

Merton Council

Pension Fund Investment Advisory Panel Agenda

Membership

Councillors:

Cllr Imran Uddin (Chair)
Cllr Suzanne Grocott (Vice Chair)
Cllr Mark Allison

Officers:

Geoff Norcott (Pensioner Rep)
Caroline Holland (LBM)
Paul Dale (LBM)
Miriam Adams (LBM)
GMB Union Rep

Date: Tuesday 17 March 2015

Time: 11.58 am

Venue: Committee Rooms, 1st floor, Merton Civic Centre, London Road,
Morden, SM4 5DX

This is a public meeting and attendance by the public is encouraged and welcomed.
For more information about the agenda please contact
Merton.PensionFund@merton.gov.uk or telephone [020 8545 3458](tel:02085453458).

All Press contacts: communications@merton.gov.uk, 020 8545 3181

Pension Fund Investment Advisory Panel Agenda

17 March 2015

1	Agenda	
2	Minutes of the previous meeting	1 - 6
3	Quarterly Performance Review	7 - 16
4	Audit Plan	17 - 18
5	Asset Allocation	19 - 22
6	Internal Control Review	23 - 28
7	Membership Performance Monitoring	29 - 32
8	Update on London CIV	33 - 34
9	Future meeting dates	

Note on declarations of interest

Members are advised to declare any Disclosable Pecuniary Interest in any matter to be considered at the meeting. If a pecuniary interest is declared they should withdraw from the meeting room during the whole of the consideration of that matter and must not participate in any vote on that matter. If members consider they should not participate because of a non-pecuniary interest which may give rise to a perception of bias, they should declare this, withdraw and not participate in consideration of the item. For further advice please speak with the Assistant Director of Corporate Governance.

Attendance:

Cllr Imran Uddin (Chair)
Cllr Mark Allison
Paul Dale (Interim Assistant Director of Resources)
Miriam Adams (Treasury and Insurance Manager)
Geoff Norcott (Pensions Representative)
Cllr Suzanne Grocott

Additional Attendees: Philip Hebson (AllenbridgeEpic)

1.0 Introduction

- 1.1 Introductions made by Chair
- 1.2 Apologies for lateness: Cllr Mark Allison
- 1.3 Apologies for absence: Caroline Holland (Director of Corporate Services)
Alick Stevenson (Independent Adviser)
- 1.3 Members Declaration of Interest - none

2.0 Presentation of minutes of last meeting (23.9.14)

- 2.1 Minutes agreed subject to amendment on page 2, point 4.

3.0 Asset Allocation – Decision Making

- 3.1 Cllr Uddin stressed the need for the committee to complete its review of the Fund's asset allocation as will give officers direction on how to progress and action investments of assets as well as the tendering of managers.
- 3.2 PD referred to decision making and formal delegations being given to CH but taken with councillors recommendations. CH to produce paper around assumptions for final consultation.
- 3.3 Barnet Waddingham and AllenbridgeEpic had similar recommendations of 65% on equities and DGF (new fund) from between 5 and 8%. Bonds 25% and property 5%. Discussion to move away from property and equally bonds, for some movement and possible some benefits but DGF a new area and to be cautious. Cllr Uddin felt to focus on equities, in particular the split within the equities of active – 25% - (if have right manager and managed properly, can get good growth). Mandates have at moment are very old and restrictive and not getting returns. Passive - recommendation is that 40% of equities should be in passive fund, linked to index.
- 3.4 Cllr Uddin felt to possibly reverse and asked if felt a reasonable thing to do.
- 3.5 PD referred to level of equity and equity likes, and move of valuation. PD referred to data.

- 3.6 PD referred AS strategic asset allocation presentation of potential strategic targets.
- 3.7 Discussion of split of asset of active and passive and feel if go active a higher risk but DGF may be a smoother risk but to be aware of highs and lows of equity markets and going passive doesn't reduce volatility.
- 3.8 Ensure each pot works to best advantage and best return.
- 3.9 PD referred to recommendation of possible smaller increase in risk may provide higher return.
- 3.10 General discussion around various alternatives of strategies and asset allocations and general scope of working around ownership and what component parts are held within DGF.
- 3.11 Discussion around schedule and admitted bodies and volatility. Cllr Allison referred to purpose of verified growth fund and volatility. SG felt go more passive than active, especially if going to new broker. PD felt have more than one active manager for different markets and look for about 1/2% of index.
- 3.12 Discussion at global basis and reason to appoint 2/3 managers to look at but with complimentary styles, ensuring cover all basis.
- 3.13 GN referred to minutes and unconstrained equities and whether the stock picking is constrained. PD referred to giving managers benchmark ie world index, plus 2%. Cllr Allison referred to issue with constraining managers and gave example. Discussion around constrained and high conviction and choose managers that have confidence in.
- 3.14 Cllr Uddin referred to discussion being about ratio of active and passive and felt advantages to passive and requested reminder of upside of passive.
- 3.15 PH commented felt passive at low cost of manager fee and tracking various indices, being blend of markets chosen to invest in. Can decide % of investments in UK and across world or track global index. Make sure identify index going to be tracked; various decisions to be made and risks identified..
- 3.16 Cllr Allison felt significant amount of active and passive but large range. PD referred to not de risking and going into bond and felt once reach higher intake, better value.
- 3.17 SG referred to reasoning of 65%. PH referred to risk of funding level falling due to sharp fall in market and diversification to protect fund.
- 3.18 PD suggested to go with minimum equities of 70%. PH referred to 65%/70% not having to be taken at moment and decide nearer time of funding and not specify the passive/active split. PH referred to looking at process of finding suitable active managers.

- 3.19 PD commented to revamp timetable and look to go out on range of equities between 65%/70%, DGF 5% and decide later on 1/3 and 2/3 active/passive. PH referred to not make panic decisions but have good range.
- 3.20 Cllr Uddin referred to find managers to do passive /active, who are able to make decision. Discussion on fees, expectations and values of managers. Discussion on considering have penalty clause of underperformance built into scope. Agree need passive/active and decide how many active managers required, which can be decided at later stage.
- 3.21 Discussion on property to possibly stay in same fund and leave property where it is. PH felt further discussion to be had but feel some issues. PD felt same with Bonds.
- 3.22 Produce timetable for DGF and equities and look at in greater detail and make decision about passive and active funds and DGF fund but question how to allocate.

Action: Recommendation on procurement put forward by AS was noted, however the Committee agreed that the way forward was for CH to write a paper with recommendations. The paper will be circulated to Councillors by email to ensure comments are received speedily.. Councillors to make decision and process to start middle of January 2015.

Actions: suggested ranges were - equities between 65 and 75% and DGF (5% – 15%).

