Public Document Pack

City of Westminster

Committee Agenda

Title:	**Pension Board**
Meeting Date:	**Wednesday 21st July, 2021**
Time:	**5.00 pm**
Venue:	**This will be a virtual Meeting**
Members:	**Councillors:** Tim Mitchell Guthrie McKie **Employer Representative:** Marie Holmes **Scheme Member Representatives**: Terry Neville Christopher Smith Chris Walker

Members of the public are welcome to attend the meeting and listen to the discussion Part 1 of the Agenda

If you require any further information, please contact the Committee Officer, Sarah Craddock, Committee and Councillor Liaison Officer.

Email: scraddock@westminster.gov.uk Tel: 0779098018
Corporate Website: www.westminster.gov.uk

Note for Members: Members are reminded that Officer contacts are shown at the end of each report and Members are welcome to raise questions in advance of the meeting. With regard to item 2, guidance on declarations of interests is included in the Code of Governance; if Members and Officers have any particular questions they should contact the Head of Legal & Democratic Services in advance of the meeting please.

AGENDA

PART 1 (IN PUBLIC)

8.	**RESPONSIBLE INVESTMENT STATEMENT** Report of the Tri-Borough Director of Treasury and Pensions.	**(Pages 151 - 164)**
9.	**S113 AGREEMENT** Report of the Tri-Borough Director of Treasury and Pensions.	**(Pages 165 - 248)**
10.	**ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT**	

Stuart Love
Chief Executive
14 July 2021

This page is intentionally left blank

=8=

CITY OF WESTMINSTER

MINUTES

Pension Board

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Board** held on **Wednesday 31st March, 2021**, This meeting took place virtually.

Members Present: Councillor Tim Mitchell (Chairman and Employer Representative), Terry Neville (Vice-Chairman and Scheme Member Representative), Councillor Guthrie McKie (Employer Representative), Marie Holmes (Employer Representative) and Martin Colwell (Scheme Member Representative).

Apologies for Absence: Christopher Smith (Scheme Member Representative) and Chris Walker (Scheme Member Representative).

Officers Present: Phil Triggs (Tri-Borough Director of Treasury and Pensions), Mathew Dawson (Senior Finance Manager, Tri-Borough Treasury and Pensions), Sarah Hay (Senior Pensions and Payroll Officer) and Toby Howes (Senior Committee and Governance Officer).

1 MEMBERSHIP

1.1 There were no changes to the membership.

2 DECLARATIONS OF INTEREST

2.1 There were no declarations of interest.

MINUTES

3.1 **RESOLVED:**

That the minutes of the meeting held on 16 June 2020 be approved as an accurate record of proceedings.

4 PENSION ADMINISTRATION UPDATE

4.1 Sarah Hay (Senior Payroll and Pensions Officer) introduced the report and advised that the Pension Administration Service was operating as business as normal, although staff were working from home because of the current

COVID-19 restrictions. The key performance indicators were holding up well, although there had been a few instances of late lump sum pension payments.

4.2 A review was taking place in respect of the Western Union overseas payments, although most payment queries had been successfully resolved.

4.3 Sarah Hay advised that the Pension Fund Committee had agreed that Hampshire County Council (HCC) take over pension administration duties after Surrey County Council's proposal re trebling costs to provide this service in the future.

4.4 The Board sought additional information concerning HCC regarding its experience of pension administration provision and commented further that SCC's performance had not been acceptable considering their rising costs and persistent underperformance.

4.5 Sarah Hay advised that HCC had considerable experience of managing pension administration services with other local authorities and that she was confident that they would deliver an improved service.

4.6 The Board noted the report.

5 FUND FINANCIAL MANAGEMENT

5.1 Phil Triggs (Tri Borough Director of Treasury and Pensions) introduced the report and advised that, despite the COVID-19 pandemic, the investment situation was now recovering and that this was positive for the Fund. There were however still a number of uncertainties with regards to the Brexit implications, as well as overseas COVID-19 variants.

5.2 Phil Triggs informed the Board that in future the Risk Register would be subject to the Charted Institute of Public Finance and Accountancy (CIPFA) framework requirements.

5.3 On a question regarding negative cashflow (contributions received minus pensions paid), any negative cash flows could be funded, most likely, from the Fund's passive portfolios. In response to queries from the Board, Phil Triggs commented that he was encouraged by recent senior appointments to the London Collective Investment Vehicle (LCIV) and officers would continue to keep the situation under review.

5.4 In reply to queries from the Board, Sarah Hay advised that care workers who had joined the Council, or other external organisations affiliated to the Fund, were being encouraged to join the Westminster pension scheme.

5.5 **RESOLVED:**

1. That the risk registers to the Pension Fund be noted,

2. That the cashflow position, the rolling 12-month forecast and the three-year forecast be noted.

6 PERFORMANCE OF THE COUNCIL'S PENSION FUND

6.1 Phil Triggs advised the Board that the Fund had recovered from the initial COVID-19 pandemic investment downturn and was currently 100% funded. The Fund had also received green flags in all areas in respect of the three-year Government Actuary Department (GAD) review and that there would be an update on this review at the next pension fund committee meeting.

6.2 Phil Triggs advised the Board that the LCIV Equities (Morgan Stanley sub-fund) had been selected by the Pension Fund Committee and were highly regarded for their Environmental, Social and Governance (ESG) credentials. Macquarie and Quinbrook had also been appointed in respect of renewable energy infrastructure investments.

6.3 Members asked if there were any investment risks in respect of China investments and the possibility of sanctions and sought views in of interest rates.

6.4 In reply, Phil Triggs advised that China was not a specific asset allocation within the Fund's asset allocation policy but would be part of the global equity investment indices. External global equity portfolio managers are required to pay close attention to all ESG criteria as well as reputational risks to the Council. With regard to interest rates, these were not anticipated to rise over the short to medium term. However, Deloitte were monitoring the economic backdrop and the Board would be updated on the matter at the next meeting,

6.5 **RESOLVED:**

That the performance of the investments, changes to asset allocation and the funding position be noted.

7 ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT

7.1 The Chairman requested that the next meeting be arranged to take place in early July.

The Meeting ended at 7.47 pm.

CHAIRMAN: _____ **DATE** _____

This page is intentionally left blank

City of Westminster

Pension Fund Board

Date:	**21st July 2021**
Classification:	**General Release**
Title:	**Pension Administration Update**
Report of:	**Sarah Hay, Pensions Officer People Services**
Wards Involved:	**All**
Policy Context:	**Service Delivery**
Financial Summary:	**Limited**

1. Executive Summary

1.1. This report gives an update on general pension administration issues as we work towards moving to the Hampshire Pension Service in November 2021. In section 2, the report sets out a summary of our KPI data for the year March 2021 to May 2021 to give the board an outline of general case progress. Section 3, covers data work and specifically our continued efforts with address tracing. There is a general admin update in section 4, detailing work issues we are concentrating on with Surrey. In section 5 there is an update on the McCloud project and our initial work to collect data for compliance.

2. KPI Performance

2.1 The scope of the KPIs in this report have been agreed between WCC and SCC based on the section 101 agreement, however they will continue to be reviewed on feedback from all parties, including board members.

2.2 This report provides a look at the KPI performance between March 2021 and May 2021. June 2021 data is not yet available at the time of writing this report.

2.3 KPI performance in appendix 1 is summarised below:

2.4 Overall the KPI data in the period is ok, however there has been an impact in April and May where the case work moved from East Sussex back to Surrey and some cases have been picked up as unresolved previously or have been delayed due to the work transfer.

2.5 The late set up of dependent benefits in April and May is of concern. We are hoping that now Surrey workflow hold all the WCC cases the delays in these cases will not be repeated going forward. Retirement options being issued to members was under performing in all three months of this KPI period and although the majority of cases the delay is only by one or two days our focus is on ensuring that KPI that relate to members immediate entitlement are maintained at a high level.

2.6 There were two late deferred benefit letters sent out in April that came out when the work transferred back to Surrey but this KPI remains 100% in the other months.

2.7 We had a number of late payments of lump sum in both March and April although we did see an improvement in May we are disappointed that a key KPI has not been 100%. We will have to review how this KPI performs as we move forward under the Surrey team. Generally the pensions are paid in the next available pay period, there was a slip in April related to the transfer but this recovered in May we hope that this will remain 100%.

2.8 There were a number of the least urgent KPI relating to transfers and estimates that were late across all three months of the reporting period but there appears to have been a particular issue in March as the admin service transferred. There was also an under performance in responses sent in March.

3. Data Work

3.1 325 records for Deferred – Age population 45- 49

3.2 At the time of the last board we had just started to work though this part of the population. At the time of writing this report I am pleased to confirm that we have traced 166 members of this population with a success rate of 51%. The tracing will continue for this group as we open other batches for the population at a younger age range.

3.3 The tracing project with Target will remain in place until approximately the end of August 2021.Our aim will be to complete as many traces and update those onto the Altair system in Surrey. We will cease the project in August to help limit data changes as we approach the final data cuts for the transfer project in September and then in late October. Any tracing results that come back after we close the project down will still be updated.

3.4 For information we remain within the budget of £24,000 allocated to this project. The costs per case vary depending on the type of trace the member needs and these range from £20 - £70. We will review our spend going forward as we get close to our agreed cost.

3.5 We will discuss future address tracing with the Hampshire Pension Service (HPS) after transfer.

4. Surrey General Admin update

4.1 The Strategic Pension Officer agreed with Surrey that they should implement a module of Altair called Admin 2 Pay with effect from the first week of May. This module should ensure that the admin section of Altair and the payroll side of Altair match and in theory this should prevent any future over or under payments occurring. Westminster was not offered this module previously. Whilst there is no ongoing fee for this module, we agreed a discounted implementation of £1832.00 as we will only benefit from it until we exit to HPS. I took the view that the investment would be of value to the fund to prevent additional issues occurring prior to transfer.

4.2 Surrey contacted me on the 20th of May to outline that they had identified a range of potential data issues following admin 2 pay work and other data work ahead of the first planned data cut on the 17th of June. They have advised me that there are similar issues across all funds including Surrey, Hammersmith and Fulham and Hillingdon. Surrey's solution to dealing with the data issues is that they have set up from July the 5th a new team that will focus on the London Borough's administration and the data backlog work whilst the existing teams will focus on Surrey. Staff will be taken from the existing teams to create the new one.

4.3 Surrey have made it clear that not all the data issues will be resolved prior to transfer. I have been asked to prioritise the issues I want them to focus upon. A conversation has already taken place where I have instructed them to take certain immediate actions to chase on some death cases and review contacts where we have members in the fund over 75 who have not drawn their pension.

4.4 The main area of concern is that they have identified 187 pension increase queries. This is where the admin side of Altair and the payroll side of Altair have different values. This could mean the member is being over or under paid, but it could also simply mean that the data held on the admin side of Altair is incorrect. Surrey will not be able to advise me until the new team is set up and resource is dedicated to reviewing all the cases in detail.

4.5 Surrey also identified 30 potential underpayments and 12 possible overpayments. They will not know for sure if each case is as initially identified until the new team is set up and the review of each case above is made. I have now seen the base data for these cases and the potential issues are not as significant as the cases previously notified to WCC.

4.6 Additionally there are a number of child pensions that are being reviewed. Child's pension are paid where a member dies with an eligible child under 18 the fund pays a pension to them in lieu of the financial support of the member parent. Child's pension for some dependent children are paid for life if they are

not capable of caring for themselves but the majority should cease at 18 if the child does not remain in education. Where the child remains in post school education at college or university then the pension would be paid until the member child reaches 23. Surrey are reviewing child pensions in payment after age 18 to check evidence of continued education. It's possible that there are some further overpayments related to child's pensions.

4.7 The above cases will be the priority for our fund to resolve with Surrey between now and go live with Hampshire. Our priority is to ensure correct payment to our pensioners and the UPM system that Civica use is one system that links administration and payroll.

5. McCloud

5.1 The Government have responded to consultation and simply have advised that they accept the recommendation of an extended underpin solution for younger members of the fund. The good news is that no timetable has been set out and therefore we should be able to proceed and fit the McCloud work in with our move to HPS.

5.2 We have started planning as part of the pension transfer project to collect data in a format for the new software provider and asking employers to return data to us in January 2022 when we are live with Hampshire.

5.3 The majority of data will be required from Westminster as the main fund employer with data retrieved from three different HR systems. Work is underway to scope retrieval of this data. We also will be looking to help smaller fund employers with McCloud data work where possible although employers will be responsible for accessing their own systems.

6. Summary

6.1 The KPI data is ok although we have seen a dip in March and April as the service transferred from East Sussex to Hampshire. The emphasis in the next few months will be on ensuring that retirement cases are processed efficiently between now and our exit to HPS.

6.2 Address tracing remains positive with member details being updated on a regular basis.

6.3 Surrey are creating a new team to deal with the admin work of the London Boroughs. This team will also be tasked with looking at data issues prior to the transfer and the priority will be to look at cases that impact member entitlement with a pension in payment.

6.4 McCloud planning will continue with HPS as we move closer to go live. We are pleased that we have no immediate timetable to have to complete work by but we have started planning comms for all employers to collect data by January 2022. Work is underway to scope the retrieval of data for the main WCC employer from different systems.

This page is intentionally left blank

Westminster County Council - March 2021 to May 2021

Description	Target time/date as per Partnership Agreement	Target	Quantity March 2021
Pension Administration			
Death Benefits Notify potential beneficiary of lump sum death grant	5 days	**100%**	13
Write to dependant and provide relevant claim form	5 days	**100%**	
Set up any dependants benefits and confirm payments due	14 days	**100%**	5

Retirements Retirement options issued to members	5 days	**100%**	4
New retirement benefits processed for payment following receipt of all necessary documents	5 days	**100%**	10
Pension Payment, member to paid on the next available pension payroll following receipt of all necessary documentation	Next available pay run		10

Refunds of Contributions Refund paid following receipt of claim form	14 days	**100%**	18
Deferred Benefits Statements sent to member following receipt of leaver notification	30 days	**100%**	10
Notification to members 2 months before payments due	2 months		28

Lump Sum (on receipt of all necessary documentation)	5 days		20
Pension Payment, member to paid on the next available pension payroll following receipt of all necessary documentation	Next available pay run		20
New Joiners New starters processed	30 days	**100%**	70
Transfers In Non LGPS transfers-in quotations	30 days	**100%**	3
Non LGPS transfers-in payments processed	30 days	**100%**	0
Transfers Out Non LGPS transfers-out quotations processed	30 days	**100%**	7
Non LGPS transfers out payments processed	30 days	**100%**	1
Interfunds In - Quotations	30 days	**100%**	3

Interfunds In - Actuals	30 days	**100%**	3
Interfunds Out - Quotations	30 days	**100%**	17
Interfunds Out - Actuals	30 days	**100%**	16
Estimates			
1-10 cases	5 Days		1
11-50 cases	Agreed with WCC		
51 cases or over	Agreed with WCC		
Material Changes			
Any changes to data which materially affect actual or potential benefits to be processed within 30 days of receiving all necessary data	30 days		18
Members notified of terms of purchasing additional pension	15 days		1
Monthly Pensioner Payroll			
Monthly Pensioner Payroll	Last day of month		
Issue of monthly payslips	3 days before pay day		
RTI file submitted to HMRC	3 days before pay day		
BACS File submitted for payment	3 days before pay day		
P35	EOY		
Annual Exercises			
Annual Benefit Statements Issued to Active members	31 August each year		

Annual Benefit Statements Issued to Deferred members	31 August each year		
P60s Issued to Pensioners Non LGPS transfers-in quotations processed within 20 days	31 May each year		
Apply Pensions Increase to Pensioners	April each year		
Pensioners Newsletter	April each year		
Customer Service			
Correspondence			
Response	10 days		26
Helpdesk Enquiries			

Results on KPI Reporting

Actual Score March 2021	Quantity April 2021	Actual Score April 2021	Quantity May 2021	Actual Score May 2021
100%	13	100%	15	100%
100%	8	63%	9	33%

75%	7	57%	12	67%
100%	4	100%	4	100%
100%	4	100%	4	100%

100%	6	100%	6	100%
100%	4	50%	3	100%
100%	43	98%	16	100%

75%	18	94%	27	100%
100%	18	94%	27	100%
100%		32	98	100%
100%		4	1	100%
N/A		1	3	100%
85%		2	7	100%
100%		0	0	N/A
100%		6	16	81%

67%		1	3	100%
76%		15	15	100%
88%		4	8	100%
100%		6	8	88%
			n/a	n/a
			n/a	n/a
100%		10	39	100%
100%		0	0	N/A
100%				100%
100%				100%
100%				100%
100%				100%
31-Mar-20				31-Mar-21
Annual				Annual

Annual				Annual
100%				
100%				
100%				
77%		16		16
-				

Comments	Comments	Trend

		↓
	1 case was a tier 1 ill health retirement completed.	↑
		↑

	100%	
	100%	
	100%	
	100%	
	N/A	
3 cases missed SLA target	100%	

	100%	
	100%	
	100%	
1 case missed SLA target.	83%	
	100%	
	N/A	
	100%	
	100%	
	100%	
	100%	
	100%	
	Annual	

	Annual	
	100%	
100%	100%	

People services Comments
In March 2021 the two death KPI were combined into one as a result of an administration move. KPI for death cases appears to be on track.
We are pleased that everything remains within KPI.
We are disspointed by the late cases in April and in May. The transfer of the admin service from East Sussex to Kingston appears to have impacted this. Additionally I was aware of the complicated death case and we do need to ensure that this one is checked carefully before payment released. May KPI rate includes some legacy cases picked up from East Sussex that were not picked up

Slippage in retirement processing is a concern in both March and April and May2021. Most cases the delay appears to be minimal in that the case is missing KPI by one or two days.
We are pleased that payment of retirement benefits appears to be within KPI.
Overall we are pleased that the vast majority of these cases were processed on time.

Refunds is another idenified priority in the COVID Pandemic. We are pleased that this KPI remains 100%. The fund does have a number of frozen refunds that will need reviewing in due course.
Surrey identified two cases that had not been completed on time by East Sussex those cases have now been completed in April and the KPI then improved in May.
Overall we are pleased that the vast majority of these cases were processed on time. One case was late in April.

We are dissaponited by this KPI in March and April and note that most months we seem to gert some failures to meet the deadline although in April the KPI was improved from the prior months. We are pleased that this was 100% IN May and hope it continues through until the end of October.
We had seen an improvement in this KPI in the last few months. The late processing of one case in April is a dissapointment.
March KPI data dissapointing but we have seen improvement in April and May. Hopefully with admin transfer from East Sussex complete this will not reoccur.

March KPI data dissapointing
March KPI data dissapointing
March KPI data dissapointing
There are more estimate requests starting to come through and our priority remains KPI related directly to member payments but the delay in some cases is disspointing. Overall we have not noticed an impact
We are pleased this remains 100%.
We are pleased this remains 100%.
We are pleased this remains 100%.
We are pleased this remains 100%.
We are pleased this remains 100%.

5,517 statements produced. 1,294 statements not produced (1,293 supressed as record marked as gone away). 1 error on record that will not allow statement to be produced and will need to be corrected. Electronic tracing results received back to date interfaced prior to statements produced. Reduction of 590 gone away records following address tracing exercise compared to 19.20 (1,883 supressed as record marked as gone away).
Issued April 2021
Pension Increase applied for 21/22
Pensioner newsletter sent in April 2021
issue in March 2021

City of Westminster

Pension Fund Board

Date:	**21st July 2021**
Classification:	**General Release**
Title:	**Pension Administration Service Transfer Project**
Report of:	**Diana McDonnell-Pascoe, Pensions Project Manager, People Services**
Wards Involved:	**All**
Policy Context:	**Service Delivery**

1. Introduction

1.1. This report is to update the board on the project to transfer the pension administration service from Surrey County Council (SCC) to Hampshire County Council's Pension Service (HPS).

1.2. The change of administration provider means that the project has three main areas of focus which are the onboarding to HPS, the offboarding from SCC and the transition supporting activities such as stakeholder management, engagement and comms, finance, and other sundry supporting activities.

1.3. This report will update the board on these activities and progress to date.

2. Project Overview

2.1. Project Management: There are five main workstreams of the project: 1. Governance 2. Data Migration 3. Member Engagement and Comms 4. Employer Engagement and Comms and 5. Finance. We have workstream leads in place for each of these and they are working with both Hampshire and Surrey colleagues to ensure the smooth transition of the pension administration service from Surrey to Hampshire.

2.2. Governance – Project Administration: We have a monthly project board meetings attended by Senior Officers from Hampshire, Westminster, and Surrey in order to facilitate and support the project as well as bi-weekly project meetings chaired by Andrew Lowe (Head of Pensions, Investment and Borrowing, HCC) so that we can on-board successfully. We are also having off-boarding meetings with Surrey

(see Section 4) to ensure a successful exit from their service. Internally, we have weekly project meetings with officers to plan and track project activities and manage any key decisions. The RAG status of the project is Green as agreed with Hampshire and Surrey at the latest Project Board meeting which shows that the project is on time and on-track to meet targets.

2.3. Governance – Project Reporting and Budget Control: As part of the internal monitoring and control of the project management, we are reporting monthly to the Innovation and Change (I&C) Board. We are reporting via their standardised reporting tool which captures items such as management of risks and issues, on-time delivery, and project costs. With respect to the project costs, we have worked with finance colleagues to put together a budget for the project and are capturing actual costs against forecast costs each month ahead of the I&C Board meetings.

3. Hampshire Pension Service (HPS) Onboarding

3.1. On 23rd April 2021, WCC formally signed and executed a delegation agreement with Hampshire County Council which was the formal starting point for the onboarding to Hampshire Pension Service (HPS).

3.2. With respect to the final transition to the new service, our agreed “Go-Live” date is Monday, 8th November 2021 and this date will be the date when Members and Employers can access the new Pension Portal as part of business-as-usual activities. Our pension payroll cessation date with Surrey is the 21st of October 2021 and there will be approximately a week of offline activities which will be carefully managed between Surrey and Hampshire before we have the confirmation from Hampshire and Civica (new software supplier) on 4th of November 2021 that we can “Go Live” on 8th of November as planned.

3.3. In order to ensure maximum confidence in the private (4th) and public (8th) November 2021 “Go-Live” dates, the project team have planned in three (two plus one contingency) data extraction and migration run-throughs starting on 17th June 2021 and finishing in September 2021. These tests will allow Civica to assess the new software environment set up specifically for us, validate our data and verify that it is correct. The first run-through will be the longest and each subsequent iteration is expected to be shorter as they adjust to our needs.

3.4. Data Cut #1: On 17th June 2021 the first extraction and migration of WCC data and data images from Surrey to Hampshire successfully took place. The data has now been imported into the bespoke WCC data environment on the software UPM (Universal Pensions Management) and Hampshire officers have started the user testing of this phase of the data migration. SCC officers are taking part in a workshop on 22nd June to ensure the mapping of data from Altair to UPM is consistent and accurate. This phase of the onboarding is on-time and on-track to complete and be signed off on week beginning 9th August 2021.

4. Surrey County Council (SCC) Offboarding

4.1. Surrey is actively engaged in supporting our exit project and we are undertaking offboarding meetings with the project team to ensure that we capture any and all backlog and/or handover activities urgently. Our intention is to triage and prioritise these activities for completion by Surrey prior to transfer to Hampshire. However, this is also being done with the understanding that some activities may not be completed in advance of transition and so will need to be packaged and given to Hampshire Pension Service to complete (with their agreement).

5. Transition Supporting Activities

5.1. Stakeholder Management: HPS are having workshops with the relevant WCC officers to ensure we can cover all the relevant components of the new service that need to be communicated appropriately to make this transition a success. So far, we have had workshops on Employer comms and engagement, Member comms and engagement, the new Pension Portal, the Pension Website, and day to day Finance administration.

5.2. With respect to Members and Employers, WCC officers have been working with HPS and SCC officers to create a comms and engagement strategy and delivery plan to communicate the change of pension service provider to the relevant stakeholders in an effective and timely fashion. This plan has been approved by Cllr Paul Swaddle. Officers have been identifying all the relevant Members and Employers that need to be contacted and designed a campaign for each stakeholder group so that they are fully informed prior to go-live, during the transitional period and then post go-live.

5.3. WCC Pension Fund finance officers have also been taking part in workshops and are liaising with their counterparts at HPS to ensure an effective financial transition and to ensure adequate reporting and controls are in place so we can monitor all finance administration activities with confidence. We will be working with SCC colleagues to remove all relevant accesses and ensure all closing activities are completed prior to transition.

6. Summary

6.1. This paper was to update the board on the transition of the pension administration service from Surrey to Hampshire and the various processes and mechanisms that are in place ensure the transition is a success.

This page is intentionally left blank

City of Westminster

Pension Board

Date:	**21 July 2021**
Classification:	**General Release**
Title:	**Performance of the Council's Pension Fund**
Wards Affected:	**All**
Policy Context:	**Effective control over council activities**
Financial Summary:	**There are no immediate financial implications arising from this report, although investment performance has an impact on the Council's employer contribution to the Pension Fund and this is a charge to the General Fund.**
Report of:	**Phil Triggs** ***Tri-Borough Director of Treasury and Pensions*** **ptriggs@westminster.gov.uk** **020 7641 4136**

1. Executive Summary

1.1 This report presents the performance of the Pension Fund's investments to 31 March 2021, together with an update of the funding position.

1.2 The Fund outperformed the benchmark net of fees by 0.2% over the quarter to 31 March 2021 and the estimated funding level was 102.3% as at 31 March 2021.

2. Recommendation

2.1 The Pension Board is asked to:

- Note the performance of the investments and the funding position.

3. Background

3.1 This report presents a summary of the Pension Fund's performance to 31 March 2021 and estimated funding level following the actuarial valuation. The investment performance report (Appendix 1) has been prepared by Deloitte, the Fund's investment advisor.

3.2 The investment performance report shows that, over the quarter to 31 March 2021, the market value of the assets increased by £42m to £1,749m. The Fund outperformed the benchmark net of fees by 0.2% over the quarter, with all managers delivering positive performance with the exception of Insight. Longview, CQS, Aberdeen Standard and Pantheon all outperformed their benchmarks during this period.

3.3 Over the 12-month period to 31 March 2021, the Fund outperformed its benchmark net of fees by 4.6% returning 32.7%. This was achieved largely as a result of excellent performance within the Baillie Gifford Global Equity portfolio and the CQS MAC mandate, which outperformed their benchmarks by 17.3% and 20.8% net of fees respectively. Over the longer three-year period to 31 March 2021, the Fund outperformed the benchmark net of fees by 0.5%, again with Baillie Gifford being the major contributor. Longview underperformed their benchmark net of fees by -2.5% during this period.

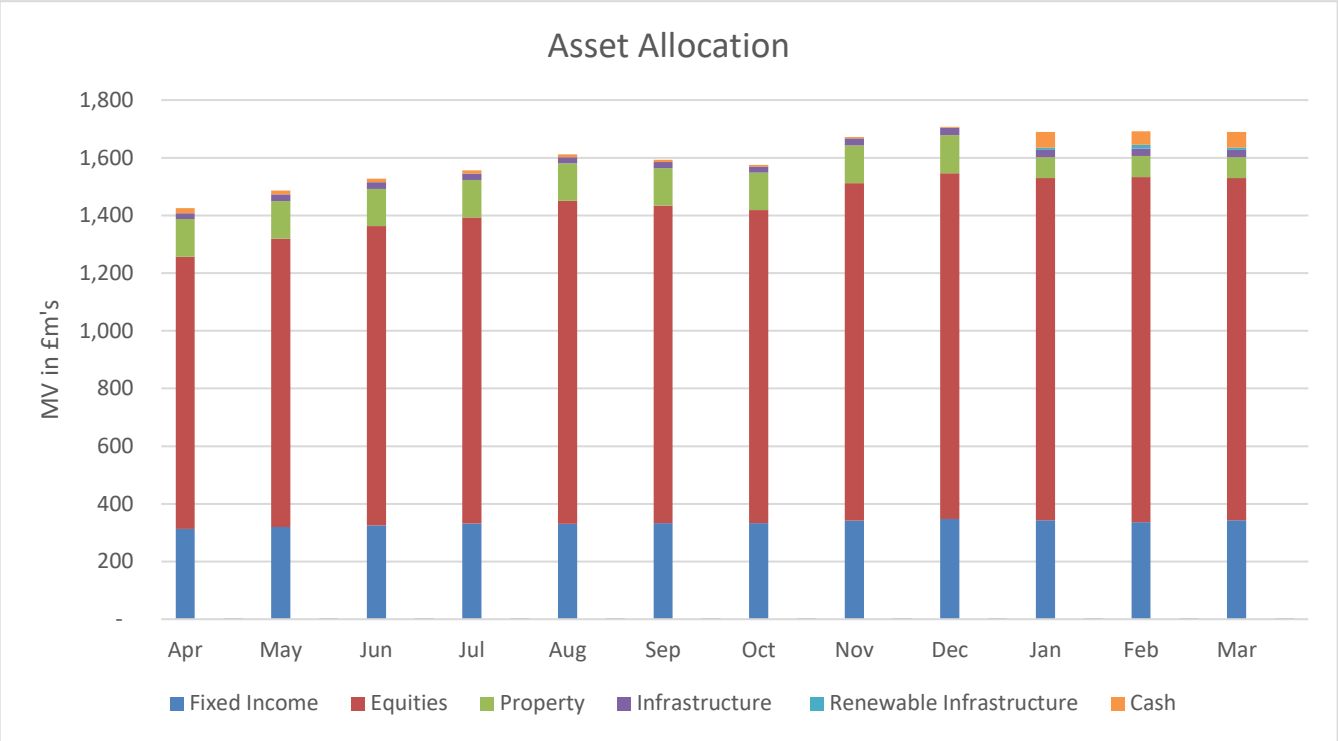
3.4 The advisors continue to rate the fund managers favourably, with the exception of Longview. Deloitte removed Longview's Global Equity strategy from its rated manager list, following the departure of the co-founder and CIO Ramzi Rishani. During January 2021, Jamie Carter joined as Chief Operating Officer and Matt Tunna joined the Investment team as a Research Analyst.

3.5 During the quarter, LCIV announced Mike Craston as the new Chair designate of London CIV in succession to Lord Kerslake. Mike Craston is chair and a non-executive director of Aviva Investors Holdings Limited, a £300bn asset manager that provides investment services. During April 2021, Alison Lee joined the team as Responsible Investment manager and will work on development of the LCIV's sustainable investment strategies. Rob Hall, Head of Public Markets, will be leaving the LCIV in June 2021 and the recruitment process for his replacement has commenced.

3.6 The estimated funding level (Appendix 2) for the Westminster Pension Fund has increased by 2.9% to 102.3% as at 31 March 2021 (99.4% at 31 December 2020). The funding level for Westminster City Council as an employer has also increased, with a funding level of 91.0% as at 31 March 2021 (90.0% at 31 December 2020). The Council plans to pay off its deficit by 2022, with a final payment of £80.0m due during 2021/22.

