

Compliance and Reporting Committee

MEETING OF THE 17TH APRIL 2023

Item 3 Paper A

HYBRID MEETING HELD ON 23rd JANUARY 2023

ACTIONS AND AGREEMENTS

PRESENT

Mark Wynn	Chair
Jeffrey Dong	Welsh Treasurers
Karen Gibson	Practitioner – County Councils
Rachel Brothwood	Practitioner – Metropolitan Authorities
Richard McIndoe	Practitioner – Scottish Authorities
Nemashe Sivayogan	Practitioner – London Borough
Robert Branagh	Practitioner – LPFA
Kevin Gerard	Practitioner – Wales
Nick Harvey	CIPFA
John Jones	Local Pension Board Representative
John Neal	UNITE
George Georgiou	GMB
Oliver Simms	ICAEW
Joanne Donnelly	LGA – Board Secretary
Jeremy Hughes	LGA – Deputy Board Secretary
Bob Holloway	LGA – Pensions Secretary
Ona Ehimuan	LGA – Pensions Secretary
Gareth Brown	LGA – Data Analyst

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

1. Mark Wynn (MW) welcomed attendees to the meeting and advised them of the meeting protocol.
2. Apologies were received from Teresa Clay and Alan Wareham (DLUHC), Fiona Miller (Border to Coast), Nicola Todd (Practitioner – Northern Ireland), Peter Worth (Adviser), Richard McIndoe (Practitioner – Scotland) and John Boyd (Audit Scotland). Ian Williams (LB Hackney) and Paul Mayers (National Audit Office) were absent without apology. There were no declarations of interest.

Item 3 – Matters arising from the meeting of November 14, 2022

3. The actions and agreements of the meeting on November 14th 2022, were agreed as an accurate account of the meeting. On the action detailed at paragraph 12, Bob Holloway (BH) confirmed that the Secretariat had published a statement asking administering authorities to publish their

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2021/22 annual reports based on the best data available to them by the statutory deadline (December 1st, 2022), even if unaudited.

Item 4 – Committee Workplan

4. MW introduced Paper B to the committee and thanked the lead officers and volunteers for their contributions. The focus going forward would be to build on the progress made to date and MW asked for lead officers to consider how the workstreams are going to be taken forward and to identify any roadblocks that the Board could assist the committee with. The workplan now consisted of 5 active workstreams and the lead officer for each workstream was invited to give an update which can be found below.

Item 5 – Funding Strategy Statement Guidance

5. On the Funding Strategy Statement Guidance workstream, Rachel Brothwood (RB) reported that the working group met on January 6th 2023. The FSS survey has been reviewed with target reviews set for Spring 2023 and 2024.
6. Priority areas for review included greater clarity on roles and responsibilities in developing the strategy, minimum compliance requirements, more about the benefits and approach to consultation with employers and to make clear the benefits of having and applying a well-constructed strategy. A new subject area to be included was funding issues around employer exits (which were different between Scotland and England & Wales). The later date for review would take in issues such as climate change, Good Governance reforms and new TPR codes of practice.
7. The committee asked about the process for actually drafting the guidance. NH explained that CIPFA had previously considered contracting with Isio to do this, but that would no longer be viable as the aim is for the guidance to be free of charge. RB felt that it would not be appropriate for working group members to draft this guidance as they were all fund practitioners and “users” of the guidance, so may have conflicts of interest.
8. MW agreed to speak to senior CIPFA colleagues to see what resources from CIPFA might be available to help with drafting what would be joint CIPFA/SAB guidance.

Action – MW to speak to CIPFA about resourcing to support drafting of new guidance.

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Item 6 – Audit Issues

9. Nemashe Sivayogan (NS) informed the committee that MW had agreed to combine the Separation of Pension Fund Account and Communication on Pension Fund Accounting workstreams, and that she would be chairing both as a joint workstream going forward.
10. DLUHC had not yet responded to the SAB letter on audit separation, but officials had confirmed that it would require primary legislation. Jeremy Hughes (JH) said that as audit appointments were made until 2028 there was time for primary legislation to be passed and any new procurement methods put in place.
11. NS recommended that the committee should continue to press on audit separation. Audit appointments have been made for the period up to 2028, but some of the benefits would accrue before then, and it was not necessary to wait until then to do the separation. It was suggested to approach Audit Wales to see whether they were able to provide evidence of the benefits of audit separation there.

Action – Secretariat to contact Audit Wales to see what assessment they had made of the benefit from audit separation

12. Oliver Simms (OS) said that ICAEW shared the desire to see the separation of pension fund audit and had made this known to DLUHC at the highest level. OS said that a crucial step will be to determine how the KAP (Key Audit Partner) requirement can be removed and what needs to be done to achieve that.
13. With regards to the target deadline on this matter, NS confirmed that this would need to be pushed back. Bob Holloway (BH) suggested that the PSAA (Public Sector Audit Appointments) should also be invited to the next CRC meeting to contribute to the discussion on this item.
14. In relation to any procurement issues associated with audit separation, NS said that the Norfolk procurement framework could be an option for audit appointments.
15. MW invited Teresa Clay (TC) to provide detail on when primary legislation could be expected. TC explained that they were still to put advice to Ministers on this and it was unclear when they might be able to move forward. However, DLUHC will be meeting with the FRC to discuss the issue. TC said she would like to better understand the practicalities of the change and it was suggested that TC look at the experience from Scotland and Wales. Jeff Dong (JDo) explained that Audit Wales took a pragmatic approach when separating the pension fund audit and it has had a positive impact on resource and capacity.

