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Brent Pension Fund Sub-Committee

Thursday 1 August 2024 at 6.00 pm
Boardrooms 4, 5 and 6 – Brent Civic Centre, Engineers Way, Wembley, HA9 0FJ

Please note that this meeting will be held as a physical meeting with members of the Sub-Committee required to attend in person.

The press and public are also welcome to attend this meeting in person. Please note that this meeting is not scheduled for live webcasting.

Membership:

Members	**Substitute Members**
Councillors:	Councillors
Johnson (Chair) Kennelly (Vice-Chair) Ahmadi Moghaddam Choudry Crabb Kansagra Molloy	Dixon, Ethapemi, Mahmood and Shah Councillors Maurice and Patel

Non Voting Co-opted Members

Elizabeth Bankole	Brent Unison representative

For further information contact: Hannah O'Brien, Senior Governance Officer
Tel: 020 8937 1339; Email: hannah.o'brien@brent.gov.uk

For electronic copies of minutes and agendas please visit: **brent.gov.uk/democracy**

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Notes for Members - Declarations of Interest:

If a Member is aware they have a Disclosable Pecuniary Interest* in an item of business, they must declare its existence and nature at the start of the meeting or when it becomes apparent and must leave the room without participating in discussion of the item.

If a Member is aware they have a Personal Interest** in an item of business, they must declare its existence and nature at the start of the meeting or when it becomes apparent.

If the Personal Interest is also significant enough to affect your judgement of a public interest and either it affects a financial position or relates to a regulatory matter then after disclosing the interest to the meeting the Member must leave the room without participating in discussion of the item, except that they may first make representations, answer questions or give evidence relating to the matter, provided that the public are allowed to attend the meeting for those purposes.

***Disclosable Pecuniary Interests:**

(a) **Employment, etc. -** Any employment, office, trade, profession or vocation carried on for profit gain.

(b) **Sponsorship -** Any payment or other financial benefit in respect of expenses in carrying out duties as a member, or of election; including from a trade union.

(c) **Contracts -** Any current contract for goods, services or works, between the Councillors or their partner (or a body in which one has a beneficial interest) and the council.

(d) **Land -** Any beneficial interest in land which is within the council's area.

(e) **Licences-** Any licence to occupy land in the council's area for a month or longer.

(f) **Corporate tenancies -** Any tenancy between the council and a body in which the Councillor or their partner have a beneficial interest.

(g) **Securities -** Any beneficial interest in securities of a body which has a place of business or land in the council's area, if the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or of any one class of its issued share capital.

****Personal Interests:**

The business relates to or affects:

(a) Anybody of which you are a member or in a position of general control or management, and:

- To which you are appointed by the council;
- which exercises functions of a public nature;
- which is directed is to charitable purposes;
- whose principal purposes include the influence of public opinion or policy (including a political party of trade union).

(b) The interests a of a person from whom you have received gifts or hospitality of at least £50 as a member in the municipal year;

or

A decision in relation to that business might reasonably be regarded as affecting the well-being or financial position of:

- You yourself;

a member of your family or your friend or any person with whom you have a close association or any person or body who is the subject of a registrable personal interest.

Agenda

Introductions, if appropriate.

London CIV responsible investment policy.

9	**Local Authority Pension Fund Forum Engagement Update** To present members with an update on engagement activity undertaken by the Local Authority Pension Fund Forum (LAPFF) on behalf of the Fund.	121 - 138
10	**Training Plan** To provide an update on the provision of the LGPS online learning facility.	139 - 156
11	**Minutes of the Pension Board (25 March 2024)** To note the minutes of the Pension Board meeting held on 25 March 2024.	157 - 168
12	**Exclusion of the Press and Public** To consider the exclusion of the press and public from the remainder of the meeting as the remaining report to be considered contains the following category of exempt information as specified in Paragraph 3, Part 1 Schedule 12A of the Local Government Act 1972, namely: “Information relating to the financial or business affairs of any particular person (including the authority holding that information)".	
13	**London CIV Update** To update the committee on recent developments regarding Brent Pension Fund investments held within the London CIV (CIV).	169 - 308
14	**Any other urgent business** Notice of items to be raised under this heading must be given in writing to the Deputy Director – Democratic Services or their representative before the meeting in accordance with Standing Order 60.	

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Brent

LONDON BOROUGH OF BRENT

MINUTES OF THE BRENT PENSION FUND SUB-COMMITTEE
Held in the Conference Hall, Brent Civic Centre on Wednesday 21 February 2024 at 6.00 pm

PRESENT: Councillor Mitchell (Vice-Chair) and Councillors Choudry, Hack, Kansagra and Elizabeth Bankole (Non-Voting Co-Opted Member).

Also present: Also present: David Ewart (Independent Chair – Brent Pension Board).

1. **Apologies for Absence and Clarification of Alternate Members**

The Committee received apologies of absence from Councillor Johnson (Chair) and Councillors Kennelly and Miller. As Councillor Johnson was absent from the meeting, Councillor Mitchell assumed chairing responsibilities as Vice-Chair of the Sub-Committee.

2. **Declarations of Interests**

None declared.

3. **Minutes of the Previous Meeting**

RESOLVED: That the minutes of the previous meeting held on 4 October 2023 be approved as an accurate record of the meeting.

4. **Matters Arising (If Any)**

None.

5. **Deputations (if any)**

No deputations were received.

6. **H2 2023 Investment Monitoring Report**

Kenneth Taylor (Hymans Robertson LLP) presented the report, which outlined the performance of the Brent Pension Fund over the second half of 2023. Regarding the overall performance of the Fund, the Committee heard that the Fund had posted a positive return over the second half of the year, ending the period with a valuation of £1,203.0m up from £1,125.7m at the end of Q2 2023. This translated to a 6% return, 0.4% above the benchmark of 5.6%. When looking at the previous 12 months, the Fund had returned 9.4% which was behind the benchmark of 10.8%. However, it was explained that this was still considered a strong performance given the recent economic landscape. In concluding the discussion on overall performance, the Committee was advised that across the last 3 years the Fund had returned 4.5% against a benchmark of 4.3%, therefore the Fund's performance was positive both in the long-term and short-term.

In discussing the Fund's asset allocations, the Committee noted that the Fund's allocation to UK gilts had increased from £49.7m to £122.1m across the reporting period. Members were informed that this increase was due to rebalancing in which equity investments were sold and the funds reinvested into UK gilts.

In highlighting page 16 of the agenda pack which focussed on the funding position of the Fund, the Committee noted that this information was new and detailed the changes in the funding level from Quarter 1 (Q1) 2022 to Quarter 4 (Q4) 2023. Overall, the funding level had increased from 87% in Q1 2022 to 115% at the end of Q4 2023, with assets now larger than liabilities which was the opposite of the position that the Fund found itself in at Q1 2022, a significant improvement. Members were advised that the Fund currently had a surplus of approximately £150m which was largely due to the value of liabilities decreasing as a result of higher expected future returns of assets.

Concerning manager performance, Kenneth Taylor detailed that, with the exception of property funds, all funds posted positive returns over the previous 6 months. However, when reviewing the previous 12 months the performance of managers was more mixed, with funds such as Capital Dynamics Private Equity performing poorly. Nevertheless, despite the poor performance of some funds, the Committee was informed that these funds comprised of a small percentage of the Fund's overall holdings and therefore the performance of these funds did not have a significant impact on the overall performance of the Fund. In focussing on the top performer, the LGIM Global Equity fund, it was explained that the fund had returned 17.5% over the previous 12 months, which was said to be impressive given the high inflation and rising interest rates. The positive performance of the LGIM Global Equity fund was further compounded by the fact that the Fund held a large percentage of its assets within this holding. Furthermore, members heard that the BlackRock UK Gilts Over 15 years fund was the second largest contributor to the Fund's positive performance over the second half of 2023.

Following the presentation of the report, the Chair invited members to raise any questions or concerns, with queries and responses summarised below:

- In response to a query as to why there were no figures relating to the performance of the infrastructure funds over the previous 6 months, members were advised that, although the figures were available, they were omitted from the report as short-term monitoring could result in misleading assumptions as these assets were long-term investments.

Members welcomed the report and, with no further issues raised, thanked Hymans Robertson LLP for their presentation. Consequently, the Committee **RESOLVED** to note the report.

7. **Pass-Through Policy**

John Smith (Pensions Manager, Brent Council) introduced the report, which outlined the preferred arrangements for Contractors participating in the Brent Pension Fund. The Committee noted that Brent Pension Fund's actuary, Hymans

Robertson, had prepared a discussion document outlining the principles, benefits and risks of using ‘pass-through’ for its admission agreements which included a comparison with the current ‘traditional’ approach.

In providing an overview of the proposal, John Smith explained that outsourced LGPS members had a right to remain within the LGPS scheme and therefore an agreement was required between the Letting Authority and the Contractor regarding factors such as the Contractor contribution rates, bonds and cessation fees. Due to the need to determine the above elements, the conventional approach, which passed investment risk to the contractor, resulted in high consultation fees, more expensive contracts for the Letting Authority and a slower overall process. Thus, to improve this process, it was proposed to introduce a ‘pass-through’ policy which passed significantly less pension risk to the Contractor and reduced the costs of participation. This was largely due to the Contractor’s contribution rate being equal to the Letting Authority’s contribution rate and Contractors not being liable to pay cessation fees, which reduced uncertainty for Contractors seeing as they were not exposed to potential volatile market conditions, which was said should improve the competitiveness of the tendering process for LGPS Letting Authorities.

After the introduction of the report, the Committee welcomed Douglas Green (Hymans Robertson LLP) to the meeting, who provided an analysis of the risks and benefits of pass-through in addition to outlining why the policy was being proposed, which is summarised below:

- In outlining the current approach of the Fund regarding outsourced contracts, detailed in Appendix 1 of the report, Douglas Green emphasised the number of onerous administrative steps which were required for outsourced contracts, many of which concerned a small number of employees. Members noted that given that outsourced contracts tended to involve a relatively small number of employees, the administrative and consultative steps required for the current method outweighed the potential risks presented by pass-through.

- The main risks of the proposed pass-through policy included:

    - The Letting Authority being responsible for a potential cessation debt at the end of contract if the Contractor contribution rate was too low, although any debt tended to be a small sum given the size of outsourced contracts.

    - Loss of a potential exit credit at the end of contract for the Contractor if their contribution rate was too high.

    - Assets and liabilities remaining on accounting balance sheet of the Letting Authority, although this would occur if staff remained within the Letting Authority and therefore this risk would be borne by Letting Authorities anyway.

- The main benefits of the proposed pass-through policy included:

- ➢ The possibility of better contract negotiation terms for Letting Authorities as Contractors often increased the price of contracts due to uncertainty and the investment risk being passed to the contractor.

- ➢ No potential cessation debt to pay at the end of the contract by the Contractor if their contribution rate was too low.

- ➢ Reduced administrative costs for the Contractor as there was no requirement for a market risk bond, which could lead to better contract terms for Letting Authorities.

- ➢ Greater certainty of Contractor contributions as a flat contribution rate was given at the start of the contract.

In concluding, Douglas Green stated that Hymans Robertson deemed that the benefits of the pass-through policy outweighed the potential risks. Given that the proposed policy would become the default for outsourced contracts if recommended by the Committee and approved the General Purposes Committee, members were further informed regarding the practical implementation of the policy, which is detailed below:

- Default pass-through would apply to all Contractors with fewer than 15 transferring members. For new Contractors with 15 or more transferring members, the Administering Authority would agree the most suitable arrangement with the Letting Authority.

- The Letting Authority retained all risks, except for those brought on by the contractor, such as the award of unreduced early retirement unrelated to ill-health.

- The contribution rate would always be set equal to the in-force primary rate of the Letting Authority, which could change at each triennial valuation.

- A bond could be inserted for “high-risk” contracts at the Fund’s discretion or if required by the Letting Authority.

- Liabilities (with corresponding fully funded assets) would be assigned to the Contractor and tracked for their period of participation. However, for funding and accounting purposes, the Contractor assets and liabilities would be pooled with the Letting Authority.

Following the overview of the pass-through policy, the Chair welcomed questions from the Committee. Questions and responses are summarised below:

- Regarding whether there was a precedent for the pass-through policy, members were advised that the majority of pension funds were now using pass-through to some extent, with academy schools being the single biggest driver for the increased use of pass-through as the Department for Education (DfE) had recently extended their Academy Guarantee to cover pass-through which meant that the Fund could claim expenses back from the DfE if an academy were to cease operating.

- In response to a question relating to the impact of the policy for Brent, it was detailed that contracts were likely to be cheaper given the reduced risk borne by Contractors. Additionally, officer time would be saved which in turn resulted in cost-savings and employer contributions could be received sooner due to no longer needing to determine contribution rates, bonds and cessation fees. Furthermore, the Committee heard that it was best to view the pass-through policy as sharing the risk between the Letting Authority and Contractor, with risk being retained by the Letting Authority rather than increased as the Letting Authority would bear the risk if the employees remained within the Letting Authority anyway.

- In explaining the arrangements for employees when contracts expired, the Committee noted that if the contract was not re-let the employees would return the Letting Authority, which occurred already and therefore there was no change in process. Moreover, if the contract was re-let the Fund would arrange for the employees to move to the new Contractor under the new policy.

- Concerning the contribution rates of Contractors, the Committee was informed that contribution rates were currently bespoke for every contractor which resulted in expensive consultation fees and slow processing times. However, under pass-through the contribution rate was pegged to the contribution rate of the Letting Authority, whether that be the Council or a school. At the end of the contract, if the contract was re-tendered, the new Contractor would pay the same contribution rate of the Letting Authority at the time of the award of the contract.

- Members were reassured that regardless of the contribution rate of Contractors, members' pension benefits were not impacted.

- In clarifying the requirement for legal advice outlined in the next steps, it was detailed that officers were satisfied with the general approach of pass-through, but if the policy was to be approved by the General Purposes Committee, officers would seek legal advice to finalise the details of the policy. In reassuring members, officers explained that conversations had occurred with colleagues in other boroughs where pass-through was widely adopted, in which they expressed satisfaction with the policy.

- Following approval by the General Purposes Committee, the Committee noted that the Fund would be contacting all employers (Letting Authorities) to explain the benefits, risks and key differences between pass-through and the 'traditional' approach currently used.

With members happy with the proposed pass-through policy, the Committee **RESOLVED** to:

(1) Note that the proposed pass-through approach would be the default for admission agreements in line with the principles as specified in the report.

(2) Recommend that the proposed pass-through approach, detailed in section 2.1 of the report, is approved by the General Purposes Committee at its next meeting.

8. **DLUHC Consultation Outcome on LGPS Investments and TPR General Code of Practice**

Sawan Shah (Head of Finance, Brent Council) presented a report that summarised the outcome of the consultation on proposals relating to the investments of the Local Government Pension Scheme (LGPS) in addition to the updated The Pensions Regulator (TPR) General Code of Practice. As the Committee had already considered this matter in a recent meeting, members were informed that the government intended to proceed with the majority of the proposals previously discussed, which included:

- A March 2025 deadline for the pooling of assets, however this was now on a ‘comply or explain’ basis.

- Revised guidance to encourage Funds to invest a 10 per cent allocation to private equity, however this was an ambition and not mandatory.

- A requirement in guidance to set a training policy for pensions committee members and to report against the policy.

Regarding next steps, it was explained that the Fund was awaiting further details on how the proposals would be formalised in LGPS regulations and/or statutory guidance. The Committee noted that once further guidance had been received another update would be provided.

In moving to discuss the updated TPR General Code of Practice, the Committee was informed that the new Code was expected to come into force on 27 March 2024, three years after the initial consultation in 2021. The purpose of the updated Code was to consolidate 10 previous TPR Codes into one single Code. As officers were currently reviewing the new requirements, members heard that a more detailed update would be provided at the next Committee meeting, currently planned for June 2024, although confirmation of meeting dates for the next municipal year would be confirmed at the Annual Council Meeting in May 2024.

With no further comment, the Chair thanked officers for the report and the Committee **RESOLVED** to note the outcome proposals relating to the investments of the LGPS and the update on The Pensions Regulator General Code of Practice.

9. **Administering Authority and Employing Authority Discretions**

John Smith (Pensions Manager, Brent Council) introduced the report, which outlined Brent’s Administering Authority Discretions and a blank template for Employing Authority Discretions which could be used as a framework by all the employers in the Pension Fund to develop their own policies. In providing a more detailed explanation of discretions, John Smith stated that there were two discretions, administering authority discretions, determined by Brent Council, and employing authority discretions. The Committee was advised that there were three categories of discretions:

- A relatively small number that were mandatory and a policy must be published.

- A slightly larger number that were mandatory but there was no requirement to publish a policy.

- The largest group which comprised of non-mandatory (optional) discretions.

Members noted that it was a legal requirement to publish the required mandatory policies and it was considered best practice to publish a policy outlining how administering/employing authorities intended to exercise its discretions, as it ensured consistency in decision making and helped to guard against challenges and appeals from discontented parties, in addition to demonstrating good governance and providing clarity to members of the scheme. However, it was reiterated that care must be taken when determining discretions as once determined, the freedom of the relevant authority was diminished. Therefore, discretions were often prefixed with words such as ‘may’, ‘only in exceptional circumstances’ and ‘each case considered on its merits’ to maximise the freedom that authorities had in relation to discretions. In finalising, John Smith explained that employing/administering authorities could change their policy from time-to-time in response to changes in legislation or in the light of experience.

Following the introduction of the report, the Chair welcomed questions and contributions from members, with the subsequent discussion summarised below:

- In response to a request for examples of when discretions could be used, members were advised that a list of examples was provided in Appendix 1 of the report, which included issues related to early and flexible retirements, the ’85 year rule’ and the extension of the notice period required to draw benefits before normal pension age.

- The Committee was informed that it was important to codify the day-to-day operations of how pensions related matters were handled, such as treating cases with due care and sensitivity, in addition to consolidating operational elements into a single document to adhere to best practice guidance.

With no further comments, the Committee **RESOLVED** to:

(1) Approve Brent’s Administering Authority Discretions as contained in Appendix 1 of the report.

(2) Note the Employing Authority Discretions Template attached in Appendix 2 of the report together with the Guidance note included in Appendix 3 of the report.

10. **LAPFF Engagement Report**

George Patsalides (Finance Analyst, Brent Council) presented a report that updated the Committee on engagement activity undertaken by the Local Authority Pension Fund Forum (LAPFF) on behalf of the Fund during Quarter 3 (Q3) and Quarter 4 (Q4) 2023. It was explained that the partnership with LAPFF demonstrated the Fund’s commitment to Responsible Investment (RI) and utilising engagement as a way to achieve its objectives.

In summarising LAPFF's engagement activity, the Committee noted the following:

- In June 2023, the Department of Business and Trade had investigated a number of companies in breach of wage floor requirements, which included listed firms such as WH Smith, Marks & Spencer, Argos and Whitbread, impacting over 6000 employees. In a letter to these four companies, LAPFF had requested details outlining how such incidents occurred, the actions taken to address these breaches and how the breaches would be prevented in the future. All four firms submitted prompt responses to LAPFF, stating that the breach was due to a payroll error, with LAPFF continuing to monitor and approach companies found to be in transgression of labour laws.

- Water companies were facing considerable reputational risks and regulatory scrutiny surrounding their environmental practices. Given that water companies were effectively regional monopoly suppliers subject to environmental and economic regulation, there were considerable regulatory and reputational risks as a result of malpractice. Thus, LAPFF Chair, Cllr Doug McMurdo, met with the Chair of Severn Trent to discuss the issues currently facing the industry, welcoming the news that the water supplier was ahead of its targets on reducing overflows, as well as refining its long-term plans to address climate change, such as capturing emissions from the sewage treatment process. Despite significant negative publicity surrounding sewage leaks, LAPFF continued to press water suppliers to advance their plans to address the environmental implications of their operations.

- LAPFF executive Heather Johnson met with German technology firm SAP to discuss contingency planning for adverse impacts of AI, including the avoidance of discrimination of legally protected characteristics during hiring processes. LAPFF continued to hold technology firms accountable to ensure that appropriate frameworks and safeguards were in place to mitigate the risks posed by innovations.

After the conclusion of the update, the Chair opened the floor for questions and comments, with contributions summarised below:

- In highlighting the large discrepancy between the number of companies contacted and the relatively small number of tangible improvements and action taken, members queried the reasoning behind the discrepancy between engagement activity undertaken by LAPFF and the outcomes achieved. In response, the Committee was advised that simply getting a response from companies, some being multi-national conglomerates, was an achievement in itself given the size of these organisations. Moreover, it was emphasised that change was often slow and piecemeal, with LAPFF ensuring that pension funds were represented and held a small degree of influence over the direction of change.

- In discussing the collective lobbying power of pension funds and the collaborative opportunities available, it was explained that collective lobbying on behalf of pension funds was LAPFF's main purpose. Additionally, the Committee noted that LAPFF held regular meetings throughout the year which provided further updates on their work, with members encouraged to contact officers if they were interested in attending these meetings.

- Regarding Brent's influence and role in LAPFF, the Committee was informed that LAPFF was councillor led, the Chair of LAPFF being Cllr McMurdo form the Bedfordshire Pension Fund, with the overall strategy set by members at the Annual Conference.

In commending the report and welcoming the update, the Committee **RESOLVED** to note the report.

11. **Training Update**

George Patsalides (Finance Analyst, Brent Council) provided the Committee with an update regarding the provision on the LGPS Online Learning Facility (LOLA) which was provided by the Fund's actuary Hymans Robertson. Members were informed that all logins should have been received and progress made in line with the learning schedule attached as Appendix 3 of the report. The importance of completing the training in line with the expected schedule was reiterated to ensure that the Fund adhered to best practice guidance.

Following the introduction of the report the Chair invited members to ask any questions, with questions and responses summarised below:

- The Committee was advised that the training was mandatory, applying to both Pension Fund Sub-Committee and the Pension Board members.

- Members noted that the training could be completed in any order, although the learning schedule attached as Appendix 3 of the report was designed to align with events in the financial year, such as year-end, and thus moved chronologically.

- It was detailed that the training included a mixture of presentations, podcasts, briefings and videos, with a multiple choice end of module test required to be completed to finish each module.

Having endorsed the training plan provided, the Committee **RESOLVED** to note the report and continue the learning programme as outlined in the training timetable.

12. **Minutes of Pension Board - 8 November 2023**

The Sub-Committee welcomed Mr David Ewart (Independent Chair - Pension Board) to the meeting to give an overview of the Pension Board's last meeting. Members were informed that the role of the Pension Board was to assist the Sub-Committee in the efficient management of the Fund and in monitoring administration service quality for scheme members. The Board's membership comprised of representation from both Scheme Members and Employers, in addition to Brent Council.

Regarding the November meeting, Mr Ewart explained that the majority of the meeting concerned the Pensions Administration Update, in which the Board considered the Pension Administration Performance Report, in addition to reviewing the Fund's Risk Register and monitoring Key Performance Indicators (KPI's) to ensure the implementation of the most suitable indicators. In concluding, Mr Ewart highlighted the applicability of the LOLA training plan, discussed in the previous agenda item, given that it covered key remits of both the Pension Board and Pension Fund Sub-Committee.

The Chair thanked Mr Ewart for the update provided and with no further issues raised, it was **RESOLVED** to note the minutes from the Pension Board held on 8 November 2023.

13. **Exclusion of the Press and Public**

At this stage in the meeting the Chair advised that the Sub Committee needed to move into closed session to consider the final two items on the agenda and it was therefore **RESOLVED** to exclude the press and public from the remainder of the meeting as the reports and appendices to be considered contained the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Access to Information Act 1972, namely:

"Information relating to the financial or business affairs of any particular person (including the Authority holding that information)."

14. **Diversified Growth Fund**

Sawan Shah (Head of Finance, Brent Council) presented a report that provided analysis of the LCIV Diversified Growth Fund held by the Fund. The Committee noted that the recommendations were a result of ongoing monitoring of the Diversified Growth Fund and ambitions outlined in the recently revised Investment Strategy. In considering the report, members discussed issues relating to asset allocation, the size of the current investment in the Diversified Growth Fund and the proposals for reinvestment.

As a result of the discussion, the Committee **RESOLVED** to:

(1) Agree to rebalance the Fund's portfolio by reducing the allocation to the LCIV Diversified Growth Fund and re-invest the proceeds in line with paragraph 3.7 of the report and phase 1 of the implementation plan, outlined in Appendix 1 of the report.

(2) Note the options available to the Fund to further reduce the allocation to the LCIV Diversified Growth Fund as set out in paragraph 3.8 of the report and to endorse option 1 as the preferred solution in line with paragraph 3.9 of the report.

15. **London CIV Update**

Sawan Shah (Head of Finance, Brent Council) introduced the report, which updated the Committee on recent developments regarding Brent Pension Fund investments held within the London CIV. In this iteration of the London CIV Update, the Committee received the quarterly investment reviews for the quarters ending 30 September 2023 and 31 December 2023. In addition to the quarterly investment reviews, subjects such as changes in the leadership at London CIV and revised recommendations regarding London CIV investments were considered by members.

As no further concerns were raised, the Committee **RESOLVED** to note the report.

16. **Any Other Urgent Business**

As this would be their last meeting prior to entering retirement, on behalf of both the Brent Pension Fund Sub-Committee and Pension Board, Sawan Shah (Head of Finance, Brent Council) thanked Douglas Green (Hymans Robertson LLP) for their support and dedication to the Fund since becoming the Fund's actuary in 2012. Mr Green was said to have played an integral role in improving the overall position of the Fund over the previous decade, with everyone associated with the Fund wishing Mr Green a happy and healthy retirement.

The meeting closed at 7:52pm

COUNCILLOR M MITCHELL
Vice-Chair

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London Borough of Brent Pension Fund

Q1 2024 Investment Monitoring Report

Kenneth Taylor, Senior Investment Consultant

HYMANS ROBERTSON

Executive Summary

Performance Summary
The assets combined to return 4.1% over the quarter to 31 March 2024.

Global equities recorded the best first quarter in five years, rising 9.1% in Sterling terms. This was due to further optimism about the US economy and AI enthusiasm, which offset expectations of slower rate cuts.

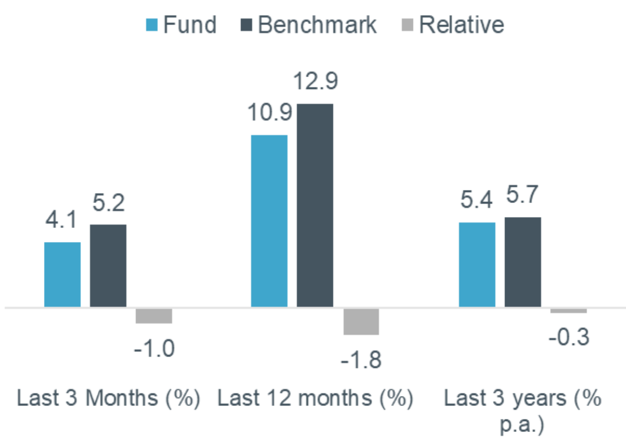
UK equities also produced positive returns (up 3.6%) although they lagged global markets due to having a small exposure to the outperforming technology sector, as well as economic weakness which contributed to UK-listed companies underperforming global peers across almost all sectors.

A rise in yields over the quarter saw negative returns from the UK government bond market. The property market also continued to underperform, specifically the office and retail sectors.

Key points to note

- The Fund has posted positive returns over the quarter, ending the period with a valuation of £1,259.7m up from £1,203.0m at the end of Q4 2023.
- The Fund's equities were again the main drivers of returns, with LGIM's global equity mandate the primary contributor in monetary terms. The Fund's exposure to UK equities also contributed to performance.
- Within the income assets, both property mandates and both multi-asset funds detracted from performance on a relative basis; however, allocations to these assets are much smaller relative to the growth assets.
- The Fund's UK government bond holdings experienced negative performance over the quarter, due to yields rising over the period, hence saw their value fall in monetary terms.
- The cash held by the Fund increased over the period to £44.3m. The cash allocation will be used to fund future capital calls and private market investments such as infrastructure and property.

Fund performance vs benchmark/target



High level asset allocation

	Actual	Benchmark	Relative
Growth	54.4%	58.0%	-3.6%
Income	27.8%	25.0%	2.8%
Protection	14.3%	15.0%	-0.7%
Cash	3.5%	2.0%	1.5%

Whilst on the journey to its interim and long-term targets for Property, Infrastructure and Private Debt, the Fund will hold a higher allocation to DGF's.

Asset allocation

The target allocations reflected in this report are as follows. These will be updated next quarter to reflect the partial sale of the Baillie Gifford DGF (discussed further below).

Interim
Growth – 58%
Income/Diversifiers – 25%
Protection plus cash – 17%

Long-term
Growth – 50%
Income/Diversifiers – 35%
Protection – 15%

The LCIV infrastructure and private debt funds remain in their ramp up phase. We expect the Fund's commitments to continue to be drawn down over 2024.

During the last quarter, the LCIV Baillie Gifford Multi-asset fund's rating was downgraded. As a result, in Q1 the Committee agreed to reduce the allocation to the LCIV Baillie Gifford Multi-asset fund, consider further recommendations to sell and utilise the proceeds to meet the strategic objectives of the Fund.

Post quarter end, the Fund made a £35m commitment to the London CIV UK Housing Fund, as part of building up the property portfolio to its 10% long-term objective.

Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q4 2023	Q1 2024			
LGIM Global Equity	468.4	515.0	40.9%	40.0%	0.9%
LGIM UK Equity	73.1	75.8	6.0%	5.0%	1.0%
Capital Dynamics Private Equity	19.6	17.3	1.4%	5.0%	-3.6%
LCIV JP Morgan Emerging Markets	42.3	42.7	3.4%	5.0%	-1.6%
Blackrock Acs World Low Crbn	32.0	34.9	2.8%	3.0%	-0.2%
Total Growth	**635.4**	**685.8**	**54.4%**	**58.0%**	**-3.6%**
LCIV Baillie Gifford Multi Asset	126.7	127.7	10.1%	6.0%	4.1%
LCIV Ruffer Multi Asset	93.4	92.7	7.4%	6.0%	1.4%
Alinda Infrastructure	17.9	18.7	1.5%	0.0%	1.5%
Capital Dynamics Infrastructure	2.3	2.4	0.2%	0.0%	0.2%
LCIV Infrastructure	45.2	45.2	3.6%	5.0%	-1.4%
Fidelity UK Real Estate	13.4	13.3	1.1%	1.5%	-0.4%
UBS Triton Property Fund	11.0	10.9	0.9%	1.5%	-0.6%
LCIV Private Debt Fund	39.1	39.1	3.1%	5.0%	-1.9%
Total Income	**349.0**	**350.0**	**27.8%**	**25.0%**	**2.8%**
LCIV CQS MAC	60.4	61.8	4.9%	5.0%	-0.1%
BlackRock UK Gilts Over 15 yrs	122.1	117.8	9.4%	10.0%	-0.6%
Total Protection	**182.5**	**179.6**	**14.3%**	**15.0%**	**-0.7%**
Cash	36.0	44.3	3.5%	2.0%	1.5%
Total Scheme	**1203.0**	**1259.7**	**100.0%**	**100.0%**	

Figures may not add up due to rounding. The benchmark currently shown as the interim-target allocation as the first step in the journey towards the long-term target. As the Fund's allocations and commitments to private markets increase over time, we will move towards comparison against the long-term target.

Source: Investment Managers

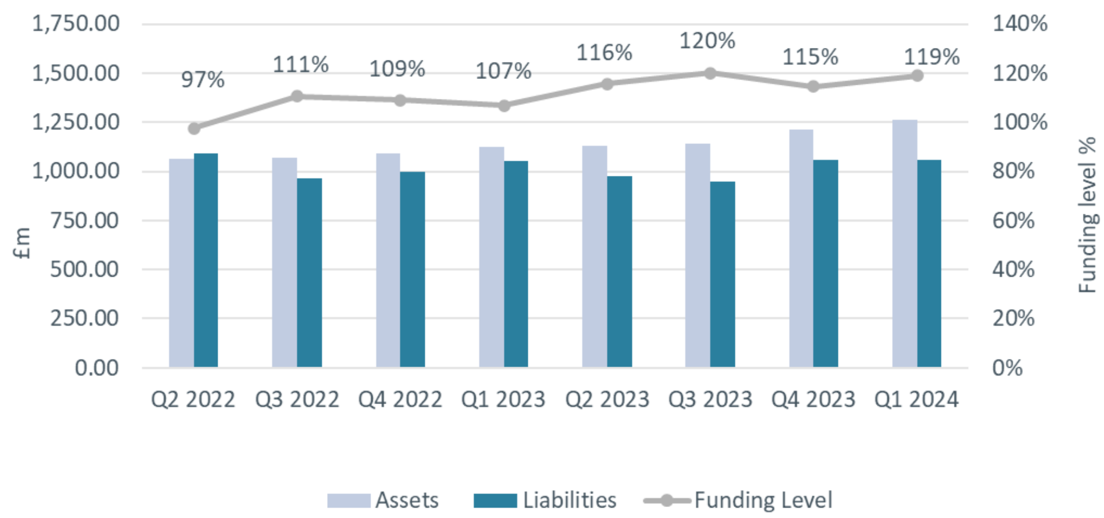
Funding position

As at 31 March 2024, we estimate the funding level to be 119%.

