

# Compliance and Reporting Committee

<b>DATE:</b>	<b>19<sup>th</sup> June 2023</b>
<b>VENUE:</b>	<b>Hybrid meeting – MS Teams &amp; 18 Smith Square</b>
<b>TIME:</b>	<b>11.00am – 1.00pm</b>

## AGENDA

Item		Paper	Timings
1	Welcome, introductions, apologies and declaration of interests		11:00
2	Hybrid meeting protocol		11:05
3	Actions and Agreements from 17 <sup>th</sup> April 2023 Meeting	<b>Paper A</b>	11:10
4	SAB Update	<b>Verbal update</b>	11:15
5	Workstream update - Funding Strategy Statement Guidance	<b>Paper B</b>	11:25
	Workstream update - Annual Report Guidance	<b>Paper B</b>	11:35
	Workstream update - Audit Issues	<b>Paper B</b>	11:45
	Workstream update - Knowledge & Skills Framework	<b>Paper B</b>	11:55
	Workstream update - Review of Guidance on Administration, Communications and Governance	<b>Paper B</b>	12:05
6	Knowledge and Skills Survey Summary	<b>Paper C</b>	12:15
7	Committee workplan	<b>Paper D</b>	12:35
8	AOB and date of next meeting -Meeting frequency		12:50

# 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.

# Compliance and Reporting Committee

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

# Compliance and Reporting Committee

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

# Compliance and Reporting Committee

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.

# Compliance and Reporting Committee

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.

\*\*\*\*\*

# Compliance and Reporting Committee

## HYBRID MEETING – 19<sup>TH</sup> JUNE 2023

### ITEM 5 – PAPER B

#### COMMITTEE WORKPLAN: WORKSTREAM UPDATES

1. This paper summarises the agreements reached by the Committee in respect of each of the five workstreams since the last CRC meeting in April 2023.

#### JUNE 2023 UPDATE

##### Funding Strategy Statement (FSS) Guidance Update

Lead Officer	Rachel Brothwood (West Midlands Pension Fund)
Supported by	Ian Howe (Leicestershire CC); Sara Maxey (Essex CC); Nick Harvey (CIPFA), James Graham (Kent), Alan Wareham (DLUHC)
Start Date	September 2022
Target Completion Date	It was originally set as Spring 2024, but timetable is being reviewed to take into consideration CIPFA forum dates.

Meetings since April CRC meeting: 24<sup>th</sup> May 2023

1. Current position:
2. The procurement timetable and process for working with CIPFA on drafting the updated guidance is being looked at and is a key factor within all workstreams where CIPFA input is required. It has been confirmed by Nick Harvey that CIPFA's Accounting and Financial Reporting Forum would need to agree the final guidance. The next forum dates are in July and October and the group agreed these dates were not realistic for having finalised updated FSS guidance. Timetable can be set once Jo Donnelly has received clarity from CIPFA on their involvement in the relevant workstreams. The policy examples shared by funds will be used as a guide to make the suggested changes to the current guidance. How funds deal with employer exits from funds and how the guidance can cover this will be discussed with funds who have experienced more cases. Broadening the group membership to include a representative from an Aon or Mercer fund client, as well as a London Borough, is being explored.

# Compliance and Reporting Committee

## 3. Next steps:

- Procurement timetable and drafting the final guidance, process confirmation from CIPFA
- Identified common themes and potential changes to current guidance from examples shared
- BC to follow up with Alan Wareham on GAD involvement in shaping guidance and any feedback from Departmental lawyers.

## Annual Report Guidance

Lead Officer	Peter Worth (TAS Accounting)
Supported by	Ian Howe (Leicestershire CC); Dominic Taylor (Staffordshire CC); Sara Maxey (Essex CC); Nick Harvey (CIPFA); George Graham (SYPF); Alan Wareham (DLUHC)
Start Date	September 2022
Target Completion Date	April 2024
Meetings since April CRC meeting: 23 <sup>rd</sup> May 2023	

## 4. Current position:

DLUHC feedback was supportive of the work of this workstream, and the changes suggested in the checklist provided by the group – with some minor comments to be taken into consideration. Recent DLUHC feedback that regulations changes are unlikely to happen this calendar year has been taken onboard by the group and the amendments to the guidance not requiring legislation changes would proceed via the route of statutory guidance. The group are aiming to take the finalised guidance to the October 2023 CIPFA Accounting and Financial Reporting Forum for agreement. This deadline is dependent on CIPFA's involvement and clarification of the procurement timetable and process which is being sought from CIPFA by Jo Donnelly.

