

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 27 November 2024
Report Subject	Governance Update
Report Author	Head of Clwyd Pension Fund

EXECUTIVE SUMMARY

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

- a review of all measures and monitoring requirements included within the Funds' various governance related policies and strategies
- progress against the governance section of the Fund's Business Plan
- governance-related developments at national and Fund level, including updates from the LGPS Scheme Advisory Board on fiduciary duty, lobbying and holding investments linked to the ongoing situation in the Middle East
- updates to the governance risks on the Fund's risk register 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.
---	--

REPORT DETAILS

1.00	GOVERNANCE RELATED MATTERS
1.01	<p data-bbox="320 271 660 304">Business Plan Update</p> <p data-bbox="320 344 1372 600">The business plan update in Appendix 1 shows the latest progress for the governance tasks in the 2024/25 Business Plan. Progress is being made, but some items due in Q3 are behind schedule or have been deferred to Q4. This is largely due to a material amount of officers' time being taken up with the HMT Pensions Review call for evidence and the desire to wait for any new guidance or legislation to be issued prior to updating key policies. The key points to note are as follows:</p> <ul data-bbox="368 640 1388 2076" style="list-style-type: none"><li data-bbox="368 640 1388 786">• <i>G1 – Succession planning:</i> We are working with the Council to implement the new Management Structure approved by Committee in June with the process expected to be completed prior to the year end.<li data-bbox="368 790 1388 965">• <i>G2 – Governance arrangements:</i> Work is ongoing regarding the remit and potential consolidation of the sub-groups that support the Fund's Advisory Panel and a proposed route forward will be brought to Committee in February or March 2025.<li data-bbox="368 969 1388 1373">• <i>G4 – Implement regulatory and guidance changes:</i> As the HMT Pensions Review continues, it is still not clear when we might expect the changes to regulations and guidance that were expected (i.e. Good Governance and pooling). These may now form part of the HMT Pensions Review including a consultation before Christmas (see separate report on this) that will provide greater clarity for business planning purposes. The LGPS Scheme Advisory Board is also now working on updating guidance in relation to areas such as knowledge and skills as recommended by the Good Governance review. The business plan will be updated once there is greater clarity on expectations and timescales.<li data-bbox="368 1377 1388 1597">• <i>G5 – Review of governance related policies:</i> The Knowledge and Skills Policy review has been delayed further to Q4 as we are hoping to incorporate the recommendations from Good Governance project. Once there is greater clarity on the Good Governance changes' timescales, the approach to and timescales to carry out this review will be reconsidered.<li data-bbox="368 1601 1388 1821">• <i>G6 – Review/tender key supplier contracts and Procurement Act changes</i> The tender for the independent adviser services is near completion and approval on the preferred adviser is sought from the Committee in a separate report, as well as extension to the actuarial and benefits consultancy contract.<li data-bbox="368 1825 1388 2076">• <i>G7 – Appointments of Local Pension Board and Pension Fund Committee Members</i> The new scheme member (trade union) representative has been appointed (Mrs Tracey Sutton-Postlethwaite) and the Board was at full complement for the 3 October meeting. The scheme member (non-trade union) representative's term ends in February 2025, and a message about this position and the application process has been

