

CYNGOR SIR POWYS COUNTY COUNCIL

**Pensions and Investment Committee
12th December 2019**

REPORT BY: Head of Finance

SUBJECT: Governance Update

REPORT FOR: Information

1 Introduction

1.1 This report has been produced to provide Committee with an update on the LGPS governance matters and the potential impact of these on the Powys Pension Fund.

1.2 It is provided in addition to and supplements, where appropriate, the executive summary presented by the Powys Pension Board Chair and will provide updates on:

- Scheme Advisory Board's (SAB) Good Governance project – Phase two recommendations
- The Pension Regulator's (TPR) Annual Survey 2019
- TPR Governance and administration risks in public service pension schemes: an engagement report
- Updates on the Fund's risk register
- Updates on the Fund's breaches register

2 Fund Governance

2.1 SAB Update

2.2 On the 14 November 2019 the Scheme Advisory Board (SAB) published a [summary](#) of its meeting held on 6 November 2019. Topics discussed include the McCloud judgment, the good governance project, responsible investment guidance, cost transparency and the CMI data request. Full details of the meeting and agenda papers can be found at <http://www.lgpsboard.org/index.php/about-the-board/board-updates>. The next SAB meeting will take place on 3 February 2020.

2.3 The SAB Good Governance Project Update

The SAB have published [Phase II](#) of the Good Governance report. The report makes recommendations on new standards of governance and administration and proposals on how they can be measured and assessed independently. The recommendations cover the following areas:

- The need for new statutory governance guidance from the Ministry for Housing Communities and Local Government (MHCLG) to effectively implement the proposals from this project. The current guidance was published in 2008.

There will be a requirement for each administering authority to:

- have a single named officer responsible for the delivery of all LGPS related activity for that fund (i.e. an LGPS senior officer)
- publish an annual governance compliance statement that sets out how they comply with the governance requirements set out in MHCLG's new guidance. This would need to be co-signed by the LGPS senior officer and, where different, the S151 officer
- publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed
- refer to SAB guidance on statutory and fiduciary duty
- publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and to voting rights for each party.

In the areas of knowledge and skills:

- a requirement for key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively (similar to those already in place for Local Pension Boards)
- a requirement for s151 officers to carry out LGPS relevant training as part of CPD requirements to ensure good levels of knowledge and understanding
- a requirement to have a policy setting out how training is delivered, assessed and recorded
- CIPFA and other professional bodies are to be asked to produce guidance and training modules (particularly for S151 officers).

In terms of the service delivery of the LGPS, each Administering Authority must:

- document key roles and responsibilities relating to the fund and publish a roles and responsibilities matrix setting out how key decisions are reached
- publish an Administration Strategy and report the Fund's performance against agreed indicators
- ensure their committee is included in the business planning and budget setting processes
- give proper consideration to pay and recruitment policies in order to meet the needs of the pension fund; not simply applying general council staffing policies such as recruitment freezes.

2.4 From a compliance and improvement perspective, the proposal is that each Administering Authority must undergo a biennial independent

governance review and produce an improvement plan to address any issues identified. In turn, those reviews and reports will be assessed by a SAB panel of experts. The Local Government Association (LGA) will also consider establishing a peer review process for LGPS funds

- 2.5 At their meeting of 6 November 2019, SAB agreed that phase III of the project, including draft statutory guidance on governance compliance statements and establishing a set of key performance indicators, should now be developed. Final proposals for phase III of the project will be considered by SAB when it next meets on the 3 February 2020.
- 2.6 The next phase of the project will focus on the independent governance review report and some national key performance indicators. Committee will be updated on the progress of this phase as more information becomes available.
- 2.7 The Pension Regulator's (TPR) Annual Survey 2019
- 2.8 In November, the Pensions Regulator: Public Service Governance and Administration Survey 2019 was issued to all LGPS funds, including the Powys Fund. This annual survey had to be returned to TPR by 29 November 2019 and this report confirms that this submission date was met by the Fund. The survey is designed to help TPR build a comprehensive picture of governance and administration standards across the LGPS nationally. The survey should be completed by the Scheme Manager (i.e. the Administering Authority) together with the Pension Board chair. For the Powys Pension Fund, it was completed by the Pension Fund Manager in accordance with the Pension Board Chair.
- 2.9 TPR Governance and administration risks in public service pension schemes: an engagement report
- 2.10 In September 2019, TPR published its findings following engagement with a cohort of ten LGPS funds between October 2018 and July 2019. the report is available [here](#), for your information. TPR indicated that they saw evidence of good practice across the LGPS funds, but also outlined key areas for improvement across the scheme, summarised below:
 - Key Person Risk
While most scheme managers demonstrated a good knowledge of what we expect, many funds have a lack of comprehensive documented policies and procedures. We also found an over-reliance on controls put in place by the Local Authority with little interaction between the scheme manager and Local Authority. This was particularly prevalent in relation to cyber security but this theme overlays several of the risk areas we explored.
 - Pension Boards

Engagement levels varied, with concerns being raised about the frequency some pension boards meet and their appetite to build their knowledge and understanding. We saw evidence of some pension boards not wanting to review full documents, instead relying on much reduced summaries and leading us to question how they could fulfil their function. Others were well run and engaged.

- Fraud / scams
We saw evidence of scheme managers learning from wider events and taking steps to secure scheme assets. However, not all were as vigilant when it came to protecting members from potential scams.
- Employers
We saw considerable variance in the approaches taken to dealing with the risks surrounding employers, such as receiving contributions and employer insolvency. Generally this was connected to fund resourcing but also related to different philosophies related to taking security over assets. A special meeting of the Local Pension Board is planned to discuss the report in more detail and the findings will be fed back to Committee.

2.11 Risk Register Updates

2.12 This is covered in a separate item on the agenda

2.13 Breaches Register Update

2.14 No recordable or reportable breaches added since last meeting. The latest version of the breaches log is attached, for your information.

3 Recommendation

3.1 To note the contents of this report.

Recommendation:		Reason for Recommendation:	
<ul style="list-style-type: none"> • To note the update and raise any points of discussion or concerns to ensure that the Fund continues to focus on high standards of governance. 		As per report	
Person(s) To Action Decision:	Pension Fund Manager		
Date By When Decision To Be Actioned:	Immediately		
Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
Contact Officer Name:	Tel:	Fax:	Email:

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Relevant Portfolio Member(s):	Cllr Aled Davies
Relevant Local Member(s):	N/A