

Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	15 December 2023
TITLE:	GOVERNANCE UPDATE
WARD:	ALL
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report:</p> <p>Appendix 1 – Risk Register</p> <p>Appendix 2 – Risk Register Framework and High Level Summary</p> <p>Appendix 3 – Committee Work Plan</p> <p>Appendix 4 – Investment Panel Work plan</p> <p>Appendix 5 – Training Programme</p> <p>Appendix 6 – Service Plan Monitoring</p> <p>Appendix 7 – IA Report plus appendices 7(1), (2), (3), (4)</p>	

1 THE ISSUE

- 1.1 Attached to this report is:
- 1.2 The risk register which has been reviewed and updated and is attached as appendix 1 and 2.
- 1.3 The work plan for the Committee (Appendix 3) the Investment Panel (Appendix 4) and the provisional training programme for 2023 is included as Appendix 5.
- 1.4 The quarterly monitoring report for the Service Plan is also attached as Appendix 6. This now incorporates the administration change programme projects.
- 1.5 Internal audit have presented their findings for the year to the Pension Board in December and the reports are attached (Appendix 7) for noting.

2 RECOMMENDATION

- 2.1 That the committee:
 - 2.1.1 Notes the Committee & Investment Panel workplans, training programme.
 - 2.1.2 Notes the service plan.
 - 2.1.3 Notes the risk register.
 - 2.1.4 Notes the findings set out in the Internal Audit report.

3 FINANCIAL IMPLICATIONS

- 3.1 There are no financial considerations to consider. The cost of the LGPS Online Learning Academy licences is within the budget already agreed.

4 THE REPORT

4.1 Workplans

- a) The purpose of the work plans is to provide members with an indication of their future workload and the associated timetable. In effect they represent an ongoing review of the Service Plan. The plans are however subject to change to reflect either a change in priorities or opportunities / issues arising from the markets/regulations.
- b) The service plan monitoring (Appendix 6) currently includes ongoing projects and now includes the Administration Change Programme

4.2 Training Programme

The provisional training programme for 2023 is also included as Appendix 5, so that Members are aware of intended training sessions and workshops. The plan will be updated quarterly.

4.3 Hymans LGPS Online Learning Academy (LOLA)

- 4.3.1 In order to meet the additional knowledge and skills requirements of SAB's Good Governance Review the Fund has introduced Hymans LGPS Online Learning Academy (LOLA).
- 4.3.2 Committee members have agreed to complete all training modules within twelve months of becoming a Committee member and repeat the completion of the modules every three years.
- 4.3.3 The training is split into a number of modules covering the CIPFA Knowledge & Skills Framework.
- 4.3.4 The modules are set out below:
 - a. Committee Role & Pensions Legislation
 - b. Pensions Governance
 - c. Pensions Administration
 - d. Pensions Accounting and Audit Standards
 - e. Procurement & relationship Management
 - f. Investment Performance & Risk Management
 - g. Financial Markets & Products
 - h. Actuarial Methods, Standards & Practices
 - i. Current Issues
- 4.3.5 The schedule for completion of the modules is contained within the training programme (Appendix 3) for members who have not already completed the previous version.

4.4 RISK REGISTER

- 4.4.1 The Fund has in place a documented risk management policy setting out the Fund's approach to risk, process for review and update of the risk register. It also sets out the roles and responsibilities of all those involved in the management of risk within the Fund including the role of the Pension Board and Pension Committee.
- 4.4.2 The risk framework to assist risk owners to assess the risk and score is attached as appendix 2.

4.4.3 A high level matrix showing the distribution of risks by score is attached as appendix 2.

4.4.4 The complete risk register is attached as appendix 1.

- The risk register identifies risks which could have material impact on the APF in terms of service, value, reputation, or compliance. It also sets out mitigating actions.
- The risk register is reviewed quarterly by APF management and reported to the Pension Committee and Pension Board every quarter.
- All risks are also reviewed quarterly or when there has been a material change to the risk.
- Risks fall into the following categories, owned by the relevant member of the APF management team:

Category of Risk	Risk Owner
Administration	Pensions Manager
Regulatory	Technical & Compliance Advisor
Governance	Governance & Risk Advisor
Employers (Funding)	Funding & Valuation Manager
Employers (Data)	Employer Services Manager
Investments	Investments Manager
Finance	Finance & Systems Manager

4.5 Quarterly Review of Risk Register

4.6 Following the quarterly review of the risk register, one new risk has been identified and there are two changes to the current risk score.

4.7 NR18 - A new risk has been added to capture reputational risk to the Fund. Unforeseen events or service issues leads to reputational damage to the Fund amongst its stakeholders. This risk has been considered and mitigating actions are set out in the risk register.

4.8 NR04 – Governance of the Fund is not in accordance with APF policies and internal controls are not adequate. This risk has been increased from medium impact and unlikely (6) to high impact and likely (16) following the non-payment of pension increases to some members. The risk has been increased while the incident is fully investigated, and Internal Audit have been asked to review payroll procedures and internal controls for year-end processes.

4.9 NR08 - Employers unable to meet financial obligations to Fund. In the current economic climate the risk of employers being unable to meet financial obligations to Fund is elevated. There has been an increase in S114 notices issued by councils nationwide and Higher Education employers are particularly constrained as fees are fixed but costs have increased due to inflation. The Fund has no specific information about employers being unable to meet financial obligations and has strong covenant management and information gathering processes in place as a mitigation.

4.10 The other most critical risks are currently:

4.11 NR01 – Ability to deliver admin service to members and employers within agreed standards. The current factors impacting this risk are set out in item 13 – Pension Fund Administration report.

4.12 NR06 – the likelihood of a cyber attack remains a high risk due to the recent high profile attacks in the public domain. The Fund is currently implementing further audit actions around staff awareness and education and will shortly carry out a review of its business continuity plan.

4.13 **Internal Audit Findings**

Internal Audit presented their findings to the Pension Board on 7th December along with the external auditor report. The Pension Board meeting report is attached as appendix 7 with the full audit reports attached as appendix 7 (1), (2) & (3). The external auditor’s report is attached as appendix 7 (4).

5 FUTURE MEETING DATES

5.1 Pension Committee meetings as currently scheduled:

2024	2025
22 March	28 March
28 June	27 June
20 September	26 September
13 December	12 December

5.2 The provisional dates for the Investment panel meetings are:

2024
27 February
5 June
5 September
26 November

6 RISK MANAGEMENT

6.1 Forward planning and training plans form part of the risk management framework.

7 EQUALITIES STATEMENT

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

8 CLIMATE CHANGE

8.1 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 is addressing this through its strategic asset

allocation to Paris Aligned Global Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

9 OTHER OPTIONS CONSIDERED

9.1 None.

10 CONSULTATION

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

Contact person	Carolyn Morgan, Governance and Risk Advisor 01225 395240
Background papers	None
Please contact the report author if you need to access this report in an alternative format.	