

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 19 June 2024
Report Subject	Governance Update
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

An update on LGPS governance matters and the Fund's policies is provided for discussion at each Committee. This report includes developments since the previous report provided at the February 2024 Committee, including:

- progress against the governance section of the Fund's Business Plan, including a recommendation to add a new governance item relating to WPP
- governance-related developments at national and Fund level, including a recommendation to approve the updated Business Continuity Policy and a recommendation to delegate the appointment of the investment consultant
- updates to the governance risks on the Fund's risk register (which has itself been updated in line with the Risk Management Policy agreed at the March Committee) and the latest changes to our breaches of the law register
- forthcoming training and events, some of which are essential for Members.

RECOMMENDATIONS

1	That the Committee consider the update and provide any comments.
2	That the Committee approve the addition of a governance item, relating to the Wales Pension Partnership, to the Fund's 2024/25 Business Plan.
3	That the Committee approve the updated Business Continuity Policy.
4	That the Committee delegate the selection, appointment and dismissal (as required) of the Fund's investment consultants to the Deputy Head of Clwyd Pension Fund and the Corporate Finance Manager following the completion of the interviews and associated scoring.

REPORT DETAILS

1.00	GOVERNANCE RELATED MATTERS
1.01	<p data-bbox="319 277 660 309">Business Plan Update</p> <p data-bbox="319 349 1369 488">The business plan update in Appendix 1 shows the latest progress for the governance tasks in the 2024/25 Business Plan. Good progress is being made with all actions under the Fund’s control with the key points to note as follows:</p> <ul data-bbox="367 533 1385 1720" style="list-style-type: none"><li data-bbox="367 533 1385 712">• <i>G1 – Succession planning:</i> The senior management structure is being reviewed as part of the Fund’s succession planning, in particular the forthcoming retirement of the Deputy Head of the Fund. A proposed new Management Structure forms part of a separate agenda item for the Committee.<li data-bbox="367 719 1385 898">• <i>G2 – Governance arrangements:</i> New requirements are expected in relation to investments, pooling and governance. Whilst these may be delayed due to the General Election, the work is continuing in relation to the review of the sub-groups that support the Fund’s Advisory Panel.<li data-bbox="367 904 1385 1084">• <i>G3 – Review against TPR new General Code:</i> The Pension Regulator’s new General Code of Practice came into force on 28 March 2024. A detailed review of the Fund’s processes and practices against the new Code has been largely completed and a summary is included as Appendix 4.<li data-bbox="367 1090 1385 1308">• <i>G4 – Implement regulatory and guidance changes:</i> Due to the pre-election period, the expected consultation(s) on draft regulations and guidance has been delayed, and for business planning purposes, it has been assumed that any consultations will not be issued prior to the end of quarter 2. The business plan has been updated accordingly.<li data-bbox="367 1314 1385 1420">• <i>G5 – Review of governance related policies:</i> The Business continuity policy has been reviewed; further detail is provided later in this update.<li data-bbox="367 1426 1385 1570">• <i>G6 – Review/tender key supplier contracts and Procurement Act changes</i> A tender for the Investment consultancy services is underway and an update is provided later in this paper.<li data-bbox="367 1576 1385 1720">• <i>G7 – Appointments of Local Pension Board and Pension Fund Committee Members</i> The Trade Union representative has stepped down from the Board and the process for appointing a replacement is underway. <p data-bbox="319 1756 919 1787"><i>Additional item for 2024/25 Business Plan</i></p> <p data-bbox="319 1832 1385 1975">It has been a number of years since the Wales Pension Partnership was established so it would seem appropriate to review the effectiveness of the Fund’s relationship with the pool and consider if or how the governance arrangements might be enhanced.</p> <p data-bbox="319 2020 1385 2078">WPP’s Business Plan for 2024/25 has only recently been approved and it is considered very unlikely that any changes will be made to it, but we do</p>

have the opportunity to input into the Plan for 2025/26. It is therefore proposed that CPF officers and Committee members get together informally to discuss views on our relationship with WPP and what we might suggest is considered by way of governance enhancements for the future. As this activity was not envisaged in the Fund’s Business Plan for 2024/25, on the grounds of best practice governance and transparency, it is recommended that the Committee approve the addition of item G8 to the Business Plan as follows:

G8: WPP Governance arrangements

What is it?

