

# Compliance and Reporting Committee

**MEETING OF 19<sup>th</sup> JUNE 2023**

**Item 3 – Paper A**

**HYBRID MEETING HELD ON 17<sup>th</sup> APRIL 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
Nicola Todd	Practitioner – Northern Ireland
John Jones	Local Pension Board Representative
Fiona Miller	Border to Coast
Nick Harvey	CIPFA
John Boyd	Audit Scotland
John Neal	UNITE
George Georgiou	GMB
Oliver Simms	ICAEW
Peter Worth	Adviser
Alan Wareham	DLUHC
Jeremy Hughes	LGA – Deputy Board 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 Ian Williams (LB Hackney), Rachel Brothwood (Practitioner – Metropolitan Authorities), John Jones (Local Pension Board Representative), George Georgiou (GMB) and Kevin Gerard (Practitioner – Wales) and Jo Donnelly (LGA). Paul Mayers (National Audit Office) was absent without apology. There were no declarations of interest.

### **Item 3 – Matters arising from the meeting of January 23<sup>rd</sup> 2023**

3. The actions and agreements of the meeting on 23 January 2023 were reviewed by the committee for approval. Teresa Clay (TC) and Alan Wareham (AW) were recorded as absent from the meeting in error.

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Richard McIndoe (RM) stated that he had given apologies for the last meeting and should be removed from the list of attendees. The minutes were then agreed as an accurate account of the meeting.

## Item 4 – SAB Update

4. Jeremy Hughes (JH) introduced the item to the committee. There were expectations that the Department would publish a consultation on investments, covering pooling and the Levelling Up investment target. The publication date for this was currently unknown but expected to be in Spring 2023. A response to the 2022 Climate Risk Reporting consultation had not yet been published but was not expected imminently.
5. SAB's Budget for 2023/24 had been sent to the Minister for approval. The Secretariat had met with the Department to discuss any issues in preparing the advice.
6. The Investment Committee had been working on measures to improve Cost Transparency (CoT). This includes the addition of new functionalities to the system used to track investment costs and a training/awareness programme that will be taking place over Summer 2023. Peter Worth (PW) asked whether there had been specific issues with compliance with the duty to disclose investment costs. JH explained that consistent reporting by managers was the main issue, and the Secretariat was looking to boost consistency via the reporting system.
7. The Committee expressed support for the training programme and agreed that this may be an issue that the Committee would engage with further, should issues with compliance persist. It was agreed that the Secretariat would share the CoT project plan with the Committee for review and the Committee's comments would be fed back to the IGE Committee.

**Action – That the Committee's comments on the Code of Transparency training and awareness plan be fed back to the IGE Committee and that the Secretariat share the CoT project plan with the Committee for comment**

## Item 5 – Committee Workplan

8. MW introduced Papers B and C to the committee. Before inviting the chairs of the workstreams to give updates, he invited JH to identify any cross-cutting issues across the workstreams.
9. On resourcing the drafting of guidance arising from the workstreams, it had been agreed that CIPFA's input would take the form of creating final versions of statutory guidance, but the initial drafting responsibility would sit with the CRC and SAB. There would be a need to go beyond the workstreams to facilitate drafting of guidance documents and the FSS

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guidance working group in particular had discussed the need to engage with actuaries and GAD before public consultation stages.

10. The issue of compliance with guidance had been raised in more than one workstream. There was a question on who was responsible for ensuring compliance and the committee's role in facilitating this process. Jeff Dong (JDo) explained that the Administration, Communications and Governance workstream had been discussing the Good Governance consultation with AW from DLUHC. Expected outputs included revised requirements around the Governance Compliance Statement, which could be a way to manage compliance within funds.
11. The Committee also discussed a possible role for independent reviews of compliance, either on a rolling or sample basis. It was recognised that the Committee did not have a policing role, and there was a need to balance the highlighting of good practice with an element of "challenge" where there were gaps. The Committee agreed that the details on the CRC's role in compliance would need further in-depth conversations, and that the Administration, Communications and Governance workstream could provide an ideal forum to pull together the Committee's suggestions on compliance. JDo (as workstream lead) agreed that the discussion on this topic would be fed into that workstream.
12. With regards to the public consultation process, MW agreed that it would be good to engage groups such as actuaries and the Department informally first and collate their views. The committee agreed this would be the most appropriate way forward.

