

Compliance and Reporting Committee (CRC)

HYBRID MEETING – 21 October 2024

ITEM 7 PAPER D

Knowledge and Skills workstream update

Background

1. At the February 2024 meeting of this Committee, an update was provided on the Knowledge and Skills workstream including the results of the two surveys undertaken in 2023 and the feedback received at the LGPC Governance Conference in January 2024. Following this, these next steps were agreed:
 - Analyse the requirements of The Pension Regulator's (TPR) General Code and how this linked with the findings of the survey and research amongst LGPS funds on clarity required within the Code
 - Make recommendations on what is required for any new scheme-wide guidance and consider the various communication channels through which this could be disseminated
 - Work with the Ministry of Housing, Communities and Local Government (MHCLG) on what is needed for the [Next Steps on Investments](#) consultation response on training.
2. This report covers the proposal for the first and second bullet points, the third bullet point is outstanding with MHCLG, but the consultation response issued by the last Government has been taken into consideration in the recommendations of this report.
3. There are four recommendations covering knowledge and skills in the Board's Good Governance project covered in the [Action Plan](#) issued in February 2021. The Secretariat were expecting the implementation of all the recommendations to determine the priority order of work needed for each, and it was expected that the recommendations would be taken forward as draft regulations in a consultation during Summer 2024. The calling of the General Election, subsequent forming of a new Government and launch of the Pensions Review has created uncertainty on the timescale for the implementation of these recommendations and therefore slowed the expected progress on the next steps for this workstream. However, within **Annex A**, the Secretariat have collated a list of the relevant regulations and guidance covering knowledge and skills.
4. Guidance on this subject has been developed using a piecemeal approach, spread over several documents, sometimes behind a paywall, and therefore not widely accessible for all funds. The latest document updated by the Chartered Institute of Public Finance and Accountancy

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(CIPFA) was in 2021. Both the Good Governance recommendations and the previous Government's [Next Steps On Investments](#) consultation called for alignment in the knowledge and skills expectations for Pension Committee members with those for Local Pension Board members. The Board's survey on this topic showed that nearly 90% of respondents welcomed scheme wide guidance on minimum training requirements.

5. Therefore, it is proposed to commence a review on the changes needed to the existing published guidance documents in **Annex A** and whether it would be practical to amalgamate (some or all) of these documents into a knowledge and skills guide for LGPS funds.
6. During this initial review, it is proposed that the following areas of work will be prioritised:
 - A. Identify any gaps or topical issues not covered in the existing guidance which need to be addressed (e.g. dealing with extreme forms of lobbying when exercising fiduciary duty and expected behaviours)
 - B. Update the areas in the guidance document(s) following release of TPR's General Code
 - C. Create guidance for funds making a Training Policy (this may also include practical elements such as suggested standard agenda items, expected behaviours, induction recommendations and minimum training hours).
7. It is also proposed that the Secretariat publish any available data or commentary in the Scheme Annual Report of the training outcomes reported in funds' 2023/24 annual reports.
8. As work on the Committee's workstream to update the Funding Strategy Statement guidance nears conclusion, the Secretariat believes there is scope to provide an initial outcome of areas A and B by the next Committee meeting. However, this will significantly depend on whether there is any unknown work required following the outcome of the first phase of the Government's Pensions Review, with an update on next steps for that anticipated in the Autumn budget on 30 October 2024.
9. It will also be necessary to increase the number of members on this specific workstream in order that we can undertake the work required and broaden the views and perspectives from a wide range of stakeholders.

Recommendations

For the Committee to agree the actions as set out in this report and for the Secretariat to commence a review on the changes needed to the existing published guidance documents concerning knowledge and skills.

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Annex A – List of regulations and guidance relating to knowledge and skills

Legislative requirements and legal opinions

- Pensions Act 2004
- Public Service Pensions Act 2013
- Fiduciary and public law duties ([covered in legal opinion from Nigel Giffin QC](#) advice to Scheme Advisory Board (SAB) in 2015)
- MiFID II (Markets in Financial Instruments Directive) and [SAB guidance on this process](#)

Other relevant guidance

- SAB - [Creation and operation of Local Pension Boards in England and Wales \(2015\)](#)
- SAB - [Preparing the Fund Annual Report \(2024\)](#)
- CIPFA - Guide for Local Pension Boards (2018)
- CIPFA Knowledge and Skills framework (2021) - applicable to Pension committee members and senior LGPS officers
- CIPFA Code of Practice on Knowledge and Skills (2021) - applicable to the senior LGPS officer role, Chief Finance Officers, pension committee members, independent advisors, pension board members, independent chairs and any other individuals involved in management or a decision-making, scrutiny or oversight role relating to the LGPS.
- CIPFA Local Pension Board (2015) - A Technical Knowledge and Skills Framework
- Statutory guidance Governance Compliance Statements (2008)
- [The Pensions Regulator General Code](#) and [Toolkit](#)
- The previous Government's [Next steps on Investment Consultation response](#) November 2023 (specifically point 56)
- [Call for Evidence outcome](#): Pension trustee skills, capability, and culture (non-LGPS specific) – November 2023