The Fund is a “Constituent Authority” within WPP, alongside the other seven LGPS funds in Wales. WPP can be considered a collaboration across the Welsh LGPS funds and is governed, amongst other things, by an Inter-Authority Agreement (IAA). The IAA establishes the Joint Governance Committee and Officer Working Group in which Fund representatives and representatives from other LGPS funds in Wales participate. The IAA also sets out the decision-making structure and the matters which are reserved to the Constituent Authorities.

The IAA was signed in 2017 and since then there have been significant changes in the overall landscape in which LGPS funds operate, including governance-related changes as well as changes affecting the investment environment. We also now have experience of addressing a number of matters reserved to the Constituent Authorities. With that in mind, we plan to consider whether WPP’s governance arrangements could be enhanced and to liaise with WPP to discuss any suggestions we may have so that these can be considered as part of WPP’s 2025/26 business planning.

Timescales and Stages

CPF discussion(s) on WPP governance arrangements	2024/25 Q2
Liaise with WPP (in advance of 2025/26 business planning)	2024/25 Q3 to Q4

Resource and Budget Implications

To be led by the Head of Clwyd Pension Fund, with input from the Advisory Panel. It is hoped that the expected costs can be met from existing budgets.

Current Developments and News

1.02

General Election

Members will be aware that, with a General Election having been called on 4 July, we are now in the ‘pre-election’ period which can be considered a

	<p>period of “heightened (political) sensitivity”. Pension Fund matters are not generally political but, as Members would expect, the agenda and papers for this meeting have been carefully considered to ensure that we abide by LGA guidance as well as advice provided by the Council’s Monitoring Officer. It is important that this is also reflected in discussions and comments made at the meeting itself.</p> <p>The pre-election period has also meant some items of expected pensions-related legislation are now on pause. Many of these will not directly affect the LGPS or the Fund, but the expected consultation from DLUHC on the good governance recommendations; follow up to the Next Steps on Investments consultation; and consultation on payment of pension commencement excess lump sums from the LGPS has been delayed, as have fixes to the lifetime allowance regulations (which apply to the LGPS as a “registered” scheme for tax purposes). In addition, the Economic Activity of Public Bodies (Overseas Matters) Bill did not make it through Parliament before it was dissolved.</p>
1.03	<p><i>Pension Board meetings</i></p> <p>The Clwyd Pension Board met on 16 May 2024. Full minutes are not yet available but key items discussed included:</p> <ul style="list-style-type: none"> • Changes to the Committee and the proposed changes to the organisational structure of the CPF Management Team. • the Fund’s Business Continuity Plan and Cyber Incident Response Plan. • The actions being taken following the Special Pension Fund Committee meeting in April. • Decision making relating to local investments. • Progress on checking the Fund’s compliance against the new TPR General Code of Practice. • Administration items including an update on Pensions Dashboards and the Fund’s progress with the McCloud project. • Other governance items, including the risk register and breaches log. <p>The next Board meeting is expected to be in September 2024.</p>
1.04	<p><i>Business continuity policy update</i></p> <p>The Business Continuity Policy was last reviewed in March 2021 and so has reached the three year review point as set out in the Policy. The Policy review was delayed slightly to allow the finalisation of the Business Continuity Plan and implementation of the new General Code of Practice.</p> <p>The Policy (attached in Appendix 2) has been updated to reflect the Pension Regulator’s expectations as set out in the General Code of Practice as well as to make it more readable in line with the Fund’s Communication Strategy.</p> <p>It is recommended that the Committee approve the revised Business Continuity Policy.</p>