4.0 Quarterly Performance Review – September 2014 Quarter Ending

- 4.1 Underperformance of Fund previously reported to Committee and discussed continues in the quarter report.
- 4.2 UBS property fund – slightly outperformed benchmark during the quarter ending September 2014 compared to the poor performance over the last 18 to 24 months. It was noted that the manager had resolved governance issues within the fund which contributed to poor performance.
- 4.3 Aberdeen equity fund – under performed against benchmark while Aberdeen bond fund performed slightly over benchmark but on 3 year to date basis the manager's target to outperform its benchmark by 0.60% was not met. The manager's proposal to reduce fees was accepted subject to confirmation of terms on which the fee reduction was being proposed
- 4.4 All Investment managers within the Fund should be more proactive and provide the Committee with tactical alternative plans if existing mandates were not achieving performance targets. Aberdeen should be contacted to present the Committee with a paper on how performance can be improved within the bond and possible impact to investors of sub-fund closures.
- 4.5 Chair suggested that the manager be given a deadline of Q2 2015 to improve performance significantly as other bond. Market data have shown that other

bond managers are still able to bet targets in this economic environment.
Preliminary meeting to be held with manager held to discuss plan of action..

- 4.6 Performance of the BlackRock property fund was below benchmark. It was suggested that the manager be put on an amber warning signal.
- 4.7 Recommendation to use the previous quarter's performance data for RREEF was accepted by Committee as this will reduce the lag time in the processing of performance reporting by StateStreet Analytics
- 4.8 PH reminded the Committee that while poor performance is an issue this needs to be looked at in conjunction with asset allocation

5.0 Risk Register

- 5.1 Risk register was presented, review is annual and key risks are also included in the Corporate risk register which is also regularly reviewed.
- 5.3 Key changes to the register are –
- 5.4 MPF 9 – underperformance of Fund investments due to invest manager performance.
MPF 13 – ratio of active members who will contribute to the Fund reducing in comparison to the pensioners and deferred members of the Fund. The risk score has been reduced from a score of 15 to a score of 9 following the inflow of new members as a result of auto-enrolment.
It was noted that auto-enrolment has improved membership numbers

MPF 14 – Failure to implement the proposed 2014 LGPS Governance Regulations and Reforms.

Action: Data on number of new staff enrolled into the Pension Fund and numbers opting out to be provided to Committee. The possible impact of future cuts and savings in the public sector was discussed.

Action: Amend risk register to include mitigation strategy and recirculated to Committee

6.0 Update on legislations (discussion item)

- 6.1 PD reported on new regulations by government – set up national advisory board and referred to shadow board.
- 6.2 PD referred to requirement of pension panels and pensions board (split between representatives of employers and employees). Meant to advise and assist governance group in managing fund. Board to be set up consisting of councillors and employees that don't make decision but scrutinise pension panels decision.

- 6.3 Discussion around requirement and definition of pension board's role and an oversight role. Expectations for board to be set up and membership slots not necessarily filled. First meetings expected to take place around June/July.
- 6.4 Reference made to DCLG and discussion around costs. PH suggested having representatives from neighbouring borough and possibly meet with PH or AS to discuss.
- 6.5 It was noted that a consultation which included the Pensions Board had recently concluded.

Action: Cllr Uddin requested to put Governance Regulations on next agenda.

7.0 Discretionary Policies

- 7.1 Four employers have returned confirmations that those authorised with governance in their various establishments have adopted discretionary policies.

Action: Update the Committee on employer take up.

8.0 Update on London CIV

- 8.1 The CIV set up is moving along but taking longer than anticipated. Chair noted that the London Councils are working their way through implementation, however the initial possibility of including the CIV in the current restructure may not be feasible as there is a need for the Fund to continue the asset allocation review.

9.0 Membership Performance Monitoring

- 9.1 The Fund membership at 30 September was 11,209 and membership from previous quarter increased by 461. 335 of them being active members. Pensioners increased by 31 during the quarter.

Action: circulate total number of leavers and total number of council staff.

Action: Committee to consider getting unions to set up drive to recruit new members to pension get more people involved in meeting.

10.0 Any Other business

Date of Next Meeting : Tuesday 17th March 2015

This page is intentionally left blank

Committee: Pension Fund Advisory Committee

Date: 17 March 2015

Agenda item: 4

Wards: All

Subject: Performance for the Quarter Ending December 2014 and Position Statement

Lead officer: Caroline Holland Director of Corporate Services

Lead member: Councillor Imran Uddin

Contact office: Paul Dale

This is a Public Document

Recommendations:

- a.) Note the content of this report;
- b.) Note the redemption issues faced by UBS Triton;
- c.) Note the contents of performance report prepared by AllenBridge Epic Appendix A to this report and issues raised; and
- d.) Consider the concerns raised by AllenBridge Epic regarding individual manager performance and Fund performance

1.0 Purpose of report and executive summary

- 1.1 This report includes details of the investment performance of Merton's Pension Fund for the quarter ending December 2014. Individual investment managers have provided performance reports for the various portfolios, in addition to a quarterly performance report from State Street Analytics. This report is intended to give the Committee a basis on which to review performance of the Fund as at 31 December 2014 and provide a platform to discuss future actions for the Fund.
2. Fund Performance against its Local Authority Peers

2.1 In the WM universe of Local Authority Funds, the Merton Fund ranked 92nd in Equities, 13th in Bonds, 18th in UK Index-linked bonds while Property ranked 44th. Overall the total performance of the Fund of 1.5% over benchmark ranked 73rd.

2.2 Fund Asset Allocation and Performance

The table below shows the fund strategic asset allocation as at 31 December 2014 against the asset allocation of the Fund's benchmark. At the end of the period, 72.0% of total Fund assets invested in equity, 41.8% was actively managed and 58.2% was passively managed.

At 31/12/2014	Total Equity	Total Bonds	Cash/Alts	Property	Total Fund
	%	%	%	%	%
Fund Asset Allocation	72.3	24.5	0.2	3.0	100.0
Asset of Fund Benchmark	68.8	26.1	0.0	5.0	100.0

