**London Borough of Hammersmith & Fulham**

# Pension Fund Committee

## Agenda

**Tuesday 9 September 2025 at 7.00 pm**
**145 King Street (Ground Floor), Hammersmith, W6 9XY**

**MEMBERSHIP**

| **Administration** | **Opposition** |
|---|---|
| Councillor Ross Melton (Chair)<br>Councillor Lisa Homan<br>Councillor Adam Peter Lang<br>Councillor Lydia Paynter | Councillor Adrian Pascu-Tulbure |
| **Co-optee** | |
| Michael Adam<br>Peter Parkin | |


**CONTACT OFFICER:** Liam Oliff
Committee Coordinator
Governance and Scrutiny
E-mail: Liam.Oliff@lbhf.gov.uk


**Reports on the open agenda are available on the Council's website:**
www.lbhf.gov.uk/committees

**Members of the public are welcome to attend and the building has disabled access.**

Date Issued: 04 September 2025

London Borough of Hammersmith & Fulham

# Pension Fund Committee
## Agenda

This item includes appendices that contain exempt information. Discussion of the appendices will require passing the proposed resolution at the end of the agenda to exclude members of the public and press.

**10. RESONANCE IMPACT EVERGREEN FUND INVESTMENT PROPOSAL** 

This paper provides the Pension Fund Committee with an overview of a local impact investment opportunity in the Resonance Impact Evergreen Fund.

**11. EXCLUSION OF THE PUBLIC AND PRESS**

The Committee is invited to resolve, under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

Agenda Item 3

London Borough of Hammersmith & Fulham

# Pension Fund Committee

## Minutes

### Wednesday 25 June 2025

**PRESENT**

**Committee members:** Councillors Ross Melton (Chair), Laura Janes, Adam Peter Lang and Lydia Paynter

**Co-opted members:** Peter Parkin

**Other Councillors:**
Cllr Rowan Ree (Cabinet Member for Finance and Reform)
Cllr Ashok Patel (Observer)

**Officers:**
Eleanor Dennis (Head of Pensions)
David Hughes (Director of Audit, Fraud, Risk and Insurance)
Phil Triggs (Director of Treasury and Pensions)
Mathew Dawson (Strategic Investment Manager)
Sian Cogley (Strategic Investment Manager)
James Newman (Assistant Director – Finance)
Liam Oliff (Committee Coordinator)
Sam Gervaise-Jones (Independent Advisor)

**(Isio Group)**
Andrew Singh
Jonny Moore

**Darwin Reps –**
James Penney
Anthony Esse

**Aberdeen Reps –**
Euan Baird
Marianne Zangerl
Martin Barnewell

## 1. APPOINTMENT OF VICE-CHAIR

**APPROVED**
That Councillor Adrian Pascu-Tulbure be appointed Vice-Chair for the 2025-26 Municipal Year.

## 2. APPOINTMENT OF CO-OPTED MEMBERS

**APPROVED**
That Michael Adam and Peter Parkin be appointed as non-voting co-opted members for the 2025-26 Municipal Year.

## 3. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Adrian Pascu-Tulbure.

## 4. DECLARATIONS OF INTEREST

There were no declarations of interest.

## 5. MINUTES OF THE PREVIOUS MEETING

**RESOLVED**
That the open and exempt minutes of the meetings held on 13th May 2025 were approved.

## 6. ABERDEEN MULTI SECTOR PRIVATE CREDIT

Phil Triggs (Director of Treasury and Pensions) introduced the item. The report highlighted that London Borough of Hammersmith and Fulham had concerns regarding the future viability of the Aberdeen portfolio. There was an opportunity to hand in notice for withdrawal from the fund by 30th June.

The Committee agreed, under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

*The discussion continued in private session.*

**RESOLVED**
That the Committee agreed to an immediate redemption of their investment into Aberdeen Multi Sector Private Credit Fund.

## 7. DARWIN LEISURE DEVELOPMENT FUND UPDATE

Phil Triggs introduced the report which outlined that on 10 October 2024, Darwin notified investors of a downward revision to its projected net asset value (NAV) within the Leisure Development Fund. This revision led to a significant 25% decrease in the Fund’s NAV during Q3 2024. When this update was presented at the Pension Fund Committee meeting on 15 November 2024, members stressed the importance of maintaining close oversight of the Darwin investment and requested further analysis.

The Committee agreed, under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

*The Committee continued the discussion in private session.*

**RESOLVED**
That the Pension Fund Committee agreed to maintain their allocation in Darwin Leisure Development Fund.

## 8. KEY PERFORMANCE INDICATORS

Eleanor Dennis (Head of Pensions) introduced the report which highlighted the performance of LBHFs administration partner LPPA over the pension fund scheme year 2024/25. The report covered the period 1st April 2024 to 31st March 2025 inclusive. During the period April 2024 to March 2025, LPPA processed 6098 cases, compared with 5604 in 2023/24, an increase of 494 processed cases for the Hammersmith & Fulham Pension Fund over the last 12 months. The highest volume case types processed by LPPA were deferred enquiries, deferred retirements and death cases.

**RESOLVED**
That the Pension Fund Committee noted the report.

## 9. PENSION ADMINISTRATION UPDATE

Eleanor Dennis introduced the report which highlighted a summary of the key areas of work undertaken by the pensions team. Engagement from employers on monthly files being submitted remained very good. Member satisfaction survey responses remained low. Feedback from deferred retirements cases in Q4 saw 15 responses with only 11% satisfied members, 7% dissatisfied. Active retirements in Q4 saw 8 responses with 1 response dissatisfied but 73% did not respond. Over the last 12 months the number of complaints had continued to fall with the work that LPPA were doing to track and try to increase member satisfaction. LPPA had issued all P60’s to pensioners and continued to improve how information on their website was presented and the format of letters to members. The go live date for the Pensions Dashboard was October 2025, there was no date set for public access. There was a consultation on proposed changes to the member benefits in the LGPS. A recent audit by KPMG had been completed for LPPA, which and been positive with two improvements relating to client meetings recommended.

The Chair mentioned the LGPS consultation and asked what LBHFs response was likely to be. Eleanor Dennis explained that it was a simple consultation that asked questions about LGPS rules which were not in line with equalisation. She added that the consultation asked whether there would be administrative challenges following proposed changes to the rules.

Peter Parkin commented that it was good to see that complaints were falling.

The Chair sought more information regarding the KPMG audit. David Hughes (Director of Audit, Fraud, Risk and Insurance) explained that this audit was undertaken for the LPPA to look at the design and effectiveness of controls that they had in place, that he was satisfied that it was a good result and he was able to place assurance on the work done by KPMG. Eleanor Dennis added that this audit could be shared with members outside of the Committee.

Councillor Adam Peter Lang asked for more information regarding the Pensions Dashboard. Eleanor Dennis explained that this was a site that would allow any member of the public to access all their pension information in one place. She added that the Government had not confirmed a date in which it would go live to the public but that the go live date for the fund was October 2025.

**RESOLVED**
That the Committee noted the report.

## 10. DRAFT ANNUAL ACCOUNTS 2024-25

Phil Triggs introduced the report which highlighted the draft Pension Fund Statement of Accounts for 2024/25. This provided an opportunity to review and comment on any matters pertaining to the financial statements. The Pension Fund net assets increased by £36m over the year. The increase was driven by an enhanced performance across the Fund's investment portfolio, greater than in the previous year. Investment management expenses decreased from £9.2m to £6.7m. This was driven mainly by a number of factors such as fewer managers that achieved the threshold for performance related fees in 2024/25, resulting in a £607k reduction from 2023/24, the fund made four new investments and topped up an investment in 2023/24: more investments redeemed to fund these new investments resulted in higher transaction fees. Whereas in 2024/25, transaction fees reduced by £1.8m.

Peter Parkin mentioned that fees had reduced in 2024/25 and sought more information regarding this. Phil Triggs told the Committee that there was always variance from year to year and that the biggest factor was due to valuation of the fund at year end. Peter Parkin questioned whether a reduction in fees was good for the fund. Phil Triggs clarified that there was a drive towards lower fees. He added that with more assets being pooled, there would ideally be a reduction in the fee level.

**RESOLVED**
That the Pension Fund Committee approved the 2024/25 draft Statement of Accounts and delegated the approval of the final version to the Director of Treasury and Pensions in consultation with the Chair.

## 11. LCIV REGULATORY CAPITAL

Phil Triggs introduced the report which outlined that as part of the original establishment of LCIV, each London Borough administering authority was required to invest £150,000 of share capital (B shares) which would be employed by LCIV for regulatory capital. The LBHF Pension Fund showed this investment in its accounts as equity. While a retained profits model had been agreed for longer term capital sustainability, a near-term capital injection was now required to maintain compliance, ensuring that London CIV remained financially stable during the remaining asset transition process. Following shareholder approval, London CIV was issuing 2,249,984 B Shares to raise £2,249,984 of additional regulatory capital. The subscription was allocated proportionally, based on existing shareholdings. LBHF was required to subscribe for 70,312 B Shares at a cost of £70,312.

The Chair questioned whether the other London Boroughs sought approval from their Pension Fund Committees. Phil Triggs explained that many London Boroughs approved this decision through their Section 151 officer in consultation with the Chair but that he wanted to bring it to the Committee for approval.

**RESOLVED**
That the Pension Fund Committee approved the payment of £70,312 for the subscription of 70,312 B Shares in London CIV to fulfil LBHF regulatory capital obligations as a shareholder and ensure continued support for London CIV's growth and stability.

## 12. PENSION FUND QUARTERLY UPDATE Q1 2025

Phil Triggs introduced the report which outlined the Pensions update for the quarter ended 31st March 2025. The investment performance report shows that, over the quarter, the market value of the assets decreased by £19m to £1,409m. The Fund had underperformed its benchmark net of fees by 0.05%, delivering an absolute return of -1.27% over the quarter. The total fund delivered a positive return of 3.73% on a net of fees basis over the year to 31st March 2025. The Pension Fund's cashflow monitor showed both the current account and invested cash movements for the last quarter, as well as cashflow forecasts to 31st December 2025. An analysis of the differences between the actuals and the forecast for the quarter was included. The breaches of the law log had not been included in this quarter as there had been no breaches to report. Appendices included the draft Pensions Bill and a consultation on the LGPS being fit for purpose.

Councillor Adam Peter Lang sought the timeline for the Pensions Bill legislation to be passed. Phil Triggs confirmed that the final regulations were due to be in place by March 2026, but that it was more likely to be autumn 2026.

Andrew Singh told the Committee that the final report had no surprises but that the Pensions Bill would introduce large structural changes. There would be the ability to merge LGPS funds in Councils that were not complying. There would be a reduction in the number of pools of LGPS pension funds from 8 to 6.

Sam Gervaise-Jones commented that the bill would give the Government free reign to tell the LGPS what to do. He told the Committee that he was confident that in the short term the pools and LCIV were approaching the changes with a positive mindset but that the longer term picture was more uncertain. He added that the bill mentioned the creation of an LGPS officer post at each authority.

The Chair raised the issue of the 21 LGPS funds that made up the 2 pools that no longer existed and asked where they would end up, and whether there was a chance that some would end up in the LCIV leading to a dilution of LBHFs influence. Phil Triggs explained that the pools were often dependent on geographical location. He added that it had been mentioned that there were 3 pools that could take on the 21 funds that currently had no pool and LCIV was not one of them.

The Chair mentioned that the legislation stated that the pools preferences had to be taken into account when making decisions on the pension fund and asked how this dynamic would work. Phil Triggs said he was confident in the mechanism working. Sam Gervaise-Jones seconded Phil Triggs' comments.

Councillor Laura Janes commented that it would be useful for the Committee to understand how the legislative changes would affect the Committee itself. Phil Triggs told the Committee that once there was a clearer indication on what the final regulations would look like, the Committee would be updated. The Chair suggested that a training session in the lead up to a future committee on the regulation changes would be useful.

**RESOLVED**
That the Pension Fund Committee noted the report.

## 13. EXCLUSION OF THE PUBLIC AND PRESS

Meeting started: 7:08pm
Meeting ended: 9:29pm

Chair ..........................................................

Contact officer: Liam Oliff
Committee Coordinator
Governance and Scrutiny
E-mail: Liam.Oliff@lbhf.gov.uk

# Agenda Item 4

**LONDON BOROUGH OF HAMMERSMITH & FULHAM**

**Report to:** Pension Fund Committee

**Date:** 9 September 2025

**Subject:** Responsible Investment Discussion

**Report author:** Siân Cogley, Pension Fund Manager

**Responsible Director:** Phil Triggs, Tri-Borough Director of Treasury and Pensions

---

**SUMMARY**

The Pension Fund’s Responsible Investment Policy is founded on ESG integration, stewardship, and alignment with the long-term interests of beneficiaries. While climate change remains the Fund’s most material ESG challenge, recent geopolitical conflicts have raised new questions around responsible ownership, particularly in relation to the Middle East conflict and exposure to the defence sector.

The purpose of this paper is to propose an addendum to the Pension Fund’s Responsible Investment statement to set out the Fund’s approach to conflict linked investments, clarify expectations for investment managers, and establish a transparent framework for decision-making.

**Wards Affected:** None

---

| **Our Values** | **Summary of how this report aligns to the H&F Values** |
|---|---|
| Being ruthlessly financially efficient | Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council tax payer. |

## Financial Impact

None

## Legal Implications

None

## DETAILED ANALYSIS

### 1. Background

1.1 The Fund recognises that defence companies play an important role in UK national security and may, in some cases, be consistent with fiduciary duties. However, certain companies raise significant ESG and reputational risks, especially where activities may contribute to breaches of international humanitarian law or are linked to controversial weapons systems.

1.2 The primary issue lies in balancing the three following factors:

- Humanitarian considerations: ensuring the Fund does not support activities that exacerbate civilian harm.
- Fiduciary responsibility: delivering long-term returns to pay pensions as they fall due.
- Consistency: applying a clear, transparent approach across all holdings, avoiding selective or inconsistent decisions.

### 2. Portfolio Audit Framework

2.1 To provide clarity, it is proposed that the Fund should adopt a three-tier classification of investments relating to conflict and defence:

1. No grounds for divestment: companies where defence exposure is minimal, secondary, or aligned with international humanitarian law.
2. Requires further debate: companies with material defence exposure or indirect risks that require further engagement and monitoring.
3. Reasonable grounds for divestment: companies where evidence shows a direct link to controversial weapons or activities deemed inconsistent with international standards and the Fund's RI beliefs.

2.2 Such categorisation will guide the committee's discussion and ensure that divestment or engagement decisions are evidence based and transparent.

### 3. Policy Integration

3.1 It is proposed that the Responsible Investment strategy be updated to:

- Introduce a Conflict and Human Rights section, committing the Fund to consider international humanitarian law, UN Global Compact principles, and LAPFF guidance in its investment approach.
- Establish a decision-making protocol, combining manager due diligence, engagement activity, and committee oversight.
- Require investment managers to disclose any material conflict related exposures and engagement outcomes.

## 4. Update to the Position of Defence Related Investments

4.1 At its meeting on 26 November 2024, the Pension Fund committee reviewed the Fund's exposure to companies involved in the manufacturing, distribution, or sale of arms and weaponry across the portfolio, using data as at 30 June 2024.

4.2 At that point, the Fund was valued at £1,373m, with an estimated 3.5% exposure to such companies.

4.3 At 30 June 2025, the Fund's value had risen to £1,434m, and the overall exposure to defence related investments had decreased slightly to 3.3%.

4.4 An updated schedule of relevant holdings is provided in the table below. This sets out the type of investment, the company, whether the holding sits within the LCIV pool, and the estimated value and the proportion of the total Fund as at 30 June 2025.

4.5 The table also applies a proposed three-tier classification to the holdings, designed to distinguish between investments with no current grounds for divestment, those requiring further debate, and those where there may be reasonable grounds for divestment.

4.6 This framework will be subject to review and discussion at the Pension Fund committee meeting on 9 September 2025.

| Investment Type | Name | Value £ | Pooled Investment? | Classification | % of Overall Fund Value |
|---|---|---|---|---|---|
| Equity | BAE SYSTEMS | - | N/A | 2 | 0.000% |
| Equity | ACCENTURE PLC | 16,101 | Under Pool Management | 1 | 0.001% |
| Equity | ALPHABET INC | 274,961 | Under Pool Management | 1 | 0.019% |
| Equity | AT&T | 244,966 | Under Pool Management | 1 | 0.017% |
| Equity | ATLAS CO | 271,708 | Under Pool Management | 1 | 0.019% |
| Equity | AXON ENTERPRISE | 4,815 | Under Pool Management | 1 | 0.000% |
| Equity | CAE INC (CT) | 50,242 | Under Pool Management | 1 | 0.004% |

| | | | | | |
|---|---|---|---|---|---|
| Equity | CDW CORP | 1,372 | Under Pool Management | 1 | 0.000% |
| Equity | DANAHER CORP | 19,325 | Under Pool Management | 1 | 0.001% |
| Equity | ELBIT SYSTEMS | 1,538 | Under Pool Management | 3 | 0.000% |
| Equity | HEICO CORP | 2,161 | Under Pool Management | 1 | 0.000% |
| Equity | L3HARRIS TECHNOLOGIES | 37,154 | Under Pool Management | 1 | 0.003% |
| Equity | MICROSOFT CORP | 179,608 | Under Pool Management | 1 | 0.013% |
| Equity | RHEINMETALL | 1,518 | Under Pool Management | 1 | 0.000% |
| Equity | TEXAS INSTRUMENTS | 24,793 | Under Pool Management | 1 | 0.002% |
| Equity | THALES | - | N/A | 1 | 0.000% |
| Equity | THERMO FISHER SCIE | 9,172 | Under Pool Management | 1 | 0.001% |
| Equity | TRANSDIGM GROUP | 2,983 | Under Pool Management | 1 | 0.000% |
| Equity | WAL-MART STORES | 114,608 | Under Pool Management | 1 | 0.008% |
| Equity | ACCENTURE PLC | 5,128,629 | Pooled | 1 | 0.358% |
| Equity | ALPHABET INC | 7,031,159 | Pooled | 1 | 0.490% |
| Equity | ARCELORMITTA L | 1,028,845 | Pooled | 1 | 0.072% |
| Equity | ATLAS CO | 2,280,652 | Pooled | 1 | 0.159% |
| Equity | BAYER | 435,913 | Pooled | 1 | 0.030% |
| Equity | CDW CORP/DE | 1,875,199 | Pooled | 1 | 0.131% |
| Equity | MICROSOFT CORP | 12,735,37 1 | Pooled | 1 | 0.888% |
| Equity | TEXAS INSTRUMENTS | 4,660,795 | Pooled | 1 | 0.325% |
| Equity | THERMO FISHER SCIE | 5,043,222 | Pooled | 1 | 0.352% |

| | | | | | |
|---|---|---|---|---|---|
| Equity | VALLOUREC | 195,036 | Pooled | 1 | 0.014% |
| Bonds | AT&T | 672,592 | Pooled | 1 | 0.047% |
| Bonds | GENERAL MOTORS | 510,310 | Pooled | 1 | 0.036% |
| Bonds | THERMO FISHER SCIE | 498,259 | Pooled | 1 | 0.035% |
| Bonds | AT&T | 1,378,624 | Off Pool | 1 | 0.096% |
| Bonds | GENERAL MOTORS | 594,239 | Off Pool | 1 | 0.041% |
| Bonds | WAL-MART STORES | 1,609,269 | Off Pool | 1 | 0.112% |
| **TOTAL** | | **46,935,139** | | | **3.273%** |

**LIST OF APPENDICES**

Appendix 1: Responsible Investment Statement 2025 and Addendum
Appendix 2: Exposure to Elbit and Controversial Weapons

# Responsible Investment

**London Borough of Hammersmith and Fulham Pension Fund •**

# Table of Contents



Page 16

# Introduction

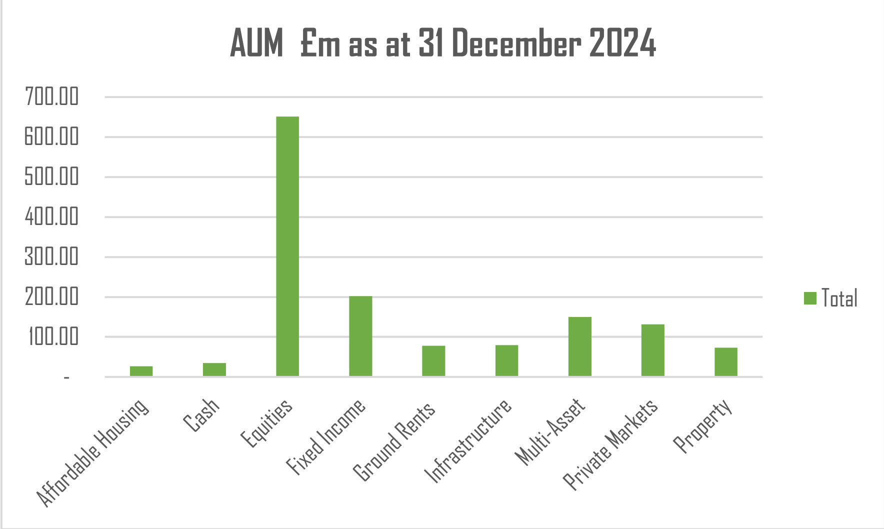
### What is the Pension Fund?

The London Borough of Hammersmith and Fulham Pension Fund, part of the national Local Government Pension Scheme (LGPS), is administered by London Borough of Hammersmith and Fulham Council. This contributory defined benefit scheme provides benefits to current and former employees of the Council and affiliated bodies.

The Fund is financed through employee and employer contributions, including those from the Council and affiliated bodies, as well as investment returns. Contribution rates are set every three years by the Fund's actuary during the actuarial valuation. The latest valuation showed an increase in the Fund's funding level from 97% in 2019 to 105% in 2022. The key factors for this improvement were strong investment returns and additional deficit recovery payments from the Council.

### What is the Pension Fund Invested in?

The London Borough of Hammersmith and Fulham Pension Fund is invested across various asset classes, including equities, bonds, property, infrastructure, private markets, and renewables. This diversified approach helps balance expected returns with volatility while ensuring pension liabilities are met as they become due. As at 31 December 2024, the market value of the Pension Fund was £1.4bn



# Responsible Investment Policy

### Introduction

Responsible Investment is defined by the United Nation's 'Principles for Responsible Investment' document as an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and to generate sustainable, long-term returns.

The London Borough of Hammersmith and Fulham Pension Fund is committed to being a responsible investor and a long-term steward of the assets in which it invests. The Fund has a fiduciary duty to act in the best interests of its beneficiaries and this extends to making a positive contribution to the long-term sustainability of the global environment.

There are a wide range of ESG issues, with none greater currently than climate change and carbon reduction. The Pension Fund recognises climate change as the biggest threat to global sustainability alongside its administering authority employer, Hammersmith and Fulham, which has committed itself to achieving carbon neutrality by 2030.

The Pension Fund acknowledges that the neglect of corporate social responsibility and poor attention paid to environmental, social and governance issues is more likely to lead to poor or reduced shareholder returns. Therefore, the ESG approach has become integral to the Fund's overall investment strategy and recognises ESG factors as central themes in measuring the sustainability and impact of the Fund's investments

### Policy Implementation

The Pension Fund Committee delegates investment selection decisions to its investment managers, maintaining a policy of non-interference in their day-to-day processes. However, the Committee evaluates managers' ability to integrate Environmental, Social, and Governance (ESG) factors into investment decisions during their appointment.

This assessment includes verifying the presence of a Responsible Investment policy, ESG integration in investment processes, adherence to responsible investment frameworks (e.g., UN PRI), compliance with the Financial Reporting Council's Stewardship Code, active engagement with global companies to promote best practices, and transparent ESG reporting.

The Committee seeks advice from internal and external advisors with relevant expertise. Investment advisors assess ESG considerations during due diligence, evaluating active managers on how ESG factors influence selection, retention, and divestment decisions. For passive managers, the focus is on index construction and responsible investment policies, ensuring ESG concerns are addressed through engagement with companies. Additionally, the assessment considers the effectiveness of voting rights in line with ESG policies, the presence of specialist ESG teams, and the integration of ESG risk assessment into portfolio selection.

Investment managers are expected to follow best practices and use their influence to promote responsible investment. Investee companies must comply with all relevant laws and regulations at a minimum.

## Investment Beliefs

The London Borough of Hammersmith and Fulham Pension Fund Investment Strategy Statement (ISS) sets out the Fund's policy on investment, risk management, LGPS pooling and environmental, social and governance issues. Alongside this, governing all investment decisions are the Committee's core investment beliefs, which have been established based on the views of the members. The Fund formally reviewed their Investment Beliefs in March 2023. These beliefs will form the foundation of discussions, and assist decisions regarding the Fund's structure, its strategic asset allocation and selecting investment managers.

