

Governance Review 2021 – Findings



Prepared for: London Borough of Croydon Pension Board

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Date: 3 November 2021

Context to this review

Purpose of this report

- Undertake an update to supplement the findings of our **2019 Governance Review**
- Considered **current position** of the Fund given **changes and pressures** Fund faced in 2020/21 (internal and external)

What does the report cover?

- Assess governance of Fund against **Aon Governance Framework**
- Focus on **Amber and Red** areas from **2019 Report**
- Asked to **focus on number of themes**
 - Appropriate representation
 - Knowledge and Skills
 - Continuity of Committee and Board membership
 - Review of 2019 Action Plan

Aon Governance Framework



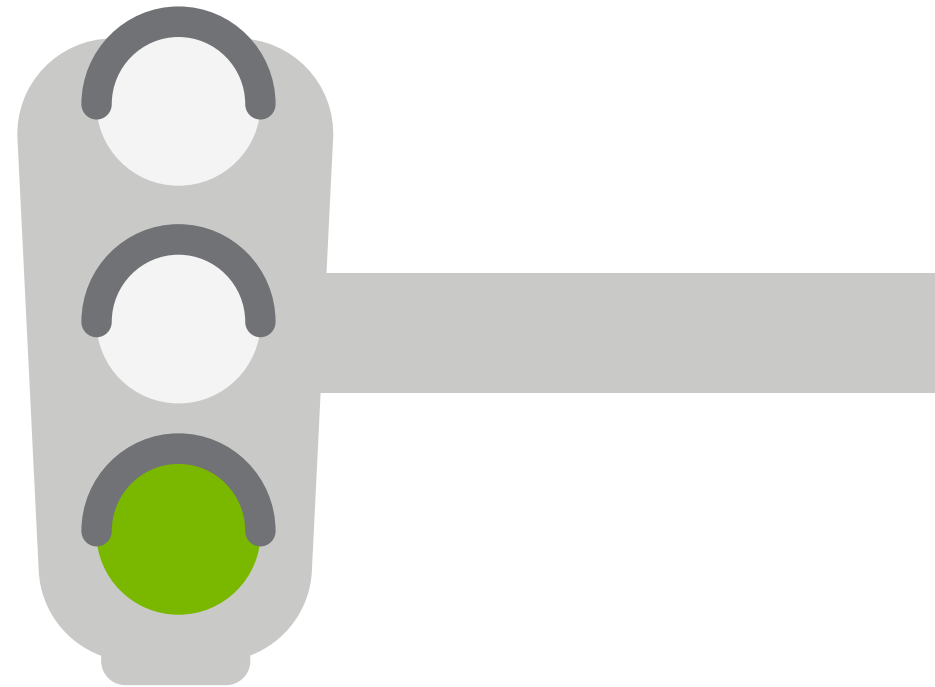
LB of Croydon Fund – Good Governance evidenced

Areas where we saw improvements:

- New **Knowledge and Skills Policy** for the Fund (some further work required to update this Policy)

- Up to date **Funding Strategy Statement** - April 2021 version reflects 2020 Amendment Regulations on exit credits and sets out Administering Authority's policy on employer flexibilities

- **Other actions from 2019 review**
 - Development of Fund business plan
 - Introduction of system to record, monitor breaches and report to Committee and Board



Other areas rated green in 2019 outside scope of this review

Good Governance – Direction



Meet legislative requirements

Fundamental to have strategies and policies in line with legal requirements and related professional guidance