The graph shows the funding level has increased from 97% in Q2 2022 to 119% at the end of Q1 2024.

Please note the asset value shown (for the funding level calculation) may differ from the actual asset value as it is an estimate based on estimated cashflows. However, the estimate is consistent with liabilities, therefore gives more reliable estimate of the funding position.

Funding level progression



Latest funding level summary

	30 Sep 2023	31 Dec 2023	31 March 2024
Assets	1,139	1,212	1,262
Liabilities	949	1,057	1,064
Surplus/(deficit)	190	155	197
Funding Level	120%	115%	119%

Source: Hymans Robertson funding update report as at 31 March 2024.
Please see report for full details of approach used and reliances and limitations.

HYMANS ROBERTSON

The total Fund return was positive during the period on an absolute basis but underperformed on a relative basis. Performance over the past 12 months and 3 years remains positive, however slightly behind respective benchmarks.

Global equities continued to provide strong positive returns and outperform UK equities mainly due to the UK's underweight to the technology sector which continued to outperform in Q1 2024.

Capital Dynamics' private equity mandate posted negative returns in Q1 and also lagged its benchmark. However, this allocation is in run down and represents a small allocation within the Fund (1.4% of total Fund assets).

Yield volatility remained during Q1; gilt yields rose over the quarter, resulting in a decrease in the value of the portfolio. Credit markets performed well over the quarter resulting in the strong performance of the LCIV MAC fund.

The property market fell over the period as income was offset by capital value declines in the office and retail sectors. The Fidelity real estate and UBS Triton property funds underperformed their respective benchmarks by 1.7% and 2.0%.

Manager performance

	Last 3 Months (%)			Last 12 months (%)			Last 3 years (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth									
LGIM Global Equity	10.0	10.0	**0.0**	23.2	23.3	**-0.1**	11.9	12.0	**-0.1**
LGIM UK Equity	3.6	3.6	**0.1**	8.5	8.4	**0.1**	8.2	8.0	**0.1**
Capital Dynamics Private Equity	-4.0	10.3	**-13.0**	-9.9	24.1	**-27.4**	5.0	13.4	**-7.4**
LCIV JP Morgan Emerging Markets	1.0	3.3	**-2.2**	-1.3	5.9	**-6.8**	-4.4	-2.2	**-2.2**
Blackrock Acs World Low Crbn	9.4	9.9	**-0.5**	24.4	22.5	**1.6**	-	-	**-**
Income									
LCIV Baillie Gifford Multi Asset	0.8	1.8	**-0.9**	3.2	7.1	**-3.6**	-0.8	4.6	**-5.1**
LCIV Ruffer Multi Asset	-0.8	1.8	**-2.5**	-6.0	7.1	**-12.2**	0.7	4.6	**-3.7**
Alinda Infrastructure	4.3	1.1	**3.2**	14.3	5.2	**8.7**	18.5	8.7	**9.0**
Capital Dynamics Infrastructure	4.7	1.1	**3.6**	-4.4	5.2	**-9.1**	-9.0	8.7	**-16.3**
LCIV Infrastructure	0.5	1.1	**-0.6**	3.6	5.2	**-1.5**	8.4	8.7	**-0.3**
Fidelity UK Real Estate	-1.2	0.5	**-1.7**	-2.8	-0.7	**-2.1**	-	-	**-**
UBS Triton Property Fund	-1.5	0.5	**-2.0**	-4.4	-0.7	**-3.7**	-	-	**-**
LCIV Private Debt Fund	0.0	1.5	**-1.5**	6.1	6.0	**0.1**	-	-	**-**
Protection									
LCIV CQS MAC	2.3	1.8	**0.5**	11.3	7.2	**3.9**	1.7	4.5	**-2.7**
BlackRock UK Gilts Over 15 yrs	-3.6	-3.6	**0.0**	-4.9	-4.6	**-0.3**	-14.7	-14.6	**-0.1**
Total	4.1	5.2	**-1.0**	10.9	12.9	**-1.8**	5.4	5.7	**-0.3**

This table shows the new performance target measures, implemented from 2020. Please note the 3-year return is on the old benchmark basis.

Performance from Alinda, Capital Dynamics and the LCIV Infrastructure funds is based on information provided by Northern Trust. For such investments, we focus on longer term performance. There are also alternative measures to assess performance detailed in the individual manager pages. This is also the case for Private Equity and Private Debt as asset classes.

Source: Fund performance provided by Investment Managers and is net of fees.
Benchmark performance provided by Investment Managers and DataStream

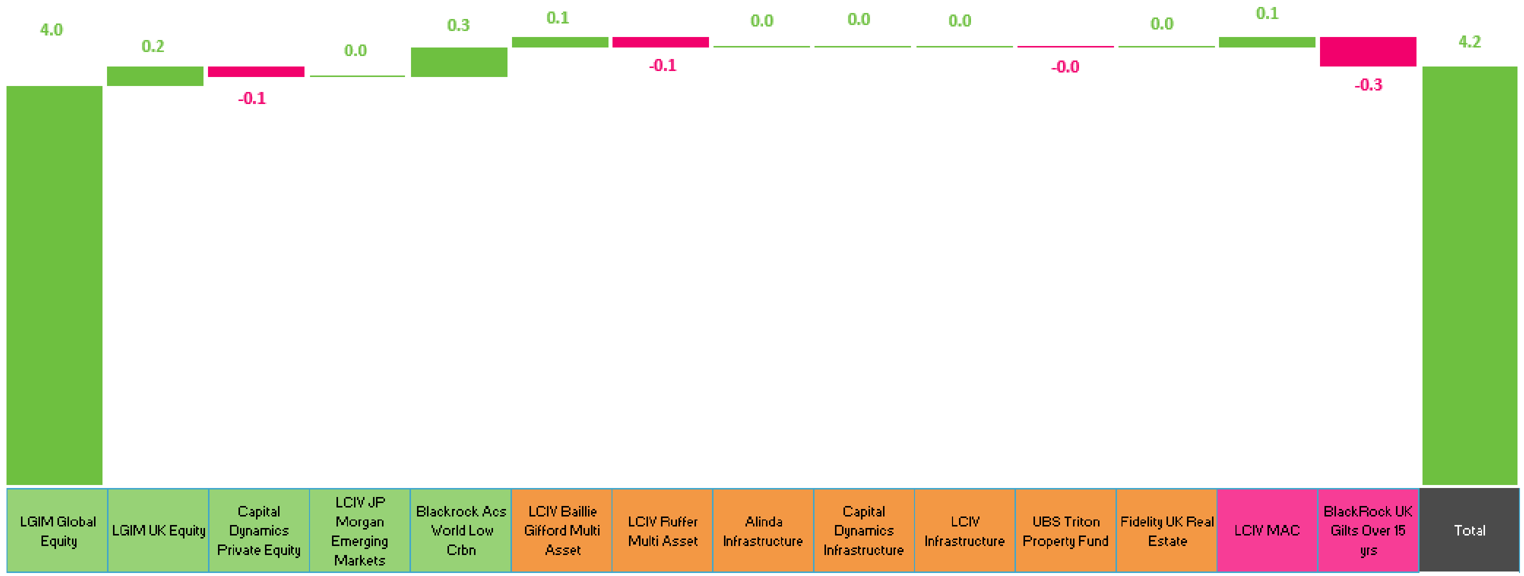
This chart highlights each mandate's contribution to the Fund's absolute performance over the quarter according to their allocation.

The largest contributor to performance over the period was LGIM's Global Equity fund, given its positive performance and its sizeable allocation of c.41%.

The LGIM UK Equity and BlackRock World Low Carbon funds were the other significant contributors to performance over the quarter.

Despite large negative returns posted by the Capital Dynamics Infrastructure fund and underperformance by both property funds (UBS and Fidelity), these mandates have a small allocation of c1% each, of the total Fund, hence did not detract materially from the Fund's overall performance.

Fund performance by manager



Please note that due to rounding, the total performance shown above may not add to the total quarterly performance shown on page 3 of this report.

Source: Fund performance provided by Investment Managers and is net of fees.

Over the period, the only change in manager ratings was Fidelity - downgraded from 'Preferred' to 'Suitable (On Watch)'.

There have been no changes to RI ratings over the period.

Information on the rating categories can be found in the appendix.

RAG status reflects the long term performance of each mandate. Manager developments reflect any key changes over the quarter and how this may affect the mandate.

RAG Status Key (assessment of longer term relative performance):

- Red: Significant underperformance
- Amber: Moderate underperformance
- Green: Performance in line / above benchmark

The pages that follow cover in further detail managers who have an amber/red performance rating.

Manager ratings

Manager/Mandate	Asset Class	Hymans Rating	RI Rating	Performance	Manager Developments
LGIM	Global Equity	Preferred	Strong	Green	Green
LGIM	UK Equity	Preferred	Strong	Green	Green
Capital Dynamics	Private Equity	Suitable	Not Rated	Red	Green
LCIV JP Morgan	Emerging Markets	Suitable	Adequate	Green	Green
BlackRock	Acs World Low Crbn	Preferred	Adequate	-	Green
LCIV Baillie Gifford	Multi Asset	Negative	Good	Red	Red
LCIV Ruffer	Multi Asset	Positive	Adequate	Amber	Green
Alinda	Infrastructure	Not Rated	Not Rated	Green	Green
Capital Dynamics	Infrastructure	Not Rated	Not Rated	Red	Green
LCIV	Infrastructure	Not Rated	Not Rated	Amber	Green
LCIV	Private Debt	Not Rated	Not Rated	-	Green
Fidelity	UK Real Estate	Suitable (On Watch)	Good	-	Green
UBS	UK Property	Preferred	Good	-	Green
LCIV	Multi Credit	Suitable	Not Rated	Green	Green
BlackRock	UK Gilts Over 15Yrs	Preferred	Not Rated	Green	Green

Fidelity update

Rationale for downgrade from preferred:

- Like many core open-ended UK property funds in the peer group, Fidelity has suffered from private sector DB schemes selling illiquid assets and investors seeking an exit because funding levels have improved due to higher interest rates.
- The fund size (AuM) will substantially decrease as a result of redemption pressures, calling into question the longer-term commercial viability of the Fund.
- The Fund still has a substantial proportion of buildings to sell to pay out investors. A further redemption of £50m was received in January, bringing the exit queue to £165m (39% of NAV) and potentially reducing the fund size to £261m, below an ideal minimum size of £300m. Fidelity expect to clear the current queue by Q2 2025.

Source: Investment Managers

LGIM Global Equity

The LGIM global equity mandate returned 10.0% over the quarter. Performance in global equity markets remains strong over longer periods.

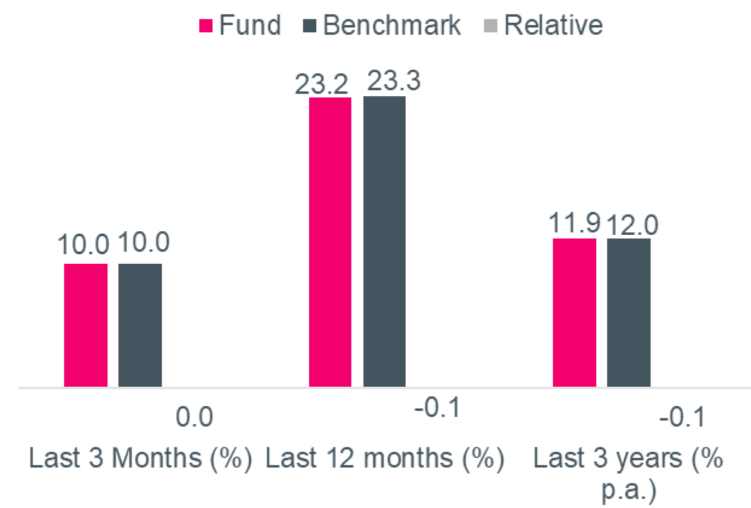
As a passively managed fund, it has matched its benchmark over all periods.

Global equities recorded the best first quarter in five years. The equity market's strong performance can be attributed mainly to further optimism about the US economy and AI enthusiasm, which offset expectations of slower rate cuts.

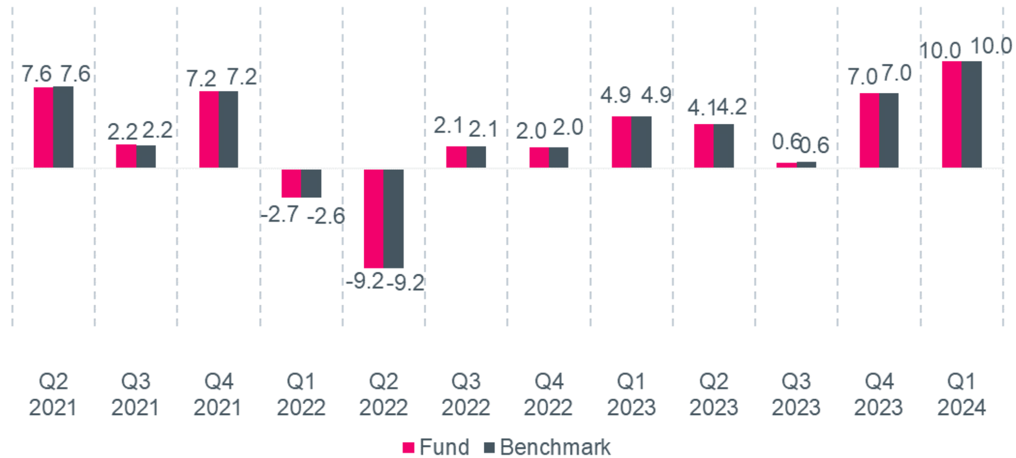
Technology stocks notably outperformed, especially within the US. Also, cyclical sectors, such as financials, energy and industrials contributed to positive performance.

We continue to rate LGIM's passive equity capabilities as 'Preferred'.

Fund performance vs benchmark



Historical performance/benchmark



Source: Investment Manager

LGIM UK Equity

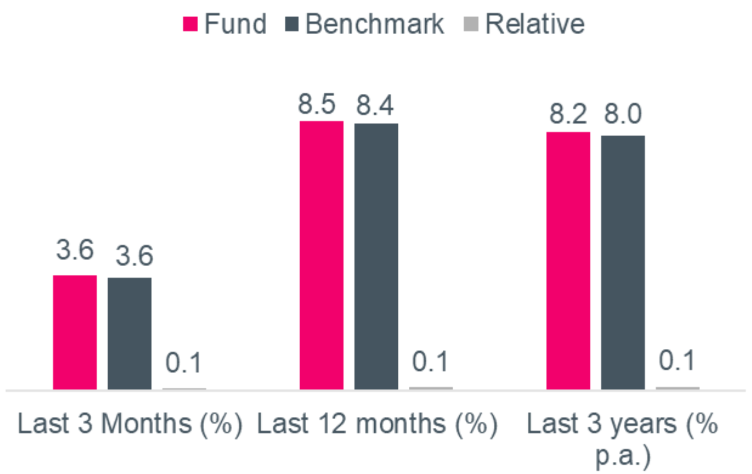
The LGIM UK equity mandate returned 3.6% over the quarter. Performance over 12 months and 3 years is strong, albeit the UK market continues to lag its global counterparts at the longer end.

Over the period the fund has performed in line with its benchmark as we would expect for a passively managed portfolio.

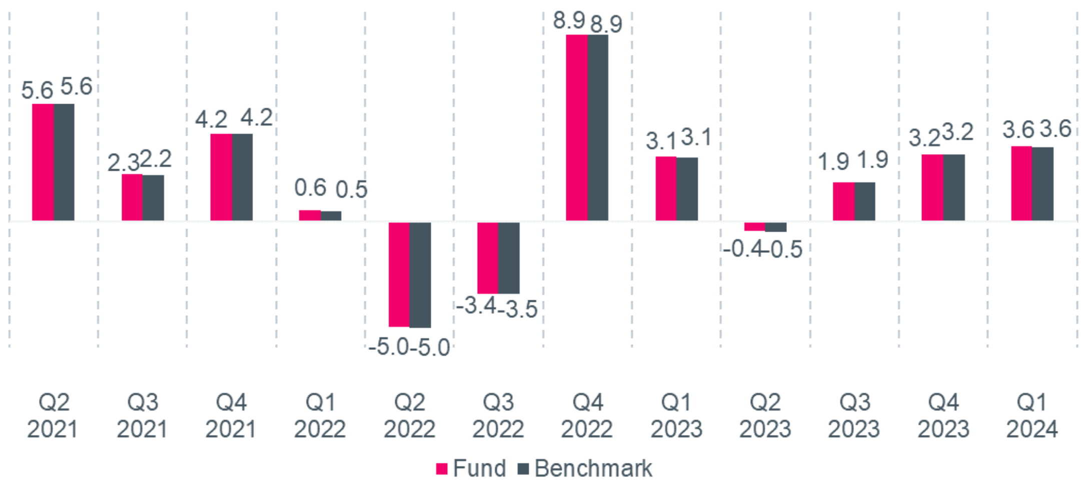
The UK lagged the global market due to having very little exposure to the outperforming technology sector, had above-average exposure to consumer staples and basic materials. Additionally, economic weakness contributed to UK-listed companies underperforming global peers across almost all sectors.

We continue to rate LGIM's passive equity capabilities as 'Preferred'.

Fund performance vs benchmark



Historical performance/benchmark



Source: Investment Manager

LCIV JP Morgan Emerging Markets

The JP Morgan Emerging Markets fund returned 1.0% over Q1, against its benchmark of 3.3%. Recent underperformance against the benchmark has resulted in the fund falling behind its longer-term targets. Over 12 months the fund lagged its benchmark by 6.8%.

Emerging market equities lagged developed markets over the period.

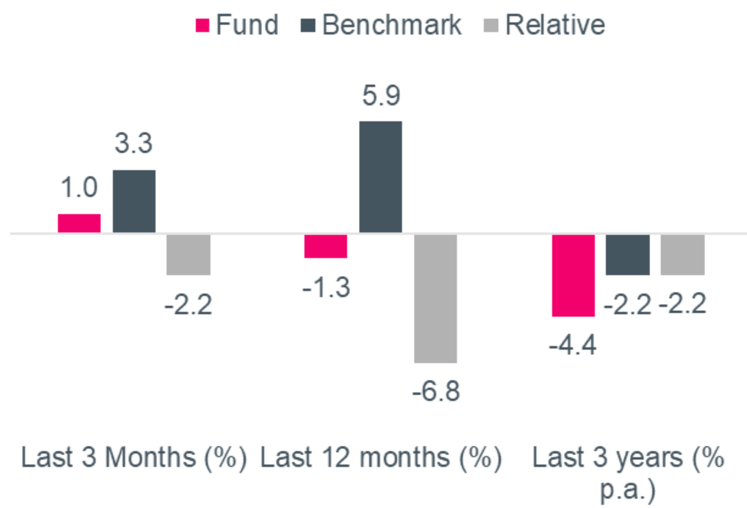
Underperformance was mainly driven by weak stock selection, particularly within financials. This was largely due to two stocks, AIA and HDFC Bank.

Performance contribution through sector allocation was moderately positive, driven by an overweight to information technology and underweight to materials.

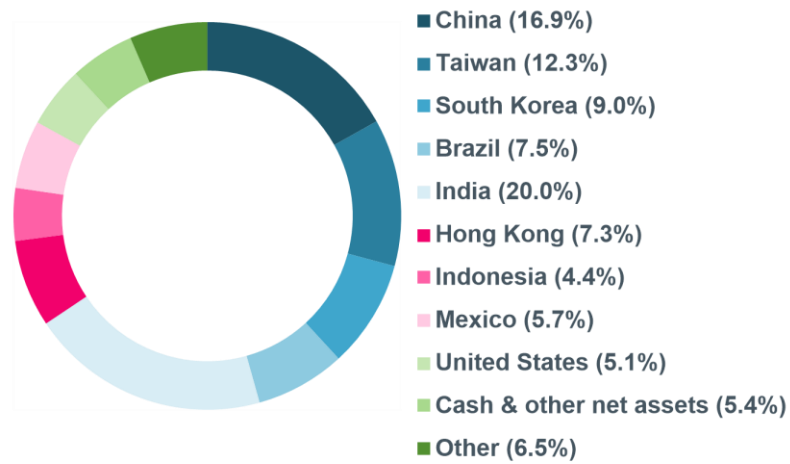
At country level, stock selection within India was the largest detractor, driven by HDFC Bank. Taiwan was the largest contributor, owing to the performance of Taiwan Semiconductor Manufacturing (TSMC).

The manager believes underperformance is largely due to negative derating of stocks held within the portfolio; however, long-term performance is largely driven by earnings, which have held up well compared with the benchmark.

Fund performance vs benchmark



Fund regional allocation



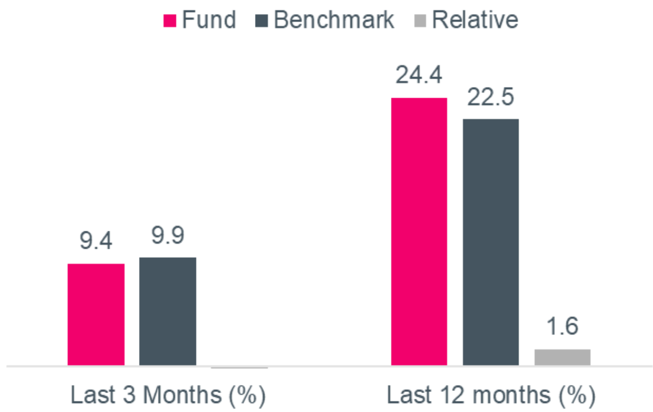
Source: Investment Manager

BlackRock ACS World Low Carbon

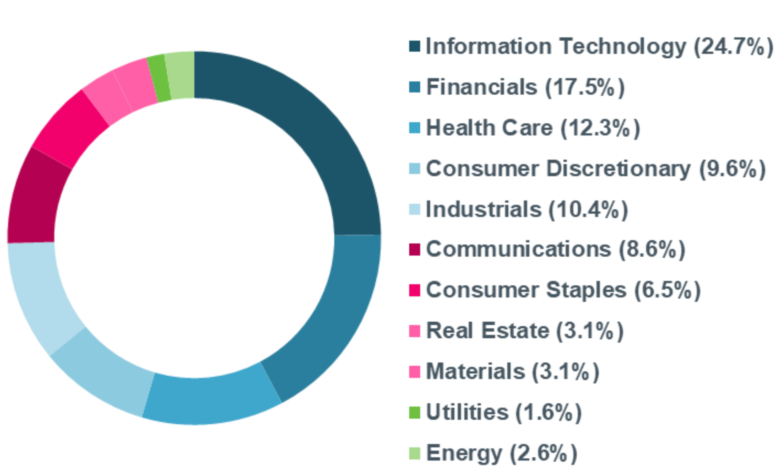
Over the quarter, the BlackRock World Low Carbon fund returned 9.4%, underperforming its global equity market benchmark by 0.5%. Over the past 12 months, the fund's performance is ahead of this benchmark by 1.6%.

The Fund aims to closely track the performance of the MSCI World Low Carbon Target Reduced Fossil Fuel Index.

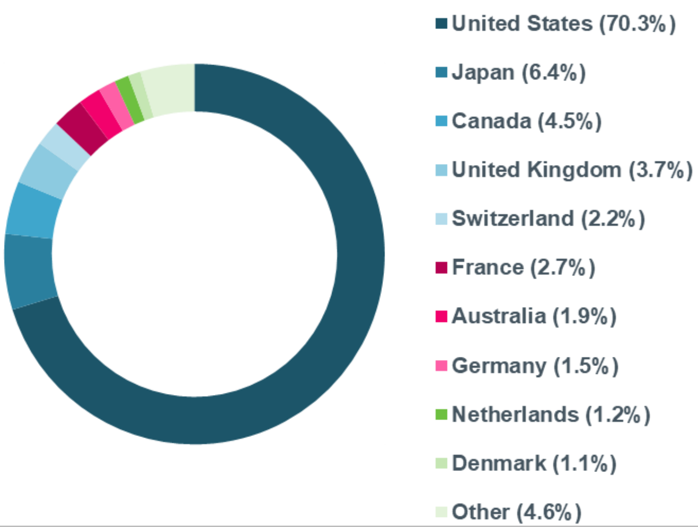
Fund performance vs benchmark



Sector allocation



Geographical breakdown



Source: Investment Manager

Capital Dynamics Private Equity

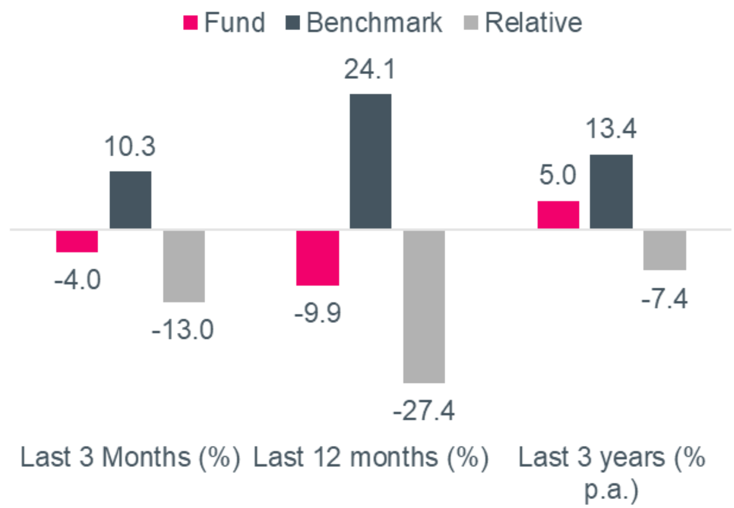
The Capital Dynamics Private Equity fund is invested across a range of sub-funds.

Based on information provided by Northern Trust, the fund returned -4.0% over the period lagging its benchmark of 10.3%.

Over the more meaningful 3 year time period, the fund has returned a positive absolute performance of 5.0% per annum. However, this remains significantly behind the benchmark of MSCI All World +1% p.a.

In practice, there are two key metrics to assess performance for private equity investments; Internal Rate of Return (IRR) and the Total Value to Paid-In (TVPI) ratio. Note that these figures are not yet available as at 31 December 2023.

Fund performance vs benchmark



Source: Investment Manager

LCIV Baillie Gifford Multi-asset

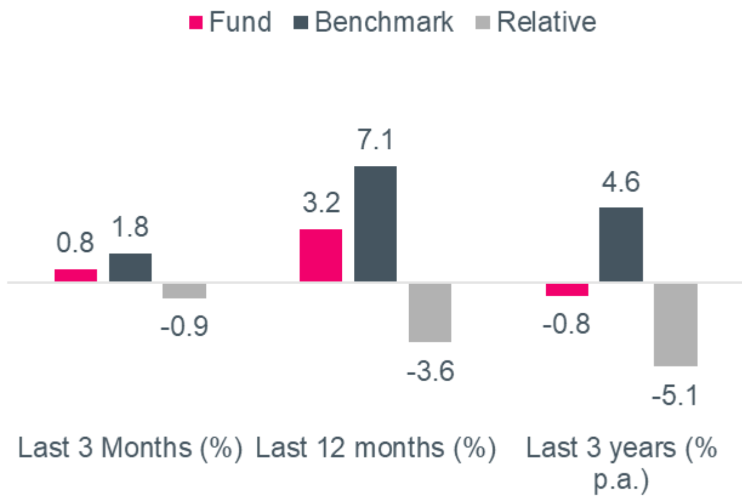
Over the quarter, the fund underperformed against its target of 1.8%. returning 0.8% net of fees. Performance over the past 12 months and 3 years lags their respective benchmarks by 3.6% and 5.1% p.a.

The allocation to equities was cut during 2023 and hence the fund missed out on gains in the equities market in recent months. However, the fund's equity holdings remained the largest contributors to performance in Q1.

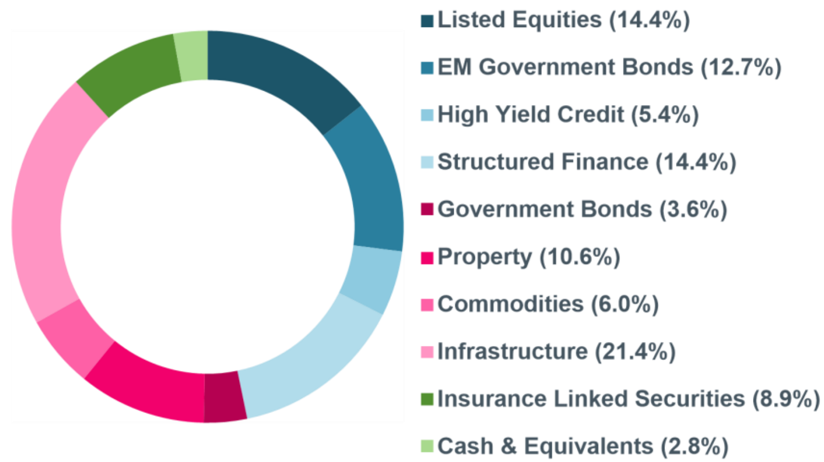
The manager rebuilt the fund's infrastructure assets over 2023 and implemented a further increase in Q1, making it the largest segment of the fund. Infrastructure assets however were the worst performing assets in Q1 and over the past 12 months.

As a result of the fund's downgraded rating, the Committee agreed to reduce the allocation to the LCIV Baillie Gifford Multi-asset fund, consider further recommendations to sell and utilise the proceeds to meet the strategic objectives of the Fund.

Fund performance versus benchmark



Fund asset allocation



Source: Investment Manager

LCIV Ruffer Multi-asset

The Ruffer Multi-Asset fund returned -0.8% over the quarter, underperforming the benchmark by 2.5%. Longer term performance remains behind benchmark.

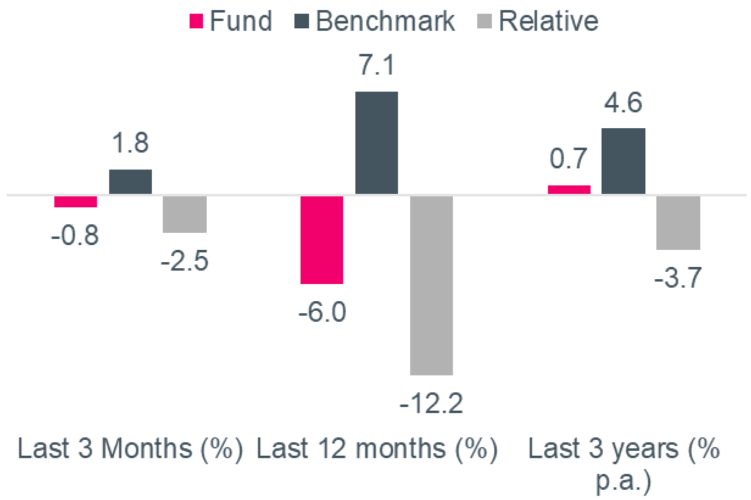
Over the period, equities and commodities were the main contributors to performance. The fund's short dated bond holdings also contributed positively to performance. However, this was offset by allocations to long-dated index-linked gilts.

Defensive derivative positions detracted from performance as investment-grade credit markets performed well.

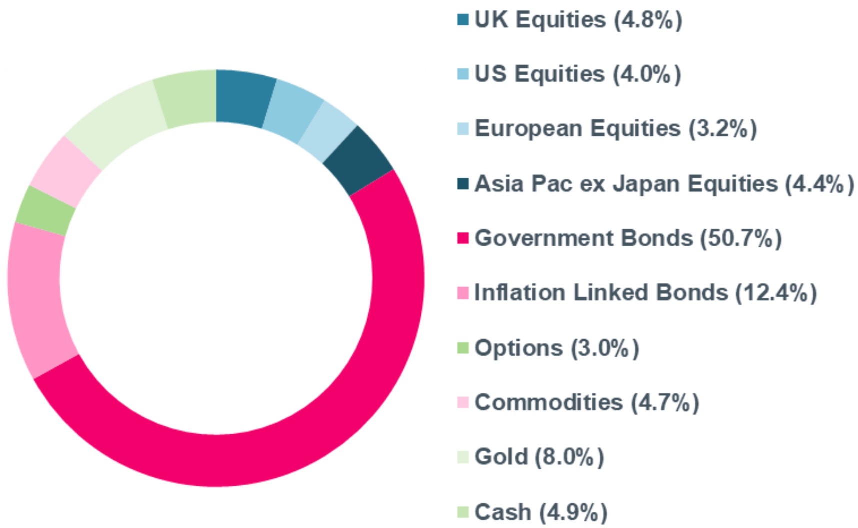
The manager opted to shift its exposure to precious metals to gold mining and physical silver, thus the portfolio did not see gains from the strong performance of gold bullion.