### Investment Governance

a) The Fund has access to the necessary skills, expertise and resources to manage the whole Fund, as well as internally managing a small proportion of the Fund's assets, such as cash management.

b) Investment consultants, independent advisors and officers are a source of expertise and research to inform and assist the Pension Fund Committee's decisions.

c) The ultimate aim of the Fund's investments is to pay pension liabilities when they become due. The Committee will therefore take account of liquidity, cashflow generation and the long-term ability of the Fund to meet these obligations.

d) The Fund is continuously improving its governance structure through bespoke training to implement tactical views more

### Long Term Approach

a) The strength of the employers' covenant allows a long-term deficit recovery period and enables the Fund to take a longer-term view of investment strategy than most investors.

b) The most important aspect of risk is not the volatility of returns, but the risk of absolute loss over the medium and long term. This would in turn impact the ability of the employers to make adequate contributions to meet the Fund's liabilities.

c) Illiquidity and volatility are shorter term risks which offer potential sources of additional compensation to the long-term investor. Moreover, it is important to avoid being a forced seller in short term market setbacks.

d) Over the long term, equities are expected to outperform other liquid assets, particularly government bonds and cash.

### Asset allocation

a) Allocations to asset classes other than equities and government bonds (e.g., corporate bonds, private markets, property, infrastructure and renewable infrastructure) offer the Fund other forms of risk premia (e.g., additional solvency risk/illiquidity risk).

b) Diversification across asset classes and asset types that have low correlation with each other will tend to reduce the volatility of the overall Fund return.

c) In general, allocations to bonds are made to achieve additional diversification. When the Fund approaches full funding level, it may

## Environmental, Social and Governance (ESG) factors

a) Certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Fund's investments and the likelihood that the Fund's objectives will be achieved.

b) Well governed companies that manage their business in a responsible manner are less vulnerable to downside risk and may therefore produce higher returns over the long term.

c) In order to improve corporate governance, where possible, investment managers should exercise the voting rights attached to the shares they own, as well as engage with management of the companies they invest in.

d) Environmental, social and governance considerations form a part of the Pension Fund Committee's decision-making process when making investment allocations. Allocations to alternative investment asset classes, such as renewable infrastructure, offer the Fund opportunity to undertake a best practice approach to ESG investment considerations.

e) Where the Fund invests in passively-managed funds which replicate benchmark indices, where possible the Pension Fund Committee will explore ESG-tilted indices.

f) If an investment manager fails to adequately consider ESG issues, the Committee is prepared to disinvest assets from that manager.

## Management Strategies

a) A well-balanced portfolio has an appropriate mix of passive and active investments.

b) Passive, index-tracker style management can provide low-cost exposure to equities and bonds and can be especially attractive in efficient markets.

c) Active management can be expensive but can provide additional performance and diversification. Fees should be aligned to the interests of the Fund rather than performance of the market.

d) Active management performance should be monitored over multi-year rolling cycles and assessed to confirm that the original investment process on appointment is being delivered, and that continued appointment is appropriate.

.

# Investment Milestones

**2017**

Commitment to ESG

**Jun**

London Borough of Hammersmith and Fulham Pension Fund formalises their strong focus on ESG topics in its first Investment Strategy Statement, published in 2017.

**2018**

ESG-tilted Equities

**Sep**

The LBHF PF transitioned into ESG-titled equities, whereby an Environmental, Social and Governance screening of companies takes place to remove those companies which do not meet the required ESG criteria.

Climate Emergency

**Oct**

London Borough of Hammersmith and Fulham Council declared a climate emergency.

**2021**

Affordable Housing

**Mar**

Committed to investing in affordable housing, selecting Man Group to manage 2.5%, with a long-term goal of providing 13,000 new homes that cost no more than 35% of a households gross income.

**2024**

Renewable Infrastructure

**Jul**

Commitments to renewable infrastructure, selecting Quinbrook with assets targeted to solar power, windfarms and supporting infrastructure such as battery storage and connection assets.

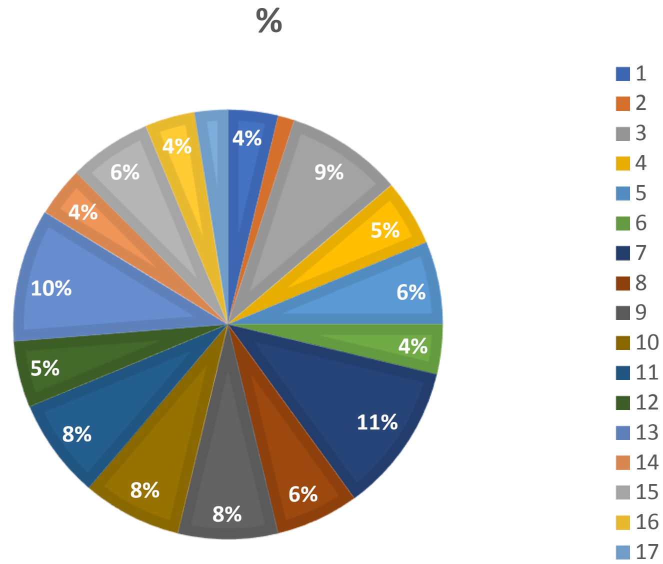
Fund Top-ups

**Nov**

Further 2.5% commitment to renewable infrastructure.


# United Nations Sustainable Development Goals (SDGs)

In 2016, all United Nations (UN) members adopted the 2030 Agenda for Sustainable Development which centred on 17 Sustainable Development Goals (SDGs). These goals urge both developed and developing countries to take immediate action to end poverty and hunger, improve health and education, reduce inequality, combat climate change, and drive global economic growth.[1]




The London Borough of Hammersmith and Fulham Pension Fund's asset managers align with several United Nations Sustainable Development Goals (SDGs). The chart below highlights the key goals they have effectively addressed, including efforts to close the gender pay gap, reduce air pollution-related deaths and illnesses, develop reliable renewable infrastructure, promote efficient resource use, and enhance climate change mitigation.

**Proportion of Assets Linked to SDGs**

[1] https://sdgs.un.org/goals

How are SDGs integrated into the Fund Assets?

**SDG 3: Good Health & Wellbeing**

- **London CIV (Global Equity Quality, Buy and Maintain Bonds & Absolute Return Fund):**
    - London CIV expect companies to provide good quality employment that protects employees' physical and mental health, including payment of living wages across direct operations and supply chains.
- **MAN Group Community Housing:**
    - Increasing the percentage of homes that meet the Decent Home standards.
- **Quinbrook Renewable Impact Funds I & II**
    - Better environmental justice to avoid pollution and fossil fuel emissions for communities.
- **Partners Group**
    - Create long-term value by both investing in the low carbon economy and leading assets on their path to net zero improving life for communities.

# ESG Case Studies

## Environmental

## Social

## Governance

Environmental, Social and Governance factors are key indicators in measuring the sustainability and suitability of an investment. There is growing research which suggests, when integrated into business decisions and portfolio construction, these can offer stability in future returns.

The Fund expects managers to integrate ESG factors into investment analysis and decision making. Monitoring these effectively can assist with resolving issues at early stages through effective engagement with companies and board members. The Fund expects asset managers where possible to engage and collaborate with other institutional investors, as permitted by relevant legal codes to ensure the greatest impact.

The measurement of ESG performance is still developing and benefitting from significant improvements. There are several performance benchmarks and disclosure frameworks that exist to measure the different aspects of available ESG data which include carbon emissions and a variety of social impact scores.

### Environmental: Project Fortress

Project Fortress, a 373 MW solar and 350 MW battery storage project in Cleeve Hill, Kent, is under construction within the Quinbrook Renewables Impact Fund. It is the UK's largest consented solar and storage project at acquisition and is set to be fully operational by early 2025. The project will generate enough renewable energy to power over 100,000 UK homes, reducing carbon emissions by 142,000 tonnes annually. It is expected to create over 2,000 construction jobs and deliver £143 million in local socio-economic benefits. Additionally, it aims for a 65% biodiversity net gain, dedicating 138 acres to habitat management and planting 3.5 km of native hedgerows. Quinbrook has secured long-term agreements with Tesco and Shell Energy Europe for 100% of the solar power output, marking the largest deal of its kind. The project supports the UK's net-zero goals while enhancing local environmental sustainability.

quinbrook infrastructure PARTNERS

## **Social:** KinderCare - Partners Group

KinderCare Education, part of the Partners Group portfolio since 2018, is the largest for-profit early childhood education provider in the U.S. It offers education, employer-sponsored care, and after-school programs.

The company prioritizes employee engagement, with an 89% participation rate in its 2022 survey, the highest in seven years. It has won the Gallup Exceptional Workplace Award for six consecutive years. Since 2021, KinderCare has implemented a three-year Diversity & Inclusion strategy, hiring key personnel and launching five employee resource groups with 800 members.

KinderCare earned the WELL Health-Safety Rating for its COVID-19 response and launched a living wage program, making its largest-ever wage investment in 2022, benefiting 21,000 teachers. This led to teacher retention exceeding targets by 20%. These efforts reinforce its commitment to employee well-being and high-quality early childhood education.

## **Governance:** Huntington Bancshares case study

Huntington Bancshares, held within the Morgan Stanley Global Quality Equity fund via the London CIV, is a bank holding company offering financial services, including banking, mortgages, and investment management.

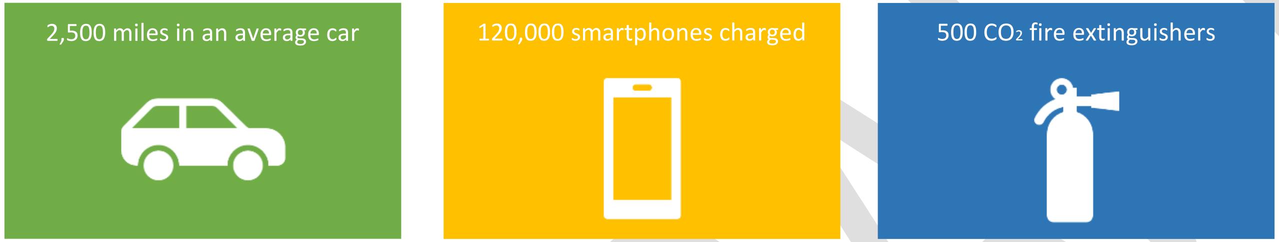
In 2022, London CIV's engagement provider, EOS Hermes, encouraged the bank to establish a workforce diversity strategy with targets for underrepresented groups. In 2023, EOS met with Huntington to discuss diversity, inclusion, and talent development, urging greater transparency in promotions and LGBTQ+ representation on the Board. While the bank incorporates diversity in annual pay awards, ESG metrics are not explicitly included.

In 2023, Huntington set comprehensive diversity targets, focusing on racial and ethnic representation in hiring and promotions. EOS continues to push for increased transparency in diversity programs, reinforcing the company's commitment amid regulatory challenges.

# Carbon Emissions

What are carbon emissions?

Gases which trap heat within the earth's atmosphere are known as greenhouse gases, with human activities contributing towards the greenhouse gas effect and global temperature rises. Carbon dioxide is the largest contributor toward greenhouse gases, largely as a by-product from the burning of fossil fuels including coal, oil and natural gas. The Greenhouse Gas (GHG) emissions of the Pension Fund are reported in tonnes of $CO_2$ ($tCO_2e$). One tonne[2] of $CO_2$ is the equivalent of:[3]




What are scope 1, 2 and 3 carbon emissions?

Carbon emissions can be broken down into three reporting categories to demonstrate how a company's operations and wider value chain feed into their emissions.


2 https://www.edenseven.co.uk/what-does-a-tonne-of-co2-look-like
3 https://www.anthesisgroup.com/insights/what-exactly-is-1-tonne-of-co2/

# LCIV Climate Analytics

In Spring 2024, the London Borough of Hammersmith and Fulham Pension Fund signed up to the LCIV's Climate Analytic Service. The Climate Risk Dashboard provides an overview of key forward and backward-looking climate performance metrics calculated by London CIV.

Carbon Intensity (tCO2e/mGBP)

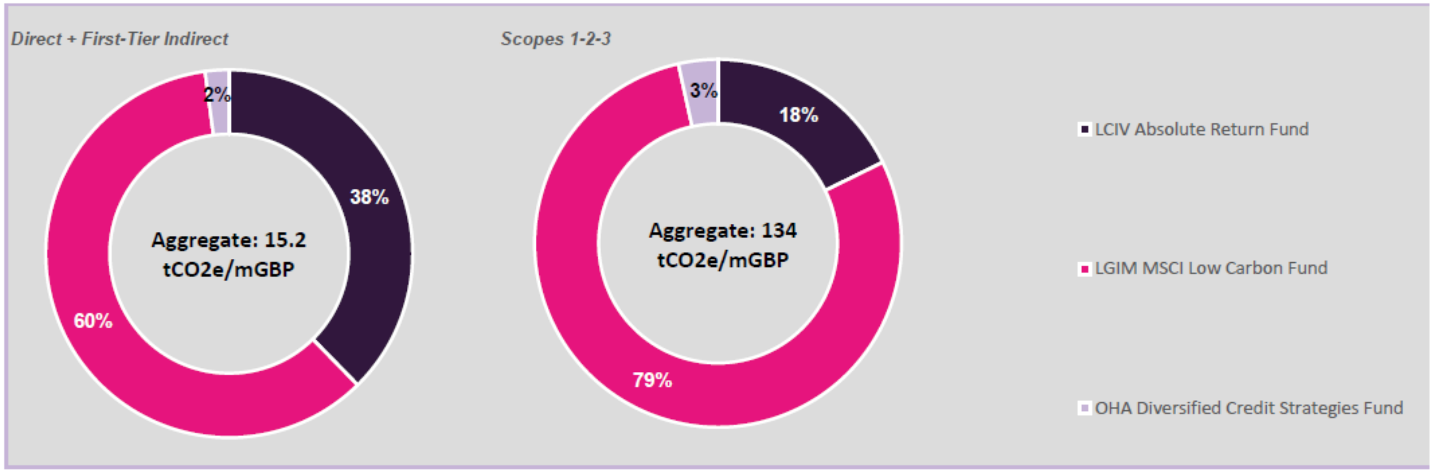



*Figure 1 - 2019*

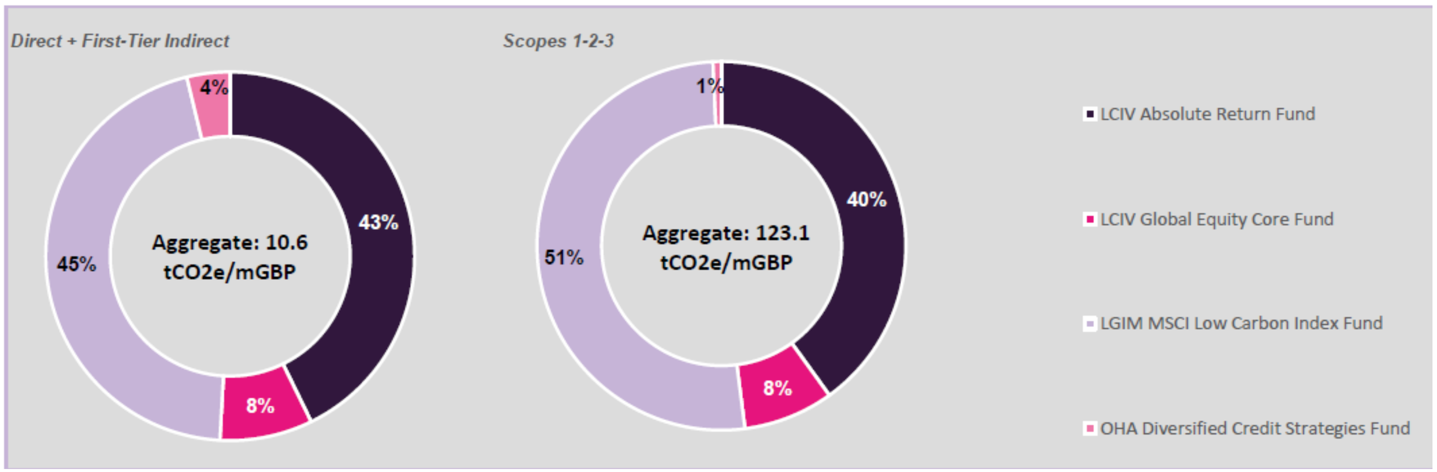



*Figure 2 - 2022*

The analytic service is currently only backwards looking, with figure 1 and figure 2 showing extracts from the reports provided by the LCIV for 2019 and 2022.

The diagrams show that there has been a reduction of 4.6 tCO2e/mGBP in the direct & first tier indirect carbon intensity between 2019 and 2022 on aggregate. There has also been a reduction of 10.9 tCO2e/mGBP in scope 1-2-3 emissions between 2019 and 2022.

The Pension Fund will continue to work alongside the LCIV in improving the quality of climate analytic work.

# Voting & Engagement

The Committee has delegated the Fund's voting rights to the investment managers, who are required, where practical, to make considered use of voting in the interests of the Fund. The Committee expects the investment managers to vote in the best interests of the Fund. In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

The Fund will continue to collaborate with the London CIV on maintaining a shared voting policy for the equity managers on the London CIV platform and actively seek to align these policies with manager insights. Lobbying with other London CIV clients will give the Pension Fund greater control and impact over our voting choices and a centralised process will ensure our voting remains consistent and has the greatest impact.

The Pension Fund views engagement with companies as an essential activity and encourages companies to take positive action towards reversing climate change. The London Borough of Hammersmith and Fulham Pension Fund is a responsible owner of companies and cannot exert that positive influence if it has completely divested from all carbon intensive producing companies. The Pension Fund will continue to encourage positive change whilst officers will continue to engage with the investment managers on an ongoing basis to monitor overall investment performance, including carbon and other ESG considerations.

## Engagement: Colgate-Palmolive case study

LGIM have been engaging with Colgate-Palmolive since November 2022, focusing on, strengthening its deforestation approach, ensuring supplier compliance, improving traceability, and enhancing board oversight. The company, which sources forest-risk commodities like palm oil, paper, cattle, and soy, was chosen due to its potential to drive sector-wide change.

Discussions with the Chief Sustainability Officer explored supplier accountability, grievance mechanisms, and key escalations for non-compliance. As a result, Colgate-Palmolive meets minimum deforestation expectations and has made progress by strengthening supplier relationships, cutting ties with non-compliant partners, and introducing satellite monitoring and palm oil mapping. Board-level oversight on deforestation has also increased.

In the next engagement in 2025, discussions will focus on traceability improvements, collaboration with industry peers, and further risk mitigation in its supply chain.

LGIM

## London CIV

**2,832**
Total Management Meetings

### ESG Engagements by Topic:

| 680 | 623 | 1,133 |
|---|---|---|
| Environment | Social | Governance |

### Of which, engagements on:

| 22% | 22% | 8% | 48% |
|---|---|---|---|
| Climate Change | Diversity | Cyber Security | Other |

## Legal and General

**1,951**
Total number of engagements over a **12-month period**

**1,256**
Unique companies engaged

### ESG Engagements by

| 1,461 | 215 | 376 | 174 |
|---|---|---|---|
| Environment | Social | Governance | Other |

### Top 4 engagement

1. Climate impact pledge
2. Climate Change
3. Corporate Strategy
4. Remuneration

# Connected Organisations

The Pension Fund recognises that significant value can be achieved through collaboration with other stakeholders. The Pension Fund works closely with its LGPS pool company, other LGPS funds and member groups such as the Local Authority Pension Fund Forum (LAPFF), to ensure corporate interests are aligned with the Pension Fund's values.

The Pension Fund actively contributes to the engagement efforts of pressure groups, such as LAPFF and requires investment managers to vote in accordance with the LAPPF's governance policies. In exceptional cases, investment managers will be required to explain their reason for not doing so, preferably in advance of the AGM.

The Local Authority Pension Fund Forum are a collection of 84 local authority pension funds and 7 asset pool companies, with assets under management of over £350bn, promoting the highest standard of governance with the aim of protecting the long-term value of pension funds. The LAPFF engage directly with companies, on behalf of all asset owners and pension fund trustee members, on issues such as executive pay, reliable accounting and a transition to a net carbon zero economy.

## LA… tudy

The Local Authority Pension Fund Forum (LAPFF) publishes an annual report detailing its engagements, governance, and collaborations. In 2023/24, LAPFF addressed key issues such as climate change, biodiversity, systemic risks, governance, and social factors.

For over a decade, LAPFF has engaged with National Grid on decarbonisation, advocating for greater transparency in capital expenditure and lobbying activities. In May 2024, National Grid announced a £60bn capital investment plan through 2029, with 51% designated for green investment, alongside a £7bn share issuance. LAPFF welcomed this expansion, recognizing the need for capital raising to support decarbonisation. The company also released its Climate Transition Plan (CTP), Responsible Business Report (RBR), and Fair Transition statement. The CTP outlines emission reduction targets, a roadmap to net zero by 2050, climate scenario analysis, and the integration of emission targets into business processes.

# Addendum: Conflict and Human Rights

The Pension Fund recognises that armed conflict and breaches of human rights create material financial, reputational, and ethical risks. In fulfilling its fiduciary duty, the Fund commits to considering these risks through alignment with internationally recognised frameworks, including:

- International Humanitarian Law, particularly the principles designed to safeguard civilians in conflict.
- The United Nations Global Compact, which sets universal standards on human rights, labour, environment, and anti-corruption.
- Local Authority Pension Fund Forum (LAPFF) guidance, providing collaborative engagement on governance, human rights, and corporate behaviour.

The Fund expects investment managers and pooled vehicles to apply robust due diligence on conflict and human rights issues, disclose any material exposures, and engage actively with companies where concerns arise.

Under the updated pooling framework, the London Collective Investment Vehicle (LCIV) plays a central role in implementing this policy on behalf of partner funds. The Fund will work with LCIV to ensure that conflict related risks and human rights considerations are fully embedded in fund selection, stewardship activity, and reporting, and will collaborate with other London boroughs through LCIV governance structures to strengthen collective influence.

Where credible evidence indicates that an investee company is in breach of international humanitarian law, contravenes the UN Global Compact principles, or fails to respond adequately to LAPFF or LCIV engagement, the Fund will consider escalation measures. These may include collaborative engagement, the use of voting rights, or, where appropriate, consideration of divestment.

This addendum to the Responsible Investment Statement has been prepared to address growing concerns regarding the Fund's exposure to companies linked to armed conflict and defence activities, particularly in the context of the Middle East conflict. The purpose is to ensure the Fund has a clear, transparent and evidence based framework for managing these issues, consistent with the Fund's fiduciary duty and responsible investment beliefs.

This addendum sets out a commitment to align the Fund's investment approach with international humanitarian law, the UN Global Compact, and guidance from the Local Authority Pension Fund Forum (LAPFF). It also reflects the new pooling requirements, confirming the role of the London Collective Investment Vehicle (LCIV) in embedding conflict and human rights considerations into fund selection, stewardship and reporting.

By adopting this addendum, the Fund will strengthen its ability to respond to member and stakeholder concerns, apply consistent standards across the Fund's investment portfolio, and ensure that any future decisions regarding engagement or divestment are made transparently and proportionately.

To provide clarity, the Fund will adopt a three-tier classification of investments relating to conflict and defence. Such categorisation will guide the Committee's deliberations and ensure that any divestment or engagement decisions are evidence based and transparent.

**1 No Grounds for Divestment**

- companies where defence exposure is minimal, secondary, or aligned with international humanitarian law.

**2 Require Further Debate**

- companies with material defence exposure or indirect risks that require further engagement and monitoring

**3 Reasonable Grounds for Divestment**

- companies where evidence shows a direct link to controversial weapons or activities deemed inconsistent with international standards and the Fund's RI beliefs.

# London Borough of Hammersmith & Fulham Pension Fund



Investment Exposure to Elbit Systems and Other Controversial Weapons Companies

August 2025

isio.

# Introduction and Background

- This paper has been prepared for the Pension Fund Committee (the "Committee") of the London Borough of Hammersmith & Fulham Pension Fund (the "Fund").
- This paper provides further information and considerations in relation to the Fund's investment exposure to Elbit Systems and other potentially controversial weapons companies.
- The purpose of this paper is not to provide recommendation but additional information - a factual assessment of the Fund's current exposure and to provide considerations for future discussions.
- The paper considers the approaches available to the Committee, and likely associated costs should the Committee seek to remove exposure associated with Elbit Systems and other controversial weapon exposures.
- The Committee should consider this paper in the context of the outcome of the Fit for the Future legislation, which mandates full management of the Fund's assets via the asset pool by March 2026, and may wish to engage London CIV on any issues raised.
- This paper does not constitute a recommendation but is an overview of the information available to help the Committee make an informed decision.