1.05	<p><i>Investment consultant tender</i></p> <p>As agreed at the March Committee, and set out in the Business Plan, the investment consultancy contract (which is currently held by Mercer) is being re-tendered prior to its expiry on 31 March 2025 to enable the procurement process to be led by the Deputy Head of the Fund prior to her retirement given her expertise in this process. This requires notice to be served on the current advisers to terminate the existing contract before its scheduled expiry (regardless of the procurement outcome). As has been the case in the past, the tender is being run through the National LGPS Framework (currently the Investment Management Consultancy Services Framework 2022).</p> <p>It has taken longer than expected to launch the tender, principally due to changes in procurement regulations and guidance which have required additional time and advice from our procurement advisers. As a result, it has not been possible to bring a recommendation to Committee for approval of the preferred bidder to this meeting. The deadline for responses to the Invitation to Participate in Further Competition is 20 June and interviews are planned for 25 June. Scoring of the submissions and interviews, led by the Deputy Head of the Fund, is expected to be completed by 4 July 2024. However, given her retirement, she will not be available to present any recommendation to approve the appointment of the preferred bidder at the September Committee.</p> <p>To enable the Deputy Head of the Fund to see the procurement process through to its conclusion, including advising the bidders of the outcome of the process in a timely manner, it is recommended that the Committee delegate “the selection, appointment and dismissal” (as required) of the Fund’s investment consultants to the Deputy Head of Fund and the Corporate Finance Manager following the completion of the interviews and associated scoring. The outcome of the delegation will then be reported for noting at the September Committee.</p> <p>If the Committee does not agree the delegation then a recommendation for appointment will be brought to the September Committee. However, the lead officer will not be available to answer any questions the Committee may have as she will have retired before the Committee.</p>
1.06	<p><i>LGPS Scheme Advisory Board (SAB) updates</i></p> <p><i>SAB Meetings</i> The LGPS SAB met on 11 March 2024 and the meeting summary is attached at Appendix 3. Key items discussed at the meeting included the gender pensions gap, The Pensions Regulator’s General Code, the cost management results and Economic Activity of Public Bodies (Overseas Matters) Bill.</p> <p>The date of the next SAB meeting is 22 July 2024.</p> <p><i>Gender Pensions Gap</i></p> <p>Jo Donnelly, Head of Pensions at the LGA, published a blog detailing the SAB's efforts to address the Gender Pensions Gap in the LGPS. The blog</p>

also referenced the virtual event aimed at HR/Senior Managers at Councils and LGPS Administrators that was held by the LGA on 9 May 2024.

On 17 May the Scheme Advisory Board (SAB) wrote to the Chief Secretary to the Treasury, Laura Trott MP, suggesting the Government take a consistent and active approach to the gender pensions gap across public service pension schemes. An update on the Gender Pensions Gap Working Group will be provided at the next Cost Management, Benefit Design and Administration Committee meeting on 1 July.

Asset pooling

On 15 May the SAB reported that the Minister, Simon Hoare MP, had written to all Pension Committee Chairs and administering authority section 151 officers in England asking them to respond to a number of questions by 19 July. The questions related to the completion of pension asset pooling by the March 2025 deadline and how funds ensure that they are run efficiently, with appropriate governance structures in place. Funds were also asked whether they could achieve long-term savings and efficiencies if they were to become part of a larger fund through merger or creation of a larger pensions authority.

Whilst the letter was not sent to funds in Wales, we can also report that representatives from funds in Wales were invited to, and have attended, roundtables which were hosted by the Minister in the following weeks.

According to the May 2024 LGPC Bulletin, the Board assumes that the General Election on 4 July means that responses to the Minister's letter are no longer expected, but notes that some administering authorities may still wish to respond.

SAB Scheme cost assessment

On 19 April the SAB reported that the Government Actuary's Department had completed the valuation of the LGPS as at 31 March 2020 for cost management purposes. In accordance with the operation of the cost control mechanism, no changes to scheme benefits are proposed.

Appeal Decision - Fire Brigades Union and British Medical Association vs HM Treasury Cost Control Mechanism

On 17 April the SAB reported that the full judgment in the Fire Brigades Union and British Medical Association vs HM Treasury Cost Control Mechanism appeal had been published. The Court of Appeal upheld the High Court's March 2023 ruling in favour of HM Treasury on all grounds. The judgment can be read [here](#), and a summary is available on the Legal Opinions page of the SAB website.

The Fire Brigades Union has sought permission to appeal to the Supreme Court.

