

GOOD GOVERNANCE REVIEW UPDATE

1. Introduction

- 1.1 This report updates Committee on the Scheme Advisory Board's Good Governance Review and the Fund's initial self-assessment against the review's recommendations.
- 1.2 This is an interim position for information pending confirmation from MHCLG as to how the recommendations will be taken forward in regulation and statutory guidance.

2. Recommendation

- 2.1 The Committee is asked to note the position as set out in the report.

3. Good Governance Review - recap

- 3.1 In 2019 the Scheme Advisory Board (SAB) commissioned Hymans Robertson to undertake the Good Governance review across the LGPS.
- 3.2 Phase 1 of the review reported in July 2019 and SAB agreed that two working groups should be established to take forward Phase II, one exploring the ways in which the improvements in the standard of governance and administration outlined in the Hymans Robertson report could be achieved and the other to examine how these improved standards could be independently monitored and measured.
- 3.3 The Phase II report was agreed by SAB in November 2019. Based on the findings SAB agreed that the two working groups should be re-established as a single group to take forward Phase III implementation stage of the project.
- 3.4 In April 2020 in view of the restrictions imposed during the covid-19 emergency SAB agreed to stand down the work of the Phase III implementation working group but asked Hymans Robertson to continue work on finalising their Phase III report.
- 3.5 The Phase III final report and action plan was published by SAB in February 2021. The accompanying action plan comprises: -
 - a) Those matters that would fall to MHCLG to implement, either by amending scheme regulations or producing statutory guidance
 - b) Those matters that would fall to the Board and other bodies to implement - subject to the actions in a) being taken by MHCLG - and
 - c) Actions to identify and promote existing best practice that the Board can take forward regardless of the outcome of the above.
- 3.6 The Committee received updates on the progress of the review at their joint training events on 8 November 2019 and 26 February 2021.



4. Cheshire Pension Fund self-assessment

- 4.1 The Phase III report sets out seventeen recommendations and proposes key performance indicators to be adopted across all LGPS funds.
- 4.2 These recommendations have not yet been formally adopted into regulations or guidance by MHCLG, although it is understood they are supportive of the findings.
- 4.3 Officers have assessed the Fund's current arrangements alongside the review recommendations and KPIs. The outcome of this assessment is attached at Appendix 1. This shows the Fund's current practice is predominantly already compliant with the recommendations
- 4.4 Members will note that this is an interim assessment only at this stage pending confirmation of MHCLG's approach and sight of draft regulations and guidance. Further reports will be brought to Committee in due course.



SAB Good Governance Review – Interim Self Assessment

Area	SAB Recommendation	CPF Action Required
A. General	<p>A.1 MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. (“the Guidance”).</p>	<ul style="list-style-type: none"> • Review governance arrangements/compliance against regulatory changes/statutory guidance when published
	<p>A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. (“the LGPS senior officer”)</p>	<ul style="list-style-type: none"> • Further details required on statutory responsibilities of/decisions to be made by new LGPS Senior Officer to determine which role this aligns to in CW&C structure and Constitution ✓ CPF already manages all LGPS functions together
	<p>A.3 Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be co-signed by the LGPS senior officer and S151.</p>	<ul style="list-style-type: none"> • Update Governance Compliance Statement as required • Note new Governance Compliance Statement signing requirements ✓ CPF involves Committee and Board in governance
B. Conflicts of interest	<p>B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential, and perceived conflicts are addressed within the governance of the fund, with specific reference to key conflicts identified in the Guidance.</p>	<ul style="list-style-type: none"> • Fund Conflicts of Interest policy required ✓ Conflict of Interest policy for LPB in place - but review



Area	SAB Recommendation	CPF Action Required
	<p>B.2 The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB</p> <p><i>(SAB notes legal conflict between Nigel Giffin's opinion and those of the Supreme Court in the Palestine case)</i></p>	<ul style="list-style-type: none"> N/A - MHCLG to action
C. Representation	<p>C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to voting rights for each party.</p> <p><i>SAB notes statutory guidance should state AAs may wish to retain majority vote on Committees to recognise statutory duty for Fund</i></p>	<ul style="list-style-type: none"> Update Governance Compliance Statement as required including approach to involvement of non-Council employers
D. Knowledge and understanding	<p>D.1 Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committees, to have the appropriate level of knowledge and understanding to carry out their duties effectively.</p>	<ul style="list-style-type: none"> Extend recording of Knowledge & Skills for relevant LGPS Officers ✓ Approach in place for training of Committee and Board
	<p>D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of CPD requirements to ensure good levels of knowledge and understanding.</p>	<ul style="list-style-type: none"> Deliver through agreed Training Plan once requirements are confirmed