4. Asset Allocation and Summary of Changes

4.1 The chart below shows the changes in asset allocation of the Fund from 1 April 2020 to 31 March 2021. Asset allocations may vary due to changes in market value.



*Fixed Income includes bonds and Multi Asset Credit

4.2 The current Westminster Pension Fund target asset allocation is 65% of assets within equities, 19% in fixed income, 5% within infrastructure, 5% within property and 6% in renewable infrastructure.

4.3 Following the appointment of two new renewables infrastructure managers in December 2020, the sale of the Hermes property fund took place during mid-January 2021. Subsequent to this, the first Quinbrook drawdown took place during January 2021 and in February 2021 for Macquarie. It is expected that these funds will be circa 50% drawn by March 2022.

4.4 A capital call for the Pantheon Global Infrastructure Fund took place during March 2021, with the fund 45% drawn as at 31 March 2021.

4.5 The value of Pension Fund investments managed by the LCIV as at 31 March 2021 was £866m. This represents 50% of Westminster's investment assets. A further £398m continues to benefit from reduced management fees, Legal and General having reduced its fees to match those available through the LCIV.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

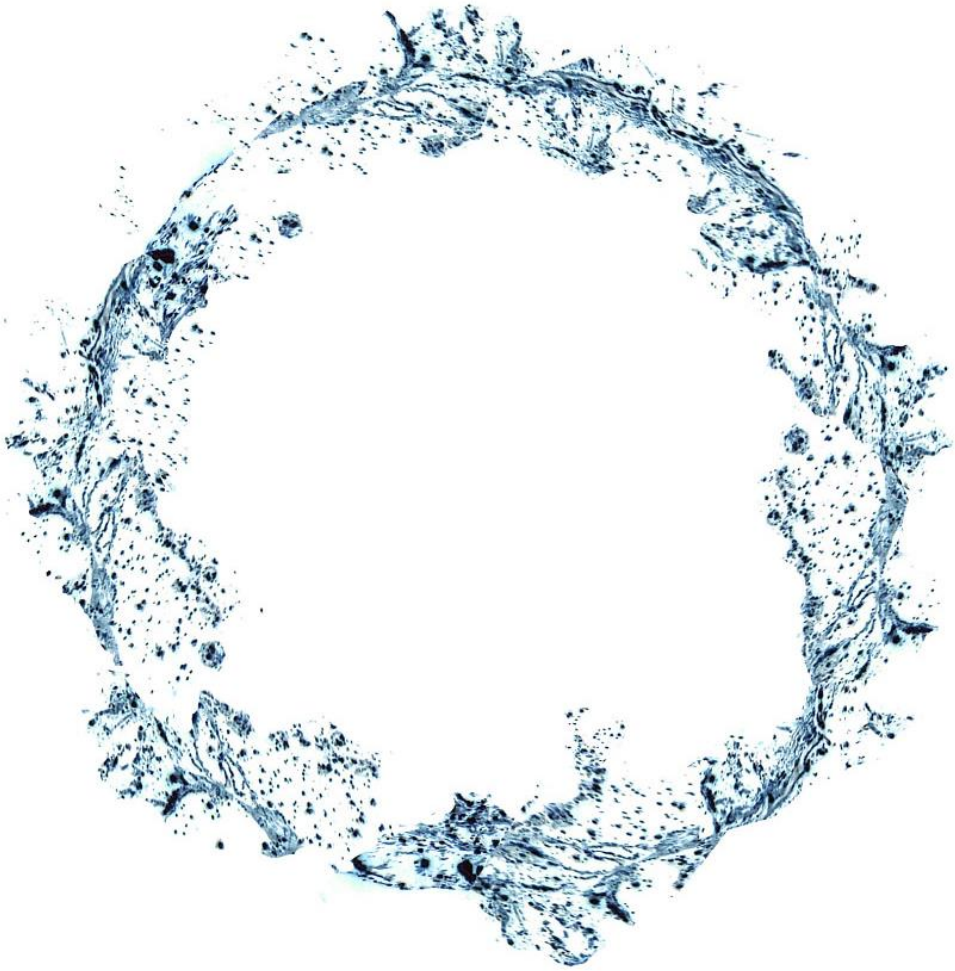
Billie Emery pensionfund@westminster.gov.uk

Background Papers: None

Appendices:

Appendix 1: Deloitte Investment Report, Quarter Ending 31 March 2021
Appendix 2: Barnett Waddingham Funding Level Update at 31 March 2021

Deloitte.



City of Westminster Pension Fund

Investment Performance Report to 31 March 2021

Deloitte Total Reward and Benefits Limited
June 2021

Contents

1 Market Background

Global Equities

Global equity markets continued to make gains in the first quarter of 2021. Cyclical sectors performed well supported by the anticipated surge in economic activity resulting from the rollout of COVID-19 vaccines, and the introduction of further fiscal stimulus in the US. These widespread equity market gains came against a backdrop of rising bond yields as investors weighed the possibility that monetary support could be reduced to combat an associated rise in inflation.

Over the first quarter, global equity markets delivered a return of 6.2% in local currency terms (or 3.8% in sterling terms). Sterling appreciated over the quarter, most notably against the euro, and to a lesser extent against the US dollar. All global regions made gains with Japan delivering the highest return of 9.3% (in local terms). Emerging Markets delivered the lowest return but still made gains of 4.1% (in local terms). At the sector level, all sectors, except Health Care (-2.4%), delivered positive returns. Telecommunications (10.5%) was the strongest performing sector, whilst Oil & Gas (10.2%) also performed strongly as investors bet on a significant rebound in economic activity.

UK equities delivered a positive return of 5.2% over the quarter, slightly underperforming overseas markets (in local terms). Underperformance was relatively minor compared to the recent past, with leading UK indices benefitting from the rotation into cyclical sectors. The more domestically focused FTSE 250 Index (5.4%) performed broadly in line with the more internationally focused FTSE 100 Index (5.0%) thanks in part to greater Brexit related certainty after the UK finally agreed a trade deal with the EU in late December 2020 thereby avoiding a “cliff-edge” Brexit.

Government bonds

UK nominal gilt yields rebounded sharply over the first quarter of 2021 – a common theme observed across government bonds globally - most notably at mid-to-long maturities, as investors anticipated that a return to higher economic growth and associated inflation pressure could lead to tighter future monetary policy. UK gilt yields were most volatile in February, and over the first quarter as a whole, nominal yields increased by 60-70 bps at mid-to-long maturities, whilst still increasing by c. 20-50 bps at the short-end. The All Stocks Gilt Index therefore delivered a large negative return of -7.2% over the quarter whilst the Over 15 year Index returned -12.5%.

Real yields on index-linked gilts also increased albeit to a lesser extent than nominal yields given inflation expectations also increased. The 30-40 bps increase in real yields at mid-to-long maturities contributed to a 6.3% fall in the All Stocks Index-Linked Gilts Index over the quarter.

Corporate bonds

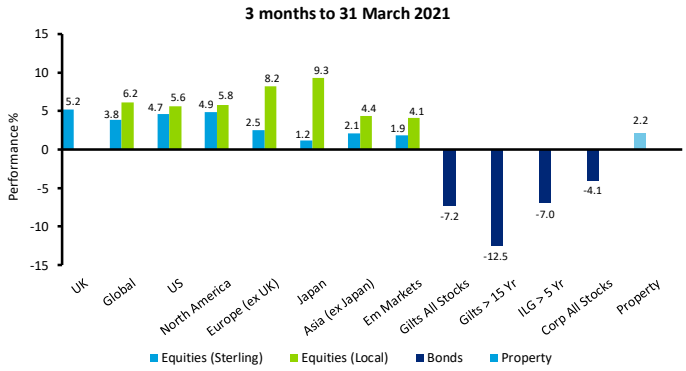
Sterling denominated corporate bond yields followed gilt yields higher over the first quarter. Credit spreads marginally narrowed however, remaining below historic average levels, as investors balanced the competing factors of an improving economic outlook against the implications of rising borrowing costs in a higher inflationary environment. The combination of relatively muted credit spread movements, but large increases in underlying gilt yields caused the iBoxx All Stocks Non-Gilt Index to return -4.1% over the three months to 31 March 2021.

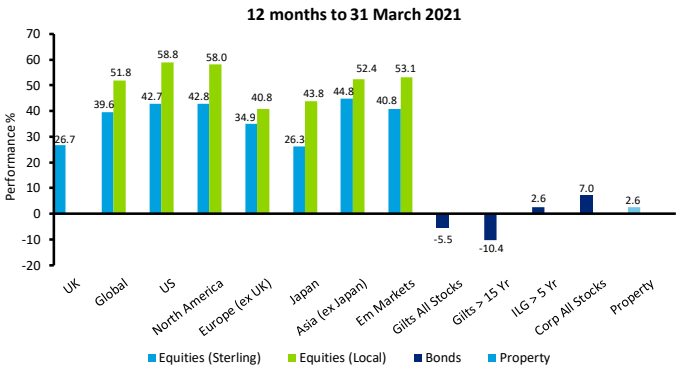
Property

The MSCI UK All Property Index delivered a return of 2.2% over the first quarter, and a return of 2.6% over the 12 months to 31 March 2021. However, these figures should be caveated given the relatively low level of transaction activity that there has been compared to pre-pandemic levels. Therefore, these performance figures reported in the initial quarters during the pandemic may not represent the full extent of the property market depreciation as a result of COVID-19, and further valuation impacts seem possible in the months ahead as the full economic damage from the pandemic becomes clear and structural economic changes crystallise.

Following the sharp increase of COVID-19 cases going into winter 2020/21, tighter restrictions were reimposed with a widespread lockdown across the UK for most of the first quarter of 2021, which has created a further strain on already cash-strapped businesses most notably in the retail, travel and hospitality sectors. Rent collection therefore continues to be an ongoing issue between tenants and landlords, albeit the vaccine rollout now gives tenants and landlords some hope of better future trading conditions to be able to tailor rent collection payment plans around. COVID-19 has also accelerated longer term structural economic trends such as the switch to online shopping, whilst future office demand has also become uncertain

following the transition to remote-working and widespread desire for a 'blended' approach after the pandemic. As a result, there is a risk some companies may consolidate or down-size their office space and future demand for office space may therefore be impacted over the medium-term as office leases come up for renewal.





2 Total Fund

2.1 Investment Performance to 31 March 2021

The following table provides a summary of the performance of the Fund's managers.

Manager	Asset Class	Last Quarter (%)		Last Year (%)		Last 3 Years (% p.a.)		Since inception (% p.a.)	
		Fund Net of fees	B'mark	Fund Net of fees	B'mark	Fund Net of fees	B'mark	Fund Net of fees	B'mark
LGIM	Global Equity (Future World)	5.4	5.3	n/a	n/a	n/a	n/a	13.9	13.8
LCIV	Global Equity (Global Alpha Growth)	2.2	3.6	56.2	38.9	18.7	12.7	17.0	12.4
LCIV	Global Equity (Global Equity Core)	1.5	3.6	n/a	n/a	n/a	n/a	7.8	15.2
Longview	Global Equity	6.2	4.0	34.9	38.4	10.9	13.4	12.0	12.4
Insight[1]	Buy and Maintain	-4.0	-2.4	10.1	6.3	n/a	n/a	6.0	5.0
LCIV	Multi Asset Credit	2.1	1.0	25.2	4.4	n/a	n/a	3.5	4.7
Aberdeen Standard	Property	1.4	-6.8	3.8	-3.7	5.5	4.5	7.7	5.9
Pantheon[2]	Global Infrastructure	7.4	2.0	-3.8	8.4	n/a	n/a	3.8	9.6
Total		**1.9**	**2.1**	**32.7**	**28.1**	**9.4**	**8.9**	**n/a**	**n/a**

Source: Northern Trust. Figures may not tie due to rounding.

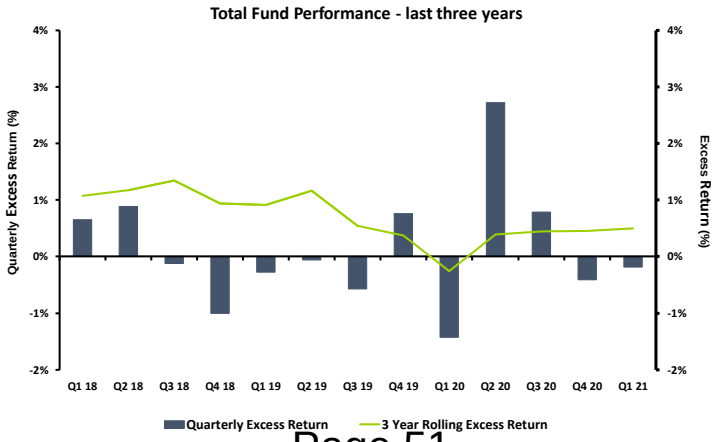
[1]Insight Buy and Maintain Fund was incepted on 9 April 2018. Since inception returns and benchmark returns reflect a combination of Insight Buy & Maintain Fund returns and benchmark returns from date of inception to 31 March 2021, and Insight IM (Core) Fund returns and benchmark returns from inception date 30 September 2011 until inception of the Buy and Maintain Fund.

[2]Pantheon Global Infrastructure Fund performance is calculated by Northern Trust with a 60 calendar day lag, based on Pantheon net asset value in USD which Northern Trust converts to GBP. As such, performance provided is to end January 2021 and includes the impact of fluctuations in the USD to GBP exchange rate.

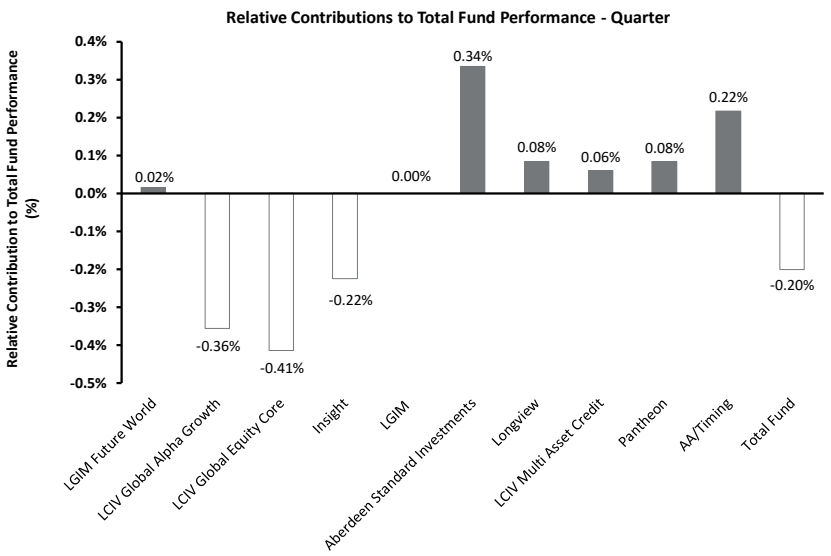
Over the quarter to 31 March 2021, the Total Fund delivered a positive absolute return of 1.9% on a net of fees basis, with the majority of the Fund's underlying investments delivering positive absolute returns over the quarter. The Total Fund underperformed the fixed weight benchmark by 0.2% over the three-month period.

Over the one and three year periods to 31 March 2021, the Total Fund delivered positive absolute returns of 32.7% and 9.4% p.a. respectively on a net of fees basis, outperforming the fixed weight benchmark by 4.6% and 0.5% p.a. respectively. The substantial absolute returns over the year can be partially attributed to the sustained recovery in global equity markets - with the sharp market downturn experienced in Q1 2020 following the initial outbreak of COVID-19, falling out of the 12 month measurement period - with outperformance over the longer term in particular attributed to the LCIV Global Alpha Growth Fund, which has considerably outperformed its benchmark over the one and three year periods to 31 March 2021.

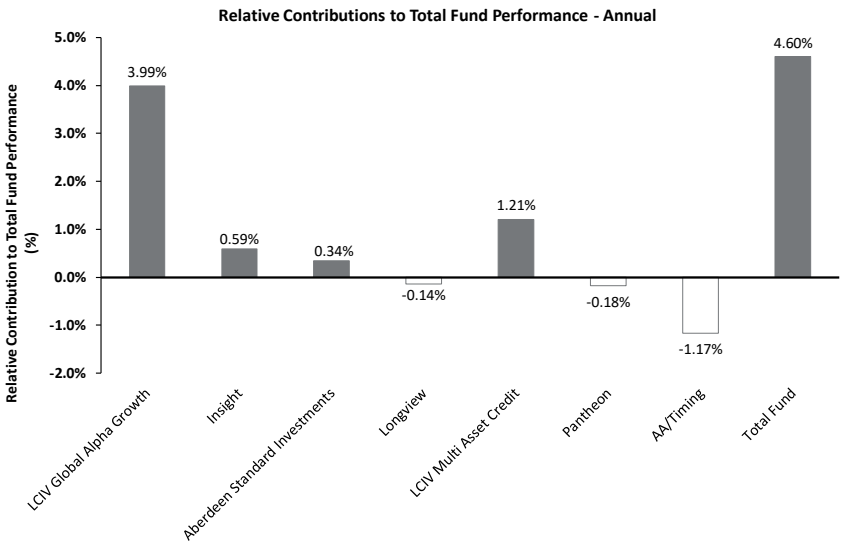
The chart below shows the relative performance of the Fund over the quarter and last three years, highlighting that the rolling three-year performance is ahead of the benchmark. Please note that performance is shown net of fees versus the benchmark.



2.2 Attribution of Performance to 31 March 2021



Each of the Fund's underlying investments, except for Insight, have delivered positive absolute returns on a net of fees basis over the quarter to 31 March 2021. Despite this, the Fund has underperformed its fixed weight benchmark by 0.2% over the three-month period. Underperformance over the quarter can largely be attributed to the LCIV Global Equity Core Fund and the LCIV Global Alpha Growth Fund, with both products underperforming their MSCI-based benchmark owing to a relative under-allocation to cyclical stocks, despite delivering positive returns on an absolute basis. The Insight Buy and Maintain Fund also underperformed its benchmark over the three-month period, contributing to Total Fund underperformance. Relative underpormance over the quarter was partially offset most notably by the ASI Long Lease Property Fund, which outperformed its gilt-based benchmark with gilt yields rising sharply over the first quarter of 2021. ASI did, however, underperform the wider property market over the three-month period. The positive attribution represented by the "AA/Timing" bar includes the impact of the Fund's overweight allocation to the Longview Global Equity Fund, with the strategy having outperformed its benchmark over the quarter.



Over the year to 31 March 2021, the Fund outperformed its benchmark by 4.6% on a net of fees basis. Outperformance can largely be attributed to the LCIV Global Alpha Growth Fund, having outperformed its MSCI-based benchmark by 17.2% on a net of fees basis over the twelve-month period as well as the LCIV Multi Asset Credit fund which outperformed it's cash-plus target as high yield markets rebounded strongly. The negative attribution represented by the "AA/Timing" bar primarily reflects the impact of the Fund's overweight position to Longview, which underperformed its benchmark over the year to 31 March 2021, alongside the impact of investing in the LCIV Global Equity Core Fund over the fourth quarter of 2020, which has since underperformed its benchmark since inception, and includes the allocation to the Hermes UK Property Fund, which underperformed the wider property market over the year until the point of disinvestment in January 2021.

2.3 Asset Allocation as at 31 March 2021

The table below shows the assets held by manager and asset class as at 31 March 2021.

Manager	Asset Class	End Dec 2020 (£m)	End Mar 2021 (£m)	End Dec 2020 (%)	End Mar 2021 (%)	Benchmark Allocation (%)
LGIM	Global Equity (Passive – Future World)	378.5	398.7	22.2	22.8	25.0
LCIV	Global Equity (Global Alpha Growth)	422.4	429.8	24.7	24.6	20.0
LCIV	Global Equity (Global Equity Core)	332.4	337.3	19.5	19.3	20.0
Longview	Global Equity	65.2	69.2	3.8	4.0	0.0
	Total Equity	**1,198.7**	**1,235.0**	**70.2**	**70.6**	**65.0**
Insight	Buy and Maintain	251.1	241.1	14.7	13.8	13.5
LCIV	Multi Asset Credit	96.7	98.6	5.7	5.6	5.5
	Total Bonds	**347.8**	**339.7**	**20.4**	**19.4**	**19.0**
Hermes	Property	61.4	0.1	3.6	0.0	-
Aberdeen Standard	Property	70.3	71.3	4.1	4.1	5.0
	Total Property	**131.7**	**71.4**	**7.7**	**4.1**	**5.0**
Pantheon	Global Infrastructure	26.2	29.7	1.5	1.7	5.0
Macquarie	Global Renewable Infrastructure	0.0	6.0	0.0	0.3	3.0
Quinbrook	UK Renewable Infrastructure	0.0	7.3	0.0	0.4	3.0
	Total Infrastructure and Renewable Infrastructure	**26.2**	**43.0**	**1.5**	**2.4**	**11.0**
	Cash	2.7	59.4	0.2	3.4	
Total		**1,707.0**	**1,748.7**	**100.0**	**100.0**	**100.0**

Source: Northern Trust
Figures may not sum due to rounding

The total value of the Fund's invested assets, including cash, stood at £1,748.7m as at 31 March 2021, representing an increase of c. £41.6m over the first quarter of 2021 as a result of positive Total Fund returns.

The Fund's equity allocation became further overweight over the first quarter of 2021 as equity markets continued to rise. However, looking forward, the Fund's equity exposure is expected to reduce as Pantheon continues to draw down capital, funded from the remaining Longview allocation.

During the quarter, Pantheon issued a net capital call of $4.4m, consisting of a capital call of $4.9m offset by a $0.5m distribution of capital, for payment by 24 March 2021, taking the Fund's total unfunded commitment to Pantheon to c. $50.3m as at the end of the first quarter of 2021. This capital call was funded from the Fund's in-house cash allocation, with future drawdowns expected to be sourced from the Longview allocation. Pantheon anticipates that the Fund's commitment will be fully drawn by the end of the second quarter of 2023.

Following agreement to disinvest from the Hermes UK Property Fund, the proceeds were realised on 15 January 2021. The proceeds received from this disinvestment will be used to fund the €55m commitment to the Macquarie Renewable Energy Fund 2 and the £50m commitment to the Quinbrook Renewables Impact Fund, following the manager selection exercise in December 2020. In the interim, the proceeds will remain in the Fund's in-house cash account until drawn for investment by the renewable infrastructure managers.

Over the quarter, Macquarie issued its first drawdown notice, requesting c. €7.3m for payment by 15 February 2021. Following payment, c. 13% of the Fund's total commitment to the Macquarie Renewable Energy Fund 2 has been drawn for investment. Quinbrook also issued one drawdown notice over the quarter, requesting c. £7.7m for payment by 25 January 2021, consisting primarily of an equalisation payment. As such, following payment, c. 15% of the Fund's total commitment to the Quinbrook Renewable Impact Fund has been drawn for investment. Both drawdowns were funded from the Fund's in-house cash account.

2.4 Yield analysis as at 31 March 2021

The table below shows the yield as reported by the managers on each of the Fund's investments.

Manager	Asset Class	Yield as at 31 March 2021
LGIM	Global Equity (Passive – Future World)	1.67%
LCIV	Global Equity (Global Alpha Growth)	0.21%*
LCIV	Global Equity (Global Equity Core)	1.32%*
Longview	Global Equity	1.75%
Insight	Buy and Maintain	2.09%
LCIV	Multi Asset Credit	4.33%*
Aberdeen Standard Investments	Long Lease Property	4.11%
	Total	**1.47%**

**LCIV funds' yields are provided by the underlying managers (Baillie Gifford, Morgan Stanley and CQS).*

3 Summary of Manager Ratings

The table below summarises Deloitte's ratings of the managers employed by the Fund and triggers against which managers should be reviewed.

Manager	Mandate	Triggers for Review	Rating
LGIM	Global Equity (Passive – Future World)	Major deviation from benchmark returns Significant loss of assets under management	1
Baillie Gifford	LCIV Global Equity (Global Alpha Growth)	Loss of key personnel Change in investment approach Lack of control in growth of assets under management	1
Morgan Stanley Investment Management	LCIV Global Equity (Global Equity Core)	Loss of key personnel Change in investment approach Lack of control in growth of assets under management	1
Longview	Global Equity	Loss of key personnel Change in investment approach Lack of control in growth of assets under management	2
Insight	Buy and Maintain	Departure of any of the senior members of the investment team	1
CQS	LCIV Multi Asset Credit	Significant changes to the investment team responsible for the fund	1
Aberdeen Standard Investments	Property	Richard Marshall leaving the business or ceasing to be actively involved in the fund without having gone through an appropriate hand-over A build up within the fund of holdings with remaining lease lengths around 10 years	1
Pantheon	Global Infrastructure	Significant changes to the investment team responsible for the fund	1
Macquarie	Global Renewable Infrastructure	Significant changes to the investment team responsible for the fund	1
Quinbrook	UK Renewable Infrastructure	Significant changes to the investment team responsible for the fund	1

3.1 London CIV

Business

The London CIV had assets under management of £11,088m within the 14 sub-funds (not including commitments to the London CIV Infrastructure Fund, London CIV Inflation Plus Fund, The London Fund, London CIV Renewable Infrastructure Fund and London CIV Private Debt Fund) as at 31 March 2021, an increase of £338m over the quarter primarily as a result of new London Borough investments in each of the LCIV Sustainable Equity Fund and the LCIV Absolute Return Fund over the quarter.

The total assets under oversight, including passive investments held outside the London CIV platform, was £25.0bn as at 31 March 2021, an increase of c. £1.7bn over the quarter with cumulative commitments of £1.4bn to the LCIV Infrastructure Fund, LCIV Inflation Plus Fund, The London Fund, LCIV Renewable Infrastructure Fund and LCIV Private Debt Fund.

Both the LCIV Renewable Infrastructure Fund and the LCIV Private Debt Fund were successfully launched on 29 March 2021. The London CIV has selected funds managed by BlackRock, Foresight, Quinbrook and Stonepeak to make up the Renewable Infrastructure Fund, and funds from Churchill Asset Management and Pemberton Asset Management have been selected to make up the Private Debt Fund, subject to final due diligence and legal agreements. Five seed investors have committed an initial £435m to the Renewable Infrastructure Fund, with an anticipated further six London Boroughs expected to invest more than £300m by the end of 2021, while three seed investors have committed an initial £290m to the Private Debt Fund with three further investors anticipated to invest more than £150m by the end of 2021.

The London CIV also intends to launch two funds with a focus on passive low carbon equity and sterling credit, respectively, and held several meetings to discuss the prospects of both funds over the first quarter of 2021.

As reported last quarter, in relation to the LCIV Global Bond Fund which the Fund currently invests in, the London CIV has been engaging with investors (both current and prospective) in regards to the prospect of transitioning the Global Bond Fund into an ESG-focused version which will be more consistent with its investors' and the London CIV's ESG strategy. This coincides with PIMCO, the underlying manager of the LCIV Global Bond Fund, launching the GIS Climate Bond Fund which is dedicated to investments linked to combating global climate change. The London CIV is looking to make the enhancements to the Sub-Fund before the end of 2021, and investors will receive an official communication with regards to the changes in due course. The London CIV has confirmed that any adjustments to the Sub-Fund will be minor, with the broad risk/return profile, investment objective, benchmark and prospectus set to be unchanged.

Following quarter end, the London CIV appointed Hermes EOS as the firm's stewardship partner, with the aim to develop the London CIV's voting and engagement report. The London CIV and Hermes are currently collaborating to review the London CIV's risk management systems.

[redacted]

LCIV Global Alpha Growth Paris Aligned Sub Fund

Following quarter end, on 13 April 2021, the London CIV launched the LCIV Global Alpha Growth Paris Aligned Sub Fund, managed by Baillie Gifford, following the launch of the Baillie Gifford Global Alpha Paris-Aligned Fund. The Paris-Aligned Fund is an exclusions-based variant of the core Global Alpha Growth Fund portfolio, which the City of Westminster Pension Fund currently holds an allocation to, aligned to the objectives of the Paris Agreement.

The Baillie Gifford Global Alpha Paris-Aligned Fund is managed by the same team as the Global Alpha Growth Fund, and inherits the same investment philosophy, fee and performance objective. There is currently a stock overlap of c. 94% between the two funds, and the Fund is expected to closely track the performance of the Global Alpha Growth Fund over time.

The main difference between the two funds is the two carbon screens added to the Paris-Aligned Fund which applies to stocks within the Global Alpha Growth Fund and therefore currently excludes nine of the core fund's current portfolio of 103 companies:

- Screen 1 - Companies that generate more than 10% of revenues from the extraction and production of coal, oil and gas.

- Screen 2 - Companies that generate more than 50% of revenues from services provided to coal, oil and gas extraction and production.

In addition, the highest emission companies will be subject to a proprietary framework designed to assess the risks they face during the transition to a low carbon environment.

The Paris-Aligned Fund aims to have a weighted average greenhouse gas intensity lower than that of the new MSCI ACWI Climate Paris Aligned Index – an index which is consistent with the carbon reduction requirements needed to achieve the Paris Agreement objectives. Otherwise, the Fund will have the same investment philosophy and performance objective (to outperform the MSCI ACWI by 2-3% over rolling five year periods on a gross of fees basis) as the Global Alpha Growth Fund.

The MSCI ACWI Climate Paris Aligned Index has a carbon intensity that is 50% lower than the MSCI ACWI and incorporates a year-on-year decarbonisation (reduction in carbon) rate of 10%, consistent with a trajectory for a 1.5 degree warming scenario. It should be noted that the Global Alpha Growth Fund has a carbon footprint that is c. 60% lower than the MSCI ACWI. The Paris-Aligned Fund is expected to have an even lower carbon footprint.

As at 30 April 2021, the Paris Aligned Sub Fund had two London Borough investors, making up £483m of invested capital, with the London CIV expecting one further investor which would take the Sub Fund's assets under management to c. £540m. The London CIV anticipates more London Boroughs will invest in the Paris Aligned Sub Fund, but will continue to offer the LCIV Global Alpha Growth Fund for investors.

Personnel

Over the first quarter of 2021, the London CIV hired Andrea Wildsmith as Head of Risk and Performance. Andrea will lead on the newly acquired eVestment database, which will be used to help the investment team select and manage public investment. Andrea has 22 years' experience in a number of aspects of portfolio management and analytics.

Following quarter end, the London CIV are in the process of completing the procedure to hire a new Chair. The London CIV is not yet in a position to provide further information, but will likely make an official announcement in due course, should no issues arise in the final background checks.

Following quarter end, on 12 April 2021, Alison Lee joined the London CIV as a new Responsible Investment Manager. Alison will support Jacqueline Jackson in developing the London CIV's commitment to responsible investment and long-term sustainable investment strategies. Alison joins from ADM Capital where she was responsible for ESG integration across a range of asset classes.

Also, following quarter end, Rob Hall, Head of Public Markets and Deputy Chief Investment Officer, announced that he will be leaving the firm by the end of June 2021. The London CIV has commenced the search to hire a new Head of Public Markets, with advertising for the new role commencing from 6 May 2021. In addition, following quarter end, the London CIV has confirmed that a new Senior Equities Portfolio Manager will join the firm on 12 July 2021.

