

# Compliance and Reporting Committee

## HYBRID MEETING ON 5<sup>TH</sup> SEPTEMBER 2022

### ITEM 4 PAPER B

#### COMMITTEE WORKPLAN

##### Issue

1. To report on development of the committee's workplan, and to comply with the request from SAB for further details on how they are to be achieved.

##### Background

2. When it met on the 1<sup>st</sup> June 2022 the committee agreed the draft workplan (shown at Annex A) that was subsequently approved by SAB when it met on the 6<sup>th</sup> June. SAB agreement was subject to the caveat that the committee should further develop the workplan to include details of how each element is to be taken forward, the resources and capacity available to the committee and a timeline to ensure that progress against the workplan can be monitored.

3. To further develop the workplan as instructed by SAB, the actions set out in paragraphs 4 to 7 below were agreed by the committee when it met on the 27<sup>th</sup> June 2022.

##### Update on Actions from last Committee

**4. 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 the Chair will continue discussions with the Secretariat and CIPFA about how the knowledge and understanding workstream is to be taken forward.** Progress on this has been delayed due to staffing changes at CIPFA, however the Secretariat will continue to liaise with CIPFA representatives, ahead of a new policy lead being appointed.

**5. That during the Summer the Secretariat will survey practitioners and other users to assess what they think should be included in revised Funding Strategy Statement guidance.** The Secretariat has prepared a short survey at Annex B which, subject to approval from the Committee, will be circulated shortly after the meeting to practitioners and other users. This should help assess what preferences the sector has for any revised guidance.

**6. That Peter Worth will share his review of annual reports with the committee.** The Secretariat has received Peter's review of annual reports.

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**7. That the Secretariat is tasked to prepare a paper on what a showcase annual report would look like.** The Secretariat started work on this but it was agreed with the Chair that in terms of phasing of the work, it was more important to address compliance issues. In addition, there was a need to consider further what purpose annual reports were expected to fulfil and whether there was a need to streamline or rationalise the various reporting requirements on funds.

## Draft Workplan

8. To comply with SAB's agreement that the draft workplan should be extended to include a delivery plan, Chair will speak to members of the committee separately to agree, where possible, the following elements under each workstream:

- Lead body;
- Lead officer;
- Other committee members supporting (if applicable);
- Start date;
- Target completion date;

**Recommendation – that the committee notes the progress achieved against the actions agreed on the 27<sup>th</sup> June and works with the Chair to update the draft workplan as set out at paragraph 8 above.**

9. For those items in the workplan which are contingent on the actions of DLUHC (Section 2 of Annex A below), **the Committee agrees that, supported by the Secretariat, the Chair will arrange to meet with them to agree a timetable and scope for these items.**

**Bob Holloway**

Pensions Secretary  
16<sup>th</sup> August 2022

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## Annex A

### DRAFT WORKPLAN 2022/23

1. The draft workplan set out below comprises three separate sections, namely:

- Those workstreams where work by the committee could commence immediately;
- Those workstreams where work by the committee cannot commence immediately because they are contingent on actions to be taken later in the year by external parties, and
- Those workstreams that are initiated solely by CIPFA.

### Section 1

2. The following workstreams were agreed by the committee when it met on the 9<sup>th</sup> May.

### Funding Strategy Statement Guidance Update

3. Under Regulation 58(4) of the 2014 scheme regulations in preparing, maintaining and reviewing the statement, the <https://www.lgpsregs.org/schemeregs/lgpsregs2013/timeline.php> administering authority must have regard to the guidance set out in the document published in October 2012 by CIPFA “Preparing and Maintaining a Funding Strategy Statement in the Local Government Pension Scheme 2012”.

4. The 2022 triennial valuations are underway, with new rates and adjustments certificates coming into force on the 1<sup>st</sup> April 2023. Fund valuations are therefore well advanced and it is doubtful whether a full review of the existing guidance would be completed in time for it to add any value to the 2022 triennial valuation.

5. However, this does not detract from the need for the existing guidance to be reviewed and, where necessary, improved and updated. On that basis the committee recommends that work on revised guidance should commence immediately even if it may not have any practical impact until the 2025 triennial valuation. The committee doesn’t rule out the possibility that an early draft version of the revised guidance could have a limited impact on the 2022 triennial valuation.

6. In taking this work forward the committee will undertake a major review of the existing CIPFA guidance and in addition will take on board any new

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elements that it considers to be relevant, for example, cash-flow levels and their management.

## Annual Report Guidance

7. Under Regulation 57(3) an administering authority is required to prepare, publish and maintain its pension fund annual report having regard to guidance issued by the Secretary of State. In this case, publication of the guidance was delegated to CIPFA who published “Preparing the Annual Report” in March 2019.

8. For several years the statutory deadline of the 1<sup>st</sup> December for the preparation and publication of pension fund annual reports has been missed by a significant minority of administering authorities. It is claimed that one cause of the delay is main local authority accounts, of which pension fund accounts form part, not being signed off in time. It is also claimed by some administering authority that the effort and resources required to publish annual reports cannot be justified given the limited use they are put to. These issues have a knock-on effect to the preparation and publication of the SAB scheme annual report which aggregates the individual annual reports from each administering authority.

9. In reviewing the existing CIPFA guidance the committee will take on board concerns around capacity and resources and consider whether the regulations governing the content and how the annual reports are to be published remain fit for purpose and whether they can be simplified to ease pressure on resource-stretched administering authorities.

10. Target date for publication of the revised guidance will be March 2023 to assist in the preparation and publication of 2022/23 annual reports that will need to be completed by the 1<sup>st</sup> December 2023.