Updated Guidance for Annual Reports

	<p>On 28 March SAB published the updated guidance for preparing the fund annual report on its Board guidance page. The new guidance was reviewed and approved by the SAB's Compliance and Reporting Committee (CRC), CIPFA, and DLUHC and replaces the 2019 CIPFA guidance. It applies to the 2023/24 annual reports due by 1 December 2024, and subsequent years. Funds are encouraged to comply fully but can exercise judgement if changes require disproportionate effort or cost, which is the approach being taken by the Fund.</p> <p><i>Sharia Law</i></p> <p>Following a report received by SAB on the relationship between Sharia Law and the LGPS, Lydia Seymour (Counsel) was asked to update her 2022 advice on the subject. The key findings as reported by the SAB on 25 March indicate that the legal risk of a case being successfully brought against a scheme employer or administering authority relating to the LGPS and Sharia Law is extremely low. A summary of her advice is available on the SAB Legal Opinions and Summaries page here.</p>
1.07	<p><i>The Pension Regulator's General Code of Practice</i></p> <p>Our review of the Fund's compliance with the new General Code of Practice was undertaken during March 2024 and a summary of the results is attached in Appendix 4, which also shows the agreed actions from the review to improve compliance. We assessed the Fund's compliance with both the required elements of the Code and the elements which are listed as good practice, using Aon's TPR General Code of Practice Compliance Model which asks 275 questions to determine funds' compliance with the code.</p> <p>Overall the results are reasonably positive and this reflects the emphasis the Fund places on good governance. An action plan is being drawn up to prioritise the actions, and updates will be brought to Committee at future meetings. The Pension Board will also oversee the progress being made with this.</p>
1.08	<p><i>LGA survey on LGPS opt-outs</i></p> <p>On 28 May a brief survey was reported to have been issued by the LGA, to local government employers asking for data on experience of staff opting-out of the LGPS and the value placed on the scheme (which is a high quality defined-benefit scheme) from a recruitment and retention perspective within local authorities. The survey closed on 7 June and is part of a project aimed at understanding LGPS membership of local government staff.</p>
1.09	<p>Policy and Strategy Implementation and Monitoring</p> <p><i>Knowledge and Skills Policy and Training Plan</i></p> <p><u>Policy requirements</u></p> <p>The Fund's Knowledge and Skills Policy requires all Pension Fund Committee members, Pension Board members and Senior Officers to:</p> <ul style="list-style-type: none"> • attend training on the key elements identified in the CIPFA

Knowledge and Skills Framework as part of their induction and on an ongoing refresher basis

- attend training sessions on “hot topic” areas, such as a high risk area or an area of change for the Fund and
- attend at least one day each year of general awareness training or events.

Training Needs Analysis – The Fund’s training plan forms part of the Fund’s business plan for 2024/25 which was approved by the Committee at the March 2024 meeting.

Appendix 5 sets out the Fund’s training plan and training undertaken since the last meeting.

Training undertaken.

A summary of attendance at the Fund's essential training sessions (other than induction training) over 2023/24 is included below for completeness:

	Date	Number of Committee attending (Proportion of total)	Number of Board attending (Proportion of total)	Number of Senior officers attending (Proportion of total)
Essential Training Sessions – Target attendance is 75%				
Governance of Pensions	April 23	7 (78%)	3 (60%)	4 (80%)
Tactical Asset Allocation and Responsible Investing	May 23	9 (100%)	3 (60%)	3 (60%)
Divestment Framework	Aug 23	8 (89%)	1 (25%)	3 (60%)
Investment Matters	Feb 24	8 (89%)	3 (75%)	3 (60%)
TPR General Code	Mar 24	7 (78%)	3 (100%)	3 (60%)
Total		(87%)	(62%)	(64%)

No essential training sessions have been held during 2024/25 to date.

Non-essential, general awareness training attended by Committee members since the last update includes the March LGC Investment Seminar in Chester and the PLSA Local Authority Conference on 11-13 June in the Cotswolds. Committee and Board members also attended the WPP Quarter 4 training on Market Understanding & Regulatory Requirements.

Future training and events

Officers will continue to provide information on further training sessions and events as this becomes available. New members of the Board and Committee will be expected to attend Induction Training. In addition, if any Committee or Board members wish to attend any of the following optional

	<p>events that count as general awareness training, please contact the Governance Administration Assistant:</p> <ul style="list-style-type: none"> • LGA LGPS Governance Fundamentals training series – running In York, London and Online through October to December <p>The following are the next essential training sessions, which should be attended by all Committee and Board members (both will be run in hybrid format). It is proposed to hold these sessions after the Committee meetings and so members should make themselves available for the full day. Lunch will be provided for those attending in person.</p> <ul style="list-style-type: none"> • CPF Impact Investing training on 19 June 2024 (pm) • CPF Governance training on 11 September 2024 (am) • CPF Funding strategy training on 27 November 2024 (pm)
1.10	<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 6 details the current breaches that have been identified. There were no new breaches over the period since the last update.</p> <p>The ongoing case involving a community council (with 1 member), relates to ongoing late remittance advice and late payment of contributions, due to the absence of the Clerk. Discussions with the new Clerk are ongoing to resolve the situation.</p>
1.11	<p>Delegated Responsibilities</p> <p>The Pension Fund Committee have delegated a number of responsibilities to officers or individuals. There have been no uses of general delegated powers for governance matters since the last update report.</p>
1.12	<p>Calendar of Future Events</p> <p>Appendix 7 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> <p>The next Committee dates, confirmed at the May Annual General Meeting, are as follows (all morning meetings starting at 9:30am other than on 11 September):</p> <p>11 September 2024 – this will be an afternoon meeting 27 November 2024 19 February 2025 19 March 2025 18 June 2025</p>

