

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Pension Fund Panel & Board
Date:	4 March 2016
Title:	Governance: LGPS Investment Pooling Update
Reference:	7356
Report From:	Director of Corporate Resources – Corporate Services

Contact name: Andrew Bouflower

Tel: 01962 847407

Email: andrew.bouflower@hants.gov.uk

1. Executive Summary

- 1.1. In the summer budget the Chancellor announced the Government's intention to invite Administering Authorities to make proposals for pooling LGPS investments. Following the Autumn Statement on 25 November 2015 the Department for Communities and Local Government (DCLG) published its criteria for pooling investments focusing on 4 elements:
1. Scale – it is the Government's desire that pools of assets are created with at least £25bn of assets per pool.
 2. Strong Governance – authorities are charged with defining the mechanisms by which they can hold the pool(s) to account.
 3. Reduced costs – including estimated savings over the next 15 years.
 4. Improved capacity to invest in infrastructure through pooling.
- 1.2. Administering Authorities were required to submit initial proposals including their commitment to pooling and the pool that they were joining by 19 February 2016. Final submissions are expected by 15 July 2016 that fully address the Government's pooling criteria. In addition the pools are also expected to make their own submissions by the deadlines above. It is the Government's expectation that pools are formed in order for liquid assets to begin to be transferred starting in April 2018.
- 1.3. At its meeting in December the Panel and Board agreed that the response due for 19 February 2016 was drafted by the Director of Corporate Resources in consultation with the Chairman and shared in advance of submission with the rest of the Panel and Board for comment. Hampshire's response stating it would join the ACCESS pool, contained in Appendix 1, was agreed with the Chairman and shared with members, alongside the rationale for joining the ACCESS pool.

- 1.4. This report provides a progress update on the formation of the ACCESS pool and the next steps for the pool to produce its business plan in order to meet the Government's deadline of 15 July 2016.

2. Formation of the ACCESS pool

- 2.1. Alongside Hampshire there are the following nine other funds in the ACCESS pool:
 - Cambridgeshire
 - East Sussex
 - Essex
 - Isle of Wight
 - Kent
 - Norfolk
 - Northamptonshire
 - Suffolk
 - West Sussex
- 2.2. As at 31 March 2015 the total assets of the 10 funds were £30bn, so the pool comfortably meets the Government's minimum scale criteria of £25bn. All of the funds in the group took part in Project Pool supported by Hymans Robertson, which investigated the options for pooling investments. It is a key feature of the group's formation that the funds involved initially focused on the best model(s) for pooling investments, before considering who to pool with. ACCESS' submission to the Government describing the initial features of the group is contained in Appendix 2.
- 2.3. Hampshire has been involved from the outset of the work to form ACCESS. There has been an initial meeting of the chairs of the participating funds that took place on 2 February 2016, at which Hampshire was represented by the Vice-Chairman of the Panel and Board. At the meeting the chairs discussed the approach to forming the pool and in particular ACCESS' principles and objectives, which are shown in the submission.
- 2.4. Prior to the deadline for the pools' submission a meeting was requested by Civil Servants from DCLG and Treasury with officers representing each of the pools to brief them on the progress of forming each pool. A copy of ACCESS' presentation, containing more background information on the funds in the pool, is contained in Appendix 3 for information.
- 2.5. Hymans Robertson have been commissioned to provide project support for the pool. In addition there will be the requirement for specialist external legal and investment consultancy input. In order to take forward the formation of the pool the Administering Authorities involved have signed a Memorandum of Understanding, which includes the binding commitment to share the setup costs of the pool equally. The officers working on the formation of ACCESS are extremely mindful of minimising the cost of forming the pool, which is part of the pool's key principles, and external resource will only be commissioned when absolutely necessary.

- 2.6. A detailed project plan, shown in ACCESS' submission, has been drafted for the work necessary in order to produce the pool's business plan by the Government's deadline of 15 July 2016. The plan includes further meetings of the chairs of the ACCESS funds, in order for elected members to discuss key aspects of how the pool is formed. Officers will continue to work with their counterparts in the other nine funds in order to move forward in forming the ACCESS pool, with key decisions being brought back to each individual funds' pension committees.

3. Recommendation

- 3.1. That the Panel and Board note the progress made in forming the ACCESS pool, including the first submission made to the Government and the next steps to producing the pool's business plan.
- 3.2. That the Panel and Board delegate to the Director of Corporate Resources authority to continue to negotiate with the other funds to form the ACCESS pool, in consultation with the Chairman and with information to be shared with the Panel and Board.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision by the Pension Fund Panel to continue the appropriate investment of the Hampshire Pension Fund's property portfolio.
--

Other Significant Links

Links to previous Member decisions:		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Direct links to specific legislation or Government Directives		
<u>Title</u>	<u>Date</u>	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:

1. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2. Equalities Impact Assessment:

Equality objectives are not considered to be adversely affected by the proposals in this report.

2. Impact on Crime and Disorder:

2.1. The proposals in this report are not considered to have any direct impact on the prevention of crime.

3. Climate Change:

3.1. How does what is being proposed impact on our carbon footprint / energy consumption?

No specific impact.

3.2. How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

No specific impact.