# Two Approaches – Engagement vs Divestment

- Tackling and understanding various environmental, social and governance issues is increasingly important to investors in a world where we see rising inequalities, the impacts of climate change on communities, a cost of living crisis, rising global tensions and war, and more. To date, two broad approaches have been available to investors in response:
  - **Engagement:** defined as purposeful, targeted communication with the relevant entities with the goal of encouraging meaningful change at an individual company level, or on a collective systemic issue. This can be done by a single investor or larger group.
  - **Divestment:** defined as a situation where the investor commits to remove certain assets or exposures from their investable universe either immediately or over a set period time. Selective disinvestment may sometimes be used following engagement attempts which are unsuccessful at driving change..
- **Engagement for change** - Active ownership through voting and dialogue can improve corporate behaviour and transparency. This can be done directly by an investor or through various third parties.
- **Divestment as a statement** - Divestment signals disapproval of practices but also removes the investor's influence, potentially losing a voice in key discussions and decisions.
- **Market dynamics** - An often-discussed unintended consequence is the extent to which divested shares may be bought by other investors who may not prioritise ethical considerations, reducing the impact on the excluded company, and potentially exacerbating the situation or making change less likely.

Page 35

- **Isio's view:** While exclusions are important for screening clear offenders e.g. UN impact violators, they are not perfect, we are wary of significantly scaling them, and the "real world" impact of this approach. We believe the most successful approach is complementing basic exclusions with a holistic approach to stewardship and manager selection.
- The approach followed by the Fund to date has been engagement with this delegated to the LCIV pool and the Fund's other third-party managers. As outlined in the Defence Company Stocks Discussion Paper authored by Pension Officers for discussion at the 26 November 2024 Pension Fund Committee Meeting, the Fund's current approach is to engage with and encourage companies to take positive action rather than having an exclusion or divestment policy. To date there has been no requirement for the Fund to enact disinvestment.

# Current Fund Exposure

- As at 30 June 2025 the Fund's direct exposure to Elbit Systems equates to c.£0.2m, or c.0.01% of total assets, via the L&G Low Carbon Mandate. As at 30 June 2025 the broader controversial weapons exposure equates to c.£4.4m, or c.0.31% of total assets as a result of exposures in the L&G Low Carbon Mandate, LCIV Absolute Return Fund and the LCIV Buy & Maintain Long Duration Fund. The Committee should note that there may also exist indirect exposure via the Fund's other global investments. For example, through supply chains, economic dependencies and revenue streams. These are extremely hard to fully unpick.
- The Fund's exposure to these funds is via pooled funds and it is therefore not possible for the Fund to exclude specific securities as a pooled fund has a defined mandate with multiple underlying investors. To divest fully, the Fund would be required to fully disinvest from the pooled investment product before replicating the exposure elsewhere, either via a segregated or pooled approach. We estimate disinvestment costs alone to remove all weapons exposure would be in the region of £1.5m (c.0.25% of assets disinvested*) for these mandates. Actual redemption costs will differ by manager and strategy and will fluctuate based on the market conditions at the time of disinvestment. In addition, the Fund would be subject to other costs such as advisory costs in searching for a replacement mandate, plus transition costs in entering any new funds (expected to be similar to c.£1.5m as above). If a segregated mandate is required to achieve a bespoke exclusions approach, this would lead to an increase in ongoing management costs (e.g. a segregated passive global equity fund annual management charge could be over 30bps vs current L&G fee of c.7bps) in addition to other expenses of running a bespoke fund (which are often higher than a pooled approach). The Committee may then desire to replicate the exclusions throughout the remainder of the portfolio, again this could come at significant cost.
- From a strategic perspective, a full exclusionary approach may not be possible in all asset classes, pursuing divestment may lead to a compromise in the target asset allocation which could impact overall diversification, and cause risk vs return deviations from the agreed strategic asset allocation. This could be explored in further detail if required.
- The Committee should also consider context the incoming Fit for the Future legislation, in that predominant responsibility for the Fund's investment portfolio will lie with London CIV from March 2026, and their Responsible Investment approach will be key.



| Manager | Asset Class | 30 Jun 2025 (%) | Exposure to Elbit (Y/N) | Exposure to Controversial Weapons (Y/N) | Screens/ exclusions available? |
|---|---|---|---|---|---|
| L&G | Low Carbon Global Equity | 31.9 | Y - 0.04% | Y - 0.71%** | Incorporates low carbon tilt. Could go further with ESG future world framework |
| LCIV | Global Equity Quality | 13.0 | N | N | |
| LCIV | Absolute Return Fund | 9.9 | N | Y – 0.49%** | No further exclusions available with LCIV |
| LCIV | Buy and Maintain Long Duration | 2.2 | N | Y- 1.49%** | Includes exclusions but no further available with LCIV |
| LCIV | Buy and Maintain Short Duration | 2.3 | N | N | |
| Allspring | Buy & Maintain (Climate Transition) | 9.9 | N | N | |
| Partners Group | MAC | 0.2 | N | N | |
| Partners Group | Infrastructure | 2.0 | N | N | |
| Oak Hill | Div. Credit | 5.6 | N | N | |
| Darwin | Leisure | 1.5 | N | N | |
| Quinbrook | Renewables | 4.0 | N | N | |
| Aberdeen | Multi Sector Private Credit | 3.6 | N | N | |
| Aberdeen | Long Lease Property | 3.7 | N | N | |
| Alpha Real Capital | Ground Rents | 7.2 | N | N | |
| Man Group | Affordable Housing | 1.9 | N | N | |
| Total | | 100.0 | 0.01% | 0.31% | |

* Estimated redemption costs based on recent market transactions: L&G 0.2%, Absolute Return 0.3%, B&M 0.4%. ** LCIV controversial weapons exposure is based on companies where at least 0-5% of the revenue is linked to controversial weapons, L&G exposure provided by Sustainalytics. While we have not received formal confirmation from Quinbrook, we do not expect this fund to hold exposure to controversial weapons as per our understanding of the strategy and remit of the portfolio.

# The Fund's Responsible Investment Statement

- The Fund's has an agreed Responsible Investment Statement in place which sets out the Fund's Responsible Investment Policy and approach. This also sets out specific environmental, social and governance (ESG) issues and considerations, and the integration of the United Nations Sustainable Development Goals. The Committee formally reviewed the Fund's Investment Beliefs in March 2023, which considers how ESG factors are implemented in the asset portfolio.
- The Fund has a fiduciary duty to act in the best interests of its beneficiaries and this extends to making a positive contribution to the long-term sustainability of the global environment. The Fund recognises climate change as the biggest threat to sustainability alongside its administering authority, the London Borough of Hammersmith and Fulham Council, which has made a commitment of achieving carbon neutrality by 2030.
- The Committee evaluates managers' ability to integrate ESG factors into the investment decisions during their appointment and ongoing monitoring. This assessment includes verifying the presence of a Responsible Investment policy, ESG integration in investment processes, adherence to responsible investment frameworks (e.g. UN PRI), compliance with the Financial Reporting Council's Stewardship Code, active engagement with global companies to promote best practices, and transparent ESG reporting.
- Pension Fund Officers have proposed an addendum to the Fund's Responsible Investment statement to set out the Fund's approach to conflict-linked investments, clarify expectations for investment managers, and establish a transparent framework for decision-making. This is included in the 9 September 2025 Pension Fund Committee Meeting agenda pack.
- The Committee should consider the additional wording and determine whether this fully reflects the Committee's views on the issues. The inclusion of such wording within the Responsible Investment statement will give additional guidance to the Fund's third-party investment managers including the London CIV.
- The Committee should consider, however, the extent to which such views are conveyed and be mindful of the precedent set in relation to pressure of future controversies which may arise. It is important to ensure serious ethical considerations are accounted for across the Fund's investments, but the Committee should be cognisant not to limit the Fund's investable universe to a significant degree, given the fiduciary duty outlined.


Table of Contents

# High Level Options Moving Forward

## 1) Take no action – continue to follow an engagement approach

- Continue unchanged and maintain the status quo
- Address public concerns on an ongoing basis as and when they arise
- Assets will move to a fully pooled fiduciary management approach with London CIV at 31 March 2026.

## 2) Take action to consider the merits of divestment further

- Further analysis on the practicalities, costs and process to consider divestment
- Engage with London CIV and third-party managers to see what is possible – although potentially limited by pooled fund availability and the London CIV's preferred approach.
- Consider cost of change and impact to investment strategy (including explicit cost and opportunity cost from a fiduciary point of view)

Page 38

## 3) Update Current Responsible Investment Policy to reflect Committee's position

- Review current Responsible Investment Policy and update to reflect the Committee's stance
- Update ahead of March 2026 pooling deadline to ensure the Committee's views are considered by the London CIV during their initial stages of onboarding and streamlining the London LGPS Funds' assets.

- In the first instance, we believe the Committee should consider the proposed addendum to the Responsible Investment statement, included in the 9 September 2025 meeting pack. We also believe the Committee should engage the London CIV to determine their preferred / likely approach to Elbit and controversial weapons exposure (currently and going forward). While the London CIV have their own Responsible Investment Policy and beliefs which they are unlikely to waver from, it is perhaps best practice for the Committee to ensure policies are in place at a Fund level, ahead of the 31 March 2026 deadline, to ensure London CIV understands the Committee's preferences in relation to sensitive topics such as those considered throughout this paper.

# London CIV's Approach

- The Fund's engagement approach is currently fully delegated to the London CIV pool and the Fund's other third-party investment managers. The approach to engagement and broader ESG issues of third-party managers is considered as part of the initial selection process and as part of ongoing monitoring of mandates.
- If the Committee were to consider alternative avenues, this decision should be taken in the context of the outcome of the Fit for the Future Consultation – that all LGPS Funds' assets are to be fully pooled by March 2026.
- Going forward, any decisions related to the Fund's investment portfolio should be taken by the Committee cognisant of the London CIV and their approach.
- The Fund will become increasingly exposed to decisions made by London CIV (and fully by March 2026) and we would therefore encourage the Committee to seek an understanding of what the London CIV is doing from a fund launch and current fund management perspective, but also from a responsible investment perspective, including the issues discussed in the paper.
- The London CIV has a Responsible Investment Policy available to the public online. We would encourage the Committee to read the policy in detail and engage with the London CIV to ensure their thoughts, process and policies are aligned with that of the Committee, as far as possible. We highlight that controversial weapons and conflict zones are not explicitly referenced in the London CIV's policy currently.
- London CIV's responsible investment strategy is one of engagement over exclusion. London CIV believes it can use its influence, and scale of assets under management, to improve a company's ESG performance. They have also introduced an escalation strategy which is detailed in the Stewardship Policy.


- As things stand, the Committee's role going forward will be increasingly to monitor London CIV's progress, and ensure engagement is being done properly and is effective.
- While the London CIV will take on significant control of the Fund's investment portfolio, and there is limited opportunity for the Committee to influence decision-making and Responsible Investment policy, where there are views the Committee wishes to convey, we recommend this is highlighted to LCIV at the earliest opportunity.
- This could be conveyed via update to the Fund's own Responsible Investment Policy, as per the proposed addendum to the Fund's Responsible Investment statement.

# Summary

- The Fund's current exposure to Elbit Systems is c.0.01% and to controversial weapons is currently c.0.31%*. This is relatively small in size in the context of the overall investment portfolio.
- The Committee's fiduciary duty is to ensure the payment of the Fund's pensions as and when they fall due through achieving the investment returns required in an appropriate risk-managed way. As such, the Committee should form its views on the merits of pursuing an engagement or divestment approach in the context of their primary fiduciary duty, and also the materiality of direct divestment costs and corresponding opportunity and strategy costs represented. In practice, given the direction of travel for the LGPS (to pooling of assets) and the cost of divestment relative to the size of underlying exposure to the companies discussed in this paper, we believe a divestment approach would be difficult to achieve efficiently in practice.
- The Committee should also note that a number of the delegated investment powers they oversee for the Fund will transition to the London CIV in the near future. The Committee should therefore seek further understanding of London CIV's processes and views, and may wish to engage London CIV on this topic as the Fund transitions on-pool.
- On balance, given the limited exposure to the companies considered, and the incoming Fit for the Future legislation, alongside the Committee's fiduciary responsibilities, we do not believe that any material change in the current approach is needed, but an amendment to the current Responsible Investment Statement may be justified and a proposed addendum to the Fund's Responsible Investment statement has been provided in the agenda pack for Committee consideration.



### Next Steps

- The Committee should consider the contents of this paper and whether any further action is needed.
- The Committee should consider the additional suggested wording to the Responsible Investment statement and determine whether this fully reflects the Committee's views on the issues. The inclusion of such wording within the Responsible Investment statement will give additional guidance to the Fund's third-party investment managers including the London CIV.

We look forward to discussing the paper further at the September 2025 Pension Fund Committee Meeting.





*LCIV controversial weapons exposure is based on companies where at least 0-5% of the revenue is linked to controversial weapons, L&G exposure provided by Sustainalytics.

# Disclaimers

- This report has been prepared for the sole benefit of the London Borough of Hammersmith & Fulham Pension Fund and based on their specific facts and circumstances and pursuant to the terms of Isio Group Limited/Isio Services Limited's Services Contract. It should not be relied upon by any other person. Any person who chooses to rely on this report does so at their own risk. To the fullest extent permitted by law, Isio Group Limited/Isio Services Limited accepts no responsibility or liability to that party in connection with the Services.
- Please note that Isio may have an ongoing relationship with various investment management organisations, some of which may be clients of Isio. This may include the London Borough of Hammersmith & Fulham Pension Fund's existing investment managers. Where this is the case, it does not impact on our objectivity in reviewing and recommending investment managers to our clients. We would be happy to discuss this further if required.
- In the United Kingdom, this report is intended solely for distribution to Professional Clients as defined by the Financial Conduct Authority's Conduct of Business Sourcebook. This report has not therefore been approved as a financial promotion under Section 21 of the Financial Services and Markets Act 2000 by an authorized person.
- The information contained within the report is available only to relevant persons, and any invitation, offer or agreement to purchase or otherwise acquire investments referred to within the report will be engaged in only with relevant persons. Any other person to whom this communication is directed, must not act upon it.
- Isio Service Limited is authorised and regulated by the Financial Conduct Authority FRN 922376.

# Contacts

**Andrew Singh**
Head of LGPS Investment
+44 (0)131 202 3916
andrew.singh@isio.com

**Jonny Moore**
Executive Consultant
+44 (0)131 222 2469
jonny.moore@isio.com

**Alexander Antonov**
Consultant
+44 (0)141 260 9701
alexander.antonov@isio.com

**Jeconia Hogan**
Assistant Consultant
+44 (0)131 202 3911
jeconia.hogan@isio.com



isio.

**LONDON BOROUGH OF HAMMERSMITH & FULHAM**

| | |
|---|---|
| **Report to:** | **Pension Fund Committee** |
| **Date:** | 9th September 2025 |
| **Subject:** | Key Performance Indicators |
| **Report author:** | Eleanor Dennis, Head of Pensions |
| **Responsible Director:** | Sukvinder Kalsi, Director of Finance |


**SUMMARY**

This paper sets out a summary of the performance of the Local Pension Partnership Administration (LPPA) in providing a pension administration service to the Hammersmith & Fulham Pension Fund. The Key Performance Indicators (KPIs) for the period quarter 1 April – June 2025 inclusive, are detailed in Appendix 1. The reviewing of KPI's is line with The Pension Regulator's guidance in the general code, for governing bodies to regularly assess performance.


**RECOMMENDATIONS**

The Pension Fund Committee is asked to consider and note the contents of this report.

**Wards Affected:** None

| **Our Values** | **Summary of how this report aligns to the H&F Values** |
|---|---|
| Being ruthlessly financially efficient | Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council tax payer. |

## Finance Impact

There are no direct financial implications as a result of this report. Costs of the pensions administration service, including costs of additional commissioned work provided by LPPA are met from the Pension Fund.

Sukvinder Kalsi, Director of Finance, 15th August 2025

## Legal Implications

Under Regulation 53 of the Local Government Pension Scheme Regulations 2013, the Council, as the administering authority of the Pension Fund "is responsible for managing and administering the Scheme in relation to any person for which it is the appropriate administering authority under these Regulations". Therefore, it is responsible for ensuring that the Pension Fund is administered in accordance with the Regulations and wider pensions law and other legislation. It discharges this obligation under the terms of a contract with Lancashire County Council dated 26th January 2022 which, in turn, sub-contracts its obligations to the Local Pensions Partnership Limited under a separate contract of the same date. The Service Levels are set out in the Addendum to Schedule 1 of the contract with Lancashire County Council. This report asks that the Pension Fund Committee notes the performance against those Service levels.

Joginder Bola, Senior Solicitor (Contracts and Procurement) 15 August 2025

## Background Papers Used in Preparing This Report

None

**DETAILED ANALYSIS**

## Analysis of Performance

1. The KPIs have been set out in the discharge agreement between the LPPA (Local Pension Partnership Administration) and the London Borough of Hammersmith & Fulham (LBHF). The Head of Pensions ensures performance measures are discussed and reviewed between both parties both a monthly basis as well as in Pension Board and Pension Fund Committee meetings in accordance with the Pension Regulator's General Code of Practice that states that governing bodies should consider reports regularly and challenge when required to monitor performance.

2. This report covers the performance of our administration partner LPPA over quarter 1 for the pension fund scheme year 2025/26. The KPI's detailed in Appendix 1 of the pension administration report covers the period 01 April 2025 to 30 June 2025 inclusive.

3. During the period April to June 2025 inclusive, LPPA processed 1379, compared with 1563 cases in Q4 of 2024/25, a fall of 184 cases for the Hammersmith & Fulham Pension Fund over the last 3 months. Highest volume case types continue to consist of deferred retirements, transfer outs and death cases.

## Performance in key areas

1. Retirements – Performance on this task area continues to improve, with 202 cases processed in Q1 by LPPA, mostly within the 10 working day SLA. Active retirements saw a reduction in KPI performance as Q1 saw 95.5% achieved compared with 98.8% in Q4 of 24/25. The processing of deferred retirements saw 99.3% compared with 100% in Q4.

2. Deaths – There were 184 cases processed by LPPA in Q1, where 97.8% were processed on time, compared with 98.3% in Q4 in 24/25.

3. Transfers – There were 136 transfer out cases processed in Q1 of 25/26, compared with 99.2% of transfer outs processed on time in Q4 of 24/25. Transfer in's saw 98.6% in Q1 processed on time compared to 98.8 in Q4 of 24/25.

4. Refunds – There were less cases to process in Q1 but all 51 cases were processed on time, compared with 97.6% in Q4 of 24/25.

5. The Head of Pensions continues to collaborate with LPPA to try to ensure they are able to sustain their improved SLA performance as well as to mitigate any operational risks the Fund is exposed to and to increase the quality of the delivery of this service to all stakeholders.

## Summary

6. We have seen a continuous improvement in the KPI pension administration service delivery provided by LPPA in the start to the new scheme year. We are hopeful that this will remain consistent, and that the quality of service experienced by members, beneficiaries and the LBHF pension team will also improve.

7. None

## Risk Management Implications

8. None

## Climate and Ecological Emergency Implications

9. None

## Consultation

10. None

### LIST OF APPENDICES

**Appendix 1 - LPPA KPI Performance – Hammersmith & Fulham Pension Fund**

LPP
Local Pensions Partnership
Administration

# Quarterly Administration Report

## Hammersmith & Fulham Pension Fund

1 April - 30 June 2025

Committed to excellence

Forward thinking

Doing the right thing

Working together

hammersmith & fulham



lppapensions.co.uk

# CONTENTS





Committed to excellence

Doing the right thing

Forward thinking

Working together

# DEFINITIONS

**Page 5**

**Casework Performance - All Cases**

Performance is measured once all information is made available to LPPA to enable them to complete the process.

Relevant processes are assigned a target timescale for completion, and the performance is measured as the percentage of processes that have been completed within that timescale.

**Page 6**

**Casework Performance - Standard**

The category of 'Other' on this page covers processes including, but not limited to:
APC/AVC Queries
Additional Conts Cessation
Change of Hours
Change of Personal Details
Under Three Month Opt-Out

Please note that this page includes cases that have met the SLA target, but the stop trigger may also have been actioned before the process has been completed.

**Page 8**

**Contact Centre Performance**

Average wait time measures the time taken from the caller being placed into the queue, to them speaking with a Contact Centre adviser.



**Page 11**

**Retirement Satisfaction**

Graphs show a breakdown of quarterly retirement surveys (emails issued and responses received).

- Retirements processed / completed - members can have multiple process counts.
- Surveys issued - does not equal retirement processes for several reasons; ill health retirements do not receive a survey; not all members provide an email address; members with multiple retirement processes only receive one survey email; there is a planned delay in issuing surveys to allow for initial payments to be paid).

Satisfaction / Dissatisfaction is included as a % of email surveys issued. This demonstrates that a significant number of surveys are not completed (work is ongoing to encourage an increase in the number of responses to email surveys issued).
The Satisfaction Scores highlighted in green and red compare the satisfied / dissatisfied responses received, as a % of total survey responses - this is the true measure of member satisfaction.
Satisfied responses include satisfied (with the service) and very satisfied.
Dissatisfied responses include dissatisfied and very dissatisfied.

# Casework Performance

4

**In this section…**

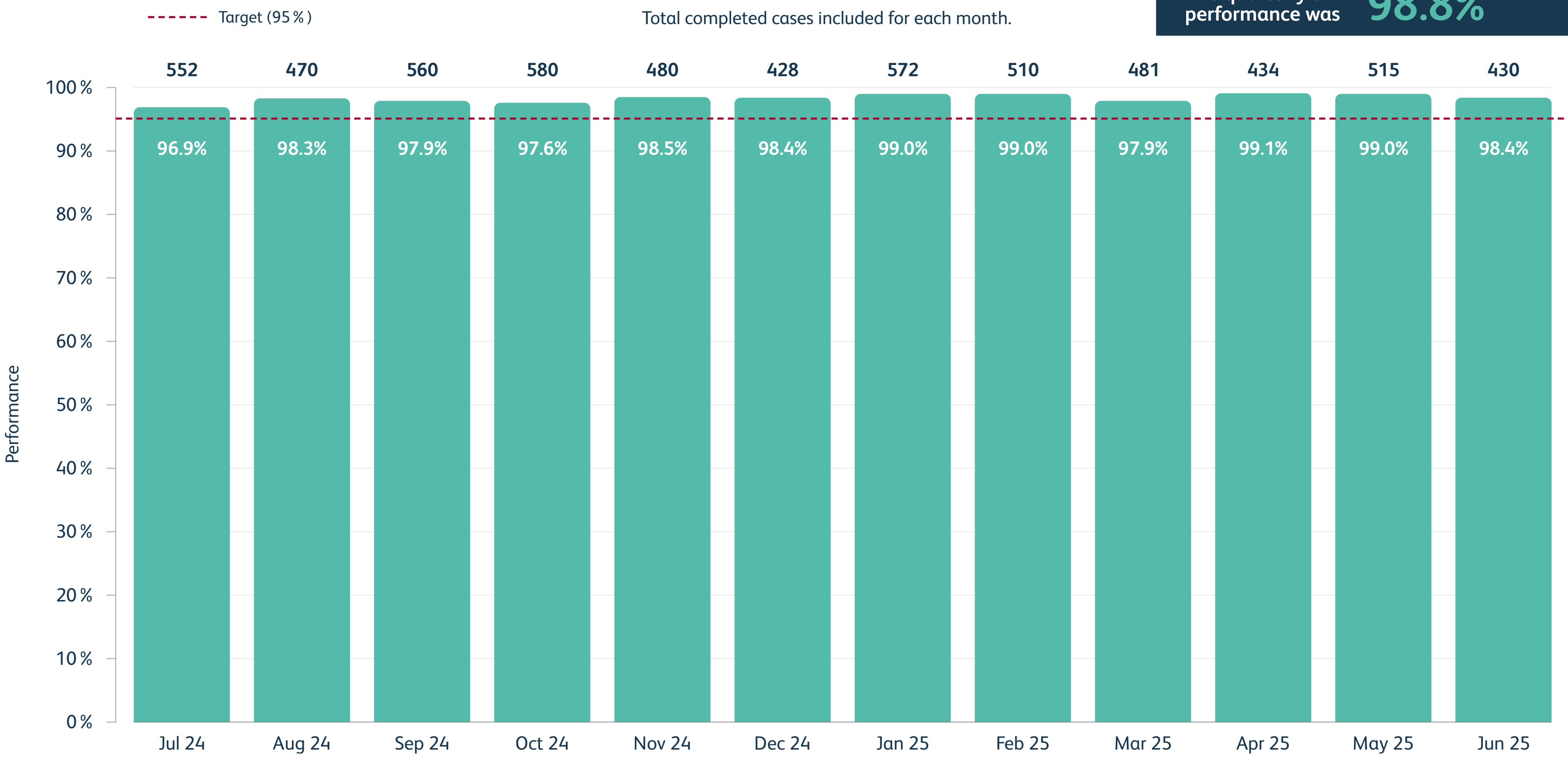
- Performance – all cases
- Performance standard

