

# Compliance and Reporting Committee (CRC)

<b>DATE:</b>	<b>21 October 2024</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 24 June 2024 meeting	<b>Paper A</b>	11:10
4	Ministry of Housing Communities and Local Government (MHCLG) update	<b>Verbal</b>	11.15
5	Work plan update	<b>Paper B</b>	11:30
6	Funding Strategy Statement guidance	<b>Paper C</b>	11:40
7	Knowledge and Skills working group update	<b>Paper D</b>	12:05
8	Good Governance working group update	<b>Paper E</b>	12:20
9	Audit Update	<b>Paper F</b>	12.35
10	AOB and date of next meeting		12:45

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**Meeting of 21 October 2024**

**Item 3 – Paper A**

**Hybrid meeting – 24 June 2024**

## **Actions and agreements**

### **Present**

Mark Wynn	Chair
Jeffrey Dong	Welsh Treasurers
Karen Gibson	Practitioner – County Councils
Kevin Gerard	Practitioner – Wales
Nicola Todd	Practitioner – Northern Ireland
Rachel Brothwood	Practitioner – Metropolitan Authorities
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
Mary Lambe	Governance Consultant (Aon)
Iain Colvin	Governance Consultant (Hymans Robertson)
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 and Iain Colvin – Governance Consultant from Hymans Robertson were welcomed to their first meeting as approved members of the committee.
2. Apologies were received from Fiona Miller (Border to Coast), Robert Branagh (Practitioner – London Pensions Fund Authority (LPFA)), John Jones (Local Pensions Board Representative), George Georgiou (GMB), Richard McIndoe (Practitioner – Scottish Authorities), Nemashe Sivayogan

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(Practitioner – London Borough) and Sarah Tingey (Local Government Association). DLUHC representatives did not attend the meeting due to the upcoming general election. 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 12<sup>th</sup> February 2024**

3. The actions and agreements of the meeting on 12 February 2024 were agreed.

## **Item 4 – Development of Funding Strategy Statement Guidance**

4. Becky Clough introduced Paper B to the Committee and confirmed that the Funding Strategy Statement (FSS) Guidance working group had met twice since the last Committee meeting and outlined the progress reported in the paper. Committee members were asked to note the Terms of Reference for the working group in Annex A.
5. The group will be meeting again at the end of July to continue working on the draft version of the guidance, BC confirmed that extensive feedback on the draft has been received with general consensus on the necessary content a FSS must contain.
6. To meet the deadline to publish this guidance before the end of the calendar year, this Committee will be asked to approve the guidance at the next meeting taking place on 21 October 2024. The guidance will then be taken to the CIPFA Public Finance Management Board (PFMB) meeting on 7 November 2024 for their approval, followed by reporting to the Board on the 25 November 2024. The FSS guidance will follow the same process as the Annual Reporting guidance and Ministerial approval will be the final step.

**POST MEETING NOTE:** Following on from the general election it has been confirmed that that DLUHC will be renamed as the Ministry for Housing, Communities and Local Government (MHCLG). The rest of this document will refer to DLUHC to reflect their name at the time of the meeting.

7. Both the Chair and Rachel Brothwood (RB), lead officer of the FSS Guidance working group, praised the work undertaken by the working group and thanked the Secretariat for their input. Peter Worth (PW) asked whether surpluses and de-risking would be featured in the new guidance.

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BC explained that the guidance would not stipulate individual fund policy in this area, instead it would outline topics and issues to be covered in the FSS.

8. A further question was raised about the inclusion of information on guarantors. It was confirmed that this was a topic area which was being added to the new guidance, including issues which an FSS should address around understanding of different stakeholders and when engagement may be needed.
9. The Chair rounded up the discussion by saying it was important to strike a balance between providing the best possible guidance to help ensure consistency whilst allowing funds to make decisions for themselves.

