



Pensions Committee

2.00pm, Wednesday 27 September 2023

Lothian Pension Fund - Contract Awards and Supplier Overview (Period 1 July 2022 to 30 June 2023)

Item number 6.5

1. Recommendations

The Pensions Committee (Committee) is requested to:

- 1.1 Note the contents of this report.
- 1.2 Approve the continuation of the appointment of the Fund's external investment managers for global equities, by way of a waiver of the CSOs for the period from 1 October 2023, as referred to in paragraph 4.5 of this report.

David Vallery

Chief Executive Officer

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2. Executive Summary

- 2.1 The purpose of this report is to:
 - 2.1.1 update the Committee on the contracts awarded by the Fund in the period 1 July 2022 to 30 June 2023. This provides visibility of contracts awarded under the Scheme of Delegation to Officers; and
 - 2.1.2 seek approval to a waiver of the Council CSO's in connection with a further extension of certain high-value contracts.
- 2.2 It also provides an overview of the Fund's suppliers. It does not include details of suppliers for LPFI Ltd or LPFE Ltd as this information is reported to the relevant board.

3. Background

Contract awards

- 3.1 An annual report is presented to the Committee detailing the contracts awarded by the Fund. Contracts awarded by the Fund are entered into by the Council acting in its capacity as administering authority therefore the Council's Contract Standing Orders (CSOs) apply. The CSOs reflect the requirements of the applicable procurement legislation.
- 3.2 Previously:
 - 3.2.1 the report has been prepared by the Council's Head of Commercial and Procurement Services, who prepares a similar report for the Council's Finance and Resources Committee. The Council's Commercial and Procurement Services team has agreed that Fund officers will be responsible for this report going forward.
 - 3.2.2 the report has been supplemented with details of contracts awarded by LPFI Ltd and LPFE Ltd. This overlaps with the content of annual reports presented to the corporate boards, so it has been decided to exclude such details from this report.

Contract extensions

- 3.3 In March 2022, the Committee was made aware of a potential exemption from the requirement to conduct a regulated procurement process for investment

management services, relevant to the requirement to seek Committee approval for extending the Fund's contracts with external equity managers. The Committee noted the Fund's intention to seek external advice, as part of Project Forth, to formally confirm the application of the financial services exemption to these services.

- 3.4 Similarly, the Committee approved the proposal to extend the property management and fund accounting services contract and the property valuation services contract until 30 September 2025. This date was suggested to allow 30 months from the expected date of completion of Project Forth.

Supplier overview

- 3.5 To support the Committee's awareness of the Fund's activities, the content of this report has been expanded to include an overview of the Fund's key suppliers. Suppliers are managed in accordance with LPF's supplier management framework.

4. Main Report

Contract awards

- 4.1 This report updates the Committee on the contracts awarded by the Fund in the period 1 July 2022 to 30 June 2023 (excluding contracts with a total value of less than £10,000).
- 4.2 The CSOs outline contract approval thresholds for goods, works and services, identifying both the level of award which can be undertaken and those with the authority to award. In specific circumstances, direct awards can be undertaken, where it is not practically viable to 'tender' the requirement.
- 4.3 A waiver of CSOs to allow a contract to be awarded or extended without competitive tendering may also be required in certain circumstances. Inevitably, there will always be a need for a select number of waivers, however each is evaluated on its own merits and approval given only if fully justifiable and in the best interests of the Council and other Fund stakeholders. Such circumstances continue to be tightly controlled and scrutinised and will be reported to this Committee moving forward.
- 4.4 A summary of contracts awarded by the Fund under delegated authority in the period 1 July 2022 – 30 June 2023 is presented in the table below. The spending under these contracts is within LPF's budget previously approved by the Pensions Committee.

Supplier	Contract Description	Duration	Contract Value
Azeus UK Limited	Governance board portal known as "Convene"	4 years	£32,000
Dealsco Ltd	Consultancy services relating to the Investment Services Review	3 months	£90,000
Dealsco Ltd	Consultancy services relating to the Investment Services Review Remediation Programme	6 months	£40,000
XLedger Limited	Financial ledger system	10 years	£243,000
CEM Benchmarking	Pension Administration Benchmarking Subscription	1 year	£16,000
Pinsent Masons LLP	Legal support with various private market transactions	One off	£100,000
CMS	Legal support with Project Forth	One off	£78,000
Contracts awarded by waiver of CSOs			
Deloitte	Project Forth - Specialist Tax Advice	One off	£21,600
PWC	Project Forth –VAT advice	One off	£10,000

Contract extensions

- 4.5 The Committee is reminded that, in March 2022, it agreed to extend certain high value contracts until the proposals for Project Forth were agreed. This included contracts with Baillie Gifford, Nordea, JLL and CBRE.
- 4.6 Notwithstanding the status of Project Forth, advice on the investment services exemption has now been instructed, so that the Fund can establish its procurement strategy for the appointment of its external equity managers.
- 4.7 The procurement strategy for the property contracts will also be reviewed.

Supplier overview

- 4.8 The framework was only launched in June 2022 and since then, expert input has been received through the internal audit of third-party supplier management completed in March 2023. In relation to the framework, the audit concluded

‘significant improvement required’. All recommendations have been agreed and are being tracked via issue management processes.

- 4.9 Under the framework, the Fund classifies Tier 1 Suppliers as those who supply services which are critical to the Fund, meaning that operations cannot be carried out without their service and includes Suppliers who are critical of the Fund’s compliance with law or regulation. The Tier 1 Suppliers are monitored by the Risk Management Group and details are set out below:

Supplier	Service	Annual value (ex VAT)	Contract expiry date	Comments
Charles River	Order management system	c£410,000	Term extended to October 2026	Service issues reported to LPFI board
Cased Dimensions	ICT Managed services	£312,000	31 March 2026	Stable service
Northern Trust	Global custodian	£340,000	Term extended to September 2024	Due for re-procurement (framework available)
Hymans Roberston	Actuarial support	£200,000	31 December 2025	CEO is now the Supplier Relationship Owner and reviewing the arrangements.
Heywoods	Pensions Administration Software	£225,000	28 November 2028	Stable service

- 4.10 In-line with the audit recommendations, the supplier relationship owners for Tier 1 Suppliers will be reviewing the exit plans and a due diligence checklist as part of their supplier monitoring responsibilities. Training will be delivered to all Fund staff later in the year.

5. Financial impact

- 5.1 A robust supplier management framework, proactive management of contract cycles and carrying out competitive procurement where appropriate, should continue to support commercial efficiency and achieve Best Value for the Fund contracts.

6. Stakeholder/Regulatory Impact

- 6.1 A waiver denotes a departure from the CSOs. There may be an increased risk if the Fund has departed from Scottish procurement regulations. The Council's Commercial and Procurement Services supports the Fund by scrutinising each waiver on its own merits in this context with appropriate checks and balances. A waiver should only be approved if justifiable and considered in the best interests, given the circumstances or permitted in accordance with the relevant legislative framework.
- 6.2 The Pension Board, comprising employer and member representatives, is integral to the governance of the fund and they are invited to comment on the relevant matters at Committee meetings.

7. Background reading/external references

- 7.1 Agenda item 9.4 for Pensions Committee meeting on 22 March 2022 Lothian Pension Fund Contract Awards Update.

8. Appendices

- 8.1 None.