# CASEWORK PERFORMANCE

CLIENT SPECIFIC

## PERFORMANCE – ALL CASES

The quarterly SLA performance was **98.8%**



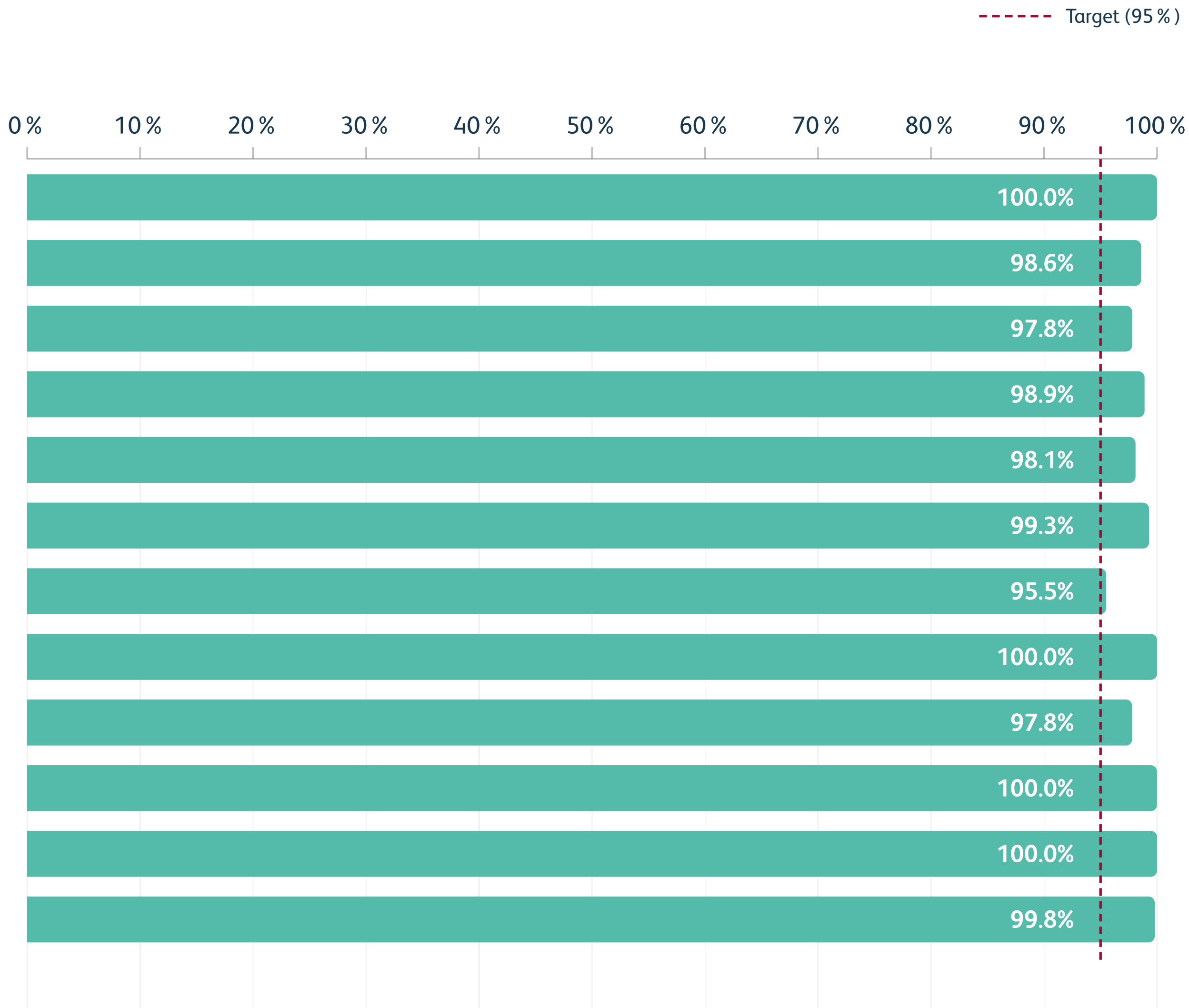

Page 50

# CASEWORK PERFORMANCE

CLIENT SPECIFIC

## PERFORMANCE STANDARD

| | SLA Target (working days) | Total Processed | % within target |
|---|---|---|---|
| New Starters | 10 | 2 | 100.0% |
| Transfers In | 10 | 73 | 98.6% |
| Transfers Out | 10 | 136 | 97.8% |
| Estimates | 10 | 87 | 98.9% |
| Deferred Benefits | 15 | 107 | 98.1% |
| Retirements - Deferred | 5 | 135 | 99.3% |
| Retirements - Active | 5 | 67 | 95.5% |
| Refunds | 5 | 51 | 100.0% |
| Deaths | 5 | 184 | 97.8% |
| Correspondence | 10 | 66 | 100.0% |
| Aggregation | 10 | 41 | 100.0% |
| Other (see Definitions - page 3) | | 430 | 99.8% |
| Total | | 1,379 | |



# Contact Centre Calls Performance

7

The Contact Centre deals with all online enquiries and calls from members for all funds that LPPA provides administration services for.

**In this section…**

- Wait time range
- Calls answered

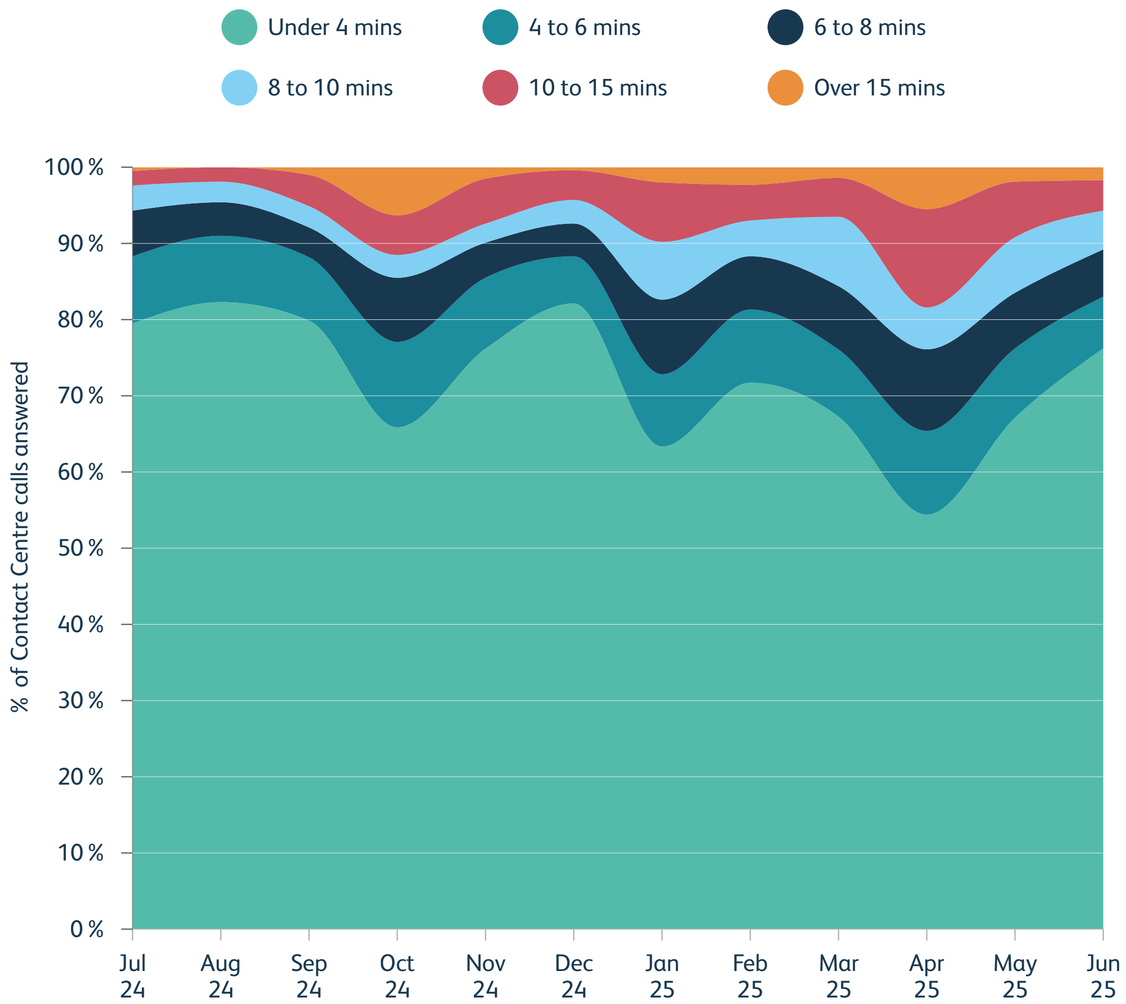
# CONTACT CENTRE CALLS PERFORMANCE

CLIENT SPECIFIC

## WAIT TIME RANGE

Page 53

| | Under 4 mins | 4 to 6 mins | 6 to 8 mins | 8 to 10 mins | 10 to 15 mins | Over 15 mins |
|---|---|---|---|---|---|---|
| Jul 24 | 79.5% | 8.8% | 6.0% | 3.3% | 1.9% | 0.5% |
| Aug 24 | 82.3% | 8.7% | 4.4% | 2.7% | 1.9% | 0.0% |
| Sep 24 | 79.8% | 8.3% | 3.9% | 2.8% | 4.1% | 1.0% |
| Oct 24 | 65.8% | 11.2% | 8.4% | 3.0% | 5.2% | 6.3% |
| Nov 24 | 76.2% | 9.3% | 4.6% | 2.5% | 5.9% | 1.5% |
| Dec 24 | 82.2% | 6.2% | 4.3% | 3.1% | 3.9% | 0.4% |
| Jan 25 | 63.4% | 9.5% | 9.8% | 7.6% | 7.8% | 2.0% |
| Feb 25 | 71.8% | 9.6% | 7.0% | 4.7% | 4.7% | 2.3% |
| Mar 25 | 67.2% | 8.8% | 8.3% | 9.1% | 5.1% | 1.4% |
| Apr 25 | 54.4% | 11.0% | 10.7% | 5.5% | 12.9% | 5.5% |
| May 25 | 67.2% | 9.1% | 7.3% | 7.3% | 7.3% | 1.9% |
| Jun 25 | 76.3% | 6.8% | 6.2% | 5.1% | 4.0% | 1.7% |



# CONTACT CENTRE CALLS PERFORMANCE

## CALLS ANSWERED

CLIENT SPECIFIC

**Please note:**
The graph highlights seasonal activities which deliver higher volumes of in-bound enquiries from members into the Contact Centre.

- Pension Increase and P60
- Pension Saving Statements
- Member annual newsletters
  Annual Benefit Statements (ABS)
  Deferred Benefit Statements (DBS)

**Quarterly average wait time was** 3 minutes 40 seconds

# Customer Satisfaction Scores

10

**In this section…**

- Retirements - Active
- Retirements - Deferred

# CUSTOMER SATISFACTION SCORES

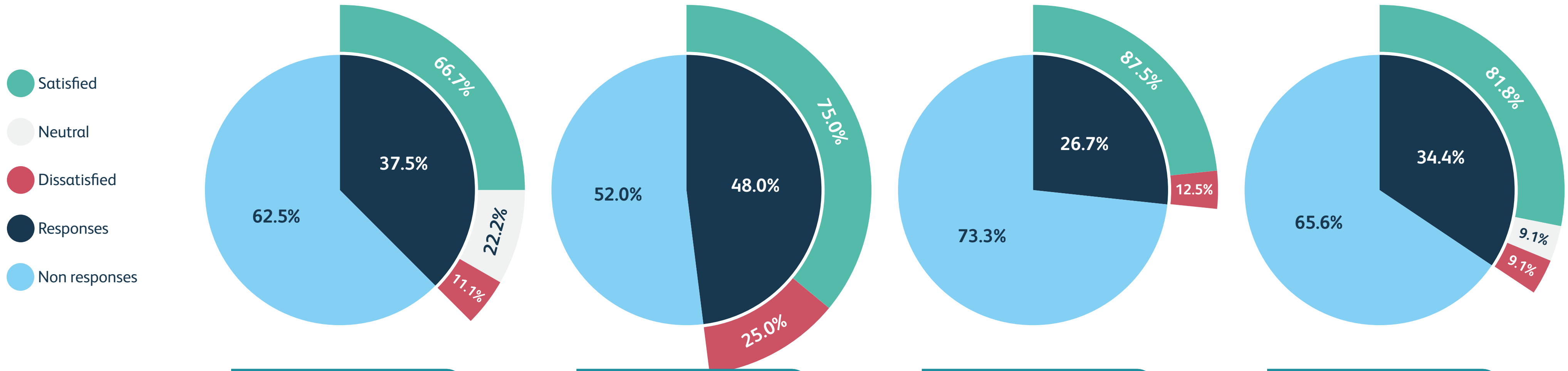
## RETIREMENTS - ACTIVE

CLIENT SPECIFIC

**Please note:**

Graphs show a breakdown of quarterly retirement surveys:

- Retirements processed / completed (members can have multiple process counts)
- Surveys issued (does not equal retirement processes as not all members provide an email address; members with multiple retirement processes only receive one survey email; ill health retirements do not receive a survey email; there is a planned delay in issuing surveys to allow for initial payments to be paid). We extended this period in Q4, which explains the drop in the number of email surveys issued.
- The satisfaction scores highlighted in green and red compare the satisfied / dissatisfied responses received, as a % of total responses (the true measure of member satisfaction).*




| | Q2 24/25 | | Q3 24/25 | | Q4 24/25 | | Q1 25/26 | |
|---|---|---|---|---|---|---|---|---|
| **Retirements** processed, completed | 28 | | 30 | | 33 | | 24 | |
| **Surveys issued** and as a % of retirements | 24 | 85.7% | 25 | 83.3% | 30 | 90.9% | 32 | 133.3% |
| Satisfied Responses (as a % of surveys issued) | 6 | 25.0% | 9 | 36.0% | 7 | 23.3% | 9 | 28.1% |
| Dissatisfied Response (as a % of surveys issued) | 1 | 4.2% | 3 | 12.0% | 1 | 3.3% | 1 | 3.1% |
| **Non responses** and as a % of surveys issued | 15 | 62.5% | 13 | 52.0% | 22 | 73.3% | 21 | 65.6% |
| **Responses** and as a % of surveys issued | 9 | 37.5% | 12 | 48.0% | 8 | 26.7% | 11 | 34.4% |
| **Satisfied responses** and as a % of responses | 6 | 66.7% | 9 | 75.0% | 7 | 87.5% | 9 | 81.8% |
| **Neutral responses** and as a % of responses | 2 | 22.2% | 0 | 0.0% | 0 | 0.0% | 1 | 9.1% |
| **Dissatisfied Responses** and as a % of responses | 1 | 11.1% | 3 | 25.0% | 1 | 12.5% | 1 | 9.1% |

*More information on data / results are included in the Definitions page earlier in this report.

# CUSTOMER SATISFACTION SCORES

## RETIREMENTS - DEFERRED

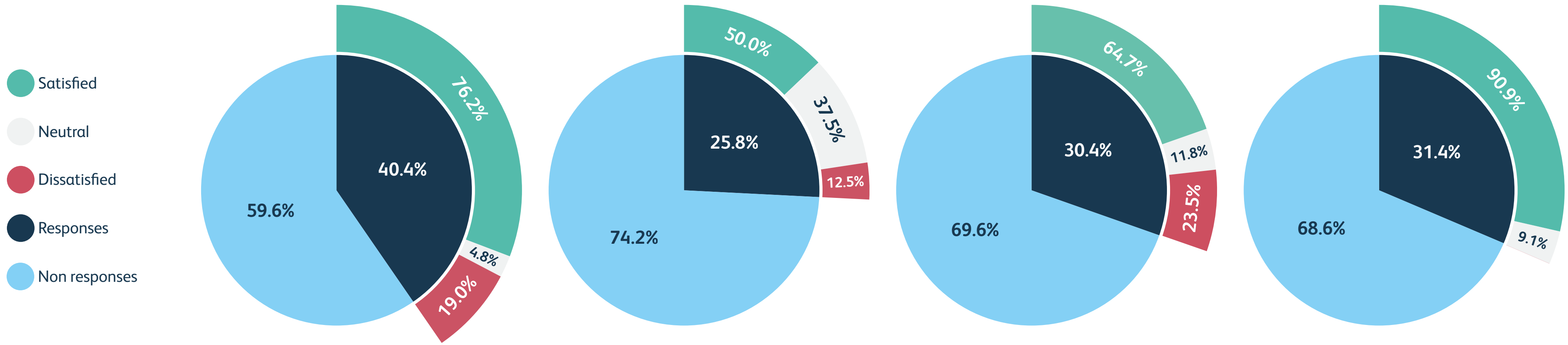
CLIENT SPECIFIC

**Please note:**

Graphs show a breakdown of quarterly retirement surveys:

- Retirements processed / completed (members can have multiple process counts)
- Surveys issued (does not equal retirement processes as not all members provide an email address; members with multiple retirement processes only receive one survey email; ill health retirements do not receive a survey email; there is a planned delay in issuing surveys to allow for initial payments to be paid). We extended this period in Q4, which explains the drop in the number of email surveys issued.
- The satisfaction scores highlighted in green and red compare the satisfied / dissatisfied responses received, as a % of total responses (the true measure of member satisfaction).*






| | Q2 24/25 | | Q3 24/25 | | Q4 24/25 | | Q1 25/26 | |
|---|---|---|---|---|---|---|---|---|
| **Retirements** processed, completed | 62 | | 75 | | 60 | | 38 | |
| **Surveys issued** and as a % of retirements | 52 | 83.9% | 62 | 82.7% | 56 | 93.3% | 35 | 92.1% |
| Satisfied Responses (as a % of surveys issued) | 16 | 30.8% | 8 | 12.9% | 11 | 19.6% | 10 | 28.6% |
| Dissatisfied Response (as a % of surveys issued) | 4 | 7.7% | 2 | 3.2% | 4 | 7.1% | 0 | 0.0% |
| **Non responses** and as a % of surveys issued | 31 | 59.6% | 46 | 74.2% | 39 | 69.6% | 24 | 68.6% |
| **Responses** and as a % of surveys issued | 21 | 40.4% | 16 | 25.8% | 17 | 30.4% | 11 | 31.4% |
| **Satisfied responses** and as a % of responses | 16 | 76.2% | 8 | 50.0% | 11 | 64.7% | 10 | 90.9% |
| **Neutral responses** and as a % of responses | 1 | 4.8% | 6 | 37.5% | 2 | 11.8% | 1 | 9.1% |
| **Dissatisfied Responses** and as a % of responses | 4 | 19.0% | 2 | 12.5% | 4 | 23.5% | 0 | 0.0% |

*More information on data / results are included in the Definitions page earlier in this report.

LPP

Local Pensions Partnership Administration

**LONDON BOROUGH OF HAMMERSMITH & FULHAM**

**Report to: Pension Fund Committee**

**Date:** 09/09/2025

**Subject:** Pension Administration Update

**Report author:** **Eleanor Dennis, Head of Pensions**

**Responsible Director:** Sukvinder Kalsi, Director of Finance

---

## SUMMARY

One of the key priorities for the Hammersmith & Fulham LGPS Fund is to pay and administer the pensions of its members and their beneficiaries. The Hammersmith & Fulham Pension Fund (HFPF) delegates its administration duties to Local Pension Partnership Administration (LPPA). The Fund continues to strive to deliver an efficient and effective service to its stakeholders against a growing trend of an increasing numbers of tasks and challenges. Challenges include increasing complex legislation, managing data, limited resources and difficulty in engaging with employers, which mean some issues will take months or years to resolve fully. This paper provides a summary of activity in key areas of pension administration for the HFPF.

---

## RECOMMENDATIONS

The Pension Fund Committee is asked to consider and note the contents of this report.

---

**Wards Affected: None**

---

| Our Values | Summary of how this report aligns to the H&F Values |
|---|---|
| Being ruthlessly financially efficient | Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for pension fund members, the Council and the council tax payer. |

## Finance Impact

The costs of the contract for the pensions administration service, including costs of additional work commissioned and provided by LPPA are met from the Pension Fund. The expenditure for this service in 2024/25 is estimated at £620,000.

Sukvinder Kalsi, Director of Finance 21st August 2025

## Legal Implications

Under Regulation 53 of the Local Government Pension Scheme Regulations 2013, the Council, as the administering authority of the Pension Fund "is responsible for managing and administering the Scheme in relation to any person for which it is the appropriate administering authority under these Regulations". Therefore, it is responsible for ensuring that the Pension Fund is administered in accordance with the Regulations and wider pensions law and other legislation. It discharges this obligation under the terms of a contract with Lancashire County Council dated 26th January 2022 which, in turn, sub-contracts its obligations to the Local Pensions Partnership Limited under a separate contract of the same date.

Angela Hogan, Chief Solicitor (Contracts and Procurement) 22nd August 2025

---

## Background Papers Used in Preparing This Report

**None**

---

**DETAILED ANALYSIS**

## Analysis of Pension Administration

The Hammersmith & Fulham Pension Fund began its partnership with the Local Pension Partnership Administration (LPPA) on 28 January 2022.

1. The service delivered by LPPA has improved but remains closely monitored by the LBHF Head of Pensions to ensure the best interests of the members and beneficiaries are met. LPPA are committed to continually improving the service going forward with more automation, higher staff retention, regular training for their staff and better engagement via an annual client and employer forum.

## Update on key areas

2. Employers – Engagement from employers on monthly files being submitted remain very good. The LBHF pension team has collaborated with LPPA to increase the engagement with employers, to ensure that this does not lead to a backlog of unsubmitted monthly files and is enforcing fines in line with the pension administration strategy to maximise compliance from employers. However there does seem to be a number of errors that require LPPA to support employers. The HFPF currently has the highest level of compliance from employers, compared to other LPPA clients.

3. Member – Member satisfaction survey responses remain low but most of those responding were satisfied. Surveys from deferred retirements in Q1 saw 10 members satisfied and 0 dissatisfied compared with Q4 which saw 15 responses with 64% satisfied members 23% dissatisfied. Active retirements in Q1 saw 9 satisfied responses with 1 dissatisfied and 65% not responding, Q4 saw 8 responses with 1 response dissatisfied but 73% did not respond.

4. Complaints – LPPA dealt with 12 complaints for the Hammersmith & Fulham pension fund in Q1, there are currently 4 complaints outstanding and are around the service received from LPPA. Across all LGPS clients, 76% of complaints are resolved with 30 days and all are acknowledged within 2 days. The most common reason for complaining is those retiring with AVC pots and transfers out. LPPA continue to review complaint trends and implement training courses where appropriate.

5. Helpdesk – The number of calls to the LPPA Helpdesk fell slightly in Q1 to 1035 compared 1062 in Q4. The average call waiting time also fell in Q1 to 3 minuses 40 from 3 mins 25 secs in Q4. The call abandonment rate also fell to 2.5% at the end of Q1 across all calls. with most people satisfied with their engagement with the helpdesk.

6. Communications – LPPA have issued a newsletter to active and deferred members. This years newsletter highlights understanding your pension and tax, planning for retirement and explaining the impact of the McCloud remedy. The Head of Pensions continues to receive positive feedback for those attending the pre retirement sessions run by Affinity Connect and attendance numbers have increased. LPPA won “Best Pension Scheme Communications Strategy” at this year’s UK Pensions Awards.

7. Member engagement – The end of Q1 saw 6,333 members engaging compared with 6176 at the end of Q4 engaging with the online portal and up 860 over the last 12 months. There were 4 opt outs during Q1 which is the same level as last year There were 11 opt outs in Q3 and Q2 compared with 4 in Q1. However, this level is likely to increase as auto enrolment took place for the fund on 1st August 2025.

8. Annual benefit statements – LPPA have issued annual benefit statements to 89.1% of members of the LBHF pension fund were issued to members with the

exceptions of those members with a pension sharing agreement, transfer ins, as and when staff and aggregation. The Fund have considered the legislation and decided to utilise the discretion awarded by MHLCG to ensure McCloud is implemented by 31st August 2026, as system limitations mean that McCloud underpin implication will not be detailed in the 2025 benefit statements for some members.

9. Regulatory – There are a number of regulatory issues impacting the Hammersmith & Fulham pension fund the key ones are;

   **McCloud** - LPPA systems have now been updated with the McCloud software and LPPA have issued most of the affected members with information on their McCloud implications in their 2024/24 annual benefit statement. There are some members for whom this has not been possible.

   **Pensions Dashboard** – The go live date for the Fund is October 2025, there is no date yet set for public access, 2027 is a possible go live date. The Pension Regulator is expected to reach out to funds via a survey to check in on readiness.

   **Pension Consultation outcome** – The technical consultation on inheritance tax on pensions, reporting, payment and liability closed in January 2025. The outcome was published in July 2025 which confirmed that from April 2027, only death in service pension benefits including spouses benefits from registered pension schemes will be exempt for inheritance tax. This will involve considerable more work for administrators.

   **The Pensions Bill** – Aside from focus on the mandatory introduction of investment pooling and the asset management for LGPS funds. The Bill also highlights the needs for regular independent governance reviews with particularly focus on administration performance and effectiveness, the ability to mandate on compulsory merger of funds and the requirement of a single senior LGPS officer responsible for the management, business planning, strategy, training and administration of the Fund. As well as that the budget setting of the Fund is separate to that of the administering authority.

