



# Governance Review

Update report for London Borough of Croydon  
Pension Fund

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# Introduction

This document is an update report on the governance of the London Borough of Croydon Pension Fund (the Fund).

## Why bring you this report?

We were commissioned by the London Borough of Croydon Local Pension Board to undertake an update to supplement the findings of our 2019 Governance Review and deliver a report of our findings.

The purpose of this review is to consider the current position of the Fund, particularly given some of the changes and pressures the Fund has faced over 2020/21, both externally and internally.

## What does the report cover?

We have assessed the governance of the Fund with our work comparing the Administering Authority's current practices (at a high level) against the Aon Governance Framework (see Appendix A).

This report considers those areas that were recorded as amber or red in the 2019 review which were included in the Fund's action plan from that review. We were asked to focus on a number of central themes including:

- Appropriate representation – assessing representation within the current governance structure including within the London CIV governance framework. This can be found on pages 19-21 of the report.
- Knowledge and skills – assessing the acquiring, maintenance and recording of training by the Pension Committee and Pension Board. This can be found on pages 23-25 of the report.
- Continuity of membership – assessing the turnover of membership on the Pension Committee and Pension Board and any impact that may have on the governance of the Fund. This can be found on page 20 of the report.
- Action plan review – brief assessment of the action plan that the Fund has followed since the 2019 review to understand progress, identifying if any resource or business planning issues exist. We have made that assessment throughout the document.

## Next steps

We recommend that the Pension Board in conjunction with Fund Officers consider the recommendations set out in this report and consider what (and how) they should be fed back to the Pension Committee. We further recommend that the action plan is updated to incorporate our additional recommendations, in order that progress can be monitored on an ongoing basis.

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# At a glance...

We have been asked by the London Borough of Croydon Local Pension Board to update information to supplement the Governance Review we undertook in 2019 in relation to the Fund.

The purpose of this review is to consider the current position of the Fund, particularly given some of the changes and pressures the Fund has faced over 2020/21, both externally and internally.

The approach taken when carrying out the review in 2019 and this review has been to compare the Administering Authority's current practices (at a high level) against the Aon governance framework (see Appendix A). This report considers those areas that were recorded as amber or red in the 2019 review which were included in the Fund's action plan from that review. We were asked to focus on a number of central themes including appropriate representation, knowledge and skills, continuity of membership and reviewing progress against the 2019 action plan.

## Key findings

The review highlights areas of good practice in relation to the governance of the Fund and also makes some recommendations for improvement. Our overall conclusion is that the governance of the Fund is of a good standard in many areas, meets legal requirements on the whole, with a number of improvements since the 2019 report, with the Governance Action Plan tracking progress against the recommendations we made.

### Improvements made include:

- Introduction of a new Knowledge and Skills / Training Policy
- Development of a Fund business plan
- Introduction of a system to record and monitor breaches and report these to regularly to the Committee and Board.

### Other observations and recommended future improvements

Whilst progress has been made, there are some actions on the Governance Action Plan which are outstanding and which we recommend are completed. This includes ensuring that all policies which are due for review are reviewed, updated and published online as required.

The delay in publication of the 2019/20 Fund Annual Report and Accounts is an area of concern although it is not clear that this could have been avoided given issues with the Council Report and Accounts.

A number of senior officers involved in the management of the Fund have left the Council, including the Section 151 officer. We understand that this has caused some problems and delays with securing sign off of pension Fund initiatives such as contract extensions and is causing concern for officers in terms of signatories for official activity.

Whilst the impact of COVID-19 will not have helped, the Administering Authority should consider whether the lack of progress in some areas is, at least in part, due to a lack of resource, noting there are a number of vacancies<sup>1</sup>. Whilst administration performance is outside the scope of our review, we have noted that recent Pensions Administration Team Performance Reports considered at both Board and Committee meetings indicate legal timescales are not being met across some administrative processes. The Committee report dated March 2021 shows that although there has been recent improvement in some areas, and there may be some temporary fluctuations in workloads (such as estimates), for some processes legal deadlines are not being met in over 50% of cases and performance has deteriorated over successive months (starters and old deferred cases). There does not appear to be any recommended increase in resource in the budget that was proposed in March 2021 which is surprising given these issues and the ongoing challenges such as McCloud. We **recommend** that this is further investigated and considered with a strong focus from the Committee, Board and Senior Officers involved in the management of the Fund to support different options and approaches to increase resources. A more strategic approach may be required given the external pressure facing the pension administration service (e.g. McCloud) and the internal challenges relating to resources and performance. The Council should not rule out carrying out a fundamental review of the method of service delivery if resourcing concerns cannot be easily and quickly resolved.

We also note that there have been some changes at the Committee too, most noticeably the replacement of the Chair during 2020 by a new member on the Committee, although we understand that Cllr Pelling has been re-installed as Chair from May 2021 and Cllr Kabir is no longer on the Committee and has moved to the Board. We also understand that the Vice-Chair has resigned and been replaced by a new member on the Committee. There also appears to be one vacancy with only 7 Councillors currently listed as being Committee members and since 2015/16 we note that there have been 9 changes in Committee membership. Whilst some degree of change amongst Committee membership is inevitable, particularly given the local election cycle, given the wider issues at the Council with the Section 114 notice (albeit that has now been withdrawn) and loss of many senior officers, ensuring as much continuity as possible in relation to the management of the Fund should be a priority. We would also **recommend** that any new Committee members are given timely induction training to ensure they can constructively contribute to the management of the Fund as soon as possible.

We raised queries in our 2019 report regarding the level of engagement and wider information shared regarding the London CIV. We note that in January 2021 the Board were informed that going forward, the Chair of the Pension Committee would be a representative on the stakeholder board and would report back on a regular basis with information from the CIV. We have not seen evidence of this reporting back to provide comment in this

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<sup>1</sup> Since our 2019 report we are aware of significant recruitment activity at the Fund with 8 new recruits in administration roles and a new Governance Manager recruited. There have been three leavers recently and those vacancies are being recruited to. Some of the challenge appears to be promotion of Croydon staff to other funds.

report. Formally CIV structures need to be represented in the Council's constitution (which was a recommendation from 2019).

We note that supplemental papers were issued for the January, March, September and December 2020 and March and May 2021 Committee meetings as well as October 2020 and January 2021 Board meetings. We **recommend** investigating the reasons for this and encourage this to be minimised in the future. We have a number of recommendations relating to Conflict of Interest including the need to publish a Fund-wide Policy and undertake periodic training on the subject particularly with newer members joining the Committee and Board. In addition, we have highlighted the potential and perceived conflict of interest around the future transfer of properties leased to Croydon Affordable Homes and Croydon Affordable Tenures. We have not reviewed the merits of this decision in principle but rather draw the Boards' attention to the perception of conflict of interest in terms of members' fiduciary duty to the Fund as opposed to the Council as a participating employer (with funding obligations to the Fund).

In their February 2020 meeting the Committee acknowledged concern about the turnover of members and the risk that posed in terms of undermining the expertise of the Committee. In recent discussions with Officers that issue was restated in that training requirements are greater and more challenging given the changes to the Committee in particular. We **recommend** that induction training requirements are clearly set out in your Policy (it is currently missing) and that this is explained and facilitated for all new members on joining the Committee and Board.

We also have included a brief assessment of the Fund's action plan following our 2019 review to understand progress made, identify if any resource or business planning issues exist in the areas of progress made, and consider resources and business planning.

We also acknowledge the volume of external change taking place in the LGPS and the impact that has on resources and business planning. Within the report we have highlighted a number of initiatives and changes to reflect on including:

- **Good Governance Review:** The SAB published its final report on the Good Governance project in February 2021 and have made a formal request to MHCLG and other bodies to implement the recommendations from the project. It may be some months before there are further developments due to other national priorities. In the meantime, we **recommend** that the Board and Committee carry out a check of how the Fund complies with the recommendations and where work will be required to ensure compliance. In particular we suggest that senior officers within the Council with responsibility for pensions alongside senior officers in the Fund start to consider how well the Fund would be able to adapt to potential new requirements for a new dedicated LGPS Senior Officer "who is responsible for the delivery of all LGPS related activity for that fund".
- **New TPR Single Code:** TPR are replacing their current Codes of Practice with a single new code of practice. At the time of writing the new Code is in draft following a consultation period. The Administering Authority should carry out an evaluation against the new Code's

requirements in due course and address areas of partial compliance and non-compliance in a timely manner. It should also evaluate compliance on a regular basis.

