

PENSION FUND COMMITTEE – 1 JULY 2016
BRUNEL SUBMISSION TO THE GOVERNMENT
Report by Chief Financial Officer

Introduction

1. Following the Government's announcement in the July 2015 budget statement that they intended to work with Local Government Pension Scheme (LGPS) administering authorities to ensure that they pool investments to significantly reduce costs, significant work has been undertaken to set up the Brunel Pension Partnership comprising ten LGPS Funds.
2. The Government required an initial response by 19 February 2016, and a joint submission with the other nine Brunel funds was agreed by the Committee at its special meeting on 29 January. A further more detailed response is required by 15 July 2016.
3. Members of the Pension Fund Committee and the Pension Board received a presentation on the Brunel proposal and were given the opportunity to ask questions and provide input at the training/briefing event held on 13 June 2016, which was also attended by colleagues from Buckinghamshire.
4. The original Government requirement for the July submission was that it should include both a joint submission from the pool and also an individual submission from each LGPS fund. However the Government has changed its requirement such that only the joint submission from the pool is now required. The Committee is therefore asked to approve the joint submission from the Brunel Pension Partnership (confidential Annex 1 – to follow).

Key Points

5. A template for the submission has been put together by the Local Government Association in conjunction with the Department of Communities and Local Government and HM Treasury. The requirement is that the following issues should be addressed through the completion of the template:
 - The LGPS Funds participating in the pool.
 - The governance structure of the pool. Feedback from the Secretary of State made it clear that the pool structure needs to be an entity regulated by the Financial Conduct Authority. To fulfil this requirement it is proposed to set up a company in which Oxfordshire County Council would be a shareholder.
 - The business model, including shared principles, accountability, decision making and reporting.

- The timetable for establishing the pool and moving assets into the pool.
 - A detailed estimate of current investment costs, transition and implementation costs for the pool, and an estimate of savings over the next 15 years.
 - The ambition of the pool to increase investment in infrastructure. This can only be stated in terms of an ambition, it will remain up to the individual funds to determine their asset allocation.
6. Annex 1 contains the full submission to the Government and the supporting annexes. Until such time as the submission has been considered and agreed by all 10 administering authorities belonging to the Brunel Pension Partnership and submitted to the government, the documents remain confidential.
7. The proposal has been prepared by the Officers of the 10 administering authorities alongside the advisers to the project, namely Osborne Clarke and PwC. The proposal was presented to a meeting of the Chief Finance Officers and Monitoring Officers on 22 June 2016 and to the Shadow Oversight Board on 23 June 2016. Their comments have been included in the final version contained at Annex 1.
8. Within Oxfordshire, a briefing was given to the Political Leaders Group on 27 June 2016 and the Informal Cabinet on 28 June 2016, so that they were aware of the key elements of the proposal. In particular, the briefing focused on the proposed establishment of a new Brunel Company, in which the County Council as Administering Authority would be an equal shareholder, alongside the other founding administering authorities.
9. The proposal should be seen as an interim stage in the project. Subject to the necessary approvals to continue the project, the next stage is the development of a full business case which will be presented to the 10 administering authorities towards the end of 2016. The target remains to be in a position that the first assets can transition to the new arrangements in April 2018 in line with the Government's timescales.

RECOMMENDATION

10. **The Committee is RECOMMENDED to:**
- (a) agree the proposal as set out at Annex 1 as the basis of the submission to the Government; and**
 - (b) delegate to the Chief Finance Officer the responsibility to agree any final amendments to the proposal, after consideration by all 10 administering authorities, following consultation with the Chairman, Deputy Chairman and Opposition Spokesperson.**

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