   **Scheme Advisory Board** - Launched a survey in August on diversity representation on Pension Boards and Pension Fund Committees. This is in line with the pension Regulators guidance on more effective decision making being implemented by diverse boards.

10. Audit – All enquiries of the 2024/25 audit are being effectively managed with LPPA co operating with sample walk throughs.

11. Overpayments – The LBHF pensions team continue to work with LPPA and the LBHF debt recovery teams to try to recover further outstanding overpayment funds. The Fund has had to write off approx. £3,000 in Q1 due to overpaid pensions from deceased members.

12. Scheme management planning – The next meeting is a full pension committee on 25th November 2025.

### Conclusion

The pension administration service delivered by LPPA shows signs of continuous improvement. LPPA do however to take onboard constructive feedback and are keen to improve.

## Equality Implications

12. None

## Consultation

15. None

### Appendices

**None**

# Agenda Item 7

**LONDON BOROUGH OF HAMMERSMITH & FULHAM**

**Report to:** **Pension Fund Committee**

**Date:** 09/09/2025

**Subject:** **Annual benefit statements and McCloud implementation**

**Report author:** Eleanor Dennis, Head of Pensions

**Responsible Director:** Sukvinder Kalsi, Director of Finance

---

**SUMMARY**

This report details the McCloud remedy and requirements for the Hammersmith & Fulham Fund and why there is a requirement for a decision from the Committee regarding the inclusion of the McCloud underpin to affected members of the Hammersmith & Fulham Pension Fund.

---

**RECOMMENDATIONS**

To approve the recommendation that the Hammersmith & Fulham Fund defers detailing the McCloud underpin until 31 August 2026 for the detailed groups for whom the calculation cannot be included in their 2024/25 annual benefit statement as a retrospective decision.

---

**Wards Affected:** None

---

| Our Values | Summary of how this report aligns to the H&F Values |
|---|---|
| Being ruthlessly financially efficient | Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council taxpayer. |

## Financial Impact

None

## Legal Implications

None

Angela Hogan, Chief Solicitor (Contracts and Procurement) 28th August 2025

## Background Papers Used in Preparing This Report

**None**

---

**DETAILED ANALYSIS**

## Proposal

1. The McCloud regulations state that administering authorities have the discretion not to reflect McCloud protection in 2025 annual benefit statements.

2. Many of the software providers including that used by LPPA, Civica have had delays in implementing the required updates to systems to enable LPPA to deliver the annual benefit statements with the McCloud underpin by 31 August 2025 for all membership groups.

3. There has been some discussion as to whether the Fund's inability to send out all benefit statements with the McCloud underpin details by 31 August 2025 for all membership groups is a breach of the law.

4. The statutory guidance states that for most members the statutory guidance ends on 31 August 2025.

5. In August 2024, MHCLG laid the LGPS (Information) Regulations 2024 which detailed that annual benefit statement for active and deferred members, deferred pensioners and pension credit members. In which it removed the requirement to reflect McCloud protection in 2024 statements and the discretion on whether to use in 2025 annual benefit statement for individual groups and groups of members.

6. This is provided that the determination is made before the 31 August 2025 and that it is reasonable in all circumstances.

7. In August 2025, of the 3487 members due an annual benefit statement. LPPA have issued 3178 annual benefit statements, with potentially 276 at risk of not being sent out and a further 33 that will receive an annual benefit statement without the McCloud underpin detail. Those members affected are those with a pension sharing order, transfer ins/out, additional pension, aggregation, deceased members.

8. In mid August 2025, of the retrospective members i.e. those who are pensioners, transferred out, have deceased or have taken all their pension benefits as they had accumulated a small amount (trivial commutation). There are 1469 cases of which only 1354 are able to be sent out, leaving a remainder of 115 who will not receive an annual statement and will be notified on the reason why.

9. For the Hammersmith & Fulham Fund there is a total of 309 (11.2%) members affected by McCloud that LPPA are unable/or may be unable to receive an accurate annual benefit statement. by the 31 August 2025.

10. The recommendation is that the Hammersmith & Fulham Fund uses its discretion to delay the provision of an annual benefit statement to 31 August 2026.

11. The Pension regulator expects Fund's using this discretion inform the affected members.

12. The Fund is aware that given that August in not in the cycle of formal meetings for the pension Fund Committee that it was not possible to consider this recommendation ahead of the deadline. Therefore, the recommendation is being presented to the Pension Fund Committee to make the decision retrospectively in the September 2025 meeting.

13. The Fund understands that it may be required to share information about past service with other public service pension schemes because of the McCloud remedy.

14. LPPA will advise members if they will not receive a benefit statement to manage their expectations.

## Reasons for Decision

15. Approval and implementation of the discretion fulfils the pension funds right of discretion as detailed in the Department of Levelling up, Housing and Communities Councils, LGPS England and Wales – McCloud Implementation statutory guidance.

16. There is only a small number of the Hammersmith & Fulham population affected by this and most members have received this information in their annual benefit statement.

17. The Head of Pensions has asked LPPA for regular updates to allow progress to be monitored as part of the action plan.

18. The Head of Pensions has consulted with peers and LPPA and it is considered that despite this decision being made retrospectively after the regulatory deadline of the 31st August 2025, as this is not of material interest to the Pension regulator and therefore no self reporting has been or will be required by the Fund.

## Equality Implications

None

## Risk Management Implications

None

## Climate and Ecological Emergency Implications

None

## Procurement implications

None

## LIST OF APPENDICES

None

# Agenda Item 8

**London Borough of Hammersmith & Fulham**

**Report to:** Pension Fund Committee

**Date:** 9 September 2025

**Subject:** Draft Annual Report 2024/25

**Report author:** Siân Cogley, Pension Fund Manager

**Responsible Director(s):** Phil Triggs, Tri-Borough Director of Treasury and Pensions

Eleanor Dennis, Head of Pensions

---


**Summary**

This report presents the draft Pension Fund Annual Report and Statement of Accounts for the year ended 31 March 2025.


**Recommendations**

1. That the Pension Fund Committee approve the draft Pension Fund Annual Report for 2024/25 and delegate the approval of the final version to the Director of Treasury and Pensions in consultation with the Chair.

---

**Wards Affected:** None

---

**LBHF Priorities**

Please state how the outcome will contribute to our priorities

| Our Priorities | Summary of how this report aligns to the LBHF priorities |
|---|---|
| • Building shared prosperity | Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the council and the council tax payer. |

**Financial Impact**

The report is an annual permanent record of the financial state of the pension fund with the intention that the Fund will be continually monitored to ensure that scheme members' future pensions are safeguarded.

**Legal Implications**

None.

---

**DETAILED ANALYSIS**

**Annual Report**

1. The Pension Fund Annual Report 2024/25, which includes the draft Pension Fund Accounts 2024/25, is a regulatory requirement and is required to be approved by the Pension Fund Committee. The draft Pension Fund Annual Report for 2024/25 is attached as Appendix 1.

2. The 'Preparing the Pension Fund Annual Report Guidance for Local Government Pension Scheme Funds' was updated in April 2024. As part of the new guidance, links to the full text versions of the funding strategy statement, the investment strategy statement, the governance compliance statement and the communication policy have been included in the Annual report, rather than including the full policies in the report.

3. Members are asked to comment on any matters in the draft Pension Fund Annual Report and delegate approval of the final document to the Director of Treasury and Pensions in consultation with the Chair.

4. The deadline for publishing the Pension Fund Annual Report is 1 December 2025. The statement of accounts was completed and presented to the Committee in June 2025.

5. A draft Annual Report has been shared with the external auditors prior to approval at this Pension Fund Committee meeting.

**Appendix:**

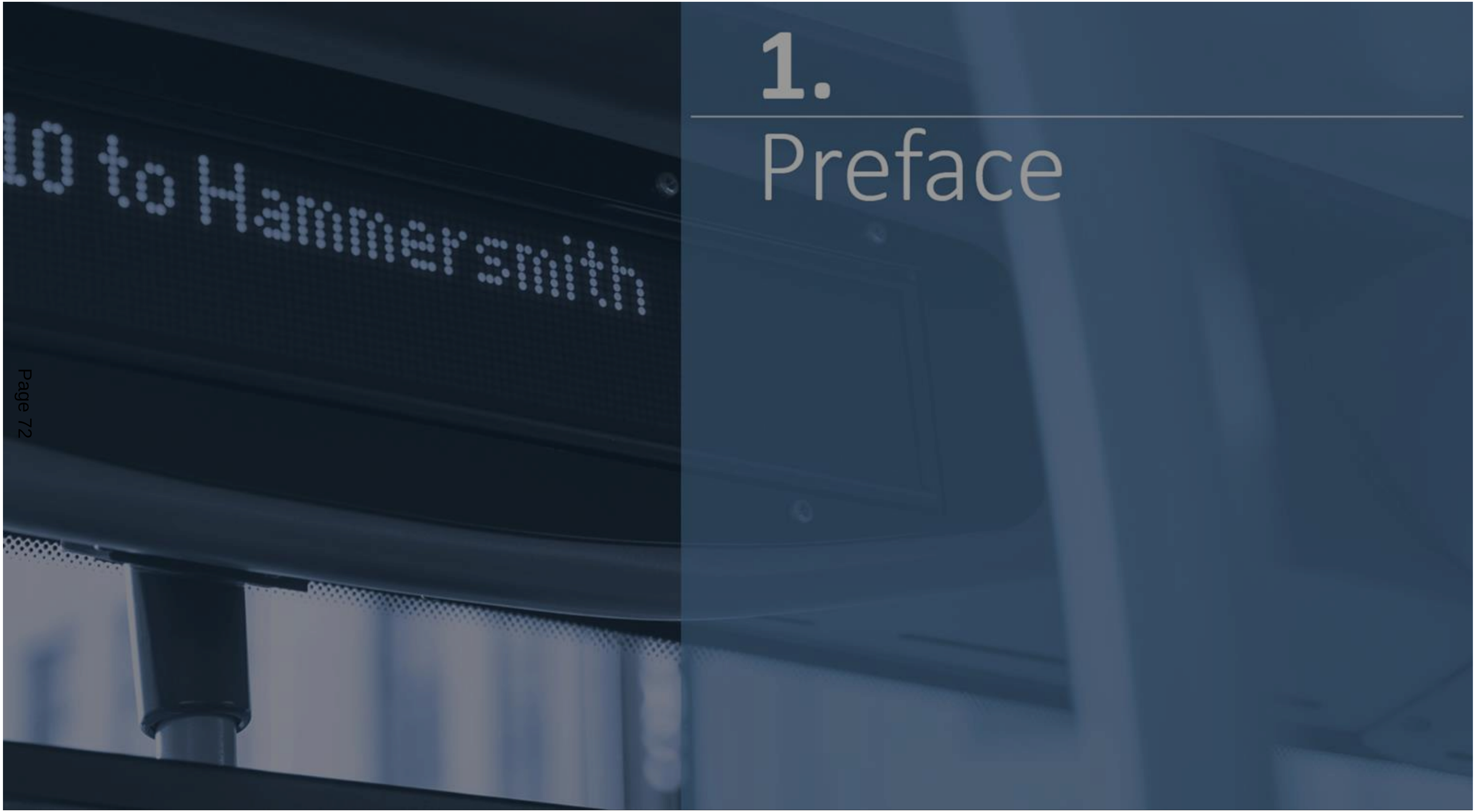
**Appendix 1:** London Borough of Hammersmith and Fulham Pension Fund Draft Annual Report 2024/25

# Annual Report

## Hammersmith and Fulham Pension Fund 2024/25

# Contents

# 1. Preface



# Report from Chair of the Pension Fund Committee



## WELCOME TO THE ANNUAL REPORT OF HAMMERSMITH AND FULHAM PENSION FUND

The Pension Fund Committee is responsible for overseeing the governance and management of the London Borough of Hammersmith and Fulham Pension Fund, including investment management and pension administration responsibilities. As the current Chair of this Committee, I am pleased to introduce the Pension Fund's Annual Report for the year 2024/25.

At the 2022 actuarial valuation the London Borough of Hammersmith and Fulham Pension Fund achieved a funding level of 105%. As at 31 March 2025, the indicative funding level has risen by 15% to 120% from the triennial valuation. Returns have continued to exceed the discount rate during the period, primarily because of excellent performance across the Fund's asset classes.

The Committee agreed top ups to two investments in year. Allocating an additional £30m to Alpha Real Capital Index Linked Income Fund and £35m Quinbrook Renewable Infrastructure Fund II.

The Fund collaborates closely with its LGPS pool, the London Collective Investment Vehicle (LCIV), to enhance efficiency by pooling Pension Fund assets. This collaboration allows the Fund to benefit from reduced fees that have been negotiated and to leverage additional services offered by the LGPS asset pool, such as climate-related reporting and asset manager engagement. With 60% of its assets pooled, the London Borough of Hammersmith and Fulham Pension Fund remains a key supporter of the London CIV pool.

I would like to thank all those involved in the governance and management of the Pension Fund during the year, especially those who served on the Pension Fund Committee during this time.

Councillor Ross Melton
Chair of the Pension Fund Committee

# Introduction

The London Borough of Hammersmith and Fulham Pension Fund (the Fund) is part of the national Local Government Pension Scheme (LGPS) and is administered locally by Hammersmith and Fulham Council.

It is a contributory defined benefit pension scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of the Hammersmith and Fulham Council and the admitted and scheduled bodies in the Fund.

These benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. Teachers are excluded from this scheme as they are administered under the Teachers' Pension Scheme.

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies, and from investment returns on the Fund's investment assets. Contributions rates for employees set in accordance with the Local Government Pension Scheme Regulations 2013.

Employer contributions are set based on the triennial actuarial funding valuation. The latest valuation for the fund was carried out as at 31 March 2022, and the new contributions came into effect from 1 April 2023.

The benefits payable from the Fund in respect of service from 1 April 2014 are set out in the Local Government Pension Scheme Regulations 2013, as amended, and in summary consist of:

- Career average revalued earnings (CARE), revalued in line with the Consumer Prices Index.
- Pensionable pay to include non-contractual overtime and additional hours.
- Flexibility for member to pay 50% contributions for 50% of the pension benefit
- Normal pension age to equal the individual member's State Pension Age.
  Option to trade £1 of pension for a £12 tax-free lump sum at retirement.
- Death in service lump sum of three times pensionable pay and survivor benefits
- Early payment of pensions in the event of ill health.

The benefits payable in respect of service prior to 1 April 2014 are based on an employee's final salary and the number of years eligible service.

Benefits accrued in the Scheme before 1st April 2014 are protected up to that dated based on the scheme member's final year's pay.

.

# Introduction Continued

The Fund is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

- The LGPS Regulations 2013 (as amended)
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
- The LGPS (Management and Investment of Funds) Regulations 2016.

The content and format of this annual report is prescribed by the LGPS Regulations 2013.

Publication of this report gives the Council the opportunity to demonstrate the high standard of governance and financial management applied to the Fund. It brings together several separate reporting strands into one comprehensive document that enables both the public and employees to see how the Fund is managed and how well it is performing.

It is in the interest of both employees and the public that the Fund is well managed and continues to provide high returns and excellent value for money

Further information about the Local Government Pension Scheme can be found at: https://www.lbhfpensionfund.org/

This annual report and the statement of accounts within have been prepared taking careful account of relevant Statutory Guidance.

**THIS ANNUAL REPORT COMPRISES THE FOLLOWING SECTIONS:**

**Management and Financial Performance** which explains the governance and management arrangements for the Fund, a summary of the financial position and the approach to risk management.

**Investment Policy and Performance** which details the Fund's investment strategy, arrangements and performance.

**Scheme Administration** which sets out how the Scheme's benefits and membership are administered.

**Actuarial Information** which includes the funding position of the Fund with a statement from the Fund's actuary.

**The Fund's Annual Accounts** for the year ended 31 March 2024.

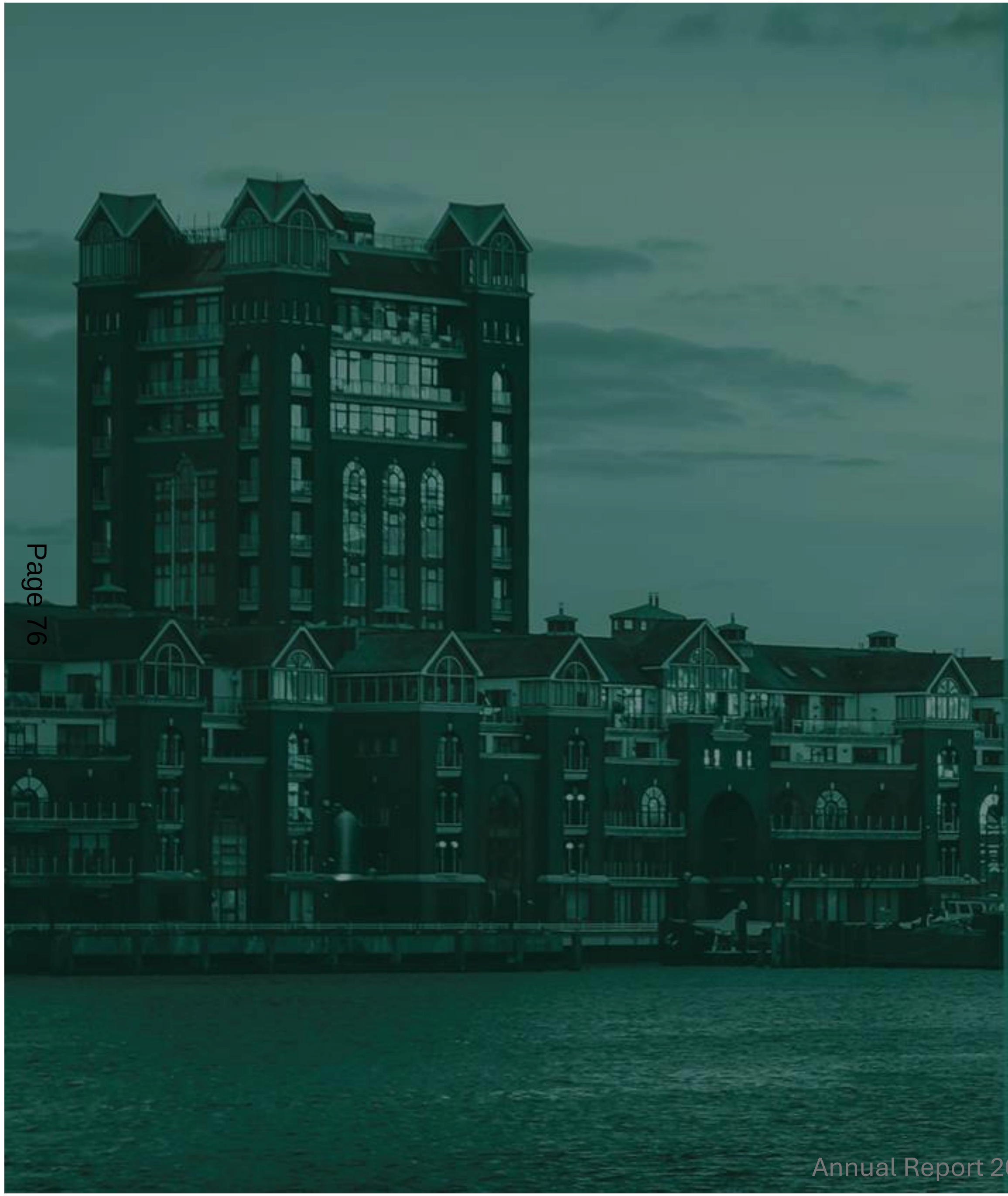
**Asset Pools** and their governance structure including costs

**List of contacts** and a glossary of some of the more technical terms

**Appendices** setting out the various regulatory policy statements of the Fund:

Governance Compliance Statement
Statement of Investment Principles
Communication Policy
Funding Strategy Statement
Pension Administration Strategy
Report of the Pensions Board

Page 76



# 2.

# Management and Financial Information

# Governance Arrangements

### PENSION FUND COMMITTEE

The London Borough of Hammersmith and Fulham Council has delegated responsibility for pension matters to the Audit, Pensions and Standards Committee.

The Committee is comprised of five elected representatives of the council – four from the administration and one opposition party representative. Members of the admitted bodies and representatives of the Trade Unions may attend the committee meetings but have no voting rights. To manage the workload of the committee, it has delegated decisions in relation to all pension matters to the Pension Fund Committee.

The Committee obtains and considers advice from the Tri-Borough Director of Treasury and Pensions, the Section 151 Officer and, as necessary, from the Fund's appointed actuary, advisors and investment managers.

### Terms of reference for the Committee are:

- To agree the investment strategy and strategic asset allocation having regard to the advice of the fund managers and the investment consultant.
- To monitor performance of the Pension Fund, individual fund managers, custodians, actuary and other external advisors to ensure that they remain suitable.
- To determine the Fund's management arrangements, including the appointment and termination of fund managers, actuary, custodians and fund advisors.
- To agree the Statement of Investment Principles, the Funding Strategy Statement, the Business Plan for the Fund, the Governance Policy Statement, the Communications Policy Statement and the Governance Compliance Statement and to ensure compliance with these.
- To approve the final Statement of Accounts of the Pension Fund and to approve the Annual Report.
- To receive actuarial valuations of the Pension Fund regarding the level of employers' contributions necessary to balance the Pension Fund.
- To oversee and approve any changes to the administrative arrangements, material contracts and policies and procedures of the Council for the payment of pensions, and allowances to beneficiaries.
- To make and review an admission policy relating to admission agreements generally with any admission body.
- To ensure compliance with all relevant statutes, regulations and best practice with both the public and private sectors.
- To review the arrangements and managers for the provision of Additional Voluntary Contributions for fund members.
- To receive and consider the Auditor's report on the governance of the Pension Fund.
- To determine any other investment or Pension Fund policies that may be required from time to time to comply with Government regulations and to make any decisions in accordance with those policies.

# Governance Arrangements Continued

## PENSION FUND COMMITTEE

The membership throughout 2024/25 of the Pension Fund Committee is set out below.

| Councillor | Committee Attendance 24/25 |
|---|---|
| Ross Melton (Chair) | 5/5 |
| Adrian Pascu-Tulbure (Vice) | 4/5 |
| Laura Janes | 5/5 |
| Adam Peter Lang | 5/5 |
| Florian Chevoppe-Verdier | 5/5 |

Councillors may be contacted at Hammersmith Town Hall, King Street, London, W6 9JU.

## PENSIONS BOARD

The Council has also established a Pensions Board (the Board) to assist the Pension Fund Committee as required by the Public Services Pensions 2013. The purpose of the Pensions Board is to provide oversight of the Pension Fund Committee.

The Board does not have a decision-making power in relation to management of the Fund but is able to make recommendations to the Pension Fund Committee.

The Board meets at least twice a year and is made up of two employer representatives nominated by the Council and four scheme member representatives from the Council or an admitted or scheduled body.

**Terms of reference for the Pensions Board are:**

- To secure compliance with the LGPS Governance regulations and any other legislation relating to the governance and administration of the Fund.
- To secure compliance with any requirements imposed by the Pensions Regulator in relation to the Scheme
- To ensure effective and efficient governance and administration of the Scheme

The membership of the Pensions Board throughout 2024/25 is set out below.

| Board Member | Employer/Employee | Attendance 2024/25 |
|---|---|---|
| Cllr Ashok Patel (Chair) | Employer | 2/2 |
| Cllr Nikos Souslous | Employer | 2/2 |
| William O'Connell | Employee | 2/2 |
| Patsy Ishmael | Employee | 2/2 |
| Bruce Mackay | Employee | 1/2 |
| Andy Sharpe | Employee | 1/2 |

# Governance Arrangements Continued

## CONFLICTS OF INTEREST

The Pension Fund is governed by elected members acting as trustees and the Code of Conduct for elected members' sets out how any conflicts of interests should be addressed. The Members Code of Conduct is in Part 5 of the Council Constitution which can be found online at www.lbhf.gov.uk

The Code includes general provisions on ethics and standards of behaviour which require elected members to treat others with respect and not to bully, intimidate or do anything to compromise the impartiality of those who work for or on behalf of the Council.

The Code also contains rules about "disclosable pecuniary interests" and sets out the action an elected member must take when they have such an interest in Council business, for instance withdrawing from the room or chamber when the matter is discussed and decided in committee, unless dispensation has been obtained from the Council's Monitoring Officer.

## GOVERNANCE COMPLIANCE STATEMENT

The LGPS Regulations 2013 require Pension Funds to prepare, publish and maintain a governance compliance statement; and to measure the governance arrangements in place against a set of best practice principles. This measurement should result in a statement of full, partial or non-compliance with a further explanation provided for any non- or partial-compliance.

The key issues covered by the best practice principles are:

- Formal committee structure;
- Committee membership and representation;
- Selection and role of lay members;
- Voting rights;
- Training, facility time and expenses.

A hyperlink to the Fund's Governance Compliance statement can be found in the Appendices section of this report.

.

# Governance Arrangements Continued

## MEMBER AND OFFICER TRAINING

All Committee and Board members are required to have sufficient knowledge and understanding of pensions matters to undertake their roles. Board members are expected to comply with a separate policy on knowledge and understanding and maintain appropriate records.