- **CIPFA Knowledge and Skills Code and Framework:** Revised and updated Code of Practice and Framework for Committees and Officers was published in June 2021. The Administering Authority should, ensure it is complying with these new items of CIPFA guidance.
- **McCloud:** Whilst the implications are largely administrative, there are arguably governance angles to this due to the resource implications - all administering authorities have a huge task in reviewing the benefits of members who have left since 2014. We note that the Local Pension Board have been considering this in their meetings and given the volume of activity needed to rectify members' benefits we support that engagement. We recommend the Board continue asking questions of officers/administrators to ensure that they are prepared for the changes and that data collection is underway to enable the final salary underpin to be calculated – our experience is that this will be a lengthy process and that much of the required data is proving hard to obtain.

We would be delighted to discuss our findings with you in more detail.

# Purpose and scope

Building on 2016 and 2019 governance reviews we have undertaken a further review to consider the current position of the Fund, particularly given some of the changes and pressures the Fund has faced over 2020/21, both externally and internally.

## What is covered in this report?

This report should be considered as an update to the 2019 report given its narrower scope and focus on key areas as requested by the Fund. The focus of this report includes assessing what has improved since the 2019 exercise, what has not changed since the 2019 exercise and identifying areas that require improvement. The key content requested by the Administering Authority for this review includes:

- The representation within the current governance structure including within the London CIV governance framework.
- The acquiring, maintenance and recording of training by the Pension Committee and Pension Board.
- The turnover of membership on the Pension Committee and Pension Board and any impact that may have on the governance of the Fund.
- The action plan that the Fund have followed since the 2019 review to identify progress and to identify any resource or business planning issues that exist.

We have also considered the Fund's evolution to address recent and planned future changes in legislation relating to governance matters.

## How have we approached this work?

The review has been carried out a high level and has not involved any detailed investigation into services such as administration, communications, funding or investments. Accordingly, it does not provide any technical comment in relation to any of these areas, including regarding the technical content of the related key governance documents. The review does include consideration, at a high level, of the legal requirements relating to governance, for example, the requirement to publish certain policies and strategies under LGPS legislation. Though it includes some legal elements, these are presented by us in our capacity as pension consultants and not as legal experts, and as such nothing in this report should be considered as legal advice.

## Structure of this report

This report considers areas that were recorded as amber or red in the 2019 review, which were then included in the Fund's action plan (put in place after the 2019 review). We have assessed what progress has been made

## Aon Governance Framework

Where appropriate, we have compared the Administering Authority's practices against the **Aon Governance Framework (see appendix A)** for consistency with the approach we took when carrying out the governance review in 2016 and 2019, albeit the scope of this review is much narrower as set out above.

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as well as undertaking a full assessment of any existing policies which have been updated and new policies in place since 2019. We have not reviewed the current status of any areas that were classed as green in the 2019 review. In the report we highlight the findings of the 2019 report to allow for easy comparison of the progress made (where relevant).

Throughout the report we have included comments to highlight areas of good practice and identify areas for potential improvement. To provide some greater clarity on the intention of our comments, we have included graphics to illustrate whether they are:



positive – meets legal requirements, national guidance and good practice.



negative – requires improvement as it does not appear to meet legal requirements or practices we consider key to good governance.



neutral – meets legal practice, in the main, but could be improved to meet good practice or national guidance.

## Research

The information upon which this review has been based has been gathered in a number of ways:

- Desk-top review of key reports, strategies and policies governing the scheme that were found not to be satisfactory at the last review, any new policies or strategies and web information. The documents considered are listed in Appendix B.
- Papers and minutes from Pension Committee and Pension Board meetings since September and October 2019 respectively.
- Training plans and activity since September 2019.
- Progress against the Action Plan developed following the Governance Review Report dated September 2019.
- Informal discussions with Nigel Cook and Alison Fisher, senior officers with responsibilities for the management of the Fund, and Mike Ellsmore as Chair of the Pension Board.

## Wider LGPS Landscape

As part of this review we refer to a number of recent or planned changes particularly in relation to governance of the LGPS and how the Fund needs to evolve and manage these in the future. In summary the key developments include:

- **Good Governance Review:** The Scheme Advisory Board (SAB) published its final report<sup>2</sup> on the Good Governance project in February 2021 and have made a formal request to the Ministry for Housing, Communities and Local Government (MHCLG) and other bodies to implement the recommendations from the project. SAB will be identifying

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<sup>2</sup> Source

[https://lgpsboard.org/images/Other/Good\\_Governance\\_Final\\_Report\\_February\\_2021.pdf](https://lgpsboard.org/images/Other/Good_Governance_Final_Report_February_2021.pdf)



and promoting best practice in the LGPS to assist in taking forward the recommendations made. In addition to this MHCLG would need to implement some of the changes either by amending regulations or via statutory guidance. It may be some months before there are further developments due to other national priorities. In the meantime, **we recommend** that the Board and Committee carry out a check of how the Fund complies with the recommendations and where work will be required to ensure compliance. In particular we suggest that senior officers within the Council with responsibility for pensions alongside senior officers in the Fund, start to consider how well the Fund would be able to adapt to potential new requirements for a new dedicated LGPS Senior Officer “who is responsible for the delivery of all LGPS related activity for that fund”.

- **New TPR Single Code:** TPR are replacing their current Codes of Practice with a single new code of practice. The new code brings together 10 existing codes of practice, including Code of Practice 14 (the code of practice which applies to the LGPS), into a single (on-line) code which will apply to all UK pension schemes. At the time of writing the new Code is in draft with the consultation having recently closed. Within the report we include some further details about potential changes for the Board and Committee to be aware of.
- **CIPFA Knowledge and Skills:** Aon has been working with CIPFA to refresh their knowledge and skills framework for Pension Committee members and Officers and their Code of Practice. Updated documents were published in June 2021. **We recommend** the Fund should, ensure it is complying with these new items of CIPFA guidance.
- **McCloud Remedy:** Government has confirmed that changes will be made to all the main public service pension schemes, including the LGPS, to remove the unlawful age discrimination identified in the McCloud ruling. Whilst the implications are largely administrative, there are arguably governance angles to this due to the resource implications - all administering authorities have a huge task in reviewing the benefits of members who have left since 2014. We note that the Local Pension Board have been considering this in their meetings and given the volume of activity needed to rectify members' benefits we support that engagement. **The Local Pension Board should continue to ask questions of officers/administrators** to ensure that they are prepared for the changes and that data collection is underway to enable the final salary underpin to be calculated – our experience is that this will be a lengthy process and that much of the required data is proving hard to obtain. We make reference to the impact of McCloud in this report given the impact it will have on Fund activity.

Please note that there are various developments in the Responsible Investment area that the Fund will be working to address but given the scope of this work we have not referred to them in this report.

#### [McCloud - Latest](#)

The latest development in the LGPS is the **Written Ministerial Statement** from the LGPS Minister Luke Hall who made a statement on 13 May 2021 confirming the key elements of the changes to the LGPS regulations in order to implement the McCloud remedy. **LGPS regulations** are expected to come into force from **1 April 2023**.

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# Direction – What are you trying to achieve?

In this section, we consider whether the Fund has clear strategies and policies which meet the requirements in the right hand box.

## Croydon's Policies and Strategies

In the table that follows, we have considered the status of your existing policies and strategies where they were highlighted as an area of improvement (i.e. amber or red) in the 2019 governance review as well as undertaking a full assessment of any existing policies which have been updated by the Fund and new policies put in place by the Fund since 2019.

When reviewing these policies and strategies, we consider both legal requirements and best practice. Note that we have not considered the principles or methodology within these documents, given that this review is focussed on governance matters and not, for example, on the quality of actuarial or investment matters.

We have indicated in the table whether the documents are;

- legally required under the LGPS, or
- expected in accordance with CIPFA, LGPS SAB or TPR Guidance or Codes (many of which have some element of statutory backing),

and we then make observations against those requirements for the policy or strategy.

