

Report of the Managing Director, West Yorkshire Pension Fund to the meeting of Local Pension Board to be held on 21 March 2023.

AN

Subject: WYPF Governance Review

Summary statement:

It has been proposed at recent meetings of the Investment Advisory Panel ('IAP') and Joint Advisory Group ('JAG') that a review of the effectiveness, roles and responsibilities of the IAP, JAG and the Local Pension Board ('LPB') be undertaken. A review of this nature was previously added to WYPF Business Plan. For the reasons set out in the report this would appear a particularly opportune time for such a review to take place.

This reports sets out at a high level a proposed process for undertaking a WYPF governance review and initial feedback is sought from Pension Board Members.

A similar report was recently presented to JAG and IAP and will be discussed at the forthcoming meeting of the Bradford Council Governance & Audit Committee.

EQUALITY & DIVERSITY:

None

Euan Miller
Managing Director

Portfolio:

Leader of Council & Corporate

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Overview & Scrutiny Area: Corporate

1. BACKGROUND

- 1.1 It has been proposed at recent meetings of the Investment Advisory Panel ('IAP') and Joint Advisory Group ('JAG') that a review of the effectiveness, roles and responsibilities of the IAP, 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)

- 1.4 The IAP and JAG were generally supportive of the proposals and provided helpful comment on some of the things they would like to see considered as part of the review.

2. Scope of review

- 2.1 It is proposed that the scope of the review also considers delegated powers, which in relation to WYPF investments 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 and it is due to be discussed at the forthcoming meeting of the Bradford Governance & Audit committee.

- 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. Obtain support for the proposed review from the CMBDC Governance & Audit Committee.
2. Procure independent consultancy support via the National Frameworks and prepare detailed scope.
3. 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 FINANCIAL & RESOURCE APPRAISAL

None

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

None

6. LEGAL APPRAISAL

7. OTHER IMPLICATIONS

7.1 SUSTAINABILITY IMPLICATIONS

None.

7.2 GREENHOUSE GAS EMISSIONS IMPACTS

None.

7.3 COMMUNITY SAFETY IMPLICATIONS

None.

7.4 HUMAN RIGHTS ACT

None.

7.5 TRADE UNION

None.

7.6 WARD IMPLICATIONS

None

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

None

7.8 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

None.

7.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

None.

8. NOT FOR PUBLICATION DOCUMENTS

None

9. OPTIONS

N/A

10. RECOMMENDATIONS

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

11. APPENDIX