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To: Councillor Cooke, Convener; Councillor MacGregor, Vice-Convener; and Councillors Crockett, Davidson, Henrickson, Massey and van Sweeden (Pensions Committee); Councillor Smith, Chairperson, Mr G Walters, Vice-Chairperson; Councillors Gordon, and Mennie; Mrs M Lawrence, Mr N Stirling, Mr S Thompson and Mr A Walker (Pension Board).

Town House,
ABERDEEN, 13 March 2025

PENSIONS COMMITTEE AND PENSION BOARD

The Members of the **PENSIONS COMMITTEE AND PENSION BOARD** are requested to meet in **Committee Room 2 - Town House on FRIDAY, 21 MARCH 2025 at 10.00am**. This is a hybrid meeting and Members may also attend remotely.

The meeting will be webcast and a live stream can be viewed on the Council's website. <https://aberdeen.public-i.tv/core/portal/home>

ALAN THOMSON
INTERIM CHIEF OFFICER – GOVERNANCE

BUSINESS

NOTIFICATION OF URGENT BUSINESS

1.1. There are no items of urgent business at this time

DETERMINATION OF EXEMPT BUSINESS

2.1. Members are requested to determine that any exempt business be considered with the press and public excluded

DECLARATIONS OF INTEREST AND TRANSPARENCY STATEMENTS

3.1. Members are requested to intimate any declarations of interest

DEPUTATIONS

- 4.1. There are no deputations at this time

MINUTES OF PREVIOUS MEETINGS

- 5.1. Minute of Previous Meeting of 13 December 2024 - for approval (Pages 5 - 10)

COMMITTEE BUSINESS PLANNER

- 6.1. Business Planner (Pages 11 - 14)

NOTICES OF MOTION

- 7.1. There are currently no motions to the Pensions Committee

INTERNAL AND EXTERNAL AUDIT

- 8.1. Internal Audit Update Report - IA/25/004 (Pages 15 - 24)
- 8.2. Internal Audit Plan 2025-28 - IA/25/005 (Pages 25 - 34)
- 8.3. External Audit - Annual Audit Plan 2024/25 (Pages 35 - 50)

ANNUAL REPORT AND ACCOUNTS

- 9.1. Statement of Accounts 2024/25 - action plan - PC/MAR25/ACCOUNTS
(Pages 51 - 58)

SCRUTINY

- 10.1. Strategy - PC/MAR25/STRAT (Pages 59 - 88)
- 10.2. Review of NESPF compliance with the Public Service Pensions Act 2013 (PSPA 2013) and Pension Regulator Requirements - PC/MAR25/GOV
(Pages 89 - 104)

EXEMPT BUSINESS - NOT FOR PUBLICATION

11.1. Investment Strategy Update - PC/MAR25/INVSTRAT (Pages 105 - 110)

11.2. Asset and Investment Manager Performance Report - PC/MAR25/AIMPR
(Pages 111 - 176)

Integrated Impact Assessments related to reports on this agenda can be viewed [here](#)

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PENSIONS COMMITTEE AND PENSION BOARD

ABERDEEN, 13 December 2024. Minute of Meeting of the PENSIONS COMMITTEE AND PENSION BOARD. Present:- Councillor Cooke, Convener; Councillor MacGregor, Vice-Convener; and Councillors Alphonse, Davidson, Henrickson, Massey and van Sweeden (Pensions Committee); Councillor Smith, Chairperson; Mr G Walters, Vice Chairperson; Councillors Gordon and Mennie; and Mrs M Lawrence, Mr N Stirling, Mr S Thompson and Mr A Walker (Pension Board).

Also in attendance:- Laura Colliss, Pension Fund Manager and Graham Buntain, Investment Manager.

The agenda and reports associated with this minute can be found [here](#).

Please note that if any changes are made to this minute at the point of approval, these will be outlined in the subsequent minute and this document will not be retrospectively altered.

ANNOUNCEMENTS

1. The Convener welcomed everyone to the meeting, in particular Mr Stuart Thompson, NESCOL, who was a new member of the Pension Board. He advised that Kirsty Ewing, Senior Pensions Officer, was now on maternity leave and that Members should contact Kyrsten Webster, Pensions Officer, in her absence.

He further advised that the NESPF had been shortlisted for the following awards:-

- Fund of the Year (Large)
- Rising Star – Local Government Pension Scheme (LGPS) (Ellen Edwards, Senior Pension Officer – Employer relationship Team)
- Outstanding Individual Contribution - LGPS (Louise Campbell, Senior Pension Officer, Communications)

Unfortunately, the Fund had not been successful, but the Convener noted his congratulations to staff for being nominated.

Finally, he advised that the Fund was also shortlisted in the following categories at the Pension Age awards to be held in March 2025:-

- DB (defined benefit) Pension Scheme of the Year
- Pension Administration Award
- Best Investment Strategy Award
- Pension Scheme Innovation Award

DETERMINATION OF EXEMPT BUSINESS

2. The Committee was requested to determine that the following items of business which contained exempt information as described in Schedule 7(A) of the Local

PENSIONS COMMITTEE AND PENSION BOARD
13 December 2024

Government (Scotland) Act 1973 be taken in private – Items 10.1 (Asset and Investment Manager Performance Report) and 10.2 (Procurement).

The Committee resolved:-

in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, to exclude the press and public from the meeting during consideration of the above-mentioned items so as to avoid disclosure of exempt information of the classes described in paragraphs 6 and 8.

MINUTE OF PREVIOUS MEETING OF 13 SEPTEMBER 2024

3. The Committee had before it the minute of its previous meeting of 13 September 2024 for approval.

The Committee resolved:-

to approve the minute as a correct record.

BUSINESS PLANNER

4. The Committee had before it the business planner as prepared by the Interim Chief Officer – Governance.

The Committee resolved:-

to note the planner.

PENSIONS COMMITTEE ANNUAL EFFECTIVENESS REPORT - CORS/24/348

5. The Committee had before it a report by the Executive Director Corporate Services which presented the annual effectiveness report for the Pensions Committee for 2023/2024.

The report recommended:-

that the Committee provide comments and observations on the data contained within the annual report; and note the annual report of the Pensions Committee.

The Committee resolved:-

- (i) to note that officers would run carbon statements/metrics training in the New Year and to also note the request from Members that the session be interactive; and
- (ii) to otherwise note the report.

PENSIONS COMMITTEE AND PENSION BOARD
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STRATEGY - PC/DEC24/STRAT

6. The Committee had before it a report by the Executive Director Corporate Services which presented the regular update on strategy and provided recommendations (if applicable) to changes to the North East Scotland Pension Fund.

The report provided an update on the Local Authority Pension Fund Forum (LAPFF); Pension Fund Annual Benefit Statements; performance reporting; training; and sought approval for overseas travel. The report advised that changes had also been made to the following documents:-

- Reporting Breaches of the Law Policy (updated reference from COP14 to GCOP, included reference to regulation, expanded definition of breach and non-compliance for LGPS, responsibilities of monitoring officer and additions to Related Policies section)
- Conflicts of Interest Policy (updated reference from COP14 to GCOP, provided further detail on contribution setting, investment decisions, administration, third parties, financial reporting, updated Related Policies section and added in Seven Principles of Public Life to purpose statement)
- Data Quality Improvement Plan (updated for 2024)
- Cash Management Principles (updated to remove reference to Aberdeen City Council Transport Fund, removal of staff names to job positions).

The Convener advised Members that there were three new Modern Apprentices now working with the Fund, namely Jay Vincent and Shannon McNulty, working in the benefits team, and Kayleigh Crawford, working in systems. The two original Modern Apprentices, Noah Cuthbert and Kornelia Malinowska, were still working within the Fund and doing very well.

The Convener also reminded Members of the need to complete the mandatory training and asked that Members set aside some time to do this.

The report recommended:-

that the Committee –

- (a) note the final outcome of the annual benefit statement project, which was completed successfully, for assurance (item 4.1 of the main report);
- (b) note the updates to the Fund Policy documents (item 6.2 of the main report);
- (c) approve the travel for one Advisory Committee Officer (Pension Fund Manager or suitable Officer substitute) to attend the following Advisory Committee meetings (item 6.3 of the main report):
 - HarbourVest, May – London, UK
 - IFM, May – Milan, Italy
 - Blackrock, May/June – New York, US
 - Unigestion, June – Madrid, Spain
 - RCP, June – Chicago, US

PENSIONS COMMITTEE AND PENSION BOARD
13 December 2024

- HarbourVest, December – Boston, US;
- (d) delegate authority to the Chief Officer – Finance, following consultation with the Convener of the Pensions Committee, to approve travel for one Advisory Committee Officer (Pension Fund Manager or Suitable Officer Substitute) to attend the following Advisory Committee meetings once locations and times have been confirmed:
- Partners Group, March – Zug, Switzerland (TBC)
 - Capital Dynamics, May – London, UK (TBC); and
- (e) note the remainder of the report for reassurance.

The Committee resolved:-

to approve the recommendations.

In accordance with the decision taken under article 2 above, the following items were considered with the press and public excluded.

ASSET AND INVESTMENT MANAGER PERFORMANCE REPORT - PC/DEC24/AIMPR

7. The Committee had before it a report by the Executive Director Corporate Services which presented a review of the investment activity of the North East Scotland Pension Fund for the three month period ending 30 September 2024.

Members heard from Mr Buntain, Investment Manager, in respect of the report and asked a number of questions.

The report recommended:-

that the Committee note the contents of the report for assurance.

The Committee resolved:-

- (i) to note that Mr Buntain could provide information outwith the meeting to Members on where the biomass assets were located; and
- (ii) to otherwise note the report.

PROCUREMENT - PC/DEC24/PRO

8. The Committee had before it a report by the Executive Director Corporate Services which sought approval to use the National Local Government Pension Scheme (LGPS) Framework to let Legal Services for the North East Scotland Pension Fund.

The report recommended:-

that the Committee –

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13 December 2024

- (a) approve the award of a call-off contract under the National LGPS Framework as set up by Norfolk County Council to procure Legal Services for the Fund for an initial term of 3 years (with the option to extend for up to 2 additional years); and
- (b) approve the estimated expenditure associated with award of the contract as set out in items 4.1 and 4.2 of the report.

The Committee resolved:-

to approve the recommendations.

- **COUNCILLOR JOHN COOKE, Convener**

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	A	B	C	D	E	F	G	H	I
1	PENSIONS COMMITTEE BUSINESS PLANNER								
	The Business Planner details the reports which have been instructed by the Committee as well as reports which the Functions expect to be submitting for the calendar year.								
2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommended for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
3	21 March 2025								
4	Statement of Accounts Action Plan	To provide Elected Members with high level information and key dates to the Statement of Accounts including linkages to the plans and timetables of the Council's External Auditors		Laura Colliss	Finance	Corporate Services	3.1		
5	Strategy	Regular update on any changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies		Mairi Suttie	Finance	Corporate Services	1.2, 1.4, 3-5		
6	Asset and Investment Manager Performance Report	To provide a review of the North East Scotland Pension Fund for the latest three month period		Graham Buntain	Finance	Corporate Services	5.2		
7	Investment Strategy	To present an update of the strategy		Laura Colliss	Finance	Corporate Services	5.2		
8	Pension Fund Payroll	To present the outcome of the audit		Jamie Dale	Internal Audit	Internal Audit	2.2	D	Fieldwork is completed and Internal Audit are in the process of finalising the draft report, which will be agreed with Management, and reported to the next Committee
9	Review of NESPF Compliance with the Public Service Pensions Act 2013 and Pension Regulator Requirements	To provide a review of compliance for 2023/24		Mairi Suttie	Finance	Corporate Services	4.1 and 4.2		
10	Internal Audit Plan 2025-2028	To present the plan		Jamie Dale	Internal Audit	Internal Audit	2.1		
11	Internal Audit Annual Report 2024/25	To provide the Committee with Internal Audit's Annual Report for the North East Scotland Pension Fund for 2024/25		Jamie Dale	Internal Audit	Internal Audit	2.2		

	A	B	C	D	E	F	G	H	I
	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommended for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
2	External Audit Annual Plan 2024/25	To present the annual plan		Anne MacDonald	External Audit	External Audit	2.1		
12									
13	20 June 2025								
14	Nominations to LAPFF Executive Committee	To determine any nominations		Laura Colliss	Finance	Corporate Services	6.1		
15	Strategy	Regular update on any changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies		Mairi Suttie	Finance	Corporate Services	1.2, 1.4, 3-5		
16	Operating Model Review	To be updated		Laura Colliss	Finance	Corporate Services	TBC		
17	Asset and Investment Manager Performance Report	To provide a review of the North East Scotland Pension Fund for the latest three month period		Graham Buntain	Finance	Corporate Services	5.2		
18	Training	To provide details of the training plan (2025/26)		Laura Colliss	Finance	Corporate Services	4.1 and 4.2		
19	Draft NESPF Annual Report & Accounts	To present the draft annual accounts		Laura Colliss	Finance	Corporate Services	3.1		
20	Budget Forecast & Projected Spend	Update on budget and annual spend to date		Laura Colliss	Finance	Corporate Services	1.3		
21	12 September 2025								
22	NESPF Annual Report & Accounts	To present the audited annual accounts		Laura Colliss	Finance	Corporate Services	3.1		
23	NESPF Annual Audit Report and Covering Letter	To present the External Audit annual audit report		Anne MacDonald	External Audit	External Audit	2.1		
24	Strategy	Regular update on any changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies		Mairi Suttie	Finance	Corporate Services	1.2, 1.4, 3-5		
25	Asset and Investment Manager Performance Report	To provide a review of the North East Scotland Pension Fund for the latest three month period		Graham Buntain	Finance	Corporate Services	5.2		
26	Budget Forecast & Projected Spend	Update on budget and annual spend to date		Laura Colliss	Finance	Corporate Services	1.3		
27	12 December 2025								
28	Strategy	Regular update on any changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies		Mairi Suttie	Finance	Corporate Services	1.2, 1.4, 3-5		
29	Annual Effectiveness Report - Pensions Committee	To present the annual effectiveness report		Jonathan Belford	Finance	Corporate Services	GD 8.5		

	A	B	C	D	E	F	G	H	I
	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommended for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
2									
30	Asset and Investment Manager Performance Report	To provide a review of the North East Scotland Pension Fund for the latest three month period		Graham Buntain	Finance	Corporate Services	5.2		
31	Budget Forecast & Projected Spend	Update on budget and annual spend to date		Laura Colliss	Finance	Corporate Services	1.3		

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ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	21 March 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Update Report
REPORT NUMBER	IA/25/004
DIRECTOR	N/A
CHIEF OFFICER	Jamie Dale Chief Internal Auditor
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide the Committee with an update on Internal Audit's work since the last update. Details are provided of the progress against the approved Internal Audit plans, audit recommendations follow up, and other relevant matters for the Committee to be aware of.