## Strategies and Policies should:

- Be in line with legislative requirements and any related professional guidance
  - Clearly set out the aims, principles, protocols and environment for how the Fund is managed and:
    - be wide ranging covering all key areas including funding, investments, administration, communications and governance itself
    - be clearly articulated, to provide a framework within which those managing the Fund are able to operate
    - provide the focus for all future decisions and plans
    - be agreed by those responsible for governing the Fund.
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Strategy / Policy (effective date)	Legal or National Guidance Requirements	Observations and progress since 2019 review
<b>Funding Strategy Statement (FSS) effective from 1 April 2020</b>	<ul style="list-style-type: none"> <li>▪ LGPS Regulations</li> <li>▪ CIPFA FSS Guidance</li> <li>▪ MHCLG guidance on employer flexibilities</li> <li>▪ SAB guidance (which is advisory only)</li> </ul>	<p>🟢 The latest FSS was updated and was approved by the Committee in May 2021.</p> <p>🟢 April 2021 version has been updated to reflect the 2020 Amendment Regulations on exit credits and set out the Administering Authority's policy on the employer flexibilities.</p>
<b>Investment Strategy Statement (ISS) effective from 18 September 2018</b>	<ul style="list-style-type: none"> <li>▪ LGPS Regulations</li> <li>▪ MHCLG (formerly DCLG) Guidance on Preparing and Maintaining an Investment Strategy Statement</li> <li>▪ Compliance Statement against CIPFA guidance on the Myners Principles in the LGPS</li> </ul>	<p>🟢 The Committee agreed an approach to review the ISS at its meeting on 5 November 2019 then the only change made to the Strategy in March 2020 was the asset allocation strategy.</p> <p>😬 There continues to be no compliance statement against the Myners Principles. Although no longer required by MHCLG guidance, CIPFA continues to recommend that a statement of compliance be developed and maintained.</p>
<b>Governance Policy and Compliance Statement effective from 18 September 2019</b>	<ul style="list-style-type: none"> <li>▪ LGPS Regulations</li> <li>▪ Compliance Statement against Secretary of State guidance (2008)</li> </ul>	<p>🟢 The policy was reviewed in September 2019 and approved by Committee at their meeting on 18 September.</p> <p>🟢 The Compliance Statement in Appendix B incorporates all the points from the 2008 guidance.</p> <p>😬 The latest policy and compliance statement is not available on the Fund website (other than in the meeting papers).</p> <p>😬 The policy still does not reflect the delegated responsibilities and governance structure relating to LGPS pooling through the London CIV.</p> <p>😬 The policy states it will be updated in June 2020, but we have not seen evidence of this. We are aware of material changes to the membership of the Committee that needs to be addressed in future changes.</p> <p>🟢 We do note that the compliance statement was reviewed by the Pension Committee.</p>
<b>Communications Policy effective from September 2019</b>	<ul style="list-style-type: none"> <li>▪ LGPS Regulations</li> </ul>	<p>🟢 The latest version of the policy was approved by the Committee at their meeting on 18 September 2019.</p> <p>😬 There are still no references to the risks relating to the policy and how they are managed.</p> <p>😬 The policy still states it will be reviewed annually but we are not aware of any review since 2019. We note the business plan for the Fund refers to review every three years.</p> <p>😬 The latest policy is not available on the Fund website (other than in the meeting papers).</p>
<b>Administering Authority Discretionary Policy Not in place (albeit a draft has been prepared by Officers)</b>	<ul style="list-style-type: none"> <li>▪ LGPS Regulations – basic element only</li> </ul>	<p>🔴 No policy has yet been made. Note the legally required element is just in relation to waiving of reductions for ceased employers, and therefore this is not a major issue but should be rectified.</p> <p>😬 The Action Plan approved at the Committee meeting on 11 February 2020 included a proposal to "introduce a Pension Fund Administering Authority Discretionary Policy to provide clarity on these areas". Our understanding is that a policy has been drafted but has not yet been considered or approved by the Committee. We noted in the plan of work agreed by the</p>

Pension Committee in May 2021 that this is being considered in September 2021.

<p><b>Administration Strategy effective from July 2017</b></p>	<ul style="list-style-type: none"> <li>▪ LGPS Regulations, (as an optional strategy)</li> </ul>	<p>🟢 No improvements were identified in 2019.</p> <p>😞 The Strategy should have been reviewed after three years but we understand due to resource constraints that hasn't happened. The workplan for the Fund indicates it will be reviewed in September 2021.</p>
<p><b>Risk Management Policy &amp; Strategy effective from 17 March 2020</b></p>	<ul style="list-style-type: none"> <li>▪ CIPFA Guidance</li> </ul>	<p>🟢 The policy was reconsidered and approved at the March 2020 Committee.</p> <p>😞 The latest policy is not available on the Fund website (other than in the meeting papers).</p>
<p><b>Annual report and accounts 2019/20 report and accounts not yet signed off</b></p>	<ul style="list-style-type: none"> <li>▪ LGPS Regulations</li> <li>▪ CIPFA Guidance "Preparing the Annual Report</li> <li>▪ CIPFA accounting guidance</li> </ul>	<p>🔴 The 2019/20 pension fund report and accounts have not yet been finalised. This was briefly discussed at the September 2020 meeting of the Committee but was not part of the agenda for the December 2020 meeting nor the March 2021 meeting. It appears to stem from issues with sign off of the Council Annual Report and Accounts.</p>
<p><b>Knowledge and Skills/Training Policy new combined policy effective from 17 March 2020</b></p>	<ul style="list-style-type: none"> <li>▪ CIPFA &amp; SAB</li> <li>▪ TPR Code of Practice</li> </ul>	<p>🟢 Following our recommendation that a single Fund Knowledge and Skills/Training Policy was created, standardising the approach for all Fund stakeholders in accordance with the SAB and CIPFA requirements. The new policy was approved by Committee on 17 March 2020 and the LPB training plan was adopted by the Board on 2 April 2020.</p> <p>😞 The latest policy is not available on the Fund website (other than in the meeting papers). There remains a Board Training Policy online which we assume has been superseded.</p> <p>😞 We would expect reference to whom the policy applies to be included.</p> <p>😞 We would expect reference to induction training to be included in the revised policy.</p> <p>😞 There are two different job titles referred to as the delegated officer, the Director of Finance, Investment and Risk (Section 151) and the Chief Finance Officer. We recommend reviewing for consistency.</p>
<p><b>Conflicts of Interest Policy It is unclear if there is an approved 2020 Fund version</b></p>	<ul style="list-style-type: none"> <li>▪ SAB, required for Pension Board only</li> </ul>	<p>😞 We were provided with a Conflict of Policy for the Fund which states that it was approved by the Pension Committee on 17 March 2020. However, the policy is not on the website and nor is it in the March 2020 Committee meeting papers or minutes.</p> <p>🔴 The Action Plan approved at the Committee meeting on 11 February 2020 included an item "Review Board Conflict Policy and expand to cover all those involved with the management of the Fund (i.e. Pension Committee and senior officers) in a Fund wide Conflicts of Interest Policy. It should also have regard to the work with the London CIV". We were provided with a policy which states it was approved by the Committee on 17 March 2020. However, the policy is not on the website and nor is it in the March 2020 Committee meeting papers or minutes. On enquiry Officers explained that the draft report can only go to Committee / Board when cleared by senior officers and other directorates. It is not clear what other directorates need to</p>

consider a Fund based policy and why this has been delayed. We recommend this is addressed promptly and the Policy is put forward for consideration by the Board and Committee as soon as possible.

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**Breaches of the Law Procedure extended version effective from September 2020**

- Pensions Act 2004
- TPR Code of Practice

☹️ Following our recommendations, the Action Plan approved at the Committee meeting on 11 February 2020 included an item "Review current Pension Board breaches procedure but in doing so, expand to cover all of those involved with the management of the Fund" (i.e. Committee and senior officers). A revised policy, including a breaches log, was approved by the Committee on 15 September 2020. However, on review the policy remains focused on the Board, it has references to inaccurate guidance and doesn't provide clarity in all areas (including about reporting serious breaches to the Regulator). We recommend this Policy is reviewed sooner than its review date of 2023.

☹️ The policy does not state when it was approved or effective from nor what is envisaged as regards reviewing the policy.

