

Compliance and Reporting Committee

MEETING OF THE 5th SEPTEMBER 2022

Item 3 Paper A

Actions and Agreements - Meeting of 27th June 2022

PRESENT

Mark Wynn	Chair – County Treasurers
Jeffrey Dong	Welsh Treasurers
Karen Gibson	Practitioner – County Councils
Rachel Brothwood	Practitioner – Metropolitan Authorities
Nemashe Sivayogan	Practitioner – London Boroughs
Kevin Gerard	Practitioner – Welsh Councils
Richard McIndoe	Practitioner – Scottish Authorities
Paul Mayers	National Audit Office
Stephen O'Hagan	Audit Scotland
Nick Harvey	CIPFA
John Jones	Local Pension Board Representative
Peter Worth	Adviser
Teresa Clay	DLUHC
Alan Wareham	DLUHC
Joanne Donnelly	LGA – Board Secretary
Jeremy Hughes	LGA – Deputy Board Secretary
Bob Holloway	LGA – Pensions Secretary
Ona Ehimuan	LGA – Pensions Secretary
Gareth Brown	LGA – Pensions Analyst

Items 1 & 2. Welcome, apologies, introductions and meeting protocol

1. Mark Wynn (MW) welcomed members to the meeting and introduced Ona Ehimuan and Jeremy Hughes, recent recruits to the Board's Secretariat team. Teresa Clay (TC) introduced Alan Wareham.

2. Apologies were received from Robert Branagh (Practitioner - LPFA), Ian Williams (London Treasurers), Fiona Miller (LGPS Pools Representative), Richard Lloyd-Bithell (CIPFA), Jon Richards (UNISON), John Neal (UNITE), and George Georgiou (GMB).

3. No trade union representatives were present at the meeting.

Item 3. Matter arising from the meeting of the 9th May

4. Peter Worth was added to the list of attendees and Fiona Miller was added to the list of apologies and the minutes of the meeting on the 9th May 2022 were then agreed.

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Item 4 – Committee Workplan

5. MW explained that the draft workplan had been submitted to SAB when it met on the 6th June and had been approved subject to the committee adding further details regarding capacity, resources and timelines for completion. The intention is to finalise the workplan in time for when the committee next meets in September. MW further explained that at the recent PLSA conference several LGPS practitioners had expressed a willingness to support the committee in taking forward the agreed workplan.

6. Members were invited to discuss each of the separate workstreams included in section 1 of the draft workplan, that is, those workstreams where work by the committee could commence immediately.

7. Funding Strategy Statement (FSS) Guidance Review. Rachel Brothwood (RB) asked for more clarity on the outcomes sought by the review. Nick Harvey (NH) advised members that a review of the FSS guidance was a priority for CIPFA to both update and fill in gaps in the existing guidance. On timing, Richard McIndoe (RM) reminded members that the valuation cycle in Scotland is different to that for England and Wales. Jeremy Hughes (JH) suggested that possible topics for inclusion in any revised guidance could include the approach to establishing academy schools on conversion and the new flexibilities around employers exiting the scheme. Jeffrey Dong (JDo) questioned why the fund actuaries were not represented on the committee. In response, Joanne Donnelly (JD) explained that just one actuary had attended the former CIPFA Pensions Panel and rather than inviting all four firms to sit on the committee SAB had agreed that none should attend but could be invited to attend meetings on an ad hoc basis.

8. Teresa Clay (TC) suggested that any revised guidance should include reference to the treatment of HE/FE bodies and third tier employers as well as highlighting the link between the FSS and the Investment Strategy Statement (ISS).

9. Bob Holloway (BH) asked NH to confirm CIPFA's timing on coming forward with their proposals. NH confirmed that they would do so in time for the next committee meeting in September. The review would aim to distinguish compliance issues from best practice ones. JD and JH reminded members that amendments to scheme regulations will be necessary given that at present they make a direct reference to CIPFA's FSS guidance published in October 2012.

10. RB suggested that a small group of practitioners could be approached to canvass opinion on what any revised guidance should include. Nemashe Sivayogan (NS) highlighted the need for any such group to be representative

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of the scheme as a whole. She also undertook to raise the review at the forthcoming London Pension Officers Group meeting. The Committee also agreed that it would also be important to consider wider users too.

Agreed – that CIPFA will come forward with their proposals for revised FSS guidance in time for consideration at the next committee meeting in September and that during the Summer the Secretariat will survey practitioners and other users to assess what they think should be included in revised guidance

11. **Annual Report Guidance** – Peter Worth (PW) advised members that content of the annual report guidance is driven by scheme regulations and highlighted the different approach in Scotland where annual reports are more streamlined taking more advantage of hyperlinks to key documents. PW suggested that the committee may wish to consider whether a summary report would be more beneficial to end users. John Jones (JJ) questioned who the intended audience of annual reports was and felt the format could be improved.

12. TC undertook to review the reporting requirements in the LGPS regulations. She confirmed that DLUHC had reviewed and was similarly concerned about the length and complexity of some annual reports. TC further advised members that the majority of fund authorities were not complying with the existing guidance on reporting progress around progress on pooling. PW commented that the guidance on pooling is clear but that the real issue is about compliance.

13. JH reminded members that annual reports needed to be useful to their intended audience, which included pension committees, local pension boards and scheme employers. NS was concerned about the resources needed to comply with reporting requirements and advised members that the regulations on annual reports and accompanying guidance will become more complex as new reporting requirements, for example, on TCFD and Levelling Up, come on stream. MW invited members to send any further comments or proposals to the Secretariat.

