

Pensions CIV Sectoral Joint Committee AGM Agenda

12 July 2017 3:30 – 4:30
(or on the close of the London CIV AGM)

Conference Suite (1st Floor)
At London Councils offices, 59½ Southwark St., London SE1 0AL
Refreshments will be provided
London Councils offices are wheelchair accessible

Labour Group pre-meeting: Room 4 (1st Floor) 2:00 pm
(Political Adviser: 07977 401955)

Conservative Group pre-meeting: Room 5 (1st Floor) 2:00 pm
(Political Adviser: 07903 492195)

Contact Officer: Alan Edwards

Telephone and email: 020 7934 9911 Alan.e@londoncouncils.gov.uk

Lunch will be provided in Room 1 at 1:15

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***Declarations of Interests**

If you are present at a meeting of London Councils' or any of its associated joint committees or their sub-committees and you have a disclosable pecuniary interest* relating to any business that is or will be considered at the meeting you must not:

- participate in any discussion of the business at the meeting, or if you become aware of your disclosable pecuniary interest during the meeting, participate further in any discussion of the business, or
- participate in any vote taken on the matter at the meeting.

These prohibitions apply to any form of participation, including speaking as a member of the public.

It is a matter for each member to decide whether they should leave the room while an item that they have an interest in is being discussed. In arriving at a decision as to whether to leave the room they may wish to have regard to their home authority's code of conduct and/or the Seven (Nolan) Principles of Public Life.

*as defined by the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012

The Pensions CIV Sectoral Joint Committee will be invited by the Chair to agree to the removal of the press and public since the following items of business are closed to the public pursuant to Part 5 and Schedule 12A of the Local Government Act 1972 (as amended):

Paragraph 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information), it being considered that the public interest in maintaining the exemption outweighs the public interest in disclosing it.

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PENSIONS CIV JOINT COMMITTEE – 12th July 2017

Confirmed dates and nominations to Pensions CIV Sectoral Joint Committee for 2017/18

1. Dates for 2017/18

10:30 - 12:30

2017

12 July 2017 – AGM (3:30pm)

13 September 2017

11 December 2017

2018

7 February 2018

11 April 2018

13 June 2018 (AGM)

12 September 2018

13 December 2018

2. Member Nominations

PENSIONS

Borough	Rep	Party	Deputy 1	
Barking & Dagenham	Dominic Twomey	Lab	Faraaz Shaukat	Lab
Barnet	Mark Shooter	Con	John Marshall	Con
Bexley	Louie French	Con		Con
Brent	Shafique Choudhary	Lab	George Crane	Lab
Bromley	Keith Onslow	Con	Russell Mellor	Con
Camden	Rishi Madlani	Lab	Theo Blackwell	Lab
Croydon	Simon Hall	Lab	John Wentworth	Lab
Ealing	Yvonne Johnson	Lab		
Enfield	Toby Simon	Lab	Derek Levy	Lab
Greenwich	Don Austen	Lab	Peter Brooks	Lab
Hackney	Robert Chapman	Lab	Geoff Taylor	Lab
Havering	John Crowder	Con	Clarence Barrett	Ind
Hammersmith & Fulham	Iain Cassidy	Lab	Mike Adam	Lab
Haringey	Clare Bull	Lab	John Bevan	Lab
Harrow	Nitin Parekh	Lab		
Havering	John Crowder	Con	Clarence Barrett	Ind
Hillingdon	Philip Corthorne	Con	Mike Markham	Con
Hounslow	Mukesh Malhotra	Lab	Shantanu Rajawat	Lab
Islington	Richard Greening	Lab	Andy Hull	Lab
Kensington & Chelsea	Malcolm Spalding	Con		
Kingston upon Thames	Andrew Day	Con	Rowena Bass	Con
Lambeth	Iain Simpson	Lab	Adrian Garden	Lab
Lewisham	Mark Ingleby	Lab		
Merton	Philip Jones	Lab	Mark Allison	Lab
Newham	Forhad Hussain	Lab	Ted Sparrowhawk	Lab

Item 5 – Note of the Pensions CIV Membership and Dates

Redbridge	Elaine Norman	Lab	Ross Hatfull	Lab
Richmond upon Thames	Thomas O'Malley	Con	Benedict Dias	Con
Southwark	Fiona Colley	Lab		
Sutton	Sunita Gordon	LD	Simon Wales	LD
Tower Hamlets	Clare Harrisson	Lab	Andrew Cregan	Lab
Waltham Forest	Peter Barnett	Lab		
Wandsworth	Maurice Heaster	Con	Guy Senior	Con
Westminster	Suhail Rahuja	Con	Tim Mitchell	Con
City of London	Mark Boleat	Ind	Andrew MCMurtrie	Ind

Pensions CIV Sectoral Joint Committee Annual General Meeting 14 June 2016

AGM Minutes of a meeting of the Pensions CIV Sectoral Joint Committee held on Tuesday 14 June 2016 at 10:30am in the Conference Suite, London Councils, 59½ Southwark Street, London SE1 0AL

Present:

City of London	Mark Boleat (Chair)
Barking and Dagenham	-
Barnet	-
Bexley	Cllr Louie French
Brent	Cllr Sharfique Choudhary
Camden	Cllr James Yarde (new Deputy)
Croydon	Cllr Simon Hall
Ealing	Cllr Yvonne Johnson
Enfield	Cllr Derek Levy (Deputy)
Greenwich	-
Hackney	Cllr Roger Chapman
Hammersmith and Fulham	Cllr Iain Cassidy
Haringey	Cllr John Bevan (Deputy)
Havering	Cllr John Crowder
Harrow	Cllr Nitin Parekh
Hillingdon	Cllr Philip Corthorne
Hounslow	Cllr Mukesh Malhotra
Islington	Cllr Richard Greening
Kensington and Chelsea	-
Kingston Upon Thames	Cllr Eric Humphrey
Lambeth	-
Lewisham	Cllr Mark Ingleby
Merton	Cllr Imran Uddin
Newham	Cllr Forhad Hussain
Redbridge	Cllr Elaine Norman
Richmond Upon Thames	Cllr Thomas O'Malley
Southwark	Cllr Fiona Colley
Sutton	Cllr Sunita Gorden
Tower Hamlets	Cllr Clare Harrisson
Waltham Forest	Cllr Simon Miller
Wandsworth	Cllr Maurice Heaster
City of Westminster	-

Apologies:

Barnet	Cllr Mark Shooter
Camden	Cllr Rishi Madlani
Enfield	Cllr Toby Simon
Greenwich	Cllr Don Austen
Haringey	Cllr Clare Bull
Kensington & Chelsea	Cllr Quentin Marshall
Lambeth	Cllr Iain Simpson

Officers of London Councils were in attendance as were the Board of Directors of the London LGPS CIV Ltd (Lord Bob Kerslake, Hugh Grover, Chris Bilsland, Carolan Dobson, Eric MacKay, Julian Pendock and Brian Lee)

1. Announcement of Deputies

- 1.1. Apologies for absence and deputies were listed above.

2. Declarations of Interest

- 2.1. There were no declarations of interest that were of relevance to this meeting.

3. Election of the Chair of the Pensions CIV Sectoral Joint Committee

- 3.1. Councillor Yvonne Johnson nominated Mark Boleat to be Chair of the Pensions CIV Sectoral Joint Committee. Councillor Maurice Heaster seconded the nomination. Mark Boleat was elected as Chair of the Pensions Sectoral Joint Committee.

4. Election of the Vice Chairs of the Pensions CIV Sectoral Joint Committee

- 4.1. Councillor Yvonne Johnson and Councillor Maurice Heaster were nominated by Councillor Robert Chapman to be the vice chairs of the Pensions CIV Sectoral Joint Committee. This was seconded by Councillor Sunita Gordon. Councillor Yvonne Johnson and Councillor Maurice Heaster were duly elected as the vice chairs of the Pensions CIV Sectoral Joint Committee.

5. Note of the Membership of the Pensions CIV Sectoral Joint Committee

- 5.1. The membership of the Pensions CIV Sectoral Joint Committee was noted, including the new deputy for LB Camden, Councillor James Yarde, who had replaced Councillor Theo Blackwell
- 5.2. **It was agreed** that the Pensions CIV Sectoral Committee dates would be sent electronically to members' calendars

6. Minutes of the Pensions CIV Sectoral Joint Committee AGM held on 21 July 2015

- 6.1. Minutes of the Pensions CIV Sectoral Joint Committee AGM held on July 2015 were noted, as they had previously been agreed.

7. Minutes of the Pensions CIV Sectoral Joint Committee held on 10 February 2016

- 7.1. The minutes were agreed.

8. Constitutional Matters

- 8.1. The Constitutional matters were noted.

9. London CIV Implementation Programme Closure Report

- 9.1. The report was noted.

10. Annual Report from the Investment Advisory Committee

- 10.1. Councillor Johnson asked whether a paper would be forthcoming on social and environmental investment policy.

10.2. Councillor Ingleby asked whether the Board could send members these reports more frequently

10.3. Subject to the above comments being taken on board, the report was noted.

11. Responsible Investing Policy

11.1. The following issues were raised in discussion:

- Councillor Heaster asked for details of what happened regarding the failure to vote at the WPP AGM in line with the LAPFF recommendation.
- In response the CEO confirmed that he would be meeting Allianz Global Investors shortly to look into the details of the decision they took. The CEO said that efforts had been made for London CIV to become members of the LAPFF. However, as noted in the report, the LAPFF needs to change its constitution before this can happen. As a result London CIV was not on the LAPFF alert system at the time of the WPP vote. Following discussion with the LAPFF London CIV will now be receiving voting alerts as a courtesy ahead of becoming a full member. Internal systems and processes had also been reviewed to ensure that a similar situation does not arise again in the future.
- Councillor Greening said that he was a member of the LAPFF Executive and was keen for the CIV to become involved with the organisation, which was based on pension fund membership and not investment pool membership. He said that he would take back the issue of communications with the CIV to the LAPFF. He also noted that the issue regarding Allianz demonstrated the need for a greater level of involvement with CIV Joint Committee members.
- Councillor Malhotra said that the CIV needed to consider having an engagement position to look after borough interests with LAPFF.
- Councillor Johnson noted that she had some names to put forward for membership of the proposed Stewardship and Voting Sub-group which she would send to the CEO. Councillor Heaster confirmed that he also would be forwarding names.

11.2. The Committee:

- (i) Noted the contents of the report; and
- (ii) Agreed to the formation of a sub-group to consider and report back on the issue of stewardship and voting.

The meeting closed at 11.55pm

Pensions CIV Sectoral Joint Committee (PSJC)

12 April 2017

Minutes of a meeting of the Pensions CIV Sectoral Joint Committee held on Wednesday 12 April 2017 at 10:30am in the Conference Suite, London Councils, 59½ Southwark Street, London SE1 0AL

Present:

City of London	Mark Boleat (Chair)
Barking and Dagenham	-
Barnet	-
Bexley	Cllr Louie French
Brent	Cllr Sharfique Choudhary
Bromley	Cllr Keith Onslow (Deputy)
Camden	Cllr James Yarde (Deputy)
Croydon	Cllr John Wentworth (Deputy)
Ealing	-
Enfield	Cllr Derek Levy (Deputy)
Greenwich	-
Hackney	Cllr Robert Chapman
Hammersmith and Fulham	-
Haringey	Cllr John Bevan (Deputy)
Havering	-
Harrow	Cllr Nitin Parekh
Hillingdon	Cllr Philip Corthorne
Hounslow	-
Islington	Cllr Richard Greening
Kensington and Chelsea	-
Kingston Upon Thames	Cllr Eric Humphrey
Lambeth	Cllr Iain Simpson
Lewisham	Cllr Mark Ingleby
Merton	-
Newham	Cllr Forhad Hussain
Redbridge	Cllr Elaine Norman
Richmond Upon Thames	-
Southwark	-
Sutton	Cllr Sunita Gordan
Tower Hamlets	Cllr Clare Harrison
Waltham Forest	Cllr Simon Miller
Wandsworth	Cllr Maurice Heaster
City of Westminster	-

Apologies:

Barnet	Cllr Mark Shooter
Bromley	Cllr Teresa Te
Camden	Cllr Rishi Madlani
Croydon	Cllr Simon Hall
Ealing	Cllr Yvonne Johnson
Enfield	Cllr Toby Simon
Haringey	Cllr Clare Bull
Havering	Cllr John Crowder
Hounslow	Cllr Mukesh Maholtra
Kensington & Chelsea	Cllr Quentin Marshall
Merton	Cllr Imran Uddin
Southwark	Cllr Fiona Colley
City of Westminster	Cllr Suhail Rahuja

Officers of London Councils were in attendance as were Hugh Grover (CEO, London CIV), Brian Lee (COO, London CIV), and Jill Davys (Client Relations Director, London CIV).

1. Announcement of Deputies

- 1.1. Apologies for absence and deputies were as listed above.

2. Declarations of Interest

- 2.1. There were no declarations of interest that were of relevance to this meeting.

3. Minutes of the PSJC meeting held on 8 February 2017

- 3.1. Councillor Heaster asked if an update could be given by the Board on the recruitment of staff (page 2, Paragraphs 4.2 to 4.4 in the minutes). He said that there were concerns that elements of work were falling behind which could impact on delivery of the overall business plan, particularly opening sub-funds. The CEO confirmed that 6 roles were in the process of being recruited and a recruitment consultant was carrying out 1st interviews. The roles should be in post by the end of the current quarter. Maurice Heaster asked if the recruitment process could be undertaken in good time. The CEO confirmed that this was being carried out now.
- 3.2. Councillor Simpson asked when a detailed definition of “infrastructure” and a timetable would be made available to members. The CEO said that Julian Pendock (Chief Investment Officer, London CIV) was unable to attend the meeting, but a note on infrastructure would be sent to members shortly. Members and officers would attend the infrastructure seminar.
- 3.3. The minutes of the PSJC meeting held on 8 February 2017 were agreed.

4. National Pooling Update, the Scheme Advisory Board (SAB) and MiFID II (Jeff Houston, LGA Head of Pensions and SAB Secretary)

- 4.1. Mr Houston (LGA Head of Pensions and SAB) introduced the report. The following comments were made and questions asked:

(i) Asset Pooling

There were 8 pools and the London CIV was the first pools to go live. Transition of assets for other pools was due to commence from April 2018 onwards. Overall the estimated level of fee savings stood at £200m per annum. Concerns had been voiced over timescales and pressure from government on infrastructure investment. Although the current administration appeared more focussed on housing. The Chair noted that there were problems with housing supply, especially in London. Mr Houston said that it was down to the pools to decide how to approach infrastructure.

(ii) Investment Fee Transparency

There was a voluntary code of transparency for asset managers being launched by the Scheme Advisory Board (SAB), including a standard template, which managers would complete and provide to their clients. The fee transparency would include marketing, advertising costs etc. The template

could be found on the SAB website. Councillor Chapman asked whether the Code was fully voluntary. Mr Houston confirmed that it was, but those who signed up to the Code would be placed on the SAB website and could use the new Kite-mark Standard for Asset Management Services. Managers holding some 60% of LGPS assets had signed up to the Code.

(iii) MiFID II

Local authorities would be reclassified from professional to retail investors from 1st January 2018. This would significantly reduce the firms, asset classes and vehicles available to local authorities. Asset managers have informed the FCA that the proposed 'opt-up' process would not work. For clarity Mr Houston noted that under LGPS pooling arrangements, the local authorities would be the clients of LCIV and LCIV would be the clients of the Investment Managers.

Mr Houston said that the CIV would have to opt up each local authority. The opt-up test, as currently proposed, assumed that an individual was the client to be assessed. However, it had been explained to the FCA that the LGPS does not operate on the basis of individual decision making, it was a collective. On 11 May 2017, the FCA Board would meet to make a final decision about the form of the opt-up regime. Following a number of meetings between the LGA and LGPS colleagues with the FCA it was hoped that a more workable regime would be adopted.

Councillor Greening said that changes to FCA regulations were needed, especially with regards to exiting from private equities. The Chair said that he had raised various issues with the FCA's CEO, who said that the main problem lay with MiFID II (EU directives) and not the FCA. The FCA were willing to do something about these issues, however, a great deal of time was currently being taken up by Brexit matters.

Mr Houston said that meetings were being set-up to agree a template of opt-up information that would be needed by Investment Managers and that it was hoped to commence the opt-up process from June 2017 to be ready for the 1 January 2018 implementation of the regulations.

Councillor John Bevan asked for an update on the issue of academies. Mr Houston said that ministers would be looking at dealing with the guidance, regulations in the LGPS and options outside of the scheme. The preferred option would be regulations in the scheme. It was essential that liabilities of academies did not fall back on local authorities. The Chair thanked Mr Houston for coming to discuss these issues with Committee.

4.2. The Committee noted the report.

5. Fund Development Update

5.1. Brian Lee (Chief Operating Officer, London CIV), introduced the report and made the following comments:

- The timeline for fund launches could be found on pages 17 and 18 of the report.

- The various phases to open funds were explained on page 17 of the report, starting from: a “borough needs assessment”, procurement, product development, legal/fund documents, FCA approval and finally the fund launch itself.
 - The “fund launch pipeline status” (ie where we were now) could be found in the table on page 18 of the report. This included a “RAG” status to indicate whether the fund launches were on target.
 - “Longview Globe Equity” was being pushed down slightly because “Henderson EM” was being brought forward.
 - The other funds “EPOCH” and “RBC Sustainable” would be launched in September 2017, and were all on target. “Global Equities: Phase 2” would be launched in December 2017 and “Fixed Income” in March 2018, as agreed in the 2017/18 business plan.
- 5.2. Councillor Heaster said that the remaining funds were relatively small in comparison to the first two funds. He said that the first three funds on the table all appeared to have slipped timewise and he presumed that this was owing to resource implications. Councillor Heaster asked whether this would have any implications for other schemes in the future. Mr Lee said that he was confident that the targets in the table would be met, and therefore this would not impact on the fund launch timescales.
- 5.3. Councillor Corthorne asked whether there should be concern at the speed of fixed income products coming onto the platform. He also mentioned risk return targets when considering low carbon approaches in investments.
- 5.4. The CEO noted that approximately £5.5b should be in the CIV by the end of July 2017 (approximately 18% of the total £30b overall). Councillor Simpson said that it would be beneficial to have a road map and to achieve a level of £15b as soon as possible. The CEO confirmed that a road map was set out in the Business Plan. He said that there would be changes – for example, demand seemed to be growing for fixed income products and the plan was being revisited to see if it would be possible to open the first FI products earlier..
- 5.5. The CEO said that the Henderson fund was being launched earlier, which was very positive. It was hoped that the pipeline would “speed-up” partly as a result of more resources coming on board shortly.
- 5.6. Jill Davies (Client Relations Director) said that the London CIV would be looking at options for low carbon funds, although it was for local authorities to make decisions on how they allocated their assets.
- 5.7. The Committee noted the report.

6. Investment Advisory Committee Update

- 6.1. The CEO said that Ian Williams (Chair of Investment Advisory Committee, London CIV) was unable to attend the meeting. Councillor Heaster asked if a deputy would be able to attend in the future. The CEO said that he would pass this request back to Mr Williams.
- 6.2. The Committee noted the report.

7. Finance Report and Benefits

- 7.1. Brian Lee (Chief Operating Officer, London CIV) introduced the report, which updated the forecast of the London CIV to March 2017. Assets look set to reach £5.1billion by March 2018 and were on target.
- 7.2. Councillor Heaster noted that “Longview” was due to launch in Q2 of 2017, and not Q1 as stated in the report (paragraph 5).
- 7.3. Councillor Greening said that it would be helpful if the report stated what funds each borough was investing in. Councillor Heaster noted that the boroughs were investing varying sums of money. The CEO said that this information would be provided in future.
- 7.4. The Committee:
 - noted the updated forecast of LCIV to March 2017;
 - noted the reporting and audit timetable of LCIV for the financial year ending 31st March 2017;
 - noted the audited financial statements for the LCIV LGPS Authorised Contractual Scheme; and
 - agreed to publish what funds the boroughs were investing in and the amount they were investing.

8. Governance Review Update (verbal update)

- 8.1. The CEO gave a verbal update on LCIV Governance review, noting:
 - Pre-market engagement was underway to inform the final specification which would be released shortly.
 - The steering group would comprise of Mark Boleat as Chair, Lord Kerslake as Vice Chair, a Board NED, , the two Group chairs (Councillors Heaster and Johnson), Ian Williams and Gerald Almeroth. Diaries were proving difficult, but it was hoped to convene the steering group for its first meeting shortly.
- 8.2. Councillor Simpson said that buy-in from stakeholders was needed, along with some union representation. The CEO acknowledged the importance of the point, but noted that the governance structure was already complex, with some 56 committee meetings to support, and any additional committees/ meetings would add to the resource pressure that already existed.
- 8.3. The Committee noted the verbal update and the need to press on with the Governance review.

9. Business Plan and MTFS Implementation and Progress Reporting

- 9.1. The CEO introduced the report noting that the first quarter figures would be going to the CIV Sectoral AGM in June 2017.
- 9.2. The Committee noted the report.

10. Shareholder and Investor Reporting Framework and Progress Reporting to DCLG

- 10.1. Jill Davies (Client Relations Director, London CIV) introduced the report, which set out the reporting framework and timetable for London CIV reporting to key stakeholders. Work had been, and would continue to be, informed by the Investment Advisory Committee (IAC) Transparency Working Group.
- 10.2. Ms Davies said that the report also covered the progress reporting that was required by DCLG. The latest letter from the DCLG could be found at Annex C of the report.
- 10.3. Councillor French voiced concern that there could be duplication with regards to manager selection and client pools (last paragraph, Annex C). Jill Davies informed members that the CIV was working on a shared template, which would be agreed over the next couple of months.
- 10.4. The CEO noted that 'selection' of managers would be the responsibility of London CIV, as the regulated entity, but that the selection process would involve colleagues from the IAC. The aim was to provide boroughs with a range of products (from different managers) to 'choose' from.
- 10.5. The CEO also noted that issues regarding investment in infrastructure had been put to ministers, and it seemed unlikely that much more pressure would be exerted in this area by government, at least for the time being.
- 10.6. The Committee:
- noted the requirement to report to DCLG on investment pooling progress; and
 - noted the reporting framework for shareholders and investors.

11. Quarterly Client Engagement and Stakeholder Report

- 11.1. Ms Davies introduced the client engagement and stakeholder report. She said that the report was for information and liaison had been taking place with the boroughs. The report provided feedback from the LCIV Annual Conference and the various seminars and events that were convening. There was also an invite to Global Equities day on 11 May 2017.
- 11.2. The Committee noted the report and agreed that members should have various dates of events and seminars in their diaries in good time.

Members of the public were asked to leave the room in order for the exempt part of the agenda to be discussed.

The meeting closed at 11:55am

Pensions CIV Sectoral Joint Committee AGM

Constitutional Matters

Item No: 08

Report by: Christiane Jenkins **Job title:** Director, Corporate Governance
Date: 12 July 2017
Contact Officer: David Dent
Telephone: 020 7934 9753 **Email:** david.dent@londoncouncils.gov.uk

Summary: This report summarises the key changes to constitutional documents which will be presented to Leaders' Committee AGM on 11 July 2017 to be agreed. Changes are being recommended to the following documents:

- Amendments to London Councils Standing Orders
- Amendments to London Councils Scheme of Delegation to Officers
- Terms of Reference for Sub-Committees
- Amendments to Financial Regulations

Recommendation: The Committee is recommended to:

- Note the changes to London Councils constitutional documents.

Constitutional changes

1. London Councils Leaders' Committee AGM was scheduled to take place on 6 June 2017, but due to the general election, has been rescheduled to take place on 11 July 2017. At the time of writing this report, Leaders' Committee will not have met, but it is anticipated that the changes proposed to the four constitutional documents will be agreed at its AGM, namely London Councils Standing Orders, Scheme of Delegation to Officers, Terms of Reference for Sub Committees and Financial Regulations.
2. Three of the four reports contain changes which apply to the Pensions CIV Sectoral Joint Committee and are therefore reported to this Joint Committee for information. Because of the timing of Leaders Committee in relation to this meeting, any changes or amendments to the constitutional reports made at Leaders Committee will be reported verbally to this meeting.

The changes made are summarised below:

- Amendments to Standing Orders regarding meetings, quoracy, and the urgency process to reflect changes to London Councils staffing structure;
- Small changes to the Scheme of Delegation to Officers covering the absence of the Chief Executive, and other similar changes to reflect the current structure of London Councils corporate management officer team and senior officer structure;
- minor changes to the Financial Regulations covering Financial Thresholds for contract opportunities, the process regarding externally funded projects and tender procedures and the provision for a greater number of officers to have authority to execute or sign off on orders, tenders and contracts;
- The Terms of Reference for Sub-Committees report has not been reported to this Joint Committee, as it does not apply.

Recommendation:

1. Note the changes to London Councils constitutional documents

Legal Implications for London Councils

2. It is necessary that changes to London Councils governance documents are properly made in a manner which is consistent with the joint committees' Governing Agreements. Consequently Leaders' Committee has approved the changes noted in this report.

Equalities Implications for London Councils

3. There are no specific equalities implications for London Councils.

Financial Implications for London Councils

4. There are no specific financial implications to London Councils

Appendices:

Appendix 1 - Leaders Committee AGM Report item 16A – Constitutional Matters – Amendments to London Councils Standing Orders

Appendix 2 - Leaders Committee AGM Report item 16B – Constitutional Matters – Approval of, and Amendment to London Councils Scheme of Delegation to Officers

Appendix 3 - Leaders Committee AGM Report item 16D – Constitutional Matters – Minor Variations to Financial Regulations

Background documents: London Councils Standing Orders

APPENDIX A – Proposed changes to Regulation 2 and 8

2 General

(Page 3 of London Councils Financial Regulations 2015)

- 2.5 The Organisation shall not consider:-
 - 2.5.1 a new policy, including the management of all externally funded projects, nor
 - 2.5.2 a development or variation of existing policy, nor
 - 2.5.3 a variation in the means or time-scale of implementing existing policy which affects or may affect the Committee's finances, unless there is before it at the same time a full statement of the financial implications by the Director of Corporate Resources.
- 2.6 The Chief Executive shall consult the Director of Corporate Resources with respect to any matter within his/her purview, which is liable materially to affect the finances of the Organisation before any commitment is incurred or before reporting thereon to any Committee.
- 2.7 Failure to observe these Financial Regulations may, at the discretion of the Director of Corporate Resources, be reported to the Audit Committee.
- 2.8 In relation to externally funded projects:
 - 2.8.1 all requests for government or other grant support must be agreed with the Director of Corporate Resources in advance of any submission to the funding body;
 - 2.8.2 if the estimated lifetime value a grant is equal or greater than £250,000 this must be the subject of a separate detailed report to London Councils Leaders' Committee or any Sectoral joint or associated committee as appropriate.
- 2.9 The Director of Corporate Resources in consultation with the Chief Executive will be responsible for submission of all claims for grant to Government Departments and other outside bodies. All agreements for the receipt of grant by a Committee shall:-
 - 2.9.1 be obtained in writing;
 - 2.9.2 state the amount and conditions relating to the receipt of grant;
 - 2.9.3 be referred to the Director of Corporate Resources for his observations on financial implications prior to signing; and
 - 2.9.4 be reviewed for any legal implications, seeking legal advice as necessary.

8 Contracts & Procurement

(Page 10 of London Councils Financial Regulations 2015)

- 8.1 All contracts and procurement that exceed the current EU threshold¹ are regulated by EU Procurement Directives, and UK domestic legislation as defined in the Public Contracts Regulations (PCR) 2015. In addition, each and every contract shall also comply with these Financial Regulations. The EU regulations and UK law take precedence over the Financial Regulations and no deviations or exceptions are permitted for contracts in excess of the threshold. Also, contracts with a full life value between £25,000 and the EU threshold are governed under Part 4 of the PCR 2015.²
- 8.2 Contracts may be defined as being agreements for the supply of goods or materials, or the carrying out of works or services. Contracts are also deemed to include the engagement of professional consultants (excluding Counsel).
- 8.3 It is a breach of the Financial Regulations to artificially divide contracts where the effect is to circumvent the regulations concerning the following financial threshold limits.
- 8.4 Financial Thresholds
- 8.4.1 The following minimum number of invitations to tender or quote shall apply, subject to EU procurement rules (including aggregation i.e. the full life value of the contract) and the exemptions, before any order for works, supplies or services is placed:

Procurement Threshold	Procedure
(a) up to £10,000	No formal tender process required. At least one written quotation obtained, duty to secure reasonable value for money
Where a decision has been made <u>NOT</u> to advertise	
(b) between £10,001 and £75,000 <i>if not advertised</i>	Request at least 3 written quotations or a mini-tender exercise must be carried out to establish value for money
Where a decision has been made to advertise	
(c) between £25,001 and EU limit (currently £164,176) (€207,000) <i>if advertised</i> (NB: you MUST advertise above £75,001)	If the Opportunity is advertised, the use of the formal tender process is mandatory by tendering the opportunity on Contracts Finder and London Councils website.
(d) over EU limit (currently £164,176) ((€207,000))	The use of the formal EU tender process is mandatory and subject to the EU procurement rules. To note that additionally if the value of procurement is in excess of £250,000 then Committee approval is required prior to formal tender process.

¹ The current Threshold for public supply and service contracts is €207,000 / £164,176. This is reviewed every two years, the next review is due January 2018

² Chapter 8 Below Threshold Procurements The obligation to advertise on Contracts Finder – Regulation 110(1), *only applies where the authority has decided to advertise.*

- 8.5 Each proposed contract for works or services, with an estimated value equal or greater than £250,000 must be the subject of a separate detailed report to London Councils Leaders' Committee or any Sectoral joint or associated committee as appropriate, requesting approval to seek tenders for the recommended design solution. This report must state the size of any contingency provision to be included in the tender documents or estimated costs, as well as any prevalent risks to the organisation.
- 8.6 No contract shall be made, nor any tender invited, unless provision has been made in the annual budget for the proposed expenditure or that written confirmation has been received from the appropriate third party that external funding is available to fund the full contract and associated costs.

8.7 Formal Tender Process

8.7.1 Competitive tendering will be required where the ***opportunity is advertised*** and the estimated value of the contract is expected to exceed £25,000 which is split into two categories

8.7.2 Below Threshold (£25,000 to less than the EU limit £164,176)

8.7.2.1 It is now a requirement that for any contracts estimated to be between £25,000 and the EU limit in force at the time (currently £164,176), if the contracting authority advertises it must do so via Contracts Finder.

8.7.3 Above EU Threshold (£164,176) where full EU processes apply

8.7.3.1 For above threshold tendering, the choice of procedure is detailed and regulated in the PCR (Chapter 2 Rules on Public Contracts), noting that when awarding public contracts, contracting authorities shall apply procedures that conform to the regulations.

8.7.4 Detailed guidance on procurement procedures is provided in the Procurement Toolkit (Appendix 6), reflecting the PCR and any specific guidance as the Minister for the Cabinet Office may issue.

8.8 Contract Advertising

8.8.1 Contracts above the EU financial thresholds prevailing at the time as set out in the Regulations should be advertised in the Official Journal of the European Union (OJEU and London Councils website).

8.8.2 For below EU threshold procurement i.e. between £25,000 and the EU Limit where a decision has been made to advertise the opportunity, the opportunity must be placed on Contracts Finder and London Councils website with no exceptions. (Ref PCR 2015, Chapter 8 paragraph 110)

8.8.3 8.8.4 After the expiration of the period specified in any notice, invitations to tender for the contract shall conform with Section 5 sub section 7 of the PCR, (paragraphs 65 and 66 refer).

8.9 Receipt of Tenders

- 8.9.1 Every invitation to tender shall state that no hard copy tender will be accepted unless it is received in a plain sealed envelope or package which shall bear the words TENDER - followed by the subject to which the tender relates, and shall not bear any name or mark indicating the sender. Every invitation to tender should also state the deadline date and time (usually 12 noon) for receipt. When received, an entry shall be made upon such envelopes or packages indicating the time and date of receipt and these will then remain in the custody of the Chief Executive or the Director of Corporate Resources until the time appointed for their opening.
- 8.9.2 Electronic versions of the tender submission will be accepted. Electronic tenders must be received by the deadline date and time, as detailed in the invitation to tender. Electronic tender submissions sent by e-mail should be sent to: tenders@londoncouncils.gov.uk. E-mailed tenders will not be accepted in isolation, if there is a requirement for hard copies.
- 8.9.3 All tenders received after the deadline date and time shall not be opened and will be disregarded for the purposes of the tender exercise to which they relate.

8.10 Opening of Tenders

Tenders shall be opened at one time in the presence of:-

- 8.10.1 For tenders valued at over £25,000 – in the presence of two officers appointed by the Chief Executive;

8.11 Acceptance of Tenders and Quotations

- 8.11.1 Where the value is under £10,000, one of the designated authorised signatories (as outlined in Part C of Appendix 5) , shall be authorised to accept the quotation by signing off the purchase order to place the order with the supplier;
- 8.11.2 Where the value is between £10,001 and £75,000, one of the designated authorised signatories (as outlined in Part B of Appendix 5) shall be authorised to evaluate and accept the quotation or tender by signing off the procurement approval form for submission to the Director of Corporate Resources for approval;
- 8.11.3 Where the value is between the £75,000 and the prevailing EU Limit, , one of the designated authorised signatories (as outlined in Part A of Appendix 5) shall be authorised to evaluate and accept the tender by signing the procurement approval form for submission to the Director of Corporate Resources for approval;
- 8.11.4 Where the tender is above the EU Threshold and below £249,999, the Chief Executive, the Director of Corporate Resources, or in their absence, one of the designated authorised signatories (as outlined in Part A of Appendix 5) in consultation with the Chair(man), Deputy-Chair(man) and one other Member of the appropriate committee shall

be authorised to evaluate and accept the tender;

8.11.5 For tenders of £250,000 and over London Councils Leaders' Committee or any Sectoral joint or associated committee as appropriate shall be authorised to evaluate and accept the tender;

8.11.6 A tender which exceeds the approved estimate shall be referred to the appropriate committee for consideration. Where the tender can be amended to fall within the approved budget by a minor adjustment to the approved works, goods or services and otherwise complies with these regulations, the Chief Executive, the Director of Corporate Resources, or in their absence, one of the designated authorised signatories (as outlined in Part A of Appendix 5) in consultation with the Chair(man), Deputy-Chair(man) and one other Member of the appropriate committee shall be authorised to approve the adjustment as provided for in 8.11.4 above.

8.12 **Contract Provisions and Payments**

8.12.1 Every contract in writing (unless such contract is let by a Lead Authority in accordance with Schedule 8), shall be signed by the Chief Executive or the Director of Corporate Resources, or in their absence, one of the designated authorised signatories (as outlined in Part A of Appendix 5).

8.12.2 Every contract in writing shall specify:-

8.12.2.1 the work, materials, matters, or things to be furnished, or done;

8.12.2.2 the price to be paid, with a statement of discounts or other deductions;

8.12.2.3 the payment process, including the process for resolving disputes;

8.12.2.4 the time or time within which the contract is to be performed;

8.12.2.5 insurance, employers liability and professional indemnity;

8.12.2.6 the place or places for delivery of performance.

8.13 **Contracts where tenders are not required.**

8.13.1 Contracts or orders which exceed £10,000 and not exceeding £75,000 in value, **if not advertised**, require at least 3 written quotations from suitable suppliers before the contract order is placed

8.13.2 Quotations may be submitted by post, or e-mail.

8.13.3 If the full life value of a contract is below the £75,000 **and not advertised**, it shall not be obligatory to invite formal tenders, nor give public notice of the intention to enter into a contract where:-

- 8.13.3.1 effective competition is prevented by Government control, or

- 8.13.3.2 the special nature of the work to be executed limits the number of contractors capable of undertaking the work to less than 3, or
- 8.13.3.3 the goods, services or materials to be purchased are only available from less than 3 suppliers, or
- 8.13.3.4 the work is a continuation of a previous contract or order, or
- 8.13.3.5 a corporately tendered and managed or framework contract has been established for all officers of the organisation to use:
e.g. supplies of Stationery, Computers, Office Furniture etc.,
or
- 8.13.3.6 goods or services are of a proprietary manufacture, including sole distribution or fixed price, or the services to be provided are of a proprietary nature , or
- 8.13.3.7 any repairs or works to be executed or parts, goods or
- Materials to be supplied in connection with existing machinery, vehicles plant or equipment are of a proprietary nature and involve sole distribution or fixed price, or
- 8.13.3.8 urgent supplies necessary for the protection of life or property.

