



Pensions Audit Sub-Committee

2.00pm, Tuesday, 3 December 2024

Quarterly Governance Update

Item number 6.1

1. Recommendations

The Pensions Audit Sub-Committee (Sub-Committee) is requested to:

- 1.1 note LPF's Quarterly Governance Update;
- 1.2 note the Future Agenda set out in Appendix 1;
- 1.3 note the update on members' training hours;
- 1.4 note and provide its support for the principles set out in paragraphs 4.10 - 4.11 regarding of the introduction of a new Knowledge and Development Strategy and revised Training Policy; and
- 1.5 note the recommendation for the Pensions Committee to approve a revised Pension Board Constitution provided in Appendix 4.

Kimberley Russell

Company Secretary, Lothian Pension Fund

Contact: Mary Strathearn Assistant Company Secretary, Lothian Pension Fund

E-mail: companysecretariat@lpf.org.uk | Tel: 0333 996 1900

Quarterly Governance Update

2. Executive Summary

- 2.1 This paper provides an update on LPF governance since the last meeting. This includes updates in respect of membership matters and compliance with LPF's Training and Attendance Policy. Appendix 1 provides the agendas for future meetings and paragraph 4.4 provides an update on Committee and Pension Board training hours since the start of the training year.
- 2.2 In addition, this paper seeks to provide a summary of work underway or proposed to be undertaken to enhance LPF's current governance, whilst noting that we continue to plan for the Governance Review.
- 2.3 In that connection, work has been undertaken to review LPF's current approach to the development of knowledge and expertise for Committee and Pension Board members, and an indicative proposal set out for endorsement.
- 2.4 Planning for the Governance Review has continued, during the period. The scope and, at the time of writing, timeline are in line with that previously shared. A verbal update on the current progress and position shall be provided on 5 December.
- 2.5 The Pension Board has reviewed its Constitution. A revised Constitution is provided at Appendix 4 for approval. An outline of the key changes is set out in paragraph 4.18, which as a material point includes the introduction of a Vice-Chair.

3. Background

- 3.1 Committee meetings are held on a quarterly basis and additionally as required; the Audit Sub Committee meetings are held at least three times a year.
- 3.2 To provide an overview of the content of those future meetings, and an awareness of the annual cycle of items, the Future Agenda is submitted at each meeting for noting. The content of the Future Agenda arises from several sources: (a) standing items for each meeting, (b) re-occurring items at a specific cadence (quarterly, annually, biennially, for example), and (c) ad hoc or stand-alone items, where those arise.
- 3.3 LPF created a Training and Attendance Policy in 2014. This Policy applies to Committee and Pension Board members only, and not Officers of the Fund, nor the Directors of LPFE and LPFI Limited. Aside from a branding update in 2021, the content of the Policy has not changed since 2014. The Policy requires a minimum of 21-hours a year training, measured from 1 April to 31 March. To support Committee and Pension Board members, LPF provides training opportunities, most specifically

Induction sessions, Quarterly training events (3 hours each) and other events. The recent Joint Investment training sessions are an example. All members, including the Directors of the Corporate Boards, also have access to LPF’s digital Learning Management System (“LMS”) to access some learning materials and record training hours.

4. Main Report

Future Dates and Agenda Planning

- 4.1 The meeting dates for the remainder of 2024/25 are set out below and calendar invites have been issued. These meetings will be held in person with the option, if required, to attend virtually.

Committee	Audit Sub Committee
<ul style="list-style-type: none"> Wednesday 26 March 2025, 2pm Wednesday 25 June 2025, 2pm 	<ul style="list-style-type: none"> Tuesday 25 March 2025, 2pm Monday 23 June 2025, 2pm

- 4.2 The proposed future agendas until December 2025 are set out in Appendix 1. As a reminder, the future agenda is maintained by LPF’s Company Secretariat and governance. Matters arising to be brought to the Committee and Sub Committee shall be added to the Future Agenda as required and, as such, are subject to change from time to time. By way of substantive updates since the last quarter, three potential items have been included for the June 2025 Committee, being the Communications Policy, Funding Strategy Statement, and a Pensions Dashboard Update, due to expected developments in these areas.

Membership

The Pension Board

- 4.3 Efforts to advertise and promote a long-standing Scheme Member Representative vacancy continue. The advertisement and communications have been revisited and refreshed and the opportunity promoted at an Employers Event on 14 November. Separately, we continue to liaise with Unison regarding a nominee for the vacant Trade Union Representative position.

Training hours 2024/25 for the Committee and Pension Board

- 4.4 LPF’s current Training and Attendance Policy requires Committee and Pension Board members to complete a minimum of 21 hours of training per year (1 April to 31 March). Members are also asked, under the Policy, to inform LPF of relevant training which has been attended. At the time of writing this report, the majority of Committee and Pension Board members have recorded between 10 – 14 hours of training and are, therefore, on track to meet or exceed the training requirement). A

small number of members have recorded a low number of hours. All members are reminded of the requirement to complete their training hours by the end of March 2025.

Governance Improvements

4.5 By way of an update on some specific governance developments in the last quarter:

Knowledge and Development Strategy and Training Policy

4.6 As noted in the September report, we have reviewed LPF's approach to the development of knowledge and expertise for the members of our governing bodies.