The manager recognises the fund was excessively tilted to manage downside scenarios in 2023. However, the manager is confident that the cost of protecting against risk of capital loss (through futures, swaps, options) is worth it.

Fund performance versus benchmark



Fund asset allocation



Source: Investment Manager

Alinda Infrastructure

Target: Absolute return of 8.0% p.a.

The two key metrics to assess performance for infrastructure investments are the Internal Rate of Return (IRR) and the Total Value to Paid-In (TVPI) ratio.

TVPI is more informative. This essentially seeks to outline what the Fund has achieved (its return) so far as a multiple of the deployed capital to date.

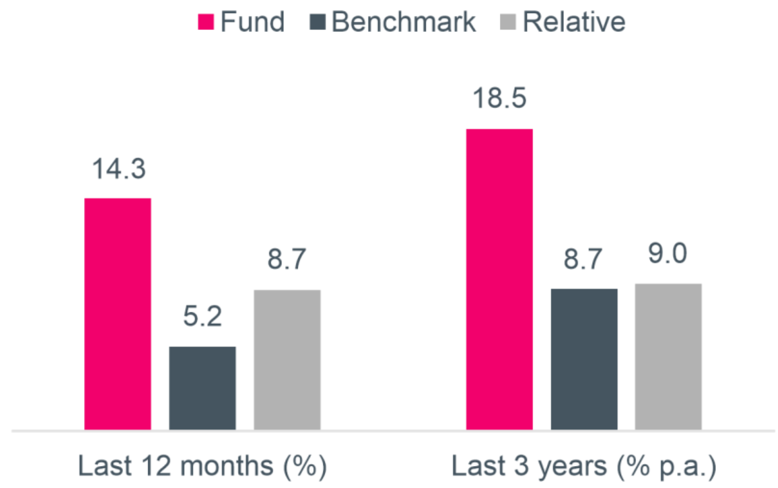
Remaining capital commitments as at 31 December 2023 are as follows:

Alinda II: 2,977,275
Alinda III: $9,644,878

The following net distributions (distributions less contributions) were made over Q4 2023:

Alinda II: -
Alinda III: $1,874,859

Fund performance vs benchmark



Summary as at 31 December 2023 ($)

Alinda Fund II	
IRR (Gross)	5.0%
IRR (Net)	2.4%
Cash yield	6.4%
TVPI (Net)	1.1x

Alinda Fund III	
IRR (Gross)	24.2%
IRR (Net)	18.0%
Cash yield	9.8%
TVPI (Net)	1.7x

Source: Investment Manager

LCIV Infrastructure

Target: Absolute net return of 8.0-10.0% p.a.

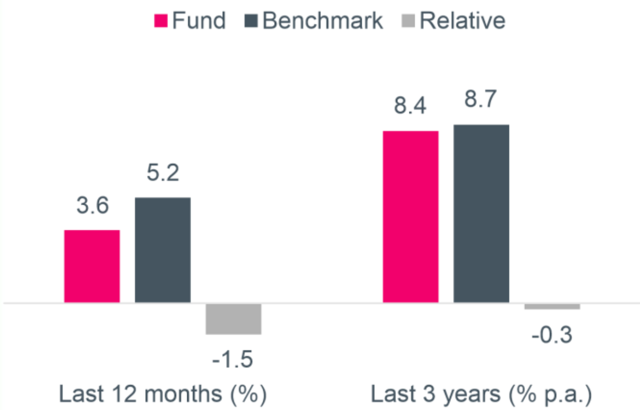
The LCIV Infrastructure fund is managed by Stepstone.

Following quarter end, the Fund held its second close taking total Fund commitments to £475m – an increase of £76m. Hence, StepStone will now be seeking to commit the uncommitted capital into new investments.

Following capital calls received this quarter, the Fund is 79.2% drawn with deployment being in line with StepStone's model.

The fund's first income distribution was paid to investors over the quarter totalling £5.8m, which coincided with the end of the ramp-up period.

Fund performance vs benchmark

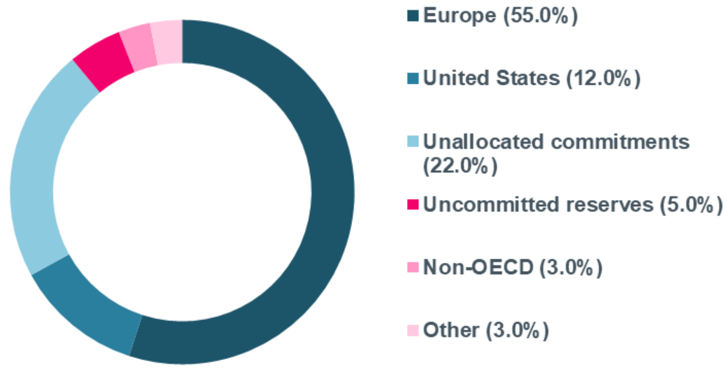


Fund statistics as at 31 December 2023 (£m)

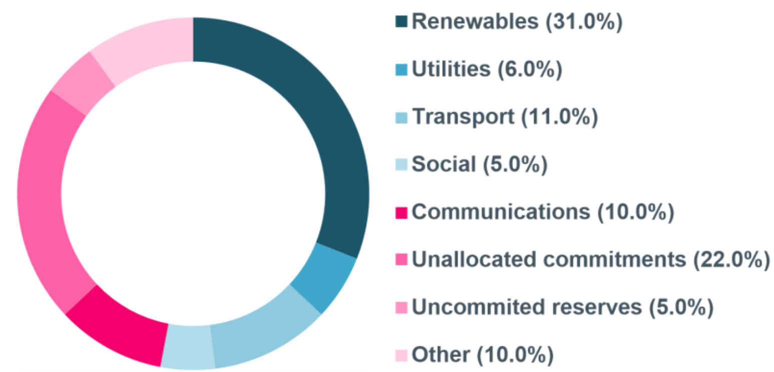
Capital committed	£50.0
Total contributed	£39.6
Distributions	£0.7
Value created	£6.9
Net asset value*	£46.5

*as provided by LCIV

Fund geographical allocation (31 December 2023)



Fund sector allocation (31 December 2023)



Source: Investment Manager

Further detail on specific manager performance is provided for funds that have performed below their relative benchmark over the longer term.

Capital Dynamics Infrastructure

Target: Absolute return of 8.0% p.a.

The Fund's holdings are currently solely held within the Capital Dynamics Clean Energy and Infrastructure fund.

The two key metrics to assess performance for infrastructure investments are the Internal Rate of Return (IRR) and the Total Value to Paid-In (TVPI) ratio. With the fund having deployed most of the capital commitment it is appropriate to assess performance on both measures. As can be seen by both the IRR and TVPI, performance has been lower than expected to date, although running performance continues to marginally improve.

Note, reporting on underlying commitments is as at 31 December 2023 due to the lag in reporting from the manager, which is typical for funds of this nature.

This level of performance is primarily driven by challenges experienced by one project in particular which represents a material proportion of the fund. This is a Texas wind power project, which the manager has previously acknowledged.

Summary as at 31 December 2023 (figures in $m where applicable)

Capital committed	$15.0
Total contributed	$14.7
Distributions	$6.1
Value created	($5.9)
Net asset value	$3.0

Net IRR since inception	(5.3%)
Total value-to-paid-in-ratio (TVPI)	0.65x

Source: Investment Managers

LCIV Private Debt Fund

Target: Absolute return of c6.0%

The LCIV Private Debt Fund consists of two underlying managers: Pemberton and Churchill.

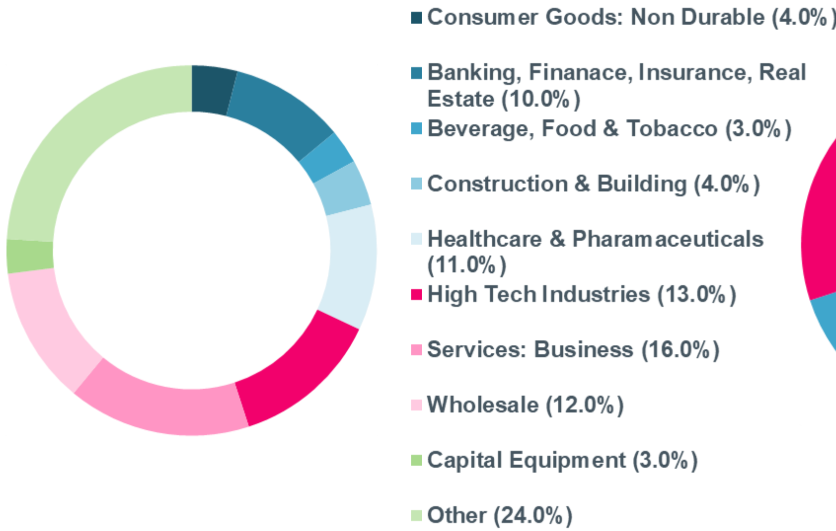
The two key metrics to assess performance for private debt investments are the Internal Rate of Return (IRR) and the Total Value to Paid-In (TVPI) ratio.

At this stage of investment, it is too early to assess performance on a purely percentage basis. TVPI is more informative. This essentially seeks to outline what the Fund has achieved (its return) so far as a multiple of the deployed capital to date. We will be able to provide TVPI figures in future reports.

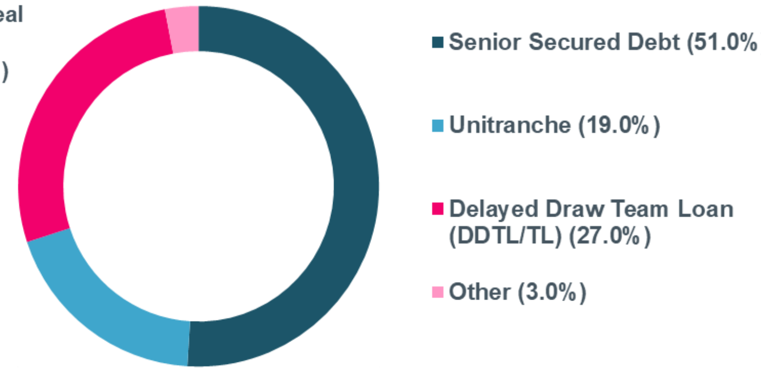
The LCIV private debt fund is in the ramp-up stage. No capital calls to investors were made over the quarter as cash reserves and distributions received were used to pay the capital calls.

This NAV of £39.1m will be different to that provided by Northern Trust (NT) in their 31 December 2023 report due to the need for estimation by NT given the lagged reporting of actual NAV.

Sector allocation



Portfolio investment type



Fund statistics as at 31 December 2023 (£m)

Capital committed	£50.0
Total contributed	£33.6
Distributions	£0.0
Value created	£5.5
Net asset value*	£39.1

*as provided by LCIV

Source: Investment Manager

LCIV Multi-Asset Credit (MAC)

Over the quarter, the fund returned 2.3%, outperforming its benchmark by 0.5%. Over the past 12 months, the fund is ahead of benchmark by 3.9%; however over 3 years the fund is 2.7% p.a. behind of its benchmark return.

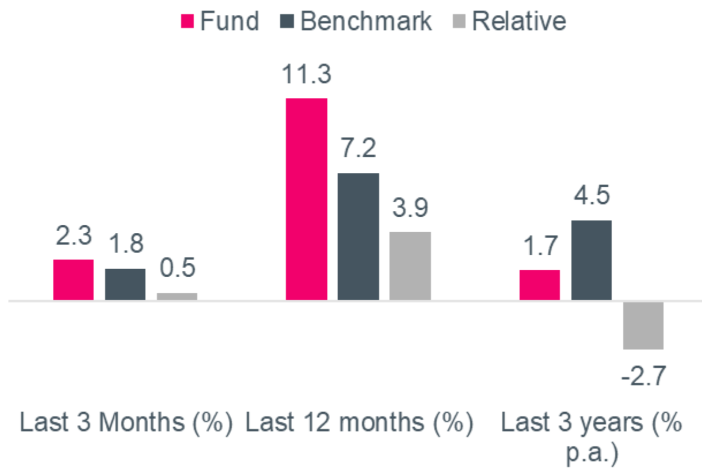
Credit markets performed well in Q1, as spreads declined across all investment and sub-investment grade credit markets. Furthermore, the speculation around 'higher for longer' interest rates has not yet impacted sentiment in credit markets.

In Q1 2024, further tightening of credit spreads provided incremental returns on the interest income for the fund. However, these returns were partially offset by rising yields over the period.

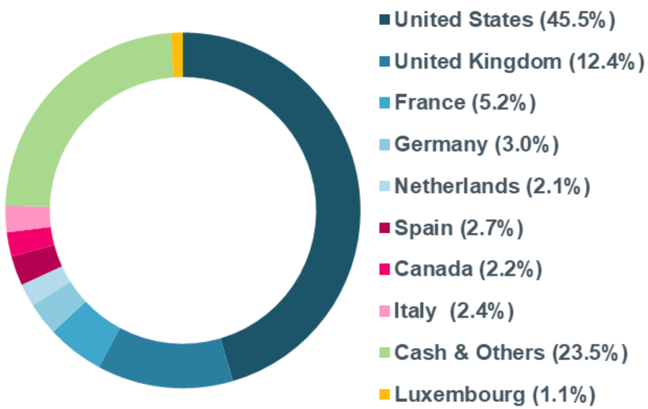
The largest contributor to performance in absolute terms came from asset-backed securities (ABS), as this asset class lagged the broader credit market. Other short duration asset classes, including high yield and senior secured loans also posted strong gains, benefitting from spread tightening as well as low duration.

The weighted average rating of the portfolio has decreased by one notch, from BBB- to BB+, due to changes to the allocation to senior secured loans.

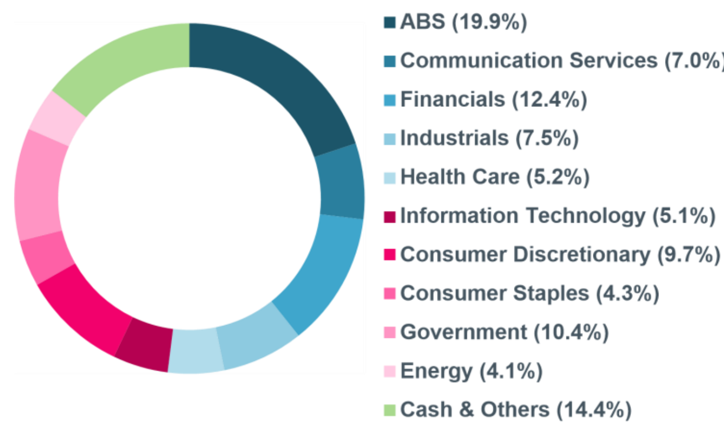
Fund performance vs benchmark



Country weights



Sector weights



Source: Investment Manager

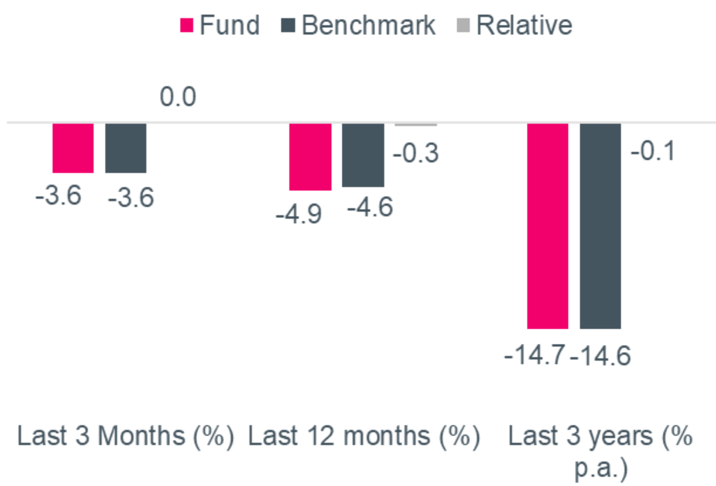
BlackRock UK Gilts

BlackRock were appointed in March 2019 to oversee the Fund’s bond allocation.

It is a passively managed mandate aimed at matching the FTSE UK Gilts Over 15 Yrs index. The manager seeks to track market returns from fixed interest gilts and the manager has delivered against this objective. The returns achieved are driven by market movements rather than the manager.

Over the period the fund returned -3.6% as gilt yields rose over the quarter, resulting in a decrease in the value of the portfolio.

Fund performance vs benchmark



Source: Investment Manager

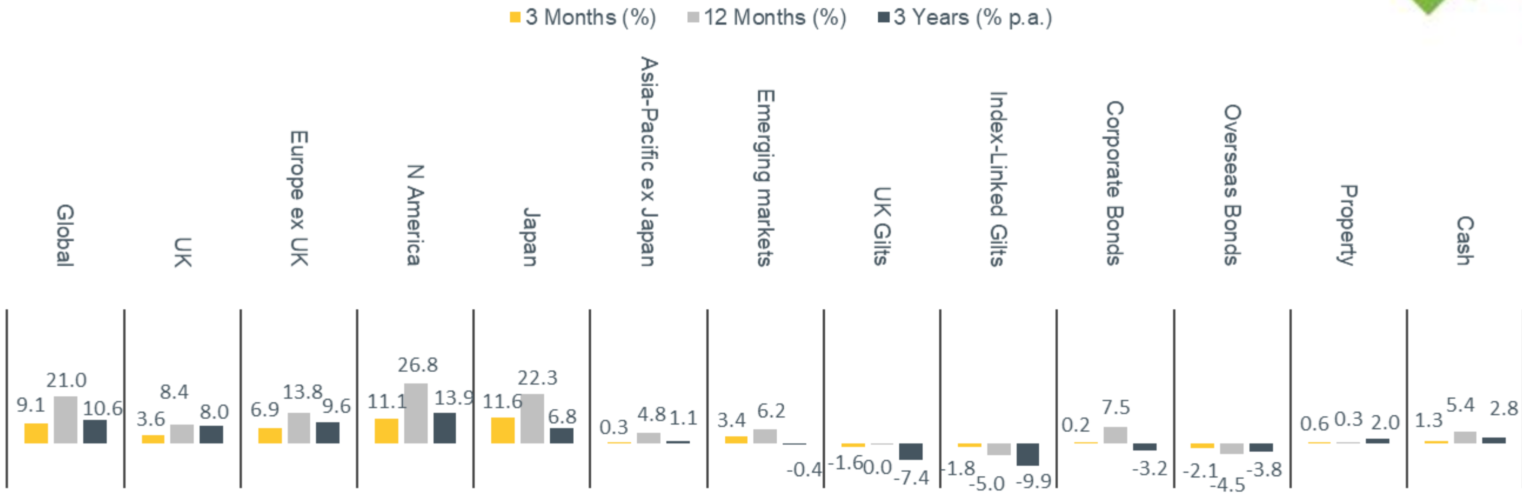
US economy grew more quickly at the end of 2023 than previously anticipated, and composite PMIs indicate global growth gained momentum in Q1. Consensus forecasts for year-on-year US GDP growth in 2024 jumped from 1.4% in January to 2.2% in March. Global growth forecasts have been revised up to 2.4%, though European and UK forecasts remain weaker.

US year-on-year headline CPI inflation rose unexpectedly, to 3.5%, in March and core inflation remained unchanged, at 3.8%, further fuelling fears that the downtrend in inflation is slowing. UK and eurozone headline CPI fell to 3.2% and 2.4%, respectively, but core inflation, which excludes energy and food prices, remains higher in the UK and eurozone, at 4.2% and 2.9%, respectively.

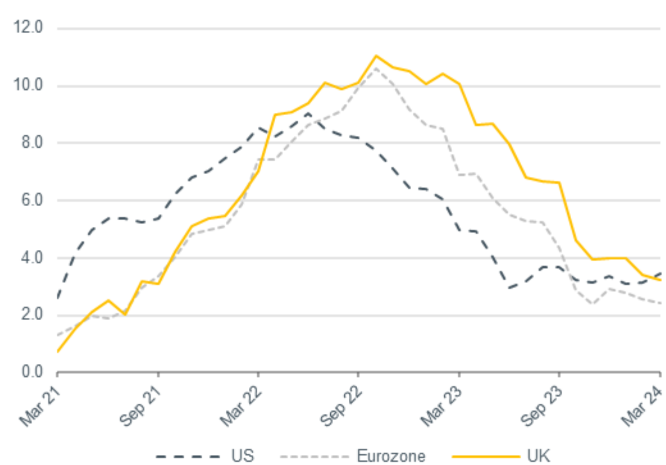
Amid stronger activity data and signs of persistence in underlying inflation, market expectations for rate cuts from the major central banks in 2024 fell from six to seven at the start of the year to two to three at the end of Q1. The US Fed, the BoE, and the ECB all left rates unchanged in Q1, but, in March, the Bank of Japan raised rates for the first time in 17 years, exiting negative rates.

Trade weighted US dollar and sterling rose 2.1% and 1.3%, respectively, as market-implied interest rates rose sharply. The equivalent yen measure fell 4.5% as markets continue to bet on a wide interest rate differential between Japan and its major peers. Gold prices rose 7.2% amid inflation concerns, geopolitical tensions, and strong demand among central banks and Chinese consumers. Oil prices rose 12.5% against a backdrop of supply cuts and conflict in the Middle East.

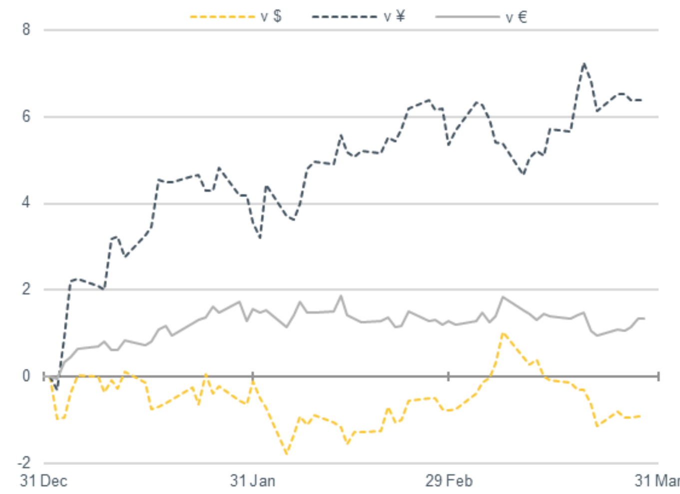
Historic returns for world markets [1]



Annual CPI Inflation (% p.a.)



Sterling trend chart (% change)



Source: DataStream. [1] Returns shown in Sterling terms. Indices shown (from left to right) are: FTSE All World, FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, ICE BofA Global Government Index, MSCI UK Monthly Property; UK Interbank 7 Day

HYMANS ROBERTSON

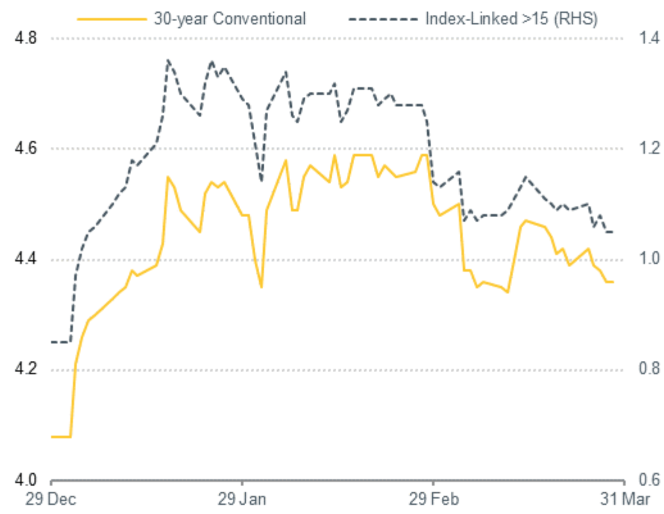
Sovereign bond yields rose sharply over the quarter amid expectations that rates might be cut less than previously anticipated. UK and US 10-year bond yields rose 0.4% pa and 0.3% pa to 3.9% pa and 4.2% pa, respectively, while equivalent German yields rose 0.3% pa, to 2.3% pa. Despite the Bank of Japan raising rates, Japanese yields rose by a modest 0.1% pa, to 0.7% pa.

Global investment-grade credit spreads fell 0.1% pa, to 1.0% pa. Speculative grade spreads fell more, with European spreads narrowing 0.4% pa to 3.5% pa and equivalent US spreads coming down 0.2% pa to 3.1% pa. Despite spread tightening, sterling investment-grade total returns were broadly flat, given the rise in underlying sovereign bond yields. Speculative-grade credit markets outperformed, with US high yield producing a total return of 1.5%.

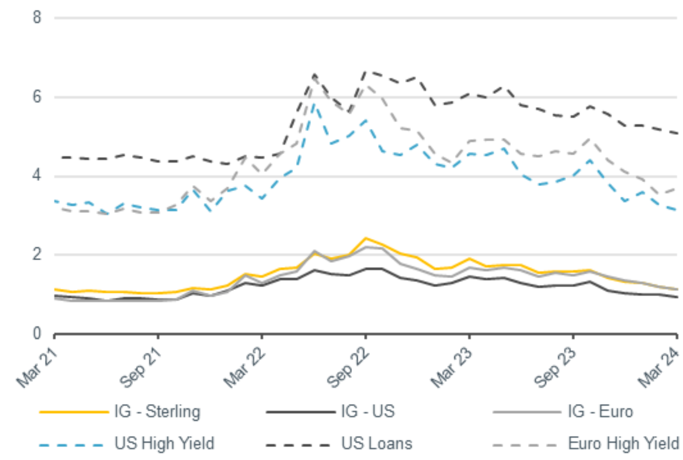
Global equities rose 9.5% in local-currency terms, as economic optimism and AI enthusiasm offset expectations of slower rate cuts. Technology stocks outperformed as massive earnings-beats by some high-profile US tech companies benefitted the sector. Also outperforming, but to a lesser extent, were cyclical sectors, such as financials, energy and industrials, in that order. Basic materials, as well as defensive sectors, such as consumer staples, utilities, telecoms and healthcare, were the worst performers.

The MSCI UK Monthly Property Total Return Index has risen 0.6% in the first quarter of 2024, bringing the 12-month total return to end-March to 0.3%. Over 12 months, capital values fell more steeply in the office sector, relative to the retail and industrial sectors.

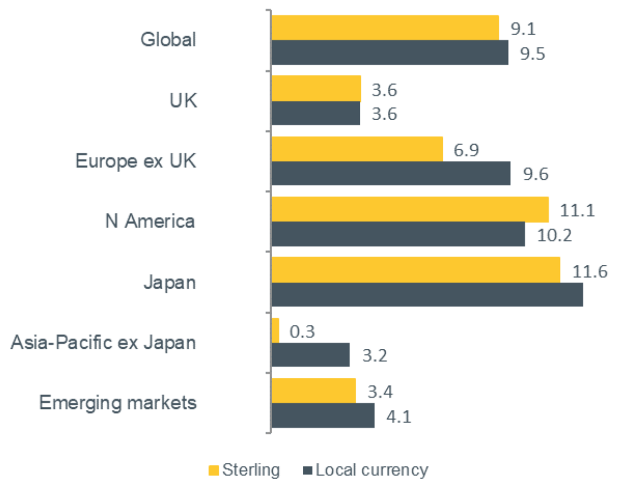
Gilt yields chart (% p.a.)



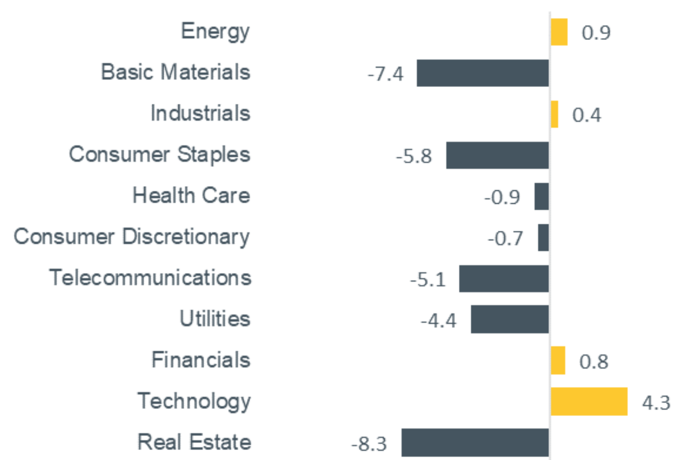
Investment and speculative grade credit spreads (% p.a.)



Regional equity returns [1]



Global equity sector returns (%) [2]



Source: DataStream, Barings, ICE [1] FTSE All World Indices. Commentary compares regional equity returns in local currency. [2] Returns shown in Sterling terms and relative to FTSE All World.

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Hymans Rating

Preferred	Our highest rated managers in each asset class. These should be the strategies we are willing to put forward for new searches.
Positive	We believe there is a strong chance that the strategy will achieve its objectives, but there is some element that holds us back from providing the product with the highest rating.
Suitable	We believe the strategy is suitable for pension scheme investors. We have done sufficient due diligence to assess its compliance with the requirements of pension scheme investors but do not have a strong view on the investment capability. The strategy would not be put forward for new searches based on investment merits alone.
Negative	The strategy is not suitable for continued or future investment and alternatives should be explored.
Not Rated	Insufficient knowledge or due diligence to be able to form an opinion.

Responsible Investment

Strong	Strong evidence of good RI practices across all criteria and practices are consistently applied.
Good	Reasonable evidence of good RI practices across all criteria and practices are consistently applied.
Adequate	Some evidence of good RI practices but practices may not be evident across all criteria or applied inconsistently.
Weak	Little to no evidence of good RI practices.
Not Rated	Insufficient knowledge to be able to form an opinion on.

Risk Warning

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

In some cases, we have commercial business arrangements/agreements with clients within the financial sector where we provide services. These services are entirely separate from any advice that we may provide in recommending products to our advisory clients. Our recommendations are provided as a result of clients' needs and based upon our independent research. Where there is a perceived or potential conflict, alternative recommendations can be made available.

Geometric v Arithmetic Performance

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

$$\frac{(1 + Fund\ Performance)}{(1 + Benchmark\ Performance)} - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

$$Fund\ Performance - Benchmark\ Performance$$

The geometric return is a better measure of investment performance when compared to the arithmetic return, to account for potential volatility of returns.

The difference between the arithmetic mean return and the geometric mean return increases as the volatility increases.

Brent	**Brent Pension Fund Sub-Committee** 1 August 2024
	Report from the Corporate Director of Finance and Resources
Brent Pension Fund: Draft Annual Accounts 2023/24	

Wards Affected:	All
Key or Non-Key Decision:	Non-key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
List of Appendices:	Two 1. Brent Pension Fund Draft Accounts 2023/24 2. London Borough of Brent Pension Fund Final Audit Plan 2023-24
Background Papers:	N/A
Contact Officer(s):	Minesh Patel Corporate Director, Finance and Resources (minesh.patel@brent.gov.uk) Amanda Healy Deputy Director of Finance (amanda.healy@brent.gov.uk) Sawan Shah Head of Finance (sawan.shah@brent.gov.uk) George Patsalides Finance Analyst (george.patsalides@brent.gov.uk)

1.0 Executive Summary

1.1 This report presents the draft Pension Fund Annual Accounts for the year ended 31 March 2024.

2.0 Recommendation(s)

2.1 The Committee is recommended to note this report.

3.0 Detail

3.1 **Contribution to Borough Plan Priorities & Strategic Context**

3.1.1 The work of the Pension Fund is critical in ensuring that it undertakes statutory functions on behalf of the Local Government Pension Scheme and complying with legislation and best practice. Efficient and effective performance and service delivery of the Pension Fund underpins all Borough Plan priorities.

4.0 Background

4.1 Attached as Appendix 1 are the draft Pension Fund Annual Accounts for the year ended 31 March 2024.

4.2 The accounts have been prepared to meet the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) governing the preparation of the 2023/24 financial statements for Local Government Pension Scheme funds. The accounts (which are unaudited) aim to give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2024.

