

PENSION FUND COMMITTEE – 25 JUNE 2010

DELIVERING GOOD GOVERNANCE

Report by Head of Finance & Procurement

Background

1. Good governance in public services sets the framework within which public sector bodies can achieve and demonstrate good performance, sound management, the effective stewardship of public funds and, by extension, delivery against the expectations placed upon them.
2. Good governance is as important to the Local Government Pension Scheme as it is to any other public sector activity. With assets of over £1.1bn as at 31 March, the emphasis on the decision-making structures that surround the Oxfordshire Fund is critical to the exercise of sound stewardship and good financial performance.

Recent Publications

3. During the past year a number of guidance documents have been published on different aspects of governance. The intention of the guidance is to help Pension Funds assess themselves against what is deemed best practice. These guidance documents include:
 - Delivering Good Governance in Local Government Pension Funds (guidance on governance compliance statements)
 - Investment Decision Making and Disclosure (guidance on applying the Myners principles)
 - Pension Fund Knowledge and Skills Framework – guidance for elected representatives
 - Pension Fund Knowledge and Skills Framework – guidance for pension practitioners (officers)
4. As a consequence it is deemed appropriate for the Pension Fund to assess how it measures up to best practice. In doing so the over-riding objective will be to ensure that the various arrangements that are in place are reviewed with improvements made where there will be a beneficial impact on the Fund. No changes will be made where there is no perceived benefit, other than being able to comply with best practice.

Current Assessments / Reviews

5. Some work has been undertaken in the past few weeks to assess the Pension Fund against best practice guidance or to review existing policies or statements. These are:
 - Governance Compliance Statement

- Updated Myners Principles
- Statement of Investment principles
- Communications Policy

6. There is a report on each of these on today's agenda. In relation to the assessment against the updated Myners principles, there are a number of areas of non or partial compliance and that has generated proposals for further reviews to be undertaken or improvements to be made or considered.

Pension Fund Knowledge and Skills Framework

7. CIPFA has published guidance on the knowledge and skills that would be useful to members of Pension Fund Committees and also to officers involved in the administration and investment of pension funds. One of the Myners principles for effective decision-making requires administering authorities to ensure that decisions are taken by persons with the necessary skills and knowledge and that those persons have sufficient expertise to be able to evaluate and challenge the advice they receive. In order to do this, reference is made to CIPFA's knowledge and skills framework and suggests that the adoption of a training plan and an annual update of training needs would represent good practice. It also recommends a statement in the annual report describing actions taken and progress made.
8. About a month ago I circulated the details included in the knowledge and skills framework and asked members to complete a self-assessment. There was limited response to this, I suspect because the framework was quite daunting. To help members I propose, with the committee's approval, to prioritise the framework into a set of requirements which better fit the needs of the committee. We can then assess members against these priorities and any training that has been undertaken. A training plan can then be developed. In developing the training plan I would take into account the committee's preference for how training should be delivered, e.g. a training session prior to each committee.
9. I propose to undertake a similar exercise in relation to officers against their framework.

RECOMMENDATION

10. **The Committee is RECOMMENDED to:**
- (a) note the work being undertaken to assess the Fund against best practice;**
 - (b) agree that the objective is to make improvements for the benefit of the fund rather than simply complying with best practice;**

- (c) **agree to the prioritisation of the knowledge and skills framework and the development of an improved training plan addressing members' needs.**

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Background papers:

Cipfa Publications:

- Developing Good Governance in Local Government pension Funds
- Investment decision making and disclosure (updated Myners Principles)
- Pensions Finance Knowledge and Skill Framework

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