

Independent Governance Review (IGR) Workshop briefing note

Thursday 1 October 12pm – 3.00pm

Westminster Room, Smith Square

Purpose of the session

The workshop was organised by the secretariat to bring together officers to support their preparation for and implementation of Independent Governance Reviews (IGRs). The session provided an opportunity to discuss the practical requirements of an IGR, explore common challenges and considerations and understand where funds may benefit from taking a consistent approach.

Key discussion themes

The main themes from the workshop discussion were:

1. Need for clear, consistent review standards

- Participants were concerned that funds and assessors do not yet have a shared understanding of what should be assessed.
- A scheme-level specification, common criteria, and consistent reporting format would reduce the risk of one assessor rating an approach “red” while another rates a similar approach “green.”
- Different local approaches should still be recognised as valid where they achieve the intended outcome.

2. Independence and assessor capacity

- Finding a genuinely independent reviewer may be difficult because the possible provider pool is small and many firms already work with individual funds.
- Providers have different professional backgrounds and may interpret the review criteria differently.
- There was concern about whether there is enough provider capacity to review all LGPS funds within the required timeframe.

3. Clarity about the purpose and outcomes of the review

- Funds want to understand what the review is intended to achieve, rather than simply completing an assessment exercise.

Page - 1

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- There was uncertainty about the scope of work and concern that funds may effectively be agreeing a specification with the supplier after procurement.
- The first round of reviews may need to be treated as a learning exercise, with lessons shared nationally.

4. Evidence and access requirements

- Funds need clearer guidance on what evidence assessors will require, particularly evidence that is not publicly available.
- Examples included committee training records, training plans, data improvement plans, and evidence of progress.
- Practical arrangements will be needed for assessors to access internal systems, folders, and documents securely, without sharing member data.
- Participants felt reviews should go beyond a purely desk-based assessment where appropriate.

5. Resources, budgets, and costs

- Funds need to clearly set the scope and specification of the work before setting a realistic budget.
- Costs should be treated as a fund expense rather than part of the administering authority's general budget.
- The national framework and pre-agreed rates may help, but uncertainty about scope makes budgeting difficult.
- Senior officers, local pension board and committees will need to allocate sufficient time, money, and staff resource.

6. Governance and committee involvement

- Committees need to understand the review findings and proposed actions, including after elections or changes in membership.
- Training will be important so that committee members can interpret results and make informed budget and improvement decisions.

7. Turning findings into improvement

- Peer support could help funds interpret findings and turn recommendations into achievable actions.
- Participants emphasised that the value lies in the journey from the first review to later reviews, rather than the initial rating alone.

Page - 2

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- However, publication of the first results creates concern about reputational impact, particularly if a fund receives a poor initial rating.

8. Use of existing providers and previous reviews

- Questions remain about whether a firm that has recently carried out a governance review or health check can undertake the independent governance review.
- There was also uncertainty about whether the same firm could be used for a later review and how independence should be defined over time.

Overall message: attendees broadly support the reviews, but want much greater national clarity on standards, specification, independence, evidence, procurement, capacity, costs, and how results will be used and published.

National LGPS Frameworks - key messages

- The session focused on how procurement issues of IGRs and highlighted that relevant services are available through existing National LGPS Frameworks arrangements.
- Several key considerations when planning an IGR were highlighted:
 - Demonstrating the assessor is independent of the administering authority pension function
 - Ensuring the assessor has appropriate LGPS knowledge, experience and qualifications.
 - Managing potential capacity constraints as multiple funds are expected to undertake IGRs over similar timescales.
 - Considering how existing contracts and procurements, such as actuarial appointments, may affect independence requirements
 - The importance of developing a robust specification was emphasised Funds were encouraged to carefully consider the scope of services required, including stakeholder engagement, meetings with committees and local pension boards, presentations, briefing notes and other supporting activities
 - Achieving value for money was identified as a key challenge. Funds were advised to understand clearly what is included within each provider's offering and ensure proposals are compared on a like-for-like basis.

- Early market engagement was strongly encouraged to help funds understand the services available and inform procurement approaches, while ensuring all potential providers are treated equally throughout the procurement process.
- During the breakout discussion, attendees considered procurement challenges, approaches to assessing provider independence, experiences of market engagement and strongly encourage collaborative sector support such as a template IGR specification, a dedicated IGR procurement framework and outcome template would be helpful.

The Pensions Regulator's role and IGRs

- TPR sees IGRs as potentially significant in strengthening its understanding of LGPS governance and administration, although the format, depth and consistency of the first reports remain uncertain.
- TPR expects to review all published IGRs, compare findings, identify common themes and use these to inform both thematic and fund-specific engagement.
- A red rating would not automatically trigger enforcement. TPR's stated emphasis is on understanding the issue, the level of risk and the fund's plan to resolve it, with regulatory action depending on severity.
- The first cycle will also be a learning exercise for TPR. Its approach is expected to evolve as more reports are received and patterns become clearer.
- Participants suggested bringing providers together to establish common norms for assessment, interpretation of the criteria and report presentation. This was viewed as capable of improving consistency.
- There was a strong request to review the criteria and delivery experience after the first reports, including procurement, methodology and practical implementation.
- Some participants argued that a limited extension to the March 2028 deadline would allow the process to be carried out more consistently and effectively. Evidence would be needed to support any case to government.

Next steps

Page - 4

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- The secretariat will consider next steps and seek volunteers to help develop a practical core specification for funds.
- The secretariat will discuss early market engagement with the LGPS Frameworks Team, including options for engaging potential providers collectively.
- A survey of funds could be undertaken after fund's have assessed provider availability, procurement routes and achievable timelines. The evidence could be used in discussions with MHCLG about deliverability and timing.
- Further clarification will be sought on the policy intent of IGRs, the support available between the first and subsequent reviews, and assurance that the process is focused on governance improvement rather than fund mergers.
- The developing peer-support offer will be available and shaped to help funds respond to outcomes and implement improvement plans.