

Subject	Governance, Regulatory and Policy Update	Status	For Publication
Report to	Authority	Date	12 September 2024
Report of	Head of Governance & Corporate Services		
Equality Impact Assessment	Not Required	Attached	No
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1 Purpose of the Report

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

2 Recommendations

- 2.1 Members are recommended to:
- a. Note the updates included in this report.**

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.

Member Training and Development

- 5.2 The Member Learning and Development Strategy 2024/25 was approved at the Authority meeting on 06 June. It was agreed that core mandatory training will be completed every two years to ensure knowledge and skills are kept up to date.
- 5.3 To support this, a schedule to deliver the mandatory training requirements was circulated to all members with the option of hybrid training sessions with officers on hand to support for anyone who would find this helpful. The aim is to ensure all members will have completed the required training by 16 September 2024. The table below provides the position of compliance against the mandatory online training modules as of 30 August 2024.

Target Date	Module	Authority	LPB	Audit & Governance Committee Independent Member	Total Number	Percentage Compliant
	Total Number of Members	15	9	1	25	
15/07/24	1 - Committee Roles & Pensions Legislation	13	9	1	23	92%
	2 - Pensions Governance	13	8	1	22	88%
	3 - Pensions Administration	13	8	1	22	88%
15/08/24	4 - Pensions Accounting & Audit Standards	9	8	1	18	72%
	5 - Procurement & Relationship Management	9	8	1	18	72%
	6 - Investment Performance & Risk Management	9	7	1	17	68%
16/09/24	7 - Financial Markets & Product Knowledge	5	3	1	9	36%
	8 - Actuarial Methods, Standards & Practices	5	3	1	9	36%
	Additional Module: TCFD	3	3	1	7	28%
16/09/24	Current Issues Module	11	8	1	20	80%

- 5.4 Following the success of last year's event, our second *Member Development Away Day* will take place on Thursday 28 November 2024 with a range of topics to be covered, including investment beliefs and strategy and pensions administration strategy. The event will be held in the centre of Barnsley at the DMC venue on County Way – full details will be circulated in the coming weeks.
- 5.5 Work is underway to develop individual training and development plans and a skills matrix for all LPB and Authority members. This will be implemented in the Autumn to pilot in the second half of this municipal year. In addition, the 12-month induction programme for new members is currently being embedded with new members who have joined since June 2024

National Knowledge Assessment

- 5.6 We last participated in the national knowledge assessment conducted by Hymans Robertson in February 2023. The results informed our member training programme in 2023/24 and 2024/25. Given the volume of changes to membership across the Authority and LPB since then, and as good practice to assess training needs on a regular basis, we will be asking members to complete the next national knowledge

assessment in late October 2024. The assessment will be closely aligned with the structure and content of the LOLA training and the results will help to inform the development of the next iteration of the member L&D strategy and individual training plans.

Independent Governance Review

- 5.7 The results of the independent governance review were presented to members by Aon at the induction and development morning held in June. The report is attached at Appendix A.
- 5.8 Following the presentation, it was agreed to establish a small working group comprising both Board and Authority members alongside officers to collaborate on the creation of a draft action plan to address the findings and recommendations arising from the review report.
- 5.9 Members were asked to volunteer for the group, and it was established as follows.
- | <u>Authority and LPB Members:</u> | <u>Officers:</u> |
|-----------------------------------|---|
| Councillor James Church | Gillian Taberner, Assistant Director – Resources |
| Councillor David Fisher | Jo Stone, Head of Governance & Corporate Services |
| Councillor David Nevett | Annie Palmer, Governance Team Leader |
| Nicola Gregory | |
| David Webster | |
- 5.10 The work of the group was completed over the course of two meetings in July and August to produce a proposed action plan ready for Local Pension Board consideration at their next meeting in November for them to comment and make a recommendation to the Authority for their December meeting.
- 5.11 In the meantime, many of the actions arising from the findings, that had previously been identified in other plans, will continue to be progressed.
- 5.12 Once approved, the action plan will be monitored and regular updates on progress will be presented to the Authority and the Local Pension Board.

Compliance with the Pensions Regulator (TPR) Code of Practice

- 5.13 As previously reported, the TPR's new General Code of Practice came into effect on 27 March. Given the importance of ensuring a full evaluation of compliance with the General Code in a timely manner and the complexity involved, a decision was made to do this with Aon alongside their governance review work in March – which had the benefits of introducing a degree of independence to the baseline assessment as well as the use of a toolkit produced by Aon to support the process. The toolkit has been purchased by the Authority and will therefore continue to be used for reviewing against the General Code requirements on a regular basis going forward.
- 5.14 The General Code has five overarching principles covering The Governing Body, Funding and Investments, Administration, Communication and Disclosure and Reporting to TPR, each of which is divided up into modules.
- 5.15 The results of our first assessment showed generally good compliance as indicated by the number of green and amber ratings in the table shown below.

