

INVESTMENT AND PENSION FUND COMMITTEE

24 June 2016

Present:-

Devon County Council

Councillors R Gilbert (Chairman), C Channon, R Edgell and R Hosking

Other Employers

P Edwards, D Healy, M Hicks and J O'Dwyer

Unison and Retired Members: Non Voting Observers

R Franceschini and C Lomax

Apologies:-

Councillors L Parker-Delaz-Ajete and J Rimron

* 1

Minutes

RESOLVED that the minutes of the meeting held on 26 February 2016 be signed as a correct record.

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Annual Internal Audit Report 2015/16 and Internal Audit Plan 2016/17

The Committee considered the Report of the County Treasurer (CT/16/53) on the Annual Internal Audit Report 2015/16 and Internal Audit Plan 2016/17.

Internal Audit was able to provide reasonable assurance on the adequacy and effectiveness of the Devon Pension Fund's internal control environment during 2015/16. The Internal Audit Plan for 2016/17 allowed for up to 40 days of internal audit support for the Pension Fund and 45 days of internal audit support for Peninsula Pensions and will be delivered by the Devon Audit Partnership.

It was **MOVED** by Councillor Gilbert, **SECONDED** by Councillor Hicks and **RESOLVED**

(a) that the Annual Internal Audit Report for 2015/16 be accepted;

(b) that the Internal Audit Plan for 2016/17 be approved;

(c) that the Assistant County Treasurer be authorised to execute the Service Level Agreement relating to the Internal Audit Plan;

[NB: In line with Standing Order 32(2) Councillor Edgell asked that his intention not to vote on this matter by virtue of being a Member of the Council's Audit Committee and Devon Audit Partnership be recorded].

* 3

Training Plan 2016/17

The Committee considered the Report of the County Treasurer (CT/16/56) outlining the training to be provided over the next year which would ensure that both the Investment & Pension Fund Committee and the Pension Board had the knowledge and skills required in accordance with the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills.

The Chairman emphasised the importance of Members attending training to ensure that they were fully equipped to consider the business of the Committee, and urged all Members of the Committee to make attending these sessions a priority.

Members were advised that the next training event would take place following Committee on 16 September 2016.

It was **MOVED** by Councillor Hicks, **SECONDED** by Councillor Edwards and

RESOLVED the 2016/17 Training Plan be approved and adopted.

* **4** **Pension Fund Budget**

The Committee received the report of the County Treasurer (CT/16/57) outlining a budget forecast for 2016/17, in line with best practice, with key areas including contributions and benefit payments, investment income and management expenses.

It was **MOVED** by Councillor Gilbert, **SECONDED** by Councillor Edwards and

RESOLVED the Pension Fund budget forecast for 2016/17 be noted.

* **5** **Investment Management Report**

The Committee considered the Report of the County Treasurer (CT/16/58) on the current Fund Value and Asset Allocation.

The County Treasurer reported that the year to 31 March 2016 had seen a negative absolute return of -0.5%, which was below the Fund benchmark of +1.2%. The return for the year was just below the average local authority pension fund return and represented a 60th percentile ranking against the LGPS universe.

It was **MOVED** by Councillor Gilbert, **SECONDED** by Councillor Channon and

RESOLVED that the Report and compliance with the 2016/17 Treasury Management Strategy be noted.

* **6** **Devon Pension Board**

The Committee received the minutes of the meeting held on 14 April 2016 noting in particular minutes 5, 9, and 11.

* **7** **Applications for Admitted Body Status**

The Committee noted that the following applications for admitted body status had been approved under delegated powers:

- (a) IMASS – Devon County Council transferred 2 staff from the Occupational Health Team on 1st April 2016;
- (b) Burton Art Gallery – a new company has been set up to run this gallery formally run by Torridge District Council, with the transfer of eight staff on 1 April 2016;
- (c) Libraries Unlimited – new organisation set up to run Devon County Council libraries, with the transfer of around 500 staff on 1 April 2016;
- (d) Glen Cleaning – Kenn Primary School cleaning contract, with the transfer of one member of staff on 1 April 2016.

* 8

LGPS Pooling of Assets

The Committee considered the Report of the County Treasurer (CT/16/54) on the Government's response to the initial joint submission approved by the Committee in January and on the proposed way forward given the requirement of the Secretary of State and HM Treasury that any 'pool structure' needed to be an entity regulated by the Financial Conduct Authority.

The revised submission now proposed by the Brunel Pension Partnership (BPP) reflected the 'template' devised by the LGA, DCLG and HM Treasury and showed the general direction of travel, as an outline business case, which would need to be approved in final form later in 2016; likely to come before this Committee in November .

The proposed submission had been reviewed and cleared by the BPPs financial and legal advisors (PwC and Osborne Clarke) and had been developed with input from the Shadow Oversight Board, comprising representatives from each of the Pension Committees. In depth training about the development of the outline business case had already been provided to Committee Members.