	<p>advertised to scheme members via the website and newsletters. As set out within the Pension Board protocol, the appointment process is delegated to the Head of Clwyd Pension Fund.</p> <ul style="list-style-type: none"> • <i>G8 – WPP Governance arrangements</i> A workshop with the Committee and Board on WPP’s governance arrangements will take place after the Committee meeting with a plan to take any suggestions to the WPP after that discussion.
	<p>Current Developments and News</p>
1.02	<p><i>Pension Board meetings</i></p> <p>The last meeting of Pension Board was held on 3 October 2024 and the draft minutes are attached in Appendix 2. Key topics for discussion included the preparation and external audit of the Annual Report and Accounts, the HMT Pensions Review, accommodation changes, progress by the Administration Team with the McCloud and National Pensions Dashboard projects and an update on the Chair of the Pension Board’s meeting with the Flintshire County Council Chief Executive.</p> <p>The next Board meeting is on 17 January 2025.</p>
1.03	<p><i>LGPS Scheme Advisory Board (SAB) updates</i></p> <p><i>SAB Meetings</i> As discussed in the September governance update. The LGPS SAB met on 22 July 2024. The meeting summary is now available and attached at Appendix 3.</p> <p>The date of the next SAB meeting is 25 November 2024.</p> <p><i>Counsel opinion on the LGPS and implications of the current events concerning Gaza</i></p> <p>As circulated as part of an email to the Committee and Board on 7 November, the SAB has been made aware of a number of examples where LGPS administering authorities have received letters alleging that they are acting unlawfully by holding and failing to divest from investments which have been linked to the ongoing situation in the Middle East.</p> <p>The SAB has commissioned Council advice on behalf of the LGPS specifically on the allegation that funds might face future criminal action by the International Court of Justice or within the UK under the Terrorism Act 2000 or the International Criminal Court Act 2001, as a result of holding such investments.</p> <p>The SAB hope the advice assists funds in responding to any queries that are raised around this point, but note that the Council advice is limited to whether there is a criminal liability in holding these investments and does not provide guidance on whether it is appropriate for Funds to choose to divest.</p> <p>Purely on the point being considered around the legality of holding such investments, our summary of the conclusion is that it does not appear</p>

likely that any such legal action would be successful. A separate report to this Committee provides information about investments currently held by the Fund, so the Committee can consider whether any action should be taken in relation to these.

SAB Statement on Fiduciary Duty and Lobbying

Closely linked to this, as circulated by email to the Committee and Board on 19 September, the Scheme Advisory Board has published a [statement](#) addressing the growing queries about LGPS fund investments.

In addition, the Secretariat is seeking legal advice on whether the previous guidance on fiduciary duty for administering authorities needs updating.

Letter to MHCLG on Shared Cost Additional Pension Contributions

As a result of work carried out by the SAB's Pensions Gap working group, the Board Secretariat has [written](#) to MHCLG to request a review of the regulations and actuarial factors for Shared Cost Additional Pension Contributions (SCAPCs). as there is a concern that the current rules may disadvantage members who take unpaid leave for caring responsibilities (predominantly female workers), and the letter seeks clearer, more flexible options for buying back pension during such leave.

1.04

Annual Review of Objective Measures for Governance Related Policies/Strategies

Within the Fund's strategies and policies, there are a number of measures to illustrate whether the Fund's objectives in those areas are being achieved. Many of these measures are included in the Committee's quarterly updates (such as training attendance and key performance indicators) and also in the Annual Report and Accounts. However there are some within the Fund's various governance related policies which are not regularly reported.

These additional measures are reported to the Committee on an annual basis as part of the Governance Update report to provide transparency that all measures are being considered.

Appendix 4 includes a list of the measures in the governance related policies and the outcomes relating to them in relation to 2023/24 (or the current situation if appropriate).

In summary, the Fund is fully compliant in most areas, and we expect the areas where the Fund is partially compliant to be resolved shortly. There are three areas of non-compliance:

- The Pension Board report must include an item on conflicts of interest – A more explicit statement will be included in the 2024/25 annual report
- There has not yet been a test of the Fund's cyber security incident response plan or Fund's business continuity plan

It is expected that these areas will be completed during 2024/25.

1.05

Knowledge and Skills Policy and Training Plan**Policy requirements**

The Fund's Knowledge and Skills Policy requires all Pension Fund Committee members, Pension Board members and Senior Officers to:

- 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.

The Fund's training plan forms part of the Fund's business plan for 2024/25 which was approved by the Committee at their March 2024 meeting.

Appendix 4 sets out the Fund's training plan and training undertaken since the last Committee meeting.

Training undertaken

A summary of attendance at the Fund's essential training sessions (other than induction training) over 2024/25 is included below:

	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%				
Impact Investing	Jun 24	7 (78%)	2 (50%)	4 (80%)
Governance and national developments	Sep 24	7 (78%)	3 (75%)	5 (83%)
Total		(78%)	(63%)	(82%)

Non-essential, general awareness training attended by Committee and Board members since the last update includes the WPP Quarter 2 training on WPP Policies on 18th October.

