



REPORT OF THE GOVERNANCE COMMITTEE

PENSIONS COMMITTEES – TERMS OF REFERENCE AND AMENDMENT TO THE CONSTITUTION

At its meeting on 24 July 2013 the Pensions Committee considered a report concerning the proposed governance arrangements for Investing in Local Infrastructure Assets for the benefit of the Pension Fund.

The current governance arrangements were based upon an external Fund Manager structure but due to the localised nature of the proposed portfolio and the relatively small proportion of the fund's allocation to local infrastructure the Pensions Committee adopted the following arrangements:

a. Appointment of an Internal Investment Manager

The Group Director (Resources) would appoint the Internal Investment Manager (IIM) - initially the Property Services Manager.

The IIM would:

- Act as first point of contact for potential investments
- Pro-actively search for new investment opportunities
- Consider investment opportunities brought forward by third parties
- Carry out initial screening of investment opportunities to determine those with potential to meet the Investment criteria
- Refer and present suitable investment opportunities to the Infrastructure Evaluation Panel

b. Establishment of an Infrastructure Evaluation Panel

The Infrastructure Evaluation Panel would consist of the Group Director Resources (chair), Head of Finance and Procurement, Corporate Finance and Strategy Manager and the Assistant Chief Executive (Legal and Democratic Services) or their successor roles where appropriate.

The Panel would:

- Consider investment opportunities presented to it by the IIM.
- Consider whether the investment proposal is subject to the requirements of the public procurement regime.
- Carry out a detailed appraisal of each investment.
- Agree, by majority, those investments meeting the required criteria to submit to the Group Director Resources for further consideration and approval.

c. Process for Project Approval

- The Group Director Resources would receive recommendations from the panel and would decide whether to proceed with the Investment. The decision to invest would be made in consultation with the Chair of Pensions.
- The Group Director Resources may approve an investment in principle that was subject to the public procurement regime. As a consequence, the Director of Resources would initiate a tender process in accordance with the Council's Procurement Framework.

The Director of Resources would ensure that sufficient resources were made available to the panel to ensure that the necessary project evaluation work was carried out robustly. This work might be carried out by internal professional staff but in some instances external specialists might be engaged. The level of resources would be kept under review taking account of the size of the portfolio and the complexity of the project(s).

The proposed arrangements were consistent with the Pension Fund's Funding Strategy Statement, Governance Compliance Statement and Statement of Investment Principles. However, a revision to the Council's Constitution would be required in order to allow the Group Director to approve projects within the infrastructure portfolio.

Governance Committee, at a meeting held on 10 September, accepted that the changes proposed above would not only be beneficial, but would provide the Council with financial flexibility without the need to increase pension contributions. The Committee therefore invites Council to formally agree to the following amendment to be made to the Council's Constitution to facilitate this.

The Committee accordingly recommends to Council that the section of the Constitution dealing with the powers of the Group Director – Resources - Part 3, (paragraph 3.7.1 (e)) be extended to include the following section:

- (vii) To make direct investments in local infrastructure assets as part of the Pension Fund local infrastructure portfolio in consultation with the Chair of Pensions**