

Brunel Pension Partnership

Annual Report 2016-17



Forging better futures by investing for a world worth living in

Chair's foreword

This annual report covers an exciting period for Brunel, from registration at Companies House in October 2016 to year end 30 September 2017. Brunel went from a project to a live company and is now looking forward to delivering investment management services in April 2018.

The investment made in Brunel by our shareholders has enabled the team to form with a strong cultural identity; we are laying the foundations to deliver an excellent service against clearly defined targets.

The principles for investment have been established and are included in this annual report. Operating processes are being defined and tools for delivery developed.

The financial statements show Brunel to be in good health and progressing well, with the requisite control expected of a company applying for FCA approval.

We are looking forward to **forging better futures by investing for a world worth living in.**



Denise Le Gal



Environment Agency
Pension Fund



**We believe
in making
long-term,
sustainable
investments
supported
by robust
and
transparent
processes**



**In collaboration with all our
stakeholders we are forging better
futures by investing for a world
worth living in**

**We are
here to
protect the
interests of
our clients
and their
members**

BRUNEL

Pension Partnership

Our commitment

We are developing Brunel in a way that aims to ensure our clients will truly value it and benefit from all we do. Our culture embraces customer service excellence. We will succeed because we are:

Client-focused

Our clients are at the heart of everything we do.

Our team is dedicated to helping our clients meet their investment objectives.

We are guided by strong governance and a clear investment process.

An investment partner you can trust

We champion open and transparent communication with our clients and our peers.

We are innovative and forward-thinking with investment solutions.

We have a passion for the industry and are keen contributors to it.

A team of experts

We value transparency, honesty and excellence.

We believe in responsible citizenship and service to our community.

We have over 300 years of combined experience in investments and sustainable finance.

Providing

Confidence **in a team dedicated** to helping you progress toward your objectives.

Clear understanding

of where you are and of your future investment needs aligned to your interests.

Advice you can trust

from a team that cares about your objectives and values.

Milestones

Achievements

1. October 2016 Brunel Pension Partnership Ltd Company registered at Companies House
 2. February 2017 Brunel business case approved
 3. Procure Fund Administrator (State Street)
 4. Board appointed (offers accepted)
 5. Brunel launched
 6. Initial capital investment of £3m made by shareholders
 7. FCA application submitted
 8. 30 September 2017 first financial year end
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Developments

1. October 2017 New Offices
2. Design & develop Brunel's digital workplace "ICE" (with Alpha FMC)
3. Signed up to LGPS Investment Code of Transparency
4. Fund Manager Engagement events
5. Stakeholder Engagement events
6. November 2017 custodian migrations begin
7. December 2017 second capital investment by shareholders