## **Item 5 – The Pensions Regulator (TPR) General Code**

10. Becky Clough introduced Paper C to the Committee.
11. Following a question raised at the March 2024 Board meeting, the Secretariat had a productive meeting with TPR who confirmed that the Public Sector toolkit will be reviewed although could not confirm if it would remain as a standalone product, like the current version.
12. As many funds were still considering and planning how to review and demonstrate compliance with the Code, more time would be needed to fully understand the impact on the LGPS. Some funds were also wanting to see the DLUHC response to the Good Governance recommendations before reviewing their arrangements. Paper C suggested that the SAB issue a survey in autumn to explore further how funds were coping and how well the Code has been received.
13. Mary Lambe (ML) has found that for some funds the initial hurdle in digesting the Code has been to identify what areas apply to the LGPS. She noted that even those who would have said they were fully compliant with the Code have identified areas for improvement, which was a positive development. She would like the Board to give a message to funds not to wait for an announcement from DLUHC on Good Governance before starting to review their governance arrangements. She added that it would be good for the Board to reach a view on things like what an “effective system of governance” means in an LGPS context. It would also help to get clarity on any deadline for compliance as there were different views being taken on this.

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14. RB asked whether the Board would be developing any communications to steer funds towards getting on with complying with the Code and expressed that this should be done before issuing a survey to gauge how funds are doing with Code compliance.
15. Jeff Dong (JD) commented that assessing cyber risk was a significant piece of work on reviewing the new General Code. Iain Colvin (IC) agreed with the earlier comment that the Code modules did overlap and there was work needed to identify the specific modules applicable to the LGPS.
16. With regards to representation and EDI (equality, diversity, and inclusion), more thinking needed to be done on how this applies to the LGPS and in particular how it applies to elected members of committees. It does, however, create an opportunity to engage with democratic services colleagues to gather information on representation within pension committees.
17. BC confirmed that the Secretariat had added an article to the June 2024 LGPC bulletin encouraging funds to press on with work to comply with the Code, despite the delays from government on the Good Governance project recommendations. The focus group would also be reconvened with an invitation extended to CRC governance representatives and Nick Gannon from TPR. It was agreed that a survey should be issued to gauge how funds are doing on Code compliance.
18. It was also agreed that an episode of the LGPS Live webinar would be dedicated to the General Code, with Nick Gannon of TPR invited to present at it. The next steps as noted at paragraph 9 of Paper C were agreed.

**ACTION – that the Secretariat carries out the next steps at paragraph 9 of Paper C including reconvening the TPR focus group and extending the invite to Mary Lambe (CRC governance consultant – Aon), Ian Colvin (CRC governance consultant – Hymans Robertson) and Nick Gannon (TPR).**

## **Item 6 – Peer Support Offer – Scoping discussion**

19. Jeremy Hughes introduced Paper D to the Committee which detailed the work undertaken in this area since the last meeting in February 2024.
20. RB said that it would be important for the Secretariat to consider how easy it would be to pivot if there were changes in government priorities

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(especially if there were a change in government). Scoping out the work could potentially be onerous depending on how independent and how rigorous the assessment process was. There may also be limits on the resource hard-pressed practitioners would be able to offer to support this work.

21. IC commented that though the biennial review and the peer support offer mentioned in the Good Governance recommendations were originally separate, this would need further development as the original recommendations were high-level in content.
22. Peter Worth (PW) commented that independence is important for any review and there would need to be standard methodology, so the reviews are consistent even if conducted by different people. There were precedents to be drawn from, for example, the former District Auditor Group.
23. The Chair highlighted the importance of pinning down what the key aims of the peer support offer is. The Board does not act in a policing capacity and is independent in its role. It was agreed that any further comments from the Committee on the peer support offer be sent to the Secretariat.

**ACTION – that any further comments from the Committee on the peer support offer be sent to the Secretariat.**

**ACTION – that a working group be established (at the appropriate time) reporting to this Committee and for a Peer Support Offer to be added to the CRC workplan.**

**AGREED – that the Committee approve the high-level objectives set out under paragraph 6 of Paper D.**

## **Item 7 – Audit Roundtable – update and next steps**

24. Ona Ehimuan (OE) introduced Paper E to the Committee. The Board along with the Institute of Chartered Accountants in England and Wales (ICAEW) commissioned a document setting out the timeline and information flow throughout a triennial valuation period and the finalised document is on the Board's website.
25. The Chair thanked PW for his work in producing the informer document. RB welcomed the document saying that it added clarity in areas that many

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did not understand. Jack Bower (JB) said that ICAEW welcomed feedback on the document and extended his thanks to PW.