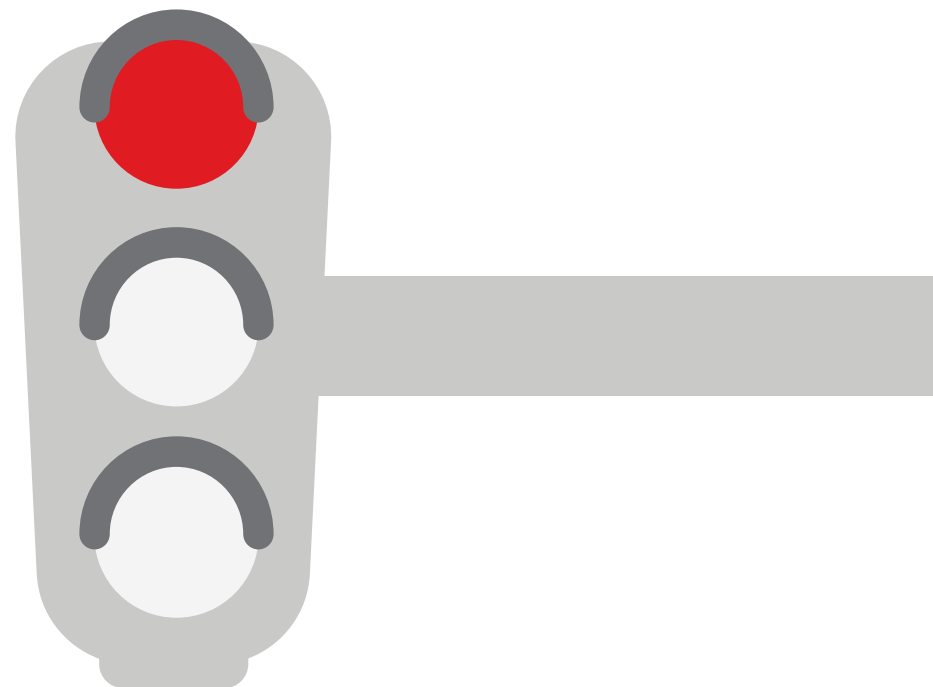
Strategies and policies

Clearly set out aims, principles, protocols and environment of how the Fund is managed

LB of Croydon Fund – Direction Findings

Conflict of Interest Policy – Red (Action Required)

- Develop a **Fund wide Conflict of Interest Policy** (good practice and will be required in due course from the Good Governance Review)
- **Findings:**
 - No policy on website / in relevant meeting papers (March 2020)
 - Officers explained draft report can only go to Committee / Board when cleared by senior officers and other directorates (not clear what other directorates need to consider a Fund based policy nor why this has been delayed)