## 5. Next steps:

Examples of how pooled assets could be displayed are to be shared by DLUHC for consideration by the group. Best practice examples of annual reports are to be reviewed and Gareth Brown (LGA) to contribute table examples to show how funds could consistently report asset classes. Becky Clough and Jo Donnelly are attending Technical Group on 9 June 2023 to update on this workstream and to request volunteers to review administration key performance indicators found in Annex 2 of the current guidance. A version of the old guidance with tracked changes added from the checklist



# Compliance and Reporting Committee

agreed by the group and DLUHC will be produced by Becky Clough, ready for drafting of the final guidance.

- Procurement timetable and drafting the final guidance process confirmation from CIPFA
- First draft of updated guidance with checklist amends added as tracked changes to current version by 17<sup>th</sup> June 2023
- Volunteers from Technical Group for review of KPIs and meeting in place to gather feedback, taking into consideration aim for approval at October forum.
- Next meeting mid-July

## Audit Issues

Lead Officer	Nemashe Sivayogan (Merton LB)
Supported by	Melanie Stokes (Staffordshire CC); Sara Maxey (Essex CC); Nick Harvey (CIPFA); Sean Johns (Cornwall CC); Peter Worth (TAS Accounting); Oliver Simms (ICAEW); Joana Marfoh (Islington LB); Bola Tobun (Harrow LB)
Start Date	August 2022
Target Completion Date	To be confirmed
Meetings since April CRC meeting:	10 <sup>th</sup> May 2023

### 6. Current position:

The first Audit Summit meeting was held on 20<sup>th</sup> April 2023. Discussions were held on resolving the challenges faced by auditors and actuaries when providing assurances to LGPS employers. It was agreed that a separate meeting of auditors and actuaries would be held to work through some of the issues surrounding the general approach to auditing asset allocations amongst employers within an LGPS fund in more detail. It was also agreed that SAB would send some communications to funds to explain some of the current issues faced and what was being done to address them. On the issue of differing materiality for LGPS employers, it was agreed that a further separate discussion would be arranged between actuaries and auditors. It was agreed for the full group to reconvene on July 12<sup>th</sup> 2023.

The most recent working group meeting was held on 10<sup>th</sup> May 2023. On the separation of pension fund audits, it was expected that there would be delays in effecting this change as it requires a change to primary legislation. DLUHC are working to identify an appropriate legislative vehicle and are awaiting the King's Speech to ascertain issues and policies of priority. It was suggested

# Compliance and Reporting Committee

that Cllr Phillips would address the issue at a future meeting with the Minister, Lee Rowley MP, with a view to facilitate and accelerate the process. Solutions to the delays in audits were being considered and there were plans for a working group on issues arising from surpluses.

## 7. Next steps:

The working group agreed that further actions would be contingent on the progress made by the Department and the Audit Summit group. It was agreed that the next meeting would be scheduled before the next Audit Summit in July.

## **Review Guidance on Administration, Communications and Governance**

Lead Officer	Jeff Dong (Swansea PF)
Supported by	Kevin Gerard (Carmarthenshire PF); Nick Harvey (CIPFA)
Start Date	November 2022
Target Completion Date	To be confirmed
Meetings since April CRC meeting: 5 <sup>th</sup> June 2023	

## 8. Current position:

The group asked Alan Wareham (AW) if the Department could give the group a clear steer on which items in the Good Governance recommendations would be of most priority to be looked at first by the group, considering the list is extensive. AW suggested that 2008 guidance on Governance Compliance Statement requires updating and this could cover a couple of recommendations with the Good Governance report. Nemashe Sivayogan (LB Merton) would join the group, however considering the progression of the workstream, additional members would still be required.

## 9. Next steps:

AW to share the 2008 governance guidance as a word document for the group to comment. A new member to be found for the group with the specification for volunteers to ideally be an officer within a Governance role from a fund outside of London and Wales.

