

<b>Bath &amp; North East Somerset Council</b>	
MEETING:	<b>AVON PENSION FUND COMMITTEE</b>
MEETING DATE:	<b>27 June 2025</b>
TITLE:	<b>FUND GOVERNANCE FRAMEWORK</b>
WARD:	<b>ALL</b>
<b>AN OPEN PUBLIC ITEM</b>	
<p>List of attachments to this report:</p> <p>Appendix 1 – Terms of Reference for Committee &amp; Investment Panel</p> <p>Appendix 2 - Governance Compliance Statement</p> <p>Appendix 2a – Representation Policy</p> <p>Appendix 3 - Scheme of Delegation Authorisations List</p> <p>Appendix 3a - Scheme of Delegation Schedule</p> <p>Appendix 4 – Decision Making Matrix</p> <p>Appendix 5 – Conflicts of Interest Policy</p>	

## **1 THE ISSUE**

- 1.1. This report is to remind members 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.
- 1.2. The Terms of Reference for the Committee and Investment Panel are set out in Appendix 1.
- 1.3. The draft Governance Compliance Statement is set out in Appendix 2, with the Representation Policy attached as Appendix 2a.
- 1.4. The Scheme of Delegation (Appendix 3 & 3a) 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.
- 1.5. The Decision Making Matrix (Appendix 4) is attached for noting.
- 1.6. Amended conflicts of interest policy is attached as appendix 5.
- 1.7. Members are invited to nominate themselves as the Fund's representative on the Local Authority Pension Fund Forum.
- 1.8. 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.

## **2 RECOMMENDATIONS**

### **The Committee:**

- 2.1 Approves the Terms of Reference of the Committee & Investment Panel
- 2.2 Approves the Governance Compliance Statement, including draft Representation Policy.
- 2.3 Approves the Scheme of Delegation
- 2.4 Approves the changes to the Conflicts of Interest Policy
- 2.5 Notes the Decision Making Matrix.
- 2.6 Notes the roles and responsibilities of the members, advisors and officers
- 2.7 Agrees independent member representation of the Brunel Working Group.
- 2.8 Agrees substitute of Brunel Oversight Board. Chair of Inv Panel
- 2.9 Agrees the member(s) to represent the fund on the Local Authority Pension Fund Forum.
- 2.10 Agrees to delegate the drafting of the Annual Report to Council to Officers and the Chair (subject to informal consultation with Committee members prior to the Chair approving the report).

## **3 FINANCIAL IMPLICATIONS**

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

## **4 ROLES & RESPONSIBILITIES**

- 4.1 The members, advisors and officers all have definitive roles and responsibilities within the pension fund's governance structure.

### **The Committee and Investment Panel:**

- 4.2 No changes have been made to the The Terms of Reference (ToR) for the Committee & Investment Panel apart from minor job title changes. The minor changes were approved by Council on 22nd May.
- 4.3 Membership of the Investment Panel reflects best practice and ensures there is a full range of independent expert advice available. The Panel shall comprise up to 6 voting Members of the Committee, 3 of whom shall be B&NES Councillors (including the Chair and Vice-Chair) and 3 of whom shall be the independent members who provide investment expertise to the Panel and continuity over the electoral cycles. Furthermore, the term of the Panel is to be for the full Committee term of 4 years.
- 4.4 The Committee's role is strategic in nature, setting the policy framework and monitoring compliance within that framework. Due to the wide scope of the Committee's remit, investment issues are delegated to the Investment Panel, (a sub-committee of the Committee) which explores the issues in greater detail before making decisions and/or recommendations to the Committee. The implementation of strategic decisions is delegated to Officers.
- 4.5 The Fund is a member of Brunel Pension Partnership and has delegated the management of its asset to Brunel Pension Partnership Ltd. (Brunel) Brunel is responsible for appointing managers to manage the assets within each Brunel portfolio, monitoring the managers and reporting back to the Fund about the performance of each portfolio. The Fund retains responsibility for its legacy portfolios mainly private market assets that will be wound down over time and

then transition into Brunel in line with the strategic asset allocation at the time. The Fund will remain responsible for all strategic decisions such as asset allocation and the risk management framework.