Members acknowledged that the 'template/submission' contained a number of caveats with regard to achieving the timelines, in particular the need for:

- approval by each of the Administering Authorities of a full business case on the Brunel Pension Partnership for their Fund;
- implementation of draft 2016 Investment Regulations by October 2016

It was then **MOVED** by Councillor Gilbert, **SECONDED** by Councillor O'Dwyer and

RESOLVED that the press and public be now excluded from the meeting during subsequent discussion on this matter under Section 100(A)(4) of the Local Government Act 1972 on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 3 of Schedule 12A of the Act namely, it contains information about the financial and business affairs of the County Council and its partners in the Brunel Pension Partnership and of the proposed joint local authority owned company and potential provider of goods or services to the Council, and in accordance with Section 36 of the Freedom of Information Act 2000, by virtue of the fact that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

[NB: The following part of the Cabinet's proceedings on this matter took place, as summarised below, in accordance with the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 and, with the consent of the relevant Scrutiny Committee Chairman, under Section 100A(4) of the Local Government Act 1972 during which the press and public were excluded; no representations having been received to such consideration under Regulation 5(5) of the aforementioned Regulations].

The Committee then considered the Report of the County Treasurer (CT/16/61) incorporating the detailed submission to be agreed by all of the Brunel Pension partners.

The Committee acknowledged the concerns expressed by some Members that the direct involvement of scheme members in fund management would be minimised by the proposals now being pursued - at the direction of Government - and that the Brunel Pension Partnership should be urged to continue lobbying Government/HM Treasury over the need for appropriate relief on transition arrangements and tax treatment of assets and stamp duty requirements.

Following discussion of Report CT/16/61 and having had regard to the information therein, the Committee was of the view that the press and public need no longer be excluded from the meeting during its final determination of the matter and:

It was then **MOVED** by Councillor Gilbert **SECONDED** by Councillor Hosking and

RESOLVED that the press and public be now readmitted to the meeting.

Following further comment and discussion and the matter having been fully debated and the options and/or alternatives and other relevant factors (e.g. financial, staffing, assets and property, procurement policies, risk management, equality and legal considerations and Public Health impact) set out in the Head of Service's Report and/or referred to above having been considered, and balancing all of those factors and comments made at the meeting:

It was then **MOVED** by Councillor Gilbert, **SECONDED** by Councillor Edgell, and

RESOLVED

(a) that the Committee endorses the joint submission from the Brunel Pension Partnership, including the Devon Pension Fund;

(b) that the Committee formally recommends the Council to agree, in principle, to the establishment of a Local Authority Company with the other Brunel founder funds, in which Devon County Council will own 10% of the shares;

(c) that, consequently, the County Treasurer be authorised to continue negotiating as necessary with other Fund Members on the detail of the proposition and, in consultation with the Chairman of the Investment & Pension Fund Committee, to agree the terms of any final agreement, reporting back to this Committee in the normal manner;

(d) that the County Solicitor be authorised to execute all necessary legal documents or formal agreements required to be agreed by the Council to give effect to the proposals concluded in line with the above;

(e) that the County Council be also recommended to approve, in principle and in conjunction with all other Councils comprising the Brunel Pension Partnership, the establishment of a Joint Committee under s101 or s102 of the Local Government Act 1972 to act as the '*Brunel Oversight Board*'; an advisory body 'scrutinising' the performance of the Brunel Company;

(f) that the Committee place on record its appreciation for all the hard work being undertaken by the Council's officers to progress these proposals

* **9** **Exclusion of the Press and Public**

RESOLVED that the press and public be now excluded from the meeting during subsequent discussion on this matter under Section 100(A)(4) of the Local Government Act 1972 on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 3 of Schedule 12A of the Act namely, it contains information about the financial and business affairs of the County Council and its partners in the Brunel Pension Partnership and of the proposed joint local authority owned company and potential provider of goods or services to the Council, and in accordance with Section 36 of the Freedom of Information Act 2000, by virtue of the fact that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

* **10** **Investment Advisor Arrangements**

(An item taken under Section 100A(4) of the Local Government Act 1972 during which the press and public were excluded, no representations having been received to such consideration under Regulation 5(5) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012).

The Committee received the Report of the County Treasurer (CT/16/59) reviewing the arrangements for the provision of independent advice to the Committee.

It was then **MOVED** by Councillor Gilbert, **SECONDED** by Councillor Edgell, and

RESOLVED

(a) that an exemption from tendering be sought in order to extend the current contract with AllenbridgeEpic for provision of the services of Steve Tyson as the Devon Fund's Independent Advisor for two years to 30th September 2018.

(b) that a competitive procurement process be undertaken in early 2018 to appoint a new Independent Advisor under a revised specification with effect from 1 October 2018.

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Dates of Future Meetings

The Committee will meet at 10.00am on Friday 16 September, Friday 18 November 2016 and Friday 24 February 2017.

***DENOTES DELEGATED MATTER WITH POWER TO ACT**

The Meeting started at 10.00 am and finished at 11.40 am