8.13.4 The Chief Executive shall maintain a record of those contracts let without competitive quotations as detailed in 8.13.3, detailing the reasons why these have not been obtained.

8.13.5 The EU regulations and PCR do not provide for any exemptions from the tendering process for contracts which exceed the EU threshold.

8.14 Withdrawal of Tender

8.14.1 In the event of any person withdrawing a tender, or not signing the contract after his/her tender has been accepted, or if the Chief Executive or the Committee are satisfied that a Contractor has not carried out a contract in a satisfactory manner, or for any other justified reason, then tenders will not be accepted from such contractors in future, except after specific Committee approval.

8.15 Communications with Tenderers

8.15.1 Accounting records for all contracts must be maintained as agreed by the Director of Corporate Resources.

8.15.2 No members of the relevant Committee shall have or allow any interview or communications with any person or representative of any person proposing to tender or contract, except by the authority of that Committee. Where such interview or communication does, nevertheless, take place then it is to be reported to the relevant Committee at the first available opportunity.

8.16 Contract Variations

- 8.16.1 Subject to the provisions of the contract, every variation shall be instructed in writing and signed by the designated officer prior to the commencement of work on the variation concerned or as soon as possible thereafter. Designated officers may authorise variations which are essential for the completion of a contract, and minor variations of an optional nature, provided the cost remains within the approved estimate. Major variations to contracts shall require the approval of the appropriate committee.

8.17 Contract Payments

- 8.17.1 All ex gratia and non-contractual claims from contractors shall be referred to the Director of Corporate Resources and also to the Chief Executive for comments before settlement is reached.
- 8.17.2 Where contracts valued in excess of £25,000 provide for payments to be made by instalments, all payments to contractors shall be made on a certificate issued and signed by London Councils designated officer. Contracts subject to payment via certificate will primarily relate to construction / building works, which will be for internal / external decorations of London Councils Leased premises.³ Those contracts not subject to the issue of certificates, may be paid on invoices and/or any means allowed by the Director of Corporate Resources.
- 8.17.3 The Director of Corporate Resources shall, to the extent he/she considers necessary, examine the final accounts or interim valuations for contracts and he/she shall be entitled to make all such enquiries and receive such information and explanations as he/she may require in order to be satisfied as to the accuracy of the accounts.
- 8.17.4 The final certificate for the payment of any contract, where the final cost exceeds £25,000, shall not be issued until the Supervising Officer under the contract has produced to the Director of Corporate Resources a detailed statement of account with all relevant documents.⁴ Such papers shall be lodged with the Director of Corporate Resources two months prior to the due date of the final certificate or in exceptional circumstances a previously agreed period in order to allow a thorough review of their contents prior to the issue of the final certificate. In addition, all consultants' fee accounts that in total exceed £30,000 in value shall be forwarded to the Director of Corporate Resources for verification prior to the respective final payments being processed. A clause to this effect shall be inserted in the appropriate contract, bills of quantities, or specification.
- 8.17.5 Wherever works or services are let on a day works contract then every payment costing in excess of £100 shall be supported by day work sheets. Such day works sheets shall contain adequate descriptions of the work carried out and the names of the operatives involved, together

³ Any contractors certificates issued, including claims for additional costs and the final account would be assessed by a Project Manager / Quantity Surveyor engaged for their expertise in managing building / construction contracts and then reported to the designated officer.

⁴ See footnote 3 above

with details of the times during which the work was performed, the hourly rates applied and any plant or materials used. Day work sheets shall be signed by the designated officer indicating that the amount claimed reasonably reflects the labour and materials content of the works executed.

8.18 Lead Borough Arrangements

8.18.1 Any contract let by a Lead Authority, in its capacity as administrator of an activity delegated by London Councils or any Sectoral joint or associated committee as appropriate, shall be deemed to comply with these Financial Regulations so long as it is in compliance with the Financial Regulations and Standing Orders of that Lead Authority.

8.19 Corrupt Practices

8.19.1 Every written contract shall include the following clauses:

The Service Provider must comply at all times with the provisions of the Bribery Act 2010, in particular Section 7 thereof in relation to the conduct of its employees, or persons associated with it.

The Service Provider warrants that, at all times, it has in place adequate procedures designed to prevent acts of bribery from being committed by its employees or persons associated with it, and must provide to London Councils at its request, within a reasonable time, proof of the existence and implementation of those procedures.

London Councils will be entitled by notice to the Service Provider to terminate the Service Provider's engagement under this or any other contract with the Service Provider if, in relation to this or any other such contract, the Service Provider or any person employed by it or acting on its behalf has committed an offence in relation to the Bribery Act 2010.

8.20 Claims from Contractors

8.20.1 Claims from contractors in respect of matters not clearly within the terms of any existing contract shall be referred by the Chief Executive to London Councils Legal Adviser for consideration of the Organisation's legal liability and, where necessary, to the Director of Corporate Resources for financial consideration before a settlement is reached. No payment will be made to a contractor without the specific approval of London Councils.

8.21 Bonds and Other Security

8.21.1 Every contract that exceeds £150,000 in value or amount and is for the execution of works or for the supply of goods or materials otherwise than at one time, shall require the contractor to provide sufficient security for the due performance thereof, except where the appropriate service related Director and Director of Corporate Resources consider this to be unnecessary.

8.21.2 Use of Consultants

8.22.1 Consultants shall be engaged only where it is not feasible or cost

effective to carry out the work in-house either by using existing staff or by employing new short term or permanent staff.

London Councils STANDING ORDERS¹

INTRODUCTION

These are the Standing Orders and rules of debate and procedure for the conduct of meetings of the London Councils joint committees. The Standing Orders apply to the London Councils' Leaders' Committee and, wherever appropriate, to the associated joint committees (the Grants Committee and London Councils Transport and Environment Committee), any sectoral joint committees, and any sub-committees (sometimes referred to as 'Panels') and forums of London Councils; and any reference to 'London Councils' is a collective reference to all of them. The Standing Orders have been drawn up having regard to Government best practice, guidance and statutory requirements.

In the event of any conflict between the provisions of the Standing Orders and the provisions of the Leaders' Committee Governing Agreement (which includes the London Grants Scheme) or the London Councils Transport and Environment Committee (LCTEC) Governing Agreement, the relevant provision of the Leaders' Committee Governing Agreement or the LCTEC Governing Agreement shall prevail.

Revised 7 June 2016

¹ Also known as Schedule 6 of London Councils Agreement, 2001

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1. MEETINGS

Generally

- 1.1 Leaders' Committee, its associated joint committees (the Grants Committee and the Transport and Environment Committee (TEC)) and any sectoral joint committees shall each hold a minimum of 2 meetings² each year, one of which shall be an annual general meeting.
- 1.2 Subject to 1.1 above, meetings of London Councils shall be called, and the procedure to be adopted at such meetings shall be determined in accordance with the provisions of these Standing Orders.
- 1.3 Any member London Local Authority may give written notice of an item to be placed on the Agenda for any meeting. All notices of items for agendas and reports for circulation with agenda must be received by the Chief Executive not less than ten working days prior to the meeting to which the agenda relates.
- 1.4 Each London Local Authority subscribing to Leaders' Committee, its associated joint committees, and any sectoral joint committee, shall be entitled to receive from the Chief Executive sufficient copies of the Agenda, papers and minutes of the proceedings of the meetings of the joint committees and any Forums and sub-committees thereof.
- 1.5 Deputations shall be entitled, upon prior notification being given to the Chief Executive and at the discretion of the Chair, to attend and address the meeting for not more than ten minutes and to answer questions from members for a further ten minutes.

Calling Meetings

- 1.6 Meetings may be called by:
 - (i) Leaders' Committee, or the associated joint committee or sectoral joint committee by resolution;
 - (ii) the Chair of the relevant joint committee;
 - (iii) a requisition signed by not less than one third of the representatives, delivered to the Chief Executive at least ten working days before the date mentioned in the requisition.

² Any reference to meetings relates to [informal, decision making meetings rather than 'for information' meetings](#)

Business

- 1.7 The Summons to any such meeting shall set out the business to be transacted thereat, and no business other than that set out in the summons shall be considered at the meeting unless by reason of special circumstances, which shall be specified in the minutes, the Chair of the meeting is of the opinion that the item should be considered at the meeting as a matter of urgency.

Annual Meetings of Leaders' Committee and associated joint committees and sectoral joint committees

Timing and Business

- 1.8 Leaders' Committee, each associated joint committee and each sectoral joint committee shall hold an Annual General Meeting (AGM) before the end of July of each year.

The relevant joint committee will at its AGM:

- (i) appoint a Chair and up to three Vice Chairs;
- (ii) approve the minutes of the last meeting of that joint committee;
- (iii) receive the minutes of the last Annual General Meeting;
- (iv) receive any announcements from the Chair and/or Head of Paid Service;
- (v) appoint such sub committees and forums as considered appropriate to deal with matters which are not otherwise reserved to London Councils, LCTEC, Grants Committee or any sectoral joint committee;
- (vi) decide the size and terms of reference for those sub committees and forums;
- (vii) decide the allocation of seats [and substitutes] to political groups² in accordance with the political balance rules, unless the terms of reference (or constitution) of a sub-committee or forum makes specific provision for the make up of its membership;

² Whilst not specifically bound by the legislation that governs this issue in borough councils, London Councils has operated on a similar basis to boroughs in recognising a party group as being one with two or more members which declare themselves as a group with a Leader. In the context of London Councils, members are the members of Leaders' Committee. No other metric - for example the overall proportion of London councillors – is used in determining proportionality among the groups. Current practice is that party groups are able to offer seats to other elected representatives but are under no obligation to do so.

- (viii) approve a programme of ordinary meetings for the joint committee, sub committee or forum for the year;
- (ix) consider any business set out in the notice convening the meeting.

1.9 London Councils Leaders' Committee will also:

- (i) appoint a Deputy Chair;
- (ii) agree the scheme of delegation to officers;
- (iii) receive nominations of Councillors appointed to Committees by the participating London Local Authorities.

1.10 Transport and Environment Committee will also:

- (i) receive a report recommending nominations to outside bodies.

1.11 Grants Committee will also:

- (i) approve any delegations to sub-committees or Officers in relation to the management of the London Grants Scheme.

Ordinary meetings

1.12 Ordinary meetings of Leaders' Committee, the associated joint committees, and any sectoral joint committee, will take place in accordance with a programme decided at the relevant AGM. Ordinary meetings will:

- (i) elect a person to preside if the Chair, Deputy Chair, or Vice Chairs are not present;
- (ii) approve as a correct record and sign the minutes of the last meeting;
- (iii) receive any declarations of interest from members;
- (iv) receive any announcements from the Chair or the Chief Executive;
- (v) receive questions from, and provide answers to, the public in relation to matters which in the opinion of the person presiding at the meeting are relevant to the business of the meeting and the submission of which have complied with Standing Order 8;

- (vi) deal with any business from the last meeting;
 - (vii) receive and consider reports/presentations from the London Councils sub-committees, forums and associated joint committees and receive questions and answers on any of those reports;
 - (viii) receive nominations and make appointments to fill vacancies arising in respect of any sub-committee, forum or outside body for which the joint committee is responsible;
 - (ix) receive and consider minutes of meetings, any sub committees and forums which have taken place since the joint committee last met.
 - (x) consider motions; and
 - (xi) consider any other business specified in the summons to the meeting.
- 1.13 The order of business of any associated committee shall be as shall be determined by the joint committee.
- 1.14 The Chair may at his/her discretion alter the order in which business is taken.
- 1.15 Leaders' Committee will also receive and consider minutes of meetings, of associated joint committees, any sectoral joint committee, and their sub committees as necessary and relevant to the operation and governance of London Councils.

2. MEMBERSHIP

- 2.1 Each London Local Authority, that is the 32 London boroughs and the Common Council of the City of London, shall appoint its Leader as its representative to London Councils Leaders' Committee.
- 2.2 Each London Local Authority, that is the 32 London boroughs and the Common Council of the City of London, shall make an appropriate appointment to London Councils Transport and Environment Committee.
- 2.3 Each London Local Authority, that is the 32 London boroughs and the Common Council of the City of London, shall make an appropriate nomination to London Councils Grants Committee. Any nominations to Grants Committee must be a Cabinet Member or have appropriate delegated authority from their council.

- 2.4 Each London Local Authority that subscribes to a sectoral joint committee shall make an appropriate nomination to that sectoral joint committee, ensuring that nominees have the appropriate delegated authority.
- 2.5 The Chairs of each of the associated joint committees, any sectoral joint committee, any Forums or any sub-committees of Leaders' Committee shall also be entitled to sit ex officio (but not to vote in such capacity) on Leaders' Committee.
- 2.6 Any Lead Member appointed in respect of any issue by any of the London Councils joint committees shall be entitled to sit ex officio (but not to vote in such capacity) on Leaders' Committee.
- 2.7 London Councils may admit to membership such representatives of such other bodies as it considers appropriate or is required as the result of any legislation to admit from time to time on such terms as shall be agreed with such other bodies. Such representatives shall be entitled to sit ex officio but not to vote in such capacity.
- 2.8 The Chief Executive of each of the London Local Authorities or his/her nominated representative shall be entitled to attend as an observer but not to speak or vote at any meeting.

Deputy Representatives

- 2.9 If the appointed representative of a London Local Authority is unable to be present at a meeting of Leaders' Committee, an associated joint committee or sectoral joint committees, that member authority may be represented by a deputy who shall be duly appointed for the purpose. A deputy attending a meeting shall declare him/herself as such but shall otherwise be entitled to speak and vote as if he/she were a member of that London Councils committee.

Elected Officers

- 2.10 The following shall be the Elected Officers of Leaders' Committee:
- (i) Chair
 - (ii) Deputy Chair
 - (iii) Vice Chairs
- 2.11 The following shall be the Elected Officers of the Transport and Environment Committee:

- (i) Chair
- (ii) Vice Chairs

2.12 The following shall be the Elected Officers of the Grants Committee:

- (i) Chair
- (ii) Vice Chairs

2.13 The following shall be the Elected Officers of any sectoral joint committee:

- (i) Chair
- (ii) Vice Chairs

2.14 The following shall be the Elected Officers of any sub-committee appointed by Leaders' Committee, associated joint committees or sectoral joint committees:

- (i) Chair
- (ii) Vice Chair/Deputy/s

2.15 The overall balance of which shall be such as to ensure proportional representation of party political groupings on London Councils.

2.16 In a year in which there are council elections, the elected officers of London Councils and all its member bodies shall cease to hold office on the day of the council elections and shall cease to be remunerated save that Leaders' Committee may, by agreement, decide to remunerate members for activity in pursuance of the discharge of the business of London Councils under SO 19.2. Notwithstanding, the outgoing Chair shall be able to preside at the subsequent AGM until a new Chair is elected.

3 TIME AND PLACE OF MEETINGS

3.1 The date, time and place of meetings will be determined by the Chief Executive and notified in the summons.

4 NOTICE OF AND SUMMONS TO MEETINGS

4.1 The Chief Executive will give notice to the public of the time and place of any meeting in accordance with the Access to Information Rules

4.2 The Chief Executive shall, not less than five clear working days before the intended meetings of Leaders' Committee and any associated joint committee or sectoral joint committee,

circulate a notice thereof to each representative and deputy representative and the Town Clerk/Chief Executive or the nominated officer of every London Local Authority subscribing to Leaders' Committee, the associated committees or sectoral joint committee. The notice will give the date, time and place of each meeting and specify the business to be transacted, and will be accompanied by such reports as are available. Where the recipient has given consent for the summons to attend the meeting to be transmitted in electronic form to a particular electronic address (and consent has not been withdrawn), the summons may be sent in electronic form to that address.

- 4.3 Provided that the failure of any such notice to be delivered shall not affect the validity of the meeting or of the business transacted thereat. Provided also that at times it may be necessary to circulate reports in a second despatch or to circulate them at the meeting.

5 CHAIR OF MEETING

- 5.1 At every meeting the Chair if present shall preside. If the Chair is absent the Deputy Chair if present, shall preside. If both the Chair and the Deputy Chair are absent a Vice Chair if present, shall preside. If neither the Chair, Deputy Chair or a Vice Chair is present the meeting shall elect a chair from one of its members.
- 5.2 For the purposes of these Standing Orders references to the Chair, in the context of the conduct of business at meetings, shall mean the person presiding under this Standing Order.
- 5.3 The person presiding at the meeting may exercise any power or duty of the Chair. Where these rules apply to sub-committee or forum meetings, references to the Chair also include the chair of sub-committees or forums.

6 QUORUM

- 6.1 The quorum shall be one third of, or the number nearest to one third, but not less than three Members (except for the quorum for Audit Committee, which because of both its size and the nature of its business is a special case and therefore is only two) entitled to be present at Leaders' Committee, and any associated joint committees, sectoral joint committees or sub committees of London Councils.
- 6.2 If within half an hour of the time appointed for the meeting to commence, a quorum is not present, the meeting shall be dissolved.

6.3 Remaining business will be considered at a time and date fixed by the Chair. If he/she does not fix a date, the remaining business will be considered at the next ordinary meeting.

6.4 If, during the meeting, the person presiding, after causing the number of members present to be counted, declares that there is not a quorum present, the meeting shall stand adjourned for fifteen minutes. If, after fifteen minutes there is still no quorum present, the meeting shall be brought to an end and all business not completed before the meeting has been brought to an end shall be postponed to the next meeting, whether ordinary or extraordinary.

6.46.5 If during the meeting any member absents themselves permanently making the meeting inquorate, the meeting will stand adjourned.

7 DURATION OF MEETING

7.1 Subject to Standing Order 27 (suspension of Standing Orders) if, after two and a half hours after the time appointed for the start of the meeting, the business on the agenda has not been completed, subject to a contrary resolution the meeting of London Councils or any associated committee or sectoral joint committee shall automatically adjourn and any debate then proceeding shall be suspended and all business unfinished shall stand adjourned to the next meeting.

8 DEPUTATIONS

8.1 Deputations shall be entitled, upon prior notification being given to the Chief Executive and at the discretion of the Chair, to attend and address meetings of London Councils for not more than ten minutes and to answer questions from members of London Councils for a further ten minutes.

9 MOTIONS ON NOTICE

Notice

9.1 Except for motions which can be moved without notice under Standing Order 10 or consideration of any matters of urgency brought forward by leave of the Chair, written notice of every motion, signed by at least 5 members, must be delivered to the Chief Executive not later than 10 clear days before the date of the meeting and clear days are deemed to exclude the day of delivery, the day of the meeting and any Sunday. These will be open to public inspection.

Motions set out in agenda

- 9.2 Motions for which notice has been given will be listed on the agenda in the order in which notice was received, unless the member giving notice states, in writing, that they propose to move it to a later meeting or withdraw it.

Scope

- 9.3 Motions must be about matters for which London Councils has a responsibility.

10 MOTIONS WITHOUT NOTICE

- 10.1 The following motions may be moved without notice:

- (i) to appoint a chair of the meeting at which the motion is moved;
- (ii) in relation to the accuracy of the minutes;
- (iii) to change the order of business in the agenda;
- (iv) to refer something to an appropriate body or individual;
- (v) to appoint a sub committee or member arising from an item on the summons for the meeting;
- (vi) to receive reports or adoption of recommendations of committees or sub committees or officers and any resolutions following from them;
- (vii) to withdraw a motion;
- (viii) to amend a motion;
- (ix) to proceed to the next business;
- (x) that the question be now put;
- (xi) to adjourn a debate;

- (xii) to adjourn a meeting;
- (xiii) that the meeting continue beyond two and a half hours in duration;
- (xiv) to suspend a particular Standing Order;
- (xv) to exclude the public and press in accordance with the Access to Information Rules;
- (xvi) to not hear further a member named under Standing Order 17.1 or to exclude them from the meeting under Standing Order 17.2; and
- (xvii) to give the consent of London Councils where its consent is required by this Agreement.

11 RULES OF DEBATE

Speakers to Address the Chair

- 11.1 All speakers shall address the Chair. All members shall preserve order whilst the speaker is speaking. A speaker shall give way if the Chair rises.

No discussion until motion seconded

- 11.2 A motion or amendment shall not be discussed until it has been proposed and seconded.

Right to require motion in writing

- 11.3 Unless notice of the motion has already been given, the Chair may require it to be written down and handed to him/her before it is discussed.

Mover and seconder's speech

- 11.4 The mover and seconder of a motion shall be deemed to have spoken thereon. When seconding a motion or amendment, a member may reserve their speech until later in the debate.

Content and length of speeches

- 11.5 Speeches must be directed to the question under discussion or to a personal explanation or point of order. The mover of a motion shall be allowed 5 minutes and the seconder and succeeding speakers 3 minutes each. The time limit for speakers may be extended by an affirmative vote of the members.

When a member may speak again

- 11.6 A member who has spoken on a motion may not speak again whilst it is the subject of debate, except:
- (i) to speak once on an amendment moved by another member;
 - (ii) to move a further amendment if the motion has been amended since he/she last spoke;
 - (iii) if his/her first speech was on an amendment moved by another member, to speak on the main issue (whether or not the amendment on which he/she spoke was carried);
 - (iv) by the mover of an original motion in exercise of a right of reply, and this shall close the discussion.

Amendments to motions

- 11.7 An amendment to a motion must be relevant to the motion and will either be:
- (i) to refer the matter to an appropriate body or individual for consideration or reconsideration;
 - (ii) to leave out words;
 - (iii) to leave out words and insert or add others; or
 - (iv) to insert or add words;

as long as the effect of (ii) to (iv) is not to negate the motion.

- 11.8 Only one amendment may be moved and discussed at any one time. No further amendment may be moved until the amendment under discussion has been disposed of.

- 11.9 If an amendment is not carried, other amendments to the original motion may be moved.
- 11.10 If an amendment is carried, the motion as amended takes the place of the original motion. This becomes the substantive motion to which any further amendments are moved.
- 11.11 After an amendment has been carried, the Chair will read out the amended motion before accepting any further amendments, or if there are none, put it to the vote.

Alteration of motion

- 11.12 A member may alter a motion of which he/she has given notice with the consent of the meeting. The meeting's consent will be signified without discussion.
- 11.13 A member may alter a motion which he/she has moved without notice with the consent of both the meeting and the seconder. The meeting's consent will be signified without discussion.
- 11.14 Only alterations which could be made as an amendment may be made.

Withdrawal of motion

- 11.15 A member may withdraw a motion which he/she has moved with the consent of both the meeting and the seconder. The meeting's consent will be signified without discussion. No member may speak on the motion after the mover has asked permission to withdraw it unless permission is refused.

Right of reply

- 11.16 The mover of any original motion, but not of any amendment, may reply to the discussion for a period of not more than 3 minutes without introducing new material and this shall close the discussion.
- 11.17 If an amendment is moved, the mover of the original motion has the right of reply at the close of the debate on the amendment, but may not otherwise speak on it.
- 11.18 The mover of the amendment has no right of reply to the debate on his or her amendment.

Motions which may be moved during debate

11.19 When a motion is under debate, no other motion may be moved except the following procedural motions:

- (i) to withdraw a motion;
- (ii) to amend a motion;
- (iii) to proceed to the next business;
- (iv) that the question be now put;
- (v) to adjourn a debate;
- (vi) to adjourn a meeting;
- (vii) that the meeting continue beyond two and a half hours in duration;
- (viii) to exclude the public and press in accordance with the Access to Information Rules; and
- (ix) to not hear further a member named under Standing Order 17.1 or to exclude them from the meeting under Standing Order 17.2.

Closure motions

11.20 A member may move, without comment, the following motions at the end of a speech of another member:

- (i) to proceed to the next business;
- (ii) that the question be now put;
- (iii) to adjourn a debate; or
- (iv) to adjourn a meeting.

- 11.21 If a motion to proceed to next business is seconded and the Chair thinks the item has been sufficiently discussed, he or she will give the mover of the original motion a right of reply and then put the procedural motion to the vote.
- 11.22 If a motion that the question be now put is seconded and the Chair thinks the item has been sufficiently discussed, he/she will put the procedural motion to the vote. If it is passed he/she will give the mover of the original motion a right of reply before putting his/her motion to the vote.
- 11.23 If a motion to adjourn the debate or to adjourn the meeting is seconded and the Chair thinks the item has not been sufficiently discussed and cannot reasonably be so discussed on that occasion, he/she will put the procedural motion to the vote without giving the mover of the original motion the right of reply.

Point of order

- 11.24 A member may raise a point of order at any time. The Chair will hear them immediately. A point of order may only relate to an alleged breach of these Standing Orders or the law. The member must indicate the rule or law and the way in which he/she considers it has been broken. The ruling of the Chair on the matter will be final.
- 11.25 A speaker may give way to a point of information, and must give way to a point of order if it is accepted by the Chair.

Personal explanation

- 11.26 A member may make a personal explanation at any time. A personal explanation may only relate to some material part of an earlier speech by the member which may appear to have been misunderstood in the present debate. The ruling of the Chair on the admissibility of a personal explanation will be final.

Ruling of Chair

- 11.27 The Chair shall decide all questions of order and his/her ruling upon such questions or upon matters arising in debate shall be final and shall not be open to discussion.

12 PREVIOUS DECISIONS AND MOTIONS

Motion to rescind a previous decision

- 12.1 A motion or amendment to rescind a decision made at a meeting of London Councils within the past six months cannot be moved unless the notice of motion is signed by at least 5 members.

Motion similar to one previously rejected

- 12.2 A motion or amendment in similar terms to one that has been rejected at a meeting in the past six months cannot be moved unless the notice of motion or amendment is signed by at least 5 members. Once the motion or amendment is dealt with, no one can propose a similar motion or amendment for six months.

13 VOTING

- 13.1 One representative from each London Local Authority subscribing to Leaders' Committee and its associated joint committees or sectoral joint committees shall be entitled to vote on behalf of his/her authority in each meeting of Leaders' Committee, either associated joint committee or sectoral joint committees.
- 13.2 Subject to Clause 11.1, 12.1 of the Leaders' Committee Governing Agreement and Standing Order 21.1, and any provisions of this Agreement or the LCTEC Governing Agreement requiring unanimity, questions arising at any meeting of London Councils shall be determined by a show of hands and shall be decided by a simple majority of votes.
- 13.3 At Transport and Environment Committee representatives from Transport for London or any London local authority, shall only be entitled to speak or vote or receive papers in respect of functions which they have delegated to the Transport and Environment Committee and shall not be counted as part of the quorum except in respect of those functions.

Equality of votes

- 13.4 In the case of an equality of votes at the annual meeting and on motions to suspend or amend the Standing Orders under Standing Order 27 at ordinary meetings, each of the party Group Leaders shall have second or casting votes.
- 13.5 Subject to 13.4 above, in the case of an equality of votes at ordinary meetings of London Councils, the Chair shall have a second or casting vote to be exercised in accordance with

13.6 below.

13.6 Where the Chair exercises a casting vote under Standing Order 13.5 above it will be used only for one or more of the following purposes:

- (i) to permit further discussion of an issue;
- (ii) to maintain the status quo;
- (iii) to ensure that London Councils meets any legal obligations or any requirements of the London Councils Agreement or London Councils' Standing Orders.

13.7 On the requisition of any representative made before any vote is taken on a motion or an amendment, and supported by five representatives, the voting shall be recorded so as to show how each representative present and voting voted. The name of any representative present and not voting shall also be recorded.

13.8 Where any member requests it immediately after the vote is taken, their vote will be so recorded in the minutes to show whether they voted for or against the motion or abstained from voting.

Voting on appointments to London Councils Committees

13.9 If there are more than two people nominated for any position to be filled and there is not a clear majority of votes in favour of one person, then the name of the person with the least number of votes will be taken off the list and a new vote taken. The process will continue until there is a majority of votes for one person.

14 MINUTES

Agreeing the minutes

14.1 The Chair will move that the minutes of the previous meeting be agreed as a correct record.

14.2 Where in relation to any meeting, the next meeting for the purpose of agreeing the minutes is a meeting called under paragraph 3 of schedule 12 to the Local Government Act 1972 (an Extraordinary Meeting), then the next following meeting (being a meeting called otherwise than under that paragraph) will be treated as a suitable meeting for the purposes of paragraph 41(1) and (2) of schedule 12 relating to agreeing of minutes.

Form of minutes

- 14.3 Minutes will contain all motions and amendments in the exact form and order the Chair put them.

15 RECORD OF ATTENDANCE

- 15.1 At every meeting, the Clerk to the Meeting will record the attendance of each representative of a member authority and all other representatives present in accordance with Standing Order 2 (Membership).

16 EXCLUSION OF PUBLIC

- 16.1 Members of the public and press may only be excluded either in accordance with the Access to Information Rules or Standing Order 18.

17 MEMBERS' CONDUCT

Member not to be heard further

- 17.1 If a member persistently disregards the ruling of the Chair by behaving improperly or offensively or deliberately obstructs business, the Chair may move that the member be not heard further. If seconded, the motion will be voted on without discussion.

Member to leave the meeting

- 17.2 If the member continues to behave improperly after such a motion is carried, the Chair may move that either the member leaves the meeting or that the meeting is adjourned for a specified period. If seconded, the motion will be voted on without discussion.

General disturbance

- 17.3 If there is a general disturbance making orderly business impossible, the Chair may adjourn the meeting for as long as he/she thinks necessary.

18 DISTURBANCE BY PUBLIC

Removal of member of the public

- 18.1 If a member of the public interrupts proceedings, the Chair will warn the person concerned. If they continue to interrupt, the Chair will order their removal from the meeting room.

Adjournment

- 18.2 In the event of a general disturbance which, in the opinion of the Chair renders the due and orderly dispatch of business impossible, the Chair, in addition to any other power vested in the Chair, may without question adjourn the meeting for such period as in the Chair's discretion shall be considered expedient.

19 URGENCY

- 19.1 If at any time the Chief Executive of London Councils considers that any matter is urgent and should be decided on prior to the next meeting of London Councils, then he/she shall consult the Elected Officers of London Councils. If at least two of the Elected Officers, of whom one will be the Chair~~man~~, if available, and the other will be from another political party or no party, agree that the matter is urgent and agree on the Chief Executive's recommendation, then the decision shall be taken by the Chief Executive in accordance with such recommendation, subject to the decision being recorded in writing and signed by the Elected Officers agreeing the recommendation and the Chief Executive.
- 19.2 In the event the provisions of Standing Order 19.1 are inoperable following local government elections and there is a need for urgent action, the Chief Executive is authorised to take executive action having consulted as appropriate, such action to be reported to the next meeting of London Councils.
- 19.3 The Elected Officers of London Councils and the Chief Executive may nominate persons to act in their absence for the purposes of this Standing Order.
- 19.4 A copy of the record of a decision taken under this Standing Order shall be kept at the office of the Chief Executive.
- 19.5 All decisions taken under this Standing Order shall be reported to the next meeting of London Councils.
- 19.6 The urgency procedure to be followed by Transport and Environment Committee is as in 19.1-19.5 above, with the substitution of "Director, Transport & Mobility" for "Chief Executive" and referring to the Elected Officers of the Transport and Environment Committee.

- 19.7 The urgency procedure to be followed by the Grants Committee is as in 19.1-19.5 above, with the substitution of “~~Corporate~~ the Planning and Strategy Director” for “Chief Executive” and referring to the Elected Officers of the Grants Committee.
- 19.8 The urgency procedure for any sectoral joint committees is as in 19.1-19.5 above, referring to the Elected officers of the appropriate sectoral joint committee and a senior Officer designated by the committee.
- 19.9 The urgency procedure to be followed by any sub-committee appointed by Leaders’ Committee, associated joint committees or sectoral joint committees is as in 19.1 – 19.5 above, referring to the Elected Officers of that sub-committee and ~~a the Corporate Strategy~~ the Director or senior officer, designated by that sub-committee.

20 DECLARATIONS OF INTEREST

- 20.1 If ~~a member is you are~~ present at a meeting of London Councils Leaders' Committee or any of its associated joint committees or any sub-committees or any sectoral joint committee and ~~you have~~ s a disclosable pecuniary interest as defined by the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 (“the Regulations”) and set out in paragraph 20.5 below relating to any business that is or will be considered at the meeting, ~~you that member~~ must not:
- (i) participate in any discussion of the business at the meeting, or if ~~you on~~ become aware of ~~your the~~ disclosable pecuniary interest during the meeting, participate further in any discussion of the business; or
 - (ii) participate in any vote or further vote taken on the matter at the meeting.
- 20.2 These prohibitions apply to any form of participation, including speaking as a member of the public.
- 20.3 It is a matter for each member to decide whether they should leave the room while an item that they have an interest in is being discussed. In arriving at a decision as to whether to leave the room they may wish to have regard to their home authority’s code of conduct and/or the Seven (Nolan) Principles of Public Life.
- 20.4 In certain circumstances, London Councils may under s.33 of the Localism Act 2011 grant a dispensation to permit a member to take part in the business notwithstanding that the

member has a disclosable pecuniary interest relating to that business. These circumstances are where the London Councils considers that:

- (i) without the dispensation so great a proportion of London Councils members would be prohibited from participating in that business as to impede London Councils transaction of that business;
- (ii) without the dispensation the representation of different political groups dealing with that business would be so upset as to alter the likely outcome of any vote;
- (iii) the granting of the dispensation is in the interests of people living in the London Councils' area;³
- (iv) without the dispensation each member of the London Councils Executive would be prohibited from participating in the business; or
- (v) it is otherwise appropriate to grant a dispensation.

20.5 If a member wishes to apply for a dispensation, they must make a written application to be received not less than three working days before the meeting setting out the grounds for the application to the officer responsible for processing such requests.⁴

20.6 A member ~~You~~ must declare any private interests, both pecuniary and non-pecuniary, including ~~your~~ membership of any Trade Union that relate to ~~your~~any public duties and must take steps to resolve any conflicts arising in a way that protects the public interest, including registering and declaring interests.

21 ANNUAL SUBSCRIPTIONS

21.1 London Councils Leaders' Committee shall by a majority of at least two-thirds of those representatives present at the meeting and entitled to a vote in respect of each of those functions, approve by no later than 31st January in each year the subscriptions or contributions payable by the London Local Authorities for each of the groups of functions set out in Schedule 2. If London Councils fails to agree by such date the subscriptions or contributions for the ensuing financial year, then that subscription or contribution shall be at the same amount as the subscription for the current financial year. The annual budget (including any contingency sum) in respect of any function shall not be exceeded without the prior approval of a two-thirds majority of the representatives of those London Local

³ The London Councils area is that area covered by the London boroughs and the City of London

⁴ That person designated by the scheme of delegation, currently (June 2016) the Chief Executive

Authorities who are present at the meeting to which the proposal to exceed the budget is under consideration and authorised to vote.

- 21.2 Contributions to the London Grants Scheme, at schedule 5 of the Leaders' Committee Governing Agreement (as substituted by the variation to that Agreement dated 1 February 2004).
- 21.3 Contributions to London Councils Transport and Environment Committee are as set out in the LCTEC Governing Agreement dated 13 December 2001 (as amended).
- 21.4 Any sectoral joint committee shall approve the subscriptions payable by each London Local Authority subscribing thereto in such a manner as shall be determined by such sectoral joint committee as set out in the London Councils Governing Agreement.