- 4.6 The Chair of the Committee is the Fund's representative on the Brunel Oversight Board of the Brunel Pension Partnership.
- 4.7 Committee and Investment Panel meetings are held in open session and, where required, papers are taken in exempt session. Committee workshops are held to discuss strategic issues in greater depth as necessary.
- 4.8 Non-voting members are given full access to papers, meetings and workshops including internal training sessions.
- 4.9 Members are required to undertake training to ensure they can discharge their responsibilities. The SAB's Good Governance Review and The Pensions Regulator's (TPR) General Code of Practice requires greater disclosure of member training and requires all members to attain a satisfactory level of knowledge in order to discharge their duties. As a result all Committee members are required to undergo Hyman's LGPS Online Learning Academy modules within a year of when they are appointed to the Committee and every three years thereafter. This requirement forms part of the Fund's Training Policy.
- 4.10 In addition, the MiFID II (Market in Financial Instruments Directive) categorises an LGPS fund as a retail client which restricts the Fund's ability to invest in more complex and diversified investments. As a result the Fund has been opted up by its investment managers to 'elective professional client' status. To achieve this status the Fund must on an on going basis satisfy (and provide evidence to) its managers that it has the knowledge and expertise within its governance structure to make decisions around complex investments. Therefore ongoing training of all committee members is crucial to maintaining our elective professional status.
- 4.11 The Committee Training plan is reviewed at each quarterly Committee meeting. It includes training sessions and workshops to support the Committee agenda as well as wider knowledge and skills.

#### **Fund Advisors:**

- 4.12 The guidance on preparing and maintaining an investment strategy statement in support of the LGPS (Management and Investment of Funds) Regulations 2016, regulation 7(2)(a) states "Administering authorities are expected to be able to demonstrate that those responsible for making investment decisions have taken and acted on proper advice and that diversification decisions have been taken in the best long term interest of scheme beneficiaries." Regulation 7(2)(b) states that the Fund must "take and act on proper advice in assessing the suitability of their investment portfolio" and regulation 7(2)(e) states "When making investment decisions, administering authorities must take proper advice and act prudently".
- 4.13 The principles for effective decision-making for pension funds supports these regulations by setting out best practice standards for decision-making bodies (guidance for LGPS funds provided by CIPFA/MHCLG).

*Principle 1: Effective decision-making - requires that "administering authorities should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively... and those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive..."*

- 4.14 All advisory appointments are appointed under a separate procurement process which will follow the Council's procurement policy. National LGPS procurement frameworks are used where possible as it is a more efficient procurement route and the frameworks are closely monitored for value for money and service levels.
- 4.15 The Fund appoints an Investment Consultant (Mercer) to provide investment advice to the fund to ensure that the Committee and/or Panel have all the relevant information before making a decision. The Committee's agenda determines the advice provided by the consultant in addition to the ongoing monitoring of the Fund's investment strategy and the managers' performance.
- 4.16 Under the CMA (Competition and Market's Authority) Order 2019, the Fund is required to monitor the investment advice provided by Mercer against strategic objectives set by the fund and to submit a compliance statement annually to the CMA.
- 4.17 The Fund appoints an Actuary (Mercer) to advise on all actuarial issues and to undertake valuations as required by the Local Government Pension Scheme Regulations 2013. Regulation 62(1) states that "An administering authority must obtain (a) an actuarial valuation" and (b) "a report by an actuary in respect of the valuation".
- 4.18 The Fund is externally audited annually and the Committee considers the governance report submitted by the auditor at the end of the audit. Currently the Council's Corporate Audit Committee approves the Fund's Financial Statement as it forms part of the Council's Financial Statement.
- 4.19 Internal audit undertakes work annually on different aspects of the pension fund, covering new regulations, high risk projects, fraud, governance and process reviews. The Committee reviews all Internal Audit reports and proposed management actions.

#### **Fund Officers:**

- 4.20 The officers' role within the governance structure is to ensure that all decision-making complies with the regulations, that the Fund fulfils its statutory requirements, and that all information regarding investment, financial and administrative issues is provided to the Committee/Panel. In addition, officers are responsible for implementing Fund policy. The Council's Section 151 Officer is responsible for ensuring that the Fund complies with the financial regulations and that an adequate inspection framework, provided by internal and external audit, is in place. The Council's Monitoring officer is responsible for the legal aspects of the Fund and the Committee.
- 4.21 The Section 151 Officer has delegated its powers regarding urgent actions to the Director of Financial Services, Assurance & Pensions, and these would be exercised having consulted with the Chair of the Committee where possible. (The Director of Financial Services, Assurance & Pensions is currently the interim 151 Officer) For investment policy issues the Director of Financial Services, Assurance & Pensions will also consult with the Chair of the Investment Panel where possible.
- 4.22 The Funding & Risk Management Group (FRMG) is a group of Avon Pension Fund officers and specialist advisors whose role is to consider in greater detail all strategic and operational aspects of the Risk Management Strategies. Its full role is set out in the Terms of Reference, section 6.