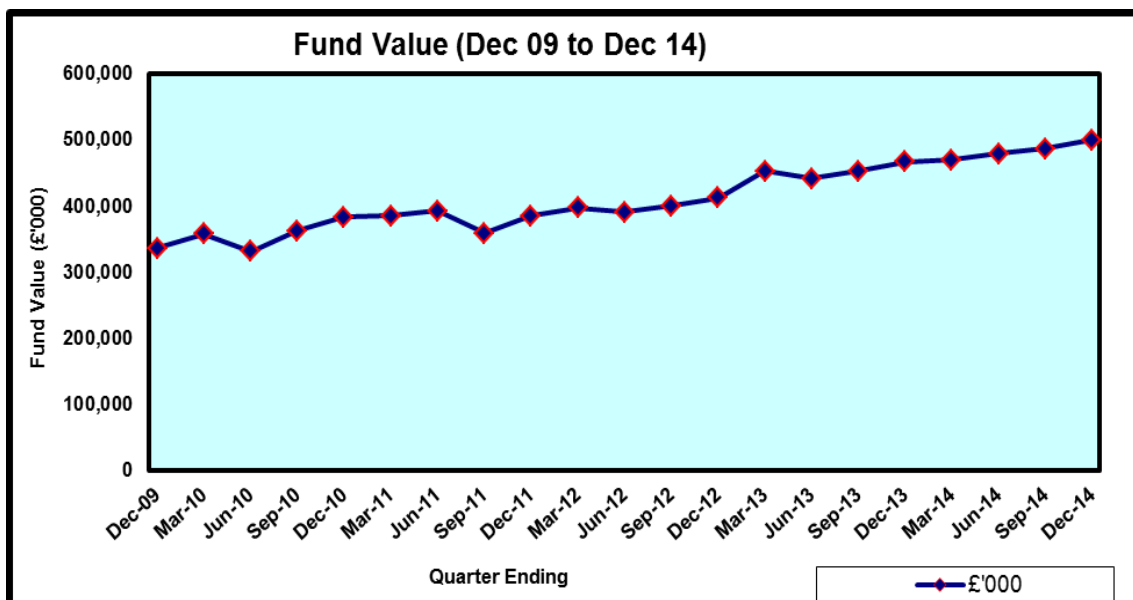
The Fund's underperformed by 0.3% against its benchmark at the end of the quarter. On a year to date basis the Fund also underperformed against its benchmark by 0.4%.

The table below summarises the capital movement and increase in market values reinvested in the quarter between the managed funds.

Fund	30/9/14 Values	Transactions	Capital Gain/loss	Income	31/12/14 Values	% of Total Fund
UBS Passive	207,771	544	3,892	532	212,206	42
Aberdeen Fixed Income	114,542	-87	8,165	0	122,621	25
Aberdeen Active Equity	96,291	247	732	422	97,269	19
UBS Active Equity	52,944	250	-609	242	52,584	11
UBS Property	8,972	333	284	102	9,588	2
BlackRock Property	5,779	46	152	50	5,977	1
RREEF **	226	-226	0	0	0	0
Total Fund	486,524	1,107	12,615	1,347	500,246	100

** residual investments in the RREEF fund amalgamated with BlackRock.

The Fund's investments increased in value by £13.7m from last quarter. The chart below shows Fund annual market values between December 2009 to December 2014.



The Fund's assets are invested in various sectors and geographical locations. During the quarter ending December 2014, UK equities in the fund underperformed while overseas equities outperformed benchmark. The table below shows the performance of the whole fund in the various geographical areas it is invested in relative to Benchmark at the end of the quarter.

Sector	Closing Value Sept 2014	Closing Value Dec 2014	Fund Return Dec 2014 %	Benchmark %
UK Equities	211,142	215,102	0.1%	0.6%
Overseas Equities	144,758	146,596	3.5%	2.9%
• North America	51,031	52,741	8.3%	8.3%
• Continental Europe	35,505	38,523	-0.4%	-0.5%
• Total Far East	42,413	40,760	2.0%	1.5%
• Other Intl Equities	15,809	14,571	0.5%	-0.2%
UK Bonds	28,698	31,186	8.8%	9.0%
Overseas Bonds	28,063	29,428	2.9%	2.9%
UK Index-Linked	57,753	61,964	8.5%	9.4%
Cash Alternatives	1,515	874	-1.1%	
Property	14,595	15,096	4.0%	4.6%
Total	486,525	500,246	2.9%	3.2%

3. INVESTMENT MANAGER PERFORMANCE

3.1 UBS

UBS manages three funds for LB Merton pension fund.

The UBS active equity fund closed at a market value of £52.6m (September 2014 52.9m).

The table below shows the movement during the period within the portfolio.

	30/09/2014 Values		Purchases	Sales	Gain/Loss	Income	31/12/2014	
	£'000	%					£'000	£'000
Total Equities	52,417	99	4,131	3,685	-610	300	52,253	99%
Cash & Cash Alternatives	527	1	3,984	4,180	0	0	331	1%
Total	52,944	100	8,115	7,864	-609	242	52,584	100

Performance of the UBS Active Equity Fund over various time periods

Period	Fund %	Benchmark %	Variance %	Comments
Last 3 months	2.1	2.1	0.0	In line with benchmark
Last 12 months	5.2	5.0	0.2	Out perform
Last 3 years	13.1	13.0	0.0	In line with benchmark but investment objective for 3 years not met.
Last 5 years	9.8	9.8	0.0	In line with benchmark

For the portion of the Active Portfolio invested in UK Equities, the manager shall seek to outperform the Benchmark by 1% per annum. For the portion of the Active Portfolio invested in Emerging Markets, the manager shall seek to outperform the Benchmark by 2.0% per annum.

The UBS Global Equity fund (passive portfolio) closed at market value of £212.2m (207.7m September 2014). The increase is mainly income from dividend and some capital gains from valuations. The aim of this fund is for the manager at the minimum to replicate track the performance of the benchmark.

The table below shows the movement of assets during the quarter.

	Asset Allocation							
	Market Value 30/9/2014		Purchases	Sales	Gain/Loss	Income	Market Value 31/12/2014	
	£'000	%					£'000	£'000
UK Equities	113,438	55	5,842	2,544	90	558	116,825	55
North America	45,174	22		3,750	3,662		45,087	21
Continental Europe	24,423	12	500		-123		24,800	12
Japan	13,016	6			207		13,223	6
Total Pacific (ex Japan)	11,890	6	500		55		12,445	6

Cash & Alternatives	-171	0	13,494	13,498	0	1	-175	0
Total	207,771	100	20,336	19,792	3,892	532	212,206	100

This table shows the performance of the portfolio.

Period	Fund %	Benchmark %	Variance %	Comments
Last 3 months	-0.7	0.5	-1.2	underperformance
Last 12 months	0.3	2.0	-1.7	underperformance
Last 3 years	10.6	11.1	-0.4	underperformance
Last 5 years	7.2	8.2	-0.9	underperformance

The benchmark - the manager is to track the Benchmark index over rolling three year periods

There passive portfolio includes investments in 7 pooled funds namely (UK Life Equity Tracker Fund, UK Life Equity Small Cap Tracker Fund, UK Life Large & Mid Cap Tracker Fund, UK Life Europe Ex-UK Equities Tracker Fund, Japan Equity Tracker Fund, Pacific Ex-Japan Tracker Fund and North America Equity Tracker fund . Total exposure to all seven pooled funds at 31 December 2014 was £128.2m.

UBS Property Fund

The UBS Property fund closed at a total market value of £9.6m. The fund underperformed against benchmark by +0.3%.

The three tables below show that the UBS Triton managers performance comprising of capital and income, that the returns of 4.2% can be attributed to underperformance in each of the two sub funds.

