

Compliance and Reporting Committee (CRC)

HYBRID MEETING – 12 February 2024

ITEM 6 PAPER D

WORKSTREAM UPDATE

This paper summarises the agreements and the work undertaken by each of the five workstreams since the last CRC meeting in October 2023. The Scheme Advisory Board (SAB) Secretariat wishes to thank all volunteers within each workstream for their input into each project. Preparing the annual report guidance has taken precedence and with that project coming to completion, the next priority in terms of timing is likely to be Good Governance-related guidance and then the Funding Strategy Statement (FSS) guidance.

Funding Strategy Statement (FSS) Guidance

Lead Officer	Rachel Brothwood (West Midlands Pension Fund)
Supported by	Sara Maxey (Essex); Nick Harvey (CIPFA), James Graham (Kent), Alan Wareham (Department for Levelling Up, Housing and Communities (DLUHC)) and Julia Grace (Avon)
Start date	September 2022
Target completion date	December 2024
Meetings since October 2023:	None

1. Current position

The group have identified the high-level prospective changes and additions required to the current FSS guidance following a review of a sample of fund policies and discussions within the workstream meetings. The group agreed at its last meeting that a further meeting of the workstream would be organised once the next steps regarding the drafting timetable and method of production was confirmed. A suggested timetable for producing all the required guidance that each of the CRC workstreams are looking at has since been drawn up to be agreed jointly by the SAB Secretariat and DLUHC.

The new FSS guidance is likely to include more detailed advice on how funds set their policies on partial terminations and employer exits/cessation. This matter was also discussed at the working group on Surpluses that the Board established and some of the members of that group have asked to join the Working Group looking at the new FSS guidance (including the four actuarial firms).

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2. Next steps:

Next workstream meeting to be planned and agree project timetable.

Annual Report Guidance

Lead Officer	Peter Worth (TAS Accounting)
Supported by	Dominic Taylor (Staffordshire); Sara Maxey (Essex); Nick Harvey (CIPFA); George Graham (SYPF); Alan Wareham (DLUHC), Martin Griffiths (Warwickshire), Neil Sellstrom (South Tyneside), Damien Pantling (Berkshire) and representative from tri-borough.
Start Date	September 2022
Target completion date	April 2024
Meetings since October 2023: 4 th December 2023 and 16 th January 2024	

3. Current position:

A separate report is provided at Item 4 Paper B covering the work undertaken and formal recommendation to approve revised guidance.

4. Next steps:

For this committee to approve the Annual Report guidance and for the guidance to come into force from April 2024. For the SAB secretariat to work with CIPFA and DLUHC to deliver awareness sessions in March 2024 on the new guidance.

Audit Issues

Lead Officer	Nemashe Sivayogan (Merton LB)
Supported by	Melanie Stokes (Staffordshire); Sara Maxey (Essex); Nick Harvey (CIPFA); Melissa Kelly (Cornwall); Peter Worth (TAS Accounting); Joana Marfoh (Islington LB); Bola Tobun (Southwark LB), Jack Bower (The Institute of Chartered Accountants in England and Wales (ICAEW)), Alan Wareham (DLUHC)
Start date	August 2022

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Target completion date Ongoing

Meetings since October 2023: None

5. Current position:

As previously reported, the working group decided that it would be useful to produce a short factual guide to set out the timeline and information flow throughout a triennial valuation period. The purpose would be to help aid understanding and signpost different parties, and in particular auditors, to where they should be requesting the information that they need during the audit process. The intended audience for the guide is actuaries, auditors, and pension fund accounting practitioners. This guide has been jointly commissioned by the Board and ICAEW and the output (based on the specification agreed by the workstream) will cover specifically:

- A short factual guide
- Visual maps showing the flow of information between employers, actuaries, funds, custodians and auditors,
- A model questionnaire with key questions for actuaries to complete each year and provide to scheme employer auditors.

An outline of the proposed document has recently been received and is being reviewed. The first detailed draft for review is expected by the end of February 2024, ready for publication in March 2024. The Secretariat are planning to use various events, including the LGPC bulletin, SAB website and relevant contacts to ensure the intended audience of the guide are made aware of this publication.

The next audit working group meeting is being arranged for mid-March with the next audit roundtable the following month.

The Board's call for a separation of pension fund from host authority audit received a boost since the last CRC meeting as the House of Commons' Levelling Up, Housing and Communities Select Committee report on local audit included the following recommendation:

Local authority accounts are currently required by legislation to include Pension Fund statements, but this has made the accounts longer, more complicated, and less useful to users. The Government should introduce legislation to decouple local authority accounts from these Pension Fund statements, which should be published as separate documents.