4.3 The main items to note are as follows:

- During 2023/24, the value of the Pension Fund's investments increased to £1,259m (2022/23 £1,116m). This is largely driven by a rise in global equities following a shift in rate expectations, coupled with lower-than-expected inflation figures. Further detail on investment performance is available in the regular monitoring reports.

- Total contributions received from employers and employees were £69m for the year, an increase on the previous year's £68m.

- Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, were £52m, an increase on the previous year's £48m.

- As in 2022/23, the pension fund is in a positive cash-flow position because its contributions exceed its outgoings to members.

4.4 The Brent Pension Fund is administered by Brent Council and the pension fund's accounts form part of the Council's financial statements. Therefore, formal approval of the pension fund accounts rests with the Council's Audit and Standards Committee and the Pension Sub-Committee are presented with the accounts for noting.

4.5 The Audit and Standards Advisory Committee were presented with an indicative draft audit plan for the 2023/24 accounts on 28 March 2024. The audit plan covers the nature, timing and extent of audit procedures to be performed by the engagement team. This is attached to this report in Appendix 2.

4.6 The accounts have been published a month earlier than last year to reflect the earlier statutory deadline for publication of 31 May 2024. Publication was slightly delayed beyond the statutory deadline due to additional general fund valuations undertaken for the 2023/24 Statement of Accounts compared to recent years. The delay has not resulted in an impact on the audit and the audit which started on 24 June 2024, is currently in progress.

4.7 Fund officers will now prepare the Pension Fund annual report which will be presented to the Committee at the next meeting.

5.0 Stakeholder and ward member consultation and engagement

5.1 There are no direct considerations arising out of this report.

6.0 Financial Considerations

6.1 There are no direct financial considerations arising out of this report.

7.0 Legal Considerations

7.1 There are no legal considerations arising out of this report.

8.0 Equality, Diversity & Inclusion (EDI) Considerations

8.1 There are no equality considerations arising out of this report.

9.0 Climate Change and Environmental Considerations

9.1 There are no climate change and environmental considerations arising out of this report.

10.0 Human Resources/Property Considerations (if appropriate)

10.1 There are no HR or property considerations arising out of this report.

11.0 Communication Considerations

11.1 There are no communication considerations arising out of this report.

Report sign off:

Minesh Patel
Corporate Director of Finance and Resources

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Brent Pension Fund Accounts

Pension Fund Accounts as at 31 March 2024

2022/23 £m		Notes	2023/24 £m
	Dealings with members, employers and others directly involved in the fund		
(67.5)	Contributions	7	(68.9)
(6.3)	Transfers in from other pension funds	8	(7.8)
(73.8)			**(76.7)**
47.8	Benefits	9	52.0
7.8	Payments to and on account of leavers	10	7.8
55.6			**59.8**
(18.2)	**Net (additions)/withdrawals from dealings with members**		**(16.9)**
4.1	Management expenses	11	4.2
(14.1)	**Net (additions)/withdrawals including management expenses**		**(12.7)**
	Returns on investments		
(1.1)	Investment income	12	(10.9)
2.9	Taxes on income	13	(0.2)
25.8	(Profits) and losses on disposal of investments and changes in the market value of investments	14	(117.1)
27.6	**Net return on investments**		**(128.2)**
13.5	**Net (increase)/decrease in the net assets available for benefits during the year**		**(140.9)**
(1,133.8)	**Opening net assets of the scheme**		**(1,120.3)**
(1,120.3)	**Closing net assets of the scheme**		**(1,261.2)**

Net Assets Statement of the Pension Fund as at 31 March 2024

31 March 2023 £m		Notes	31 March 2024 £m
1,116.1	Investment assets	14	1,259.3
1,116.1			**1,259.3**
8.1	Current assets	20	3.5
			0.0
(3.9)	Current liabilities	21	(1.6)
1,120.3	**Net assets of the fund available to fund benefits at the end of the reporting period**		**1,261.2**

The net asset statement includes all assets and liabilities of the Fund as at 31 March 2024 but excludes long-term liabilities to pay pensions and benefits in future years. The actuarial present value of promised retirement benefits is disclosed in Note 19.

Notes to the Brent Pension Fund accounts

1. Description of Fund

The Brent Pension Fund (the 'Fund') is part of the Local Government Pension Scheme (LGPS) and is administered by Brent Council.

The following description of the Fund is a summary only.

a) General

The Fund is a contributory defined benefit pension scheme administered by Brent Council to provide pensions and other benefits for pensionable employees of Brent Council and a range of other scheduled and admitted bodies.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the Brent Pension Fund include:

- Scheduled bodies whose staff are automatically entitled to be members of the Fund
- Admitted bodies which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There were 43 employer organisations with active members within the Brent Pension Fund at 31 March 2024, listed below:

Scheduled bodies
London Borough of Brent
Alperton Community School
ARK Academy
ARK Elvin Academy
ARK Franklin Academy
Braintcroft Primary School
Capital City Academy
Claremont High School Academy
Compass Learning Partnership
Crest Academy
Furness Primary School
Gladstone Park Primary School
Harris Lowe Academy
Kingsbury High School

Manor School
Michaela Community School
North West London Jewish Day School
Oakington Manor Primary School
Our Lady of Grace RC Infants School
Our Lady of Grace RC Juniors School
Preston Manor High School
Queens Park Community School
Roundwood School and Community Centre
St Andrews and St Francis School
St Claudine's Catholic School for Girls
St Gregory's RC High School
St Margaret Clitherow
Sudbury Primary School
The Village School
Wembley High Technology College
Woodfield School Academy

Admitted bodies

Alliance in Partnership (Gladstone Park)
Apleona HSG
Atalian Servest AMK
Barnardos
CATERLINK LTD
Continental Landscapes
Conway Aecom Ltd
DB Services
Edwards and Blake
Local Employment Access Project (LEAP)
National Autistic Society (NAS)
O'Hara Bros Surfacing
Prospects Services (BR)
Ricoh
Sudbury Neighbourhood Centre
Taylor Shaw
Veolia
Veolia (Ground Maintenance)

31-Mar-23	Brent Pension Fund	31-Mar-24
42	Number of employers with active members	43
	Number of employees in scheme	
4,303	Brent Council	4,501
1,758	Other employers	2,044
6,061	**Total**	6,545
	Number of pensioners	
6,341	Brent Council	6,487
819	Other employers	880
7,160	**Total**	7,367
	Deferred pensioners	
7,218	Brent Council	7,091
1,326	Other employers	1,363
8,544	**Total**	8,454

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2024. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. During 2023/24, the most commonly applied employer contribution rate within the Brent Pension Fund was 33.5% of pensionable pay.

d) Benefits

Since April 2014, the scheme is a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate 1/49th. Accrued pension is updated annually in line with the Consumer Price index.

For a summary of the scheme before April 2014 and details of a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits please refer to the LGPS website: www.lgpsmember.org

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2023/24 financial year and its position at year-end as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 19 of these accounts.

3. Summary of significant accounting policies

Fund Account – revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see Notes 8 and 10).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see section o below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see Note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income
Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income
Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii) Distributions from pooled funds
Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iv) Movement in the net market value of investments
Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

f) Administration expenses

All administration expenses are accounted for on an accruals basis. All staff costs of the pensions' administration team are charged direct to the Fund. Management, accommodation and other overheads are apportioned to the Fund in accordance with Council policy.

g) Investment management expenses

All investment management expenses are accounted for on an accruals basis. Fees of the external investment managers are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

The cost of obtaining investment advice from external consultants is included in investment management charges.

Net Assets Statement

h) Financial assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

The values of investments as shown in the Net Assets Statement have been determined as follows:

i) Market-quoted investments
The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii) Fixed interest securities
Fixed interest securities are recorded at net market value based on their current yields.

iii) Unquoted investments
The fair value of investments for which market quotations are not readily available is determined as follows:

- Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Fund expects to receive on wind-up, less estimated realisation costs.
- Securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs.
- Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.

- Investments in private equity/infrastructure funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity/infrastructure fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.

iv) Limited partnerships
Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

v) Pooled investment vehicles
Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

i) Contingent Assets

Admitted body employers in the Brent Pension Fund hold bonds to guard against possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default. Contingent Assets are disclosed in Note 25.

j) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

k) Derivatives

The Fund does not use derivative financial instruments to manage its exposure to specific risks arising from its investment activities in its own name. Neither does it hold derivatives for speculative purposes.

l) Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

m) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

n) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 19).

o) Additional voluntary contributions

Brent Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016/946) but are disclosed as a note only (Note 22).

4. Critical judgements in applying accounting policies

In applying the accounting policies set out in note 3, the Pension Fund has had to make certain judgements about complex transactions or those involving uncertainty about future events.

There were no such critical judgements made during 2023/24.

5. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 19)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% p/a decrease in the discount rate assumption would result in an increase in the pension liability of approximately £25m. A 0.1% increase in Pension Increase Rate (CPI) would increase the value of liabilities by approximately £24m, and a one-year increase in assumed life expectancy would increase the liability by around 4% (c. £56m).
Private equity / infrastructure / private debt	Private equity/infrastructure/private debt investments are valued based on the latest available information, updated for movements in cash where relevant. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity/infrastructure/private debt investments in the financial statements are £122.8m. There is a risk that this investment may be under- or overstated in the accounts. There is a risk that this investment may be under- or overstated in the accounts up to 18% (an increase or decrease of £22m).

6. Events after the Reporting Date

There have been no events since 31 March 2024, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7. Contributions receivable

By Category	2022/23	2023/24
	£m	£m
Employees' Contributions	10.6	11.1
Employers' Contributions:		
Normal contributions	55.0	55.5
Deficit recovery contributions	0.0	1.8
Augmentation contributions	1.9	0.5
Total Employers' contributions	56.9	57.8
Total contributions receivable	**67.5**	**68.9**

By Authority	2022/23	2022/24
	£'000	£'000
Administering Authority	54.3	53.1
Scheduled bodies	12.7	13.7
Admitted bodies	0.5	2.1
Total	**67.5**	**68.9**

8. Transfers in from other pension funds

	2022/23	2023/24
	£m	£m
Individual transfers	6.3	7.8
Total	**6.3**	**7.8**

9. Benefits payable

By category

	2022/23 £m	2023/24 £m
Pensions	41.4	45.2
Commutation and lump sum retirement benefits	6.1	6.0
Lump sum death benefits	0.3	0.8
Total	**47.8**	**52.0**

By authority

	2022/23 £m	2023/24 £m
Administering Authority and Scheduled bodies	47.5	51.4
Admitted bodies	0.3	0.6
Total	**47.8**	**52.0**

10. Payments to and on account of leavers

	2022/23 £m	2023/24 £m
Refunds to members leaving service	0.2	0.1
Group transfers	0.0	0.0
Individual transfers	7.6	7.7
Total	**7.8**	**7.8**

11. Management Expenses

	2022/23 £m	2023/24 £m
Administration costs	1.4	1.6
Investment management expenses	2.5	2.4
Oversight and Governance costs	0.2	0.2
Total	**4.1**	**4.2**

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled fund investments. Audit fees were £86k (£38k 2022/23).

a) Investment management expenses

	2022/23 £m	2023/24 £m
Management fees	2.4	2.4
Custody fees	0.1	0.0
One-off transaction costs	0.0	0.0
Total	**2.5**	**2.4**

Fund Manager	2023/24 Total	Management fees	Custody fees	One-off transaction costs
	£m	£m	£m	£m
Alinda	0.2	0.2	0.0	0.0
Capital Dynamics	0.1	0.1	0.0	0.0
Fidelity UK Real Estate	0.1	0.1	0.0	0.0
LGIM	0.1	0.1	0.0	0.0
LCIV MAC	0.2	0.2	0.0	0.0
LCIV JP Morgan Emerging Markets	0.2	0.2	0.0	0.0
LCIV Baillie Gifford DGF	0.4	0.4	0.0	0.0
LCIV Infrastructure Fund	0.1	0.1	0.0	0.0
LCIV Private Debt	0.0	0.0	0.0	0.0
LCIV Ruffer	0.8	0.8	0.0	0.0
London LGPS CIV LTD	0.1	0.1	0.0	0.0
Blackrock	0.0	0.0	0.0	0.0
UBS Triton	0.1	0.1	0.0	0.0
Northern Trust (Fund Custodian)	0.0	0.0	0.0	0.0
Cash	0.0	0.0	0.0	0.0
Total	**2.4**	**2.4**	**0.0**	**0.0**

Fund Manager	2022/23 Total	Management fees	Custody fees	One-off transaction costs
	£m	£m	£m	£m
Alinda	0.3	0.3	0.0	0.0
Capital Dynamics	0.2	0.2	0.0	0.0
Fidelity UK Real Estate	0.1	0.1	0.0	0.0
LGIM	0.0	0.0	0.0	0.0
LCIV MAC	0.1	0.1	0.0	0.0
LCIV JP Morgan Emerging Markets	0.2	0.2	0.0	0.0
LCIV Baillie Gifford DGF	0.5	0.5	0.0	0.0
LCIV Infrastructure Fund	0.1	0.1	0.0	0.0
LCIV Private Debt	0.0	0.0	0.0	0.0
LCIV Ruffer	0.7	0.7	0.0	0.0
London LGPS CIV LTD	0.1	0.1	0.0	0.0
Blackrock	0.0	0.0	0.0	0.0
UBS Triton	0.1	0.1	0.0	0.0
Northern Trust (Fund Custodian)	0.1	0.0	0.1	0.0
Cash	0.0	0.0	0.0	0.0
Total	**2.5**	**2.4**	**0.1**	**0.0**

12. Investment income

	2022/23	2023/24
	£m	£m
Pooled investments	0.0	8.4
Dividend income from private equities/infrastructure/property	0.3	0.5
Interest income from private equities/infrastructure/private debt	0.5	0.4
Interest on cash deposits	0.3	1.6
Total	**1.1**	**10.9**

13. Taxes on income

	2022/23	2023/24
	£m	£m
Withholding tax	2.9	(0.2)
Total	**2.9**	**(0.2)**

14. Investments

Investments asset	**Market value 31 March 2023**	**Market value 31 March 2024**
Pooled investments	947.9	1,068.4
Pooled property investments	25.0	24.1
Private equity/infrastructure/private debt	115.7	122.7
	1,088.6	**1,215.2**

14a. Investments 2023/24	**Market value 31 April 2023**	**Purchases during the year**	**Sales during the year**	**Change in market value during the year**	**Market value 31 March 2024**
	£m	£m	£m	£m	£m
Pooled investments	947.9	82.5	(80.3)	118.3	1,068.4
Pooled property investments	25.0	0.0	0.0	(0.9)	24.1
Private equity/infrastructure /private debt	115.7	10.6	(3.3)	(0.3)	122.7
	1,088.6	**93.1**	**(83.6)**	**117.1**	**1,215.2**
Other investment balances: Cash Deposit	27.5				44.1
Investment income due	0.0				0.0
Net investment assets	**1,116.1**				**1,259.3**

14a. Investments 2022/23	Market value 31 April 2022	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2023
	£m	£m	£m	£m	£m
Pooled investments	986.6	13.0	(13.0)	(38.7)	947.9
Pooled property investments	15.7	0.0	0.0	9.3	25.0
Private equity/infrastructure /private debt	101.3	26.2	(15.4)	3.6	115.7
	1,103.6	**39.2**	**(28.4)**	**(25.8)**	**1,088.6**
Other investment balances: Cash Deposit	24.1				27.5
Investment income due	0.0				0.0
Net investment assets	**1,127.7**				**1,116.1**

14b. Analysis of investments by category

	31 March 2023	31 March 2024
	£m	£m
Pooled funds - additional analysis		
UK		
Fixed income unit trust	41.9	61.8
Unit trusts	124.2	193.7
Diversified growth funds	232.5	220.4
Overseas		
Unit trusts	559.5	592.5
Total Pooled funds	947.9	1,068.4
Pooled property investments	25.0	24.1
Private equity/infrastructure/private debt	115.7	122.7
Total investments	**1,088.6**	**1,215.2**

14c. Analysis of investments by fund manager

31 March 2023		Market Value	31 March 2024	
£m	**%**	**Fund manager**	**£m**	**%**
557.9	51.2%	Legal & General	590.6	48.6%
0.2	0.0%	London CIV	0.2	0.0%
43.3	4.0%	LCIV - JP Morgan	42.7	3.5%
27.0	2.5%	Capital Dynamics	19.7	1.6%
123.7	11.4%	LCIV - Baillie Gifford	127.7	10.5%
98.6	9.1%	LCIV - Ruffer	92.7	7.6%
41.9	3.8%	LCIV - MAC (CQS)	61.8	5.1%
36.8	3.4%	LCIV - Infrastructure	45.2	3.7%
34.8	3.2%	LCIV - Private Debt	39.1	3.2%
17.1	1.6%	Alinda	18.7	1.5%
13.7	1.2%	Fidelity UK Real Estate	13.3	1.1%
28.1	2.6%	Blackrock Low Carbon Global Equity	34.9	2.9%
54.2	5.0%	Blackrock	117.8	9.7%
11.3	1.0%	UBS Triton Property Fund	10.8	0.9%
1,088.6	**100.0%**		**1,215.2**	**100.0%**

The following investments represent over 5% of the net assets of the fund. All of the these companies are registered in the United Kingdom.

Security	Market value 31 March 2023	% of total fund	Market value 31 March 2024	% of total fund
L&G - Global Equities	488.1	43.3%	514.9	46.1%
L&G - UK Equities	69.8	6.2%	75.7	6.8%
Blackrock - Over 15 year Gilts	54.2	4.8%	117.8	10.6%
LCIV - Baillie Gifford DGF	123.7	11.0%	127.7	11.4%
LCIV - Ruffer DGF	98.6	8.7%	92.7	8.3%

14d. Stock lending

The London Borough of Brent Pension Fund does not operate a Stock Lending programme.

15. Fair Value – Basis of Valuation

The basis of the valuation of each asset class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled investments – overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, and by any differences between audit and unaudited accounts

15a. Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with our independent investment advisor, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2024.

	Assessed valuation range (+/-)	Value at 31 March 2023	Value on increase	Value of decrease
		£m	£m	£m
Private equity	31.2%	17.3	22.7	11.9
Infrastructure	13.6%	66.3	75.3	57.3
Private debt	8.8%	39.1	42.5	35.7

15b. Fair value hierarchy

The valuation of financial instruments had been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and fund of hedge funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Brent Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

Transfers between levels will be recognised when there has been a change to observable mark data (improvement or reduction) or other change in valuation technique.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2024	**Level 1**	**Level 2**	**Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
Financial assets at fair value through profit and loss				
Pooled investments		1,068.4		**1,068.4**
Pooled property investments		24.1		**24.1**
Private Equity/Infrastructure/Private Debt			122.7	**122.7**
Subtotal Financial assets at fair value through profit and loss	**0.0**	**1,092.5**	**122.7**	**1,215.2**
Cash	44.1			**44.1**
Investment Income due	0.0			**0.0**
Subtotal Loans and receivables	**44.1**	**0.0**	**0.0**	**44.1**
Total Financial assets	**44.1**	**1,092.5**	**122.7**	**1,259.3**
Financial liabilities				
Current liabilities	**(1.6)**			**(1.6)**
Subtotal Financial liabilities at amortised cost	**(1.6)**	**0.0**	**0.0**	**(1.6)**
Total Financial liabilities	**(1.6)**	**0.0**	**0.0**	**(1.6)**
Net Financial assets	**42.5**	**1,092.5**	**122.7**	**1,257.7**

Values at 31 March 2023	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
Financial assets at fair value through profit and loss				
Pooled investments		947.9		**947.9**
Pooled property investments		25.0		**25.0**
Private Equity/Infrastructure/Private Debt			115.7	**115.7**
Subtotal Financial assets at fair value through profit and loss	**0.0**	**972.9**	**115.7**	**1,088.6**
Cash	27.5			**27.5**
Investment Income due	0.0			**0.0**
Subtotal assets at amortised cost	**27.5**	**0.0**	**0.0**	**27.5**
Total Financial assets	**27.5**	**972.9**	**115.7**	**1,116.1**
Financial liabilities				
Current liabilities	**(3.9)**			**(3.9)**
Subtotal Financial liabilities at amortised cost	**(3.9)**	**0.0**	**0.0**	**(3.9)**
Total Financial liabilities	**(3.9)**	**0.0**	**0.0**	**(3.9)**
Net Financial assets	**23.6**	**972.9**	**115.7**	**1,112.2**

15c. Transfers between Levels 1 and 2

There were no transfers between levels 1 and 2 during the year

15d. Reconciliation of Fair Value Measurements within Level 3

	£m
Value at 31 March 2023	115.7
Transfers into Level 3	0.0
Transfers out of Level 3	0.0
Purchases	10.6
Sales	(3.3)
Issues	0.0
Settlements	0.0
Unrealised gains/losses	2.6
Realised gains/losses	(2.9)
Value at 31 March 2024	122.7

16. Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

	31 March 2023				**31 March 2024**	
Fair value through profit and loss	**Assets at amortised cost**	**Financial liabilities at amortised cost**		**Fair value through profit and loss**	**Assets at amortised cost**	**Financial liabilities at amortised cost**
£m	**£m**	**£m**		**£m**	**£m**	**£m**
			Financial assets			
947.9			Pooled investments	1,068.4		
25.0			Pooled property investments	24.1		
115.7			Private equity/ infrastructure/private debt	122.7		
	27.5		Cash		44.1	
	8.1		Debtors		3.5	
1,088.6	**35.6**	**0.0**	**Total Financial assets**	**1,215.2**	**47.6**	**0.0**
			Financial liabilities			
		(3.9)	Creditors			(1.6)
0.0	**0.0**	**(3.9)**	**Total Financial liabilities**	**0.0**	**0.0**	**(1.6)**
1,088.6	**35.6**	**(3.9)**	**Net Financial assets**	**1,215.2**	**47.6**	**(1.6)**

16a. Net gains and losses on Financial Instruments

31 March 2023		**31 March 2024**
£'000		**£'000**
(25.8)	Fair value through profit and loss	117.1
(25.8)	**Total**	**117.1**

17. Nature and extent of risks arising from financial instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e., promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk, and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Pension Fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Sub-Committee. Risk management policies are established to identify and analyse the risks faced by the Pension Fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Pension Fund and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Pension Fund to ensure it is within limits specified in the Fund investment strategy.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisors, the council has determined that the following movements in market price risk are reasonably possible for the 2023/24 reporting period. (Based on data as at 31 March 2024 using data provided by investment advisors scenario model). The sensitivities are consistent with the assumptions contained in the investment advisors' most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Other price risk – sensitivity analysis

	31/03/2024 Value (£m)	**Potential market movements (+/-)**
Asset Type		
Bonds	117.8	7.2%
Equities		
UK Equity	75.9	16.0%
Global Equity	549.8	16.7%
Emerging Market Equity	42.7	23.0%
Other Pooled investments		
Diversified Credit	61.8	7.1%
LCIV Ruffer Multi Asset	92.7	7.9%
Baillie Gifford Multi Asset	127.7	11.7%
Pooled Property investments	24.1	15.6%
Private Equity	17.3	31.2%
Infrastructure	66.3	13.6%
Private debt	39.1	8.8%

Had the market price of the fund investments increased/decreased by 1% the change in the net assets available to pay benefits in the market price would have been as follows:

Asset Type	31/03/2024 Value (£m)	Potential value on increase (£m)	Potential value on decrease (£m)
Bonds	117.8	126.3	109.3
Equities			
UK Equity	75.9	88.0	63.8
Global Equity	549.8	641.6	458.0
Emerging Market Equity	42.7	52.5	32.9
Other Pooled investments			
Diversified Credit	61.8	66.2	57.4
LCIV Ruffer Multi Asset	92.7	100.0	85.4
Baillie Gifford Multi Asset	127.7	142.6	112.8
Pooled Property investments	24.1	27.9	20.3
Private Equity	17.3	22.7	11.9
Infrastructure	66.3	75.3	57.3
Private debt	39.1	42.5	35.7
	1,215.2	**1,385.6**	**1,044.8**

Interest rate risk exposure asset type

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Pension Fund in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2023 and 31 March 2024 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

	31 March 2023 £m	31 March 2024 £m
Cash balances	27.5	44.1
UK Fixed income unit trust	41.9	61.8
Total	**69.4**	**105.9**

Asset type	Carrying amount as at 31 March 2024	+1%	-1%
	£m		£m
Cash balances	44.1	0.4	(0.4)
UK Fixed income unit trust	61.8	0.7	(0.7)
Total	**105.9**	**1.1**	**(1.1)**

Asset type	Carrying amount as at 31 March 2023	+1%	-1%
	£m		£m
Cash balances	27.5	0.3	(0.3)
UK Fixed income unit trust	41.9	0.4	(0.4)
Total	**69.4**	**0.7**	**(0.7)**

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

The Fund's currency rate risk is routinely monitored by the Pension Fund in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The following table summarises the Fund's currency exposure as at 31 March 2024 and as at the previous period end:

Currency risk exposure - asset type	Asset value at 31 March 2023	Asset value at 31 March 2024
	£m	£m
Overseas unit trusts	559.5	592.5
Overseas pooled property investments	0.0	0.0
Overseas private equity/infrastructure/private debt	115.7	122.7
Total	**675.2**	**715.2**

A 1% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets exposed to currency rate risk	Asset value as at 31 March 2024	+1%	-1%
	£m	£m	£m
Overseas unit trusts	592.5	5.9	(5.9)
Overseas pooled property investments	0.0	0.0	0.0)
Overseas private equity/infrastructure/private debt	122.7	1.3	(1.3)
Total	**675.2**	**7.2**	**(7.2)**

Assets exposed to currency rate risk	Asset value as at 31 March 2023	+1%	-1%
	£m	£m	£m
Overseas unit trusts	559.5	5.6	(5.6)
Overseas pooled property investments	0.0	0.0	0.0
Overseas private equity/infrastructure/private debt	115.7	1.2	(1.2)
Total	**675.2**	**6.8**	**(6.8)**

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high-quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The Pension Fund's cash balance is held in an interest-bearing instant access deposit account with NatWest plc, which is rated independently and meets Brent Council's credit criteria.

The Pension Fund believes it has managed its exposure to credit risk and has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2024 was £44.1m (31 March 2023: £27.5m). This was held with the following institutions:

Credit risk exposure

	Rating	Balances at 31 March 2023 £m	Balances at 31 March 2024 £m
Bank deposit accounts			
NatWest	A+	0.8	0.7
Northern Trust - Aviva Cash		0.1	0.1
Money Market deposits	AAA	26.6	43.3
Other short-term lending			
Local authorities		0.0	0.0
Total		**27.5**	**44.1**

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Pension Fund therefore takes steps to ensure that it has adequate cash resources to meet its pensioner payroll costs and investment commitments.

The Pension Fund has immediate access to its cash holdings.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. At 31 March 2024 the value of illiquid assets was £146.8m, which represented 11.7% (31 March 2023: £140.7m, which represented 12.6%) of the total fund assets.

Periodic cash flow forecasts are prepared to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities at 31 March 2024 are due within one year."

Liquidity Risk

	31-Mar-23	%	31-Mar-24	%
Pooled investments	947.9	84.9%	1,068.4	84.8%
Cash deposits	27.5	2.5%	44.1	3.5%
Investment income due	0	0.0%	0.0	0.0%
Total liquid investments	**975.4**	**87.4%**	**1,112.5**	**88.3%**
Pooled property investments	25.0	2.2%	24.1	1.9%
Private Equity/Infrastructure/Private Debt	115.7	10.4%	122.7	9.8%
Total illiquid investments	**140.7**	**12.6%**	**146.8**	**11.7%**
Total investments	**1,116.1**	**100.0%**	**1259.3**	**100%**

d) Refinancing risk

The key risk is that the Pension Fund will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. However, the Pension Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

18. Funding arrangements

In line with the LGPS Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022. The next valuation will take place as at 31 March 2025 and results are scheduled to be released by 31 March 2026.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e., that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the Scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years from 1 April 2022 and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable.

At the 2022 actuarial valuation the Fund was assessed as 87% funded, which is a improvement to the 78% valuation at the 2019 valuation. This corresponded to a deficit of £162m (2019 valuation: £248m) at that time. As a result, a deficit recovery plan is in place which aims to achieve 100% funding over a period of 20 years from April 2022.

Contribution increases or decreases may be phased in over the three-year period beginning 1 April 2023 for both Scheme employers and admitted bodies. The most commonly applied employer contribution rate within the Brent Pension Fund is:

Year	Employers' contribution rate
2023/24	33.5%
2024/25	32.0%
2025/26	30.5%

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2022 actuarial valuation report and the funding strategy statement on the Fund's website.

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement, or withdrawal from service. The main actuarial assumptions used for the 2022 actuarial valuation were as follows:

Discount rate	4.3% p.a.
Pay increases	3.0% p.a.
Pension increases	2.7% p.a.

Demographic assumptions

Future life expectancy based on the Actuary's fund-specific review was:

Life expectancy at age 65	Male	Female
Current pensioners	22.1 years	24.8 years
Future Pensioners retiring in 20 years	23.4 years	26.3 years

Commutation assumption

It is assumed that 50% of future retirements will elect to exchange pension for additional tax free cash up to HMRC limits.

19. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the Fund's Actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 18). The Actuary has also used valued ill health and death benefits in line with IAS 19.

Calculated on an IAS19 basis, the actuarial present value of promised retirement benefits at 31 March 2024 was £1,407m (31 March 2023: £1,380m). This figure includes both vested and non-vested benefits, although the latter is assumed to have a negligible value. The Fund Accounts do not take account of liabilities to pay pensions and other benefits in the future.

The liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2022 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Financial assumptions

Inflation/pensions increase rate	2.8%
Salary increase rate	3.10%
Discount rate	4.80%

Longevity assumption

The average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.9 years	24.5 years
Future pensioners*	22.9 years	25.8 years

* Future pensioners are assumed to be currently aged 45

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits.

Sensitivity Analysis

Sensitivity to the assumptions for the year ended 31 March 2023	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.1% p.a. decrease in the discount rate	2%	21
1 year increase in member life expectancy	4%	50
0.1% p.a. increase in the Salary Increase Rate	0%	1
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	20

The principal demographic assumption is the longevity assumption. For sensitivity purposes, it is estimated that a 1 year increase in life expectancy would approximately increase the liabilities by around 4% (c. £50m).

20. Assets

a) Current assets

	31 March 2022 £m	31 March 2024 £m
Debtors:		
- Contributions due – employees	0.2	0.2
- Contributions due – employers	1.2	1.3
- Sundry debtors	6.7	2.0
Total	**8.1**	**3.5**

Analysis of debtors

	31 March 2023 £m	31 March 2024 £m
- Central government bodies	0.9	1.0
- Other local authorities	5.8	0.7
- Other entities and individuals	1.4	1.8
Total	**8.1**	**3.5**

21. Current liabilities

	31 March 2023 £m	31 March 2024 £m
Group transfers	0.0	0.0
Sundry creditors	3.9	1.6
	3.9	**1.6**

Analysis of creditors

	31 March 2023 £m	31 March 2024 £m
Central government bodies	1.0	1.2
Other entities and individuals	2.9	0.4
Total	**3.9**	**1.6**

22. Additional voluntary contributions

	Market Value 31 March 2023 £m	Market Value 31 March 2024 £m
Clerical Medical	1.1	1.2
Equitable Life	0.0	0.0
Prudential	0.7	0.
	1.8	**2.0**

	Contributions March 2022 £m	Contributions March 2024 £m
Clerical Medical	0.0	0.0
Prudential	0.1	0.1
	0.1	**0.1**

For information, Prudential has since replaced Clerical Medical as the Fund's AVC provider with effect from 1 April 2014.

In accordance with Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016, the contributions paid and the assets of these investments are not included in the Fund's Accounts.

23. Related party transactions

Brent Council

The Brent Pension Fund is administered by Brent Council. Consequently, there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £0.92m (2022/23: £1.30m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £43.9m to the Fund in 2023/24 (2022/23: £43.9m)

Governance

One member of the Pension Fund Sub-committee is in receipt of pension benefits from the Brent Pension Fund (chair Cllr R Johnson). Each member of the Pension Fund Sub-Committee is required to declare their interests at each meeting.

