

REPORT TO:	Pension Board 7 July 2022
SUBJECT:	Review of Recommendations and Update on Progress of Governance Review
LEAD OFFICER:	Matthew Hallett, Acting Head of Pensions and Treasury

1. RECOMMENDATIONS

1.1 The Board is invited to review and comment on the recommendations of the Governance Review as agreed at the 13 April 2022 Pension Committee meeting and on the revised suggested list of recommendations which was formulated as a result of discussions between the Chairs of the Pension Board and Committee, The Head of Pensions, The Pensions Manager and the Fund governance advisers AON on 3 February 2022.

1.2 The Board are requested to note the progress made in addressing the findings of the Governance Review.

2. EXECUTIVE SUMMARY

2.1 This report sets out the recommendations of the Governance Review as agreed at the 13 April 2022 Pension Committee meeting and the revised suggested list of recommendations which was formulated as a result of discussions between the Chairs of the Board and Committee, The Head of Pensions, The Pensions Manager and the Fund governance advisers AON on 3 February 2022. The meeting was held following a request from the Board agreed at the meeting 13 January 2022 (Minute 10/20).

2.2 This report updates the Board on progress in addressing the actions recommended in the 2019 and 2021 Governance Reviews.

2.3 The Aon Governance Review dated August 2021 is included as an appendix to this report.

3. DETAIL

3.1 A governance review carried out by AON, the Fund's governance advisors, was commissioned by the Fund and the 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. Again, the actions arising from the report would form part of the work programme going forward.

3.2 Discussions between the Chairs of the Board and Committee, The Head of Pensions, The Pensions Manager and the Fund governance advisers AON took place on 3 February 2022 where a revised suggested list of recommendations was formulated as a result of their discussions. This list, including the items agreed at the 3 December 2021 and 13 April 2022 Pension Committee meetings plus the items from the 3 February 2022 discussions, is shown below and the items have been included in an action list. Comments on some items have been included as appropriate. The Board is now being asked to consider whether to request that the Committee amend the work programme in respect of any of the following:

1. 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. ***Although the Council staff restructure that followed the Report in the Public Interest created this post, the Treasury function is still carried out under the Pensions function.***

2. To appoint non-Council employer representatives to the Pension Committee. ***This requires an amendment to the Council's Constitution.***

3. 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. ***Negotiations can begin when resources become available and this will be added to the Committee's Action Plan.***

4. To compile a 3-year financial plan covering admin, fund management and other overhead costs. ***This features in the Business Plan that has already been adopted and which will be updated and monitored periodically.***

5. To review the operation of procurement and recruitment for the Fund. ***Support from the Council's procurement team is required.***

6. That the administering authority should proactively consider the use of third party suppliers to increase the resources available to the Fund. ***The Fund is using Hymans Robertson to assist with backlog work and continues to benefit from governance consultancy provision from AON. Additionally, Burges Salmon now undertake minute taking and legal comment for reports.***
7. That the Fund Annual Report and Accounts be reported to the Pension Committee prior to being reported to the General Purposes and Audit Committee ***These will be presented to the Committee in their meeting on 13 September 2022 which will satisfy this recommendation.***
8. To include all negative and neutral rated items in the latest Aon report into an updated governance review action plan. ***This has been done.***
9. That a small annual allowance should be paid to Pension Board members to reflect the increasingly onerous skills and training requirements. ***Officers are looking into how this can be achieved.***
10. Consider the progress already achieved against the original governance review actions and the new governance review actions at every alternate meeting of the Committee. ***This has been incorporated into the work programme.***
11. To create an explicit policy on voting rights at the Committee that shall include enfranchising the second pensioner rep and trade union rep whilst seeking advice on merits/demerits of increasing the number of Council members on the Committee so as to broaden experience of the Fund's activity across the Council. ***There is "an explicit policy" already contained in the Constitution Part 4.N 4.1 b. Therefore this would require an amendment to the Council's Constitution.***
12. That the Committee be provided with external advice on creating an appropriate governance structure which distances the Fund from the Authority including consideration of the SYPF Model.
13. That the Committee seeks an urgent external review of service delivery with respect to the pensions services team with suggestions of how to progress enhancement of service delivery to be enacted.
14. That the Committee ask that summons to meetings be made in a timely fashion and that hard copies of papers be provided in a

convenient fashion to those who request them (accepting that the cost of this will be charged to the Fund)