14. MW agreed with RB's suggestion that the committee could seek to streamline reporting and define what a good annual report should look like. Gareth Brown (GB) remarked that this could be achieved by devising a standard template for fund authorities to complete. PW agreed to share the work he has undertaken on reviewing the recent batch of annual reports. Kevin Gerard (KG) agreed that a standard format would be helpful in allowing funds to make meaningful comparisons with others.

Agreed – that Peter Worth will share his review of annual reports with the committee and that the Secretariat is tasked to prepare a paper on what a showcase annual report would look like.

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15. Audit Issues – MW and BH reminded members that the Secretariat is preparing a letter for the SAB Chair to send to the Local Government Minister on the impact delays in the completion of local authority accounts is having on the timely completion of pension fund annual reports and SAB's annual scheme report.

Agreed – that no further consideration should be given until the Minister has responded to the letter from the SAB Chair.

16. Knowledge and Skills Framework - NH explained that work is underway to extend the scope of CIPFA's knowledge and understanding framework to include local pension boards. NS highlighted the need for more training and for it to be updated regularly to mitigate the risk of shortcomings arising from the churn of committee members at each local election. TC informed members that this Autumn DLUHC is likely to consult on requiring the training of elected members on pension committees, and for any training undertaken to be recorded and published. PW reminded members that reporting on training is already required as part of the annual report and in his view there was a compliance risk in relation to the requirements of MIFID II. The Committee also recognised that the current CIPFA guidance being behind a paywall constituted a barrier to its use. MW asked for a conversation between CIPFA and the Secretariat on how that could be mitigated.

17. RB advised members that there are plenty of best practice examples available but that a more holistic approach embracing committees, local pension boards, pools and officers may be more beneficial.

Agreed – that the Chair will continue discussions with the Secretariat and CIPFA about how this workstream is to be taken forward.

18. Communication on Pension Fund Accounting– MW invited members to consider what they want to achieve from this workstream. In response, NH commented that the issue was a presentational one with different accounting standards being used in different contexts to report fund authorities' liabilities. This leads to confusion and misunderstanding. PW added that there was an increasing onus on auditors to challenge employer understanding of pensions liabilities quoted in their accounts. He suggested that guidance could be provided on this to scheme employers. JDo welcomed that suggestion and advised members that he felt external auditors would also welcome such guidance.

19. JH referred members to a recent meeting of the National Technical Group where PWC had raised concerns around the allocation of assets to scheme employers. PW explained that external auditors are also more strict than before on the estimates of the allocation of assets in the accounts due to the implementation of ISA540 from FY 2020-21. PW suggested that administering

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authorities need to better understand the basis on which their fund actuary had produced the estimates used in accounts. RB suggested that the review of FSS guidance discussed earlier should include a requirement to report on that fund's policy on asset allocation.

20. MW invited PW and NH to prepare a note for consideration by the committee when it meets in September.

Agreed – that the Chair will continue discussions with PW and NH about preparing a guidance note explaining why different figures on liabilities may be quoted in different contexts.

21. Review of Guidance on Administration, Communications and Governance– BH explained that DLUHC is now expected to progress the Good Governance Action Plan submitted by SAB to DLUHC in February last year with a submission to Ministers expected before Summer recess. On that basis, BH invited members to agree that no further consideration should be given by the committee until the Minister has responded.

Agreed – that no further consideration will be given until the Minister has responded to the SAB's good governance action plan.

22. MW referred members to section 2 of the draft action plan that includes workstreams that the committee is unable to commence immediately because they are contingent on actions being taken by external parties. These include, for example, TCFD reporting, pooling guidance, BDS and the CMA Order. MW asked TC how DLUHC wishes to engage with the committee on taking these workstreams forward. TC replied that DLUHC is likely to ask SAB to produce operational guidance on some of these issues. She recognized that they may be broader than any particular sub-committee's remit, but that any practitioner groups established by the committee could assist in the development of guidance.

Item 5 – Draft letter to the Minister on external audit

23. BH explained that a copy of a draft letter had been circulated to members and observers ahead of the meeting and that further amendments had been made in response to comments made by PW. TC highlighted the need for the letter to include reference to the wider issues raised in the [Redmond review](#) of local authority financial reporting and external audit. The committee also discussed the ramifications of separation of audit on the likely costs of audit for pension funds, and whether there would also need to be fresh or separate procurement of audit services.

24. With the committee's agreement BH undertook to circulate the amended version of the draft letter to members and observers for further comment, emphasising the benefits of improved audit quality and timeliness.

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25. NH reminded the committee that CIPFA will also be sending a letter on the same subject to the minister.

Agreed – that the Secretariat will circulate the latest draft of the letter for further comment and that the Chair has delegated authority to approve the final version on the committee's behalf.

Item 6 – Working with CIPFA

26. NH explained that CIPFA envisaged a flexible working relationship with dual reporting, via CIPFA's own structures and separately through this committee and SAB. NH would be the conduit for the committee through to CIPFA's decision makers.

Agreed – that the committee noted the position as set out above

Item 7. Any Other Business and date of next meeting – No items were raised under AOB and the date of the next meeting was confirmed as the 5th September 2022.

Bob Holloway
Pensions Secretary

6 July 2022