Leicestershire County Council

LOCAL PENSION COMMITEE – 11 SEPTEMBER 2026

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

RISK MANAGEMENT AND INTERNAL CONTROLS

Purpose of the Report

1. The purpose of this report is to inform the Local Pension Committee (LPC) of any changes relating to the risk management and internal controls of the Pension Fund, as stipulated in the Pension Regulator's Code of Practice.

Policy Framework and Previous Decisions

2. The LPC's Terms of Reference state that the responsibility and role of the Board is to secure compliance with the LGPS Regulations and other legislation relating to the governance and administration of the LGPS, securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator, and such other matters as the LGPS regulations may specify.

Background

3. The Pension Regulator's (TPR) Code of Practice on governance and administration of public service pension schemes requires that administrators need to record, and members be kept aware of, risk management and internal controls. The Code states this should be a standing item on each Local Pension Board (LPB) and LPC agenda.

4. In order to comply with the Code, the risk register and an update on supporting activity is included on each agenda for this LPC.

Risk Register

5. The 20 risks are split into six different risk areas. The risk areas are:

- Investment
- Liability
- Employer
- Governance
- Operational
- Regulatory

6. Risks are viewed by impact and likelihood and the two numbers multiplied to provide the **current risk score**. Officers then include future actions and additional controls, and the impacts and likelihoods are then rescored. These numbers are multiplied to provide the **residual risk score**.

7. The current and residual risk scores are tracked on a traffic light system: red (high), amber (medium), green (low).

8. The latest version of the Fund's risk register was approved by the LPC on the 3 July 2026.

9. Officers reviewed the risk register ahead of July Board. No material changes were made at that point. The Board had considered the risk register on 29 July 2026 and had no comments.

10. Following the Local Pension Board meeting officers considered the implications of local government reorganisation following Government's guidance issued on 30 July 2026. It was agreed to separate the risk from Risk 18 which combined the risk from changes as a result of local government reorganisation and Fit for the Future. Further detail on the new risk is set out below.

11. Officers are maintaining review of ongoing developments and working through the implications from Government's final guidance in relation to 'Fit for the Future'. This is considered in more detail in a report elsewhere on the agenda.

<u>New Risk – Changes as a result of Local Government Reorganisation (LGR)</u>

12. On 16th July 2026, the government confirmed that from April 2028 there will be two unitary Councils to deliver all services to residents in Leicester, Leicestershire and Rutland, replacing the 10 existing Councils. This will require a new administering authority to be designated for the Fund, which is likely to place administrative and legal burden on the Fund during transition, as well as requiring changes to the oversight and governance of the Fund.

13. On 30th July 2026 the government issued guidance on the process and timescale for designating the administering authority from April 2028. This guidance indicates that whilst the decision will ultimately be made by the Secretary of State for Housing, Communities and Local Government, it is still a 'local' decision.

14. The guidance outlines that Fund officers should provide options to the current administering authority, taking into account the views of any interested stakeholders. The current administering authority can then make representations to the Ministry of Housing, Communities and Local Government (MHCLG) to allow the Secretary of State to make a decision in principle, to be agreed by the shadow authorities after the elections in May 2027.

15. Alternatively, the decision can be taken after the new shadow authorities have been elected, but this reduces the time available for discussion and implementation.

16. The guidance makes reference to a number of options, including allocating the administering authority to a new unitary authority, or creating a Single Purpose Pensions Authority (SPPA). This would be created solely for the purpose of administering the Pension Fund. A further paper on the options available for the Leicestershire County Council Pension Fund, taking into account cost, benefits and risks of transition, will be presented to the next Committee meeting.

17. When presenting the preferred option to MHCLG, the following information would need to be provided as a minimum:

- The lead proposal, and any alternatives considered
- The views of any connected stakeholders
- Costs, benefits and efficiencies of the lead proposal
- Operational risks with the transition and how these will be mitigated
- Proposed governance arrangements, including the LGPS Senior Officer and how employers will be represented
- Consistency with Fit for the Future reforms, including governance and pool participation

18. The guidance then sets out the following timescale:

- Any proposal for a SPPA must be submitted by 15th February 2027
- For proposals to move the administering authority to a new unitary authority, this can either be submitted by 1st March 2027 to allow a decision in principle ahead of shadow authority elections, or by 30th September 2027 if it cannot be submitted before the election.

19. This process and the risks associated with LGR are being managed through the workstreams have been established by local authorities across Leicester, Leicestershire and Rutland (LLR). The pensions workstream is being led by the Assistant Director Finance, Transformation and Commissioning and priority actions and milestones are being considered as part of the LGR implementation plan. Early engagement will be undertaken with key stakeholders.

20. The local decision-making process is still to be confirmed, but it is expected that recommendations on the preferred approach will be made to the LLR Implementation Board and Joint Committee prior to being submitted to the Secretary of State. Committee and Board will be kept updated on the options appraisal and decision-making route and will be given opportunities to shape the development of the preferred option. It is recognised that additional resources are likely to be needed through the transition process, including actuarial work, and this will be considered as part of the implementation plan.

21. To meet Fund governance best practice, the risk register has been shared with Internal Audit, who have considered the register and are satisfied with the current position.

22. The risk register is attached to the report at Appendix A and Risk Scoring Matrix and Criteria at Appendix B.

Recommendation

23. The Local Pension Committee is asked to approve the risk register.

Equality Implications

24. There are no equality implications arising from the recommendations in this report.

Human Rights Implications

25. There are no human rights implications arising from this report.

Background Papers

Local Pension Committee – 5 December 2025 - Local Government Reorganisation
https://democracy.leics.gov.uk/documents/s193520/LGR%20Report%205%20December%202025.pdf

Appendicces

Appendix A – Risk Register
Appendix B – Risk Scoring Matrix and Criteria

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