## Item 8 – Knowledge and Skills working group

26. The working group had last met on 17<sup>th</sup> June 2024 and discussed the next steps resulting from the activity that had taken place over the past year. Now that the Annual Report Guidance had been published, there was more capacity to focus on this workstream. In terms of output from the group, there were plans to look at the CIPFA Knowledge and Skills Framework, guidance on Local Pension Boards issued by SAB on knowledge and skills, as well as TPR's General Code to see if this guidance could be brought into a sole product.
27. The Committee also considered the links to the Good Governance review (especially around the senior officer role). An action plan for the group is to be developed and presented to the Committee at the next meeting.

## Item 9 – Workplan Update

28. BC introduced Paper F to the Committee which gave an overview of the work and proposed next steps of the five active CRC working groups.
29. ML asked whether workforce planning would form part of the work being done by the Good Governance and Administration workstream. During the last meeting with DLUHC, they reported that they were no longer planning to include this in their response.
30. The Chair said that workforce planning did not seem to fall squarely under the remit of the Committee, however it is clearly a growing issue within the sector, and it would be good to consider how to offer up support to the sector. Jo Donnelly (JDo) said that the LGPC team was currently exploring the workforce issues being faced in the LGPS and, with the support of the sector, has developed a pensions qualification with LGPS specific modules which will commence in 2025. It will hopefully help improve recruitment and retention.
31. The Committee noted the progress of the working groups.

## Item 10 – Post Election Update

32. JDo introduced the discussion to the Committee. The Board would need to write a welcome letter to the new Minister after the general election and the Committee was asked to suggest issues that should be highlighted in

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that letter. The Committee identified audit issues (separation of pension fund audit and the backstop) as well as the Good Governance consultation as key issues. Also mentioned was clarity around outstanding administration regulation issues highlighted by the National Technical Group. Also requested was forfeiture, a response to the 2022 climate risk consultation and a confirmation of the status of the BDS Bill. On the last point, JDo noted that the BDS Bill had fallen with the dissolution of Parliament before the general election and until there was a new government and a King's Speech it was not clear whether it – or a similar Bill – may be brought before Parliament again.

33. The Chair added that clarity on the general direction of travel in the LGPS would also be useful. The areas raised by the Committee were noted by the Secretariat for consideration.

## **Item 11 – AOB and date of next meeting**

34. There were no other items of business raised. The date of the next meeting was confirmed as 21 October 2024.



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**HYBRID MEETING – 21 October 2024**

## **ITEM 5 PAPER B**

### **WORKPLAN UPDATE**

#### **Background**

1. This paper usually summarises the meetings and work undertaken by each of the CRC's workstreams since the last CRC meeting. However, following the General Election the Secretariat have paused meetings for ongoing workstreams, whilst the new Government's priorities have been emerging and resources have been focused on completing the Funding Strategy Statement (FSS) guidance.
2. Now the Annual Report workstream is completed and the FSS guidance workstream is aiming for completion by the end of the calendar year, the Secretariat have taken stock and are proposing next to concentrate on the outcomes of the Knowledge and Skills, Good Governance and Audit workstreams. Proposals for all these can be found in Papers D, E and F.
3. As opposed to the FSS and Annual Report guidance, which required updates to single, existing documents, both the Knowledge and Skills and Good Governance projects are multifaceted topic areas and will involve substantial work to new and existing documents. As the projects evolve and are scoped out, it is likely that sub-groups will need to be formed to look at specific topic areas for both workstreams.
4. It is also proposed that the number of members of each workstream is increased to ensure the most appropriate representation for the subject area in each and to assist with the substantial amount of work involved.

#### **Next steps**

5. Meetings of all three workstreams will be organised and a timetable of outputs created before the next Committee meeting.

#### **Recommendation**

For the Committee to accept the actions as set out in this report.