Deloitte view –We are continuing to monitor developments on the business side as well as the new fund launches.

3.2 LGIM

Business

As at 31 December 2020, Legal & General Investment Management ("LGIM") had assets under management ("AuM") of c. £1,279bn, an increase of c. £38bn since 30 June 2020. LGIM provides AuM updates biannually.

Personnel

There were no significant team or personnel changes over the first quarter of 2021.

Deloitte View - We continue to rate Legal & General positively for its passive investment management capabilities.

3.3 Baillie Gifford

Business

Baillie Gifford held c. £324bn in assets under management as at 31 March 2021, representing a decrease of c. £2bn over the quarter owing to mixed returns across Baillie Gifford's investments. The Global Alpha strategy held assets under management of c. £51bn as at 31 March 2021.

Personnel

Baillie Gifford made no changes to the Global Alpha Fund team over the first quarter of 2021.

Following the announcement in Q1 2020, Charles Plowden, Senior Partner and one of the founding Global Alpha portfolio managers, retired on 30 April 2021 following quarter end. Helen Xiong, Partner, has been appointed as Fund Manager on the Global Alpha team, having transitioned from US equity last year.

Deloitte view - We continue to rate Baillie Gifford positively for its equity capabilities.

3.4 Morgan Stanley Investment Management

Business

The LCIV Global Equity Core Fund held assets under management of £512m as at 31 March 2021, an increase of £8m over the quarter.

The Morgan Stanley Global Sustain Fund, which the LCIV Global Equity Core Fund is based upon, held assets under management of $4.0bn as at 31 March 2021, representing an increase of c. $0.9bn over the first quarter of 2021 following new investments into the strategy.

Personnel

As previously announced last quarter, Dirk Hoffmann-Becking retired from MSIM and asset management on 31 March 2021. Going forward, Dirk will be sharing his time between pursuing his academic interests and consulting to banks. Dirk has been a portfolio manager across the MSIM International Equity team's strategies since 2013. His primary research coverage included Financials and Consumer Discretionary, and as such the MSIM International Equity team has adjusted its sector coverage. Richard Perrott will cover Financials and Nathan Wong will expand his coverage of Consumer Discretionary stocks to cover Dirk's responsibilities. MSIM will also transition primary coverage of European Pharmaceuticals from Marcus Watson to Helena Miles, and add Fei Teng to coverage of other select Health Care, predominantly ex-US. Marcus will retain his existing US Health Care and IT coverage.

At a firm level, on 1 March 2021 Morgan Stanley completed its acquisition of Eaton Vance. Morgan Stanley has stated that the acquisition brings together two organisations with highly complementary strengths in investment management, distribution and client service, and the acquisition will further strengthen the solutions delivered to clients, consultants and business partners on a global basis.

Deloitte View - We continue to rate Morgan Stanley Investment Management positively for its active equity capabilities.

3.5 Longview

Business

Longview held assets under management of c. £17.2m as at 31 March 2021, a decrease of c. £1.7bn over the quarter with positive market returns partially offsetting c. £2.8bn of net outflows from the firm over the quarter.

Personnel

During January 2021, Jamie Carter joined Longview as Chief Operating Officer and was appointed to the London Executive Committee. Jamie joins from Oldfield Partners, where he was one of the founding partners and has been CEO since 2013.

Also during the first quarter of 2021, Matt Tunna joined Longview's Investment Team as a Research Analyst, having spent the prior 6 years at Livingbridge. Khalid Bekhtaoui joined as a Research Trainee, having joined Longview in 2020 from JP Morgan's equity research team, and Natasha Fletcher moved from Longview's Institutional Clients Team, also to become a Research Trainee. In addition, Murat Gunc moved from the Business Optimisation and Portfolio Risk Analysis Team to join the Research Team in the role of Research Data Analytics.

Deloitte view – We have removed Longview's Global Equity strategy from our rated manager list following the departure of the co-founder and CIO Ramzi Rishani. As such, going forward, we will not be recommending the Longview Global Equity strategy to clients.

3.6 Insight

Business

As at 31 March 2021, Insight's assets under management stood at c. £708bn, a decrease of c. £45bn over the quarter as a result of negative market movements.

The Insight Buy and Maintain Fund's assets under management decreased by c. £0.1bn over the first quarter of 2021, standing at c. £2.9bn as at 31 March 2021.

Personnel

Insight made no changes to its Buy and Maintain Fund team over the first quarter of 2021.

Deloitte view – We rate Insight positively for its Fixed Income capabilities but continue to monitor how growth is being managed across the business.

3.7 CQS

Business

CQS held c. $21.0bn in assets under management as at 31 March 2021, an increase of c. $0.1bn over the quarter. The CQS Credit Multi Asset Fund's assets under management increased by c. $0.4bn over the quarter, with CQS managing c. $11.7bn of assets on behalf of clients as at 31 March 2021.

Personnel

There were no specific team or personnel changes to the Credit Multi Asset Fund team over the quarter to 31 March 2021.

Deloitte View - We continue to rate CQS positively for its multi asset capabilities.

3.8 Aberdeen Standard Investments

Business

As at 31 March 2021, the Aberdeen Standard Investments Long Lease Property Fund had a total fund value of c. £3.1bn, increasing by c. £0.4bn since 31 December 2020 largely as a result of four large purchases within the Fund over the first quarter of 2021 funded by drawing commitments from the queue of investors.

In a wider business update, Aberdeen Standard Investments announced on 9 December 2020 that it agreed to acquire a 60% interest in Tritax Group LLP ('Tritax') with the aim to strengthen its offering in the growing logistics real estate market. While not immediately relevant to the Long Lease Property Fund, we include a summary of the acquisition below.

Tritax is a specialist logistics real estate fund manager with assets under management of approximately £5.1bn throughout the UK and Europe, with the acquisition strengthening the exposure of ASI Real Estate to the logistics sector. Tritax's management will lead a new Logistics team within ASI Real Estate and report in to Neil Slater (Global Head of Real Estate at ASI). It is expected that the Tritax team will bring enhanced expertise in the logistics space, including development capability and strong relationships in the investment and occupier markets, which ASI believes will improve its ability to access new deals.

ASI will initially acquire a 60% of ownership interest in Tritax, with both parties aligned on the future direction and growth trajectory of the business. The structure of the transaction ensures the long-term retention of existing Tritax clients, employees and partners. Tritax's dedicated teams will continue to service their existing mandates. The transaction is expected to close in Q2 2021, subject to the receipt of regulatory approvals.

Personnel

There were no significant team or personnel changes over the quarter to 31 March 2021.

Deloitte View – We are closely monitoring the ASI Long Lease Property Fund following the announced departure of the Portfolio Manager, Richard Marshall – amid the substantial wider senior management restructure at ASI – given that Richard has been a key factor to the Fund's success and this development has the potential to change our view of the Fund.

3.9 Pantheon

Business

Pantheon held c. $66bn in assets under management as at 31 December 2020, an increase of c. $8bn over the quarter since 30 September 2020.

Following the final close in March 2019, the Global Infrastructure III Fund had $2.2bn in committed assets. As at 31 March 2021, the Global Infrastructure III Fund had completed 31 deals, with $1,723m in closed or committed deals as at 31 December 2020, representing a 77% commitment level.

Personnel

As initially reported last quarter, in January 2021, Dinesh Ramasamy (San Francisco) and Jerome Duthu-Bengtzon (London) were promoted to partner. Dinesh and Jerome were among eight infrastructure employees recognised in Pantheon's annual promotions.

In addition, as reported last quarter, Paul Barr was appointed as investment partner to Pantheon's global infrastructure and real assets team. Paul will initially be based in London before relocating to San Francisco in late 2021 or early 2022. Paul has 15 years' experience investing across infrastructure primaries, secondaries and co-investments, most recently during nine years at Singapore-based GIC, a large-scale infrastructure investor.

Deloitte View - We continue to rate Pantheon positively for its global infrastructure capabilities.

3.10 Macquarie

Business

Macquarie held assets under management of £303bn as at 31 March 2021.

On 28 January 2021, Macquarie Renewable Energy Fund 2 reached final close with total commitments of €1.64bn across 32 investors, exceeding the initial fundraising target of €1-1.5bn. As at the end of the first quarter of 2021, the Macquarie Renewable Energy Fund 2 has committed €217.5m across two deals, representing 13% of commitments in total.

Personnel

There were no significant team or personnel changes over the first quarter of 2021.

Following quarter end, in April 2021, Martin Stanley stepped down as Group Head of Macquarie Asset Management (MAM) and from the Macquarie Group Executive Committee. Martin has been appointed Chairman of MAM and remains on each of the regional infrastructure equity fund investment committees. Ben Way has been appointed Group Head of MAM and joined the Macquarie Group Executive Committee from 1 April 2021. Ben has been with Macquarie for 14 years and is a member of Macquarie Group's Management Committee. Previously, Ben led the Global Alternatives division in MAM and will continue to be based in Hong Kong.

In addition, Leigh Harrison has been appointed as Global Head of MAM Real Assets' (MIRA) existing infrastructure, renewables, private equity, agriculture and impact investing teams. Leigh remains on the European investment committees and is based in London. Leigh was previously the Head of EMEA for the division, where he was responsible for managing the team and overseeing investments in that region, and prior to this, Leigh was the Global Chief Operating Officer for the division. Meanwhile, Erin Eisenberg, a Managing Director in the Renewables team in EMEA, has left Macquarie Asset Management in order to pursue new opportunities.

Deloitte View - We continue to rate Macquarie positively for its global renewable infrastructure capabilities.

3.11 Quinbrook

Business

The Renewables Impact Fund completed its first close on 16 December 2020, with a total of £150m committed from four investors, with a further £100m in commitments received from one further investor over the first quarter with current closed commitments totaling £250m, accounting for 50% of the Fund's target. Quinbrook is confident that momentum will continue and plans to conduct rolling closes over the remainder of 2021.

The Renewables Impact Fund has deployed a total of £10.7m into the investment portfolio as at 31 March 2021, representing 7% of commitments in total.

Personnel

In January 2021, James Allan formally joined Quinbrook as a Director and Team Leader in Digital Applications. James' focus is on new and digital technologies including automated trading, virtual power plants, green hydrogen, data centres and other green industry opportunities. Prior to joining Quinbrook, James established and ran the Singapore office of Frontier Economics. James will focus on fund strategy, considering new energy technologies, origination, M&A activity, valuation, market/regulatory due diligence and portfolio company optimisation.

On 1 March 2021, Daniel Chavez joined as Quinbrook's General Counsel. Daniel has more than 17 years of global corporate and transactional experience in the private equity, energy, and fintech sectors. Daniel has an extensive track record working on cross-border mergers, acquisitions and divestitures, as well as in the development and financing of energy infrastructure projects in the US and emerging markets. Daniel has also managed corporate governance, regulatory, and compliance matters for private equity portfolio companies around the world. Prior to Quinbrook, Daniel was Managing Director, General Counsel and Corporate Secretary at Emergent Technology between 2017 and 2021, where he was responsible for all legal and regulatory matters in connection with the firm's blockchain, digital payments and trading businesses.

In addition, Brittney Harper left her role as the US office manager on 9 March 2021. Following quarter end, Anne Foster, a Director in Quinbrook's Australia team, relocated to the UK to join the London team.

Deloitte View - We continue to rate Quinbrook positively for its UK renewable infrastructure capabilities.

4 London CIV

4.1 Investment Performance to 31 March 2021

At the end of the first quarter of 2021, the assets under management within the 14 sub-funds of the London CIV was £11,088m with a further combined £1,381m committed to the Infrastructure, Inflation Plus, Renewable Infrastructure and Private Debt Funds, and The London Fund. The total assets under oversight (which includes passive investments held outside of the CIV platform) increased by c. £1.7bn to c. £25.0bn over the quarter. The table below provides an overview of the sub-funds currently available on the London CIV platform.

Sub-fund	Asset Class	Manager	Total AuM as at 31 Dec 2020 (£m)	Total AuM as at 31 Mar 2021 (£m)	Number of London CIV clients	Inception Date
LCIV Global Alpha Growth	Global Equity	Baillie Gifford	3,612	3,691	13	11/04/16
LCIV Global Equity	Global Equity	Newton	696	725	3	22/05/17
LCIV Global Equity Focus	Global Equity	Longview Partners	861	917	5	17/07/17
LCIV Global Equity Core Fund	Global Equity	Morgan Stanley Investment Management	504	512	2	21/08/20
LCIV Equity Income	Global Equity	Epoch Investment Partners	133	141	2	08/11/17
LCIV Emerging Market Equity	Global Equity	Henderson Global Investors	498	497	6	11/01/18
LCIV Sustainable Equity Fund	Global Equity	RBC Global Asset Management (UK)	625	693	5	18/04/18
LCIV Sustainable Equity Exclusion Fund	Global Equity	RBC Global Asset Management (UK)	385	390	2	11/03/20
LCIV Global Total Return	Diversified Growth Fund	Pyrford	274	241	3	17/06/16
LCIV Diversified Growth	Diversified Growth Fund	Baillie Gifford	670	657	7	15/02/16
LCIV Absolute Return	Diversified Growth Fund	Ruffer	910	1,018	9	21/06/16
LCIV Real Return	Diversified Growth Fund	Newton	123	124	2	16/12/16
LCIV MAC	Fixed Income	CQS	1,105	1,137	12	31/05/18
LCIV Global Bond	Fixed Income	PIMCO	354	343	3	30/11/18
Total			**10,750**	**11,088**		

Over the quarter, one new London Borough invested in the LCIV Sustainable Equity Fund and another invested in the LCIV Absolute Return Fund, while one investor disinvested from the LCIV Global Total Return Fund. Following quarter end, the LCIV Equity Income Fund's remaining two investors elected to disinvest from the sub-fund, with the proceeds set to be invested with a different London CIV sub-fund. As such, the LCIV Equity Income Fund will formally terminate in due course, once accruals, including withholding tax receivable, have been realised.

5 LGIM – Global Equity (Passive – Future World)

Legal and General Investment Manager ("LGIM") was appointed to manage a global equity portfolio with a passive ESG approach, with the objective of replicating the performance of the Solactive L&G ESG Global Markets Index benchmark. The manager has an annual management fee based on the value of assets.

5.1 Passive Global Equity – Investment Performance to 31 March 2021

	Last Quarter (%)
LGIM Future World Global Equity Index Fund – GBP Currency Hedged	5.4
Solactive L&G ESG Global Markets Index	5.3
MSCI World Equity Index	4.1
Relative (to Benchmark)	0.1

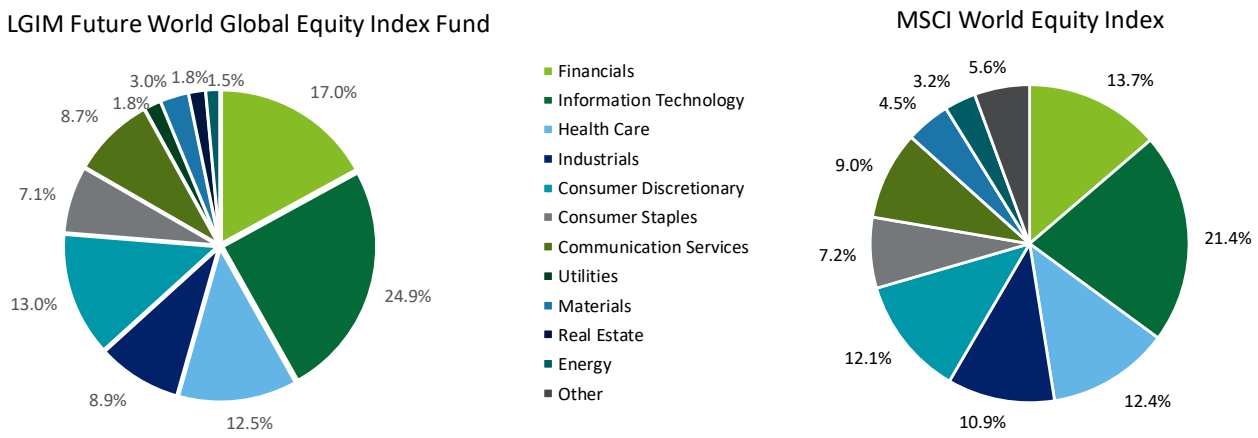
Source: Legal & General Investment Management

The Fund offers equity exposure while incorporating ESG 'tilts' through LGIM-designed indices. Note, LGIM designs the ESG indices and Solactive are used as the benchmark calculation agent. The tilting mechanism aims to reduce exposure to companies associated with 'poor' ESG practices and to provide greater exposure to those that have stronger ESG credentials. LGIM believes that integrating ESG considerations into the investment process can help to mitigate long-term risk and has the potential to improve long-term financial outcomes.

The LGIM Future World Global Equity Index Fund – GBP Currency Hedged has outperformed its Solactive benchmark by 0.1% on a net of fees basis over the quarter to 31 March 2021, delivering a positive absolute return of 5.4%. The Fund outperformed the MSCI World Equity Index (GBP) by 1.3% over the three-month period, with the strategy's selective stock allocation mechanism proving beneficial over the first quarter of 2021.

5.2 Portfolio Sector Breakdown at 31 March 2021

The below charts compare the relative weightings of the sectors in the LGIM Future World Global Equity Index Fund and the MSCI World Equity Index as at 31 March 2021.



The LGIM Future World Global Equity Index Fund has a larger allocation to financials and information technology than the MSCI World Equity Index, whilst the lower allocation to industrials, materials and energy represents the ESG tilt applied by the LGIM strategy.

6 LCIV – Global Alpha Growth

Baillie Gifford was appointed to manage an active Global Equity mandate from 18 March 2014, held as a sub-fund under the London CIV platform from 11 April 2016. The manager is remunerated on an asset-based fee, reflecting the total value of assets invested in the strategy across the Tri-borough. The target is to outperform the benchmark by 2-3% p.a. on a gross of fees basis over rolling 5-year periods.

6.1 Global Alpha Growth – Investment performance to 31 March 2021

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Baillie Gifford – Net of fees	2.2	56.2	18.7	17.0
MSCI AC World Index	3.6	38.9	12.7	12.4
Relative	-1.4	17.2	6.1	4.6

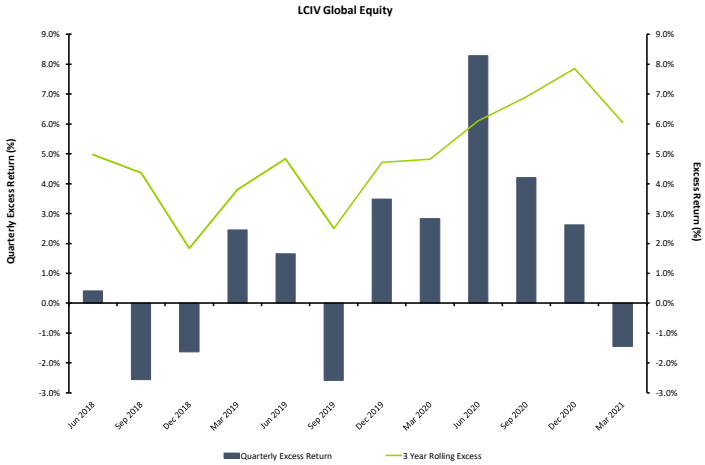
Source: Northern Trust. Relative performance may not tie due to rounding.
Inception date taken as 18 March 2014

The LCIV Global Alpha Growth Fund, managed by Baillie Gifford, underperformed its MSCI AC World Index benchmark by 1.4% over the first quarter of 2021, despite delivering a positive absolute return of 2.2% on a net of fees basis over the period. Over the year and annualised three-year periods to 31 March 2021, the strategy delivered substantial positive returns of 56.2% and 18.7% p.a. respectively, outperforming the benchmark by 17.2% and 6.1% p.a. respectively. The extent of the Fund's large positive absolute returns over the year can be partially attributed to the sustained recovery in global equity markets, with the sharp market downturn experienced in Q1 2020, following the initial outbreak of COVID-19, falling out of the 12-month measurement period. That said, the LCIV Global Alpha Growth Fund did not fall in value to the same extent as the wider market over the first quarter of 2020, and has considerably outperformed the wider market over the year since.

Underperformance relative to the benchmark can primarily be attributed to the LCIV Global Alpha Growth Fund's relative under-allocation to cyclical stocks, such is the intended growth-tilt of the portfolio, with cyclical companies particularly benefitting from the widespread success of the COVID-19 vaccine rollout as investors anticipate a return towards normality. However, the Fund has outperformed comparable growth-based investors over the quarter, with the manager's decision to invest in a portfolio of companies at various stages of the growth cycle proving beneficial.

At a sector level, the Fund's financials, healthcare and energy allocations detracted from performance. However, the Global LCIV Alpha Growth Fund's consumer staples, materials and real estate holdings proved beneficial, with these sectors in particular boosted from investors' anticipation of a return to normality following the success of the COVID-19 vaccine rollout.

The graph below shows the net quarterly returns and the rolling three-year excess returns relative to the benchmark. The fund's current three-year excess return is ahead of the target (+2% p.a.), having outperformed the benchmark by 6.1% p.a. over the three year period to 31 March 2021.



6.2 Positioning Analysis

The top ten holdings in the portfolio account for c. 23.2% of the fund and are detailed below.

Top 10 holdings as at 31 March 2021	Proportion of Baillie Gifford Fund
Naspers	3.5%
Amazon	2.7%
Moody's	2.3%
Prudential	2.2%
Microsoft	2.2%
Mastercard	2.1%
Ryanair	2.1%
Alphabet	2.1%
SEA	2.0%
Taiwan Semiconductor Manufacturing	2.0%
Total	**23.2%**

Source: London CIV
Figures may not sum due to rounding

6.3 Performance Analysis

The table below represents the top five contributors to performance over the quarter to 31 March 2021.

Top 5 contributors as at 31 March 2021	Contribution (%)
Naspers	+0.46
Alphabet	+0.44
Prudential	+0.28
CBRE Group	+0.24
EOG Resources	+0.24

Over the first quarter of 2021, Baillie Gifford reduced the Fund's holding in Tesla by 1% down to c. 2% such that the stock no longer appears in the Fund's top ten holdings. Tesla was one of the Global Alpha Growth Fund's largest holdings at the start of the calendar year. Baillie Gifford still holds conviction in the stock, stating its belief that the company has no immediate-term competition, however the portfolio reduction was driven to mitigate concerns around potential share price volatility.

Trade Desk and Farfetch, after representing two of the Global Alpha Growth Fund's top performers over the previous quarter to 31 December 2020, were two of the Fund's largest detractors to performance over the first quarter of 2021.

The table below represents the top 5 detractors to performance over the quarter to 31 March 2021.

Top 5 detractors as at 31 March 2021	Contribution (%)
Trade Desk	-0.23
Novocure	-0.21
Farfetch	-0.20
Amazon	-0.15
Adidas	-0.15

7 LCIV – Global Equity Core

Morgan Stanley Investment Management was appointed to manage an active equity portfolio with a focus on sustainability when selecting investment opportunities, held as a sub-fund on the London CIV platform from 31 October 2020. The aim of the fund is to outperform the MSCI AC World Index.

7.1 Global Equity Core – Investment Performance to 31 March 2021

	Last Quarter (%)
Net of fees	1.5
Benchmark (MSCI World Net Index)	3.6
Global Franchise Fund (net of fees)	0.7
Net Performance relative to Benchmark	-2.1

Source: Morgan Stanley and Northern Trust. Relative performance may not tie due to rounding.

Over the quarter to 31 March 2021, the LCIV Global Equity Core Fund delivered a positive return of 1.5% on a net of fees basis, underperforming the MSCI World Net Index by 2.1% over the three-month period.

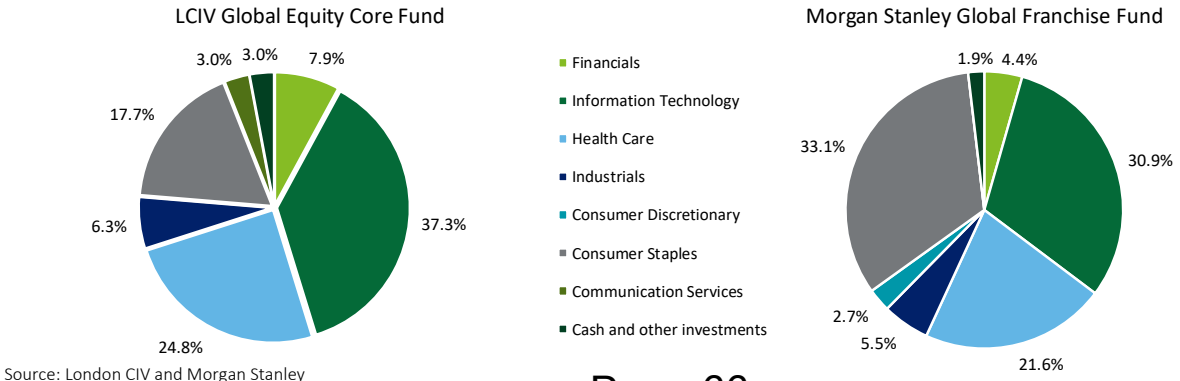
The LCIV Global Equity Core Fund's portfolio is predominantly comprised of quality franchises with strong recurring cash flows. While such a portfolio is expected to prove beneficial during volatile periods, the underperformance relative to the broader equity market over the quarter can primarily be attributed to the strategy's under allocation to cyclical stocks, with a partial resumption towards more normal levels of global economic activity providing the largest boost to cyclical industries. The Fund's overweight positions to Consumer Staples and Health Care, relative to the MSCI-based benchmark, also detracted from relative performance with both sector allocations delivering flat returns in what was more widely a positive quarter for equity markets.

Morgan Stanley's positive absolute return over the quarter can be partially attributed to stock selection. In particular, the Fund's Alphabet holding has proved beneficial, with the company outperforming in recent periods. However, despite these positive returns, Morgan Stanley continues to reduce exposure to Alphabet due to the regulatory concerns faced by the company. The software company, SAP, was one of the largest detractors to performance for the second consecutive quarter, as a result of short-term headwinds following governance and business model changes. Morgan Stanley anticipates that SAP's transformation should lead to an improvement in the company's future earnings, and the manager continues to hold conviction in the stock.

The LCIV Global Equity Core Fund follows the same strategy and, in general, has the same investment principles as the Morgan Stanley Global Franchise Fund, but is subject to a greater number of restrictions, owing to its specific focus on sustainability. As such, there exists a number of small differences in the characteristics of the two funds. The LCIV Global Equity Core Fund outperformed the Global Franchise Fund over the three month period to 31 March 2021, with outperformance attributed to a higher allocation to financials and technology, and a lower allocation to beverage companies which continued to be adversely impacted by continuing social distancing measures.

7.2 Portfolio Sector Breakdown at 31 March 2021

The charts below compare the relative weightings of the sectors in the LCIV Global Equity Core Fund and the Morgan Stanley Global Franchise Fund as at 31 March 2021.



Source: London CIV and Morgan Stanley

The Global Equity Core strategy has a higher allocation to information technology, healthcare and financials, and a lower allocation to consumer staples due to its sustainable investment tilt.

As at 31 March 2021, the Global Franchise Fund portfolio held an allocation of c. 11% to tobacco stocks. The Global Equity Core Fund is restricted from investing in tobacco, and hence holds a substantially smaller allocation to consumer staples.

7.3 Performance Analysis

The table below summarises the Global Equity Core Fund portfolio's key characteristics as at 31 March 2021, compared with the Morgan Stanley Global Franchise Fund.

	LCIV Global Equity Core Fund	Global Franchise Fund
No. of Holdings	35	29
No. of Countries	7	5
No. of Sectors*	6	6
No. of Industries*	18	14

*Not including cash

Source: London CIV and Morgan Stanley

Holdings

The top 10 holdings in the Global Equity Core Fund account for c. 49.1% of the strategy and are detailed below.

Global Equity Core Fund Holding	% of NAV
Microsoft	7.2
Reckitt Benckiser	6.0
Visa	5.3
SAP	4.8
Henkel Vorzug	4.8
Accenture	4.8
Baxter International	4.4
Procter & Gamble	4.2
Automatic Data Processing	3.9
Medtronic	3.7
Total	49.1*

Global Franchise Fund Holding	% of NAV
Microsoft	9.1
Philip Morris	8.5
Reckitt Benckiser	7.9
Visa	5.4
Accenture	5.1
Procter & Gamble	4.7
Baxter International	4.5
Automatic Data Processing	4.4
SAP	4.4
Abbott Laboratories	4.2
Total	58.0*

*Note figures may not sum due to rounding

Source: London CIV and Morgan Stanley

Eight stocks are consistently accounted for in the top ten holdings of both strategies.

8 Longview – Global Equity

Longview was appointed on 15 January 2015 to manage an active global equity mandate. The manager's remuneration is based on the value of assets invested across the Tri-borough. The expectation is that the fund will outperform the benchmark by 3% p.a.

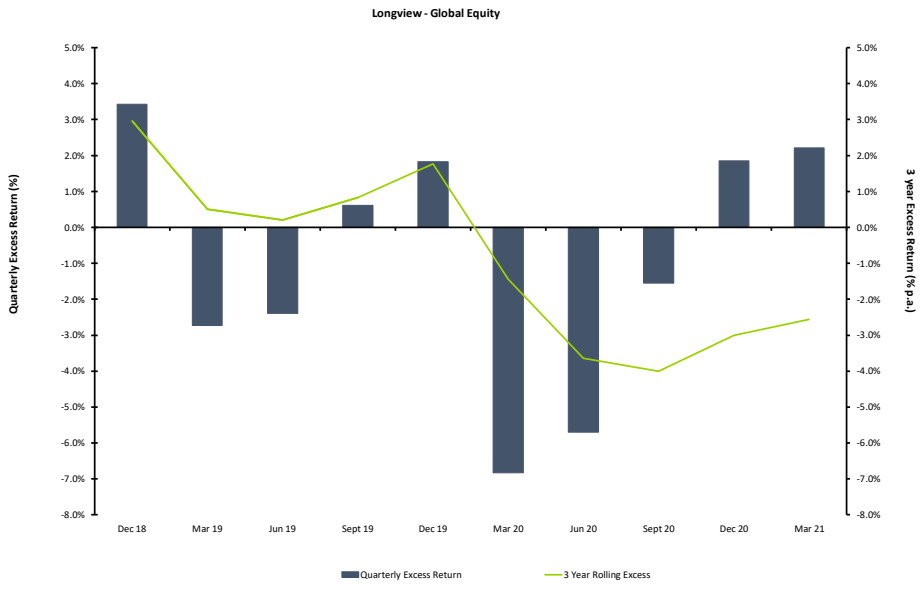
8.1 Active Global Equity – Investment Performance to 31 March 2021

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Longview - Net of fees	6.2	34.9	10.9	12.0
MSCI World Index	4.0	38.4	13.4	12.4
Relative	2.2	-3.5	-2.6	-0.4

Source: Northern Trust. Relative performance may not tie due to rounding.
Inception date 15 January 2015

The Longview Global Equity Fund delivered a positive absolute return of 6.2% on a net of fees basis over the first quarter of 2021, outperforming its MSCI World Index benchmark by 2.2% over the period. Despite delivering noticeably positive returns over the year to 31 March 2021 - with the negative returns experienced in Q1 2020, following the initial outbreak of COVID-19, falling out of the 12 month measurement period - Longview has underperformed its benchmark by 3.5% over the period. Over the longer three-year period to 31 March 2021, the fund has underperformed its benchmark by 2.6% p.a.

