

Compliance and Reporting Committee (CRC)

HYBRID MEETING – 12 February 2024

ITEM 4 PAPER B

ANNUAL REPORT GUIDANCE

Background:

1. Regulation 57 of the Local Government Pension Scheme Regulations 2013 requires funds to prepare an annual report. Part (3) of this regulation requires that *‘in preparing and publishing the pension fund annual report, the authority must have regard to guidance given by the Secretary of State’*. The purpose of this guidance is to ensure that annual reports are consistent and fit for purpose.
2. In the past, this guidance has been drafted by the now disbanded Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Panel, with input from Department for Levelling Up, Housing and Communities (DLUHC). As previously reported to this Committee, a workstream was established to review the 2019 guidance and identify changes required to streamline the current guidance and bring it up to date. The work undertaken to review the previous guidance and consult with pension funds, industry experts, DLUHC, CIPFA and other interested stakeholders has been reported at previous Committee meetings.
3. With many thanks to those who participated in the working group, the work is now complete. A revised draft is included in Annex A and has been shared separately by email with CRC members for review and approval. This report is publicly available on the SAB website, but the annexed draft guidance is not as this is awaiting final approval by CIPFA/DLUHC. We anticipate making the final draft available once approved and the final design process and accessibility checks have been completed.
4. It is worth noting that this revised annual reporting guidance will be the first jointly produced statutory guidance document emanating from this Committee.

Clearance process

5. The guidance will also need to be cleared through CIPFA's and DLUHC's processes. It is expected to be approved by CIPFA at its Public Finance Management Board meeting on 22nd February 2024.
6. As with the previous guidance, it will be applicable to Scotland. The Secretariat have checked with the Scottish Public Pensions Agency

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(SPPA) policy team and the Scottish Scheme Advisory Board (SAB), and they have indicated that they will arrange for this guidance be adopted by Scottish Ministers.

7. Once adopted, the updated guidance is intended to apply to 2023/24 Annual Reports (so for those reports due to be published by 1 December 2024) and later years. However, it is acknowledged that it may be a challenge for funds to report on all the new requirements for the 2023/24 reporting year, as changes to the recording and reporting of data may take time to implement. The guidance therefore says that pension funds should use their best endeavours to comply fully with the requirement but exercise judgement where, because of changes to the previous content, to do so would require disproportionate effort or cost.

Maintaining the guidance

8. As agreed at the creation of this Committee, the new guidance will be freely available and hosted on the Scheme Advisory Board's website. This means that it should be easier to maintain the guidance and keep it up to date with any changes required from year to year.
9. The Secretariat will ensure that publication online is consistent with accessibility requirements and is available as an accessible document on the SAB website.
10. The Committee are invited to contribute any other relevant design or presentation considerations that the Secretariat should bear in mind in publishing the advice.
11. The Committee may wish to note that further work (probably later this year) is likely be needed to align the new annual report guidance with any additional reporting duties added to the Investment Strategy Statement guidance. DLUHC committed to making such changes in its [response to the investments consultation](#) last year. The issuing of the Pensions Regulator's General Code of Practice, which is expected to be effective from 27 March 2024, may also require further updates to the annual reporting guidance for next year.

Recommendations:

- To approve the 2024 Annual Report guidance at Annex A, and that the guidance should come into force from April 2024 subject to Ministerial and CIPFA approval.
- To ask the SAB secretariat to work with CIPFA and DLUHC to deliver awareness sessions in April 2024 on the new guidance.