☹️ The policy is not available on the Fund website (other than in the meeting papers).

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**Employer (admission / cessation / bulk transfer) Policy**

We note from the Fund's medium term business plan (2020-23) that this policy is due for review in June 2021

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### General principles to follow with strategies and policies

As a general principle we recommend that **any strategy or policy document should include the following elements** in addition to the main contents/purpose of the document:

- Introduction including any relevant legislation and guidance
- The Fund's aims / objectives in this area
- What measurement / monitoring will be carried out in relation to those aims / objectives
- The key risks relating to the strategy and how they are being managed / monitored
- Who was consulted on the drafting of the strategy / policy
- When / how it was approved
- The effective date of the strategy / policy
- When it will next be reviewed
- The roles and responsibilities of the key parties responsible for delivering the strategy (e.g. Pension Fund Committee, officers, fund managers, advisers etc.).

In addition, we **recommend** that the latest version of all of these key documents is made available on the Fund's website.

## Adherence to The Pensions Regulator Code of Practice

As this area was rated 😊 (good) in the 2019 Report following an independent review against the Code of Practice. We have not focused on this as part of this further review as it was not requested by the Fund.

The new code brings together 10 existing codes of practice, including Code of Practice 14 (Governance and Administration of Public Service Pension Schemes), into a single (on-line) code which will apply to all UK pension schemes. At the time of writing the new Code is in draft given it is being consulted on but some key points for the Fund to be aware of that are new include (this is not exhaustive but is intended to highlight some potential areas of work for the Fund once the new Code is in place):

- **Administration modules:** There are seven new administration modules for the public sector schemes, and these cover all the main operational procedures. Most of the requirements here were already set out in the previous code of practice but the key will be making sure everything is appropriately documented by the Fund. For example, documenting policies for maintaining IT systems is likely to be an area that is new to the Fund. In addition, a new module on 'Cyber controls' now elevates this area to Code (from existing guidance) and will require the Fund to ensure cyber security measures and controls are in place as part of your internal controls.
- **Governing Body modules:** This includes a new module called 'Recordings of meetings and decisions made'. There may be some points of detail in existing policies which need to be reviewed by the Fund, for example documenting any decisions taken outside of meetings within the minutes of the next meeting. There is a "best practice" module 'Remuneration policy', which recommends that there is a written and published remuneration policy covering key personnel involved in running the scheme, which is reviewed at least every 3 years (ideally annually). Another best practice module is 'Continuity planning' which sets out the Fund should have its own continuity plan to document the key actions that would be undertaken under a range of events, to ensure data and administration are not disrupted.
- **Communications and disclosure modules:** There are new requirements for the Fund here on the principles for member communications (accurate, clear, concise), use of technology, and accessibility, as well as steps for mitigating the risk of scams.

The Administering Authority **should carry out an evaluation** against the new Code's requirements in due course and address areas of partial compliance and non-compliance in a timely manner. It should also evaluate compliance on a regular basis.

As a matter of best practice, we would expect all administering authorities to carry out a regular review of their approach against:

- the legal requirements underpinning the TPR Code of Practice, with a view to ensuring that these are being adhered to, and
- the guidance contained within the code, to consider whether the guidance should be adhered to or an alternative and justifiable approach should be taken.

## New TPR Code

TPR's Code of Practice Number 14 – Governance and administration of public service pension schemes ("TPR's Code of Practice") currently sets out legal requirements, and standards of conduct and practice, expected from those who exercise functions in public service pension schemes. TPR recently consulted on a **new single consolidated code of practice** which is expected to replace Code of Practice 14 later this year.

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This will also be an area of particular interest to the Pension Board as it is part of their statutory responsibility to assist in ensuring compliance with the TPR's Code of Practice.

TPR carries out regular surveys of public service pension schemes' compliance with the Code and has stated that it expects all schemes to have assessed themselves against the law and its code of practice.



# Delivery – How do you meet your aims?

In this section we consider whether the Fund has (i) a business plan in place and how effective that plan might be, (ii) performance monitoring and (iii) risk management.

## Business Planning

**2021 Findings: Business Plan now in place 😊 however 😐 we recommend several improvements to the Plan.**

It is good practice for Funds to have a clear business plan which is formally approved by the Committee each year.

### 2019 analysis

Whilst there were some elements which would make up a business plan in place, including a forward plan of both Pension Committee and Pension Board business, there was no explicit business plan for the Fund. However, some elements that are undertaken. This area was therefore rated 😐 neutral in our 2019 review.

### 2021 review

The Action Plan approved by the Committee at their meeting on 11 February 2020 included the following item:

"Introduce a **three-year rolling business plan** incorporating the following areas:

- legislation (e.g. valuation, implementation of a forthcoming legislative changes),
- performance monitoring (e.g. the review of an area of a service that is failing to meet the agreed service standard)
- standard practice (e.g. review of advisers, review of strategies and policies),
- the evolving environment (e.g. new investment vehicles, a greater focus on information technology efficiencies)
- risk management (e.g. reviewing staffing structure due to increasing manpower risk).
- Ensure the Fund's Business Plan aligns with the London CIV Business Plan and that London CIV are aware of LB of Croydon Pension Fund's requirements."

At their meeting on 15 September 2020 the Committee approved a Medium Term Business Plan 2020-23 which was further updated for 2021-24 at the 25 May 2021 Committee meeting.

<sup>3</sup> TPR 21<sup>st</sup> Century Trustee - <https://www.thepensionsregulator.gov.uk/en/trustees/21st-century-trusteeship/3,-d-,clear-purpose-and-strategy->

## Business Plans

### Guidance:

**TPR** – Setting a clear purpose and strategy is essential to managing the Fund effectively and getting good outcomes for members<sup>3</sup>.

**CIPFA** – A medium term business plan should be created for the pension fund.

The **LGPS Myners Principles published by CIPFA** explicitly states:

*"The CFO should ensure that a medium term business plan is created for the pension fund, which should include the major milestones and issues to be considered by the committee. The business plan should contain financial estimates for the investment and administration of the fund and include appropriate provision for training. Key targets and the method of measurement should be stated, and the plan should be submitted to the committee for consideration.*

*The business plan should review the level of internal and external resources the committee requires to carry out its functions effectively and contain recommended actions to put right any deficiencies or to anticipate changing requirements in the future."*

We have reviewed the Fund's business plan and have the following comments:

- whilst it does set out the Fund's objectives, these appear to be the funding objectives only, taken from the FSS, we recommend the Business Plan includes the objectives all areas of the management and administration of the Fund.
- the work programme includes business as usual activity, so it is difficult to identify the Fund's key priorities, we recommend that a Business Plan focuses on areas outside the Fund's business as usual.
- there is no mention of key legislative or related changes, such as the McCloud judgement, exit cap changes, good governance review, proposed new Code of Practice from TPR which might reasonably be expected to have resource and delivery implications for the Fund. We do however note that the minutes of the 15 September 2020 Committee meeting indicate that the Committee requested that an item on the McCloud judgement be added to the forward plan and it is reflected in the 2021-24 version of the report however it lacks detail on what activity the Fund is planning and when.
- the 2021-24 Business Plan includes statistics from 31 March 2021 and the asset allocation as at 31 December 2020 without being clear on if or how this information is pertinent to the Fund's activities over the period covered by the Plan.
- it does not consider how resources and staffing levels relate to the volume of work expected, noting that there is no assessment of whether these will be sufficient given the Plan does not mention a number of key legislative developments which could add materially to the workload of administration staff (e.g. Goodwin Case).
- there is no indication of when the Plan was developed or approved, nor when it might be reviewed, this information should be added to the Business Plan.

We recommend extending the current business plan to include the following areas, all of which should be considered in the context of the agreed strategies/aims of the Fund:

- legislation (e.g. implementation of a forthcoming legislative and related changes),
- performance monitoring (e.g. the review of an area of a service that is failing to meet the agreed service standard)
- standard practice (e.g. review of advisers, review of strategies and policies),
- the evolving environment (e.g. new investment vehicles, a greater focus on information technology efficiencies)
- risk management (e.g. reviewing staffing structure due to increasing manpower risk)

The Plan should also acknowledge that it may need to be revised mid-year, for example, if new legislation is passed or a particular task is deferred for a particular reason. We recommend that the Committee is provided with regular updates on progress against the business plan, which can be

presented at a high level, and which in turn will help them to consider if it does need to be reviewed or realigned.