Targets

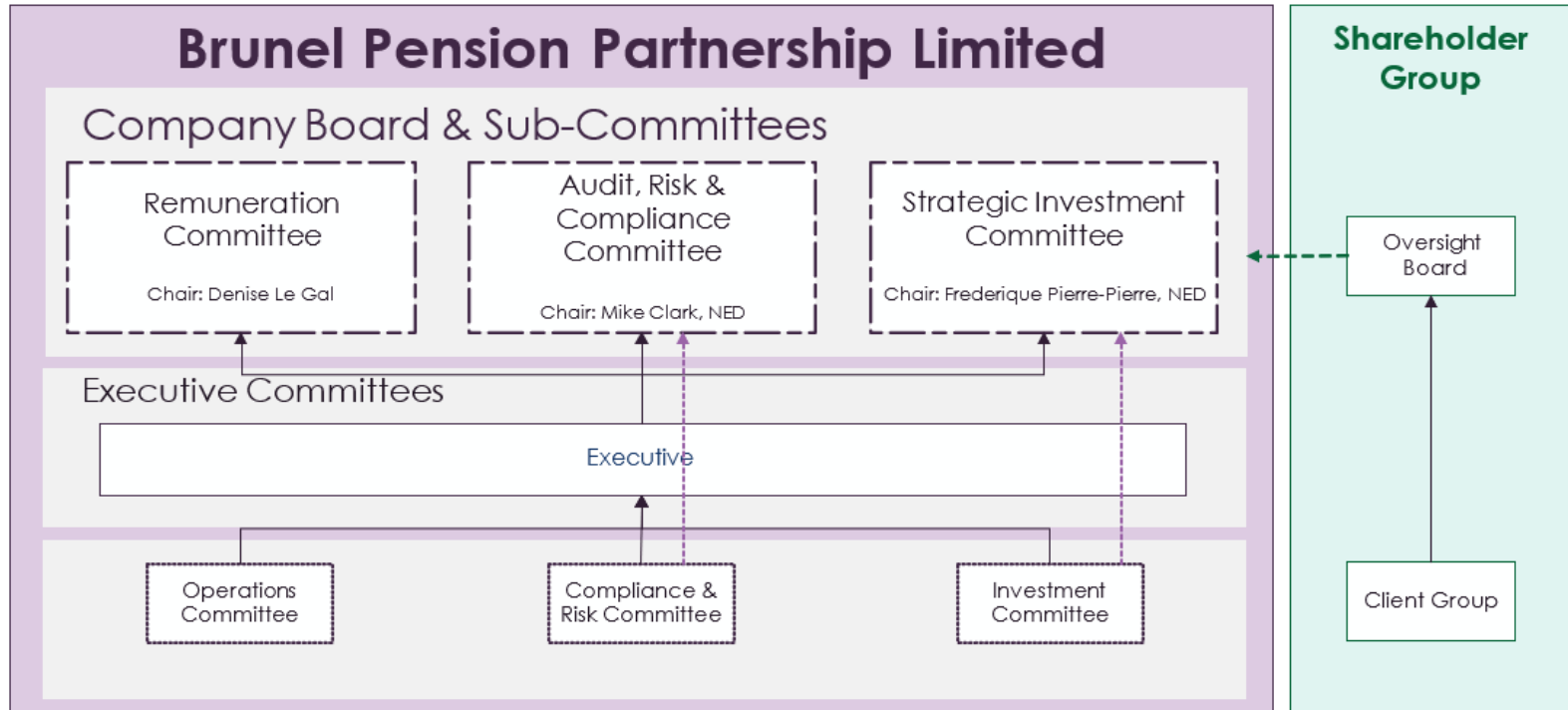
1. FCA approval
2. April 2018 service model provided to clients
3. First Portfolio live by June 2018

Our objectives

The ten funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset, Wiltshire and the Environment Agency came together as Brunel Pension Partnership following the directive from government for LGPS pension funds in England and Wales to create assets pools of £25 billion.

The work started on developing the pool in September 2015 and by February 2017 the business case was approved on the basis of the following four primary benefits and objectives:

- Establish an investment management company and gain FCA authorisation in order to be able to start servicing its clients by April 2018
- Develop investment portfolios that will meet the needs of all its clients' investment strategies
- Make fee savings, whilst maintaining investment performance, of £27.8 million (8.9 basis points) by 2025
- Manage transition and operational costs to achieve break even by 2023, and cumulative net savings of £550 million to 2036



- The Board of Brunel consists of four Independent Non-Executive Directors (NEDs), including the Chair and four Executive Directors
- Independent Non-Executive Directors chair all Board sub-committees and are the only permanent members
- Executive members of the Board are the CEO, CIO, COO and CCRO
- The Board of Brunel has gender equality (4 male / 4 female)
- Oversight Board is 10 Pension Committee Chairs (or elective representation) & 2 observers
- Client Group is 10 Client Fund Officers

What we do

Brunel was set up to represent ten local authority pension schemes with ~695,000 members with pension assets ~£27bn and ~1,800 local employers*.

