

SAB Good Governance Project Phase II
Essex Pension Fund self-assessment against recommendations

Recommendation	Why	Suggested Actions	EPF Self-Assessment
A - General			
A1 – MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. (“the Guidance”).	To enable funds to effectively implement the recommendations below.	It is envisaged that all the recommendations made in this document will be enacted via the introductions of new statutory guidance which will supersede current and previous guidance, although it will contain elements of existing legislation and guidance where appropriate. This guidance would be issued on behalf of MHCLG, although MHCLG may seek assistance on drafting the guidance.	Not applicable – action for MHCLG
A2 – 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”).	To improve accountability for fund governance.	This may be the S151 officer assuming they have the capacity, LGPS knowledge and internal assurance framework to assume that role. Alternatively, the LGPS senior officer role may be undertaken by another officer who has the remit of delivering the LGPS function in its entirety and who is likewise suitably qualified and experienced and has the capacity to assume this role.	<p>Fully compliant</p> <p><u>Director for Essex Pension Fund</u> The Director for Essex Pension Fund role should meet the expected requirements for the LGPS senior officer.</p> <p>As detailed within the Essex County Council Constitution, the Director for Essex Pension Fund is:</p> <ul style="list-style-type: none"> (i) To be responsible for the day to day operational management of Essex Pension Fund matters including ensuring arrangements for investment of assets and administration of contributions and benefits, excluding matters delegated to the Pension Strategy Board or Investment Steering Committee. (ii) To agree the terms and payment of bulk transfers to and from the Essex Pension Fund. (iii) To decide any other Pension Fund related urgent matter, that might otherwise be considered by the Pension Strategy Board or Investment Steering Committee, after consultation with the Chairman of the Pension Strategy Board.

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A3 – 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 signed by the LGPS senior officer, and where different, co-signed by the S151 officer.	To improve the transparency and auditability of governance arrangements and in accordance with statutory governance guidance.	The preparation of this statement will be the responsibility of the LGPS senior officer and must be co-signed by the host authority's S151 officer where that person is not also the LGPS senior officer. The expectation will also be that committees and local pension boards would be appropriately involved in the process.	Not applicable – initial action required from MHCLG It is expected that MHCLG will determine the format of the annual governance compliance statement within statutory guidance, and at that stage the Fund will start producing the compliance statement.
B – Conflicts of Interest			
B1 – 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, including reference to key conflicts identified in the Guidance.	Some administering authorities currently only follow the conflicts of interest requirements of the host authority which are typically focussed on the elected member register of interest and code of conduct.	The guidance should require all administering authorities to publish a specific LGPS conflicts of interest policy and should stipulate the area that the policy should address. In addition to registering interests, this will include information on how it identifies, monitors and manages conflicts, including areas of potential conflict that are specific to the LGPS.	Fully compliant <u>Conflict of Interest Policy</u> The Fund have developed their own Conflict of Interest Policy in consultation with the Independent Governance & Administration Adviser (IGAA) and is due to be approved by the Essex Pension Fund Strategy Board on 04 March 2020 and subsequently published.

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B2 – 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.	During the Phase I survey a number of respondents said that it would be very helpful to define the extent of fiduciary duties in respect of the individuals, committees and boards involved in LGPS governance.	The SAB working group came to the conclusion that while clarification on the fiduciary question is desirable, the complex legal considerations mean that this is beyond the scope of this project. The Group is aware that the SAB has separately undertaken to collate various references to fiduciary duties and public law principles	Not applicable – action for MHCLG and SAB Once the relevant guidance has been produced, the Fund will consider it and make any necessary changes to their operating arrangements.
C – Representation			
C1 – 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 representation and voting rights for each party.	The initial phase of the Good Governance review highlighted that many pension committees now have non-administering authority employer and scheme member representatives although local practice varies as to whether these members have a vote.	The Guidance should require that all administering authorities prepare, maintain and publish their policy on representation and to require that they provide: <ul style="list-style-type: none"> • The rationale for their approach to representation for non-administering authority employers and local authority and non-local authority scheme members on any relevant committees; and • The rationale as to whether those representatives have voting rights or not. 	Mainly compliant; subject to further information being provided by MHCLG <u>Essex Pension Fund Terms of Reference and Essex Pension Fund Governance Policy and Compliance Statement</u> The Essex Pension Fund have employer and scheme representatives on all of its governance bodies. The approach to representation and voting rights for all are included in the published Terms of Reference within the Council's Constitution and included with the Fund's Governance Policy and Compliance Statement.

