

Report to: Pension Board

Date of meeting: 8 February 2024

By: Chief Finance Officer

Title: East Sussex Pension Fund – Governance changes

Purpose: To present changes to the East Sussex County Council governance structure where it relates to the East Sussex Pension Fund

RECOMMENDATIONS

The Pension Board is recommended to note the following changes to the East Sussex County Council Constitution where it relates to the East Sussex Pension Fund (the Fund):

- **Agree the amendment to the write off of debt authorisation process in relation to the Fund**
 - **Agree the revisions to the Chief Finance Officer responsibilities in relation to the Fund as laid out in Appendix 1**
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1. Background

1.1. The East Sussex Pension Fund (the Fund) undertook a review of decision-making responsibilities in line with the recommendations of the Scheme Advisory Board “Good Governance Review”. An external consultant was appointed to review existing decision-making levels documenting responsibilities into a decision making matrix. As part of this review, the consultant highlighted where changes could be made to the existing governance structure in order to maximise best practice and ensure alignment with changes to the constitution and governance structure approved in 2020. The paper proposes some changes to ensure efficiency of day-to-day operations.

2. Financial decisions: Debt Write Off

2.1. The Fund is ring-fenced, with assets held separately from the general assets of the authority; the Fund’s assets must be used for the sole purpose of paying Local Government pension benefits. The operational and financial decisions of the Fund are separate from those of the Council, with the budget, budget monitoring, outturn reports and Annual Report and statement of accounts being approved by the Pension Committee, rather than Full Council. The Pension Committee are charged with governance of all financial matters for the Fund.

2.2. **Debt Write Off:** The Financial Procedure Rules are set out in the Constitution under Part 4 - Rules of Procedure, (7) Financial Procedure Rules. Section A.13.4 sets out the rules in relation to Write Off of Debts, which states that “The write-off of debts below £5,000 may be authorised by the Chief Officer. The write-off of debts in excess of £10,000 shall only be

authorised by the Lead Member for Resources. All other debts falling between these limits may only be written off by a Chief Officer after consultation with the Chief Finance Officer and Assistant Chief Executive. A complete record of debts written off shall be maintained by the appropriate Chief Officer and retained in accordance with Standard Financial Procedures”.

2.3. Under the current wording of the constitution the Chief Operating Officer and Lead Member for Resources are decision makers for write off levels for debts owed to the Pension Fund. However neither have direct operational oversight or responsibilities for the debt or the wider financial position of the Fund. It is proposed that the constitution refers directly to the write off of debt for the Fund to sit with the Chief Finance Officer, who will advise the Pension Committee of such write offs. It is recommended that there is a change to section A.13.4. to add a paragraph:

“Where the debt is owed to the East Sussex Pension Fund the write of any value debt may be actioned by the Chief Finance Officer and reported to the Pension Committee.”

3. Responsibilities of the Chief Finance Officer

3.1. The Responsibilities of the Chief Finance Officer are laid out in the Constitution under Part 3 - Responsibility for Functions, Table 6 - Scheme of Delegation to Officers, 3. Delegations to Particular Officers, G. Chief Finance Officer. The existing responsibilities intermingle responsibilities relating to County Council roles and Pension Fund roles. As the Chief Finance Officer, as Section 151 officer, is required to wear two hats in some circumstances where the best interest of the Pension Fund may differ to the best interest of the County Council, it is recommended the role is clearly defined separating out the Pension Fund responsibilities. A draft version of the revised Chief Finance Officer responsibilities is included as Appendix 1 to this report to show the recommended changes.

3.2. In addition to the layout of the Chief Finance Officer responsibilities, it is proposed that decisions with financial implications sit with the Chief Finance Officer and Pension Committee. For example, under current arrangements, decisions relating to staffing (recruitment, training etc) are defined as responsibilities of the Chief Operating Officer under Part 3 - Responsibility for Functions, Table 6 - Scheme of Delegation to Officers, 2. Delegations to Chief Executive and all Directors. The day-to-day operational responsibilities for the Pension Fund, including staffing, administration and investments, sit with the Chief Finance Officer and Head of Pensions, in consultation with the Pension Committee and Pension Board, and not the Chief Operating Officer. The changes proposed are to support the efficient operation of the Pension Fund.

3.3. At the Pension Committee meeting on 30 November 2022 the Committee agreed for the Chief Finance Officer to have delegated authority to make decisions to invest up to 5% of the Fund assets outside of the defined Investment Strategy Statement, Implementation plan or rebalancing range to react to market risks or opportunities. It is proposed that this is explicitly added to the role of the Chief Finance Officer to ensure consistency in the governance documentation.

3.4. Article 12.04 lays out the Functions of the Chief Finance Officer as a statutory officer, under this article the Chief Finance Officer “will provide financial information to the media, members of the public and the community.” It is recommended that this is explicitly extended in relation to Pension Fund specific communications beyond financial information but inclusion of a role with in the Chief Finance Officer’s responsibilities as laid out in the appendix.

4. Conclusion

4.1. The Pension Board is asked to note the changes to the Constitution laid out in this report to better align the decision making for the Pension Fund in relation to financial matters and improve the efficient functional operation of the Fund. The report will be considered by the Pension Committee and then the ESCC Governance Committee for final approval.

IAN GUTSELL
Chief Finance Officer

Contact Officer:	Sian Kunert, Head of Pensions
Tel. No.	01273 337177
Email:	Sian.kunert@eastsussex.gov.uk