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## **ITEM 6 PAPER C**

### **Funding Strategy Statement guidance**

#### **Current position**

1. As previously reported, Regulation 58 of the Local Government Pension Scheme Regulations (LGPS) 2013 requires funds in England and Wales to publish a written statement setting out its funding strategy. As a reminder, Part (4) of this regulation requires that:

*‘(4) In preparing, maintaining, and reviewing the statement, the administering authority must have regard to -*

*(a) the guidance set out in the document published in October 2012 by CIPFA, the Chartered Institute of Public Finance and Accountancy and called "Preparing and Maintaining a Funding Strategy Statement in the Local Government Pension Scheme 2012(42); and*

*(b) the current version of the investment strategy under regulation 7 (investment strategy statement) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016’.*

2. It should be noted that the LGPS regulations 2013 do reference the CIPFA guidance dated 2012 and this has been raised for amendment with the Ministry of Housing, Communities and Local Government (MHCLG).
3. As set out in the agreed Terms of Reference, the CRC’s Funding Strategy Statement (FSS) working group were given the opportunity to shape the new FSS guidance, using the previous guidance as a template. The working group consisted of fund practitioners, fund actuaries, the Government Actuary’s Department (GAD), scheme employers, LGPS legal advisors, scheme member representatives and the Scottish Scheme Advisory Board. The Secretariat wants to thank all those who participated in the working group for their contribution to the new guidance.
4. Since the project was first started in Autumn 2022, the workstream has received a significant amount of feedback to input into the final version. This feedback has included perspectives on the content which should be included in the FSS guidance from various parties, including responses to a stakeholder survey, comments from fund practitioners, fund actuaries, employer representatives, scheme member representatives, GAD and MHCLG. The Secretariat have also reviewed a sample of FSS documents currently being used by funds to review best practice. This research has meant the previous guidance has been developed to reflect the current

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funding scenarios faced by LGPS funds and as funds are preparing for the 2025 Actuarial Valuation.

5. The guidance should help funds create their own funding strategy, covering all the necessary topic areas but without being prescriptive in the policy approach to take. A priority in the development of the new guidance was also that the ultimate FSS document published by a fund should be better understood by its primary readership of scheme employers.
6. The group has also taken into consideration the recommendations made in the Government Actuary's [latest review](#) of local fund valuation reports. In particular, the guidance has tried to address the recommendations on standardising climate risk reporting, on the implications of being in surplus, on deficit recovery plans and on enhanced governance where an asset transfer is proposed by a local authority to the pension fund in lieu of cash payment. The draft of the guidance and proposed clearance timetable to ensure the guidance is available for the end of the year, has also been shared with MHCLG officials with an invite to raise any potential areas of concern.

## **Approvals process and timetable**

7. The FSS guidance has been shared with CRC members for final comments and review with a view to approving a final version at this meeting. Whilst this accompanying report is being made publicly available on the SAB website, the FSS guidance is not being made publicly available until it receives final approval by the Board, CIPFA and MHCLG. To avoid possible confusion, the final guidance will only be made available on the Board's website once approved by all parties and the final design process and accessibility checks have been completed. This is the same approach as the Committee adopted in relation to the revised Annual Reporting guidance that was issued earlier this year.
8. The FSS guidance is required to be cleared through CIPFA's processes and is due to be submitted for approval by CIPFA at its Public Finance Management Board meeting on 7 November 2024. If approved there, it will be put for approval at the Board's meeting on 25 November 2024 and the Secretariat will then work with MHCLG officials to receive Ministerial approval, with the plan for final guidance to be issued before the end of December 2024.
9. The FSS guidance has been drafted so it can be applicable in Scotland and Northern Ireland and has been reviewed for comment by Scottish LGPS practitioners in the working group. The Secretariat have also shared the guidance with the Scottish Public Pensions Agency (SPPA) policy team and the Scottish Scheme Advisory Board (SSAB) for potential adoption by Scottish Ministers.