2. RECOMMENDATIONS

It is recommended that the Committee:

- 2.1 Note the progress of the Internal Audit plan.
- 2.2 Note the progress that management has made with implementing recommendations agreed in Internal Audit reports.

3. CURRENT SITUATION

- 3.1 Internal Audit's (IA) primary role is to provide independent and objective assurance on the North East Scotland Pension Fund's (NESPF), and Aberdeen City Council's (whose systems the NESPF relies on) risk management, control, and governance processes. Where this report focuses on the NESPF specifically, consideration has been given and reference will be made to the work we have carried out with the Council overall. This requires a continuous rolling review and appraisal of the internal controls of the Fund and the Council, involving the examination and evaluation of the adequacy of systems of risk management, control, and governance, making recommendations for improvement where appropriate. Reports are produced relating to each audit assignment and copies of these are provided to the Pensions Committee.

3.2 This report is designed to provide an update to the Pensions Committee on the work of Internal Audit since our last update to the Committee.

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.

7. MANAGEMENT OF RISK

7.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

8. OUTCOMES

8.1 There are no direct impacts, as a result of this report, in relation to the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.

8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is for Committee to consider Internal Audit's update report. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Data Protection Impact Assessment	Not required

10. APPENDICES

10.1 Appendix A - Aberdeen City Council NESPF - Internal Audit - Update Report.

11. REPORT AUTHOR DETAILS

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Internal Audit

North East Scotland Pension Fund Pensions Committee Internal Audit Update Report March 2025

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1 Executive Summary

1.1 Introduction and background

Internal Audit's (IA) primary role is to provide independent and objective assurance on the North East Scotland Pension Fund's (NESPF), and Aberdeen City Council's (whose systems the NESPF relies on) risk management, control, and governance processes. Where this report focuses on the NESPF specifically, consideration has been given and reference will be made to the work we have carried out with the Council overall. This requires a continuous rolling review and appraisal of the internal controls of the Fund and the Council, involving the examination and evaluation of the adequacy of systems of risk management, control, and governance, making recommendations for improvement where appropriate. Reports are produced relating to each audit assignment and these are provided to the Pensions Committee and the Audit, Risk and Scrutiny (ARS) Committee.

This report advises the Pensions Committee of Internal Audit's work since the last update. Details are provided of the progress against the approved Internal Audit plans, audit recommendations follow up, and other relevant matters for the Committee to be aware of.

1.2 Highlights

Full details are provided in the body of this report however Internal Audit would like to bring to the Committee's attention that since the last update:

- The fieldwork for the individual Internal Audit on Pension Fund Payroll has been completed. Internal Audit are currently finalising the draft report, which will be agreed with Management, and presented to the next Committee.
- Management has closed all due audit recommendations with none outstanding to include as part of this cycle of reporting.

1.3 Action requested of the Pensions Committee

The Pensions Committee is requested to note the contents of this report and the work of Internal Audit since the last update.

2 Internal Audit Progress

2.1 2024/25 Audits

Service	Audit Area	Position
Pensions	Pension Fund Payroll	Review in Progress

2.2 Follow up of audit recommendations

Public Sector Internal Audit Standards require that Internal Audit report the results of its activities to the Committee and establishes a follow-up process to monitor and ensure that management actions have been effectively implemented.

As at 31 December 2024 (the baseline for our exercise), no audit recommendations were due. Management continue to work well with Internal Audit on follow up and close recommendations as they fall due.

Appendix 1 – Grading of Recommendations provides the definitions of each of the ratings used.

3 Appendix 1 – Grading of Recommendations

Risk level	Definition
Corporate	This issue / risk level impacts the Fund as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given function.
Cluster	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net risk rating	Description	Assurance assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Minimal

Individual issue / risk	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period.
Major	The absence of, or failure to comply with, an appropriate internal control, such as those described in the Scheme of Governance. This could result in, for example, a material financial loss, a breach of legislative requirements or reputational damage to the Fund. Action should be taken within three months.
Severe	This is an issue / risk that is likely to significantly affect the achievement of one or many of the Fund's objectives or could impact the effectiveness or efficiency of the Fund's activities or processes. Examples include a material recurring breach of legislative requirements or actions that will likely result in a material financial loss or significant reputational damage to the Fund. Action is considered imperative to ensure that the Fund is not exposed to severe risks and should be taken immediately.

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ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	21 March 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Plan 2025-28
REPORT NUMBER	IA/25/005
DIRECTOR	N/A
CHIEF OFFICER	Jamie Dale Chief Internal Auditor
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek approval of the attached Internal Audit plan for 2025-28.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee approve the attached Internal Audit Plan for 2025-28.

3. CURRENT SITUATION

- 3.1 It is one of the functions of the Pensions Committee to approve the Internal Audit plan relating to the North East of Scotland Pension Fund.
- 3.2 The audits included in the attached plan, as well as those in previous and future plans, will help familiarise Internal Audit with the Pension Fund's control environment and governance arrangements, allowing assurance to be provided regarding those arrangements. Where opportunities for improvement in controls and their application, or improvements in value for money, are identified these will be reported along with recommendations for management to consider. Where appropriate, Internal Audit will obtain assurance from other sources, for example external audit, based on their work and reported outcomes.
- 3.3 Internal Audit's work will be undertaken in compliance with Public Sector Internal Audit Standards and Aberdeen City Council's Internal Audit Charter as approved by the Audit, Risk and Scrutiny Committee.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report.

6. RISK

6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. The purpose of this report is to seek approval for the Internal Audit plan.

7. OUTCOMES

7.1 There are no direct impacts, as a result of this report, in relation to the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.

7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is for Committee to consider Internal Audit's annual report. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Data Protection Impact Assessment	Not required

9. BACKGROUND PAPERS

9.1 There are no relevant background papers related directly to this report.

10. APPENDICES

10.1 Appendix A – North East Scotland Pension Fund - Internal Audit Plan - 2025-28

11. REPORT AUTHOR DETAILS

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Internal Audit

North East Scotland Pension Fund Internal Audit Plan 2025-28

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1 Executive Summary

1.1 Introduction and background

Internal Audit's primary role is to provide independent and objective assurance on the Fund's risk management, control, and governance processes. This requires a continuous rolling review and appraisal of the internal controls of the Fund involving the examination and evaluation of the adequacy of systems of risk management, control, and governance.

The purpose of this report is to seek approval of the attached Internal Audit plan for 2025-2028.

All audits included in the attached plan, as well as those in future plans, will help inform Internal Audit's opinion on the adequacy and effectiveness of the Fund's framework of governance, risk management and control, which is expressed in an annual report, and provides assurance to the Pensions Committee. Where opportunities for improvement in controls and their application, or improvements in value for money, are identified these will be reported along with recommendations for Management to consider.

2 Internal Audit Plan

2.1 Plan development

In previous years a single-year Plan has been set out for the Committee's approval. This provided clarity over planned work during each financial year, as changes in the risk environment were often less pronounced over a shorter period. However, this provided less opportunity for the Committee to gain an understanding of the wider context or 'audit universe'. In addition, the Plan was regularly not concluded in full during the financial year to which it originally referred – due to changes in priority, risks, and resources.

There was therefore scope to develop and extend planning to provide a clearer picture of Internal Audit's work and priorities, and to provide flexibility in timing of elements of that work, over an extended period. Therefore, from 2022, the Committee approved a rolling three year plan, with the recognition that this would still be assessed each year and updates made as required.

In formation of the plan, Internal Audit:

- **Reviewed historic audit outputs** – The initial planning stage involved a review of completed work from across the previous years. This looked to gauge the assurance that had been obtained recently and develop a baseline that could be built upon with the current plan. Where it is hoped that the greatest coverage can be obtained in a single year, this is not always possible, so instead it will be ensured that there has been coverage over a number of years, both previously and forward looking.
- **Reviewed the agreed Plan for 2024-27** – In addition to the review of previous assurance work, the agreed plans for 2025/26 and 2026/27, agreed as part of the 2024-2027 plan overall, were reviewed. This is the starting position for the current plan; however this will change based on developments in year and the changing risk profile of the Fund.
- **Reviewed Management's progress in implementing agreed audit recommendations** – A review of the work of Management to implement audit recommendations. This looked to identify any areas where management has struggled to implement agreed actions, and where the risks remain, for these to be factored into the audit plan.
- **Reviewed different sources of information** – A suite of information, primarily Committee reporting and the Fund's Risk Register, was reviewed to further develop Internal Audit's understanding of the operations and issues of the Fund.
- **Reviewed information from other assurance providers** – Discussions were held and reports reviewed from other assurance providers.
- **Held discussion with key stakeholders** – Discussions were held with key stakeholders across the Fund. These discussions focused on three key areas:
 - Key risks within the auditable area.

-
- Any recent or upcoming developments.
 - Suggestions for assurance reviews, including value adding pieces of work.
 - **Benchmarked against other funds** – A review of the Internal Audit plans for other funds as per their Committee reporting available online. This looked to gain an understanding of issues being faced by other funds and identify any auditable areas for North East Scotland.

The Internal Audit plan for the period April 2025 to March 2028 is presented in Appendix 1 to this report.

The plan details what Internal Audit anticipates being able to review in the year, assuming stability in resources available to the Section. The plan is flexible and can be amended to reflect changes in priority or because of new risks being introduced or identified, although consideration needs to be given to the requirement for Internal Audit to complete sufficient work to provide an evidence based annual opinion. Internal Audit will continue to review the Fund's risk registers and update its own risk assessments based on audit findings, throughout the Plan's term.

All audits included in the attached plan are part of a rolling programme of work, each element of which will help inform Internal Audit regarding the adequacy and effectiveness of the Fund's framework of governance, risk management and control, allowing assurance to be provided regarding those arrangements. . Focus will also be given to key risk areas across all reviews e.g. susceptibility and the occurrence of fraud. Where opportunities for improvement in controls and their application, or improvements in value for money, are identified these will be reported along with recommendations for management to consider. This is the priority of the work however where there are opportunities to provide value adding work, this has been factored into the plan.

The time allocation for all audits assumes that systems to be reviewed are adequately documented, detailing the controls put in place by management, and that testing identifies that these controls are being complied with. If this is not the case, there will be an impact on the time taken to review planned areas and on the plan's achievability.

With approval of the plan, we will work with Management to schedule the audit work for the year. This will look to match our internal resourcing but also ensure that it is suitable for those relevant stakeholders across the Fund. We will look to ensure that management are not inundated with consecutive audits and that fieldwork, where most input is required, is at a time which does not clash with other priorities or commitments.

2.2 Undertaking planned work

When commencing each planned audit, Internal Audit contacts Management responsible for the area to be reviewed along with any other nominated officer. They are reminded of the objective and scope of the review and of how Internal Audit intends to achieve the level of assurance required. Officers are invited to identify any specific aspects of the area to be reviewed that are of particular concern- and all of this is

factored into the agreed scoping document. Where Internal Audit will from time to time carry out specific reviews around counter fraud, this will be a consideration for all reviews and factored into scoping where relevant as an inherent risk.

Once fieldwork has been completed, a draft report is issued to Management responsible for the area reviewed along with any other nominated officer. Prior to issuing the final report, Internal Audit seeks confirmation from the officers involved that they are satisfied with the report and actions agreed to address any identified issues.

Outputs from the Fund's Internal Audit plan will be shared with Aberdeen City Council's Audit, Risk and Scrutiny Committee after they have been considered by Pensions Committee.

Whilst undertaking planned work, it is possible that Internal Audit may identify governance issues that are not within the stated scope of the review being undertaken. Public Sector Internal Audit Standards require that Internal Audit report such instances to those charged with governance. In this respect, Internal Audit's reports may contain issues that appear to be "outwith scope".

