
GOVERNANCE REVIEW & STEWARDSHIP CODE ACTION PLAN

Report by Director of Finance & Procurement

JOINT PENSION FUND COMMITTEE AND PENSION FUND BOARD

12 December 2023

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to review and approve the Pension Fund's Governance Review & Stewardship Code Action Plan.**
- 1.2 The Action Plan encompasses recommendations from the independently produced Governance Review report and the Fund's Stewardship Code report. It provides a high-level plan for how these will be progressed and implemented.
- 1.3 It is accompanied by an annotated schedule for all the Governance Review recommendations. This outlines proposals for the Committee's consideration on which are agreed/actioned and those that should not (and why).
- 1.4 It is proposed the work be delivered through a project management approach and the work has been structured into four workstreams. This will help provide additional focus and momentum, as well as regular project monitoring and reporting. However, a number of actions and timescales are dependent on the successful appointment to the Pension, Investment & Accounting Manager role.

2 RECOMMENDATIONS

It is recommended that the Committee:

- (a) reviews and agrees the proposals in the 'Governance Recommendations – Agreement to Proceed?' schedule (Appendix 1).**
- (b) reviews and agrees the Governance Review & Stewardship Code Action Plan (Appendix 2)**
- (c) Notes and recognises the potential impact on plan timelines, if the recruitment of the Pension, Investment & Accounting Manager is delayed further.**

3 BACKGROUND

- 3.1 Scottish Borders Council Pension Fund commissioned a review of its governance arrangements in 2022. This review was undertaken by an independent pension consultant in late 2022 and the report was presented to the Joint Pension Fund Committee & Pension Fund Board at its meeting on 15th December 2022. The report identified the strengths of the Fund's existing governance arrangements, as well as outlining recommendations for improvement.
- 3.2 In its December 2022 meeting, the Interim CEO suggested that an Action Plan be produced by officials, to address the recommendations raised in the Governance Review report. This was agreed by the Committee. Subsequently, the plan scope was extended further, to include actions arising from the Stewardship Code report.
- 3.3 Due to resource constraints, additional external resource was engaged to produce the Action Plan and work commenced in late June 2023. This resource was diverted to work on producing the Fund's Stewardship Code report for 2022/23 but re-commenced on the Action Plan in October and completed in November 2023.

4 ACTION PLAN: GOVERNANCE REVIEW & STEWARDSHIP CODE

Governance Review Recommendations Schedule:

- 4.1 In establishing the plan's scope and content it became apparent that, whilst the Joint Pension Committee and Pension Board had discussed the Governance Review report, no decisions had been finalised on which recommendations were agreed or not deemed necessary or appropriate for the Fund.
- 4.2 A schedule was produced ('Governance Recommendations – Agreement to Proceed?'). This details every governance recommendation in the report (including its use of bold text to indicate higher priority items). Outline proposals are made for each recommendation - either agreeing the action, or not (with rationale where no action is proposed). Recommendations proposed for action have explanatory notes, and an indicative priority level. Guidance on the assumptions used in the schedule was sought from the CEO and Finance & Procurement Director, as well as a number of other senior officials. A draft was then shared with the Chair of the Pension Committee for a 'sense check' on approach and direction taken. This schedule is now presented to the Pension Committee (at Appendix 1), to help provide a framework and inform decision-making. It has been used extensively to inform the Action Plan.
- 4.3 Actions arising from the Stewardship Code report are not included in the schedule. These were agreed by the Committee, at the September 2023 meeting, on the approval of the Fund's Stewardship Code report, 2022/23.

Governance Review & Stewardship Code Action Plan:

- 4.5 The Governance Review & Stewardship Code Action Plan is included at Appendix 2. The plan is structured into four 'packages' of work, broadly based on the nature of the actions, type of input required (e.g., policy or constitutional reviews and revision etc.), and/or specific knowledge required to deliver them. This also enables similar work activity to be undertaken concurrently, where logical to do so (Committee remit, Board constitution and Sub-Committee agenda planning, for example).
- 4.6 The Action Plan is a high-level document, providing sufficient detail for the Joint Pension Committee & Pension Board to monitor and assess progress. Timelines for delivery have been allocated based on specific Quarters through the calendar year. This provides some flexibility for teams managing various priority tasks, as well as fitting with the Joint Pension Committee & Pension Board quarterly meeting cycle, for reporting purposes.
- 4.7 In breaking down actions into key tasks and estimated delivery 'windows', the following officials were consulted and provided input: Human Resources & Shared Services Manager (HRSS), the Chief Officer Audit & Risk (COA&R), the interim Pension & Investment Manager and the Director of Finance & Procurement (DF&P). Project plans previously submitted by Isio (e.g.TCFD, responsible investment etc.) have also been referenced for other areas of the Action Plan.
- 4.8 A project management approach is proposed for delivering the Action Plan. This will help provide clear focus and momentum for ongoing work across the next two-three years. Regular project meetings will utilise consistent monitoring and reporting arrangements/formats, as well as provide a forum for resolving problems, and 'bottle-necks' to progress. Project progress reports will be presented to the Pension Committee & Pension Board on a quarterly basis. It is proposed that overall accountability for delivery of the project will sit with the Finance & Procurement Director, as Project Sponsor; 'work-streams' will be led by the relevant senior officials.
- 4.9 Whilst recruitment activity for the Pension, Investment & Accounting Manager role is ongoing, it is envisaged this will hopefully be concluded in line with the current timelines in the plan. However, in the event of further delays recruiting to this role, these timelines may be subject to review. Should the current recruitment exercise fail to produce a suitable candidate, then contingency measures for resourcing some/all this work will be identified.

5. IMPLICATIONS

5.1 Financial

The implementation of the actions in the Action Plan may require the Fund to engage additional external resources, expertise and/or incur additional systems related costs. It is possible that some additional resources may be required, to ensure timely implementation of parts of the plan. The level of such support is currently difficult to estimate without a more detailed assessment of needs but will be reported to Committee once available.

5.2 Risk and Mitigations

This report recommends the implementation of an Action Plan, that will strengthen the governance framework and operation of the Pension Fund and reflects compliance with the best practice recommendations. There are no additional risks identified from the recommendations in the report.

5.3 Integrated Impact Assessment

There is no impact or relevance to Equality Duty or the Fairer Scotland Duty for this report. This is a routine good governance required und the Local Government Pension Scheme (Governance) (Scotland) Regulations 2014.

5.4 Sustainable Development Goals

There are no direct impacts from this report on the sustainable development goals of the Council. The recommendation however within the report will ensure the monitoring and reporting of the Fund against the goals are enhanced.

5.5 Climate Change

There are no direct climate change impacts because of this report. The recommendations within the report, however, will ensure the appropriate focus on good governance practice and improving, monitoring, and reporting responsible investment activity on the Fund’s activities, is maintained in future.

5.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

5.7 Data Protection Impact Statement

There are no personal data implications arising from the proposals contained in this report.

5.8 Changes to Scheme of Administration or Scheme of Delegation

A small number of proposed actions will possibly result in some changes to the Scheme of Administration or the Scheme of Delegation. This relates specifically to the remit of the Pension Fund Committee and, potentially, that of the Investment & Performance Sub-Committee.

6 CONSULTATION

6.1 The Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR & Communications, the Clerk to the Council and Corporate Communications are being consulted and any comments received will be reported to the meeting.

Approved by

Suzy Douglas

Signature

Director of Finance & Procurement

Author(s)

Name	Designation and Contact Number
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Background Papers: Previous Minute Reference: Joint Pension Fund Committee and Pension Fund Board – 13th December 2022

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