## Performance Measurement

**2021 Findings: Retains a 😐 neutral rating, some improvements made but a number of recommendations set out below**

### 2019 analysis

In the 2019 review this area was rated 😐 neutral, although some improvement had been made relative to the 2016 review via regular inclusion of Key Performance Indicators (KPIs) in Committee papers covering mainly administration as well as updates on funding and governance matters.

### 2021 review

We note that a significant backlog of deferred benefits cases was identified within the KPI reporting to the Committee and steps are being taken to rectify this via the appointment of Hymans Robertson. This suggests a slightly greater focus on data quality which is a positive step. Having said that, whilst administration performance is outside the scope of our review, we have noted that recent Pensions Administration Team Performance Reports considered at both Board and Committee meetings indicate legal timescales are not being met across some administrative processes. The Committee recent report dated March 2021 shows that although there has been recent improvement in some areas (e.g. backlog cases, albeit from a very poor starting point), and there may be some temporary functionates in workloads (such as estimates), for some processes legal deadlines are not being met in over 50% of cases and performance has deteriorated over successive months (starters and deferred cases).

The papers for the 8 December 2020 Committee meeting include a log of breaches of the law, although there do not appear to have been any reports to the Regulator. We note that the deferred backlog has now been added to the breaches log and we would recommend that officers continue to consider areas that in breach and which should be recorded in the log.

There is still little evidence of consideration of wider developments affecting the Fund, such as the Regulator's proposed new consolidated Code of Practice, the SAB's Good Governance Review nor legislative changes such as McCloud within the key papers. In addition, we also note that whilst the Committee had asked for the Forward Plan to be updated in include reference to the McCloud judgement at the September 2020 meeting, given its potential implications for administration workloads, there was no mention of this having been done nor brought back to the December meeting. Further, whilst McCloud does feature in the risk register included within the papers considered at the December 2020 Committee meeting, there is no evidence from the minutes that this was discussed during the meeting.

Our earlier recommendations from the 2019 review which remain in place, are as follows:

## Performance Measurement

**CIPFA guidance** – Pension Committee, Pension Board and Senior Officers should ensure monitoring of aims and objectives and legal requirements is taking place

**TPR guidance** – Monitor progress against the Scheme's objectives and goals<sup>4</sup>

Those responsible for governing the Fund should be provided with appropriate performance information. Measurements should:

- demonstrate whether the Fund's aims are being achieved
- cover the full range of key areas (e.g. investments, funding, finance, governance, communications and administration)
- demonstrate whether the Fund's business plan is being achieved
- be updated in accordance with appropriate timescales
- be presented in a manner that is easy to follow and understandable to those governing the Fund
- assist in identifying potential changes to the Fund's business plan, strategies, policies and aims.

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<sup>4</sup> TPR 21<sup>st</sup> Century Trustee - <https://www.thepensionsregulator.gov.uk/en/trustees/21st-century-trusteeship/3,-d-,-clear-purpose-and-strategy->

- administration and communications updates should be a standing item on the Committee agenda with monitoring information aligned to the objectives within the Fund's administration and communications strategies, noting the provision of the Regulator's Code of Practice 14 that "schemes should have policies and processes that monitor data on an ongoing basis to ensure it is accurate and complete" and the expectation that all public service pensions schemes should have a data improvement plan in place. (We note from the Governance Action Plan that a data improvement plan will be considered by the Committee at their September 2021 meeting.)
- the Pension Committee, Pension Board and officers should consider the CIPFA guidance "Administration in the LGPS: a guide for pensions authorities"<sup>5</sup> which sets out information to help decision makers in the LGPS to better understand how they can oversee the delivery and quality of administration and communications within their administering authorities, with a view to identifying where improvements may be needed; this CIPFA guidance is consistent with expectations of TPR.
- the Administering Authority reviews its wider monitoring arrangements to ensure all of the Fund's aims and objectives, as articulated in the key strategies and policies, are subject to ongoing monitoring at appropriate timescales. We would expect this to include areas such as:
  - regular reporting of turnaround times and more qualitative measures in relation to the performance targets set out in the administration strategy
  - more regular consideration of funding matters, such as funding levels, employer covenants and cash-flows, specifically focussed on the key objectives of the funding strategy statement
  - monitoring progress against the Fund's budget including expected income and expenditure
  - monitoring of key tasks included within the business plan.

## Risk Management

As this area was rated 😊 (good) in the 2019 Report we have not focused on this area as part of this further review as requested by the Fund. We have made a key observation about resourcing and risks relating to that as set out below.

### Impact of changes in resources and impact of increasing workloads

A number of senior officers involved in the management of the Fund have left the Council, including the Section 151 officer. We understand that this has caused some problems and delays with securing sign off of pension Fund initiatives such as contract extensions and is causing concern for officers in terms of signatories for official activity. Whilst the impact of COVID-19 will not have helped, the Administering Authority should consider whether the lack of progress in some areas is, at least in part, due to a lack of resource, noting there remains vacancies<sup>6</sup>. The Administering

<sup>5</sup> Guidance is free and can be found at <https://www.cipfa.org/policy-and-guidance/reports/administration-in-the-lgps>

<sup>6</sup> Since our 2019 report we are aware of significant recruitment activity at the Fund with 8 new recruits in administration roles and a new Governance Manager recruited. There have been

Authority should maintain a proactive and vigilant approach to monitoring the impact of changes in resources and the impact of increases in workload, as well as considering succession planning, to mitigate the risks on the administration and management of the scheme.

We also note there does not appear to be any recommended increase in resource in the budget that was proposed in March 2021, which is surprising given our comments above about some legal deadlines not being met and the ongoing challenges such as McCloud. We **recommend** that this is further investigated and considered with a strong focus from the Committee, Board and Senior Officers involved in the management of the Fund to support different options and approaches to gain additional resources. A more strategic approach may be required given the external pressure facing the pension administration service (e.g. McCloud) and the internal challenges relating to resources and performance. The Council should not rule out carrying out a fundamental review of the method of service delivery if resourcing concerns cannot be easily and quickly resolved.

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three leavers recently and those vacancies are being recruited to. Some of the challenge appears to be promotion of Croydon staff to other funds.

# Decisions – Do you have effective decision making?

In this section we consider whether the Fund has (i) and appropriate governance structure, (ii) people with the appropriate level of knowledge and skills and (iii) people with the appropriate behaviours needed to make governance effective.

## Appropriate governance structure

There is no one 'correct' governance structure. The table to the right sets out the structure an Administering Authority should have. These elements are considered in this section.

### ☹️ Formal Governance Documentation

This was rated ☹️ (neutral) in our 2019 analysis due to the Constitution not accurately reflecting the role of the Local Pension Board. The Governance Action Plan taken to the December 2020 Committee meeting suggests changes were due by June 2020, this then appears to have been delayed to January 2021 and again until June 2021 and the reason for the delay is not clear given a paper was issued to the March 2021 Committee. We are not aware that the wording of Part 3 of the Constitution has been amended despite some changes having been made to that document in February 2021.

### ☹️ Clearly documented Scheme of Delegation

This was rated ☹️ (neutral) in our 2019 analysis due to the lack of clarity regarding delegations to officers. However, we note that the Pension Committee's Terms of Reference were updated in March 2020 to provide that all matters not explicitly reserved to the Committee (or Council) are delegated to Director of Finance Investment and Risk and Section 151 Officer who may delegate aspects to other officers and advisers within the scope of the Regulations. We would have anticipated greater detail regarding the delegation to the Director of Finance Investment and Risk and Section 151 Officer and **recommend** this area is reviewed in the next update to the constitution.

### ☹️ Appropriate representation

This was rated ☹️ (neutral) in our 2019 analysis due to the lack of any employer representatives on the Committee. This does not appear on the Governance Action Plan although we note that at their meeting on 11 February 2020 the Committee resolved that *An item to give consideration to representation and voting rights would be added to the Pension Committee's work programme*. Despite this action we cannot see a record of further discussion taking place and it doesn't appear on the latest Business Plan shared with the Committee in May 2021.