# Compliance and Reporting Committee

## Knowledge and Skills Framework

Lead Officer                      John Jones (Local Pension Board Chair)

Supported by                      Karen Gibson (Dorset CC); Nick Harvey (CIPFA);  
Heidi Catherall (Cheshire PF); Justin Bridges  
(Shropshire Council); Alison Grange (Shropshire  
Council)

Start Date                          December 2022

Target Completion Date      To be confirmed

Meetings since April CRC meeting: 15<sup>th</sup> May 2023

### 10. Current position:

At the last meeting Gareth Brown (LGA) went through the survey results with the group. The document summarising the results was also shared on the day with the group. The survey results are extensive and provided detailed information and views of the respondents which needed to be analysed and relevant themes picked out for the group to consider. The group agreed to individually review the document shared by Gareth outside of the meeting for more detailed discussions to be had at the next meeting. Rachel Howe from West Midlands Pension Fund provided an update on the work WMPF undertakes to train and recruit new Pension Board and Committee members.

### 11. Next steps:

Group to meet late June to discuss the survey results in more detail and decide on next steps.

\*\*\*\*

## Compliance and Reporting Committee, Hybrid Meeting, 19th June 2023, Item 7 Paper D - Update on Committee Action Plan

Title	Lead(s)	Objectives agreed	Update from last meeting	Next action and date of next meeting	Timeline for completion
Audit Issues	Nemashe Sivayogan	Examine the scope for pension fund audit to be separated from host authority audit and consider the impact on quality and cost of external audit. Also consider communications on pension fund accounting and the impasse between fund actuaries and external auditors on the allocation of assets between scheme employers	First Audit Summit held on 20th April 2023 and working group met on 10th May 2023. Separate meeting of auditors and actuaries to discuss audit issues specifically with asset allocations and also for academies held on 7th June 2023. It was agreed that SAB to contact ESFA to request that audits are added to new Academy working group workplan.	Delays in pension fund audits to be raised with minister during meeting with Cllr Philips on 15th June 2023. Next meeting hopefully before Audit Summit meeting on 12th July.	Scoping work ongoing
Funding Strategy Statement Guidance Update	Rachel Brothwood	Review the existing CIPFA guidance and considers where extra guidance is needed, eg on cash-flow levels and their management.	Policy examples being reviewed for best practice. Group to be widened to include a representative from London Borough/Mercers/Aon fund. Alan Wareham to confirm GAD or the Department's required involvement in any changes to the guidance.	Procurement timetable to be discussed with CIPFA. Next meeting date to be organised.	To be confirmed
Annual Report Guidance	Peter Worth	Explore concerns around compliance and consider whether the current requirements on contents and publication remain fit for purpose for different audiences. Explore whether the requirements could be simplified.	DLUHC supportive of this workstream and the changes suggested by this group, with some minor comments. Amendments only to be made via statutory guidance, not legislation changes this year. Group aiming to take updated guidance to October 2023 CIPFA Account and Financial Reporting Forum for agreement but this is dependent on clarification of CIPFA procurement process.	DLUHC to share some reporting examples. Gareth Brown to collate some best practice examples. Admin technical group approached for volunteers to review the admin reporting KPIs. Procurement timetable to be discussed with CIPFA. Next meeting date to be organised.	Apr-24
Knowledge and Skills Framework	John Jones	Explore introduction of a single robust framework for K&S, both in terms of what level of K&S is required and how that should be monitored and reviewed	Survey results shared with the group by Gareth Brown. Extensive and detailed information provided and themes summarised in CRC paper and comments provided by John Jones. Rachel Howe provided an update at workstream meeting on how WMPF trains and recruits new Board and Committee members.	Next meeting date to be organised for detailed review on survey results and to agree next steps.	To be confirmed
Review Guidance on Administration, Communications & Governance	Jeff Dong	Review and if possible simplify the number of policy statements that administering authorities are responsible for producing	Alan Wareham provided the group with a steer on which items in the Good Governance recommendations the group could focus on. The 2008 Department guidance was identified as a starting point for the group to review.	Next meeting date to be organised and Alan to share word document of 2008 guidance. New group member Nemashe from LB Merton to join the group.	TBC
DLUHC Consultations and Good Governance response	Secretariat	Monitor and try to influence policy development at DLUHC to ensure that it reflects the views of the Committee. Ensure that workstream content and timings are aligned to have most impact.	This workstream now incorporated in 'Review Guidance on Administration, Communications & Governance' workstream.	n/a	n/a