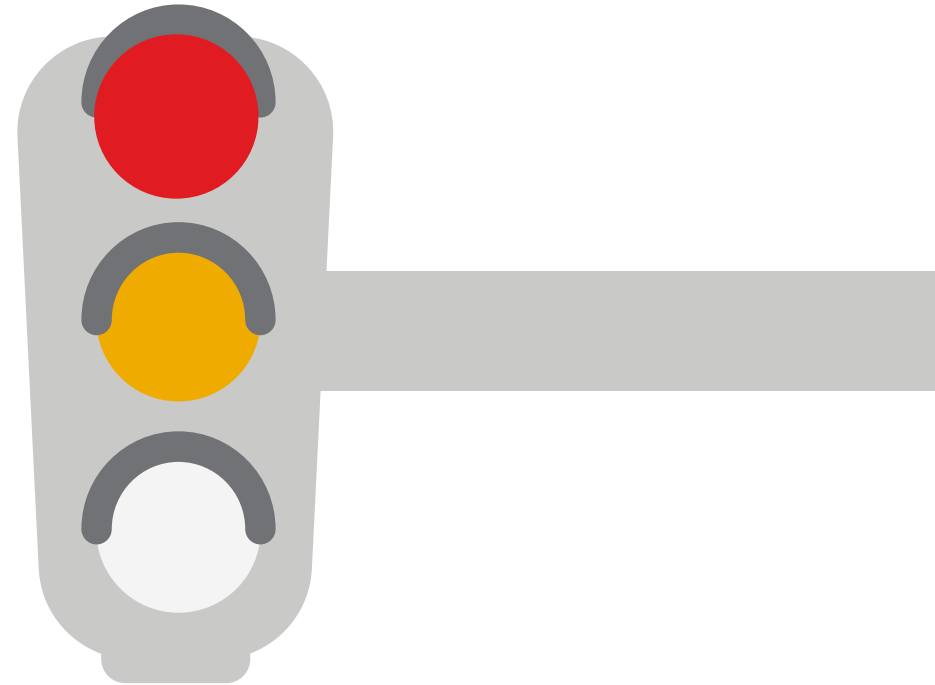
Aon Recommendation

Fund should address promptly and Policy considered by the Board and Committee as soon as possible.

LB of Croydon Fund – Direction Findings

Other Red and Amber areas (action required)

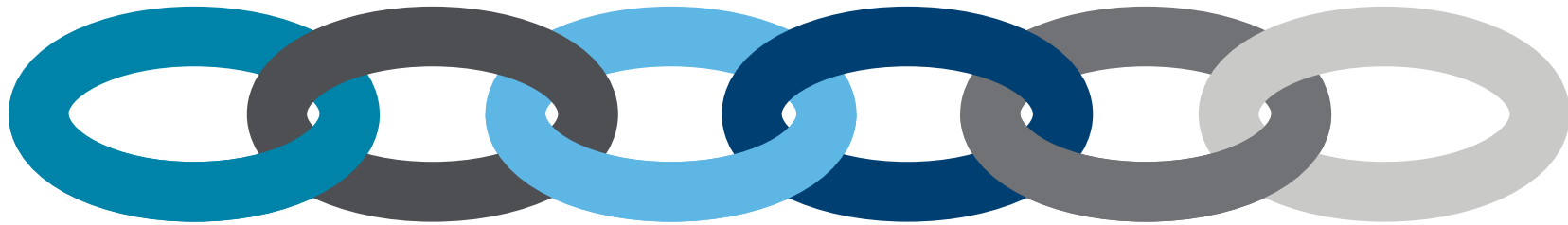
- **Annual Report and Accounts 2019/20 (Red)** – outstanding
- **Administering Authority Discretionary Policy (Red)** – No policy. The legally required element is waiving of reductions for ceased employers - not a major issue but should be rectified
- **Administration Strategy (Amber)** – Workplan states it would be reviewed in September 2021 (last version dated July 2017)
- **Numerous Policies** missing key elements or updated versions not on Fund website (**Amber**)



Aon Recommendation

Fund should address issues highlighted in our report relating to strategies and policies.

Good Governance – Delivery



Clear Business Planning

Fund should have a Business Plan that sets out required activities over next 3 years

Performance Measurement

Across all areas of Fund business there should be performance information to help Fund understand if it's achieving legal requirements