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## **Maintaining the guidance and review**

10. As agreed at the creation of the CRC, the new guidance will be freely available and hosted on the SAB's website. The Secretariat will ensure that publication online is consistent with accessibility requirements and that the guidance is available as an accessible document on the SAB website.
11. Following the results of the 2025 Actuarial Valuations, the FSS guidance will be reviewed and therefore it may be necessary to reconvene the working group to collate comments on the application of the guidance once the updated FSS's have been published.

## **Recommendations:**

For this Committee to approve the Funding Strategy Statement guidance shared separately by email, and for the Secretariat to subsequently submit the guidance for approval by CIPFA, the Scheme Advisory Board and then to MHCLG for Ministerial approval.

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## HYBRID MEETING – 21 October 2024

### ITEM 7 PAPER D

#### Knowledge and Skills workstream update

##### Background

1. At the February 2024 meeting of this Committee, an update was provided on the Knowledge and Skills workstream including the results of the two surveys undertaken in 2023 and the feedback received at the LGPC Governance Conference in January 2024. Following this, these next steps were agreed:
  - Analyse the requirements of The Pension Regulator's (TPR) 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 through which this could be disseminated
  - Work with the Ministry of Housing, Communities and Local Government (MHCLG) on what is needed for the [Next Steps on Investments](#) consultation response on training.
2. This report covers the proposal for the first and second bullet points, the third bullet point is outstanding with MHCLG, but the consultation response issued by the last Government has been taken into consideration in the recommendations of this report.
3. There are four recommendations covering knowledge and skills in the Board's Good Governance project covered in the [Action Plan](#) issued in February 2021. The Secretariat were expecting the implementation of all the recommendations to determine the priority order of work needed for each, and it was expected that the recommendations would be taken forward as draft regulations in a consultation during Summer 2024. The calling of the General Election, subsequent forming of a new Government and launch of the Pensions Review has created uncertainty on the timescale for the implementation of these recommendations and therefore slowed the expected progress on the next steps for this workstream. However, within **Annex A**, the Secretariat have collated a list of the relevant regulations and guidance covering knowledge and skills.
4. Guidance on this subject has been developed using a piecemeal approach, spread over several documents, sometimes behind a paywall, and therefore not widely accessible for all funds. The latest document updated by the Chartered Institute of Public Finance and Accountancy

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(CIPFA) was in 2021. Both the Good Governance recommendations and the previous Government's [Next Steps On Investments](#) consultation called for alignment in the knowledge and skills expectations for Pension Committee members with those for Local Pension Board members. The Board's survey on this topic showed that nearly 90% of respondents welcomed scheme wide guidance on minimum training requirements.

5. Therefore, it is proposed to commence a review on the changes needed to the existing published guidance documents in **Annex A** and whether it would be practical to amalgamate (some or all) of these documents into a knowledge and skills guide for LGPS funds.
6. During this initial review, it is proposed that the following areas of work will be prioritised:
  - A. Identify any gaps or topical issues not covered in the existing guidance which need to be addressed (e.g. dealing with extreme forms of lobbying when exercising fiduciary duty and expected behaviours)
  - B. Update the areas in the guidance document(s) following release of TPR's General Code
  - C. Create guidance for funds making a Training Policy (this may also include practical elements such as suggested standard agenda items, expected behaviours, induction recommendations and minimum training hours).
7. It is also proposed that the Secretariat publish any available data or commentary in the Scheme Annual Report of the training outcomes reported in funds' 2023/24 annual reports.
8. As work on the Committee's workstream to update the Funding Strategy Statement guidance nears conclusion, the Secretariat believes there is scope to provide an initial outcome of areas A and B by the next Committee meeting. However, this will significantly depend on whether there is any unknown work required following the outcome of the first phase of the Government's Pensions Review, with an update on next steps for that anticipated in the Autumn budget on 30 October 2024.
9. It will also be necessary to increase the number of members on this specific workstream in order that we can undertake the work required and broaden the views and perspectives from a wide range of stakeholders.

## Recommendations

For the Committee to agree the actions as set out in this report and for the Secretariat to commence a review on the changes needed to the existing published guidance documents concerning knowledge and skills.

