

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CLWYD PENSION FUND COMMITTEE**

DATE: **22nd JULY 2014**

REPORT BY: **CHIEF OFFICER (PEOPLE AND RESOURCES)**

SUBJECT: **GOVERNANCE UPDATE**

1.00 PURPOSE OF REPORT

1.01 To provide Committee Members with an update on governance related issues.

2.00 BACKGROUND

2.01 A governance update is on each quarterly Committee Agenda and includes a number of governance items for information or discussion. The items for this quarter are:

- A response to a Government consultation (Appendix 1)
- The draft pension fund accounts (Appendix 2)
- Internal Audit Reports for 2013/14
- A review of 2013/14 governance performance (Appendix 3)
- An update on training for PFC members (Appendix 5)
- Service Plan 2014/15 update (Appendix 4)

3.00 CONSIDERATIONS

Government Consultation

3.01 In 2010 the Government commissioned Lord Hutton to chair the Independent Public Services Pensions Commission to review how public sector pensions could be made more sustainable and affordable. The 'Hutton' report recommended that the benefits of co-operative working between funds within the LGPS should be investigated further. As a result, The Department for Communities and Local Government (DCLG) issued a call for evidence on the future structure of the Scheme and also selected Hymans Robertson to provide a detailed cost benefit analysis. Following analysis of 133 responses and the finding from Hymans Robertson, the DCLG issued a consultation on 'Opportunities for collaboration, cost savings and efficiencies'. The package of proposals set out in the consultation is:

- Establishing common investment vehicles for listed and alternative assets to reduce investment costs
- Reduce investment fees by investing listed assets on a passive basis.
- Keeping asset allocation decisions at local fund level

- A proposal not to pursue fund mergers at this time
- 3.02 The question of how to improve the cost effectiveness of administration was posed in the call for evidence. However, given the relatively small savings achievable and the introduction of the 2014 Scheme the Government decided not to consult on administration reform at this time.
- 3.03 The role of the Committee includes agreeing responses to consultations on LGPS matters. In this case the consultation closed on 11th July 2014, before this first Committee, hence the response was agreed with the Chair and Vice Chair.
- 3.04 In summary the response is supportive of the package of proposals, providing there is no compulsion and decisions are made locally on a 'comply or explain' basis (Appendix I). In terms of collective investment vehicles this has already been considered in Wales but work is on hold until the outcome of this consultation is known.
- 3.05 The 'package of proposals' in 3.01 above remains a topic of much contention, with various opinions across the LGPS. The next step by the Government following the responses to this consultation remains to be seen. The risk of any changes being implemented before 2016 is low, therefore business as usual should continue from a Clwyd Fund point of view, although the potential for change will be considered as part of the Investment Strategy Review.

Draft Pension Fund Accounts

- 3.06 The role of the Committee is to consider the Fund's financial statements prior to approval by Council. The Fund must produce a fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices (Appendix 2). Although subject to a separate audit statement the accounts still remain part of the Council's Statement of Accounts and hence follows the same approval process and oversight by Audit Committee. The draft accounts were presented to Audit Committee on 16th July 2014 and the audited accounts will be presented on 24th September 2014 to both Audit Committee and then Council. As required by LGPS Regulations 2013 the Fund's financial statements are included in its Annual Report which must be published by 1st December 2014.

Internal Audit Reports

- 3.07 An internal audit of Pension Administration was undertaken as part of the agreed internal audit plan for 2013/14. This was a risk based audit which made one 'high risk' recommendation and ten 'low risk' recommendations. All recommendations have been agreed by management and have or will be implemented. In line with best practice significant internal audit findings should be reported in the Fund's Annual Report. In this case the 'high risk' recommendation related to testing the disaster recovery procedures in case of failure of pension software systems. This is included in the 2014/15 Service Plan and further information is provided in the separate Pension Administration and Communications Update report.

3.08 There was also an internal audit of Pension Investments as part of the audit plan. There was one ‘medium risk’ recommendation and four low risk recommendations all accepted by management and have or will be implemented. The ‘medium risk’ recommendation is for a comprehensive risk register to be documented to formalise risk management. This is included in the 2014/15 Service Plan.

Training

3.09 One of the areas covered in the 2014/15 Service Plan is ongoing delivery of training for PFC Members throughout the year. This section updates Committee Members on (a) the training provided to date to meet the CIPFA Knowledge and Skills Framework and (b) forthcoming events and conferences they may wish to consider attending.

3.10 CIPFA Knowledge and Skills Framework – three separate training days were held during June and July delivering a number of training modules designed around the full CIPFA Knowledge and Skills Framework. This training is considered essential for all PFC members, including substitutes, as well as some senior officers. The log of attendance for each module is included in Appendix 5. Catch up training will be provided over the coming months and officers will be in touch with those concerned to arrange suitable dates.

3.11 It is also useful for Committee Members and senior officers to attend various external events and conferences to supplement their knowledge regarding the latest thinking on pension related matters. Members are encouraged to attend at least one event a year. At each meeting, information on forthcoming events which are considered appropriate will be brought to Committee Members’ attention. Committee Members wishing to attend any of the following events should contact Debbie Fielder or Alwyn Hughes to make the necessary arrangements. Attendance is currently being arranged for those events that are shaded in the table below:

Dates	Location	Event
9/10 September 2014	Celtic Manor, Newport	LGC Investment Summit - (4 places booked for Committee Members and Officers)
February 2015	Carden Park, Chester	LGC Investment Seminar – details to be confirmed
May 2015	Cotswolds	NAPF Local Authority Forum – details to be confirmed
June 2015	TBC	LGPC LGPS Elected Members Conference – details to be confirmed

Independent Review of Governance Performance for 2013/14

3.12 In line with best practice the Independent Advisor provides an annual report on the governance of the Fund, especially the performance of the Committee (then Panel). This report will be included in the Fund’ Annual Report and is attached for information (Appendix 3).

Service Plan Update – Quarter 1

3.13 Appendix 4 provides a dashboard of progress against the one-off projects and improvements planned for 2014/15, as well as "business as usual" project based tasks. Other than items discussed elsewhere on this Committee Agenda there are no matters of exception to highlight.

4.00 RECOMMENDATIONS

4.01 That Committee Members:

- 1) Note and discuss the response to the Government's consultation on 'Opportunities for collaboration, cost savings and efficiencies'
- 2) Consider the draft Pension Fund Accounts 2013/14
- 3) Note the conclusions from the internal audit reports, the independent review of governance performance for 2013/14 and the Service Plan update.

5.00 FINANCIAL IMPLICATIONS

5.01 None directly as a result of this report.

6.00 ANTIPOVERTY IMPACT

6.01 None directly as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None directly as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None directly as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None directly as a result of this report

10.00 CONSULTATION REQUIRED

10.01 None directly as a result of this report.

11.00 CONSULTATION UNDERTAKEN

11.01 None directly as a result of this report.

12.00 APPENDICES

- 12.01 Government Consultation Response
- 12.02 Clwyd Pension Fund Draft Accounts 2013/14
- 12.03 Governance Performance Review 2013/14
- 12.04 2014/15 Service Plan Update
- 12.05 Training Log

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers: Internal Audit Report on Pension Administration
 Internal Audit Report on Pension Investment
 DCLG LGPS Consultation: Opportunities for
 collaboration, costs savings and efficiencies

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