## Administering Authority's structure should:

- have clear terms of reference
  - have a clearly documented scheme of delegation
  - allow decision making at the appropriate level
  - allow quick decision making where appropriate
  - include appropriate representation from stakeholders
  - involve well-presented information/reports
  - allow sufficient time for discussion where necessary
  - have good quality (Committee and Board) administration (e.g. issuing papers in good time)
  - involve a process for managing conflicts
  - provide transparency to stakeholders where appropriate.
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As part of this review we were asked to assess the turnover of membership on the Pension Committee and Pension Board and any impact that may have on the governance of the Fund. The changes at the Committee included the replacement of the Chair during 2020 by a new member on the Committee, although we understand that Cllr Pelling has been re-installed as Chair from May 2021 and Cllr Kabir is no longer on the Committee and has moved to the Board. We also understand that the Vice-Chair of the Committee has resigned and been replaced by a new member on the Committee. There also appears to be one vacancy with only 7 Cllrs currently listed as being Committee members. We have noted that 9 changes in Committee membership have taken place since 2015/16. Whilst some degree of change amongst Committee membership is inevitable, particularly given the local election cycle, given the wider issues at the Council with the Section 114 notice (albeit that has now been withdrawn) and loss of many senior officers, ensuring as much continuity as possible in relation to the management of the Fund should be a priority. We would also **recommend** that any new Committee members are given timely induction training to ensure they can constructively contribute to the management of the Fund as soon as possible.

In terms of Board membership, that has appeared reasonable stable during the period, but we did learn that the role of Employer Representatives from Croydon Council changed.

Perhaps the more concerning aspect of this turnover on both the Committee and Board is that Officers were not regularly informed or updated by the Council's political offices of the changes being made or provided with details of the new members on the Board or Committee in a timely way with individuals being revealed at meetings. This makes good governance outcomes more difficult to achieve and we would recommend that relevant individuals within the appropriate teams in the Council are reminded of the responsibility placed on members of the Committee and Board.

### **London CIV related governance**

In our 2019 report we reviewed whether the Fund's governance arrangements had evolved to meet the needs of asset pooling with the London CIV. From what we have reviewed as part of our work we noted that:

#### **Governance structure:**

- We recommended that the Administering Authority update their constitution to reflect the changes to the London CIV introduced in June 2018 by revoking delegation to the Pensions CIV Sectoral Joint Committee and provide written evidence to London Councils that this had been actioned. In March 2021 the Committee received a paper setting out these changes would be made however on reviewing the latest Constitution this remains outstanding and appears to have been delayed.

#### **Reporting to the Committee and Board, wider information and engagement:**

### **London CIV**

The Fund, alongside other London Borough Funds is a member of the London Collective Investment Vehicle (CIV) since 2014.


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- There appears to be a good level of reporting to the Board on CIV related activity by Officers. As part of the review we haven't seen all reports to Committee as these are likely in part B which haven't been supplied.
- In January 2020, the Head of Pensions and Treasury described to the Board how a pause had been placed on developing a more detailed ESG Policy because of lack of a clarity on the relationship with London CIV. It is not clear from the information reviewed if this is now resolved.
- We note that in January 2021 the Board were informed that going forward, the Chair of the Pension Committee would be a representative on the stakeholder board and would report back on a regular basis with information from the CIV. We have not seen evidence of this reporting back to provide comment.
- In March 2021 the Committee reviewed a paper with details about information sharing between the London CIV and its governance bodies to ensure appropriate information is being provided to the officers, Pension Committee and Pension Board and there is appropriate engagement. It referred to London CIV agreeing and putting its new client engagement approach in place. It also stated that the CIV is currently actively engaging with shareholders as to the information required and the format in which it is presented. A commitment to update the Committee and discuss this further was made at that meeting. Given the proposals from the CIV's governance review are almost 3 years old it would seem appropriate for the Fund to ensure the London CIV progress this speedily.

We **recommend** that the governance arrangements are formally adopted in the Administering Authority's Constitution as soon as possible. The Board and Committee should ensure they are assured on areas of reporting, information and engagement from the London CIV in particular in the areas noted above. We have not seen evidence of clear reporting back to the Committee from representatives attending CIV meetings and we would recommend this is reviewed to ensure adequate reporting is in place.

#### **Good quality (Committee and Board) administration**

This was rated  (neutral) in our 2019 review in part due to a number of supplemental papers being issued to the Committee which might indicate that these reports were not available within the required five working days before the Committee. We note that supplemental papers were issued for the January, March, September and December 2020 and March and May 2021 Committee meetings as well as October 2020 and January 2021 Board meetings. We **recommend** investigating the reasons for this and encourage this to be minimised in the future. It is possible that this indicates a resourcing issue within the pensions team. We also note that there was no meeting in between March and September 2020, and we assume the cancellation of two Board meetings and one Committee meeting was due to the COVID-19 pandemic.

#### **Managing conflicts of interest**

This was rated  (neutral) in our 2019 report on the grounds that there were concerns regarding potential conflicts of interest that had arisen in decisions made by that Committee and that politics appear to have an

influence on decisions. Our conclusion was that this was an area that could be improved upon, particularly in relation to potential conflicts of interest that are Fund specific and would not therefore be highlighted through the Council's arrangements in the Code of Conduct.

Whilst not a legal requirement, our 2019 report also encouraged the Administering Authority to review the existing Board policy and expand it to apply to wider Fund management including the Committee. This Fund-specific policy would outline how conflicts of interest will be managed and dealt with at a Fund level. It should be noted that one of the recommendations from the Scheme Advisory Board's final Good Governance report<sup>7</sup> published in February 2021, is that *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.*

The policy provided by officers appears to include all the points listed in the right hand box. However, the policy has not been approved or considered by the Pension Committee (despite it saying it was approved on 17 March 2020) Officers explained that the draft report can only go to Committee / Board when cleared by senior officers and other directorates. It is not clear what other directorates need to consider a Fund based policy and why this has been delayed. We **recommend** this is addressed promptly and the Policy is put forward for consideration by the Board and Committee as soon as possible.

One example which we felt important to call out in respect of potential or perceived conflict of interest is the decision in principle to allow the future transfer of properties leased to Croydon Affordable Homes and Croydon Affordable Tenures. We understand that this was considered by the Pension Committee on the 21 November 2018 but in the light of changed circumstances is being currently being reviewed with a paper being considered at the most recent Committee meeting on 25 May 2021. We are not reviewing the merits of this decision in principle but rather calling out the perception of conflict of interest in terms of members' fiduciary duty to the Fund as opposed to the Council as a participating employer (with funding obligations to the Fund).

We would **recommend** that there should be clear rationale for continuing with the proposal, particularly in the light of the advice received from Fund officers and Committee members should ensure they are confident they have no actual or perceived conflict and that this is being adequately managed and fully transparent to the Board and to other Fund stakeholders. The Committee may also wish to consider whether to commission updated guidance from their investment and actuarial advisers before finalising their decision.

In addition, we **recommend** that the Conflict of Interest policy is complemented by periodical training in relation to Fund specific conflicts of interest and that such training is compulsory for new Committee and Board members as well as Fund officers.

### Fund-specific policy

We suggest that a Fund-specific policy could include reference to

- the Council's Code of Conduct
  - how it relates to co-optees and observers
  - examples of Fund specific potential conflicts of interest
  - how conflicts of interest (and potential conflicts of interest) will be managed
  - guidance for officers and advisers of the Fund to also adhere to.
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<sup>7</sup> [https://lgpsboard.org/images/Other/Good\\_Governance\\_Final\\_Report\\_February\\_2021.pdf](https://lgpsboard.org/images/Other/Good_Governance_Final_Report_February_2021.pdf)

## Skills and knowledge

### Pension Committee – requirements

The current requirements relating to training Pension Committee members and of LGPS Funds are included in the following:

- CIPFA Knowledge and Skills Framework for LGPS committee members and LGPS officers (2021)
- CIPFA Code of Practice on LGPS knowledge and skills (2021).

In 2016 CIPFA issued Investment Pooling Governance Principles for LGPS Administering Authorities and incorporated additional competencies relating to the introduction of pooling in the LGPS. These competencies (or alternatives) should be integrated into knowledge and skills policies and these competencies should be achieved and maintained going forward.