Key management personnel

The key management personnel of the fund are the Chief Executive, Corporate Director Finance and Resources (s.151 officer), Corporate Director Governance, Deputy Director of Finance and the Head of Finance (Pensions). The proportion of the total remuneration payable to key management personnel that is charged to the Pension Fund is set out below:

	31st March 2023	31st March 2024
	£m	£m
Short Term Benefits	0.091	0.099
Post-Employment Benefits	0.000	0.033
Termination Benefits	0.030	0.000
Total Remunerations	**0.121**	**0.131**

24. Contingent liabilities and capital commitments

Outstanding capital commitments (investments) at 31 March 2024 totalled £49.9m (31 March 2023 £60.5.m)

	31st March 2023	31st March 2024
	£m	£m
Capital Dynamics	13.5	13.1
Alinda Fund II	2.4	2.4
Alinda Fund III	9.1	7.6
London CIV Infrastructure Fund	17.1	10.4
London CIV Private Debt Fund	18.4	16.4
Total	**60.5**	**49.9**

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

25. Contingent Assets

Contingent assets

One non-associated admitted body employer in the Brent Pension Fund held insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default.

	31st March 2023	31st March 2024
	£m	£m
Ricoh	0.1	0.1
Continental Landscapes	0.0	0.5
Total	**0.1**	**0.6**

26. Impairment Losses

The Fund had no Impairment Losses at 31 March 2024.

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Grant Thornton

External Audit Plan

Year ending 31 March 2024

Brent Pension Fund

1 August 2024 – Final Audit Plan

Contents

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Key matters

National context

The national and international economic context continues to present challenges for pension funds. Inflationary pressures at home and abroad and wider geo-political issues mean there is volatility in global markets with a consequential impact on the investments held by pension funds. Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of local government pension funds and set employer contribution rates for the period 2023/24 – 2025/26. For Brent Pension Fund , the valuation was undertaken by Hymans Robertson LLP, and showed that during 2022/23, the most commonly applied employer contribution rate within the Brent Pension Fund was 35% of pensionable pay. This is consistent with the Fund's deficit recovery plan to clear its deficit within 20 years of the balance sheet date. This Triennial Valuation revealed that the Fund's assets, at 31 March 2022, were sufficient to meet 87% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. This is an increase on the 78% funding level as at the March 2019 valuation.

In November 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published the outcome of their consultation on local government pension scheme investments. The government will now implement proposals which include revised investment strategy statement guidance that funds should transfer all assets to their pool by 31 March 2025, regulation to require funds to set a plan to invest up to 5% of assets in levelling up the UK and revised investment strategy statement guidance to require funds to consider investments to meet the government's ambition of a 10 % allocation to private equity. The Chancellor has also outlined plans that local government pension funds will be invested in pools of £200bn or more by 2040.

DLUHC have also consulted on proposals to require local government pension scheme administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). Climate risk (TCFD) reporting in the LGPS is expected to commence from 1 April 2024, with first reports due in late 2025.

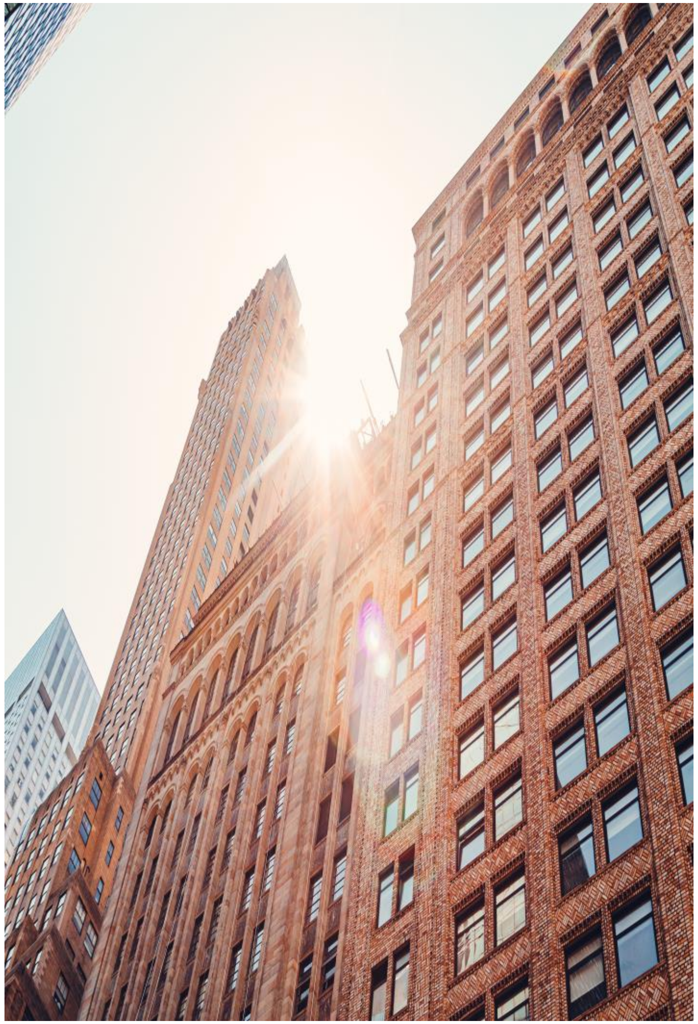
In planning our audit, we have taken account of this national and international context in designing a local audit programme which is tailored to your risks and circumstances.

Key matters - continued

Our Responses

- The contract with PSAA for Brent Pension Fund was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors for the next five years. As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out in this Audit Plan will be agreed with the Corporate Director of Finance and Resources. Page 25 of this Audit Plan, sets out the four contractual stage payments for this fee, with payment based on delivery of specified audit milestones.
- To ensure close working with our local audited bodies and an efficient audit process, our preference as a firm is to work on site with you and your officers. Please confirm in writing if this is acceptable to you, and that your officers will make themselves available to our audit team. This is also in compliance with our delivery commitments in our contract with PSAA.
- We offer a private meeting with the Chief Executive twice a year, and with the Director of Finance quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit and Standards Advisory Committee, to brief them on the status and progress of the audit work to date.
- We will continue to provide you and your Audit and Standards Advisory Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls.
- We have identified a significant audit risk relating to the valuation of level 3 investments on page 10.

Introduction and headlines



Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Brent Pension Fund ('the Pension Fund') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. The NAO is in the process of updating the Code. This audit plan sets out the implications of the revised code on this audit. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as your auditor. We draw your attention to these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit & Standards Advisory Committee).

The audit of the financial statements does not relieve management or the Audit & Standards Advisory Committee of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.

Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management over-ride of controls
- Valuation of Level 3 Investments
- The revenue cycle includes fraudulent transactions – this has been rebutted on page 8

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £18.6 million (PY £16.8 million) for the Pension Fund, which equates to 1.5% of your gross investment assets as at 31 March 2023. We have determined a lower specific planning materiality for the Fund Account of £5.9 million (PY £4.7 million), which equates to 10% of the prior year gross expenditure on the fund account.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

Clearly trivial has been set at £0.93 million (PY £0.84 million).

Audit logistics

Our planning visit will take place in February 2024, and our final visit will take place between July and September 2024. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our preference is for all our work to take place on site alongside your officers.

Our proposed fee for the audit will be £94,414 (PY: £51,771) for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

Our understanding is that the Custodian independently values some of the Pension Funds (Level 1/Level 2) Investments. This means we will be able to triangulate some of the valuations included in the financial statements for these investments to custodian and investment manager confirmations. However, where we are not able to triangulate valuations, we will carry out further audit procedures to gain assurance over the valuations of these investments, similar to that performed over level 3. See page 9 for further details regarding our approach to auditing the valuation of Level 3 Investments.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Pension Fund faces external scrutiny of its spreading and its stewardship of its funds, this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Pension Fund, which was one of the most significant assessed risks of material misstatement.	We will: • Evaluate the design effectiveness of management controls over journals. • Analyse the journals listing and determine the criteria for selecting high risk unusual journals. • Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence. • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Significant risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Presumed risk of fraud in revenue recognition ISA (UK) 240	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including the Brent Pension Fund, mean that all forms of fraud are seen as unacceptable Therefore, we do not consider this to be a significant risk for the London Borough of Brent Pension Fund.	Having considered the risk factors set out in ISA(UK&I)240 and the nature of the revenue streams at Brent Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted.

Page 86

Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 3 Investments	You value your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date. By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (PY: £115.7 million) and the sensitivity of this estimate to changes in key assumptions. Under ISA 315, significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers as valuation experts to estimate the fair value as of 31 March. We therefore have identified Valuation of Level 3 Investments as a significant risk.	We will: • Evaluate management's processes for valuing Level 3 investments. • Review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met. • Independently request year-end confirmations from investment managers and the custodian. • For a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports as at that date. Reconcile those values to the values on 31 March 2024 with reference to known movements in the intervening period. • We will evaluate the completeness, capabilities and objectivity of the valuation expert. • Where available review investment manager service auditor report on design and operating effectiveness of internal controls.

Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Other matters

Other work

The Pension Fund is administered by London Borough of Brent (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
    - Giving electors the opportunity to raise questions about your 2023/24 financial statements, consider and decide upon any objections received in relation to the 2023/24 financial statements;
    - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
    - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
    - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Progress against prior year audit recommendations

We identified the following issues in our 2022/23 audit of the Pension Fund's financial statements, which resulted in 7 recommendations being reported in our 2022/23 Audit Findings Report. At the stage of writing this report, discussions with management regarding progress against prior year recommendations are not yet concluded.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In Progress	From our benefits payable testing, for 7 out of the 34 samples which we tested, the Pension fund could not provide us with the original notification letters which shows the annual pension. The Pension Fund explained to us that the reason for this is that some of them letters have not been sent to the by the previous administrators of the claimant pension fund if they transferred across or they original letter of notification date back to several years ago and they have been archived. The pension fund provided more recent notifications which sets out the annual pension. **Risk** Without the original notification letter which supports that the original annual pension is correct, it is difficult to know whether the amount in the more recent annual pension letters is correct or not. The benefits being paid could be more or less than what the pensioners are entitled to. **Auditor Recommendation** Management should aim to have a record of the original notification letter which sets out what the annual pension should be for pensioners .	**Management Response** In progress.

● Recommendation actioned

Progress against prior year audit recommendations - Continued

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
●	**Excessive access assigned to HR and Payroll users.** IT Audit identified 19 members of the Payroll, Learning and Development, and Training teams have been assigned access to the Brent HCM Application Administrator security role The Council informed our IT team that the role is required to enable system configuration to be undertaken as part of this team, such as for pay awards and performance enrolments. The Brent HCM Application Administrator role provides these individuals with significant levels of access, enabling them to alter system behaviour and create workers in Oracle Cloud **Risk** Bypass of system enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters **Auditor Recommendation** It is recommended that the Council undertake a full review of all users who have been assigned access to the Brent HCM Application Administrator role and revoke access to those system administration roles which do not align with the user's roles and responsibilities. Should some elements of the role be required for the users concerned, management should consider the creation of a custom role that encompasses only the access required.	**Management Response** The Brent HCM Application Administrator role has now been removed from the Payroll, Learning and Development, and Training teams and a full review was undertaken to ensure no system administration roles were assigned to user's roles which do not align with the user's roles and responsibilities

Page 90

● Recommendation actioned

Progress against prior year audit recommendations - Continued

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
●	**Segregation of duties (SoD) conflicts between finance / payroll and system administration roles in Oracle Cloud.** IT Audit's identified that a Senior Finance Analyst had access to the Application Implementation Consultant role **Risk** Bypass of system enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters **Auditor Recommendation** It is recommended that the Council undertake a full review of all users who have been assigned access to system administration roles and revoke access to those system administration roles which do not align with the user's roles and responsibilities	**Management Response** This was removed and a full review was undertaken to ensure no system administration roles were assigned to user's roles which do not align with the user's roles and responsibilities

● Recommendation actioned

Progress against prior year audit recommendations - Continued

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
●	**Seeded roles with SoD conflicts** IT Audit identified that the Council has cloned seeded roles provided by Oracle for use in day to day operations. Of these cloned seeded roles, it was identified that the Brent Collections Debt Manager (as well as the seeded Collections Manager role) contain the following privileges which allow a user to alter system behaviour and security - FND_APP_MANAGE_DATA_SECURITY_POLICY_PRIV - FND_APP_MANAGE_PROFILE_OPTION_PRIV - FND_APP_MANAGE_PROFILE_CATEGORY_PRIV - FND_APP_MANAGE_TAXONOMY_PRIV - FND_APP_MANAGE_DATABASE_RESOURCE_PRIV **Risk** Bypass of system enforced internal control mechanisms through inappropriate use of administrative access rights increases the risk of financial misstatement through fraud or error, as a result of users making unauthorised changes to transactions and system configuration parameters. **Auditor Recommendation** It is recommended that the Council undertake a full review of the identified security roles to identify whether the privileges can be removed from users in the production environment to reduce the risk of unauthorised changes to system behaviour	**Management Response** We have removed access for individuals to the Collections Manager role and have removed the privileges identified above from the Brent Collections Debt Manager Role. Subsequent to IT Audit's review, they confirmed that Council have removed access for individuals to the Collections Manager role and have removed the privileges identified above from the Brent Collections Debt Manager Role

Page 92

● Recommendation actioned

Progress against prior year audit recommendations - Continued

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In Progress	From our journal testing, we identified one journal which had a wrong journal number assigned to it. There were 2 journals posted with the same journal number. This was due to human error as the two journals were posted by the same person. The person who posted the journals forgot to change the journal number for one of the journals. We have checked and ensured that there was appropriate and separate approval for both journals with the identical numbers, and we are satisfied that the accounting has not been affected because of this error. **Risk** This finding indicates that there is currently nothing in the system to prevent journals being posted with an identical journal number (lack of preventative controls), which increases the risk of error occurring and can result in journal duplications. **Auditor Recommendation** Management should put in place a control/procedure/checks which will prevent more than one journal from being posted with the same journal number.	**Management Response** In Progress.

Recommendation actioned

Progress against prior year audit recommendations - Continued

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In Progress	**Lack of audit logging for configurations in Oracle Cloud** IT Audit note that the Council have implemented audit logging for some areas however, this does not include key system configurations such as the AP_SYSTEM_PARAMETERS_ALL table. **Risk** Not enabling and monitoring audit logs increases the risk that unauthorised system configuration and data changes made using privileged accounts will not be detected by management, which could impact the security of Oracle Cloud and the integrity of the underlying database. **Auditor Recommendation** It is recommended that the Council implement audit logging for changes made to Oracle Cloud, such as changes to workflow approval rules or system configurations, for financially critical areas including, but not limited to: • Accounts Payable • Cash Management • Accounts Receivable and • General Ledger It should be noted that audit logging does not have a significant detrimental effect on system performance such as that experienced in Oracle EBS	**Management Response** In Progress.

● Recommendation actioned

Progress against prior year audit recommendations - Continued

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In Progress	Following our hot review, we challenged management about the currency risk disclosure as to why the currency risk disclosure in the financial instruments note was not analysed by currency . Whilst this is not a requirement in the CIPFA code , the disclosure will be clearer to the readers of the financial statements if it is analysed by currency. This is a best practice recommendation. **Auditor Recommendation** We recommend that management analyse the currency risk disclosure by currency to ensure that it is clear to the readers of the financial statements.	**Management Response** In Progress.

Page 95

Recommendation actioned

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Page 96

Matter	Description	Planned audit procedures
1	**Determination** We have determined financial statement materiality by applying a reasonable measurement percentage to an appropriate benchmark. Materiality at the planning stage of our audit is £18.6 million, which equates to 1.5% of your gross investment assets as at 31 March 2023.	We determine planning materiality in order to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; – assist in establishing the scope of our audit engagement and audit tests; – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements.
2	**Other factors** An item does not necessarily have to be large to be considered to have a material effect on the financial statements.	An item may be considered to be material by nature where it may affect instances when greater precision is required. We have determined a lower specific planning materiality for the Fund Account of £5.9 million (PY £4.7 million), which equates to 10% of prior year gross expenditure on the fund account. The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which materiality for the financial statements as a whole will be applied.

Our approach to materiality

Matter	Description	Planned audit procedures
3	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.
4	**Other communications relating to materiality we will report to the Audit Committee** Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	We report to the Audit and Standards Advisory Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.93 million (PY £0.85 million). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Standards Advisory Committee to assist it in fulfilling its governance responsibilities.

IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on page 21.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Oracle Cloud (General Ledger)	Financial reporting	• The roll forward approach will be taken for Oracle Cloud, where our IT audit team will follow-up on previous year's observations to ensure their remediation & effectiveness of relevant controls.
Civica	Pension Administration	• Full testing of design and implementation of the ITGCs

ISA315 Revised

ISA 315 (revised July 2020) takes effect for accounting periods starting on or after the 15th December 2021. This ISA deals with the auditor's responsibility to identify and assess the risks of material misstatement in the financial statements. The revisions made in the ISA have increased the level of work required of auditors and detail of this extra work is set out below.

Area	What's changed?	Impact on the audit
Information Technology Environment	The new requirement states certain aspects of the IT environment must be understood and documented for each significant classes of transactions, account balances and disclosures (SCOT+). The auditor is required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response.	The audit team will be required to: • perform walkthroughs of the IT environment; • identify and review relevant controls within the IT environment to ensure they are operational; • obtain details of the relevant IT / technical infrastructure (i.e., server location, database type); and • obtain details of the processes that operate within the IT environment (i.e., process to manage user access or manage a program or IT environment change).
Considering IT risks related to internal controls relevant to the audit.	The auditor is required to identify controls within a business process and identify which of those controls are controls relevant to the audit. For each internal control relevant to the audit, the auditor is required to evaluate the design of the control and evidence effective implementation of the control. The auditor is required to evaluate the design and determine the implementation of the general IT controls (ITGCs) that address the risks arising from the use of IT.	This requirement will lead to a significant change in practice, to the level of detail in which we will be required to understand the risks arising from the use of IT and associated general IT controls (ITGCs). There has been a significant increase in the number of detailed ITGC assessments required.
Control reliance	In previous years, where we had performed a walkthrough of your controls (such as operating expenditure), we were able to use the review of these controls to obtain comfort over the design effectiveness of your system. This would usually result in smaller sample sizes. The changes made to the ISA mean that design effectiveness will no longer grant a benefit when determining sample sizes.	There will be larger sample sizes across a number of areas. Key areas where we will likely see the biggest increase are: • operating expenditure and payables; • property, plant and equipment; • non-contract income. This is not a complete list but these will be the areas we expect to be most affected.

Audit logistics and team

- Planning and risk assessment
- Planning Visit February – March 2024
- Audit Committee June 2024 — Audit Plan
- Year end audit July – September 2024
- Audit Committee September 2024 — Audit Findings Report
- Audit Opinion

Page 100

Matt Dean - Key Audit Partner

Matt will be the main point of contact for the Section 151 Officer and Members for the Pension Fund. Matt will share his wealth of knowledge and experience across the sector providing challenge, sharing good practice, providing pragmatic solutions and acting as a sounding board with Members and the Audit and Standards Advisory Committee. Matt will ensure our audit is tailored specifically to you and is delivered efficiently. Matt will review all reports and the team's work.

Asad Khan - Audit Manager

Asad will work with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Asad will attend Audit and Standards Advisory Committees, undertake reviews of the team's work and draft reports ensuring they remain clear, concise and understandable to all. Asad will also work with Internal Audit to secure efficiencies and avoid any duplication across the audit.

Kieran McDermid - In-Charge Accountant

Kieran will lead the onsite team and will be the day to day contact for the audit. Kieran will monitor the deliverables, manage the query log with your finance team and highlight any significant issues and adjustments to senior management. Kieran will undertake the more technical aspects of the audit, coach the junior members of the team and review the team's work.

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes and the Annual Report
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are cleansed, are made available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit (as per our responses to key matters set out on slide 5)
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors for the next five years. The scale fee set out in the PSAA contract for the 2023/24 audit is £86,884.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here https://www.psaa.co.uk/appointing-auditors-and-fees/fee-variations-overview/'

Assumptions

In setting these fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Audit fees

	Proposed fee 2023/24
Brent Pension Fund Audit	£86,884
ISA 315	£7,530
Total audit fees (excluding VAT)	£94,414

*Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work.

Previous year

In 2022/23 the scale fee set by PSAA was £22,420. The actual fee charged for the audit was £51,771.

Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund.

Other services

No other services provided by Grant Thornton were identified.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•

Page 104

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
Identification or suspicion of fraud(deliberate manipulation) involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Grant Thornton

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Brent	**Brent Pension Fund Sub-Committee** 01 August 2024
	Report from the Corporate Director of Finance and Resources
Net Zero Roadmap Update	

Wards Affected:	ALL
Key or Non-Key Decision:	Non-key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
List of Appendices:	1. 2024 London CIV Responsible Investment Policy
Background Papers:	N/A
Contact Officer(s): (Name, Title, Contact Details)	Minesh Patel Corporate Director, Finance and Resources (minesh.patel@brent.gov.uk) Amanda Healy Deputy Director of Finance (amanda.healy@brent.gov.uk) Sawan Shah Head of Finance (sawan.shah@brent.gov.uk)

1.0 Executive Summary

1.1 This report presents an update on the Fund's net zero road map and updated London CIV responsible investment policy.

2.0 Recommendation(s)

2.1 That the Pension Fund Sub-Committee note the update to the net zero roadmap and London CIV responsible investment policy.

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

3.1.1 The work of the Pension Fund is critical in ensuring that it undertakes statutory functions on behalf of the Local Government Pension Scheme (LGPS) and complying with legislation and best practice. Efficient and effective performance and service delivery of the Pension Fund underpins all Borough Plan priorities.

Background

3.2 Responsible investment, in particular climate risk, continues to dominate the LGPS and broader investment landscape. Therefore, it is important for the Fund to evolve its investment strategy to take account of the opportunities and risks presented by climate change.

3.3 However, it is also important to remember that Fund is required to remain focused on its primary obligation to pay benefits to its members. Decarbonising a portfolio which is invested globally, across many sectors, is more challenging than decarbonising an individual organisation and it is challenging to invest in a “net zero” portfolio today.

3.4 The transition to a cleaner future will offer investment opportunities in the companies that lead the way during the transition or are at the forefront of new greener technologies and divestment alone in the short term will not necessarily support the global transition to net zero.

3.5 The Fund has made good progress to date in this regard with several important steps taken, these are summarised below:

- Developed an infrastructure fund through London’s asset pool, the London CIV (LCIV), with a significant renewable component. A commitment of £50m in this Fund was agreed in 2019 and a total of £39.6m has been invested by 31 March 2024. The design of this fund ensures that at least 25% will be allocated to renewables. In practice, around 40% of the Fund has been allocated to renewables since inception.

- The Fund committed £50m to the LCIV Private Debt fund in 2021. The London CIV required managers to show a clear commitment to integrating ESG issues into the investment process. Additionally, the manager has implemented an exclusions policy including thermal coal and the distribution and production of fossil fuels; and greenhouse gas metrics were reported for the first time in 2023.

- The Fund introduced an allocation into BlackRock’s Low Carbon equity fund in 2021 and this forms a core part of the Fund’s equity allocation. So far, £28m has been invested. This is a first step in in the evolution of the strategy to be more responsible investment focussed and actively reduce the carbon intensity of the Fund.

- Introduction of a dedicated Responsible Investment (RI) policy

- ESG and Climate Risk considerations play a significant part in the LCIV’s manager selection and monitoring process.

- For example, the Fund's emerging market mandate through the London CIV has zero exposure to fossil fuels and a carbon intensity of less than a quarter compared to similar emerging market mandates.

- Recently LCIV have strengthened the ESG elements of the PIMCO sleeve of the LCIV Multi Asset Credit (MAC) Fund which Brent invests in. These changes include:

    - Omitting corporate issuers with the weakest ESG credentials;
    - Omitting issuers which generate 10% or more of their revenues from thermal coal mining, oil and gas extraction or power generation from thermal coal or liquid fuels;
    - Reporting requirements strengthened to include scope 3 emissions.

Review of Global Equities

3.6 One of the asset classes with the highest carbon intensity are the equity holdings with Legal and General. Therefore, at its most recent investment strategy review, the Pension Fund Sub-committee agreed to a market review of the passive global equities allocation as reducing emissions here would make significant progress towards achieving the Fund's net zero ambitions. Initially this will focus on the global (ex UK) index-tracking equity fund.

3.7 The Pension Fund Sub-committee have considered the approaches that be taken for this portfolio. The key areas of focus are tilts based on ESG scoring, exclusions, engagement and transition alignment, and the committee have agreed a set of characteristics that will be used when selecting a new manager mandate to help the Fund achieve its net zero ambitions without harming funding outcomes.

3.8 Officers and the Fund's investment advisors are currently in the process of analysing a shortlist of Funds from Legal and General, BlackRock and London CIV against the desired characteristics, the philosophy & RI credentials of the manager and performance figures. The conclusions from this work and a recommendation will be presented at the October committee meeting.

London CIV Responsible Investment Policy

3.9 The London CIV have updated their Responsible Investment Policy which details the overarching responsible investment process and provides a reference point for the mechanisms in place to manage ESG risks and opportunities throughout the investment process.

3.10 The policy provides detail about the 3 key steps in LCIV's responsible investment approach:

1. Integration: Embedding responsible investment into the investment decision and design e.g. ESG questionnaires and quarterly meetings;

2. Engagement: Collaboration with companies, managers, peers and participants e.g. working with Hermes EOS (EOS) to use our shareholder rights to maximise shareholder value;
3. Disclosure: transparent reporting in line with best practice e.g. through the quarterly investment report.

3.11 In this policy LCIV have updated stewardship themes for engagement in 2024/25 to include natural capital, technology & cyber and, health, safety & wellbeing. The updated policy is attached in Appendix 1.

4.0 Stakeholder and ward member consultation and engagement

4.1 There are no direct considerations arising out of this report.

5.0 Financial Considerations

5.1 There are no direct financial considerations arising out of this report.

6.0 Legal Considerations

6.1 There are no legal considerations arising out of this report.

7.0 Equality, Diversity & Inclusion (EDI) Considerations

7.1 There are no equality considerations arising out of this report.

8.0 Climate Change and Environmental Considerations

8.1 There are no climate change or environmental considerations arising out of this report.

9.0 Human Resources/Property Considerations (if appropriate)

9.1 There are no HR or property considerations arising out this report

10.0 Communication Considerations

10.1 There are no communication considerations arising out of this report.

Report sign off:

Minesh Patel
Corporate Director of Finance and Resources

Responsible Investment Policy 2024

Contents

Working together to deliver sustainable prosperity for the communities that count on us all.

Introduction

About London CIV

London CIV was formed in 2015 and manages the investment of the pension assets of the 32 Local Government Pension Scheme (LGPS) Funds in London. We are one of eight LGPS pools.

We would like to acknowledge the continued support from our Clients on responsible investment, stewardship and climate change. Our shared commitment to minimising the financial and social risks of ESG factors enables us to generate sustainable returns and drive change together.

Investment Beliefs

London CIV Statement of Investment Beliefs

Our Investment Beliefs direct our investment practices in alignment with London CIV's purpose and values , specifically to collaborate with Client Funds and help them achieve theirpooling requirements and deliver value for Londoners through long-term and sustainable investment strategies.

The Beliefs help us define how we create value for Partner Funds in the context of future uncertainty, risk and opportunity. They also help us make practical decisions about the suitability of investment strategies, selection and monitoring of investment managers and pooled funds, performance objectives and the integration of best practice in sustainable investment and active ownership.

Recognising how important all stakeholders are in translating beliefs into practice, we have worked together to develop the Investment Beliefs and ensure they are aligned to our cultural values. Working with external investment managers to achieve delivery of these Beliefs is central to our role.

1. Long term investors earn better returns net of costs.
2. Careful calibration of risk against objectives, together with robust risk management, leads to better risk-adjusted returns.
3. Responsible Investment improves outcomes, mitigates risks and creates opportunities through:
   a. Good corporate governance
   b. Active stewardship and collective engagement
   c. Effective management of climate change risk
   d. Promoting diversity and inclusion
4. Providing value for money is critical and it is essential to manage fees and costs.
5. Collaboration, clear objectives, robust research and evidence-based decision-making adds value.
6. Targeting opportunities across the public and private asset markets is aligned to the needs of Client Funds.

Policy Purpose

The purpose of the Responsible Investment Policy ("the Policy") is to detail the framework governing London CIV's Responsible Investment approach. The policy structures our overarching responsible investment process and provides a reference point for the mechanisms in place to manage ESG risks and opportunities throughout our investment process. This policy should be read in conjunction with our Climate Policy, Stewardship Policy and Voting Guidelines for specific area guidance.

This document is written for London CIV's stakeholders including our partner funds, members of staff, and underlying fund managers. The first edition of the policy was approved by the Board following consultation with the Shareholder Committee. Subsequent updates have been approved similarly or under delegated authority in the case of minor changes e.g. consequential on changes to other policies and updates to stewardship priorities. London CIV's Responsible Investment team is responsible for the implementation and maintenanceof this policy.

Our Approach

London CIV believe responsible investment is not only a **moral imperative** but an **economic necessity**. We believe that in order to safeguard the interest of our clients and members, we must acknowledge that climate-related risks and broader ESG factors are a source of financial risk. We strive to integrate ESG considerations into our investment decisions and active ownership and support a data-led and transparent process. Our purpose statement is w*orking together to deliver sustainable prosperity for the communities that count on us all* London CIV further define ESG factors as the following:

- **Environmental -** Issues related to the conservation of the natural world and ecosystems, namely: carbon emissions and climate crisis, pollution of air and water, biodiversity, deforestation, energy efficiency, waste management, and water risks.
- **Social -** Issues related to people and the society, such as: human rights, inequality, human capital management, digitalisation, health and wellbeing.
- **Governance -** Issues related to standards for running a company, such as: tax, board composition, diversity and inclusion, renumeration, cyber security, anti-bribery, and corruption.

London CIV's responsible investment approach is pinpointed by three key steps.

1. Integration

We believe that by integrating responsible investment into investment decisions and our product designs, we can mitigate potential ESG risks and enhance portfolio resilience. We seek to design products that most importantly meet our duty of care by delivering the right risk-adjusted returns but can also deliver positive climate and social benefits. Integration of ESG considerations is introduced during the product development process to ensure ESG risk is factored in at both the product and portfolio level. ESG questionnaires are sent to managers before the selection process where the approach of the manager and their own corporate governance are assessed to indicate how advanced the manager's approach to ESG integration is. Due diligence meetings are conducted prior to appointment and quarterly meetings are held once managers have been selected as detailed in our Stewardship Policy.

2. Engagement

We expect companies in our portfolio to demonstrate their resilience against climate change and their responsibility for social considerations in their value chain. To strengthen our voting and engagement process, we work with our Hermes EOS (EOS) to use our shareholder rights to maximise shareholder value. Our strategy is engagement over exclusion, we believe rather than excluding companies and sectors which are deemed problematic, we can use our influence to improve a company's ESG performance. We have introduced an escalation strategy as detailed in our Stewardship Policy.

3. As a member of Local Authority Pension Fund Forum ("LAPFF"), London CIV works with our fund managers to ensure that theyexercise our rights in line with our responsible investment and engagement policies and taking into account our Voting and Engagement Guidelines.

4. Disclosure

London CIV have developed and implemented a robust monitoring and accountability mechanism to enhance transparency and reporting quality. We believe accurate and timely ESG disclosure is central to the effective implementation of commitments set out in this policy. London CIV is currently reporting on the following:

ESG Disclosures	Frequency
Quarterly Investment Reports[1] - ESG commentaries, voting and climate metrics at fund level	Quarterly
Stewardship Activities and Outcomes Report	Annually
TCFD Report	Annually
SRD II	Annually
UN PRI	Annually

Asset class considerations

Our responsible investment responsibilities extend to all funds held by London CIV. We recognise asset classes such as private markets and infrastructure can be more challenging due to limitation in ESG data and access. Recognising this, we have tailored our approach to each asset class which is detailed in our Stewardship Policy.

Stewardship

London CIV take a collaborative and collective approach to stewardship through engagement with investment managers, companies, regulators, peers, and market participants. We believe active ownership is a vital mechanism in managing risk and maximising triple bottom line (investment, social and environmental outcomes) returns. We have published our Stewardship Policy [Link] which details of our active stewardship approach. Our Stewardship Policy is designed to govern our approach to setting stewardship priorities and use of active ownership to drive real-world outcomes at scale. This policy is intended to inform our managers and suppliers about our main concerns and expectations across all ESG factors. As a signatory of the FRC's UK Stewardship Code and the UN PRI we are committed to following guidance of best stewardship practices. Our stewardship approach is summarised below:

1. Prioritisation

We believe we must prioritise stewardship themes that are the most material to our portfolio while acknowledging emerging themes. We identify and prioritise our key stewardship themes in five ways:

[1] Report is only available to investors of each fund

1. Identifying **global drivers** including macro risks, policy and regulation as well as stakeholder priorities.
2. Assessing **company drivers** unique to London CIV including asset specific risk, client priorities, our holdings and investments as well as where we can have influence.
3. Recognising **social materiality** in terms of which issues will have the biggest impact on the world around us.
4. Calculating **financial materiality** in terms of which issues will have the biggest impact on our returns.
5. Responding **reactively** to unforeseen events after a specific and significant incident. Where an issue is prioritised based on our exposure and the probability of a successful outcome.

