

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 10 February 2021
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 last update reports were provided at the October and November 2020 Committees and therefore this update report includes developments since those reports.

This update includes matters that are mainly for noting, albeit comments are clearly welcome. The only matter for approval relates to:

- Changes to some of the timescales relating to business plan items (some of which are due to delays in guidance or regulations at a national level).

The report includes updates on:

- Membership of the Committee
- The latest compliance check against The Pensions Regulator's public sector requirements
- Update to the Fund's risk dashboard and changes to the governance risks since the last meeting
- The latest changes to our breaches of the law register
- The updated training plan following the self-assessment training needs analyses that were completed by members in February 2020.

RECOMMENDATIONS

1	That the Committee consider the update and provide any comments.
2	That the Committee approve the changes to the timelines for governance tasks in the business plan as outlined in paragraph 1.01.
3	That the Committee provide their views on the timescales for setting up the next training sessions relating to specific subject matters as referred to in paragraph 1.08.

REPORT DETAILS

1.00	GOVERNANCE RELATED MATTERS
1.01	<p data-bbox="320 271 783 304">Business Plan 2020/21 Update</p> <p data-bbox="320 344 1382 488">Appendix 1 shows progress with this quarter's work in the 2020/21 business plan. Given the impact of Covid-19 and other priorities, relatively good progress is being made with the agreed actions. The Committee should note the following:</p> <ul data-bbox="368 495 1382 2040" style="list-style-type: none"><li data-bbox="368 495 1382 674">• G1: Review against new Pensions Regulator Single Modular Code – As mentioned in the October 2021 update, The Pensions Regulator has delayed the issue of the Code for consultation and this is now due in Spring 2021. We understand the new draft Code may be issued for consultation in the next few weeks.<li data-bbox="368 680 1382 965">• G2: Review of Governance Related Policies – The Fund's Training Policy was due for review. However as mentioned in the original plan, CIPFA are updating their Knowledge and Skills Code of Practice and Framework relating to the LGPS. The new Code and Framework are expected to be issued in March 2021. The review of the Training Policy will therefore be deferred until after that point so any new requirements from CIPFA can be incorporated where appropriate.<li data-bbox="368 972 1382 1151">• G4: Develop business continuity plan – Preparation of the business continuity plan is now progressing. A draft Business Continuity Policy will be brought to the Committee in March for approval, and the 2021/22 business plan will include the ongoing development in relation to this area of work.<li data-bbox="368 1158 1382 1525">• G5: Ensure appropriate cyber-security is in place – in line with The Pension Regulator's recommended approach to managing cyber risk, a cyber-risk questionnaire has been issued to Heywood (pensions administration system provider) and Flintshire County Council (FCC) (for other systems and hardware used by CPF) to assess any cyber risks relating to the Fund's main systems and equipment. The outcome of this exercise will be fed back to the March Committee. Officers are also documenting the key relationships and responsibilities for managing cyber-risk within the Fund. It is likely this work will go into 2021/22.<li data-bbox="368 1532 1382 1749">• G6: Process and internal control review – the first stage of this work (identifying any gaps in documented processes) was due to take place during 2020/21. This work has not yet started due to the need to reprioritise other work. This work will be incorporated into the business continuity work as part of the 2021/22 business plan which the Committee will be asked to approve in March.<li data-bbox="368 1756 1382 2040">• G7: Effectiveness survey – It was planned to undertake a survey of the Committee, Pension Board members and key officers' views on the effectiveness of the Fund's governance arrangements. This is something that is expected as part of Myners' Principles (which relate to good governance). Given the impact of Covid-19 on meetings and decision making particularly during 2020, it is proposed that this should be deferred until later in 2021. Accordingly, this will be included in next year's business plan.

