

Agenda Item

Subject	Governance Update	Status	For Publication
Report to	Local Pension Board	Date	15 February 2024
Report of	Head of Governance		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Jo Stone Head of Governance	Phone	01226 666418
E Mail	jstone@sypa.org.uk		

1 Purpose of the Report

- 1.1 To provide Local Pension Board members with an update on current governance related activity and regulatory matters.

2 Recommendations

- 2.1 Board Members are recommended to:
- a. Note the updates included in this report; and**
 - b. Welcome the action being taken to undertake an independent Governance Review.**

3 Link to Corporate Objectives

- 3.1 This report links to the delivery of the following corporate objective:

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times.

- 3.2 The contents of this report are part of the arrangements in place to ensure good governance.

4 Implications for the Corporate Risk Register

- 4.1 The actions outlined in this report relate to actions that will contribute to addressing risks around regulatory compliance.

5 Background and Options

- 5.1 This report provides updates on current activities and regulatory matters relevant to the Authority's overall governance framework.

LGPS Investments Consultation Outcome

- 5.2 Further to the report considered by Board members at the November meeting, which set out details of the Authority's response to the Government's consultation on LGPS Investments, the Government published its response alongside the Autumn Statement on 22 November 2023. The Director provided a report to the December Authority meeting setting out the details and the implications of the consultation outcome for future work programmes.
- 5.3 A copy of this report is attached at **Appendix A** for Board members' information and consideration.

Regulatory Update: The Pensions Regulator – General Code of Practice

- 5.4 The Pensions Regulator (TPR) has published its new **General Code of Practice** which was laid in Parliament on 10 January 2024. Its laying period lasts for 40 days, and the Code is expected to come into force on 27 March.
- 5.5 As Board Members will be aware, the new General Code merges 10 of the TPR's existing codes of practice into a single new code of practice. For the LGPS (and other public service pension schemes) specifically, it replaces Code of Practice 14 *Governance & Administration of Public Service Pension Schemes*.
- 5.6 The General Code comprises five sections:
- a. The Governing Body
 - b. Funding and Investment
 - c. Administration
 - d. Communications & Disclosure
 - e. Reporting to TPR

The Governance team, along with the Senior Management Team, are now working through the detail and will also attend webinars on the new General Code and the implications for LGPS funds that are being offered. We will consider and assess the Authority's current arrangements against the General Code and produce a plan for making any changes or enhancements needed to ensure compliance. This work will also be informed and supported by the Independent Governance Review, further details of which are set out from paragraph 5.8 below.

- 5.7 Ensuring compliance with the General Code has also been added as an objective in the Corporate Strategy. Progress against this objective will be reported regularly throughout the year to both the Authority and the Local Pension Board.

Independent Governance Review

- 5.8 The Scheme Advisory Board's Good Governance proposals when implemented will require LGPS Funds to undertake an independent review of their governance arrangements every two years. The Authority aims to do this as a matter of good practice pending this becoming mandatory. The last such review was undertaken during 2020 and reported to the September 2020 Authority meeting. Therefore, arrangements have now been made to commission an independent review to take place this year and to plan these reviews to be undertaken every 2 years in future.
- 5.9 A competitive procurement process was carried out using one of the LGPS National Frameworks and *Aon* have been appointed to undertake the 2024 governance review.

- 5.10 The outline scope of the review includes assessing the Authority's governance with regard to:
- a. The thinking derived from the Scheme Advisory Board's Good Governance Review Phase III report and action plan.
 - b. Best practice reflected in the Pensions Regulator's new General Code of Practice.
 - c. The LGPS Regulations
 - d. Local Government law as it applies to the Authority.
- 5.11 The aim is for the review to provide an overall assessment of the effectiveness of the Authority's governance arrangements and to identify and make recommendations in respect of:
- a. Any areas where the Authority falls short of current best practice.
 - b. Any areas where the Authority is ahead of current best practice.
 - c. Any resource and / or skill deficits in relation to any of the above.
 - d. Any areas where the Authority will have to make changes in order to meet requirements arising from the Good Governance Review
- 5.12 The review work will involve the team from Aon observing meetings, reviewing various policies and documentation, conducting an effectiveness survey with Authority and Local Pension Board members and engaging with relevant stakeholders, including both officers and members, over the next few months. The Aon team will ensure that engagement is face-to-face as much as possible but will also support the use of online and virtual meetings as necessary. The aim is for the work to be completed to enable the final report to be presented to both Authority and Local Pension Board in June 2024.

