

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Tuesday, 11 th February 2020
Report Subject	Governance Update
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

On each Committee agenda LGPS governance matters and the impact on the Clwyd Pension Fund (CPF) are provided for discussion along with updates on the Clwyd Pension Fund's governance strategy and policies for information. The LGPS items for discussion this quarter are:

- The Pension Board's response in relation to the Investment Strategy consultation and its questions relating to cybercrime
- Scheme Advisory Board's (SAB) Good Governance project – the phase three work developing a national compliance statement template and national key performance indicators.

The Committee are also asked to:

- Consider and approve some updates to the Fund's Governance Policy and Compliance Statement, and remind themselves of their responsibilities as Committee members as contained within the Policy
- Return their self-assessment training needs analysis forms by 19 February 2020
- Note the CPF training day for Committee and Board members on 18 March (full day event) and the WPP training day for Committee and Board members on 21 February at Llandrindod Wells.

The report incorporates updates on the implementation of governance strategy and policies for monitoring including:

- An update on progress with the 2019/20 business plan
- Update to the Fund's risk dashboard and in particular governance risks
- The latest changes to our breaches of the law register
- Information to note on training and other events.

RECOMMENDATIONS

1	That the Committee consider the update and provide any comments. The Committee are asked to return their self-assessment training needs analysis forms by 19 February as referred to in paragraph 1.07.
2	That the Committee approve the Governance Policy and Compliance Statement, including the new objective relating to cybercrime, referred to in paragraph 1.06 and attached in Appendix 2.

REPORT DETAILS

1.00	GOVERNANCE RELATED MATTERS
1.01	<p>Business Plan 2019/20 Update</p> <p>Appendix 1 shows progress with this quarter's work in the 2019/20 business plan. Good progress is being made with all actions. The Committee should note the following:</p> <ul style="list-style-type: none">• The business continuity plan (G1) is still behind schedule and work is currently expected to be completed during 2020/21.• Work has also commenced on the review of the Investment Consultant and Independent Adviser contracts (G3). As agreed at the last Committee, due to the timing of Committee meetings, the appointments will be decided using the Fund's urgency delegations (i.e. Head of Clwyd Pension Fund and either Corporate Finance Manager or Chief Executive, subject to agreement with Chair and Vice Chair (or either, if only one is available in timescale)). The results of the procurement process will be emailed to Committee members in early April.• A number of Pension Board and Pension Fund Committee representative appointments are due for review during 2020/21 (G4). These relate to the two Pension Board Scheme Employer representatives and the Pension Committee trade union scheme member representative and other Scheme Employer representative.. Unfortunately the existing members cannot be reappointed without carrying out a process which would allow other persons to nominate themselves or be nominated. However existing members can put themselves forward for reappointment. The Head of Clwyd Pension Fund will carry out the appointments process in accordance with the steps laid out in the Constitution.• The Fund's Governance Policy is subject to triennial review by the Committee (G5). The proposed amendments to the Policy are explained later in the report.
1.02	The Committee is asked to note the contents of the business plan.
1.03	<p>Current Developments and News</p> <p><i>Pension Board update</i></p> <p>There have been no meetings of the Pension Board since October 2019, and an update on that meeting was included at the last Committee meeting. The next meeting is on the 25th February 2020.</p> <p>However, in the meantime, the Board has communicated on a number of matters including:</p> <p>a) <u>Consultation on investment strategy and responsible investment (RI) policy</u> This consultation was also shared with the Board for comments.</p> <p>Given the Board's role is focussed on governance and administration, they agreed it was not appropriate to comment on the</p>

intricacies of the investment related elements in the document. Instead they focussed on whether the governance around the review of the strategy was appropriate, and they confirmed that they had no concerns about how the officers and Committee reached the proposals relating to the change in the Strategy.

