transferred employees to retain membership of the LGPS and GMPF may need to re-assess its policy on admission in light of this.
- 3.5 The Fund's Employer Funding and Viability Working Group periodically considers the Fund's approach in this area and the Fund's policies are set out in the Funding Strategy Statement which is updated at each actuarial valuation. The 2016 version of the Funding Strategy Statement is due to be consulted on with employers later this year.

#### **4. NEXT STEPS**

- 4.1 Officers continue to monitor the level of applications for admission and the implications for employers and report periodically to meetings of the Employer Funding and Viability Working Group.

#### **5. RECOMMENDATIONS**

- 5.1 The Board is asked to note the report.