

**Democratic Services**

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23 June 2016

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**To: All Members of the Avon Pension Fund Committee**

**Bath and North East Somerset Councillors:** David Veale (Chair), Christopher Pearce (Vice-Chair), Cherry Beath, Shaun Stephenson-McGall and Lisa O'Brien

**Co-opted Voting Members:** Councillor Steve Pearce (Bristol City Council), Councillor Mary Blatchford (North Somerset Council), Councillor Mike Drew (South Gloucestershire Council), William Liew (HFE Employers), Richard Orton (Trade Unions), Ann Berresford (Independent Member) and Shirley Marsh (Independent Member)

**Co-opted Non-voting Members:** Cheryl Kirby (Parish and Town Councils), Steve Paines (Trade Unions) and Wendy Weston (Trade Unions)

Chief Executive and other appropriate officers  
Press and Public

Dear Member

**Avon Pension Fund Committee: Thursday, 30th June, 2016**

You are invited to attend a meeting of the **Avon Pension Fund Committee**, to be held on **Thursday, 30th June, 2016 at 2.00 pm** in the **Kaposvar Room - Guildhall, Bath**

The agenda is set out overleaf.

Yours sincerely

Sean O'Neill  
for Chief Executive

**If you need to access this agenda or any of the supporting reports in an alternative accessible format please contact Democratic Services or the relevant report author whose details are listed at the end of each report.**

**NOTES:**

- 1. Inspection of Papers:** Any person wishing to inspect minutes, reports, or a list of the background papers relating to any item on this Agenda should contact Sean O'Neill who is available by telephoning Bath 01225 395090 or by calling at the Guildhall Bath (during normal office hours).
- 2. Public Speaking at Meetings:** The Council has a scheme to encourage the public to make their views known at meetings. They may make a statement relevant to what the meeting has power to do. They may also present a petition or a deputation on behalf of a group. Advance notice is required not less than two full working days before the meeting (this means that for meetings held on Wednesdays notice must be received in Democratic Services by 4.30pm the previous Friday)

The public may also ask a question to which a written answer will be given. Questions must be submitted in writing to Democratic Services at least two full working days in advance of the meeting (this means that for meetings held on Wednesdays, notice must be received in Democratic Services by 4.30pm the previous Friday). If an answer cannot be prepared in time for the meeting it will be sent out within five days afterwards. Further details of the scheme can be obtained by contacting Sean O'Neill as above.

**3. Recording at Meetings:-**

The Openness of Local Government Bodies Regulations 2014 now allows filming and recording by anyone attending a meeting. This is not within the Council's control.

Some of our meetings are webcast. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators.

To comply with the Data Protection Act 1998, we require the consent of parents or guardians before filming children or young people. For more information, please speak to the camera operator

The Council will broadcast the images and sound live via the internet [www.bathnes.gov.uk/webcast](http://www.bathnes.gov.uk/webcast) An archived recording of the proceedings will also be available for viewing after the meeting. The Council may also use the images/sound recordings on its social media site or share with other organisations, such as broadcasters.

- 4. Details of Decisions taken at this meeting** can be found in the minutes which will be published as soon as possible after the meeting, and also circulated with the agenda for the next meeting. In the meantime details can be obtained by contacting Sean O'Neill as above.

Appendices to reports are available for inspection as follows:-

**Public Access points** - Reception: Civic Centre - Keynsham,- Bath, Hollies - Midsomer Norton, and Bath Central, Keynsham and Midsomer Norton public libraries.

**For Councillors and Officers** papers may be inspected via Political Group Research Assistants and Group Rooms/Members' Rooms.

5. **Attendance Register:** Members should sign the Register which will be circulated at the meeting.
6. THE APPENDED SUPPORTING DOCUMENTS ARE IDENTIFIED BY AGENDA ITEM NUMBER.
7. **Emergency Evacuation Procedure**

When the continuous alarm sounds, you must evacuate the building by one of the designated exits and proceed to the named assembly point. The designated exits are sign-posted.

