

# Pensions Committee

**2pm, Tuesday, 18 December 2012**

## **Governance of Lothian Pension Funds & Appointment of Pensions Audit Sub-Committee**

Item number	5.1
Report number	
Wards	All

### **Links**

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Coalition pledges

Council outcomes [CO26](#)

Single Outcome Agreement

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# Executive summary

## Governance of Lothian Pension Funds

### Summary

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Following revisions to the constitution of the Consultative Panel in October 2012, applications have been sought. The following table shows the membership of the new Panel.

<b>Member representatives</b>	
Alison Cosgrove	UNISON
John Rodgers	UNITE
Eric MacIennan	UNISON
Owen Murdoch	UNISON Retired member
Charlie Boyd	Active Member
Vacancy	
<b>Employer representatives</b>	
Darren May	Scottish Water
Guy Hughes	Lothian Buses
Alan Williamson	Edinburgh Colleges
Eric Adair	EDI
Appointment by Scottish Office	Scottish Homes
Vacancy	

The Panel met on 5 November and nominated the following for membership of the Pensions Committee for one year:

- Darren May, HR Manager, Scottish Water as employer representative;
- Alison Cosgrove, Unison, East Lothian Council as member representative.

On 22 November 2012, Council agreed the appointments.

A Code of Conduct, issued by the Scottish Government, applies to every elected member of a local authority in Scotland and so would apply to an individual's elected member's role on a Pensions Committee. It applies only to elected members and not to co-opted members of local authority committees. However, co-opted members are expected to apply the same high standards of conduct as elected members. The Council should, therefore, expect co-opted members of the Pensions Committee to comply with the Code and this should be made a condition of their appointment. The Code of Conduct has been tailored for the Pensions Committee and Consultative Panel. It is attached as Appendix 1 for approval.

A Pensions Audit Sub-Committee consisting of 3 members (including at least 2 elected members from City of Edinburgh Council) will undertake the audit scrutiny of the

pension funds. It is expected to meet twice per year (March and August/September) and will cover issues relating to financial statements, internal and external audit and risk control framework. The Committee is asked to appoint the members of the Sub-Committee.

The Pensions Audit Sub-Committee will be supplemented by the attendance of two representatives from the Consultative Panel who will respond to all relevant matters in a non-voting capacity. The Panel has agreed that Eric MacLennan and Eric Adair will undertake this role.

Committee has previously agreed to appoint an independent observer to assist it in ensuring good governance of the pension funds. The search for an independent observer has commenced and is expected to conclude ahead of the Committee meeting in March 2013. Committee members are requested to participate in the selection process and select the preferred candidate.

## **Recommendations**

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1. To note the external appointments to the Pensions Committee.
2. To approve the Code of Conduct for members of the Pensions Committee and the Lothian Pension Funds' Consultative Panel.
3. To make appointments to the Pensions Audit Sub Committee.
4. To note the progress on appointing an independent observer.

## **Measures of success**

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Strengthened governance for the benefit of the pension funds and their stakeholders.

## **Financial impact**

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There are no direct financial implications of this report. Costs associated with the governance of the pension funds are included in the pension funds' budget.

## **Equalities impact**

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There are no environmental implications as a result of this report.

## **Sustainability impact**

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There are no sustainability implications as a result of this report.

## **Consultation and engagement**

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There has been overwhelming support from pension fund stakeholders for the introduction of voting members other than City of Edinburgh Council elected members to the Pensions Committee. The Pensions & Trusts Committee was supportive of the change.

## Background reading / external references

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Not applicable.

## Links

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### Coalition pledges

<b>Council outcomes</b>	CO26 – The Council engages with stakeholders and works in partnerships to improve services and deliver agreed objectives.
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### Single Outcome Agreement

<b>Appendices</b>	Appendix 1 - Code of Conduct
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**The City of Edinburgh Council**

**The Pensions Committee**

**Lothian Pension Funds' Consultative Panel  
(Panel)**

**Code of Conduct**

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## **Introduction**

The Pensions Committee is appointed under Section 57 of the Local Government (Scotland) Act 1973 to exercise all functions of the Lothian Pension Funds within the terms of the legislation.