The Tri-Borough Treasury and Pensions team host half day training sessions for all members to attend during the year.

Further relevant training is planned by officers for 2025/26 based on the needs of Committee and board members.

Training sessions during the year covered a diverse range of topics, including:

- Interpreting LGPS Pension Fund Accounting Statements;
- Government Policy on the Future of UK LGPS Pensions;
- Latest Actuarial Position in the LGPS;
- Global Updates on Natural Capital, Responsible Investment and Environmental, Social and Governance Issues;
- Market Updates of a variety of asset classes.

## FREEDOM OF INFORMATION REQUESTS

The public have the right to ask to see recorded information held by public authorities, as set out in the Freedom of Information Act 2000. During the year, the Fund received 17 Freedom of Information requests (FOIs), 16 were responded to within the statutory deadline of 20 working days. The remaining request was responded to shortly after it’s deadline, due to a delay in information requested from third parties

.

# Scheme Management and Advisors 2024/25

## EXTERNAL

| | | | |
|---|---|---|---|
| **Investment Advisor** | Isio | | |
| **Investment Managers** | **Global Equities (Passive)**<br>Legal & General Investment Management<br>Morgan Stanley Investment Management<br>**Private Multi-Asset Credit**<br>Partners Group<br>Aberdeen Standard<br>**Infrastructure**<br>Aviva Investors<br>Partners Group<br>Quinbrook | **Absolute Return**<br>Ruffer<br>**Fixed Income**<br>Oakhill Advisors<br>Long Lease Property<br>Aberdeen Standard<br>**Private Equity**<br>Unigestion | **Ground Rents**<br>Alpha Real<br>**Illiquid Alternatives**<br>Darwin<br>**Affordable Housing**<br>Man Group<br>**Bonds**<br>Allspring Global<br>Insight |
| **Custodian** | Northern Trust | | |
| **Banker** | NatWest Bank | | |
| **Actuary** | Hymans Robertson LLP | | |
| **Auditor** | Grant Thornton LLP | | |
| **Legal Adviser** | Eversheds Sutherland | | |
| **Scheme Administrator** | LPPA | | |
| **AVC Providers** | Scottish Widows Workplace Pensions | Utmost Life and Pensions | |

# Scheme Management and Advisors 24-25 Continued

## OFFICERS

| | | | |
|---|---|---|---|
| **Strategic Director of Finance and Governance (S151 Officer)** | Sukvinder Kalsi | | |
| **Tri-Borough Pensions Team** | Phil Triggs | Julia Stevens | Alastair Paton |
| | Mathew Dawson | Billie Emery | Ruby Vuong |
| | Patrick Rowe | Siân Cogley | Sukdev Singh |
| **Pensions Manager** | Eleanor Dennis | | |

*Contact details are provided in Section 7 of this report*

# Risk Management

The Fund's primary long-term risk is that its assets fall short of its liabilities such that there are insufficient assets to pay promised benefits to members. The investment objectives have been set with the aim of maximising investment returns over the long term within specified risk tolerances. This aims to optimise the likelihood that the promises made regarding members' pensions and other benefits will be fulfilled.

The responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. To manage the risks a Pension Fund Risk Register is maintained, focusing on investment risks and on administration risk. This document is reviewed quarterly. For the key risks which have been identified, appropriate planned actions have been introduced to minimise their impact. The risk register is managed by the Tri-Borough Director of Treasury and Pensions and risks have been assigned to the appropriate "risk owners".

Risks arising from financial instruments are outlined in the notes to the Pension Fund Accounts (Note 16).

The Funding Strategy Statement (Link included in the appendices section of this report) sets out the key risks, including demographic, regulatory, governance, to not achieving full funding in line with the strategy.  The actuary reports on these risks at each triennial valuation or more frequently as and when required.

**The key risks identified within the Pension Fund Risk Register are:**

| Objective Area at Risk | Risk | Risk Rating | Responsible Officer | Mitigating Actions |
|---|---|---|---|---|
| **Investment** | Significant volatility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainty, including with Russia and Ukraine and conflicts in the Middle East. | High | Tri-Borough Director of Treasury and Pensions | The Fund's officers are in regular dialogue with investment managers with regards to their management of political risk.<br>The Fund holds a well-diversified portfolio, and the investment strategy is reviewed regularly. |
| . **Administration** | Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints. | Medium | Director of Finance | The Fund's officers continue to monitor the staffing changes, contract and KPIs of third-party provider. |

# Risk Management Continued

| Objective Area at Risk | Risk | Risk Rating | Responsible Officer | Mitigating Actions |
|---|---|---|---|---|
| **Funding** | There is insufficient cash available to the Fund to meet pension payments due to reduced income generated from underlying investments, leading to investment assets being sold at sub-optimal prices to meet pension obligations. | Medium | Director of Finance | The Fund's officers maintain a regularly monitored cashflow forecast.<br>The Fund's cash position is reported to Committee quarterly.<br>The Fund continually reviews the income it receives from underlying investments |
| **Governance** | The asset pool disbands, or the partnership fails to produce proposals/solutions deemed sufficiently ambitious. | Medium | Tri-Borough Director of Treasury and Pensions | The Fund's officers frequently engage with the pool and partner funds<br>Ongoing fund and pool proposals are monitored regularly |
| **Funding** | Scheme members live longer than expected leading to higher-than-expected liabilities. | Medium | Tri-Borough Director of Treasury and Pensions | The scheme's pension liabilities are reviewed on a quarterly basis and revalued every three years. |
| **Investment** | Volatility caused by Brexit factors, including ongoing supply chain issues and reduced trade and economic activity, as well as diminished UK financial and investment market activity. | Medium | Tri-Borough Director of Treasury and Pensions | Officers regularly consult and engage with advisors and independent managers. |

# Risk Management Continued

## THIRD PARTY RISKS

The Council has outsourced the following functions of the Fund:

- Investment management;
- Custodianship of assets;
- Pensions administration.

As these functions are outsourced, the Council is exposed to third party risk. A range of investment managers are used to diversify manager risk.

To mitigate the risks regarding investment management and custodianship of assets, the Council obtains independent internal controls assurance reports from the reporting accountants to the relevant service providers. These independent reports are prepared in accordance with international standards. Any weaknesses in internal controls highlighted by the control's assurance reports are reviewed and reported as necessary to the Pension Committee.

The Council's internal audit service undertakes planned programmes of audits of all the Councils' financial systems on a phased basis, all payments and income/contributions are covered by this process as and when the audits take place.

**The results of these reviews are summarised in the table and cover 99.5% of investment holdings at 31 March 2025.**

.

| | Type of Assurance | Control Framework | Compliance with Controls | Reporting Accountant |
|---|---|---|---|---|
| **Fund Manager** | | | | |
| **Aberdeen Standard** | ISAE 3402 | Reasonable assurance | Reasonable assurance | KPMG LLP |
| **Legal & General** | ISAE 3402 | Reasonable assurance | Reasonable assurance | KPMG LLP |
| **Morgan Stanley** | ISAE 3402 | Reasonable assurance | Reasonable assurance | Deloitte |
| **Oak Hill Advisors** | SOC10 | Reasonable assurance | Reasonable assurance | RSM US LLP |
| **Partners Group** | ISAE 3402 | Reasonable assurance | Reasonable assurance | PWC LLP |
| **Ruffer LLP** | ISAE 3402 | Reasonable assurance | Reasonable assurance | Ernst Young LLP |
| **Darwin** | ISAE 3402 | Reasonable assurance | Reasonable assurance | BDO Limited |
| **Alpha Real Capital** | AAF 01/20 | Reasonable assurance | Reasonable assurance | BDO Limited |
| **Man Group** | ISAE 3402 | Reasonable assurance | Reasonable assurance | Ernst Young LLP |
| **Allspring Global** | SOC10 | Reasonable assurance | Reasonable assurance | KPMG LLP |
| **Insight** | ISAE 3402 | Reasonable assurance | Reasonable assurance | KPMG LLP |
| **Quinbrook** | ISAE 3402 | Reasonable assurance | Reasonable assurance | BDO Limited |
| **Custodian** | | | | |
| **Northern Trust** | ISAE 3402 | Reasonable assurance | Reasonable assurance | KPMG LLP |

# Financial Performance

The Fund asset value increased by £36m during 2024/25, to £1,413m as at 31 March 2025, this was largely because of positive performance within the global equity mandate and fixed income portfolios.

A triennial revaluation was completed in 2022/23 showing an improvement in the overall funding level to 105% compared to 97% in 2019. However, funding levels for different employers vary significantly. To improve funding levels, the Council's medium-term financial plan already assumes an increase in employer contributions, which in combination with other employers, will improve the overall funding level over the medium term. The latest triennial revaluation took place in 2022 and set employer contribution rates from 1 April 2023 onwards. The next triennial valuation will take place in 2025 and set rates from 1 April 2026 onwards.

Over the five-year period, pensions paid have exceeded contributions received by £57m in total. This reflects the maturity of the Fund membership in that there are fewer contributors than beneficiaries.

Both officers and the Pension Fund Committee monitor investment performance closely and refer to independent investment advisers as necessary to ensure the Fund's investments are being managed effectively.

### Fund Account Analytical Review

| Fund account | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|
| **Dealings with members** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Contributions** | (41,534) | (42,920) | (43.807) | (49,925) | (52,146) |
| **Pensions** | 52,088 | 54,096 | 54,869 | 60,845 | 65,115 |
| **Net (additions)/withdrawals from dealings with members** | 10,554 | 11,176 | 11,062 | 10,920 | 12,969 |
| **Management expenses** | 8,903 | 9,915 | 8,283 | 10,857 | 8,260 |
| **Investment Income** | (12,327) | (11,170) | (24,673) | (19,531) | (21,426) |
| **Change in market value** | (215,444) | (115,585) | 39,819 | (89,367) | (35,670) |
| **Net (increase)/decrease in the Fund** | **(208,337)** | **(105,690)** | **34,470** | **(87,121)** | **(35,867)** |

# Financial Performance Continued

The points to note are:

44.6% of pooled investment vehicles comprise of global equity shareholdings (43.5% in 23/24), 25.3% within dynamic assets (25.9% in 23/14), 19.1% is invested in secure income (18.8% in 23/24), while the remaining 11.0% is invested in inflation protection (11.2% in 23/24.

The overall value of pooled investment vehicles increased by £27m (3%) during the year, largely due to positive performance within the equity, and fixed income asset classes.

Further details are given in the Investment Policy and Performance Section.

## Net Asset Statement Analytical Review

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|
| **Net Asset Statement** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Bonds** | - | - | - | - | - |
| **Equities** | 150 | 150 | 150 | 150 | 150 |
| **Pooled investment vehicles** | 1,214,810 | 1,287,378 | 1,260,391 | 1,353,274 | 1,380,705 |
| **Cash deposits** | 8 | 32,104 | 20,245 | 7,456 | 27,459 |
| **Other** | 13 | 7 | 39 | 18 | 92 |
| **Total Investment Assets** | 1,214,981 | 1,319,639 | 1,280,675 | 1,360,898 | 1,408,406 |
| **Current assets** | 3,664 | 4,525 | 3,911 | 3,929 | 4,002 |
| **Current Liabilities** | (1,100) | (2,118) | (1,979) | (2,905) | (2,219) |
| **Net (increase)/decrease in the Fund** | 1,219,223 | 1,324,913 | 1,290,443 | 1,377,564 | 1,413,431 |

# Financial Performance Continued

The key variances were due to the following:

Lump sums increased due to more members retiring than in the prior year.

Transfers in were lower, reflecting less new starters joining the scheme and choosing to transfer in benefits on commencement of employment, than last year.

Transfers out were lower, reflecting less people leaving the scheme and choosing to transfer out their benefits than the last year.

Pension payments increased during 2024/25, primarily due to the increases in pension payments, which are linked to CPI



## Dealings with Scheme Members Analytical Review

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|
| **Contributions Receivable** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Members** | (8,004) | (8,735) | (9,539) | (10,303) | (10,768) |
| **Employers** | (24,180) | (25,568) | (27,421) | (31,323) | (33,255) |
| **Transfers In** | (9,350) | (8,617) | (6,847) | (8,299) | (8,123) |
| **Other** | | | | | |
| **Total Income** | (41,534) | (42,920) | (43,807) | (49,925) | (52,146) |
| **Benefits Payable** | | | | | |
| **Pensions** | 36,363 | 37,839 | 40,045 | 44,317 | 48,851 |
| **Lump Sums** | 8,672 | 10,368 | 8,002 | 9,439 | 9,813 |
| **Transfers Out** | 7,013 | 5,737 | 6,738 | 6,980 | 6,370 |
| **Refunds** | 40 | 152 | 84 | 109 | 81 |
| **Total Expenditure** | 52,088 | 54,096 | 54,869 | 60,845 | 65,115 |
| **Net Dealings with Members** | **10,514** | **11,176** | **11,062** | **10,920** | **12,969** |

# Financial Performance Continued

### Analysis of Operational Expenses

The costs of running the pension fund are shown below. During 2024/25, the administration costs decreased by 18% to £796k, largely due to the stabilisation of the pension administration contract and associated project costs.

The Fund's investment management expenses decreased by 27% during the year. There were three main driver of this decrease in cost, firstly due to less favourable performance in 2024/25 than 2023/24, only one fund manager hit their threshold for performance related fees. Secondly, fees from managers are calculated from the NAV, a lower NAV results in less fees. Finally, in 2023/24 the fund made four new investments, and topped up an investment, whereas in 2024/25 the fund only topped up two investments so, the transaction fees are much lower the prior year

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|
| **Administration** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Employees | 279 | 230 | 236 | 206 | 207 |
| Supplies and services | 254 | 354 | 314 | 765 | 586 |
| Other Costs | 3 | 2 | 2 | 3 | 2 |
| **Total Administration Costs** | **536** | **587** | **552** | **973** | **796** |
| **Governance and Oversight** | | | | | |
| Employees | 550 | 637 | 409 | 356 | 342 |
| Investment advisory services | 109 | 59 | 97 | 62 | 72 |
| Governance and compliance | 125 | 151 | 126 | 180 | 145 |
| External audit | -4 | 40 | 45 | 73 | 151 |
| Actuarial fees | 54 | 35 | 40 | 29 | 15 |
| **Total Governance and Oversight Costs** | **834** | **922** | **717** | **699** | **726** |
| **Investment Management** | | | | | |
| Management fees | 5,446 | 6,431 | 5,428 | 5,580 | 5,569 |
| Performance fees | 257 | 79 | 107 | 672 | 65 |
| Transaction costs | 1,764 | 1,845 | 1,377 | 2,864 | 1,033 |
| Custodian fees | 66 | 51 | 102 | 68 | 72 |
| **Total Investment Management Fees** | 7,553 | 8,406 | 7,014 | 9,184 | 6,739 |
| **Total Operational Expenses** | **8,903** | **9,915** | **8,283** | **10,857** | **8,260** |

# Financial Performance Continued

## Employer and Employee Contribution Rates

Employer contribution rates are set triennially as part of the actuarial valuation, with the most recent valuation taking place on 31 March 2022. Employer contributions need to be set at a level which ensures the Fund has enough money to pay member benefits. Employee contribution rates are based on employee salaries, with rates currently between 5.5% and 12.5% of pensionable pay. The employer and average employee contribution rates for each active employer as a percentage of pensionable pay, for 2024/25, are shown in the table below.

| Administering Bodies | Employer rate % | Employee avg. rate % |
|---|---|---|
| London Borough of Hammersmith & Fulham | 21.7% | 7.5% |
| Addison Primary School | 21.7% | 5.9% |
| All Saints Primary School | 21.7% | 5.9% |
| Avonmore Primary School | 21.7% | 5.5% |
| Bayonne Nursery School | 21.7% | 6.0% |
| Brackenbury Primary School | 21.7% | 6.1% |
| Cambridge School (Special) | 21.7% | 6.4% |
| Flora Gardens Primary School | 21.7% | 6.3% |
| Holy Cross RC Primary School | 21.7% | 6.1% |
| Jack Tizard School (Special) | 21.7% | 6.1% |
| James Lee Nursery School | 21.7% | 6.2% |
| John Betts Primary School | 21.7% | 6.0% |
| Kenmont Primary | 21.7% | 6.2% |
| Larmenier & Sacred Heart Primary | 21.7% | 5.9% |
| Melcombe Primary School | 21.7% | 5.9% |
| Miles Coverdale Primary School | 21.7% | 6.0% |
| Normand Croft Community School | 21.7% | 5.9% |
| Old Oak Primary School | 21.7% | 6.0% |
| Randolph Beresford Early Years | 21.7% | 5.9% |
| Sir John Lillie Primary School | 21.7% | 5.9% |
| St Johns CE Primary School | 21.7% | 6.1% |
| St Mary's Primary School | 21.7% | 6.0% |
| St Paul's Primary School | 21.7% | 6.1% |
| St Peter's Church of England Primary School | 21.7% | 5.9% |
| St Stephens CoE Primary School | 21.7% | 6.0% |
| St. Thomas of Canterbury Primary | 21.7% | 5.9% |
| The Good Shepherd Primary School | 21.7% | 5.9% |
| Vanessa Nursery School | 21.7% | 6.1% |
| Wendall Park Primary School | 21.7% | 6.3% |
| William Morris Sixth Form School | 21.7% | 6.2% |
| Wood Lane High School | 21.7% | 6.3% |
| Wormholt Park Primary School | 21.7% | 6.4% |

# Financial Performance Continued

### Scheduled Bodies

Scheduled bodies are organisations which have a statutory right to be a member of the Local Government Pension Scheme under the regulations e.g. academy schools

| Scheduled Bodies | Employer Contribution Rate % | Employee Contribution Avg. Rate % |
|---|---|---|
| Mortlake Crematorium Board | 21.9% | 6.8% |
| London Oratory School | 15.2% | 6.3% |
| Ark Burlington Danes Academy | 13.5% | 6.0% |
| Hammersmith Academy | 23.0% | 6.8% |
| Sacred Heart Academy | 23.0% | 6.7% |
| Ark Conway Primary Academy | 23.0% | 5.7% |
| Knowledge West London Free School | 23.0% | 7.0% |
| Ark Bentworth Primary Academy | 23.0% | 5.6% |
| Lady Margaret Academy | 23.0% | 7.3% |
| Ark Swift Primary Academy | 23.0% | 5.8% |
| Fulham College Academy Trust (Girls) | 23.0% | 6.5% |
| Hurlingham and Chelsea Academy | 21.9% | 6.8% |
| Fulham Boys Free School | 23.0% | 6.6% |
| Fulham College Academy Trust (Boys) | 23.0% | 6.6% |
| Greenside Academy | 23.0% | 6.0% |
| Thomas' Academy | 23.0% | 6.2% |
| Langford Academy | 23.0% | 6.9% |
| Futures (Phoenix) Academy | 23.0% | 6.3% |
| The Bride AP Academy | 23.0% | 6.6% |
| Knowledge Earl's Court Free Primary School | 23.0% | 5.7% |
| Fulham Primary School | 23.0% | 5.9% |
| Queens Manor Primary School | 23.0% | 5.9% |
| Sulivan Primary School | 23.0% | 6.1% |
| Queensmill Academy | 23.0% | 6.2% |
| St Augustine's Primary Academy | 23.0% | 6.0% |
| St John XXIII Catholic Primary Academy | 23.0% | 5.8% |

# Financial Performance Continued

## Admitted Bodies

Admitted bodies participate in the pension scheme via an admission agreement made between the Council and the employing organisation.

| Admitted Bodies | Employer Contribution Rate % | Employee Contribution Avg. Rate % |
|---|---|---|
| Mitie Catering Services Ltd | 22.7% | 6.2% |
| FM Conway | 20.3% | 6.4% |
| Pinnacle PSG Ltd - Estates Services | 30.9% | 6.5% |
| Urban Partnership Group | 24.5% | 6.6% |
| Caterlink (Main Contract) | 32.6% | 5.9% |
| BT - IT services | 21.4% | 6.8% |
| Abelian-UK Ltd - Wormholt Park Primary | 35.8% | 5.5% |
| Birkin Clean | 35.9% | 5.5% |
| F M Conway (2017) | 23.8% | 5.5% |
| Peabody | 28.2% | 5.5% |
| Morgan Sindall Group - Contract 1 - | 34.3% | 6.7% |
| Morgan Sindall Group - Contract 2 - | 29.3% | 6.5% |
| Bee Services - Randolph Beresford - | 32.8% | 5.5% |
| Bee Services - Vanessa Nursery - | 35.6% | 5.5% |
| Churchill Catering | 33.9% | 5.5% |
| The Pantry (UK) Ltd (St John XXIII) | 25.2% | 5.7% |
| The Pantry (UK) Ltd (St Marys) | 23.1% | 5.5% |
| Morgan Sindall Group - Contract 3 - | 26.2% | 6.5% |
| HATS Group Ltd | 29.7% | 5.5% |
| Veolia | 20.4% | 6.5% |

# Financial Performance Continued

## Late and Overdue Contributions

As part of the Fund's Pensions Administration Strategy (PAS), officers monitor employer performance including payment of contributions and submission of monthly returns. As part of this monitoring process, the Fund can charge employers, as per the PAS, a link to which can be found in the appendices section of this report. The following table details the number of late contribution payments made during the financial year 2024/25. There was a total of 13 late payments during the year, in relation to employer and employee contributions, however the option to levy interest on overdue contributions was not exercised.

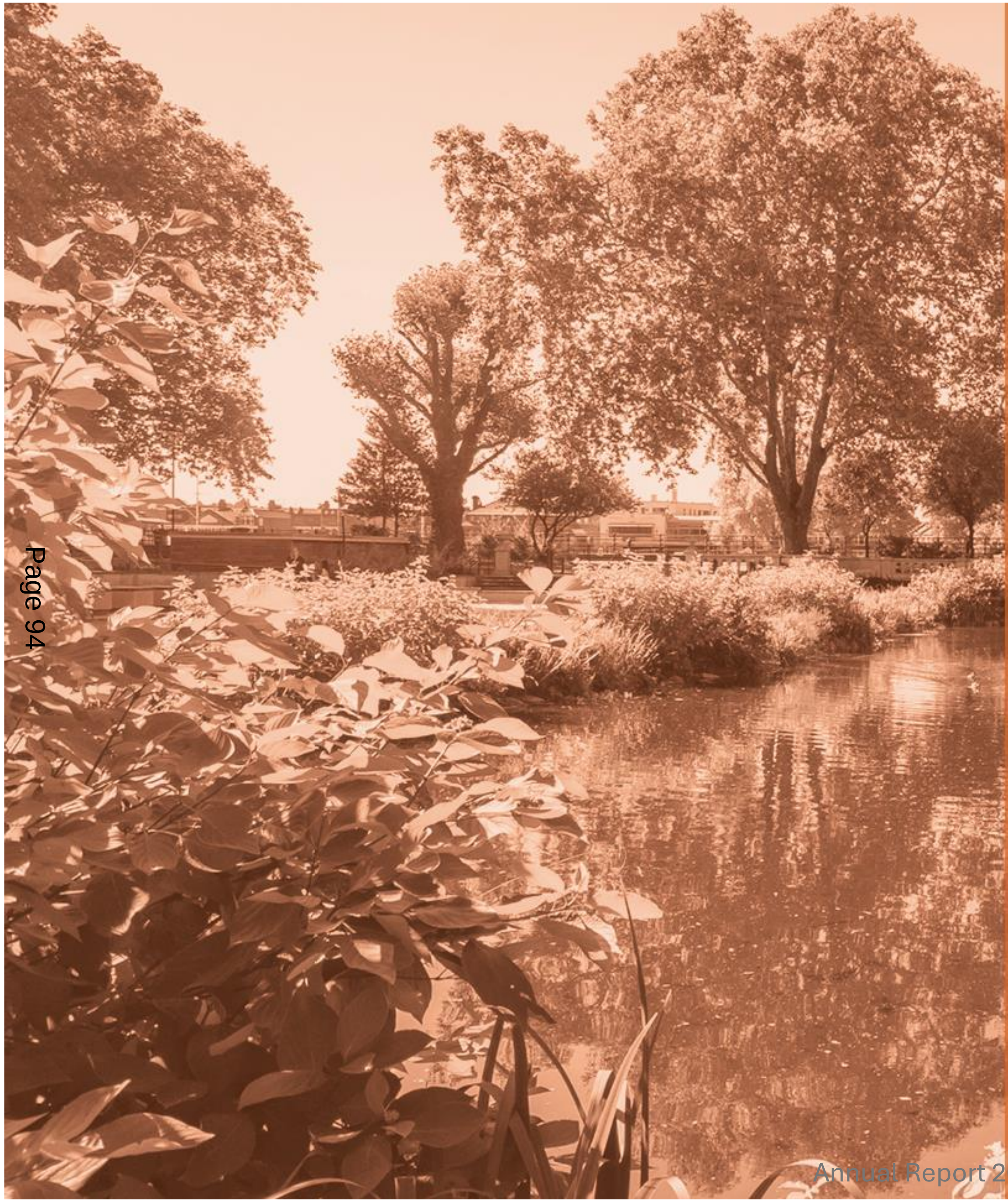
| Month | Number of Late Payments |
|---|---|
| April | 2 |
| May | 1 |
| June | 1 |
| July | 2 |
| August | 1 |
| September | - |
| October | 1 |
| November | 1 |
| December | - |
| January | - |
| February | 1 |
| March | 3 |
| **Total** | **13** |

## Pension Overpayments, Recoveries and Write Offs

The Fund's administrator, LPPA, monitors pension overpayments throughout the year. Due to time constraints and excess costs in relation to recovery, any pension payments valued at £250 or less are automatically written off. It is broadly estimated that Fund writes off approximately £20,000 - £30,000 in overpaid pension each year. The Pension Fund does however attempt to pursue those overpayments above the £250 threshold. The LBHF pensions team continues to work with the LPPA and the LBHF debt recovery teams to try and recover further outstanding overpayment fund.

