

Compliance and Reporting Committee

Draft Workplan 2022/23

1. The draft workplan set out below comprises three separate sections, namely:
 - Those workstreams where work by the committee could commence immediately;
 - Those workstreams where work by the committee cannot commence immediately because they are contingent on actions to be taken later in the year by external parties, and
 - Those workstreams that are initiated solely by CIPFA.

Section 1

2. The following workstreams were agreed by the committee when it met on the 9th May.

Funding Strategy Statement Guidance Update

3. Under Regulation 58(4) of the 2014 scheme regulations in preparing, maintaining and reviewing the statement, <https://www.lgpsregs.org/schemeregs/lgpsregs2013/timeline.php> the administering authority must have regard to the guidance set out in the document published in October 2012 by CIPFA "Preparing and Maintaining a Funding Strategy Statement in the Local Government Pension Scheme 2012".
4. The 2022 triennial valuations are underway, with new rates and adjustments certificates coming into force on the 1st April 2023. Fund valuations are therefore well advanced and it is doubtful whether a full review of the existing guidance would be completed in time for it to add any value to the 2022 triennial valuation.
5. However, this does not detract from the need for the existing guidance to be reviewed and, where necessary, improved and updated. On that basis the committee recommends that work on revised guidance should commence immediately even if it may not have any practical impact until the 2025 triennial valuation. The committee doesn't rule out the possibility that an early draft version of the revised guidance could have a limited impact on the 2022 triennial valuation.
6. In taking this work forward the committee will undertake a major review of the existing CIPFA guidance and in addition will take on board any new elements that it considers to be relevant, for example, cash-flow levels and their management.

Annual Report Guidance

7. Under Regulation 57(3) an administering authority is required to prepare, publish and maintain its pension fund annual report having regard to guidance issued by the Secretary of State. In this case, publication of the guidance was delegated to CIPFA who published "Preparing the Annual Report" in March 2019.

8. For several years the statutory deadline of the 1st December for the preparation and publication of pension fund annual reports has been missed by a significant minority of administering authorities. It is claimed that one cause of the delay is main local authority accounts, of which pension fund accounts form part, not being signed off in time. It is also claimed by some administering authority that the effort and resources required to publish annual reports cannot be justified given the limited use they are put to. These issues have a knock-on effect to the preparation and publication of the SAB scheme annual report which aggregates the individual annual reports from each administering authority.

9. In reviewing the existing CIPFA guidance the committee will take on board concerns around capacity and resources and consider whether the regulations governing the content and how the annual reports are to be published remain fit for purpose and whether they can be simplified to ease pressure on resource-stretched administering authorities.

10. Target date for publication of the revised guidance will be March 2023 to assist in the preparation and publication of 2022/23 annual reports that will need to be completed by the 1st December 2023.

Audit Issues

11. The committee proposes to investigate further the delays in main local authority accounts being signed off and the consequential impact this has on pension fund accounts, pension fund annual reports and SAB's scheme annual report.

12. In taking this work forward the committee will examine the scope for recommending that pension fund accounts should be separate for main local authority accounts and to measure the impact this will have on the availability of external audit companies.

13. The committee will also take evidence from the LGPS in Scotland and Wales where the switch has been made to separate pension fund accounts.

14. As a first step the committee proposes to recommend to SAB that the Chair should write to the local government Minister confirming the committee's interest in this area and seeking collaborative working with the Department on this key issue.

Knowledge and Skills Framework

15. Despite a plethora of guidance from CIPFA, the Pensions Regulator and the FCA in the context of MIFID II on knowledge and skills the committee is aware that inconsistencies exist in the extent to which elected members sitting on pension committees and members of local pension boards are acquiring and maintaining a level of knowledge and understanding to comply with industry standards and at times, statutory requirements such as MIFID II.

16. In taking this work forward the committee proposes to explore the scope for introducing a more robust framework both in terms of what level of knowledge and understanding is required and how such levels should be and monitored and reviewed. The committee will also examine the scope for moving to a single framework to avoid duplication and potential misunderstanding of requirements.

17. The committee also proposes to specifically clarify the level of knowledge and understanding required of elected members on pension committees to resolve that long-standing claim that members of LGPS local pension boards are under a statutory duty to acquire knowledge and understanding whereas elected members are under no similar requirement. Further work will be undertaken to ensure effective implementation, monitoring and the sharing of best practice.

Communication on Pension Fund Accounting

18. The committee proposes to prepare a paper which explains the different accounting standards that can apply to pension fund accounts and how these compare and contrast with the standards and practice adopted by LGPS fund authorities.

19. This is felt to be necessary to explain to those outside of the scheme why accounting data in the LGPS is at variance with the corresponding data in other pension schemes, in particular, where accounting standard IAS19 is used in the private sector.

Review Guidance on Administration, Communications and Governance

20. The 2014 scheme includes a number of examples where administering authorities are required to prepare, publish and maintain policy statements on key issues like governance compliance, communication, administration and use of discretionary powers.

21. The committee proposes to review all such examples and examine the scope for simplifying and rationalising the number of policy statements that administering authorities are responsible for. In doing so, the committee will also seek to build on the existing regulatory framework and associated guidance to further improve best practice and achieve more consistency across the scheme.

22. In taking this work forward the committee will take account of the separate and ongoing work being undertaken by SAB and DLUHC on the good governance action plan.

Section 2

23. The following workstreams have been proposed by the committee but work on them cannot be commenced as they are contingent upon actions being taken by other parties, principally, by DLUHC on publication of their Autumn public consultations:

- TCFD reporting framework;
- Pooling guidance;
- Levelling Up;
- Boycotts, Divestment and Sanctions Bill, and
- CMA Order

24. The 2022/23 workplan agreed by SAB will be kept under review and updated where necessary to reflect when the above workstreams can be commenced.

Section 3

25. At present the committee has not been made aware of any specific area of work to be undertaken on CIPFA's behalf.