22 DELEGATIONS OF FUNCTIONS

- 22.1 London Councils, its associated joint committees, sectoral joint committees, or sub-committee thereof and any Forum of London Councils may delegate to officers such of their functions as are permissible under statute and may, in relation to any of those functions, require that the exercise of those functions be subject to such conditions as London Councils deems fit to impose, including, where appropriate, prior consultation with the Leading Member on London Councils of each political party or group before taking such action.

23 SUPPLY OF INFORMATION TO MEMBERS

- 23.1 Members of London Councils, its associated joint committees, sectoral joint committees or sub-committee thereof and any Forums of London Councils, shall be entitled to receive from officers such information as they may require in order to enable them to carry out their duties as members of such committee or sub-committee.
- 23.2 In addition, the leading members on London Councils of each political party or group shall be entitled to receive briefings and briefing papers from officers on the same basis as the Chair.

24 MEETINGS WITH OUTSIDE BODIES

- 24.1 A representative of each political party or group shall be entitled to be notified of and to attend any meeting with an outside body at which a Member of London Councils is present

and which has been arranged on behalf of London Councils. (This Standing Order shall not apply to those meetings convened by political advisers.)

25 FORUMS OF LONDON COUNCILS

- 25.1 London Councils shall establish Forums to discharge the functions set out in Schedule 2 and such further forums and consultative groups as it considers appropriate.
- 25.2 All or any of the London Local Authorities wishing to delegate a function to London Councils or any sectoral joint committee may request London Councils' consent to the delegation of such function in accordance with the terms of this Agreement, such consent not to be unreasonably withheld or delayed.
- 25.3 The terms of reference of any consultative group of London Councils shall be subject to the approval of London Councils.
- 25.4 The Chair and Deputy Chair of London Councils shall be ex-officio members of every and any Forum but shall not be entitled to speak or vote at such meetings in that capacity.

26 ACCESS TO MEETINGS AND DOCUMENTS

- 26.1 Admission of members of the public to meetings of London Councils, any associated committee, sectoral joint committee any sub- committee thereof and any Forum and access to documents thereof shall be in accordance with the Access to Information legislation in force from time to time.
- 26.2 Applications to film or record meetings of London Councils are requested 48 hours before the meeting. Filming will be permitted in accordance with The Openness of Local Government Bodies Regulations 2014 and any relevant guidance issued by the government at the relevant time.

27 SUSPENSION AND AMENDMENT OF STANDING ORDERS

Suspension

- 27.1 Any of these Standing Orders except Standing Orders 13.7, 14.2 and 27.2 may be suspended at any meeting, in respect of any business on the agenda for such meeting, provided that the majority of the representatives of authorities in membership of London

Councils or its associated who are present and entitled to vote so decide PROVIDED THAT any suspension hereunder complies with any legislation in force from time to time.

Variation and Revocation

- 27.2 Any addition to, or variation or revocation of these Standing Orders shall be by majority vote of those present and entitled to vote at any meeting of London Councils or its associated committees. Any motion to vary or revoke these Standing Orders shall require confirmation at the next ordinary meeting of London Councils or associated committee as the case may be before the proposed variation or revocation shall have effect PROVIDED THAT any addition, variation or revocation hereunder complies with any legislation in force from time to time.

Scheme of delegations to officers

~~June 2016~~ July 2017

Scheme of Delegations to Officers

INTRODUCTION

London Councils¹ may, and only in a manner consistent with the London Councils Governing Agreements²:

- (i) delegate to officers of London Councils those of its functions as are permitted by statute to be delegated; and
- (ii) in relation to any of those functions, require that the exercise of those functions be subject to such conditions as London Councils deems fit to impose, including, where appropriate, prior consultation with the leading member on London Councils of each political party or group before taking such action.³

London Councils must formally resolve to delegate the exercise of one or more of their functions to officers by either:

- (i) a decision taken at a meeting of London Councils, i.e. on a case-by-case basis;
- (ii) agreeing a general scheme of delegations to officers.

This document is the general scheme of delegations to London Councils officers. It is not the intention of this document to reproduce details of functions which have been delegated to officers under the London Councils Governing Agreements⁴. This document will, however, be kept under annual review and any additional general delegations to officers which may be made by London Councils throughout the year, will be considered for inclusion in this scheme as part of that review.

As a general rule, the functions delegated to the London Councils joint committees and their sub committees reflect the purpose of the organisation in best representing the interests of the 32 London Boroughs and the City of London. Decisions about policy directions, lobbying and scope of services remain reserved to Member Committees unless specifically delegated on an issue by issue basis. The authority to manage the administrative aspects of the organisation's work has been delegated to officers within the conditions specified below to enable the effective and efficient running of the organisation.

¹ The reference to London Councils in this Scheme of Delegations to Officers encompasses any joint committee of elected Members (including Leaders' Committee, the London Councils Transport and Environment Committee, Grants Committee and the London Pensions CIV Sectoral Joint Committee, and any of their sub-committees authorised to take decisions).

² The London Councils (Leaders' Committee) Governing Agreement, dated 13 December 2001 (as amended); and the London Councils Transport and Environment Committee Governing Agreement, dated 13 December 2001 (as amended).

³ Paragraph 22 of Schedule 6 (Standing Orders) of the London Councils (Leaders' Committee) Governing Agreement, dated 13 December 2001 (as amended); .

⁴ Op cit, footnote 3.

Section 1 - General Conditions Of Delegations To Officers

Day-to-Day Management

1. The Chief Executive and the Directors of any corporate service (and their nominated deputies) shall, in accordance with this Scheme of Delegations, have authority delegated to them for carrying out the day-to-day management of the London Councils services for which they are responsible. (Day-to-day management should include those items which have been recognised as such by past practice or by specific decision/resolution of a committee, or where the Chief Executive, in consultation with the relevant Director, agrees is ancillary to or analogous with matters accepted as being within the scope of day-to-day business exercisable by officers of London Councils). This includes authority to:
 - (a) appoint and manage staff in accordance with agreed policies and procedures, having regard to Section 2. below;
 - (b) place orders and enter into contracts for the supply of goods and services in line with the Financial Regulations and to authorise or incur any other expenditure for which provision has been made in the appropriate budget subject to limits set out in the Financial Regulations and subject to these not being in conflict with existing contracts.

Limitations

2. Any exercise of delegated powers by officers shall comply with London Councils current Financial Regulations⁵ and Standing Orders. The Financial Regulations will not form part of this scheme but must be read alongside it.
3. The Chief Executive will have the authority to extend an existing policy or procedure only if it relates to the internal administration of the organisation and when exercised subject to the conditions below.
4. The Chief Executive, the Finance Officer (Director of Corporate Resources), and any other person authorised under the Financial Regulations, will have the authority to negotiate and agree minor variations to contracts, to write off debts and to undertake all other actions authorised under the Financial Regulations
5. With the exception of policies referred to in paragraph 3, any exercise of delegated powers shall not involve a new policy or extend an existing policy of the organisation unless the Chief Executive is acting under the urgency procedures as contained in the current Standing Orders⁶.
6. Any delegation to the Chief Executive or the Finance Officer may be exercised by any officer authorised by the Chief Executive or the Finance Officer (as the case may be) either generally or specifically for the purpose (except where restrictions exist in employment policies which have been agreed in accordance with Section 2 below).
7. The Chief Executive will nominate the a Corporate Director of corporate services Policy and Public Affairs to assume authority to exercise all powers delegated to him in his absence.
8. In the event of the Chief Executive being unexpectedly indisposed, authority will be granted to the Corporate Director, Policy and Public Affairs to take over as interim Chief Executive ~~between January to June in any year and to the Corporate Director, Services between July and December,~~ until such time as Elected Officers are able to determine what temporary or transitional arrangements will apply following such indisposition (or death).
9. The Chief Executive may exercise any delegated function in the absence of an officer to

⁵ Current Financial Regulations dated 2/6/15

⁶ Current Standing orders dated 7/6/16

whom that authority has been specifically delegated.

10. All delegations are without prejudice to the overriding rights and powers of a London Councils' joint committee or decision-making sub-committee to exercise those functions delegated to it. Any officer may refer a matter to a London Councils joint committee or decision-making sub-committee in lieu of exercising delegated powers.
11. Subject to the foregoing conditions, and to any special conditions which may have been or may in future be applied in respect of particular matters, the Chief Executive will be expected to make such decisions and to take such action as he/she deems necessary in the interests of the efficient running of the organisation and the services provided and administered.

Section 2 - Staffing Delegations

12. The Chief Executive has been granted delegated authority, in consultation with the Corporate Management Board (CMB), to approve policies and procedures relating to human resources and corporate policies and procedures⁷ subject to the following conditions ;
 - (a) any policy relating to internal organisational functions which also applies to Members will be referred to the London Councils' (Leaders) Executive Sub-Committee for approval;
 - (b) all new or amended policies relating to the internal administration of the organisation will only be approved following consultation with the Joint Consultative Committee (JCC);
 - (c) in the event that CMB and the JCC are unable to reach an agreement on the terms of a policy that policy will be referred to the London Councils' (Leaders) Executive Committee for approval;
 - (d) any delegations to officers made in accordance with these policies and procedures shall be considered, to be general delegations from the Chief Executive or the Finance Officer (as the case may be) in accordance with paragraph 6 above.

Section 3 – Officers authorised for certain purposes

13. In accordance with the specific statutory functions delegated to the London Councils joint committees or otherwise to allow the proper and efficient exercise of those functions in accordance with section 111 of the Local Government Act 1972, officers have been individually authorised to act in respect of particular matters (i.e. they are an "authorised officer" for those purposes). Where permitted under the applicable legislation these powers may be further delegated, whether specifically or generally, to another officer to act in the absence of the proper officer.
14. The Chief Executive has been appointed:
 - (a) to act as the "proper officer" for the purposes of the Access to Information provisions of the Local Government Act 1972 (as amended) except insofar as such powers have been specifically delegated to another officer; and
 - (b) to be responsible for the preparation of papers for London Councils Member Body meetings, the preparation of minutes and the promulgation of decisions of such meetings.
15. The Chief Executive, in consultation with the Chair of the relevant sub-committee, will have the authority to amend the programme of ordinary meetings approved by the relevant joint committee for the sub-committees it appoints at its AGM in accordance with Standing Order 1.8. as required

⁷ Corporate policies and procedures would include, but not be limited to, the code of conduct, health and safety and information management policies

throughout the year.

16. The Director, Corporate Resources (Finance Officer) has been appointed to act as the proper officer for the purposes of Section 151 of the Local Government Act 1972 and section 114 of the Local Government Finance Act 1988. The officer to be responsible for the proper administration of London Councils' financial affairs and to issue a report to Members if there is or is likely to be unlawful expenditure or an unbalanced budget.
17. Additional delegations to named officers, some of which do not strictly apply to London Councils but which are adopted as a matter of best practice to allow the proper and efficient exercise of the functions delegated to the London Councils joint committees, in accordance with section 111 of the Local Government Act 1972, are set out in Appendix A with reference to the relevant legislative provisions.

Section 4 - Nominations of elected members to outside bodies

18. The Chief Executive has delegated authority to nominate elected Members to serve on outside bodies subject to:
 - (a) those decision being taken in accordance with guidelines agreed by the London Councils Appointments Panel (set out at paragraph 19 below);
 - (b) having regard to the Nolan principles, and
 - (c) those decisions being reported to the next meeting of the Appointments Panel.⁸
19. Nominations will be made by the Chief Executive under paragraph 18 in consultation with elected Members.. In making nominations the Chief Executive will first apply the **Particular Principles** at (a) below but will also seek to ensure that nothing is done to depart from the **General Principles** at (b) below. Regard should also be had to the **General Conditions** at (c), below.

(a) Particular Principles

- (i) In cases where a single nomination is required, in first instance the relevant portfolio-holder will be considered and if that is not a suitable appointment then the Chief Executive will consult elected Members on an alternative candidate.
- (ii) In cases where an outside body requires more than a single nomination-

The first principle to be applied in such cases is any reasonable external requirement placed on London Councils in making the nomination⁹.

The second principle to be applied, if the first principle does not obtain, is the number of nominations made from each political party shall reflect the balance of the parties represented on Leaders' Committee at that time.

(b) General Principles

- (i) When the Chief Executive is applying the Particular Principles set out above they will seek to reflect any particular interest that the body to be nominated to has

⁸ In accordance with the decision of the London Councils' Executive acting in their capacity as its Appointments Panel on 29 May 2012

⁹ For example the mechanism employed in determining the number of **nominations** for each political party made by London Councils to the London Fire and Emergency Planning Authority is set out in legislation – the Greater London Authority Act 1999. This will be determined by the application of the d'Hondt formula

expressed to London Councils¹⁰.

- (ii) The Chief Executive will also be mindful of other factors that it would be reasonable or proper for London Councils to consider, for example specialist knowledge and skills, stability of service, diversity as well as the Nolan principles set out below and the Chief Executive may, in consultation with elected Members, override the Particular Principles set out above when there is a compelling case to do so.
- (iii) All public bodies are under a duty to follow the Seven Principles of Public Life set out by the Committee for Standards in Public Life, formerly chaired by Lord Nolan (the principles are often called the “Nolan Principles”). In particular, the Chief Executive will seek to ensure that the following three Nolan principles are applied-

Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.¹¹

Openness

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

- (iv) The Chief Executive will give consideration to the elected Members of the City of London Corporation when making any nominations to outside bodies.

(c) General conditions

- (i) When a nominee to an outside body ceases to be an elected Member of a London local authority, London Councils will, in general, take whatever steps are necessary to remove them from that outside body.
- (ii) At a freeze date, being the date of the meeting of the London Councils’ (Leaders) Executive Sub-Committee in May of each year, a report will be brought to that meeting setting out the total number of nominations made to outside bodies for each of the political parties with a calculation of how this reflects the agreed principles (above) for nominations, and the variation from the balance of the parties on Leaders’ Committee. That report may also contain recommendations to rectify any variations that may exist.

Section 5 – Appointments to Young People’s Education and Skills Board (YPES Board)

20. The YPES Board is a Forum (or sub-committee) of London Councils Leaders’ Committee which operates under a constitution (terms of reference) approved by Leaders’ Committee in accordance with Standing Orders. Leaders’ Committee has the power to approve the appointment of representatives to the YPES Board upon their nomination by those organisations who are members of the Board. On behalf of Leader’ Committee, the Chief Executive will have delegated authority from Leaders’ Committee to approve appointments to casual vacancies of the YPES Board.

¹⁰ For example outside bodies occasionally ask for cross-party appointments

¹¹ Members will be expected to regularly attend meetings of the bodies they are appointed to and may be accountable to and from, London Councils for their actions in that capacity.

Appendix A

PERSONS AUTHORISED BY LONDON COUNCILS TO EXERCISE POWERS

CONSISTENT WITH FUNCTIONS OF THE PARTICIPATING LOCAL AUTHORITIES

PART A

The following statutory provisions give powers to duly authorised Proper Officers/Authorised Persons in most local authorities in London. Some of these functions have been expressly delegated by the 33 London local authorities to the London Councils joint committees, some have not and are instead captured within the general delegations to the joint committee.

The following table sets out the persons authorised for the functions identified. This list includes delegations to named officers, some of which do not strictly apply to London Councils' joint committees but which are followed as a matter of best practice in accordance with the exercise of the functions expressly delegated to the joint committees.

Authorised Persons should nominate, in writing, an appropriate deputy to carry out any statutory duties during planned absences. Officers should also ensure arrangements are in place to authorise another officer in the event of unplanned absence. These may vary according to the nature of the responsibility but will be approved by the Corporate Management Board.

	STATUTORY PROVISION	PERSONS AUTHORISED
LOCAL GOVERNMENT ACT 1972		
1	Section 84 – The officer to whom written notice of resignation of elected office shall be delivered	Chief Executive
2	Section 96 – The officer to whom general notices and recording of disclosures of interests under Section 94 should be given	Director of Corporate Governance
3	Section 99 + Schedule 12 - To give notice and send summonses in respect of any London Councils committee meeting	Chief Executive
4	Section 100 - To give public notice of any meeting to which the public are entitled to attend, provide copies of agenda and facilities for the press	Chief Executive
5	Section 100B (2) – The officer to exclude from committees or sub Committees meeting agendas any information to be dealt with in a meeting from which the public are likely to be excluded	Director of Corporate Governance
6	Section 100B (7)(c) – The officer to supply to any newspaper copies of documents supplied to Members of committees or sub-committees in connection with an item for consideration at their meetings	Director of Corporate Governance
7	Section 100C (2) – The officer to prepare a written summary of proceedings of committees or sub-committees from which the public were excluded	Director of Corporate Governance
8	Section 100D (1)(a) – The officer to prepare a list of background papers for reports considered by committees or sub-committees	Director of Corporate Governance
9	Section 100D (5) – The officer to determine which documents constitute background papers; and under Section 100H –to be responsible for charging for copies of those documents	Director of Corporate Governance

	STATUTORY PROVISION	PERSONS AUTHORISED
10	Section 100F (2) – The officer to decide which documents are not, by virtue of containing exempt information, required to be open to inspection	Director of Corporate Governance
11	Section 100G - To maintain a register of the names and addresses of Elected Members and membership of committees, lists of delegations and the like	Director of Corporate Governance
12	Section 115 – The officer to whom money properly due from officers shall be paid	Finance Officer (Director of Corporate Resources)
13	Section 151 (and section 114 of the Local Government Finance Act 1988) – The officer to be responsible for the proper administration of the London Councils' financial affairs (and to issue a report to elected Members if there is or is likely to be unlawful expenditure or an unbalanced budget)	Finance Officer (Director of Corporate Resources)
14	Section 223 - Authorising officers to attend court and appear on behalf of London Councils under Local Government Act 1972 and the County Courts Act 1984	Chief Executive, Corporate Directors & Programme and all Directors
15	Section 225 (1) – The officer to receive and retain statutory documents on behalf of London Councils	Chief Executive
16	Section 229 (5) – The officer to certify photographic copies of documents	Chief Executive
17	Section 233 – The officer to receive documents required to be served on London Councils	Chief Executive
18	Section 234 (1) & (2) – The officer to authenticate documents on behalf of London Councils	Chief Executive
19	Schedule 12 [paragraphs 4(1)(a) & 4(3)] – The officer responsible for issuing summons to meetings at which business is proposed	Chief Executive
20	Schedule 14 [paragraph 25(7)] – The officer responsible for the certification of true copies of resolutions	Chief Executive
LOCAL GOVERNMENT ACT 1974		
21	Section 30(5) - Notice of Local Government Ombudsman's Report	Chief Executive
LOCAL GOVERNMENT FINANCE ACT 1988		
22	Section 116 - Notification to London Councils' auditor of any meeting to be held under Section 15 of the 1988 Act (meeting to consider any report of the Finance Office under Section 114)	Finance Officer (Director of Corporate Resources)
23	Section 139A - Provision of information to the Secretary of State in relation to the exercise of his powers under this Act as and when required	Finance Officer (Director of Corporate Resources)
LOCAL GOVERNMENT AND HOUSING ACT 1989		
24	Section 2 – The officer to hold on deposit the list of politically restricted posts and Section 2 - provision of certificates as to whether a post is politically restricted	Director of Corporate Governance
25	Section 4 – The officer to be designated Head of Paid Service	Chief Executive
26	Sections 15 – 17 (and regulations made thereunder) – The officer to receive notices relating to the membership of political groups	Chief Executive

	STATUTORY PROVISION	PERSONS AUTHORISED
CIVIL EVIDENCE ACT 1995		
27	To certify Council records for the purposes of admitting the document in evidence in civil proceedings.	Any member of the Corporate Management Board
LOCAL GOVERNMENT (CONTRACTS) ACT 1997		
28	Certification of relevant powers to enter into contracts	Chief Executive and Director of Corporate Resources
DATA PROTECTION ACT 1998		
29	Duty to notify the Information Commission of any changes in accordance with Section 20 of the DPA 1998	Director of Corporate Governance
TRAFFIC MANAGEMENT ACT 2004 and CIVIL ENFORCEMENT OF PARKING CONTRAVENTIONS (England) REPRESENTATIONS AND APPEALS REGULATIONS 2007		
30	Section 81(4)(a) requires enforcement authorities to provide administrative staff for adjudicators. The Schedule to the Civil Enforcement of Parking Contraventions (England) Representations and Appeals Regulations 2007 provides that one of the members of the administrative staff required by section 81 shall be appointed to perform the functions of proper officer as set	Head of Support Services – London Tribunals
LOCAL GOVERNMENT ACT 2003		
31	Requirement to report to London Councils annually on the robustness of estimates and financial reserves	Finance Officer (Director of Corporate Resources)
MONEY LAUNDERING REGULATIONS 2003 - PROCEEDS OF CRIME ACT 2002		
32	Money Laundering Reporting Officer for the purposes of receiving disclosure on suspicions of money laundering and reporting as necessary	Finance Officer (Director of Corporate Resources)
LOCALISM ACT 2011		
33	Section 2 - The officer to grant a dispensation for a Member to take part in any discussion and vote on a matter in which they have a disclosable pecuniary interest, in some circumstances.	Chief Executive
OTHER MISCELLANEOUS PROPER OFFICER FUNCTIONS		
34	Any other miscellaneous proper or statutory officer functions not otherwise specifically delegated by the Authority	Chief Executive or his/her delegate

PART B

All London Councils officers shall have regard to the following insofar as is relevant within their job description and for the effective performance of their duties and responsibilities.

B1	Audit	To comply with any powers and duties contained in directions made by the Audit Commission, or any other body which may be responsible for audit of the exercise of London Councils functions, including publication of performance standards and provision of information.
B2	Disabled Persons	Make provision for the supply of services and admission to public buildings and premises for those who are disabled, ensure proper signage and make appropriate adjustments for staff and service users.
B3	Criminal Proceedings	Have regard to London Council's protocol in relation to the bringing of proceedings when deciding whether a person should be charged with any offence.
B4	Best Value	To have regard to London Councils' Best Value duties when providing services and to keep under review the provision of all services to ensure Best Value.
B5	Equalities	Ensure that London Council's functions are carried out to eliminate discrimination and promote equality of opportunity and good relations and carry out appropriate equalities impact assessments of service delivery, policies and strategies and any changes.
B6	Identity Checks	To comply with any powers or duties contained in any Regulations or statutory provisions with regard to the necessity to check identification before the provision of public services.
B7	Proceeds of Crime and Money Laundering	To notify the Council's Money Laundering Officer (Finance Officer (Director of Corporate Resources)) of any matter where proceeds from crime maybe used to fund an acquisition, benefit, agreement or services from the Council or where there is a suspicion that same are may be harbouring the proceeds of crime.
B8	Human Rights	To notify the Finance Officer of any matter where proceeds from crime maybe used to fund an acquisition, benefit, agreement or services from London Councils or where there is a suspicion that someone maybe harbouring the proceeds of crime.

Item 16(d) - Appendix B

LONDON COUNCILS FINANCIAL REGULATIONS - APPENDIX 5

AUTHORISED SIGNATORIES

(Updated 11 July 2017)

PART A:

All Tenders, quotations, deeds* and contracts;

<i>DIRECTORATE</i>	<i>TITLE</i>
Chief Executive's	Chief Executive
Chief Executive's	Director of Corporate Governance
Chief Executive's	Director of Corporate Resources
Chief Executive's	Head of Budgetary Control & Procurement
Chief Executive's	Head of Financial Accounting
PaPA	Corporate Director
Services	Director, Transport & Mobility
Services	Strategy & Planning Director

*Deeds must be signed by one authorised signatory and witnessed by another.
Any of the persons authorised above are authorised to sign, or witness the signing of a deed. No-one else is authorised to witness the signing of a deed which binds London Councils.

PART B:

Tenders and quotations not exceeding £75,000:

<i>DIRECTORATE</i>	<i>TITLE</i>
Chief Executive's	Chief Executive
Chief Executive's	Director of Corporate Governance
Chief Executive's	Head of London Regional Employers Organisation
Chief Executive's	Director of Corporate Resources (Finance Officer)
Chief Executive's	Head of Budgetary Control & Procurement
Chief Executive's	Head of Financial Accounting
Policy & Public Affairs	Corporate Director
Policy & Public Affairs	Director of Communications
Policy & Public Affairs	Head of Strategic Policy
Policy & Public Affairs	Head of Children and Young People Services
Policy & Public Affairs	Interim Director of Finance, Performance & Procurement
Policy & Public Affairs	Strategic Lead for Finance, Performance & Procurement
Policy & Public Affairs	Head of Economy, Culture & Tourism

DIRECTORATE

Policy & Public Affairs
 Policy & Public Affairs
 Policy & Public Affairs
 Services
 Services
 Services

TITLE

Strategic Lead for Health & Adult Social Care
 Head of Transport & Environment
 Head of Housing & Planning
 Director, Transport & Mobility
 Chief Contracts Officer
 Head of Community Services & Grants

Services

Strategy & Planning Director

In addition, the Director of Corporate Governance is authorised to sign all contracts of employment, once the appropriate post approval form (PAF) has been signed by two of the relevant office holders (1) the Finance Officer and one of (2) the Chief Executive; Corporate Director PaPA; Director, Transport & Mobility; Strategy & Planning Director, including secondment agreements into/out of the organisation.

PART C:**Orders for Works, Goods and Services (FR para 16.2)**

Official orders, including those within a computerised ordering system, shall be in a form approved by the Finance Officer and are only to be authorised by the Chief Executive or his/her nominated deputy as set out below. These authorised officers shall then be responsible for the issue of official orders. The names of the authorised officers shall be sent to the Finance Officer together with specimen signatures. Changes shall be notified to the Finance Officer as they occur. Additional guidance on the completion of official orders can be found at appendix 10.

The schedule of authorised Purchase Order signatories by Job/post from 11 July 2017 is shown below.

DIRECTORATE***TITLE***

Chief Executive's
 Chief Executive's
 Chief Executive's
 Chief Executive's
 Chief Executive's
 Chief Executive's
 Chief Executive's
 Chief Executive's
 Chief Executive's
 Chief Executive's
 Chief Executive's

Chief Executive
 Head of Chief Executive's office
 Secretary to Head of Office
 Director of Corporate Governance
 Head of Governance
 Head of London Regional Employers Organisation
 Director of Corporate Resources (Finance Officer)
 Head of Budgetary Control & Procurement
 Head of Financial Accounting
 ICT & Facilities Manager
 Governance Manager

Policy & Public Affairs
 Policy & Public Affairs

Corporate Director
 Director of Communications

DIRECTORATE**TITLE**

Policy & Public Affairs	Head of Strategic Policy
Policy & Public Affairs	Head of Children and Young People Services
Policy & Public Affairs	Interim Director of Finance, Performance & Procurement
Policy & Public Affairs	Strategic Lead for Finance, Performance & Procurement
Policy & Public Affairs	Head of Economy, Culture & Tourism
Policy & Public Affairs	Strategic Lead for Health & Adult Social Care
Policy & Public Affairs	Head of Transport & Environment
Policy & Public Affairs	Head of Housing & Planning
Policy & Public Affairs	Promotions Manager
Policy & Public Affairs	E-communications Manager
Policy & Public Affairs	Publishing Manager
Policy & Public Affairs	Media Manager; Head of Capital Ambition; Programme Manager – Capital Ambition
Services	Director, Transport & Mobility
Services	Chief Contracts Officer
Services	Head of Community Services & Grants
Services	Head of Support Services
Services	Principal Programme Manager (Operations)
Services	Principal Programme Manager (Quality)
Services	London Care Services Manager
Services	Strategy & Planning Director -
Services	Regional Commissioning Manager – YPES
Services	Executive Assistant – YPES

Any new requests / amendments agreed by completion of the “Authorised Signatory Form” and signed by the Chief Executive, Corporate Director PaPA, Director, Transport & Mobility or Strategy & Planning Director
(See below)

Those signatories listed in PART C can also accept tenders and quotations where the value is under £10,000.

AUTHORISED SIGNATORY FORM

Name of signatory	
Job Title	
Division/Section	
Start Date	
Specimen signature	

	Contracts	<input style="width: 80px; height: 30px;" type="checkbox"/>
Authorised to sign (Please tick the relevant box)	Purchase Orders Only	<input style="width: 80px; height: 30px;" type="checkbox"/>
	Invoices Only	<input style="width: 80px; height: 30px;" type="checkbox"/>
	Both Purchase Orders & Invoices	<input style="width: 80px; height: 30px;" type="checkbox"/>

Approved by (to be completed by signatory's Chief Executive/Corporate Director
PaPA/Director, Transport & Mobility/Strategy & Planning Director)

Name	
Job Title	
Division	
Signature	
Date	

Pensions CIV Sectoral Joint Committee

Item no: 9

CEO's Report

Report by: Hugh Grover **Job title:** Chief Executive

Date: 12 July 2017

Contact Officer:

Telephone: 020 7934 9942 **Email:** hugh.grover@londonciv.org.uk

Summary: This report provides the Committee with an update on delivery against the 2017/18 business plan and MTFS and covers other matters not addressed elsewhere in the agenda.

Recommendations: The committee is recommended to note and discuss the contents of this report.

MTFS Plan Progress Update

1. The first quarter of 2017/18 has been positive and we have achieved the majority of our quarterly KPI targets. We have launched two additional funds, taking AUM just short of £5Bn, on-boarded four additional staff, have an additional LLA invested directly with us (Bexley through the LCIV NW Global Equity Fund, managed on a delegated basis by Newton Investment Management Ltd.), and are on target to launch four further funds in the second quarter with two in July and two in September.
2. Costs are lower than plan at this stage, mainly due to lower staff and facilities costs. We are in discussion with a number of very good candidates and are optimistic that further staff will soon be joining the team; details of the recruitment process are below.
3. More detail covering fund launches, financials and client engagement is provided in separate reports to this meeting.
4. The below KPI summary includes a combination of actual and forecast figures for Q1 2017/18 and forward looking narrative for Q2.

Q1 2017/18 KPI Status

KPI	Q1 Actual / Forecast ¹	Q1 MTFS Plan	Variance	Comments	Forward Looking Q2
Number of funds	8	9	-1	Longview launch postponed to July in order to bring forward the first Global Equity launch (Henderson, Emerging Markets) from Sept to July. More detail is given in the separate fund development report.	Expect to be on target to launch 4 further equity funds and achieve target of 12 funds by end Q2.
AuM (£Mn)	4,942	4,732	209	AuM is above target due to market movement, on-going subscriptions and dividend re-investments.	Expect to be above Q2 £5.28 Bn target by end September.
Management Fee (£)	319,433	255,538	63,895	Positive variance mainly due to passive fee income of £59,197 which was not agreed prior to or included in the MTFS.	Expect to be on target to achieve management fee forecast.
Service Fee and DFC (£) (Exc. VAT)	1,425,000	2,400,000	-975,000	£25K Service Fee and £50K DFC (66% of total £75K DFC) invoiced 1 April. As of end June, payment received from 19 LLAs.	Outstanding payments to be followed up via e-mail.

KPI	Q1 Actual / Forecast ¹	Q1 MTFS Plan	Variance	Comments	Forward Looking Q2
Operating Cost (£)	652,325	807,393	-155,068	Under spend mainly due to lower staff and facilities cost (£149,006) and adjustment for legal fees being charged to fund which was not agreed ahead of MTFS sign off (£30,000). Further detail is given in the separate finance report.	Hires of staff and consultants will continue to lag in Q2 so we expect under spending to continue.
LLAs receiving benefits²	N/A	N/A	--	25 LLAs benefitting from direct sub-fund and indirect passive investments. This includes 18 LLAs invested in LCIV sub-funds, 14 invested in LGIM	Longview launch will add one additional LLA (Harrow) and Henderson launch may also have an additional LLA taking total of LLAs benefitting via direct investment or passive funds to 27.
SLAs signed with LLAs²	N/A	N/A	--	SLA draft developed and feedback from review is being incorporated	SLA to be finalised in Q2 with aim to have all LLAs signed by end of Q3
Staff on-boarded	4	5	-1	Global Fixed Income Head, Chief Risk Officer, Client Relationship Executive, and Corporate Development Director (new role / 1 year contract / not in MTFS) appointed as of end June. Offer accepted by Fund Accountant and interviews being arranged for Head of Global Equities.	Reviewing roles and responsibilities of Q2 planned hires against current roles and required skills/resources.
Material Audit Points	0	0	--	2016/17 audit complete. Nothing to report.	Nothing to note.
Material Compliance Points	0	0	--	No material compliance issues to report.	Nothing to note.

¹ Management Fee and Operating Cost KPI data includes end May actuals/June forecast; all other KPI data is as of end June

² No quarterly targets set for number of LLAs receiving benefits or agreeing/signing SLAs. 2017/18 full year target is 32 LLAs.

Q1 2017 Sub-Fund AuM Status

Q1 2017 AuM Status (£Mn)			
FUNDS	30 June Value	MTFS Plan	Variance
London LGPS CIV Global Equity Alpha (Allianz)	691	602	89
London LGPS CIV Global Alpha Growth Fund (Baillie Gifford)	1,674	1,455	219
Lodnon LGPS CIV Diversified Growth Fund (Baillie Gifford)	362	336	26
LCIV PY Gloval Total Return Fund (Pyrford)	225	199	26
LCIV RF Absolute Return Fund (Ruffer)	473	330	143
LCIV NW Real Return Fund (Newton)	346	330	16
LCIV NW Global Equity Fund (Newton 22 May launch)	659	500	159
LCIV MJ UK Equity Fund (Majedie 18 May Launch)	510	530	-20
Longview (to launch in July)	0	450	-450
	4,941	4,732	209

Resourcing Plan

- The Executive Directors discuss the company's resourcing plans on a weekly basis, this is both to ensure that the necessary priority is being given to this aspect of the business plan delivery and to consider what opportunities come from the skill sets of new staff that might either change the recruiting priorities and/or allow resources to be deployed differently and more efficiently. To date in 2017/18 we have hired the following:
 - Chief Risk Officer; this role will cover both risk and performance reporting and we are, therefore, reviewing the role requirement for the AD Investment Oversight & Performance.
 - Head of Fixed Income & Alternatives; brought forward Q2 as this asset class has taken a higher degree of urgency and prioritisation.
 - Client Relations Executive.
 - Corporate Development Director (New role / 1 year fixed term contract); new role added to structure, but contained within budget envelope, to bring support to the Executive team in delivering key organisational development projects, for example supporting the governance review, client reporting and operating model development.
- We are currently reviewing the roles and requirements of the Q2 planned hires and will revise plans as required. The table below provides a summary status against the Business Plan.

MTFS Plan Hire Dates	Resource	Job Posted	Interviews Initiated	Offer Made	Hire On- Boarded
Q1	Head of Global Equities ¹	✓	✓		
	AD Investment Oversight/Performance ²				
	Client Relationship Assistant (retitled Client Relations Executive)	✓	✓	✓	✓
	Fund Accountant	✓	✓	✓	September
	Systems/Data Manager ³	✓			
Q2	Head of Fixed Income/Alternatives	✓	✓	✓	✓
	Management Accountant				
	Operations Assistant ⁴				
	Project Manager ⁴				
Q3	Head of Real Estate/Infrastructure ⁵				
	Risk Officer (retitled Chief Risk Officer)	✓	✓	✓	✓
Q4	Client Relationship Assistant (retitled Client Relations Executive)				
	Administrative Assistant				

1. Engagement delayed as offer made to initial candidate was eventually turned down
2. Role and requirements under review due to integrating performance reporting into Chief Risk Officer role
3. Role on hold pending wider IT infrastructure and system decisions
4. Role and requirements under review
5. Role being brought forward in plans in light of client demand for products in this areas

Recruitment of Non-Executive Directors

7. The process for recruiting two additional NEDs has been completed and we have are going through the process to sign contracts and on-board the two successful candidates, Linda Selman and Paul Niven, for a three year term. Their CVs are attached for information, from which it can be seen that both bring extensive knowledge and experience of investment and fund management and will add additional strength to the Board.