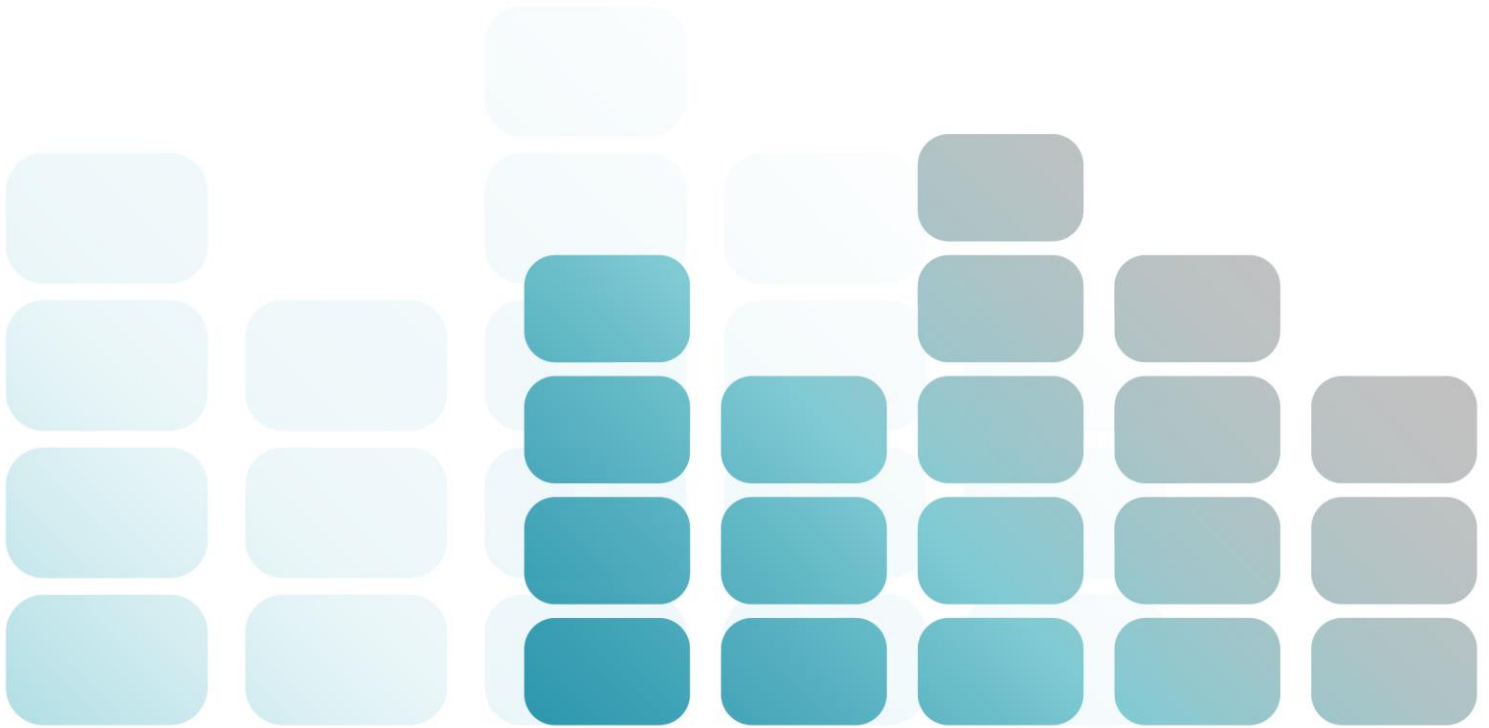
3 Appendix 1 – 2025-28 Internal Audit Plan

Function	Auditable Area	Objective	Principal Risk	Assurance
2025/26				
North East Scotland Pension Fund	Key Administrative Processes	To provide assurance over the fulfilment of the key administrative processes across the Pension Fund.	Operational	Core
2026/27				
North East Scotland Pension Fund	Pensions Investments	To evaluate the effectiveness and compliance of investment strategies, ensuring alignment with regulatory requirements and Fund objectives.	Strategic	Core
2027/28				
North East Scotland Pension Fund	Pension Fund Governance Arrangements	To provide assurance over the governance arrangements and procedures in place including risk management and performance management.	Strategic	Core

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North East Scotland Pension Fund

Annual Audit Plan 2024/25



Prepared for North East Scotland Pension Fund
March 2025

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Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Introduction

Purpose of the Annual Audit Plan

1. The purpose of this Annual Audit Plan is to provide an overview of the planned scope and timing of the 2024/25 audit of North East Scotland Pension Fund's (the Fund's) annual report and accounts. It outlines the audit work planned to meet the audit requirements set out in [auditing standards](#) and the [Code of Audit Practice](#), including supplementary guidance.

Appointed auditor and independence

2. We have been appointed by the Accounts Commission as external auditors of the Fund for the period from 2022/23 until 2026/27. The 2024/25 financial year is therefore the third of the five-year audit appointment.

3. We are independent of the Fund in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with ethical standards. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

4. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. There are no such relationships pertaining to the audit of the Fund to communicate.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual report and accounts, the Management Commentary, the Annual Governance Statement, and the Governance Compliance Statement.
- Reporting on the Fund's arrangements for securing Best Value.
- An Annual Audit Report setting out significant matters identified from the audit of the annual report and accounts and the wider scope areas specified in the Code of Audit Practice.

Responsibilities

6. The Code of Audit Practice sets out the respective responsibilities of the Fund and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual report and accounts, and concluding on the Fund's arrangements in place for the wider scope areas.

The Fund's responsibilities

8. The Fund has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of an annual report and accounts, comprising financial statements and other information that gives a true and fair view.

- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

Audit of the annual report and accounts

Introduction

9. The audit of the annual report and accounts is driven by materiality and the risks of material misstatement in the financial statements, with greater attention being given to the significant risks of material misstatement. This chapter outlines materiality, the significant risks of material misstatement that have been identified, and the impact these have on the planned audit procedures.

Materiality

10. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual report and accounts.

11. Broadly, the concept of materiality is to determine whether matters identified during the audit could reasonably be expected to influence the decisions of users of the financial statements. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

12. The materiality levels determined for the audit of the Fund are outlined in [Exhibit 1](#).

Exhibit 1

2024/25 Materiality levels for the Fund

Materiality

Materiality – based on an assessment of the needs of users of the financial statements and the nature of the Fund's operations, the benchmark used to determine materiality is net assets based on the audited 2023/24 financial statements. Materiality has been set at 2% of the benchmark. £125 million

Performance materiality – this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate that further audit procedures are required. Using professional judgement, performance materiality has been set at 75% of planning materiality. £94 million

Materiality

Reporting threshold – all misstatements greater than the reporting threshold will be reported. £3.75 million

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

13. The risk assessment process draws on the audit team's cumulative knowledge of the Fund, including the nature of its operations and its significant transaction streams, the system of internal control, governance arrangements and processes, and developments that could impact on its financial reporting.

14. Based on the risk assessment process, significant risks of material misstatement to the financial statements have been identified and these are summarised in [Exhibit 2, page 8](#). These are the risks which have the greatest impact on the planned audit approach, and the planned audit procedures in response to the risks are outlined in Exhibit 2.

15. The risk assessment process is an iterative and dynamic process. The assessment of risks set out in this Annual Audit Plan and Exhibit 2 may change as more information and evidence is obtained over the course of the audit. Where such changes occur, these will be reported to the Fund and those charged with governance, where relevant.

Key audit matters

16. The Code of Audit Practice requires public sector auditors to communicate key audit matters. Key audit matters are those matters, that in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

17. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

18. The matters determined to be key audit matters will be communicated in the Annual Audit Report. Exhibit 2 outlines the significant risks of material misstatement to the financial statements that have been identified, including those that have greatest impact on the planned audit procedures and require most attention when performing the audit.

Exhibit 2**Significant risks of material misstatement to the financial statements**

Risk of material misstatement	Planned audit response
<p>Fraud caused by management override of controls</p> <p>Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journal entries, focusing on those that are assessed as higher risk, such as those affecting the value of investments and return on investments around the year-end. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.
<p>Valuation of unquoted investments</p> <p>The Fund held £6.1 billion of investments at 31 March 2024, of which £1.1 billion was investments in unquoted private equity/debt and infrastructure assets.</p> <p>These investments are classified as Level 3 financial instruments where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.</p> <p>These investments are independently valued by the appointed fund manager using various valuation techniques that require significant judgement in determining appropriate assumptions.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Review the values reported in the accounts against the capital statements provided by fund managers to ensure these are not materially misstated. • For material investments, we will evaluate the competence, capabilities, and objectivity of the fund managers as management experts and assess the appropriateness of their work as audit evidence. • Agree the valuation movements during the year and at year end to the Investments Custodian's records. • Understand controls around the use of the custodian as a service organisation.

Risk of material misstatement	Planned audit response
<p>Valuation of the promised retirement benefits</p> <p>The Fund's promised retirement benefits under IAS 26 was £4.7 billion at 31 March 2024. IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 26 rather than the assumptions and methodology used for funding purposes.</p> <p>There is a significant degree of subjectivity in the estimation of the pension liability as the estimation is based on specialist assumptions, and changes in the assumptions can result in material changes to the estimation.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of controls over the pension liability estimation process. • Evaluate the competence, capabilities, and objectivity of the actuary. • Obtain an understanding of management's involvement in the estimation process to assess if appropriate oversight has occurred. • Review the appropriateness of the key data and assumptions used by management for the estimation of the pension liability, and challenge these where required. • Audit Scotland uses PwC as an auditor's expert to inform the planned audit procedures outlined above. The information provided by PwC will be reviewed by the audit team and where required, reflected in planned audit procedures. • Review management assurances covering the completeness and accuracy of the data transfer between the outgoing and incoming actuaries.

Source: Audit Scotland

Wider scope and Best Value

Introduction

19. The Code of Audit Practice requires that public audit is planned and undertaken from a wider perspective than in the private sector. The Code broadens the audit of the annual report and accounts to include consideration of additional aspects or risks in four wider scope areas, which are summarised below:

- **Financial management** – this means having sound budgetary and cash flow processes. Factors that can impact on the Fund being able to secure sound financial management include the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.
- **Financial sustainability** – this means looking forward over the medium and longer term in planning the returns and growth in investment values required to meet pension fund members' benefits. This is assessed by considering the Fund's medium- to longer-term planning and funding strategy.
- **Vision, leadership and governance** – this means having a clear vision and strategy, with set priorities within the vision and strategy. This is assessed by considering the clarity of plans in place to deliver the vision and strategy and the effectiveness of the governance arrangements to support delivery.
- **Use of resources to improve outcomes** – this means using resources to meet stated outcomes and improvement objectives through effective planning and working with employer bodies, fund managers and advisors. This is assessed by considering the Fund's arrangements for ensuring resources are deployed to improve strategic outcomes, meet the needs of employers and members and deliver continuous improvement.

20. A conclusion on the effectiveness and appropriateness of arrangements the Fund has in place for each of the wider scope areas will be reported in the Annual Audit Report.

Best Value

21. As pension funds are not local authorities or separate bodies that fall within section 106 of the Local Government (Scotland) Act 1973, the statutory responsibility for securing Best Value for pension funds lies with the administering local authority. North East Scotland Pension Fund is

administered by Aberdeen City Council. Consideration of Best Value arrangements will therefore be carried out as part of the council's audit.

Significant wider scope risks

22. The risk assessment process has identified significant risks in the wider scope areas as outlined in Exhibit 3, and this includes the planned audit procedures in response to the risks.

Exhibit 3

Significant wider scope risks

Description of risk	Planned audit response
<p>Governance</p> <p>At 31 March 2024, there were two long standing vacancies on the committee which continue to exist with no immediate resolution expected as a result of political differences.</p> <p>Members of the committee effectively act as trustees for the benefit of members of the pension fund. There is a risk the vacancies on the committee place significant pressure on its ability to operate effectively and ensure there is appropriate scrutiny of complex activities.</p>	<p>Review the operation of the Pensions Committee, assess the level of scrutiny and challenge undertaken and consider any implications for the governance statements.</p>

Source: Audit Scotland

Reporting arrangements, timetable and audit fee

Audit outputs

23. The planned outputs from the 2024/25 audit include:

- This Annual Audit Plan.
- An Independent Auditor's Report to Aberdeen City Council as administering authority for North East Scotland Pension Fund and the Accounts Commission setting out opinions on the annual report and accounts.
- An Annual Audit Report to the Pensions Committee and the Controller of Audit setting out significant matters identified from the audit of the annual report and accounts, conclusions from the wider scope, and recommendations, where required.

24. The matters to be reported in the outputs will be discussed with the Pension Fund Manager for factual accuracy before they are issued. All outputs from the audit will be published on Audit Scotland's website, apart from the Independent Auditor's Report, which is included in the audited annual report and accounts.

25. Target dates for the audit outputs are set by the Accounts Commission. In setting the target dates, consideration is given to the statutory date for approving the annual report and accounts, which is 30 September 2025 for local government bodies.

Audit timetable

26. Achieving the timetable for production of the annual report and accounts, supported by complete and accurate working papers, is critical to the delivery of the audit in line with agreed target dates. [Exhibit 4](#) includes a timetable for the audit, which has been agreed with management. This will be kept under review as the audit progresses. Any changes and their potential impact will be discussed with the Pensions Manager and where appropriate, reported to those charged with governance.

Audit fee

27. The audit fee is determined in line with Audit Scotland's fee setting arrangements. The proposed audit fee for the Fund's 2024/25 audit is £52,250 (2023/24 £51,270).

28. In setting the audit fee, it is assumed that the Fund has effective governance arrangements in place and the complete annual report and accounts will be provided for audit in line with the agreed timetable. The audit fee assumes there will be no significant changes to the planned scope of the audit. Where the audit cannot proceed as planned, for example, due to incomplete or inadequate working papers, the audit fee may need to be increased.

Exhibit 4 2024/25 audit timetable

Audit activity	Pension Fund target date	Audit team target date	Pensions Committee date
Issue of Annual Audit Plan	14 March 2025		21 March 2025
Annual report and accounts:			
• Consideration of unaudited annual report and accounts by those charged with governance	13 June 2025	-	20 June 2025
• Submission of unaudited annual report and accounts and all working papers to audit team	By 30 June 2025	-	-
• Latest date for audit clearance meeting	20 August 2025		-
• Issue of draft Annual Audit Report to officers for comment	25 August 2025		-
• Agreement of audited unsigned annual report and accounts	3 September 2025		-
• Issue of draft Letter of Representation, proposed Independent Auditor's Report, and proposed Annual Audit Report to Pensions Committee	-	5 September 2025	12 September 2025
• Approval by those charged with governance and signing of audited Annual Report and Accounts	-	-	12 September 2025
• Signing of Independent Auditor's Report and issue of Annual Audit Report	-	By 30 September 2025	-

Source: Audit Scotland

Other matters

Internal audit

29. The Fund is responsible for establishing an internal audit function as part of an effective system of internal control. As part of the audit, the audit team will obtain an understanding of internal audit, including its nature, responsibilities, and activities.