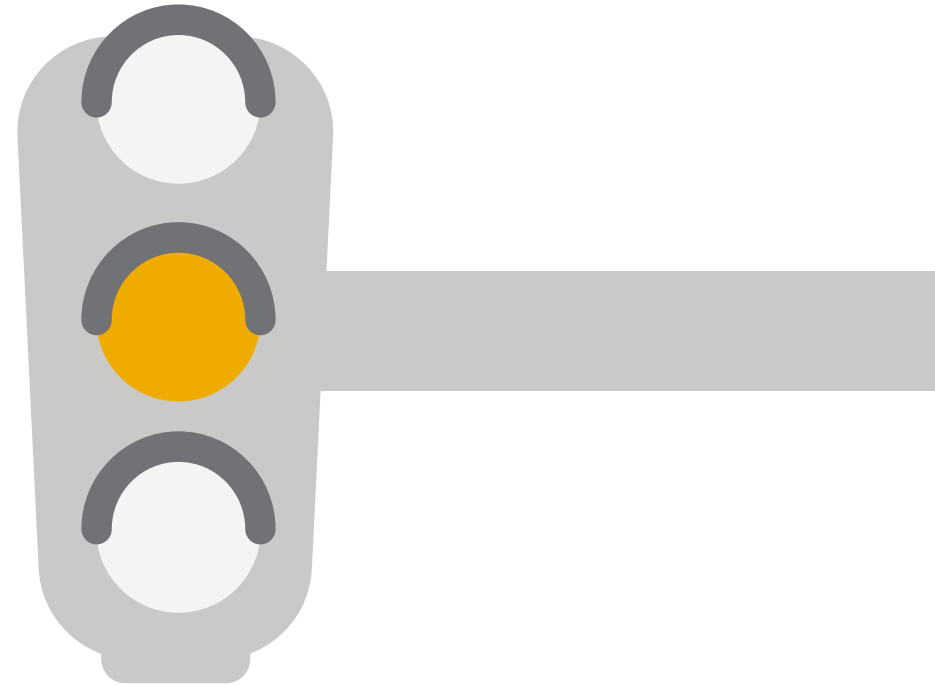
Risk Management

Critical part of Fund activity – should minimise impact/probability of unfortunate events and maximise opportunities

LB of Croydon Fund – Delivery Findings

Fund Business Planning – Amber (Action Required)

- Good practice to have a clear business plan which is formally approved by the Committee each year
- **Findings**
 - **Medium Term Business Plan** 2020-23 updated for 2021-24 at 25 May 2021 Committee meeting
 - **Missing objectives** from all the Fund's policies (other than Funding Strategy Statement)
 - Includes business as usual activities so **difficult to identify the Fund's key priorities**
 - **No mention of significant changes** ahead e.g. McCloud, Exit Cap, new TPR Code, Good Governance review
 - Does **not consider resources and staffing levels** for work volumes expected



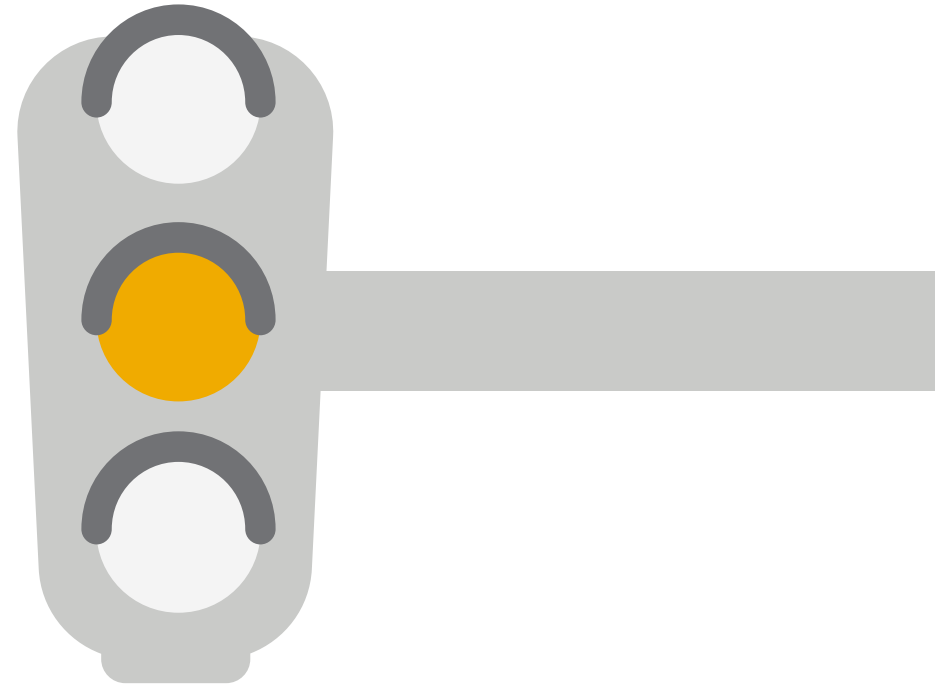
Aon Recommendation

Fund should address issues above by incorporating areas listed in the report (page 17).