	Market Value 30/9/2014		Asset Allocation				Market Value 31/12/2014	
	£'000	% of Fund	Purchases	Sales	Gain/Loss	Income	£'000	% of Fund
Property	8,816	98%	19		284	102	9,119	95%
Cash& Money Mkt Instruments	156	2%	333	19			469	5%
Total	8,972	100%	352	19	284	102	9,588	100%

Period	Fund %	Benchmark %	Variance %	Comments
Last 3 months	4.2	4.6	-0.3	Under performance
Last 12 months	19.1	17.2	1.7	Out performance
Last 3 years	5.2	8.6	-3.2	Under performance

The table below shows the performance of sub-funds that make up the Portfolio

	Q4 2014 %	1 year % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.
UBS Triton Property Fund (gross)	+4.4	+19.5	+5.2	+7.5	+2.4
UBS Triton Property Fund (net) ¹	+4.3	+19.0	+4.6	+6.8	+1.7
UBS Life Triton (A units)	+4.3	+18.9	+5.2	+7.3	+2.3
UBS Life Triton (B units)	+4.1	+18.0	+4.4	+6.5	+1.5
AREF/IPD UK QPFI All Balanced Fund Wtd Avg ²	+4.6	+17.2	+8.6	+9.0	+4.8

Includes the effect of the management fee rebate being paid to continuing investors from 1 July 2013 onwards.

Triton Fund Modernisation – update

Redemptions were expected to resume in early December, however on 19 December 2014, the daily dealing of redemptions from UBS Life Triton was again suspended following a redemption request of GBP 3.2 million. The manager does not have sufficient cash within the Life Fund to meet daily dealing requirements, the daily dealing of redemptions in UBS Life Triton was therefore suspended again .

The earliest we would expect daily dealing of redemptions in UBS Life Triton to resume is early April 2015 and the latest is early July 2015, however, the manager assumes this is subject to no further redemption requests being received in the interim.

3.2 Aberdeen Asset Management

Aberdeen manages one equity fund on a segregated mandate and one bond fund.

Aberdeen Equity fund

Although an active mandate, the fund is held in 33.2% pooled funds and 66.8% segregated assets including cash. The investment manager is expected to outperform benchmark by 1.25% over rolling three year periods. The Fund closed at £97.3m.

The quarter's performance of the portfolio is detailed in the table below

Period	Fund %	Benchmark %	Variance %	Comments
Last 3 months	1.2	1.0	0.2	Out performed
Last 12 months	3.2	3.1	0.0	In line with benchmark
Last 3 years	10.9	11.1	-0.2	Underperformance
Last 5 years	10.0	7.9	2.0	Outperformed

The table below shows in detail the attribution from the various sectors the Aberdeen fund is invested in. UK Equities remains the main detractor for the Aberdeen equity fund.

	Market Value 30/9/2014		Asset Allocation				Market Value 31/12/2014	
	£'000	% of Fund	Purchases	Sales	Gain/ Loss	Income	£'000	% of Fund
UK Equities	50,860	53	3,627	2,553	-165	264	51,769	53
North America	5,856	6	1,260		538	2	7,654	8
Continental Europe	11,082	12	2,975	261	-73	13	13,723	14
Japan	8,588	9			534	17	9,122	9
Total Pacific (Ex. Japan)	8,920	9		2,969	20	39	5,970	6
Other Intl Equities	10,236	11		1,300	-111	49	8,826	9
Cash/Alternatives	749	1	9,269	9,802	-11	0	206	0
Total	96,291	100	17,132	16,885	732	422	97,269	100

	Portfolio		Benchmark Attributes		Attributes from Manager's Management of Stocks		Total %
	Weight %	Return %	Weight %	Return %	Asset Allocation Attributes	Stock Selection Attributes	
					%	%	
TOTAL	100.0	-0.68	100	0.05	0.00	-0.74	-0.73
UK	53.2	-1.69	54.8	1.18	0.02	-1.60	-1.57
Overseas	46.6	9.24	45.2	5.51	0.24	1.36	1.60
North America	7.9	14.97	6.4	19.59	-0.11	-0.16	-0.27
Europe ex UK	14.1	0.51	14.3	0.04	-0.00	0.10	0.10
Japan	9.4	19.46	7.3	2.68	0.07	1.28	1.36
Asia Pacific ex Japan	6.1	10.29	7.4	9.51	0.15	0.05	0.20
Emerging Markets	9.1	5.90	9.8	4.29	0.13	0.09	0.22
TOTAL CASH	0.2	-0.66			0.00	0.00	0.00
TOTAL	100		100		-0.05	0.00	-0.05

Aberdeen Bond Fund

The fund closed at £122.6m. December quarter saw the fund underperform its benchmark by 0.5%. The manager's objective is to outperform its benchmark by 0.60% on a three year rolling period. Assets invested in continue to be of high grade credit quality with the minimum credit limit for assets being Fitch AA. Members should note that in the current economic climate, investing in high the credit quality names may mean lower returns because of the price the investors will pay for security.

	Market Value 30/9/2014		Asset Allocation				Market Value 31/12/2014	
	£'000	% of Fund	Purchases	Sales	Gain/ Loss	Income	£'000	% of Fund

UK Bonds	28,698	25	117	128	2,500	26	31,186	25
Overseas Bonds	28,063	25	539		826	15	29,428	24
UK Index-Linked	57,753	50		635	4,847	32	61,964	51
Cash/Alternatives	28	0	677	656	-7		42	0
Total	114,542	100	1,333	1,420	8,165	0	122,621	100

Period	Portfolio	Benchmark	Variance	Comments
Dec 2014 Qtr	7.1%	7.7%	-0.5%	Underperformance
Year to date	17.3%	17.8%	-0.5%	Underperformance
3 years	5.7%	5.6%	0.1%	outperform but manager has not met Fund target
5 years	8.5%	8.8%	-0.3%	Underperformance Fund target not met

3.3 RREEF

All companies have now been liquidated and a final cash distribution will be made to investors.

3.4 BlackRock

The long term objective of the Fund is to outperform the average of similar institutional pooled vehicles by investing in a diversified range of property throughout the UK, principally, but not exclusively, in the retail, office and industrial/warehouse sectors.

	Portfolio	Benchmark	Variance	Comments
Dec 2014	3.5%	4.6%	-1.0%	underperformance
Year to date	14.9%	17.2%	-2.0%	In line with benchmark

4. OTHER ISSUES AFFECTING THE FUND

4.1 UBS Triton redemption and Fund outperformance.

5. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

5.1 All relevant implications are included in the report.

6. LEGAL AND STATUTORY IMPLICATIONS

6.1 All relevant implications are included in the report.

7. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

7.1 N/A

8. Risk management and health and safety implications

8.1 Risk management is an integral part of designing the investment portfolio of the fund particularly in the current volatile economic environment.

