

Report of the Managing Director of West Yorkshire Pension Fund to the meeting of West Yorkshire Pension the Joint Advisory Group to be held on 26 January 2013

T

Subject: WYPF Governance Review

Summary statement:

This reports sets out at a high level a proposed process for undertaking a WYPF governance review and initial feedback is sought from Joint Advisory Group members. A similar report will also be presented to the Investment Advisory Panel and the Local Pensions Board.

EQUALITY & DIVERSITY:

Not Applicable

Euan Miller
Managing Director
West Yorkshire Pension Fund

Portfolio:

Report Contact: Euan Miller
Phone: (01274) 434517
E-mail: euan.miller@wypf.org.uk

1. BACKGROUND

- 1.1 It has been flagged at previous meetings of the IAP that a review of the effectiveness, roles and responsibilities of the IAP, the Joint Advisory Group ('JAG') and the Local Pension Board ('LPB') should be undertaken, with the objective to ensure that the work that they do properly complements each other, while retaining their requisite independence. In simple terms this would check the remit of each, so that the IAP remains focused on investments issues, the JAG on administrative issues and the LPB on their Fund oversight role (as defined by Regulations).
- 1.2 Whilst this review was added to the WYPF Business Plan last year, it has not been progressed to date for a number of reasons. However, given the recent appointment of a new Managing Director and the creation of the Chief Investment Officer post this would appear a particularly opportune time for such a review to take place. In addition, Government and the LGPS Scheme Advisory Board ('SAB') are expected to implement in the near future the recommendations of the SAB's Good Governance Project, which will provide further clarity on the requirements and best practice expected of LGPS administering authorities.
- 1.3 Further information on the SAB's Good Governance Project can be accessed via the link below:

[LGPS Scheme Advisory Board - Good Governance \(lgpsboard.org\)](https://www.lgpsboard.org)

2. SCOPE OF REVIEW

- 2.1 It is proposed that the scope of the review will be wider than that discussed previously and also considers delegated powers, which could include, for example, scope for the WYPF investment team to make tactical changes to asset allocation in between IAP meetings within pre-determined limits. Providing further clarity in this area may enable quicker progress to be made in reaching the Panel's strategic asset allocation and also allow the Fund to be more opportunistic should any unusual short-term market conditions arise (for example, the unusually high Gilt yields following the September 2022 mini-budget and subsequent selling of Gilts by pension funds using leveraged LDI strategies).
- 2.2 WYPF governance arrangements are ultimately the responsibility of the Administering Authority (i.e. City of Bradford Metropolitan District Council) and therefore any governance review and the implementation of the recommendations made will require Council approval. However, it is proposed that the review is driven by WYPF (with WYPF also meeting the costs). The Chief Executive has provided her high-level support for the proposed review.

- 2.3 To help minimise conflicts of interest and seek to draw on best practice from other LGPS administering authorities and the wider pensions and investment community it is proposed that specialist consultancy support for the review is procured via the LGPS National Frameworks. Whilst the cost of the consultancy support is unknown at this stage it is not expected to exceed £30,000. Provision has been made in the 2023/24 budget for this expenditure.

3. NEXT STEPS

3.1 Proposed next steps are set out below.

1. Discuss outline proposals at the forthcoming Investment Advisory Panel and Local Pension Board meetings
2. Obtain support for the proposed review from the CBMDC Governance & Audit Committee.
3. Procure independent consultancy support via the National Frameworks and prepare detailed scope.
4. Establish timescales for implementation of SAB Good Governance Project Recommendations and seek to carry out review to coincide with this (assuming expected in first half of 2023).

4. OTHER CONSIDERATIONS

None

5. FINANCIAL & RESOURCE APPRAISAL

It is proposed that specialist consultancy support for the review is procured via the LGPS National Frameworks. Whilst the cost of the consultancy support is unknown at this stage it is not expected to exceed £30,000. Provision has been made in the 2023/24 budget for this expenditure.

6. RISK MANAGEMENT AND GOVERNANCE ISSUES

None

7. LEGAL APPRAISAL

WYPF governance arrangements are ultimately the responsibility of the Administering Authority (i.e. City of Bradford Metropolitan District Council) and therefore any governance review and the implementation of the recommendations made will require Council approval.

8. OTHER IMPLICATIONS

8.1 SUSTAINABILITY IMPLICATIONS

None

8.2 GREENHOUSE GAS EMISSIONS IMPACTS

None

8.3 COMMUNITY SAFETY IMPLICATIONS

None

8.4 HUMAN RIGHTS ACT

None

8.5 TRADE UNION

None

8.6 WARD IMPLICATIONS

None

8.7 AREA COMMITTEE ACTION PLAN IMPLICATIONS (for reports to Area Committees only)

None

8.8 IMPLICATIONS FOR CORPORATE PARENTING

None

8.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

None

9. NOT FOR PUBLICATION DOCUMENTS

None

10. OPTIONS

The decision to proceed with the Governance Review and the process undertaken will ultimately be determined by the CBMDC Governance & Audit Committee. The Joint Advisory Group is encouraged to provide input into the proposals that will be presented to the Governance & Audit Committee.

11. RECOMMENDATION

That the Joint Adviosry Group note and provide any comments on the outline of the proposed governance review set out in the report

12. APPENDICES

None