Governance Review

8. At the time of drafting; following the pre-market engagement stage a full Invitation to Tender was released to three potential providers. Responses have been received from two of the three, the third dropped out due to resource constraints and other commitments. Having reviewed the submissions the process for engaging with an independent provider to carry out the review is nearing completion. The Project Steering

Committee will review the submissions and, if content, award the contract at its meeting on 12 July. For information the final specification is attached as are the Terms of Reference for the Steering Committee which are to be reviewed for approval at the project Steering Committee meeting to be held prior to the PSJC on 12th July,.

9. As noted at this Committee's last meeting the Project Steering Committee will be comprised of:
 - Mark Boleat (Chair)
 - Lord Kerslake (Vice Chair)
 - Eric Mackay (LCIV NED)
 - Cllrs Johnson and Heaster (PSJC Party Group Chairs)
 - Ian Williams and Gerald Almeroth (SLT representatives)
10. It is planned that research will happen through July and August. The draft report and recommendations will be considered by the Steering Committee, this Joint Committee, and the Board, before being presented to London Councils' Leaders' Committee as a final report for adoption at its meeting of 10 October.

Paul Niven

Since leaving the University of Strathclyde with a BA (Hons) in Accounting and Economics and an MPhil in Accounting and Finance, Paul has had a 20 year career in fund management. His roles to date have been:

1996-1999	Royal & Sun Alliance Investments Assistant Fund Manager, Pacific Basin Equities
1999-2002	Royal & Sun Alliance Investments Director, Investment Strategist
2002-2004	ISIS Asset Management Director; Head of Strategy
2004-present	BMO Global Asset Management Fund Manager, Foreign & Colonial Investment Trust (since July 2014) Director, Head of Multi-Asset Investments Director, Head of Asset Allocation

Paul is a past Exam Board Member of the Institute of Investment Management & Research and is currently an Independent Investment Advisor to the Trustee CEO Team at the BP Pension Fund.

Linda Selman

After 40 years in the fund management industry Linda retired in 2016. Her roles were:

1978-2001	Scottish Provident Institution Actuarial Trainee, and a variety of other roles leading to: Group Investment Manager
2001-2007	Baillie Gifford Client Director
2008-2016	Hymans Robertson LLP Partner and Senior Investment Consultant

Linda has a BSc (Hons 1st Class) in mathematics and statistics from the University of Edinburgh, is a Fellow of the Faculty of Actuaries, and in 2008 successfully passed the PGDE (Mathematics) at the University of Edinburgh.

London CIV Governance Review Project

Steering Committee Terms of Reference

1. Objective

The Steering Committee has been established to scope, resource, and oversee the delivery of the London CIV Governance Review project and ensure the project is aligned with stakeholder needs and meets the overall objectives of the review. The Steering Committee will also be the leadership group reviewing the draft final report and recommendations and providing any necessary clarifications to finalise the report.

2. Responsibilities of the Steering Committee

The Steering Committee is responsible for:

- Ensuring the project is aligned with all stakeholder needs;
- Establishing the project scope, deliverables and timelines;
- Agreeing the approach for selecting the service provider to complete the governance review;
- Overseeing delivery of the project;
- Resolving any strategic issues or potential scope, timeline or budget changes to the project;
- Reviewing and approving final project deliverables;
- Reviewing recommendations and making proposals for action to the Board, the Pensions CIV Joint Committee and London Councils Leaders' Committee;
- Establishing an effective plan to communicate findings, recommendations and action points to broader stakeholder groups.

3. Membership

Name	Title	Organisation	Steering Committee Role
Mark Boleat (City of London)	Chair	Pensions CIV Sectoral Joint Committee	Chair
Lord Bob Kerslake	Chair	London CIV	Vice Chair
Cllr Yvonne Johnson (LB Ealing)	Vice Chair	Pensions CIV Sectoral Joint Committee	Member
Cllr Maurice Heaster (LB Wandsworth)	Vice Chair	Pensions CIV Sectoral Joint Committee	Member
Ian Williams (LB Hackney)	Chair	Investment Advisory Committee and SLT	Member
Gerald Almeroth (LB Sutton)	Member	Investment Advisory Committee and SLT	Member
Eric Mackay	Non-Executive Director	London CIV	Member

4. Quorum and Decision-Making

A minimum number of 4 Steering Committee members are required for decision-making purposes. The quorum must include one or both of the Chair and Vice Chair and at least one member from each of the stakeholder groups represented by the membership (i.e. the Pensions CIV Sectoral Joint Committee, the Investment Advisory Committee, and London CIV).

5. Decision Making

Decisions should normally be reached on a consensus basis. In the event of a non-consensus, decisions on any matter can be reached on a majority basis, with one of the Co-Chairs having a casting vote in the event of a tie. A committee member who remains opposed to a proposal or recommendation after a vote can request for his/her dissent to be noted in the minutes. Any person invited to attend meetings, and who is not a member, is not entitled to vote on any matter before the committee

6. Frequency of Meetings

The Steering Committee will meet in person or via conference call, monthly and set additional meetings as required around the Project Milestones once the final project plan is approved. A schedule of Steering Committee meetings will be outlined and agreed with the final project plan.

7. Agenda, Minutes and Decision Papers

Members will be sent meeting materials three to five business days in advance of a Steering Committee meeting. This material will include the following as appropriate:

- Agenda for upcoming meeting

- Minutes of previous meeting

- A progress report for the project

- Decision papers

- Any other documents/information to be considered at the meeting.

8. SPECIFICATION

8.1. Purpose

The purpose of the review is to consider the governance structures associated with the Pooling arrangements for the London LGPS funds as currently undertaken through LCIV and recommend potential improvements to ensure that all stakeholders have the necessary and appropriate level of engagement and influence, and that decision making is correctly positioned and defined. This should take into account the fiduciary, regulatory and statutory responsibilities of LCIV, its directors and officers, and the investing LGPS funds.

Any proposals for change should recognise the stage of development that LCIV has reached (i.e. passing through start-up phase and heading towards business as usual) and should ensure that the existing and any proposed structures represent the most economic, efficient and effective use of scarce public sector resources.

Reference should also be made to the emerging structures in other LGPS pools with a view to identifying any points of best practice that should be considered for incorporation into any amended structure.

8.2. Scope

Review roles and responsibilities and provide comments and recommendations for the overall governance structure of LCIV in the context of its purpose as outlined in the London CIV's 2017-20 Business Plan, the requirements and needs of the investing LGPS funds, the government's policy on the pooling of LGPS funds, and the regulatory regime imposed by the FCA.

Review and provide comments and recommendations for LCIV's committee structures including roles and responsibilities, terms of reference and composition (including the requisite skills, knowledge and training programmes) for the:

- Board;
- Executive Committee;
- Investment Oversight Committee;
- Compliance, Audit & Risk Committee; and
- Remuneration Committee.

Review and provide comments and recommendations for the committee structures that sit outside of LCIV including roles and responsibilities, terms of reference and composition (including the requisite skills, knowledge and training programmes) for the:

- London Councils' Pensions CIV Sectoral Joint Committee;
- Investment Advisory Committee

As input to the above reviews, consider roles and responsibilities, as defined by regulations, of:

- London local authority pension Committees
- London local authority Treasurers
- London local authority Pension Boards

8.3. Stakeholders

The successful tenderer will be expected to engage with a range of stakeholders and other groups to gather views. It is not expected that all members of each stakeholder group will be engaged on an in-depth basis; however, it is expected that all stakeholders have the opportunity to voice their views either via the selected stakeholder members or via an alternative approach. Tenderers should outline how they intend to approach this requirement, the number of stakeholders that will be engaged and how they will be selected. The stakeholders and other groups to be engaged and the relevant number of individuals within each group are outlined below.

- London CIV directors (7)
- London Councils' Pensions CIV Sectoral Joint Committee (PSJC) Members (33). The PSJC will also represent the London Local Authority Pension Committees
- London local authority Treasurers (AKA Section 151 Officers or the Society of London Treasurers) (32)
- London local authority Pension Fund Officers (32)
- London Councils' legal advisor (Comptroller and City Solicitor, City of London Corporation) (2)
- London CIV's legal advisors (Eversheds Sutherland LLP) (2)

8.4. Reference Material

Key reference material includes, but is not limited to:

- DCLG, November 2015; Local government pension scheme: investment reform criteria and guidance
- DCLG, November 2015; Design of the structure and governance of efficient and effective collective investment vehicles for LGPS Funds
- CIPFA, Investment Pooling Governance Principles
- LGPS regulations
- Financial Services regulations and the FCA handbook
- London CIV Shareholders Agreement (to be provided in pdf format)
- London CIV Articles of Association (to be provided in pdf format)
- LCIV Business Plan 2017-20 (to be provided in pdf format)
- Relevant LCIV policies, including those for the appointment, oversight and management, and termination of 3rd party Fund Manager contacts (to be provided in pdf format)
- Terms of Reference for the LCIV Committee Structures and Committees outside London CIV as noted in Section 8.2 (to be provided in pdf format)

Pensions CIV Sectoral Joint Committee Item no: 10

Finance Report

Report by: Brian Lee **Job title:** Chief Operating Officer

Date: 12 July 2017

Contact Officer:

Telephone: 020 7934 9818 **Email:** Brian.lee@londonciv.org.uk

Summary: This report provides the Committee with a finance update on delivery against the 2017/18 business plan and MTFS.

Recommendations: The committee is recommended to note and discuss the contents of this report.

Financial Report for Q1 2017/18

1. The financial summary below compares the current Q1 2017 to the Q1 MTFS. Due to the timing of the Committee meeting, at the time of writing this report actuals are only available for April and May with a forecast for June. However, there is unlikely to be a material variance to the June month forecast
2. The outturn for Q1 is a profit of £467k compared to a MTFS budgeted plan of £250k. The principle reasons for the variance are:
 - i. LCIV's agreed fee for negotiating lower LGIM fees which was not budgeted and
 - ii. Timing differences arising on staff recruitment which were budgeted to start effective beginning of the quarter
3. The service charge of £25k per shareholder (32 shareholders following the merger of Richmond and Wandsworth) and two thirds of the Development Funding Charge (DFC) ie £50k were invoiced in April. The balance of the DFC, £25k, will be invoiced in December. The management accounts have been prepared on an accruals basis not an invoiced basis.
4. In respect of the passive fee for LGIM invested assets, the fee is accrued monthly and will be billed annually in arrears. Details of the composition of the LGIM passive fee are detailed below.

Income

5. The service charge and DFC are in line with the MTFS. The variance in active equity management fees arises from the delay in the launch of Longview which is now launching in Q2 rather than Q1, and the delays in Majedie and Newton which were budgeted for the beginning of April launch but transitioned at the end of May.
6. The favourable variance on passive equity management fees relates to the LGIM fees which were not included in the MTFS as the fee charging arrangement had not been agreed at the time of the sign off of the MTFS.

Expenses

7. The main reasons for the favourable variances on expenses are highlighted below:
 - **Staff expenses** – the MTFS had assumed a number of hires (5) effective the beginning of the quarter and a further five hires in June. Due to these timing delays in hiring, there is a cost saving of £150k. The MTFS had also anticipated a 2% pay increase 1% increase plus staff banding increments if relevant has been made. As mentioned earlier in this report the pension funding contribution rate to the COLPF LGPS scheme of which LCIV is a member has increased from 17.5% to 21%. The full year impact on the current staff headcount is @£35k.
 - **Facilities** – cost is headcount related and therefore under budget.
 - **Legal and Professional** – the estimated costs have been reduced as third party fund launch costs primarily legal in this quarter are now being charged to the funds when launched.

FY 2017/18 BUDGET - BY QUARTER	Q1 Actual	MTFS	Q1 Variance
INCOME		Q1	
Service Charge	200,000	200,000	0
Development Funding Charge	600,000	600,000	0
Management Fee by Fund			
Allianz	42,510	37,625	4,885
Baillie Gifford	103,273	90,938	12,335
Majedie	15,744	22,067	-6,323
Newton Global Equity	14,575	20,833	-6,258
Longview	0	9,375	-9,375
Total Active Equity	176,102	180,838	-4,736
Ballie Gifford DGF	22,697	21,000	1,697
Ruffer Absolute Return	27,342	20,625	6,717
Pyrford Global Return	12,944	12,438	506
Newton Real Return	21,169	20,638	532
Multi-Asset Subscriptions	0	0	0
Total Multi-Asset	84,152	74,700	9,452
Total Management Fee	319,433	255,538	63,895
Total Income	1,119,433	1,055,538	63,895
EXPENSE			
Staff Costs			
Total Staff costs	352,664	484,621	131,957
Facilities			
Total Facilities	72,765	89,814	17,049
Legal and Professional			
Total Legal and Professional	177,909	176,500	-1,409
Travel and General Expenses			
Total Travel and Sub/Prof Fees	11,163	16,844	5,681
Technology			
Total Technology	10,488	12,115	1,626
Data Feeds			
Total Data Feed Costs	27,337	27,500	163
Total Operating Expenses	652,325	807,393	155,068
EBITDA	467,107	248,144	218,963
Depreciation	487	460	-27
Interest Income	1,138	3,750	-2,612
PBT	467,758	251,434	216,325

8. The calculation of the LGIM fees are set out below:

Name of Borough	AUM AS @ 30/04/17	Basis Point Charge £
	£m	0.0050%
Barnet	402,740,624	1,678
Brent	370,000,000	1,542
Camden	483,657,569	2,015
Hammersmith and Fulham	299,829,897	1,249
Hillingdon	288,620,407	1,203
Haringey	821,239,171	3,422
Islington	95,995,554	400
Kensington and Chelsea	357,534,137	1,490
Newham	344,498,109	1,435
Southwark	408,687,652	1,703
Sutton	71,106,144	296
Tower Hamlets	340,967,847	1,421
Wandsworth	316,449,072	1,319
Westminster	133,000,000	554
Total	4,734,326,183	19,726

9. In respect of service fees, the following amounts are outstanding from thirteen boroughs:

Fees outstanding as at 30th June 2017				
London Borough of Barnet				90,000
London Borough of Camden				90,000
London Borough of Croydon				90,000
London Borough of Ealing				90,000
London Borough of Enfield				90,000
Royal Borough of Greenwich				90,000
London Borough of Hammersmith & Fulham				90,000
Royal Borough of Kensington & Chelsea				90,000
London Borough of Merton				90,000
London Borough of Newham				90,000
London Borough of Sutton				90,000
London Borough of Wandsworth				90,000
City of Westminster				90,000
				1,170,000

Quarterly MTFS

10. The MTFS by quarter is set out in the table below. The Committee is asked to note that It reflects the incidence of costs increasing quarter on quarter as headcount rises together with the increasing use of third party costs as the operating model and systems are built out.

FY 2017/18 BUDGET - BY QUARTER	MTFS	MTFS	MTFS	MTFS	2017/18
INCOME	Q1	Q2	Q3	Q4	MTFS
Service Charge	200,000	200,000	200,000	200,000	800,000
Development Funding Charge	600,000	600,000	600,000	600,000	2,400,000
Management Fee by Fund					
Allianz	37,625	37,625	37,625	37,625	150,500
Baillie Gifford	90,938	90,938	90,938	90,938	363,750
Majedie	22,067	33,100	33,100	33,100	121,367
Newton Global Equity	20,833	31,250	31,250	31,250	114,583
Longview	9,375	28,125	28,125	28,125	93,750
Gobal Equity 1	0	0	12,500	12,500	25,000
Global Equity 2	0	0	12,500	12,500	25,000
Global Equity 3	0	0	9,375	9,375	18,750
Global Equity 4	0	0	0	9,375	9,375
Global Equity 5	0	0	0	9,375	9,375
Global Equity 6	0	0	0	0	0
Active Equity Subscriptions	0	0	6,428	6,428	12,856
Total Active Equity	180,838	221,038	261,841	280,591	944,306
Ballie Gifford DGF	21,000	21,000	21,000	21,000	84,000
Ruffer Absolute Return	20,625	20,625	20,625	20,625	82,500
Pyrford Global Return	12,438	12,438	12,438	12,438	49,750
Newton Real Return	20,638	20,638	20,638	20,638	82,550
Multi-Asset Subscriptions	0	0	3,735	3,735	7,470
Total Multi-Asset	74,700	74,700	78,435	78,435	306,270
Total Management Fee	255,538	295,738	340,276	359,026	1,250,576
Total Income	1,055,538	1,095,738	1,140,276	1,159,026	4,450,576

EXPENSE					
Staff Costs					
Total Staff costs	484,621	575,271	629,164	629,164	2,318,220
Facilities					
Total Facilities	89,814	89,814	89,814	89,814	359,256
Legal and Professional					
Total Legal and Professional	176,500	351,500	351,500	351,500	1,231,000
Travel and General Expenses					
Total Travel and Sub/Prof Fees	16,844	16,844	16,844	16,844	67,375
Technology					
Total Technology	12,115	98,781	98,781	98,781	308,458
Data Feeds					
Total Data Feed Costs	27,500	27,500	27,500	27,500	110,000
Total Operating Expenses	807,393	1,159,710	1,213,603	1,213,603	4,394,309
EBITDA	248,144	-63,972	-73,327	-54,577	56,267
Depreciation	460	460	460	460	1,842
Interest Income	3,750	3,750	3,750	3,750	15,000
PBT	251,434	-60,683	-70,038	-51,288	69,425
Tax					

11. The MTFS assumed the following fund launches:-

- Longview – May now July £450m
- Global Equity I - September £550m
- Global Equity II – December £300m
- Fixed Income - March £600m

Regulatory Capital

12. As a FCA regulated entity, the Company is required to maintain sufficient regulatory capital as determined for a full scope Alternative Investment Fund Manager ('AIFM'). The amount of capital required is determined by the higher of one quarter of annual expenditure or a certain percentage of actual assets under management (0.02% in excess of Euro250,000). A formal calculation is submitted to the FCA on a quarterly basis and a summary of the Regulatory Capital Statement as at 31st March 2017 is given below.

13. Regulatory Capital Statement as of 31st March 2017

Tier 1 Regulatory Capital	£3,546k
Own Funds Requirement	<u>£778k</u>
Surplus Capital	£2,768k

Recommendations

14. The Committee is recommended to note and discuss the contents of this report.

Financial Implications

The financial implications are contained within the body of the report.

Legal implications

There are no legal implications for the Committee that have not been considered in the report.

Equalities implications

There are no equalities implications for the committee.

Pensions CIV Sectoral Joint Committee Item no: 11

Sub-fund performance Report

Report by: Julian Pendock **Job title:** Chief Investment Officer

Date: 12 July 2017

Contact Officer: Julian Pendock

Telephone: 020 7934 9887 **Email:** julian.pendock@londonciv.org.uk

Summary: This report provides the Joint Committee with an Investment update including performance of the London CIV sub-funds and Stewardship activities.

Appended are the Manager Review Meeting reports which are held with all existing sub-fund managers.

Recommendations: The committee is recommended to note the contents of this report.

Sub-fund performance

1. Performance data for each sub-fund is shown below. This performance is for the quarter to 30th June 2017.

LONDON CIV – QUARTERLY PERFORMANCE STATISTICS

Q2 2017 APRIL – JUNE 2017

FUND (Underlying Manager)	PRICE (Pence)	FUND SIZE £M	Q2	YTD	1 year	SINCE INCEPTION	INCEPTION DATE
UK Equity Sub-Fund							
LCIV MJ UK Equity (Majedie) <i>Benchmark: FTSE All Share Index</i>	97.4	£510	N/A	-2.60%	N/A	-2.60%	18/05/17
Performance Against Benchmark				-1.28%		-1.28%	
				-1.32%		-1.32%	
Global Equity Sub-Funds							
LCIV Global Equity Alpha (Allianz Global Investors) <i>Benchmark: MSCI World Net GBP Index</i>	133.3	£691	3.89%	10.95%	25.12%	35.95%	02/12/15
Performance Against Benchmark			0.14%	5.27%	21.64%	34.31%	
			3.75%	5.68%	3.48%	1.64%	
LCIV BG Global Alpha Growth (Baillie Gifford) <i>Benchmark: MSCI All Countries World Gross Index</i>	140.1	£1,674	4.62%	12.56%	31.13%	41.23%	11/04/16
Performance Against Benchmark			0.71%	6.12%	21.81%	33.53%	
			3.91%	6.44%	9.32%	7.70%	
LCIV NW Global Equity (Newton) <i>Benchmark: MSCI All Countries World Gross Index</i>	100.7	£659	N/A	0.70%	N/A	0.70%	22/05/17
Performance Against Benchmark				1.11%		1.11%	
				-0.41%		-0.41%	
DGF/Total Return Sub-Funds							
LCIV PY Total Return (Pyrford)	109.3	£225	0.18%	1.86%	5.60%	9.30%	17/06/16
LCIV Diversified Growth (Baillie Gifford)	116.2	£362	1.75%	4.63%	11.74%	16.77%	15/02/16
LCIV RF Absolute Return (Ruffer)	110.7	£473	-0.45%	-0.45%	8.61%	11.00%	21/06/16
LCIV NW Real Return (Newton)	104.6	£346	1.16%	3.16%	N/A	4.60%	16/12/16
Total LCIV Assets Under Management		£4,940					

Data taken from Bloomberg as at 30/06/2017

All performance reported Net of fees and charges with dividends reinvested

2. Due to the timing of this committee meeting in the reporting cycle, there is no investment commentary on each fund or a market review for the quarter ending June 2017. This will be provided to the committee at its next meeting.

Manager Review Meeting Reports

3. Appended to this report are the Quarterly Investment Manager Review meeting reports for the Quarter ending 31st March 2017.
4. These reports summarise the quarterly meetings that the LCIV CIO and investment team hold with the portfolio manager of each sub-fund. These meetings serve as the primary oversight function of the ACS Operator and provide the opportunity to challenge the manager on the previous quarter's performance, portfolio positioning, and each manager's market outlook at both a micro and macro level.
5. These reports have previously been circulated to members of the Joint Committee, Treasurers, and Pension officers.

Recommendations

6. The Committee is recommended to note the contents of this report

Financial Implications

7. There are no financial implications for London Councils.

Legal Implications

8. There are no legal implications for London Councils.

Equalities Implications

9. There are no equalities implications for London Councils.



LONDON CIV

LCIV Global Equity Alpha (Allianz) Q1 Manager Review March 20th 2017

CIV Investment Team

LCIV Global Equity Alpha (Allianz) Fund

Inception date	2/12/2015
Fund Size	£667m (as at 31/3/2017)
Number of holdings	53
Benchmark	MSCI World Index

Investment objective

The Sub-fund aims to achieve capital growth by outperforming the MSCI World Index Total Return (Net) GBP by 2% p.a. net of fees.

Agenda

1. Review the first quarter performance of the portfolio.
2. Outline any changes to portfolio holdings.

	Allianz GEA	MSCI World
Q1 2017	6.79%	5.12%
Since LCIV Inception	30.86%	34.11%

Source: Bloomberg, as at 31/3/2017 Net of fees with dividends re-invested.

Executive summary

After a difficult fourth quarter in 2016 the fund bounced back in the first quarter of 2017 by delivering a 6.79% return; an outperformance of 1.67% above the MSCI world benchmark. This in large part can be explained by the reversal of the previous value rally back towards global growth stocks.

At the stock level, Priceline.Com and Facebook were the strongest performers contributing 0.39% and 0.31% to relative returns respectively. The decision not to own Apple and the position in Wabtec corp were the top detractors from relative performance.

In terms of portfolio activity, Allianz started a position in Charles Schwab and added to Celgene. They also sold the entire Ralph Lauren position and reduced allocations to EOG Resources, Microsoft, SMC, and UnitedHealth.

Q1 Performance review:

After a difficult fourth quarter in 2016 the fund bounced back in the first quarter of 2017 by delivering a 6.79% return; an outperformance of 1.67% above the MSCI world benchmark. In the previous quarter value sectors such as financials and energy rallied hard as markets were quick to re-price assets following Donald Trump's election victory in the U.S., as well as the Federal Reserve's decision to raise the federal funds rate by 25 basis points to a 0.5-0.75% corridor.

This quarter saw U.S. equities post their strongest quarterly gain in four years. According to Allianz the region's equities were bolstered by signs of improving economic momentum, optimism over company earnings and by hopes that the new administration would introduce tax and regulatory reform. However, the rally stalled towards the quarter end amid concerns about President Trump's ability to implement his election promises after legislation to replace Obamacare failed to gather sufficient support in Congress. This, in part, helped fuel a rotation in momentum in the U.S. away from value sectors such as financials and energy towards global large cap growth stocks such as Facebook, Amazon and Google, providing a significant tailwind for the portfolio.

In terms of contributions of returns at the stock level, Priceline.Com and Facebook were the strongest performers, contributing 0.39% and 0.31% to relative returns respectively.

Priceline posted strong Q4 results with growth across all brands and key geographies. Online travel bookings are growing faster than total travel bookings and Allianz continue to believe Priceline is best positioned amongst the online travel agencies given its exposure to faster growing Asia, lower mix of chain hotel business, and scale advantages.

Facebook also reported strong results; user growth remains solid and overall engagement increased slightly despite the enormous scale of the company's business and rising competition. The emphasis on video along with continued robust growth of Instagram and the potential for monetization of Messenger and WhatsApp reinforce the team's positive view that revenues can move higher and they therefore continue to view Facebook as very well positioned in one of the best secular growth markets.

Not owning Apple was the top detractor to performance this quarter costing 0.33% relative to the benchmark. Allianz have a preference for other names such as Facebook and Tencent, which they believe have a more favorable long-term growth trajectory.

Wabtec Corp, a position amounting to 1.8% in the portfolio, was the second largest detractor from performance at a 0.23% loss relative to the benchmark. According to Allianz, train control and signaling provide a long runway for growth and, multi-year funding supportive of U.S. transit growth, as well as the incremental benefits and synergies with Faiveley and a stabilizing

aftermarket should serve to offset the expected freight and locomotive headwinds and drive an improved 2017 and 2018 earnings profile. They therefore remain confident in holding Wabtec Corp.

Portfolio activity:

Significant transactions:

Purchases:

- **Charles Schwab Corporation (CS)** – Allianz started a 1% position in Charles Schwab. CS offer a variety of financial services to individual investors, independent investment managers, retirement plans, and institutions. The company provides its' clients with securities brokerage, banking, and related financial services through offices in the US, Puerto Rico, and the UK. Allianz believe Schwab is a well-managed and highly valued company that trades at a premium to peers based on the potential to unlock the interest-rate-sensitive earnings as short-term interest rates rise. Allianz also see bulk transfers of money market funds to bank deposits as another incremental driver of earnings growth as well as numerous initiatives to drive both incremental organic growth and a higher fee rate.

Additions:

- **Celgene** – Allianz increased the position by 0.8% of the portfolio. In Healthcare, concerns about US regulation on drugs have now dissipated and Allianz expect the exposures in the managed care and specific therapeutic areas to also be rewarded, benefiting companies such as Celgene.

Sales:

- **Ralph Lauren** – Allianz opted to sell the entire (0.8%) Ralph Lauren position. According to Allianz the challenges in the industry remain abundant and having CEO Stefan Larsson leave (abruptly) in the midst of a four-year turnaround strategy left some corporate governance concerns and not a clear plan, so they felt that their investment case was not supported anymore.

Reductions:

- **EOG Resources** - EOG Resources has performed weakly, in line with the energy sector, which has recorded negative returns amid weak oil prices on fears that rising US supply would outweigh OPEC's agreement to curb production. EOG guidance is for higher growth and lower capital expenditure, indicating that the company continues to expect increasing efficiencies despite the threat of oil services inflation. Allianz believes the investment thesis remains intact but decided to reduce their holding by 0.5% of the portfolio.

- **SMC** - Position reduced by 0.8% of the portfolio. No rationale given.
- **Microsoft** - Position reduced by 0.4% of the portfolio. No rationale given.
- **UnitedHealth** - Position reduced by 0.3% of the portfolio. No rationale given.

CIO conclusion:

The reversion of the markets towards a “quality” and “growth” bias benefitted the fund’s performance and has somewhat unwound the large relative loss experienced in the final quarter of 2016. As the fund is highly sensitive to changes in factor momentum we will endeavour to monitor the rationale across the portfolio in light of a recent global monetary tightening (albeit from a highly easy base) and uncertain fiscal direction, particularly in the U.S.

Meeting Attendees

Team CIV:

Julian Pendock; CIO
Frederick Fuller; Head of IO
Jill Davys; Client Director

Allianz

Lucy Macdonald; Portfolio Manager
Joanne Wheatley; Client RM

Important information

London CIV

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Registered office: 70 Great Bridgewater Street, Manchester M1 5ES.

LCIV Global Alpha Growth Fund
(Baillie Gifford) Q1 Manager Review
25th April 2017

CIV Investment Team

LCIV Global Alpha Growth (Baillie Gifford) Fund

Inception date	11/04/2016
Fund Size	£1,602m (as at 31/03/2017)
Number of holdings	99 (as at 31/03/2017)
Benchmark	MSCI All Country World Index

Investment objective

The objective of the Sub-fund is to exceed the rate of return of the MSCI All Country World Index by 2-3% per annum on a gross fee basis over rolling five year periods.

Agenda

1. Review the first quarter performance and any significant contributors since the fund's inception.
2. Discuss any portfolio activity relating to the fourth quarter.
3. Explain the rationale for the thematic positioning of the fund and how market developments may impact any allocations.

	Global Alpha Growth	MSCI AC World Index
Q1 2017	7.60%	5.37%
Since LCIV Inception	35.00%	32.59%

Source: Bloomberg, as at 31/03/2017. Net of fees with dividends re-invested.

Executive summary

In the first quarter of 2017 the fund posted a positive return of 7.60%, outperforming the benchmark by 2.23%. The equity market rose even as wider asset markets remained relatively calm, following the volatility in the previous quarter.

The Baillie Gifford team made few changes to the portfolio, with one new purchase during the quarter in the semi-conductor producer Infineon Technologies, as well as the complete sale of Wolseley.

The team is increasingly upbeat on the individual opportunities for the fund, and continue to view themes such as US economic normalisation and new trade routes in emerging markets as providing a supportive backdrop to the equity markets for the foreseeable future.

Q1 Performance review

Since the inception of the fund in April of 2016, the Global Alpha Growth strategy (GAG) has achieved a positive return of 35.00%. The current AUM is just over £1.6 billion. The fund delivered a strong return of 7.60%, outperforming the benchmark by 2.23% as equity markets continued to rise during Q1.

The strongest contributors to return were Royal Caribbean Cruises (+0.4%) as 2016 earnings rose 26% helped by rising demand in North America and China, and Amazon (+0.3%) which between them make up 8% of the total portfolio.

Detractors included TD Ameritrade (-0.3%) and Apache (-0.3%), which had a weaker quarter after a strong rally in the last three months of 2017. BG view Apache's strength as an excellent exploratory energy company lying in excellent individuals making up their teams combined with low lifting costs; they remain confident that the company retains good growth prospects over the next three to five years.

Portfolio activity:

In the recent quarter the Baillie Gifford ('BG') team made few changes to the portfolio as they took stock following the volatility at the end of 2016.

Significant transactions:

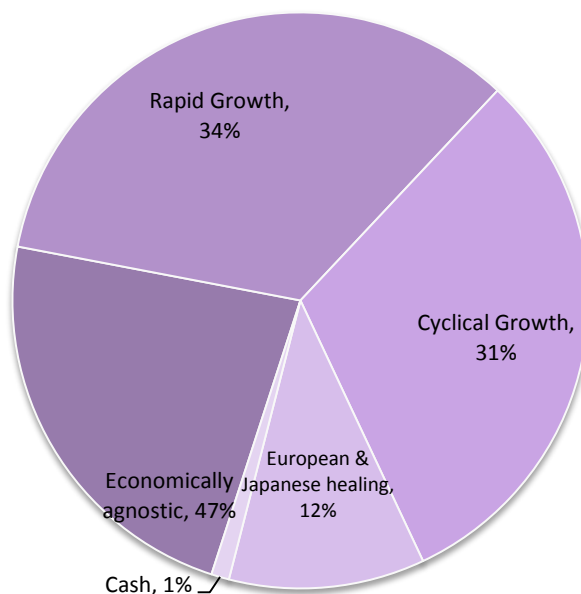
Purchases:

- **Infineon Technologies** – Infineon technologies is a semi-conductor manufacturer based in Germany with over 45% of its sales coming from the automotive industry and with China as its single largest market at 28%. The BG team have viewed the significant company change and consolidation within the industry as a positive. Structurally higher margins, alongside increased demand for chips (especially with regard to the proliferation of high-end, high-tech smart vehicles), gives the potential for strong growth prospects over the medium to long term.

Sales

- **Wolseley** – A company in the ‘cyclical growth’ portion of the portfolio, the stock had posted a positive return of over 30% and the Baillie Gifford have now closed out the position.
- **First Republic Bank** – The BG team had become increasingly worried by valuations and accordingly have taken some profits from the position over the quarter.

Thematic positioning



Portfolio discussion:

As discussed during the last quarterly report, the BG team did not anticipate or chase the market reaction to the US Presidential election result, and thus did not benefit from the reflation trade that occurred in Q4 2016 (leading to an underperformance of 2.51% vs the index during that period). The partial reversal of the reflation trade (which was focussed on financials and more operationally leveraged, cyclical sectors), benefitted the fund on a relative basis in 1Q17.

The Trump reflation trade turned out to have a short half-life, as the euphoria of promises of tax reform and infrastructure spending dissipated, with President Trump falling at the first hurdle with his healthcare reform bill. The previous quarter’s discussion had focused on how BG anticipated the composition of global growth to be increasingly distributed towards the US as a result of the Trump presidency.

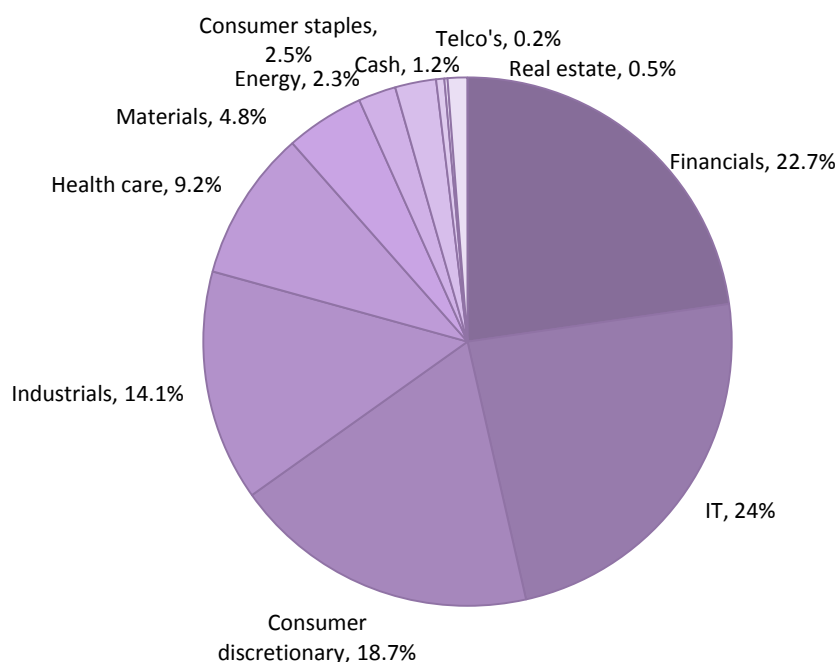
The team now anticipates further normalization in US rates, combined with a gradual tapering of stimulus in the EU. A key concern for the BG team (and the wider world) is the strength of

underlying economies if and when rates are hiked and liquidity support is withdrawn. In short, the real question that needs attention is not how many rate increases can the US economy withstand, but at what point do these hikes become a problem for asset markets.

Healthcare stocks struggled during the quarter as political machinations and uncertainty weighed heavy and pricing pressures became even more apparent. Myriad Genetics, Stericycle and Novo Nordisk are all having their investment cases reviewed by the BG team as a result. LCIV will follow up with the manager at the next meeting on these stocks and the healthcare sector in general.

Financials were a topic of discussion, with the banking sector a recent focus of the team's attention. They remain of the view that the sector needs significantly more than the shaky growth and inflation expectations that exist today and more competitiveness and structural self-reflection is required; in other words, structural challenges remain, despite the apparent cyclical bounce.