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D – Skills and training			
D1 – Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.	While there exists a statutory duty on members to maintain an appropriate level of knowledge and understanding to carry out their role effectively, no such statutory duty applies to those sitting on s101 committees.	The Guidance should mandate a similar knowledge and understanding requirement for those carrying out a delegated decision-making role on s101 committees as well as officers involved in the fund.	<p>Not applicable – action for MHCLG</p> <p>When the Guidance is introduced, the Fund will review the Essex Pension Fund's approach to training/knowledge and understanding to ensure it remains in line with the requirements in the Guidance.</p>
D2 – Introduce a requirement for s151 officer to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding.	As D1.	There should be an LGPS training requirement for s151 officers (or those aspiring to the role) as part of their CPD. An appropriate level of LGPS knowledge must be attained by s151 officers of an administering authority.	<p>Not applicable – action for MHCLG</p> <p>When the Guidance is introduced, the Fund will review the Essex Pension Fund's approach to training/knowledge and understanding to ensure the s151 Officer remains in line with the requirements in the Guidance.</p>
D3 – Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.	As D1.	Training records must be maintained.	<p>Partially compliant; expected to be fully compliant in 2020/21</p> <p><u>Knowledge and Skills Training Strategy</u> The Fund's Knowledge and Skills Training Strategy is published within the Annual Report and Accounts.</p> <p>The Fund are also in the process of reviewing this Strategy to ensure it is in line with current guidance. In addition, the 2020/21-2022/23 Business Plan (due to be approved by the PSB at their 04 March 2020 meeting) has set out the training requirements of PSB, ISC and PAB Members and an individual training needs analysis will be carried out during 2020/21.</p>

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D4 – CIPFA and other relevant professional bodies should be asked to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their qualification syllabus.	As D1.	A level of LGPS knowledge should also be attained by s151 officers of other public bodies participating in the LGPS, although it is not expected that they should have in-depth and breadth of knowledge required of the s151 officer of an administering authority. This should be specified and administered by an appropriate professional body.	Not applicable – action for MHCLG and SAB
E – Service delivery for the LGPS function			
E1 – Each administering authority must document key roles and responsibilities relating to its LGPS fund 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 and constitution and be consistent with role descriptions and business processes.	Clarity around roles, responsibilities and decision making are central to good delivery of the LGPS function.	The Guidance should require funds to document roles and responsibilities and develop, maintain and publish a “roles and responsibilities matrix” which sets out who within the organisation is responsible for final sign off, implementation, oversight and recommending the key decisions that the fund is required to make. The “roles and responsibilities matrix” should reflect the host authority's scheme of delegation and constitution and be supported by a clearly documented management structure.	Not compliant – unable to achieve full compliance until the guidance in relation to the matrix has been issued. The Fund does not have a full roles and responsibilities matrix in place. Furthermore, the detailed requirements in relation to this are not yet known. It is expected that the majority of the information, to develop the matrix, will be readily available based on the pension elements within the Essex County Council's Constitution, and existing job profiles for senior officers.
E2 – Each administering authority must publish an administration strategy.	To provide clarity on the approach to the matters mentioned in regulation 59 (2) of the LGPS Regulations 2013.	The Guidance should require that each administering authority must develop, maintain and publish an administration strategy which sets out its approach to the matters mentioned in regulation 59 (2) of the LGPS Regulations 2013 and the Guidance. We recommend that the Board ask that this proposal to be implemented by MHCLG within the LGPS Regulations at their earliest opportunity.	Fully compliant <u>Administration Strategy</u> The Fund have an administration strategy which is reviewed periodically. The last version was reviewed and published in December 2018.