The fund targets an outperformance of 3% p.a. over rolling three-year periods. The chart below shows the quarter and rolling three-year returns.



Longview has outperformed its MSCI-based benchmark for the second quarter in succession, with outperformance continuing to be attributed to specific stock price movements within the strategy's portfolio as a result of macro factors and COVID-19 related news, as opposed to stock specific announcements. Within the portfolio, companies that have been negatively impacted as a result of social distancing measures during the COVID-19 pandemic continued to rally over the first quarter of 2021, largely as a result of the increasingly widespread COVID-19 vaccine rollout, in particular across the US and Europe. In contrast, those stocks within Longview's portfolio which had previously delivered resilient returns across 2020, particularly large technology companies, were among the Global Equity Fund's detractors over the quarter to 31 March 2021, owing to a general market rotation into more macro-sensitive stocks. Longview feels that the portfolio is well positioned to benefit from a return towards greater normality, but the manager retains an expectation that COVID-19 associated volatility will continue to be present in the market for some time, citing the risk of the spread of further COVID-19 variants.

Longview continues to position the portfolio with a relative over-exposure to companies which the manager feels are sensitive to social distancing measures, and therefore likely to benefit most when such measures are lifted. Despite such stocks contributing to positive returns over the first quarter of 2021, Longview maintains a conviction that these holdings continue to be undervalued.

Over the first quarter of 2021, the Global Equity Fund made one new portfolio acquisition – Becton Dickinson, a market leading medical device manufacturer. A large proportion of Becton Dickinson's revenue consists of the manufacturing of medical consumables such as syringes, catheters, needles and single-use surgical products, with customers including hospitals, physicians and medical laboratories. Given Becton's size and scale, operating in 190 countries, as well as regulatory and intellectual property barriers to entry, Longview views Becton as a predictable and sustainable, high return business.

Also, during the quarter, with Lloyds' fee-based income coming under pressure from regulation and the bank's market position in mortgages beginning to show signs of frailty due to central bank subsidisation for new entrants, following a review of the business Longview decided to exit its position with Lloyds. Longview concluded that Lloyds' competitive position has deteriorated and, whilst continuing to hold a dominant market position, Longview does not expect Lloyds to be able to continue to earn sufficiently high returns to grow the business going forward.

8.2 Performance Analysis

The tables below represent the top five and bottom five contributors to performance over the first quarter of 2021.

Top Five Contributors for Q1 2021	Contribution (%)
Alphabet	+0.46
American Express	+0.43
State Street	+0.38
HCA Healthcare	+0.33
Lloyds	+0.31

Alphabet provided the largest contribution to performance over the quarter having recognised an accelerated business recovery, with American Express also delivering a large contribution to positive performance as a result of increasing expectations of economic recovery in the US, rising interest rates and the anticipated impact of stimulus on consumer spending. HCA Healthcare, having provided the largest contribution to performance over the previous two quarters, was again amongst the strategy's top performers over the quarter, with HCA likely to be a beneficiary of Democratic healthcare policy changes. Lloyds was also among the strategy's top performers for the second quarter in succession, prior to Longview exiting the position over the quarter, with performance boosted by the positive impact of UK COVID-19 vaccination news alongside declining case numbers on the UK economic outlook.

Charter Communications, despite being the strategy's best performer over 2020, was the largest detractor to performance over the first quarter of 2021 as a result of weaker broadband take-up than anticipated, with President Biden's infrastructure plan to provide affordable broadband access across the US raising concerns over future price controls.

Top Five Detractors for Q1 2021	Contribution (%)
Charter Communications	-0.53
WW Grainger	-0.33
Becton Dickinson	-0.24
Fidelity	-0.23
Medtronic	-0.19

9 Insight – Buy and Maintain

Insight was appointed to manage a buy and maintain credit portfolio. The fund aims to invest in predominantly investment grade credit which the manager believes can be held to maturity. The manager's fee is based on the value of assets.

9.1 Buy and Maintain Fund - Investment Performance to 31 March 2021

	Last Quarter (%)	Last Year (%)	Since Inception (% p.a.)
Insight Non Gilts - Net of fees	-4.0	10.1	6.0
iBoxx £ Non-Gilt 1-15 Yrs Index	-2.4	6.3	5.0
Relative	-1.6	3.8	1.0

Source: Northern Trust. Relative performance may not tie due to rounding.
Inception date taken as 12 April 2018

The Insight Buy and Maintain Fund delivered a negative absolute return of -4.0% on a net of fees basis over the quarter to 31 March 2021, underperforming its temporary iBoxx non-gilt benchmark by 1.6%. The Buy and Maintain Fund delivered a positive absolute return of 10.1% on a net of fees basis over the year to 31 March 2021, outperforming the benchmark by 3.8% over the twelve-month period.

Credit spread movements were relatively muted, however a material rise in underlying gilt yields and widespread fears surrounding a higher inflationary environment negatively impacted the strategy over the quarter.

The strategy's defensive holdings contributed to negative performance over the quarter. However, credit spreads compressed on some of the strategy's underlying issuers and sectors that had previously been highly exposed to the impact of lockdowns, particularly UK pubs, US energy firms and property securitisations, offsetting negative absolute returns somewhat.

Insight disposed of a number of positions with noticeable exposures to climate change, particularly those where Insight felt the market was not adequately pricing the risks which had been identified, such as Exxon Mobil and a selection of US utilities. The proceeds were reinvested into issuers which Insight identifies as having better climate risk profiles, or attractively priced new issuance.

Insight has confirmed that there were no defaults within the Buy and Maintain portfolio over the first quarter of 2021. Insight was not able to provide detail with regards to the number of credit downgrades over the quarter at the time of writing.

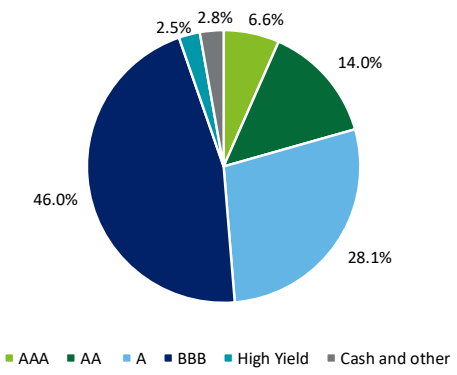
9.2 Performance Analysis

The table below summarises the Buy and Maintain portfolio's key characteristics as at 31 March 2021.

	31 Dec 2020	31 Mar 2021
Yield (%)	1.7	2.1
No. of issuers	173	175
Modified duration (years)	8.7	8.1
Spread duration (years)	8.7	7.9
Government spread (bps)	145	129
Swaps spread (bps)	138	125
Largest issuer (%)	1.4	3.6
10 largest issuers (%)	10.7	12.7

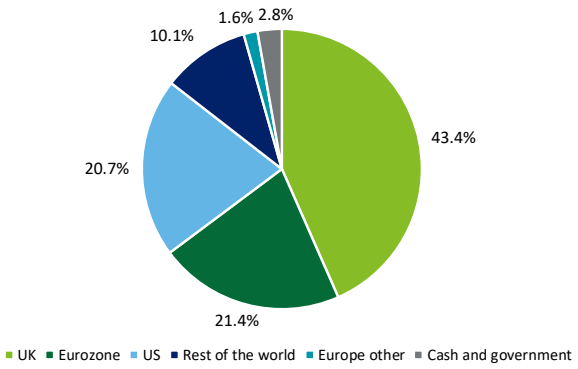
Source: Insight
** Not available at the time of writing*

The graph below shows the split of the Buy and Maintain portfolio by credit rating.

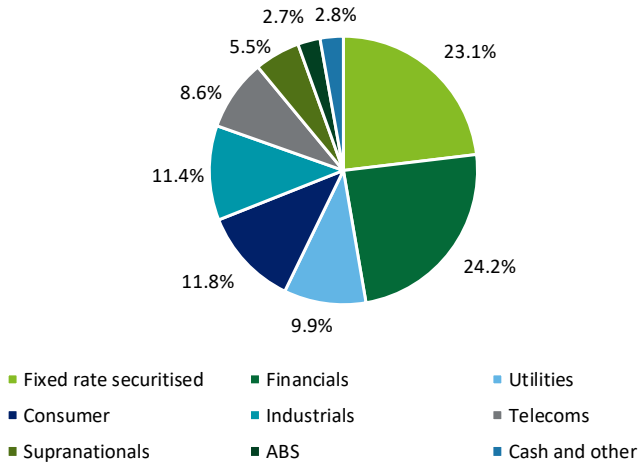


As at 31 March 2021, the fund's investment grade holdings made up c. 94.7% of the portfolio, an increase of c. 1.4% over the quarter. The fund remains predominantly invested in BBB and A rated bonds.

The graph below shows the split of the Buy and Maintain portfolio by country as at 31 March 2021.



The graph below shows the split of the Buy and Maintain portfolio by sector as at 31 March 2021.



The table below shows the top 10 issuers by market value as at 31 March 2021.

Issuer name	Rating*	Holding (%)
UK Treasury	AA	3.6
RI Finance	BBB	1.1
BMW	A	1.0
M&G	BBB	1.0
CPUK Finance	BBB	1.0
ING	A	1.0
Phoenix Group	BBB	1.0
AA Bond Co.	BBB	1.0
Time Warner Cable	BBB	1.0
Notting Hill Genesis	A	1.0

**Ratings provided by Insight*

10 LCIV – Multi Asset Credit

CQS was appointed to manage a multi asset credit mandate, under the London CIV platform, in October 2018 with the aim of outperforming the 3-month Sterling LIBOR benchmark by 4% p.a. An annual fee covers the manager's and the London CIV platform management fees.

10.1 Multi Asset Credit – Investment Performance to 31 March 2021

	Last Quarter (%)	Last Year (%)	Since Inception (% p.a.)
CQS – MAC –Net of fees	2.1	25.2	3.5
3 Month Libor + 4%	1.0	4.4	4.7
Relative	1.1	20.9	-1.3

Source: Northern Trust
Inception date taken as 30 October 2018

Over the first quarter of 2021, the Multi Asset Credit Fund, managed by CQS, delivered an absolute return of 2.1% on a net of fees basis, outperforming its cash-based benchmark by 1.1%. The strategy delivered a large positive absolute return of 25.2% over the year to 31 March 2021 on a net of fees basis, with the noticeably negative returns experienced in Q1 2020, following the initial outbreak of COVID-19, falling out of the 12 month measurement period. The Multi Asset Credit Fund has outperformed the benchmark by 20.9% over the year to 31 March 2021.

The strategy's senior secured loans allocation provided the largest contribution to positive performance, with strong performance emanating from both the US and Europe with the asset class, alongside the high yield exposures which also delivered positive returns, benefitting from lower levels of sensitivity to underlying government bond and treasury yields, which rose over the first quarter of 2021. For the third consecutive quarter, each of the Multi Asset Credit Fund's underlying asset class allocations contributed to positive performance over the quarter to 31 March 2021.

As previously reported, despite the market's focus on an anticipated strong and broad economic recovery, CQS expects that some impacts from COVID-19 are yet to be fully realised, with ongoing central bank support unlikely to be sustainable in the long-term, whilst further lockdowns and travel restrictions remain possible, and recessionary pressures remaining elevated. As a result, the Multi Asset Credit Fund continues to implement a cautious approach, ensuring the portfolio remains defensively positioned in terms of sector exposures, reducing exposure to COVID-19 sensitive sectors, and continuing to access positions which CQS feels are cash generative and exhibit a strong fundamental outlook. Therefore, the strategy's financial sector exposure has increased significantly since the beginning of 2020 and the strategy's energy exposure has reduced from an overweight to an underweight position. That said, over the first quarter of 2021, there have been no significant changes to the portfolio except for some marginal opportunistic changes, with CQS slightly increasing the strategy's loans and high yield allocations, recognising value opportunities.

Over the quarter to 31 March 2021, CQS experienced 19 credit rating downgrades, representing c. 1.7% of the portfolio, with no defaults occurring over the period. The Multi Asset Credit Fund portfolio recognised 35 credit rating upgrades over the quarter, representing c. 2.2% of the portfolio.

10.2 Portfolio Analysis

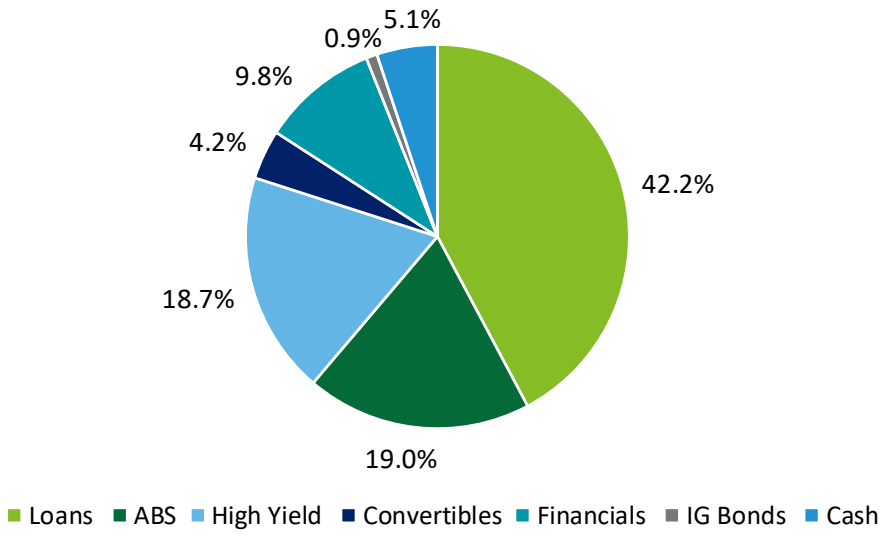
The table below summarises the Multi Asset Credit portfolio's key characteristics as at 31 March 2021.

	31 Dec 2020	31 Mar 2021
Weighted Average Bond Rating	BB-	BB-
Long Bond Equivalent Exposure with Public Rating (%)	87.5	88.0
Investment with Public Rating (%)	87.8	87.5
Yield to Maturity (%)	4.5	4.9
Spread Duration	3.5	3.9
Interest Rate Duration	1.5	1.2

Source: London CIV

10.3 Asset Allocation

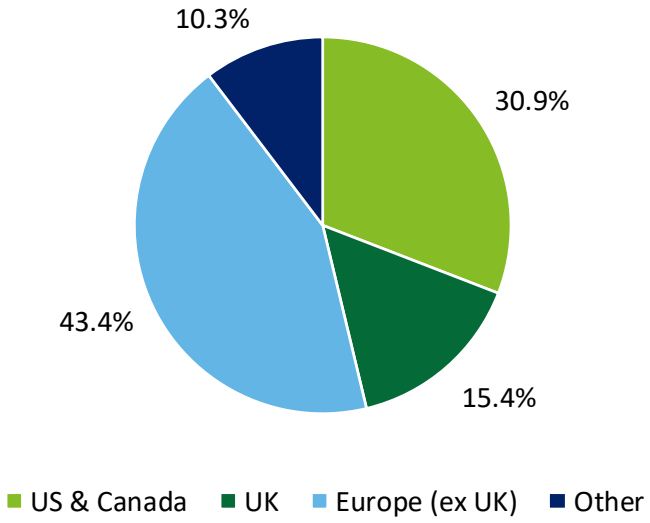
The asset allocation split of the Multi Asset Credit Fund as at 31 March 2021 is shown below.



Source: London CIV

10.4 Country Allocation

The graph below shows the regional split of the LCIV Multi Asset Credit Fund as at 31 March 2021.



Source: London CIV

11 Aberdeen Standard Investments – Long Lease Property

Aberdeen Standard Investments was appointed to manage a long lease property mandate with the aim of outperforming the FT British Government All Stocks Index benchmark by 2.0% p.a. The manager has an annual management fee.

11.1 Long Lease Property – Investment Performance to 31 March 2021

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Aberdeen Standard - Net of fees	1.4	3.8	5.5	7.7
Benchmark	-6.8	-3.7	4.5	5.9
Relative	8.1	7.5	1.1	1.9

Source: Aberdeen Standard Investments. Relative performance may not tie due to rounding.
Since inception: 14 June 2013

The ASI Long Lease Property Fund delivered an absolute return of 1.4% on a net of fees basis over the first quarter of 2021, outperforming its FT British Government All Stocks Index Benchmark by 8.1%.

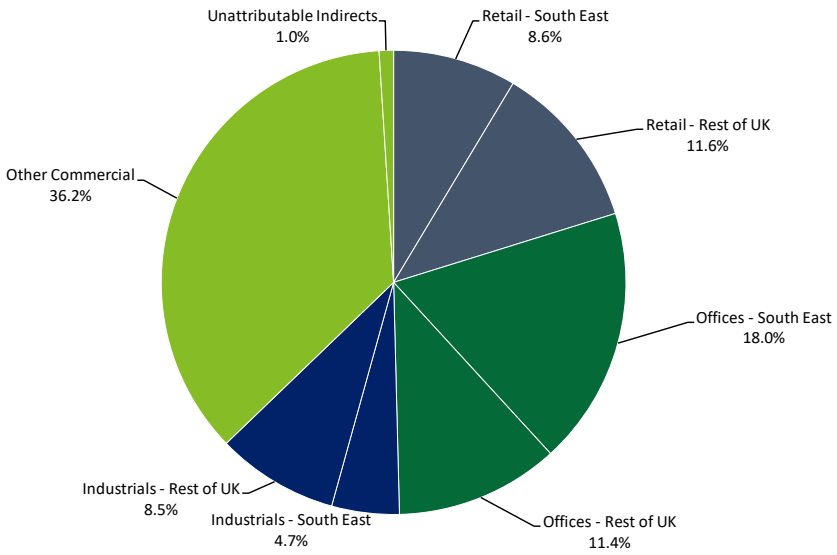
The Long Lease Property Fund has underperformed the wider property market, as measured by the MSCI (formerly IPD Monthly) UK All Property Index, by 0.7% over the quarter on a net of fees basis.

After removing the material valuation uncertainty clause and lifting the suspension on trading during the third quarter of 2020, the Long Lease Property Fund continues to trade as normal.

Rent collection statistics remained relatively unchanged over the first quarter of 2021 as ASI realised Q1 collection rates of 95.8% (as at 12 May 2021). Over the first quarter of 2021, 1.3% of the Long Lease Property Fund's rental income was subject to deferment arrangements, with 2.9% unpaid or subject to ongoing discussions with tenants. As at 12 May 2021, ASI has collected 93.0% of its Q2 2021 rent (typically paid quarterly in advance), with 0.7% subject to deferment arrangements and 6.4% of rent unpaid or subject to ongoing discussions with tenants.

11.2 Portfolio Holdings

The sector allocation in the Long Lease Property Fund as at 31 March 2021 is shown in the graph below.



Over the quarter to 31 March 2021, the ASI Long Lease Property Fund's allocation to the office sector increased by 4.2% to 29.4%, owing to the Fund's acquisitions over the quarter, as discussed below. The allocations to the retail and industrials sectors decreased by 1.8% to 20.2% and by 1.4% to 13.2% respectively over the quarter, while the allocation to other commercial properties increased by 0.1% to 36.1%

The Long Lease Property Fund completed four acquisitions over the first quarter of 2021: an office in Bristol; a ground rent investment over a holiday park in Cornwall; a 50-year income strip in London; and a London office building that will be redeveloped to form the UK's largest blood sorting facility, totaling c. £370m and enabling ASI to draw down the entire existing investor queue. ASI states that these acquisitions have significantly increased the Fund's exposure to government-backed income and investment-grade covenants.

Two pre-let funding hotel projects which have had construction suspended in line with government advice, equating to 2.5% of total Fund value, remain in the construction phase. Also, the sale of the Interserve facilities management business was concluded over the first quarter of 2021.

Q1 and Q2 2021 rent collection, split by sector, as at 12 May 2021 is reflected in the table below:

Sector	Proportion of Fund as at 31 March 2021 (%)	Q1 2021 collection rate (%)	Q2 2021 collection rate (%)
Alternatives	6.1	100.0	100.0
Car Parks	3.7	100.0	100.0
Car Showrooms	2.9	100.0	78.6
Hotels	7.9	63.4	90.1
Industrial	15.0	100.0	88.0
Leisure	3.3	100.0	100.0
Public Houses	5.6	77.3	77.3
Offices	27.4	100.0	91.3
Student Accommodation	9.6	100.0	100.0
Supermarkets	18.5	100.0	100.0
Total	**100.0**	**95.8**	**93.0**

As at 31 March 2021, 0.9% of the Fund's NAV is invested in ground rents via an indirect holding in the ASI Ground Rent Fund, with 15.5% of the Fund invested in income strip assets.

The hotels and public houses sectors have expressed the poorest rental collection statistics over Q1 and Q2 2021 as at 12 May 2021. However, the Fund's investments in the leisure sector, previously the most impacted by the COVID-19 outbreak, have seen 100% rental collection statistics over Q1 and Q2 2021 as a result of a relaxation in lockdown restrictions.

As at 31 March 2021, six tenants have issued requests to ASI for rent deferment, representing 13.7% of Fund income:

[redacted]

[redacted]

ASI expects to collect 100% of rent due. ASI states it has only agreed to rent deferments and no rent free periods, except in a very limited number of situations where tenants have agreed to lease extensions.

The table below shows details of the top ten tenants in the fund measured by percentage of net rental income as at 31 March 2021:

Tenant	% Net Income	Credit Rating
Tesco	7.1	BBB
Secretary of State for Communities	5.8	AA
Whitbread	5.4	BBB
Sainsbury's	4.4	BB
Marston's	4.2	BB
Asda	3.6	BBB
Salford University	3.4	A
QVC	3.3	BB
Save the Children	3.3	BB
Lloyds Bank	3.2	AA
Total	43.7*	

*Total may not equal sum of values due to rounding

As at 31 March 2021, the top 10 tenants contributed 43.7% of the total net income of the Fund. Of which 15.1% of the net income came from the supermarket sector, with Tesco, Sainsbury's and Asda continuing to make up a significant proportion of the Fund at quarter end.

The unexpired lease term increased from 24.3 years as at 31 December 2020 to 25.7 years as at 31 March 2021. The proportion of income with fixed, CPI or RPI rental increases rose by 0.7% over the quarter to 91.3%.

12 Pantheon – Global Infrastructure Fund III

Pantheon was appointed to manage a global infrastructure mandate with the aim of outperforming the 3-month Sterling LIBOR benchmark by 8% p.a. The manager has an annual management fee and performance fee.

12.1 Global Infrastructure - Investment Performance to 31 March 2021

Capital Calls and Distributions

Westminster committed $91.5m to Pantheon in February 2019.

Over the quarter, Pantheon issued one net capital call:

- A net capital call of $4.4m, consisting of a capital call of $4.9m (5.3% of Westminster's total commitment) offset by a $0.5m (0.5% of Westminster's total commitment) distribution of capital, for payment by 24 March 2021, representing c. 4.8% of Westminster's total commitment.

In addition, following quarter end, Pantheon issued one further capital call:

- A capital call of $4.2m for payment by 11 June 2021, representing c. 4.5% of Westminster's total commitment.

The remaining unfunded commitment as at 11 June 2021 was c. $46.2m, with the Fund's total contribution at c. $45.4m and the Fund's $91.5m commitment c. 50% drawn.

Activity

The PGIF III completed two further deals over the first quarter of 2021:

- One co-investment energy infrastructure project in Europe, Project MapleCo, with a commitment value of c. $44m, was completed in January 2021; and

- One secondary energy infrastructure project in North America, Project Emerald, with a commitment value of c. $48m, was completed in March 2021.

Pantheon stated that the PGIF III is also in the process of closing three further co-investment deals:

- Two co-investment digital infrastructure projects, Project Teemo in Europe, and Project Astound Broadband in North America, with commitment values of c. $29m and c. $69m respectively. Both deals are expected to close over the second quarter of 2021; and

- One APAC co-investment transportation project, Project Kinetic, with a commitment value of c. $45m. The deal is subject to regulatory approval and is expected to close during the second or third quarters of 2021.

In addition, over the quarter, the Pantheon announced the following exits and significant distributions from the PGIF III:

- Sale of 100% of Project Telxius in January 2021, which was only added to the portfolio over the first quarter of 2021, representing a gross IRR of 63%;

- Sale of c. 50% of Project Hivory in February 2021, representing a gross IRR of 17%; and

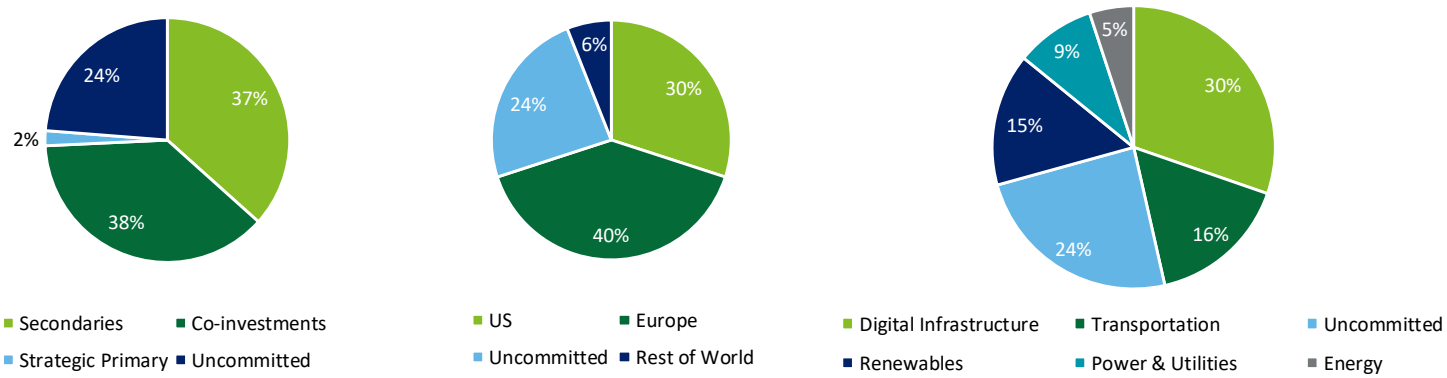
- The return of c. 86% of invested capital in Project Fairway, following four full realisations, representing a gross IRR of 24%.

Pipeline

Pantheon currently has an investment pipeline of infrastructure opportunities, comprised of three large transactions. If Pantheon is successful across all deals, the PGIF III could be expected to be fully deployed by the second quarter of 2022. However, there is no guarantee that each of these opportunities will be completed.

12.2 Asset Allocation

The charts below show the current diversification by strategy, geography and sector in PGIF III as at 31 March 2021.



Source: Pantheon

The target geographic diversification is 30-50% North America, 40-60% Europe and 3-15% Asia and others. The PGIF III also aims to be 15-20% energy infrastructure (midstream), 20-30% energy infrastructure (power/utility), 20-30% transportation, 10-20% PPP/social infrastructure and 10-20% other.

12.3 Investments Held

The table below shows a list of the investments held by PGIF III as at 31 March 2021. Pantheon has been unable to provide an updated COVID-19 analysis report as at the time of writing this report. As such, the "COVID-19 Impact" column of the table below reflects the results of the analysis as at 1 November 2020.

[redacted]

13 Macquarie – Renewable Energy Fund 2 ("MGREF2")

Macquarie was appointed to manage a global renewable infrastructure mandate following the manager selection exercise in December 2020. The manager has an annual management fee on undrawn and invested assets, alongside a performance fee.

13.1 MGREF2 - Investment Performance to 31 March 2021

Capital Calls and Distributions

Westminster committed €55m to Macquarie in December 2020.

Over the quarter, Macquarie issued one capital call:

- Macquarie requested a total of €7.4m for payment by 15 February 2021, consisting of a €7.3m capital call in respect of combined investments made over the quartering respect of the Fund's initial capital contribution, and €0.1m in respect of an equalisation interest payment,

The remaining unfunded commitment as at 31 March 2021 was c. €47.7m, with the Fund's total contribution at c. €7.3m and the Fund's €55m commitment c. 13% drawn.

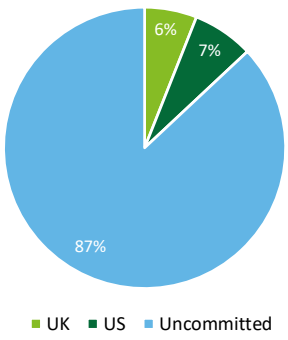
Activity

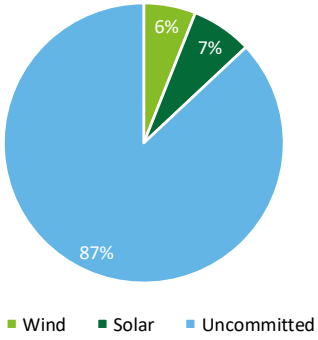
The MGREF2 completed two deals over the first quarter of 2021:

[redacted]

13.2 Asset Allocation

The charts below show the current diversification by geography and sector in the MGREF2 as at 31 March 2021, following the strategy's initial investments.





Source: Macquarie

The target geographic diversification is 60-75% Western Europe (<30% UK), with the remainder invested primarily across North America and Asia (USA, Canada, Japan, Taiwan, Mexico (<15%), also Australia and New Zealand). The MGREF2 also aims to primarily consist of offshore wind assets, with Macquarie feeling it has a competitive advantage in this space given its experience and relationships already gained, with the overall portfolio also featuring onshore wind and solar PV allocations (although solar is viewed as more of an opportunistic allocation).

14 Quinbrook – Renewables Impact Fund

Quinbrook was appointed to manage a UK renewable infrastructure mandate following the manager selection exercise in December 2020. The manager has a base annual management fee and a performance fee.

14.1 Renewables Impact Fund - Investment Performance to 31 March 2021

Capital Calls and Distributions

Westminster committed £50m to Quinbrook in December 2020.

Over the quarter, Quinbrook issued one capital call and one distribution of capital:

- A capital call of £7.7m, consisting of £7.5m in respect of an equalisation payment, with the remainder pertaining to an equalisation interest adjustment and a capital contribution for management fees, for payment by 25 January 2021; and

- A distribution of £52k, representing an equalisation payment for additional investor commitments at the third close of the Renewable Impact Fund, paid back to Westminster by 17 March 2021.

The remaining unfunded commitment as at 31 March 2021 was c. £42.3m, with the Fund's total contribution at c. £7.7m and the Fund's £50m commitment c. 15% drawn.

Following quarter end, Quinbrook issued one further capital call and one further distribution of capital:

- A capital call of £2.0m, consisting of a capital contribution in respect of the Fund's commitment, for payment by 21 April 2021; and

- A distribution of £3.8m, representing an equalisation payment for additional investor commitments at the fourth close of the Renewable Impact Fund, paid back to Westminster by 7 June 2021.