Arrangements are in place for the safe evacuation of disabled people.

**Avon Pension Fund Committee - Thursday, 30th June, 2016**

**at 2.00 pm in the Kaposvar Room - Guildhall, Bath**

**A G E N D A**

1. EMERGENCY EVACUATION PROCEDURE

The Chair will ask the Committee Administrator to draw attention to the emergency evacuation procedure as set out under Note 8.

2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

3. DECLARATIONS OF INTEREST

At this point in the meeting declarations of interest are received from Members in any of the agenda items under consideration at the meeting. Members are asked to complete the green interest forms circulated to groups in their pre-meetings (which will be announced at the Council Meeting) to indicate:

(a) The agenda item number in which they have an interest to declare.

(b) The nature of their interest.

(c) Whether their interest is a **disclosable pecuniary interest** or an **other interest**, (as defined in Part 2, A and B of the Code of Conduct and Rules for Registration of Interests)

Any Member who needs to clarify any matters relating to the declaration of interests is recommended to seek advice from the Council's Monitoring Officer or a member of his staff before the meeting to expedite dealing with the item during the meeting.

4. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

5. ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

6. ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

To deal with any petitions or questions from Councillors and where appropriate co-opted and added members.

7. LGPS POOLING OF INVESTMENTS - UPDATE (Pages 7 - 124)

Before discussing Exempt Appendices 1 and 2 the Committee is invited to pass the following resolution:

The Committee, having been satisfied that the public interest would be better served by not disclosing relevant information, and in accordance with the provisions of Section 100(A)(4) of the Local Government Act 1972, resolves that

the public shall be excluded from the meeting for the discussion of Exempt Appendices 1 and 2 of this item, because of the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act as amended.

The Committee Administrator for this meeting is Sean O'Neill who can be contacted on 01225 395090.

## **Protocol for Decision-making**

### **Guidance for Members when making decisions**

When making decisions, the Cabinet/Committee must ensure it has regard only to relevant considerations and disregards those that are not material.

The Cabinet/Committee must ensure that it bears in mind the following legal duties when making its decisions:

- Equalities considerations
- Risk Management considerations
- Crime and Disorder considerations
- Sustainability considerations
- Natural Environment considerations
- Planning Act 2008 considerations
- Human Rights Act 1998 considerations
- Children Act 2004 considerations
- Public Health & Inequalities considerations

Whilst it is the responsibility of the report author and the Council's Monitoring Officer and Chief Financial Officer to assess the applicability of the legal requirements, decision makers should ensure they are satisfied that the information presented to them is consistent with and takes due regard of them.

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<b>Bath &amp; North East Somerset Council</b>		
MEETING:	<b>AVON PENSION FUND COMMITTEE</b>	
MEETING DATE:	<b>30 JUNE 2016</b>	<b>AGENDA ITEM NUMBER</b>
TITLE:	<b>LGPS Pooling of Investments - Update</b>	
WARD:	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
List of attachments to this report:  Exempt Appendix 1 – Draft Brunel Pension Partnership Proposal Exempt Appendix 2 - Annexes 1 - 12 to Proposal		

## **1 THE ISSUE**

- 1.1 In 2015 the government announced that the assets of the LGPS funds would be pooled to reduce costs and increase the capacity across the LGPS to invest in infrastructure.
- 1.2 The initial proposals from each pool were submitted to DCLG/HMT for 19 February 2016. The deadline for submitting the next proposal to government is 15 July 2016
- 1.3 Avon Pension Fund is participating in Project Brunel, renamed as the Brunel Pension Partnership (BPP). Since the February proposal, BPP has been developing the proposal for submission in July.
- 1.4 The draft July proposal is attached in Exempt Appendix 1. It will be explained in detail at the meeting.
- 1.5 At the time of publishing these papers the Shadow Oversight Board had not met to approve the draft proposal for recommendation to Committees. The proposal to be approved by committee (if different from Appendix 1) will be circulated prior to the meeting on 30 June.

