



Pensions Committee

2.00pm, Wednesday 27 September 2023

Project Forth – Recommendation to cease

Item number 6.3

1. Recommendations

The Pensions Committee (“Committee”) is requested to:

- 1.1 Note, as requested at the June 2023 committee meeting, the provision of the paper originally prepared for the March committee, which set out results of the updated and final evaluation of the proposed merger structures and the recommendations that had been anticipated at that time;
- 1.2 Support the recommendation as originally made in June to cease the project for the reasons given at that meeting, noting that Falkirk Council Pension Fund are operating under the presumption that Project Forth will not be proceeding and do not anticipate revisiting a merger within the next couple of years; and
- 1.3 Note that officers may revisit the proposals when either circumstances or priorities change.

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Project Forth – Recommendation to cease

2. Main Report

- 2.1 The paper attached as appendix 1 includes the background to Project Forth and the Committee are well versed in the history of the project, with it having been covered at each of the Committee meetings and many additional training events over the last two years.
- 2.2 Although written for presentation at the March 2023 meeting, and as communicated at the time, this paper was not presented following discussion with the City of Edinburgh Council leadership team. The reason for this was concerns raised about outstanding questions on the proposal and we agreed to prepare a clean paper, effectively from first principles, addressing the “why’s and how’s” of deeper collaboration with Falkirk Council Pension Fund recognising that since the genesis of Project Forth various facts and circumstances were believed to have changed and not all the current Committee or City of Edinburgh Council officers were fully conversant with the history or any changed circumstances. This delay and plan was communicated to Falkirk Council and the Falkirk Council Pension Fund at that time.
- 2.3 Council officers were of the view that significant further work would require to be undertaken to explore concerns raised, and potentially undertake further due diligence prior to any Council consideration of the proposals, the Chief Executive sought guidance from the political group leaders to get a steer as to whether it was a priority matter for the Council to expend officer time and investment into.
- 2.4 Subsequently and prior to the June 2023 Committee, and as reported at that meeting, the Chief Executive of the Council, indicated that following discussion with the political group leaders there was little appetite to fundamentally change the existing model and that in comparison with other challenges facing the Council, Project Forth couldn’t be considered a priority. As noted above, the purpose of this intervention was to save further resources being committed to a proposal which was unlikely to ultimately receive the support of City of Edinburgh Council. Again, this message was relayed to Falkirk Council and its Pension Committee.
- 2.5 As a result, the recommendation to the June Committee was made to cease ongoing work on the project. The Pensions Committee rejected the recommendation and requested sight of the withdrawn paper setting out the results of the revised evaluation of Project Forth and the different structures. (appendix 1)
- 2.6 Falkirk Council having been informed about the lack of political will within City of Edinburgh Council to progress a merger at this time and have subsequently been

working on alternative plans to maintain and enhance their operations and indicated an unwillingness to reconsider merger proposals at this time.

- 2.7 Falkirk Council Pension Fund and Lothian Pension Fund intend to continue the current investment collaboration alongside Fife Pension Fund, where in addition to collaboration in the Joint Investment Strategy Panel, LPFI provides investment advisory services and manages certain assets for each fund. There remains the expectation that LPFI will manage a further tranche of assets for Falkirk in the near term, but the current indications are that they have no appetite to go beyond that. Nevertheless, we will continue to be open to options where they benefit both funds.
- 2.8 Whilst the merits of merger may still exist, they would need to be proven to the satisfaction of all parties involved and without willing participants there cannot be a merger and therefore there is a recommendation to formally close, or at least suspend, the project. No actual work is being done on the project nor has it since March 2023 and all colleagues in both funds have been informed the merger won't be proceeding in the foreseeable future.
- 2.9 As can be seen in the paper attached, whilst the original decision to approve the merger was taken in December 2021, the May 2022 elections resulted in new elected members being appointed to the Committee, and since then the views of the current Committee have not formally been taken.
- 2.10 The Committee should note that although the merger won't be proceeding at this time and it is recommended that the project be formally closed, the potential merger may be revisited at some point in the future, when either circumstances or the political views and priorities within City of Edinburgh Council change.