30. While internal audit and external audit have differing roles and responsibilities, external auditors may use the work of internal audit where it is considered appropriate. A review of internal audit's 2024/25 audit plan was carried out to identify if there were any areas where the audit team could rely on its work. The audit team will consider using internal audit's review of pension payroll payments covering retirement benefits, lump sums and commutations.

Audit quality

31. Audit Scotland is committed to the consistent delivery of high-quality audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. Details of the arrangements in place for the delivery of high-quality audits is available from the [Audit Scotland website](#).

32. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2024/25 audits are:

- ISQM (UK) 1, which deals with an audit organisation's responsibilities to design, implement, and operate a system of quality management (SoQM) for audits. Audit Scotland's SoQM consists of a variety of components, such as: governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring Audit Scotland is dedicated to high-quality audit through engagement performance and resourcing arrangements, and ensuring there are robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of its SoQM and has concluded it complies with this standard.
- ISQM (UK) 2, which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in an audit, to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions on high-risk audits.

33. To monitor quality at an individual audit level, Audit Scotland carries out internal quality reviews on a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews on a sample of audits.

34. Audit Scotland may periodically seek the views of the Fund on the quality of audit services provided. The audit team would also welcome feedback at any time.

North East Scotland Pension Fund

Annual Audit Plan 2024/25



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ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	21 March 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Statement of Accounts 2024/25 – Action Plan
REPORT NUMBER	PC/MAR25/ACCOUNTS
EXECUTIVE DIRECTOR	Andy MacDonald
CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Laura Colliss
TERMS OF REFERENCE	3.1

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide Elected Members with high level information and key dates in relation to the 2024/25 Statement of Accounts including linkages to the plans and timetables of the Council’s External Auditors.

2. RECOMMENDATION

That the Committee: -

- 2.1 Note the main report for assurance.

3. CURRENT SITUATION

- 3.1 See attached main report.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendation in this report.

5. LEGAL IMPLICATIONS

- 5.1 In terms of The Local Authority Accounts (Scotland) Regulations 2014, there is a statutory requirement for the Council to produce both a draft and audited Statement of Accounts within certain timescales and to a high standard. This is a major task which requires co-operation and input from a large number of people across all services of the Council. It is only with the commitment of all staff that these high standards and deadlines can be met.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendation of this report.

7. RISK

7.1 The Pension Fund maintains its own Risk Management Policy and regularly updates its Risk Register in line with change. This is reported quarterly to the Pensions Committee.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	No significant risks identified.	N/A	N/A	N/A
Compliance	Failure to meet statutory requirement to produce draft and audited Statement of Accounts within certain timescales and to high standard.	Process and procedures in place to ensure teams work together to produce within timescales.	M	Yes
Operational	No significant risks identified.	N/A	N/A	N/A
Financial	Possible financial penalties for failure to meet regulatory requirements.	Compliance monitoring and regular reporting to Pensions Committee.	M	Yes
Reputational	Failure to meet regulatory requirements may result in adverse publicity.	Processes and procedures in place based on the timetable set out in the attached report.	M	Yes
Environment / Climate	No significant risks identified.	N/A	N/A	N/A

8. OUTCOMES

8.1 The proposals in this report have no impact on the Council Delivery Plan.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	No assessment required. I can confirm this has been discussed and agreed with Jonathan Belford, Chief Officer-Finance on 10 th June 2024.
Data Protection Impact Assessment	Not required
Other	N/A

10. BACKGROUND PAPERS

10.1 None

11. APPENDICES

11.1 None

12. REPORT AUTHOR CONTACT DETAILS

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North East Scotland Pension Fund

nespf

Statement of Accounts 2024/25

Annual Report to March 2025

1. Background

The Statement of Accounts 2024/25 will summarise the Pension Fund's transactions for the period 1 April to 31 March and its financial position at the year end 31 March 2025. It will be prepared in accordance with the Internal Financial Reporting Standards (IFRS) based Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and the Service Reporting Code of Practice (SeRCOP). There are no changes to either of the codes in 2024/25 which will have any significant impact on the Statement of Accounts.

There are a number of key dates and these are summarised as follows:

31 March 2025	End of Financial Year 2024/25
17 June 2025	Deadline for giving notice to the public of the right to inspect and object to Accounts
20 June 2025	Pensions Committee
30 June 2025	Statutory deadline for submission of Draft Statement of Accounts to the Controller of Audit
July 2025	Advertising and Inspection of Accounts
31 July 2025	Deadline for submission of the Whole of Government Accounts (WGA) to the Scottish Government
12 September 2025	Pensions Committee
30 September 2025	Deadline for submission of Audited Statement of Accounts to the Controller of Audit
31 October 2025	Deadline for submission of the Audited WGA to the Scottish Government
12 December 2025	Pensions Committee

20 June 2025

The Pensions Committee will receive the Draft Statement of Accounts 2024/25, including the Annual Report for overall scrutiny.

July 2025

This is the period within which the Council must give public notice of the rights of interested parties to inspect and object to its accounts. There are statutory requirements currently under The Local Authority Accounts (Scotland) Regulations

2014 which define the notice period, the inspection period, deadline for submission of any objections and the information which must be made available for inspection.

September 2025

The Pensions Committee will receive Audit Scotland's combined ISA260 and "Report to those charged with the governance of the 2024/25 audit" for debate and consideration, together with the Audited Statement of Accounts 2024/25 for signing.

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ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	21 March 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Strategy
REPORT NUMBER	PC/MAR25/STRAT
EXECUTIVE DIRECTOR	Andy MacDonald
CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Laura Colliss & Mairi Suttie
TERMS OF REFERENCE	1.3-4, 4.1-2, 5.1-2

1. PURPOSE OF REPORT

- 1.1 To inform the Committee and provide recommendations (if applicable) to changes to the North East Scotland Pension Fund.

2. RECOMMENDATIONS

That the Committee:-

- 2.1 Note the updates to the Fund Policy documents (item 6.2 of the main report);
- 2.2 Note the update to the Authorised Signatory List (item 6.6 of the main report); and
- 2.3 Note the remainder of the report for reassurance.

3. CURRENT SITUATION

- 3.1 See attached main report.

4. FINANCIAL IMPLICATIONS

- 4.1 The performance of the Fund over the long term can impact on the Fund's funding level and therefore the ability to meet its long-term liabilities.

5. LEGAL IMPLICATIONS

- 5.1 There are a number of legal implications arising from the implementation of the strategy which have been identified and addressed as set out in this report.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The Pension Fund maintains its own Risk Management Policy and regularly updates its Risk Register in line with change. This is reported quarterly to the Pensions Committee.

Appendix I, Copy of Risk Register (February 2025)

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	Lack of effective risk controls in relation to the Fund Strategy.	The Fund maintains its own Risk Management Policy and regularly updates its Risk Register in line with change. This is reported quarterly to the Pensions Committee.	L	Yes
Compliance	No significant risks identified.	N/A	N/A	N/A
Operational	No significant risks identified.	N/A	N/A	N/A
Financial	No significant risks identified.	N/A	N/A	N/A
Reputational	No significant risks identified.	N/A	N/A	N/A
Environment / Climate	No significant risks identified.	N/A	N/A	N/A

8. OUTCOMES

8.1 The proposals in this report have no impact on the Council Delivery Plan.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	No assessment required. I can confirm this has been discussed and agreed with Jonathan Belford, Chief Officer-Finance on 10 th June 2024.
Data Protection Impact Assessment	Data Protection Impact Assessments were carried out for the Pension Dashboard Project and the Actuarial Service appointment as both projects involve the use of members personal data. Data Protection Impact Assessments are live documents and the NESPF will continue to monitor whether any updates to these assessments are required as both projects progress.
Other	N/A

10. BACKGROUND PAPERS

10.1 None

11. APPENDICES

11.1 **Appendix I**, Copy of Risk Register (February 2025)
Appendix II, PAS Report

12. REPORT AUTHOR CONTACT DETAILS

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North East Scotland Pension Fund

nespf

Strategy Report

Quarterly Reporting March 2025

1. Background

1.1 Quarterly Report to March 2025

The Pensions Committee will be comprehensively informed via this report as to the current position and any variances to the Fund's strategy and recommendations.

In line with the structural review of the Pension Fund, six specific areas were identified to fully address the strategic management of the Fund;

- Investment
- Accounting
- Benefit Administration
- Systems
- Governance
- Employer Relations

The roles and responsibilities within these areas have been very clearly defined to ensure accountability across the Pension Fund.

To support this, support services updates covering the six strategic areas will also be available via [the secure website at http://www.nespf.org.uk/TheFund/Governance/fundgovernance.aspx](http://www.nespf.org.uk/TheFund/Governance/fundgovernance.aspx).

Also available on the Pension Fund website are all the policy documents that govern the Pension Fund including its various strategies.

2. Investment

2.1 Asset & Investment Manager Performance Report Investment Strategy Report

Separate reports, provided

2.2 Local Authority Pension Fund Forum (LAPFF)

Copies of the latest e-bulletins, quarterly engagement and annual reports are available at <http://www.lapfforum.org>.

3. Accounting

3.1 Statement of Accounts 2024/25

Separate report, attached

4. Benefit Administration

4.1 Pensions Increase/Inflation

The Government confirmed that Local Government Pension Scheme (LGPS) pensions and Career Average Revalued Earnings (CARE) pots will increase by 1.7% from April 2025 (based on the Consumer Price Index (CPI) to September 2024).

4.2 Regulatory Update

On 12 December 2024, the Scottish Government laid the LGPS (Remediable Service)(Scotland)(Miscellaneous Amendment) Regulations 2024 which will amend the underpin rules, as discussed with Committee in the December Strategy Report (PC/DEC24/STRAT). These regulations came into force on 6 February 2025.

5. Systems

5.1 Performance Reporting

Performance is reported using new business intelligence and analytics software (Insights).

In addition to quarterly performance, the new PAS reporting also includes comparison against the previous quarter, information on data quality and progress on large scale exercises required by regulations e.g. McCloud and Pension Dashboards.

Appendix II, Pension Administration Strategy Report

6. Governance

6.1 Scheme Advisory Board

Copies of the latest bulletins and meeting are available at <http://lgpsab.scot>.

6.2 Document Updates

Copies of the draft policy documents can be found in the secure member area of the website (www.nespf.org.uk) or copies can be requested from the Governance Team. Any significantly revised or new documents will be included as appendices to this report.

- **Governance Policy** (some minor grammatical corrections, updates to Terms of Reference following annual governance reviews)
- **Risk Management Policy** (replaced references to tPR's CoP14 to GCoP)
- **Cyber Security Policy** (minor amendments to improve clarity, again references updated from CoP14 to CGoP, updated names of current external services providers)
- **Local Contingency Plan** (Added in references to new cyber security measures e.g. member contact details extracted monthly, updated wording across the document for clarity and staffing updates)
- **Statement of Investment Principles** (revised wording on exclusion policy)

6.3 Staff Training Update

Individual staff training and development continued during 2024/25.

All staff once again completed the mandatory annual Information Governance refresher training. A number of other mandatory Aberdeen City Council online learning courses also require regular refresher training and these were completed during the year.

The Fund currently has 3 Trainee Pension Officers (TPO's) – Benefit Administration navigating through the internally developed modular training programme under the guidance of the Training & Development Team along with 2 Modern Apprentices in the Benefit Administration Team. A re-vamped training programme was introduced at the end of 2022 and in 2024, we saw a number of Trainees progressing to Pensions Officers. These are both having the desired impact on allowing the Team to improve performance and reduce backlogs.

6.4 Annual Governance Review

Review of NESPF Compliance with the Public Service Pensions Act 2013 and the Pensions Regulators General Code.

Separate report, provided

6.5 Fraud, Whistleblowing and Breaches of the Bribery Act

There have been no cases during the year. All NESPF staff are required to familiarise themselves with the Whistleblowing Policy and compliance is monitored by the Governance Team.

6.6 Authorised Signatory List Update

At its meeting on 24 June 2022 (PC/JUN22/STRAT), the Pensions Committee approved an updated Authorised Signatory List, to take effect from 1 September 2022. Further approval was given to authorise the Chief Officer-Governance (following consultation with the Chief Officer-Finance) to i) make further updates to the Authorised Signatory List to reflect any changes to personnel holding the posts listed therein and any changes to the post titles listed therein, and ii) make any minor amendments to the List which may be necessary.

In terms of the above authorisation, the Interim Chief Officer-Governance (following consultation with the Chief Officer-Finance) has approved an updated Authorised Signatory List. The new role of Deputy Chief Officer-Finance has been added to the list of appointments that have authority to sign all pension documentation.

7. Employer Relationship

7.1 Scheme Actuary

Following a procurement exercise using the Norfolk Local Government Pension Scheme (LGPS) Framework, Hymans Robertson LLP were appointed as the new scheme actuary for the NESPF with effect from 1 February 2025. Introductory meetings have been held between the Employer Relationship Team and the dedicated Hymans Team and work has already begun. Work and training will continue over the next few months to ensure that Officers are comfortable with the Hymans systems and data requirements.