BG feels that US investment banks may prove to have reached an inflection point. It can be argued that the sector has reached 'peak compliance', with any repeal or amendments to Dodd-Frank by the Trump administration likely to push the banks back into an attractive light. Based on this thesis the BG team have an investment in Leucadia, which is the holding company of Jeffries (as an investment banking proxy stock.) An interesting point to note is that because of the structure of the holding company, it is only covered by one analyst on Wall Street, something that BG view as an advantage.



As can be viewed above, the portfolio remains tilted towards IT and Financials, with neither likely to change as the two highest proportions of the portfolio in the near future. Geographical allocation remains heavily tilted to the US with a 49.1% allocation, with Europe (ex UK) and Emerging Markets both shy of 18% each.

Finally, with regard to the risk management and scenario testing that are continually undertaken on the portfolio; BG noted that they had begun to introduce more positive scenarios into the mix (such as accelerating global growth expectations) rather than the more common market collapses and viral pandemics. The team agreed this mirrored their increasingly optimistic view of the opportunity set available to the fund.

CIO conclusion:

The BG team had already invested in the normalisation of the US economy, and therefore there was no need to chase the “Trumpflation” rally – moreover, the BG team look at individual companies from the bottom up, and on a five-year view. The performance remains in line with the mandate, and it is encouraging that the BG team report that they are seeing more, rather than fewer, new investment ideas. As noted LCIV will continue to monitor the portfolios position in regards to Healthcare.

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LONDON CIV

LCIV Diversified Growth Fund (Baillie
Gifford) Q1 Manager Review
25th April 2017

CIV Investment Team

LCIV Diversified Growth Fund (Baillie Gifford)

Inception date	15/2/2016
Fund Size	£355m (as at 31/03/2016)
Number of holdings	N/A
Benchmark	N/A

Investment objective

The objective is to achieve long term capital growth at lower risk than equity markets.

Agenda

1. Review the first quarter performance and the significant contributors across the various sub-asset classes.
2. Discuss any portfolio activity relating to the fourth quarter.
3. Explain the general macroeconomic views of the team and how positioning aligns to such.

LCIV BG Diversified Growth	
Q1 2017	2.83%
Since Inception	14.76%

Source: Bloomberg, as at 31/03/2017. Net of fees with dividends re-invested.

Executive summary

The fund delivered a 2.83% return against a backdrop of relatively stagnant financial markets in the first quarter. Equities, infrastructure and emerging market bonds posted the highest returns of the asset classes in the fund.

The Baillie Gifford ('BG') team have taken stock following the tumultuous final quarter of 2016, making a number of small tweaks to the equity and high yield exposures of the fund on valuation grounds, whilst adding to the emerging market and inflation-linked allocations.

The team retain a 9% allocation to cash however as they still view volatility coming through at some point in the near future and wish to deploy this "dry powder" as quickly as possible.

Q1 performance review:

Since the inception of the fund in February of 2016 the BG Diversified Growth strategy has delivered 14.76%, helping AUM to grow to £355m.

The fund delivered a 2.83% return against a backdrop of relatively stagnant financial markets in the first quarter, dominated by concerns over reflation and President Trump's ability to implement his much touted financial reforms. The fund has shown its agility in producing a similar return to that of the last quarter despite almost antithetical market conditions.

The BG team were keen to stress the secondary aim of the fund, which is to produce annualised volatility of less than 10% over rolling 5 year periods. The rationale for this number is based upon a target of volatility of around half that of traditional equities (whose average historic volatility is in the high 'teens', hence the 10% figure.)

The fund is well within this target, with a current average volatility of 4.1% per annum over the last 5 years. Although they acknowledged that risk does not necessarily equate to volatility, they pointed out that the secondary aim does serve an important function within the wider context of the strategies' purpose, especially with regard to a pension funds strategic asset allocation.

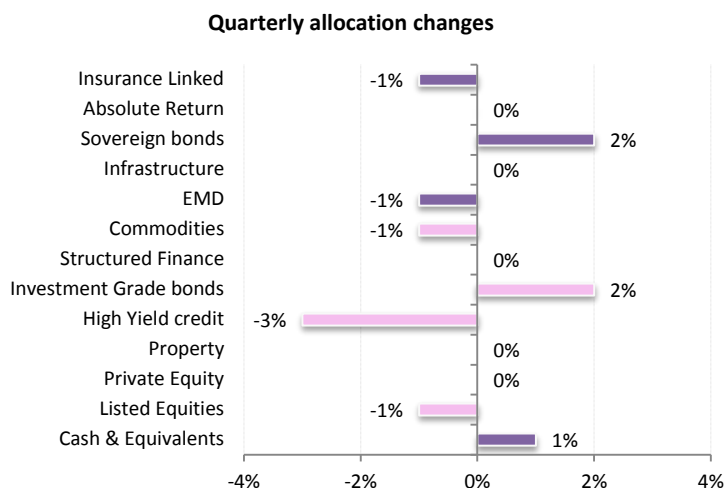
As will be discussed in more detail further on, this was another quarter of nearly all asset classes within the portfolio producing a positive return (which is should be noted is a rare occurrence in historic terms.) The fund's equity exposure provided a positive return of 1.3%, accompanied by a return of 0.6% from Emerging Market Bonds as investors across the globe looked to fully utilise the apparent improvement in global growth, with emerging market bond valuations appearing well positioned. Structured finance and Infrastructure were the only other major positive contributors, adding 0.6% combined.

Little or no overall performance was gained from Government bonds, special opportunities and Absolute return, while the only negative performance came from the portfolio's active currency positions.

Portfolio activity:

In the first quarter of 2017 Baillie Gifford made some small alterations to holdings as markets recalibrated after the volatility of the last quarter of 2016.

Significant transactions:



➤ Government Bonds:

The team added to their position in US inflation linked government bonds (TIPs) after a similar addition last quarter. They continue to view TIPs as providing a better rate of interest than cash and a continuation in inflation protection as the US began to experience the much heralded pick-up. In addition, the team said that they remained a preference over UK inflation linked gilts (linkers) and, as a result of having hedged out the TIPs they are purely used for their inflation protection properties. The subject of credit risk raised its head again during the meeting, with BG running LCIV through their use of Euro-Bobl futures in order to short European interest rates, thereby offsetting some of the credit risk inherent in the portfolio (BG were at pains to point out that they did recognise the apparent late cycle risk.)

➤ Emerging Market Bonds:

The BG team shuffled the holdings as they added to US denominated bonds and reduced local currency bond exposure. The team noted that even with all of the discussion on EM bond valuations that continues to dominate much market discourse, the typical 8.5% return available at the moment is only 0.5% below the long term average and accordingly investors need to keep a watchful eye on yields as the year progresses.

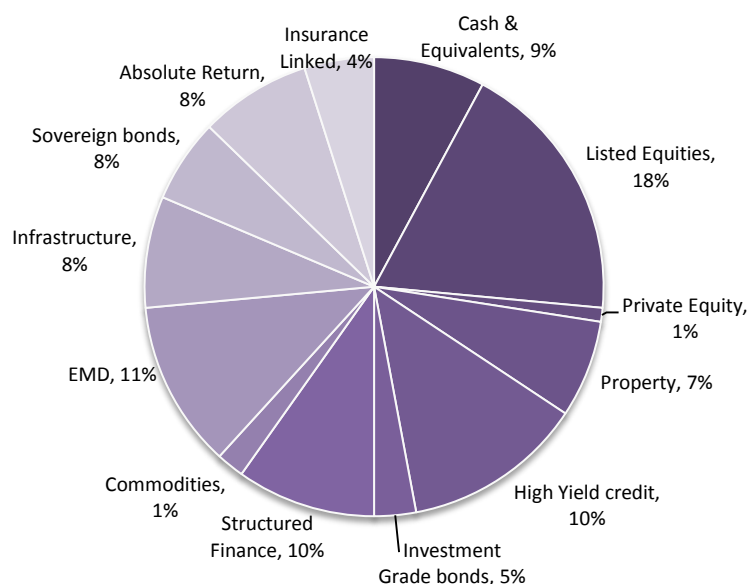
➤ High Yield:

The high yield allocation of the fund currently sits at 10%, with a historical average of 15-20%, demonstrating that the team continues to see better value elsewhere in the portfolio. During the quarter they trimmed back the High Yield exposure by another 3% as they saw demand continue to push prices upwards (this reduction was split between European and US bonds.) With spreads currently sitting at 400 basis points in the US (and BG seeing the correct long term average as between 475 and 500 bps) they felt this was the opportune time to adjust the holding (it should be remembered that the BG team made a timely and sizable tilt towards the HY space following that market's dislocation (in the US) in February 2016).

➤ Listed equities:

The team made a small reduction in listed equities in light of rising valuations across developed markets (the reduction was made both to global equities and European dividends.) The topic of the Trump effect was discussed at length (something that gave a strong tailwind to cyclical stocks during Q4 2016 and hurt the equity performance of the fund relative to the wider market.) The BG team were keen to stress that they do not view themselves as a 'trading book' and therefore would not have attempted to trade the 'dash for trash'. Instead they simply waited until the trade un-wound slightly, which meant that much of the underperformance was reversed.

There appears to be a slight conflict however in the BG team's message that they are not a 'trading book' since they gain exposure to global equities through the Baillie Gifford Global Alpha fund, which itself takes a longer term view on equities, but run the DGF in order to produce tactical asset allocation which inherently needs an element of short-termism. It may be that BG does not view equities as the portion of the portfolio that they would use for short term allocation; however, at such a large percentage of the portfolio this reduces the potential upside when making allocation decisions. This will be revisited with the manager in the future.



Macro discussion:

The Trump reflation trade, which markets eagerly grabbed with both hands quickly deflated as the euphoria at promises of tax reform and infrastructure spending dissipated, with President Trump falling at the first hurdle with his healthcare reform bill. The previous quarter's discussion had focussed on how BG anticipated the composition of global growth to be increasingly distributed towards the U.S. as a result of the Trump presidency.

The team now view US rates as requiring a movement upwards in the near future and stimulus within the EU (in various guises) to come down. As with most of the market, discussion had moved on from the shift in growth and inflation to the speed of any policy transition, particularly within the US. The real question that needs attention is not how many rate increases can the US economy withstand, but at what point do these hikes become a problem for asset markets.

The BG team said they would continue to expect more modest returns from the markets due to the base effect of the last 7-8 years. However, they remain relatively cash 'heavy' at around 9% in order to deploy when they see volatility come through (which, taking into account the lack of any real correctional event since the China fears 2016, may be quite extreme.)

The BG team remain cautiously optimistic on Europe, with a view that there remains much more to come from ROCE and corporate margins, as well as much more for aim for. It should be noted that the DGF actually gains its EU exposure through dividend futures (specifically on the Eurostoxx 50.) The rationale behind this is that they do not wish to gain exposure to the higher operating leverage of Eurozone corporates.

The US remains a substantial exposure of the portfolio. The LCIV CIO commented on the run rate of US retail closures and questioned how the BG team might factor in any effect of the unwinding of QE. The response was that was part of the reason that the fund did not hold any direct exposure to US real estate.

They do however have a relatively favourable view of the UK on valuation grounds. This is in part because the REITs appear to be pricing in larger property price falls than the BG team expects and accordingly are predominately trading at discounts to NAV. The fund retains some German real estate (such as Deutsche Wohnen) as it would appear that Germany in particular has taken to real estate to offset prevalent negative real interest rates, mainly caused by ECB policy. It was remarked upon however, that this would make the unwinding of QE in Germany a particularly interesting exercise.

CIO Conclusion:

The fund delivered another credible result. It is worth bearing in mind that equities remain an important allocation. Therefore it is worth bearing in mind that the use of BG's in-house funds to express their view on equity markets, rather than employing single names as in other asset classes, could be tested in the future. This is because the investment approach and philosophy of BG's active funds is specific (thematic such as the Global Alpha Growth, where the stocks are selected to perform over a five-year time horizon). The age of QE ushered in a world where stock dispersion on the whole materially decreased during the global, Central Bank-sponsored asset price rally. As market conditions again change, one might expect a greater variance in stock dispersion, which in turn may well mean that the ability to express a broad view on equities in a tactical manner, utilising a narrow subset of equities bought for specific long term characteristics, could be found wanting.

Meeting Attendees

Team CIV:

Julian Pendock; CIO

Freddie Fuller; Head of IO

Jill Davys; Client Director

Baillie Gifford:

Patrick Edwardson; Head of Multi Asset

Tom Wright; Client RM

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LONDON CIV

LCIV PY Global Total Return Fund
Q1 Manager Review
April 21st 2017

CIV Investment Team

LCIV PY Global Total Return Fund

Inception date	21/6/2016
Fund Size	£204m (as at 31/3/2017)
Number of holdings	N/A
Benchmark	N/A

Investment objective

The Sub-fund's objective is to provide a stable stream of real total returns over the long term with low absolute volatility and significant downside protection.

Investment Policy

The ACS Manager aims to achieve the objective by investing solely in the Pyrford Global Total Return (Sterling) Fund, a sub-fund of BMO Investments.

Agenda

1. Review the Q1 2017 performance of the fund.
2. Understand any changes made to the portfolio during the quarter
3. Discuss macroeconomic & political developments and how they relate to the portfolio.

LCIV PY Global Total Return	
Q1 2017	1.68%
Since LCIV Inception	9.1%

Source: Bloomberg, as at 31/3/2017. Net return with dividends re-invested.

Executive summary

In the first quarter of 2017 the fund delivered a 1.68% net return. In terms of contribution of returns, the fund's 30% allocation to equities contributed 88% of the total return for the quarter.

There were no asset allocation changes made to the portfolio, but the GTR did alter equity holdings by adding CH Robinson and AMEX, and exiting the position in Exxon. Pyrford also implemented a Canadian dollar hedge against sterling.

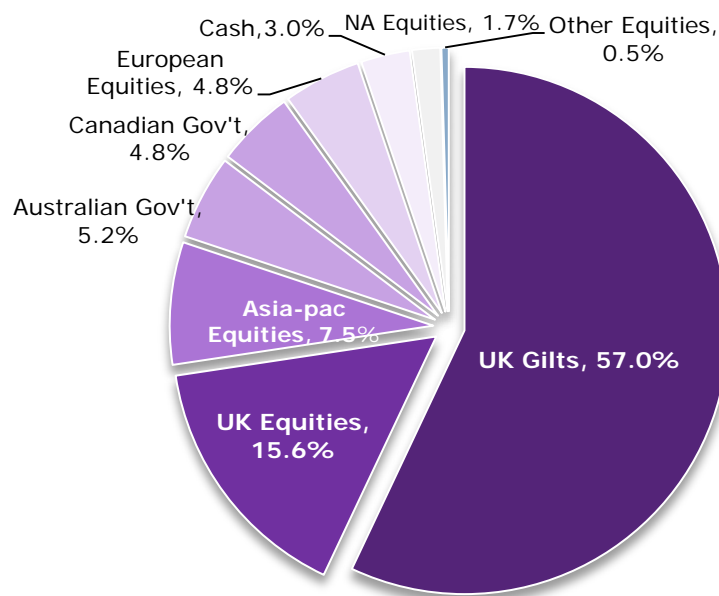
Macroeconomic views have not changed since the previous quarter. The fund remains as defensively positioned as it has been since inception, given concerns over the current valuation of global asset prices.

Q1 performance review:

Since the inception of the sub-fund in June of 2016 the Pyrford Global Total Return strategy (GTR) has delivered 9.1%, helping AUM to reach £204m. In the first quarter of 2017 the fund delivered a 1.68% net return. In terms of contribution of returns, the GTR's 30% allocation to equities contributed 88% of the total return for the quarter, as many of the defensive names that underperformed in Q4 rebounded sharply as bond yields reversed. The remaining contribution to return arrived predominantly from overseas bonds. The relative performance of the overseas bond position compared to the JP Morgan global bond ex UK index was particularly strong at +2.18% (gross). Cash and currency hedging detracted marginally from overall performance.

Portfolio activity:

In the first quarter of 2017 there were no asset allocation changes made to the portfolio. The current portfolio allocation amounts to: 30% equities, 67% bonds (largely short-dated), and 3% cash. This reflects the GTR team's continued view that there is very little fundamental value in either equities or long duration quality sovereign bonds, and that capital market valuations do not discount the significant structural economic and material risks that exist.



Significant transactions¹:

Purchases:

Equity:

- **CH Robinson** - CH Robinson is the largest US based third party logistics company. It will benefit as more companies look to outsource their logistics functions as well as continuing to take market share in the transportation market given its superior technology offering. The company is currently selling at a reasonably low valuation and offers an attractive dividend yield.
- **American Express** – ‘AMEX’ is one of the world's largest credit card companies and there are few other competitors with the scale and reach of AMEX. It has a strong global brand and a proprietary "closed loop" network which allows it to understand its card member needs much better than other competitors. The company has a long history of rewarding shareholders and continues to benefit from the secular conversion of cash based payments to electronic/card based methods.

FX:

- **Canadian dollar hedge** - The GTR team decided to hedge some of the Canadian dollar exposure. As a result only 10% of the portfolio remains exposed to unhedged non-sterling assets.

Sales:

Equity:

- **Exxon Mobil** - The oil conglomerate has struggled in an environment of volatile oil prices and this has put pressure on the cash flows of the company. Given the current oil price it is expected that dividend growth will be anaemic and this limits the total return that can be expected from the investment. In light of this and other more attractive investment opportunities, the GTR team opted to exit the position.

¹ Transaction commentary sourced from Pyrford directly _____ |

Macro discussion & portfolio positioning:

In terms of macroeconomic views very little has changed since LCIV last met with Pyrford in Q4. Much of our previous discussion was dominated by the impact that the newly elected president Trump would have on the U.S economy and both equity and fixed income markets. The GTR team questioned the blistering equity market rally towards the back end of the final quarter and opted not to alter their equity market allocation in anticipation of a sense prevailing pull-back given the fiscal constraints on the U.S government. The success of this decision should be evaluated in years, not in quarters, but the recent evidence from U.S long-term bond yields suggest that reflation expectations are beginning to diminish. Trump's inability to execute many of his electoral policies, such as his first attempt at the repeal of Obamacare, has created scepticism over the extent to which the new administration can raise growth prospects in the U.S.

The GTR team are aware of upward trending inflation arriving from tighter labour markets across many developed market economies, as well as through oil price base effects. Inflation has now moved into positive territory in all nineteen Eurozone countries, has passed the 2% target in the UK and U.S., and is above zero in Japan. Monetary tightening has started in the U.S. with the market now overwhelmingly expecting the Fed to raise the federal funds rate in June for what would be the second rate rise this calendar year. The European and UK (though to a lesser extent) both lag behind the US economic cycle by a matter of years, but markets are starting to ponder the likelihood of the timing of future rate rises. Calls for tapering have also found more press in recent months, and the probability of a reduction of the balance sheets of the major central banks is increasing with inflation expectations.

What does all of this mean for markets? According to Pyrford, gradual monetary tightening is yet another reason to be cautious over soaring equity valuations. The current Cyclically Adjusted Price-to-Earnings ratio of 29x, rivalled only by the great depression and the global financial crisis in 2008, is indicative of equities being overpriced and logically begets a conservative allocation to equities. Pyrford also sees very little value across sovereign bond markets despite the mild correction in valuations for many longer dated issues of different sovereign issuers. In their opinion, offerings such as the 30 year UK gilt at a yield of 1.6% are extremely unattractive on both an absolute and relative basis, and offer little by way of compensation for the capital risk that the holder would carry. Whilst US issues offer slightly more yield than UK issues of similar maturities (e.g. +100 to 150 bps on 30 year), the expected inflation differential between the two country's result in similar real rates of return.

The GTR team continue to adopt an extremely defensive stance by owning short duration securities in order to protect the capital value of the portfolio from expected rises in yields. At the end of the first quarter the modified duration of the fixed income portfolio stood at 1.8 years; the lowest level since the fund's inception.

In the previous quarter, the GTR team outlined the macro scenario which would inflict the most relative pain on the fund, explaining that "the portfolio would struggle if bond yields fall to new lows and President Trump comes to the rescue for global growth and equity markets. The potential loosening, or wholesale bonfire, of tight U.S. banking regulations and the resulting revival of the velocity of money could provide a bumpy ride for the portfolio in its current form". As already discussed it appears that Mr Trump will not revive growth, at least to the extent to that markets had pined for. The jury is still out over banking deregulation, but early indications are less than promising.

As for bond yields falling to new lows, the London CIV are growing more cautious of the view that (sovereign) yields must naturally mean revert toward neutral rates of previous decades. This is based on the following observations. Firstly, productivity growth in developed countries remains at multi decade lows, with little sign of a return to previous trend. Secondly, Global demographic trends are approaching an unprecedented inflection point with dependency ratios that are accelerating at an alarming rate. As populations mature, the capital per worker rises, leaving economies awash with capital that then bids down returns on securities, a force that is particularly detrimental to income producing assets as workers approach retirement. Furthermore, the mountain of debt taken on by governments and households necessitate financial repression, and low interest rates are the natural re-distributory tool. These concerns are unlikely to evaporate in the medium run. Cyclical tightening, including both rate rises and/or tapering may support the Pyrford's view in the short-run, but long-run structural issues remain across the globe.

Views on interest rates are an important driver of performance of the portfolio, and whilst the Pyrford team are not static in their mind-set, this is a topic the London CIV must monitor closely.

CIO conclusion:

The GTR team have maintained their discipline, which is key in environments (and markets) with a "high noise to signal ratio". Markets have a tendency to latch onto the next perceived "story", but the GTR team's adherence to fundamentals paid off.

Meeting Attendees

Team CIV:

Julian Pendock; CIO

Jill Davys; Client Director

Frederick Fuller; Head of IO

Ryan Smart; Investment analyst

Pyrford:

Tony Cousins; CEO/PM

Felim Glyn; Client RM

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LONDON CIV

LCIV RF Absolute Return Fund
Q1 Manager Review
24th April 2017

CIV Investment Team

LCIV RF Absolute Return Fund

Inception date	21 June 2016
Fund Size	£413.12m (as at 31/03/2017)
Number of holdings	N/A
Benchmark	Not applicable

Investment objective

To achieve low volatility and positive returns in all market conditions. Capital invested in the Sub-fund is at risk and there is no guarantee that a positive return will be delivered over any one or a number of twelve-month periods

Investment policy

The ACS Manager aims to achieve the objective by investing solely in the CF Ruffer Absolute Return Fund, and cash and near cash.

Agenda

1. Review the quarterly performance of the fund.
2. Examine changes to Ruffer's scenario analysis, taking into account significant recent macroeconomic & political developments.
3. Discuss the rationale, given economic expectations, for both current holdings and any portfolio changes.

LCIV Ruffer Absolute Return Fund	
Q1 2017	0.0034%
Since LCIV Inception	11.50%

Source: Bloomberg, as at 31/04/2017. Net of fees with dividends re-invested.

Executive summary

The performance of the Absolute Return fund was flat in 1Q17, following the impressive performance numbers in the previous quarter.

The first quarter of 2017 proved one of drawing breath after the trials and tribulations of a volatile end to 2016. With the focus across the globe sharpened on increased inflation and much heralded growth prospects, the Ruffer team took the time to re-evaluate the portfolio positioning with only small changes in the underlying holdings, but with a sense of optimism at the opportunities available across the asset classes.

The strategy is designed to offset a variety of risks over different time periods whilst taking advantage of opportunities as they arise.

To note

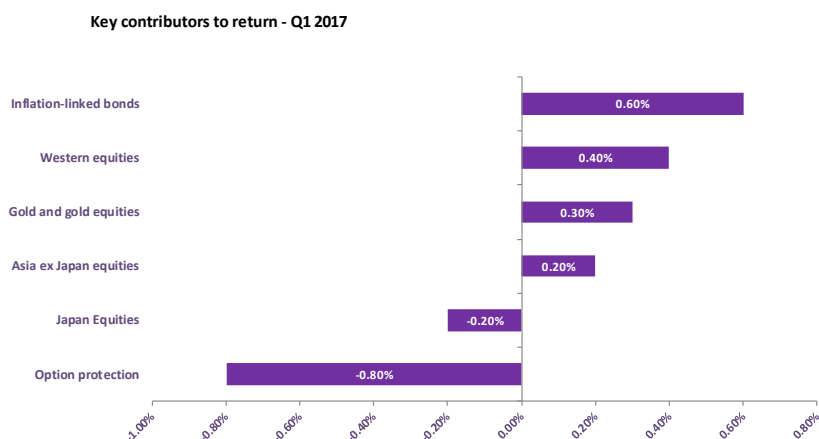
It was announced towards the end of 2016 that Ruffer would be appointing a new Chief Executive Officer to replace Henry Maxey (who held the dual role of CEO and CIO.) Mr Maxey will remain as CIO, with Clemmie Vaughan (who was previously the head of Private Client at Ruffer) taking over as Chief Executive.

The change has now taken place, with the Ruffer team noting the smoothness of the transition, with relatively little noticeable change within the company. LCIV will be swiftly informed of any further impact resulting from the split of these roles.

In addition, an important step taken by Ruffer (and particularly pertinent to LCIV investors) is the decision to stop paying for investment research out of their funds, at some point in the near future and begin paying for it out of the company's own profits. Ruffer have estimated this will save current investors in the fund around 3 basis points per annum (or based on current AUM, around £120,000 to the whole fund per annum.) Further updates on the timing of this change will be provided to investors when the timeline is confirmed.

Q1 performance review

Since the inception of the sub-fund in June of 2016 the Ruffer Absolute Return strategy has delivered 11.5%, with a current AUM increased to £413m after a substantial inflow to the fund. In the first quarter of 2017, the sub-fund produced a flat return of 0.0034% during a quarter of lumpy but ultimately rather stagnant market performance dominated by concerns over reflation and President Trump's ability to implement his much touted financial reforms.



Source: Ruffer, as at 31/03/2017.

Option protection was the main detractor from performance as markets rose. Ruffer's exposure (including VIX call options and options on rising rates in the UK, EU and Japan) suffered as volatility was subdued during the quarter and bond yields fell back. This fall gave the inflation linked bonds ('linkers' which now make up 40% of the portfolio) a boost leading to a 0.6% rise.

A softer dollar meant that the fund's gold exposure recovered most of the losses that they incurred at the end of 2016, as well as giving support to the fund's small amount of emerging market equities, which rose 0.2%. Western equities added 0.4% of performance as individual stocks such as Lloyds and ITV had a strong showing, despite some underwhelming performance from the fund's oil equities. However the market move back to 'bond like' stocks (which Ruffer remain wary of on valuation grounds) resulted in a broadly flat performance of the fund as a whole.

Finally, a strengthening Yen proved too much for the strong performance of individual stocks (such as Sony, which is covered in more detail further on,) with Japanese equities costing the portfolio around -0.2% of performance.

Macro discussion¹:

The Trump reflation trade, which markets eagerly grabbed with both hands quickly deflated as the euphoria at promises of tax reform and infrastructure spending dissipated, with President Trump falling at the first hurdle with his healthcare reform bill. The previous quarter's discussion with Ruffer's investment team on the possibility of a benign global growth environment with accompanying policy normalisation and rate rises still holds firm but focus now is shifting towards how politics (particularly in the US) will interfere with fiscal policy and its implementation. Ruffer noted the increasing divergence of hard and soft data in the US and the Eurozone, with consumer confidence surveys often at odds with real data such as retail sales and industrial production.

That being said, Ruffer remain of the view that the US is 'fine' and that despite the wavering sector cycles, the US economy is robust enough to withstand a 25 basis point increase in rates in June. Furthermore, subject to any further moments of political upheaval during the months to come, they view a further one or two rate hikes as not out of the question taking into account the US's resilience. The real question that needs attention is not how many rate increases can the US economy withstand, but at what point do these hikes become a problem for asset markets.

¹ All opinions and statements made hereafter in this section reflect the views and opinions of the Ruffer Investment Team and are not the opinions of the LCIV Investment Team.

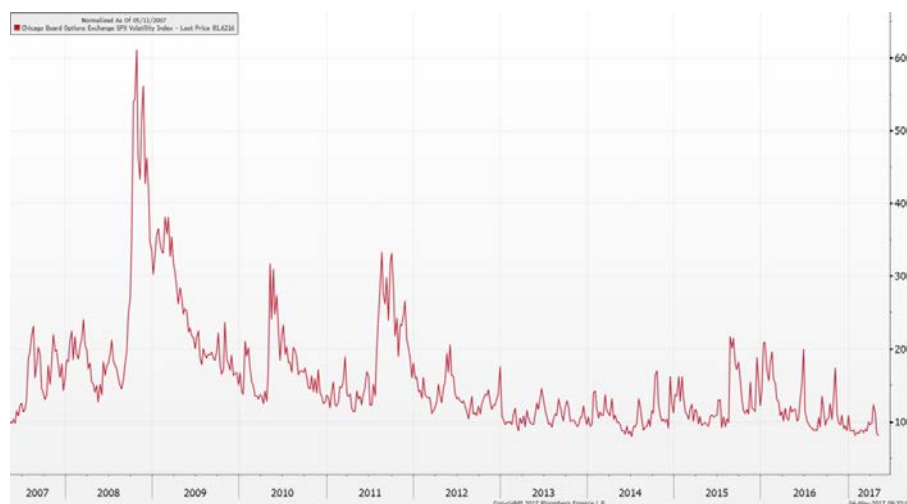
In this context it was noted that the Fed would need to make a decision as to how far in front or behind the recovery, with the LCIV CIO noting that it appeared that the market had priced in Janet Yellen running the economy 'hot' for the foreseeable future. However, with Donald Trump yet to announce his two appointments to the Fed, the very makeup and inclinations of the Fed may dramatically shift over the upcoming months and years and so any speculation on Fed reactions will continue to be spurious at best. Further discussions will be held with the manager as these events progress throughout the year.

Portfolio positioning and rationale:

With the expectations of bumpy but sustainable growth coming through (albeit peppered with the uncertainty brought about by the numerous looming European elections) Ruffer continue to look at valuations and growth on a relative basis. Ruffer reinforced the point that they would rather hold Mitsubishi Motors at 10 x earnings than they would Kraft at 28 x earnings. Although Ruffer agreed that a similar view could be taken on much of the Eurozone, they felt that it was prudent to spend more of their risk budget on global companies based in Japan. The Ruffer team felt that eurozone valuations were back to their normal valuation discount in comparison to US markets and therefore did not offer a cost-effective way to gain operating leverage exposure to the narrative of a healing global economy.

The question of political upheaval in Europe was briefly discussed, with general agreement that although similar in appearance (in the same way Brexit and Tump initially appeared) nothing of note could be gleaned from the election result in Holland, nor the first round victory of Emmanuel Macron in the French elections.

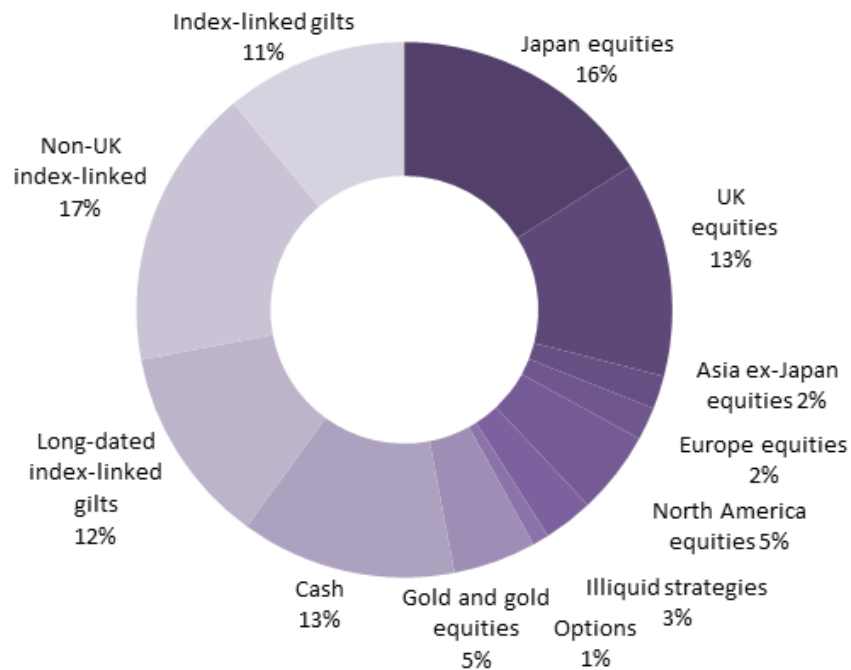
Market volatility continues to remain at extreme lows (the VIX continues to bump along the bottom compared with the last decade as shown in the chart below) with Ruffer noting that there hasn't been a major market event since the China fears in 2016. As such they, as with much of the market, are becoming increasingly wary of the impact of any major market event and its effect on asset valuations.



Source: Bloomberg 04/05/2017

Asset Allocation

Chart Title



The portfolio duration remains unchanged, with Ruffer reiterating that they do not trade duration especially at the long end, which they simply focus on protecting, as the options positions in the portfolio do a good job of managing it for them. As such duration remains unchanged at around 8 years.

With long term inflation expectations remaining unabated, the Ruffer team remained bullish on their “linkers” exposure, offering an example of the asymmetric pay-off offered by the UK’s longest dated inflation linked bond (0.125% maturing in 2068.) If the current real yield of -1.9% continues to fall (influenced by inflation rising faster than interest rate expectations) and reached -5.6%, the price would increase by 660% whilst an equal but opposite shift to a real yield of +2.4% would result in a 90% fall.

With TIPS looking pricey on a relative basis (although arguably not when compared with Treasuries) it would appear that European and Japanese inflation linked bonds will offer value, supported by the base effect of the ECB’s QE programme (although reference should be made to any signs of prospective tapering.)

Within the equity exposure of the portfolio, Ruffer note that the rise in bond yields in Q4 2016 demonstrated the impact of a small change in discount rates on equity valuations as ‘bond proxy’ stocks were hit hard, with Ruffer arguing that the market often forgets the extremely low starting levels of discount rates.

Ruffer remain poised to take advantage of unloved stocks that they feel will benefit strongly from any growth tailwinds coming forward in the second half of 2017 (an example of this approach was their investment in Westrock (a US packaging giant) who in just over a year have experienced a 100% increase in their share price).

The stock was arguably undervalued by the market as a whole and was leveraged to global growth and supported by affordable raw material pricing in a fragmented market. This combined with good management and a strong balance sheet meant that the Ruffer team were able to benefit from strong share price growth in 2016 and then sell off the position.

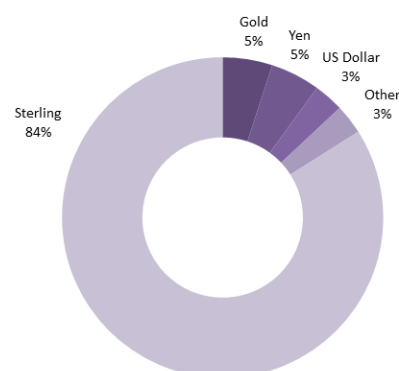
The current tailwind behind the UK banking sector means that the portfolio holds not only Lloyds Banking Group but now Royal Bank of Scotland (RBS). Although the investment team acknowledged that there remained many caveats around not only this sector, but RBS in particular, they felt that the business case combined with the fact that it would act as a hedge against rising UK interest rates meant that this presented an opportune moment to initiate a position.

Ruffer are of the view that if UK growth continues on an upward trend for the foreseeable future, the expected increase in borrowing (especially in the SME area, which RBS are heavily exposed to and the majority of which are based on LIBOR + 'X%') and any increase in interest rates will benefit the bank's balance sheet. They noted that they remain more comfortable with their Lloyds holding as a means to exposure to the UK banking sector, although this does come down in part to the fact that Lloyds is less overshadowed by ongoing fines that RBS has experienced and continues to account for.