9. BACKGROUND PAPERS

All managers investors reports and StateStreet Analytics performance Report

This page is intentionally left blank

Committee: Pension Fund Advisory Committee

Date: 17 March 2015

Agenda item:

Wards: All

Subject: Pension Fund Accounts Audit Plan 2014/15

Lead officer: Caroline Holland Director of Corporate Services

Lead member: Councillor Imran Uddin

Forward Plan reference number: N/A

Contact office: Paul Dale

This document is a public document

Recommendations:

Note the Pension Fund Audit Plan for the 2014/15 appendix A; and

Note the pension fund closure of accounts time table appendix B

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 To provide the Pension Panel with the proposed audit and audit process. The audit plan will be presented to the General Purpose Committee on the 25th of June 2015.
- 1.2 The draft Pension Fund Statement of Accounts will be made available to Ernest & Young on the GP Committee meeting papers despatch date 16th June 2015.
- 1.3 The audit will comprise the audit of the Pension Fund accounting statements in accordance with the International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB) and the Pension Fund Annual Report.
- 1.4 The planned fee for the audit is estimated at £21k (2013/14 actual was £22.4k)
- 1.5 Related party disclosure letter will be sent by the council to all elected members and key officers.

2. THE PROPOSED TIMETABLE AND PLANNED OUTPUTS.

Activity	Committee Timetable	Deliverables
High level planning	November 2014	Audit Fee letter (sent 29 April 2014) Progress report
Risk assessment and setting of scopes	March 2015	Audit Plan
Testing of routine processes and controls	June 2015	Audit Progress Report
Year –end audit	June 2015	
Completion of audit	September 2015	Response to those charged with governance/via Audit Results Report Audit report(including our opinion on the financial statements) Audit completion certificate
Conclusion of reporting	November 2015	Annual Audit Letter

3. CONSULTATION UNDERTAKEN OR PROPOSED

3.1 Extracts from this report is based on Ernest & Young 2014/15 Audit Plan

4. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

4.1 All relevant implications are included in the report.

5. LEGAL AND STATUTORY IMPLICATIONS

5.1 All relevant implications are included in the report.

6. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

6.1 N/A

7. CRIME AND DISORDER IMPLICATIONS

7.1 N/A

8. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

8.1 N/A

9. APPENDICES

9.1 N/A

10. BACKGROUND PAPERS

10.1 Pension Fund Audit Plan 2014/15 and Pension Fund Audit Timetable 2014/15.

Committee: Pension Fund Advisory Committee

Date: 17 March 2014

Agenda item: 3

Wards: All

Subject: Asset Allocation

Lead officer: Caroline Holland Director of Corporate Services

Lead member: Councillor Imran Uddin

Forward Plan reference number: N/A

Contact officer: Paul Dale

This document is a public document

Recommendations:

- a). To agree the asset allocation proposed in section 1.4
- b). To agree the immediate procurement of the DGF fund manager via an OJEU process and delegate to the Director of Corporate Services the decision whether to use the CIV for equities or undertake an independent OJEU procurement of these fund managers
- c). To agree that the Director of Corporate Services should re-procure the management of fixed interest investments.
- d). To note the approach to obtaining specialist advice to support the procurement outlined in para. 2.2

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 There was an extensive discussion at the last meeting of the Pension Fund Advisory panel on the next steps for the investment mandate for the fund. No firm conclusion was reached at that meeting. Officers undertook to hold further discussions.
- 1.2 Discussions have been held with the London CIV, the Head of Commercial Services and the Investment Adviser to the Panel (His briefing note is attached as an appendix to the report)
- 1.3 As was previously reported officers have had discussions with the actuarial arm of Barnett Waddingham as to the impact of changes in the asset allocation of the fund on its valuation and contributions required. The 70% (approx..) was the position at the last valuation

% of Fund assets allocated to equities	65%	70% (approx)	75%
Future service rate	15.0%	14.0%	13.5%
Deficit contribution rate	9.2%	7.0%	5.9%
Total rate	24.2%	21.0%	19.4%

This shows that a relatively small reduction in the % in equities (or DGF's of a similar characteristic) would lead to a significant increase in contributions required. An increase in the proportion in equities or similar would lead to a reduction in contribution, but at levels of equity investment of about 75% or greater, the actuary would apply an adjustment to allow for the increased risk of such an investment strategy lowering the saving.

1.4 The current and proposed asset allocations are:

Asset Class	Current	Proposed
Equities	70%	70%
Fixed Interest	25%	20%
Property	5%	5%
Equity Like DGF	0%	5%
Total	100%	100%
Equity Split		
Passive	40%	40%
Active	60%	60%

1.5 The proposal does not vary significantly from the current asset allocation but should produce a slightly higher funding level. The problem in recent years has not been the asset allocation but rather tightly drawn and restrictive investment mandates and benchmarks. It is proposed to set global equity benchmarks for these new equity mandates.

1.6 It is proposed that re-procurement should take place in the following tranches:

- a) Dedicated Growth Funds
- b) Active Equities
- c) Passive Equities
- d) Fixed Interest
- e) Property (if required)

- 1.6.1 As the independent adviser makes clear in his report (attached as an appendix), a major aspect of seeking new mandates is to simplify the structure of funds under management and change the benchmarks with the intention of improving returns on the investments.
- 1.6.2 Once DGF and fixed interest have been re-procured the next stage will be fixed interest.

2. ADVICE OF THE HEAD OF COMMERCIAL SERVICES

- 2.1 Discussion is ongoing about which of the procurements detailed above would be caught fully by the EU rules and hence require a full tendering process in Europe, However in any event, the Council's constitution would require something essentially as rigorous for this scale and profile of contract.
- 2.2 Internal procurement resources can manage the procurement process itself, but investment consultants will be required to assist with the evaluation of technical aspects of the bids received. A tender process will be required whereby these consultants are appointed by the Director of Corporate services.

3 LONDON COLLECTIVE INVESTMENT VEHICLE (CIV)

- 3.1 An alternative to undertaking an independent formal procurement would be to use the CIV. It is anticipated that this will be in place and actively taking investments in the second half of the financial year. It will initially be accepting active and passive equity investment but not DGF. The timescale involved with using this for equities would not be significantly different from pursuing an independent procurement. (see appendix 2)
- 3.2 It would be sensible to review the emerging terms available from the CIV before committing to formal independent tenders. However, action should be taken now to procure the DGF via an OJEU process.

4. CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1 N/A

5. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 5.1 The investment strategy chosen will affect the return on the fund, its actuarial valuation and the cost to the council.
- 5.2 There will be a one off cost in procuring investment consultants to support the procurement process, estimated to be under £100k . This will be charged to the pension fund
- 5.3 The ongoing fees of a DGF, at c.7 basis points, are somewhat higher than the fees for managing equities. The rationale for making this type of investment is that it does not have the same cycle of returns as equities.