LB of Croydon Fund – Delivery Findings

Fund Performance Measurement – Amber (Action Required)

- Clear CIPFA and TPR guidance in this area which needs to be adhered to.
- **Findings**
 - **Deferred backlog** – progress with appointment of external supplier to support work
 - **Administration Team Performance** – reports show legal timescales not being met in some areas
 - **Content of reports and monitoring** should be reviewed to ensure it covers all areas
 - Little evidence of consideration of **wider developments**, e.g. **McCloud** raised by Committee in 2020 but no evidence it was brought back for discussion
 - **Data improvement plan** should be in place



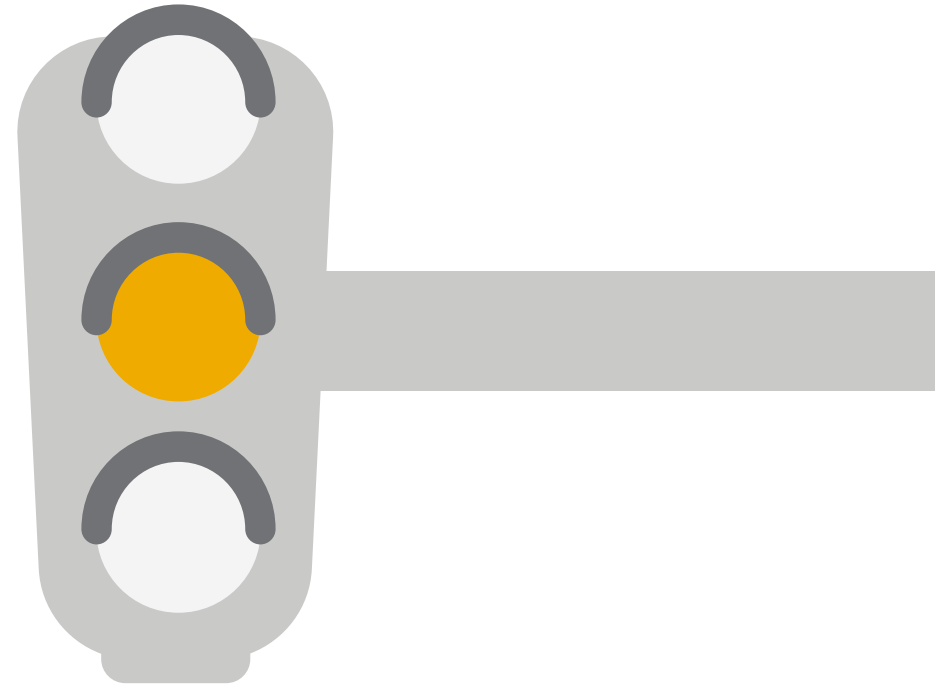
Aon Recommendation

Bring Administration and Communications updates to each Committee meeting; with monitoring information aligned to Fund objectives and covering all relevant areas

LB of Croydon Fund – Delivery Findings

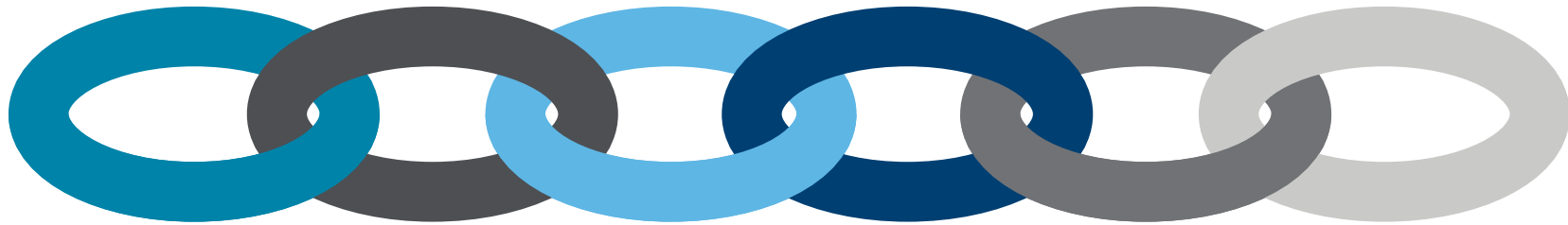
Fund Resources – Amber (Action Required)