- Brunel has ten shareholders, each with a ten percent share of the business
- Brunel's shareholders are Brunel's client funds

Brunel engagement

- Signed up to the LGPS Investor Code of Transparency
- Assumed founder responsibility with the National Frameworks procurement initiative
- Supporter of the Task Force on Climate-Related Financial Disclosures (TCFD), including membership of implementation group and commitment to reporting standards
- Representation and supporter of the Local Authority Pension Fund Forum (LAPFF)
- Representation on the Local Government Pension Scheme National Scheme Advisory Board
- Active member and supporter of the Cross-Pool groups to share experience and ensure delivery of the government's investment pooling agenda



*data as at 31 March 2017

Note: logos do not imply that any of the parties has approved, endorsed or authorised Brunel Annual Report

The primary objective of the Brunel Pension Partnership is to enable each fund to deliver its fiduciary duty to act in the best long-term interests of their members.

Brunel's Investment Principles provide the framework for all investment management and operations. The principles meet the Department of Communities and Local Government's Local Government Pensions Scheme Investment Reform Criteria and Guidance and expectations of Financial Conduct Authority. They can be applied to all asset classes, although the detail of operation will vary by asset class.

The principles do not impose any restrictions on type, nature of companies or assets held within the Portfolios. The principles do place an expectation that recognised best practice standards in governance, risk management, stewardship and value for money will be delivered.

The principles are designed to ensure the effective and efficient delivery of each fund's investment strategy and are commensurate with the size of the combined asset pool. It is anticipated that the principles will support each fund in the delivery of their investment strategy statements.

Principles in brief

- Long-term investors
- Responsible investors
- Best practice governance
- Decisions informed through experts and knowledgeable officers and committees
- Evidence and research at heart of investments
- Leadership and innovation
- Right risk for right return
- Full risk evaluation
- Responsible stewardship
- Cost-effective solutions
- Transparent and accountable
- Collaborate

Income Statement

Brunel’s full financial statements of financial disclosure are available at Companies House and on the Brunel website.

The period ended 30 September 2017 was the first period of business for Brunel. In this period the Company was set up. No services were provided to our clients, so no income was recognised. Instead, capital funding of £3m was provided by the ten shareholders. This was used to set up the office, hire the staff and submit the FCA application. These investments should enable service to begin in 2018.

Brunel Pension Partnership Limited, Statement of Total Comprehensive Income
For the period ended 30 September 2017

2017
£

Turnover	
Cost of sales	
Gross profit	
Administrative expenses	(2,806,183)
Interest payable and similar charges	(264)
Profit/(Loss) before taxation	(2,806,447)
Taxation	471,109
Profit/(Loss) for the period	(2,335,338)

- Brunel also recognised a related party transaction with shareholders. Brunel benefited from expenditure made by shareholders in setting up the company during the period. This recognition increased the cost base by £2.2m.

Balance Sheet

Brunel Pension Partnership Limited, Statement of Financial Position For the period ended 30 September 2017

	2017 £
Assets	
Fixed assets (non-current)	
Tangible assets	288,696
Total	288,696
Deferred tax asset	487,206
Current assets	
Debtors	159,990
Cash at bank	2,454,185
Total	2,614,175
Total Assets	3,382,861
Liabilities	
Current Liabilities	
Creditors: amounts falling due within one year	2,709,318
Provisions for liabilities - deferred tax	8,881
Total Liabilities	2,718,199
<i>Net Current Assets</i>	<i>(104,024)</i>
Net assets	664,662
Equity	
Capital and reserves	
Called up share capital	10
Share premium account	2,999,990
Profit and loss account	(2,335,338)
Total Equity	664,662

Elements of the set up costs were capitalised, including; office furniture, laptops and telephones.

Of the £3m cash investment made by shareholders during the financial year, £2.5m remained on Brunel's balance sheet at year end.

The balance sheet also includes a deferred tax asset of £487k. This should be recoverable against future profits earned as Brunel implements a cost plus approach to charging for its services from 2018 onwards.

Post the financial year end the planned second tranche of Share Capital was called for £5.4m, due for payment on 8 December.