The day before the meeting, Sony rose 4% after the company raised its guidance again for the year, with forecast operating profit of \$4.5 billion for the fiscal year through March 2018, bringing about the possibility of beating its record profit set in 1998.

Sony's ongoing 'turnaround' which has seen years of restructuring and is now unarguably mature, seems to have finally reaped dividends, with the company's focus on both consumer and shareholder value through their concentration on gaming, semi-conductor and mobile communications divisions.

Finally, the portfolio remains almost entirely hedged, with Ruffer of the view that they have removed most of the GBP risk in the portfolio. Small exposures to dollar and yen remain.



CIO Conclusion:

The flat performance of the fund in 1Q17 needs to be put into the context of a strong run by the fund. The investment style of the fund naturally produces “lumpy” performance, and the combination of low volatility and conflicting data was not therefore the best market environment for the investment team.

Nonetheless, following on from the investment team’s nimbleness of the previous quarters, it is possible to make the argument that some of the signs were there. The CIV team discussed with the Ruffer team the divergence of the encouraging headline data and the underlying reality, citing China’s continued attempts to get a grip on the debt problem, and how the Chinese banking sector’s balance sheet clean-up was mostly financial engineering and window-dressing rather than anything of substance.

Overall however, the performance remains solid and the Ruffer team continue to be data driven whilst maintaining their ability to think laterally and strategically.

Meeting Attendees

Team CIV:

Julian Pendock; CIO

Frederick Fuller; Head of IO

Jill Davys; Client Director

Ruffer

Trevor Bradley; Investment Director

Alex Lennard; Investment Director

David Balance; Investment Director

Important information

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LONDON CIV

LCIV NW Real Return Fund
Q1 Manager Review
April 21st 2017

CIV Investment Team

Newton Real Return Fund

Inception date	16/12/2016
Fund Size	£332m (as at 31/3/2017)
Number of holdings	N/A
Benchmark	1month Libor +3% per annum over 5 years (Net)

Investment objective

The sub-fund's objective is to achieve real rates of return in Sterling terms. The Sub-fund seeks a minimum return of cash (1 month GBP LIBOR) +3% per annum over 5 years net of fees.

Investment Policy

The sub-fund invests 100% in the Newton Real Return Fund to achieve its objective. Reference to Newton or the portfolio refers to the Newton Real Return fund.

Agenda

1. Review the first quarter performance of the fund and any significant drivers of returns.
2. Discuss any portfolio activity relating to the first quarter.
3. Offer an overview of the macroeconomic views of the real return team.

	LCIV Newton Real Return	1month Libor +3%
Q1 2017	1.97%	0.80%
Since LCIV Inception	3.40%	0.94%

Source: Bloomberg, as at 31/3/2017. Net of fees with dividends re-invested. Both the fund and benchmark performance as stated are periodic returns.

Executive summary

The LCIV NW Real Return Fund delivered a 1.97% net return for the first quarter, and a 3.4% return since its December 2016 inception.

The Newton strategy comprises a return seeking core with a layer of stabilizing assets and hedging positions. Newton have not felt the need to make significant changes to the core of the fund during the quarter but did add to defensive equities as valuation opportunities arose. This resulted in the return seeking asset exposure drifting up to 29% of the overall portfolio allocation.

The overarching Macroeconomic views of the Newton team have not changed. More thought is being allocated toward the political and economic ramifications of the upcoming UK and European elections.

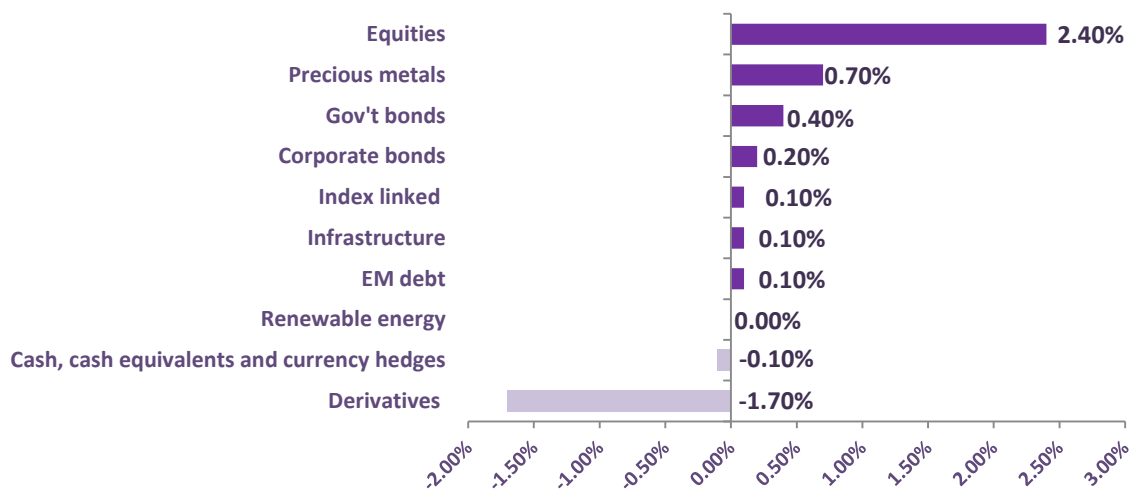
Q1 performance review¹:

The LCIV NW Real Return Fund delivered a 1.97% net return this quarter, a 1.17% outperformance relative to the benchmark, 1 month Libor+3%. Since the inception of the fund in December this outperformance has grown to 2.46% helping AUM of the fund to reach £332m.

In terms of contributions to returns the equity holdings were the main driver contributing 2.4% to the overall return for the quarter as the fund's stable compounding equity holdings performed in line with broad global equity indices. Positive global macroeconomic data, particularly in Europe and the U.S. underpinned strong performance in equity markets; The MSCI Europe ex UK and the S&P500 rose 7.4% and 4.8% respectively in GBP terms². One consequence of positive equity markets during the quarter was that the equity protection employed within the Fund represented a significant cost. This played an extensive part in the 1.7% negative contribution to overall returns, as asset markets defied the growing perception of geopolitical risk. This was combined with a drop in volatility.

Exposure to gold and government bonds generated positive contributions of 0.7% and 0.4% and offset the cost of equity derivatives somewhat. Elsewhere within the core of return-seeking assets, corporate bonds provided a small positive contribution, as did exposure to Mexican government bonds and infrastructure assets in the UK.

Key contributors to return Q1 2017



¹ Source: Newton Investment Management & Pace. Data relates to Newton's direct fund holdings which does not perfectly correlate with the returns received by local London authorities but serves as a reasonable approximation.

² Source: Datastream

Portfolio activity³:

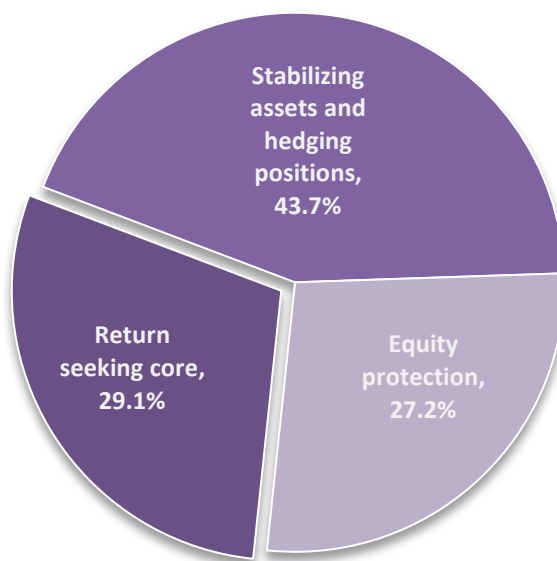
Given the background and environment Newton have not felt the need to make significant changes to the core of the Fund during the quarter. Instead they have selectively added to defensive equities that have lagged behind during recent strong market performance, including Dollar General, Reynolds American, Dong Energy and Associated British Foods. Strong performance allowed Newton to take some profits in technology holdings such as Microsoft, SAP and Samsung SDI; companies that had previously benefitted from the previous equity market optimism with the election of Donald Trump.

They also initiated a holding in Mexican government bonds after a sell-off prompted by Trump rhetoric created an attractive entry point. Newton added equity exposure in emerging markets, buying retailer Walmart de Mexico and ITC.

Finally, Newton also trimmed the gold equity exposure after strong performance and reinvested the proceeds back into physical gold; they continue to like the hard commodity, but prefer exposure to the underlying asset without the operational leverage associated with gold miners.

These changes have resulted in a 4% increase in the return seeking core to 29% of the fund, a 3% fall in stabilizing assets to 44%, and a marginal reduction in equity protection.

Positioning at 31 March 2017



³ Source: Newton investment management Q1 2017 investment report.

Macro discussion

In our previous meeting in December of 2016 Newton were keen to express their nervousness over the valuation of risk assets across the globe. The raft of central bank liquidity was cited as the cause, and the disappointment over the efficacy of monetary policy was clearly outlined. Instead the Manager awaits a market led, organic solution aimed at mitigating against any unintended consequences of policy errors, whilst allowing the economic system to repair itself. These views have not changed and continue to firmly underpin the relative allocations between risk assets and stabilizing assets. The team remain committed to preserving capital until markets price risk more realistically.

The Newton team were also reluctant to significantly alter the portfolio in Q4 2016 in response to the election of Donald Trump in the United States, despite many market participants expressing supreme optimism over the revival of the U.S economy. Whilst Newton's scepticism did not allow the fund to participate in some of the upside in equity markets in Q4, it did protect the fund as the euphoria was reined back in this quarter. According to Newton, it was not the US financials and energy stocks that led markets higher in Q1, it was the global large cap stocks, such as Facebook, Amazon, Netflix and Google. Whilst these companies performed well in Q1, questions over the sustainability of the business models due to increasing regulatory pressures may trouble the likes of Facebook and Google in times ahead. With regards to U.S bond yields the Newton team's Trump reflation scepticism leads them to suspect that yields have reached their upper limit. At the end of March the U.S 10-year stood at 2.4%.

Newton also have specific concerns over the valuation of the S&P500, most notably including the 29x Shiller cyclically adjusted price-to-earnings (CAPE) ratio that flirts near all time highs whilst economic fundamentals remain a source of debate. Furthermore, the team are seeing increasing competitive pressures across the *piste*, which could pose a challenge for profits going forward i.e. there remain concerns about the potential for profit margins (at least partially) to mean revert. For these reasons the team continue to feel that the S&P 500 is the most attractive index on which to base the majority of their equity protection.

Away from the U.S., the Newton team is troubled by the significant intervention in the Chinese economy by the People's Bank of China (PBoC). Vast sums have been pumped into the Chinese shadow banking system in recent years contributing to sustained demand in the region that has held up pricing power for many domestic companies. The Newton team doubts that this development can continue and are watching monetary trends in the area closely. Whilst the team are not particularly bullish on EM as a whole at this moment in time (in large part due to Chinese economic concerns, and to the eventual reversal of central bank liquidity across the globe), they remain open to tilting the portfolio back towards EM over time should the underlying economic fundamentals improve. Furthermore, and in line with their thematic idea generation, they continue to find interesting idiosyncratic stories, such as their recent investments in both the Indian tobacco company and Mexican government bonds.

In Europe, the Newton continue to view opportunities on a stock by stock basis, rather than from a top-down approach. They find many European stocks trading at a discount to their U.S counterparts as they often have throughout history due to the lower earnings (on average) produced by European companies. The French election between Emmanuel Macron and Marine

Le Pen is causing some anxiety in both European equity and bond markets. In order to protect the portfolio going into the election the team opted to implement some derivate protection on the equity and sovereign side in anticipation of higher government bond yields associated with the removal of French political risk in the case of a Macron victory. On the equity side, whilst valuations may be relatively more appealing, the team are struggling to find highly attractive names in the region that suitably fit that fund's criteria.

Finally, Newton felt that Theresa May's decision to call a snap election could be a good opportunity for the conservative party to increase their negotiation leverage at the Brexit table. They expect a comfortable conservative victory (pre any manifesto offering), and have decided to reduce their underweight sterling position as a result. That said, they do anticipate increased levels of uncertainty surrounding UK assets in the run-up to the election in June.

CIO conclusion:

The fund has comfortably beaten its index since inception, in markets which continue to surprise on the upside. The managers were not alone in being blindsided by markets' apparent insouciance in the face of growing risks and threats, and the team has remained consistent in its views whilst remaining vigilant in terms of new risks.

Meeting Attendees

Team CIV:

Julian Pendock; CIO
Jill Davys; Client Director
Frederick Fuller; Head of IO
Ryan Smart; Investment analyst

Newton:

Peter Hensman; Portfolio manager
James Mitchell; Client RM

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Pensions CIV Sectoral Joint Committee

Item no: 12

Fund Launch Progress

Report by: Brian Lee **Job title:** Chief Operating Officer

Date: 12 July 2017

Contact Officer:

Telephone: 020 7934 9818 **Email:** Brian.lee@londonciv.org.uk

Summary: This report summarises the status of fund launches to ensure transparent and robust reporting of delivery against the Company's Business Plan and MTFS.

Recommendation: The Committee is recommended to note and discuss the content of this report

Fund Launch Progress

1. **Newton Global Equity and Majedie UK Equity:** launched successfully in May with a combined £1.1bn in new assets bringing the total CIV AUM to £5bn. Hammersmith & Fulham, Lambeth and Westminster transitioned assets via Majedie. Bexley, Islington and Sutton have invested via Newton with Bexley a new investor to the CIV.
2. **Longview Global Equity & Henderson Emerging Market Equity:** are on track to launch in July. Longview's transition includes the boroughs of Westminster, Harrow and Wandsworth, with Harrow being new to the CIV with total assets of £450m. Newham and RBKC have made the decision to remain outside the CIV for the time being. Longview's launch will complete the lift and shift phase for the CIV. Henderson is operationally on target to launch in July and will be ready to accept assets once the India market opens. Lambeth and Enfield have indicated their interest to invest.
3. **RBC Sustainable Equity and EPOCH Equity Income:** are on track to launch in September. To date there are no firm indications of interest from the boroughs. The number of funds and timing of the launch for Global Equities Phase 2 is subject to a Borough needs assessment. Further details will be provided at the next PSJC meeting.
4. **Global Equities Phase 2:** subject to LLA responses to a survey that is currently out with LLA colleagues, more global; equity funds will be opened in the autumn. This is currently timetabled for December but if there is significant interest in having more GE products available best efforts will be made to bring this forward.

5. **Fixed Income:** The investment consultant procurement is underway, and this will be followed by the Investment Manager procurement (which is targeted to finish in September 2017). Two Fixed Income funds (with an indicated £600mil in assets) were projected to launch by March '18 as per the MTFS plan, however ongoing work by the CIV has been accelerated in order to meet recent indications of borough demand for cashflow-generating investments. CIV officers will continue to work closely with members of the Fixed Income Working Group (FIWG), whose members are drawn from the IAC and every effort will be made to open the first products sooner than currently planned.

Recommendations

6. The Committee is recommended to note and discuss the content of this report.

Financial Implications

7. The financial implications are contained within the body of the report.

Legal implications

8. There are no legal implications for the Committee that have not been considered in the report.

Equalities implications

9. There are no equalities implications for the committee.

Fund Launch Pipeline Status as of 4 July 2017

Phan Phase	Fund	Current Launch Date	MTFS Launch Date	Launch Date RAG	Anticipated AuM (mil)	MTFS £ AUM (mil)	£AUM RAG	Boroughs Indications of Interest	Comment
Lift and Shift	Longview Global Equity	July	May		£450	£450		<ul style="list-style-type: none"> Harrow, Wandsworth, and Westminster moving onto CIV. Newham and RBKC to remain outside CIV. 	<ul style="list-style-type: none"> On track to launch July 17th with a possible phased investment
Global Equities Phase 1	Henderson Emerging Markets	July	Sep		£150	£150		<ul style="list-style-type: none"> 3 LLAs have given firm indications of investment. 	<ul style="list-style-type: none"> Fund operationally ready. Assets will be accepted once Indian market opening approved
	EPOCH Equity Income	Sep	Sep		£200	£200		<ul style="list-style-type: none"> No firm LLA commitments. 	<ul style="list-style-type: none"> N/A
	RBC Sustainable	Sep	Sep		£200	£200		<ul style="list-style-type: none"> No firm LLA commitments. 	<ul style="list-style-type: none"> N/A
Global Equities Phase 2	Strategy TBC	tbc	Dec	N	tbc	£150	N	<ul style="list-style-type: none"> Equity survey to be completed to finalize Global Equity Phase 2 investment strategy choices. 	<ul style="list-style-type: none"> Project plan in development with consideration being given to bringing fund launch forward to October if possible.
	Strategy TBC	tbc	Dec	N	tbc	£150	N	<ul style="list-style-type: none"> Early indications show interest in core, low volatility and low carbon 	
Fixed Income	Corporate Debt	tbc	Mar '18	N	tbc	£600 / 2 funds	N	<ul style="list-style-type: none"> Fixed income survey in process. Two thirds of LLAs have responded. 	<ul style="list-style-type: none"> LCIV Investment Oversight Committee in process of reviewing / approving procurement plan Project plan in development with consideration being given to bringing fund launch dates forward to December if possible.
	Private Debt: Direct Lending	tbc	Mar '18	N	tbc		N	<ul style="list-style-type: none"> Early survey responses and earlier work with LLAs and Group indicate interests in four strategies: 	
	Multi Asset / Illiquid	tbc	tbc	N	tbc		N	<ul style="list-style-type: none"> - Corporate Debt - Priv. Debt: Direct Lending - Multi Asset/Illiquid - Multi-Asset/Liquid 	
	Multi Asset / Liquid	tbc	tbc	N	tbc		N		

G Green: On track to deliver according the MTFS timeline and AuM.

R Red : Significant launch delay and/or issues with LLA fund transfers / commitments

A Amber: Potential/minor launch delays and/ or issues with LLA fund transfers / commitments

N Not Defined: Fund strategy and/or structure not finalized and launch plan to be developed

Pensions CIV Sectoral Joint Committee

Item no: 13

Investment Advisory Committee Update

Report by: Ian Williams **Job title:** Chair of Investment Advisory Committee

Date: 12 July 2017

Contact Officer: Jill Davys

Telephone: 020 7934 9968 **Email:** Jill.davys@londoncouncils.gov.uk

Summary: The Investment Advisory Committee (IAC) continues to work closely with the London CIV on a wide range of investment related projects.

Recommendations: The committee is recommended to note the contents of this report;

Introduction

1. The Investment Advisory Committee (IAC) was formed in September 2015 with the remit to:
 - i. To support the Joint Committee in the investment decision making process
 - ii. To liaise with the Fund Operator of the CIV in defining Shareholders' investment needs.
2. Since the last Joint Committee meeting the IAC has formally met twice in April and June. The annual nominations for membership of the IAC were sought in June with those coming forward being provided to the June IAC meeting. This showed that interest in the IAC from LLAs remained strong with 24 individuals either nominating themselves (SLT representatives) or officers being nominated with representation from 25 LLAs. Subsequently a further 2 nominations have been received. All those coming forward have been accepted for the Committee to help ensure that LLA's who want to be engaged with LCIV development are afforded the opportunity to do so. Questions were raised at the June Committee as to why not all LLAs wanted representation, however is recognised that it can be quite a time commitment and authorities are often resource constrained.
3. Members of the IAC have also been asked to confirm they are happy to remain on the various working groups and additional members are being sought for the infrastructure working group in recognition that this work is lively to increase over the coming months.
4. Key areas for discussion for the meetings have covered the working groups which feed into the IAC:

Global Equities

5. Whilst the working group hasn't met, the IAC have been provided with regular updates on the progress of the opening of the new global equity sub-funds. In addition the IAC were supportive of running the global equity information day (May) and reviewed the feedback from that event at its meeting in June.
6. The IAC have been keen to work with LCIV to consider the next phase of global equity fund launches which are scheduled for December. Whilst recognising that the depth and breadth of equity offerings will have increased considerably over the year from 2 at the start of 2017 to 8 by the end of September, this does comprise UK, Emerging Markets and Sustainable equities, so it was agreed that further choices would be required to meet LLA requirements, early indications were for low volatility, low carbon and core.
7. The IAC were keen to understand where demand exceeded capacity in some of the global equity sub-funds, how the subscriptions from LLAs would be managed. At the June meeting a draft allocations policy was tabled, which set out the process for allocating subscriptions, which most members of the IAC were agreed was a sensible approach to the issue.

Fixed Income / Cashflow Products

8. The Fixed Income Working Group met twice during the period since the last Joint Committee meeting, in April and May. The Group has been working closely with LCIV to

refine requirements and to investigate options including meeting with a range of managers who provided training and product outlines.

9. The IAC were keen to emphasise that LLA requirements were for products to be launched in 2017 i.e. before end December as far as possible given that many Pension Funds had either completed or were due to do so by mid summer, their asset allocation strategies indicating significant shifts into the fixed income space over the coming months. This has also been borne out by the Investment Strategy Statement reviews which LICV has been trying to capture. At a high level this would indicate in excess of £1.2bn due to be allocated to fixed income over the coming months.
10. LCIV officers confirmed that they were aware of this increased focus on fixed income and were drawing up a timeline which would see sub-funds opening in December, although acknowledged that this would need considerable input from the Fixed Income Working Group. LCIV confirmed that a lot of background research had already taken place and that an appointment of a fixed income manager was imminent. LCIV were keen to ensure that they were in a position of meeting LLA requirements in this space.

Stewardship and ESG

11. The IAC was updated on the Member Stewardship Working Group who were keen to see the survey on low carbon broadened out to include all Funds and Councillors. It was also noted that low carbon funds were likely to see reasonable demand from Funds who had made commitments to Divest or move to lower carbon targets. It was also noted that the date for the Low Carbon workshop was mid-July, but that this would need to be moved due a number of senior officers attending the CIPFA Conference, meaning that it was likely to be moved to the autumn.
12. The other area of note was that the Scheme Advisory Board was currently considering issuing Responsible Investment Guidance for Administering Authorities with a first draft having been considered at a meeting in May. It was noted that LCIV officers were working closely with officers from other Pools to assist in considering the draft guidance and were feeding in suggestions for changes.

Infrastructure / Housing

13. Early indications from reviewing LLA Fund changing strategic needs show an increasing demand for infrastructure opportunities on LCIV platform, hence looking to members of the IAC to join an Infrastructure Working Group and to consider whether the timeframe for delivery of these products needed to be brought forward. Work on infrastructure including a briefing paper from Hermes had previously been circulated to the IAC. It was noted that demand for social housing at this time was limited in terms of investment requirements.

Additional Items

14. **MiFID II** – The IAC have been kept updated on the progress of discussions between the Cross Pools Group, LGA and the FCA and were hopeful of some of the key problem areas being resolved satisfactorily for both the LPGS and treasury functions of LLAs. It was likely that Funds will still be required to opt up to professional status, but that the process should be simpler than at first appeared. As we go to press with the Committee papers, the FCA has just issued an announcement on the review. A fuller update will be provided at Committee, but the initial view is that the outcome is certainly positive in

terms of the opt up process, being able to assess Funds on their collective rather than their individual role. In addition, 'rules will add a fourth criterion that the client is subject to the LGPS Regulation for their pension administration business', recognising the role of Administering Authorities in managing Local Authority Pension Funds.

15. **Reporting and Transparency** – The working group on this area has not met since March due to LLA officers being involved in closing the Pension Fund accounts at a local level. A meeting was due to take place later in June and would be looking at the new client portal to carry out UAT (user acceptance testing) before a soft launch over the summer.
16. **Quarterly CIV Update** – The second quarterly update for SLT and pension officers was reviewed by the IAC and suggestions incorporated. This is being issued on a quarterly basis by myself as Chair of the IAC and LCIV CEO, feedback to the updates remains positive and a good way of communicating with SLT and officers who have less involvement with LCIV. It was noted that in some instances this was also being copied to Pension Committees for information. The next update is currently being worked on and will be issued later in July.
17. **Academies** – It was noted a PWC report on academies had been received by the Scheme Advisory Board and that further discussions would be held, but due to the complexities of academy relationships in the LGPS, it was likely to be some time before a resolution would be achieved.
18. **Governance Review of the London CIV** –Gerald Almeroth and Ian Williams sitting on the Governance Review Steering Committee, it was noted that the tender for appointing a provider was out and that submissions were due in June and that these would be reviewed by the Steering Committee to make an appointment with a view to the review taking place during the summer and reporting in the autumn.
19. **National Frameworks** – The IAC were provided with a presentation from the National Framework Officer on the current and future procurement frameworks that would be available and in particular work that was underway on the transition manager framework, of which LCIV were a founder member.
20. **Future work** – The emphasis over the coming months will be working closely with LCIV on the procurement of managers in the fixed income area, refining the second phase equity managers and also commencing work on infrastructure. Further work is also likely to focus on the reporting and transparency agenda as the number of sub-funds increases and also in line with the increased transparency requirements following agreement on a cost transparency template from the Scheme Advisory Board in conjunction with the Investment Association. Consideration will also need to be given to the responsible investment guidance once issued to see how this can be developed in conjunction with LCIV to provide additional support and training opportunities.

Recommendations

21. The committee is recommended to note the contents of this report

Financial implications

22. There are no financial implications for London Councils

Legal implications

23. There are no legal implications for London Councils.

Equalities implications

24. There are no equalities implications for London Councils

Pensions CIV Sectoral Joint Committee Item no: 14

Quarterly Client Engagement and Stakeholder Report

Report by: Jill Davys **Job title:** Client Relations Director, London CIV

Date: 12 July 2017

Telephone: 020 7934 9968 **Email:** Jill.davys@londonciv.gov.uk

Summary: This report provides the Committee with an update on the levels of engagement taking place with the London Local Authorities.

Recommendations: The committee is recommended to note the report and provide feedback on the draft event schedule

Quarterly Client Engagement and Stakeholder Report

Overview

1. This report provides the Joint Committee with an overview of the progress being made in developing client and wider stakeholder engagement.
2. The report sets out current investments on the CIV platform, current levels of engagement with the participating Local Authorities. It also provides the Committee with an overview of the scale of engagement in terms of the meetings taking place and the events schedule and feedback from the recent LCIV Annual Conference.

Investments in Sub-Funds

3. Two further sub-funds were launched in May, a UK equity (where Majedie is the delegated manager) and a further global equity strategy (delegated manager: Newton). The table below provides an update on the sub-funds and the number of investors as at 30th June 2017.

FUND (Underlying Manager)	PRICE (Pence)	FUND SIZE £M	Q2	YTD	1 year	SINCE INCEPTION	INCEPTION DATE	Number of Investors
UK Equity Sub-Fund								
LCIV MJ UK Equity (Majedie) <i>Benchmark: FTSE All Share Index</i> Performance Against Benchmark	97.4	£510	N/A	-2.60% -1.28% -1.32%	N/A	-2.60% -1.28% -1.32%	18/05/17	3
Global Equity Sub-Funds								
LCIV Global Equity Alpha (Allianz Global Investors) <i>Benchmark: MSCI World Net GBP Index</i> Performance Against Benchmark	133.3	£691	3.89% 0.14% 3.75%	10.95% 5.27% 5.68%	25.12% 21.64% 3.48%	35.95% 34.31% 1.64%	02/12/15	3
LCIV BG Global Alpha Growth (Baillie Gifford) <i>Benchmark: MSCI All Countries World Gross Index</i> Performance Against Benchmark	140.1	£1,674	4.62% 0.71% 3.91%	12.56% 6.12% 6.44%	31.13% 21.81% 9.32%	41.23% 33.53% 7.70%	11/04/16	9
LCIV NW Global Equity (Newton) <i>Benchmark: MSCI All Countries World Gross Index</i> Performance Against Benchmark	100.7	£659	N/A	0.70% 1.11% -0.41%	N/A	0.70% 1.11% -0.41%	22/05/17	3
DGF/Total Return Sub- Funds								
LCIV PY Total Return (Pyrford)	109.3	£225	0.18%	1.86%	5.60%	9.30%	17/06/16	3
LCIV Diversified Growth (Baillie Gifford)	116.2	£362	1.75%	4.63%	11.74%	16.77%	15/02/16	5
LCIV RF Absolute Return (Ruffer)	110.7	£473	-0.45%	-0.45%	8.61%	11.00%	21/06/16	5
LCIV NW Real Return (Newton)	104.6	£346	1.16%	3.16%	N/A	4.60%	16/12/16	3
Total LCIV Assets Under Management		£4,940						18

4. Members have previously requested that a full breakdown of the investing LLAs be provided for information to the Committee. This is attached as Annex A to this report and shows individual LLA holdings in the differing sub-funds. This shows 18 LLAs were directly invested through LCIV at the end of May 2017 with assets under management (AUM) of £4.9bn.
5. Passive Life Fund data for LLAs invested in LGIM is also shown in Annex A for information with AUM as at 30 April 2017 of £4.7bn. Whilst new rates have been agreed with another key passive provider BlackRock, confirmation from LLAs on signing up to the new arrangements is still awaited for two funds at the time of writing, hence their data is not being provided at this stage.
6. Taking into account LLAs directly investing through LCIV (18) plus additional LLAs investing through LGIM on LCIV negotiated fee rates over and above those in LCIV dedicated sub-funds adds a further 4 LLAs directly benefitting from the effects of pooling of investments. Once LLAs have finalised their decisions on the BlackRock negotiated fee savings this will bring in an additional 3 LLAs who will have benefitted either directly or indirectly through LCIV, taking the total up to 25 LLAs.
7. Further global equity sub-fund launches are scheduled to occur in July, with another sub-fund under the Commonality, Quantum and Conviction criteria, namely Longview. At this time, it is anticipated that 3 funds will be transitioning assets across and this will include another LLA for whom this will be their first LCIV investment, namely London Borough of Harrow.
8. The other sub-fund scheduled for launch in July will be the first of the initial 3 sub-funds which have come through the global equity procurement process, an emerging market strategy where the management of the sub-fund is being delegated to Henderson Global Investors, indications of interest in this sub-fund have already been received from 3 LLA's, one of whom will be a new investor through LCIV.

Meetings with London Local Authorities

9. This section provides an update to the Committee on the attendance by LCIV officers at meetings with stakeholders over recent months. The focus has primarily been on meeting with local authority officers to develop a greater understanding of the forward looking investment strategies for the LLAs following the actuarial valuation of 2016.
10. The table below sets out the number of meetings that London CIV officers have attended both with Pension and Investment Committees and other forms of engagement:

London Local Authority Meetings April - June 2017	
	Number of Meetings
Pensions Committee Meetings	5
Local Authority Officer Meetings	15
Attendance at Pension Board	0
Attendance at Pension AGMs	0

11. LCIV officers have been working closely with LLA officers to review investment strategy following the actuarial valuation of 2016. Whilst a number of LLAs are still reviewing and

finalising their strategic asset allocation and setting new investment strategies, it has been possible to gain a high level overview of likely changes to asset allocation over the coming months.

12. The table below sets out at a high level the current proposals as far as they can be gathered at this time in terms of where the bulk of the asset allocation changes are likely to take place. Where possible we have used assets under management at 31st December 2016, where these were readily available in Committee reports or direct from the LLA. Approximately half of the LLAs have provided their forward looking strategies; the remainder are still working with their investment advisers to refine proposals to put before their relevant pension committees in the autumn. From the data available combined with some additional data received from the fixed income working group, there are some clear trends on likely shifts in asset allocation primarily out of risk assets, primarily equity (£1.8bn) and into income generating assets, a range of multi-asset income (£0.4bn), illiquid assets including private debt (£0.6bn), property (£0.6bn) and infrastructure (£0.6bn).

Asset Class	Total £m
AUM 31/12/16	32,626
UK Equities	-63
UK Passive	-745
Global Equities	-567
Passive Global Equities	-432
DGF	-154
Index Linked Gilts	112
Gilts and other FI	-199
Multi-asset credit	134
Multi-asset income	426
Corporate Bonds	55
Hedge Funds	-57
Illiquid Credit Inc Private Debt	624
Private Equity	147
Property	615
Infrastructure	591

13. Feedback from meetings with the LLAs would also indicate that a significant number are keen to transition assets across to LCIV, and are keen to understand the timeframe for sub-fund launches in order to build into their strategic decision making. With the opening of the additional global equity sub-funds over the next 3 months, plus additional funds at the end of the year, this is likely to provide sufficient choice and flexibility in global equities. Work is ongoing to determine the range of global equity sub-funds to be launched at the back end of the year. Within this, there are a number of LLAs who are keen to see a range of offerings in the fossil free / low carbon options. Whilst recognising that the range of global equity sub-funds will have expanded choice considerably and a

single UK equity fund, some comments have been received that a further option in active UK equity is required mean that for most LLAs with the addition of low carbon options should offer sufficient choice and flexibility to enable LLAs to transition equity portfolios over time. However, it is recognised that there is an increasingly diminishing (at this time) allocation to equities reflecting the increasing maturity of the LLA pension funds.

14. The largest demand for more immediate sub-funds is in the area of multi-asset income, multi-asset credit, corporate bonds and illiquid credit as can be seen from the table above with around £1.2bn being allocated to this area over the coming months. This only reflects the allocations of the LLAs where they have made decisions in respect of this asset class, with around a third of LLA's still to give any indication of plans in this area, although this may not be available until later this year. Typically allocations of between 5-10% are being made to these areas and this would appear to be backed up by conversations with the investment consultants. Within this, when questioned about requirements on a returns basis of 2-4%, 4-6% and 6-8%. There is limited interest in the 2-4% but possibly enough to justify a single approach, considerable interest in the 4-6% return space, but for a range of products, along with interest in the 6-8% return sleeve looking for a blended approach. A fixed income survey is currently also being compiled to seek LLA views on future requirements, although with a number still going through their asset allocation reviews, the survey may not deliver the definitive answers that LCIV might hope for. However, working with the fixed income working group who are perhaps more advanced in the decision making process are providing some reasonable steers in terms of requirements. From the meetings and conversations held, this area is the one where there is the most urgent need for LCIV to have sub-funds available to deliver to LLA strategic requirements. Whilst recognising that in the business plan these are not scheduled for launch until next spring, indications are that LLAs will need to take action prior to this in order to implement their strategic asset allocation decisions. Recognising that work is ongoing with the fixed income working group, which means that subject to fund launch programmes, it may be possible to deliver some initial options prior to the end of the calendar year, this should enable LCIV to receive a significant proportion of the allocation of assets in this space. LCIV officers have now begun the process of engaging Investment Consultants to assist with the search and selection of suitable products and it is hoped that an indicative product list and timeline can be provided to LLAs shortly to enable them to make decisions to allocate to LCIV as they approach their Committees in the autumn with strategic asset allocation reviews. This is a new asset class for LCIV and it is not possible to know what challenges might be encountered as things progress, the timeline will be kept under review and LLAs kept informed of any changes.
15. Growing demand for property and infrastructure as part of the need to access longer term stable cashflows is also becoming evident, with a number of LLA's looking to allocate to these areas. Whilst looking to make allocations in this area, the timeframe for doing so, at this point, would seem to be slightly longer and less of an issue if sub-funds aren't available until 2018/19. Where there are indications of demand in this area, at this time it is probably in the region of up to 5% initially.
16. Work will be ongoing over the next few months to liaise closely with LLAs as they continue to develop their strategic asset allocation with their investment consultants. Ongoing monitoring of Committee papers, surveys and 1-2-1s as well as working closely

with the Investment Advisory Committee to better understand future strategic investment requirements of the LLAs.

