

REPORT TO:	Pension Board 13 January 2022
SUBJECT:	Update on Progress of Governance Review
LEAD OFFICER:	Nigel Cook Head of Pensions and Treasury

1. RECOMMENDATION

- 1.1 The Board is asked to note the progress made in addressing the findings of the Governance Review.

2. EXECUTIVE SUMMARY

- 2.1 This document sets out the actions recommended by the latest report of the Governance Review and discusses how these will be achieved. The positive findings of the review are highlighted and the report illustrates how these recommendations serve to ensure there is clear separation between the Scheme Administrator and the Council, as an employer.

DETAIL

- 3.1 A governance review carried out by AON, the Fund's governance advisors, was commissioned by the Fund and its findings were reported in September 2019. It was envisaged that completion of the actions identified would be delivered over a 3-year period. A follow up review was carried out in June 2021. This report notes the success of the review and the positive reception from the Committee and from officers.
- 3.2 Members' attention is drawn to the significant positive actions already embedded in practices and progress made by officers in delivering the recommendations of the original review in 2019 and the latest review and should note that the pensions team are already actively working to address the remaining points covered by both reviews.
- 3.3 This latest review rated areas of practice considered as:
- positive – meets legal requirements, national guidance and good practice;
neutral – meets legal practice, in the main, but could be improved to meet good practice or national guidance;
negative – requires improvement as it does not appear to meet legal requirements or practices we consider key to good governance.
- 3.4 13 elements in the latest governance review were highlighted as positive. These included:

1. The latest Funding Strategy Statement was approved by the Committee in May 2021;
2. The Funding Strategy Statement has been updated to reflect the 2020 Amendment Regulations on exit credits and sets out the Administering Authority's policy on employer flexibilities;
3. The Investment Strategy Statement was updated in March 2020 in respect of the asset allocation strategy;
4. The Compliance Policy was approved by the Committee at their meeting on 17 September;
5. The Compliance Statement in Appendix B incorporates all the points from the 2008 guidance and was reviewed by the Pension Committee;
6. The Compliance statement was reviewed by the Pension Committee;
7. The latest version of the Communications Policy was approved by the Committee on 17 September 2019;
8. No improvements were required to the Administration Strategy when it was last considered in 2019. However, the Strategy is now currently under review and a revised version will be issued for consultation shortly;
9. The Risk Management Policy was reconsidered and approved at the 17 March 2020 Committee;
10. Following AON Hewitt's recommendation that a single Fund Knowledge and Skills/Training Policy was created, standardising the approach for all Fund stakeholders in accordance with the SAB and CIPFA requirements;
11. The new knowledge and skills policy was approved by Committee on 17 March 2020;
12. A business plan is in place; and
13. The governance structure was rated as good in the previous 2019 review so no action was needed.

- 3.5 The Pensions Committee of 3rd December 2021 agreed a number of actions. These are discussed below. Where appropriate these actions will be added to the existing Action Plan and Business Plan, included in the review of the Council's Constitution or considered in the light of services offered by the National LGPS Framework.
- 3.6 The first recommendation is to create a Head of the Pension Fund position, accountable directly to the Pension Committee and the S151 officer for all aspects of the Fund including governance, investment and pensions administration. This is in line with evolving good practice and is an approach adopted by a number of administering authorities. The staff restructure that followed the Report in the Public Interest created this post and the current post holder was moved into that role. This is a significant step to ensuring the separation between Pension Fund and Scheme Employer.
- 3.7 The second action is to appoint non-Council employer representatives to the Pension Committee. This requires an amendment to the Council's Constitution.
- 3.8 Next it was agreed to create an explicit policy on voting rights at the Committee. Again, as this is mentioned in the Council's Constitution an amendment to that document will be required.
- 3.9 The Committee also agreed that where services are provided by the Council, including the provision of payroll and meeting support services, to put in place service level agreements covering delivery times, volumes and price. This should

be a fairly straight forward matter and negotiations can begin when resources become available and this will be added to the Committee's Action Plan.

- 3.10 The Committee asked that a 3-year financial plan covering admin, fund management and other overhead costs be compiled. This features in the Business Plan that has already been adopted and which will be updated and monitored periodically.
- 3.11 The Committee further asked for the creation of bespoke procurement and recruitment policies for the Fund. This would serve the dual purposes of allowing the Fund to take advantage of the efficiencies available from accessing the National LGPS Framework and ensuring a clear separation between the Council and the Pension Fund. Furthermore the Council, as the administering authority should proactively consider the use of third party suppliers to increase the resources available to the Fund. The Council team has considerable experience of taking this approach in the past.
- 3.12 Next the governance arrangements should be changed so that the Fund Annual Report and Accounts be reported to the Pension Committee prior to being reported to the General Purposes and Audit Committee. The Democratic Services Team will advise on how this can be made to happen.
- 3.13 The Committee asked that all negative and neutral rated items in the latest AON report be included in an updated governance review action plan. The Pension Fund Governance team review this document periodically and so can action this recommendation in short order.
- 3.14 Finally there is a recommendation that a small annual allowance should be paid to Pension Board members to reflect the increasingly onerous skills and training requirements. This is supported by the Scheme Administer and will be submitted for consideration by the appropriate governance body.

4 DATA PROTECTION IMPLICATIONS

- 4.1 Will the subject of the report involve the processing of 'personal data'?

No.

Approved by: Richard Ennis, Interim Corporate Director of Resources (Section 151) and Deputy Chief Executive

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BACKGROUND DOCUMENTS & APPENDICES:

None