

## **Chairman's Summary**

Welcome to the Annual Report of the Local Pension Board (The Board) of Avon Pension Fund.

The purpose of the Board is to assist the Administering Authority (BANES Council) of the Avon Pension Fund (The Fund) comply with the LGPS regulations and requirements of the Pensions Regulator (TPR) to ensure efficient and effective governance and administration of the fund.

This report covers the period 1<sup>st</sup> August 2022 to 31<sup>st</sup> July 2023 within which the Board has held three formal meetings plus an informal workshop to discuss the performance of the Fund's administration and service improvement plans.

The Board has focused on the Fund's operational arrangements which have been delivered in a mix of virtual and office working. The Board welcomed the news in October 2022 that the Fund would have a dedicated working area in the Civic Centre which is allowing more collaboration, with teams having the opportunity to work, support and train each other face to face.

Concerns have been raised by the Board over service performance and a key priority has been to allow sufficient time in meetings to discuss the Fund's change programme and service improvement plans. This includes the restructure of the service to maximise digital services and improve KPIs, with the vital objective of ensuring that the Fund delivers a good service to members and employers. It also acknowledges the challenges the Fund faces with ongoing recruitment and retention and has welcomed steps put in place to address the issues.

With the support of Fund officers, the Board has made good progress fulfilling its terms of reference and continuing to support the administering authority in its statutory duties. During this period members of the Board have developed their knowledge and understanding of the LGPS and governance arrangements as required by law. All members' have now committed to study the Hyman's Online Learning Academy and as Chair I have asked all Board members to refresh their knowledge of the modules on an annual basis.

Over the year a wide range of LGPS regulations have been reviewed and regular updates received on pooling arrangements with the Brunel Pensions Partnership as well as updates on the Fund's investment strategies including progress towards climate change targets.

In December 2022 the Board was pleased to welcome representatives of the Fund's external auditors, Grant Thornton, and internal auditors to personally present their audit findings and provide Board members with an opportunity to ask questions directly. It was reassuring to note that no significant issues were found and all internal audits received a substantial assurance rating.

Looking ahead the Board will continue to assist and support the Fund concentrating on a specific area of administration or governance at each meeting. However, as a critical priority they have requested an update on the Fund's change programme and service improvement plans at each meeting. Members have also requested additional engagement between meetings. These will be informal workshops to focus on a particular subject outside of the formal meetings.

Last but not least could I thank my fellow Board members for their commitment to their roles on the Local Pension Board and I commend this report to you.

Nick Weaver  
Independent Chair

## 1. Local Pension Board Members

The requirement for an Independent Chair and Board Membership of three employer representatives and three member representatives was outlined in the terms of reference to the LPB which were agreed by full BANES Council on the 15<sup>th</sup> January 2015.

Member Type	Active/Retired	Member Name	Date of Appointment	Date of Term End	Extensions This Year
Chairman		Nick Weaver	01/11/19	29/10/23	
Employer Representative	Active	Steve Harman	01/07/15	30/06/23	30/06/25
Employer Representative	Active	Tony Whitlock	01/05/16	01/05/24	
Employer Representative	Active	Stuart Anstead	01/12/21	30/11/25	
Member Representative	Retired	David Yorath	01/07/15	30/06/23	30/06/25
Member Representative	Retired	Helen Ball	01/03/20	28/02/24	
Member Representative	Retired	Alison Wyatt	01/05/22	30/04/26	

### Attendance at Local Pension Board Meetings – August 2022 – July 2023

Role	Board Member	Attendance
<b>Independent Chairman</b>	Nick Weaver	3/3
<b>Employer Representative</b>	Steve Harman	3/3
	Tony Whitlock	1/3
	Stuart Anstead	1/3
<b>Member Representative</b>	David Yorath	1/3
	Helen Ball	3/3
	Alison Wyatt	3/3

## **2. Training**

### **Background**

In accordance with the Pension Regulator (TPR) guidance every member of a Local Pension Board must:

- Be Conversant with the rules of the local government pension scheme (LGPS) &
- Have knowledge and understanding of the law relating to pensions

These responsibilities begin from the date the Board member takes up their role. The knowledge and understanding requirements apply to every individual member of a Board rather than as a group.