However, in relation to the responsible investment matters, the Board fed back the following: “We support the development of the Fund’s responsible investment policy and we are particularly pleased to see that the ultimate aim to act in the best interests of the Fund’s members and employers is incorporated into the RI principles, as it is important that the move to a more responsible investment strategy is done without adding the risk of reduced investment returns. Given that, we are supportive of the RI policy as drafted and note the beliefs, principles and priorities in the policy are well articulated and they appear sensible in our view.”

b) Cybercrime

The Pension Board continues to be interested in how the Fund’s cybercrime risk is being managed. The Board is aware that the current assumption is that the two greatest potential areas of risk relate to the systems that are owned or managed by Flintshire County Council and also Heywood who provide the administration systems holding scheme member data.

The Board has emailed the Head of Clwyd Pension Fund asking him to properly pursue gathering sufficient information from Flintshire County Council, Heywood and any other parties where they consider there are probably cyber threats, to allow them to fully determine if there are appropriate controls in place.

1.04

National LGPS Scheme Advisory Board (SAB) Update

There have been no meetings of the LGPS SAB since the one 6 November 2019 and an update on that was reported at the last Committee meeting. The next meeting of the SAB is being held on 3rd February. A verbal update will be provided should a summary of the SAB meeting have been shared ahead of the Committee meeting.

1.05

SAB Good Governance Project – Phase 3

Information relating to this project has been reported to the Committee on several occasions. As reported at the last meeting, the phase 2 report included a number of recommendations to improve the governance of LGPS funds. These related to areas such as knowledge and skills (particularly Committee members and Section 151 officers), conflicts of interest and ensuring appropriate resourcing of pension fund services. It is likely this will result in new statutory governance guidance from the Ministry for Housing Communities and Local Government (MHCLG) to effectively implement the proposals from this project. In addition, it is expected that administering authorities will be required to report on a “comply or explain” basis, which will be subject to a biennial independent governance review which will be further assessed by a SAB panel of experts.

	<p>The third phase of the project is now taking place which relates to the development of the template compliance statement, which is expected to feed into new statutory governance guidance, and some national key performance indicators. The outcomes are expected to be reported to the SAB in May 2020.</p>
1.06	<p>Policy and Strategy Implementation and Monitoring</p> <p><i>Governance Policy and Compliance Statement</i></p> <p>Each LGPS administering authority is required to formulate and publish a written statement outlining how pension related functions are delegated within their authority, including matters such as whether representatives of scheme members and employers are involved. This information is included in the Clwyd Pension Fund Governance Policy which is subject to review every three years. The updated version is included in Appendix 2. The Committee's attention is drawn to the compliance statement which shows that the Fund continues to be fully compliant in all areas within the Secretary of State's existing governance guidance.</p> <p>The main change is to add a new objective around the safeguarding of systems, data and processes, to recognise the increased risk of cybercrime.</p> <p>The other changes include:</p> <ul style="list-style-type: none"> • Updating to be consistent with recent minor changes to the Constitution • Some additional measures or clarity on existing measures which will assist in determining whether the governance objectives are being met • Adding a section to explain the Fund's approach to risk management. <p>The Committee are asked to approve the updated Governance Policy and Compliance Statement, including the new objective. <u>All PFC members are asked to remind themselves of the contents of the policy, and particularly their responsibilities as set out in Appendix B of the Policy.</u></p>
1.07	<p><i>Training Policy</i></p> <p>The Clwyd Pension Fund Training Policy requires all Pension Fund Committee, Pension Board members and Senior Officers to:</p> <ul style="list-style-type: none"> • have training on the key elements identified in the CIPFA Knowledge and Skills Framework • attend training sessions relevant to forthcoming business and • attend at least one day each year of general awareness training or events. <p><i>Self-assessment training needs analysis</i></p> <p>Fund officers are committed to providing the appropriate training to ensure the objectives to the Training Policy can be met. It is therefore important to regularly assess the level of knowledge and expertise, and any gaps in knowledge, so that a training plan can be developed as part of the 2020/21</p>