## **2 RECOMMENDATION**

### **That the Committee**

- 2.1 **Approves the joint submission from the Brunel Pension Partnership, including the Avon Pension Fund, to DCLG**
- 2.2 **Authorises Officers to continue to work with the other funds in BPP on the business case reporting back to this Committee in due course**
- 2.3 **Delegates approval of any minor changes (consistency and typos) to the Chair of the Committee and Head of Pension Fund**
- 2.4 **Notes establishing a Local Authority Company with the other Brunel Pension Partnership funds will be subject to Council approval at a future date**
- 2.5 **Notes the full business case is to be finalised by October 2016.**

### **3 FINANCIAL IMPLICATIONS**

- 3.1 There is provision in the 2016-17 budget for the work up until July proposal. Spending is in line with the budget.
- 3.2 Estimated implementation costs are included in the proposal as well as other costs and savings. The budget will be reviewed at the September meeting.

### **4 FEEDBACK FROM DCLG ON INITIAL PROPOSAL**

- 4.1 The DCLG letter confirmed that the proposal in February met the criteria but stated that the entity established to implement the investment strategies within the pool is required to be authorised and regulated by the Financial Conduct Authority (FCA).
- 4.2 The government has confirmed in writing that it no longer requires each LGPS fund to submit its own proposal; the draft proposal attached as Appendix 1 will be submitted by the pool.

### **5 ENGAGEMENT WITH COMMITTEE**

- 5.1 In order to ensure full engagement with the local funds, the Joint Committee Oversight Board is operating in shadow form and is overseeing the work of the Shadow Operations Group which comprises the Investment Managers/Heads of Pensions from each of the participating funds.
- 5.2 There have been two informal meetings since March to update the Committee on progress. The first in April focussed on the governance arrangements and project plan for delivering the final proposal in July. The meeting on 27 May updated the Committee on the Shadow Oversight Board meetings and how the project plan was progressing. There was a presentation updating the progress of the 6 work-streams within the project plan.

### **6 KEY POINTS OF JULY PROPOSAL**

- 6.1 The deadline for this submission to government is 15 July 2016.
- 6.2 This proposal sets out the business model and governance structure. The full business case will be developed between July and October for approval.
- 6.3 The template for the submission was put together by the LGA in conjunction with DCLG and HMT. It sets out the issues that need to be addressed by each pool namely:
  - a) Funds and assets to be within the pool
  - b) Governance structure of the pool – to fulfil the requirement from the DLCOG that an entity regulated by the FCA is established, it is proposed to set up a Local Authority Company with other BPP funds in which Bath & North East Somerset Council (as administering authority) would be a shareholder
  - c) The business model, including shared principles, accountability, decision making and reporting
  - d) The timetable for establishing the pool and an estimate of savings over the next 15 years
  - e) The ambition of the pool to increase investment in infrastructure. This can only be stated in terms of an

ambition i.e. creating the capacity and capability to invest; it will remain up to local funds to determine their asset allocation.

- 6.4 The new company, owned by the administering authorities within BPP, will be subject to the approval of Council (or those delegated by Council to make the decision) at a future date.
- 6.5 The proposal has been considered by both the Shadow Oversight Board and the Section 151 Officers within BPP prior to presenting to the pension committees. The project's legal and financial advisors have also given input to the response to ensure it accurately reflects the advice given.
- 6.6 The proposal is attached as exempt Appendix 1. This is the key document for members. The Annex (Exempt Appendix 2) contains supporting documentation included in the Template response; there is a lot of information in these Annexes and is only included in this report pack for completeness. Officers will discuss the proposal in detail at the meeting. *Please note: Annex 11 Transition Costs Analysis is a desk top exercise to estimate transition costs; it is not the actual transition plan for the pool.*