### **Degree of Knowledge and Understanding**

The legal requirement is that members of the Board must be conversant with the rules of the LGPS and any document recording policy about the administration of the fund. This is implied as a working knowledge so that members are aware of which legislation/policies to refer to when carrying out their role.

### **Areas of Knowledge and Understanding**

Board Members should be conversant with, but not limited to the following areas:

- a) Scheme approved policies
- b) Risk assessment/management
- c) Scheme booklets/members communications
- d) Role of Board Members and the scheme manager
- e) Policies in relation to discretions
- f) Communications with scheme members and employers
- g) Key policy documents on administration, funding and investment

### **Training Undertaken**

During the year on-going technical training was provided to Board members by officers from or advisors to the Fund on a full range of topics covering the LGPS framework and TPR requirements.

All members have been studying the Hymans LGPS Learning Academy to improve knowledge and understanding as recommended as part of the SAB's Good governance review and in line with upcoming agenda items.

Throughout the year members attended various seminars and conferences such as CIPFA's Pension Board autumn & spring events, LGE's Trustee Fundamentals and Governance Conference plus Brunel Investor Days. These events help to broaden understanding of topics of relevance to the LGPS and the role of a pension board member.

The Board's training plan is a topic at each board meeting and a training log is maintained to assist in the identification of on-going training needs.

### 3. Review of Areas Covered in 2022/23 & Recommendations Made

Over the last year of operation of the Board was focussed on key administration and governance themes of KPIs, legal compliance, risk management, and best practice as well as monitoring the developments connected to asset pooling and the Brunel Pensions Partnership. A summary of the areas covered is as follows: –

Review of LPB Arrangements	Review of Pension Fund Activities	Review of Pension Fund Administration	Independent Assurance
<p>Review of LPB Terms of Reference, Code of Conduct, Conflicts of Interest, Breaches</p> <p>Review of Training Requirements</p> <p>Review of Work Plan</p>	<p>Review of Avon Pension Fund Committee &amp; Investment Panel Minutes &amp; governance arrangements</p> <p>Review of Brunel Oversight Board</p> <p>Review of Funding Strategy Statement</p> <p>Review of Investment Strategy Statement</p> <p>Review of Scheme Employers &amp; Admitted Bodies</p> <p>Review of Business Continuity</p>	<p>Review of Compliance Reports &amp; legal timeframes at all meetings</p> <p>Review of Risk Register at all meetings</p> <p>Review of Service Plan annually</p> <p>Review of Statutory Annual Requirements eg ABSs &amp; PSS</p> <p>Review of regulatory projects eg McCloud remedy &amp; Dashboard implementation plans</p> <p>Review of Annual Report</p>	<p>Review of TPR, SAB &amp; CIPFA external benchmarking exercises</p> <p>Review of External Audit plan and reports</p> <p>Review of Internal Audit plan and reports</p> <p>Hymans' gap analysis of requirements of the SAB's Good Governance Review</p>
Meeting	Area	Key Outcomes/Actions/Minutes	
4 October 2022	<ul style="list-style-type: none"> <li>Brunel Update</li> <li>Funding Strategy Statement</li> <li>Admin Strategy Update.</li> <li>Pension Fund Administration</li> <li>CIPFA Reporting</li> <li>Risk Register Update</li> <li>Pension Board's Annual Report</li> <li>PB's Workplan &amp; Training Plan</li> </ul>	<p><a href="http://vm-civ-mgov/ieListDocuments.aspx?CId=563&amp;MId=6275&amp;Ver=4">http://vm-civ-mgov/ieListDocuments.aspx?CId=563&amp;MId=6275&amp;Ver=4</a></p> <p>The Board:</p> <ul style="list-style-type: none"> <li>Approved the Funding Strategy Statement 2022 and determined that it was compliant with LGPS Regulations 2013 and CIPFA guidance.</li> <li>Supported the decision to take part in the CIPFA Benchmarking exercise for another year</li> <li>Approved the Pension Board's annual report</li> </ul>	
8 December	<ul style="list-style-type: none"> <li>External Audit Findings</li> </ul>	<p><a href="http://vm-civ-mgov/ieListDocuments.aspx?CId=563&amp;MId=6202&amp;Ver=4">http://vm-civ-mgov/ieListDocuments.aspx?CId=563&amp;MId=6202&amp;Ver=4</a></p>	