6. LEGAL AND STATUTORY IMPLICATIONS

6.1 Contracts resulting from the proposal chosen will have legal implications for the Fund. Whichever procurement route is followed and whether or not any of the procurements fall within the EU regulations, or not, there is still the need to demonstrate fairness and transparency. There will also be a need for Legal input in drafting or approving contract terms and conditions. If use of a framework is pursued, then there is likely to be an Access Agreement required, which will also necessitate Legal input.
Legal comments on framework and if EU requirements to follow.

7. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

7.1 N/A

8. CRIME AND DISORDER IMPLICATIONS

8.1 N/A

9. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

9.1 The use of the CIV would enable a quicker, simpler process, but any delays in their ability to take investments could impinge on our ability to have the new allocations and fund managers in place by the end of the financial year.

10. APPENDICES

1 Report of Investment Adviser

2 Timeline for procurement under EU and using CIV

11. BACKGROUND PAPERS

11.1 Report to December meeting

Committee: Pension Fund Advisory Committee

Date: 17 March 2015

Agenda item:

Wards: All

Subject: Annual Review of Investment Managers and Custodian Statement of Internal Control

Lead officer: Caroline Holland Director of Corporate Services

Lead member: Councillor Imran Uddin

Forward Plan reference number: N/A

Contact office: Paul Dale

This report is a public document

Recommendations:

1. Members are recommended to note this report.
2. The review of fund managers' SAS 70 /FRAG 21 reports provides assurance to the Pension Fund (Members and Trustees) that fund managers have adequate controls and safeguards in place for managing the Fund assets. It is appropriate for the committee and Fund members to be kept abreast of any risks identified through this process and the likely impact of such risks to the Fund.
3. It is a statutory requirement that the Pension Fund administrators review the controls and safeguards in place for managing the Fund assets and report the outcome of the review to the Trustees and Members of the Fund.

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report provides an update on the internal audit control review of the Pension Funds Custody and Investment arrangements.
The SAS 70 standard was replaced by new accounting standard Statement on Standards for Attestation Engagements No. 16 (SSAE 16) and its global counterparty, International Standards for Assurance Engagements No. 3402 (ISAE 3402). The Standard requires that a report be produced on the controls over the processing of transactions and safekeeping of assets for global securities and custody clients.
- 1.2 SAS 70 is an auditing standard designed to enable an independent auditor to evaluate and issue an opinion on a service organization's controls.
Each fund manager is required to submit to the Council an audited Statement of Auditing Standards No. 70 (SAS 70). All the SAS 70 reports have been audited and approved by independent auditors. Officers have also reviewed these reports and are satisfied that the internal controls that are in place are satisfactory.
The Panel is charged under the Council's constitution with the duty to consider pension matters and meet the obligations and the duties of the Council under the Superannuation Act 1972, and the various statutory requirements in respect of investment matters.
Under the principals of good governance Members need to satisfy themselves that appropriate checks and balances are built into the pension administration system to demonstrate that it is adequate and effective.

This report is demonstrating one of those checks and balances as it reviews the internal control measures of the fund managers.

1.2 Fund Managers

The London Borough of Merton Pension Fund has three Fund managers – Aberdeen Asset Management, UBS and BlackRock.

1.3 Aberdeen

The Aberdeen internal control report provided covers the period 1st July 2013 to 30th June 2014. The report includes a description of Aberdeen's investment management services, prepared by the company and reviewed by Aberdeen's external auditor, PricewaterhouseCoopers LLP (PWC).

PWC also evaluated the design suitability and effectiveness of Aberdeen's internal controls including: the process for accepting new clients; authorizing and processing transactions; maintaining financial and other records, cash management; safeguarding assets; monitoring compliance and reporting to clients.

There were three exceptions noted:

- 1) Secondary review of proxy votes (1 out of 25 not signed);
- 2) Independent fire inspection at data centers (untimely);
- 3) Secondary review of bank reconciliations (1 out of 20 not signed).

The response of Aberdeen management can be found in Section VIII of the report. They indicate that where exceptions are found, management was either aware of the issue and/or have intention of ensuring that these (apparent) exception are mitigated in the future.

The overall audit opinion was that in all material respects, the controls are suitably designed and operated effectively throughout the period to provide reasonable assurance that the specified control objectives were achieved. There is no direct impact on the Merton Fund.

1.4 UBS

The UBS internal control report covering the period 1 January 2014 to 31 December 2014 is to be published at the end of March 2015. Officers will report on the UBS internal controls in June 2015. It should be noted that the March 2014 report prepared by the managers auditors Ernst & Young had eight exceptions some of which have been noted below.

The external auditor Ernst & Young examined the procedures and controls, relating to: account set up, processing transactions, maintaining financial and other records, monitoring compliance, reporting to clients, global real estate, application change management, logical access management and IT operations.

There were eight exceptions noted:

- 1) For one out of eight samples, an element of the checklist in relation to bank reconciliations was not completed. Management confirms that all process had

been completed and evidence to confirm this was provided to E&Y. The team has been informed that additional diligence is required around the manual completion of the checklist, to ensure going forward all elements will be completed.

- 2) For one out of six NAV samples, the NAV per the fund investor report differed from the final approved NAV presented in the Valuations Committee. Management confirms that the relevant procedures have been updated to ensure the correct NAV is used going forward.

Ernst & Young's overall conclusion was that, in all material aspects, the controls were reasonably designed to be able to provide assurance that the controls objectives were met. There was no direct impact on the Merton Fund.

A summary of the Internal Control report relating to 1st January 2013 to 31st December 2014 will be presented to Committee at the next Pension Fund Advisory Committee Meeting in June.

1.5 BLACKROCK

Internal control report received was for the period 1st Oct 2013 to 30st September 2014. The report includes a description of the systems relating to the asset management, record keeping and reporting services for assets managed by BlackRock, Inc, which was prepared by the company and reviewed by the external auditor Deloitte & Touche LLP.

The areas of controls tested include: portfolio onboarding and maintenance, transaction processing, corporate action, cash management, economy and market data, portfolio compliance, reconciliations, performance measurement, client reporting, securities lending, outsourced arrangements and oversight, risk analytics model validation and IT controls.

There were two exceptions noted:

- 1) 1 out of 25 benchmark and investment guideline modifications was not monitored for timely processing. Management response admits to manual oversight whereby the system request to update did not flow through the appropriate channels. Management rectified this particular modification – however, we may require further confirmation that the channel of communication is now open and no further exceptions are to be expected. It should be noted that this does not have a direct impact on the Merton Pension Fund.
- 2) 1 of 3556 new hires, transfers and terminations were not sent timely by HR to corporate groups. 6 of 118 individuals noted that HR-act notifications were not sent timely. Both resulted in enterprise access not being revoked timely. Management response was that the importance of timely notification was emphasized to Management throughout the firm, HR is now tracking timeliness of terminations processing through key metrics, including cases of non-compliance which is reported to Senior Management on a periodic basis. This has no impact on the Merton Fund.