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## Annex A – List of regulations and guidance relating to knowledge and skills

### Legislative requirements and legal opinions

- Pensions Act 2004
- Public Service Pensions Act 2013
- Fiduciary and public law duties ([covered in legal opinion from Nigel Giffin QC](#) advice to Scheme Advisory Board (SAB) in 2015)
- MiFID II (Markets in Financial Instruments Directive) and [SAB guidance on this process](#)

### Other relevant guidance

- SAB - [Creation and operation of Local Pension Boards in England and Wales \(2015\)](#)
- SAB - [Preparing the Fund Annual Report \(2024\)](#)
- CIPFA - Guide for Local Pension Boards (2018)
- CIPFA Knowledge and Skills framework (2021) - applicable to Pension committee members and senior LGPS officers
- CIPFA Code of Practice on Knowledge and Skills (2021) - applicable to the senior LGPS officer role, Chief Finance Officers, pension committee members, independent advisors, pension board members, independent chairs and any other individuals involved in management or a decision-making, scrutiny or oversight role relating to the LGPS.
- CIPFA Local Pension Board (2015) - A Technical Knowledge and Skills Framework
- Statutory guidance Governance Compliance Statements (2008)
- [The Pensions Regulator General Code](#) and [Toolkit](#)
- The previous Government's [Next steps on Investment Consultation response](#) November 2023 (specifically point 56)
- [Call for Evidence outcome](#): Pension trustee skills, capability, and culture (non-LGPS specific) – November 2023

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## HYBRID MEETING – 21 October 2024

### ITEM 8 PAPER E

#### Good Governance update

##### Current position

1. Prior to the General Election, significant progress had been made with MHCLG officials to prepare a consultation on new Governance Statutory guidance, which would be the first significant step to implement the Good Governance recommendations. It was understood that Government had been aiming for the guidance to be ready for consultation before the 2024 Summer Recess, however the calling of the General Election and forming of a new Government has meant the implementation timetable is now less clear. However, the call to implement these recommendations has been made directly by the Board Chair, Cllr Phillips in a [welcome letter to the new Minister, in face-to-face meetings with the Minister](#) and in the [Board's response to the recent Call for Evidence](#) as part of the Government's Pensions Review.
2. It should be noted that the [Terms of Reference](#) for the Chancellor's Pensions Review does mention 'improved governance' and it is not clear at this stage whether the perceived "inefficiency and fragmentation" in the scheme extends to administrative, investment or governance functions. However, we understand that officials consider the implementation of the Good Governance recommendations and the outcome of the Pensions Review as being linked.
3. The Secretariat have reassessed the Board's original 2021 agreed action plan to see if anything can be taken forward in the absence of a clear Ministerial position. As a reminder, the agreed action plan for implementation of the recommendations generally comprised of:
  - Those matters that would fall to the Ministry of Housing, Communities and Local Government (MHCLG) to implement, either by amending scheme regulations or producing statutory guidance
  - Those matters that would fall to the Board and other bodies to implement – subject to the actions being taken by MHCLG
  - Actions to identify and promote existing best practice that the Board can take forward regardless of the outcome of the two points above.
4. The actions listed in the column titled 'SAB immediate actions' (bullet point 3) were either completed in 2022 or have been partially completed and are awaiting further progress, therefore attention is now being turned to what



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the Board can do whilst the delay continues and how this links to the need for the Board to issue guidance to assist funds with compliance with the Pension Regulator's (TPR) General Code.

5. The Secretariat are therefore proposing the timeline for its work on Good Governance to shift the initial focus and resources in the coming months to the knowledge and skills guidance project (as covered in paper D), updating the Board's Local Pensions Board guidance and developing a LGPS peer support offer by recruiting a new team member. Applications for the role of a Pensions Policy and Support Officer to help design a new peer support model closed on 11 October 2024.
6. If no firm outcome is provided by MHCLG by the end of the calendar year on how the Good Governance recommendations will be implemented, it is proposed that the Board also continue to revise the existing statutory Governance Compliance Statement Guidance of its own volition. That review would update the guidance (which was drafted in 2008) to reflect current best practice in governance, in how Governance Compliance Statements are prepared and how funds can take into consideration the relevant topics covered in TPR's General Code module 'The Governing Body'. It is expected that the working group will be brought together before the end of the calendar year to scope this work out and provide priority areas to address, along with a timeline to complete a revision of the guidance – with an update being brought to the next CRC meeting in early 2025.