As a result of the capital call and equalisation payment following quarter end, as at 7 June 2021, the remaining unfunded commitment was c. £44.1m, with the Fund's total contribution at c. £5.9m and the Fund's £50m commitment c. 12% drawn.

Activity

[redacted]

[redacted]

In addition, over the quarter, Quinbrook assessed a diverse set of development opportunities across renewable energy supply assets, battery storage and grid support assets, and is in active negotiations on a number of projects which are progressing through the investment process.

Appendix 1 – Fund and Manager Benchmarks

The tables in this Appendix detail the benchmarks and outperformance targets, for the Total Fund and each individual manager.

Total Fund

Inception: 1 June 2006. Current benchmark allocation effective from 25 March 2015.

Manager	Asset Class	Long Term Strategic Benchmark Allocation	Benchmark	Outperformance Target	Inception Date
LGIM	Future World Global Equity	25.0	Solactive ESG Global Markets Index	Passive	15/10/20
Baillie Gifford	LCIV Global Alpha Growth	20.0	MSCI AC World Index	+2.0 p.a. (net of fees)	18/03/14
Morgan Stanley	LCIV Global Equity Core	20.0	MSCI AC World Index (net dividends reinvested)	Generate total returns (comprising of both capital growth and income) over a 5-10 year period	30/10/20
Longview	Global Equity	0.0	MSCI World (GBP) Index	To outperform the benchmark over a market cycle	15/01/15
Insight	Buy and Maintain	13.5	Insight Custom Benchmark	n/a	12/04/18
CQS	Multi Asset Credit	5.5	3 Month Libor	+ 4% p.a. (net of fees)	30/10/18
Aberdeen Standard Investments	Property	5.0	FTSE Gilts All Stocks Index +2% p.a.	+0.5 p.a. (net of fees)	14/06/13
Pantheon	Global Infrastructure	5.0	3 Month Libor	+ 8% p.a. (net of fees)	15/04/19
Macquarie	Global Renewable Infrastructure	3.0	3 Month Libor	TBC once fully drawn for investment	08/02/21
Quinbrook	UK Renewable Infrastructure	3.0	3 Month Libor	TBC once fully drawn for investment	25/01/21
	Total	100.0			

Appendix 2 – Manager Ratings

Based on our manager research process, we assign ratings to the investment managers for specific products or services. The ratings are based on a combination of quantitative and qualitative factors, where the inputs for the qualitative factors come from a series of focused meetings with the investment managers. The ratings reflect our expectations of the future performance of the particular product or service, based on an assessment of:

- The manager's business management;
- The sources of ideas that go to form the portfolio ("alpha generation");
- The process for including the ideas into the portfolio ("alpha harnessing"); and
- How the performance is delivered to the clients.

On the basis of the research and analysis, managers are rated from 1 (most positive) to 4 (most negative), where managers rated 1 are considered most likely to deliver outperformance, net of fees, on a reasonably consistent basis. Managers rated 1 will typically form the basis of any manager selection short-lists.

Where there are developments with an investment manager that cause an element of uncertainty we will make the rating provisional for a short period of time, while we carry out further assessment of the situation.

Appendix 3 – Fee Benchmarking

The table in this Appendix compares the annual management charges that the Fund is subject to for each of the funds held in the investment portfolio, and the market average annual management charges for each of these funds – detailing the ongoing investment fee savings that the Fund has been able to achieve.

[redacted]

Appendix 4 – MiFID II Cost Summary

On 3 January 2018, the Markets in Financial Instruments Directive II ("MiFID II") was introduced. A key component of this legislation is for fund managers to disclose all costs incurred, with the view to increasing transparency. MiFID II Costs and Charges disclosures are performed annually and will be provided during the first quarterly report of each year. A summary over the year to 31 March 2021 can be found below:

CLIENT NAME: City of Westminster Pension Fund
Reporting Period: 1st April 2020 - 31st March 2021
Value of Scheme as at 31st March 2020: £1,323,832,750

Aggregation of all Costs and Charges incurred during the reporting period:

[redacted]

Totals may not sum due to rounding.

Cumulative effect of costs and charges on return

The illustration below uses Reduction in Yield (RIY) methodology to show impact of the total costs you have incurred on the return of your investment. The amounts shown are the cumulative costs of investment services and products.

[redacted]

Annual performance figures sourced from Northern Trust.

Description of the illustration.

[redacted]

Appendix 5 – Risk Warnings & Disclosures

- Past performance is not necessarily a guide to the future.
- The value of investments may fall as well as rise and you may not get back the amount invested.
- Income from investments may fluctuate in value.
- Where charges are deducted from capital, the capital may be eroded or future growth constrained.
- Investors should be aware that changing investment strategy will incur some costs.
- Any recommendation in this report should not be viewed as a guarantee regarding the future performance of the products or strategy.

Our advice will be specific to your current circumstances and intentions and therefore will not be suitable for use at any other time, in different circumstances or to achieve other aims or for the use of others. Accordingly, you should only use the advice for the intended purpose.

Our advice must not be copied or recited to any other person than you and no other person is entitled to rely on our advice for any purpose. We do not owe or accept any responsibility, liability or duty towards any person other than you.

Deloitte Total Reward and Benefits Limited is authorised and regulated by the Financial Conduct Authority.

Deloitte.

By virtue of paragraph(s) 1, 2 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

City of Westminster Pension Fund

Funding update report as at 31 March 2021

Barnett Waddingham LLP

25 May 2021

Contents

Introduction

Westminster City Council, as administering authority for the City of Westminster Pension Fund (the Fund), has asked that we carry out a quarterly monitoring assessment of the Fund as at 31 March 2021. The purpose of this assessment is to provide an update on the funding position.

The Fund participates in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit statutory scheme administered in accordance with Local Government Pension Scheme Regulations 2013 (the Regulations).

We have taken account of current LGPS Regulations (as amended) as at the date of this report.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases in relation to age discrimination. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. At the same time, the Government also announced the unpausing of the 2016 cost cap process and that it would take into consideration the McCloud remedy. At the time of producing this report the outcome of these matters is still to be agreed so the exact impact they will have on LGPS benefits is unknown. An allowance consistent with that adopted for the Fund's 31 March 2019 valuation has been made for the current uncertainties in LGPS benefits, details of which can be found in the Changes in market conditions – market yields and discount rates section.

The information in this report is addressed to and is provided for use by Westminster City Council as the administering authority to the Fund. This report may be shared with other interested parties but it does not constitute advice to them.

This report complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100) and Technical Actuarial Standard 300: Pensions (TAS 300) as issued by the Financial Reporting Council (FRC).

We assess the funding position on a smoothed basis which is an estimate of the average position over a six month period spanning the reporting date. As the smoothing adjustment reflects average market conditions spanning a six month period straddling the reporting date, the smoothed figures are projected numbers and likely to change up until three months after the reporting date. The smoothed results are indicative of the underlying trend.

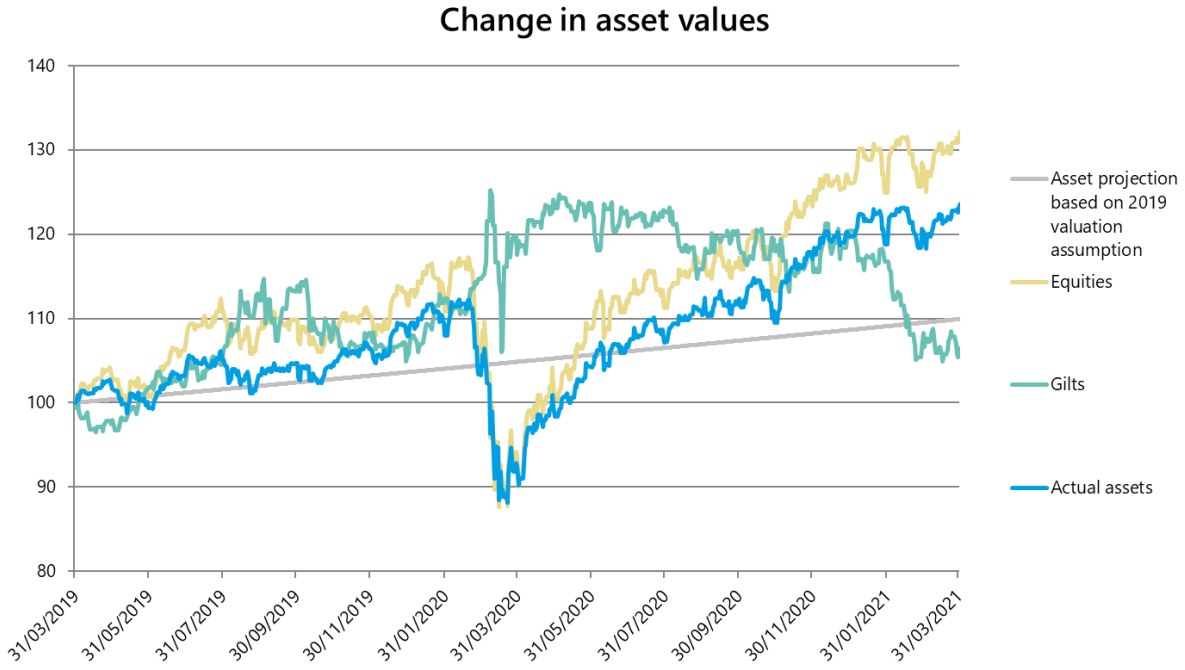
Assets

The estimated (unsmoothed) asset allocation of the City of Westminster Pension Fund as at 31 March 2021, based on data received from Westminster City Council, is as follows:

Assets (market value)	31 March 2021		31 December 2020		31 March 2019	
	£000s	%	£000s	%	£000s	%
Equities	1,330,021	76%	1,295,495	76%	1,064,368	75%
Other bonds	240,140	14%	251,128	15%	198,690	14%
Property	114,386	7%	157,855	9%	144,358	10%
Cash	62,805	4%	2,550	0%	10,916	1%
Total assets	**1,747,353**	**100%**	**1,707,028**	**100%**	**1,418,332**	**100%**

The investment return achieved by the Fund's assets in market value terms for the quarter to 31 March 2021 is estimated to be 2.4%. The return achieved since the previous valuation is estimated to be 22.5% (which is equivalent to 10.7% p.a).

The following chart shows the changes in equity and bond markets since the previous actuarial valuation and compares them with the estimated actual fund returns and the expected fund returns assumed at the previous valuation:



As we can see the asset value as at 31 March 2021 in market value terms is more than where it was projected to be at the previous valuation.

For funding purposes, we use a smoothed value of the assets rather than the market value. The financial assumptions that we use in valuing the liabilities are smoothed around the valuation date so that the market conditions used are the average of the daily observations over the six month period around 31 March 2021. Therefore, we value the assets in a consistent way and apply the same smoothing adjustment to the market value of the assets.

Changes in market conditions – market yields and discount rates

The actual investment returns earned by the Fund will affect the value of the Fund's assets. The value of the Fund's liabilities, however, is dependent on the assumptions used to value the future benefits payable.

For the purpose of this exercise it is appropriate to use the method and assumptions consistent with those set by the Fund actuary for the purpose of the 31 March 2019 actuarial valuation, updated where necessary to

reflect market conditions, except for the inflation assumption which has been updated in light of new market information. Following the Government's response (on 25 November 2020) to the consultation on the reform of RPI, and the expectation that the UK Statistics Authority will implement the proposed changes to bring RPI in line with CPIH from 2030, it has been agreed with the administering authority that CPI inflation will be 0.8% p.a. below the 20 year point on the Bank of England implied inflation curve with effect from 31 December 2020. This has been updated from the assumption at the 2019 valuation where this gap was assumed to be 1.0% p.a. We have implemented this change and smoothed it into our assumptions over the six month period straddling this date (consistent with the Fund's existing funding approach) and this results in an overall assumption that CPI inflation will be 0.8% p.a. below the 20 year point on the Bank of England implied inflation curve as at 31 March 2021. Further details of this update are available on request.

The following table show how the main financial assumptions have changed since the last triennial valuation:

	31 March 2021		31 December 2020		31 March 2019	
Assumptions (smoothed)	Nominal	Real	Nominal	Real	Nominal	Real
	% p.a.		% p.a.		% p.a.	
Pension increases (CPI)	2.62%	-	2.42%	-	2.65%	-
Salary increases	3.62%	1.00%	3.42%	1.00%	3.65%	1.00%
Discount rate	4.12%	1.50%	4.01%	1.60%	4.84%	2.19%

The discount rate assumption is set with reference to the Fund's long term investment strategy and therefore reflects the long term expected return on assets for the Fund. Consistent with the method adopted for the 31 March 2019 valuation, we have included in the discount rate assumption an explicit prudence allowance of 0.7%. This incorporates an allowance for current uncertainties in LGPS benefits (relating to the effects of the McCloud/Sargeant judgement and the cost cap).

As noted in the Introduction, the final remedy in response to the McCloud/Sargeant judgement will only be known once the Government's consultation is finalised and a final set of remedial Regulations are published. Furthermore, it is also not known yet what benefit changes in addition to the McCloud remedy (if any) may be made in light of the results of the cost cap process.

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As we see, the real discount rate is lower than at the 31 March 2019 valuation, increasing the value of liabilities used for funding purposes.

Results

The funding position for each month has been rolled forward from the formal valuation and is shown in Appendix 1. It should be borne in mind that the nature of the calculations is approximate and so the results are only indicative of the underlying position.

The results of our assessment indicate that:

- The current projection of the smoothed funding level as at 31 March 2021 is 102.3% and the average required employer contribution would be 21.1% of payroll assuming the deficit is to be paid by 31 March 2039.

- This compares with the reported (smoothed) funding level of 98.6% and average required employer contribution of 18.8% of payroll at the 31 March 2019 funding valuation.

The discount rate underlying the smoothed funding level as at 31 March 2021 is 4.1% p.a. The investment return required to restore the funding level to 100% by 31 March 2039, without the employers paying deficit contributions, would be 4.0% p.a.

Whilst the funding level has improved and the deficit has reduced, the cost of benefits has increased due to a fall of the discount rate relative to assumed pension increases, resulting in an increase in the total required contribution rate.

Westminster City Council

We have also estimated the funding position of Westminster City Council. The development since 31 March 2019 can be found in the table below.

Smoothed results	Assets	Liabilities	Surplus / (Deficit)	Funding level	CARE ongoing cost
Valuation date	£000s	£000s	£000s	%	% of pay
31 Mar 2019	952,247	1,104,595	(152,348)	86%	16.8%
30 Apr 2019	967,125	1,117,039	(149,914)	87%	17.1%
31 May 2019	978,573	1,126,775	(148,202)	87%	17.3%
30 Jun 2019	990,090	1,134,713	(144,623)	87%	17.5%
31 Jul 2019	995,425	1,139,250	(143,825)	87%	17.5%
31 Aug 2019	1,002,471	1,144,578	(142,107)	88%	17.6%
30 Sep 2019	1,005,329	1,148,818	(143,489)	88%	17.6%
31 Oct 2019	1,007,432	1,154,176	(146,744)	87%	17.7%
30 Nov 2019	1,009,145	1,159,693	(150,548)	87%	17.8%
31 Dec 2019	991,682	1,146,605	(154,923)	86%	17.3%
31 Jan 2020	979,867	1,139,276	(159,409)	86%	17.0%
29 Feb 2020	1,008,599	1,137,337	(128,738)	89%	16.9%
31 Mar 2020	986,513	1,141,440	(154,927)	86%	17.0%
30 Apr 2020	992,299	1,146,594	(154,295)	87%	17.0%
31 May 2020	998,034	1,155,822	(157,788)	86%	17.2%
30 Jun 2020	1,021,497	1,183,178	(161,681)	86%	17.9%
31 Jul 2020	1,044,076	1,210,734	(166,658)	86%	18.7%
31 Aug 2020	1,112,534	1,232,766	(120,232)	90%	19.2%
30 Sep 2020	1,107,124	1,253,261	(146,137)	88%	19.8%
31 Oct 2020	1,125,404	1,271,148	(145,744)	89%	20.2%
30 Nov 2020	1,144,683	1,282,005	(137,322)	89%	20.5%
31 Dec 2020	1,157,578	1,292,871	(135,293)	90%	20.7%
31 Jan 2021	1,177,276	1,307,945	(130,669)	90%	21.0%
28 Feb 2021	1,202,060	1,319,874	(117,814)	91%	21.3%
31 Mar 2021	1,211,453	1,327,003	(115,550)	91%	21.4%

Final comments

There are many factors that affect the Fund's funding position and could lead to the Fund's funding objectives not being met within the timescales expected. Some of the key risks that could have a material impact on the Fund include longevity risk, financial risks (including inflation and investment risk) and regulatory risks. There is more detail on this contained within the Fund's Funding Strategy Statement and the 31 March 2019 actuarial valuation report.

Note that the funding position at a future date will be dependent on the investment performance of the Fund as well as future market conditions which determine the financial assumptions.

We would be pleased to answer any questions arising from this report.

Barry McKay FFA
Partner
Barnett Waddingham LLP

Appendix 1 Financial position since previous valuation

Below we show the financial position on a smoothed basis for each month since the previous full valuation. As the smoothing adjustment reflects average market conditions spanning a six month period straddling the reporting date, the smoothed figures for the previous three months are projected numbers and likely to change up until three months after the reporting date.

Please note that the results shown below are sensitive to the underlying assumptions. For example, increasing the discount rate assumption by 0.5% will increase the funding level by about 10%, and increasing the CPI inflation assumption by 0.5% will reduce the funding level by about 9%.

Smoothed results	Assets	Liabilities	Surplus / (Deficit)	Funding level	CARE ongoing cost	Past service ctbn	Total ctbn	Discount rate	Return required to restore funding level
Valuation date	£000s	£000s	£000s	%	% of pay	% of pay	% of pay	% p.a.	% p.a.
31 Mar 2019	1,410,581	1,430,547	(19,966)	99%	17.9%	0.9%	18.8%	4.8%	4.9%
30 Apr 2019	1,447,503	1,447,420	83	100%	18.2%	0.0%	18.2%	4.8%	4.8%
31 May 2019	1,454,375	1,460,533	(6,158)	100%	18.4%	0.3%	18.7%	4.7%	4.8%
30 Jun 2019	1,483,529	1,471,765	11,764	101%	18.6%	0.0%	18.6%	4.7%	4.7%
31 Jul 2019	1,494,312	1,478,072	16,240	101%	18.7%	0.0%	18.7%	4.6%	4.6%
31 Aug 2019	1,490,620	1,485,419	5,201	100%	18.7%	0.0%	18.7%	4.6%	4.6%
30 Sep 2019	1,497,782	1,491,329	6,453	100%	18.8%	0.0%	18.8%	4.5%	4.5%
31 Oct 2019	1,509,343	1,498,720	10,623	101%	18.9%	0.0%	18.9%	4.5%	4.4%
30 Nov 2019	1,522,534	1,506,309	16,225	101%	19.0%	0.0%	19.0%	4.4%	4.4%
31 Dec 2019	1,507,589	1,489,490	18,099	101%	18.5%	0.0%	18.5%	4.4%	4.4%
31 Jan 2020	1,478,239	1,480,233	(1,994)	100%	18.1%	0.1%	18.2%	4.4%	4.4%
29 Feb 2020	1,481,306	1,478,878	2,428	100%	18.0%	(0.1%)	17.9%	4.4%	4.4%
31 Mar 2020	1,447,859	1,484,922	(37,063)	98%	18.1%	1.6%	19.7%	4.4%	4.5%
30 Apr 2020	1,450,763	1,492,138	(41,375)	97%	18.2%	1.8%	20.0%	4.3%	4.5%
31 May 2020	1,461,205	1,502,891	(41,686)	97%	18.3%	1.8%	20.1%	4.3%	4.4%
30 Jun 2020	1,500,202	1,539,265	(39,063)	97%	19.1%	1.7%	20.8%	4.2%	4.4%
31 Jul 2020	1,538,006	1,575,929	(37,923)	98%	19.9%	1.6%	21.5%	4.2%	4.3%
31 Aug 2020	1,623,472	1,605,344	18,128	101%	20.5%	(0.8%)	19.7%	4.1%	4.1%
30 Sep 2020	1,613,561	1,632,733	(19,172)	99%	21.0%	0.8%	21.8%	4.1%	4.1%
31 Oct 2020	1,637,610	1,656,717	(19,107)	99%	21.5%	0.8%	22.3%	4.0%	4.1%
30 Nov 2020	1,665,945	1,670,080	(4,135)	100%	21.7%	0.2%	21.9%	4.0%	4.0%
31 Dec 2020	1,676,728	1,684,659	(7,931)	100%	22.0%	0.3%	22.3%	4.0%	4.0%
31 Jan 2021	1,708,397	1,704,767	3,630	100%	22.3%	(0.1%)	22.2%	4.0%	4.0%
28 Feb 2021	1,753,162	1,720,716	32,446	102%	22.6%	(1.3%)	21.3%	4.1%	4.0%
31 Mar 2021	1,770,648	1,730,384	40,264	102%	22.7%	(1.6%)	21.1%	4.1%	4.0%

Appendix 2 Data, method and assumptions

Data

In completing our calculations we have used the following items of data, which we received from Westminster City Council:

- The results of the valuation as at 31 March 2019 which was carried out for funding purposes;
- Actual whole Fund income and expenditure items for the period to 31 March 2021; and
- Estimated Fund returns based on Fund asset statements provided to 31 March 2021, and Fund income and expenditure as noted above.

The data has been checked for reasonableness and we are happy that the data is sufficient for the purpose of this report.

Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS website and the Fund's membership booklet. We have made no allowance for discretionary benefits.

Method

To assess the value of the Fund's liabilities as at 31 March 2021, we have rolled forward the value of the liabilities calculated for the funding valuation as at 31 March 2019 using the financial assumptions below and actual cashflows paid to and from the Fund.

It is not possible to assess the accuracy of the estimated value of the liabilities as at 31 March 2021 without completing a full valuation. However, we are satisifed that the approach of rolling forward the previous valuation data to 31 March 2021 should not introduce any material assumptions in the results provided that the actual experience of the Fund is broadly in line with the underlying assumptions and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

We have been provided with the Fund assets at various dates but for dates that these are not available, we calculate the Fund assets by rolling forward the previous assets provided allowing for investment returns (estimated where necessary), and actual cashflows paid to and from the Fund. The latest date that we have been provided with the Fund assets is 31 March 2021.

Assumptions

For the purpose of this exercise it is appropriate to use the method and assumptions consistent with those set by the Fund actuary for the purpose of the 31 March 2019 actuarial valuation, updated where necessary to reflect market conditions.

A summary of the main financial assumptions adopted is set out in the main body of this report.

As noted in the Introduction, an allowance has been made for current uncertainties in LGPS benefits (relating to the effects of the McCloud/Sargeant judgement and the cost cap). This is allowed for within the prudence allowance which is incorporated into the discount rate assumption.

At the time of producing this report the outcome of the effects relating to the McCloud/Sargeant judgement are still to be agreed upon. The final remedy in response to the judgement will only be known once the

Government's consultation is finalised and a final set of remedial Regulations are published. Furthermore, it is also not known yet what benefit changes in addition to the McCloud remedy (if any) may be made in light of the results of the cost cap process.

The main demographic assumptions are:

- The post retirement mortality tables adopted are the S3PA tables with a multiplier of 110% for males and 105% for females.;
- The dependant post retirement mortality tables adopted are the S3DA tables with a multiplier of 70% for males and 85% for females.

These base tables are then projected using the CMI 2018 Model, allowing for a long-term rate of improvement of 1.25% p.a, a smoothing parameter of 7.5 and an initial addition parameter of 0.5% p.a.

The other key demographic assumptions are:

- Members retire at a single age, based on the average age at which they can take each tranche of their pension; and
- It is assumed that members will exchange 50% of their commutable pension for cash at retirement.

Further details of the derivation of the financial and demographic assumptions can be found in the relevant actuarial valuation report.

This page is intentionally left blank

City of Westminster

Pension Board

Date:	**21 July 2021**
Classification:	**General Release**
Title:	**Pension Fund Cost Analysis**
Wards Affected:	**None**
Policy Context:	**Effective control over council activities**
Financial Summary:	**There are no immediate financial implications arising from this report.**
Report of:	**Phil Triggs** ***Tri-Borough Director of Treasury and Pensions*** **ptriggs@westminster.gov.uk** **020 7641 4136**

1 Executive Summary

1.1 The purpose of this report is to present a previous years' cost analysis of the Pension Fund, alongside the budgeted costs for the current financial year 2021/22.

1.2 The budgeted pension fund costs for 2021/22 is £11.509m, an increase from the previous year's actual of £10.087m.

2 Recommendation

2.1 The Board is requested to note the actual costs to the Fund to 2020/21 and the budgeted expenditure for 2021/22.

3 Background

3.1 The following table provides a breakdown of the costs incurred by the Westminster City Council Pension Fund in relation to administration, investment management, governance and oversight for the financial years 2018/19, 2019/20, 2020/21, alongside budgeted costs for 2021/22.

	Company Name (If Applicable)	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 Budget £000
Administration					
Employees		184	352	308	378
Supplies and services					
	Legal Costs	34	74	23	50
	Administrator	180	183	333	666
	Various Admin*	149	141	318	313
		546	**750**	**981**	**1,508**
Governance and oversight					
Employees		240	183	237	246
Training		4	2	-	10
Investment advisory services	Deloitte	100	78	92	100
Governance and compliance	Various**	40	71	43	45
External audit	Grant Thornton	16	16	25	25
Actuarial fees	Barnett Waddingham	36	72	32	50
		436	**423**	**428**	**476**
Investment Management					
Management, Performance and Transaction fees		4,802	5,631	8,624	9,485
Custody fees	Northern Trust	38	31	54	40
		4,840	**5,662**	**8,678**	**9,525**
Total		**5,823**	**6,834**	**10,087**	**11,509**

*Includes Heywood's Altair software maintenance and licence fees up to 2020/21 (5-year licence fee paid during 2020/21), scheme member tracing and bank charges

**Includes subscription fees/other services i.e. CIPFA Pensions Network, LGA, Pensions Lifetime and Savings Association, Pensions and Investment Research Consultants

3.2 The Fund's administration expenditure fees were significantly higher in 2020/21, due to the increase in the Surrey County Council annual charge and the cost of the five-year Aquila Heywood Altair licence fee. There will also be significant upfront administration costs during 2021/22, in relation to the pension administration transition from Surrey County Council to Hampshire County Council.

3.3 In addition, the Fund will be changing software providers from Aquila Heywood to Civica and this will form part of the Hampshire County Council annual contract fee.

3.4 Governance and oversight expenses are broadly in line with previous years. However, the Finance dept employee recharge increased during 2020/21, resulting from the review of the Tri-Borough Section 113 Agreement.

3.5 Investment management costs increased during 2020/21 and are expected to increase further in 2021/22. This is due to increased fund manager cost transparency and disclosure as a result of the LGPS Cost Transparency Code. An increase in asset market values and the transition of investments to more complex asset classes have also resulted in fee increases.

3.6 The Pension Fund budget was approved by the Pension Fund Committee on 24 June 2021. A detailed Fund cost analysis can be found within Appendix 1 (exempt).

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

Billie Emery bemery@westminster.gov.uk

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1: Detailed Fund Cost Analysis to 2020/21 and Budget for 2021/22 (exempt)

This page is intentionally left blank

By virtue of paragraph(s) 1, 2 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

City of Westminster

Pension Board

Date:	**21 July 2021**
Classification:	**General Release**
Title:	**Responsible Investment Statement**
Wards Affected:	**None**
Policy Context:	**Effective control over council activities**
Financial Summary:	**There are no immediate financial implications arising from this report.**
Report of:	**Phil Triggs** ***Tri-Borough Director of Treasury and Pensions*** **ptriggs@westminster.gov.uk** **020 7641 4136**

1 Executive Summary

1.1 In late 2019, the Local Government Pension Scheme (LGPS) Scheme Advisory Board (SAB) issued draft guidance on Responsible Investment in the LGPS. This guidance outlined the duties of investment decision makers in LGPS administering authorities.

1.2 This paper presents the final Responsible Investment Statement for the Westminster Pension Fund, which is attached as Appendix 1.

2 Recommendation

2.1 The Local Pension Board is requested to note the Responsible Investment Statement.

3 Background

3.1 The purpose of the Responsible Investment Statement is to make clear the Pension Fund's approach to investing responsibly. This includes the integration of environmental, social and governance (ESG) factors as part of the Pension Fund's investment strategy.

3.2 The aim of the Responsible Investment Statement is to demonstrate to scheme members the direction in which the Pension Fund is moving in terms of responsible investment, decarbonisation/climate change and other ESG related issues.

3.3 The statement covers in detail topics such as:

- **The investment horizon of the fund:** this highlights the Fund's potential investment priorities over the long term, including socially beneficial housing, renewable infrastructure and green bonds.

- **Carbon journey:** over the last 24 months, the Pension Fund has taken significant steps to reduce its carbon footprint by transitioning equities into ESG focused funds and diversifying into renewable infrastructure. Since June 2019, the Fund's average carbon to value invested has fallen by circa 60%.

- **Voting and engagement:** collaboration with key stakeholders in the investment community will be key in influencing companies to run their businesses more sustainably.

3.4 Several investment cases study examples have also been included in the Responsible Investment statement to demonstrate how the Pension Fund has been implementing the policy.

3.5 Following the Pension Fund Committee on 24 June 2021, the statement has been slightly revised. The Committee approved, pending these changes, the Responsible Investment statement for publishing on the Council's website. This statement will be subject to regular, ongoing review.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

Billie Emery bemery@westminster.gov.uk

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1: Responsible Investment Statement

City for All

Responsible Investment Statement

City of Westminster Pension Fund • 2021

City of Westminster

Table of Contents

Introduction

Responsible Investment is defined by the United Nation's 'Principles for Responsible Investment' document as an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and to generate sustainable, long term returns.

The City of Westminster Pension Fund is committed to being a responsible investor and a long-term steward of the assets in which it invests. The Fund has a fiduciary duty to act in the best interests of its beneficiaries and this extends to making a positive contribution to the long-term sustainability of the global environment.

There are a wide range of ESG issues, with none greater currently than climate change and carbon reduction. The Pension Fund recognises climate change as the biggest threat to global sustainability alongside its administering authority employer, Westminster City Council, which has committed itself to achieving carbon neutrality by 2030.

The Pension Fund acknowledges that the neglect of corporate social responsibility and poor attention paid to environmental, social and governance issues is more likely to lead to poor or reduced shareholder returns. Therefore, the ESG approach has become integral to the Fund's overall investment strategy and recognises ESG factors as central themes in measuring the sustainability and impact of the Fund's investments.

Investment Horizon

The City of Westminster Pension Fund Investment Strategy Statement (ISS) sets out the Fund's policy on investment, risk management, LGPS pooling and environmental, social and governance issues. Alongside this the Fund's core investment beliefs set out the foundation of discussions, regarding the structure of the Fund, its strategic asset allocation and the selection of investment managers, incorporating ESG factors into this decision-making process.