Hymans will be invited to meet the Committee and Board later in the year to introduce themselves and discuss the approach for valuation in March 2026.

7.2 Employer Update

Following a smooth exercise carried out between all stakeholders, the assets and liabilities in respect of Scottish Fire and Rescue Services within the NESPF have been transferred to Strathclyde Pension Fund who are now responsible for administering the scheme for all of their administration staff. The transfer took place with effect from 1 November 2024.

Sanctuary Scotland took the decision to exit from the NESPF with effect from 31 December 2024 with alternative pension arrangements being offered to their five remaining members.

Following calculations of the liabilities held, an exit credit has been paid to the charity with all liabilities discharged with effect from the termination date.

7.3 National Pensions Dashboards

The public sector pension schemes deadline for connecting to the dashboards ecosystem is 31 October 2025. In advance of this deadline the NESPF have now contracted with Heywoods to be our Integrated Service Provider (ISP) which will provide us with the necessary infrastructure to connect with the dashboards and provide data to its users.

Stage 1 of the implementation of the ISP solution took place in January 2025 with Stage 2 planned for the early summer, well in advance of the connection deadline. In addition, data readiness exercises are being carried out within the Fund to put us in the best place to meet the member requirements once the product(s) go live following the dashboard available point (DAP).

Dashboard readiness information will also now be included within the quarterly PAS reporting and updates will be included within the Strategy Report going forward.

Risk Register



Pensions Dashboard

In line with best practice and the Pensions Regulator (tPR) Code of Practice, NESPF maintains a risk register to ensure the risks the Fund faces are properly understood, and risk mitigation actions are in place.

This Risk Register is reviewed and updated quarterly, with reporting to the Pensions Committee.

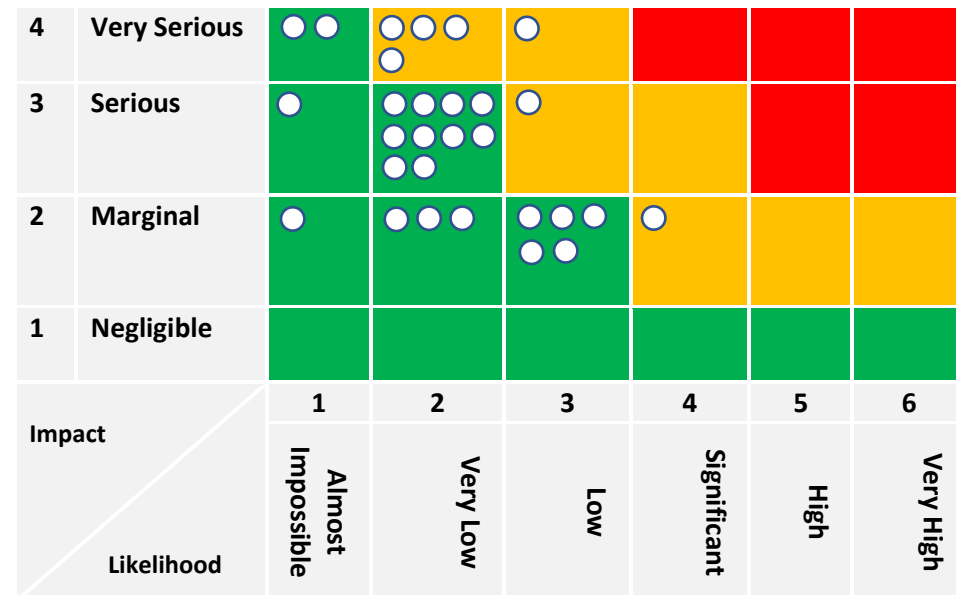
The Pensions Committee is responsible for receiving assurance on the effectiveness of NESPF risk management arrangements as per their Terms of Refence.

Risk Scoring Process

In order to apply an assessment rating (score) to a risk, NESPF implements a 4 x 6 matrix. The 4 scale represents the impact of a risk and the 6 scale represents likelihood of a risk event occurring.

4	Very Serious	4	8	12	16	20	24
3	Serious	3	6	9	12	15	18
2	Marginal	2	4	6	8	10	12
1	Negligible	1	2	3	4	5	6
Impact		1	2	3	4	5	6
	Likelihood	Almost Impossible	Very Low	Low	Significant	High	Very High

Current Heat Map (where risks NESPF001 through 029 fall)



Red = High Priority (urgent action required)

Orange = Medium Priority (assess adequacy of current controls, consider further action required to mitigate risk)

Green = Low Priority (no immediate action subject to exceptions, continue to review)

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
Pension Fund Level									
NESPFO01	Risk: Lack of effective risk controls	<ul style="list-style-type: none"> NESPF risk register is reviewed and updated quarterly by senior management team Consideration by Pensions Committee & Board at quarterly meetings NESPF specific Risk Management Policy in place and reviewed annually 	4	1	4	↔	TREAT		Ongoing
	Causes: Failure to implement risk management framework								
	Potential Impact: Operational, financial and reputational issues								
NESPFO02	Risk: Poor Governance	<ul style="list-style-type: none"> Annual review of Funds Governance Compliance Statement and supporting policies and procedures Adherence to Council's Scheme of Governance Committee Effectiveness Report to support good governance 	3	2	6	↔	TREAT	ACC Scheme of Governance annual review to be completed by Spring/Summer 2025.	Ongoing
	Causes: Lack of robust and effective governance framework and supporting policies and procedures								
	Potential Impact: Regulatory compliance issues, inability to determine policies and make effective decisions leading to poor service delivery and reputational risk								
NESPFO03	Risk: Lack of performance measures	<ul style="list-style-type: none"> Statutory and local KPI's Pension Administration Strategy published quarterly Investment performance (against benchmark) 	3	2	6	↔	TREAT	KPI review ongoing and new PAS reporting from Sept'24.	Ongoing
	Causes: Failure to develop performance reporting framework								
	Potential Impact: Lack of transparency, poor								

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
	performance could go unaddressed	reported to Committee quarterly in AIMP report							
NESPFO04	Risk: Failure of Pensions Committee and Pension Board to operate effectively	<ul style="list-style-type: none"> • Publication of Pension Board Annual Report • Training Policy reviewed annually and training register in place • Nomination & Appointment procedure • Annual Committee Effectiveness Report • Monthly Committee & Board Bulletin • Monthly Hymans LOLA Progress Report 	3	3	9	↔	TREAT	Pension Board Annual Report and revised Training Policy will be taken to Jun'25 meeting. Training review to be carried out. Hymans Knowledge Progress Assessment completed in 2023. 2 long term Committee vacancies.	Ongoing
	Causes: Poor attendance/commitment to role, high turnover of members, lack of training								
	Potential Impact: Non-compliance with regulatory requirements, inability to make decisions or policies, reputational risk								
NESPFO05	Risk: Operational Disaster; unable to access the workplace	<ul style="list-style-type: none"> • ACC Disaster Recovery policy in place • NESPF Business Continuity Plan to address loss/disruption to benefit administration system 	3	2	6	↔	TOLERATE	Disaster Recovery Testing ongoing.	Ongoing
	Causes: Major incident, natural disaster								
	Potential Impact: Loss of service delivery, staff downtime								
NESPFO06	Risk: Failure to recruit, retain and develop staff	<ul style="list-style-type: none"> • All staff have individual development plans, reviewed regularly through CR&D 	3	2	6	↔	TREAT	2 Modern Apprentices joined Benefit Administration and 1 in Systems Team	Ongoing
	Causes: Limited pool of resources/competition with private sector, lack of								

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
	<p>training/development opportunities, resource drain from wider priorities</p> <p>Potential Impact: Loss of service delivery, risk to succession planning</p>	<ul style="list-style-type: none"> • Training register to monitor • 2 full time training & development staff • Internal 2 year training programme for benefit admin staff • Future-focused staffing structure, subject to ongoing review 						<p>in Nov/Dec24, 1 x PO- Communications, 3 Trainee Pensions Officers now fully qualified Officers.</p> <p>Operational Effectiveness review by Hymans ongoing.</p>	
NESPF007	<p>Risk: Pay and price inflation valuation assumptions either higher or lower</p> <p>Causes: Economic factors</p> <p>Potential Impact: Potential increase in employer contribution rates and liabilities</p>	<ul style="list-style-type: none"> • Quarterly funding updates to Committee (using Liability Monitoring Tool) • Tri-ennial valuation • Individual employer contribution rates 	2	3	6	↔	TOLERATE	<p>Healthy funding position, prudent assumptions in 2023 valuation led to decreased risk score.</p>	Ongoing
NESPF008	<p>Risk: Over reliance on services provided by the Administering Authority (e.g. HR, Payroll, Legal, IT)</p> <p>Causes: VS/ER exercise leading to loss of knowledge and expertise, recruitment freeze, poor service provision, cost constraints</p> <p>Potential Impact: Ability to meet regulatory and tPR</p>	<ul style="list-style-type: none"> • Internal controls including policies and procedures • Pensions Administration Strategy in place • Communication between Pensions Manager and ACC Chief Officers 	4	3	12	↔	TREAT	<p>Ongoing issues being experienced.</p> <p>Operating Model review by Hymans ongoing.</p>	Ongoing

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
	requirements, staff downtime, loss of service delivery/delays and staff time, cyber and IT risk, legal and reputational risk								
Governance									
NESPF009	<p>Risk: Failure to adhere to relevant pensions legislation and guidance</p> <p>Causes: Political and legislative changes, increased administrative complexity, staff training issue</p> <p>Potential Impact: Audit criticism, legal challenge, reputational risk, financial loss and tPR action</p>	<ul style="list-style-type: none"> • Six monthly compliance review, with annual reporting to Pensions Committee and Board • Active participation at LGPS events, Testing Working Party for administration software updates • Established processes for staff training • Oversight by Pensions Board • Regular benefit admin team meetings to share knowledge 	3	2	6	↔	TREAT	<p>Annual Compliance Report to Mar'25 committee meeting. Review completed against TPR's new General Code.</p> <p>Next six monthly compliance review due Jun'25.</p> <p>Work underway to ensure compliance with National Pensions Dashboard requirements.</p>	Ongoing
NESPF010	<p>Risk: Failure to comply with FOI or SAR requests</p> <p>Causes: Missed statutory deadlines due to training or resource issues</p>	<ul style="list-style-type: none"> • Internal written procedures in place • FOI/SAR log to record & monitor 	3	1	3	↔	TREAT		Ongoing

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
	Potential Impact: Audit criticism, legal challenge, reputational risk	<ul style="list-style-type: none"> Online process through GovServices 							
NESPFO11	Risk: Conflicts of Interest	<ul style="list-style-type: none"> Regular discussions between CO-Finance and Pension Fund Manager Standing agenda item at meetings Conflicts policy & register in place, with conflicts declarations issued annually 	2	3	6	↔	TREAT	Updated COI Policy to Committee meeting Dec'24.	Ongoing
	Causes: Competing professional and personal interests of staff, Committee and Board members								
	Potential Impact: Audit criticism, legal challenge, reputational risk								
Benefit Administration									
NESPFO12	Risk: Fraud/Negligence	<ul style="list-style-type: none"> Segregation of duties for benefits staff authorising/submitting lump sum payments Pension payments signed off by benefits senior Enhanced Admin to Pay and Arrears Modules to provide calculation checks Participation in National Fraud Initiative exercise Overseas pensioner existence checking Breaches Policy & register Internal Audit control reviews 	3	2	6	↔	TREAT	Internal Audit Pension Fund Payroll Spring 2025.	Ongoing
	Causes: Dishonesty or human error by staff, scheme members								
	Potential Impact: Overpayment/unauthorised payments, system corruption, audit criticism, legal challenge, reputational risk								

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
Investments									
NESPFO13	Risk: Insufficient assets to meet the Funds long term liabilities	<ul style="list-style-type: none"> Quarterly assessment of investment performance and funding updates Tri-ennial valuation and investment strategy review Diversification of assets Due diligence of fund managers External advisor for specialist guidance on strategy 	4	1	4	↔	TREAT	Tri-ennial valuation process completed, Fund in very healthy position (126% funded) and valuation approach continues to ensure high level of prudence. Investment Strategy approved at Jun' 24 meeting.	Ongoing
	Causes: Failure of investment strategy or fund managers to produce expected returns								
	Potential Impact: Increase in employer contribution rates, investment risk, audit criticism, financial loss								
NESPFO14	Risk: Failure to monitor investment managers and assets	<ul style="list-style-type: none"> Quarterly assessment and reporting of asset performance Regular meetings with investment managers 	3	2	6	↔	TREAT		Ongoing
	Causes: Lack of internal procedures								
	Potential Impact: Audit criticism, legal challenge, reputational risk								
NESPFO15	Risk: Failure of world stock markets	<ul style="list-style-type: none"> Diversification of Scheme assets Tri-ennial valuation and investment strategy review 	4	2	8	↔	TOLERATE	Tri-ennial valuation completed, Investment Strategy approved at Jun'24 meeting. Escalation of trade disputes and political tensions.	Ongoing
	Causes: Systemic								
	Potential Impact: Increase in employer contribution rates, financial loss								