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E3 – Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service.	To introduce measures against the standards of LGPS service delivery	A series of some 10 to 15 key indicators or measures of standards of LGPS service delivery to members and employers should be agreed. These indicators should be drawn wherever possible from current reporting structures. All administering authorities must be required to report against these as part of their governance compliance statement.	Expected to be fully or mainly compliant; subject to confirmation of key performance indicators <u>Scorecard</u> The Fund have built and utilise a Scorecard which is updated on a quarterly basis and is reported to each PSB and PAB meeting. This includes key performance indicators relating to the Fund's objectives as outlined in all its policies and strategies. It is expected that the majority of national key performance indicators will be ones already being used within the Fund's Scorecard.
E4 – 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.	Each Administering Authority has a specific legal responsibility to administer the LGPS within their geographical region and to maintain a specific reserve for that purpose.	It is important that the fund's budget is set and managed separately from the expenditure of the host authority. Budgets for pension fund functions should be sufficient to meet all statutory requirements, the expectations of regulatory bodies and provide a good service to Scheme members and employers. The budget setting process should be one initiated and managed by the fund's officers and the pension committee and assisted by the local pension board.	Fully compliant <u>2020/21 – 2022/23 Business Plan</u> The 2020/21 – 2022/23 Business Plan, complete with a Strategic Budget for the Fund to deliver its objectives is due to be approved by the PSB on 04 March 2020.

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E5 – Each Administering Authority must give proper consideration to the utilisation of 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>To ensure that its pensions function is staffed such as to enable it to deliver an effective pensions service to all fund employers and members.</p>	<p>It is important that the recruitment and retention practices applied to the pensions function facilitate the delivery of an effective pensions service to all fund employers and members. For example, the use of market supplements may be necessary to recruit/retain both investment and pensions administration staff. Further, given that the pension fund budget is set and managed separately from the expenditure of the host authority, the impact of general council staffing policies such as recruitment freezes should not be applied to the pension fund by default.</p>	<p>Currently compliant</p> <p><u>Recruitment</u> All posts adhere to the Essex Pay Policy which applies a rate for the job to each post. Essex Pay Policy is not clear on the application of market supplements, and to date, there has been no need for market supplements to aid recruitment or retention of Fund staff.</p> <p>The Fund currently adheres to ECC recruitment policies and Essex Pay.</p>

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F – Compliance and improvement			
F1 – Each Administering Authority must undergo a biennial independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. Independent Governance Review (IGR) reports to be assessed by a SAB panel of experts.	<p>To ensure required standards are adhered to consistently by regular independent review of administering authorities governance arrangements.</p>	<p>The new MHCLG guidance should set out a process for an Independent Governance Review, to include the features set out below:</p> <ol style="list-style-type: none"> It will be mandatory for each Fund to commission an Independent Governance Review (IGR); There should be a standardised framework and process for IGRs; It is critical that the IGR should be conducted by appropriate persons who: <ol style="list-style-type: none"> Properly understand the LGPS; Sufficiently at arm's length from the administering authority's pensions function; In some way 'accredited' to ensure consistent standards of review. To ensure consistent standards from those conducting IGRs, a procurement framework should be put in place ready for 2020/21; Suppliers who can demonstrate they are suitably qualified and knowledgeable may be appointed to the framework; 	<p>Not applicable – initial action required from MHCLG</p> <p>It is expected that MHCLG will determine the exact requirements around how this independent review must be undertaken.</p> <p>However, the Fund already have in place an IGAA, appointed through the LGPS National Framework for Governance and Administration Consultancy Services as a 3rd party provider.</p> <p>The 2021/22 – 2022/23 Business Plan, due to be approved by the PSB on 04 March 2020, already includes the provision for an Independent Governance Review to be carried out by the IGAA which ensures the Fund is prepared for the MHCLG's final requirements.</p>

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		<ul style="list-style-type: none"> f. Administering authorities may choose to have their IGR review carried out by their internal audit; g. The IGR should be completed biennially; h. The SAB may direct that an administering authority must have an IGR completed outside of the two-year cycle; i. The IGR will report findings to the body and the local pension board; j. The administering authority must develop an improvement plan to address any issues raised by the IGR; k. The report from the IGR and improvement plan must be published and submitted to SAB; l. SAB will put in place a panel a panel of independent experts to scrutinise the IGR reports; m. The SAB panel may report unsatisfactory IGR to TPR or further escalate to MHCLG; n. Failure to submit an IGR report will result in automatic referral; o. A dry run is recommended in parallel with the timeline for drafting the required Guidance; p. Nothing in the process overrides an individual's responsibility to report breaches of the law under the Pensions Act 2004. 	

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F2 – LGA to consider establishing a peer review process for LGPS Funds.	To provide challenge and share learning.	LGA run a peer challenge process for some areas of local government. It is a process commissioned by a council and involves a small team of local government officers and councillors spending time at the council as peers to provide challenge and share learning. It is suggested that a similar peer challenge process is established for the LGPS.	Not applicable.