## **7 DEVELOPMENT OF BUSINESS CASE (POST JULY)**

- 7.1 Planning for Stage 3a – Full business case (to October 2016) and 3b – implementation to 1 April 2018 has already commenced. The Shadow Operations Group has identified the work and advice required and developed the work streams. The project is being supported by the Chief Financial Officers and Monitoring Officers to ensure the business case is robust and the decision making process meets the internal requirements of each fund.
- 7.2 Informal meetings to update committee members will be arranged as necessary. There may be opportunities for combined sessions with other funds.
- 7.3 The business case will be presented to committee for approval later in 2016 for recommendation to Council (to seek Council approval for setting up the FCA Company).

## **8 RISK MANAGEMENT**

- 8.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. The creation of an Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

## **9 EQUALITIES**

- 9.1 An equalities impact assessment is not necessary.

## **10 CONSULTATION**

- 10.1 N/a

## **11 ISSUES TO CONSIDER IN REACHING THE DECISION**

- 11.1 Set out in the report.

## **12 ADVICE SOUGHT**

12.1 The Council's Monitoring Officer (Divisional Director – Legal and Democratic Services) and Section 151 Officer (Divisional Director – Business Support) have had the opportunity to input to this report and have cleared it for publication.

<b>Contact person</b>	Tony Bartlett, Head of Pensions 01225 477203 Liz Woodyard, Investments Manager 01225 395306
<b>Background papers</b>	
<b>Please contact the report author if you need to access this report in an alternative format</b>	

**Access to Information Arrangements**

**Exclusion of access by the public to Council meetings**

Information Compliance Ref: LGA 1069/16

Meeting / Decision: Avon Pension Fund Committee

Date: 30<sup>th</sup> June 2016

Author: Tony Bartlett

Report Title: LGPS Pooling of Investments - Update

Exempt Appendix Title:

Exempt Appendix 1 – Draft Brunel Pension Partnership Proposal

Exempt Appendix 2 - Annexes 1 - 12 to Proposal

The Report contains exempt information, according to the categories set out in the Local Government Act 1972 (amended Schedule 12A). The relevant exemption is set out below.

Stating the exemption:

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information).*

The public interest test has been applied, and it is concluded that the public interest in maintaining the exemption outweighs the public interest in disclosure at this time. It is therefore recommended that the Report be withheld from publication on the Council website. The paragraphs below set out the relevant public interest issues in this case.

**PUBLIC INTEREST TEST**

If the Committee wishes to consider a matter with press and public excluded, it must be satisfied on two matters.

Firstly, it must be satisfied that the information likely to be disclosed falls within one of the accepted categories of exempt information under the Local Government Act 1972. Paragraph 3 of the revised Schedule 12A of the 1972 Act exempts information which relates to the financial or business affairs of

the organisations which is commercially sensitive to the organisations. The officer responsible for this item believes that this information falls within the exemption under paragraph 3 and this has been confirmed by the Council's Information Compliance Manager.

Secondly, it is necessary to weigh up the arguments for and against disclosure on public interest grounds. The main factor in favour of disclosure is that all possible Council information should be public and that increased openness about Council business allows the public and others affected by any decision the opportunity to participate in debates on important issues in their local area. Another factor in favour of disclosure is that the public and those affected by decisions should be entitled to see the basis on which decisions are reached.

Weighed against this is the fact that the exempt appendices contains strategic and financial information about the proposal, which is commercially sensitive and could prejudice the commercial interests of the organisation if released. It would not be in the public interest if advisors and officers could not express in confidence opinions or proposals which are held in good faith and on the basis of the best information available.

It is also important that the Committee should be able to retain some degree of private thinking space while decisions are being made, in order to discuss openly and frankly the issues under discussion in order to make a decision which is in the best interests of the Fund's stakeholders.

The Council considers that the public interest is in favour of not holding this matter in open session at this time and that any reporting on the meeting is prevented in accordance with Section 100A(5A)

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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