The external auditor, Deloitte & Touche LLP, considered that in all material respects, the controls were suitably designed to provide reasonable assurance that it would, if operated effectively, achieve the control objectives.

2.0 Custody

The Fund currently has a number of direct and indirect arrangements with a number of custodians – JPMorgan Chase (direct arrangement), State Street Bank (indirect custody arrangement) and Nova

The report usually describes internal controls on custody and related securities processing for its clients. It however does not cover all aspects of services provided. It is also industry practice for some custodians to outsource some of their activities.

2.1 JP Morgan Chase

JP Morgan provided the Global Custody report for the period 1st October 2013 to 30th September 2014. In the report, the external auditor, PricewaterhouseCoopers LLP (PWC), examines the controls relating to maintenance of client data, security reference file records, authentication, recording & settlement of transactions, cash availability, and security of assets, sub custodians, corporate action and investment income, amongst others.

There are no significant concerns raised. However, one exception is noted relating to U.S. voluntary corporate actions, where one discrepancy was not identified before the processing deadline, out of a sample of 25 corporate actions. The report does not contain a management response to this exception.

The auditor concluded that the controls over the processing of transactions for clients using the global custody operations were suitably designed, and implemented with sufficient effectiveness to provide reasonable assurance that the control objectives were achieved during the period.

2.2 State Street Bank

Internal control report provided related to the period 1st Oct 2013 to 30th September 2014. Ernest & Young LLP, their external auditors, examined the descriptions of controls related to accounting, custody, securities lending and financial reporting controls applicable to State Street's custody function around the world.

The control objectives and controls tested relate to account set up, transaction processing, sub-custodian monitoring, income and corporate action, portfolio accounting, fund administration and securities finance.

Sixteen deviations were noted however they do not have a direct impact on the Merton Fund. Some of these have been summarised below;

1. For 1 of 58 manually loaded trades into OTC Hub, evidence of review could not be provided. Management acknowledged this but confirmed that the trade had been input accurately.

2. For 2 of 23 samples of reconciliations between MCH and Investment Manager documentation, reconciliations were not performed for a period greater than one month. Management confirmed that for the two samples, the reconciliations have been updated and are now current.
3. For 7 of 32 income accruals report selected for testing in the UK, evidence of accurate review of out of tolerance income accruals could not be provided. Management has reviewed these income accruals and confirms that they were calculated accurately.
4. For 2 of 40 Cash Sweep set-ups or modifications selected for testing, the funds were not set up in accordance with client/investment manager instructions. Management notes that for one fund, the default sweep vehicle was modified without client authorisation and for a period of 5 days, cash was swept into an investment sweep vehicle that had not been authorized by the client. During the routine review of the cash receipts, the issue was identified and the authorised investment sweep vehicle was reinstated. For the second fund, the sweep vehicle selected has been updated in the Cash Sweep application.
5. For 1 of 40 samples selected for sample in Australia, evidence of review of a reconciliation of capital stock activity was not available. Management notes that the reconciliation of capital stock activity was prepared accurately and timely and discrepancies were researched and resolved with the transfer agent or other designated record keeper.
6. For 1 of 40 expense accruals selected for testing in Germany, evidence of review of the manually posted expense accrual could not be provided. Management notes upon review that the expense accrual was accurately posted to MCH.
7. For 3 of 75 Holdings Appraisals and/or Fair Value Summary Reports selected for testing in the U.S., there was no evidence of secondary review. Management notes that these 3 Holdings Appraisals and/or Fair Value Summary Reports related to 1 Portfolio Administration Group and management has confirmed that the Holdings Appraisals and/or Fair Value Summary Reports were prepared accurately.
8. For 1 of 50 samples of cash collateral investment activity selected for testing, supporting documentation for 1 component of 1 of the balances was not included in the reconciliation packet. Management notes that this is a daily control; any exceptions would be identified in next day's reconciliation.

In all the cases mentioned, management has confirmed that the requirement to meet the control objective has been/will be reinforced with the relevant personnel.

Despite the exceptions found, Ernst & Young considered that, in all material respects, the controls were suitably designed and, if operating effectively, were those necessary to provide reasonable assurance that the control objectives were achieved.

- 4. CONCLUSION**
- 4.1 That members note the fact that none of the Fund managers or Custodian had significant issues raised by their external auditors when internal controls were reviewed. Copies of internal control reports are available on request.
- 5 CONSULTATION UNDERTAKEN OR PROPOSED**
- 5.1. N/A
- 6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**
- 6.1. All relevant implications are included in the report.
- 7 LEGAL AND STATUTORY IMPLICATIONS**
- 7.1. All relevant implications are included in the report.
- 8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**
- 8.1. N/A
- 9 CRIME AND DISORDER IMPLICATIONS**
- 9.1. N/A
- 10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**
- 10.1. The review of the SAS 70 /FRAG 21 internal control reports of third parties that manage Pension Fund assets ensures that fund managers are able to demonstrate that they are properly managing pension fund assets as stewards of the Fund and are following procedures that do not expose fund assets to any undue risks. Pension Fund assets could be exposed to undue risk where SAS 70 reports are not in place or adequate internal controls and safeguard measures are lacking in the management of Fund assets.
- 11 APPENDICES**
- 11.1 N/A
- 12 BACKGROUND PAPERS**
- 12.1. Investment Manager and Custodian Internal Control Reports

Committee: Pension Fund Advisory Committee

Date: 17 March 2015

Agenda item: 7

Wards: All

Subject: Pension Fund Membership Monitoring 31 December 2014 and Fund Update

Lead officer: Caroline Holland Director of Corporate Services

Lead member: Councillor Imran Uddin

Forward Plan reference number: N/A

Contact office: Paul Dale

This report is a public document

Recommendations:

1. Note and comment on the report; and
 2. Note the key changes in membership since the last report.
-

PURPOSE OF REPORT AND EXECUTIVE SUMMARY

This report includes details of London Borough of Merton Pension Fund scheme membership for the quarter ending 31 December 2014, financial years 2007/08 to 2013/14 actual membership numbers as well as 2014/15 and 2015/16 forecast positions. The report is intended to provide trend on the scheme membership of the Fund with a view to provide a basis for membership increase drive.

SCHEME MEMBERSHIP

At the end of December 2014, total membership of the fund was 11,442

The table below shows the breakdown of membership by employers in the Fund.