The Fund's investment priorities over the coming years will be centred around the following topics:

Renewable Infrastructure

- UK government has pledged to target net zero greenhouse gas emissions by 2050, therefore significant investment is required within renewables infrastructure.
- The Fund has committed a 6% asset allocation to renewables infrastructure, with a number of specialist managers to be considered.

Real Estate

- There is potential within the real estate asset allocation for further diversification, alongside the long lease property mandate.
- Moving in to residential property or affordable housing could offer another form of diversification, whilst socially benefiting the community.

Green Bonds

- To help meet the UK target of net zero carbon emissions by 2050, the UK government will issue its first green bonds in 2021.
- There is potential for a future review of the Fund's existing allocation to corporate bonds and exploring options available within the green bonds space.

Carbon Journey

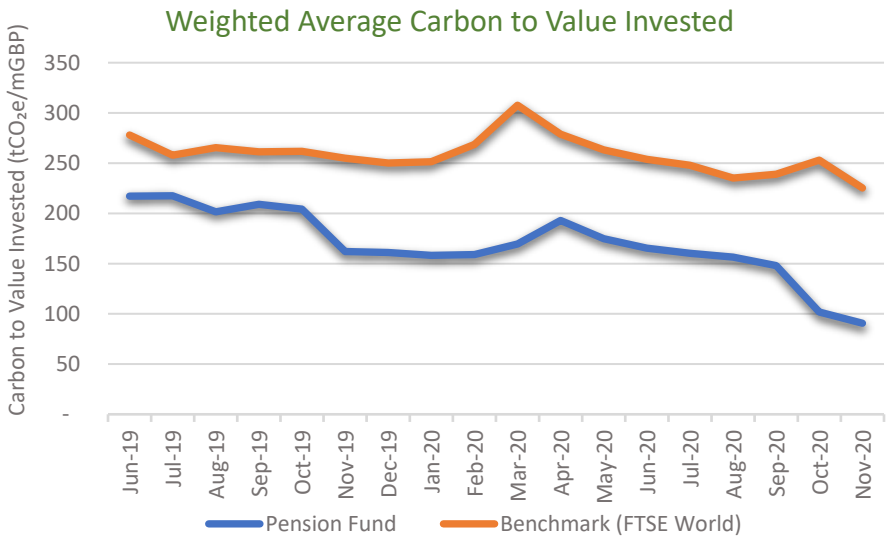
The City of Westminster Pension Fund has committed to reducing its carbon emissions, alongside Westminster City Council. The Pension Fund appointed TruCost to undertake a carbon mapping of the Fund's equity and property investments as at 30 September 2019. This included metrics such as carbon intensity, carbon emissions, stranded assets and energy transition.

Since this mapping took place, the Fund has transitioned its London CIV (LCIV) UK Equity allocation and Legal & General (LGIM) Global Passive Equities into the LCIV Global Sustain Fund and LGIM Future World Fund. The Global Sustain Fund seeks to provide a concentrated high-quality global portfolio of companies, however, excludes tobacco, alcohol, adult entertainment, gambling, civilian weapons, fossil fuels, and gas or electrical utilities. The LGIM Future World Fund tracks the L&G ESG Global Markets Index, whereby an Environmental, Social and Governance screening of companies takes place to remove those companies which do not meet the required ESG criteria.

Alongside this, a 6% commitment has been made towards investment within renewable infrastructure, with funds from the sale of the Hermes Property Fund. A fund manager selection process took place during December 2020, with Macquarie and Quinbrook each selected to manage a 3% allocation. The first drawdowns totalling c.£15m, took place during Q1 of 2021.

During November 2020, the Pension Fund commissioned TruCost to undertake a Carbon Review of the Fund following the transition into the ESG equity mandates, as at 31 October 2020.

The *carbon to value invested* metric is used by TruCost to reflect how efficient companies are at creating shareholder value, relative to the carbon emissions produced. The following graph depicts the Fund's carbon to value invested journey against the benchmark, within the equity allocation, from 30 June 2019 to 30 November 2020. The Pension Fund has been benchmarked against the FTSE World Index.



ESG Case Studies

Environmental

Social

Governance

Environmental, Social and Governance factors are key indicators in measuring the sustainability and suitability of an investment. There is growing research which suggests, when integrated into business decisions and portfolio construction, these can offer stability in future returns.

The Fund expects managers to integrate ESG factors into investment analysis and decision making. Monitoring these effectively can assist with resolving issues at early stages through effective engagement with companies and board members. The Fund expects asset managers where possible to engage and collaborate with other institutional investors, as permitted by relevant legal codes to ensure the greatest impact.

The measurement of ESG performance is still developing and benefitting from significant improvements. There are several performance benchmarks and disclosure frameworks that exist to measure the different aspects of available ESG data which include carbon emissions and a variety of social impact scores.

Environmental: Gwynt y Môr case study

Gwynt y Môr is a 576-megawatt wind farm located off the coast of North Wales, and it's held within our Macquarie Renewable Energy Fund.

The fund has a 10% stake in the windfarm and is the fifth largest operating offshore wind farm in the world. Macquarie manages an additional 10% exposure in Gwynt Y Môr through their existing renewable infrastructure funds and therefore is already familiar with the asset. Operational since 2015, Gwynt y Mor is comprised of 160 Siemens 3.6MW wind turbines spread across 80 square kilometres and provides enough clean electricity to power approximately 430,000 UK homes each year.

It is estimated that the windfarm cuts carbon emissions by around 2m tonnes a year, with the CO2e avoided equivalent to taking 234,680 cars off the road.

Source: Macquarie Renewable Energy Fund

Social: Teladoc case study

The Pension Fund holds, Teladoc, within its LCIV (Baillie Gifford) Growth Alpha Equity portfolio. The company is the largest telemedicine company in the US, providing remote access to services such as primary care appointments, expert second opinions, health support and chronic care management.

By providing healthcare services via video or phone consultants, this increases the accessibility to the services, helps to lower average healthcare costs and improves efficiency of the healthcare system.

In the first quarter of 2020, following the COVID-19 outbreak, Teladoc welcomed over a million new customers, ensuring the ability to continue to access healthcare at a time when hospitals and clinics would otherwise be unavailable to them. Teladoc operates in over 175 countries, and the company claims in the US an average saving of $472 per medical visit. Alongside this, in countries with nationalised healthcare, savings will benefit the government and therefore the public.

Source: Baillie Gifford: Positive Change Impact Report

Governance: Atlas Copco case study

Atlas Copco is a leading manufacturer of industrial equipment, held within the LCIV (Baillie Gifford) Growth Alpha Equity fund. The manager has engaged with Atlas's Head of Sustainability to discuss how its technology enables its customers to reduce their environmental impact, with many operating in high-emitting industries. Atlas Copco equipment is energy efficient, enabling more work to be completed at less cost and with lower emissions. This results in a saving for customers with 70-75% of ownership cost attributed to energy during use.

Baillie Gifford has also learned more about how the company implements its sustainability strategy across a decentralised business. The central sustainability role sets the overall direction for the company, empowering leaders within each business segment to set targets and drive innovation, with this approach embedded in the business culture. The manager remains supportive, long-term shareholders in Atlas and aim to continue engagement with the company to better understand how they are supporting the transition to a low-carbon society.

Source: Baillie Gifford Global Alpha ESG Report

Fund Key Facts

Aberdeen Standard Long Lease

77% Energy data collected

74% Water data collected

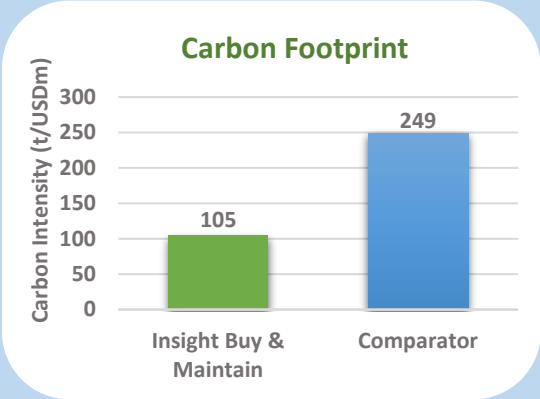
83% A-D Energy Performance Certificate rating

5 Metric tonnes of carbon saved by solar installation

Source: ASI Long Lease Key ESG Metrics 2020

Insight Buy & Maintain

The carbon intensity of the fund is 84 (t/USDm) lower than its comparators.



Source: Insight Buy & Maintain ESG Report Q2 2020

LCIV Global Alpha

48% women employed

52% men employed

41.8% Lower relative carbon footprint than the benchmark

Source: Baillie Gifford Gender Pay Gap 2019

Pantheon Global Infrastructure

5% Invested in solar

4% Invested in wind

43% of senior roles held by women

100% recycling rate

Source: Pantheon Infrastructure ESG Report Q3 2020

LGIM Future World

Companies failing to meet globally accepted business practices are excluded from the Future World Fund, based on any of the following criteria:

- Involved in production of controversial weapons
- Involved solely in the extraction of coal
- Violators of the UN Global Compact initiative

LCIV Global Sustain

The Global Sustain Fund avoids sectors such as alcohol, tobacco, weapons, gambling, fossil fuels and electric utilities and undertakes an engaged investment approach considering financial returns and ESG criteria.

Voting & Engagement

The Committee has delegated the Fund's voting rights to the investment managers, who are required, where practical, to make considered use of voting in the interests of the Fund. The Committee expects the investment managers to vote in the best interests of the Fund. In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

The Fund will continue to collaborate with the London CIV on maintaining a shared voting policy for the equity managers on the London CIV platform and actively seek to align these policies with manager insights. Lobbying with other London CIV clients will give the Pension Fund greater control and impact over our voting choices and a centralised process will ensure our voting remains consistent and has the greatest impact.

The Pension Fund views engagement with companies as an essential activity and encourages companies to take positive action towards reversing climate change. The Westminster Pension Fund is a responsible owner of companies and cannot exert that positive influence if it has completely divested from all carbon intensive producing companies. The Pension Fund will continue to encourage positive change whilst officers will continue to engage with the investment managers on an ongoing basis to monitor overall investment performance, including carbon and other ESG considerations.

Engagement: Microsoft case study

As part of the LCIV Global Sustain Fund, Morgan Stanley have engaged with Microsoft on a number of issues including carbon and diversity and inclusion.

Microsoft have pledged to become carbon-negative by 2030, Morgan Stanley have engaged with the company on these decarbonisation targets and how they can be achieved. This engagement has shown that Microsoft is increasingly focusing on decarbonising their supply chains, not just direct operations. To assist in understanding and reducing these supply chain emissions, Microsoft has started charging a carbon price on these activities and developed tools to incentivise suppliers to reduce these. Other Microsoft initiatives include $1bn funding new carbon removal technologies, transition to renewable energy and establishing a net zero initiative with other large companies.

The company has disclosed that they include diversity as part of senior management remuneration and have set up recruitment campuses at universities with high levels of diversity.

Microsoft

Source: Morgan Stanley ESG Report Q3 2020

LCIV Global Sustain

99
Total Management Meetings

68
ESG Engagements

ESG Engagements by Topic:

23
Environment

36
Social

31
Governance

Of which, engagements on:

13
Climate Change

6
Diversity

4
Cyber Security

Source: Morgan Stanley ESG Report Q4 2020

LGIM Future World

489
Total number of engagements

428
Number of companies engaged with

ESG Engagements by Topic:

357
Environment

64
Social

139
Governance

Top 5 engagement topics:

1. Climate Change
2. Remuneration
3. Diversity
4. COVID-19
5. Strategy

Source: LGIM ESG Report Q4 2020

LCIV Global Alpha

98
Total number of engagements

61
Number of companies engaged with

ESG Engagements by Topic:

10
Environment

18
Social

37
Governance

Percentage resolutions voted:

91%
With management

4%
Against management

Source: Baillie Gifford Proxy Voting Q3 2020

Data as at 30 September 2020

Connected Organisations

The Pension Fund recognises that significant value can be achieved through collaboration with other stakeholders. The Pension Fund works closely with its LGPS pool company, other LGPS funds and member groups such as the Local Authority Pension Fund Forum (LAPFF), Pensions and Lifetime Savings Association (PLSA) and ShareAction to ensure corporate interests are aligned with the Pension Fund's values.

The Pension Fund actively contributes to the engagement efforts of pressure groups, such as the Local Authority Pension Fund Forum (LAPFF) and requires investment managers to vote in accordance with the LAPPF's governance policies. In exceptional cases, investment managers will be required to explain their reason for not doing so, preferably in advance of the AGM.

Local Authority Pension Fund Forum

The Local Authority Pension Fund Forum are a collection of over 83 local authority pension funds, with assets under management of over £300bn, promoting the highest standard of governance with the aim of protecting the long-term value of pension funds. The LAPFF engage directly with companies, on behalf of all asset owners and pension fund trustee members, on issues such as executive pay, reliable accounting and a transition to a net carbon zero economy.

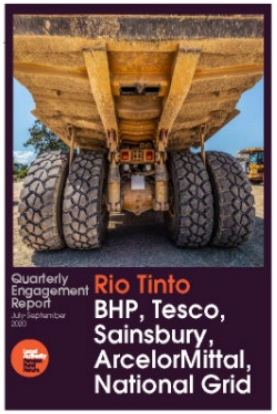
LAPFF Case Study

The LAPFF produce quarterly engagement reports, covering all ESG related issues from climate change, governance, human rights and cyber security.

Over the quarter to 30 September 2020, the LAPFF engaged with 27 companies, including Sainsbury, Tesco and the National Grid.

At the National Grid 2020 AGM, LAPFF asked the National Grid to commit to its delayed setting of scope 3 carbon emission reduction targets. The company published a response on its website, signifying that it would provide information on scope 3 targets in October.

Alongside this, the company has set a target of aiming for a carbon-neutral grid by 2025, including the provision of electric vehicle charging stations.



Source: LAPFF Quarterly Engagement Report 30 September 2020

Pensions and Lifetime Savings Association

The City of Westminster Pension Fund is a member of the PLSA, who aim to raise industry standards, share best practice and support members. The PLSA works across a range of stakeholders including governments, regulators and parliament to help the implementation of sustainable policies and regulation. They represent over 1,300 pension schemes totalling £1.3tn in assets under management, including those in the public and private sectors.

The PLSA provide an important source for training, support and guidance on regulations and pension support services.

PLSA Case Study

The PLSA published its response to the MHCLG proposals regarding the McCloud and Sargeant discrimination cases by, extending the underpin to younger scheme members with the underpin period applying from the 1st April 2014 to the 31st March 2022.

The PLSA conducted a survey of its members and consulted the Local Authority Committee on the proposals within the MHCLG consultation. On the whole the PLSA was supportive of the Government's plan to implement a two-stage underpin process, however they did express concerns about the impact these proposals would have on funds and pensions administrators given the significant resourcing requirements.


PENSIONS AND LIFETIME SAVINGS ASSOCIATION

LOCAL GOVERNMENT PENSION SCHEME (ENGLAND AND WALES): AMENDMENTS TO THE STATUTORY UNDERPIN

A RESPONSE TO MHCLG'S CONSULTATION PAPER

OCTOBER 2020

Source: PLSA Response to MHCLG's Consultant Paper

ShareAction

ACCESS TO NUTRITION INITIATIVE

ShareAction

ShareAction is a registered charity who promotes responsible investment, working with investors to help influence how companies operate their business on a range of Environmental, Social and Governance (ESG) factors. This includes areas such as climate change, gender diversity, living wages, decarbonisation, biomass and healthy markets.

Most recently, ShareAction has been working on a Healthy Markets coalition group. The Healthy Market Initiative aims to make food retailers and manufactures take on accountability for their role and impact on people's diets. The City of Westminster is a member of the Healthy Markets coalition and along with other members, represents over $1 trillion in assets under management. The Fund has actively engaged with ShareAction on this initiative, attending coalition meetings, as well as contacting our equity managers and the LAPFF on their behalf to see if they would be willing to engage.

In 2019 ShareAction partnered with the Access to Nutrition Initiative (ATNI) on its Healthy Markets Campaign. ATNI adapted the core methodology used for the Global Access to Nutrition Indexes to assess the disclosure of the UK food retail sector. In March 2020, the ATNI published its UK Supermarkets spotlight analysing the top 10 food retailers in the UK, scoring them against a number of indicators including governance, nutrient profiling, promotions and labelling.

During 2021, ShareAction co-ordinated a Special Resolution, asking Tesco to report on its nutrition and health strategy, together with metrics and targets, including progress reporting within its Annual Report. These resolutions have led to Tesco committing to; increase the share of its UK sales derived from healthier food and drink products from 58% to 65% by

2025, increase sales of healthier food and drinks within Central Europe, encourage consumers to choose healthier options by increasing ranges of healthier products available, engage with ShareAction and members of its Healthy Markets investor coalition as the Company develops and implements its health strategy.

City of Westminster

Pension Board

Date:	**21 July 2021**
Classification:	**General Release**
Title:	**Tri-Borough Section 113 Agreement Review**
Wards Affected:	**None**
Policy Context:	**Effective control over Council Activities**
Financial Summary:	**There are no immediate financial implications arising from this report.**
Report of:	**Phil Triggs** ***Tri-Borough Director of Treasury and Pensions*** **ptriggs@westminster.gov.uk** **020 7641 4136**

1 Executive Summary

1.1 This paper presents the Tri-Borough Section 113 (S113) Agreement review of the Tri-Borough Treasury and Pensions and Treasury Services, as undertaken by an independent consultant during August 2020.

2 Recommendation

2.1 The Pension Board is requested to note the attached S113 Tri-Borough Treasury and Pensions agreement review and recommendations.

3 Background

3.1 Westminster City Council, the Royal Borough of Kensington and Chelsea and the London Borough of Hammersmith and Fulham operate Treasury and Pensions services through a Tri-Borough joint working arrangement established under S113 of the Local Government Act 1972.

3.2 The agreement for shared Treasury and Pension services commenced in February 2012, and the Council commissioned an independent consultant to review this agreement in August 2020.

3.3 The scope of this review covered the following areas, with particular focus on development of the performance management and cost recharging arrangements.

- Governance arrangements
- Identifying key tasks and processes
- Oversight of third party activities
- Quality standards and internal audit coverage
- Key performance indicators (KPIs)
- Added value
- Staff structures, liaison and communication
- Contract monitoring
- Cost recharging arrangements

4 Recommendations for the Tri-Borough Treasury and Pensions Service

4.1 The following key recommendations arose from the review:

- **Governance Arrangements:**

  S113 agreement expanded to reflect current expectations in key processes undertaken by the Tri-Borough team, quality standards/KPIs, cost recharging and added value identification and delivery.

- **Identifying key tasks and processes:**

  Key tasks, as shown within Appendix 1 of the S113 Review, should be included within the S113 agreement and form the basis for performance management.

- **Oversight of third party activities:**

  S113 agreement updated to reflect that the Tri-Borough team is not directly responsible for delivering pensions administration but has a role of oversight and performance monitoring.

- **Quality standards and internal audit coverage:**

  The agreement requires all staff to hold or be working towards Central Council of Accounting Bodies (CCAB) qualifications and attend regular technical training. It should be noted that all Tri-Borough pension managers and treasury managers currently meet this recommendation. S113 agreement amended to include specific requirements for regular internal audit and controls assurance reports from all third party service providers. It should be noted that the City of Westminster Pension Fund already requests these reports from third party providers and is subject to an internal audit every two to three years.

- **KPIs:**

  It is recommended that the following KPIs are included in the S113 agreement:

Key performance target	Measured by
Funding level at least equal to LGPS averages	Actuarial revaluation every three years
Investment management costs under 0.5% of year end net asset value (NAV) of each fund	Calculate based on year end fund accounts
Maintain asset allocations in line with strategy approved by members	Confirmed (or otherwise) by the independent investment advisor's quarterly review
All contributions due from employing bodies are collected promptly	Reported quarterly to members and monthly to S151 officer
Sufficient cash is available to pay pension benefits as they fall due	Reported quarterly to members and monthly to S151 officer

- **Added value:**

  The Strategic Investment Manager should spend at least a third of their time on added value activities, determined in principle at the start of each financial year.

- **Staff structures, liaison and communication:**

  S113 agreement updated to reflect the current staffing structure. Key tasks in regard to communication and engagement across the Tri-Borough, as shown within Appendix 1 within the S113 review, should be included within the S113 agreement and form the basis for performance management.

- **Contract monitoring:**
  The Council is provided with a short dashboard report each month, summarising key transactions/balances, that these are in line with strategies and whether key performance targets have been met. This should form the basis as of an annual review of the S113 agreement with each S151 officer.

  A suggested format is provided within Appendix 3 of the S113 review. It should be noted that the Fund is provided with a performance report every month from the custodian, Northern Trust.

  Alongside this, the Fund reports monthly to ELT on asset values, funding position, cashflows, investment/administration updates and performance.

- **Cost recharging arrangements:**

Annual cost reallocations should be increased to cover accommodation, overheads and other direct expenditure. Shared posts should be allocated in proportion to the relative value of the assets and liabilities under management, as shown below:

Westminster	40%
Hammersmith and Fulham	30%
Kensington and Chelsea	30%

It should be noted that the Fund already includes such overheads and accommodation charges within its annual cost recharging exercise. In addition to this, the Fund has amended the reallocation as a result of this exercise from 2020/21 onwards.

Recharges are agreed at the start of the year, based on approved revenue budgets and monitored by the Council. It should be noted that this process is already undertaken by the Council's departmental finance teams.

4.2 A more detailed analysis of the review undertaken can be found within Appendix 1 (exempt) of this report. In addition to this an updated version of the S113 agreement, to reflect the recommendations arising from the review, is included within Appendix 2.

4.3 The revied S113 Agreement was taken to the Pension Fund Committee on 24 June 2021. The Committee welcomed the recommendations and approved the amended S113 agreement.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

Billie Emery bemery@westminster.gov.uk

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1: S113 Review August 2020 (Exempt)
Appendix 2: Tri-Borough S113 updated agreement

By virtue of paragraph(s) 1, 2 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

DATED 2021

(1) THE LORD MAYOR AND CITIZENS OF THE CITY OF WESTMINSTER

AND

(2) THE MAYOR AND BURGESSES OF THE LONDON BOROUGH OF HAMMERSMITH AND FULHAM

AND

(3) THE MAYOR AND BURGESSES OF THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

TRI-BOROUGH JOINT WORKING AGREEMENT

PENSIONS AND TREASURY SERVICES

Peter Large
Head of Legal Services
Westminster City Council
City Hall
64 Victoria Street
London SW1E 6QP

SECTION 1 - DATE OF AGREEMENT, PARTIES AND BACKGROUND

THIS AGREEMENT is made on **the** day of X 2021

PARTIES

(1) THE LORD MAYOR AND CITIZENS OF THE CITY OF WESTMINSTER of City Hall, 64 Victoria Street, London SW1E 6QP

(2) THE MAYOR AND BURGESSES OF THE LONDON BOROUGH OF HAMMERSMITH AND FULHAM of the Town Hall, King Street, London, W6 9JU

(3) THE MAYOR AND BURGESSES OF THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA of The Town Hall, Hornton Street, London W8 7NX

1. **BACKGROUND**

1.1 The Parties wish to realise future efficiencies and resilience through the combination, sharing and closer integration of a range of services including pensions and treasury services.

1.2 Although the Parties wish to combine and integrate the Services, they wish to do so initially through a process of alignment, joint working and co-location rather than through the appointment of a lead authority to whom all relevant functions are delegated and staff transferred. The Parties intend that the pension fund and other investment funds of each authority shall remain separate and segregated and shall not be pooled. The Parties have given a Sovereignty Guarantee to ensure that the independence of the authorities as political and legal entities is protected.

1.3 To combine and integrate the Services in the manner described in Paragraph 1.2, the Parties have agreed to develop a bespoke joint

working arrangement. The terms of this arrangement are documented in this Agreement and includes the exercise of powers contained in Section 113 of the 1972 Act so that officers of each authority are made available to the other authorities for the purposes of performing functions as an officer of the other authorities for the purpose of co-locating and integrating the future marketing and delivery of the Pensions and Treasury Service. In the future it is intended that the arrangements described in this Agreement will be further developed to improve the resilience of the team and its capacity to take on additional work from other London Boroughs.

SECTION 2 - INTERPRETATION, DURATION & THE ARRANGEMENTS

2. DEFINITIONS AND INTERPRETATION

This Agreement shall be interpreted in accordance with **Schedule 1**.

3. DURATION OF THE AGREEMENT

This Agreement shall commence on the Commencement Date and shall continue in force until it is terminated in accordance with **Clause 25**.

4. THE ARRANGEMENTS

4.1 The Parties agree that **Schedule 2** sets out the:

4.1.1. aims, benefits and intended outcomes of the Parties in entering into the Arrangements; and

4.1.2. high level principles which underpin the delivery of the Parties' obligations under this Agreement

4.1.3. key tasks and activities to be provided as part of these arrangements

4.1.4. key performance targets and quality standards anticipated.

4.2 The Parties agree that the aims, benefits and intended outcomes and the principles set out in **Schedule 2** are aspirational and are not

intended to give rise to legally binding rights and obligations between the Parties.

4.3 Subject to and in accordance with the terms of this Agreement and with effect from the Commencement Date, the Parties have agreed to implement the Arrangements, being:

4.3.1 the arrangements regarding Combined Teams in **Section 3**

4.3.2 the governance arrangements in **Section 4;** and

4.3.3 the financial arrangements in **Section 5**;

4.4 The Arrangements shall not affect the liabilities of the Parties to any third parties for the exercise of their respective functions and obligations.

5. DELEGATION OF FUNCTIONS

5.1 Nothing in this Agreement has (or is intended to have) the effect of transferring statutory functions from one Party to another. This means that the performance by a Post Holder of their S113 Duties is done in their capacity as an officer of the Non-Employing Party. That Post Holder is not exercising functions delegated by the Non-Employing Party to the Employing Party.

5.2 Parties may only delegate their statutory functions to each other in exercise of the powers contained in S101 of the Local Government Act 1972 and S17 of the Local Government Act 2000. In the event that any of the Parties agree to enter into such an arrangement it will be recorded in a separate agreement that has been signed by participating Parties.

SECTION 3 – SECTION 113 ARRANGEMENTS

6. SHARING EMPLOYEES

6.1 With effect from the Commencement Date, it is agreed that, in exercise of the powers contained in Section 113 of the 1972 Act and in accordance with **Schedule 5** the Parties will make those individuals identified in **Schedule 5,** available to the other Parties for the purposes of enabling each Post Holder to deliver the Services through the combined performance of their Employee Duties and, in accordance with their individual Agreement, their S113 Duties.

6.2. **Tri-borough Director of Pensions and Treasury Post**

6.2.1. The Employing Party shall at its absolute discretion deal with any management issues relating to the Tri-borough Director of Pensions and Treasury, including but not limited to those relating to capability, performance and conduct, as it considers appropriate in consultation with the Non-employing Parties. Before taking any decision to act, or to decline to act, the Employing Party shall consider any representations from the Non-employing Parties and, if requested by either of them, provide reasons for its decision in writing.

6.2.2 The Non-employing Parties will provide information with structured comment and feedback on the performance reviews of the Tri-borough Director of Pensions and Treasury which shall be conducted using the Employing Party's appraisal and performance management scheme in force from time to time. The Employing Party undertakes to take the Non-employing Parties views and representations into consideration in conducting the performance review.

6.2.3 The Parties may carry out joint supervisions of the work of the Tri-borough Director of Pensions and Treasury. at six monthly intervals or as otherwise agreed..

6.2.4 Without prejudice to Clause 6 1-3 above, if a Non-employing Party is dissatisfied with the capability, performance or conduct of the Tri-borough Director of Pensions and Treasury it may request a meeting with the Employing Party by giving five (5) working days notice to that effect.

6.2.5 At such a meeting the Parties will discuss and agree an action plan under which the Employing Party and the Tri-borough Director of Pensions and Treasury will be give a reasonable period of time to resolve the Non-employing Party's concerns ("the agreed period").

6.2.6 Where the Non-employing party is not reasonably satisfied that their concerns have been resolved within the agreed period they may initiate the Dispute Resolution Procedure.

6.2.7 The Non-employing Parties shall provide any information, documentation, access to their premises, employees and assistance (including but not limited to providing witnesses to attend before any committee, court or tribunal) as may reasonably be required by the Employing Party to enable it to deal with any management issues in relation to the Tri-borough Director of Pensions and Treasury whether under its own procedures or before any court or tribunal.

SECTION 4 – GOVERNANCE, ACCOUNTABILITY, MONITORING AND REVIEW

7. ACCOUNTABILITY

7.1 For the purposes of these Arrangements, the Post Holder will be accountable to:

7.1.1 the Non-Employing Party for the performance of their S113 Duties; and

7.1.2. the Employing Party for the performance of their Employee Duties

8. ANNUAL REVIEW

8.1 The Tri-borough Director of Pensions and Treasury shall carry out an annual review of the Arrangements for the purpose of evaluating;

8.1.1 performance of the Arrangements against the targets, priorities and outcomes specified in this Agreement (or such other targets, priorities and outcomes as may be agreed between the Parties in writing from time to time);

8.1.2 targets and priorities for the next Financial Year;

8.1.3 the operation and effectiveness of the Arrangements;

8.1.4 delivery of agreed outcomes and benefits and the role of the arrangements in relation to such delivery.

8.2 Following a review held in accordance with **Clause 8.1**, the Tri-borough Director of Pensions and Treasury will make recommendations to the Parties in respect of Arrangements.

8.3 The Parties will consider the recommendations made by the Tri-borough Director of Pensions and Treasury pursuant to **Clause 8.2** with a view to agreeing an "Annual Pensions & Treasury Services Strategic Business Plan" summarising the priorities, targets, budgets for the next Financial Year together with any variations to the Arrangements.

SECTION 5 – FINANCIAL & HR ARRANGEMENTS

9. FINANCIAL ARRANGEMENTS FOR POST HOLDERS

9.1 In respect of each Post Holder, the Employing Party shall be responsible for the payment (**subject to Clause 9.2 and 12**) of all sums due and payable to that Post Holder in accordance with their Employment Contract, including (without limitation) all tax, national insurance and pension contributions.

9.2 The Non-Employing Party will reimburse the Employing Party for all expenses incurred by a Post Holder in the performance of their S113 Duties (where such expenses are recoverable from the Employing Party's expenses policy). In the event that expenses relate to both S113 Duties and Employee Duties, the Non-Employing Party will reimburse the Employing Party for such proportion as is agreed between the Parties.

9.3 The costs of any training which a Post Holder is required or requested by the Non-Employing Party to attend for purposes connected with the performance of a Post Holder's S113 Duties, or which is requested by the Post Holder and agreed to by the non-Employing Party, will be funded by the Non-Employing Party.