Section	Green	Amber	Red	Total Questions
The Governing Body	115	18	10*	143
Funding and Investment	29	5	3	37
Administration	65	17	6	88
Communications and Disclosure	23	8	5	36
Reporting to TPR	7	2	5	14

* Note:

7 of these questions rated as red relate to the 'Own Risk Assessment' module which has not been assessed yet.

- 5.16 The completion of the 'Own Risk Assessment' module was deferred as recommended by Aon. The module is good practice for public service pension schemes but relates to requirements that must be followed by private sector schemes. As the requirements are extremely onerous, Aon advised and officers concurred that it is worth waiting to see whether public sector industry guidance emerges on this area (for example, from the LGPS Scheme Advisory Board).
- 5.17 The report attached at Appendix B has been produced directly from the toolkit and provides the results of the first assessment, setting out for each of the five sections:
- An 'at a glance' page showing a heat scale that indicates the overall RAG and compliance status for each of the modules assessed. (This page also includes a sidebar to show some of the essential actions extracted from the toolkit – this appears to cut off some of the content, but the actions are detailed fully in the rest of the report as explained below).
 - Following on from the 'at a glance' page for each section, the actions noted are set out in full, showing the module and question number to which they relate.
 - The final page for each of the five sections sets out the names of each of the modules included within it and indicates the interpretation that Aon has provided as to their application or partial application to LGPS funds.
- 5.18 The 'at a glance' summary pages include headlines stating, '*Fully Compliant in x out of x modules*'. These headlines may give rise to concern that the numbers of fully compliant modules appear low, however it is important to note that just one or more amber or red rated questions in any module means it is not fully compliant. Therefore the heatmap shown underneath each of the headlines is a better indication of our position, as that shows a red to green scale with a marker of where our position is - and most of these show that we are positioned towards the top end of the green scale - which reflects that most questions were rated green but a small number within each of these modules were either red or amber and actions for these are therefore identified.
- 5.19 The process of completing the assessment was very useful and officers felt that it was reassuring that the questions rated as red concerned issues that on the whole were already known and actions either being planned or already in progress.
- 5.20 Some issues arising from the assessment to highlight are as follows:
- Cybercrime Risk – this is a key area of interest for the regulator and very high on the Authority's own strategic priorities. The assessment recognised the strong controls already in place in this regard, but also noted some key actions required. These include undertaking a review of data and asset mapping to

help identify the potential magnitude of cyber security risks from third party suppliers and supplementing the due diligence checks carried out when procuring new suppliers with a programme of regular and ongoing specialist assessments of suppliers prioritised based on relative assessed risk.

Review of data assets is being planned as part of ongoing work on the information governance framework currently in development. Work will be undertaken to investigate and develop a suitable process for assessment of key suppliers. In the meantime, assurance is provided from obtaining controls reports as relevant from primary service providers – CIVICA as provider of the pensions administration software system, Hymans Robertson as the Fund's actuary and Border to Coast.

Actions are also planned to carry out a review against the Pensions Regulator's [Cyber Guidance](#).

- b. Monitoring of administration process timescales for regulatory breach recording – action is in progress on developing an improved procedure, included in the Annual Governance Statement action plan.
 - c. Internal controls – the recommendation to ensure all procedures are documented and to review the current structure of where information is held to make this easier to manage will be taken forward and is included in the actions noted from the compliance assessment.
 - d. Actions to formalise the data improvement plan and finalise the Business Continuity strategy are included as specific objectives in the Corporate Strategy for 2024/25 to 2026/27.
- 5.21 Officers will ensure that when policies, strategies and other relevant documents are created or reviewed, the requirements of the TPR General Code of Practice will be referred to and taken into account.
- 5.22 Reviews of the Code compliance assessment will be carried out regularly with a twice yearly update reported to the Authority and Local Pension Board.

Response to Ministerial Letter

- 5.23 As separately notified to members, the Authority has written to the MHCLG on matters raised by Simon Hoare MP, then Minister for Local Government, in his letter to Local Government Pension Scheme Funds in May 2024. The Authority's letter was sent in July 2024, published on our website at: [News & information \(sypensions.org.uk\)](https://www.sypensions.org.uk/news-and-information) and was circulated by email to all Authority and LPB members.
- 5.24 Border to Coast Pensions Partnership also sent a response to MHCLG on behalf of the 11 partner funds. Their letter is available on their website at: [Ministerial response: A shared vision for the LGPS - Border To Coast](#).

