

Report for: ACTION



Contains Confidential or Exempt Information	NO - Part I Part II – Appendix A
Title	Investment in UK Infrastructure
Responsible Officer(s)	Nick Greenwood, Pension Fund Manager
Contact officer, job title and phone number	Nick Greenwood Pension Fund Manager 01628 796701
Member reporting	Investment Working Group
For Consideration By	Berkshire Pension Fund and Pension Fund Panels
Date to be Considered	11 April 2016
Implementation Date if Not Called In	N/A
Affected Wards	None

REPORT SUMMARY

1. This report recommends that the Fund commits £50 million to mid-market UK Infrastructure projects via a Managed Account with Ancala Partners LLP.

If recommendations are adopted, how will residents, fund members and other stakeholders benefit?

Benefits to residents and reasons why they will benefit	Dates by which residents can expect to notice a difference
1. Investment in mid-market UK Infrastructure projects should produce returns commensurate with the Fund's investment objectives.	1 April 2017

1. DETAILS OF RECOMMENDATIONS

RECOMMENDATION: That Panel approves the commitment of £50 million to an account managed by Ancala Partners LLP to invest in mid-sized UK Infrastructure Projects

2. REASON FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

There is an increasing desire from politicians that Local Government Pension Schemes should invest in Infrastructure particularly in the UK. This has led to discussions regarding the creation of a National LGPS Infrastructure Pool. The Investment Working Group are concerned that the sheer size of such a pool will lead to investment in large infrastructure projects where returns may not meet those required by the Fund. Members were of the view that the Fund should look to invest in smaller Infrastructure projects where better returns may be achieved.

Ancala Partners are a specialist Infrastructure Investment firm whose specialism lies in finding infrastructure deals “off-market” – that is deals that are not being subject to competitive bids – thereby enabling higher returns to be achieved.

At its January meeting the Investment Working Group considered a paper on investment in Infrastructure. In February they met with Ancala Partners and at their meeting on 24 March 2016 agreed to recommend to Panel that the Fund makes a £50 million commitment to invest in a Managed Account with Ancala to invest in UK mid-sized infrastructure investments. The advantage of having a Managed Account is that the Fund will be able to review each investment recommendation and choose which ones it wishes to invest in. The Fund will also have flexibility over when to sell its investments.

Option	Comments
Commit £50 million to a managed account with Ancala Partners	Recommended
Do not invest with Ancala Partners	Not recommended – Officers are not aware of any other managers offering the flexibility that Ancala is.

3. KEY IMPLICATIONS

Defined Outcomes	Unmet	Met	Exceeded	Significantly Exceeded	Date they should be delivered by
Return Target Met	Returns <9% per annum	Returns 9% per annum	Returns 9-11% per annum	Returns above 11% per annum	31 March 2024

4. FINANCIAL DETAILS

Investment of £50 million over three years.

5. LEGAL IMPLICATIONS

5.1 Investment in Infrastructure is being encouraged by the Government

6. VALUE FOR MONEY

6.1 The returns achievable by investing in mid-sized infrastructure projects are greater than those achieved from larger projects where more capital for investment is available driving down expected returns.

7. SUSTAINABILITY IMPACT APPRAISAL

7.1 None

8. RISK MANAGEMENT

8.1 Infrastructure forms part of the Fund's highly diversified portfolio.

9. LINKS TO STRATEGIC OBJECTIVES

9.1 Investment in Infrastructure is within the Fund's investment strategy

10. EQUALITIES, HUMAN RIGHTS AND COMMUNITY COHESION

10.1 N/A

11. STAFFING/WORKFORCE AND ACCOMMODATION IMPLICATIONS

11.1 None

12. PROPERTY AND ASSETS

12.1 None

13. ANY OTHER IMPLICATIONS

13.1 N/A

14. CONSULTATION

14.1 Investment Working Group (18 Jan 2016, 24 Feb 2016, 24 March 2016)

15. TIMETABLE FOR IMPLEMENTATION

15.1 Immediate

16. APPENDICES

17. BACKGROUND INFORMATION