

<b>Bath &amp; North East Somerset Council</b>		
MEETING:	<b>AVON PENSION FUND COMMITTEE</b>	
MEETING DATE:	<b>25 March 2022</b>	<b>AGENDA ITEM NUMBER</b>
TITLE:	<b>Brunel Pension Partnership – Update</b>	
WARD:	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
<p>List of attachments to this report:</p> <p>Exempt Appendix 1 – Summary performance &amp; risk dashboard</p> <p>Exempt Appendix 2 – Brunel Oversight Board Draft Minutes</p>		

## **1 THE ISSUE**

- 1.1 This report updates the Committee about Brunel and the wider pool covering delivery of service, performance, governance and risk management aspects of the pool.
- 1.2 The Investment Panel reviews the investment performance of the portfolios managed by Brunel. Investment performance is monitored in the Investment Performance Report.
- 1.3 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 are 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) Since the last committee meeting, Brunel Oversight Board (BOB) met in January and March. The December and draft January meeting minutes are in Exempt Appendix 2. The next BOB meeting is on 17 March as is the AGM. A verbal update will be given at the meeting.
- b) The Business Plan 2022/23 and budget have been approved by the Shareholders. The revised Pricing & Cost Allocation Policy has also been approved. This was revised to change the way the budgeted costs are allocated now that the transition is complete. Around 45% of the costs will be allocated on a fixed 1/10<sup>th</sup> basis and the rest on assets per portfolio.
- c) 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.
- d) 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) Brunel now manages £4.9bn (at 31/12/21) of the Fund's assets (83%). This includes £561m in private market portfolios (invested capital).
- b) Brunel's quarterly investment performance and stewardship activity reports are included in the Investment Panel meeting agenda; Panel will highlight any issues or areas of concern via its normal investment reporting (covering all our managers) to Committee.
- c) The focus of work over the next 6-12 months is the 2022 Stocktake. This will review Brunel's climate policy and the approach the pool has taken given the evidence of progress/achievements over the last 2 years. The outcome (and Brunel's revised Climate Policy will feed into our strategic investment review later in 2022.

#### **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 with a new provider appointed. We expect revised reporting by late 2022 at the earliest.

## 5 BRUNEL WORKING GROUP

5.1 The Brunel Working Group (BWG) met ahead of the January BOB meeting to discuss the 2022/23 Budget and agree whether to approve it. The next BWG call will be ahead of the BOB meeting on 17 March. A verbal update will be provided at the meeting.

## 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 Paris Aligned Global Equities, Sustainable 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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<b>Background papers</b>	Client Group and BOB papers
<b>Please contact the report author if you need to access this report in an alternative format</b>	