1.02	The Committee is asked to note the contents of the business plan and approve the updated timescales as shown in Appendix 1.
1.03	<p>Current Developments and News</p> <p><i>Covid-19</i></p> <p>As was mentioned at previous meetings, the delivery of pension fund services has continued with very little impact on the Fund's priorities, despite the changes in how pension fund officers and employers have been working since 19 March 2020.</p> <p>The Pensions Team continue to work mainly from home and is expected to do so for the foreseeable future. Unfortunately, there has now been a situation of Covid-19 in the Pensions Team, and there have also been a higher than normal number of family bereavements and illness (in the main not Covid related). Despite these extremely sad circumstances, the ongoing dedication of the team has meant business as usual continues to be maintained with little impact on existing service standards. Good progress is being made with many of the projects and tasks that were identified for completion this year, however, there is now a greater need to prioritise work and some projects and tasks will be delayed. This will continue to be monitored. Further information on these matters is contained in the Administration and Communications Update and the Funding and Investments Update, including the financial impact on the Fund.</p>
1.04	<p><i>Pension Fund positions</i></p> <p>Councillor Julian Thompson-Hill has been appointed to the Pension Fund Committee as the Denbighshire County Council (DCC) representative. Councillor Thompson-Hill was already the substitute member for this position.</p> <p>The Chief Executive of Flintshire County Council is intending on finishing full-time work later in 2021. As he holds the Fund Administrator position, an alternative is being considered for this position.</p>
1.05	<p><i>Pension Board update</i></p> <p>The last Clwyd Pension Fund Board meeting was on the 6 November and the minutes were included in the November Committee papers. The next meeting is on 23 February. The Board continue to attend training events including WPP sessions, and there are CIPFA Pension Board seminars later in February which are being attended by three Board members. In addition, the Board attended a McCloud Steering Group as mentioned in the separate Administration and Communications Update report.</p>
1.06	<p><i>National LGPS Scheme Advisory Board (SAB) Update</i></p> <p>There have been no further meetings of the LGPS SAB since 2 November 2020, and there are no summary minutes of what was agreed at that meeting. We understand the next LGPS SAB is on 8 February but at the point of writing, no information is available regarding the agenda items.</p>

1.07

The Pensions Regulator Code of Practice No 14

The Pensions Regulator's Code of Practice No 14 outlines expectations in relation to the governance and administration of public service pension schemes. It was issued in April 2015. The Code is split into to the following categories, and within each of these categories there are a number of specific requirements:

- Reporting duties
- Knowledge and understanding
- Conflicts of interest
- Publishing information
- Risk and internal controls
- Maintaining accurate member data
- Maintaining contributions
- Providing information to Members and Others
- Internal dispute resolution procedure
- Reporting breaches.

In addition, there is a section in the Fund's compliance check relating to Scheme Advisory Board requirements which are separate.

Since the Code was issued the Fund has carried out regular reviews to assess its compliance against the requirements, some of which are legal requirements. Although compliance is assessed on an ongoing basis, periodically a more detailed review takes place, and this was carried out in the latter part of 2020. The findings were considered in detail by the Pension Board at their last meeting.

The findings of the latest review continue to show a high level of compliance by the Fund and improvements in a number of areas. The first page of the summary in Appendix 2 shows there is only 1 area where it has not yet been possible to carry out a full check of whether the Fund is compliant (with 1 further area not being relevant). In relation to whether the Fund is compliant or not the breakdown is as follows:

- Fully compliant – 85 areas
- Partially compliant – 10 areas
- Non-compliant – no areas
- Not relevant – 1 area.

The second and third pages of the summary show how the current compliance compares with the previous review. On page 2 the arrows pointing to the right denote that all movements against the last review are improvements; no areas have moved down to partially or non-compliant. The numbers in the arrows denote the number of areas that have moved in each area. Page 3 of that summary lists all the individual areas showing them as either full compliant (green boxes), partially compliant (amber boxes) or an area that has moved since the last review (the arrows).

Appendix 3 provides more detail in relation to the 10 areas that are partially compliant but in summary:

- The majority of these relate to the same category, which is around the monitoring and management of the receipt of contributions from employers. This process is well established in the Fund, but it is not fully documented which is the reason for it being scored as partially

	<p>compliant. This is an area of work that has been identified but has been re-prioritised due to a staff secondment and other priority work.</p> <ul style="list-style-type: none"> • The 2 areas within the Knowledge and Skills category will remain partially compliant as it is not felt appropriate to meet these requirements, as highlighted in the commentary against these points. • The 1 area in the Providing Information to Members and Others category will be resolved as part of the Fund's website review which is expected to make progress during 2021; this has been subject to recruiting a web specialist which is underway. <p>Members are asked to consider the findings and are invited to comment and ask questions. Any Members who would like to see the complete compliance document can request this from officers.</p>
1.08	<p>Policy and Strategy Implementation and Monitoring</p> <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>Training Plan</i></p> <p>The current training plan is included in Appendix 4. Further updates to the Training Plan will be included with the 2021/22 Business Plan that will be considered at the March Committee. In the meantime, the induction training sessions have been set up and all longer serving Committee and Board members have received information on these if they wish to attend. The induction training sessions are included in the training plan and cover the following areas:</p> <ul style="list-style-type: none"> • Governance – 3rd March from 10am to 12 noon • Actuarial – 10th March from 2pm to 4pm • Investment & Funding (inc. Flightpath) – 31st March from 2pm to 4pm • Investment Practice – 7th April from 2pm to 4pm • Administration – 21st April from 2pm to 4pm • Accounting, Audit & Procurement – 28th April from 2pm to 4pm • Communication – 5th May from 2pm to 4pm <p>There are a number of subject areas that Committee members have previously highlighted for training, or that have been identified by officers as being necessary given the planned business items for the Fund in the future. Committee members are asked to consider whether they are happy with short sessions (one to two 2 hours) being set up during March and April, or whether they would prefer these to be deferred until after the</p>

