

Compliance and Reporting Committee (CRC)

Meeting of 12 February 2024

Item 3 – Paper A

Hybrid meeting – 12 February 2024

Actions and agreements

Present

Mark Wynn	Chair
Jeffrey Dong	Welsh Treasurers
Karen Gibson	Practitioner – County Councils
Richard McIndoe	Practitioner – Scottish Authorities
Kevin Gerard	Practitioner – Wales
Nicola Todd	Practitioner – Northern Ireland
Rachel Brothwood	Practitioner – Metropolitan Authorities
Nemashe Sivayogan	Practitioner – London Borough
John Jones	Local Pensions Board Representative
Peter Worth	Worth TAS Accounting
Nick Harvey	Chartered Institute of Public Finance and Accountancy (CIPFA)
Jack Bower	Institute of Chartered Accountants in England and Wales (ICAEW)
John Boyd	Audit Scotland
Teresa Clay	Department for Levelling Up, Housing and Communities (DLUHC)
Alan Wareham	DLUHC
Oliver Watson	DLUHC
John Neal	UNITE
Jo Donnelly	Local Government Association (LGA) – Head of Pensions
Jeremy Hughes	LGA – Deputy Board Secretary
Becky Clough	LGA – Board Support and Policy Officer
Ona Ehimuan	LGA – Pensions Secretary

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

1. The Chair welcomed attendees to the meeting and advised them of the meeting protocol. Mary Lambe – Governance Consultant from Aon (ML) was in attendance as an observer pending approval of her joining the Committee.

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2. Apologies were received from Fiona Miller (Border to Coast), Robert Branagh (Practitioner – London Pensions Fund Authority (LPFA), Kevin Gerard (Practitioner – Carmarthenshire Pension Fund) and George Georgiou (GMB). Paul Mayers (National Audit Office) and Peter Turner (London Borough of Bromley) were absent without apology. There were no declarations of interest.

Item 3 – Matters arising from the meeting of 23 October 2023

3. The actions and agreements of the meeting on 23 October 2023 were agreed.

Item 4 – Annual Report Guidance

4. Becky Clough (BC) introduced Paper B to the Committee. Annex A contained the final draft of the revised CIPFA Annual Report Guidance, which is the first jointly produced statutory guidance document emanating from this Committee.
5. The Guidance was expected to be approved by CIPFA's Public Finance Management Board (PFMB) at its meeting on 22nd February 2024. BC and the Chair thanked all contributors and the workstream volunteers for their input and work on the revised guidance.
6. A checklist would be added to the final draft once complete. Once the guidance was adopted by the Minister as statutory guidance, the final design process (and accessibility checks) would also be completed before publication. The Committee was invited to comment on the final draft.
7. The Committee welcomed and agreed the draft, which was comprehensive and provided clarity to practitioners on the requirements that funds needed to meet in their annual reports.
8. Peter Worth (PW), as workstream chair, complimented the Secretariat team, CIPFA and DLUHC for the work undertaken to revise the guidance and welcomed that the checklist was being kept as that had previously enabled funds to easily identify gaps when compiling their annual reports.
9. DLUHC were asked about the process and implications for non-compliance given the fact that the guidance would be statutory. Teresa Clay (TC) responded saying that it would be expected for funds to 'have regard to the guidance' however complying was not mandatory. If a legal challenge was brought against a fund which related to the statutory

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guidance and it was found that the fund did not have appropriate regard to the guidance, this would have a significant impact on the result of the challenge.

10. On the subject of compliance, Jeremy Hughes (JH) said that the Good Governance and Administration working group had previously discussed the idea of a biennial independent review in line with SAB's Good Governance recommendations. The Secretariat were looking at the peer review model in place at the LGA as a potential way forward to support funds in their duties, but this would require further discussion.
11. The guidance stated that funds should use 'best endeavours' to meet the new requirements of the guidance for 2023/24 annual reports in acknowledgement of any difficulties in meeting the new requirements in the first reporting year.
12. It was noted that the revised guidance provided more clarity and therefore would make it easier to aggregate data at a scheme level. The administration KPIs in the guidance could be further developed over time to reflect the value of the service provided to members.
13. It was suggested that an area which could be developed in future versions of the guidance was staffing resource with more focus on recruitment, training and retention.
14. It was noted that the benefit of producing the guidance under the CRC is that feedback from funds can be fed directly into this Committee and changes or developments can be considered more easily.
15. The Chair thanked the Committee for their comments and the progress made on this valuable piece of work.

ACTION – that the Secretariat send a thank you note to the contributors to the Annual Report Guidance on behalf of the Committee.

Item 5 – ICAEW/SAB Report on Audit Issues

16. JH introduced Paper C to the Committee. At the last Audit Roundtable meeting on 12th July 2023, it was agreed that more information was needed to support actuaries, auditors, fund practitioners and employers to better understand the processes and flow of information throughout triennial valuation periods. It had since been agreed that a briefing note

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was to be commissioned and jointly funded by SAB and the ICAEW. Peter Worth (PW) had been commissioned by ICAEW to write the document.