The Pensions Committee is made up of 5 City of Edinburgh elected members and 2 external members offered to pension fund stakeholders, one employer representative and one member representative taken from the Lothian Pension Fund Consultative Panel (Panel).

Members of the Pensions Committee have responsibility for:

- exercising all functions of Lothian Pension Funds within the terms of the legislation
- determining the overall policy objectives of the pension funds in accordance with the best interests of fund members and with relevant legislation.
- determining the strategy for the investment of pension funds' monies including the variety and suitability of investments and to review and monitor investment arrangements.
- ensuring appropriate investment management arrangements are in place for pension funds monies and to review investment manager performance.
- establishing and maintaining arrangements for the effective management and administration of the pension funds including staffing and budgetary arrangements.
- approving the allocation of resources to the Investment and Pensions Division from the Revenue Budget and Capital Investment Programme of the Lothian Pension Funds.
- approving responses to consultation papers issued by government and other authorities.
- monitoring overall performance of the Lothian Pension Funds in the delivery of services and financial performance.

This document sets out a code of conduct for members of the Pensions Committee. It also applies to members of the Lothian Pension Funds Consultative Panel.

It is your personal responsibility to comply with this Code and review regularly, and at least annually, your personal circumstances with this Code in mind, particularly when your circumstances change. You must not, at any time, advocate or encourage any action contrary to this Code.

If you are uncertain about how the rules apply, you should seek advice from the Council's Director of Corporate Governance.

Breach of any provision of this Code may result in termination of your appointment as a member of the Committee and/or Panel, in addition to any other legal consequences that may attach to the breach in question.

## **Key principles**

The general principles upon which this Code is based should be used for guidance and interpretation only. These general principles are:

### Duty

You have a duty to uphold the law and act in accordance with the law and the public trust placed in you. You have a duty to act in the interests of the pension funds (which are administered by the Pensions Committee) and all the persons served by the pension funds.

### Selflessness

You have a duty to act solely in the interests of the pension funds and all the persons served by the pension funds. You must not act in order to gain financial or other material benefit for yourself, your organisation, family or friends.

### Integrity

You must not place yourself under any financial or other obligation to any individual or organisation that might reasonably be thought to influence you in the performance of your duties.

### Objectivity

You must make any recommendations solely on merit.

### Accountability and Stewardship

You are accountable to the Pensions Committee for your advice and actions. You have a duty to consider issues on their merits, taking account of the views of others, with a view to assisting the Pensions Committee to act prudently and in accordance with the law.

### Openness

You have a duty to be as open as possible with the Pensions Committee about your advice and actions.

### Honesty

You have a duty to act honestly. You must declare any private interests relating to your duties as a member of the Committee and/or Panel and take steps to resolve any conflicts arising in a way that protects the interests of the pension funds and all the persons served by the pension's funds.

### Leadership

You have a duty to promote and support these principles by leadership and example, and to maintain and strengthen the public's trust and confidence in the integrity of the Pensions Committee.

### Respect

You must respect all other members of the Committee and/or Panel and all Council employees, and the roles they play, treating them with courtesy at all times. Similarly you must respect members of the public when performing duties as a member.

You should apply the principles of this Code to your informal dealings in relation to the pension funds with such other persons no less scrupulously than at formal meetings of the Pension Committees. Good conduct must be observed in all situations where you act as a member of the Committee and/or Panel.



## **Gifts and Hospitality**

You must not accept any offer by way of gift or hospitality which could give rise to real or substantive personal gain or a reasonable suspicion of influence on your part to show favour or disfavour to any individual or organisation. You should also consider whether there may be any reasonable perception that any gift received by your spouse or cohabitee or by any company in which you have a controlling interest, or by a partnership of which you are a partner, can or would influence your judgement. The term "gift" includes benefits such as relief from indebtedness, loan concessions, or provision of services at a cost below that generally charged to members of the public. You must never ask for gifts or hospitality.