## Item 6 – Funding Strategy Statement (FSS) Guidance

13. In RB's absence, JH said that the group was coming close to drafting revised guidance and would ask the Committee to flag anything which they thought was good practice in a recently updated FSS they had seen. This would feed into the process of distilling out content the group thought a good policy should cover. Particular issues that the Committee were interested in seeing good practice on / areas which had been identified as priorities for review included:
  - Setting up academies on conversion
  - Use of the "new" employer flexibilities and DDAs
  - Treatment of exit debts and credits
  - Consultation with employers.
14. In addition, the workstream needed to recruit a new member to replace a member who had left their role. For balance, that person would ideally come from a London fund and be using Aon or Mercer as their actuary.

## Item 7 - Audit Issues

15. Nemashe Sivayogan (NS) reminded the committee that the Minister had responded positively to SAB's August 2022 letter recommending the

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separation of pension fund audits. The Department was now actively looking for an appropriate legislative vehicle to enable separation as it would need primary legislation to achieve. There would be a clearer picture of suitable legislative vehicles after the King's Speech, but it seemed unlikely that separation could be effected before 2024/25. Discussion had been held with various groups including Audit Wales and PSAA to discuss the practicalities of audit separation. No major obstacles had been identified.

16. On the issue of asset allocation, NS informed the group that the Secretariat had arranged an Audit Summit on 20 April 2023, which would allow auditors, actuaries, practitioners and the regulators to discuss the challenges currently being faced and explore some potential solutions. As the issues were more acute for scheme employers that weren't local authorities, the group had also had conversations with ESFA and the administrators of the housing association scheme.
17. JH shared the agenda for the Audit Summit with the committee for comment. Issues with unsigned 2021/22 accounts resulting from the completion of the 2022 triennial valuation had been raised by NAO as an additional agenda item and while this was particularly salient, the committee wanted to ensure that there was also time to discuss other longstanding issues. It was also expected that CIPFA would produce some guidance on the valuation issue.

## Item 8 – Annual Report Guidance

18. On the Annual Report Guidance workstream, PW informed the committee that the working group had been reviewing the existing CIPFA guidance to decide the elements that should be retained and those that should be changed or removed in the updated version. The group also wanted to get some legal certainty from DLUHC on whether it was acceptable to include hyperlinks to policies and statements, rather than having to include them in the body of the annual report. PW was working on writing up a summary of these changes so that drafting on the guidance could begin.
19. The Committee also discussed ways in which annual reports could be made a more effective showcase for what funds were doing.
20. PW suggested that the new guidance be advisory for this year and become mandatory for annual reports for the period 2023/24.

## Item 9 – Knowledge and Skills Framework

21. In John Jones' absence, JH informed the Committee that the working group had met on two occasions since the last CRC meeting and was conducting a survey looking at the current practices to incentivise learning and understanding on pension boards and committees. The survey would be closing on 19 April 2023 and the working group would meet in mid-May to discuss the results.

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22. JH repeated the offer made to UNISON to support any training opportunities arranged for their nominees on pension boards and extended this to the other unions. John Neal (JN) said that he would report back and that Unite generally worked with UNISON on such events.
23. With regards to the drafting of guidance, MW stated that it would be important to clarify what CIPFA require from those tasked with the initial drafting as well as agreeing dates for the completion of any work. NH explained that before a draft could be adopted by CIPFA, it will have to be considered by the Accounting and Final Reporting committee. This would be meeting on 25<sup>th</sup> October 2023. The Committee would either approve drafts for finalisation and publication or return for further work to be completed.

## **Item 10 – Review of Guidance on Administration, Communications and Guidance**

24. JDo informed the Committee that the working group had met twice since the last CRC meeting. Much of the work of the group was dependent on the Department's Good Governance Review and Alan Wareham (AW) from DLUHC had participated in the last two meetings, which allowed for shaping discussions on the upcoming consultation. In relation to the timetable for this, AW explained that detailed work couldn't be done until there had been a Ministerial readout.
25. JDo also gave the group's view that set benchmarks should be embedded into administration software systems, or otherwise tech led. The aim would be to harness consistently the data that is already readily available to create benchmarks without any additional compliance burden.
26. The Committee also discussed the Good Governance recommendation on independent reviews of Governance Compliance Statements. Given the potential overlap this had with the audit workstream, it was agreed to add NS to this workstream.

## **Item 12 – Any Other Business and date of next meeting**

27. There were no items under any other business. The date of the next meeting was confirmed as 19<sup>th</sup> June 2023.

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