2.00	RESOURCE IMPLICATIONS
2.01	No material resource or budgetary implications are expected from the items in this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None

4.00	RISK MANAGEMENT
4.01	Appendix 8 provides the risk dashboard showing current risks relating to the Fund as a whole, as well as the extract of governance risks. The risk register has been re-worked since it was last presented to the Committee in February to reflect the updated Risk Management Policy agreed at the March Committee.
4.02	Members may recall that the changes to the Policy incorporated a new approach to scoring the impact and likelihood of risks and the key to the updated scoring approach is included in Appendix 8. As this is the first version of the new risk register, there are no changes shown on the risk dashboard. The risk register is likely to evolve over time as the new approach is bedded in.
4.03	The majority of governance risks are on target and there are no red risks. All three risks which are not on target are only one away from their target impact or likelihood. These are: Risk number 3 - WPP delegated decision-making is inappropriate (particularly for CPF) Risk 9 - unable to adequately/ appropriately implement governance changes – external Risk 11 - no or restricted access to our systems .

5.00	APPENDICES
5.01	Appendix 1 - Business plan update for governance tasks Appendix 2 - Business Continuity Policy Appendix 3 - SAB Meetings – Summary of 11 March 2024 meeting Appendix 4 - TPR Compliance Report - Short Appendix 5 - Training plan Appendix 6 - Breaches log Appendix 7 - Calendar of future events Appendix 8 - Risk Register

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Report to Pension Fund Committee - 2024/25 Business Plan (March 2024)</p> <p>Full hyperlinks for referred to information:</p> <ul style="list-style-type: none"> • 1.06 – HM treasury ruling https://www.bailii.org/ew/cases/EWCA/Civ/2024/355.html • 1.06 – Sharia Law https://lgpsboard.org/index.php/board-publications/legal-opinions • 1.07 – TPR’s New General Code https://www.thepensionsregulator.gov.uk/en/document-library/consultations/new-code-of-practice <p>Contact Officer: Philip Latham, Head of Clwyd Pension Fund</p> <p>Telephone: 01352 702264</p> <p>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, scheme manager or Governing Body – Flintshire County Council is the administering authority, scheme manager and Governing Body for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) Committee or 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) Board, 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>

- (f) **SAB – The national Scheme Advisory Board** – the national body responsible for providing direction and advice to LGPS administering authorities and to DLUHC.
- (g) **DLUHC – Department of Levelling Up, Housing and Communities** – the government department responsible for the LGPS legislation.
- (h) **JGC – Joint Governance Committee** – the joint committee established for the Wales Pension Partnership asset pooling arrangement.
- (i) **CIPFA – Chartered Institute of Public Finance and Accountancy** - a UK-based international accountancy membership and standard-setting body. They set the local government accounting standard and also provide a range of technical guidance and support, as well as advisory and consultancy services. They also provide education and learning in accountancy and financial management.
- (j) **TPR – The Pensions Regulator** – TPR has responsibilities to protect UK's workplace pensions and make sure employers, scheme managers and pension specialists can fulfil their duties to scheme members. This includes oversight of public service pension schemes, including the LGPS. Specific areas of oversight are set out in legislation and also expanded on within TPR's Guidance and Codes of Practice.
- (k) **PLSA - Pensions and Lifetime Savings Association** – PLSA aims to bring together the industry and other parties to raise standards, share best practice and support its members. It works collaboratively with members, government, parliament, regulators and other stakeholders to help build sustainable policies and regulation which deliver a better income in retirement.
- (l) **HMT – His Majesty's Treasury** – HMT has a responsibility to approve all LGPS legislation before it is made