Local Code of Corporate Governance

- 5.13 The Authority's Local Code of Corporate Governance has been reviewed and updated and this was approved by the Audit & Governance Committee at their December meeting.
- 5.14 The CIPFA / SOLACE Good Governance Framework sets out requirements based on seven key principles and requires that local authorities should:
- a. Review existing governance arrangements;
 - b. Develop and maintain an up-to-date local code of corporate governance, including arrangements to ensure ongoing effectiveness; and
 - c. Report publicly on compliance on an annual basis.
- 5.15 The Local Code describes how South Yorkshire Pensions Authority discharges its responsibilities in meeting the seven principles of delivering good governance, by identifying sources of evidence of compliance and assurance.
- 5.16 These details have been fully reviewed and updated as necessary to reflect improvements and any other changes made since the last review.
- 5.17 The Annual Governance Statement, which forms part of the Authority's Statement of Accounts, demonstrates on an ongoing basis how the Authority is complying with this Local Code.
- 5.18 The updated Local Code of Corporate Governance is attached at **Appendix B**.

Progress on Agreed Management Actions Arising from Audits

- 5.19 A report is taken to each meeting of the Authority's Audit & Governance Committee to update the committee on progress being made on management actions agreed in response to the findings of audit reviews.

- 5.20 The latest update as provided to the December meeting of the Audit & Governance Committee is attached at **Appendix C**.
- 5.21 Further explanation regarding some of the individual items is provided below.
- 5.22 End to End Interfund Process: The Service Manager – Benefits has extended the target date in relation to addressing process delays caused by employers as work is being done to strengthen the escalation procedure through engagement with employers.
- 5.23 Information Governance: Progress has been made on the further development of the Information Governance suite of policies with a view to approval by SMT before the end of the financial year. The retention policy will be a priority in the new year; however, it is recognised that this links to a larger piece of work on the asset register and may require a revised target date.
- 5.24 Procurement: Following the Procurement Compliance follow up audit this year, three new actions have been added. Progress has already been made with some actions already completed and we are on track to have the remainder in place by the target date. The CIPFA training for relevant members of staff took place in January and the gateway approval document is being trialled in a number of current procurements and will be rolled out in the coming weeks following the completion of the training session.
- 5.25 The progress of implementation of agreed management actions will continue to be reported to the Local Pension Board at regular intervals.

Update on Local Pension Board Membership and Succession Planning

- 5.26 There is a current vacancy for an employer representative on the Board. Actions are in progress to try and fill this vacancy. This was promoted in the Authority’s employer newsletter but received no response. Following which, officers are taking other actions including liaising with other employer representative members to target interest from particular sectors of the employer membership such as multi-academy trust employers. The Board will be kept informed of progress.
- 5.27 The terms of membership of two of the trades union representatives are due to come to an end during 2024 and the Head of Governance is in contact with the relevant trades unions to make arrangements for these roles to be taken over in time to ensure a seamless transition with handover from the current to the new Board members.

6 Implications

- 6.1 The proposals outlined in this report have the following implications:

Financial	There are no direct financial implications arising from this report. The costs of the Governance Review are included in the budget.
Human Resources	None.
ICT	None.
Legal	The Authority will ensure compliance with TPR’s General Code in line with its legal requirements.
Procurement	A suitable procurement process was followed to appoint the consultants for the Governance Review, in accordance with the Authority’s Contract Standing Orders.

Jo Stone

Head of Governance & Monitoring Officer

Background Papers	
Document	Place of Inspection
The Pensions Regulator – General Code of Practice	TPR website: www.thepensionsregulator.gov.uk The General Code of Practice