

Minutes of a meeting of the Corporate Overview and Scrutiny Committee held on Wednesday, 19 October 2016 in the Ernest Saville Room - City Hall, Bradford

Commenced: 5.30 pm
Concluded 6.50 pm

Present – Councillors

CONSERVATIVE	LABOUR
BM Smith Mallinson Rickard	Arshad Hussain Duffy Warburton Watson

Observers: Councillor Hawarun Hussain and Councillor A Thornton (In his capacity as Chair of the West Yorkshire Pension Fund Joint Advisory Group)

Apologies: Councillor Jeanette Sunderland

Councillor Arshad Hussain in the Chair

43. DISCLOSURES OF INTEREST

In the interest of clarity, all Councillors and officers who were members of the West Yorkshire Pension Fund declared an interest in the item relating to the West Yorkshire Pension Fund Disinvestment from the Fossil Fuel Industry (Minute 47).

ACTION: City Solicitor

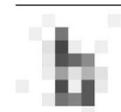
44. MINUTES

Resolved –

That the minutes of the meeting held on 7 September 2016 be signed as a correct record.

45. INSPECTION OF REPORTS AND BACKGROUND PAPERS

There were no appeals submitted by the public to review decisions to restrict documents.



46. REFERRALS TO THE OVERVIEW AND SCRUTINY COMMITTEE

There were no referrals made to the Committee.

47. WEST YORKSHIRE PENSION FUND DISINVESTMENT FROM THE FOSSIL FUEL INDUSTRY

At its meeting on Tuesday 20 October 2015, Council agreed that the Governance and Audit Committee and the Corporate Overview and Scrutiny Committee completes a joint review of investment in the fossil fuel sector and the implications for the West Yorkshire Pension Fund, the district and its current and retired public sector workers of any programme of disinvestment and report back to Council.

A Member stated that the original Council motion had requested that a joint review should be undertaken between this Committee and the Governance and Audit Committee, and he ascertained why this process had not been adhered to. In response the Locum Assistant City Solicitor stated that in the context of workloads it may have been decided between the respective Committee Chairs that only the Corporate Overview and Scrutiny Committee considers the matter. A former Member of the Governance and Audit Committee stated that he had been privy to some of the discussions, and it had been agreed that any governance related issues arising from this review would be considered by the Governance and Audit Committee.

The Director of the West Yorkshire Pension Fund submitted a report (**Document "T"**) which set out a review of investment in the fossil fuel sector and the implications for the West Yorkshire Pension Fund. The Director gave a detailed overview of the Pension Fund and the potential implications from disinvestment from the fossil fuel industry, which were set out in the report.

A Member of the West Yorkshire Pension Fund Joint Advisory Group explained that the Investment Panel continuously looked at the investment portfolio and made decisions on investment opportunities accordingly, in order to safeguard the scheme and get the best returns.

The Deputy Chair of the West Yorkshire Pension Fund was also present and stressed that in his discussions with companies such as BP and Shell, that they were already being lobbied and encouraged to invest more in renewables and that they acknowledged that the 2 degrees centigrade global temperature rise goal should be adhered to. He insisted that the lobbying would continue as companies had changed their policies in a number of environmental areas.

A Green Party Councillor was present at the meeting and stated that the report failed to highlight any tangible changes in the area of disinvestment and that essentially fossil fuel extraction would continue, resulting in more greenhouse gases being released into the atmosphere. That although she appreciated that it would take over a decade to fully disinvest, a review should be undertaken to start the process and assess the viability of disinvestment.



A representative from the West Yorkshire Disinvestment Campaign group was present and stated the following points:

- That the campaign group welcomed the Council's consideration of the financial risks to the pension fund from continued investment in fossil fuel corporations and its on going efforts to engage companies to change their business practices to be more in line with climate change goals.
- That the report did not fully assess or address the financial risks associated with continued fossil fuel investment and that the engagement only approach carried with it overly-large financial risks to the fund.
- That a more risk-averse approach was necessary and that a number of additions could be made to the engagement-only recommendation in order to reduce the financial risks to the fund and its members to more acceptable levels by partial divestment of coal, oil and gas stocks; set clear, timetabled engagement goals and conduct a full, independent climate change risk assessment.

A representative from Friends of the Earth was also present and stated that a policy of disinvestment was urgently needed and that the process of disinvestment should commence now, adding that many organisations had already shifted their position on fossil fuel income streams.

In response to some of the issues raised the Director of the WYPF stated that all the investments were regularly reviewed by officers, particularly in relation to the larger assets, and over the long term performance of the shares in the fossil fuel industry had been strong and the fund was better off as a result of holding these investments.

He added that the Investment Advisory Panel had a responsibility to ensure the portfolio was balanced and not taking undue risks against the index, and moving away from fossil fuel investment would introduce risk into the portfolio as well as creating uncertainties.

However, he stressed that moving to alternative energy sources would take several decades and that energy companies should be taking account of this in their business plans. In addition the WYPF had been actively engaging in climate change over a number of years and that the Fund had been lobbying companies requiring them to demonstrate how they were addressing climate change and its risks.

In response to a question on the dividends paid by the oil companies the Director of the WYPF stated that despite earlier slumps in oil and gas prices, which had since recovered, companies such as BP and Shell continued to pay their dividends and that over the long term the performance of these shares has been consistently strong.

A Member stated that the report set out a position regarding investments in fossil fuel, however the report did not give a balanced view on what would happen if we



were to disinvest and this possibility should have been explored further in the report. In response the Director reiterated an earlier point that the Portfolio had to continually assess all its investments, and that at the current time it was felt that investment in fossil fuel should continue, however the Fund would continue to engage with companies around climate change objectives.

In relation to a question regarding assessing risk, it was pointed out that market conditions were continuously assessed, and that as a long term investor the Fund always acted prudently to eliminate bad risks.

A Member commended the way the WYPF had managed the fossil fuel element of the Fund and he welcomed the direction of travel, as well as the continued dialogue with companies regarding climate change.

Resolved –

That this Committee:

- (1) Notes that West Yorkshire Pension Fund investment decisions are made by the Investment Advisory Panel which includes representatives of all West Yorkshire Districts as well as other interested parties, and not Bradford alone.**
- (2) Notes that the Investment Advisory Panel considers the annual report of the Local Authority Pension Fund Forum which includes engagement activities with fossil fuel companies.**
- (3) Agrees with the policy of positive engagement set by the Investment Advisory Panel.**
- (4) Welcomes the progress achieved towards ensuring that the fossil fuel companies revise their business plans to take account of the COP21 agreement.**
- (5) Welcomes continuing investment in green energy technology and production as the industry develops.**
- (6) That the above decisions be referred to the Governance and Audit Committee and Full Council for information.**

ACTION: City Solicitor (Resolution 6)

Chair

Note: These minutes are subject to approval as a correct record at the next meeting of the Corporate Overview and Scrutiny Committee.

THESE MINUTES HAVE BEEN PRODUCED, WHEREVER POSSIBLE, ON RECYCLED PAPER

