

Bath & North East Somerset Council

MEETING:	LOCAL PENSION BOARD - AVON PENSION FUND		
MEETING DATE:	27 May 2021	AGENDA ITEM NUMBER	12
TITLE:	GOOD GOVERNANCE REVIEW & FUND GOVERNANCE FRAMEWORK		
WARD:	ALL		
AN OPEN PUBLIC ITEM			
List of attachments to this report: Appendix 1 – Scheme of Delegation – Schedule Appendix 2 – Scheme of Delegation – Authorisations Appendix 3 – Terms of Reference for APF Committee & Investment Panel Appendix 4 – Governance Compliance Statement			

1 THE ISSUE

- 1.1 This report sets out a summary of the Scheme Advisory Board's (SAB) Good Governance Review and The Pension Regulator's (TPR) Single Code of Practice
- 1.2 It also provides an overview of the annual governance review undertaken by Committee in June.

2 RECOMMENDATIONS

- 2.1 That the Board notes the report

3 FINANCIAL IMPLICATIONS

- 3.1 There are no financial considerations as this report is for information only.

4 SAB GOOD GOVERNANCE REVIEW

- 4.1 The Scheme Advisory Board (SAB) launched the Good Governance Review in 2018 and appointed Hymans Robertson to examine the effectiveness of current LGPS governance models and to consider alternatives or enhancements.
- 4.2 The aim of the project is to further improve the high standards of governance and administration of the scheme on a consistent and measured basis across all 87 LGPS Funds, that will better match the standards expected by the Pensions Regulator.
- 4.3 On 15 February 2021, SAB published Good Governance: Phase 3 Report which was produced by the Hymans Robertson project team (<https://lgpsboard.org/index.php/projects/good-governance>). The Phase 3 report provides further details on some of the recommendations which will now be submitted to the Local Government minister for consideration. A timeline for implementation is then expected, but it is likely that the recommendations will

need to be in place by April 2022, with the first enhanced Governance Compliance Statement covering the period April 2022 to March 2023.

4.4 The Fund previously measured itself against the recommendations and is also seeking assistance from Hymans to ensure that there is an action plan for implementation according to the required timeline.

4.5 The additional requirements include:

- a) Introduction of an LGPS senior officer responsible for the delivery of LGPS activity for a fund.
- b) Enhanced governance compliance statement
- c) Conflicts of interest policy specific to the LGPS.
- d) Representation: policy on how scheme members and non-administering authority employers are represented on its committees.
- e) Skills and training: pension committee members and section 151 officers, to have the appropriate level of knowledge and understanding to carry out their duties efficiently as set out in a Fund specific training strategy policy.
- f) Service delivery: compulsory administration strategy and roles and responsibilities matrix.
- g) KPIs: defined service standards and governance in place to monitor those standards.
- h) Business planning process: resource and budget allocated to administer the LGPS each year.
- i) Biennial independent governance review

5 TPR SINGLE CODE OF PRACTICE

5.1 On 17 March 2021 The Pension Regulator (TPR) released a consultation on the first phase of its Single Code of Practice including a draft code. (<https://www.thepensionsregulator.gov.uk/en/document-library/consultations/new-code-of-practice>) This will become the code that is relevant for LGPS funds, replacing Code of Practice 14 and the parts of other codes that currently apply. TPR stated that the existing format of multiple separate codes created duplication, were difficult to navigate and created some confusion about which codes applied to which schemes.

5.2 The new code of practice will be introduced in phases. The draft currently available comprises 51 web-based modules which will replace 10 of the existing codes and incorporate some new elements. As the new code applies to all types of schemes covered by TPR, the modules are signposted to make it clear which type of scheme they are relevant to. There is an appendix which provides a full break down of the modules and confirms whether they are existing guidance, new guidance or best practice and to which schemes they relate.

5.3 The remaining codes will be added to the consolidated Single Code of Practice in future phases, although the outstanding codes are not relevant to the LGPS. There will be a project to bring TPR guidance into line with the new Code starting later in 2021.

5.4 Some of the newer elements are:

- a) **Use of the term 'Governing bodies'** – TPR has broadened its reference to those governing pension arrangements from the usual 'trustee' to recognise

that those managing occupational pension schemes are a broad spectrum e.g. managers of personal pension schemes, and managers and pension boards of public service schemes. The code does however endeavour to make clear when a requirement is applicable to a particular governing body e.g. where it is a requirement for local pension board members in particular.

- b) **Cyber Security** - Whilst TPR has existing guidance available on cyber security, this topic has not previously featured in a Code of Practice. To ensure more schemes address this pressing issue there will now be direct expectations for LGPS funds.
- c) **New areas for the LGPS** - There are 12 areas which are flagged as new for Public Service Schemes and another 4 which are recommended as best practice. Among the more notable are the module on transfers and scams, which when considered alongside cyber security show TPR is expecting that all schemes have robust processes in place to protect members. TPR has also flagged the modules on Investment Governance and Investment Monitoring as being best practice for the LGPS.

5.5 The consultation closed on 26 May 2021 and the new code is expected to come into force by the end of 2021. Schemes will have 12 months from the effective date to ensure they are acting in accordance with the requirements.

5.6 The Fund has responded to the consultation and will review current processes against the new code. It will also consider the code in the context of the SAB's Good Governance review as part of a joined up project.

6 APF ANNUAL GOVERNANCE REVIEW

6.1 Annually in June the Avon Pension Fund Committee review its governance arrangements as follows:

6.2 Members are reminded of the roles and responsibilities of members, advisors and officers of the Avon Pension Fund and the governance framework for the Fund as a whole.

1.1 Approve the Scheme of Delegation (Appendix 1 & 2) which sets out how the Committee delegates some of its responsibilities to Officers. The Schedule details the responsibilities delegated, and the authorisation list sets out who is authorised and the limit of transaction they can authorise.

6.3 Approve the Terms of Reference for the Committee and Investment Panel set out in Appendix 3.

6.4 Approve the Governance Compliance Statement set out in Appendix 4.

6.5 Invites members to nominate themselves to the Investment Panel. The term of appointment to the Panel is for one year; however, given the nature of the Panel's work, it is not expected that the membership will alter from year to year.

6.6 Members are invited to nominate themselves as the Fund's representative on the Local Authority Pension Fund Forum.

6.7 Members are requested to give delegated powers to Officers and the Chair to draft the Annual Report to Council on Committee activity in the past twelve months.

6.8 It should be noted that the appendices are the documents approved in 2020 as the amended versions for the June committee were not finalised in time for this meeting.

7 RISK MANAGEMENT

7.1 An effective governance structure, defining clear responsibilities, and ensuring that the decision making body has an adequate level of knowledge and access to expert advice, is a key aspect of the risk management process.

8 EQUALITIES STATEMENT

8.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

9 CLIMATE CHANGE

9.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council’s Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and has addressed this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

10 OTHER OPTIONS CONSIDERED

10.1 None

11 CONSULTATION

11.1 The Council's Monitoring Officer and Section 151 Officer have had the opportunity to input to this report and have cleared it for publication

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Background papers	None
Please contact the report author if you need to access this report in an alternative format	