15. That the following recommendations from the Aon report be progressed with the following deadlines including:

- Reports to Committee to be provided by March 2022 on the Budget of the Administration and management of the Fund and impact in changes of resources and the impact of increases in workload as well as considering succession planning
- That the Chair of the Local Board write to the Chief Whips of current party groups to draw attention to the report's concerns about lack of continuity on the Committee and the Council representatives on the Board and that the outgoing Chair write in similar vein after the May 2022 municipal elections
- That the Committee recommends that the Council looks at appointing members to the Committee and the Board for a period of 4 years within the electoral cycle
- That any new Committee members will be given timely induction training to ensure they can constructively contribute to the management of the Fund as soon as possible, and that such induction training requirements, subject to monitoring officer advice on the legality of such obligations are clearly set out in the Fund's policy and that this is explained and facilitated for all new members on joining the Committee or Board ***An induction training session was provided for the Committee members on 7 June 2022. A training programme is being developed any includes induction training and provision of training to meet the requirements of the CIPFA framework. The Board Chair will provide induction training to new Board members.***
- Note that the Chair of the Committee shall be the representative on the LCIV Stakeholder Board and will now report back on a regular basis with information from the CIV
- The CIV relationship structures (in line with Aon's 2019 report) shall be proposed for inclusion in the Council's constitution, a report being expected by the Committee on this matter by March 2022
- As proposed in the Aon report, an investigation be made for the reasons for late papers coming to the Committee and Board and a report to be made to Committee by March 2022 on the processes that lead to papers being produced, their efficacy and legality, including the role of pre-agenda meetings
- That an external provider in LGPS matters is procured to draft a Conflict of Interests Policy for the Committee and the Board to be agreed by the Committee by March 2022 ***Officers have had a policy drafted for some while. They are continuing to liaise with other teams as the content needs to be considered in line with changes to the Constitution.***

- That the Committee will carry out a check on how the Fund complies with the recommendations of the Good Governance Review and where work will be required to ensure compliance by March 2023 **Some work on actions required by the Fund has already been undertaken. Officers will continue to progress actions required.**
- That the Committee is provided with an evaluation against the new TPR Code requirements in due course and will address areas of partial compliance and non-compliance in a timely manner **The TPR Code is still in draft form and has not yet been agreed. Officers have begun to look at the draft document and will complete a full assessment of Fund compliance and carry out actions to address requirements in due course.**
- That the Committee will require a report on the updated CIPFA Code of Practice and Framework for Officers, and Committee and action taken to address **A new Knowledge and Skills Policy was agreed by Committee at their meeting of 14 June 2022 which incorporated the CIPFA Framework requirements.**
- Breaches of the law policy to be updated by September 2022 **This is scheduled in the work plan for the September 2022 Committee meeting.**
- That the Committee receive a report on compliance with the Aon report on publication of the Funds policies and documents by September 2023
- That the Committee are concerned to learn that “officers are being required to address Council business which is impacting on their ability to address Fund activity” reflecting the recommendation 1.1.5.

3.3 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 note that the pensions team continue to work to address the remaining points covered by both reviews.

3.4 The 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.

3.5 **The following elements in the latest governance review were highlighted as positive:**

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 latest version of the Communications Policy was approved by the Committee on 17 September 2019;
7. 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;
8. The Risk Management Policy was reconsidered and approved at the 17 March 2020 Committee;
9. 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 the new knowledge and skills policy was approved by Committee on 17 March 2020;
10. A business plan is in place; and
11. The governance structure was rated as good in the previous 2019 review so no action was needed.

3.6 38 items were rated as neutral.

3.7 As at June 2022 29% of the neutral rating actions have been completed and a further 24% are in progress, making a total of 53% of actions having been progressed.

3.8 3 items were rated as negative: the Administering Authority Discretions Policy, the Fund Annual Report and Accounts 2019/20 and the Conflicts of Interest Policy.

1. The Discretions Policy was agreed by the Committee on 14 June 2022
2. The Annual Report and Accounts were reported to the Committee on 3 December 2021 however, as the Fund accounts form part of the Council accounts, they are unable to be signed off until the auditors sign off the Council accounts. For this reason this action remains as 'in progress' status.
3. At their meeting of 14 September, the Committee stated a desire for a Fund Conflicts of Interest Policy to be put before them. A policy has been drafted and officers are in consultation with other departments in respect of how this aligns with the revision of the Constitution in order to finalise the policy.

3.9 As at June 2022, 33% of the negative rating actions have been completed and a further 67% are in progress, making a total of 100% of actions having been progressed.

3.10 Of the original points on the 2019 Governance review, as at June 2022, 80% of the actions have been completed and a further 17% are in progress, making a total of 97% of actions either completed or in progress.

4 DATA PROTECTION IMPLICATIONS

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

No.

Approved by: Matthew Hallett, on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

CONTACT OFFICER:

Matthew Hallett, Acting Head of Pensions and Treasury,

BACKGROUND DOCUMENTS

None

APPENDICES:

Appendix A - Governance Review Report 2021