	<p>induction training has been completed. The subject matters are likely to be the Fund's risk management framework (flight path) and cybercrime risk.</p> <p>Appendix 4 includes various external events attended by Committee members and Pension Board members during 2020/21 as well as details of forthcoming external events considered suitable for general awareness training. Officers will continue to be in touch with further information as these training sessions and events become available.</p>
1.09	<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 is one new administration breach (A20). Hafan Deg continues to be late in submitting contributions and so a new finance breach has been created for that (F38), albeit the previous breaches for delayed remittances have now been resolved. This will continue to be monitored.</p>
1.10	<p>Delegated Responsibilities</p> <p>The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. There has been no use of delegated responsibilities since the last Committee meeting.</p>
1.11	<p>Calendar of Future Events</p> <p>Appendix 6 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. Members should note the events taking place before the 23 March committee meeting:</p> <ul style="list-style-type: none"> • Various induction training dates (new Committee/Board members essential but all invited) • 15 to 22 February – CIPFA Local Pension Board Seminars (open to all Board members) • 23 February - Pension Board meeting (Board members only) • 24 February – WPP training event on review process and regulatory requirements (open to all Committee and Board members) • 18 to 19 March – LGC Investment Summit (open to all Committee and Board members). <p>Members should confirm attendance at these events, if not already done so, with the Deputy Head of Clwyd Pension Fund.</p>

2.00	RESOURCE IMPLICATIONS
2.01	<p>As mentioned in paragraph 1.03, there has now been a situation of Covid-19 in the Pensions Team, and there have also been a higher than normal number of family bereavements and illness (in the main not Covid related).</p> <p>As a result, and also due to other pressures mainly driven by Government changes, some project work and tasks are now being re-prioritised. It should be noted that this relates to areas that are not essential and generally fall in the categories of good practice or efficiency improvements.</p>

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

4.00	RISK MANAGEMENT
4.01	<p>Appendix 7 provides the dashboard showing the current risks relating to the Fund as a whole, as well as the extract of governance risks. The risk register has been updated since it was last presented to the Committee in October including updating the existing controls and outstanding actions. In addition, most of the risks have had their "Expected Back on Target" date extended to later in 2021, mainly driven by the uncertainty around Covid-19 and the impact of national changes including the McCloud remedy and the £95k cap. However the only risks where the current scores have changed compared to October's register are as follows:</p> <ul style="list-style-type: none"> • Risk 1 – Risk is not identified and/or appropriately considered resulting in losses or other detrimental impact on the Fund or its stakeholders: This is an area which we think is extremely well managed now in relation to the Fund and as such we have lowered the likelihood rating from Low to Very Low (which is actually lower than the target). • Risk 2 – Governance (particularly at PFC) is poor resulting in inappropriate or no decisions being made: The likelihood of this has now been moved to Low given the reappointment of some Committee and Board members which has resulted in continuity of membership. It is expected this will be reduced further once the induction training has taken place. The target has also been reduced to Very Low as we consider that to be a reasonable expectation. • Risk 3 – Decisions, particularly at PFC, are influenced by conflicts of interest, and as such our legal fiduciary duties are not met: The likelihood of this has been increased to Low based on the increased expectation that local area or Wales specific investments could be considered in the near future which will be new to the Fund. It will be important to ensure that processes and due diligence is robust to manage any potential conflicts which might result in pressure to approve these investments.

	<p>The two biggest governance risks continue to be as follows:</p> <ul style="list-style-type: none"> • Risk 5 – 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. This is mainly due to the ongoing uncertainty around the McCloud judgement and other national changes such as the £95k cap and related reform. • Risk 6 – This is the risk of insufficient staff numbers meaning services are not delivered to meet legal and policy objectives. This risk is high due to the uncertainty around Covid-19 related absences amongst staff members.
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5.00	APPENDICES
5.01	<p>Appendix 1 – Business plan progress 2020/21 Appendix 2 – TPR movements in compliance Appendix 3 – TPR non-compliant areas Appendix 4 - Training plan Appendix 5 – Breaches Appendix 6 – Calendar of future events Appendix 7 – 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) 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>

- (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.
- (e) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of.
- (f) **SAB – The national Scheme Advisory Board** – the national body responsible for providing direction and advice to LGPS administering authorities and to MHCLG.
- (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 Accountability** - 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.