

Essex Pension Fund Strategy Board	PSB 07
Date: 04 March 2020	

Scheme Advisory Board (SAB) Good Governance Project

Joint Report by the Compliance Manager and the Independent Governance & Administration Adviser (IGAA)

Enquiries to Amanda Crawford on 03330 321763

1. Purpose of the Report

- 1.1 To provide the Board with an overview of the proposals made by Hymans Robertson within the Good Governance in the LGPS Phase II report along with the Fund's self-assessment against the recommendations made.

2. Recommendation

- 2.1 The Board should note the report and update.

3. Background

- 3.1 The Scheme Advisory Board (SAB) commissioned Hymans Robertson to examine the effectiveness of current LGPS governance models and to consider alternatives or enhancements to existing models which will strengthen LGPS governance going forward.
- 3.2 During July 2019, Hymans Robertson issued their Phase I report containing four key proposals which the Fund conducted a self-assessment against and reported the results to the Board at their 18 December 2019 meeting.
- 3.3 During November 2019, Hymans Robertson issue their Phase II report building on the proposals made in Phase I and put forward 17 recommendations to be implemented by various stakeholders within the LGPS including: Administering Authorities; The Ministry of Housing, Communities and Local Government (MHCLG); the SAB; and the Local Government Association (LGA).
- 3.4 At this stage, both phases of the Good Governance project are guidance only.

4. The Fund's Assessment

- 4.1 Fund Officers have combined the self-assessment for Phase I brought to the Board at its last meeting with the Phase II self-assessment template for ease and consistency.
- 4.2 Using the Phase II report, in consultation with the Independent Governance & Administration Adviser (IGAA), Fund Officers have carried out a self-assessment against the 17 recommendations made. This can be found at Appendix A.
- 4.3 In summary, the Fund is fully compliant on 5 recommendations, partially/mainly compliant on 3 and in regard to the remaining 9 recommendations the Fund is awaiting further guidance from MHCLG/SAB.
- 4.4 The complete Good Governance in the LGPS Phase II report can be found at Appendix B.

5. Link to Essex Pension Fund Objectives

- 5.1 Assessing the Fund's compliance against the recommendations as part of the Good Governance project will assist the Board in achieving the following Fund objectives:
 - Act with integrity and be accountable to our stakeholders;

- Ensure the Pension Fund is managed, and its services delivered by people who have the appropriate knowledge and expertise; and
- Ensure compliance with the LGPS regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.

6. Risk Implications

6.1 Failure to assess the Fund's compliance against the recommendations made as part of the Good Governance project could result in:

- Failure of governance arrangements to match up to statutory requirements and recommended best practice leads to financial loss and reputational damage;
- A lack of expertise, insufficient knowledge and maintenance of the PSB, ISC and PAB arising out of high turnover and/or changes within the LGPS benefit structure, regulations and associated directives/deliverables;
- Failure of Officers to maintain sufficient level of competence and/or resource to discharge their duties and inefficient retention of staff with over reliance on key Officers;
- Failure to recognise, disclose, monitor and prevent conflicts of interest; and
- Non-compliance with regulations caused by lack of knowledge by staff, changes in government policy/LGPS reforms and systems not kept up-to-date leading to reputational damage and financial loss.

7. Communication Implications

7.1 None.

8. Finance and Resource Implications

8.1 None.

9. Background Papers

9.1 PSB 06 19 December 2019.