## Audit Issues

11. The committee proposes to investigate further the delays in main local authority accounts being signed off and the consequential impact this has on pension fund accounts, pension fund annual reports and SAB’s scheme annual report.

12. In taking this work forward the committee will examine the scope for recommending that pension fund accounts should be separate for main local authority accounts and to measure the impact this will have on the availability of external audit companies.

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13. The committee will also take evidence from the LGPS in Scotland and Wales where the switch has been made to separate pension fund accounts.

14. As a first step the committee proposes to recommend to SAB that the Chair should write to the local government Minister confirming the committee's interest in this area and seeking collaborative working with the Department on this key issue.

## **Knowledge and Skills Framework**

15. Despite a plethora of guidance from CIPFA, the Pensions Regulator and the FCA in the context of MIFID II on knowledge and skills the committee is aware that inconsistencies exist in the extent to which elected members sitting on pension committees and members of local pension boards are acquiring and maintaining a level of knowledge and understanding to comply with industry standards and at times, statutory requirements such as MIFID II.

16. In taking this work forward the committee proposes to explore the scope for introducing a more robust framework both in terms of what level of knowledge and understanding is required and how such levels should be and monitored and reviewed. The committee will also examine the scope for moving to a single framework to avoid duplication and potential misunderstanding of requirements.

17. The committee also proposes to specifically clarify the level of knowledge and understanding required of elected members on pension committees to resolve that long-standing claim that members of LGPS local pension boards are under a statutory duty to acquire knowledge and understanding whereas elected members are under no similar requirement. Further work will be undertaken to ensure effective implementation, monitoring and the sharing of best practice.

## **Communication on Pension Fund Accounting**

18. The committee proposes to prepare a paper which explains the different accounting standards that can apply to pension fund accounts and how these compare and contrast with the standards and practice adopted by LGPS fund authorities.

19. This is felt to be necessary to explain to those outside of the scheme why accounting data in the LGPS is at variance with the corresponding data in other pension schemes, in particular, where accounting standard IAS19 is used in the private sector.

## **Review Guidance on Administration, Communications and Governance**

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20. The 2014 scheme includes a number of examples where administering authorities are required to prepare, publish and maintain policy statements on key issues like governance compliance, communication, administration and use of discretionary powers.

21. The committee proposes to review all such examples and examine the scope for simplifying and rationalising the number of policy statements that administering authorities are responsible for. In doing so, the committee will also seek to build on the existing regulatory framework and associated guidance to further improve best practice and achieve more consistency across the scheme.

22. In taking this work forward the committee will take account of the separate and ongoing work being undertaken by SAB and DLUHC on the good governance action plan.

## Section 2

23. The following workstreams have been proposed by the committee but work on them cannot be commenced as they are contingent upon actions being taken by other parties, principally, by DLUHC on publication of their Autumn public consultations:

- TCFD reporting framework;
- Pooling guidance;
- Levelling Up;
- Boycotts, Divestment and Sanctions Bill, and
- CMA Order

24. The 2022/23 workplan agreed by SAB will be kept under review and updated where necessary to reflect when the above workstreams can be commenced.

## Section 3

25. At present the committee has not been made aware of any specific area of work to be undertaken on CIPFA's behalf.

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## Annex B

### **DRAFT SURVEY ON FUNDING STRATEGY STATEMENT (FSS) GUIDANCE**

1. On a scale of 1 (not informed) to 10 (fully informed) to what extent do those involved in the production of your pension fund's Funding Strategy Statement (FSS) have knowledge regarding the requirements in the CIPFA guidance?

Comments:

2. On a scale of 1 (not at all helpful) to 10 (very helpful) how would you rate the existing CIPFA FSS guidance?

Please explain:

3. On a scale of 1 (not in line) to 10 (fully in line), to what extent do you believe that your pension fund adheres to CIPFA guidance on duties relating to the production of the FSS which it must undertake.
4. On a scale of 1 (not in line) to 10 (fully in line), to what extent do you believe that your pension fund's FSS adheres to the CIPFA guidance on what should be included.
5. What do you believe are the main barriers to fully adhering to the CIPFA FSS guidance? Tick all that apply
  - The guidance is too onerous / burdensome
  - The guidance is overly complex and not easy to apply to my job
  - Staff are not sufficiently informed about the guidance
  - There are insufficient benefits in fully adhering to the guidance
  - The traditional method of producing our FSS has not evolved to take account of changes in the guidance
  - There are no real consequences of not adhering to the guidance
  - Any further barriers and/or comments:
6. What methods are employed by your pension fund to verify that the FSS adheres to the CIPFA guidance. Tick all that apply
  - The guidance is read and considered before the production of the FSS
  - The FSS is designed with the formatting based on the recommendations set out in the guidance
  - The guidance is consulted ahead of the production of the content for each section
  - The complete FSS is reviewed before its publication to ensure it complies with the guidance

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- A member of staff has specific responsibility to ensure that the report adheres to the guidance
  - Any other methods/comments:
7. How could the guidance be improved to ensure greater compliance?
- The guidance should be shorter and more concise
  - The guidance should be updated to contain new requirements and themes
  - The language in the guidance should be simpler and easier to understand
  - There should be fewer recommendations contained within the guidance
  - There should be more recommendations contained within the guidance
  - Any other suggestions and comments:
8. Use the text below to list any new themes that should be included in any revised guidance.
9. Use the text box below to list any elements of the existing guidance that you consider to be unnecessary.
10. Please describe your role in the Pensions Team.