10. FINANCIAL PROTOCOL

10.1 As part of the Parties wider commitment to combination, integration and joint working, the Parties have developed a Financial Protocol set out in **Schedule 4** that establishes the principles of their financial relationship with effect from the Commencement Date. The Parties agree to be bound by the terms of the Financial Protocol and to fulfil their respective obligations there under.

10.2 The Parties may agree to vary the Financial Protocol from time to time in accordance with **Clause 26**.

11. HUMAN RESOURCES (HR) PROTOCOL

11.1 The Parties have jointly developed the HR Protocol set out in **Schedule 3** for the ongoing management of the combined teams arising out of or in relation to the Arrangements. This protocol is designed to support the Arrangements but is not intended to be (and, unless the Parties expressly agree otherwise in writing, will not have the effect of being) a substitute for a Party's existing HR policies and procedures.

11.2 The Parties agree to be bound by the terms of the HR Protocol and to fulfil their respective obligations there under.

11.3 The Parties may agree to vary the HR Protocol in accordance with **Clause 26**.

SECTION 6 - LIABILITIES AND INSURANCE

12. INDEMNITIES, LIABILITIES AND INSURANCE

12.1 Each Party shall indemnify the other Party against any Loss (excluding Indirect Loss) suffered or incurred by the indemnified Party arising out of or in connection with:

12.1.1 the indemnifying Party's negligence or breach of contract; and

12.1.2 any claim made by a third party arising out of or in connection with the indemnifying Party's negligence or breach of contract, in each case in connection with the performance or failure of performance of the indemnifying Party's obligations under this Agreement, except to the extent that such Loss has been caused by any negligence, act or omission by, or on the part of, or in accordance with the instructions of the other Party.

12.2 Subject to clause 12.3 the Parties agree that they will be responsible for the activities of a Post Holder as follows:

12.2.1 the Non-Employing Party will be responsible for the acts or omissions of any Post Holder when performing their S113 Duties or otherwise acting in their capacity as an officer of the Non-Employing Party; and

12.2.2 the Employing Party will be responsible for the acts or omissions of any Post Holder when performing their Employee Duties or otherwise acting in their capacity as an officer of the Employing Party.

12.3 Subject to **Clauses 12.4 to 12.7**, any Loss incurred in relation to or arising from a Post Holder's employment whether or not following termination of employment of a Post Holder or termination of this Agreement including any award by a court or tribunal shall be the responsibility of the Employing Party. As between the Parties to this Agreement, the Non-Employing Party shall have no liability in respect of such Loss and the Employing Party agrees to indemnify the Non-Employing Party against any such Loss.

12.4 The Parties hold the view that TUPE will not apply on the commencement of this Agreement, during the term of the Agreement or on the expiry or termination of this Agreement (in whole or in part). However if TUPE operates so as to transfer the contract of employment of any Post Holder due to a Relevant Transfer from one Party ("the Transferor Party") to the other Party ("the Transferee Party"), the Parties shall comply with their legal obligations under TUPE.

12.5 Subject to **Clause 12.7**, the Transferor Party shall be liable for and shall indemnify the Transferee Party against any Employee Liabilities incurred by the Transferee Party which arise before on or after the Relevant Transfer and out of an act or omission of the Transferor Party in connection with:

12.5.1 the Post Holder's employment with the Transferor Party;

12.5.2 any failure to comply with the obligations under Regulations 13 and 14 of TUPE (including any claim brought by an employee representative for breach of Regulations 13 and/or 14 of TUPE) except where such failure arises from the Transferee Party's failure to comply with its obligations under Regulations 13 and/or 14 of TUPE.

12.6 Subject to **Clause 12.7** the Transferee Party shall be liable for and shall indemnify the Transferor Party against any Employee Liabilities incurred by the Transferor Party which arise before on or after the

Relevant Transfer caused by an act or omission of the Transferee Party in connection with:

12.6.1 the Post Holder's employment with the Transferee Party;

12.6.2 any failure to comply with the obligations under Regulations 13 and 14 of TUPE (including any claim brought by an employee representative for breach of Regulations 13 and/or 14 of TUPE.

12.7 Where any Employee Liabilities arise partly as a result of any act or omission of the Transferee Party and partly as a result of any act or omission of the Transferor Party whether before on or after the date of the Relevant Transfer, the Parties shall indemnify each other against only such part of the Employee Liabilities sustained by the other Party as is reasonably attributable to the act or omission of that Party.

Mitigation

12.8 In relation to the indemnities of this **Clause 12**, the Parties agree to co-operate with each other and take all reasonable steps to mitigate any costs and expenses and any adverse effect on industrial or employee relations.

13. INSURANCE

13.1 Each Party may choose to maintain policies of insurance in respect of all potential liabilities arising from these Arrangements (as outlined in the Financial Protocol). A decision not to insure does not relieve a Party of its responsibilities under this Agreement.

13.1.1 Each Party agrees to ensure that:

13.1.2 where they are the Non-Employing Party, the insurance policies maintained pursuant to **Clause 13.1** cover liabilities that may be incurred through the performance, by a Post Holder , of their S113 Duties;

13.1.3 where they are the Employing Party, the insurance policies maintained pursuant to **Clause 13.1** cover liabilities that may be incurred through the performance, by a Post Holder, of their Employee Duties.

SECTION 7 - OVERARCHING OPERATIONAL ISSUES

14. STANDARDS OF CONDUCT

14.1 The Parties will comply and will ensure the Arrangements comply with all statutory requirements national and local and other guidance on conduct and probity and good corporate governance (including the Parties' respective Constitutions and Standing Orders).

14.2 The Parties will review and, where permitted and appropriate, amend their Constitution including but not limited to Standing Orders, Financial Standing Orders Schemes of Delegation, Banking Mandates and other relevant documents as necessary to ensure compliance with their obligations under this Agreement and to enable the Arrangement to operate as smoothly and efficiently as practicable. Nothing in this clause shall require a Party to make amendments which in its reasonable belief would be inconsistent with the Sovereignty Guarantee.

15. CONFLICT OF INTEREST

15.1 The Parties acknowledge that conflicts of interest may arise during the course of this Agreement. The Parties agree that circumstances in which a conflict of interest may arise include, but are not limited to, the following:

15.1.1 when the private interests of a Post Holder conflict with the interests of the Non-Employing Party in the context of the Arrangements (a "**Private Interest Conflict**");

15.1.2 when the duties of a Post Holder arising under or in connection with the furtherance of integrated working conflict with the duties owed by that Post Holder to the Employing Party (a "**Combined Working Conflict**").

Private Interest Conflict

15.2 In the event that a Private Interest Conflict arises, or a Post Holder suspects that it will arise, the Employing Party shall procure that full details of such Private Interest Conflict shall as soon as possible be reported to and recorded by the Employing Party in accordance with the Employing Party's policies and procedures for handling conflicts of interest.

15.3 When an Employing Party receives notification or otherwise becomes aware of a Private Interest Conflict pursuant to **Clause 17.2** the Employing Party shall as soon as possible notify the Chief Executives of such Private Interest Conflict who shall take such action as is appropriate in the circumstances to resolve the conflict.

15.4 In the event that the Chief Executives receives notification of a Private Interest Conflict pursuant to **Clause 17.3** and any Chief Executive considers that he is likewise subject to that or another conflict of interest

that Chief Executive shall as soon as possible notify the Leaders of the relevant Parties.

15.5 Upon receiving notification from a Chief Executive pursuant to **Clause 17.4** the Parties shall ensure that the Leaders of the relevant Parties shall do what is required in order to ensure that the interests of the Parties are protected in accordance with applicable best practice for the management of conflicts of interests and having due regard to the employment policies and procedures of the Employing Party.

Combined Working Conflict

15.6 In the event that a Combined Working Conflict arises and which affects the Tri-borough Director of Pensions and Treasury's or member of the Pension and Treasury team ability to act in the best interests of both Parties, the Tri-borough Director of Pensions and Treasury shall as soon as possible inform Parties that a Combined Working Conflict exists.

15.7 On receiving notice from the Tri-borough Director of Pensions and Treasury pursuant to **Clause 15.6** the Non Employing Party or Parties shall appoint an interim Director on such terms and for such duration as they believe is reasonably necessary and appropriate in the circumstances.

15.8 In the event that a Combined Working Conflict arises which is not covered by **Clause 15.6**, the Parties will ensure that the Tri-borough Director of Pensions and Treasury shall ensure that immediate steps are taken to promote and protect the interests of all Parties and their respective employees and where necessary the Parties shall use reasonable endeavours to procure that the Tri-borough Director of Pensions and Treasury seeks appropriate independent professional advice.

15.9 The Parties acknowledge that a Combined Working Conflict arising may require each of the Parties to seek separate and independent legal advice.

15.10 The Parties acknowledge and agree that nothing in this **Clause 15** replaces either Party's obligations to comply with all relevant Law in relation to conflicts of interest.

16. COMPLAINTS

16.1 Subject to **Clause 17**, complaints by third parties arising out of or in connection with these Arrangements will be dealt with in accordance with the complaints policy of the appropriate Party in force from time to time.

16.2 Subject to all relevant law and guidance, the Parties reserve the right to agree a combined complaints procedure(s). Any such procedure(s) shall be documented in writing and signed by the Parties.

17. OMBUDSMAN

The Parties will co-operate with investigations undertaken by their respective Ombudsman.

18 INTELLECTUAL PROPERTY

18.1 The Parties shall to the extent permissible by law grant to each other a licence to use the other Party's relevant IPR solely and exclusively for the purposes of and in connection with this Agreement and the Arrangements.

18.2 Subject to **Clauses 18.1 and 18.3**, neither Party shall acquire from the other Party any rights to that other Party's IPR.

18.3 If any IPR is created, brought into existence or acquired in relation to anything jointly developed by the Parties in relation to the Agreement

or the Arrangements, the Parties shall negotiate in good faith and use all reasonable endeavours to agree the rights that each Party shall have in relation to such IPR. Following any such agreement the Parties shall to the extent permissible by law do all things and execute all documents necessary to give full effect to the agreement. If the Parties are unable to reach agreement the matter shall be referred to the Dispute Resolution Procedure.

19. CONFIDENTIALITY & DATA PROTECTION

19.1 Subject to the disclosure requirements of any Laws, nothing in this Agreement shall oblige a Party or a Post Holder to disclose information where such disclosure would be in breach of:

19.1.1 any contract; and/or

19.1.2 any other relevant and applicable internal or external policies or codes of conduct in relation to a confidentiality and disclosure of information

19.2 Each Party agrees at all times during the continuance of this Agreement and after its termination to keep confidential all information or data that it receives or otherwise acquires in connection with the other Parties and which by its nature is confidential or which has reasonably been marked with such words signifying that it should not be disclosed, except where:

19.2.1 the disclosure is made in connection with the Dispute Resolution Procedure or any litigation between the Parties;

19.2.2 the disclosure is required to comply with Law (including the FOIA);

19.2.3 the disclosure is made to a Party's professional advisors who owe a similar obligation of confidentiality; or

19.2.4 the information was in the possession of the Party without obligation of confidentiality or was in the public domain (otherwise than by breach of this Agreement) before receiving it from the other Party.

19.2.5 The Employing Party shall take reasonable steps to procure that staff who process any Personal Data or Sensitive Personal Data in accordance with or in the course of this Agreement, and

19.2.6 the Non-Employing Party shall take reasonable steps to procure that Post Holders who, while undertaking S113 Duties, process any Personal Data or Sensitive Personal Data in accordance with or in the course of this Agreement, to do so in accordance with the provisions and principles of the 1998 Act and any other relevant data protection legislation and guidance (including but not limited to the Employment Practices Data Protection Code).

20. FREEDOM OF INFORMATION

20.1 The Parties will each comply with their respective obligations pursuant to the FOIA but, without prejudice to this general obligation, will consult the other Parties prior to the disclosure of any information relating to these Arrangements.

20.2 Each Party will co-operate fully with the other Party for the purposes of enabling that other Party to properly fulfil its obligations under the FOIA.

SECTION 8 - DEFAULT, DISPUTES AND TERMINATION

21. DEFAULT

21.1 In the event of a Party (the **"Defaulting Party"**) being, in the reasonable opinion of the either or both Parties (the **"Other Party"**), in breach of its obligations under this Agreement and such breach being capable of remedy, the following procedure will apply:

21.1.1 the Other Party may request a meeting with the Defaulting Party by giving five (5) Working Day's written notice to that effect. The meeting will include the Representative of each Party.

21.1.2 following such a meeting, the Parties will discuss and agree an action plan under which the Defaulting Party will be given a reasonable period of time to remedy the default to the satisfaction of the other Party (the **"Remedial Action Plan"**).

21.1.3 Where an Other Party is not reasonably satisfied that the Defaulting Party has complied with the Remedial Action Plan, the Other Party will have the right, at its discretion, either to initiate the Dispute Resolution Procedure or to exercise its right to terminate this Agreement in accordance with **Clause 23.6.2**.

22 DISPUTES

22.1 In the event of a dispute between the Parties in connection with this Agreement the Parties shall refer the matter to their Representatives (or their nominated deputies) who shall endeavour to settle the dispute between themselves.

22.2 In the event that the Representatives (or their nominated deputies) cannot resolve the dispute between themselves within a reasonable period of time having regard to the nature of the dispute, the matter will be referred to the responsible cabinet members of the Parties for resolution. In the event that the dispute cannot be resolved within a reasonable period of time (having regard to the nature of the dispute) by the relevant cabinet members, the matter will be referred to the Leaders of the Parties for resolution.

22.3 In the event that the dispute cannot be resolved in accordance with **Clause 22.2** within a reasonable period of time (having regard to the nature of the dispute) the Parties will attempt to settle it by mediation in

accordance with the CEDR Model Mediation Procedure or any other model mediation procedure as agreed by the Parties (“Mediation”).

22.4 To initiate the Mediation, a Party or Parties may give notice in writing (a "**Mediation Notice**") to the other Party or Parties requesting mediation of the dispute and shall send a copy thereof to CEDR or an equivalent mediation organisation as agreed by the Parties asking them to nominate a mediator. The Mediation shall commence within twenty Working Days of the Mediation Notice being served.

22.5 The Parties will co-operate with any person appointed as mediator, providing him or her with such information and other assistance as he or she shall require and will pay his or her costs as he or she shall determine or in the absence of such determination such costs will be shared equally between the participating Parties.

22.6 No Party may commence any court proceedings/arbitration in relation to any dispute arising out of this Agreement until it has attempted to settle the dispute by mediation and either the mediation has terminated or the other Party or Parties have failed to participate in the mediation, provided that the right to issue proceedings is not prejudiced by a delay.

23 TERMINATION

General

23.1 This Agreement may be terminated (in whole or in part) at any time by written agreement between the Parties.

23.2 Any Party shall have the right to terminate this Agreement at any time by service of 12 Months’ written notice to the other Parties.

23.3 This Agreement may be terminated immediately at any time in respect of any or all of the Post Holders by written agreement between the Parties.

23.4 This Agreement, in respect of any individual Post Holder, will terminate forthwith in respect of that particular Post Holder upon the dismissal or resignation of the Post Holder from their Employing Party or upon the Post Holder withdrawing their consent to being made available pursuant to these Arrangements where applicable.

23.5 This Agreement will terminate in respect of any individual Post Holder upon any reorganisation or reconstruction affecting any Party whereby the Post Holder no longer holds office with their Employing Party.

23.6 A Party may at any time by notice in writing to an other Party terminate this Agreement upon service of 20 Working Days written notice if:

23.6.1 the other Party commits a material breach of any of its obligations hereunder which is not capable of remedy; or

23.6.2 the other Party commits a material breach of any of its obligations hereunder which is capable of remedy but has not been remedied in accordance with **Clause 21**.

23.7 A Party may by written notice to an other Party in accordance with **Clause 24.8** terminate this Agreement if:

23.7.1 as a result of any change in law or legislation it is unable to fulfil its obligations under this Agreement;

23.7.2 its fulfilment of its obligations hereunder would be in contravention of any guidance from any Secretary of State issued after the Commencement Date;

23.7.3 its fulfilment of its obligations would be ultra vires or otherwise unlawful, and the Parties shall be unable to agree a modification or variation to this Agreement (which may include termination in part only) so as to enable the Parties to fulfil its obligations in accordance with law and guidance.

23.8 In the case of notice pursuant to **Clause 23.7.1 or 23.7.2**, the Agreement shall terminate after such reasonable period as shall be specified in the notice having regard to the nature of the change referred to in **Clause 23.7.1** or the guidance referred to in **Clause 23.7.2** as the case may be. In the case of notice pursuant to **Clause 23.7.3,** the Agreement shall terminate with immediate effect.

23.9 Notices served pursuant to **Clause 23.6 or 23.7** will result in termination of the whole of the Agreement unless the Parties agree otherwise in writing.

CONSEQUENCES OF TERMINATION

23.10 Termination of this Agreement in whole or in part (whether by effluxion of time or otherwise) shall be without prejudice to the Parties' rights in respect of any antecedent breach and the provisions of this Clause and **Clauses 2, 14, 15, 19-25 (inclusive), and 27-34 (inclusive)** shall continue in full force and effect.

23.11 In the event of termination of this Agreement, the Parties will use all reasonable endeavours to agree arrangements which will minimise disruption to:

23.11.1 the continued delivery of the Services to service users;

23.11.2 staff working within the Arrangements.

23.12 In the event that this Agreement is terminated in part only, the Parties will agree appropriate variations to the Agreement. Such variations will be documented in writing and signed by all Parties.

23.13 Where the Agreement is terminated in part, then except for that part of the Agreement that has been terminated, this Agreement shall continue in full force and effect.

SECTION 9 - GENERAL PROVISIONS

24 VARIATIONS

24.1 The Parties may agree to vary the Agreement including for the avoidance of doubt the HR Protocol and the Financial Protocol, from time to time in accordance with this **Clause 24.**

24.2 Any Party may propose a variation to the Agreement and the Parties shall use reasonable endeavours to agree the variation. In the event of any disagreement in relation to the variation any Party may refer the matter to the Dispute Resolution Procedure.

24.3 Any variation of the Agreement, the HR Protocol and Financial Protocol must be in writing and signed by, or on behalf of, each of the Parties.

25. NOTICES

25.1 Any notice of communication shall be in writing.

25,2 Any notice or communication to the relevant Party shall be deemed effectively served if sent by registered post or delivered by hand at an address set out in **Clause 25.4** and marked for the Representative or to such other addressee and address notified from time to time to the other Parties.

25.1 Any notice served by hand delivery shall be deemed to have been served on the date it is delivered to the addressee if delivered before 15.00hrs on a Working Day. Hand delivery after 15.00 and or on a weekend or English public holiday shall be deemed served on the next Working Day. Where notice is posted it shall be sufficient to prove that the notice was properly addressed and posted and the addressee shall be deemed to have been served with the notice 48 hours after the time it was posted.

25.2 For the purposes of this **Clause 25**, the addresses at which notice must be served are, unless either Party is notified otherwise in writing as follows:

25.2.1 CEO

Westminster City Council
City Hall
64 Victoria Street
London
SW1E 6QP

25.2.2 CEO

The London Borough of Hammersmith and Fulham
Town Hall
King Street
London
W6 9JU

25.2.3 CEO

The Royal Borough of Kensington & Chelsea
Town Hall
Hornton Street
London
W8 7NX

26 WAIVERS

26.1 The failure of any Party to enforce at any time or for any period of time any of the provisions of this Agreement shall not be construed to be a waiver of any such provision and shall not in any way affect the right of that Party thereafter to enforce such provision.

26.2 No waiver in any one or more instances of a breach of any provision hereof shall be deemed to be a further or continuing waiver of such provision in other instances.

27 SEVERANCE

27.1 If any provision of this Agreement becomes or is declared by any court of competent jurisdiction to be invalid or unenforceable in any way, such unenforceability shall in no way impair or affect any other provision of this Agreement all of which will remain in full force and effect.

28 TRANSFERS

28.1 A Party may not assign, mortgage, transfer, sub-contract or dispose of this Agreement or any benefits and obligations hereunder without the prior written consent of the other Parties except to any statutory successor in title to the appropriate statutory functions.

29 NO PARTNERSHIP

29.1 Nothing in this Agreement shall create or be deemed to create a legal Partnership or the relationship of employer and employee between the Parties or render any Party directly liable to any third party for the debts, liabilities or obligations of an other party.

29.2 Save as specifically authorised under the terms of this Agreement no Party shall hold itself out as the agent of another party.

30 ENTIRE AGREEMENT

30.1 The terms contained in this Agreement together with the contents of the Schedules and Appendices constitute the complete agreement between the Parties with respect to the Arrangements and supersede all previous communications, representations, understandings and agreement and any representation, promise or condition not incorporated herein shall not be binding on any Party.

30.2 No agreement or understanding varying or extending any of the terms or provisions hereof shall be binding upon a Party unless in writing and signed by a duly authorised officer or representative of each Party.

31 THE CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

Unless the right of enforcement is expressly provided, no third party shall have the right to pursue any right under this Agreement pursuant to the Contracts (Rights of Third Parties) Act 1999.

32 GOVERNING LAW

This Agreement shall be governed by and construed in accordance with English law and, without prejudice to **Clause 22**, shall be subject to the exclusive jurisdiction of the English courts.

IN WITNESS whereof this Agreement has been executed by the Parties on the date of this Agreement

EXECUTED BY
THE CITY OF WESTMINSTER
by:

Signed (Authorised Officer):.....

Name/Position: .....

Signed (Authorised Officer):.....

Name Position: .....

EXECUTED BY
THE LONDON BOROUGH OF HAMMERSMITH AND FULHAM
by:

Signed (Authorised Officer):.....

Name/Position: .....

Signed (Authorised Officer):.....

Name/Position: .....

EXECUTED BY
THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
by:

Signed (Authorised Officer):.....

Name/Position: .....

Signed (Authorised Officer):.....

Name/Position: .....

SCHEDULE 1: DEFINITIONS AND INTERPRETATION

In this Agreement the following expressions shall have the following meanings:

"1972 Act"
the Local Government Act 1972;

“2018 Act”
the Data Protection Act 2018;

"Agreement"
this agreement and the Schedules annexed as may be varied from time to time;

"Arrangements"
the arrangements made by the Parties for combination and integration pursuant to this Agreement, as summarised in **Clause 4**;

“Cabinet Member”
a member appointed by the Leader of a Party to its executive pursuant to Part II of the Local Government Act 2000

"CEDR"
Centre for Effective Dispute Resolution;

“Chief Executive Officer”
a Party’s Head of Paid Services designated pursuant to s.4 of the Local Government & Housing Act 1989.

“Combined Team”
a team created by the Parties in accordance with Section 113 of the 1972 Act and established pursuant to **Clause 12 and 13**;

“Combined Working Conflict”
has the meaning given to it in **Clause 15.1.2**;
.

"Commencement Date"

20th February 2012“Dispute Resolution Procedure”

the procedure set out in **Clause 24**;

"Employee Duties"

the duties which a Post Holder performs on behalf of the Employing Party as determined in accordance with their Employment Contract;

“Employee Liabilities”

all damages, losses, liabilities, claims, actions, costs, expenses (including the cost of legal or professional services, legal costs being on an indemnity basis), proceedings, demands and charges whether arising under statute, contract or at common law;

"Employing Party"

in respect of each individual Post Holder the Party that employs that Post Holder. Subject to the subsequent operation of TUPE, the Parties shall agree which Party shall be the Employing Party in accordance with the HR Protocol;

"Employment Contract"

the contract of employment between the Post Holder and the Employing Party;

“Financial Protocol”

the financial protocol included at **Schedule 4** as amended or replaced by the Parties from time to time;

“FOIA”

the Freedom of Information Act 2000;

“HR”

human resources;

"HR Protocol"

the document entitled "HR and Management Protocol for Establishing and Working in Combined Teams" included at **Schedule 3** as amended or replaced by the Parties from time to time;

"Indirect Loss"

loss of profits, loss of use, loss of production, increased operating costs, loss of business, loss of business opportunity, loss of reputation or goodwill or any other consequential or indirect loss of any nature, whether arising in tort or any other basis;

"Intellectual Property Rights" or "IPR"

all patents, rights to inventions, utility models, copyright and related rights, trade marks, service marks, trade, business and domain names, rights in trade dress or get-up, rights in goodwill or to sue for passing off, unfair competition rights, rights in designs, rights in computer software, database right, topography rights, moral rights, rights in confidential information (including know-how and trade secrets) and any other intellectual property rights, in each case whether registered or unregistered and including all applications for, and renewals or extensions of, such rights, and all similar or equivalent rights or forms of protection in any part of the world;

"Internal Governance Documents"

each Party's internal governance documents which includes its constitution, maintained pursuant to s.37 of the Local Government Act 2000, standing orders and procedure rules;

"Law"

(a) any applicable statute or proclamation or any delegated or subordinate legislation;

(b) any enforceable community right within the meaning of section 2(1) European Communities Act 1972;

(c) any applicable guidance, regulations, direction or determination with which the Parties are bound to comply to the extent that the same are published and publicly available or the existence or contents of them have been notified to it by the other Party; and

(d) any applicable judgement of a relevant court of law which is a binding precedent in England;

in each case in force in England;

“Loss”
all damage, loss, liabilities, claims, actions, costs, expenses (including cost of legal or professional services), proceedings, demands and charges whether arising under statute, contract or at common law;

“

"Non-Employing Party"
in respect of each individual Post Holder the Party that is not the Employing Party;

"Ombudsman"
the Local Government Commissioner for England (or any successor to their functions);

"Party"
each of the parties to the Agreement;

“Personal Data”
as defined in Section 1(1) of the 1998 Act;

"Post Holders"
individuals made available by the Parties for a Combined Team in accordance with the HR Protocol;

“Private Interest Conflict”

has the meaning given to it in **Clause 15.1.1**;

"Relevant Transfer"

a relevant transfer for purposes of TUPE;

“Representative”

the individual appointed by the Council from time to time (and notified to the other parties) as its representative for the purposes of the Arrangements;

“Sensitive Personal Data”

as defined in Section 2 of the 1998 Act;

“Services”

Pensions and Treasury Services

“Sovereignty Guarantee”

the principles agreed by the Parties confirming their independence set out in **Schedule 5**

"S113 Duties"

those duties which a Post Holder will perform for and on behalf of the Non-Employing Party being the duties identified in the documentation establishing the Combined Team under the HR Protocol (subject to such variations as may be agreed between the Parties (and, where appropriate, the Post Holder) from time to time);

“Term”

the duration of the Agreement in accordance with **Clause 3**.

“Tri-borough Director of Pensions and Treasury”

The shared Tri-borough Director of Pensions and Treasury Services appointed by the Parties to lead and manage the co-located Teams;

"TUPE"

the Transfer of Undertakings (Protection of Employment) Regulations 2006 (SI 2006 No. 246) as amended;

"Transferee Party"

the Party to whom, subject to Regulations 4 (7) and 4 (9) of TUPE, a Post Holder's employment contract transfers, or a Post Holder contends that his or her employment contract transfers, due to a Relevant Transfer;

"Transferor Party"

the Party who immediately before the Relevant Transfer was the employer of a Post Holder whose contract of employment, subject to Regulations 4 (7) and 4 (9) of TUPE, is subject to a Relevant Transfer or of a Post Holder who contends that, subject to Regulations 4 (7) and 4 (9) of TUPE, his or her contract of employment is subject to a Relevant Transfer;

"Working Day"

8.00am to 6.00pm on any day except Saturday, Sunday, Christmas Day, Good Friday or a day which is a bank holiday (in England) under the Banking & Financial Dealings Act 1971.

References to statutory provisions shall be construed as references to those provisions as respectively amended or re-enacted (whether before or after the Commencement Date) from time to time.

The headings of the Clauses in this Agreement are for reference purposes only and shall not be construed as part of this Agreement or deemed to indicate the meaning of the relevant clauses to which they relate.

References to Clauses, Sections and Schedules are references to the clauses, sections and schedules to this Agreement respectively and a reference to a Paragraph is a reference to the paragraph in the Schedule containing such reference.

References to a person or body shall not be restricted to natural persons and shall include a company corporation or organisation.

Words importing the one gender only shall include the other genders and words importing the singular number only shall include the plural.

References to the Parties shall include any statutory successors to those local authorities.

SCHEDULE 2: AIMS, INTENDED OUTCOMES AND PRINCIPLES

Objective

1. To form a single delivery service that provides Treasury Management and Pension Fund services within a combined team to improve service resilience and mutual support.

Key Elements

2. That services are to be provided by the combined team by mutual agreement and in accordance with Appendix 1, with Westminster as the Lead Borough.

3. That the quality targets and performance indicators set out in Appendix 2 will apply

4. That both Treasury and Pension Fund monies will continue to be managed separately (**not pooled**) in accordance with the strategies agreed by the home boroughs

5. That benefits will arise from having a larger team to provide resilience and give support to the other team members and share skills, knowledge and expertise.

6. That the Tri-borough Director of Pensions & Treasury reviews the future potential for generating income, or reducing costs through the:

   (a) Rationalisation of the use of current software/applications;
   (b) Rationalisation or price reduction of treasury advisers;
   (c) Rationalisation or price reduction Pension Fund Investment Advisers, Custodians, Actuaries and Fund Managers;
   (d) Increased returns which may be obtainable on larger tranches of investment will be explored where possible;
   (e) Offering the combined service to other local authorities in the future;
   (f) Reviewing staffing arrangements in the event of retirement or resignation of team members.

7. That the combined team will not be directly responsible for delivering pension administration services but will have an oversight role in terms of ensuring that:

   (a) contracts with third party providers are subject to market testing via appropriate tendering and procurement processes at least once every five years;
   (b) clear and consistent standards are in place regarding speed and accuracy of transactions processing (see below);
   (c) regular performance reports are presented to pensions committee and local pension board;
   (d) action is taken to address any performance issues identified.