In January 2018 there was the introduction of Markets in Financial Instruments Directive (MiFID II) where the Fund, as a collective, must be able to demonstrate sufficient expertise, experience and knowledge to satisfy financial institutions that it is capable of making investment decisions and understanding the nature of potential risks. This requires that levels of expertise, experience and knowledge are maintained to satisfy the MiFID II requirements.

In addition, SAB's Guidance and the Pensions Regulator's Code of Practice No 14, (albeit currently focussed on Local Pension Board knowledge and skills legal requirements<sup>8</sup>), highlight the need for the Administering Authority to have appropriate policies and procedures in place to ensure a high level of knowledge and skills. The recent Scheme Advisory Board's Good Governance Review also recommends that there is a requirement in LGPS 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.

### Pensions Board – requirements

The Public Service Pensions Act 2013 requires Pensions Board members to:

- be conversant with the rules of the scheme and any document recording policy about the administration of the scheme, and
- have knowledge and understanding of the law relating to pensions and any other matters which are prescribed in regulations.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Pensions Board.

These requirements have been incorporated and expanded on within TPR's Code of Practice 14: Governance and Administration of Public Service Pension Schemes which is expected to become a new Single Code later in 2021. The Board should ensure a review of the requirements

## Good Governance

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


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<sup>8</sup> The recent TPR consultation on a new Single Code refers to governing bodies which includes Pension Committees. It's not clear at time of writing what exact TPR requirements will be when the Code takes effect, but it could be expected that from a best practice perspective any requirements in the area of knowledge and skills will also apply to the Pension Committee.

of the new TPR Code when it is published to ensure compliance with all areas including relating to the area of knowledge and skills<sup>5</sup>.

## **Clearly articulated knowledge and skills requirements in a Fund policy**

### **2019 analysis**


This area was rated  (neutral) in the 2019 report since although the Administering Authority had formally adopted the CIPFA Frameworks and Code, there was no formal Training Policy. We recommended that the Administering Authority developed and published a policy setting out its policy and approach to training, including the following:

### **2021 review**

A Knowledge and Skills/Training Policy was approved by the Pension Committee on 17 March 2020. This is supplemental to the updated Pension Board Training Policy which was approved by the Board on 17 October 2019. We would expect reference to who the policy applies to, to be references and to induction training in but it is not evident. There are also some small points of detail such as the delegated officer being listed as both the Director of Finance, Investment and Risk (Section 151) and the Chief Finance Officer. We **recommend** this Policy is reviewed to ensure it reflects all expected areas and for consistency.

## **Regularly review whether knowledge aspirations are being met**

### **2019 analysis**

This area was rated  (neutral) in the 2019 report since the training logs did not provide an overall assessment against the CIPFA knowledge and skills framework to allow one to understand whether Committee members have had appropriate training in the required competencies. It was also not possible to determine, where members are expected to attend training but have failed to do so.

### **2021 review**

We do observe a huge amount of work has been undertaken by Officers to obtain and record training activity which is a positive development. However, the information is a little difficult to follow in relation to whether all members have attended mandatory sessions.

We understand that members of the Committee and Board complete an annual competency self-assessment matrix to highlight gaps in skills or areas for further development and provide details of any training undertaken which is then informed to inform the following years training plan. We have not done an assessment of this exercise nor whether training has been a standing item on all Board and Committee agendas as this is outside the scope of this review.

## **Acquiring training**

This area is newly added for the 2021 report. We noted that at the February 2020 meeting the Committee acknowledged concern about the turnover of members and the risk that posed in terms of undermining the expertise of the Committee and that it would be highlighted in the Council by the Group Whip for Administration. In recent discussions with Officers that issue was restated in that training requirements are greater and more challenging

## **Training Policy**

- A statement regarding embracing the CIPFA Framework (or an alternative)
  - How training will be provided
  - Qualifications the Administering Authority will encourage (if relevant)
  - Expectations in relation to training attendance (perhaps even to the degree that all Committee members must attend at least one key conference per year)
  - Specific requirements in relation to new members (e.g. the requirement to undertake induction training)
  - How knowledge requirements will be regularly assessed and monitored
  - An individual within the Administering Authority who is ultimately responsible for ensuring the policy is adhered to (CIPFA recommend this should be the Section 151 Officer's responsibility).
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given the changes to the Committee in particular. Furthermore, we note that the Knowledge and Skills/Training Policy approved in March 2020 lacks detail on the approach to induction training for new members.

We **recommend** that induction training requirements are clearly set out in your Policy and that this is explained and facilitated for all new members upon joining the Committee and Board. The role of Committee members needs to be clearly communicated to new members to ensure they understand their Administering Authority role. As stated in the Good Governance Review “A pension committee member should put aside political considerations, act in the interest of all employers and members and act within a regulatory framework”<sup>9</sup>.

## Behaviour

### 😊 General Behaviour

Behavioural elements should be aligned with the General Principles of Public Life which are adopted by the London Borough of Croydon as part of their members' Code of Conduct. These principles are:

1. Selflessness
2. Integrity
3. Objectivity
4. Accountability
5. Openness
6. Honesty and truthfulness
7. Leadership

and they also apply to co-opted members.

Given the range and volume of items needing to be covered at meetings there is always a risk that decisions are made by Pension Committee without full and appropriate discussion, debate and challenge. Equally there is a risk that too much time can be spent on matters of little importance/value.

This area was rated 😊 neutral in our 2019 report. Given the reduced scope of this review, which has meant we have not observed any Board or Committee meetings, and nor have we carried out an effectiveness questionnaire, we are not in a position to really comment on whether this has improved since the 2019 exercise. From informal discussions we were made aware that during Committee meetings not all papers are introduced by Officers and this is something we would recommend is rectified going forward to ensure each agenda item is clearly explained with opportunity for questions and discussion.

We would continue to encourage all Committee members to be mindful of their overriding fiduciary responsibility and recommend training on the legal responsibilities of the Committee, particularly the fiduciary responsibilities

<sup>9</sup>

[https://www.lgpsboard.org/images/Other/Good\\_Governance\\_Final\\_Report\\_February\\_2021.pdf](https://www.lgpsboard.org/images/Other/Good_Governance_Final_Report_February_2021.pdf)

## Good Governance

A **good governance** structure will not be effective unless it involves the right people with the right attitude. **Individuals should:**

- have a high level of attendance at meetings
- demonstrate integrity in relation to their Fund role
- be engaged and provide appropriate challenge
- be accountable for the decisions made
- highlight any potential conflicts they may have
- for a Chairperson, manage the meetings fairly without any bias to individuals or self
- prepare adequately for meetings.

to scheme members. We also repeat our previous recommendation that all members of the Board are encouraged to actively participate in meetings to aid the Board in its role. On a more positive note, from the agenda items at meetings it does seem that more time is being spent focussing on the long term objectives of the Fund and how they will be achieved. If so, this would represent an improvement relative to the 2019 review.

### **Brief assessment of the 2019 Action Plan**

As part of the scope for this update report to the 2019 review we were asked to provide a brief assessment of the action plan that the Fund have followed that review to understand progress, identifying if any resource or business planning issues exist.

#### **Progress:**

- It is clear that a significant amount of work by Officers has taken place on the actions from the 2019 review with oversight from the Board and Committee. Throughout this report we have highlighted progress in various areas. In summary there are some policies that need attention including the Conflict of Interest and Discretionary Policy and a Data Improvement Plan needs to be taken forward.
- Attention needs to be given to reporting information on the Fund website and we understand resource issues have caused problems in this area, the Board and Committee should seek to address this.
- We note that there have been some cancelled meetings due to the COVID-19 pandemic which has impacted progress of the actions.