Their full report can be found [here](#). Unfortunately, though not entirely unexpectedly, the [ARGA Bill](#) did not feature in the Kings Speech and so it is not expected that the Government will legislate to implement audit separation ahead of the General Election.

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6. Next steps:

The SAB Secretariat is currently reviewing the short factual guide for publication in March 2024 and organising the next workstream meeting date.

Good Governance and Administration

Lead Officer	Jeff Dong (Swansea)
Supported by	Kevin Gerard (Carmarthenshire); Nick Harvey (CIPFA), Alan Wareham (DLUHC), Nemashe Sivayogan (Merton LB) and Jo Quarterman (Norfolk)
Start Date	November 2022
Target completion date	To be confirmed
Meetings since October 2023: 28 November 2023 and 9 February 2024	

7. Current position:

The workstream have started work on revised statutory guidance on governance that will incorporate the Good Governance recommendations that SAB made to DLUHC in 2021 alongside an update of the 2008 Governance Compliance Statement guidance. The workstream held a productive meeting in November 2023 and discussed specific areas of the governance guidance for DLUHC to consider how these recommendations would be presented in the new guidance. Areas discussed were the requirement for a single named officer as well as knowledge and skills requirements.

In November 2023, the group agreed to pause on organising the next meeting until the new Minister was able to be briefed and to allow for other workstreams with an earlier deadline to proceed. The next meeting has since been organised for 9th February 2024 and a verbal update on progress will be provided to the committee. With the issuing of the Pensions Regulator's General Code the group will also need to consider whether aspects of that will also need to be incorporated into this guidance.

8. Next steps:

To be provided verbally.

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Knowledge and Skills Framework

Lead Officer	John Jones (Local Pension Board Chair)
Supported by	Karen Gibson (Dorset); Nick Harvey (CIPFA); Heidi Catherall (Cheshire); Justin Bridges (Shropshire); Alison Grange (Shropshire), Alan Wareham (DLUHC)
Start Date	December 2022
Target Completion Date	March 2024

Meetings since October 2023: 7 December 2023 and 17 January 2024

9. Current position:

The group actioned the recommendation made in the June 2023 CRC meeting to issue another survey specifically tailored to Pension Board and Committee members. The survey was issued on 13th October 2023 and closed on 6th November 2023 (the deadline was extended from the originally set 29th October 2023 to allow time for more responses).

A summary of the survey results is below:

- 63 funds represented in responses
- 267 individual responses received (140 from Pension Committee members and 127 Pension Board members)
- 45% of respondents had been in their role for more than 3 years
- 77% had received an induction for their role
- 74% had received training in last 3 months and only 3.45% had received training more than 12 months ago
- 22% didn't have any awareness of the LGPS before their role and 33% had 'some'
- 44% wanted further training in investment strategy
- 33% weren't aware of knowledge and skills requirements before starting their role
- 11-20 hours and 21-30 hours training was most popular in training hours received per year
- 82% said knowledge and skills should be assessed
- Training online and as part of formal meetings rated as the most effective approaches
- 70% were in favour of payment for development of knowledge and skills
- 64% supported the publication of training undertaken in fund's annual report

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- 67% either agree or strongly agree with a legislative requirement for Pension Committee members to have knowledge and skills
- Nearly 90% welcome scheme wide guidance on minimum training requirements
- 67% had not received any training in non-pension skills
- 69% would support a peer review system
- 74% would welcome scheme wide training data to compare their fund

Next steps:

The high-level findings of the survey were presented at the LGA's Governance conference held in York on 18th – 19th January 2024. The conference audience was split into groups to discuss the results and report back. Some of the messages that emerged were:

- There need to be a range of training options that reflect the different levels of knowledge and experience
- It was recognised that obtaining LGPS knowledge was a journey and would take time
- Training needs analyses for the committees and boards help to understand 'collective knowledge'
- Forums for sharing best practice across funds would be desirable
- Committee and board members are volunteers with busy schedules and other duties so accessibility of training options should be a key consideration in any training strategy
- A syllabus that set out a common understanding of the different roles required would be helpful

The workstream met before the Conference on 17th January 2024 and agreed to meet again in March 2024. There was consensus on the key areas from the survey results to explore and the next steps were agreed:

- Analyse the requirements of TPR's General Code and how this linked with the findings of the survey and research amongst LGPS funds on clarity required within the Code
- Make recommendations on what is required for any new scheme-wide guidance and consider the various communication channels this could be disseminated
- Work with DLUHC on what is needed for the investment consultation response on training