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
NESPF016	Risk: Negligence/Fraud/Default	<ul style="list-style-type: none"> • Due diligence on appointment and appropriate clause in legal agreements • Fund management monitoring • SAS 70 reports 	2	1	2	↔	TOLERATE		Ongoing
	Causes: Dishonesty by fund managers, lack of care or human error								
	Potential Impact: Financial loss, reputational damage								
NESPF017	Risk: Failure of Global Custodian	<ul style="list-style-type: none"> • Regular meeting with custodian • Service Level Agreement in place • Receipt of SAS 70 reports and monitoring 	4	2	8	↔	TOLERATE	Global Custodian tender process underway.	Ongoing Tender – L Colliss, April 2025
	Causes: Financial market crisis, regulatory/political								
	Potential Impact: Loss of assets or control of assets								
NESPF018	Risk: Failure to implement ESG policy	<ul style="list-style-type: none"> • Member training on roles and fiduciary duties • Policy incorporated within SIP • PRI membership, annual signatory assessment • Monitor impact of climate change • Adoption of TCFD • Quarterly reporting to Committee/Board on voting, carbon footprinting and engagement work. • Risk assessments with Fund Managers and Investment Consultant 	3	2	6	↔	TREAT		Ongoing
	Causes: Lack of skills/knowledge, lack of transparency on practices or clear policy								
	Potential Impact: Reputational damage								

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
		including Climate Scenario Analysis							
Accounting									
NESPFO19	Risk: Poor financial reporting	<ul style="list-style-type: none"> Comprehensive policies and procedures in place and review of <i>the Code</i> Attending CIPFA meeting and reviews Regular reconciliations e.g. fund managers, custodian Internal/External Audits 	3	2	6	↔	TREAT	Annual Report & Accounts approved Sept'24 meeting.	Ongoing
	Causes: Lack of internal policies and procedures, failure to keep up to date with changes in the Code of Practice and other overriding changes, training issues								
	Potential Impact: Qualified accounts								
Systems									
NESPFO20	Risk: Failure to secure and manage personal data in line with data protection requirements	<ul style="list-style-type: none"> Annual information governance training for staff Policies and procedures in place and reviewed regularly (Breaches, Data Protection, Systems Access and Retention Schedule) Secure physical storage measures Admin system providers implement range of protections against cyber threats including encryption, firewalls, 	4	2	8	↔	TREAT	Staff complete annual information governance refresher training and further training to be carried out over 2025. Cyber training for Committee & Board delivered Nov'24. Cyber Incident Tabletop Exercise completed by	Ongoing
	Causes: Cyber-attack, human processing error								
	Potential Impact: Audit criticism, legal challenge, reputational risk, financial penalties								

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
		annual 3 rd party penetration testing etc					NESPF Incident Response Team in Jan'25.		
NESPF021	Risk: Failure of the Fund's administration system	<ul style="list-style-type: none"> Administration system is hosted externally with back up in separate location Regular software updates Business continuity and disaster recovery plans in place Cyber Security Policy and Cyber Incident Response Plan in place 	4	2	8	↔	TOLERATE	Increased risk of cyber-attacks globally, mitigations in place. Tabletop exercise completed in Jan'25.	Ongoing
	Causes: Outages, hardware and software failures and cyber attacks								
	Potential Impact: Staff downtime, loss of service delivery								
NESPF022	Risk: Failure to track member status and trace information	<ul style="list-style-type: none"> Tracing service in place (ATMOS) Use of 'Tell Us Once' service Data quality improvement plan including measures to trace Existence checking 	2	3	6	↔	TREAT	New mortality tracing. Data uploaded and checked against national death records, automatically creates cases on Altair administration database with output dashboard with lower priority matches. Review of new process ongoing.	Ongoing
	Causes: Poor record keeping								
	Potential Impact: Incorrect pension payments, incorrect assessment of actuarial liabilities, tPR action								

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
NESPFO23	Risk: Failure to monitor employer covenant	<ul style="list-style-type: none"> Continued implementation of Covenant Assessment and Monitoring Policy (within FSS) Online liability monitor which tracks funding levels and liabilities for each individual employer 	2	2	4	↔	TREAT		Ongoing
	Causes: Failure of internal procedures								
	Potential Impact: Orphaned liabilities could fall on remaining employers								
ESPF024	Risk: Changes in early retirement strategies by employers	<ul style="list-style-type: none"> Management through Covenant Assessment and Monitoring Policy (within FSS) 	2	3	6	↔	TREAT	Increasing budget constraints are leading more employers to redundancy/early retirement exercises. Employers are aware of cost implications. Strain on Fund factors reviewed by scheme actuary in 2023.	Ongoing
	Causes: Public service cuts to funding								
	Potential Impact: Pressure on cash flows								
NESPFO25	Risk: Employers leaving Scheme or closing to new members	<ul style="list-style-type: none"> Management through Covenant Assessment and Monitoring Policy (within FSS) 	2	4	8	↔	TREAT	New flexibilities, guarantors in place, new Termination Policy and current funding position.	Ongoing
	Causes: Public service cuts to funding, increased pension contribution costs								

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
	Potential Impact: Orphaned liabilities could fall to remaining employers	<ul style="list-style-type: none"> • Cost Cap mechanism introduced in LGPS regulations • Termination Policy reassessed in line with the 2023 Fund Valuation 							
NESPF026	Risk: Longevity	<ul style="list-style-type: none"> • Tri-ennial valuation undertakes scheme specific analysis including review of life expectancy/mortality assumptions which are set with some allowance for increases 	2	2	4	↔	TOLERATE	Demographic assessment carried out by the scheme actuary in 2022/23 which was fed into 2023 valuation.	Ongoing
	Causes: Increasing life expectancy rates								
	Potential Impact: Increase in employer contribution rates and liabilities								
NESPF027	Risk: Employer contributions not received, collected or recorded accurately	<ul style="list-style-type: none"> • Internal escalation procedures • Breaches policy and register Monthly data submission reconciled by ERT • Quarterly PAS reporting to Committee & Board • Ongoing training provided by dedicated ERT to scheme employers • Employer Briefings 	2	3	6	↔	TREAT	LGPS (Scotland) Regulations delivered Summer 2022 to help manage risk. New employer contribution rates put in place following 2023 valuation. All employer contribution requirements reduced for inter-valuation period 2024-27.	Ongoing
	Causes: Lack of staff resources, training issues								
	Potential Impact: Orphaned liabilities could fall to remaining employers								

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
NESPFO28	Risk: Failure to maintain member records; data incomplete or inaccurate	<ul style="list-style-type: none"> Monthly data from employers which is reconciled by ERT Quarterly PAS reporting to Committee & Board Data quality improvement plan implemented Data readiness assessment for Pensions Dashboard Project 	3	2	6	↔	TREAT	Work is ongoing to ensure records are as up to date as possible in readiness for Pensions Dashboard connection by 2026.	Ongoing
	Causes: Lack of staff resources, training issues								
	Potential Impact: Incorrect pension payments, incorrect assessment of actuarial liabilities, reputational damage, tPR action								
NESPFO29	Risk: The Fund is unable to adequately comply with required administrative processes owing to McCloud judgement	<ul style="list-style-type: none"> SAB and other industry guidance Early and ongoing communication with employers McCloud project team created 	2	2	4	↔	TREAT	Now "Live" with McCloud. Majority of historic recalculations completed.	Ongoing
	Causes: Not having the required historic data, adequate resources, sufficient guidance								
	Potential Impact: Breaches and potential action by tPR, increase in liabilities, incorrect pension entitlements, damage to Fund reputation								

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North East Scotland Pension Fund
nespf

Pension Administration Strategy

Quarterly Reporting to 31st December 2024

1. NESPF performance from 1st April to 31st December

1.1 Key administration tasks

Measuring performance is essential to evidence the efforts made by both the Pension Fund and Scheme employers to comply with statutory requirements and deliver a high-quality pension administration service.

Measurement and Target	Cases completed	Within target	Percentage achieved	Outwith target	Average days over target	Previous period percentage	Percentage movement
Death In Service notification within 5 working days	29	28	96.6%	1	2.00	94.4%	2.2%
Death of Deferred/Pensioner notification within 5 working days New	237	230	97.0%	7	14.86	96.8%	0.2%
Deferred Benefit Care Only within 60 days New	596	591	99.2%	5	10.00	99.8%	-0.6%
Deferred Benefit Final Salary within 60 days New	344	331	96.2%	13	16.23	97.8%	-1.6%
Deferred Benefit notification within 10 working days	1,052	1,037	98.6%	15	10.80	98.4%	0.2%
Refund within 10 working days	438	427	97.5%	11	8.82	98.4%	-0.9%
Retirement Benefit within 10 working days	1,254	985	78.5%	269	4.77	81.6%	-3.1%
Retirement Estimate within 10 working days	352	352	100.0%	0	0.00	100.0%	0.0%
Transfer In quotation within 10 working days	39	32	82.1%	7	22.43	81.3%	0.8%
Transfer Out quotation within 10 working days	244	183	75.0%	61	32.03	77.9%	-2.9%
Totals	4585	4196	91.5%			92.8%	-1.3%

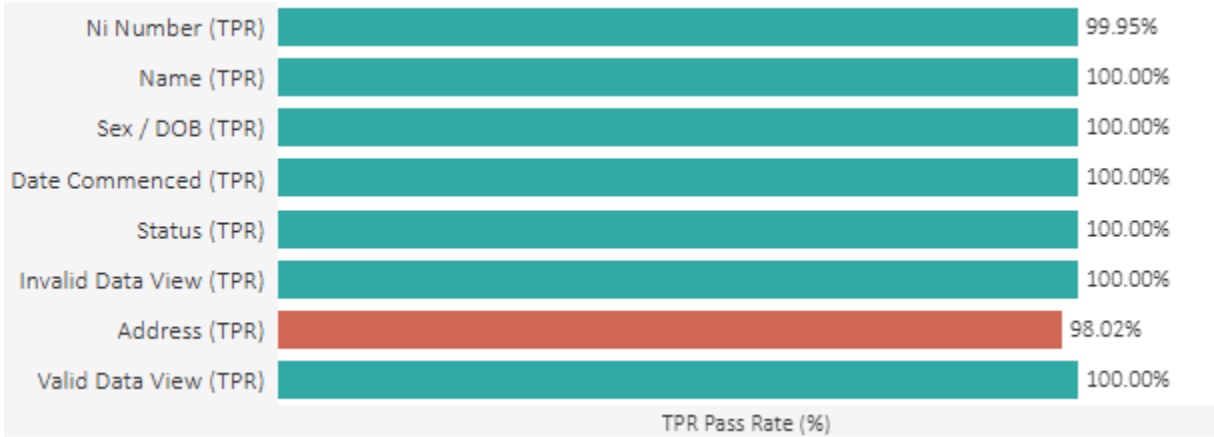
Percentage Analysis

- Overall percentage achieved at 91.5% is down 1.3% on previous quarter but remains above the 90.5% achieved for 2023/24.

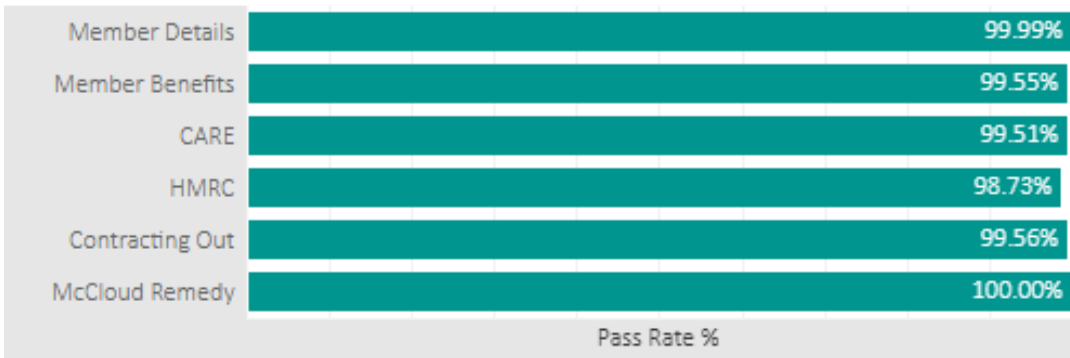
1.2 Data quality

The Pension Regulator (TPR) requires Common and Scheme Specific data to be measured and reported annually in October.

Common Data Score = 98.7% (TPR target 100%)



Scheme Specific Data Score = 98.9% (TPR target 100%)



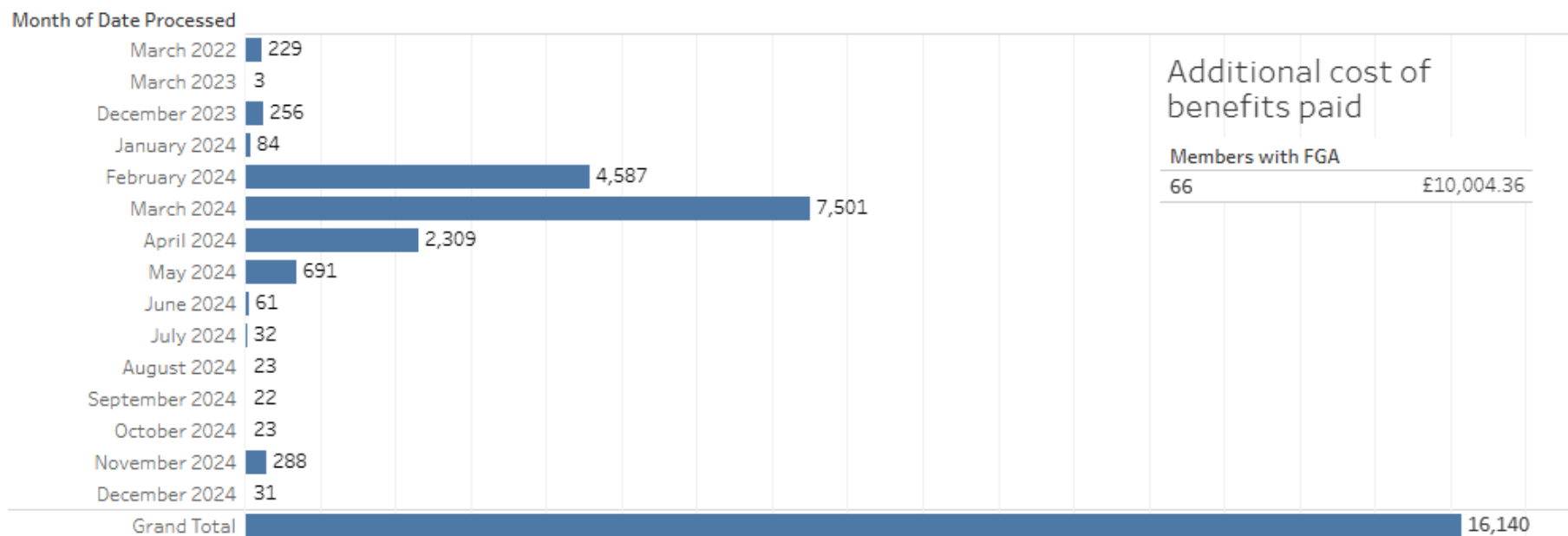
1.3 McCloud remedy

In December 2018 the Court of Appeal ruled in *McCloud v Ministry of Justice* that “transitional protection” offered to some members as part of pension reform amounted to unlawful discrimination. In July 2019 following employment tribunal Government stated difference in treatment would be remedied across all public sector schemes.