2022	<ul style="list-style-type: none"> <li>• Brunel Update</li> <li>• Summary of Liquidity Profile</li> <li>• Annual Report &amp; Summary of Accounts</li> <li>• Internal Audit</li> <li>• Cyber Security Assessment</li> <li>• Annual review of data and regulatory breaches</li> <li>• Review of statutory annual requirements (year end/ABS/PSS)</li> <li>• Update on Legislation</li> <li>• Risk Register Update</li> <li>• PB's Workplan &amp; Training Plan</li> </ul>	<p>The Board:</p> <ul style="list-style-type: none"> <li>• Were satisfied with assurances from internal and external auditors on audit findings and responses.</li> <li>• Requested regular risk management and audit updates on the review of APF Cyber Essentials.</li> <li>• Requested that pre-mitigation scores were add to the risk register and for further clarification on the scoring mechanism.</li> </ul>
23 May 2023	<ul style="list-style-type: none"> <li>• Administration Update covering: <ul style="list-style-type: none"> <li>➤ Current service including KPIs</li> <li>➤ TPR DIP</li> <li>➤ Service Improvement &amp; Change Programme</li> </ul> </li> <li>• Technical &amp; Compliance Update</li> <li>• Risk Register</li> <li>• Investment &amp; Funding Strategy Update</li> <li>• Workplan / Training Plan</li> </ul>	<p><a href="http://vm-civ-mgov/ieListDocuments.aspx?CId=563&amp;MId=6356&amp;Ver=4">http://vm-civ-mgov/ieListDocuments.aspx?CId=563&amp;MId=6356&amp;Ver=4</a></p> <p>The Board:</p> <ul style="list-style-type: none"> <li>• Requested a regular update on the Administration Service Improvement Plan</li> <li>• Noted the outcome of the actuarial valuation</li> <li>• Noted the revised investment strategy</li> </ul>

#### 4. Forward Plan for 2022/23

The work plan for the next 12 months is detailed as follows and will be kept under regular review.

AGENDA ITEM	06/09/23	07/12/23	20/02/24	12/06/24
<b>Board Governance</b>				
Terms of Reference (Governance) review	X			X
Code of Conduct/ Conflicts of Interest policy				X
Work Plan (to be dynamically updated)	X	X	X	X
Annual budget setting and monitoring				X
Training Plan (to be updated as required)	X	X	X	X
Annual Report to PC and Council approval	X			
<b>Scheme and Fund Governance</b>				
Legal, policy, regulatory developments		X	X	X
Minutes PC, IP, BOB	X	X	X	X
Annual Service Plan				X
Risk Register review	X	X	X	X
Governance Review	X			X
TPR Code 14 Compliance updates	X	X	X	X
Internal Audit plan/reports on APF		X		
External Audit Governance Report and Accounts		X		
<b>Funding/Investments</b>				
Investment & Funding Strategy	X		X	
Climate change & progress on net zero targets	X	X		
<b>Benefits Admin/Comms</b>				
Admin Strategy Review	X	X	X	X
Fund and employers' compliance/TPR reporting	X	X	X	X
Breaches policy/register/TPR reporting		X		
GDPR compliance		X		
Record keeping, data security, business recovery		X		
ABS process annual review		X		
Admin performance benchmarking	X		X	