8. The combined team will be located at Westminster City Hall. Westminster will be the Host Borough.

Appendix 1 - Key tasks and activities undertaken by the combined Treasury Management and Pension Fund services

1) Treasury and Investment Management

Key Task for each Council	Timing
Treasury Management (TM) Strategy to be discussed and agreed with s151 officers (including key prudential indicators, expected CFR, MRP policy and overall financing of the expected capital programme)	By 31 December each year
Investment Strategy to be discussed and agreed with s151 officers (including overall investment allocation strategy, due diligence/credit rating requirements and benchmark returns for each category of investments	By 31 December each year
TM and Investment Strategies drafted and reviewed by s151 officers	By 31 January each year
Confirm that content of TM and Investment Strategies meet relevant CIPFA and MHCLG requirements	By 31 January each year
Ensure TM Strategy is consistent with the Capital Budget and other Council plans	By 31 January each year
TM and Investment Strategy approved by members following pre-meeting briefing, and presented to Full Council as part of budget reports pack	As part of budget setting each year
Agree and deliver a programme of added value activities with each s151 officer. Report monthly to s151 and quarterly to members on work done and outcomes achieved.	Strategic Finance Manager to spend 33%- 50% of their time on these activities
TM and Investments year-end report discussed with s151 and presented to members	By 30 April each year
Evaluate the potential for, and value for money offered by, current opportunities for early debt repayment or rescheduling	Quarterly
TM monitoring reports discussed with officers and presented to members	Quarterly
Investment monitoring reports discussed with officers and presented to members	Quarterly
Hold regular meetings with Link Asset Management and other TM advisers to identify new borrowing and investment opportunities (s151 officers to attend)	Quarterly
No breach of Prudential Indicators set out in TM Strategy and monitoring reports	Monitor quarterly
Reconcile TM Strategy to capital outturn reports and update as necessary	Monitor quarterly
Ensure full compliance with agreed due diligence policies	Monitor quarterly
No late payments or default events on investment balances and counterparty loans	Monitor quarterly
All investment and loan transactions processed in line with strategies once agreed	Monitor monthly
100% accuracy rate in posting treasury and investment journals to relevant GL	Monitor monthly
Counterparty list ratings in line with TM and Investment Strategies	Monitor monthly
Average bank balances maintained in line with TM Strategy approved by members.	Monitor weekly
No overdrawn cash balances outside of agreed limits	Monitor weekly
Ensure each Council has sufficient liquid funds available to make payments as liabilities fall due	Monitor weekly
Counterparty list ratings updated within 24 hours of notification of change	Monitor weekly
All bank transfers, CHAPS payments and treasury management transactions processed within 24 hours of receiving authorisation/ request	Monitor weekly
100% accuracy rate in processing cash, bank and treasury transactions	Monitor weekly
Ensure each investment portfolio achieves diversification/asset allocation targets	Cover in year-end report
Confirm that CFR disclosures in each council's year end Statement of Accounts are consistent with Prudential Indicators	As part of year end close

2) Pensions

Key Task for each pension fund	Timing
Ensure adequate arrangements are in place to review and re-tender contracts for pensions administration services, including appropriate performance targets where required.	At least once every 5 years
Update strategy statements and policies as follows - obtain member approval following s151 review: • Pensions Administration Strategy • Funding Strategy Statement and Investment Policy • Communications Policy • Policies on local discretions • Policy for managing conflicts of interest	Update each key policy document at least once every 2 years
Ensure relevant legal and corporate requirements are met when appointing fund managers, custodians and other advisers	As part of ongoing work programme
Draft annual Governance Compliance Statement and obtain member approval following s151 review	By 31 March each year
Commission external training and ensure that the agreed training programme is delivered as planned	By 31 March each year
Complete training needs assessment and agree training programmes with each committee and pension board	By 1 April each year
Review and update pensions administration contract with third party provider(s), including new performance targets where required.	By 1 April each year
Update annual business plan for each LGPS, including forward work programmes for pension/investment committees and local pension boards	By 1 April each year
Liaise with Actuary and employing bodies to provide information for triennial revaluations and IAS 19 reports	Each year in line with timetable set by actuary
Obtain third party assurances from fund managers, custodians, and administration providers	By 31 May each year
Draft pension fund accounts and disclosure notes	By 31 May each year
Draft pension fund annual report and	By 30 September each year
Publish annual report following s151 review and member approval	By 1 December each year
Update ESG policy and keep under review as a regular agenda item for members	At least twice a year
Ensure that a formal review of pensions administration performance is presented to each pension board and committee, and that any remedial action required has been put in place.	Every 6 months
Prepare agendas for committee meetings and pension boards	Quarterly
Liaise with independant advisor to obtain reports and address any issues arising	Quarterly
Prepare summary budget and cash flow report comparing actual vs expected fund transactions and balances to committee and board members	Quarterly
Ensure correct recovery of early retirements and other employing body costs	Monthly
Post Valuations and Fund movements to relevant GL	Monthly
Review payroll reports and post journals to the relevant GL	Monthly
Clear pension transactions from suspense accounts	Monthly
Reconcile actual and expected contributions received. Chase up late or missed contributions	Monthly
Reconcile Fund Manager and Custodian Reports	Monthly
Post LGPS transactions to relevant GL (including early retirement and other costs)	Monthly
Prepare and monitor cash flow forecasts (short and long term)	Monthly
Prepare and monitor annual budget for administration, IM and governance costs	Monthly

3) Generic

Key Task	Timing
Independent review of LGPS governance to ensure compliance with The Pension Regulator's Code of Practice 14	At least once every 3 years
Annual review of performance against agreement for shared service activities, discuss/agree key performance indicators, cost sharing arrangements and budgets for the forthcoming year	Annual meeting with s151 officers
Monitor MIFID II compliance and update annual assessment of professional investor status for each council's TM and pension functions	Formal review at least once a year
Complete annual staff survey	Satisfaction good or better
Monitor average sickness per FTE	5 days absence or less per FTE each year
Ensure Council finance staff are seconded to shared service teams (especially CIPFA trainees)	At least 1 secondment each year
Draft and present committee and pension board reports as required. Ensure all reports are presented in an appropriate format and on time.	Quarterly meetings
Attend all committee and board meetings and training events relevant to treasury and pensions functions	All events
Informal briefing sessions to take place between Tri-borough Director and committee chairs/portfolio holders	At least twice a year
Director to meet with or teleconference all 3 s151 officers regularly. Meetings to be minuted and informed by follow-up action plans.	At least monthly
Prepare monthly "dashboard" reports and discuss with s151 officers	Within 2 weeks of each month end
Arrange interim cover for long term sick and other absences	All absences over 20 days
Ensure all shared service staff hold, or are working towards, recognised CCAB or TM qualifications	Ongoing
Ensure all staff attend regular update training and participate in local TM and pensions networks	Ongoing
Participate in appropriate benchmarking activities for TM and pension functions and report on outcomes and benefits achieved	Ongoing, with annual report to members
Staff from Tri-borough team to work at RBKC and LBHF offices	At least one day per week

Appendix 2 - Quality targets and performance indicators:

Quality Standards

1. All work undertaken by the combined team will meet the following quality standards:

- full compliance with statutory requirements and MHCLG guidance
- all CIPFA Code of Practice requirements met in full
- all functions maintain MIFID II professional client status
- all LGPS meet the Pension Regulator's Code of Practice requirements
- all staff to hold, or be working towards, recognised CCAB or Treasury Management qualifications
- all staff to attend regular technical training and participate in local Treasury Management and LGPS networks
- all team members comply with their own professional bodies' requirements
- all services provided will be subject to regular Internal Audit coverage
- obtain annual independent assurance reports from 3rd party service providers
- no significant issues raised by Internal Audit work
- no material errors identified by external audit.

Key Performance Indicators

2. The following key performance targets will be applied:

Pensions

Key performance target	***Measured by***
Funding level at least equal to LGPS averages	Actuarial revaluation every 3 years
Investment management costs under 0.5% of year end net asset value (NAV) of each fund	Calculate based on year end Fund Accounts
Maintain asset allocations in line with strategy approved by members	Confirmed (or otherwise) by the independent investment advisor's quarterly review
All contributions due from employing bodies are collected promptly	Reported quarterly to members and monthly to s151
Sufficient cash is available to pay pension benefits as they fall due	Reported quarterly to members and monthly to s151

Treasury management

Key performance target	***Measured by***
No breach of Prudential Indicators	Confirmed by year end Treasury Management report
Each Council has sufficient funds to make payments as they fall due	Reported monthly to s151
Investment income matches or exceeds budget	Confirmed by year end revenue outturn report
Interest paid does not exceed budget levels	Confirmed by year end revenue outturn reports
New borrowing does not exceed Bank of England base rate +2%	Confirmed by year end Treasury Management report
Annual investment yield exceeds LIBID 7-day rate	Confirmed by year end Treasury Management report

Schedule 3 HR Protocol

City of Westminster

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

h&f putting residents first

HR Protocol for Establishing and Working in Integrated Teams

In terms of employment legislation the procedure is for guidance only and does not form part of an employee's contractual rights.

The contents may be subject to revision as required.

Contents

1. Purpose of the Protocol

1.1 Guiding principles are:

- To protect the rights and duties of our staff under their contract of employment
- To ensure staff within integrated teams are treated fairly and equitably
- To resolve any difficulties and other issues as far as is practicable at local management level
- To develop a shared set of working standards
- To ensure managers receive clear guidance and advice from the respective Human Resource Departments on how to apply HR policies and procedures appropriately.

2. Clarity in the contractual relationship

2.1 The HR policies, procedures and terms and conditions of staff and the statutory obligations of the partner organisations are unchanged by this protocol. Staff employed in integrated teams (WCC & RBK&C) will continue to be contracted to their current employer on the same terms and conditions provided under the respective individual and organisations contract of employment. Plus:

- The employing organisation remains responsible for exercising the rights and duties of the employer
- The HR Protocol requires parties to liaise with each other regarding the contracts of employment of those they manage and to take advice from HR staff of the employing organisation where interpretation or formal action under the contract of employment is required
- Existing and established posts that have become part of an integrated team arrangement should normally be filled on the same and continuing basis unless otherwise agreed between the partners.

3. The status of the Protocol

3.1 This protocol :

- will complement, but not replace, the HR Policies and Procedures of the partner organisations. However, where any conflict/disagreement occurs between the protocol and any HR Policies/Procedures, then the HR Policy/Procedure will take precedence;

- In no way affects the statutory obligations of the Partner organisations;
- In no way affects the contracts of employment or terms and conditions of the staff of the Partner organisations; and
- Is designed to support those working in joint or integrated teams.

4. What is an integrated Team?

4.1 For the purposes of building a partnership between LBH&F, RBK&C and WCC, an integrated team will usually be based on a mix of the 2 Council's staff (WCC & RBK&C) who:

- Will retain their employment role and status with no material changes to their terms and conditions, which means that employees of RBK&C and WCC will work alongside each other on the different terms and conditions of each organisation, staff working on LBH&F will be employed by WCC;
- Will be managed by the Tri-Borough Director of Treasury & Pensions, whom is employed by WCC;
- May be co-located with the rest of the team;
- May include colleagues from other partnership organisations;
- Will be part of an identified Team who report through to a designated Director, Executive Director or Chief Executive;
- Will share team goals and objectives but will continue to be subject to the staff / individual performance review process relating to the organisation that employs them;
- Work within a team that can be integrated as part of an organisational restructuring; and
- Can be part of organisation under a joint budgeting agreement.
- Will work under a S113 arrangement agreed between the three Boroughs

4.2 An integrated team at this point in time will not usually be:

- A team where all members are employed by the same organisation;
- A team involving TUPE processes: roles/employment will not be transferred; and
- A team made up solely of secondees.

5. Recording agreement to create an integrated team

5.1 When agreement has been reached to create an integrated team, the details of such team, must be recorded using the template.

5.2 The template should be signed by the appropriate lead Directors of the 3 Boroughs and the completed copy will be kept by the HR Departments on behalf of all 3 organisations.

5.3 Any subsequent changes to the financial arrangements must be updated on the template.

6. Recruitment to an integrated team

6.1 In all cases, whether for new posts, reorganisations or replacements RBK&C and WCC agree that the terms of the employing organisation will prevail and the integrity of the terms and conditions and job evaluation processes to determine those terms will be upheld. No individual shall be subject to a hybrid set of terms and conditions.

6.2 Regardless of the sources of funding for posts within the team, all staff will be treated fairly and equitably and in accordance with the policies of RBK&C and WCC.

- In relation to the appointment of a new member of staff, managers should refer to local policies on recruitment and should work with the appropriate Human Resources team who will advise on applying the following criteria: How the vacancy is to be managed and the nature of the replacement post
- Job descriptions should reflect the integrated nature of the structure, the role and duties expected of the post-holder in accordance with integrated team and service requirements.
- The evaluated salary range
- The process of advertising; and
- Recruitment costs.

6.3 There might be a joint appointment. Where the post is a joint appointment, the contract of employment will reside with one of the 3 Boroughs and should detail the role and accountabilities reflecting the integrated nature of the joint appointment

6.4 The recruitment process will be in accordance with the employing Borough's policies and procedures and will conform to the principles for safer recruitment.

6.5 The manager designated to lead the recruitment process will ensure appropriate use of employer brand, logo and internal / external vacancy circulation appropriate to the posts being advertised. Recruitment literature to reflect the joint nature of the service.

6.6 There are separate job evaluation schemes in place in the three Boroughs. The employing Borough will evaluate the post where appropriate.

7. Management Arrangements

7.1 This protocol sets out the line management arrangements for an integrated team. The manager of an integrated team:

- Shall have the right to give any reasonable instructions to staff of the Boroughs, who are members of the team
- Will manage staff in accordance with the expectations of the 3 Boroughs (reflecting the relevant policies and procedures) in matters relating to a range of areas, including but not exclusively relating to :

  - Health and safety;
  - Training and Development;
  - Code(s) of Conduct;
  - Conflict of Interests/Confidentiality;
  - Communications;
  - Performance Management & Appraisal;
  - Recruitment and selection;
  - Sickness Management;
  - Annual leave;
  - Grievance and discipline;
  - Whistle-blowing;
  - Bullying and harassment;
  - Work life balance/Improving Working Lives policies;
  - Equal opportunities; and
  - Staff and Trade Union Consultation.

- It must be acknowledged that the management of integrated teams, particularly those that are not co-located, will place additional demands upon the manager of the team. Knowledge of many aspects of the 3 Boroughs HR policies and procedures will be a pre-requisite to applying staff management processes across the team. This will require training and support, with guidance from HR and line management, encouraging the development of managerial confidence and skill

- The team manager must clarify roles and set clear outcomes for the team as a whole and ensure that there are regular meetings balanced with one to ones in order to develop team skills and coherence
- Clear lines of accountability must be established, including responsibilities and reporting requirements.

8. Training and Development

8.1 The manager of the integrated team should be able to access development opportunities for staff they manage across the 3 Boroughs unless exceptional circumstances prevail where funding is identified (ring fenced) for specific service areas and/or staff groups.

9. Induction

9.1 Consistent induction should be developed across integrated teams.

9.2 Newly appointed team members should participate in a full induction, within their employing organisation, which will be tailored to individual need, to ensure they can operate effectively within the integrated environment.

9.3 Managers of integrated teams must ensure that they undertake a familiarisation session with each team member based on filling in the gaps regarding the knowledge needed to function effectively in the host organisation.

9.4 Managers will receive appropriate induction/management development in accordance with their individual need. All existing, as well as new managers, who are managers of staff from across the 3 Councils, must familiarise themselves with the key policies and procedures of LBH&F, RBK&C and WCC.

10. Performance Appraisal Process

10.1 Staff will be performance managed in accordance with their employing Council's contractual policies and procedures.

10.2 All of the staff across the 3 Boroughs are subject to the annual appraisal process which should also include, at least, a mid-year review.

10.3 Key objectives will be set which support the aims of the team, the organisational priorities and the integrated arrangement. Individual training and development needs will be identified through the process. The 3 Boroughs will provide appropriate training to supervisors to enable them to effectively undertake the relevant appraisal processes for their staff.

10.4 To ensure all staff are appraised according to their employing organisations' procedures, all managers of integrated teams, regardless of their own employment status, must ensure that they have good working knowledge of the appraisal procedures applicable for staff at all levels in each of the 3 Boroughs.

10.5 This means that the manager of the integrated service/team must clarify his/her responsibilities under their own Council's appraisal scheme as well as those in each of the 2 other Boroughs. Support should be accessed through the local HR team do we mean local or employing.

11. Poor Performance

11.1 The capability procedure for the relevant employing Borough should be used to manage any problems that arise, irrespective of the employing organisation of the line manager concerned.

11.2 Managers contemplating taking formal poor performance action will take advice from the employee's HR service to ensure adherence to contractual procedures.

11.3 Any decision to dismiss can only be taken by a senior manager, as identified within the employing organisation's HR policy, based on the recommendation and case presented by the manager of the integrated team, allow the concerned the opportunity to full representation.

12. Grievance

12.1 Any grievance issues will be dealt with under the appropriate employing organisation's grievance procedure.

12.2 It is essential that managers of integrated teams make themselves aware of the timescales under the procedure.

12.3 HR advice will be provided, from within the employing organisation on the application of the grievance procedure.

12.4 Where one Council employee in an integrated team submits a grievance about an employee in another HR in the two Councils will identify how the investigation and resolution process should be managed; practically applying the relevant grievance procedure

12.5 Collective grievances or disputes can only be raised by trade unions.

12.6 Pay and Terms & Conditions remains the province of the relevant Council, therefore there can be no shared dispute on these grounds.

13. Disciplinary

13.1 Any formal action against an employee will be taken under their employing Borough's Disciplinary Policies and Procedures. Where these procedures state the immediate line manager, this will mean the employee's line manager, regardless of the line manager's employing organisation.

13.2 Appropriate HR advice from the employing organisation must be sought, but always in the following instances:

- in all cases of potential gross misconduct;
- when there is police, fraud or safeguarding involvement;
- where a trade union representative is involved; and
- where there is an allegation of bullying or harassment made by an employee of one organisation against an employee of another organisation.

14. Job Evaluation

14.1 The Councils use the GLPC job evaluation schemes at various levels in the separate organisations.

14.2 Market supplements may be paid across the 2 Boroughs (WCC & RBK&C) in line with the employing boroughs policy

14.3 These arrangements will continue, as at present, and will therefore apply to each team member of an integrated team, as appropriate and in line with the policy of their employing organisation

15. Sickness/Absence Management

15.1 Any issues arising from the sickness and/or absence of members of staff within the integrated team will be managed in accordance with the employing organisation's policies and procedures and contract of employment.

15.2 Managers will need to be mindful of the relevant trigger points for consideration, under the relevant sickness procedure, in line with the HR and Occupational Health advice available. Appropriate direction will be provided through the relevant HR function.

15.3 Line managers will have access to advice from the relevant HR Team/Occupational Health service representing the employing organisation on issues of long-term sickness line

16. Smoking and the Consumption of Alcohol or Drugs

16.1 The rules of the employing organisation must be followed with regard to the consumption of alcohol during working hours.

16.2 Smoking whilst on duty is allowed only in accordance with the employing organisation's policies and procedures and also in accordance with the policies and procedures of the organisation in whose premises staff are working.

17. Leave

17.1 The policies of the employing organisation apply.

17.2 The immediate line manager, regardless of employing organisation, can authorise flexi/annual leave for staff. It is the immediate line manager's responsibility to ensure that this is done in a planned manner according to the exigencies of the service. It is the line manager's responsibility to keep a record of staff leave and to ensure that this information is forwarded as required to the relevant payrolls and/or HR Teams.

17.3 The immediate line manager, regardless of employing organisation, should in the first instance refer to the appropriate policy and ultimately seek guidance, from the HR team of the employing organisation, regarding Special Leave, Compassionate Leave, Maternity Leave, Paternity Leave and other forms of paid and unpaid leave.

17.4 For matters of Maternity and Paternity Leave, the integrated team manager must seek advice as soon as possible. This should be from the relevant HR section of the employer of the member of staff concerned.

17.5 For matters concerning Sabbaticals or employment breaks, the integrated team manager must seek advice from the relevant HR section according to the employing organisation of the member of staff concerned.

18. Shared policies and procedures

18.1 In adopting the principle of best practice in an integrated service, it is determined that some policies, procedures and protocols may be adopted jointly, regardless of their employing organisation. Individual policies and procedures will make it clear if this applies. Opportunities to integrate and harmonise policies and procedures will be maximised, as will partner organisations commitment to respond joint to new legislation and initiatives.

19. Whistleblowing

19.1 The policy of the organisation employing the whistleblower will apply. However, it is accepted that if the member of staff reveals concerns that are related to one or both of the other Boroughs, these will be shared on a confidential 'need to know'/'need to act' basis and managed in accordance with best practice.

20. Code of Conduct

20.1 The code of conduct of the employing organisation will apply to its own staff regardless of their place of work and their team/managerial arrangements.

20.2 Any local protocols as part of the integrated teams will apply.

21. Equal Opportunities/ Equalities and Diversity

21.1 Staff will adhere to the relevant organisation's policy and comply with the requirements regarding Race/Equality Impact Assessments.

22. Bullying and Harassment

22.1 The Bullying and Harassment Policies of the relevant organisations will be used and applied in relation to the staff concerned in any bullying/harassment allegations and/or situations.

23. Staff Consultation

23.1 Staff consultation processes within each organisation will continue, namely informal sessions, and formal meetings. Joint meetings will also be arranged as the HR and Integrated Managers determine, in consultation with the trade unions.

24. Sharing of Information

24.1 Information will be shared across the 3 organisations, in relation to the effective operation of the integrated team, with due adherence to any legal requirements e.g. data protection act and any logistical/ICT restraints

25. Notes

25.1 Action initiated under one procedure may be changed to an alternative procedure if investigation of the circumstances indicates this would be more appropriate.

25.2 In applying this protocol the council will pay due regard to providing reasonable adjustments under the Disability Discrimination Act 1995 to an employee who has a disability.

26. Compliance

26.1 Failure to follow the procedure set out in this protocol may impact on good employee relations and the reputation of the council as a good employer. In addition, it may result in the council breaching employment legislation, incurring financial penalties and / or damage to its reputation.

27. Impact on individual Council Key Priorities

27.1 The protocol provides the cornerstone for developing integrated teams, which will be one of the key elements in enabling the 3 Boroughs to deepen and strengthen their partnership working. This underpins service provision and enables each organisation to effectively meet its key priorities.

28. Training and Awareness Requirements

28.1 Managers and employees will be informed about this policy and procedure via relevant communication channels.

28.2 HR will liaise with directorate management teams to establish and agree support arrangements to assist managers to carry out their responsibilities.

29. Monitoring

29.1 HR will be notified of any cases where it is concluded that the policy was breached. The notification will indicate whether there are any changes or improvements required to the policies, procedure, training, support or any other aspect of the council's approach to dignity at work matters.

29.2 HR will monitor the effectiveness of the policy through information received via feedback from managers and employees through, for example, management team meetings, Employee Surveys and exit interviews, as well as the numbers of employees using this procedure.

30. Review

30.1 This document will be regularly reviewed to ensure relevance and fitness for purpose.

APPENDIX 1

HEALTH AND SAFETY FRAMEWORK

1 INTRODUCTION

- This agreement supplements, but does not replace the Health and Safety policies and procedures of each of the 3 Councils.
- This agreement in no way dilutes or undermines the statutory duties of each of the partner organisations.

AIMS OF LOCAL AGREEMENT

- The aim of the local agreement is to ensure that whilst the statutory duties of Health and Safety are met by the 3 Councils, they work together in an integrated manner to assess and manage the risks to the Health and Safety of their staff and others who may be affected by work activities.

GENERAL PRINCIPLES

- LBH&F, RBK&C and WCC are committed to achieving the highest level of Health and Safety management.

- Every effort will be made to harmonise the Health and Safety policies and procedures of the 3 Councils and to provide clarity for staff of each of the 3 Councils.
- The 3 organisations will work towards harmonising the risk assessment process.
- The 3 organisations will work toward harmonising the accident /incident reporting and investigation process.
- All relevant information obtained from accident/incident investigation will be shared between the 3 organisations.
- The 3 organisations will work towards harmonising Health and Safety Training.
- The 3 organisations will share between them all relevant Health and Safety information.

POLICIES AND PROCEDURES

- The Health and Safety policies and procedures of the relevant organisation will be available to staff in all places of integrated working. This information will be updated and maintained by a designated responsible manager.

- A designated manager will be responsible for the fire and emergency arrangements at each integrated location.

2 RISK ASSESSMENT

- Designated managers will be responsible for the implementation of the risk assessment process at all integrated workplaces.

3 INCIDENT REPORTING

- Until harmonisation of accident/ incident reporting investigation procedures are established, the existing arrangements of the partner organisation will continue.

- Where appropriate the results and follow up actions of any investigation will be shared by health and safety managers of each partner organisation.

TRAINING

- All line managers will be provided with familiarisation in the Health and Safety procedures and protocols of each partner organisation.

- A designated manager at each integrated workplace will be responsible for the arrangement of fire and emergency training and drills in respect of all staff based at the premises.

INDUCTION

The senior manager, regardless of employing organisation, will be responsible for ensuring that all staff receive a comprehensive local Health and Safety induction, as soon as is practicable on joining the integrated team.

SCHEDULE 4: FINANCIAL PROTOCOL

1. In principle, it is agreed that the total cost of the combined team, including:

   - staff costs and training
   - employers national insurance and superannuation contributions
   - IT provision
   - Accommodation, and
   - Other support service costs

   are apportioned across all three participating boroughs in line with ratios agreed at the start of each financial year.

2. For financial periods commencing on and after 1 April 2021, these ratios will be:

   (a) For staff costs relating to shared posts:

   - Westminster City Council 40%
   - Royal Borough of Kensington and Chelsea 30%
   - London Borough of Hammersmith and Fulham 30%

   (b) For IT, accommodation and overhead costs incurred by Westminster City Council, the Royal Borough of Kensington and Chelsea and the London Borough of Hammersmith and Fulham shall each pay 24% of budget charges allocated to the Tri-borough team.

3. Recharges between authorities will be adjusted to reflect any expenditure pertaining to the activities of the combined team which has been incurred directly eg staff currently employed by Royal Borough of Kensington and Chelsea.

4. Recharges will be calculated based on the annual revenue budget for the combined team and will be fixed and agreed as part of the corporate budget setting process at the start of each financial year.

5. As the host authority, Westminster City Council will be responsible for managing actual costs against budget and will be accountable for any under or overspends that might occur.

SCHEDULE 5: S113 ARRANGEMENTS

1. The permanent shared posts subject to the Arrangements are as follows:

Role	FTE	Employing Party	Allocated to
Director of Pensions and Treasury	1	WCC	Shared post
Strategic Finance Manager	1	WCC	Shared post
Strategic Investment Manager	1	WCC	Shared post
Pension Fund Manager	1	RBKC	RBKC
Treasury Manager	1	RBKC	RBKC
Pension Fund Manager	1	WCC	WCC
Treasury Manager	1	WCC	WCC
Pension Fund Manager	1	WCC	LBHF
Treasury Manager	1	WCC	LBHF
Pensions Reconciliation Assistant	1	WCC	Shared post

2. The management arrangements for the combined team are set out in Schedule 6.

3. The Director of Pensions and Treasury will be authorised to recruit engage new staff within this overall structure and to engage agency staff as necessary to fill vacancies in the above structure for the purposes of the Arrangements.

4. Recharging mechanisms for shared posts and for staff employed by one borough but allocated to the activities of another borough are set out in Schedule 4.

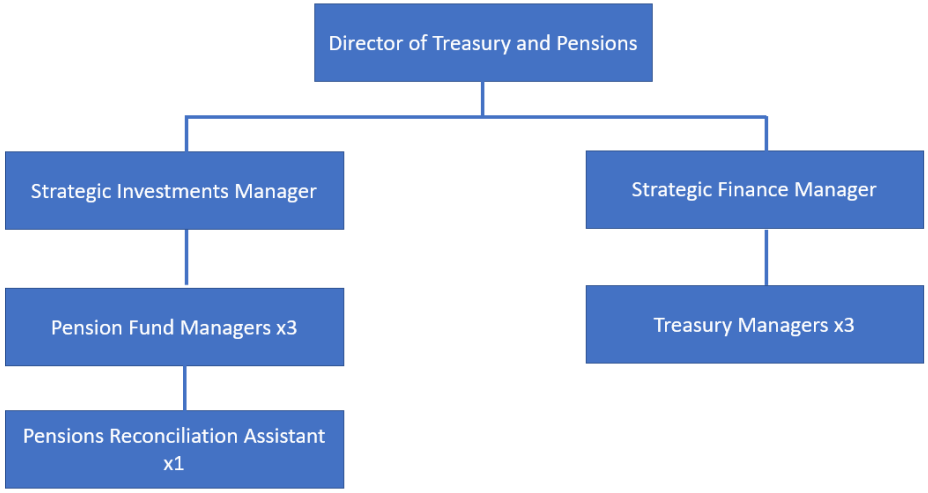
5. The combined team will provide each authority with a monthly report to:

   - summarise key transactions and balances
   - confirm that these transactions and activities have taken place in line with strategies and policies approved by s151 officers and elected members
   - confirm that the key tasks, activities and processes set out in Schedule 2 are taking place as anticipated.
   - confirm that the quality assurance processes set out in Schedule 2 Appendix 2 are in place
   - confirm that key performance targets set out in Schedule 2 Appendix 2 have been met.

6. Monthly reports, together with outcomes from monthly meetings, will be used as the basis for each s151 officer to carry out annual reviews of the Arrangements and, where necessary, changes to service requirements for the following financial year.

SCHEDULE 6: TRI-BOROUGH DIRECTOR PENSIONS AND TREASURY AND COMBINEDTEAM

Tri-borough Team staff structure – August 2020



SCHEDULE 7: SOVEREIGNTY GUARANTEE

All three Councils are committed to continuing to represent the needs, priorities and ambitions of local people in their neighbourhoods.

They are exploring reducing costs by working together. They are also keen to take new devolved responsibilities from Government and manage these together, where this makes sense.

Commissioning or delivering services together is not designed to change how residents experience services. It is about how to get things done more efficiently.

To safeguard local autonomy the Council confirm:

1. Local residents will continue to elect the same number of councillors to each Council.

2. Each Council will retain its own constitution, setting out how it makes decisions, organises scrutiny and delegates authority.

3. Each Council will continue to set its own council tax and publish its own budget and accounts.

4. Each Council will continue to be able to set out its own spending priorities.

5. No Council can be 'out-voted' by the two other Councils in a way which requires that Council to adopt a policy, accept a cost or change a priority that its decision makers are not willing to support.

6. There will be no change in the name of any of the Council.

7. The costs of changes and the benefits achieved from change will be fairly attributed and shared to the satisfaction of all three Councils, if necessary using mediation.

8. No Council will be obliged to break an existing contract.

9. The boundaries of the areas for which each Council is responsible will not change. Each Council will continue to speak up for its own residents, even where there is an apparent conflict of interest between the boroughs.

10. Each Council will be able to set its own policy for how services are delivered.

11. The Councils will commission service from contractors, voluntary bodies and others together, but can also decide to commission, or grant aid, on their own.

12. Nothing in these proposals is intended to stop Councils developing local ideas about how to support their local communities.

A commitment to shared learning, innovation and value for money

13. The Councils will share what works in service delivery and encourage their neighbours to learn from successful innovation.

14. The Councils will adopt common specifications where these are compatible with each Council's policy objectives and budget preferences and where these are likely to give best value to taxpayers.

15. The Councils commit to a continuing process of exploring how working together might lower costs; be a better platform for developed responsibilities from Government; and/or improve the quality of service delivery.

16. The Councils will commit to exploring how by working together, councillors can enhance the ways in which their Councils deliver their responsibilities.

17. The Councils will expect to keep these arrangements under review, in order to ensure they remain fit for purpose.

18. Any of the arrangements that constitute agreements between the Councils can be ended on notice, though any Council withdrawing will be responsible for its own consequent costs. Any joint external contracts will be covered by the same legal considerations as now.

19. Where shared services arrangements are brought to an end then the notice period will be twelve months, unless a shorter period is expressly agreed by the other parties and the costs arising from termination will be fairly shared between the Councils in a pre-agreed manner.