Pooling Update

17. In line with the LGPS Pooling Agenda, Investment Pools were required to supply DCLG with a progress report to 31st March 2017. Annex B sets out the response supplied on behalf of LCIV and the London Local Authorities. Six monthly progress reports are required with the next one due for the period to the 30th September 2017. Copies of the update report were distributed to the Board, Chairs of the PSJC and to LLA officers.
18. The CEO and CRD attend the monthly cross pool working group meetings with the other pools to collaborate more widely across the country. This has been a helpful group in terms of addressing issues which all pools face including MiFID II. The meetings are divided into an open session which includes representatives from LGA and Central Government (DCLG, Treasury and Cabinet Office) and closed with just the pool representatives.
19. Cllr Quinn, from the Greater Manchester Pension Fund and representative from the Scheme Advisory Board attended the most recent Cross Pools Working Group, suggesting that it would be beneficial to have councillors from each pool represented at Part A of the Cross Pool Collaboration Group (CPCG). This is now under consideration and it is anticipated that Administering Authorities will be contacted direct.
20. The Cross Pools Group has a number of working groups, namely infrastructure, responsible investment, MiFID II and a new one for dealing with tax related issues. Representatives from LCIV sit on the various working groups feeding into the discussions at a national level.

Events

21. The quarter to end June has been relatively quiet in terms of events organised by LCIV reflecting both Pension Fund accounts closedown, but also the sudden calling of the election. As a consequence it was decided to defer the Low Carbon Workshop until later in the year. A global equity information day was held in May and attended by around 2/3rds of LLAs.
22. **May 2017 (Councillors, Officers and Advisers) – Global Equity Information Day (hosted by LCIV):** This event provided LLA's to meet with the managers of the new investment strategies which included the delegated managers: Longview, Epoch, RBC and Henderson. Overall the event received positive feedback with each session lasting an hour comprising a presentation and question and answer sessions. A copy of the feedback from the event is attached at Annex C for information. There were some good indications of future investments into the new sub-funds once available for investment.
23. Attendees were also asked about future demands and these are also covered by the survey results, with indicative demand for further global equity strategies covering low volatility, low carbon, core and value. LCIV officers are currently reviewing these strategies with further involvement of LLAs and it is anticipated that the next 2-3 sub-fund launches will be announced over the summer.

24. The feedback also sought to capture other areas of interest from the LLAs which showed allocations in favour of infrastructure and fixed income products which are now being worked on.
25. **Future Events 2017:** A series of seminars and workshops are being scheduled for the remainder of the year. As noted above the low carbon workshop has been moved to the autumn pushing and other events being rescheduled to reflect this. Work is currently underway to hold an information day covering LCIV's investment strategies in the DGF/ Total Return space to take place during August. Once the timing for these events has been agreed, save the date calendar notifications will be sent to Members and Officers. An updated proposed schedule of events is attached at Annex D for information.

Investment Advisory Committee and Working Groups

26. The Investment Advisory Committee (IAC) is one of the key mechanisms for engaging with a wide range of LLA's (see separate report from the Chair of the IAC). Following an annual review of membership, the IAC is being expanded to include a greater number of LLAs.
27. The IAC has a number of smaller working groups focussed on specific areas such as global equities, fixed income/cashflow, infrastructure, reporting and stewardship. It also provides a useful sounding board for developing work streams and for gaining an understanding of the LLA strategic investment needs, although clearly these can on occasions be conflicting given the variety of strategies and advisers across the LLAs.
28. The Fixed Income Working Group is providing considerable support to LCIV as it starts refining the options being proposed for sub-fund launches and will be assisting LCIV with the procurement of fixed income advisers and managers over the coming months.
29. The Reporting and Transparency working Group is also providing invaluable assistance to LCIV as it works on developing its reporting framework agreeing a 3 phase approach which will see increased consistency in the reporting format over the next year to 18 months enabling LLAs to more clearly compare sub-funds within specific asset classes more easily. The group are also providing feedback on the development of the client portal to ensure it meets client needs once launched.

Website Development

30. The dedicated client portal work has been ongoing over the quarter led by the Programme Director. A demonstration was provided to the Reporting and Transparency Working Group in June and received positive feedback, the group are now carrying out user acceptance testing and are due to feedback more formally over the next couple of weeks. Their feedback will then be taken into account before the portal is then presented to the full IAC at the end of July. It is proposed that a soft launch takes place over the summer with full access being given to LLAs in the early autumn. A demonstration of the site can be provided to the Committee at its next meeting if Members would find this helpful.

Recommendations

31. The Committee is recommended to note the report and to provide feedback on the draft schedule of events.

Financial Implications

32. The financial implications are limited in terms of the costs involved in the development of client and stakeholder relationships, however, there are significant financial implications for failure to provide the right level of engagement.

Legal implications

33. There are no legal implications.

Equalities implications

34. There are no equalities implications.

ANNEXES

Annex A	LLA Investments through LCIV, passive investments, etc.
Annex B	Pooling Update submitted to DCLG
Annex C	Global Equity Information Day Feedback
Annex D	Updated Draft Schedule of Events

LONDON LOCAL AUTHORITY INVESTMENTS THROUGH LCIV

The table below sets out the investments by individual LLA into LCIV sub-funds, the funds invested in, the assets under management, and the investments as a percentage of total assets of the individual Pension Fund. Due to timing differences, the Fund AUM data is shown as at 31-12-16, the date for which there is broadly comparable data across Pension Funds publicly available. The LCIV sub-fund holdings are based on end May 2017 valuations. Whilst recognising that the percentage of AUM figure may well be over/under stated, this is the closest available data that reflects current holdings.

London Local Authority	Total Investment per LLA £m 31/05/17	LCIV Funds Invested in 31/05/17	LLA AUM as @ 31/12/16 £m	LLA LCIV Investments as % of total LLA AUM
BARNET	137	Newton RR	1,009	13.6
BARKING AND DAGENHAM	314	Baillie Gifford GE; Pyrford; Newton RR	882	35.6
BEXLEY	384	Newton GE	775	49.5
BRENT	127	Baillie Gifford DGF; Ruffer	777	16.4
CAMDEN	239	Baillie Gifford GE	1,453	16.4
EALING	367	Allianz	1,092	33.6
ENFIELD	48	Baillie Gifford GE	1,035	4.6
HAMMERSMITH AND FULHAM	236	Ruffer; Majedie	982	24.1
HAVERING	300	Baillie Gifford GE; Baillie Gifford DGF; Ruffer	648	46.3
HILLINGDON	105	Ruffer	931	11.3
ISLINGTON	294	Allianz; Newton GE	1,084	27.1
KINGSTON	81	Pyrford	760	10.6
LAMBETH	368	Baillie Gifford GE; Ruffer; Majedie	1,313	28.0
REDBRIDGE	265	Baillie Gifford GE; Newton RR	634	41.7
SUTTON	187	Baillie Gifford DGF; Pyrford; Newton GE	591	31.7
TOWER HAMLETS	421	Baillie Gifford DGF; Baillie Gifford GE; Ruffer	1,313	32.1
RICHMOND & WANDSWORTH	537	Allianz; Baillie Gifford DGF; Baillie Gifford GE	2,093	25.6
WESTMINSTER	559	Baillie Gifford GE; Majedie	1,212	46.1
TOTAL	4,969		18,584	26.7

Data Provided by Northern Trust

LLA's with no direct exposure to LCIV sub-funds as at 31/05/17

London Local Authority	LLA AUM as @ 31/12/16 £m	Additional Comments
BROMLEY	894	No CQC mandates, strategy review may see assets transition by 2018
CITY OF LONDON	926	Options under review to transition existing mandates where CQC applies
CROYDON	1,021	Large allocation to passive outside of standard fee scales
GREENWICH	1,052	Will be exposed to BlackRock fee savings
HACKNEY	1,282	Strategy review underway - expect to see assets transition by 2018
HARINGEY	1,248	Strategy review underway - expect to see assets transition by 2019
HARROW	770	Will transition Longview assets
HOUNSLOW	933	Strategy review underway - expect to see initial investment shortly
RB KENSINGTON & CHELSEA	841	Exposure to LGIM fee savings
LEWISHAM	1,225	Strategy review underway - expect to see assets transition by 2018
MERTON	623	Strategy review underway - expect to see assets transition by 2018
NEWHAM	1,105	Options under consideration
SOUTHWARK	1,431	Largely passive, fee savings from LGIM and BlackRock
WALTHAM FOREST	800	Strategy review underway - expect to see initial investment shortly
TOTAL	14,151	LLAs with no current direct exposure to LCIV investments

LGIM Passive Holdings applying LCIV negotiated fee schedules:

Data for the LGIM holdings is based on 30 April 2017 data, with LLA AUM based on end December valuations, the closest data for which there is publicly available information.

London Local Authority	LGIM Passive AUM per LLA 30/04/17 £m	LLA AUM as @ 31/12/16 £m	LGIM Investments as % of total LLA AUM
BARNET	403	1,009	39.9
BRENT	370	777	47.6
CAMDEN	484	1,453	33.3
HAMMERSMITH AND FULHAM	300	982	30.5
HARINGEY	821	1,248	65.8
HILLINGDON	289	931	31.0
ISLINGTON	96	1,084	8.9

NEWHAM	344	1,105	31.2
RB KENSINGTON & CHELSEA	358	841	42.5
SOUTHWARK	409	1431	28.6
SUTTON	71	591	12.0
TOWER HAMLETS	341	1,313	26.0
RICHMOND & WANDSWORTH	316	2,093	15.1
WESTMINSTER	133	1,212	11.0
TOTAL	4,734	16,070	29.5

Local Government Pension Scheme pooling: progress report

Please report against each of the areas outlined below as at 31 March 2017, highlighting significant changes since your final proposal.

The deadline for submission is Friday 21 April 2017. We will follow up any questions or concerns with individual pools as necessary.

Pool: London CIV

Date: April 2017

Criterion A: Scale

For pools in development

- Scale – please state the estimated total value of assets included in your transition plan for investment through the pool structure, with date of estimate
- Assets outside the pool - please state the estimated total value of assets to be invested outside of the pool structure by participating funds
- Progress towards go live by April 2018
 - please provide an updated high level project plan to achieve delivery by April 2018 including progress with operator procurement/build, design of sub funds, recruitment of core team, appointment of depository and FCA authorisation
 - please identify risks or issues which may delay delivery by April 2018, and any plans to mitigate risks and/or manage issues

For operational pools

- Structure and scale - please state the total value of assets to be invested via the pool together with the value of assets to be invested outside of the pool by participating funds
- Progress with transition - please state the value of assets within the pool and provide an updated high level transition plan

LCIV Response

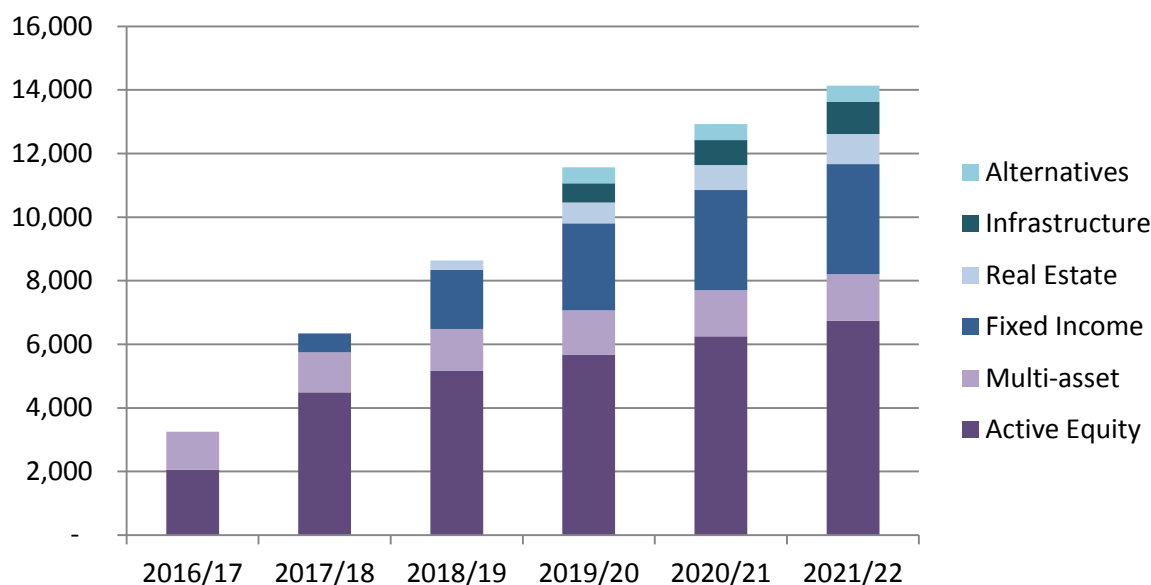
- As at 31/03/17 assets under management within London CIV were £3.5bn with 18 London Local Authorities (LLA) invested. LLA refers to the 32 London Boroughs and the City of London Corporation. Following the merger of the London Borough of Wandsworth and London Borough of Richmond Pension Funds, there are now a total of 32 LLA Pension Funds. Annex A shows the current sub-funds available to LLA's and the number of funds invested in each.
- An additional 3 sub-funds based on a commonality, quantum and conviction approach (i.e. existing LLA mandates) are in the process of being opened which will see the transition of a further estimated £1.6bn-£1.8bn AUM and will bring on board another 2-3 LLAs.
- Following a global equity procurement exercise undertaken in 2016, an initial 3 global equity managers have been selected for the next 3 sub-funds to be opened in July and September. The 3 investment strategy sub-funds comprise Emerging Markets (July), Global Equity Income and Sustainable Equities (September), these have been selected as a first stage following an assessment of LLA requirements for additional global equity options. A global equity information day is being held on 11th May following which, LCIV anticipates being able to update with further specific investment levels for each fund from the LLA's although it is recognised that it may

take some time for assets to be transitioned as LLA's continue with their strategic asset allocation evaluations.

- Over the summer, additional work will be undertaken with the LLAs to determine the level of demand for additional global equity investment strategies. Additional managers have been shortlisted to fulfil a range of investment strategies to make them available for sub-fund launches in December.
- In addition London CIV has successfully negotiated London wide CIV rate lower fee scales with 2 passive life fund providers which covers an additional £7.2bn AUM. At this time, life funds will remain outside the LCIV pool as per the government's asset exemptions:

“Pools may therefore continue to hold existing life funds in the name of the current insured party but it is expected that the management and reporting regarding these life funds is done within the pool.”

- LCIV is working closely with the passive life fund providers to fulfil the expectation that the pool will manage and monitor the life funds and is now receiving quarterly reporting from one of the managers where agreement on fees was reached in mid-2016. In addition, in recognition of the savings delivered and the additional monitoring required by LCIV, the Pensions Sectoral Joint Committee agreed at it's meeting in February proposals that LCIV could apply an asset under management based fee on passive assets where LCIV had negotiated and agreed London wide fee rates with passive life fund providers.
- At the time of the July 2016 submission, based on 31 March 2015 data, approximately 26% of LLA's assets were in passive life funds, whilst data to end March 2017 is not yet available for comparative purposes, LCIV believes that as a percentage of assets across London Funds, this is unlikely to have significantly changed and therefore will continue to remain outside of the Pool for the foreseeable future.
- Further, at the time of July 2016 submission assets to be held outside the pool in the medium term included assets such as private equity , property and Fund cash and amount to £4.5bn. This was in addition to the £7.5bn held in passive life funds. Consequently, approximately £12bn was likely to remain outside of the LCIV pool or just over 40% of the assets across the LLAs. At the time of writing, LCIV is currently working closely with the LLAs to assess their strategic asset allocations following the triennial actuarial valuation to better understand how asset allocations might change over the next 1-3 years in order to assess the potential impact on the level of assets to be held outside of LCIV.
- The February meeting of the Pensions Sectoral Joint Committee considered LCIV's updated business plan and medium term financial strategy <http://www.londoncouncils.gov.uk/node/31261> The business plan and MTFS set out the programme for launch of sub-funds and an estimate of the timeframe over which assets would transition across to LCIV. Based on the transition plans within the business plan, LCIV forecast £14.2bn assets under management by March 2022, and that under more optimistic assumptions assets under management by LCIV could increase to £19.4bn if LLA's transition at a faster pace than currently forecast in the base case. The table below shows the progression of asset transfer into LCIV:



- Based on the 2015 assets under management held across LLAs on which LCIV were required to submit proposals on, the table below provides the level of assets transferred in each asset class on the base scenario.

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Share of LLA Assets	Mar-17	Mar-18	Mar-19	Mar-20	March 21	March 22
Active Equities	21%	46%	53%	59%	64%	70%
Passive Equities	0%	0%	0%	0%	0%	0%
Multi Asset	45%	48%	50%	52%	55%	55%
Fixed Income	0%	12%	38%	55%	64%	70%
Property	0%	0%	14%	32%	38%	45%
Infrastructure	0%	0%	0%	306%	398%	517%
Alternative Assets	0%	0%	0%	36%	36%	36%
Total share of LLA Assets transferred	11%	22%	30%	40%	44%	49%

Criterion B: Governance

For pools in development

- Progress with governance arrangements - please provide an updated high level project plan for the implementation of governance arrangements.

For operational pools

- Changes to governance since final proposal - briefly describe any changes to the governance structure, in particular please set out your plans for ensuring the pool can effectively implement the asset allocation and responsible investment strategy of each fund

LCIV Response

- There have at the time of responding to this progress report been no changes to the governance structure. London CIV is currently commissioning a governance review to ensure that the structures and decision making processes in place are robust and effective. Government will recognise that London CIV pool has been operational for some time and was established in advance of the Government's Criteria and Guidance requirements.

- An update on the progress of the governance review will be provided in the October report
- Government will be aware that the LCIV Pool is in some ways more complex than the other pools, despite commencing pooling at an earlier stage; due to the larger number of participating local authorities, at over 2½x the next largest pool for authorities and having started very much on a voluntary basis. Collating and understanding the 32 strategic investment plans is and will continue to be a resource intensive process, particularly given the typically lower level of resources internally at the local authorities dedicated to managing the pension funds.
- LCIV is currently working closely with the participating authorities to develop a fuller picture of the changes which are likely to be effective following the 2016 actuarial valuation as this is likely to impact on future requirements and it may be necessary to adopt a more flexible approach to the business plan if LCIV is going to be able to more effectively offer solutions for LLA Pension Funds to be able to implement their updated asset allocations.
- It should also be recognised that the strategic asset allocation requirements across London Funds, by the very nature of the number of Funds are also in very different places from a funding and cashflow perspective giving rise to significant variations in requirements from the perspective of strategy. Of all the Pools, London undoubtedly has the widest dispersion in terms of funding levels and cashflow requirements. As can be seen from the published results from the actuarial valuations, funding levels vary between less than 60% to over 100% and cashflows before investment income vary considerably, with an increasing proportion of Funds being cashflow negative, but with others remaining strongly cashflow positive. This leads to very different strategic investment requirements and asset allocations.
- Given the regulated structure under which LCIV currently operates as an AIFMD and in particular the ACS structure, it has to be recognised that implementation takes time to achieve once decisions on sub-funds have been agreed. Legal, regulatory and operational clearance takes time and LCIV are cognoscente of the fact that as other pools become operational and pressures on external suppliers intensify to meet deadlines for other pools this could further slowdown the ability of LCIV to potentially meet the deadlines set out in its business plan and MTFS.
- Like a number of other Pools, LCIV has signed up to be a founder member of the National LGPS Transition Manager Frameworks, this will enable competitive pricing and swifter access to transition managers as and when required for LLAs looking to move assets across to LCIV.
- With regards to the responsible investment strategy of LLA's, the regulations make it clear that it is for the Fund to determine its individual approach to ESG matters and voting and is required to set out their policy in the Investment Strategy Statement for the Fund. LCIV are currently reviewing all the ISS across the LLA's to assess requirements. However, working groups at both Member and officer level have been established to look at the whole area of Stewardship and how this can best be approached by LCIV. LCIV worked closely with these groups to agree an approach for LCIV to meet the requirements of the FRC Stewardship Code and the LCIV Compliance Statement and the FRC has confirmed that the Statement meets the requirements of a Tier One as an asset owner, the Statement can be found: <https://www.frc.org.uk/FRC-Documents/Corporate-Governance/Stewardship-Code/London-CIV.pdf>
- LCIV recognises that across the 32 LLAs Pension Funds, very different views and policies on ESG and voting are in place and that it is unlikely to be able to meet all these requirements, but is keen to work closely with authorities to reach some areas of common ground hence the importance of the Stewardship working groups.

Criterion C: Reduced costs and value for money

For all pools

- Update on costs/savings estimates – please state current high level estimates for implementation costs and eventual annual savings
- Plans for delivering savings – please set out your high level plan and timescales for delivering the annual savings above
- Plans for reporting including on fees and net performance in each listed asset class against an index – In particular please set out how the pool will report fees to participating funds on a fully transparent basis and using comparative performance and/or cost data.

LCIV Response

- Estimated annualised savings from the sub-funds which are already open amount to £1.38m, with further estimated annualised savings of £2.16m to come through from the additional 3 sub-funds being opened on the basis of existing funds being transitioned to the LCIV platform.
- Estimated annualised net savings from passive fees negotiations and implemented amount to £1.76m. Further annualised fee savings from passive life funds are expected as a second mainstream provider has now agreed terms for London CIV funds which will deliver further annualised savings of just under £1m on the basis of current assets under management.
- Increasingly as the CIV moves forwards, direct comparisons on fee savings will become more difficult as new managers are procured rather than directly transitioned from existing mandates. However, as part of the global equity procurement exercise, managers were asked to evidence in their tender submissions the fee scales for standard institutional mandates versus the fees that would be charged on the new CIV mandates should the provider be successful in their tender submission. Whilst potential fees savings did vary considerably across the different strategies and structures, significant discounts on standard fees were offered across the board. As assets transfer to the new sub-funds, the notional savings on investments will be calculated as assets move across on to the CIV platform to provide evidence on the benefits of scale moving forwards.
- Taking into account the assets under management on the CIV platform and those due to transition across in the next 3 months along with life funds where fee negotiations have been agreed, assets under management or in passive on the CIV platform amount to around £12bn or just over 42% of assets that were reflected in the July submission relating to AUM at 31/03/15. Annualised fee savings including those due to transition shortly and in passive life funds amount to an annualised savings of around £6.3m. At the time of the July submission fee savings were estimated to be in a range of £11.58m (low) to £27.68m (high). Estimated annualised fee savings based on current plans amount to between 54% (low estimate) or 22% (high estimate) of those projected in the July submission, i.e. within the range indicated at the time of submission reflecting the current AUM.
- As noted earlier in this document, LCIV business plan and MTFS sets out the plans for fund launches over the next 3 years and will continue to target fee savings as part of that plan, but as noted earlier strict comparisons become more difficult to evidence as we move away from transitioning existing mandates and procure new strategies. Further as we commented on in our July submission, we want to reinforce the message that as Funds for strategic asset allocation reasons target more complex investment structures, including infrastructure, then actual savings may not be feasible when set against the current investment strategies, although it may be

possible to evidence savings versus what might have been paid by Funds without having the benefits that come from scale of assets.

- We would also like to highlight some of the risks surrounding the delivery plans for pooling, particularly given the experience to date that the LCIV has had in establishing and transitioning assets:
 - Experience in transitioning common mandates – whilst on the surface Funds may appear to be investing with the same manager and mandate, below the surface the mandates can be very different and it can take considerable time and skill to reach a truly common position.
 - Local Authority Pension Investment strategies are not static and this can have an impact on implementation as Authorities adapt asset allocation for strategic reasons, this is particularly the case in pools with larger numbers of moving parts such as the LCIV.
 - Operating in a highly regulated structure with FCA, whilst adding protection for investors can also result in longer timeframes for implementation given the necessary legal and regulatory steps before funds can be launched in the new ACS structures, compared to standard Pension Fund investments or procurement exercises. The impact of MIFID II has yet to be fully understood as the details are still at consultation stage,
 - LCIV has to date been transitioning existing assets largely in-specie on a 'lift and shift' basis for common mandates. Increasingly as LLAs make decisions to transition from existing mandates and into completely new strategies, transition risks come into play. Whilst undoubtedly there are a range of very experienced transition managers available to call on, transitioning large quantities of assets will pose additional risks and could result in significant additional costs if the transitions are not managed very carefully and will need to be monitored closely when undertaken.
- As a Pool already operational, LCIV is already reporting to investors providing net of fee performance data. Investors are also provided with a fee schedule on a quarterly basis with a full breakdown of all charges that are applied to the management of the assets. We have established a reporting and transparency working group to help deliver further enhancements to reporting and to ensure that Funds have access to the data that they need for reporting purposes.
- Information on all sub-funds including pricing is available to all Funds within the LCIV Pool, not just those invested in particular strategies. LCIV are currently working on a secure client portal to facilitate easier access to all LCIV information and data for shareholders and investors.

Criterion D: Infrastructure

For all pools

- Progress on infrastructure investment – please state your target allocation for infrastructure and committed funds at the pool level and/or across pools. Please also set out your plans for the platform/product/and/or external manager arrangements to achieve that target
- Timetable to achieve stated ambition.- please provide a high level project plan for the implementation of the platform/product/and/or external manager arrangements described above

LCIV Response

- We refer to our July 2016 response to Government, as noted the allocations to infrastructure across London remain relatively low at less than 1%. Where funds had

indicated an interest in allocating to infrastructure then their target allocations were between 3-10%, but as government is aware this is a local asset allocation decision. As noted earlier in this response, we are working closely with our 32 London Pension Funds to better understand their future strategic asset allocation, anecdotally it would seem that a number are now including infrastructure as part of their allocation requirements going forwards, but until a full assessment of requirements has been completed, we are unable to provide further detail on target allocations going forwards. LCIV however, are very focused on looking to meet local strategic asset allocation decisions and where there is increased demand for investment opportunities in infrastructure, we will aim to provide these in a timely manner.

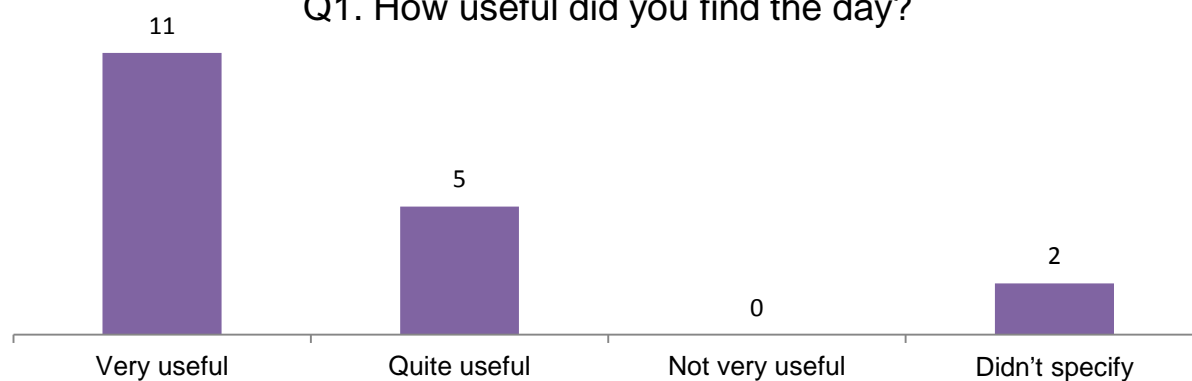
- LCIV continues to have discussions with a range of external infrastructure managers to ensure that essential background research has been completed and is available for investment at such time as the London Funds are ready to invest in infrastructure platforms.
- Where demand for specific asset classes is relatively low or in early stages of development on the CIV platform, LCIV will work with individual funds or small groups of funds to facilitate work and procurement exercises to look for outcomes which could be 'CIVable' at a future date when resources or increased demand for specific products is identified, this is particularly the case in assets such as infrastructure and private markets.
- As part of a broader training and events schedule, LCIV are arranging an infrastructure seminar in the autumn open to Pension Committee Members and Local Authority officers. The agenda for this event is currently under consideration but will include both a training element and the opportunity to meet with a wide range of providers of infrastructure investments.
- LCIV CIO continues to be an active member of the Cross Pools Infrastructure Group and exploring opportunities for collaborative working in this area.
- The business plan agreed with the Pensions Sectoral Joint Committee and the Board of LCIV includes the opening of 2 infrastructure specific funds in the summer of 2019, (business plan and medium term financial strategy agreed February 2017: <http://www.londoncouncils.gov.uk/node/31261>). However it is recognised that the business plan needs to remain flexible and that investment options are subject to changes in the underlying London Local Authority investment needs to fulfil their strategic asset allocations.

Global Equity Information Day Feedback Results

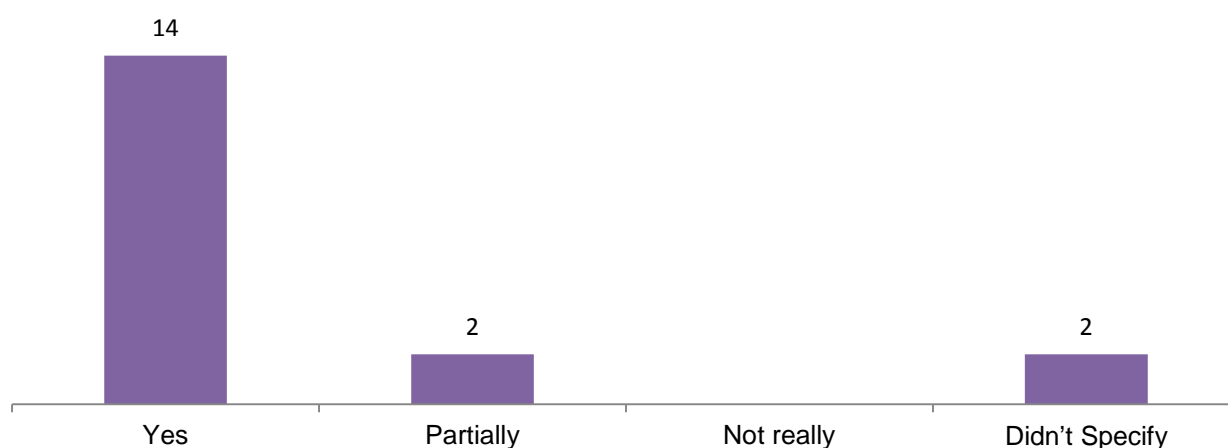
11th May 2017

18 people completed our survey regarding our Global Equity Information Day on Thursday 11th May, the findings were as follows:

Q1. How useful did you find the day?



Q2. Did the event cover all your expectations?



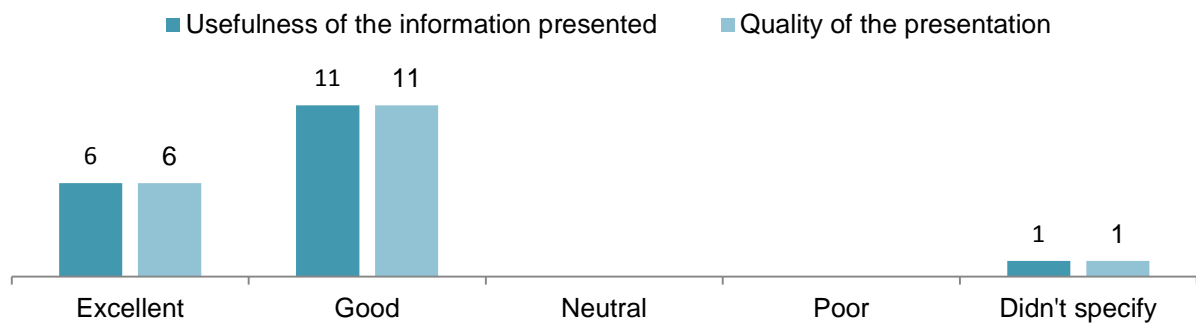
Further comments:

- Our fund is not actively considering a new global equity manager currently, however it was useful to hear more about the CIV options in this area should our asset allocation change in the future.
- Proposed Summary sheets v useful.
- 1 hour per manager was just right with 30-35 mins presentation & rest for questions. Always interesting to hear what other CIV members think.

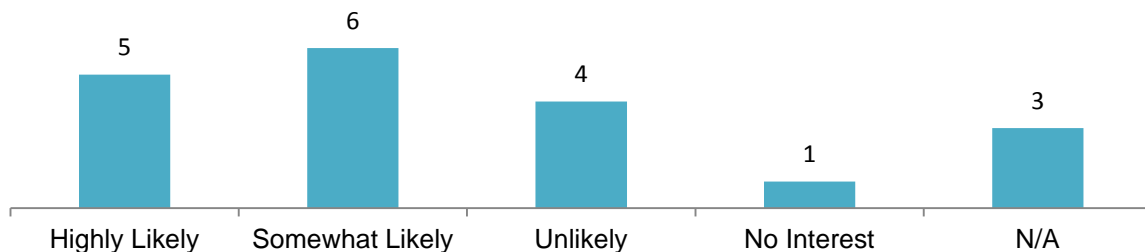
Q3. Manager Feedback

Longview

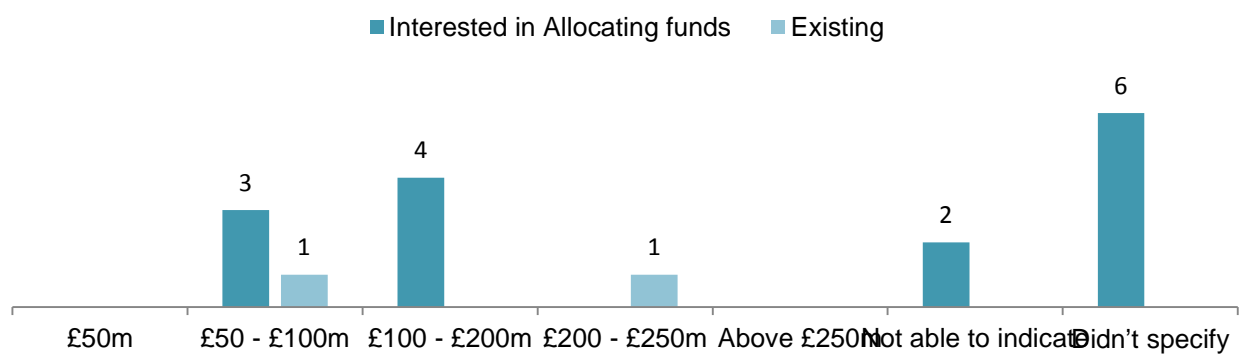
Please rate the quality and content of the presentation



After meeting this manager, how likely are you to invest into their LCIV strategy?



If you are interested in investing, would you be prepared to give an indicative amount?