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 events that count as general awareness training, please contact the Governance Administration Assistant:

- WPP training – Responsible investment - 28 November 2024 (9.30am to 12 noon).
- LGA Annual Governance Conference Bournemouth – 30 January 2025

	<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"> • Taskforce on Nature-related Financial Disclosures (TNFD) and how the CPF intends to implement these – 19 February 2025 (pm) • Training topic to be confirmed – 19 March 2025 (pm). • Training topic to be confirmed – 18 June 2025 (pm).
1.06	<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 5 details the current breaches that have been identified. There was one new administration breach relating to the overpayment of a member, which was previously highlighted to the Committee via email and the delegation relating to this is included in the Administration and Communications Update report.</p>
1.07	<p>Delegated Responsibilities</p> <p>The Pension Fund Committee have delegated a number of responsibilities to officers or the Chair/Vice-Chair. Since the last update report, the only governance matter where the delegated powers have been used relates to the approval of an increase in the budget to allow the Fund officers to enter into a lease for new accommodation to house the Clwyd Pension Fund team.</p> <p>Appendix 7 includes the delegation form relating to this matter for information.</p>
1.8	<p>Calendar of Future Events</p> <p>Appendix 8 includes a summary of all future events for Committee and Pension Board members, including Pension Fund Committee meetings, Pension Board meetings and training dates.</p> <p>The next Committee dates, confirmed at the May Annual General Meeting, are as follows (all morning meetings starting at 9:30am):</p> <p>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 9 provides the risk dashboard showing current risks relating to the Fund as a whole, as well as the extract of governance risks and the risk register key. The risk register has been updated since it was last presented to the Committee in September.
4.02	<p>The main changes to the governance risks are as follows:</p> <ul style="list-style-type: none"> • Risk 9 (unable to adequately/appropriately implement governance changes – external) has been updated to increase both the likelihood and impact by one respectively as a result of the Pension Review consultation. This risk now has a risk score of 12 which categorises it as “Red”. This has been escalated appropriately. In addition a new action has been added to agree a plan of action with AP the Committee and FCC (if required). • In relation to other risks, various actions have been updated to reflect those now completed. • A new action has been added to Risk 1 (Committee decision-making is inappropriate) to consider / implement ways to encourage continuity of PFC membership.
4.03	<p>The increase to Risk 9 means that this is now the risk that is furthest from target.</p> <p>Given the length and depth of the consultation the complete risk register will reviewed again once the consultation has been considered in more detail. As part of this review all risks will be considered and we expect that some others will increase in score.</p>

5.00	APPENDICES
5.01	<p>Appendix 1 - Business plan update for governance tasks</p> <p>Appendix 2 - Pension board meeting minutes</p> <p>Appendix 3 - SAB Meetings – Summary of 22 July 2024 meeting</p> <p>Appendix 4 - Objective measures for governance related policies</p> <p>Appendix 5 - Training plan</p> <p>Appendix 6 - Breaches log</p> <p>Appendix 7 – Delegation form relating to accommodation</p> <p>Appendix 8 - Calendar of future events</p> <p>Appendix 9 - Risk Register</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Report to Pension Fund Committee - 2024/25 Business Plan (March 2024 and June 2024)</p> <p>Full hyperlinks for referred to information:</p> <ul style="list-style-type: none"> • Council’s advice on the implications of the current situation in the Middle East: https://lgpsboard.org/images/LegalAdviceandSummaries/Oct2024_LGA_LGPSGazaeventsopinion_from_Nigel_Giffin_KC.pdf • SAB Statement on Fiduciary Duty and dealing with lobbying: https://lgpsboard.org/images/Other/SAB_Statement_Fiduciary_Duty_Lobbying_Sept2024.pdf • Letter to MHCLG on Shared Cost Additional Pension Contributions: https://lgpsboard.org/images/MinisterialLetters/Letter%20to%20Teresa%20Clay%20-%20SCAPC%20Factors.pdf <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) **MHCLG – Ministry of Housing, Communities and Local Government** – 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