

\Governance, decision making & accountability

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Consequences

- Lack of strategic direction
- Poor decision making
- Poor performance
- Compliance issues
- Dissatisfaction from employers, members etc.
- Reputational damage

Key aspects

- Role of pensions committee
 - Myners Principles
 - Compliance statements
- Knowledge & skills framework
- Accountability
 - Annual Governance Statements
- Governance implications of changes

Role of pensions committee

Myners Principle 1: Effective decision making

- Administering authorities should ensure that: decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation;
and
- those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.
- Compliance or ownership of improvement?

Compliance statements

- Relationship to good governance principles
- Tick box or good governance?

CLG Principle	CIPFA / SOLACE Principle
<p>That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or a secondary committee.</p> <p>That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.</p>	<p>Promoting values for the authority and demonstrating the values of good governance though upholding high standards of conduct and behaviour.</p>

Challenges in practice

- Quality – knowledge, skills, experience
- Commitment – member turnover
- Clarity over roles & responsibilities
- Quality of support & expertise

Assessing effectiveness

- 'Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.'

Principle 4, Performance Assessment

- Suggested approach:
 - Officers and members
 - Review decisions made e.g. manager selection, asset allocation decisions
 - Reviews of governance, performance & attendance targets
 - Include in annual report

Assurance sources

- Compliance statements and Myners Principles
- Self-assessment, improvement plan output
- External benchmarking / validation
- Views of stakeholders
- Output from risk management process – e.g. strategic risks
- Evidence of performance
 - Focus of agendas
 - Questioning / challenge

Knowledge & skills

- CIPFA frameworks 2010:
 - Technical guidance for pensions practitioners
 - Technical guidance for elected representatives and non-executive members

- Code of practice on public sector pensions finance knowledge and skills, September 2011



Requirements of code of practice

- Designed to support the 'comply or explain' of Myners Principles (specifically principle 1 on effective decision making)
- Recommended statements to adopt:
 - Adoption of code
 - Knowledge & skills essential for effective financial administration & decision making
 - Establish objectives, policies & practices for acquisition & retention
 - Policies & practices to be guided a framework of knowledge & skills
 - Annual reporting on implementation
 - Nomination of responsible person for implementation

Assurance over knowledge & skills

- Compliance with code of practice
 - Adoption
 - Annual reporting
- Evidence of policies & procedures
- Evidence of training needs analysis, training plan & implementation in practice
 - Relevant staff
 - Members
- Has knowledge & skills framework been tailored to suit?
- Reporting on progress
- Is it embedded?

Accountability

Mechanisms in place

- Communications:
 - Annual reports
 - Stakeholder meetings
 - Communications policy, access
- Accountability
 - Representatives on pension committee
 - Compliance statements
 - Annual Governance Statements
- Consultations

AGS & pensions governance

- Compliance statements – ‘mapped’ to Good Governance principles
- AGS shouldn’t seek to duplicate pensions governance arrangements.
- A source of assurance for AGS – audit committee should be aware of any governance issues
- 2012 CIPFA review of Good Governance Guidance Note – pensions is highlighted as one area where greater clarity for AGS is needed

Assurances

- Up to date, current?
- How needs of stakeholders have been assessed?
- Effective? – evidence of consultation / survey?
- Awareness / assessment of good practice examples
- Pension committee – accountability back to stakeholders
 - Evidence of performance
- Clear link from pensions committee to Annual Governance Statement review of effectiveness

Current & future environment – potential governance risks?

- Public scrutiny of public sector pensions
- LGA work streams in response to Hutton, governance changes and risks to consider:
 - Implications for oversight & scrutiny at national level
 - Impact on local accountability

Summing up

- Are governance risks being properly identified?
- Is robust assurance on governance in place?
- Staying alert to future developments & governance implications.