This dashboard provides an update on progress made to extend protections by recalculating benefits for all eligible members in accordance with The Local Government Pension Scheme (Remedial Service) (Scotland) Regulations 2023.

The bar chart below shows the number of calculations completed by the Fund so far, the number of members who qualified for a final guaranteed amount (where member is better off because benefits calculated under Final Salary rules exceed those calculated under Care rules) and the additional cost of all final guaranteed amounts.

Calculations completed

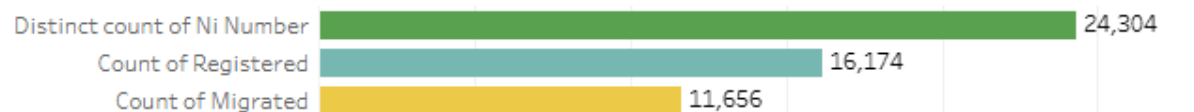


1.4 Members online

My Pension+

This dashboard shows members that have registered for online self service and those that have migrated to *My Pension+* which went live on 26 June 2023.

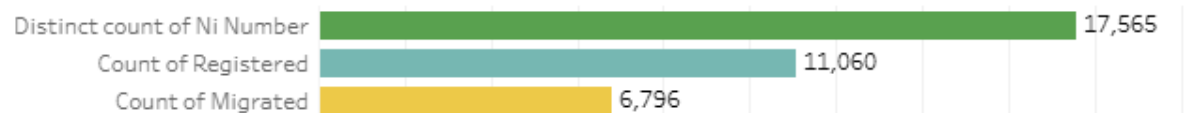
Actives



Percentages

Registered members	66.5%
Migrated members	72.1%

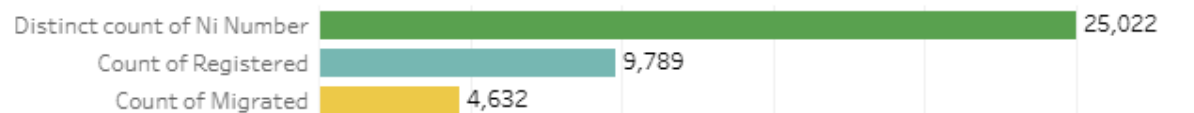
Deferreds



Percentages

Registered members	63.0%
Migrated members	61.4%

Pensioners & Dependants



Percentages

Registered members	39.1%
Migrated members	47.3%

Undecided Leavers



Percentages

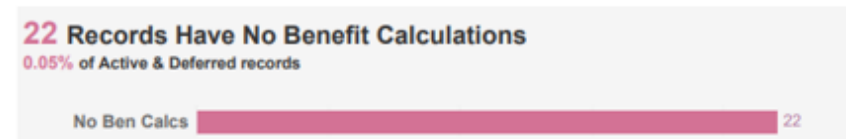
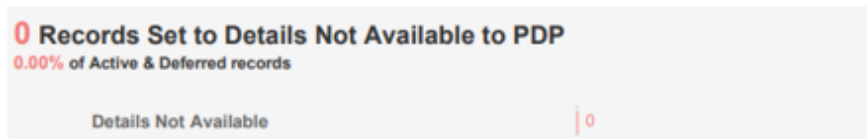
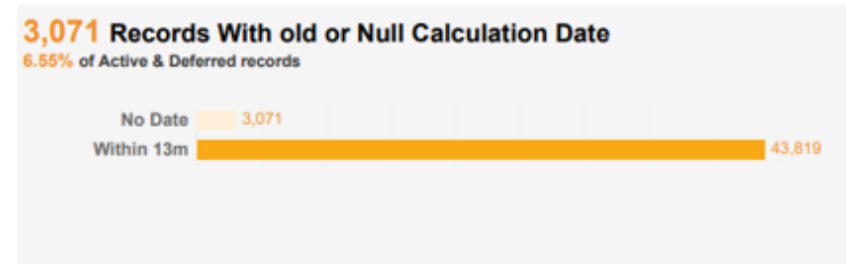
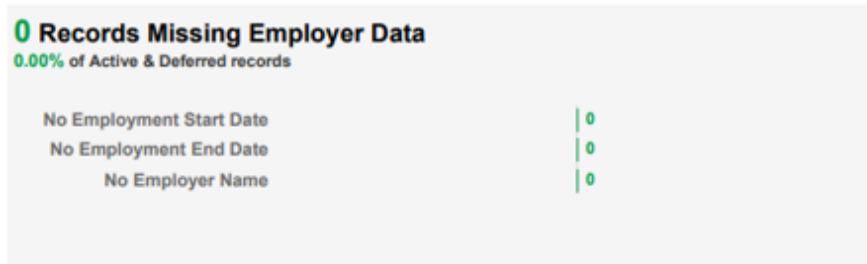
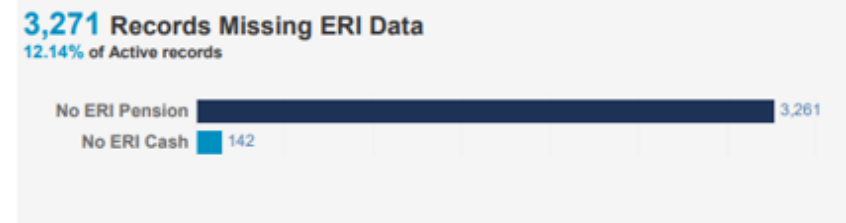
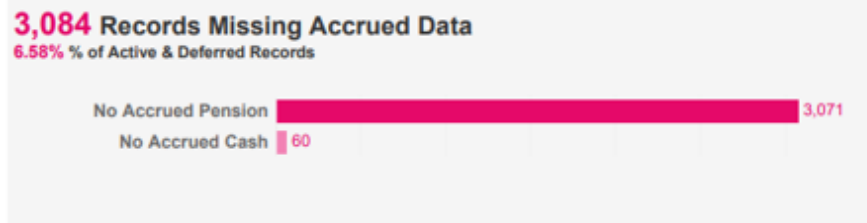
Registered members	60.2%
Migrated members	66.3%

1.5 Pension dashboards

This dashboard shows current position with data transferred into our ISP Test environment that will be used for onboarding to the governments ecosystem later this year which is a requirement for all public sector pension schemes. The NESPF will be required to provide Pension Data for all active and deferred pensioners within the Fund.

Member Records	Active	Deferred
46,890	26,936	19,954

The 3,000+ members relates to new members who joined the scheme after 31 March 2024 and therefore do not have annual benefits statements attached to their records.



ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	21 March 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Review of NESPF Compliance with the Public Service Pensions Act 2013 (PSPA 2013) and Pension Regulator Requirements
REPORT NUMBER	PC/MAR25/GOV
EXECUTIVE DIRECTOR	Andy MacDonald
CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Laura Colliss & Mairi Suttie
TERMS OF REFERENCE	4.1 AND 4.2

1. PURPOSE OF REPORT

- 1.1 To provide Elected Members with a review of the North East Scotland Pension Fund's (the "Fund") compliance with the Public Service Pensions Act 2013 ("PSPA") and the Pensions Regulator's ("tPR") requirements during the financial year 2024/25.

2. RECOMMENDATION

That the Committee: -

- 2.1 Note the assurance provided in the main report.

3. FINANCIAL IMPLICATIONS

- 3.1 The performance of the Fund over the long term can impact on the Fund's funding level and therefore the ability to meet its long-term liabilities.

4. LEGAL IMPLICATIONS

- 4.1 There are no legal implications arising from the recommendation of this report.

5. ENVIRONMENTAL IMPLICATIONS

- 5.1 There are no direct environmental implications arising from the recommendation of this report.

6. MANAGEMENT OF RISK

- 6.1 The Pension Fund maintains its own Risk Management Policy and regularly updates its Risk Register in line with change. This is reported quarterly to the Pensions Committee.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	Lack of effective governance framework and effective internal controls.	The Fund maintains its own Risk Management Policy and regularly updates its Risk Register in line with change. This is reported quarterly to the Pensions Committee.	L	Yes
Compliance	Failure to meet statutory and regulator requirements.	The Pension Fund carries out a six monthly compliance review, with annual reporting to the Pensions Committee.	L	Yes
Operational	No significant risks identified.	N/A	N/A	N/A
Financial	No significant risks identified.	N/A	N/A	N/A
Reputational	No significant risks identified.	N/A	N/A	N/A
Environment / Climate	No significant risks identified.	N/A	N/A	N/A

7. OUTCOMES

7.1 The proposals in this report have no impact on the Council Delivery Plan.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	No assessment required. I can confirm this has been discussed and agree with Jonathan Belford, Chief Officer-Finance on 10 th June 2024.
Data Protection Impact Assessment	Not required

Other	N/A
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9. BACKGROUND PAPERS

9.1 None

10. APPENDICES

10.1 None

11. REPORT AUTHOR CONTACT DETAILS

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North East Scotland Pension Fund

nespf

Governance Review –

**Compliance with the Public Service Pensions Act
2013 and Pension Regulator Requirements**

Annual Report to March 2025

1. Background

1.1 Governance Framework Review

A review of the Fund's governance framework is conducted on an annual basis. The purpose of the review is to assess current practices and procedures; ensuring the Fund has in place a robust governance framework and complies with legislation and best practice guidance.

In terms of Scheme compliance with legislation such as the Local Government Pension Scheme (Scotland) Regulations, the Public Service Pensions Act 2013 (PSPA 2013) and The Pensions Regulator (tPR) requirements (as set out in the General Code of Practice), a review is carried out on a six monthly basis by Fund officers with annual reporting to the Pensions Committee.

tPR's General Code of Practice came into effect in March 2024. In preparation for the new Code and following its implementation, the Governance Team undertook a full compliance review against the requirements. This allowed a Gap Analysis to be carried out and areas for improvement identified.

This report focuses primarily on governance relating to the North East Scotland Pension Fund Pension Board. The Pensions Committee are covered separately in other reports primarily the Training Report and the Pensions Committee Effectiveness Report, which are usually presented during the June and December meetings.

1.2 Pension Board

The NESPF Pension Board is made up of equal numbers of member (4) and employer (4) representatives as follows:

- 1 x Aberdeen City Council
- 1 x Aberdeenshire Council
- 1 x The Moray Council
- 1 x Scheduled/Admitted bodies
- 1 x Unison
- 1 x Unite
- 1 x GMB
- 1 x UCATT (merged with Unite)

The role of the local pension board is to assist the Scheme Manager to:

- Ensure effective and efficient governance and administration of the Local Government Pension Scheme (LGPS); and
- Ensure compliance with the LGPS (Scotland) Regulations and other relevant legislation, together with any requirements imposed by tPR.

The Pension Board has a monitoring, assisting and reviewing purpose rather than being a decision-making body. In so doing, the Pension Board is helping to manage the reputational risk of the Fund, and of the administering authority.

Meeting Attendance

During 2024/25 the Pension Board met formally (and concurrently with the Pensions Committee) on:

- 21 June 2024
- 13 September 2024
- 13 December 2024
- 21 March 2025

During 2024/25 there was an overall 79% attendance rate at meetings (up to December 2024). This is a reduction from the 97% recorded in 2023/24.

High attendance levels, and active participation at both the quarterly meeting and training events, demonstrate a strong commitment to the ongoing effectiveness of the NESPF Pension Board. In addition, low turnover of members ensures knowledge and experience is retained.

There was 1 leaver and 1 new appointment during 2024/25.

The table below details meeting attendance during 2024/25:

Name	21/06/24	13/09/24	13/12/24	21/03/25*	Individual (out of a possible 4)*
Trade Union (Member)					
Morag Lawrence	✓	✓	✓	✓	4
Neil Stirling	X	✓	✓	✓	3
Alan Walker	✓	✓	✓	✓	4
Gordon Walters	✓	X	✓	✓	3
Employer					
CLlr Stephen Smith	✓	✓	✓	✓	4
CLlr Jessica Mennie	✓	X	✓	✓	3
CLlr David Gordon	✓	✓	✓	✓	4
Jeremy Lindley	X	X	N/A	N/A	0
Stuart Thompson	N/A	N/A	✓	✓	2

*Projected attendance (as at date of report)

Notes:

Jeremy Lindley left the Pension Board on 03/10/2024.

Stuart Thompson joined the Pension Board on 04/11/2024.

Training Attendance 2024/25

It is a statutory requirement under Schedule 4 of the PSPA 2013 that members of local pension boards have “knowledge and understanding” of pensions law and are “conversant” with Scheme regulations and Fund documents. The issue of training is approached carefully by both the administering authority and individual Board members.