## Actions Taken Against Fraud

Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss due to fraud is minimised. Strong governance arrangements and internal control are in place in respect of the Pension Fund. Internal Audit assist in the implementation of strong internal controls. Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls). Officers are not aware of any instances of fraud, credit losses, provisions, contingent liabilities, or impairments during the year.





# 3.

# Investment Policy and Performance

# Investment Policy

The Pension Fund Committee has set out a broad statement of the principles it has employed in establishing its investment and funding strategy in the Investment Strategy Statement (ISS).

The ISS sets out responsibilities relating to the overall investment policy of the Fund including:

- asset allocations
- restrictions on investment types
- methods of investment management
- performance monitoring

The ISS also sets out the Fund's approach to responsible investment and corporate governance issues, and how the Fund demonstrates compliance with the "Myners Principles." These Principles are a set of recommendations relating to the investment of pension funds originally prepared by Lord Myners in 2001 and subsequently endorsed by Government.

The current version of the Myners Principles covers the following areas:

- effective decision making
- clear objectives
- risk & liabilities
- performance measurement
- responsible ownership
- transparency and reporting

A link to the Fund's ISS has been included in the appendices section of this report.

The LGPS (Management and Investment of Funds) Regulations 2016, require the Fund to publish an ISS. The ISS addresses each of the objectives included in the 2016 Regulations, namely:

- The administering requirement to invest fund money in a wide range of instruments.
- The administering authority's assessment of the suitability of investments and types of investment.
- The administering authority's approach to risk, including the ways in which risks are to be measured and managed.
- The administering authority's approach to pooling investments, including the use of collective investment vehicles.
- The administering authority's policy on how environmental, social and corporate governance considerations are considered in the selection, non-selection, retention and realisation of investments.

Any queries relating to the Fund's investment policy should be addressed to:

Tri-Borough Pensions Team
16th Floor
64 Victoria Street
London
SW1E 6QP

Email: pensionfund@lbhf.gov.uk

# Asset Allocation

The strategic asset allocation is agreed by the Pension Fund Committee and the Fund's advisers. The allocation during the year ended 31 March 2025 was as follows:

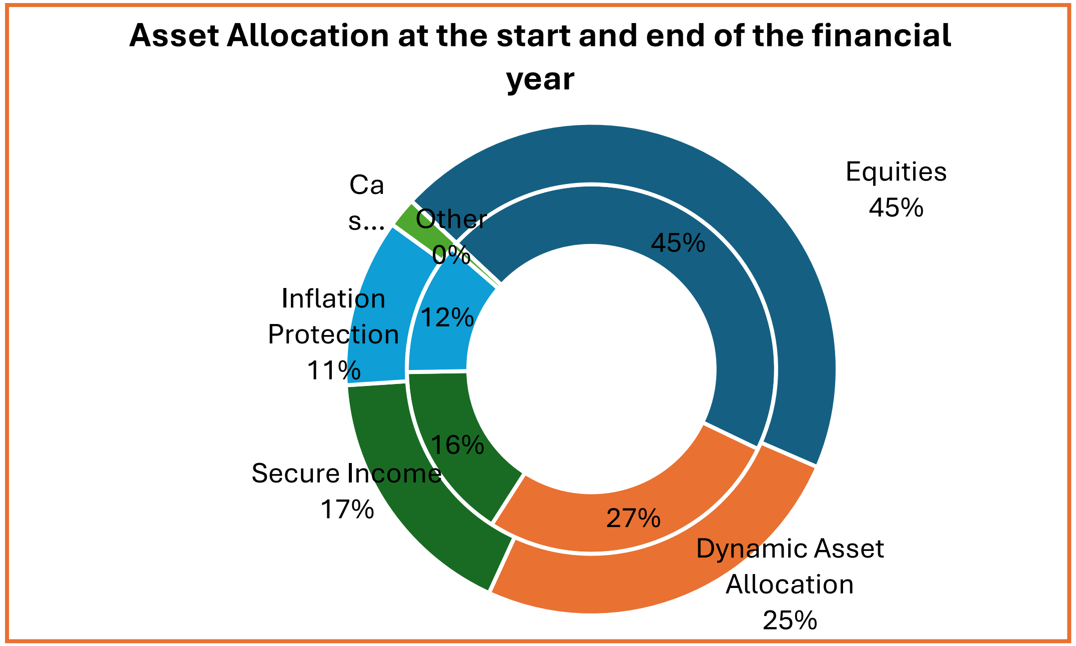
| Asset Class | Actual Allocation | Target Allocation |
|---|---|---|
| Global Equities | 44.6% | 40.0% |
| Dynamic Asset Allocation | 25.3% | 25.0% |
| Secure Income | 19.1% | 20.0% |
| Total Inflation Protection | 11.0% | 15.0% |
| **Total** | **100%** | **100.0%** |

The Pension Fund Committee holds Fund Managers accountable for decisions on asset allocation within the Fund mandate that they operate under. To follow the Myners' Committee recommendation, Fund Managers are challenged deliberately and formally about asset allocation decisions.

Investment portfolios are reviewed at each Committee meeting in discussion with the Investment Adviser and Officers, and Fund Managers are called to a committee meeting if there are issues that need to be addressed. Officers meet Fund Managers regularly and advice is taken from the Investment Advisor on matters relating to fund manager arrangement and performance.

Fund managers provide a rationale for asset allocation decisions based upon their research resource to ensure that they are not simply tracking the peer group or relevant benchmark index. The Fund's asset allocation strategy can be found in the ISS. The asset allocation of the Pension Fund at the start and end of the financial year are set out in the chart below.

These figures are based on market value and reflect the relative performance of investment markets and the impact of tactical asset allocation decisions made by the Pension Fund Committee.

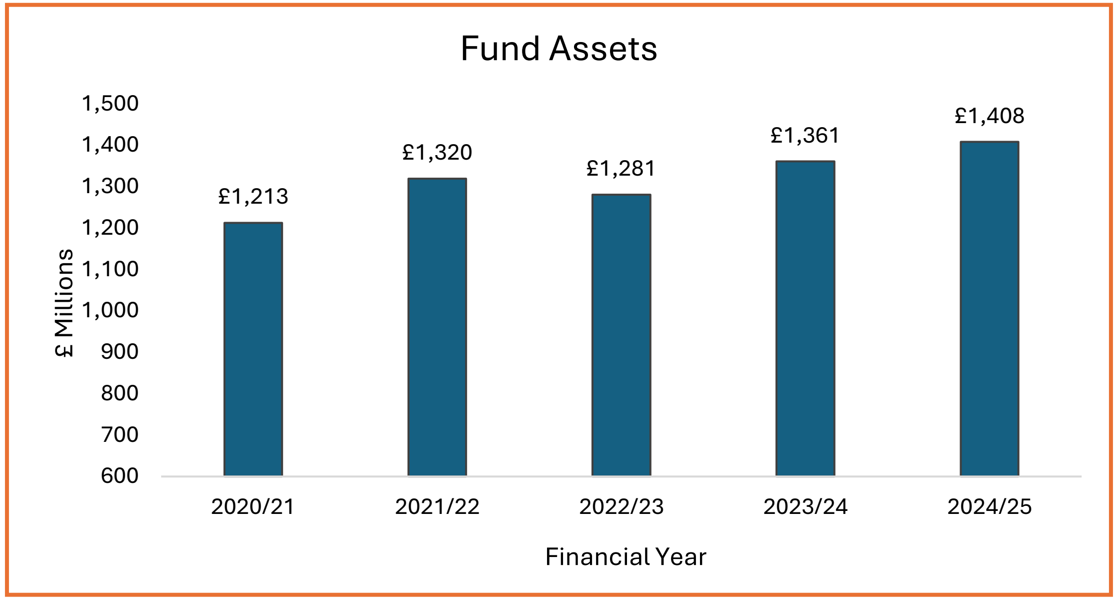


# Asset Allocation Continued

## Fund Value

The net asset value of the Fund has almost doubled over the past ten years with 16% of this growth occurring over the last five years.
In 2024/25, the fund's net asset value increased by 3% to £1.41bn.

The Fund is invested to meet liabilities over the medium to long-term and therefore its performance should be judged over a corresponding period. Annual returns can be volatile and do not necessarily indicate the underlying health of the Fund

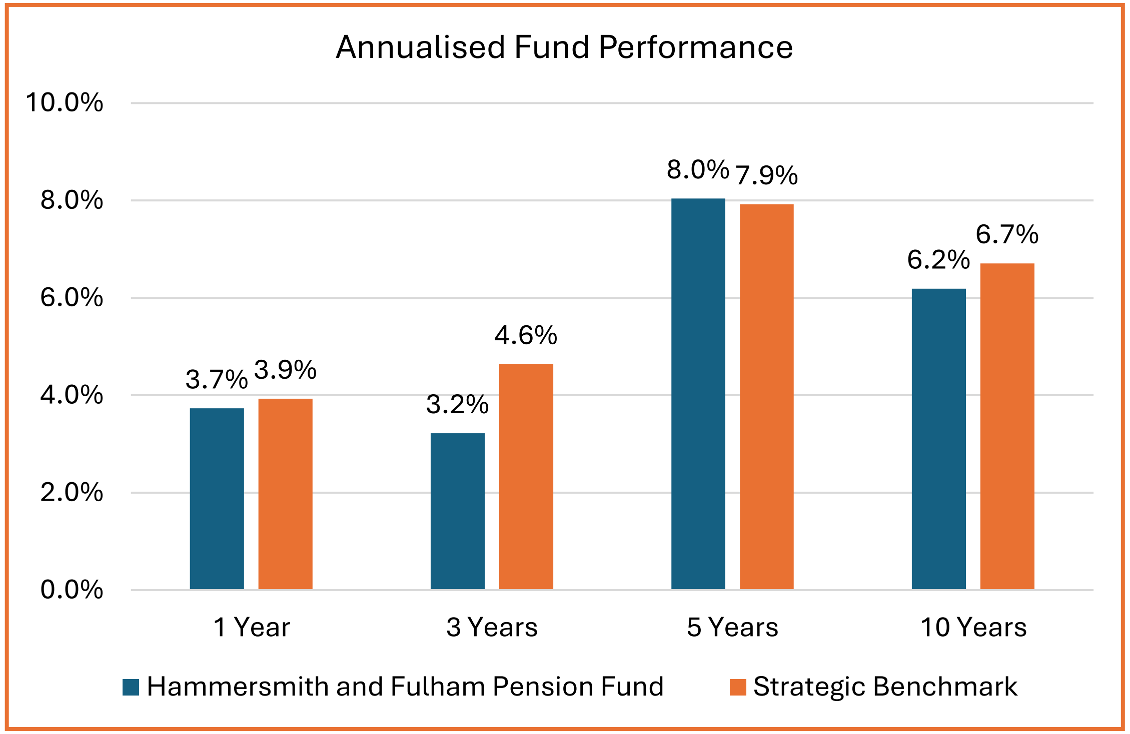


# Investment Performance

In 2024/25, the Fund's investment performance was 3.7% (7.9% in 2023/14) to £1.41bn. This was below the average LGPS return by -0.2%. Performance of the Fund is measured against an overall strategic benchmark.

Each fund manager is assigned individual performance targets which are linked to index returns for the assets they manage, e.g. FTSE All Share for UK equities. Details of these targets can be found in the Statement of Investment Principles.

The chart below shows the annualised fund performance over different time periods. Overall, the Fund has underperformed its strategic benchmark across the 10-year period with an underperformance of 0.5% in 2024/25.



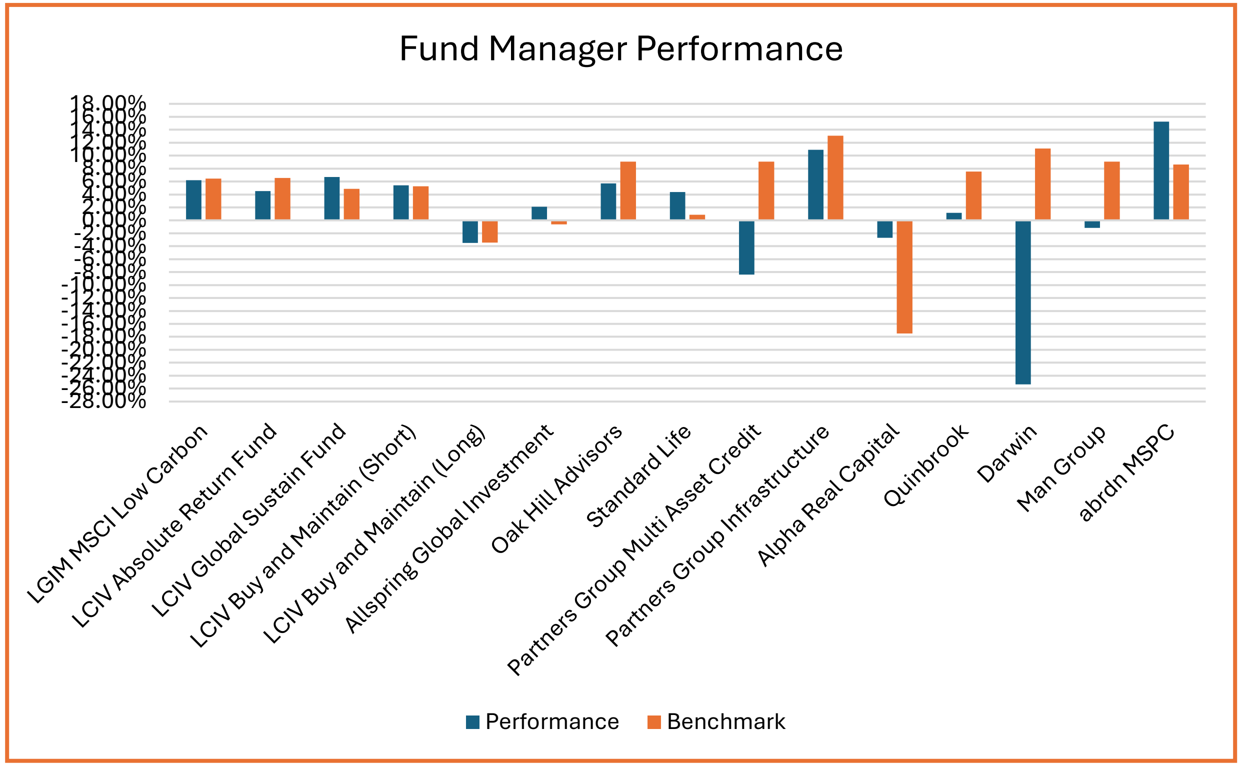
# Investment Performance Continued

| Active | Passive |
|---|---|
| **London LGPS CIV Ltd**<br>LCIV Absolute Return Fund (Ruffer)<br>LCIV Buy and Maintain Bonds (Insight)<br>LCIV Global Core (MSIM) | **Legal & General Investment Management**<br>MSCI Low Carbon Tracker Fund |
| **Partners Group**<br>Private Multi Asset Credit<br>Infrastructure | |
| **Oak Hill Advisors**<br>Multi Asset Credit | |
| **Aberdeen**<br>Long Lease Property Fund<br>Multi-sector Private Credit | |
| **Man Group**<br>Affordable Housing | |
| **Darwin Alternatives**<br>Illiquid Alternatives | |
| **Quinbrook**<br>Renewable Infrastructure | |
| **Allspring Global Investors**<br>Buy and Maintain Bonds | |
| **Alpha Real Capital**<br>Ground Rents | |

The portfolio is a mixture of active and passively managed asset classes:

- Targets for active fund mandates are set to outperform the benchmark by a set percentage through active stock selection and asset allocation.
- Targets for passive funds are set to achieve the benchmark through investment in a stable portfolio.

The table below shows the portfolio mixture of the fund. The overall performance of each manager is measured over rolling three-year or five-year periods as there will inevitably there be short-term fluctuations in performance.



# Corporate Governance

## RESPONSIBLE INVESTMENT POLICY

The Council has a paramount fiduciary duty to obtain the best possible financial return on Fund investments without exposing assets to unnecessary risk. It believes that following the best practice in terms of environmental, social and ethical issues has a positive effect on the long-term financial performance of a company and will improve investment returns to its shareholders.

The Fund investment managers, acting in the best financial interests of the Fund, are expected to consider, amongst other factors, the effects of environmental, social and ethical issues on the performance of a company when undertaking the acquisition, retention or realisation of investments for the Fund.

In 2019/20 the Fund drafted its first Responsible Investment Statement which was approved later in 2020. This has since been updated and approved by Committee in March 2025. A link to the current responsible investment strategy can be found in the appendices section of this report.

The Fund's investment managers have adopted socially responsible investment policies which are subject to regular review both by officers and by the Council's Pension Fund Committee.

## PROFESSIONAL BODIES

The Council is a member of the CIPFA Pensions Network which provides a central coordination point for all LGPS funds and local authority members. CIPFA staff and the network more generally can advise subscribers on all aspects of pensions and related legislation. Relevant training and seminars are also available to officers and members of participating funds.
While the Fund is a member of the Pensions Lifetime and Savings Association (formerly the National Association of Pension Funds), it does not subscribe to nor is it a member of the Local Authority Pension Fund Forum, UK Sustainable Investment & Finance Association or the Institutional Investors Group on Climate change or any other bodies.

## VOTING

Fund Managers have the delegated authority to vote at shareholder meetings in accordance with their own guidelines, which have been discussed and agreed with the Pension Fund Committee. The Committee keeps under close review the various voting reports that it receives from Fund managers.

## COLLABORATIVE VENTURES

The Fund has been working closely with other London LGPS funds in the London Collective Investment Vehicle set up to enable greater buying power, reduced fees and enhanced governance arrangements. The Hammersmith and Fulham Pension Fund is a shareholder in London LGPS CIV Limited and had 60.1% of assets invested with the pool as at 31 March 2025.

# Corporate Governance Continued

## SEPARATION OF RESPONSIBILITIES

The Fund has appointed Northern Trust as its global custodian, which is independent to the investment managers and responsible for the safekeeping of all the Fund's investments. Northern Trust are also responsible for the settlement of all investment transactions and the collection of income.

The Fund's bank account is held with NatWest Bank. This is used for the operation functions of the Fund which include receiving contributions from employers and paying out benefits to members.

The actuary is responsible for assessing the long-term financial position of the pension fund and issues a Rates and Adjustments statement following their triennial valuation of the Pension Fund, which sets out the minimum contributions which each employer in the Scheme is obliged to pay over the following three years.

## FUNDING STRATEGY STATEMENT

The Funding Strategy Statement (link in appendices section of this report) sets out the aims and purpose of the pension fund and the responsibilities of the administering authority regarding funding the scheme.
Its purpose is:

- To establish a clear and transparent fund-specific strategy to identify how employers' pension liabilities are best met going forward;
- To support the regulatory requirement to maintain as nearly constant employer contribution rates as possible;
- To take a prudent longer-term view of funding those liabilities.

## STEWARDSHIP CODE

The Pension Fund Committee believes that investor stewardship is a key component of good governance and is committed to exercising this responsibility with the support of its investment managers. In line with this approach, all the Fund's equity investment managers are signatories to the UK Stewardship Code.

The Pension Fund Committee believes that companies should be accountable to shareholders and should be structured with appropriate checks and balances to safeguard shareholders' interests and deliver long-term returns.

The Pension Fund Committee encourages Fund Managers to consider a range of factors before making investment decisions, such as the company's historical financial performance, governance structures, risk management approach, the degree to which strategic objectives have been met and environmental and social issues. Such considerations may also be linked to voting choices at company AGMs.

The Pension Fund Committee's role is not to micro-manage companies but provide perspective and share with boards and management our priorities for investment and approach to corporate governance. The aim is to work with management, shareholders and stakeholders to bring about changes that enhance long-term performance.

# Asset Pool Background and Governance

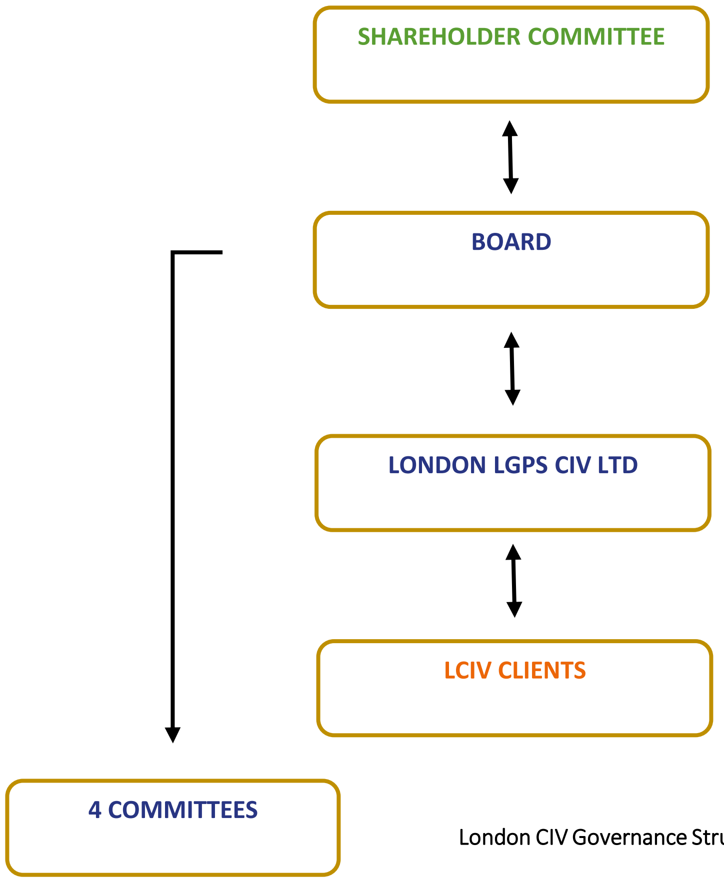
## BACKGROUND

During 2015 the Department for Levelling Up, Housing and Communities (DLUHC) issued guidance on LGPS asset pooling (LGPS: Investment Reform Criteria and Guidance), which sets out how the government expected funds to establish asset pooling arrangements. In January 2019, the DLUHC issued a consultation and draft guidance on asset pooling within the LGPS, setting out changes to the pooling framework. This guidance will set out the requirements on administering authorities, replacing previous guidance, and build on previous ministerial communications and guidance on investment strategies.

The Fund recognises the Government's requirement for LGPS funds to pool their investments and is committed to pursuing a pooling solution that ensures maximum cost effectiveness for the Fund, both in terms of return and management cost.

The pension funds across England and Wales have come together to form eight asset pools. This has been reduced to six pools in 2025. The Hammersmith Fund joined the London Collective Investment Vehicle (LCIV) in December 2015, the pool comprises of the 32 local authorities within London and has £34.2 billion under management as at 31 March 2025, with 20 public-market and 8 private-market funds launched.

transitioned assets into the London CIV with a value of £0.846bn or 60% as at the 31 March 2025. Going forward the Fund will be transitioning further assets as part of the now mandated minimum standards for pooling.




London CIV Governance Structure

# Asset Pool Background and Governance Continued

## GOVERNANCE

Under the May 29, 2025 DLUHC response to the "Fit for the Future" consultation, minimum standards for LGPS asset pools are now mandated—aimed at enhancing governance, consolidating scale, and ensuring consistency in line with international best practices. The government has reaffirmed the March 31, 2026 deadline for pools to obtain regulatory authorization and offer strategic investment services.

In this strengthened framework, administering authorities must clearly distinguish their dual roles—as shareholders of pool companies and clients of their services—with governance models that reflect these responsibilities.

The London CIV Shareholder Committee, still comprising 12 members (Councillors and Treasurers from the LLAs), now operates with an enhanced statutory mandate to ensure full transparency, strategic alignment, and accountability under national pooling standards.

The Corporate Governance & Controls Framework, last updated in 2024, has been further revised to incorporate the new pooling mandates—clarifying processes for budget and business plan approval, appointments, and public transparency required under the reform.

Following a 2023 review, the London CIV Company Board—composed of an independent Chair, three Independent NEDs, two shareholder-nominated NEDs, and two Executive Directors—is now required to explicitly balance its fiduciary duty to scheme members with shareholders' interests, while executing strategic oversight, financial controls, risk management, and compliance.