#### 5. Pension Board Training Plan

Training Plan	Type of Training	Date planned / delivered
Trustee Fundamentals	Seminar	Autumn 2023
Brunel Investor Days	Seminar	Autumn 2023
Governance Conference	Conference	January 2024
Hymans' LGPS Online Learning Academy	Online modules	2023/24
Climate Change Workshop	Workshop	Autumn 2023

## **6. Pension Board Costs & Budget**

In meeting the requirements of the Public Sector Pension Act (2013) and establishing a Local Pensions Board, Bath & North East Somerset approved terms of reference and necessary supporting arrangements at its meeting of its full Council on the 15<sup>th</sup> January 2015.

The LPB agrees a budget on an annual basis to enable the Board to perform its duties and a summary of the costs is included below:

### **Summary Financial Table**

<b>Budget Area</b>	<b>2022/23 Budget</b>	<b>2022/23 Actual Spend</b>
LPB Members Allowances	<b>£8,160</b>	<b>£4,342</b>
LPB Members Training Costs & External Support	<b>£6,120</b>	<b>£1,175</b>
Pension Board Recruitment	<b>£25,500</b>	<b>£0</b>
LPB Meeting & Democratic Services Costs	<b>£6,120</b>	<b>£1,390</b>
<b>Total</b>	<b>£45,900</b>	<b>£6,907</b>

As with all elements of the public sector there is exceptional pressure to ensure value for money can be demonstrated and the Board will continue to consider this in its future operations.

## **Appendix 1 - Legal basis of Local Pension Board**

### **Specific Role and Purpose**

The Public Sector Pension Act 2013 sets out the requirements for the establishment of a Local Pension Board with the responsibility for assisting the LGPS local scheme manager (BANES) in relation to the following:

- a) Securing compliance with the regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation and:
- b) To ensure the effective and efficient governance and administration of the Scheme.

The Board assists the 'scheme manager' by monitoring and advising on compliance with the pension scheme regulations, along with all other legislation and the requirements imposed by the Pensions Regulator to ensure the effective and efficient governance and administration of the scheme.

The role of the Board can be likened to that of a "critical friend" but is not a decision making body. It has an important advisory role for the APF and works with the Pensions Committee to scrutinise its decision making processes and to ensure the Fund's compliance with all its legislative requirements.

### **The Pension Regulator (TPR)**

The Pension Regulator has responsibility for the LGPS. Therefore, one focus for the Board is ensuring the fund's compliance with TPR Codes of Practice. This is split into several areas which covers governance, risk management and resolving issues.

The Board as part of their work plan has needed to consider these areas, to ensure the Fund is compliant and if not to make recommendations to the APF Pensions Committee to address these requirements.

### **Code of Conduct & Conflicts of Interest**

All Board members have signed up to BANES Council's Code of Conduct policy, which emphasises that as a holder of public office there is an expectation that Board members will comply with the 'seven principles of public life', also known as the 'Nolan Principles'.

All Board members have also signed up to the Fund's Conflicts of Interest Policy. This requires all members to notify the Fund of any potential conflict of interest arising as a result of their position on the Board.

All meetings of the Board include a standing item titled 'Declaration of Interests' at the start of the meeting where any declaration in relation to the items on the agenda should be made.

All Board members have formally completed their declaration of interest forms. For more information on conflicts of interest and declarations at each meeting please use the following link –

<https://democracy.bathnes.gov.uk/mgCommitteeDetails.aspx?ID=563>

### **Terms of Reference**

Terms of Reference for the LPB are available through the following link to the Avon Pension Fund website: <https://www.avonpensionfund.org.uk/pension-board>



## **Appendix 2 - Risk Management**

Risk management processes for the Fund follow the framework laid down by the LGPS administering authority (BANES Council) as well as CIPFA guidance. The Fund's Risk Register identifies the significant risks that could have a material impact in terms of value, reputation, compliance or provision of service and sets out the mitigating action taken to manage down each risk.

