

Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	24 September 2021	AGENDA ITEM NUMBER 11
TITLE:	Brunel Pension Partnership – Update on pooling	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report:</p> <p>Exempt Appendix 1 – Summary performance & risk dashboard</p> <p>Exempt Appendix 2 – Brunel Oversight Board Draft Minutes</p> <p>Exempt Appendix 3 – Transition Costs & Savings</p>		

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 The 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 is 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) met in July. This was used as a training session given the number of new members following the local elections. March minutes are in Exempt Appendix 2 (July minutes are not yet available). The next BOB meeting is on 23 September.
- 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.

4.4 Investments:

- a) The last transition of our liquid/listed assets, the Multi Asset Credit Portfolio, has completed. The transition costs and fee savings are detailed in Exempt Appendix 3. Ongoing annual disclosure of savings compared to the Original Business Case is included in the Fund's annual report, as required by statutory guidance.
- b) Brunel now manages £4.37bn (at 3/06/21) of the Fund's assets. This includes £350m in Secured Income and £55.3m in Renewable Infrastructure. The investments in Private Debt have yet to commence.

Brunel portfolio	Value at 30/06/21	Transitioning Mandates / Managers	Date of transition
Passive Low Carbon Equities	£745m	Low Carbon Global Equities - Blackrock	July 2018
Emerging Market Equities (EM)	£300m	EM Equities – Genesis, Unigestion	Oct 2019
Global High Alpha Equities	£441m	Global Equities - Schroder	Nov 2019

Risk Management Strategies	£930m	LDI and EPS - Blackrock	Oct 2019
Diversified Return Funds	£530m	Diversified Growth Funds – Pyrford, Ruffer (partial)	July 2020
Sustainable Equities	£587m	UK Equities & Global Sustainable Fund – Jupiter UK Equities & Global High Alpha (partial) - Brunel	Sept 2020
UK Property (pooled funds)	£122m	UK Property (partial) - Schroder	Jan 2021
Multi Asset Credit	£318m	Multi Asset Credit - Loomis	June 2021

- c) The transition plan is now complete, for Avon and the pool, with the launch of the Fixed Income/Credit portfolios in June.
- d) 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 investment 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.
- b) The project to improve investment reporting to clients is in full swing and we expect revised reporting in early 2022.

5 BRUNEL WORKING GROUP

5.1 The Brunel Working Group has not met since March given the July Oversight Board meeting was predominantly a training session.

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.

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Background papers	Client Group and BOB papers
Please contact the report author if you need to access this report in an alternative format	