

Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	28 June 2021	AGENDA ITEM NUMBER 10
TITLE:	Brunel Pension Partnership – Update on pooling	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Exempt Appendix 1 – Summary performance & risk dashboard		
Exempt Appendix 2 – Brunel Oversight Board Draft Minutes		

1 THE ISSUE

- 1.1 This report updates the Committee about Brunel and the wider pool covering delivery of service, performance, and risk management aspects of the pool.
- 1.2 As the transition of Avon's assets to the pool is now complete, this report focuses on service delivery, financial performance, and governance.
- 1.3 The Investment Panel reviews the investment performance of the portfolios managed by Brunel.
- 1.4 A verbal update will be provided at the meeting.

2 RECOMMENDATION

That the Committee notes:

- 2.1 The information set out in the report and appendices.

3 FINANCIAL IMPLICATIONS

- 3.1 The management fees that Avon will pay to Brunel are included in the budget for 2021/22. They have been calculated in line with the current pricing policy. The budget and pricing policy have been approved by the Shareholders.

4 UPDATE

- 4.1 A new dashboard of key indicators covering strategic aspects of Brunel is set out in Exempt Appendix 1. It covers all aspects of service delivery, governance, finance and risk. It will be updated quarterly to reflect current activity and developments.

- 4.2 There are no items of significant risk to the Fund that need to be raised with the Committee.

4.3 Governance:

- a) Brunel Oversight Board (BOB) has not met since the last Committee meeting. January minutes are in Exempt Appendix 2 (March minutes are not yet available). The next BOB meeting is in July. As a result of significant change in the membership of BOB following the recent elections, the July meeting will predominantly be a training session.
- b) The Client Group (CG) meets monthly with mid-month update calls as required. Five sub-groups work with Brunel on specific aspects of the services to be delivered. Sub-group activity and output is discussed at each meeting/call.
- c) Quarterly performance and KPI reporting are reviewed by BOB consisting of
 - (i) RAG reporting on agreed metrics and commentary on action taken by Brunel if there is underperformance or areas of concern for each portfolio
 - (ii) Performance of each of the internal teams (Compliance & Risk, Investments, Operations) against their KPIs.

There is currently no RED rated strategic risks and CG have not raised any material issues with BOB.

- d) The next stage of the governance review is now underway with proposed changes being considered by CG and legal officers. The objective of the review is to ensure communications between the relevant parties are effective and that Brunel can operate effectively. Any changes to the governance arrangements will require shareholder approval.

4.4 Investments:

- a) The last transition of our liquid/listed assets, the Multi Asset Credit Portfolio, is nearing completion. As a result, we will no longer report on the transition plan. Once the costs for the last transition are known there will be a final update on the transition costs and fee savings. Ongoing annual disclosure of savings compared to the Original Business Case will be included in the Fund's annual report, as required by statutory guidance.
- b) Assets that have transitioned total £3.47bn (at 31/03/21). In addition, Brunel invests £280m in secured Income and £50m in Renewable Infrastructure on behalf of the Fund. The investments in Private Debt has yet to commence. In January 2021 the management of the UK Property funds (£106m) transferred to Brunel.

Brunel portfolio	Value at 31/03/21	Transitioning Mandates / Managers	Date of transition
Passive Equities	£692m	Low Carbon Global Equities - Blackrock	July 2018
UK Equities	£0m	UK Equities - TT International	Nov 2018
Emerging Market Equities	£287m	EM Equities – Genesis, Unigestion	Oct 2019
Global High Alpha Equities	£403m	Global Equities - Schroders	Nov 2019
Risk Management Strategies	£943m	LDI and EPS - Blackrock	Oct 2019
Diversified Return Funds	£501m	Diversified Growth Funds – Pyrford, Ruffer (partial)	July 2020
Sustainable Global Equities	£541m	UK Equities & Global Sustainable Fund - Jupiter UK Equities & Global High Alpha (partial) - Brunel	Sept 2020
UK Property (pooled funds)	£106m	UK Property (partial) - Schroder	Jan 2021

- c) Brunel's quarterly investment performance and stewardship activity reports are included in the Investment Panel meeting paper; Panel will highlight any issues or areas of concern via its normal reporting (covering all our managers) to Committee.

4.5 Operational/Financial:

- a) Brunel provides BOB with a business update at each meeting which includes high level monitoring of the budget and the transition plan. CG monitors the budget variances in detail on a quarterly basis, raising any issues with BOB.

5 BRUNEL WORKING GROUP

5.1 The Brunel Working Group has not met since March.

6 RISK MANAGEMENT

6.1 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.

7 CLIMATE CHANGE

7.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to

its assets from climate change and is addressing this through its strategic asset allocation to Low Carbon Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

8 EQUALITIES

8.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

9 OTHER OPTIONS CONSIDERED

9.1 None.

10 CONSULTATION

10.1 The Council's Monitoring Officer and Section 151 Officer have had the opportunity to input to this report and have cleared it for publication.

Contact person	Liz Woodyard, Group Manager, Funding, Investments & Risk; 01225 395306
Background papers	Client Group and BOB papers
Please contact the report author if you need to access this report in an alternative format	