2. Implementation

As active stewards, we seek to utilise the rights and position of ownership to influence the activities and behaviour of investee companies. We believe voting and engagement practices are interlinked and feed into each other; one can be the initiator or the complementary tool of the other, both should be used as effective tools to support long-term value creation. We have published our **Voting Guidelines** [insert link] which encapsulates our position in key ESG themes. We work with Hermes EOS to consolidate and harmonise our voting activities and to take account of LAPFF recommendations. For engagement, we take a collaborative approach which will be summarised in the next section.

3. Collaboration

We believe collaborating with other like-minded institutional investors and service providers is an effective way to pool knowledge and information as well as share costs and risks to influence corporate management. By working with our fund managers, companies, our voting and engagement manager, clients and peers we are able to:

1. **Build knowledge and skills:** through collective expertise on highly complex issues, enabling us to approach companies operating in challenging environments or covering a range of economic, regulatory, and cultural markets.
2. **Increase efficiency**: to avoid duplication of effort by sharing tasks and responsibilities.
3. **Enhance power and legitimacy:** through the collective reputation, size and weight of members which are difficult for companies to ignore

By engaging companies with a unified voice, we can more effectively communicate our concerns to corporate management. The result is typically a more informed and constructive dialogue.

Our Priorities

By utilising our prioritisation methodology highlighted in our **Stewardship Policy** to review priorities London CIV have identified the below five key stewardship themes for engagement in 2024/25. These priorities were selecteddue to the financial impact these issues pose and the influence we believe we can have.

Climate Change

Due to the materiality of climate change risk, London CIV have a standalone **Climate Change Policy,** which details our objectives and expectations on companies. London CIV have also committed to become a net zero entity by 2040 in line with the Paris Agreement objectives to limit global temperature rise below 1.5°C. In line with our ambition, we are committed to becoming a net zero company operationally as early as 2025. Addressing climate change is major part of our duty of care to clients and a strategic investment priority for London CIV. As all companies are subject to physical,transition risks or both, we expect all companies to report on climate change risks in line with the Task Force on Climate Related Financial Disclosures ("TCFD") and at least disclose their carbon footprint. We calculate our own climate risk working with our partner S&P Trucost and support the Transition Pathway Initiative using both resources to engage with our material holdings.

Human Rights and Human Capital

As institutional investors, London CIV have a responsibility to respect human rights as formalised by the UN and the Office of Enforcement and Compliance Assurance ("OECA") in 2011. Increasing visibility and urgency around many human rights issues coupled with a better understanding of our role and responsibility in shaping real-world outcomes across our investment activities has increased expectations on the protection of human rights. Our approach to managing human rights issues applies to all our themes relating to people. We believe that by meeting international standards and preventing and mitigating actual and potentially negative outcomes for people leads to better financial risk management and helps to align activities with the evolving demands of beneficiaries, partner funds and regulators.

Recognising human capital as a core driver of long-term value, our Stewardship Policy emphasises active engagement with investee companies and the investment managers we work with. Diversity and inclusion, key components of human capital, are not just ethical imperatives; but are demonstrably linked to stronger financial performance, innovation, and talent retention[1]. Studies show companies with greater gender and ethnic diversity outperform peers in key metrics like return on equity. A diverse workforce can foster deeper understanding of global markets, drive cutting-edge product development, and attract top talent – all critical factors for its future success. Through regular dialogue, we encourage investee companies and investment managers to improve transparency in diversity data, implement inclusive hiring practices, and cultivate a culture that empowers all employees. Such engagement aligns not only with our commitment to fair and responsible investment, but also with maximising long-term returns for our clients' beneficiaries. We are a memberof the Diversity Project, Asset Owners Diversity Working Group and Investor Alliance for Human Rights.

Natural Capital

As responsible investors, protecting and restoring natural capital is paramount. Businesses simultaneously impact and depend upon clean air, water, and biodiversity – resources forming the very foundation of their operations and long-term viability. Unsustainable practices like deforestation, water pollution, and greenhouse gas emissions not only inflict environmental damage but also expose businesses to significant financial risks, from disrupted supply chains to regulatory penalties. Through active engagement, we encourage investee companies to adopt responsible practices like resource efficiency, renewable energy sources, and biodiversity conservation. Investing in natural capital isn't just about environmental responsibility; it's about safeguarding the foundation of a sustainable future and mitigating risks for long-term financial returns. As early adopters of the Taskforce on Nature-related Financial Disclosures (TNFD), London CIV are also committed to reporting against our nature-related risk in 2025.

[1] **Catalyst, "Why Diversity Matters" (2023)**

Technology & Cyber:

Responsible investment necessitates active engagement with technology's impact. From artificial intelligence (AI) shaping industries to cybersecurity threats evolving, navigating this dynamic landscape requires collaboration. We promote responsible development and adoption of AI, encouraging ethical considerations and potential risks. We advocate for robust cybersecurity measures and proactive threat mitigation strategies. By engaging with investee companies, we strive to ensure technology empowers a sustainable and secure future, contributing to long-term value creation for our clients' beneficiaries.

Health, Safety & Wellbeing:

Investing in a healthy and thriving workforce is paramount. We believe a focus on health, safety, and wellbeing isn't just a moral imperative but also a strategic investment. Proactive health initiatives and safety protocols reduce risks and create a positive work environment, boosting employee engagement and productivity. We encourage investee companies to prioritise employee wellbeing through comprehensive healthcare options, mental health support, and safe working conditions. By fostering a healthy and safe work environment, we contribute to a more resilient and productive workforce, ultimately enhancing long-term value.

Governance of this policy

This policy is developed by the Responsible Investment team and will be reviewed annually to ensure it is current and updated periodically in particular to reflect revised stewardship priorities . The integration of ESG considerations in manager selection, monitoring and management is explicit in all roles within the Investment Team. Overall responsible investment development and operational accountability isled by the chief sustainability officer (CSO) who reports to the chief executive officer ("CEO") and is supported by two responsible investment managers each responsible for Climate and Stewardship as well as an RI analyst.

The Board of London CIV is responsible for agreeing the high level purpose and belief statements which guide London CIV, including in respect of Responsible Investment and for approving key policies in this area (Executive Responsibility is held by the CEO who is responsible for approving changes in the usual course of business). This policy is recommended by the CSO.

The development of this policy has been supported by key stakeholders including the Sustainability Working Group ("SWG") previously the Responsible Investment
Reference Group ("RIRG"), membership of which includes representatives from Client Funds, London CIV. The Shareholder Committee is consulted when changes are made.

Other Documents

Policy Framework

This document is the overarching policy which governs our:

- Voting Policy
- Stewardship Policy
- Climate Policy
- Investment Governance Document
- Investment Beliefs

Getting in Touch

If you have any questions or comments about this report please email Jacqueline Amy Jackson, Head of Responsible Investment at RI@LondonCIV.org.uk.

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Version Control

Date	Status	Summary of Change	Author
October 2018		Document created	
December 2020		To include information of reviews undertaken to implement the policy.	RI team
April 2022		Restructured to include information from Stewardship Policy, Climate Policy and other RI documents.	RI Team
March 2024		New additions to reflect updated stewardship priorities following a 3 year review.	RI Team

Brent	**Brent Pension Fund Sub-Committee** 1 August 2024
	Report from the Corporate Director of Finance and Resources

Local Authority Pension Fund Forum (LAPFF) Engagement Report

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
List of Appendices:	One - LAPFF Engagement Report Q1 2024
Background Papers:	N/A
Contact Officer(s):	Minesh Patel Corporate Director, Finance and Resources (minesh.patel@brent.gov.uk) Amanda Healy Deputy Director of Finance (amanda.healy@brent.gov.uk) Sawan Shah Head of Finance (sawan.shah@brent.gov.uk) George Patsalides Finance Analyst (george.patsalides@brent.gov.uk)

1.0 Executive Summary

1.1 This report is for noting and presents members with an update on engagement activity undertaken by LAPFF (the Local Authority Pension Fund Forum) on behalf of the Fund. The Fund's commitment with LAPFF and its work demonstrates its commitment to Responsible Investment and engagement to achieve its objectives.

2.0 Recommendation(s)

2.1 The Committee is recommended to note this report and express their view on Brent's continued membership of LAPFF.

3.0 Detail

3.1 **Contribution to Borough Plan Priorities & Strategic Context**

3.1.1 The work of the Pension Fund is critical in ensuring that it undertakes statutory functions on behalf of the Local Government Pension Scheme and complying with legislation and best practice. Efficient and effective performance and service delivery of the Pension Fund underpins all Borough Plan priorities.

4.0 Background to LAPFF

4.1 LAPFF (the Local Authority Pension Fund Forum) has 87 members, 7 pools and combined assets exceeding £350bn. With investments widespread in many sectors, LAPFF's aim is to act together with the majority of the UK's local authority pension funds and pool companies to promote the highest standards of corporate governance in order to protect the long-term value of local authority pension funds.

4.2 Leading the way on issues such as campaigns against excessive executive pay, environmental and human rights campaign, reliable accounting and a just transition to a net zero economy, the Forum engages directly with company chairs and boards to affect change at investee companies. LAPFF engages with companies and its stakeholders, such as employees and local communities, to understand their views on a company's behaviour and risks. Some issues extend beyond the behaviour of individual companies to the way markets function. The engagement is member led and on behalf of the Brent Pension Fund and other local authorities, LAPFF are able to challenge regulators and deliver reforms that advance corporate responsibility and responsible investment.

4.3 In October 2019, the Pension Fund Sub-committee approved Brent Pension Fund's membership into LAPFF. Members of the Pension Sub-committee are welcome to attend meetings of the Forum. As a member of LAPFF, Brent Pension Fund are entitled to contribute to and participate in the work plan organised by the Forum around issues of common concern.

4.4 Collaboration with other investors has the potential to strengthening the voice of Pension Funds, influence major companies on key ESG issues and help drive real-world change. Examples of the work carried out by LAPFF are provided below and in previous engagement reports to the committee. Individual funds, like Brent, engaging with companies on their own are unlikely to much of an impact and the Fund would require significant resources to do so effectively. Therefore, membership of collaboration groups such as LAPFF is considered to be more efficient whilst also likely to have greater impact.

4.5 As proponents of responsible investment, officers recommend that the Brent Pension Fund continues its membership of the LAPFF in light of the positive work done to further our commitment to corporate responsibility. Membership of the Forum has an annual cost of £11,850. We would invite the Sub-

Committee to express their view on the Brent Pension Fund continuing as a member of LAPFF.

5.0 Engagements Conducted by LAPFF

5.1 The LAPFF policy on confidentiality requires that all company correspondence (letters and meeting notes) remain confidential; however, LAPFF produce a Quarterly Engagement report to give an overview of the work undertaken. A summary of key engagement work has been provided in this report. The full report is attached in Appendix 1 (for Q1 2024) and highlights the achievements during relevant periods.

Banking

5.2 LAPFF's objective in engaging with the banking and finance sector is to see that banks develop and implement clear policies with evidence of progress in moving capital away from the fossil fuel sector and encourage other companies to transition accordingly. From the perspective of the banks, financing the energy transition represents a significant and growing business opportunity, while lending to the fossil fuel sector carries with it the risks of "stranded assets" and potential reputational damage. In particular, HSBC and Barclays still have significant exposure to the fossil fuel sector and are among the largest lenders to the infrastructure and energy sectors.

5.3 LAPFF was satisfied to see HSBC publishing a clear transition plan for 2024, which outlined significant financing opportunities in Asia and their integrated climate assessment process when lending. By contrast, the Forum has levied criticism on Barclays for a lack of meaningful policy in this area, as well as its continued investment in new fossil fuel projects.

5.4 In response to this, the bank has issued a new and updated climate change statement, which considers the IEA's (International Energy Agency) net zero energy scenario, where no new oil and gas projects will be needed if we are to achieve net zero by 2050. Key highlights include a commitment to provide no project finance or other direct finance to oil and gas companies for new upstream oil and gas "expansion" projects and a commitment to withhold financing to new oil and gas clients if more than 10% of their total planned oil and gas capital expenditure is for new upstream projects. The statement is a major step forward for the company and helps address some of LAPFFs key concerns.

5.5 Following LAPFF's successful engagements in the banking sector, the Forum has expanded its scope by approaching five Canadian banks to discuss their transition plans and climate related lending operations because the Canadian banks can be seen as laggards on climate action, with several having increased their lending to the oil and gas industry in recent years.

Water stewardship

5.6 Over the past two years, LAPFF has been challenging UK water utility companies in the wake of sewage overflows. Engagements in this area have sought to ensure utility firms are taking appropriate action to remedy the situation and in turn reducing investment risks arising from reputational damage. The scope of these engagements has expanded to assessing the financial resilience of the sector, in consideration of the situation at Thames Water.

5.7 LAPPF has met with the CFO of United Utilities to discuss their plans for managing sewage overflows under Ofwat's price review process, which included investment strategies to improve environmental performance and deliver value for money. The Forum continues to press water utility firms to ensure plans are being delivered and that critical infrastructural failures are being remedied.

Luxury goods

5.8 Legislation globally is increasingly incorporating human rights considerations, including potential fines for companies found to have forced labour or other human rights abuses in their supply chains. There can be a common misconception that paying a premium for luxury items directly translates into better wages and working conditions for workers. However, the luxury goods sector, like many others, is not immune to the challenges and risks associated with human rights violations, such as forced labour, child labour, unsafe working conditions, and inadequate wages.

5.9 During the quarter, LAPFF engaged with five luxury goods companies, several of which were new engagements for the Forum. Meetings were held with key industry players, such as Richemont SA, Kering SA, and Louis Vuitton. These engagements provided LAPFF with valuable opportunities to initiate dialogues, aiming to establish good relationships and gain a deeper understanding of the companies' current practices. Moreover, these discussions allowed LAPFF to present an investor's perspective on why enhanced disclosures are critical, demonstrating a company's commitment to mitigating legal and reputational risks associated with human rights issues.

5.10 LAPFF will continue to monitor these companies' practices and disclosures, providing feedback and recommendations as necessary to ensure that human rights considerations are being adequately addressed and integrated into their business models and supply chain operations. LAPFF has calls scheduled with Moncler and Burberry for Q2 2024 and will aim to build on the initial engagements held with companies in Q1.

Transport

5.11 Transport is a major contributor to global carbon emissions. Limiting global warming to 1.5C requires a rapid shift away from internal combustion engine vehicles towards electric vehicles. To support this transition, adequate charging infrastructure is required to overcome charging anxiety. LAPFF sought to understand progress in scaling up charging infrastructure and the challenges of delivering charging points for a charging point producer.

5.12 LAPFF met with an ABB E-mobility representative to discuss electric charging infrastructure. The Swedish-Swiss company is a major player in charging infrastructure and describes itself as the world's number one in EV charging solutions. The engagement covered the impact of regulation in the EU and US, which was starting to increase the requirements on charging, the impact on demand of the price of EVs, future-proofing technology, and how the interoperability of connectors was becoming less of a barrier. LAPFF will continue to engage those in the EV charging infrastructure sector given its critical role to the decarbonisation of surface transport.

Mining

5.13 Continuing its work with mining companies and affected communities, one of the main objectives of LAPFF's work on mining and human rights is to make other investors and stakeholders aware of these financial risks. To this end, LAPFF issued a report on its visit to Brazilian communities affected by tailings dams, as well as attending the Mining Indaba in Cape Town, South Africa, an annual convention to discuss issues surrounding mining activity.

5.14 While the Forum members were reassured by discussions on health and safety, they noted a lack of representation of mining workers and affected community members in attendance, as well as a lack of planning to transition away from coal in relation to climate change activity. Although LAPFF accepts that there must be a managed decline of coal, the Forum would have expected a clear timeline to transition away from the fuel, in addition to more concrete plans for the JET (Just Energy Transition). LAPFF will continue its partnership with the UN Working Group and other stakeholders to inform best practice on mining and human rights, while linking the work done to financial materiality for investors.

6.0 Stakeholder and ward member consultation and engagement

6.1 There are no direct considerations arising out of this report.

7.0 Financial Considerations

7.1 There are no direct financial considerations arising out of this report.

8.0 Legal Considerations

8.1 There are no legal considerations arising out of this report.

9.0 Equality, Diversity & Inclusion (EDI) Considerations

9.1 There are no equality considerations arising out of this report.

10.0 Climate Change and Environmental Considerations

10.1 The Brent Pension Fund is committed to being a responsible investor, which involves engaging with and encouraging companies to take positive action on environmental, social and governance (ESG) issues.

11.0 Human Resources/Property Considerations (if appropriate)

11.1 There are no HR or property considerations arising out this report.

12.0 Communication Considerations

12.1 There are no communication considerations arising out of this report.

Report sign off:

Minesh Patel
Corporate Director of Finance and Resources

Quarterly Engagement Report

January-March 2024

Local Authority Pension Fund Forum

HSBC, Barclays, Water Stewardship, Luxury Goods

ENGAGEMENTS

BANKS AND CLIMATE:

Barclays and HSBC

Objective: Banks have a significant role to play in addressing climate change, through providing finance to the energy transition and by moving capital away from the fossil fuel sector, as well as using their influence more widely as lenders to support and encourage companies to transition. From the perspective of the banks, financing the energy transition represents a significant and growing business opportunity, while lending to the fossil fuel sector carries with it the risks of "stranded assets" and potential reputational damage.

LAPFF's objective in engaging with the sector is to see banks developing and implementing clear policies, together with evidence of progress, in the following areas:

- Support for the energy transition through financing activities supporting renewable and clean energy, energy efficiency and other climate solutions.
- Managing and scaling down exposure to the fossil fuel industry, particularly in regard to long term and new projects and activities.
- A clear commitment to assessing all relevant client businesses on their exposure to climate change, assessment, and support on developing transition plans and activities, including appropriate assessment of key risk areas.

LAPFF's priority in the banking sector has been the two UK banks HSBC and Barclays, as they have significant exposure to the fossil fuel sector and are among the world's largest lenders to the infrastructure and energy sectors.

This quarter LAPFF met with HSBC and has an upcoming meeting with Barclays. LAPFF engaged with both Barclays and HSBC extensively in 2023, with climate change being a key focus. It was therefore reassuring to see that both banks have made progress this year, with HSBC publishing its latest transition report in January and Barclays publishing in February 2024 an updated Climate Change Statement covering, in particular, its lending to the fossil fuel industry together with its updated transition plan.

HSBC's 2024 transition plan was generally very strong, with a clear understanding of climate change and the energy transition, and significant commitment on climate lending and integrated climate assessment in lending. The company is clearly interested in the potential of financing the energy transition, particularly in Asia where there are very significant lending opportunities. The tone and approach was notably positive, providing some reassurance of the company's general

ENGAGEMENTS

commitment.

Barclays has faced particular criticism, including from the Forum, for its ongoing lending to the fossil fuel industry and its lack of meaningful policies in this area. This has resulted in calls for consumer boycotts, as well as a shareholder resolution organised by ShareAction. In response to this external pressure, including multiple engagements by LAPFF, the company issued and updated its climate change statement, which goes some way to addressing these concerns. The statement is clearly aiming to show Barclays is taking account of the IEA's (International Energy Agency) net zero energy scenario, which states there is no need for new oil and gas projects if we are to achieve net zero by 2050. Key highlights include:

- A commitment to provide no project finance or other direct finance to oil and gas companies for new upstream oil and gas "expansion" projects or related infrastructure.
- From 2025, a provision that Barclays will only provide financing (new or renewal) by exception for existing upstream oil and gas clients where more than 10% of their total planned oil and gas capital expenditure is for new long lead projects.
- A commitment to withhold financing to new oil and gas clients if more than 10% of their total planned oil and gas capital expenditure is for new upstream projects.
- Requirements for oil and gas companies to commit to reducing their own emissions, including having 2030 methane reduction targets, a commitment to end all routine / non-essential venting and flaring by 2030, and near-term net zero aligned Scope 1 and 2 targets by January 2026.
- Various more specific restrictions for new energy clients engaged in expansion, on-diversified energy clients engaged in long lead expansion, and on unconventional oil and gas, including Amazon and extra heavy oil.
- An expectation for oil and gas clients to produce transition plans or decarbonisation strategies by January 2025.

The statement is a major step forward for the company and helps address some of our key concerns, in particular recognising that financing new oil and gas exploration infrastructure is unacceptable, given that the IEA has stated such projects are not compatible with achieving net zero. The NGO ShareAction has, as a result, withdrawn its shareholder resolution on climate, which was likely to have attracted significant support from shareholders, including LAPFF.

In Progress: Although the banks have made significant progress on addressing climate risk, LAPFF seeks to encourage further action in the following areas:

- Stronger restrictions on lending to the fossil fuel sector, covering the oil majors and ensuring full compatibility with the limitations on investment in new oil and gas envisaged in the IEA net zero scenario.
- Proper disclosure and analysis of transition plans, so we can be assured the banks are mitigating climate risk and supporting the energy transition, and not being taken in by incomplete or unrealistic transition plans, particularly where companies need to transform more than transition. Caution over the use of expensive, high risk approaches to solving climate risk, such as carbon capture and storage (CCS), both in direct lending exposure and wider analysis of risk.
- Robust commitments to financing the energy transition, involving the deployment of new funds to new projects.

With Barclays, LAPFF would like to see further progress in its climate statement and will be pressing the company to such effect. The current statement is complex and opaque and has many loopholes and exceptions – notably its exclusion of oil majors from any specific restrictions as long as they have a rudimentary transition plan. LAPFF would like significant tightening of the restrictions so that Barclays is not directly or indirectly funding new oil and gas projects. LAPFF also expects to see a steady decline in the actual levels of lending to the sector.

On transition plans Barclays will need to demonstrate it can adequately scrutinise them and hold companies to account where it decides to lend. Transparency around its assessment of oil and gas companies will be crucial. LAPFF will also monitor its involvement in some of the technological so-called climate solutions which the Forum considers expensive and high risk, such as CCS. LAPFF will pressing these points in an upcoming meeting.

HSBC is better placed to address climate risk and appears to have a broader appreciation of climate change and the profound transformation it entails. LAPFF would still like to see the company strengthen its restrictions over oil and gas lending, backed up by evidence of further action on reduced lending. LAPFF will also monitor the rate of lending to fund the energy transition and HSBC's use and understanding of transition plans.

Alongside engagement with Barclays and HSBC, after a review of the global banking sector LAPFF has decided to expand its activity and has approached five Canadian banks to discuss their transition plans and climate related lending. This included Toronto Dominion, Royal Bank of Canada, Bank of Montreal, Scotia Bank and CIBC. These have been selected because the Canadian banks can be seen as laggards on climate action, with several having increased their lending to the oil and gas industry in recent years. LAPFF has significant holdings in these banks and there is ongoing shareholder activity that can provide a platform for engagement.

CLIMATE

Objective: Decarbonising power needs to be a major contributor to reducing global carbon emissions. Limiting global warming to 1.5C requires a rapid shift away from carbon emitting processes.

LAPFF engaged with Drax this quarter as there are questions about the time scale over which new growth of trees will compensate for the >10MT of CO_2 Drax emits each year. The Forum sought to understand the company's business model, associated risks and sustainability of the supply chain for wood pellets for combustion at Drax Power Station, which are mainly imported, and their cost, considering that gas and renewables offer cheaper alternatives.

Achieved: Since their last AGM the chair has been replaced as expected given his tenure and the Forum is arranging

ENGAGEMENTS

a meeting with the new chair. LAPFF responded to the consultation from the Department of Energy Security and Net Zero on prolonging the subsidy to Drax.

LAPFF's response to the consultation covered the evidence that Drax's supplies of wood are not carbon neutral, nor sustainable as a supply source (being dependent on US imports). Just after the LAPFF submission, BBC Panorama had its second exposé of Drax's activities. Drax claims to source its wood pellets from sustainable sources by way of waste material. However, the BBC investigation showed that not only has Drax been cutting and using whole trees, but that the trees cut were from rare forest wood, rather than managed plantations. .

The consultation also states the DESNZ position that subsidised biomass burning (in the case of Drax, wood), will increase the cost of electricity and displace renewables.

In progress: LAPFF is awaiting a meeting with the new chair and is following government policy in this area closely. In March 2024, the government announced that new gas plants will be needed for intermittent supply of energy when there is insufficient generation from renewables. That would seem to be relevant to the medium to long-term future of Drax.

ABB

Objective: Transport is a major contributor to global carbon emissions. Limiting global warming to 1.5C requires a rapid shift away from internal combustion engine vehicles towards electric vehicles. To support this transition, adequate charging infrastructure is required to overcome charging anxiety. LAPFF sought to understand progress in scaling up charging infrastructure and the challenges of delivering charging points for a charging point producer.

Achieved: LAPFF met with an ABB E-mobility representative to discuss electric charging infrastructure. The Swedish-Swiss company is a major player in charging infrastructure and describes itself as the world's number one in EV charging solutions. The meeting covered the likely trajectory of EV take-up, demand for charging infrastructure, and the use case for different charging solutions. The engagement covered the impact of regulation in the EU and US, which was starting to increase the requirements on charging, the impact on demand of the price of EVs, future-proofing technology, and how the interoperability of connectors was becoming less of a barrier. The meeting also discussed challenges for charging infrastructure, including around software. At the meeting LAPFF also raised the issue of human rights in its supply chain.

ABB is a Swedish-Swiss multinational corporation headquartered in Zurich, Switzerland

Progress: LAPFF will continue to engage those in the EV charging infrastructure sector given its critical role to the decarbonisation of surface transport. This will cover consistency and coverage of services.

WATER STEWARDSHIP

United Utilities

Objective: Over the past two years, LAPFF has been engaging UK water utility companies on sewage overflows. These engagements have sought to ensure companies are reducing storm overflows and thus reducing the investment risks, including those associated with reputational damage and regulatory intervention. As the sector has acknowledged that more needs to be done and has started to outline plans, LAPFF's focus has expanded to ensure overflows are being reduced against targets and to look more closely at how companies are seeking to deliver future improvements. At the same time, LAPFF has also been engaging the publicly listed companies on the financial resilience of the sector given the situation at Thames Water.

Achieved: LAPFF met with the chief financial officer at United Utilities to discuss the company's plans for reducing overflows. In October, water utility companies set out their plans under Ofwat's price review process. These plans include investment strategies for improving environmental performance (regulated by the Environment Agency) such as storm overflow reductions. The meeting therefore spent some time discussing United Utilities' investment plans under the price review.

The last round of engagements with water companies included discussion around investment needed in infrastructure. An important area LAPFF wanted to follow up on was delivering value for money and ensuring affordability for customers given the additional investment and higher prices needed. The meeting discussed adaptive planning, supply chain capacity,

ENGAGEMENTS

consultation and support for the plans from their customers, and financial assistance for lower income households.

The meeting also discussed gearing levels and implications for United Utilities. This covered the definition of gearing: the traditional debt to equity versus debt to assets, which is used by the regulator, and that the Ofwat definition is less sensitive to increasing debt than the traditional one. The situation at Thames Water was also discussed as was the differences between publicly listed and private equity run firms.

In progress: As additional funding comes into the sector to address storm overflows, LAPFF will engage with water utilities to ensure that plans are being delivered, overflows are being reduced, and the investment represents value for money for shareholders and stakeholders.

HUMAN RIGHTS

Luxury goods

Objective: Legislation globally is increasingly incorporating human rights considerations, including potential fines for companies found to have forced labour or other human rights abuses in their supply chains. Managing such human rights risks is a crucial component of sustainable company practices and increasingly a financially material issue for investors, especially in a sector reliant on branding and reputation. There can be a common misconception that paying a premium for luxury items directly translates into better wages and working conditions for workers. However, the luxury goods sector, like many others, is not immune to the challenges and risks associated with human rights violations, such as forced labour, child labour, unsafe working conditions, and inadequate wages, which are prevalent in industries and supply chains worldwide.

Achieved: During the quarter, LAPFF engaged with five luxury goods companies, several of which were new engagements for the Forum. Meetings were held with key industry players: Richemont SA, Kering SA, and Louis Vuitton Moet Hennessy. Prior to these meetings, it was recognised that LAPFF's requests would need to be varied due to the differing levels of disclosure and transparency regarding human rights programmes, risk management, and supply chain due diligence among the companies. These engagements provided LAPFF with valuable opportunities to initiate dialogues, aiming to establish good relationships and gain a deeper understanding of the companies' current practices. Moreover, these discussions allowed LAPFF to present an investor's perspective on why enhanced disclosures are critical, demonstrating a company's commitment to mitigating legal and reputational risks associated with human rights issues.

In Progress: LAPFF has calls scheduled with Moncler and Burberry for Q2 of

Louis Vuitton Shop in Paris France

ENGAGEMENTS

2024 and will also aim to build upon the initial engagements held with companies in Q1 in the upcoming months to ensure robust human rights risk management is viewed as a company responsibility, but also a key factor in safeguarding the companies' long-term value and reputation. LAPFF will continue to monitor these companies' practices and disclosures, providing feedback and recommendations as necessary to ensure that human rights considerations are being adequately addressed and integrated into their business models and supply chain operations.

MINING & HUMAN RIGHTS

Objective: The financial materiality of human rights impacts and mining cannot be overstated. Continuing its work with mining companies and affected communities, one of the main objectives of LAPFF's work on mining and human rights is to make other investors and stakeholders aware of these financial risks.

Achieved: To this end, LAPFF had its report on its visit to Brazilian communities affected by tailings dams translated into Portuguese. This translation took place on calls from Brazilian investor and community partners who explained that it would help to mobilise Brazilian investors on this issue. A press release of the report was issued during the quarter.

LAPFF also attended the 2024 African Mining Indaba in Cape Town, South Africa this quarter. The Indaba takes place annually in South Africa and brings together the international mining community to discuss mining as it relates to the African context. While it was heartening to hear the attention paid to issues such as health and safety, there were two areas of concern from LAPFF's perspective. First, there were almost no mine workers and no affected community members included in the conference panels. Generally, these voices are heard at an alternative Indaba that takes place alongside the main Indaba. LAPFF pointed conference participants to its reports on mining and human rights to highlight the financial materiality of human rights for investors. Second, the main line in relation to climate change was renewables plus coal, rather than a discussion about how to move away from coal and a timeline for doing so. Although LAPFF accepts that there must be a managed decline of coal, the emphasis on use of coal and 'clean uses' for coal were a worry. LAPFF also would have expected a clear timeline to transition away from coal. There were discussions about a just energy transition (JET) at the Indaba, but LAPFF would have liked to hear more concrete plans for this transition and more evidence that it is being taken seriously.

In Progress: LAPFF submitted a response to the UN Working Group's consultation on investors and ESG, which included the submission of its reports and work with affected community members. This focus appears to be of interest at the international level, and LAPFF will continue to work with the UN Working Group and other stakeholders to inform best practice on mining and human rights, while linking the work to financial materiality for investors.

Israeli Armored CAT Caterpillar D9 armored bulldozer in Gaza border Israel

COMPANY PRODUCT USE IN CONFLICT ZONES

Caterpillar, RTX Corp, BAE Systems, Lockheed Martin, Thales

Objective: LAPFF sought engagement with several defense and manufacturing companies regarding humanitarian and human rights impacts in high-risk and conflict-affected areas such as Gaza. These engagements are important for companies operating in or providing products and services involved in conflicts have heightened risks and responsibilities when it comes to upholding human rights standards.

LAPFF aims to ensure companies are implementing robust human rights due diligence practices and are adhering to international standards. Failure to do so could leave a company open to reputational damage, erosion of public trust, and legal liabilities.

Achieved: In letters sent to Caterpillar, RTX Corp, BAE Systems, Lockheed Martin and Thales, LAPFF sought to better understand how these companies manage human rights risks associated

ENGAGEMENTS

with use of their products, particularly in the context of conflict zones.

LAPFF received responses to these letters RTX Corp, Lockheed Martin, and Caterpillar, who provided links to their respective human rights policies but did not provide substantive responses on the issue. LAPFF will be discussing the issues at an upcoming meeting with BAE, but at the time of writing, Thales has failed to respond to LAPFF's request for engagement.