The Register is reviewed regularly and the key risks fall into one of the following categories –

- (i) Failures in the fund administration & control of operational processes and strategic governance processes and TPR compliance
- (ii) Service delivery partners not delivering in line with their contracts or SLAs
- (iii) Financial loss due to payments in error, loss of assets due to investment strategy and/or managers failing to deliver required return, fraud or negligence of investment managers or custodian
- (iv) Changes to the LGPS nationally and increasing political pressure to reform the scheme structure, governance frameworks and to centrally direct investment decisions

The LPB's ongoing review of the risk register concurred with the Pensions Committee that the top risks facing the fund revolve around –

- Ability to deliver the service to agreed standards, including recruitment and retention of staff
- Failure to achieve decarbonisation targets ie Climate change
- Delivering the future funding & investment strategies
- Brunel fails to deliver client objectives
- Employers unable to meet financial obligations to the Fund
- Data Protection & Cyber Security

The Fund continues to invest significantly in systems and resources to ensure the risks are managed effectively and resilience is built into the service and the arrangements in place are supported by external and internal audit reviews.

The Board has actively engaged on the key risks facing the Fund and supports increases in resources to mitigate some of these risks as well as discussing issues around capacity, skills gaps and recruitment and retention.

The Board will continue to ensure that a review of the funds risk register will remain a regular agenda item at each meeting.

## **Appendix 3**

### **Local Pension Board Compliance with the Pension Regulator's Code of Practice**

In 2021 Internal Audit carried out a governance review against the requirements of TPR's Code of Practice and their report is available via the following link <http://vm-civ-mgov/ieListDocuments.aspx?CId=563&MId=5944&Ver=4>

Overall, the control framework in place and operating for the management of the 'Governing your Scheme' section of Code of Practice 14 was found to be effective and given an assurance rating of "**Substantial Assurance**". A total of 3 audit recommendations, and 1 area of good practice, are detailed in the Action Plan.

#### **Amongst the strengths identified were:**

- The Terms of Reference for the Pension Board can be found in The Council's constitution.
- Pension Board members are asked to declare any conflicts of interest at the start of each meeting. This is recorded in the minutes of the meeting.
- Members are expected to observe the general principles of conduct identified by the Committee on Standards in Public Life (Nolan Principles) and signed declarations can be evidenced.
- There are more than four participants, on the Pension Board, with an equal split between employers and members. This structure complies with the requirements of the Local Government Pension Scheme regulations.
- When new members to the board are appointed, they are provided with detailed training material as well as attend an induction training session. Attendance at the training was 100% for new members.
- A "Training and Attendance" log is maintained and kept up to date.
- The Pension Board's work plan and training plan forms part of the standard Pension Board agenda.
- There are several communication channels to inform and educate Board Members, such as a the LGE monthly bulletin that explains any regulatory updates and changes to the scheme, LGPS regulatory update is a standard agenda item for Pension Board meetings, Invitations and attendance at LGPS seminars and workshops.

#### **The following weaknesses were identified:**

- Internal Audit was informed that all original members have completed the Pension Regulator's Toolkit, but this could not be evidenced for all members.
- One out of three new Board Members had not completed a Register of Interest Form and signed a declaration that they agree to abide by the Code of Conduct.
- An Independent Officer has not provided assurance that the declarations are not in conflict based on the interest declared and the members responsibility.

#### **Internal Audit also identified the following opportunity**

- A checklist should be developed that would enable measurement of the Pension Board's governance arrangements, including the requirements of COP-14, against governance best practice.

Following the audit an annual governance check was put in place to capture the requirements of the audit recommendations. This is now an annual standing item on the Board's agenda.