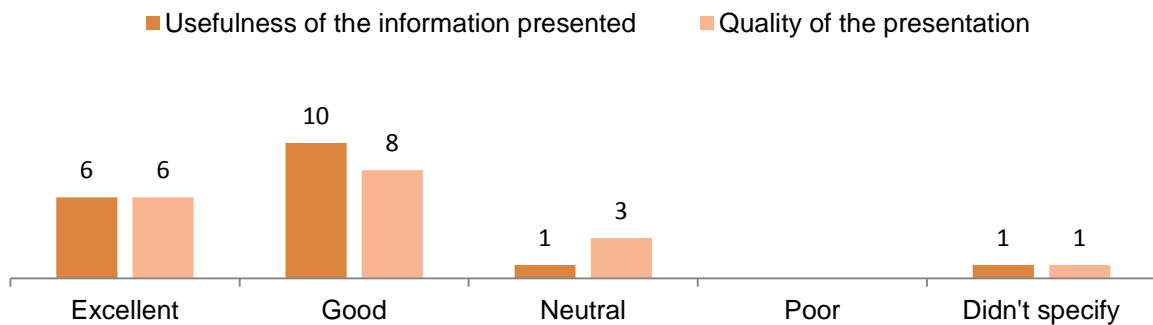
Further comments:

- Unlikely based on current strategy but was impressed with manager & would consider if strategy changes
- Harrow currently has a mandate with Longview and will transition to the CIV
- Not sure yet
- Good presentation, clear and understandable

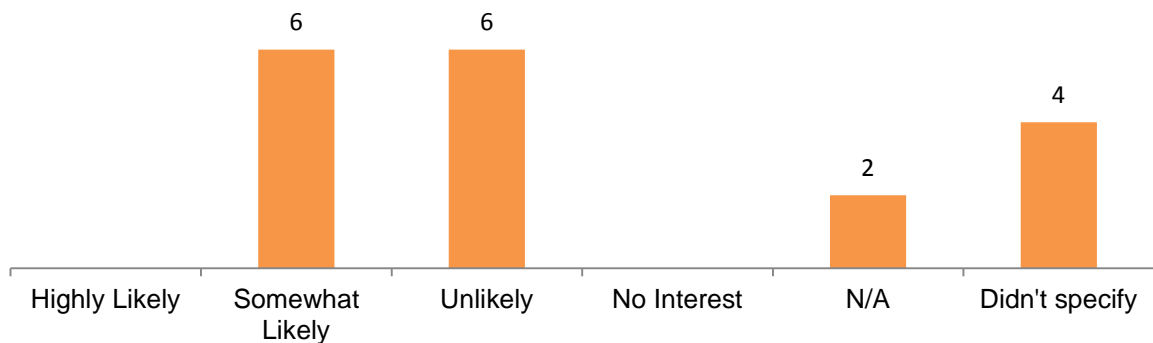
- As noted: existing investor (2010)
- Good presentation, very interesting philosophy & practice

Epoch

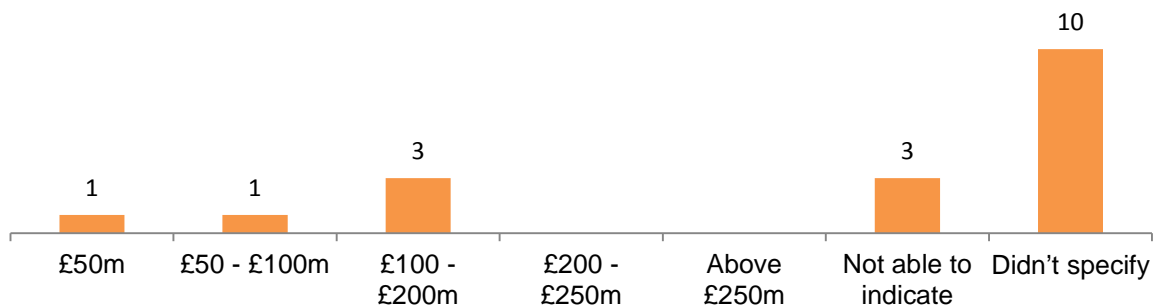
Please rate the quality and content of the presentation



After meeting this manager, how likely are you to invest into their LCIV strategy?



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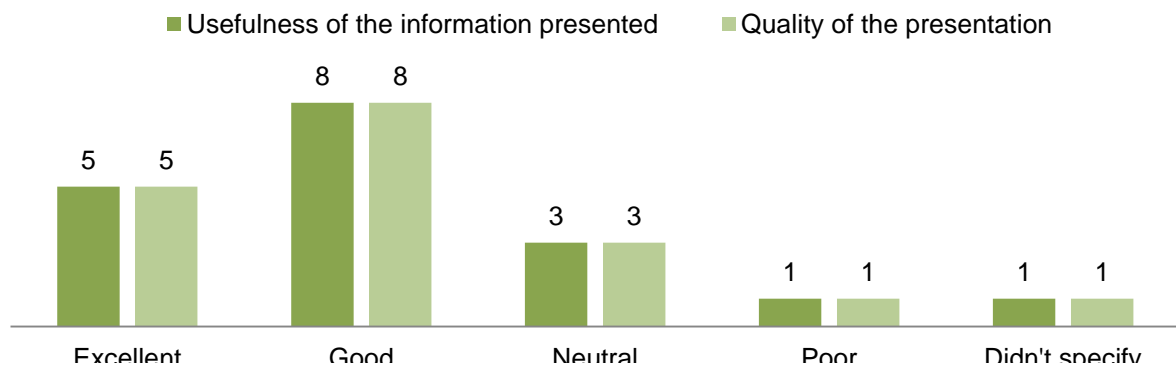


Further comments

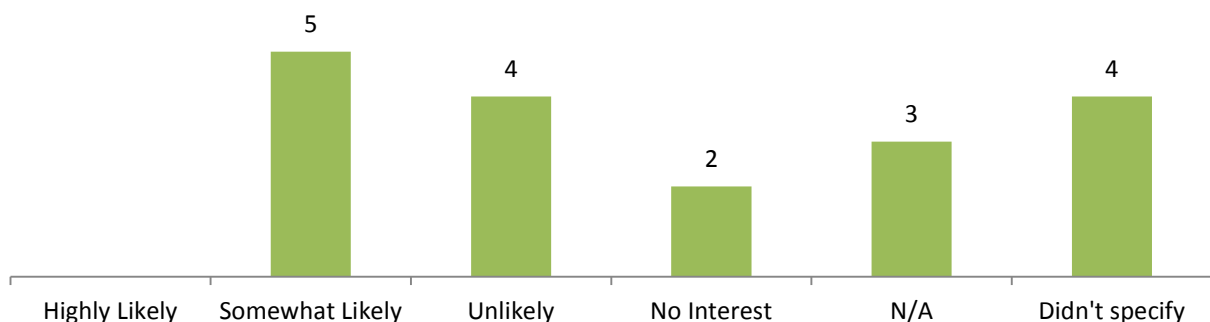
- I believe the “default” preference of WBCFC is toward income-oriented strategies (for cash flow)
- Could be a useful addition to our pension fund to produce reliable income & Cash Flow
- Note sure
- Approx £130m currently invested in income. Concern is this will cost us more than current manager
- Presentation not very inspiring & answers regarding ESG were poor.
- We do not currently have equity income as part of our investment strategy. However, we are reviewing the strategy and it may become part of it.
- Subject to asset allocation & strategy review – June 2017

RBC

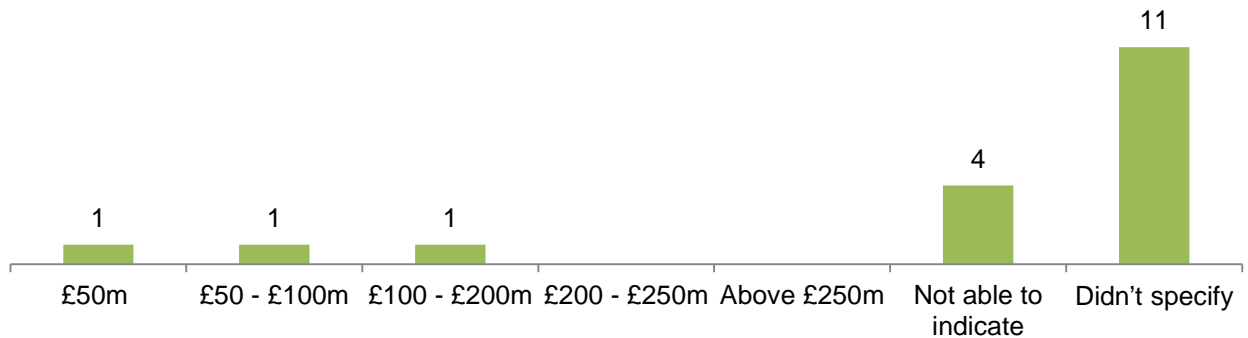
Please rate the quality and content of the presentation



After meeting this manager, how likely are you to invest into their LCIV strategy?



If you are interested in investing, would you be prepared to give an indicative amount?

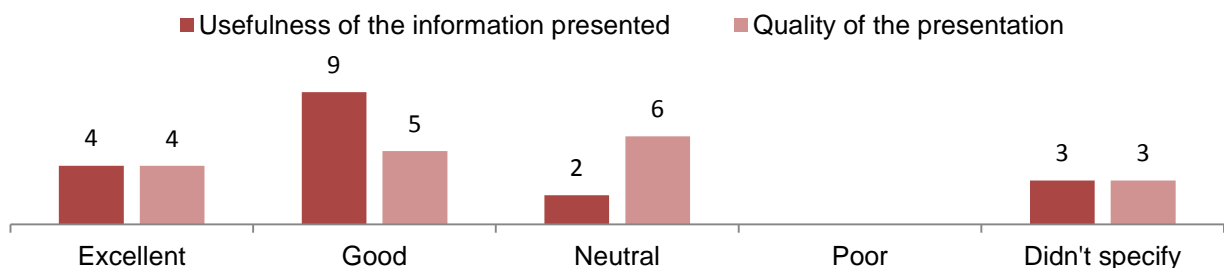


Further comments

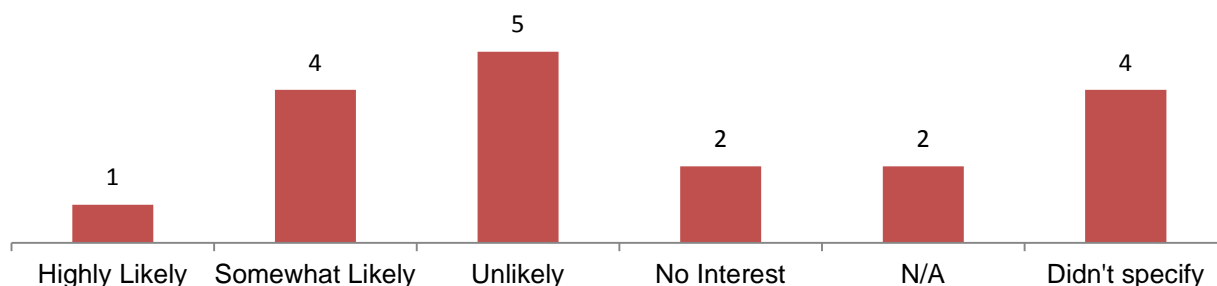
- Subject to asset allocation and investment strategy renew – June 2017
- We do not currently have equity income as part of our investment strategy. However, we are reviewing the strategy and it may become part of it.
- Not confirmed
- Presentation eventually got going. Good answers to questions asked.
- Very good presentation & if we were looking for main stream stock selection manager, would consider. Currently outside our strategy
- More focused on HR/People
- I didn't hear anything about how its performed
- Very little on Risk
- How historically they've done.
- Not sure

Henderson

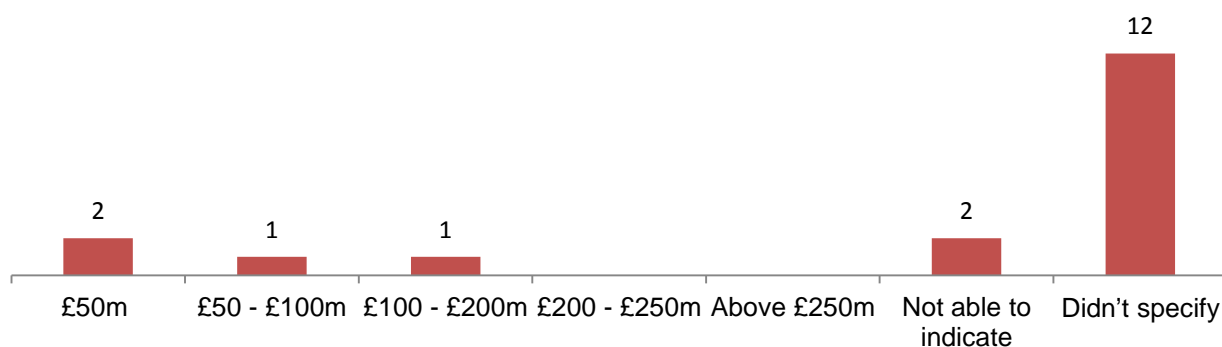
Please rate the quality and content of the presentation



After meeting this manager, how likely are you to invest into their LCIV strategy



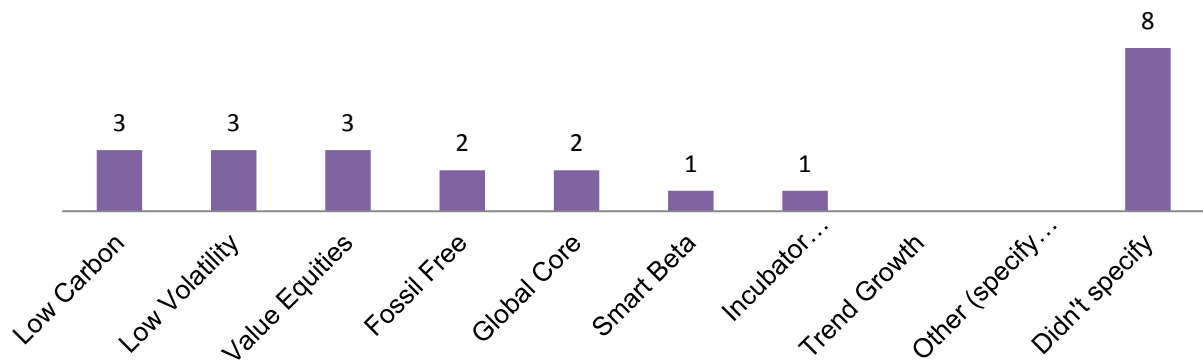
If you are interested in investing, would you be prepared to give an indicative amount



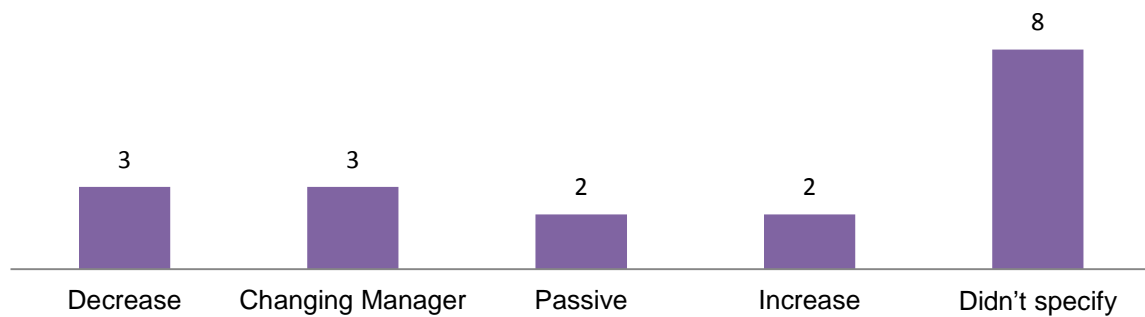
Further comments

- The presentation was unstructured & muddled. This was because, when questions were asked during the presentation, they were answered in far too much detail & rambled off the point (although he did answer the points raised!)
- Not in strategy currently, liked approach with this strategy
- Subject to review of investment strategy – June 2017
- Depends on what we do with our new Investment Strategy and existing EM Manager
- Very disappointing presentation. Provided with a slide pack that (almost) wasn't used. Not convincing esp regarding the Funds performance.

Q4. What additional Global Equity Strategies would you like to see available on the CIV platform?



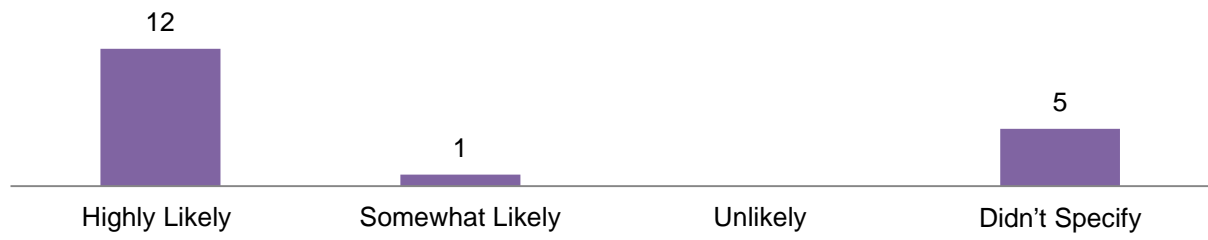
Q5. Are you considering changes to your global equity allocations?



Q6. Which other asset classes are you considering for investment?



Q7. Based on your experience at this information day, how likely are you to attend future CIV Investment Strategy events?



DRAFT SCHEDULE OF EVENTS FOR 2017

DRAFT LONDON CIV EVENT CALENDAR 2017

Spring	19th January	1st February	1st March	April
Event	Fixed Income / Cashflow Seminar	Stewardship Seminar	LCIV Conference	Easter
Attendees	Officers / Consultants	Councillors / Officers	Councillors / Officers / Advisers	
Venue	Russell Investments, Rex House, SW1Y 4PE	Guildhall, City of London	etc.venues, 43/44 Crutched Friars, EC3M 4AJ	

Summer	11th May	June	July	August (TBC)
Event	Global Equity Information Day			DGF/Total Return Information Day
Attendees	Councillors / Officers			Councillors / Officers
Venue	London Councils 59½ Southwark St			London Councils 59½ Southwark St

Autumn / Winter	19th September	10th October	7th November	12th December
Event	Low Carbon Workshop	Fixed Income / Cashflow Seminar	Global Equity Information Day Phase II	Infrastructure Seminar
Attendees	Councillors / Officers / Advisers	Councillors / Officers / Advisers	Councillors / Officers / Advisers	Councillors / Officers / Advisers
Venue	TBA	TBA	TBA	TBA

DRAFT LONDON CIV MEETINGS SCHEDULE 2017

Spring	January	February	March	April
LCIV Board		9th (Informal)	24th	
Pensions Sectoral Joint Committee		8th		12th
LCIV IOC		28th		
IAC	26th	23rd	23rd	27th
LCIV Event	19th - Fixed Income	1st - Stewardship	1st - Conference	
External Events			2nd - 3rd LGC Carden Park	

Summer	May	June	July	August
LCIV Board	4th (Informal)	13th		2nd (Informal)
Pensions Sectoral Joint Committee			12 th July	
LCIV IOC		1st		
IAC		14th	26th	24th
LCIV Event	11th - Meet the GE Managers I			
External Events	15th - 17th May PLSA Cotswold Water Park	29th - 30th LGC Symposium / LGPC Trustees Conference	19 th - 20 th LAPFSIF	

Autumn / Winter	September	October	November	December
LCIV Board	11th (Away Day) 22nd		3rd (Informal)	13th
Pensions Sectoral Joint Committee	13th			11th
LCIV IOC	14th		29th	
IAC	21st	19th	16th	21st
LCIV Event	19th – Low Carbon Workshop	10th - Fixed Income / Cashflow Seminar	7th – Global Equity Information Day	Infrastructure Seminar
External Events	7th - 8th LGC Celtic Manor 16 th – 19 th Liberal Democrat Conference 24 th – 27 th Labour Party Conference	1 st – 4 th Conservative Party Conference		6th - 8th LAPFF Bournemouth

Pensions CIV Sectoral Joint Committee

Item no: 15

London CIV Stewardship Update

Report by: Jill Davys **Job title:** Client Relations Director

Date: 12 July 2017

Telephone: 020 7934 9968 **Email:** Jill.davys@londonciv.gov.uk

Summary: This report provides the Committee with an update on Compliance against the UK Stewardship Code, voting and engagement over the quarter, an update on the Members Stewardship Working Group meeting and wider Responsible Investment Guidance.

Recommendations: The committee is recommended to:

- i. Consider and note the contents of this report

London CIV Stewardship Update

Background

1. The London CIV as a regulated fund manager looking after the assets of the London Local Authority Pension Funds takes its stewardship responsibilities seriously recognising that good stewardship plays a key role in the management of assets delivering long term financial benefits.
2. This report sets out how LCIV is meeting its stewardship responsibilities and also provides an update on the work of the Member's Stewardship Working Group.

Compliance with FRC Stewardship Code

3. At the time of the last PSJC, LCIV had submitted a statement of compliance with the Stewardship Code to the FRC. This has been accepted by FRC as meeting the requirements of a Tier One Asset Owner for the purpose of assessment against the Code i.e. the highest tier for an asset owner. A copy of the Statement can be found on the FRC website: <https://www.frc.org.uk/FRC-Documents/Corporate-Governance/Stewardship-Code/London-CIV.pdf>
4. For asset managers there are 3 levels of compliance with the Code against which asset managers are assessed. In terms of LCIV's external managers, both current and those scheduled for sub-fund launch over the coming months, the table below sets out the levels of compliance with the Code:

External Manager	Stewardship Code Compliance Tier	Asset Class	Additional Comments
Allianz	1	Global Equity	
Baillie Gifford	1	Global Equity DGF	
EPOCH	TBA	Global Equity Income	Statement of Compliance submitted to FRC for evaluation
Henderson	1	Emerging Markets	
Longview	1	Global Equity	
Majedie	1	UK Equity	
Newton	1	Global Equity Real Return	
Pyrford	2	Total Return	Manager seeking to upgrade to Tier 1
RBC	1	Sustainable Global Equity	
Ruffer	1	Absolute Return	
Passive Manager			
LGIM	1	Passive Life Funds	External to LCIV platform
BlackRock	1	Passive Life Funds	External to LCIV platform

- ## Voting & Engagement

- [illegible]

8. Looking at the table above there were 2 instances where LCIV's external managers did not vote in accordance with the voting alert issued by LAPFF. LGIM who are not contracted by LCIV, but whom LCIV monitor in accordance with government guidelines did not vote in accordance with the LAPFF voting alerts on 3 occasions. Detailed notes have been provided to explain their approach and these have been included within Annex A. On all occasions, managers have demonstrated that whilst they have not voted in line with the alerts issued by LAPFF, they have had a policy of ongoing engagement with the individual companies to try to ensure improvements in the relevant areas under consideration.
9. In addition at the regular quarterly review meetings held with the LCIV sub-fund managers, time is given to consideration of the engagement activities of the managers. A full annual voting and engagement report has been circulated to LLAs for information, where they have direct investments with LCIV.

Stewardship Working Group

10. The Joint Committee has established a Member working group to work closely with the CIV to develop stewardship activities and to consider matters relating to responsible investment.
11. The Member Stewardship Working Group met on 12 April 2017 (minutes attached at Annex A for information), with the purpose of considering a number of discussion papers on low carbon initiatives. For a number of local authorities this is one of the key strategic imperatives in that they are developing policies in terms of divestment or lowering carbon exposure.
12. The Working Group considered an initial limited survey of LLAs interested in seeking investments in the area of low carbon to assess whether demand was likely to be active or passive management and low carbon or fossil free. The initial survey yielded no firm conclusions on an approach and the Working Group agreed that a wider survey be commissioned and that all authorities should be contacted for views and that the survey should cover Members of the PSJC. At the time of writing the survey is being compiled and is expected to be issued shortly.
13. An initial date for a low carbon workshop had been agreed, however the Working Group were concerned that it was scheduled for the same day as a PSJC meeting and asked for the date to be rescheduled. Whilst another date was selected, on canvassing LLA officers, it has been deemed necessary to move the date from mid-July to September and a save the date notification is due to be issued shortly.

Responsible Investment Guidance

14. The LGPS Scheme Advisory Board (SAB) is currently assessing additional guidance for Administering Authorities on Responsible Investment, a draft of which was considered at the SAB meeting in May. LCIV officers are currently working with members of the Cross Pool Stewardship Working Group and the LGA to review the draft Guidance and to agree wording in advance of the final draft Guidance being submitted to a future SAB meeting.

Recommendations

15. The committee is recommended to:
- i. Consider and note the contents of this report

Legal Implications

16. There are no legal implications at this time.

Financial implications

17. There are no financial implications for London Councils

Equalities Implications

18. There are no equalities implications for London Councils

Attachments

Annex A – LCIV External Manager Explanations for not voting in line with LAPFF Voting Alerts

Annex B – Member Stewardship Working Group Minutes 12 April 2017

LCIV External Manager Explanations for not voting in line with LAPFF Voting Alerts

Allianz

WPP - Oppose Pay Policy

For executive remuneration-related proposals (Res 3 and 4):

Sir Martin Sorrell's headline realised pay for FY2016 is £48.1m. This number is primarily driven by LEAP III, a controversial legacy equity incentive plan, and represents a c. 32% decrease compared to last year's pay-out. Given that this is the final vesting under the LEAP, that the awards are contractual, and that, similarly to last year, a large portion of the amount is attributable to share price appreciation and dividends accrued, we recommend voting For (in line with our approach last year). We note that the Remuneration Committee anticipates "substantially lower" vesting outcomes under the current LTIP scheme, the EPSP, as compared to LEAP.

We note further reductions in the quantum of executive pay proposed by the RemCo. This includes: 1) a reduction of annual bonus opportunity from 4.35x salary to 4x salary at maximum, and from 2.175x to 2x salary at target level with 50% of annual bonus deferred for 2 years; 2) a reduction in LTIP opportunity from 9.75x salary to 6x salary subject to TSR, EPS and ROE targets over a period of five years; and 3) a reduction in pension contribution from 40% salary to 30% salary. This means that CEO Martin Sorrell's maximum pay opportunity will be reduced by c. 30% as compared to the existing policy. We note high quality disclosure of performance targets, including reduction in the % of LTIP award for reaching target performance level (see details in ISS report). We think the steps taken by RemCo are positive and recommend support.

As discussed previously, for compliance reasons (i.e. shareholder disclosure) we are not permitted to split our vote. BAFIN's rules are quite strict and the fines are very high – in order to do so we would, as discussed, need a formal agreement in place that the London CIV would be responsible for market disclosures on a stock if votes were to be directed. This would also require our Compliance team to transfer the holding to the London CIV for aggregation with all other managers holdings for disclosure.

Newton TR

GlaxoSmithKline - Oppose Pay Policy

For GSK, Newton supported all resolutions at the company's 2017 AGM.

In the year following GSK's 2016 AGM, Newton continued engaging with the company on a variety of ESG matters; including areas such as executive remuneration, succession planning, audit, risk and wider corporate responsibility (see Newton's Responsible Investment Quarterly Reports for details of these engagement activities).

Following these engagements, GSK made a number of improvements and provided explanations for certain ESG policies and practices, which helped support and inform our investment case for the company.

While Newton do not register abstentions, Newton will vote against resolutions should we deem the underlying matter of sufficient concern. In 2016, Newton voted against management recommendations at 37% of all meetings, globally. Each voting decision is made on its own merits, taking into account our investment expectations.

Passive LGIM

Smith & Nephew - Oppose Remuneration Policy

Legal & General Investment Management (LGIM) takes its stewardship obligations seriously and pro-actively engages with companies in order to bring positive change to their governance structures. We use our position as a large shareholder to influence and promote best practice. Voting is an important tool for escalating issues which have not been resolved through our engagement activities.

Background:

At the 2016 AGM, Smith & Nephew failed to receive the majority support of shareholders on the approval of the remuneration report. LGIM continued its engagement with Smith & Nephew plc throughout 2016, including on executive remuneration.

We can confirm that in our considerations for this meeting, the following aspects were reviewed by LGIM's corporate governance team:

- LGIM's engagement with the company during the year
- The performance of the company and changes to the board during the year
- The changes proposed to the remuneration structures

Other considerations for this meeting discussed by LGIM's corporate governance team when taking this final vote decision included a review of the disclosures in the annual report on gender diversity and conformation of the notice of meeting against the Pre-Emption Group's Guidelines (industry best practice on this resolution).

With regards to the resolutions to approve the Remuneration Policy and Remuneration Report, LGIM noted the following:

- Introduction of a number of best practices including a two year holding period, which LGIM have been pushing for
- An increased minimum shareholding requirement for the executive to 3x salary, which is aligned with LGIM's policy
- That there were no changes to the pension provisions within the policy
- The introduction of ROIC into the performance targets, which we consider will more closely align pay with long-term shareholders
- The downward discretion used by the remuneration committee during the year to reduce bonuses to the executive by 10%

- That no 2016 bonus award was received by the Finance Director, who stepped down from Smith & Nephew in January 2017 and that all outstanding share plans lapsed in full.

LGIM's voting policy regarding discretion:

We continue to believe that Boards should retain ultimate flexibility to apply discretion and 'sense-check' the final payments to ensure that they align with the underlying performance of the business. This is because a purely quantitative based assessment on a handful of performance criteria may not always fully reflect the long-term performance of the company nor align appropriately with long-term shareholders. In accordance with our policy we are likely to oppose the approval of the remuneration policy if there is insufficient disclosure or explanation on the use of discretion.

Where companies exercise discretion during a year, LGIM will review the appropriateness of the use of that discretion and the relevant disclosures in the remuneration report. We are likely to oppose the approval of the remuneration report with respect to discretion issues when discretion is exercised to allow a bonus or long-term incentive to vest without sufficient justification and/or when discretion is used and pay is not demonstrably aligned with performance of the company.

GlaxoSmithKline - Oppose pay policy

Background:

At the 2016 AGM, 85% of shareholders voted in favour of GlaxoSmithKline's (GSK) remuneration report. As set out in LGIM's 2016 Corporate Governance Report, on page 36, we had substantial engagement with GSK during 2016 on a range of issues, including board composition, management succession, corporate reporting and remuneration. We held four meetings with GSK Chairman and non-executive directors in 2016 on these issues; so far in 2017 we have held face to face meetings with GSK twice, with the Remuneration Committee Chairman and a separate meeting with the new CEO.

The 2016 Corporate Governance Report can be accessed here: http://www.lgim.com/library/capabilities/CG_Annual_Report_2016-full.pdf

How did LGIM vote last year at GSK?

Last year LGIM voted against the approval of the Remuneration Report due to concerns that the payment of a maximum bonus to the executive did not fully reflect the performance of the company.

How will LGIM be voting at the forthcoming general meeting?

Whilst we are unable to disclose our voting intentions in advance of the AGM, we can confirm that in our considerations for this meeting, the following aspects were reviewed by LGIM's corporate governance team:

- LGIM's engagement with the company during the year
- The performance of the company and changes to the board and management during the year
- The changes proposed to the remuneration structures

With regards to the resolutions to approve the Remuneration Policy, LGIM noted the following:

- Incorporation of LGIM's feedback following engagement

- Remuneration structure and quantum for the new CEO verses the former CEO
- Removal of matching share scheme – something we have been asking for and is aligned with LGIM's policy
- Removal of individual performance multiplier – something we have been asking for
- Increase in mandatory bonus deferral – in line with best practice
- An increased minimum shareholding requirement for the executive to 6.5x salary, which is aligned with LGIM's policy
- Continued provisions for recruitment related remuneration
- Leaving arrangements for the previous CEO and other executives

LGIM's voting policy on pay ratios:

We support the publication of pay ratios, and wrote to all companies in the FTSE 350 in September 2016 encouraging the disclosure of the pay ratio between the CEO's total single figure and the median employee. This is also a disclosure we have supported in recent government consultations on remuneration and governance. As this is a relatively new request, we are not currently voting against companies who did not disclose the pay ratio in their 2016 Report and Accounts.

LGIM's voting policy on remuneration committee discretion:

We continue to believe that Boards should retain ultimate flexibility to apply discretion and 'sense-check' the final payments to ensure that they align with the underlying performance of the business. This is because a purely quantitative based assessment on a handful of performance criteria may not always fully reflect the long-term performance of the company nor align appropriately with long-term shareholders. Where companies exercise discretion during a year, LGIM will review the appropriateness of the use of that discretion and the relevant disclosures in the remuneration report.

WPP - Oppose Pay Policy

Background:

In 2009, WPP put to a shareholder vote a value sharing co-investment plan that was subject to TSR relative to its industry peers and weighted by market cap. LGIM opposed the introduction of this Plan on account of quantum, yet, it was approved by a majority of their investors, 83%.

What did LGIM do?

Having voted against WPPs remuneration for a number of years, we worked with the company to introduce a long term incentive with a significantly lower quantum, where performance is measured over 5 years and is subject to more than just TSR but also ROE and EPS. The awards under this plan will start to vest in 2018.

We continued to engage with the company to push for further reductions in overall quantum.

This year the Company is introducing the following changes despite delivering TSR of 210%.

- The maximum bonus opportunity will reduce from 435% to 400% of salary for Sir Martin Sorrell and from 300% to 250% of salary for Paul Richardson.

- The maximum award opportunity under the EPSP will reduce from 974% to 600% of salary for Sir Martin Sorrell and from 400% to 300% of salary for Paul Richardson.
- The pension allowance will reduce from 40% to 30% of salary for the Chief Executive.
- Benefits will be capped at £200,000 for Sir Martin Sorrell and \$85,000 for Paul Richardson.
- In addition, the maximum variable remuneration opportunity will reduce from 1,000% to 800% of salary for newly appointed Directors, whilst the maximum pension contribution offered will be reduced from 40% to 25% of salary.

In aggregate, the proposed changes will have the effect of reducing the CEO's overall maximum pay opportunity (before any account is taken of share price appreciation or dividends), by 27% or £4.8 million. This brings the total reduction since 2011 to 58% or £18.1 million.

PENSIONS SECTORAL JOINT COMMITTEE – LONDON CIV

Stewardship Working Group

12th April 2017 – Minutes

Attendees:

Borough

Ealing
Hackney
Islington
Wandsworth

Representative

Cllr Yvonne Johnson (YJ), Chair – (by Phone)
Cllr Rob Chapman (RC)
Cllr Richard Greening (RG)
Cllr Maurice Heaster (MH), Vice Chair

London CIV

Chief Executive
AD, Client Management

Hugh Grover (HG)
Jill Davys (JD)

Agenda Item Number	Agenda Item	Actions
1.	Apologies: Cllr Toby Simon (Enfield), Cllr Thomas O'Malley (Richmond) Cllr Simon submitted comments: <ol style="list-style-type: none"> Keen to see low carbon options available on LCIV platform Engagement is also important in the low carbon debate Further development work should be carried out to assess strategic needs for London Funds 	
2.	Minutes and Matters Arising Minutes Agreed Matters Arising: <ul style="list-style-type: none"> Stewardship Code – the Committee were pleased to note that a Tier One level had been achieved by LCIV in their Statement of Compliance with the Code. 	
3.	Assessing Demand for Low Carbon or Fossil Free Options The Committee discussed a briefing report provided which covered a recent survey of Funds keen to access low carbon options. This had covered a limited number of Funds, known to have either considered or being considering low carbon options for their Funds. However, it was clear from the survey that initially there was little commonality in the approaches required and that Funds were still determining their exact strategic approaches in this area. Cllr Chapman noted that this area had been raised in the Pre-Joint Committee meeting and that there were a number of	

authorities keen to get together to assess what they might need collectively. There are lots of commitments being made but not always clear what the immediate outcomes are. However there was clearly the view that any divestment or reduction to carbon should be on risk based reasons.

Agree that any low carbon survey should be extended to cover all London Funds and be sent to Members of the Joint Committee for completion as well.

JD to develop survey and to circulate to all authorities including those Members on the Joint Committee

4. **Low Carbon – Passive/Active Options**

It was noted that this time there was a lack of clarity over individual Pension Fund requirements and that the range of options was growing all the time, although clear that there weren't a large number of funds with long term track records in this area.

It was noted that a number of managers that had applied for the sustainable equities mandate, whilst not specifically targeting low carbon or fossil fuel exclusions, the nature of the strategies that they followed led to lower carbon exposure.

Members recognise that greater clarity was required from the Pension Funds themselves to assist LCIV in developing suitable products and that Funds themselves may need to be flexible and accept strategies where some commonality can be achieved.

5. **Carbon Foot Printing:**

Members were provided with an update on views on carbon foot printing including the different methodologies of third party providers in assessing carbon foot printing,

It was noted that a small number of London Funds had already undertaken a carbon foot printing exercise to assess their own Funds. Having raised the option of undertaking London wide carbon foot printing with officers, there had been a mixed response on this with concerns about this leading to a league table on carbon exposure when measures of carbon exposure aren't always reliable.

Agree to capture wider views within the survey as to levels of interest in developing options possibly through the National Stewardship Framework.

Members were keen to continue talking to the managers about what steps they were taking to assess their carbon foot print. Felt it was important to keep the issue on the agenda

for future meetings and also perhaps a topic for consideration at a future low carbon seminar.

5. Low Carbon Workshop:

The proposed date for the Low Carbon Workshop had been set for the same day as the next PSJC meeting, however Members felt that this would extend the day too much and not allow sufficient time. It was agreed to find an alternative date that was a standalone date.

Some of the key requirements for the day from Members were:

- a) What is available in terms of low carbon funds, choices and costs (Cllr Johnson)
- b) Understanding how to implement divestment and how to pursue greater levels of engagement (Cllr Greening)
- c) What are the issues that need to be consider
- d) Survey results to be published when available

6. Dates of Future Meetings:

The Group were content to have a further meeting possibly in advance of the workshop

JD to provide possible dates for further meetings

7. A.O.B

None raised