In Progress: LAPFF is continuing to engage and develop its approach to sectors that operate in conflict-affected and high-risk areas. Through these engagements LAPFF seeks greater transparency around companies' human rights policies, encourages companies to prevent or mitigate human rights violations, and urges compliance with international humanitarian laws and the UN Guiding Principles on Business and Human Rights (UNGPs). Companies have a responsibility to undertake heightened human rights due diligence in high-risk conflict areas.

WORKERS' RIGHTS

Starbucks update headline

Last year, LAPFF recommended a vote in favour of a shareholder proposal at Starbucks, which sought a review of workforce practices at Starbucks and was co-filed by LAPFF member Merseyside Pension Fund. This resolution passed with 52% voting in favour.

Over the past year, LAPFF has witnessed significant improvement in employment relations at the company. Starbucks and the Workers United Union have begun work on a "foundational framework" which they say will deliver collective bargaining agreements, and a fair process for organising. After a period of friction within the company, LAPFF welcomes a more collaborative approach.

Apple voting alert

LAPFF has been engaging technology companies on their governance and human rights practices for a number of years. LAPFF policy is to encourage companies to adopt human rights policies and management practices in line with the UNGPs, and it believes these policies and practices should be disclosed to shareholders. Technology companies have a great potential impact on human rights, including the rights to privacy and freedom of expression. Their reach is wide, and they are well-known and used globally, so any mis-steps raise operational, reputational, legal, and consequently financial concerns for investors. Given the financial materiality of their human rights practices, LAPFF routinely issues voting alerts for some of these companies, including Apple.

At the company's 28 February 2024 AGM, LAPFF recommended a vote in favour of two shareholder resolutions that received significant shareholder support. These were resolution 6 requesting racial and gender pay gaps reporting which received 30.85% support, and resolution 7 calling for a report on the use of AI, which received 36.49% support. Whilst these resolutions did not pass, the significant investor support for these resolutions provides a clear signal from shareholders.

COLLABORATIVE ENGAGEMENTS

30% Club Investor Group Global Workstream – KKR & Co

LAPFF remains an active member of the 30% Club Investor Group, taking the lead with companies through the Group's Global Workstream, which aims to increase gender diversity on corporate boards and in senior leadership positions at companies outside of the EU and UK.

Through this workstream, LAPFF met with KKR & Co in January, an American global investment company. LAPFF asked the company questions regarding potential targets on gender diversity, as well as what it might be setting for its portfolio companies. Across the US, it is clear that the ESG backlash and the Fair Admissions v. Harvard case at the US Supreme Court, is causing mounting pressure on companies to stop or reduce DE&I programmes and activities. LAPFF will seek to navigate this environment when engaging with US companies on this issue, and can continue to seek for disclosures such as pay gap reports where companies may be currently cautious to set targets on diversity.

WBA: Calls with Occidental and Equinor over Climate

Objective: The transition to net zero may have a range of positive and negative impacts for workers, communities, supply chains and consumers. The negative impacts, such as loss of employment or loss of a large employer from a local economy, pose risks to company reputations, could lead to operational disruption, and could delay the transition to net zero. Indeed, the decarbonisation of business will require retraining and redeployment of existing skills.

As such, if a climate transition plan is to be credible it will need to consider the social implications of the transition. However, to date, many of the companies that will need to decarbonise have not clearly set out just transition plans or integrated these into climate transition plans. The World Benchmarking Alliance's study of the oil and gas sector found companies falling short on just transition expectations, such as their engagement with stakeholders on the issue, retraining and reskilling workers, and outlining just transition plans. On the back of the study, collaborative engagements have been undertaken seeking to ensure progress in these areas.

Achieved: In the quarter, LAPFF joined calls with Occidental and Equinor. In the meeting with Occidental, the

ENGAGEMENTS

company outlined its approach to the just transition. The company has made a commitment to a just transition and has identified four groups its pathway will support: energy workers, energy-producing communities, communities susceptible to climate impacts and low-income consumers. The company's commitment to a just transition was positive to hear, whilst the meeting also provided investors the opportunity to outline where they wanted to see further progress. Occidental's transition to net zero is reliant on CCS and direct air capture technologies. These are technologies that LAPFF and a growing number of investors have questions about. This approach therefore raises questions not only about the feasibility of net zero plans, but the impact on workers and communities if these technologies are not scalable.

In another meeting as part of the same WBA initiative, LAPFF joined a collaborative call with Norwegian energy company, Equinor. This followed on from a meeting with the company in October last year which explored how Equinor's just transition policy commitment was being implemented. This meeting involved the company's people and organisation team and focused on the workforce dimension to the transition. The details about their approach to the just transition were more granular than provided in some just transition meetings. As Equinor still has progress to make, it was encouraging that they mapped out how the company was developing its just transition plans further. The discussion touched on social dialogue in Norway and its approach in other countries, the consultation process when decommissioning operations, skills training, and its just transition strategy and metrics.

In progress: LAPFF will be closely following oil and gas companies' progress on just transition planning, including engagement with the workforce, metrics and targets, and overarching plans.

Rathbones Votes Against Slavery

The Votes Against Slavery (VAS) initiative, spearheaded by Rathbones, focuses on addressing and reducing modern slavery practices by targeting non-compliant

Cry for help, sewn into a piece of clothing, made in Bangladesh

companies within the UK's FTSE 350 and, starting from 2024, the FTSE AIM markets. This expansion reflects an effort to encompass a broader range of companies, especially considering the significant impact FTSE AIM companies can have through a variety of supply chains.

LAPFF has endorsed this initiative by signing all letters and has committed to further engagements with companies where LAPFF may have larger holdings. This collaborative approach has proved successful in the past, with good success rates across target companies.

Taskforce on Social Factors – Final Guidance

This quarter saw the launch of the final report of the DWP-backed Taskforce on Social Factors at an event with the pensions minister, Paul Maynard MP. The taskforce was chaired by Luba Nikulina, Chief Strategy Officer at IFM Investors, and LAPFF's chair, Cllr Doug McMurdo, was a member of the groundbreaking initiative.

While the focus on social factors in the pensions industry is not as advanced as on climate change, for LAPFF this has been a core area of work since it was founded over 30 years ago. Indeed, LAPFF's response to a DWP consultation that led to the formation of the taskforce highlighted the extensive work LAPFF has undertaken to address social risks. It is therefore a sign of good progress and a notable outcome for LAPFF that after pushing over the decades for companies and investors to pay due attention to social factors that the taskforce was established and that the guidance has been produced.

The final report highlights why social factors matter to pension funds, fiduciary duties and social factors, data and materiality assessments, and how funds can address social risks. The report makes recommendations to pension fund trustees but also the government on an area that can often pose systemic and market-wide risks. Alongside the main report, DWP published on its website a series of guides, including a quick start for trustees. As the pensions minister emphasised at the launch, social factors are of real importance for pension funds. He also noted that the guide provides practical assistance to the industry in considering and integrating social factors into investment strategies.

CONSULTATION RESPONSES

MEDIA COVERAGE

Water management

Insurance Journal: Rio Tinto Faces Pressure From Investors Over Water Contamination Claims (insurancejournal.com)

Sahm: Mining Giant Rio Tinto Caught Into Water Nightmare At Two Mines: Report (alsahm.com)

Social factors

Pensions Expert: Start work on social and nature risks now, TPR urges - Law & Regulation - Pensions Expert (pensions-expert.com)

Bloomberg Law: Corporate Investors Target Labor, Political Spending in 2024 (bloomberglaw.com)

Climate

Yahoo: UK banks may be holding too little capital for climate risks, investors tell BoE (yahoo.com)

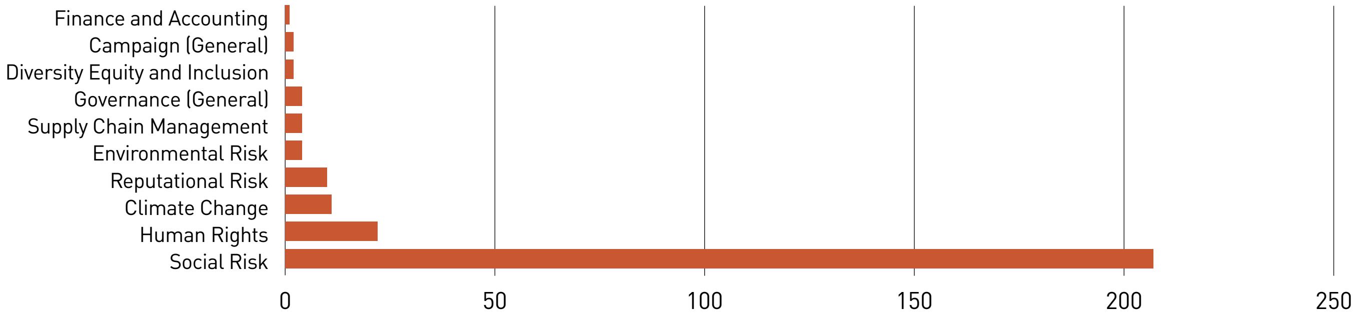
COMPANY PROGRESS REPORT

148 companies were engaged over the quarter. This includes letters signed by LAPFF and sent by Rathbones to companies in the FTSE350 and AIM indexes regarding compliance with s54 of the Modern Slavery Act. Excluding this engagement, 35 companies were engaged over the quarter. The table below reflects those 35 companies engaged and does not include correspondence related to the Rathbones' Votes Against Slavery engagement.

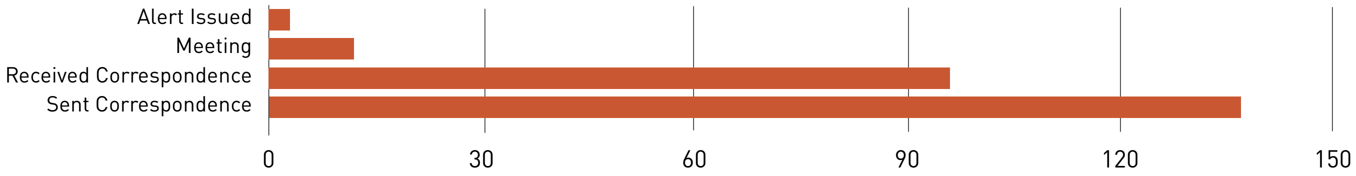
Company/Index	Activity	Topic	Outcome
ABB LTD	Meeting	Campaign (General)	Dialogue
ABBVIE INC	Sent Correspondence	Environmental Risk	Awaiting Response
AP MOLLER - MAERSK AS	Sent Correspondence	Human Rights	Dialogue
APPLE INC	Alert Issued	Human Rights	No Improvement
BAE SYSTEMS PLC	Sent Correspondence	Human Rights	Awaiting Response
BANK OF MONTREAL	Sent Correspondence	Climate Change	Awaiting Response
BANK OF NOVA SCOTIA	Sent Correspondence	Climate Change	Awaiting Response
BURBERRY GROUP PLC	Sent Correspondence	Human Rights	Awaiting Response
CANADIAN IMPERIAL BANK OF COMMERCE	Sent Correspondence	Climate Change	Awaiting Response
CATERPILLAR INC.	Received Correspondence	Human Rights	No Improvement
COMPAGNIE FINANCIERE RICHEMONT SA	Meeting	Human Rights	Change in Process
EQUINOR ASA	Meeting	Climate Change	Small Improvement
FUJITSU LTD	Sent Correspondence	Governance (General)	Awaiting Response
HERMES INTERNATIONAL	Sent Correspondence	Human Rights	Awaiting Response
HSBC HOLDINGS PLC	Meeting	Climate Change	Dialogue
J SAINSBURY PLC	Meeting	Campaign (General)	Dialogue
KERING SA	Sent Correspondence	Human Rights	Awaiting Response
KKR & CO INC	Meeting	Diversity Equity and Inclusion	Dialogue
LENNAR CORPORATION	Alert Issued	Climate Change	No Improvement
LOCKHEED MARTIN CORPORATION	Received Correspondence	Human Rights	No Improvement
LVMH (MOET HENNESSY - LOUIS VUITTON) SE	Meeting	Human Rights	Dialogue
MONCLER SPA	Sent Correspondence	Human Rights	Awaiting Response
NATIONAL GRID PLC	Meeting	Climate Change	Dialogue
NESTLE SA	Meeting	Environmental Risk	Dialogue
OCCIDENTAL PETROLEUM CORPORATION	Meeting	Climate Change	Dialogue
RIO TINTO PLC	Meeting	Environmental Risk	Dialogue
ROYAL BANK OF CANADA	Sent Correspondence	Climate Change	Awaiting Response
RTX CORP	Received Correspondence	Human Rights	No Improvement
SHINHAN FINANCIAL GROUP LTD	Sent Correspondence	Diversity Equity and Inclusion	Awaiting Response
STARBUCKS CORPORATION	Sent Correspondence	Human Rights	Awaiting Response
THALES	Sent Correspondence	Human Rights	Awaiting Response
THE BOEING COMPANY	Sent Correspondence	Governance (General)	Dialogue
THE TORONTO-DOMINION BANK	Sent Correspondence	Climate Change	Awaiting Response
TYSON FOODS INC	Sent Correspondence	Human Rights	Awaiting Response
UNITED UTILITIES GROUP PLC	Meeting	Finance and Accounting	Dialogue

ENGAGEMENT DATA

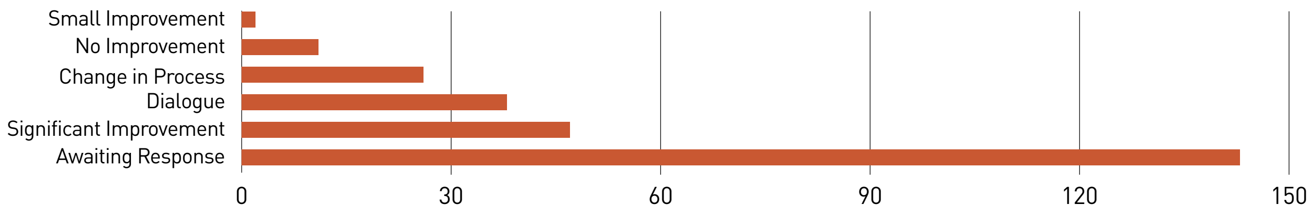
ENGAGEMENT TOPICS



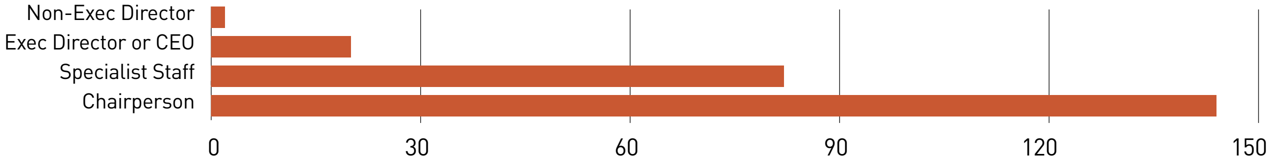
ACTIVITY



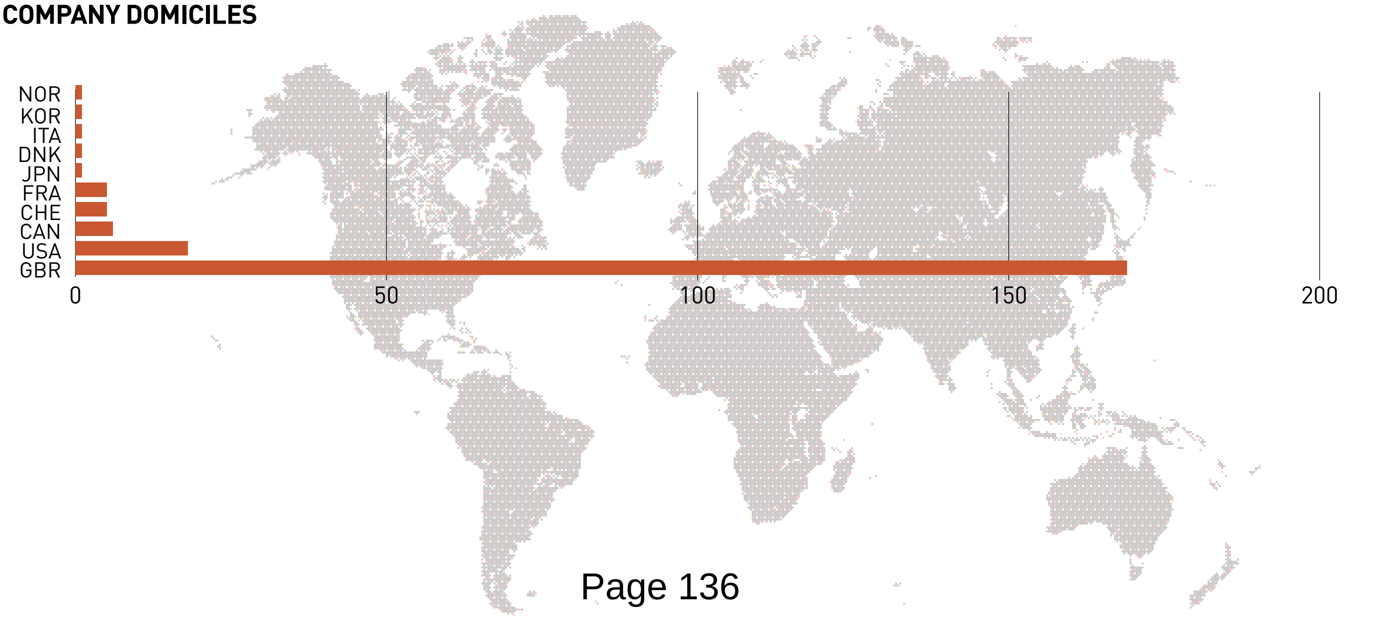
MEETING ENGAGEMENT OUTCOMES



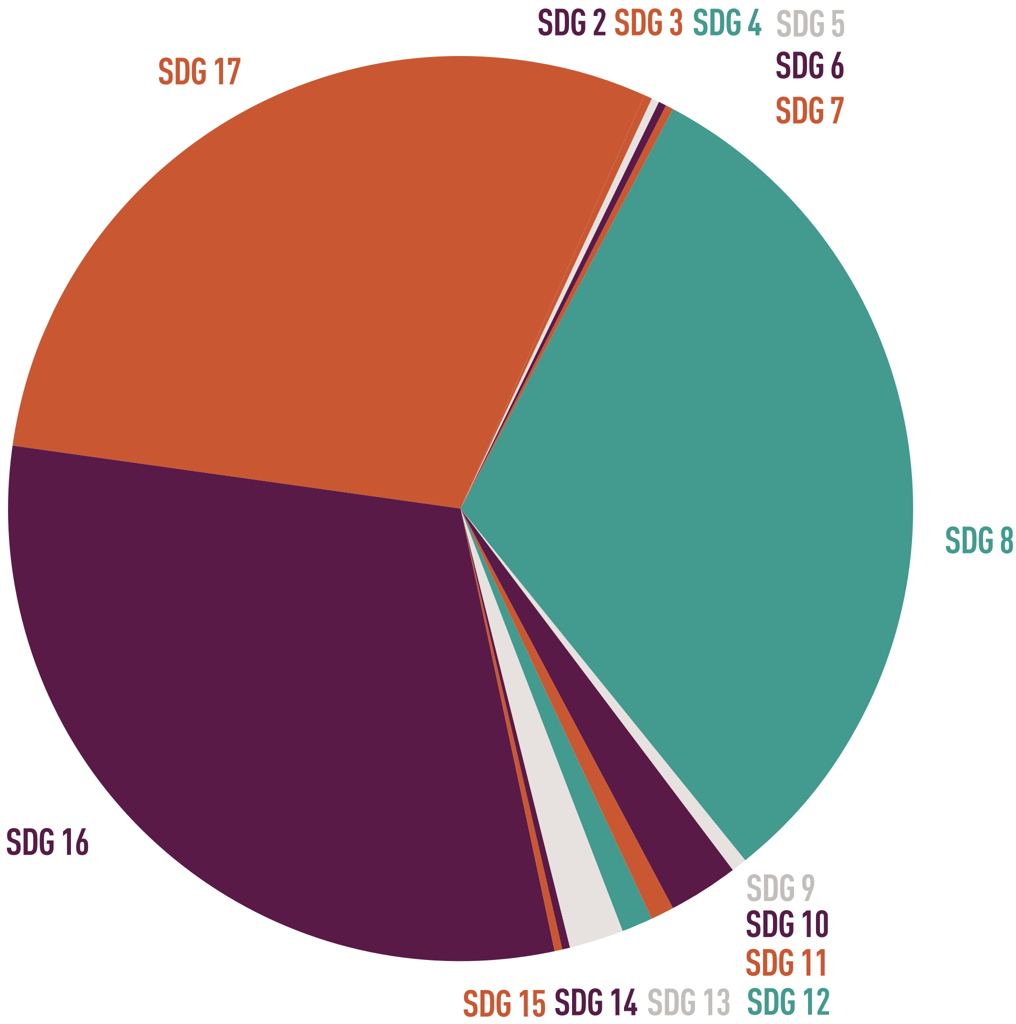
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS	
SDG 1: No Poverty	0
SDG 2: Zero Hunger	1
SDG 3: Good Health and Well-Being	2
SDG 4: Quality Education	0
SDG 5: Gender Equality	2
SDG 6: Clean Water and Sanitation	1
SDG 7: Affordable and Clean Energy	2
SDG 8: Decent Work and Economic Growth	220
SDG 9: Industry, Innovation, and Infrastructure	5
SDG 10: Reduced Inequalities	18
SDG 11: Sustainable Cities and Communities	6
SDG12: Responsible Production and Consumption	7
SDG 13: Climate Action	13
SDG 14: Life Below Water	2
SDG 15: Life on Land	3
SDG 16: Peace, Justice, and Strong Institutions	213
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	206

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund
Barking and Dagenham Pension Fund
Barnet Pension Fund
Bedfordshire Pension Fund
Berkshire Pension Fund
Bexley (London Borough of)
Brent (London Borough of)
Cambridgeshire Pension Fund
Camden Pension Fund
Cardiff & Glamorgan Pension Fund
Cheshire Pension Fund
City of London Corporation Pension Fund
Clwyd Pension Fund (Flintshire CC)
Cornwall Pension Fund
Croydon Pension Fund
Cumbria Pension Fund
Derbyshire Pension Fund
Devon Pension Fund
Dorset Pension Fund
Durham Pension Fund
Dyfed Pension Fund
Ealing Pension Fund
East Riding Pension Fund
East Sussex Pension Fund
Enfield Pension Fund
Environment Agency Pension Fund
Essex Pension Fund
Falkirk Pension Fund
Gloucestershire Pension Fund
Greater Gwent Pension Fund
Greater Manchester Pension Fund
Greenwich Pension Fund
Gwynedd Pension Fund
Hackney Pension Fund
Hammersmith and Fulham Pension Fund
Haringey Pension Fund
Harrow Pension Fund
Havering Pension Fund
Hertfordshire Pension Fund
Hillingdon Pension Fund
Hounslow Pension Fund
Isle of Wight Pension Fund
Islington Pension Fund
Kensington and Chelsea (Royal Borough of)
Kent Pension Fund
Kingston upon Thames Pension Fund
Lambeth Pension Fund
Lancashire County Pension Fund
Leicestershire Pension Fund
Lewisham Pension Fund
Lincolnshire Pension Fund
London Pension Fund Authority
Lothian Pension Fund
Merseyside Pension Fund
Merton Pension Fund
Newham Pension Fund
Norfolk Pension Fund
North East Scotland Pension Fund
North Yorkshire Pension Fund
Northamptonshire Pension Fund
Nottinghamshire Pension Fund
Oxfordshire Pension Fund
Powys Pension Fund
Redbridge Pension Fund
Rhondda Cynon Taf Pension Fund
Scottish Borders Pension Fund
Shropshire Pension Fund
Somerset Pension Fund
South Yorkshire Pension Authority
Southwark Pension Fund
Staffordshire Pension Fund
Strathclyde Pension Fund
Suffolk Pension Fund
Surrey Pension Fund
Sutton Pension Fund
Swansea Pension Fund
Teesside Pension Fund
Tower Hamlets Pension Fund
Tyne and Wear Pension Fund
Waltham Forest Pension Fund
Wandsworth Borough Council Pension Fund
Warwickshire Pension Fund
West Midlands Pension Fund
West Yorkshire Pension Fund
Westminster Pension Fund
Wiltshire Pension Fund
Worcestershire Pension Fund

Pool Company Members
ACCESS Pool
Border to Coast Pensions Partnership
LGPS Central
Local Pensions Partnership
London CIV
Northern LGPS
Wales Pension Partnership

Brent	**Brent Pension Fund Sub-Committee** 1 August 2024
	Report from the Corporate Director of Finance and Resources

Training Update - Members' Learning and Development

Wards Affected:	N/A
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
List of Appendices:	Three: 1) Brent Pension Fund Training Plan 2) Brent Pension Fund Training Strategy 3) Training Content and Learning Schedule
Background Papers:	None
Contact Officer(s):	Minesh Patel Corporate Director, Finance and Resources (minesh.patel@brent.gov.uk) Amanda Healy Deputy Director of Finance (amanda.healy@brent.gov.uk) Sawan Shah Head of Finance (sawan.shah@brent.gov.uk) George Patsalides Finance Analyst (george.patsalides@brent.gov.uk)

1.0 Executive Summary

1.1 The purpose of this report is to inform members of the committee and provide an update on the provision of the LGPS online learning facility.

2.0 Recommendation(s)

2.1 The Pension Fund Sub-Committee is recommended to note the report and continue the learning programme as outlined in the training timetable.

3.0 Detail

3.1 **Contribution to Borough Plan Priorities & Strategic Context**

3.2 The work of the Pension Fund is critical in ensuring that it undertakes statutory functions on behalf of the Local Government Pension Scheme and complying with legislation and best practice. Efficient and effective performance and service delivery of the Pension Fund underpins all Borough Plan priorities.

3.3 **Background**

3.4 In March 2021, the report to the Pension Board on member training and development set out expectations that all involved in the governance of public sector funds should evidence they have the knowledge, skills and commitment to carry out their role effectively and advised that officers were exploring opportunities for bespoke in person and online learning to assist members of Committee, Board and officers in fulfilling their responsibilities.

3.5 To work towards this, the Fund has subscribed to the LGPS Online Learning Academy (LOLA) which is a service launched by our actuaries, Hymans Robertson. This is an online platform designed to support the training needs of Pension Fund Sub-committee, Board and other responsible officers in the Council.

3.6 The course includes eight training modules and covers all the key areas to successfully manage the running of the Fund, including:

- Introduction to the LGPS and role of elected members
- Governance & Regulators and Business Planning
- LGPS administration, including policies and procedures, accounting and audit
- LGPS valuations, funding strategy and LGPS employers
- Investment Strategy, pooling, responsible investment, and performance monitoring
- Current issues in the LGPS

3.7 As well as delivering training support, the LOLA platform tracks the progress of users and provides a record of activity, which will be included as a standing item in each Committee and Board meeting. The table below shows module progress for each member of the Pension Fund Sub-Committee since starting in November 2023.

Title of Module	Module completed by
Introduction	Elizabeth Bankole Cllr Johnson Cllr Choudry
Module 1 – Committee Role and Pensions Legislation	Cllr Choudry

Module 2 – Pensions Governance	Cllr Johnson
Module 3 – Pensions Administration	Cllr Johnson Cllr Choudry

3.8 To accommodate new members to the Committee and allow existing members additional time to complete the training suite, we propose to maintain the current learning plan enclosed in Appendix 3.

3.9 The LOLA platform allows members to complete modules at a convenient time for them. As before, committee members are required to complete modules at the pace of one module per calendar month.

4.0 Stakeholder and ward member consultation and engagement

4.1 This is not applicable for this report.

5.0 Financial Considerations

5.1 There are none arising directly from this report.

6.0 Legal Considerations

6.1 There are no legal considerations arising directly from this report.

7.0 Equality, Diversity & Inclusion (EDI) Considerations

7.1 There are none arising directly from this report.

8.0 Climate Change and Environmental Considerations

8.1 There are none arising directly from this report.

9.0 Human Resources/Property Considerations (if appropriate)

9.1 There are none arising directly from this report.

10.0 Communication Considerations

10.1 There are none arising directly from this report.

Report sign off:

Minesh Patel
Corporate Director of Finance and Resources

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This is the proposed Training Plan for the Brent Pension Fund Committee and Board Members. The Plan aims to give an indication of the delivery method and target completion date for each area. On approval, officers will start to implement this programme, consulting with Members as appropriate concerning their availability regarding appropriate delivery methods.

Training need	Proposed delivery method: Officer briefings	Briefing note	Pre Committee/ Board training	Training event (internal or external)	Conferences or Seminars	E-learning	Webinars /videos	CIPFA Framework	Scheduled date	Feedback
Pensions legislation										
General introduction to the LGPS			✔				✔	1		
General pensions framework			✔			✔	✔	1		
LGPS Discretions and fornulation of policies			✔				✔	1		
Latest changes to the LGPS			✔				✔	1		
Pensions governance										
Understanding the role of the administering authority			✔				✔	2		
Understanding the general governance framework, including the role of MHCLG, SAB, TPR and other Regulators			✔				✔	2		
The role of the Pension Committee, the administering authority, Pension Board and scheme employers	✔	✔	✔				✔	2		
Understanding the role of the s.151 officer	✔	✔	✔					2		
Monitoring and management of fund risk	✔		✔	✔	✔		✔	2		
Managing conflicts of interest	✔	✔	✔			✔	✔	2		
Reporting breaches of the law		✔	✔			✔	✔	2		
Pensions administration										
General understanding of best practice in scheme administration (e.g. performance and cost measures)	✔	✔	✔	✔				3		
Appreciation of Fund policies, including the administration strategy			✔	✔				3		
Understanding of discretionary powers and their useage			✔	✔				3		
Overview of pension tax rules			✔	✔				3		
Understanding of the Fund's AVC arrangements, including investment choices and performance			✔	✔	✔			3		
Actuarial methods, standards and practices										
General understanding of the role of the actuary	✔	✔	✔	✔	✔		✔	8		
Understanding the valuation process (including the Funding Strategy Statement) and inter-valuation monitoring			✔	✔			✔	8		
Monitoring of early and ill health retirements		✔						8		
Understanding the process for enabling new employers to join the Fund, together with the cessation process		✔	✔	✔	✔		✔	8		
Understanding the pension implication of outsourcing and bulk transfers		✔	✔	✔	✔		✔	8		
Appreciation of the employer covenant		✔	✔	✔	✔		✔	8		
Pension accounting & auditing standards										
A general understanding of the Accounts and Audit Regulations, together with legislative requirements relating to internal controls and accounting practice			✔					4		
A general understanding of the role of internal and external audit		✔	✔					4		
A general understanding of the role played by third party assurance providers			✔					4		
Pension Services procurement & relationship management										
A general understanding of public procurement policy and the role of key decision makers and organisations			✔	✔	✔			5		
A general understanding of the main requirements of UK and EU procurement legislation			✔	✔	✔			5		
An understanding of the importance of considering risk factors for the Fund when selecting third party providers			✔	✔	✔			5		
Appreciation of how the Fund monitors and manages performance of outsourced providers			✔	✔	✔			5		

Investment performance & risk management										
A general understanding of the importance of monitoring asset returns relative to the liabilities			✔	✔	✔			6		
Understanding ways of assessing long term risk			✔	✔	✔			6		
Appreciation of the Myners principles and the approach adopted by the Fund			✔	✔	✔			6		
Appreciation of the range of support services available, who supplies them and the nature of the perfomance monitoring regime			✔	✔	✔			6		
Financial markets & products knowledge										
A general understanding of the risk and return characteristics of the main asset classes			✔	✔	✔			7		
Understanding the role of these asset classes in long-term Fund investing			✔	✔	✔			7		
Understanding the importance of the Funds Investment Strategy Statement			✔	✔	✔			7		
A general understanding of the financial markets and the investment vehicles available to the Fund, together with their associated risks			✔	✔	✔			7		
Understanding the legisltive limits placed on investments within the LGPS			✔	✔	✔			7		
Understanding how the Fund interacts woth the UK and overseas taxation systems in relation to investments			✔	✔	✔			7		

Brent Pension Fund Training Log			
Subject/description of training	**Attendees**	**Date**	**Feedback**

HYMANS ROBERTSON

Brent Pension Fund

Pension Committee and Pension Board Training Strategy

March 2021

Contents

Introduction

This is the training strategy of the Brent Pension Fund ("the Fund"). It has been established to aid the Pension Committee, Pension Board and Officers understanding of their respective responsibilities. This training strategy sets out how these key individuals within the Fund will obtain and maintain the necessary knowledge and understanding in order to fulfil their role.

