

# Compliance and Reporting Committee

## MEETING OF 23<sup>rd</sup> OCTOBER 2023

### Item 3 – Paper A

## HYBRID MEETING HELD ON 19<sup>th</sup> JUNE 2023

### ACTIONS AND AGREEMENTS

#### PRESENT

Mark Wynn	Chair
Jeffrey Dong	Welsh Treasurers
Karen Gibson	Practitioner – County Councils
Richard McIndoe	Practitioner – Scottish Authorities
Nemashe Sivayogan	Practitioner – London Borough
Robert Branagh	Practitioner – LPFA
Kevin Gerard	Practitioner – Wales
Nicola Todd	Practitioner – Northern Ireland
Fiona Miller	Border to Coast
Nick Harvey	CIPFA
John Boyd	Audit Scotland
Paul Mayers	NAO
Oliver Simms	ICAEW
Peter Worth	Adviser
Alan Wareham	DLUHC
Joanne Donnelly	LGA – Board Secretary
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), John Neal (UNITE), George Georgiou (GMB) and Becky Clough (LGA). There were no declarations of interest.

### Item 3 – Matters arising from the meeting of April 2023

3. The actions and agreements of the meeting on 17<sup>th</sup> April 2023 were agreed as an accurate account of the meeting.

# Compliance and Reporting Committee

## Item 4 – SAB Update

4. Jeremy Hughes (JH) introduced the item to the committee. The Code of Transparency had been successful since its inception with over 90% of AUM being held by Code signatories. The data system used for investment cost reporting had been created by Byhiras in 2019 under a 5-year contract which expires in August 2024 (although it includes provision for a two-year extension). The Board agreed that a paper on options and a timetable for decisions would be brought to its next meeting in July.
5. The tenth SAB [Annual Report](#) was due to be published on 26<sup>th</sup> June 2023. Highlights include a slight increase in the maturity of the scheme and a decrease in life expectancy post COVID, along with a significant increase in management fees, perhaps explained by performance and some shifts into more expensive asset classes. Work on the Scheme Valuation Report was due to be completed in July 2023, with the help of Barnett Waddingham, and would be published on the SAB website shortly afterwards.
6. The HMT draft Valuation Directions had been shared in confidence with the CMBDA committee and would be discussed at the next committee meeting on 26<sup>th</sup> June 2023.
7. Various government consultations were still outstanding. It was expected that the pooling consultation would be published before summer recess and DLUHC had confirmed that climate risk reporting requirements would not be implemented until April 2024, at the earliest. It was also confirmed that the Minister would not be removing the upper age limit for death grants, despite advice that not doing so was legally risky.
8. On the publication of the Scheme Annual Report, Nemashe Sivayogan (NS) asked whether it would be a draft version considering that many funds had not yet completed the audit of their reports for 2021/22. Gareth Brown (GB) confirmed that the report is not a draft version but does make use of draft pension fund reports where audited data is not available. For any pension funds that had not published a draft report for 2021/22, the last available audited report was used.
9. NS also highlighted that some audit firms were not following the CIPFA/NAO issued guidance on the need to restate certain figures in their annual accounts now that more reliable 2022 valuation data was available. It was confirmed that this was an issue to be discussed at the next Audit Summit on 12th July 2023.
10. The Board had expressed support for the ongoing work of the CRC, and it was confirmed that Board Chair, Cllr Roger Phillips would be meeting with the Minister on 21<sup>st</sup> June 2023.

# Compliance and Reporting Committee

## Item 5 – Committee Workplan

11. MW introduced Paper B to the committee and invited the chairs of the workstreams to give updates.
12. JH gave the update for the **Funding Strategy Statement Guidance** workstream in Rachel Brothwood's absence. The working group was still working to identify common themes across selected examples of current FSS with a view to identify potential changes to future guidance. The group was also thinking about how the guidance could reflect the situation when many funds were in surplus. This was a new position for many funds and employers, and it raised questions about possible exits for admitted bodies and the treatment of surpluses in employer accounts.
13. Peter Worth (PW) added that CIPFA had drafted new guidance on reporting surpluses in accounts, but this applied to admitted bodies as opposed to local authorities. This would be discussed at the next Audit Summit on 12<sup>th</sup> July 2023. John Boyd (JB) said that he would also share the guidance issued by Audit Scotland on the issue of recognising surpluses. **[POST MEETING NOTE: the guidance can be found on [pg.17 of Audit Scotland's June 2023 Technical Bulletin 2023/2](#)]**
14. PW updated the Committee on the **Annual Report Guidance** working group. The group had reached a consensus on areas to be kept, changed or removed from the guidance. On the use of hyperlinks, Alan Wareham (AW) said that the Department was taking legal advice on whether this met the requirement of the regulations that the annual report include fund policy and strategy statements.
15. NS asked whether the changes to the Annual Report guidance would be in place before the 2022/23 pension fund audit which would begin in October. PW expressed that this was unlikely and there were various issues that were yet to be resolved. If guidance were to be issued in the coming months, it would be advisory for 2022/23 audits before becoming more formalised ahead of 2023/24 audits.
16. MW commended the work of the Annual Report group and said that it would be good to circulate an update to practitioners as this would be an area that many would be interested in.

**ACTION** – That the Secretariat draft an update message to be shared with practitioners on the work of the Annual Report workstream.