You are personally responsible for all decisions connected with the acceptance of gifts or hospitality offered to you and for avoiding the risk of damage to public confidence in the Pensions Committee. As a general guide, it is usually appropriate to refuse offers except:-

- (i) isolated gifts of a trivial character, the value of which must not exceed £50; or
- (ii) normal hospitality associated with your duties and which would reasonably be regarded as appropriate.

You must not accept any offer of a gift or hospitality from any individual or organisation who is an applicant awaiting a decision from the Pensions Committee or who is seeking to do business or to continue to do business therewith. If you are making a visit for the purposes of carrying out your duties as a member of the Committee and/or Panel, then as a general rule you should ensure that the Council pays for the cost of this visit. You must not accept repeated hospitality or repeated gifts from the same source.

## **Confidentiality Requirements**

Pensions Committee documents are generally open to the public. This should be the basis on which you normally work, but there may be times when you will be required to treat discussions, documents or other information relating to the pension funds or Pensions Committee in a confidential manner, in which case you must observe such requirements for confidentiality.

Such information is, however, for your individual use in carrying out your duties as a member of the Committee and/or Panel and must not be disclosed or in any way used for personal or party political advantage or in such a way as to discredit the Pensions Committee. This will also apply in instances where you hold the personal view that such information should be publicly available.

## **Appointments to Partner Organisations**

You may be appointed or nominated by the Pensions Committee or the Council as a member of another body or organisation. If so, you will be bound by the rules of conduct of these organisations and your responsibility for any actions taken by you as a member of such an organisation will be to the organisation in question. You must also continue to observe the rules of this Code in carrying out the duties of that body.

## **Declaration and registration of interests**

Declaration of interest, along with registration of interests, are intended to produce transparency in regard to interests which might influence, or be thought to influence, your actions as a member of the Committee and/or Panel. A financial or other interest arising by virtue of membership of any of the pension funds does not have to be declared.

It is your responsibility to make decisions about whether you have to declare an interest or make a judgement as to whether a declared interest prevents you from taking part in any discussions. You are in the best position to assess your personal circumstances and to judge how these circumstances affect your role as a member of the Committee and/or Panel in regard to a particular matter. You can, of course, seek advice from appropriate Council officers or from other sources which may be available to you. In making decisions for which you are personally responsible you are advised to err on the side of caution.

### **Making a Declaration**

You must consider at the earliest stage possible whether you have an interest to declare in relation to any matter which is to be considered. You should consider whether agendas for meetings raise any issue of declaration of interest. Your declaration of interest must be made as soon as practicable at a meeting where that interest arises. If you do identify the need for a declaration of interest only when a particular matter is being discussed you must declare the interest as soon as you realise it is necessary.

The oral statement of declaration of interest should identify the item or items of business to which it relates. The statement should begin with the words "I declare an interest". The statement must be sufficiently informative to enable those at the meeting to understand the nature of your interest but need not give a detailed description of the interest.

Public confidence in a public body is damaged by perception that the body's decisions are substantially influenced by factors other than the public interest. If you would have to declare interests frequently at meeting of the Pensions Committee, you should not accept appointment thereto.

**The City of Edinburgh Council**

**The Pensions Committee**

**Lothian Pension Funds Consultative Panel**

**UNDERTAKING**

**For signing by members of the Pensions Committee and the Lothian  
Pension Funds Consultative Panel**

Code of Conduct

I hereby;

- (i) acknowledge that I have read and understood the Pensions Committee  
“Code of Conduct” and
- (ii) undertake to comply with the said Code of Conduct.

Confidentiality

I hereby;

- (i) acknowledge that, as a member of the Pensions Committee/Lothian  
Pension Funds Consultative Panel, I am given access to documents of  
which are of a confidential nature;
- (ii) undertake not to disclose any such document (or any information  
contained within any such document) to any other party without the  
prior written permission of the City of Edinburgh Council’s Director of  
Corporate Governance;
- (iii) agree to take all reasonable steps to prevent such disclosure; and
- (iv) accept that the confidentiality obligations of this undertaking continue  
even after I cease to be a member of the Pensions Committee/Lothian  
Pension Funds Consultative Panel.

Signature: .....

Name (Block Capitals): .....

Post/Job Title: .....

Date of signing: .....