

# Report of the Director West Yorkshire Pension Fund to the meeting of Governance and Audit Committee to be held on 24 January 2019

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**AA**

**Subject:**

Northern Pool Joint Governance Committee Inter Authority Agreement

**Summary statement:**

In order to comply with Government Investment Pooling Guidelines it is necessary for The Administering Authority (AA) of the West Yorkshire Pension Fund to enter into an agreement with Tameside and Wirral Metropolitan Borough Councils as the AAs of the two other pension funds making up the Northern Pool. The first draft of this agreement was approved by the West Yorkshire Pension Fund Investment Advisory Panel at its meeting on 26 July 2018.

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Rodney Barton  
Director

**Portfolio:**

Leader of Council & Corporate

Report Contact: Rodney Barton  
Phone: (01274) 432317  
E-mail: [rodney.barton@bradford.gov.uk](mailto:rodney.barton@bradford.gov.uk)

**Overview & Scrutiny Area:**

Corporate

## **1. SUMMARY**

- 1.1 In order to comply with Government Investment Pooling Guidelines it is necessary for The Administering Authority (AA) of the West Yorkshire Pension Fund to enter into an agreement with Tameside and Wirral Metropolitan Borough Councils as the AAs of the two other pension funds making up the Northern Pool. To ensure the agreement is operational by 1 April 2019, ahead of the next progress report to the Secretary of State it is necessary for this to be approved at this meeting.
- 1.2 The first draft of this agreement was approved by the West Yorkshire Pension Fund Investment Advisory Panel at its meeting on 26 July 2018, for submission to the Governance and Audit Committee, and in due course Council, subject to review by the City Solicitor, and authorised the Director, WYPF, to amend it as expedient or necessary and put in place any ancillary documentation

## **2. BACKGROUND**

- 2.1 The Northern Pool (NP) partners are Merseyside, Greater Manchester and West Yorkshire Pension Funds, three large, cost effective Metropolitan funds. Individual funds will retain their current role of setting asset allocation and investment policy, and will delegate the oversight of implementing that policy to the Joint Committee.
- 2.2 A Joint Committee will be formed which will have responsibility for ensuring the appropriate structure and resources are in place to implement the policy required by each fund, those resources to be provided by the three Funds. Staff will remain in their current employment, but will be seconded to act for the other funds where that is required.
- 2.3 The Joint Committee will consist of two Members appointed by each Fund plus a total of three trade union representatives. It will not have any direct involvement in the appointment of managers, or selection of investments. These matters will be fully delegated to professional officers. Its role is set out in Schedule 2 to the Agreement, which could be summarised as exercising oversight over investment performance, investment activities, the appointment of the joint custodian, delivery of the shared objectives, and to help drive efficiencies.
- 2.4 The long term vision for the pool is to provide access to
  - a range of internal and externally managed listed assets at low cost
  - collective investment in alternatives, while building skill to enable cost reduction by increasing direct access
  - working arrangements with other pools where greater size may add value.
- 2.5 The investment philosophy is to maintain simple arrangements, with a relatively low number of managers, low manager and portfolio turnover, an increasing proportion of assets managed internally within the pool, with individual funds retaining the ability to select asset class, territory, and active or passive management.

### **3. OTHER CONSIDERATIONS**

3.1 The programme for establishing the NP consists of

- Establishing the Northern Pool Joint Governance Committee by entering into the Northern Pool Operating Agreement (Appendix A), including the Terms of Reference for the Joint Governance Committee
- Procuring a joint custodian for all the assets of the Pool
- Developing the GLIL Infrastructure vehicle (see Appendix B), including FCA regulation to facilitate it becoming the national LGPS vehicle for infrastructure investment
- Developing NPEP (see Appendix B), a joint private equity vehicle.

3.2 Establishing the Joint Governance Committee is now the only outstanding item, as the custodian, infrastructure and private equity vehicles are in place.

### **4. FINANCIAL & RESOURCE APPRAISAL**

4.1 There are no direct financial implications, as the costs will be fully recovered from the West Yorkshire Pension Fund.

### **5. RISK MANAGEMENT AND GOVERNANCE ISSUES**

5.1 This agreement is designed to ensure there are clear governance arrangements, and that risks are effectively managed and fully reported.

### **6. LEGAL APPRAISAL**

6.1 The drafts of the Northern Pool Joint Governance Committee Agreement have been reviewed by the City Solicitor, and the comments taken into account.

### **7. OTHER IMPLICATIONS**

7.1 None

### **8. NOT FOR PUBLICATION DOCUMENTS**

8.1 This legal agreement (Appendix A) has commercial implications, and is therefore not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

### **9. RECOMMENDATIONS**

9.1 **It is recommended that the Northern Pool Joint Governance Committee Agreement, Appendix A, be approved for submission to the 21 February Council meeting to ensure it is operational by 1 April 2019, and the Committee authorise the Director, WYPF, in consultation with the City Solicitor to amend it as expedient or necessary and put in place any ancillary documentation.**

## **10. APPENDICES**

10.1 Appendix A: Northern Pool Joint Governance Committee Agreement (not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972).

10.2 Appendix B: Description of GLIL and NPEP