- Good Governance Review expected to lead to requirements for funds to formally assess and allocate resources to work (and best practice in any case)
- **Findings**
 - **Loss of a number of Senior Officers** – causing delays with securing sign off of Fund initiatives and leading to limited signatories for official activity
 - **Proactive and vigilant approach** to monitoring impact of changes to **resources and workload needed** (includes succession planning)
 - **No recommendation** for Committee to **consider increase in budget** for administration despite missing legal deadlines



Aon Recommendation

Committee, Board and Senior Officers need to investigate and consider options and approaches to increase resources



Governance Structure

- Clearly documented terms of reference and scheme of delegation,
- appropriate representation,
 - well presented information/reports,
 - good quality meeting administration,
- conflict management,
 - transparency

Behaviour

Good governance structure will not be effective unless it involves the right people with the right attitude

Skills and Knowledge

A critical element is the need for those managing the Fund to have the appropriate level of knowledge and skills

LB of Croydon Fund – Decisions Findings

Fund Governance Structure and Membership Turnover – Amber (Action Required)

- No 'one' approach but we set out in the report areas a structure should have (page 21)
- **Findings**
 - **Turnover of Committee membership** - evidence of changes to Chair and overall membership which officers often unaware of
 - **High level of supplemental papers** – should be minimised
 - **Updates not made to Constitution** to accurately reflect role of the Board and changes to London CIV arrangements
 - Lack of evidence that **London CIV** reporting to Committee is regular and adequate
 - Consider potential or perceived **conflict of interests** (noted transfer of property decision)



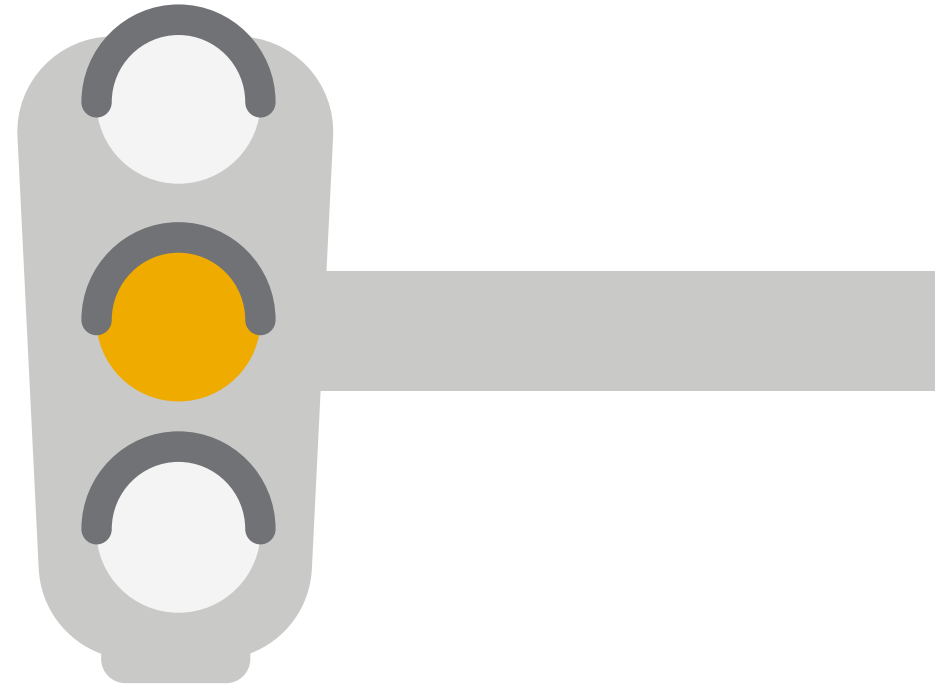
Aon Recommendation

Numerous recommendations in each area to improve overall governance of Fund

LB of Croydon Fund – Decisions Findings

Knowledge and Skills/Training Amber (Action Required)