## **5 SCHEME OF DELEGATION**

- 5.1 In addition to the responsibilities listed in the Council's scheme of delegation, some additional responsibilities for functions specifically related to pension fund activities and the authorisation of transactions are delegated to officers by the Pension Fund Committee.
- 5.2 The Scheme of Delegation schedule (appendix 3a) sets out the responsibilities delegated by the Committee to officers and how these operate in practice.
- 5.3 The Scheme of Delegation authorisation list (appendix 3) sets out the job role or person authorised and the limit of transaction they can authorise.

## **6 GOVERNANCE COMPLIANCE STATEMENT**

- 6.1 The LGPS regulations require the Fund to publish a Governance Compliance Statement setting out how it complies with a number of statutory governance principles. There are no significant changes to the statement apart from a few minor editorial changes.(Appendix 2)
- 6.2 The Representation Policy (Appendix 2a) sets out in more detail how members and employers are represented on the Pension Committee & Pension Board.

## **7 DECISION MAKING MATRIX**

- 7.1 Following the recommendation from the Good Governance review the Fund has put in place a matrix setting out how decisions are reached, including roles and responsibilities.

## **8 CONFLICTS OF INTEREST POLICY**

- 8.1 This policy sets out how conflicts of interest are identified, managed and mitigated by all those involved in managing, overseeing or advising the Fund. The policy has been reviewed inline with TPR's general code of practice and a small change has been made to confirm that where considered necessary by officers independent legal advice will be sought to help decide the best approach to manage an actual or potential conflict.

## **9 BRUNEL OVERSIGHT BOARD REPRESENTATIVE**

- 9.1 As one of the 10 clients within the Brunel Pension Partnership, the Fund is represented on the Brunel Oversight Board. As our representative represents both the Committee and Shareholder on the Board, the representative is the chair of the Committee. A substitute will also be agreed at the meeting.

## **10 BRUNEL WORKING GROUP**

- 10.1 Given the importance of Brunel to the Fund, a working group considers issues arising from Brunel Pension Partnership with Officers such as Reserve matters and Oversight Board papers. This working group will not consider routine investment matters which will be monitored and dealt with by the Investment Panel. Representation from one of the independent members will be agreed at the meeting.

## **11 NOMINATIONS TO REPRESENT THE FUND AT THE LOCAL AUTHORITY PENSION FUND FORUM (LAPFF) MEETINGS**

- 11.1 The Fund is a member of LAPFF, a collaborative organisation acting on behalf of LGPS funds to promote their long term investment interests and to maximise their influence as shareholders to promote corporate responsibility and high standards of corporate governance amongst the companies in which they invest. LAPFF undertakes significant engagement with companies on

governance, environmental and social issues that could materially affect the financial performance of a company. It also advises its members on contentious voting issues and sponsors or supports shareholder resolutions where it believes it is the most effective way to implement change.

- 11.2 The Forum holds 4 meetings a year. Committee members supported by officers are encouraged to attend these meetings. Members are invited to nominate themselves to represent the fund at these meetings. (there can be up to two member representatives from the Fund attending any meeting).

## **12 ANNUAL REPORT TO COUNCIL**

- 12.1 As the Avon Pension Fund Committee administers the Avon Pension Fund in accordance with terms of reference set by the Council, it is considered good practice for the Committee to report to Council annually on the work that it has undertaken in the previous twelve months. This report will also include a reference to the future work programme. In addition, the Avon Fund Pension Board will also publish its annual report detailing the work undertaken by the Board during the year, which will be included in the report to Council. Both reports will be published so that they are available for all stakeholders.

- 12.2 The annual report will be presented to Council at the 22 November 2025 meeting. Committee are asked to give delegated powers to Officers to draft the report which will be circulated to all Committee members for comment before being approved by the Chair.

## **13 RISK MANAGEMENT**

- 13.1 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.

## **14 EQUALITIES STATEMENT**

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

## **15 CLIMATE CHANGE**

- 15.1 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 addresses 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.

## **16 OTHER OPTIONS CONSIDERED**

- 16.1 None.

## **17 CONSULTATION**

- 17.1 The Council's Director of Financial Services, Assurance & Pensions has had the opportunity to input to this report and has cleared it for publication.

<b>Contact person</b>	Carolyn Morgan, Governance & Risk Advisor 01225 395240
<b>Background papers</b>	None

**Please contact the report author if you need to access this report in an alternative format.**