# Compliance and Reporting Committee

17. NS updated the Committee on the **Audit Issues** workstream. On the issue of pension fund separation, the group had gathered evidence to support the argument for separation and was waiting for DLUHC to table primary legislation on the issue. AW informed the Committee that there had been engagement with the Minister on this issue, but no further progress could be made until the Department had identified an appropriate legislative vehicle. NS also stated that conversations with London fund officers revealed further support for this change and asked AW how important the issue was on the Department's list. Some present expressed a view that many roundtables had been held with the Department on different issues, and too often they had seemed to result in little progress. AW was asked whether the Department would be able to push this piece of work forward with the Minister. AW stated that this could not be confirmed at this stage but there had been discussion with their legal advisors on this piece of work.

18. On the issues of asset allocation and different materialities, Oliver Simms (OS) confirmed that two separate working group meetings had been held between auditors and actuaries following the Audit Summit on 20<sup>th</sup> April 2023. All parties agreed that guidance would be helpful which sets out:

- the timeline
- information flow through a valuation period and
- the processes in place to provide assurance.

19. This information will help auditors meet the requirements of understanding the scheme and its controls as well as knowing where to request the information required. However, questions remained of where the resource would come from to compile this guidance. This issue would be discussed at the next Audit Summit.

20. It was agreed that the agenda items for the next Audit Summit be shared with the Committee for comment.

**ACTION** – That the Secretariat share the agenda items for the next Audit Summit with the Committee.

21. Jeffrey Dong (JDo) updated the Committee of the **Review of Guidance on Administration, Communications and Governance** workstream. The group was looking to identify opportunities for meaningful outputs whilst awaiting a ministerial readout and had agreed with the suggestion from DLUHC that it review the 2008 LGPS Governance Compliance Statement Guidance from DLUHC. The group would be welcoming two new members, Nemashe Sivayogan (LB Merton) and Jo Quarterman (Norfolk).

22. MW noted that there was likely to be some overlap on the work of this group and the Knowledge and Skills working group.

# Compliance and Reporting Committee

23. MW asked for the Secretariat to help him draw up and send a message of thanks to all those who had participated in the different working groups.

**ACTION** – That the Secretariat draft a note for MW to thank working group members for their contributions.

## Item 6 – Knowledge and Skills Survey Summary

24. Gareth Brown (GB) introduced Paper C to the Committee and gave a high-level summary of the Knowledge and Skills Survey which closed on 19<sup>th</sup> April 2023. The Committee was then invited to comment.

25. Fiona Miller (FM) asked about the response rate from Pension Committee members and raised the issue of statistical significance given the smaller proportion of responses from this group.

26. PW also raised the issue of validity within the context of self-assessment. JH acknowledged both points but stated that many respondents displayed a level of frankness that suggests that they were realistic in their assessment of their own performance.

27. NS stated that there were two main issues to be addressed. Firstly, there was a need to accurately identify the training needed and secondly, a need to ensure compliance and ensure that training is completed. She noted that the latter was currently difficult but emphasised the importance of ensuring compliance with training requirements. PW reiterated that compliance was highly important and needed to be improved across the local government sector.

28. The Committee agreed that the training should include content on understanding accounts and identifying risks accurately. This could contribute to better risk management in funds and local authorities relating to financial and investment decisions.

29. JH noted that the most recent Knowledge and Skills guidance was published in 2021, so the group was not looking to make substantive changes. The aim going forward would be to pull together thoughts on how Knowledge and Skills training could be made better. It was suggested that this could be covered in a session at the next LGA LGPS Governance conference, to be held on 18-19<sup>th</sup> January 2024 in York.

30. The Committee agreed that the survey results provided enough information to identify areas where improvements were needed and to identify key messages to be shared.

# Compliance and Reporting Committee

31. However, the Committee also asked the Knowledge and Skills working group to carry out a further survey specifically targeted towards Pension Board and Committee members.

**ACTION** – That the Knowledge and Skills working group consider issuing a survey targeted to Pension Board and Committee members.

## **Item 7 – Update on the Committee Action Plan**

32. Ona Ehimuan (OE) introduced Paper D to the Committee and provided information on overarching issues relating to the workstreams. On CIPFA's involvement with drafting guidance, MW confirmed that he and Joanne Donnelly (JD) would be meeting with Sarah Sheen at CIPFA to discuss CIPFA's role. The Secretariat would also be working on a high-level project plan to help manage the pressures that could be created from multiple deadlines now that some workstreams were moving towards drafting guidance. The Committee noted this update.

## **Item 8 – Any Other Business and date of next meeting**

33. MW informed the Committee that OS would be stepping down from the CRC and this would be his last meeting before he started a new role at the Financial Reporting Council. MW thanked OS for his contributions to the Committee. OS confirmed that Amelia Pickard would be taking his place in the Audit Issues working group and his replacement for the CRC would be announced once his successor at ICAEW started their role.
34. JD informed the Committee that the frequency of meetings would be an item for discussion at the next Board meeting on 17<sup>th</sup> July 2023. The current Terms of Reference for the Board and Committees mandated a minimum of four meetings per year, but the Board would be considering a reduction to three times a year to allow for smoother and more manageable workflow. The Committee agreed that if the Board moved to a three-meeting cycle then it would follow the same pattern.
35. The date of the next meeting was confirmed as 23<sup>rd</sup> October 2023.

\*\*\*\*