## Recommendation

For the Committee to agree the actions as set out in this report.

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**ITEM 9 PAPER F**

**AUDIT UPDATE**

## **Audit Separation**

1. The Board has previously had [confirmation from the Local Government Minister](#) of the intention to explore the recommendation from the Board for the separation of pension fund from host authority audit. MHCLG Officials have previously said that they would intend to effect this separation once a suitable legislative vehicle was available and we have no reason to think that the change in administration has changed this position.
2. The [King's Speech](#) in July 2024 contained a commitment to bring forward a draft Audit Reform and Corporate Governance Bill which would seem to provide such an opportunity and the Pension Schemes Bill is another possibility. **The Committee is asked to agree to write to MHCLG officials to clarify their intention.**

## **Audit Roundtable**

3. This Committee has convened a series of roundtable meetings on audit that have involved LPGS practitioners, actuaries, local audit firms and regulators. These have identified areas of common interest and possible actions to address issues of shared concern.
4. The most recent one was held on 17 April 2024 and a date for the next meeting is currently being organised by the Secretariat. It is hoped the meeting will be able to take place before the end of the calendar year and some proposed agenda items are:
  - Feedback on the usefulness of the ICAEW/SAB Informer Document
  - Possibility of the new Audit Bill effecting separation
  - Implications of the new government's approach to clearing the local government audit backlog

## **LGPS Informer Feedback**

5. Back in June 2024, the jointly commissioned Local Government Pension Scheme Informer between the Board and the Institute of Chartered Accountants in England and Wales (ICAEW) was published.

6. This document was published both on the [Board website](#) and the [ICAEW's website](#).
7. The informer aimed to set out the key timelines and information flows throughout a triennial valuation period, explain the roles and responsibilities of employing bodies, auditors, pension funds and actuaries, and show the content and purpose of annual accounting reports and triennial valuations.
8. Following publication, both the Board and ICAEW are keen to receive feedback from this Committee and other stakeholders to understand:
  - How the informer has been used and by whom
  - If the document has been found useful and whether it has met its intended aim and if not, why not?
  - What could be improved and whether there are further areas or topics which could be explored in an update to this document or via a new publication?
9. It is also proposed that the above questions will be added to the October monthly bulletin sent to administering authorities to invite feedback.

### Other audit queries

10. The Secretariat have been made aware of a specific technical issue that could potentially impact scheme employer audits. This is around the correct calculation of asset ceilings for IAS19 purposes where an employer is in surplus but is still making secondary contributions (due to smoothing of changes in contribution rates). We have discussed the issue with a number of actuaries and accounting experts and are now content that a reasonable consensus has been reached on this point. No further action is proposed at this stage.
11. We are also aware of a concern relating to the vexatious public inspection of accounts. At least one fund has received requests to inspect documents relating to consultancy advice on climate with a suggestion that those requests will support an objection to the accounts (which could increase audit fees if followed up by the auditor). This new campaign is potentially motivated by the well-publicised [view from climate activists that pension funds are poorly advised](#) in relation to climate scenario analysis.
12. The Secretariat's view is that any challenge by activists to these items in the accounts would most likely be around them offering poor value for money rather than being unlawful. The [guidance](#) on this from the NAO does suggest that a vfm objection can be made but an auditor would be unlikely to support it without actual evidence of a breach of proper procurement rules.

13. It seems that this is a new kind of campaigning and there are few protections against what can be seen as vexatious objections, since inspection and objection rights are considered fundamental to local democracy. It may be worth pointing auditors to this section in the NAO's guidance which deals with the situation where objections essentially relate to policy decisions rather than audit questions:

*“Your right to ask questions of the auditor is enshrined in law. However, while the auditor will answer your questions where possible, they are not always obliged to do so – which is another reason for asking the authority first. So, for example, the question might be better answered by another organisation, require investigation beyond the auditor's remit, or involve disproportionate cost (which is borne by the local taxpayer).”*

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