17. PW confirmed that he had begun engaging with actuaries, auditors and practitioners to gather the information needed for the document. Many smaller auditors may not be familiar with Public Sector defined benefit (DB) pension schemes such as the Local Government Pension Scheme so the information note would serve to add clarity for these auditors.
18. PW noted that the language in the document needed to be pitched at the right level for it to be effective and asked for the practitioners in the Committee to send through any relevant information, such as example queries from non-Public Sector Audit Appointments (PSAA) auditors.
19. It was expected that the document would be available to be reviewed at the next Audit Roundtable on 17 April 2024.

Item 6 – Workstream update

20. Becky Clough introduced Paper D to the Committee and explained that the Good Governance and Administration update would be verbal as the most recent meeting of the group had taken place after the papers had been published.
21. The Funding Strategy Statement (FSS) and Good Governance workstreams would be delivered after the annual report guidance. It was expected that the new FSS guidance should be ready in good time before the next valuation date, to give funds enough time to prepare. Separate from the CRC workstreams, DLUHC will be revising the statutory guidance for the investment strategy statement in light of the recent consultation.
22. The Funding Strategy Statement (FSS) working group was planning to meet again at the end of March. The aim is to revise the guidance by December 2024. Following on from the Board's publication of a statement on surpluses and the closure of surpluses working group, it had been agreed to include some members of the surpluses group into the FSS working group and expand its scope to include areas such as partial terminations.
23. The Audit Issues working group was planning to meet in March ahead of the completion of the ICAEW/SAB information note. JH informed the Committee that DLUHC had published a consultation on [addressing the local audit backlog in England](#) which would be closing on 7th March 2024.

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The Committee asked if the Secretariat could write a response on their behalf, emphasising again the benefits of separating pension fund audit from host authority audit and how the widespread disclaiming of administering authority accounts could create downstream issues for other scheme employers' audits. This was agreed.

ACTION – that the Secretariat write a response to DLUHC's consultation on the Committee's behalf

24. Jeffrey Dong (JDo) gave an update on the Good Governance and Administration working group. The group met on 9th February 2024 and discussed updating the 2008 Governance Compliance Statement guidance and how it could link with the Pensions Regulator (TPR)'s new General Code of Practice. Alan Wareham (AW) informed the Committee that DLUHC was aiming to consult on the revised Governance Compliance Statement guidance in the early Summer and the group would be meeting on a more regular basis to facilitate this.
25. The Knowledge and Skills working group were discussing the next steps to be taken now that it had the survey data and the feedback from the roundtable discussion held at the LGA Governance Conference in January 2024. The group were not aiming to revise the CIPFA Knowledge and Skills Framework guidance at this time but instead were looking at other ways to further support funds.
26. TC informed the Committee that there were proposals to include information about training in the upcoming governance guidance and there was already a requirement on this in the Annual Report guidance.
27. The issue of MIFID II compliance was raised as the Directive still required funds to be able to demonstrate to those providing them with financial products that they had the capacity to act as professional investors. Joanne Donnelly (JD) said that the Secretariat were keeping an eye on how EU-derived legislation would evolve post-Brexit and potentially impact the requirements of this directive. The Secretariat were also aware that some of the content on the Board website was out of date. A review of the website and its contents as a whole was on the Board's workplan.
28. The Chair thanked all working group members for their contributions to the CRC workstreams.

Item 7 – Updated Terms of Reference (ToR)

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29. Ona Ehimuan (OE) introduced Paper E to the Committee. Following the action agreed at the last meeting, the Secretariat has carried out a broader review of the ToR of all the Committees. As the CRC was the most recently established committee, the terms of reference were the most up to date however there were three main changes for the Committee to approve.
30. It was asked whether Governance should be added to this Committee's title if it will be removed from the Investment, Governance and Engagement committee. JD explained that the Secretariat had considered this during the review and concluded it would not be necessary as governance was inherent and integrated into all Committee work.
31. The Committee agreed the recommended changes to the terms of reference.

AGREED – the recommended changes to the Committee ToR

Item 8 – The Pensions Regulator (TPR) General Code

32. BC introduced Paper F to the Committee. The Board held a focus group on 8th February 2024 to determine the support needed for funds to meet the requirements of the new Code.
33. There are several areas of overlap with existing Board work and projects and it was important to identify these areas and where more clarity could be provided on how the Code applied to the LGPS. The next [LGPS Live](#) webinar was taking place on 6th March 2024 at 3.30pm and would focus on the Code and the opportunities and challenges it presents for the LGPS.
34. It was thought the most important issue at the moment was to determine what parts of the Code do and don't apply to the LGPS.

Item 9 – DLUHC update

35. Updates were provided on other areas not already covered in the Committee agenda. The Committee were asked to note that work has continued on survivor benefits. TC would be attending the next Investment Committee meeting on 26th February 2024 to discuss future pooling guidance, following on from DLUHC's response to the Investments consultation. TC thanked the Committee and working groups for their input to guidance documents.

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Item 10 – AOB and date of next meeting

36. There were no other items of business raised. The date of the next meeting was confirmed as 24th June 2024.