4.7 The importance of our members having the necessary skills, knowledge and expertise to effectively discharge their individual and collective responsibilities should not be underestimated. While the Pensions Regulator (and others) requires it of us and it is good governance, most importantly it leads to richer conversations and better outcomes for the benefit of the Fund, and our members, employers, and partners. It is, therefore, unsurprising that the Pension Regulators Code, and several Technical Guides and codes published by the Chartered Institute of Public Finance and Accountability ("CIPFA") (such as a Technical Guide for Elected Representatives, and a Technical Knowledge and Skills Framework for Local Pension Boards), emphasise the point and set out expectations and requirements for those responsible for pension scheme decision-making.

4.8 To help inform our proposals, in the last quarter, we carried out a Committee and Pension Board member survey in September and took part in the 2024 LGPS National Knowledge Assessment. Appendix 2 provides a summary of the outputs. We have also completed a detailed review of the applicable guidance, Codes and regulatory requirements.

4.9 Having done so, while it is positive that a Policy is in place and regular sessions are provided by LPF, and others, we believe we can do better.

4.10 We, therefore, recommend that a Knowledge and Development Strategy is introduced, and the existing Policy revised to underpin the Strategy (together, the "Framework"). The Framework shall be based on the following principles set out in Appendix 3.

4.11 The new Framework would take effect from 1 April 2025. This provides an opportunity to:

- a) Consider any points of feedback from the Committee, and/or Pension Board, as well as the LPFI and LPFE Board of Directors, and relevant points arising from the recent Internal Audit,
- b) Finalise the Strategy document and revised Policy, and bring both of those in final form in March 2025,

- c) Onboard, and support our members in the roll-out of the Learning Hub, in readiness for 1 April 2025, and
- d) Develop, initial, LPF materials for the Learning Hub, in readiness for 1 April 2025.

4.12 The Pensions Committee shall be asked on 5 December to endorse the principles and intended next steps.

Governance Review

4.13 The Scope and Methodology for the Governance Review was supported by the Committee, and Pension Board, in September. Since, the membership of the Governance Working Group has been finalised, and a Role Description/Terms of Reference for that Group has been created and circulated to the Group members for consideration. The members are:

- Councillor Ross and Richard Lamont – Committee Representatives,
- Darren May and Tom Howorth – Pension Board Representatives,
- Leslie Robb – Chair of LPFI Limited
- Dr Deborah Smart – Executive Director of Corporate Services, City of Edinburgh Council, and Chair of LPFE Limited
- David Vallery – LPF’s Chief Executive Officer
- Richard Lloyd-Bithell – Section 95 Officer and Service Director: Finance and Procurement, City of Edinburgh Council, and
- Alison Murray – Independent Professional Observer.

4.14 Activity to procure an External Consultant has also been taken forward in the period. A verbal update shall be provided in December on status.

The Pension Board Constitution

4.15 The Pension Board Constitution was created in December 2014 and last updated in May 2021.

4.16 A comprehensive review of the Constitution has been undertaken. Firstly, for good order to ensure it remains fit for purpose. But, also to allow for the Vice-Chair role and, importantly, address potential gaps (as considered useful by the Board) given the Pension Regulator’s General Code of Practice.

4.17 The updated Constitution is provided in full at Appendix 4.

4.18 Because of presentation and structural changes, tracked copy was not particularly readable. The main material amendments, however, are:

- a. Changes to presentation, layout, format, and other stylistic updates, for example to reflect changes in Lothian Pension Fund’s branding guidelines, and in places to aid ease of reference. An example is the introduction of a Defined Terms section, as opposed to those being spread throughout.

- b. Updates in language, at parts, for clarity and delete superfluous content. Language also reflects, in places, that used in the Code, or legislation. Some existing terms have also been repositioned to streamline, simplify and/or align terms under appropriate headings.
- c. To incorporate a Vice-Chair. Recognising that Board members are volunteer role holders, the Pension Board propose to put in place the role of Vice-Chair, primarily designed to help balance workload and provide support to the Chair as needed but also to support succession planning and rotation of the Chair's role. The Vice-Chair would be identified and selected through a call for nominations from the Board's membership and, ideally, the roles of Chair and Vice-Chair would (between them) be held by a Trade Union Representative and an Employer Representative. The Constitution has, therefore, been amended to incorporate this role. In addition, in support of the introduction of the role (and as part of continuous improvement) a Role Profile for the Chair and Vice-Chair has been created, and agreed, by the Board as appropriate.
- d. To address gaps identified as part of Lothian Pension Fund's gap analysis of the Code, principally related to aspects connected to knowledge, skills, and training, as well as published information. For example, the publication of the Pension Boards Register of Interests.

4.19 The Constitution may be amended by agreement of no less than 80% of the Pension Board, and with the consent of the Scheme Manager – and, as such, shall be presented for the Pensions Committee's approval on 5 December.

5. Financial impact

5.1 The introduction of Learning Hub shall incur costs, dependent on the number of users, based on a minimum contract of two years. Based on 30 users, the total annual cost shall be £6,000 (excluding VAT), partially offset by a saving from the removal of licences from the current LMS system that is (and will continue to be) used by LPF colleagues.

6. Stakeholder/Regulatory Impact

- 6.1 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.
- 6.2 There are no adverse health and safety, governance, compliance or regulatory implications as a result of this report.

7. Background reading/external references

- 7.1 City of Edinburgh Council, Committee Terms of Reference (sections 13 and 24)
- 7.2 LPF Training and Attendance Policy

8. Appendices

Appendix 1 – Future Agendas

Appendix 2 – Summary Outputs – Survey and National Knowledge Assessment

Appendix 3 – Knowledge and Development Framework - Principles

Appendix 4 – Updated Pension Board Constitution