- New **CIPFA 2021 guidance** on Knowledge and Skills - **policy should be reviewed** in line with this
- **Findings**
 - Huge amount of work to obtain and record training activity by Officers
 - **Information difficult to follow** especially as to whether Committee or Board members have attended mandatory sessions
 - **Turnover of Committee** members risks loss of expertise – something acknowledged by the Committee and highlighted to Group Whip



Aon Recommendation

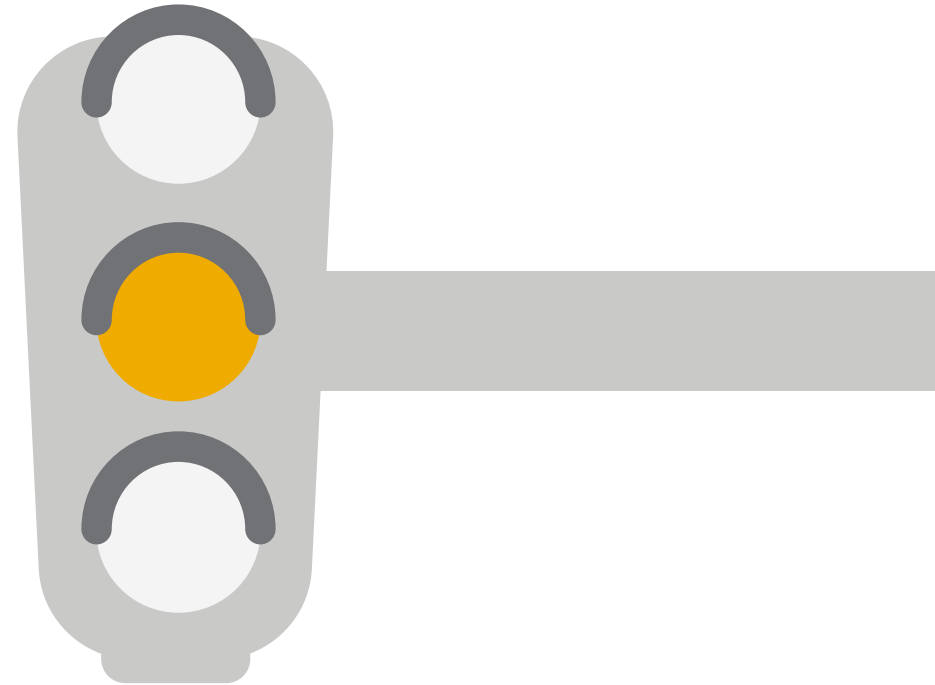


Induction training requirements need to be clearer with role of new Committee members clearly communicated to new members when appointed.

LB of Croydon Fund – 2019 Action Plan

Review of 2019 Action plan

- **A significant amount of work** by Officers has taken place on **actions from the 2019 review** with oversight from the Board and Committee
- We understand **resources have been constrained**, in part due to COVID-19 but there are vacancies and workloads likely to increase given external pressures
- More concerning issue is **Officers are being required to address Council business**, impacting their ability to progress with Fund activity
- **Resources** needs to be **considered at strategic level** (by Committee, Board and Senior Officers)
- Need for **more detailed Business Planning** with priorities and key actions



Aon recommendation



Administering Authority should ensure new guidance/legal requirements will be adhered to and appropriate plans/resources are in place



Board consider findings and recommendations

Special Board meeting for Board to determine their view on findings



Recommendations to Committee

Consider information with view to making recommendations to November 2021 Pension Committee meeting



Actions required by decision makers

Strategic consideration of how to address issues and implement recommendations

Discussion and questions





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