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16. On the separate issue of reporting of the notional allocation of assets to employers, JH confirmed that Nick Harvey (NH) and himself had spoken to the FRC and would be meeting with local government auditors and the NAO on January 27th. An update would be provided to the committee at the next meeting.

Action – JH and NH to update the Committee on progress with the communications issues between auditors and actuaries at the next meeting.

17. NH also informed the committee that CIPFA would be holding its Audit and Accounting workshop on 23 March this year.

Item 7 – Annual Report Guidance

18. On the Annual Report Guidance workstream, JH gave an update to the committee in Peter Worth's (PW) absence. The working group met for the first time on December 8th 2022, and DLUHC's Alan Wareham (AW) gave an overview of the Department's proposals on changes to the annual report.
19. DLUHC wanted annual reporting to be streamlined and consist more of reporting progress against the fund's various strategies, rather than simply reiterating these. The group shared those aims and was reviewing the current guidance to see whether all current requirements were still necessary. The group was doing this with consideration of how the information might be relevant to different audiences.
20. NS commented that information is currently often repeated in the fund account statement and the annual report. It would be good to reduce duplication of reporting obligations.
21. OS asked whether legislation will be necessary to make the proposed changes. TC confirmed that some changes will require changes to LGPS regulations, but most would only need changes to guidance. The timescale for this could not be confirmed at this stage and TC said she would welcome proposals from the working group.

Action – it was agreed that the working group would agree proposals and an appropriate deadline for new annual reporting guidance at its next meeting, including what could be done in the absence of amendment to the regulations by DLUHC.

Item 8 – Knowledge and Skills Framework

22. John Jones (JJ) informed the committee that the first working group meeting was held on December 15th 2022. The group felt that while the

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culture of pension committees varied, further encouragement for elected members to undertake appropriate training would be helpful. The group also wanted to explore potential incentives (including remuneration) for those completing training. This might help to reduce member turnover rates. Turnover rates on pension committees currently varies and in areas where the turnover is high there should be a concerted effort to encourage training and retention.

23. JJ proposed that the CRC undertake a survey of funds to determine what current practice was, for both local pension committees and boards, and to use that to inform recommendations that would be brought to the next committee meeting. This was agreed.

Action – The next working group meeting would agree the content of a survey of practice on incentivising learning on pension committees and boards and bring the findings to the next committee meeting.

24. On remuneration, NS noted that there was a good deal of variety in remuneration packages currently available between funds. JJ followed on from this saying that the technical knowledge requirements for committee members have increased and continue to do so. As a result of this, it could be argued that remuneration was warranted.
25. MW raised the issue of setting training requirements and how this could be effectively self-managed by funds to avoid over-regulation. A task going forward should look at how to promote the appropriate culture and how this could be done swiftly. He also highlighted a need for a consistent definition of Knowledge and Skills.
26. The working group's opinion was that regulation should be left to funds as they are in the best position to understand requirements based on their portfolios and investment activity. The key element of this will be to make sure that the Senior Officer or Section 151 Officer is satisfied with the training delivered to committee members.
27. BH noted that if, as expected, DLUHC introduced an obligation on funds to have a Knowledge and Skills Strategy through its response to the Good Governance Review then you would expect annual reports to report progress against that strategy.

Item 9 – Review of Guidance on Administration, Communications and Guidance

28. JDo informed the committee that the working group met for the first time on November 30th 2022. The discussion highlighted the fact that much of the work to be done by the group will be contingent on the Department's

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response to the SAB's Good Governance Review, which is yet to be published.

Item 10 – Good Governance Review

29. On Good Governance, BH informed the committee that meetings had been held with the Department to discuss the issue. The Minister has shown some engagement and is keen to see what the tangible effect of Good Governance will be, however at this stage it is still unclear what officials will be recommending. AW stated that timescales on Good Governance cannot be confirmed but the Department is continuously working on the issue.
30. JH explained that the tangible effect of Good Governance may be harder to evidence as it is being approached as an exercise of continuous improvement. However, improved governance measures will allow for officers to complete their key aim of delivering pensions to members more efficiently.
31. OS expressed a concern about timescales especially if legislation would be needed in the area. BH responded that most would be in secondary legislation which should be straightforward. TC confirmed that regulations can be devised more simply than primary legislation. With regards to laying secondary legislation, JH asked whether the delays caused by Brexit and Covid have diminished. TC informed the committee that there was currently a sunset period for EU legislation and getting a slot for legislation was not easy. She reiterated though that this workstream is important to the Department.
32. MW asked for the updated workplan to be sent to CRC members before submission to the Board along with a schedule of workstream meetings.

Action – the Secretariat update and circulate the committee workplan and schedule of meetings to the Committee.

Item 11 – Any Other Business and date of next meeting

33. MW thanked BH for his contributions to the Committee ahead of his retirement in February 2023.

The date of the next meeting was confirmed as April 17th 2023.