New Government and King's Speech

- 5.25 The new Government appointed the following to ministerial positions relevant to pensions and the LGPS.
- Ministry of Housing, Communities and Local Government (MHCLG):
Secretary of State: Angela Rayner MP
Minister of State: Jim McMahon MP (with responsibility for LGPS policy)
 - Parliamentary Secretary at both HM Treasury (HMT) and Department for Work and Pensions (DWP): Emma Reynolds MP.
 - HMT:
Chancellor of the Exchequer: Rachel Reeves MP
Economic Secretary to the Treasury: Tulip Siddiq MP

- DWP:
Secretary of State: Liz Kendall MP

- 5.26 The Chair of the Scheme Advisory Board (SAB) wrote to welcome Jim McMahon to his role as Local Government minister and to request a meeting to discuss priorities. The letter is published on the SAB's website [here](#). The letter highlights the aim to understand and remedy the gender pensions gap, make changes around survivor benefits and implement the Good Governance recommendations given the progress already made in these areas. Climate risk reporting requirements and the "full pooling" target of 1 April 2025 are also mentioned as a priority to clarify for the LGPS.
- 5.27 The King's Speech on 17 July included the announcement of a Pension Schemes Bill. The initial proposals for this bill do not appear to have significant impact for the LGPS directly. The proposals include:
- a. Automatic consolidation of multiple small DC pension pots.
 - b. Ensuring trust-based DC schemes meet a standardised value for money test.
 - c. Ensuring trustees of occupational schemes offer a range of retirement income solutions to scheme members.
 - d. Creating superfunds for closed legacy Defined Benefit (DB) schemes.
 - e. Confirming that the Pensions Ombudsman is a "competent court" and that schemes will no longer have to take Ombudsman decisions to the courts to be enforced.
 - f. Amending end-of life rules to allow eligible members within the Pension Protection Fund and Financial Assistance Scheme to receive a lump sum payment at an earlier stage.
- 5.28 A National Wealth Fund bill was also announced, which will align the UK Infrastructure Bank and the British Business Bank "to invest in the new industries of the future". The National Wealth Fund (NWF) has a working group who will explore opportunities for investment which includes representatives from the Brunel Pension partnership and Universities Superannuation Scheme, as well as former Bank of England governor Mark Carney.
- 5.29 Following the speech, the Government announced a pensions review, [details here](#). Outlining that the review will be aimed at boosting UK investment, increasing pension pots and tackling perceived waste in the pensions system. This work will cut across key departments with HMT, DWP and MHCLG involved to ensure the review examines the whole breadth of the UK's pension landscape. Emma Reynolds MP will lead the review alongside the Chancellor of the Exchequer and Jim McMahon MP as the Minister responsible for the LGPS. The review will take place in two phases: the first phase will focus on investments while the second phase, starting later in the year, will consider the further steps required to improve pension outcomes including assessing retirement adequacy. The terms of reference for the first phase have been published [here](#).
- 5.30 The LGPS is a target of this review, with a stated aim 'to make it an engine for UK growth'. The review appears to be taking forward the actions started by the previous Government to accelerate pooling, as reference is made to the (new) Government considering mandating of pooling if there is not enough progress by March 2025. Further consolidation will also be considered as part of the review, with the aim to reduce the £2bn spent each year across the LGPS in fees.
- 5.31 After the review was announced, an industry roundtable was held at Downing Street and the Chief Executive of our Border to Coast pool, Rachel Elwell, was one of the attendees invited to discuss the detail of the review. She said:
"Our focus is on delivering a strong and sustainable LGPS to enable it to pay the pensions of the 6.6 million local government workers in an affordable and sustainable

manner. Through the commitment and support of our Partner Funds, Border to Coast has developed innovative and cost-effective investments, while cutting Private Market fees by almost 30%. We welcome the opportunity to work with the Government on a co-ordinated review to consider how the LGPS can continue to deliver for hard-working members, generate even greater value to local taxpayers, and deliver productive investment in the UK”.

- 5.32 The Scheme Advisory Board is planning to hold an hour-long event in October to engage with pension committee chairs, including on issues such as the Pensions Review announcements and about next steps on pooling. It is hoped that the Authority’s Chair and Vice Chair will be able to take part in this event. This is part of an initiative by the Scheme Advisory Board to regularly engage with Chairs in order to improve communication and understanding of issues across the scheme.

6 **Implications**

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

Financial	No direct financial implications arising from this report.
Human Resources	None.
ICT	None.
Legal	The Authority will ensure compliance with TPR’s General Code in line with its legal requirements.
Procurement	None.

Jo Stone

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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