

Hot topic

May 2023

TPR's General Code: what should trustees be doing now?



TPR's new general code of practice (the "Code") is expected to be published in early summer 2023. Although we are still waiting to see what the final Code looks like, there are steps trustees can take now to prepare.

The Code (previously known as the single code) will combine 10 of TPR's existing 15 codes of practice into an updated and online format, with additional content to reflect the statutory governance requirements.

Effective system of governance ("ESOG")

Trustees already have a statutory requirement to establish and operate an ESOG. However, the Code will set out how trustees can discharge this duty.

The ESOG must be proportionate to the complexity, scale and organisational structure of the scheme, and to the nature of the risks that the scheme is exposed to.

In practice, the ESOG will be formed of the trustee's governance policies and procedures, so trustees need to ensure that these meet statutory requirements as well as those in the Code (see below for steps trustees can take now to start this process).

Own risk assessment ("ORA")

Under the Code, schemes with 100 or more members will have to prepare an ORA within 12 months of the Code coming into force.

What is an ORA?



Written statement prepared on an annual basis

How trustees assess effectiveness of policies and procedures

Whether and why trustees consider their policies and procedures to be effective

Signed by Chair and available on request

Word of warning!

TPR had a great deal of feedback on the draft Code. Although we are not expecting significant changes to the key requirements, there will be differences in the final Code. We would expect the preparatory work that we are suggesting to be needed in any event, but care should be taken before carrying out any substantial compliance work (eg drafting your ORA).



TPR's General Code: what should trustees be doing now? cont.

Steps trustees can take now

Trustees should start, or continue, work now so they are in a good position to deal with any outstanding requirements when the Code comes into force.



Plan ahead

- For those who are yet to get started, have a training session on the new Code
- Prepare a project plan, including scheduling meetings to discuss progress
- Consider whether to establish a sub-committee or to involve an existing one
- Get advisers involved at an early stage
- For those trustees who already have a plan in place, check whether it needs to be revisited in light of progress to date



Break it into manageable chunks

- There is potentially a lot of work here, so break it into manageable chunks
- Work out what can be done now and what should be left until after the final Code is available



Consider proportionality

- Compliance with the Code is not a one-size-fits-all exercise
- Trustees can work with their advisers to understand what is appropriate for their scheme



Carry out an initial gap analysis

- Assess existing policies and procedures
- Which policies listed in the Code are already in place? Are there any gaps or does content need to be updated?
- Consider how the trustee's advisers can help with this analysis and assist in filling any gaps. Get ahead to avoid a bottleneck
- Have the initial ORA in mind, and think about how the effectiveness of the scheme's policies can be assessed in due course



When the final Code is published

- Refine any gap analysis
- Start to think about what the ESOG will look like in practice. TPR is not prescriptive and we are seeing different schemes take different approaches
- Turn to the ORA – the first ORA will be due 12 months after the Code comes into force



Future planning

- Update the annual planner and business plan for the ORA to be carried out annually, and for the policies and procedures that make up the ESOG to be reviewed every three years