	<p>business plan that will be considered at the March Committee meeting. A self-assessment training needs analysis has been issued to all Committee and Board members and it must be <u>completed and returned by 19th February</u>. Any Committee or Board member who needs further assistance in relation to this should contact the Head of the Clwyd Pension Fund. Questions can also be answered before or after the Committee meeting on the 11th February.</p> <p>As always, Committee members are encouraged to highlight any training requirements to the officers of the Fund. A comments box is included at the foot of the training needs analysis which can be used by members to highlight any such training requirements.</p> <p><i>Training events</i></p> <p>Appendix 3 includes training and various external events attended by Committee members and Pension Board members during 2019/20 as well as details of planned training events and forthcoming events considered suitable for general awareness training.</p> <p>Several members of the Committee and Board attended the recent LGA Governance Conference on 23 and 24 January. Those members are asked to share observations from the event.</p> <p>Members attention is drawn to the next Committee meeting on 18 March which will be a full day event including training for all Committee and Board members. In addition, WPP are hosting a training event for all Committee and Board members on 21 February in Powys Council Chamber, Llandrindod Wells, from 10am until 3.30pm. Members who are able to attend this event should notify Debbie Fielder, the Deputy Head of Clwyd Pension Fund.</p>
1.08	<p><i>Recording and Reporting Breaches Procedure</i></p> <p>The Fund's procedure requires that the Head of Clwyd Pension Fund maintains a record of all breaches of the law identified in relation to the management of the Fund. Appendix 4 details the current breaches that have been identified. It is positive to note that there continues to be no new breaches relating to contribution payments or late submission of remittance advice, and there are no outstanding breaches in that area. The breaches relating to missing administration legal timescales are very similar to last quarter.</p>
1.09	<p>Delegated Responsibilities</p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. No delegated responsibilities were used in the last quarter in relation to governance matters.</p>
1.10	<p>Calendar of Future Events</p> <p>Appendix 5 includes a summary of all future events for Committee and Pension Board members, including Pension Fund Committee meetings, Pension Board meetings, Training and Conference dates.</p>

2.00	RESOURCE IMPLICATIONS
2.01	None directly as a result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None directly as a result of this report.

4.00	RISK MANAGEMENT
4.01	<p>Appendix 6 provides the dashboard showing the current risks relating to the Fund as a whole, as well as the extract of governance risks.</p> <p>The biggest governance risk continues to relate to the impact of externally led influence and scheme change which could also restrict our ability to meet our objectives and/or legal responsibilities (risk 5). This is mainly due to the ongoing uncertainty around the cost cap process and the McCloud judgement. The description in this risk has been updated to clarify that this risk also incorporates cybercrime risk. As a result of McCloud and cybercrime, the target date for this risk has been moved to March 2021.</p> <p>Otherwise, the only changes to the risks relate to target dates.</p>

5.00	APPENDICES
5.01	<p>Appendix 1 – Business plan progress 2019/20</p> <p>Appendix 2 – Clwyd Pension Fund Governance Policy and Compliance Statement</p> <p>Appendix 3 – Training plan</p> <p>Appendix 4 – Breaches</p> <p>Appendix 5 – Calendar of future events</p> <p>Appendix 6 – Risk register</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>No relevant background documents.</p> <p>Contact Officer: Philip Latham, Head of Clwyd Pension Fund Telephone: 01352 702264 E-mail: philip.latham@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>(a) CPF – Clwyd Pension Fund – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region.</p> <p>(b) Administering authority or scheme manager – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) PFC – Clwyd Pension Fund Committee - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund.</p> <p>(d) LPB or PB – Local Pension Board or Pension Board – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.</p> <p>(e) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of.</p> <p>(f) SAB – The national Scheme Advisory Board – the national body responsible for providing direction and advice to LGPS administering authorities and to MHCLG.</p> <p>(g) MHCLG – Ministry of Housing, Communities and Local Government – the government department responsible for the LGPS legislation.</p> <p>(h) JGC – Joint Governance Committee – the joint committee established for the Wales Pension Partnership asset pooling arrangement.</p>