Category	Sept 2014	Dec 2014	Variance
Actives			
• Administering Authority	3,310	3,426	116
• Scheduled Bodies	197	200	3
• Admitted Bodies	91	89	-2
	3,598	3,715	117
Pensioners & Dependants			
• Administering Authority	3,225	3,227	2
• Scheduled Bodies	147	147	0
• Admitted Bodies	94	96	2
	3,466	3,470	4
Deferred			
• Administering Authority	3,191	3,098	-93

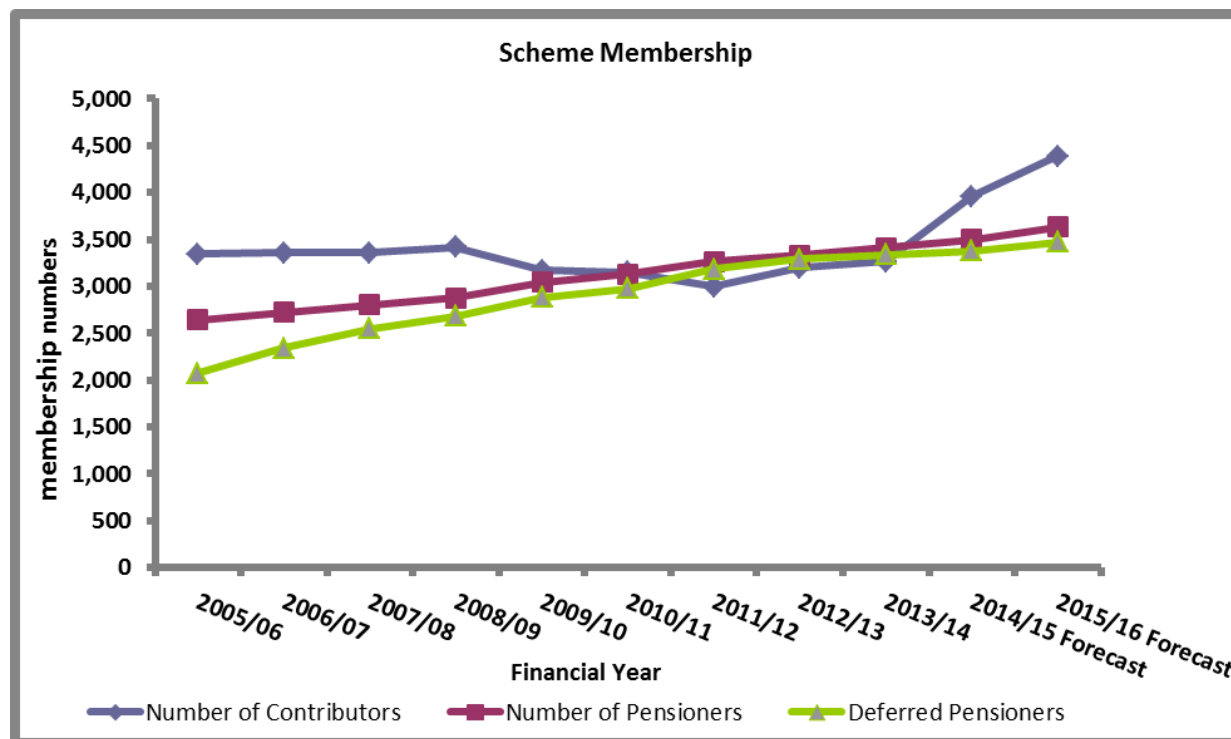
<ul style="list-style-type: none"> • Scheduled Bodies • Admitted Bodies 	148 98 3347	152 98 3348	4 0 89
Undecided			
<ul style="list-style-type: none"> • Administering Authority • Scheduled Bodies • Admitted Bodies 	246 42 12 300	357 42 12 411	111 0 0 111
Frozen			
<ul style="list-style-type: none"> • Administering Authority • Scheduled Bodies • Admitted Bodies 	461 32 5 498	462 31 5 498	1 -1 0 0
Total Whole Fund	11,209	11,442	143

The table below shows the membership breakdown between active contributors, pensioners and deferred members since 2007/08 to date. It is anticipated that the active membership of the Fund will continue to increase slightly due to the effect of new employees automatically being enrolled in the fund as a result of auto-enrolment and the assumption that the council as the major employer in the Fund does not have planned large scale redundancies.

Membership Numbers	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15 Forecast	2015/16 Forecast
Number of Contributors	3,355	3,415	3,168	3,147	3,055	3,196	3,265	3,960	4,390
Number of Pensioners	2,799	2,879	3,040	3,132	3,260	3,330	3,408	3,498	3,630
Deferred Pensioners	2,548	2,679	2,885	2,973	3,193	3,293	3,344	3,380	3,470
Total	8,702	8,973	9,093	9,252	9,508	9,819	10,017	10,838	11,490

Data above excludes undecided and frozen members

Graphical representation of the Pension Fund Scheme membership actuals and 2014/15 forecast at 31 December 2014.



KEY SCHEME MEMBERSHIP UPDATES

There are no large bulk transfers in and out of the Fund during the quarter.

Employers Update

Catch 22 Charity Limited to join the Fund in April 2015 as Admitted Body.

CONSULTATION UNDERTAKEN OR PROPOSED

N/A

FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

This paper address the membership of the fund without detail on the financial implications of the impact of changes in pension deficit or benefits paid.

LEGAL AND STATUTORY IMPLICATIONS

All relevant implications are included in the report.

HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

This report has not direct human rights, equalities and community cohesion implications

CRIME AND DISORDER IMPLICATIONS

This report has no crime and disorder implications

RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

N/A

APPENDICES

There are no appendices to this report

Committee: Pension Fund Advisory Committee

Date: 17 March 2015

Agenda item:

Wards: All

Subject: London Collective Investment Vehicle (CIV)

Lead officer: Caroline Holland Director of Corporate Services

Lead member: Councillor Imran Uddin

Forward Plan reference number: N/A

Contact office: Paul Dale

Appendix A to this report is a private document

Recommendations:

Note the progress of the London CIV Implementation (Appendix A)

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 To report the progress of the London Collective Investment Vehicle (CIV).

In March 2014, the Committee was presented with a detailed paper on the CIV after which the Committee agreed to recommend to Council that the London Borough of Merton should agree to become a shareholder in a private company limited by shares which will be incorporated to be the Authorised Contractual Scheme Operator (“the ACS Operator”) of the Collective Investment Vehicle,

The Council also agreed to the recommendation to delegate to the Chair of PFAC authority to act for the Council in exercising its rights as a shareholder if the ACS Operator and for an authorised Member of the Pension Fund Advisory Committee to act in their absence

- 1.2 It was noted that further financial commitments above the monies originally estimated would be considered by this Committee and a recommendation made to the appropriate decision making body

2. **APPENDIX A** to this report is the progress report considered at the recent Leader’s meeting.

3. CONSULTATION UNDERTAKEN OR PROPOSED

- 3.1 N/A

4. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 4.1 All relevant implications are included in the report.

5. LEGAL AND STATUTORY IMPLICATIONS

5.1 All relevant implications are included in the report.

6. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

6.1 N/A

7. CRIME AND DISORDER IMPLICATIONS

7.1 N/A

8. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

8.1 N/A

9. APPENDICES

9.1 N/A

10. THERE ARE NO BACKGROUND PAPERS E RBACKGROUND PAPERS

10.1 n/a

.