The Board sits separately in June, following the main Committee and Board meeting, to review their annual report. This provides an opportunity for any issues around attendance to be addressed or gaps in training or knowledge to be discussed. Members are also asked during this meeting to appoint a new Chair and Vice Chair for the forthcoming year.

During 2024/25 Pension Board members have continued to demonstrate a commitment to developing their “knowledge and understanding” by attending various training events covering key areas as set out below. Board members are expected to carry out an annual personal assessment of their knowledge and understanding and ensure they are meeting the requirements of the Training Policy.

Fund officers maintain a Training Register to allow attendance to be monitored on an ongoing basis. The Training Policy, approved by Committee and reviewed annually, sets out review arrangements to address any poor attendance or failure to achieve or maintain the required level of knowledge and understanding. A copy of the Training Policy is available at <https://www.nespf.org.uk/about/policies-and-statements/>.

The table below details training attendance for 2024/25 to date as per our records:

Pension Board									
Training Sessions Attended (See below for corresponding training sessions)	Name								
	Morag Lawrence	Neil Stirling	Alan Walker	Gordon Walters	Cllr David Gordon	Cllr Stephen Smith	Cllr Jessica Mennie	Stuart Thompson	Jeremy Lindley
Mandatory									
A	✓	✓	✓	✓	✓	✓	✓		
B	✓	✓	✓			✓			
Total Mandatory Sessions	2	2	2	1	1	2	1	0	0
Optional									
C	✓		✓					N/A	

D	✓				✓	✓		N/A	
E	✓	✓	✓	✓	✓	✓		N/A	
F						✓		N/A	
G			✓			✓		N/A	
H		✓	✓					N/A	
I	✓	✓						N/A	
J	✓		✓					N/A	
K	✓		✓		✓			N/A	N/A
L	✓	✓	✓	✓	✓	✓		✓	N/A
M	✓		✓			✓			N/A
N	✓			✓		✓			N/A
O	✓	✓	✓			✓			N/A
p***	✓	✓	✓	✓	✓	✓			N/A
Total Optional Sessions	11	6	10*	4	5	9	0	1**	0

Notes:

As per above, Jeremy Lindley left the Board on 03/10/2024 and Stuart Thompson joined the Board on 04/11/2024.

*Alan Walker completed a further 9 webinars on various topics.

** Stuart Thomson completed introductory training with the Pension Fund Manager on joining.

*** Projected attendance (at date of preparing this report)

Mandatory Training Sessions (as set out the approved Training Policy):

A. Hymans Robertson: LGPS Online Learning Academy

Version 2.0 of their LGPS online learning academy, the topics covered are as follows;

- Committee Role and Pensions Legislation
- Pensions Governance
- Pensions Administration
- Pensions Accounting and Audit Standards
- Procurement and Relationship Management
- Investment Performance and Risk Management
- Financial Markets and Product Knowledge
- Actuarial Methods, Standards and Practices
- Current Issues (regularly updated)

B. The Pensions Regulator Public Service Toolkit

TPR's online Toolkit covers the governance and administration of public service schemes, as described in their Code of Practice:

- Conflicts of Interest
- Managing risk and internal controls
- Maintaining accurate member data
- Maintaining member contributions
- Providing information to members and others
- Resolving internal disputes
- Reporting breaches of the law

Additional Training Opportunities:

C. PLSA: Policy Insight – 30 April 2024 (Webinar)

This webinar focused on the LGPS, consolidation, Pools and the Future.

D. Hymans Robertson: “Factoring nature into your investment strategy; why, how and what next?” – 18 June 2024 (Webinar)

This webinar covered a critical issue for investors, exploring how nature can impact investment portfolios through three different perspectives:

- What are the key nature-related issues to be aware of?
- What regulations and guidance surround nature-related investing?
- What is "natural capital" and why/how should you invest in it?

E. NESPF Investment Strategy Training Session – 18 June 2024 (In person)

The session covered the data inputs and ideas which go into formulating the tri-ennial Investment Strategy review, NESPF's re-balancing approach, underlying watch points on the portfolio, recent and forthcoming investment changes, suggested ESG changes to NESPF's approach, initial Task Force on Climate Disclosures (TCFD) findings, developments on Climate Action 100+ and what that means for outlook.

F. LGPS Live – 10 July 2024 (Webinar)

This webinar explored the topic: “New Government, New Broom?”

G. PLSA: Policy Insight – 23 July 2024 (Webinar)

This webinar explored the topic “New Ministers, new Policies”

H. Hymans Robertson: Understanding your 2024 LGPS Accounting – 22 August 2024 (Webinar)

This webinar was designed specifically for academies (in England and Wales) in the LGPS, and covered:

- The differences between your LGPS funding and FRS102 accounting valuations
- How your accounting figures are determined
- What's changed in the accounting environment since 31 August 2023

I. LGPS Live – 4 September 2024 (Webinar)

This webinar focused on Costs and the LGPS – Have they really increased by 70% since 2017

J. PLSA: Government Policy for the LGPS, an update – 17 September 2024 (Webinar)

K. LGC Investment Seminar Scotland – 31 October and 1 November 2024 (In person)

Held over two days in Edinburgh, this event covered a range of topics including:

- Economic Overview: Where Are We Now
- LGPS State of Play – Where Are We Now And Where Are We Heading?
- Income and Growth. Supporting The Short and Long-Term Goals of the LGPS
- Investing in Agriculture: How LGPS Can Benefit From Sustainable Land-based Solutions
- Taking the Next Step: A Different Way to Generate Absolute Returns, With Reduced Equity Exposure Risk, Greater Diversification and Continued Liquidity
- Trailblazing Tomorrow: Future Investment Strategies and Emerging Trends
- Case Study: Review of the Operating Model of North East Scotland Pension Fund
- Can Private Capital Help Solve the Housing Crisis, Nationally and Locally?
- The Moral Dilemmas of a MAC ESG Manager
- Turning the Climate Question Upside Down
- Latest Issues in Administration
- Investment Strategy Review Insights from Strathclyde and Lothian Pension Funds

L. NESPF Training Session – 18 November 2024 (In person)

Topics covered by NESPF Officers included:

- TPR General Code
- Cyber Management
- Pensions Dashboards
- Data Quality
- Member Engagement

M. Hymans Roberston: Pension Scams in the LGPS – 6 December 2024 (Webinar)

This webinar discussed:

- The changes made to the powers available to Administering Authorities
- How Funds should be protecting members
- The role of other organisations in the fight against scammers
- The support available to Funds

N. COSLA Good Governance Seminar – 26 February 2025 (Hybrid)

This session discussed:

- The Role of the Pension Board
- The Pensions Regulator and the General Code of Practice
- Good Governance Project

O. PLSA Investment Conference – 11 to 13 March 2025 (In Person)

Held across three agenda-packed days in Edinburgh, this Conference covered:

- An Audience with the Minister for Pensions
- DC Pensions Innovation: Global Insights on the Future of DC

- Investing in the UK's High Growth Science and Tech Ecosystem
- Engaging Savers with their Investments
- Global Credit; A Multi-Strategy Approach
- Boosting British Pensions and Building a Better Britain
- The Bigger Picture: How Geo-Political Changes May Impact the Global Economy
- The Maple 8: Pensions Lessons From Canada
- DC Private Markets: Accessing Private Equity
- Could DB Schemes Invest More in Productive Assets?
- How are your Members Really Feeling About Retirement?
- 50 Days of Trump: The Economic Verdict
- Measuring Transition Risk and Climate Action in Portfolios
- The Changes Pooling May Bring to the LGPS
- The Legal Options for the Management of Illiquid Assets
- Investing in Nuclear: Helping Britain Reach Net-Zero
- Unloved, Undervalued and Misunderstood: The Productive Finance Asset No-one is Talking About
- Why the UK's Existing Housing Infrastructure is a Trillion-pound Opportunity
- How Asset Owners Can Engage Effectively with Fossil Fuel Companies
- Solved: The Challenges of Investing in Venture Capital
- Innovation in Governance: Changes to Shareholder Vote Reporting
- Extreme Engagement: UK Pension Funds' Antifraud Victories Against Apple and Under Armour
- The Pensions Investment Review
- Redefining Risk Management: How to Build a Resilient Investment Strategy
- Going for Growth: Priorities for Trustees and Boards
- Open for Business: Private Markets and UK Growth
- From Savings to Income: The Decumulation Phase
- The Future's Bright: What the Green Transition Means for Investors
- The Global Economy: Stabilising Investments in Times of Instability
- It's Their Future: Delivering Good Outcomes for Your Members
- The Papers: Is the Government's Agenda Going to Work?

P. NESPF Carbon Scoring Training Session – 20 March 2025 (Hybrid)

Addressing carbon scenario analysis, TCFD and carbon metrics

Costs of Operation 2024/25

The costs and expenses of the Pension Board are met as part of the administration costs of the Fund. The Pension Board carries out its role in a cost effective manner, mindful of delivering value for money.

The costs and expenses of the Pension Board are principally travel related expenses to attend meetings and training events

Summary of Costs

Train	£ 806.40
Hotels	£ 990.20
Total	£ 1, 796.60

Training offered to the Pension Board is a variety of in-person, hybrid or fully online. Costs have increased in recent years as travel resumed following the Pandemic years, but 2024/25 travel costs are lower than those reported in 2023/24 due to the up-take of more virtual/hybrid sessions by Board members.

1.3 COMPLIANCE REVIEW

A compliance review is carried out by the Pension Fund on a six monthly basis, with annual reporting to the Pensions Committee.

The review, once again, found that the key internal controls for monitoring the ongoing compliance with legislation and tPR requirements are in place and working effectively with the latest compliance (“business as usual”) review taking place in December 2024. A further review using tPR’s Scheme Assessment Tool confirmed there are no areas for concern.

As mentioned earlier in this report, a full compliance review was undertaken in relation to the Pension Regulator’s General Code of Practice. The review was carried out by the Governance Team but involved liaison with each of the six Pensions Teams. This in-depth review was resource intensive but necessary to allow the Governance Team to fully get to grips with the new Code, to understand all the requirements and expectations on the Pension Fund. The first step was to navigate through the entire document to identify which areas of the Code were regulatory requirement and which were simply “best practice” for a Local Government Pension Scheme. The next step was carrying out a gap analysis and this is where liaison across each of the Pensions Teams was vital. As part of this process, we identified a number of areas we could make further improvements on to strengthen our ongoing compliance. A summary is provided below:

Issue	Recommendation/Action
Some members of the Pension Board have not completed the mandatory training. There is a risk they do not have the necessary levels of knowledge and understanding.	Continue to encourage completion of Hymans LOLA and the Pensions Regulator’s Toolkit. Training Policy to be reviewed. Undertake a skills gap analysis.
There are two outstanding long term vacancies on the Pensions Committee. This has been highlighted as a risk by Audit.	Continue to encourage the Council to fill these vacancies.

Over-reliance on Aberdeen City Council as the administering authority. There is a risk this impacts detrimentally on the Pension Fund.	NESPF to work with ACC to ensure it has reasonable sight of and reassurance over systems and processes in place. Issues with resources impact on NESPF performance to be addressed through the Operating Model Review.
Requirement to revise or create new written procedures	Relevant Team to create/update procedures and advise Governance Team once complete. As an example, Appointment and Management of Service Advisers Policy created and approved by Committee.
Cyber Security – understanding and planning	Senior Pensions Officer-Governance completed an external Cyber Management training course. Training was given to Committee and Board Nov'24. Tabletop exercise undertaken in Jan'25. Cyber Security Policy and Cyber Incident Response Plan to be updated. Ongoing training for staff to be implemented. NCSC online training promoted to all staff in Feb'25.
Requirement for Own Risk Assessment/ESOG/Remuneration Policy	These are “good practice” but may require further guidance e.g. in terms of LGPS. To be monitored.

Some of these recommendations have already been completed and for others we continue to work with the relevant individuals to implement these. These actions will be monitored through our normal six monthly compliance reviews.

Elected Member and Board Knowledge and Understanding

As per tPR's General Code, Pension Board members must have knowledge and understanding of the law relating to pensions, and any other matters which are prescribed in regulations. The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Pension Board.

The Pensions Committee and Board received training on tPR's General Code in November 2024.

Training is monitored through the Training Register, in particular focusing on our two mandatory training requirements (Hymans LOLA and the tPR Toolkit). Officers will continue to work on providing sufficient opportunities for Board members to enable them to meet their ongoing knowledge and understanding requirements.

1.4 GOING FORWARD

Additional Areas of Focus for the Governance Team:

Although our controls have been found to be effective, a number of improvements have already been identified through the regular governance review and day to day business as usual:

- Continuing to develop and utilise Insights Reporting to improve our analysis and reporting capabilities, facilitating improved monitoring of casework across the Fund and supporting regulatory compliance. From 2025, monthly Continuous Improvement meetings will be held, bringing together all senior members of the Pensions Team to understand our regulatory requirements and ensure we are using these as a base to drive improvements.
- Continue working with the Systems Manager to review and develop the Fund's Cyber Security controls. For example, further development of the NESPF Cyber Incident Response Plan and ongoing training for Pension Fund Staff. Following a tabletop exercise in January 2025, a number of improvements and suggestions were identified to help strengthen our preparedness for an emergency event e.g. preparation of a dedicated communication plan.
- A wider review of our Training Policy, identifying possible alternatives to the two mandatory online courses. Online training, although flexible, isn't always the most effective way of learning for individuals. Further consultation is needed with Board members during 2025 to identify current areas of weakness and identify best methods of learning and support going forward.

Governance Structure

There remain two long term vacancies on the Committee. This has been highlighted in previous audit reports with a recommendation that ACC work to fill these vacancies to ensure the Pensions Committee can provide effective scrutiny.

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