#### **Resources:**

- From conversations with Officers we understand resources have been constrained which appears to be in part due to COVID-19. This is understandable given the unusual circumstances. The more concerning issue is that Officers are being required to address Council business which is impacting on their ability to progress with Fund activity, this appears to be across different areas of the team including Finance and Governance.
- We understand that work arising from Croydon Council's voluntary severance scheme has also placed an extraordinary demand on the pension administration team to provide retirement estimates with almost 200 estimates provided in January 2021.
- The Administering Authority has successfully filled the remaining vacancies for a Senior Pension Officer and Pension Support Officer but there have been further resignations in May at Senior Pension Officer and Pension Officer level and we understand that the Administering Authority will seek to fill all of these roles through further recruitment exercise.
- The recommendation from the Good Governance review from the Scheme Advisory Board is that the LGPS Senior Officer will be responsible for the delivery of the LGPS function and must be able to ensure that they run an operation that is sufficiently resourced. Senior officers within the Council with responsibility for pensions alongside senior officers in the Fund, should start to consider how well the Fund



would be able to adapt to potential new requirements for a new dedicated LGPS Senior Officer “who is responsible for the delivery of all LGPS related activity for that fund”.

- The Board, Committee and Senior Officers (including the Section 151 officer and Head of HR) should ensure appropriate consideration is being given to how to support the existing Pensions Team through gaining additional resources alongside recruitment, particularly in light of the failure to meet legal deadlines in relation to some administrative processes, in order to improve Fund performance. A more strategic approach may be required given the external pressure facing the pension administration service (e.g. McCloud) and the internal challenges relating to resources and performance. The Council should not rule out carrying out a fundamental review of the method of service delivery if resourcing concerns cannot be easily and quickly resolved. The Administering Authority should maintain a proactive and vigilant approach to monitoring the impact of changes in resources and the impact of increases in workload, as well as considering succession planning, to mitigate the risks on the administration and management of the scheme.

**Business Planning:**

- We would strongly recommend that a more detailed Business Plan with priorities and key actions is prepared to ensure there is more detailed consideration of the resources required. This will align with one of the recommendations from the Good Governance review which expects that Business Plans will support Funds in assessing resource requirements (including staff recruitment, procurement and other specialist services).





## Further information

# Appendix A – Governance Framework



This section describes the best practice framework against which this review was conducted.

## Aon Governance Framework

There are some key benefits from having effective governance in place, including:

- Robust risk management that can assist in preventing issues from arising, or at least reducing their impact should they arise
- Ensuring resources and time are appropriately focussed
- Timely decision making and implementation of change
- A clear view of how the Fund is being operated for the Pension Committee (or equivalent).

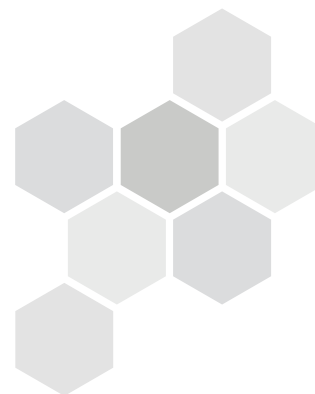
At Aon, we have a number of beliefs when it comes to achieving good governance including:

- **Direction** – having clear strategies and policies that also meet legislative requirements are fundamental
- **Delivery** – having a clear plan for implementing the Fund's strategies and policies, together with appropriate monitoring as to whether they are being achieved, and good risk management ensure effective and efficient delivery
- **Decisions** – having an appropriate governance structure, involving the right people, with the right attitude and the appropriate skills and knowledge is key.

These beliefs are shown in the following diagram and described in more detail below.



Table 1 – Aon governance framework



<b>Direction – What are you trying to achieve?</b>	
<b>Legislation and guidance</b>	The Fund's strategies and policies should be in line with legislative requirements and any related professional guidance.
<b>Strategies and policies</b>	<p>The Fund's strategies and policies should clearly set out the aims, principles, protocols and environment for how the Fund is managed. The strategies and policies should:</p> <ul style="list-style-type: none"> <li>▪ be wide ranging covering all key areas including funding, finance, investments, administration, communications and governance itself</li> <li>▪ be clearly articulated, to provide a framework within which those managing the Fund are able to operate</li> <li>▪ provide the focus for all future decisions and plans</li> <li>▪ be agreed by those responsible for governing the Fund.</li> </ul>
<b>Delivery – How do you meet your aims?</b>	
<b>Business Planning</b>	<p>Each Fund should have a business plan, setting out required activities in the forthcoming period. Those activities:</p> <ul style="list-style-type: none"> <li>▪ should be driven by the Fund's strategies and policies</li> <li>▪ will include activities driven by changes in overriding legislation.</li> </ul>
<b>Performance Measurement</b>	<p>Those responsible for governing the Fund should be provided with appropriate performance information. Measurements should:</p> <ul style="list-style-type: none"> <li>▪ demonstrate whether the Fund's aims are being achieved</li> <li>▪ cover the full range of key areas (e.g. investments, finance, funding, governance, communications and administration)</li> <li>▪ demonstrate whether the Fund's business plan is being achieved</li> <li>▪ be updated in accordance with appropriate timescales</li> <li>▪ be presented in a manner that is easy to follow and understandable to those governing the Fund</li> <li>▪ assist in identifying changes to the Fund's business plan, strategies, policies and aims.</li> </ul>
<b>Risk Management</b>	<p>Effective risk management is critical to minimise the impact and/or probability of unfortunate events and to maximise the realisation of opportunities. It should be:</p> <ul style="list-style-type: none"> <li>▪ aligned with the Fund's aims</li> <li>▪ a key consideration in decision making</li> <li>▪ systematic or structured</li> <li>▪ an integral part of the Administering Authority's processes and procedures on a daily basis.</li> </ul>
<b>Decisions – Do you have effective decision making?</b>	
<b>Governance structure</b>	<p>There is no one 'correct' governance structure. The Administering Authority's structure should:</p> <ul style="list-style-type: none"> <li>▪ have clear terms of reference</li> <li>▪ have a clearly documented scheme of delegation</li> <li>▪ allow decision making at the appropriate level</li> </ul>

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- allow quick decision making where appropriate
  - include appropriate representation from stakeholders
  - ensure there is sufficient diversity of thought/approach amongst those tasked with making decisions
  - involve well-presented information/reports
  - allow sufficient time for discussion where necessary
  - have good quality (committee) administration (e.g. issuing papers in good time)
  - involve a process for managing conflicts
  - provide transparency to stakeholders where appropriate.
- 

#### Behaviour

A good governance structure will not be effective unless it involves the right people with the right attitude. Individuals should:

- have a high level of attendance at meetings and training
  - demonstrate integrity in relation to their Fund role
  - be engaged and provide appropriate challenge
  - be accountable for the decisions made
  - highlight any potential conflicts they may have
  - for a Chairperson, manage the meetings fairly without any bias to individuals or self and enable all attendees to express their views or opinions openly
  - prepare adequately for meetings.
- 

#### Skills and knowledge

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

Administering Authorities should:

- clearly articulate the knowledge and skills requirements in a Fund policy
  - provide ongoing training in an effective and suitable manner to meet those requirements
  - regularly review whether knowledge aspirations are being met
  - ensure they rely appropriately on officers and advisers to provide expert knowledge.
- 



# Appendix B – Reference Material



This appendix lists the various documents that were considered as part of this Governance Review.

## LB of Croydon Pension Fund

- Updated Governance Action Plan (18 February 2021)
- Investment Strategy Statement (ISS) (effective from September 2018)
- Funding Strategy Statement (FSS) (effective from April 2020)
- Governance Policy and Compliance Statement (September 2019)
- Communications Policy (September 2019)
- Administration Strategy Statement (July 2017)
- Constitution of the London Borough of Croydon Council (version March 2021)
  - Terms of Reference Pension Committee
  - Terms of Reference Local Pension Board
- Risk Management Policy (March 2020)
- Local Pension Board Training Policy (October 2019)
- Knowledge and Skills / Training Policy (March 2020)
- Reporting Breaches of the Law Policy (September 2020)
- Breaches spreadsheet (provided February 2021)
- Conflict of Interest Policy (March 2020) [not clear if this is an approved policy or not]
- Croydon Council Policy Statement of Exercise of Discretionary Powers (July 2014)
- Policy Statement - Mandatory Administrative Authority Discretions London Borough of Croydon (draft)
- Training log and training report summary (provided February 2021)
- Annual Report and Accounts (Draft) 2019/20
- Actuarial valuation report as at 31 March 2019 (dated 31 March 2020)
- Pensions Committee meeting papers between 17 September 2019 to 25 May 2021
- Pensions Board meeting papers between 17 October 2019 to 14 January 2021



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