Objectives

The Funds' objectives relating to knowledge and understanding are to:

- Ensure the Fund is appropriately managed and those individuals responsible for its management and administration have the appropriate knowledge and expertise;
- Ensures that there is the appropriate level of internal challenge and scrutiny on decisions and performance of the Fund
- Ensure the effective governance and administration of the Fund; and
- Ensure decisions taken are robust and based on regulatory requirements or guidance of the Pensions Regulator, the Scheme Advisory Board and the Secretary of State for Housing, Communities and Local Government.

Pension Fund Committee members require an understanding of:

- Their responsibilities as an LGPS administering authority, as delegated to them by Brent Council;
- The requirements relating to pension fund investments;
- Controlling and monitoring the funding level; and
- Effective decision making in relation to the management and administration of the Fund.

Pension Board members must be conversant with –

- The relevant LGPS Regulations and any other regulations governing the LGPS;
- Any policy or strategy documents as regards the management and administration of the Fund; and
- The law relating to pensions and such other matters as may be prescribed.

Officers responsible for Fund management and administration must ensure they have the necessary knowledge and understanding to:

- carry out the tasks of managing the Fund's investments, administering the payment of benefits and communicating key messages to scheme employers, scheme members and their dependants.

The knowledge and skills required of staff should be set out in their job descriptions, including any formal qualifications required.

Compliance

To achieve these objectives, the Fund will aim for full compliance with the CIPFA Knowledge and Skills Framework (KSF) and the Pension Regulator Code of Practice to meet the skills set within that Framework. Attention will also be given to any guidance issued by the Scheme Advisory board (SAB), the Pensions Regulator and the Secretary of State.

CIPFA Knowledge and Skills Framework – Pension Fund Committees

Although there is currently no legal requirement for knowledge and understanding for members of the Pension Committee it is the Fund's opinion that, in accordance with the Scheme Advisory Board's (SAB) "Good Governance" project members of the Pension Committee should have no less a degree of knowledge and skills than those required in legislation by the Local Pension Board.

The CIPFA framework, that was introduced in 2010, covers six areas of knowledge identified as the core requirements:

- Pensions legislative and governance context;
- Pension accounting and auditing standards;
- Financial services procurement and relationship development;
- Investment performance and risk management;
- Financial markets and products knowledge; and
- Actuarial methods, standards and practice.

Under each of the above heading the Knowledge and Skills Framework sets the skills and knowledge required by those individuals responsible for Fund's financial management and decision making.

CIPFA Technical Knowledge and Skills Framework – Local Pension Boards

CIPFA extended the Knowledge and Skills Framework in 2015 to specifically include Pension Board members, albeit there is an overlap with the original Framework. The 2015 Framework identifies the following areas as being key to the understanding of local pension board members;

- Pensions Legislation;
- Public Sector Pensions Governance;
- Pensions Administration;
- Pensions Accounting and Auditing Standards;
- Pensions Services Procurement and Relationship Management;
- Investment Performance and Risk Management;
- Financial markets and product knowledge;
- Actuarial methods, standards and practices.

The Pensions Regulator's E-learning toolkit

The Pensions Regulator has developed an online toolkit to help those running public service schemes understand the governance and administration requirements set out in its code of practice 14 – *Governance and administration of public service pension schemes*. The toolkit covers 7 short modules, which are:

- Conflicts of Interests;
- Managing Risk and Internal Controls;
- Maintaining Accurate Member Data;
- Maintaining Member Contributions;
- Providing Information to Members and Others;
- Resolving Internal Disputes;
- Reporting Breaches of the Law.

The modules of the Regulator's toolkit are by their very nature generic, having to cater for all public service pension schemes. While they give a minimum appreciation of the knowledge and understanding requirements set out in the Code of Practice they do not cater for the specific requirements of the individual public service schemes.

As a result the Regulator's toolkit does not cover knowledge and skills requirements in areas such as Scheme regulations, the Fund's specific policies and the more general pension's legislation. Therefore, this toolkit should be used to supplement the existing training plans.

Timing

Ideally, targeted training will be provided that is timely and directly relevant to the Committee and Board's activities as set out in the Fund's business plan.

Approach

This Strategy sets out how the Fund provide training to members of the Pension Committee and Pension Board. Officers involved in the management and administration of the Fund will have their own section and personal training plans together with career development objectives.

- **Induction training** - Pension Committee and Pension Board members will receive induction training to cover the role of the Fund, Pension Board and understand the duties and obligations Brent Council as the Administering Authority, including funding and investment matters.

  It is anticipated that at least 2 day's annual training will be arranged and provided by officers to address specific training requirements to meet the Pension Committee and Pension Board's business plan. All members will be encouraged to attend this event.

- **External courses** - Additionally, a number of specialist courses are run by bodies such as the Local Government Association, actuarial, governance and investment advisers as well as fund manager partners.
- **Conferences** - There are also a number of suitable conferences run annually, which will be brought to members attention where appropriate. Of particular relevance are the LGA Annual Governance Conference, LGA Fundamentals Training, National Association of Pension Funds (NAPF) Local Authority

Conference, the LGC Local Authority Conference, and the Local Authority Pension Fund Forum (LAPFF) annual conference.

Additionally, consideration will be given to various training resources available in delivering training to the Pension Committee and Pension Board members. These may include but are not restricted to:

- In-house and shared training events where it improves economy, efficiency and effectiveness
- Self-improvement and familiarisation with regulations and documents
- The Pension Regulator's e-learning programme
- Attending courses, seminars and external events
- Internally developed training days and pre/post meeting sessions
- Regular updates from officers and/or advisers
- Informal discussion and one-to-one sessions
- Formal presentations
- Circulated reading material
- E-learning

Flexibility

When considering training for members of the Pension Committee and Pension Board it is recognised that individuals may have different learning styles. The Fund will seek, where possible, to ensure flexibility in the manner in which training is provided to support these different learning styles.

Maintaining knowledge

In addition to undertaking ongoing training to achieve the requirements of the CIPFA knowledge and skills framework Pension Committee and Pension Board members are expected to maintain their knowledge and understanding of topical issues through attendance at internal/external events and seminars where appropriate. We recommend that members sign up to the various industry communications such as those produced by the SAB, LGA, CIPFA and the Fund Actuary.

Owing to the changing world of pensions, it will also be necessary to attend ad hoc training on emerging issues or on a specific subject on which a decision it to be made in the near future.

Risk Management

The compliance and delivery of a training strategy is at risk in the event of-

- Frequent changes in membership of the Pension Committee or Pension Board
- Poor individual commitment
- Resources not being available
- Poor standards of training
- Inappropriate training plans

These risks will be monitored within the scope of the training strategy to be reported to the s.151 officer where appropriate.

Reporting and Compliance

In line with the CIPFA Code of Practice a disclosure will be made in the Fund's Annual Report and Accounts that covers:

- How the Skills and Knowledge framework has been applied.
- What assessment of training needs has been undertaken.
- What training has been delivered against the identified training needs.

Budget and costs

A training budget will be agreed and costs fully scoped.

All direct costs and associated reasonable expenses for attendance of external courses and conferences will be met by the fund, provided that the Scheme Manager's prior approval is sought before incurring any such expenses (other than routine costs associated with travelling to and from Pensions Board/Committee meetings) and appropriate receipts are sent to the Scheme Manager evidencing the expenses being claimed for.

Effective date

This strategy comes into effect from 23 March 2021.

Review

This strategy will be reviewed every 2 years, and if necessary, more frequently to ensure it remains accurate and relevant.

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Title of Module	Module Content	Date to be completed	Time Requirement
Introduction	An introduction to LGPS Online Learning Academy	Aug-24	2 minutes
Module 1 – Committee Role and Pensions Legislation	An Introduction to Pensions Legislation An Introduction to Pensions Legislation - The role of a Councillor	Aug-24	37 minutes
Module 2 – Pensions Governance	LGPS Oversight Bodies - DLUHC & GAD LGPS Oversight Bodies - TPR Business Planning LGPS Governance	Sep-24	1 hour
Module 3 – Pensions Administration	Introduction to Administration Additional Voluntary Contributions Policies and Procedures	Oct-24	1 hour
Module 5 – Procurement and Relationship Management	Public Procurement	Nov-24	21 minutes
Module 6 – Investment Performance and Risk Management	Introduction to Investment Strategy LGPS Investment Pooling Performance Monitoring Responsible Investment	Dec-24	58 minutes
Module 7 – Financial Markets and Product Knowledge	Introduction to financial markets and product knowledge Markets, investment vehicles and MiFID II	Jan-25	43 minutes
Module 4 – Pensions Accounting and Audit Standards	Pensions Accounting and Audit Standards	Feb-25	21 minutes
Module 8 – Actuarial Methods, Standards and Practices	Introduction to Funding Strategy LGPS Actuarial Valuations - Process LGPS Valuation - Technical Employers	Mar-25	1 hour
Current Issues	Understanding McCloud Pensions Dashboards Understanding Goodwin Introduction to Cyber Risk GAD Section 13 Climate Change and TCFD McCloud Consultation June 2023 SAB and HM Treasury Cost Cap Mechanisms Next Steps on Investment (England & Wales) - Consultation overview	On going	

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Brent

MINUTES OF THE PENSION BOARD
Held as an online meeting on Monday 25 March 2024 at 6.00 pm

PRESENT: (in remote attendance): Mr David Ewart (Chair), Councillor Kabir (Employer's Representative), Chris Bala (Pension Scheme Member Representative), Bola George (Member Representative - Unison) and Robert Wheeler (Member Representative - GMB).

Also Present: (in remote attendance): Councillor Mili Patel (Deputy Leader and Cabinet Member for Finance, Resources and Reform), Ravinder Jassar (Deputy Director of Finance), Sawan Shah (Head of Finance, Brent Council), John Smith, (Pensions Manager, Brent Council), George Patsalides (Finance Analyst, Brent Council), John Crowhurst (Local Pensions Partnership Administration).

1. **Apologies for Absence**

Apologies were received from Councillor Akram (Employer's Representative) and Sunil Gandhi (Employer Member – Non Brent Council).

2. **Declarations of Interests**

No declarations of interests were made.

3. **Minutes of the Previous Meeting**

The minutes of the previous meeting held on Wednesday 8 November 2023 were **AGREED** as an accurate record.

4. **Matters Arising (If Any)**

None.

5. **Pension Administration Update**

John Smith (Pensions Manager, Brent Council) introduced the report, which updated the Pension Board on various pensions' administration matters as part of its remit to oversee the administration of the Brent Pension Fund.

In discussing the overall performance of LPPA during Quarter 3 2023/24, members were advised that, despite retirements from active status (91.7%) and deaths (90.8%), casework performance was above service level agreements (SLAs). Nevertheless, given that retirements and deaths should be considered as top priorities, officers had previously raised concerns that the more critical work was falling below the expected performance standard. The Board was then informed of the most recent Helpdesk performance, in which the average wait time fell below 3 minutes, under the 4 minute SLA target. However, although percentage of calls waiting over 15 minutes decreased to almost 0, nearly 20% of callers waited between 5 and 15 minutes. In moving to consider the number of complaints received during the reporting period, John Smith detailed that 27 new complaints had been received which was considered high by historical standards. To conclude, John Smith reviewed the interim performance data for January 2024 in which 92.9% of retirements from active status and 92.6% of retirements from deferred status had been processed within SLAs, in addition to 100% of cases relating to deaths. This was an incremental improvement on performance during Quarter 3, with the key metrics either within SLA or improving upon recent performance.

Following the introduction of the report, the Chair welcomed John Crowhurst from LPPA, the Council's administration service provider, who provided a verbal update regarding recent pensions administration performance, with the update summarised below:

- In providing a further update on performance regarding cases relating to retirements from active status and deaths in Quarter 4 2024, members were advised that the percentage of deaths cases being processed within SLA was currently 99.2% and the percentage of retirements from active status being processed within SLA was just under 92%. To give further context behind the statistics, John Crowhurst attributed the improvement in processing deaths cases to improved staff training and contingency planning with operational teams and managers. Moreover, the continued poor performance relating to retirements from active was due to a number of factors. One such factor was a technical issue in uploading the required data for those of normal pension age who received an uplift which led to some delays, although the Board was reassured that this issue had now been resolved. Nevertheless, members noted that the technical issue would likely cause lags in performance over Quarter 4 and it was hoped that Quarter 1 2024/25 performance data would show performance improvements in processing retirements from active status.

- Regarding Helpdesk performance, the Board was informed that the data related specifically to calls from Brent members, with the volume of calls dropping from 431 in November to 257 in December, which was not surprising as there were fewer working days in December. In highlighting the abandonment rate of calls, it was detailed that 10.6% of callers were abandoning calls in January 2023 compared to 2.4% in December 2023. Furthermore, in December just under 60% of calls were answered in 2 minutes or less, with a third being answered between 2 and 10 minutes. In explaining that LPPA had undertaken a detailed review of Helpdesk performance, John Crowhurst stated that Monday mornings were the busiest time for the Helpdesk, with mornings generally busier than afternoons in addition to working days following bank holidays. In response to the review, LPPA was ensuring that Helpdesk staff were deployed to calls during peak periods, rather than assisting with emails and portal enquiries.

- In discussing the Helpdesk satisfaction score, members heard that the score was quite volatile, with a significant increase in satisfaction during December 2023 to 87.5%. However, the Board noted that responses to satisfaction surveys were relatively low as the data only related to Brent members, with 8 responses received out of 257 calls. Consequently, John Crowhurst stated that overall satisfaction scores could be provided if necessary to give a better indication of LPPA performance. Similarly, only one response had been received regarding retirements from active satisfaction and therefore the overall satisfaction score would provide a better overview of customer satisfaction.

- Concerning the main drivers behind customer satisfaction, John Crowhurst detailed that satisfaction increased the closer that one was paid to their retirement date, which was impacted by numerous factors such as when LPPA were notified of the retirement, whether disinvestment was required, data returns from employers and how quickly LPPA commenced the retirement process once the required information had been received (normally within 5 working days but the aspiration was to start the process within 24 hours, although it was stated that this aspiration would take some time to achieve). Regarding the aforementioned factors determining the date of payment, members were advised that work was ongoing to improve information flows and communication to improve data returns and general processes.

- In referencing page 40 of the agenda pack which outlined the number of members signed up to the online portal, the Board noted that registrations had steadily increased (3,683 as of December 2023) although the number of registered members was lower than the previous member portal which was approximately 4,200.

- In finalising, John Crowhurst updated members on The Pensions Regulator (TPR) data quality scores. It was explained that the common score was stable, sitting at 96.24% as of December 2023. The 4% missing mainly related to missing data from deferred members, with both officers and third parties attempting to trace members for updated information. In moving to the scheme score, the Board heard that this was more volatile with expected dips between April and August each year due to Annual Benefit Statement data which generally recovered in the following six months, with Quarter 4 data particularly illustrating improvements. Prior to concluding, John Crowhurst informed members that LPPA was conducting a data project to improve data scores, with more detail to follow once further progress had been made.

After the verbal update, the Chair invited questions from Board members, with questions and responses summarised below:

- Regarding the general nature of the new complaints, the Board noted that 8 related to delays and 19 related to the general service provided.

- In response to a query concerning whether the Council and LPPA met with payroll providers to reduce delays and discrepancies, it was detailed that payroll providers were engaged via the Employers Forum and employers were encouraged to hold regular meetings with their payroll providers to ensure that they were carrying out their duties. Moreover, the Board was informed that monthly data returns were launched in April 2023 which had led to over 80% of membership data being collected and reconciled as of December 2023, showing that employers had adapted quickly to the new system. The next step to improve the service was to agree a standard notice of retirement, with the aspiration of one month notice to allow LPPA to commence the processes required.

- In discussing the underperformance of LPPA in relation to processing bereavements and retirements from active status, members were advised that the main issue regarding the bereavement process had been resources, with additional training delivered to improve capacity and reduce delays. Concerning the retirement process, it was detailed that a system issue had resulted in delays which had now been resolved, although performance lags would still be visible in the Quarter 4 performance report.

- Given that complaints were the main indicator of customer satisfaction due the low response rates for customer satisfaction surveys, the Board queried whether more information could be provided in relation to complaints. In response, members were advised that LPPA broke down complaints by process type and therefore more granular data could be provided. Furthermore, LPPA recorded complaints that arose due to issues outside of LPPA's control, such as late notification of retirement and delays in submitting information. Consequently, the Board requested for more in-depth information to be provided regarding complaints at the next meeting.

In turning the Board's attention to the next part of the report which related to the internal audit of the Pension Fund's arrangements regarding the monitoring of the pensions administration contract and the collection of pension contributions, Sawan Shah (Head of Finance, Brent Council) explained that internal audits of the Council's key financial areas were conducted on a rolling basis every 3 years, with the last Pension Fund audit occurring in 2019. Importantly, no critical, high or low risk issues were identified during the audit, although there was one medium risk identified which related to late submissions of monthly contribution returns by employers/payroll providers and where repercussions outlined within the Pension Administration Strategy were not followed through. However, the scheme manager was aware of this risk as it had been previously flagged, which mainly related to a specific payroll provider used by many schools, with officers writing to schools who made use of this payroll provider's services to highlight the need to ensure that their payroll provider was fulfilling all their responsibilities and to ensure that appropriate contract management was taking place. In response, many schools had elected to move to another provider.

In addition to the risk identified above, the audit flagged a number of examples of good practice including: a clear and up to date Pension Administration Strategy, the management of data contribution returns, the oversight of the LPPA pensions administration contract by officers and the Board.

In thanking Sawan Shah for the update, the Chair welcomed questions from the Board, with questions and responses summarised below:

- In response to a query as to whether any other risks outside of the monitoring of the pensions administration contract and pension contributions were identified, members were advised that the audit was limited in scope to these issues and therefore no further risks were identified.

As there were no further questions from Members, the Chair thanked the Pension Team and John Crowhurst for the update, and it was **RESOLVED** that the report be noted.

6. **Local Government Pension Scheme Update**

John Smith (Pensions Manager, Brent Council) presented a report that updated the Board on recent developments within the Local Government Pension Scheme (LGPS) regulatory environment and any recent consultations issued which would have a significant impact on the Fund. To begin, John Smith detailed that LGPS was now valued at £357.2 billion, a decrease of 1.9%, with 6.2 million scheme members as of 31 March 2023 and 87,129 retirements during 2021/22, a decrease of 8%.

As CPI in September was 6.7%, the Board was advised that pension contribution bands were increasing by the same amount. However, the details of the 2024/25 pay award were not yet known, however in 2023/24 the average pay award was significantly lower than the prevailing rate of CPI inflation and therefore as the employee contribution bands were being uplifted by a higher rate than the average pay award there were likely to be more members of staff dropping into a lower band than in previous years which reduced the contributions payable to the Fund by members. It was explained that this would have a small negative impact on the cashflow position of the Fund in the short term, however, higher inflation expectations had been factored into the 2022 valuation and therefore it was not a cause for concern in the longer term. Additionally, on 2 November 2023 His Majesty's Treasury (HMT) confirmed that the Lifetime Allowance would be abolished from 6 April 2024.

In concluding, John Smith informed the Board that in October 2023 DLUHC published its initial prioritisation policy for McCloud which was attached in Appendix 6 of the report. Moreover, as whole-time teachers could not be in the Teachers' Pension scheme in respect of a concurrent part-time teaching role, this group would become eligible for retrospective membership of the LGPS from 1 April 2015 – 31 March 2022 based on their part-time excess service. Lastly, it was detailed that the LGA had e-mailed administering authorities a spreadsheet for calculating the non-club element of transfers affected by McCloud on 24 February 2024 and the LPPA had advised the Fund that Civica (UPM) would load the red flags, which identified potential underpin cases, over the coming weeks.

Following the initial overview, the Chair opened the floor for questions and comments from the Board, with contributions summarised below:

- In discussing the impact of McCloud on Brent members, it was explained that to benefit from the underpin members would need to be entitled to a significant final salary pension and therefore only a small cohort of members were expected to be impacted.

- In response to a query as to why retirements had decreased, members were advised that one likely reason was the cost-of-living crisis and the other was the increase of retirements during the pandemic, although no research had been conducted on the issue.

In moving to the second part of the report, concerning The Pensions Regulator (TPR) Single Code, John Smith detailed that the Single Code consolidated ten of the existing codes and incorporated content from all 15 codes, coming into force on

27 March 2024. Moreover, the Single Code consisted of five sections: The Governing Body, Funding and Investment, Administration, Communications and Disclosure and Reporting to TPR. In discussing the main governance implications, the Board noted the following:

- The LGPS the scheme manager was identified as the governing body, albeit the role appeared to be a composite of the Board, the Committee and officers.

- The Code required effective systems of governance (ESOG) with greater emphasis on documentation of policies and procedures.

- The scheme should carry out its own risk assessment (ORA) to identify the main governance risks facing the LGPS and it was good practice to develop business continuity/disaster recovery plans.

- The module on cyber controls focussed on reducing the number of incidents and addressing any that may arise. Although this was identified as good practice, the code set out the legal obligations of public sector pension schemes.

- The code expected schemes to have procedures and controls governing the selection and management of advisors and service providers that were supported by an effective conflicts of interest policy.

- The code extended the requirements for Board and Committee members knowledge and understanding to include investment management and financial risk.

- The code included modules on investment governance, investment monitoring and climate change although they were identified as good practice, as opposed to a requirement.

- The module on administration focused on planning service delivery, conducting sound financial transactions, data security and maintaining IT systems.

- The communication and disclosure modules set out general principles for scheme communications and observing the disclosure requirements, with a strong emphasis on scam prevention.

- The Single Code presented fresh challenges and the LGPS and its advisors were currently reviewing the changes. Professional advisors were developing self-assessment tools to help schemes gauge their compliance and monitor their progress.

Prior to inviting comments and questions, John Smith reiterated that the LGPS already had high standards of governance and the new code represented evolution rather than revolution, with regulators stating that compliance did not have to occur immediately. Regarding next steps, members noted that officers would work with its advisors to ensure that the Fund’s policies and procedures were compliant with the

Single Code of Practice and would publish reports that explained any changes to seek approval from the Board.

The Chair then welcomed contributions from members, with the resultant discussion summarised below:

- Regarding the deadline for compliance for the new regulations, the Board was informed that a deadline had not been provided although officers were beginning preparations regardless.

- In response to a query as to who was responsible if the Fund did not adhere to governance regulations, members noted that the Sub-Committee, Board and officers were all responsible, with members noting that TPR could utilise enforcement notices to compel to Fund to undertake an action and issue fines. In providing an example of the Board upholding its responsibilities, the Chair detailed that the Board recently reported the Fund to TPR regarding the late issuing of Annual Benefit Statements, although it was found that a material breach had not occurred.

With no additional contributions and in thanking John Smith for the update, the Board **RESOLVED** to note the report.

7. Members' Learning and Development

George Patsalides (Finance Analyst, Brent Council) presented the report, which informed members of the provision of a Local Government Pensions Scheme (LGPS) focused online pensions learning facility for officers, Pension Fund Sub-Committee members and Pension Board members. The Board was advised that members should have completed the training in line with the plan attached in Appendix 2 of the report to comply with best practice, with officers advising members to contact them in the case of any issues.

Following the introduction, comments and queries were sought, with questions and responses summarised below:

- Members outlined technical issues with the site in addition to some missing information which was needed to answer the module questions.

- The Board noted that more frequent reminders could be distributed to remind members to complete training.

With officers outlining that all concerns would be forwarded to Hymans Robertson and the Chair emphasising the importance of completing the training, the Board **RESOLVED** to note the report.

8. Risk Register

Sawan Shah (Head of Finance, Brent Council) introduced the report, which updated the Board on the Risk Register, attached as Appendix 1 of the report, for the Brent Pension Fund Pensions Administration Service. The Board was advised that the Risk Register was a standing item at all Pension Board meetings which allowed the Fund to identify and manage risks related to the Pension Scheme. In identifying the main amendments to the Risk Register, the Board noted that the following key changes had been made:

- The risk regarding the transfer of LPP Administration System from Heywoods to Civica, item 5.6, had decreased as Civica had addressed several software issues relating to McCloud and enhanced UPM's functionality.

- The risk relating to Pension Board training, item 8.2, had been increased as knowledge and understanding was a key topic in the Pension Regulator's (TPR) Single Code, which came into force on 27 March. However, the risk had been partially mitigated by the Fund rolling out e-learning to all Board and Committee members.

- The comments relating to Item 8.6, concerning discretions, had been altered in response to the Fund taking positive steps to mitigate this risk by approving revised Administering Authority discretions and a template of Employing Authority discretions for employers to populate.

- The risk concerning McCloud, item 9.3, had been increased due to its expanded scope, although it had been partially mitigated by improvements in the remedy functionality of UPM.

In thanking Sawan Shah for the overview, the Chair welcomed questions and contributions from Board members. Contributions, questions, and responses were as follows:

- In response to a query as to why some risks, such as those relating to cyber security, were ranked lower in the Pensions Risk Register compared to the corporate Risk Register, members noted that risk registers were inherently subjective and therefore scores would naturally vary. In addressing cyber concerns specifically, officers expressed confidence in the risk score attributed due to the number of controls present both within the Council and LPPA, although feedback on the Risk Register was always welcomed.

The Board welcomed the report and as no further issues were raised it was **RESOLVED** to note the overall report including the key changes set out in section 3.2.4 of the report.

9. Pass-Through Policy

John Smith (Pensions Manager, Brent Council) presented a report that outlined the preferred arrangements for contractors participating in the Brent Pension Fund. In providing an overview of the proposal, John Smith explained that outsourced LGPS members had a right to remain within the LGPS scheme and therefore an agreement was required between the Letting Authority and the Contractor regarding factors such as the Contractor contribution rates, bonds and cessation fees. Due to the need to determine the above elements, the conventional approach, which passed investment risk to the Contractor, resulted in high consultation fees, more expensive contracts for the Letting Authority and a slower overall process. Thus, to improve this process, it was proposed to introduce a 'Pass-Through' policy which passed significantly less pension risk to the Contractor and reduced the costs of participation. This was largely due to the Contractor's contribution rate being equal to the Letting Authority's contribution rate and Contractors not being liable to pay cessation fees, which reduced uncertainty for Contractors seeing as they were not exposed to potential volatile market conditions, which was said should improve the competitiveness of the tendering process for LGPS Letting Authorities.

Furthermore, it was detailed that default Pass-Through would apply to all future arrangements for Contractors with fewer than 15 transferring members. For new Contractors with 15 or more transferring members, the Administering Authority would agree the most suitable arrangement with the Letting Authority. Additionally, it was explained that Pass-Through was being proposed now due to the Department for Education (DfE) recently extending their Academy Guarantee to cover Pass-Through which meant that the Fund could claim expenses back from the DfE if an academy were to cease operating. In finalising, the Board was informed that any early retirement strains and augmentation costs that arose were met by the Contractor via additional lump sum contribution(s), Brent would only ask for a bond or other security if the contract was perceived to be high risk or the letting authority insisted (which meant that a fixed rate would be paid for the majority of small Contractors), and Pass-Through was not suitable for large Contractors (with the Fund retaining the right to opt for a traditional agreement instead of Pass-Through). In outlining that stakeholders were being consulted prior to formal adoption, officers emphasised the benefits of Pass-Through such as more suitable risk sharing, cost savings and lighter administrative processes.

Having thanked John Smith for the introduction, the Chair invited the Board to comment on the proposal, with the consequent discussion summarised below:

- In response to a question regarding how the Pass-Through policy would be fairly implemented, it was detailed that discretions had been minimised as the policy would apply to specific situations and Contractors. Moreover, the policy meant that Contractors only took on risk that they were in direct control over which benefited Employing Authorities via reduced contracts and Contractors through reduced exposure to risk.

- The Board was advised that the Letting Authority was whoever let the contract, such as a school, academy or the Council.

- Regarding built in reviews of the policy to ensure its future appropriateness, it was explained that reviews could be scheduled, although positive feedback concerning Pass-Through had been given from other local authorities who had adopted the policy and therefore it was not anticipated to revert to the conventional approach for small contractors.

The Board welcomed the report and as no further issues were raised it was **RESOLVED** to:

(1) Note the proposed Pass-Through approach as the default for admission agreements in line with the principles as specified in the report.

(2) Note that the Pension Fund Sub-Committee recommended that the proposed Pass-Through approach detailed in section 2.1 of the report is approved by the General Purposes Committee at its next meeting.

10. **Administering Authority and Employing Authority Discretions**

John Smith (Pensions Manager, Brent Council) introduced the report, which outlined Brent's Administering Authority Discretions and a blank template for Employing Authority Discretions which could be used as a framework by all the employers in the Pension Fund to develop their own policies. In explaining that a discretion was essentially a choice, John Smith detailed the two differing discretions, voluntary and mandatory discretions. Members noted that it was a legal requirement to publish the required mandatory policies and it was considered best practice to publish a policy outlining how administering/employing authorities intended to exercise their discretions, as it ensured consistency in decision making and helped to guard against challenges and appeals from discontented parties, in addition to demonstrating good governance and providing clarity to members of the scheme. In finalising, John Smith stated that the discretions were not prescriptive and used phrases such as 'may do', 'only in exceptional circumstances' and 'each case will be evaluated on its own merits' to provide the Council and Employing Authorities maximum freedom.

Having heard that the Administering Authority and Employing Authority Discretions had already been approved by the Pension Fund Sub-Committee, the Board **RESOLVED** to note the report.

11. **H2 2023 Investment Monitoring Report**

Before moving on to remaining items on the agenda, the Chair reminded Board members that agenda items 11, 12, 13, 15, 16 and 17 were reports referred to the Pension Board for information following their consideration at the Brent Pension Fund Sub-Committee.

The Board received an update on the Brent Pension Fund Investment Monitoring, which reviewed the Fund's performance over the second half of 2023. Members noted that the value of the Fund had increased by 6% over the reporting period, with a valuation of £1,203m up from £1,125.7m at the end of Quarter 2 2023. It was explained that the Fund's passive global equity exposure was the main driver of positive return on an absolute basis. In addition, members noted that information on the Fund's funding level was included in page 284 of the agenda pack, which showed that the funding level had increased from 87% in Quarter 2 2022 to 115% in Quarter 4 2023 mainly due to asset growth and a reduction in liabilities.

In noting that the report had been subject to detailed review at the Brent Pension Fund Sub-Committee on 21 February 2024, the Board **RESOLVED** to note the H2 2023 Investment Monitoring Report without any further detailed comment.

12. **DLUHC Consultation Outcome on LGPS Investments and TPR General Code of Practice**

The Board received a report that detailed the outcome of the consultation on proposals relating to the investments of the Local Government Pension Scheme (LGPS) in addition to the recently published Pensions Regulator's General Code of Practice. Sawan Shah (Head of Finance, Brent Council) began by turning members' attention to 60 Second Summary, attached as Appendix 1 of the report, which succinctly concluded the key points. Moreover, the Board was informed that that the government intended to proceed with the majority of the proposals which included:

- A March 2025 deadline for the pooling of assets, however this was now on a ‘comply or explain’ basis.

- Revised guidance to encourage Funds to invest a 10 per cent allocation to private equity, however this was an ambition and not mandatory.

- A requirement in guidance to set a training policy for pensions committee members and to report against the policy.

Regarding next steps, it was explained that the Fund was awaiting further details on how the proposals would be formalised in LGPS regulations and/or statutory guidance.

In commending the 60 Second Summary, members **RESOLVED** to note the updates included in the report.

13. **LAPFF Engagement Report**

The Board received an update on engagement activity undertaken by LAPFF (the Local Authority Pension Fund Forum) on behalf of the Fund, which demonstrated the Fund’s commitment to Responsible Investment and engagement as a way to achieve its objectives. Without further comment, the Board **RESOLVED** to note the report.

14. **Exclusion of the Press and Public**

At this stage in proceedings the Pension Board was asked to consider whether they wished to exclude the press and public for consideration of the final reports on the agenda. Given the following items had been submitted for information and it was felt that they could be considered without the need to disclose any information classified as exempt it was **RESOLVED** not to exclude the press and public from the remainder of the meeting.

The meeting then continued in open session.

15. **Diversified Growth Fund**

The Board received a report that provided analysis of the LCIV Diversified Growth Fund. As there were no additional comments, the Board **RESOLVED** to note the update provided.

16. **London CIV Update**

The Board received and **RESOLVED** to note, without further comment, a report that provided an update on recent developments regarding Brent Pension Fund investments held within the London CIV

17. **Any Other Urgent Business**

The Board noted that the provisional dates for the 2024/25 municipal year were as follows:

- Thursday 25 July 2024
- Thursday 7 November 2024
- Monday 24 March 2025

The meeting closed at: 7:45pm

MR. DAVID EWART
Chair

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 13

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