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	D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.	<ul style="list-style-type: none"> ✓ Published in reports to Committee and Board • Review for any new requirements
	D.4 CIPFA should be asked to produce appropriate guidance and training modules for s151 officers.	
E. Service Delivery for the LGPS Function	E.1 Each administering authority must document key roles and responsibilities relating to the LGPS and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority's scheme of delegation	<ul style="list-style-type: none"> ✓ Included in March 2021 Governance Compliance Statement to be presented in Annual Report • Create Pension Fund specific scheme of delegation [currently within Finance]
	E.2 Each administering authority must publish an administration strategy.	✓ In place
	E.3 Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service.	<ul style="list-style-type: none"> • Review proposed KPIs and establish appropriate reporting tools/processes (see Appendix)
	E.4 Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year	✓ In place



Area	SAB Recommendation	CPF Action Required
	<p>E.5 Each Administering Authority must give proper consideration to pay and recruitment policies, including as appropriate market supplements, relevant to the needs of their pension function. Administering Authorities should not simply apply general Council staffing policies, such as recruitment freezes, to the pensions function</p>	<p>✓ In place</p>
<p>F. Compliance & Improvement</p>	<p>F.1 Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified.</p>	<ul style="list-style-type: none"> • Independent governance review voluntarily undertaken in 2019 • Schedule further independent review once statutory guidance published and any new arrangements in place
	<p>F.2 LGA to consider establishing a peer review process for LGPS funds</p>	



**Appendix 2
Standard KPIs proposed**

Subject Area	KPI (Words in Italics from SAB report)	CPF Actions Required
Governance KPIs		
Breadth of representation	1. Percentage make-up (employer/member) on committee and board and number of LPB representation	✓ Data held
	2. Average attendance level at meetings (percentage) – split between absence and vacancies <i>1. and 2. may be incorporated in the Governance Compliance Statement (GCS) by including a clear statement of committee members and their attendance at meetings</i>	✓ Data held
Training and expertise	3. Hours of relevant training undertaken across panel/board in last year	✓ Data held
	4. Relevant experience across senior management team <i>A qualitative statement on the LGPS Senior Officer and their direct reports (or other senior pensions staff) to include professional qualifications and financial services/pension/LGPS experience. Also include % time spent on pension fund business by each person</i>	• Officer experience to be added to training records
Compliance/ Risk	5. Number of times risk register reviewed annually – number of times on agenda at committee/board. <i>This is not measuring the quality of the register but the expectation that it will be viewed regularly at the committee should also improve quality</i>	• Risk register review frequency to be added



Subject Area	KPI (Words in Italics from SAB report)	CPF Actions Required
	6. Number of times carried out business continuity testing and/or cyber security penetration testing <i>Key focus of TPR</i>	<ul style="list-style-type: none"> BCP testing frequency to be added
Appropriate governance time spent on key areas	7. Split of committee/board spent on administration/ governance/ investment <i>How should this be measured, is it just by number of items on the agenda keeping in mind it needs to be auditable?</i>	✓ Data held
Administration KPIs		
Data Quality	1. Common/conditional data score, in line with TPR expectations <i>Include explanation where less than 100%.</i>	✓ Data held
	2. Annual Benefit Statement percentage as at 31 August	✓ Data held
Service standards/SLAs	3. Number and percentage of pension set-ups (new retirements) within disclosure requirement timeframe	✓ Data held
	4. Does the Fund monitor and report its own standards? Y/N	<ul style="list-style-type: none"> Monitoring processes and reporting to be reviewed
	5. Percentage of calls to customer helpline answered and resolved at first point of contact	<ul style="list-style-type: none"> Data not held Liaise with corporate communications about new telephony capability



Subject Area	KPI (Words in Italics from SAB report)	CPF Actions Required
Engagement and communication – capabilities and take-up	6. Specify which online services are available to members/ employers <i>Measuring services provided by Fund online, perhaps against an agreed standardised list.</i>	✓ Data held
	7. Percentage of members registered for the fund’s online services and the percentage that have logged onto the service in the last 12 months split by status <i>Measuring take up of services</i>	<ul style="list-style-type: none"> • Data not held • Include in requirement for launch of new member self-serve
	8. Number of employer engagement events and/or briefings held in last 12 month and percentage take-up <i>Percentage take-up could be weighted to size of employer</i>	✓ Data held <ul style="list-style-type: none"> • Review of events required as part of refreshed Comms & Engagement Strategy
Customer satisfaction	9. Percentage of members (or employers if appropriate) satisfied with the service provided by their LGPS fund (this could be obtained via a simple questionnaire of no more than 5 questions). <i>Members and employers should be measured separately, and funds should also report the number completing the questionnaire to ensure appropriate coverage. For consistency in comparison we suggest a general question is drafted and Funds told to incorporate into their surveys – e.g. “The service was excellent – Strongly Disagree/ Disagree/Agree/Strongly Agree.”</i>	<ul style="list-style-type: none"> • Data not held • Review as part of refreshed Comms & Engagement strategy



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