

Investment, Governance and Engagement Committee

30th May 2018

Item 5 – Paper B

Report of Transparency Procurement Working Group

1. At its meeting on the 16th May, the group considered the paper attached as ANNEX 1.
2. Concern was expressed by the group that insufficient progress had been made since the last meeting and significant acceleration of the process was needed. In particular it was noted that to meet the 12 month compliance checking timescale for the first managers signed up the system should have been in place this month.
3. The group agreed that a specification for the system should be drawn up as soon as possible. This should include both a Lockbox offline option and a Portal online option.
4. It was also agreed that as the first stage the system should be at least capable of accepting and storing template data while performing a number of checks to ensure managers are complying with the Code of Transparency
5. It was further agreed that the secretariat should seek feedback from interested parties in order to scope the costs and resources required for obtaining the system both on the basis of external procurement and an 'in-house' model solutions.
6. Finally it was agreed that in obtaining such feedback and scoping the cost and resource requirements the secretariat should ensure the system would have the capability to add a second stage with enhanced analytical and reporting functionality.

Next steps

7. A specification (including stage 2 enhanced reporting) has been drafted and is attached at ANNEX 2.
8. The secretariat is currently engaging with a number of existing service providers to scope out the interest, range of services and indicative costings of the system.
9. In doing so they are especially mindful of the security requirements of the system.

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10. The 'in house' option would include the hosting and management of the data within the LGPS 'family' (Fund or Pool or SAB) with the system elements either licensed or built to order. The secretariat will investigate the level of interest and potential costs for each of these potential hosts.
11. A verbal update on feedback will be given at the meeting however early indications are that the Lockbox version although attractive in its levels of security will receive much less interest from providers and would be significantly more resource heavy as it will require manual intervention for both input and reporting.
12. A full report with a recommendation of a preferred model for the solution will go to the Board on 27th June.

13. Committee are asked to note the progress made

Funding

14. The two stage approach outlined above has the objective of securing an effective compliance system at minimal cost while having the potential for further developing enhanced analytical and reporting tools which could be made available to LGPS Funds and Pools either on a pay for use or subscription basis.
15. At present the specification and functionality envisages a 'closed universe' system which neither shares its data with other systems or other users for benchmarking purposes. There is some commercial potential in opening the system at some future date with the potential for self-funding.
16. Another option for funding could be to open up the analytical and reporting tools to Code signatories (with robust privacy walls) either on a pay for use or subscription basis.
17. **Committee are asked to agree that the secretariat investigate the potential cost benefits and risks of an open universe option or the use by Code signatories and include their findings in a report to the next meeting.**