London CIV's four standing committees (covering investment oversight, audit and risk, remuneration and nominations, and operations) now report against the statutory pooling metrics and standards set by DLUHC.
External oversight continues via the FCA, depositary, external auditors, and DLUHC, now with added compliance obligations tied to the strengthened governance regime.

Finally, a statutory Annual General Meeting is held, inviting all 32 Partner Funds to approve budgets, exercise shareholder rights, and hold the Board to account under the new governance model.

# Pool Set Up Costs

## POOL SET UP AND TRANSITION COSTS

The set up and transition costs incurred by the Fund in relation to pooling are detailed in the following table

| | 2024/25 | | | |
|---|---|---|---|---|
| | Direct | Indirect | Total | Cumulative |
| | £'000 | £'000 | £'000 | £'000 |
| **Set up costs** | | | | |
| Other costs | - | 57 | 57 | 857 |
| **Total set up costs** | **-** | **57** | **57** | **857** |
| **Transition costs** | | | | |
| Taxation | - | - | - | - |
| Other transition costs | 162 | - | 162 | 938 |
| **Total transition costs** | **162** | **-** | **162** | **938** |

## TOTAL EXPECTED COSTS AND SAVINGS

The Pension Fund has five mandates held with the London CIV pool company; Morgan Stanley Global Quality Equities, LGIM MSCI Low Carbon Equities, Ruffer Absolute Return, Insight Buy and Maintain Bonds (Short Duration) and Insight Buy and Maintain Bonds (Long Duration). The following table details actual costs and savings to 2024/25 by pooling these funds.

| £000 | Set Up Costs | Transition Costs | Fee Savings/ (costs) | Net savings/ (Costs) |
|---|---|---|---|---|
| **2015/16** | (5) | (29) | 56 | 22 |
| **2016/17** | (93) | (84) | 328 | 151 |
| **2018/19** | (65) | (90) | 465 | 309 |
| **2019/20** | (138) | (95) | 766 | 554 |
| **2020/21** | (259) | (118) | 936 | 559 |
| **2021/22** | (400) | (135) | 1,437 | 902 |
| **2022/23** | (331) | (131) | 1,436 | 974 |
| **2023/24** | (103) | (74) | 1,197 | 1,020 |
| **2024/25** | (57) | (162) | 1,170 | 951 |

# Other Investment Management Costs

The table below splits investment management costs between pooled and non-pooled. An analysis of operational expenses including variances to prior years can be found within section 2 of this report.

| | Asset Pool | | | Non-asset pool | | | Fund Total |
|---|---|---|---|---|---|---|---|
| | Direct | Indirect | Total | Direct | Indirect | Total | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Management fees | 2,461 | - | 2,461 | 3,145 | 65 | 3,211 | **5,672** |
| Asset pool shared costs | - | - | - | - | - | - | - |
| Transaction costs | - | 454 | 454 | 22 | 579 | 601 | **1,055** |
| Custody | - | - | - | 12 | - | 12 | **12** |
| **Total** | **2,461** | **454** | **2,915** | **3,179** | **645** | **3,823** | **6,739** |

# Asset Allocations

| Asset values as at 31 March 2025 | Pooled | Under pool mgmt. | Not Pooled | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Equities | 189,598 | 438,128 | - | 627,726 |
| Bonds | 63,613 | - | 138,146 | 201,759 |
| Property | | - | 51,808 | 51,808 |
| Hedge funds | - | - | - | - |
| Diversified Growth Funds | - | - | - | - |
| Private equity | 150 | - | - | 150 |
| Private debt | - | - | | - |
| Infrastructure | - | - | 91,187 | 91,187 |
| Derivatives | - | - | - | - |
| Cash and net current assets | - | - | 27,551 | 27,551 |
| Other | 154,813 | - | 253,412 | 408,225 |
| Total | 408,174 | 438,128 | 562,104 | 1,408,406 |

The following table splits out the Fund's assets by UK investment. This data covers some, but not all the assets included in the asset classes in the net asset statement, and it is not expected that it sums to 100% of assets.

| Asset values as at 31 March 2025 | Pooled | Under pool mgmt. | Not Pooled | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| UK Listed Equities | 23,370 | 14,458 | 0 | 37,828 |
| UK Government Bonds | 26,852 | 0 | 47,384 | 74,236 |
| UK Infrastructure | 0 | 0 | 56,269 | 56,269 |
| UK Property | 0 | | 173,036 | 173,036 |
| UK Private Markets | 0 | 0 | 41,681 | 41,681 |

# Local Investment

As part of the government's Local Investment plans, funds are required to publish plans for increasing investment in line with an ambition of up to 5% of assets to be invested in projects which support Local Investment.

Local Investment refers to assets which make a measurable contribution to one of the missions set out in the Government's Statement of Local Investment Missions 11 (which is made under Section 1 of the Local Investment and Regeneration Act 2023) and support any local area within the United Kingdom.

The following table details the amount and type of UK Local Investment investments that have been made through the Fund's LGPS pool, London CIV, and outside the pool. Local Investment assets outside the pool include infrastructure and affordable housing assets, given the illiquid nature of these asset classes it would not be beneficial for the Fund to transition these into the pool.

| Asset values as at 31 March 2025 | Pooled | Under pool management | Not Pooled | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Additional memorandum:** UK Local Investment | | | 81,966 | 81,966 |

As shown in the following table, the Fund has 6.0% of investments within the strategic asset allocation allocated to UK Local Investment initiatives, including affordable housing (2.5%) and renewable infrastructure (3.5%)

As at 31 March 2025, the Fund had 5.8% of assets physically invested within Local Investment assets, up from 5.2% in 2023/24, with the Fund on track to be fully drawn in the coming years.

| | Assets committed | Previous Year Actual Allocation | Current Year Actual Allocation |
|---|---|---|---|
| | % | % | % |
| UK Local Investment | 6.0 | 5.2 | 5.8 |


# 4. Scheme Administration

Page 108

# Administration Management Performance

The administration of the Fund is managed by Hammersmith and Fulham Council but undertaken by LPPA under a not-for-profit contractual arrangement which has been operational since 26 January 2022. Officers monitor the contract via monthly meetings with the LPPA and monitoring of KPIs and membership data statistics, which are reported to the Pension Fund Committee on a quarterly basis. Our administrators, LPPA use a mortality tracing firm to help identify deaths of UK pensioners both abroad and in the UK.

### Summary of activities undertaken by the administration function during the year

LPPA has focussed and made considerable progress in ensuring that monthly casework performance was consistently delivered above the 95% target during 24/25. The annual SLA performance was 98.0%.

LPPA's ongoing Efficiency and Service Improvement Programme has delivered automation and enhanced online digital capability and improved experience for members with deferred statements for leavers, active member retirement quotes and online retirement forms. Further automation is planned for 25/26 including automation of retirement payment process and bank account name verification, and the programme will deliver improvements to the monthly returns process and member and employer portals.

McCloud has been a significant project in the year. LPPA have been calculating benefits and applying the underpin where we can. System releases that provide McCloud functionality have been applied to the system in phases as focus increases on the inclusion of remedial service statements being included on Annual Benefit Statements for those members who are eligible.

LPPA continued work towards Pensions Dashboard connectivity and remain on track to meet the connection date of 31 October 2025 for public sector schemes. Statutory deadlines, including those for P60s, Pensions Increases, Annual Benefit Statements and Pensions Savings Statements were met.

### Report on value for money achieved by the administration function

LPPA recognises our responsibility to achieve value for money in service delivery. We seek to incorporate value for money principles in delivering services by taking account of costs, quality of services and the context that the partners we provide administration services to. LPPA operates a shared service, cost recovery basis for core pensions administration. We do not make profit on core administration services.

LPPA takes part in external and independent annual benchmarking to compare the cost and service of LPPA against other pension administrators. The latest results endorse that LPP's administration services provide value for money."

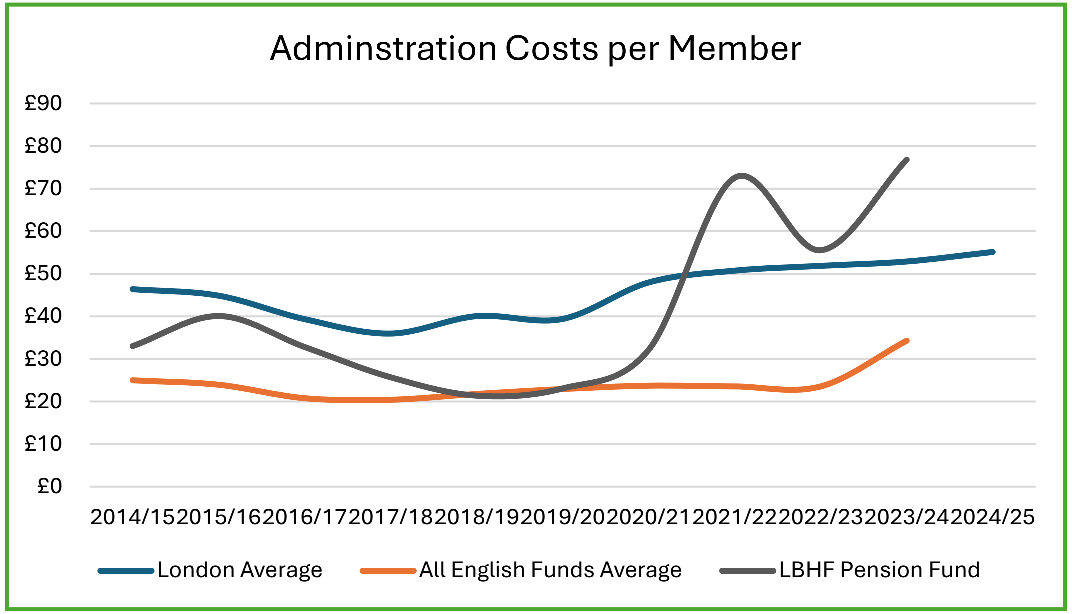
# Administration Management Performance Continued

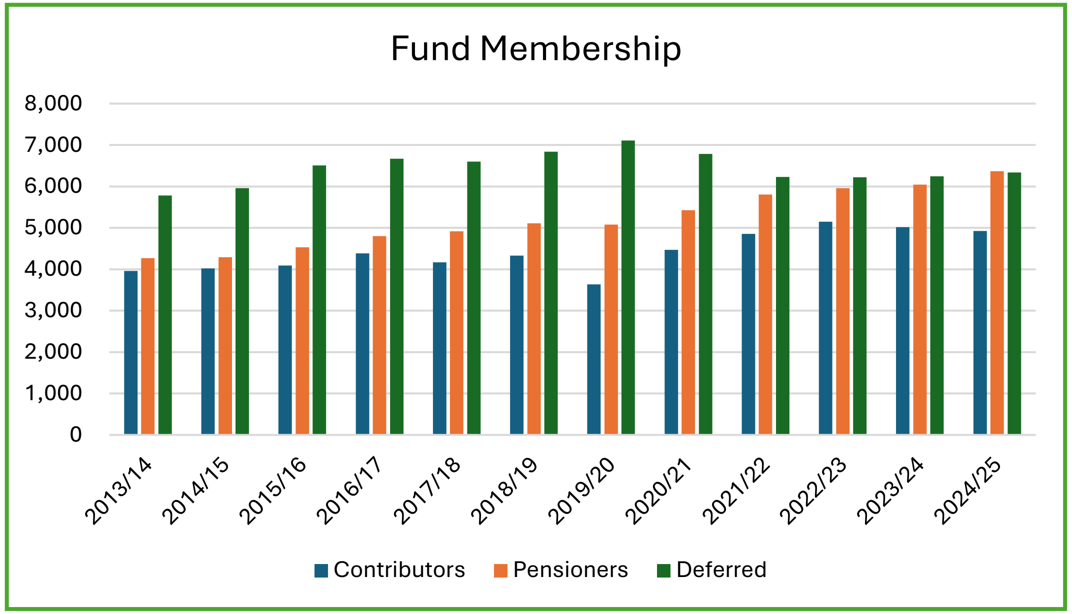
## Administration Costs Per Member

As shown in the chart, the Pension Fund's cost of administration per member costs has remained higher than the average London Borough Pension Fund since 2021-22, which is primarily due to rising compliance and administrative demands—such as McCloud remedy implementation and preparing for the pensions' dashboard.

## Membership Numbers and Trends

Overall membership has increased by approximately 6% over the past 5 years from 16,676 to 17,623. The introduction of auto-enrolment in 2013 and the increase in admitted employers has led to an increase in members contributing towards the Scheme. Nonetheless, the number of pensioners has been stable over the last several years in common with other local government pension funds, reflecting the maturity of the Fund.



# Administration Management Performance Continued

## Contributing Employers and Contributions Received

The list below contains a list of the current active contributing employers and the contributions received in 2024/25. The employer's contributions figures include early retirement and deficit funding contributions.

| Administering Authority Employer | Contributions £000 | | |
|---|---|---|---|
| | Employee | Employer | Total |
| London Borough of Hammersmith & Fulham | 8,102 | 23,925 | 32,027 |
| Addison Primary School | 23 | 84 | 107 |
| All Saints Primary School | 14 | 52 | 66 |
| Avonmore Primary School | 27 | 103 | 130 |
| Bayonne Nursery School | 22 | 81 | 103 |
| Brackenbury Primary School | 33 | 114 | 147 |
| Cambridge School (Special) | 81 | 272 | 353 |
| Flora Gardens Primary School | 21 | 71 | 92 |
| Holy Cross RC Primary School | 50 | 174 | 224 |
| Jack Tizard School (Special) | 79 | 285 | 364 |
| James Lee Nursery School | 14 | 48 | 62 |
| John Betts Primary School | 17 | 63 | 80 |
| Kenmont Primary School | 18 | 64 | 82 |
| Larmenier & Sacred Heart Primary | 39 | 151 | 190 |
| Melcombe Primary School | 29 | 105 | 134 |
| Miles Coverdale Primary School | 41 | 149 | 190 |
| Normand Croft Community School | 32 | 109 | 141 |
| Old Oak Primary School | 29 | 110 | 139 |
| Randolph Beresford Early Years | 48 | 154 | 202 |
| Sir John Lillie Primary School | 28 | 102 | 130 |
| St Johns CE Primary School | 36 | 131 | 167 |
| St Mary's Primary School | 30 | 111 | 141 |
| St Paul's Primary School | 23 | 87 | 110 |
| St Peter's Church of England Primary School | 26 | 97 | 123 |
| St Stephens CoE Primary School | 51 | 186 | 237 |
| St. Thomas of Canterbury Primary | 7 | 24 | 31 |
| The Good Shepherd Primary School | 25 | 92 | 117 |
| Vanessa Nursery School | 19 | 68 | 87 |
| Wendall Park Primary School | 25 | 88 | 113 |
| William Morris Sixth Form School | 74 | 255 | 329 |
| Wood Lane High School | 40 | 137 | 177 |
| Wormholt Park Primary School | 56 | 192 | 248 |
| **Total Administering Authority Contributions** | **9,159** | **27,684** | **36,843** |

# Administration Management Performance Continued

## Scheduled Bodies

The Fund provides pensions not only for employees of Hammersmith and Fulham Council, but also for the employees of several scheduled and admitted bodies.

Scheduled bodies are organisations which have a statutory right to be a member of the Local Government Pension Scheme under the regulations e.g., academy schools.

| Scheduled Body Employer | Contributions £000 | | |
|---|---|---|---|
| | Employee | Employer | Total |
| Mortlake Crematorium Board | 24 | 78 | 102 |
| London Oratory School | 81 | 183 | 264 |
| Ark Burlington Danes Academy | 65 | 144 | 209 |
| Hammersmith Academy | 75 | 262 | 337 |
| Sacred Heart Academy | 72 | 245 | 317 |
| Ark Conway Primary Academy | 20 | 87 | 107 |
| Knowledge West London Free School | 139 | 464 | 603 |
| Ark Bentworth Primary Academy | 13 | 50 | 63 |
| Lady Margaret Academy | 76 | 243 | 319 |
| Ark Swift Primary Academy | 23 | 88 | 111 |
| Fulham College Academy Trust (Girls) | 59 | 211 | 270 |
| Hurlingham and Chelsea Academy | 58 | 208 | 266 |
| Fulham Boys Free School | 59 | 220 | 279 |
| Fulham College Academy Trust (Boys) | 59 | 206 | 265 |
| Greenside Academy | 19 | 67 | 86 |
| Thomas' Academy | 30 | 110 | 140 |
| Langford Academy | 20 | 65 | 85 |
| Futures (Phoenix) Academy | 40 | 141 | 181 |
| The Bride AP Academy | 38 | 130 | 168 |
| Knowledge Earl's Court Free Primary School | 12 | 49 | 61 |
| Fulham Primary School | 17 | 68 | 85 |
| Queens Manor Primary School | 22 | 87 | 109 |
| Sulivan Primary School | 18 | 69 | 87 |
| Queensmill Academy | 240 | 887 | 1,127 |
| St Augustine's Primary Academy | 23 | 91 | 114 |
| St John XXIII Catholic Primary Academy | 34 | 137 | 171 |
| **Total Contributions from Scheduled Bodies** | **1,336** | **4,590** | **5,926** |

# Administration Management Performance Continued

## Admitted Bodies

Admitted bodies participate in the pension scheme via an admission agreement made between the Council and the employing organisation. Examples of admitted bodies are not-for-profit organisations linked to the Council and contractors who have taken on delivery of services with Council staff also transferred to third parties

| Admitted Body Employer | Contributions £000 | | |
|---|---|---|---|
| | Employee2 | Employer | Total |
| Alliance in Partnership | **4** | **16** | 20 |
| Bee Services - Randolph Beresford | 1 | 8 | 9 |
| Churchill Catering | - | (32) | (32) |
| HATS Group Ltd | 6 | 32 | 38 |
| FM Conway (2009) | 4 | 11 | 15 |
| Pinnacle PSG Ltd (Estate Services) | 47 | 223 | 270 |
| Urban Partnership Group | 6 | 23 | 29 |
| Caterlink (2016 Schools) | 3 | 16 | 19 |
| Caterlink (Hurlingham) | - | (38) | (38) |
| Abelian UK (Wormholt) | - | 2 | 2 |
| Birkin Clean | 2 | 13 | 15 |
| FM Conway (2012) | 3 | 12 | 15 |
| Peabody Trust | 6 | 26 | 32 |
| Idverde | 23 | 125 | 148 |
| Morgan Sindall | 6 | 28 | 34 |
| NRS Healthcare | 3 | 11 | 14 |
| Stir Foods | 4 | 16 | 20 |
| Taylor Shaw Ltd | 4 | 15 | 19 |
| The Pantry | 7 | 29 | 36 |
| Veolia | 144 | 446 | 590 |
| **Total Admitted Body Contributions** | **273** | **982** | **1,255** |

# Administration Management Performance Continued

## Employer Analysis

The following table summarises the number of employers in the fund analysed by schedule bodes and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities)

| | Active | Ceased | Total |
|---|---|---|---|
| Administering Authority | 1 | - | 1 |
| Scheduled Bodies | 27 | 4 | 31 |
| Admitted Bodies | 22 | 52 | 74 |
| **Total No. of Bodies** | **50** | **56** | **106** |

## Enhanced Benefits

The total number of pensioners in receipt of enhanced benefits due to ill-health or early retirement on the grounds of redundancy or efficiency of the service is given in the table below as at each year on the 31st March.

| Reason for leaving | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024-25 |
|---|---|---|---|---|---|
| Ill health | 6 | 9 | 7 | 11 | 6 |
| Early Retirement | 29 | 37 | 10 | 13 | 49 |
| **Total** | **35** | **46** | **17** | **24** | **55** |

# Total Number of Casework

| Category | Total No. of Cases Open as at 31 March 2024 | Total No. of New Cases Created (1/04/24-31/3/25) | Total No. Cases Completed in Year | Total % of Cases Completed in Year |
|---|---|---|---|---|
| Deaths | 175 | 237 | 236 | 57.3% |
| New dependant member benefits | | | | |
| Retirements - Deferred - Actual | 18 | 266 | 279 | 98.2% |
| Retirements - Deferred - Quote | 130 | 486 | 502 | 81.5% |
| Retirements - Active - Actual | 3 | 128 | 126 | 96.2% |
| Retirements - Active - Quote | 100 | 346 | 338 | 75.8% |
| Deferred Benefits | 358 | 1102 | 1173 | 80.3% |
| Transfers In | 216 | 541 | 493 | 65.1% |
| Transfers Out | 221 | 633 | 585 | 68.5% |
| Refunds | 102 | 567 | 585 | 87.4% |
| Divorces Quote | 1 | 18 | 13 | 68.4% |
| Divorce Settlement | 1 | 1 | 1 | 50.0% |
| Estimates | 34 | 261 | 251 | 85.1% |
| New Starters | 15 | 63 | 73 | 93.6% |
| Aggregation | 191 | 608 | 590 | 73.8% |
| Correspondence | 79 | 585 | 595 | 89.6% |
| Other | 86 | 1904 | 1933 | 97.1% |

# Time Taken to Process Casework

| Category | Target Days | Achieved SLA (%) |
|---|---|---|
| Deaths | 5 | 93.9% |
| Dependants | | |
| Retirements - Deferred - Quote | 5 | 99.0% |
| Retirements - Active - Quote | 5 | 96.5% |
| Retirements - Deferred - Actual | 5 | 95.0% |
| Retirements - Active - Actual | 5 | 98.3% |
| Payment of lump sum (Active and Deferred) | | |
| Deferred Benefits | 15 | 97.0% |
| Transfers In | 10 | 98.9% |
| Transfers Out | 10 | 97.9% |
| Refunds | 5 | 96.8% |
| Divorces Quote | 5 | 70.0% |
| Divorce Settlement | 5 | 100.0% |
| New Starters | 10 | 100.0% |
| Estimates | 10 | 98.6% |
| Correspondence | 10 | 100.0% |
| Aggregation | 10 | 95.5% |
| Other | | 99.4% |

# Communications and Engagement

| Engagement | Value |
|---|---|
| % of active members registered | 41.4% |
| % of deferred member registered | 24.6% |
| % of pensioner and survivor members | 37.7% |
| % total of all scheme members registered for self-service | 33.6% |
| % of all registered users that have logged onto the service in the last 12 months | 53.8% |
| **Communication** | |
| Total number of telephone calls received in year | 4,559 |
| Total number of email and online channel queries received | 1,571 |
| Number of scheme member events held in year (total of in-person and online) | 24 |
| Number of employer engagement events held in year (in-person and online) | 40 |
| Number of active members who received a one-to-one (in-person and online) | 0 |
| Number of times a communication (i.e newsletter) issued to: | |
| a) Active members | 9 |
| b) Deferred members | 9 |
| c) Pensioners | 9 |

# Resourcing

| Description | Value |
|---|---|
| Total number of all administration staff (FTE) | 264.5 |
| Average service length of all administration staff | 5.3 |
| Staff vacancy rate as % | 2.20% |
| Ratio of all administration staff to total number of scheme members (all staff including management) | 2,672 |
| Ratio of administration staff (excluding management) to total number of scheme members | 2,713 |

# Data Quality

| Description | Value |
|---|---|
| **Annual Benefit Statements** | |
| Percentage of annual benefit statements issued as at 31 August | 97.20% |
| Short commentary if less than 100% | Remainder were either due to files not received from the employer or outstanding queries that prevented ABS production |
| **Data Category** | |
| Common data score | 93.9% |
| Scheme specific data score | 84.7% |
| Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date | 2.6% |
| Percentage of active, deferred and pensioner members with an email address held on file | 65.6% |
| **Employer Performance** | |
| Percentage of employers set up to make monthly data submissions | 100% |
| Percentage of employers who submitted monthly data on time during the reporting year | 54% |

# Service Delivery

### PENSIONPOINT

The PensionPoint online pension system is a secure portal which enables members to:
- Update personal details
- Check membership records and calculate pension projections
- View payslips and P60s
- Nominate beneficiaries

Scheme employers can use the system to:
- Submit starter and leaver details and other changes online
- View and update employee details
- Run benefit calculations e.g. early retirements

### INTERNAL DISPUTE RESOLUTION PROCEDURE

Members of pension schemes have statutory rights to ensure that complaints, queries and problems concerning pension rights are properly resolved. To facilitate this process, an Internal Disputes Resolution Procedure (IDRP) has been established. While any complaint is progressing, fund members are entitled to contact The Pensions Advisory Service (TPAS), who can provide free advice.

**IDRP Stage 1** involves making a formal complaint in writing. This would normally be considered by the body that made the decision in question. If the fund member is not satisfied with actions taken at Stage 1 the complaint will progress to Stage 2.

**IDRP Stage 2** involves a referral to the administering authority, London Borough of Hammersmith and Fulham to take an independent view.

**IDRP Stage 3** is a referral of the complaint to the Pension Ombudsman.
Both TPAS and the Pensions Ombudsman can be contacted at:

10 South Colonnade
Canary Wharf
E14 4PU

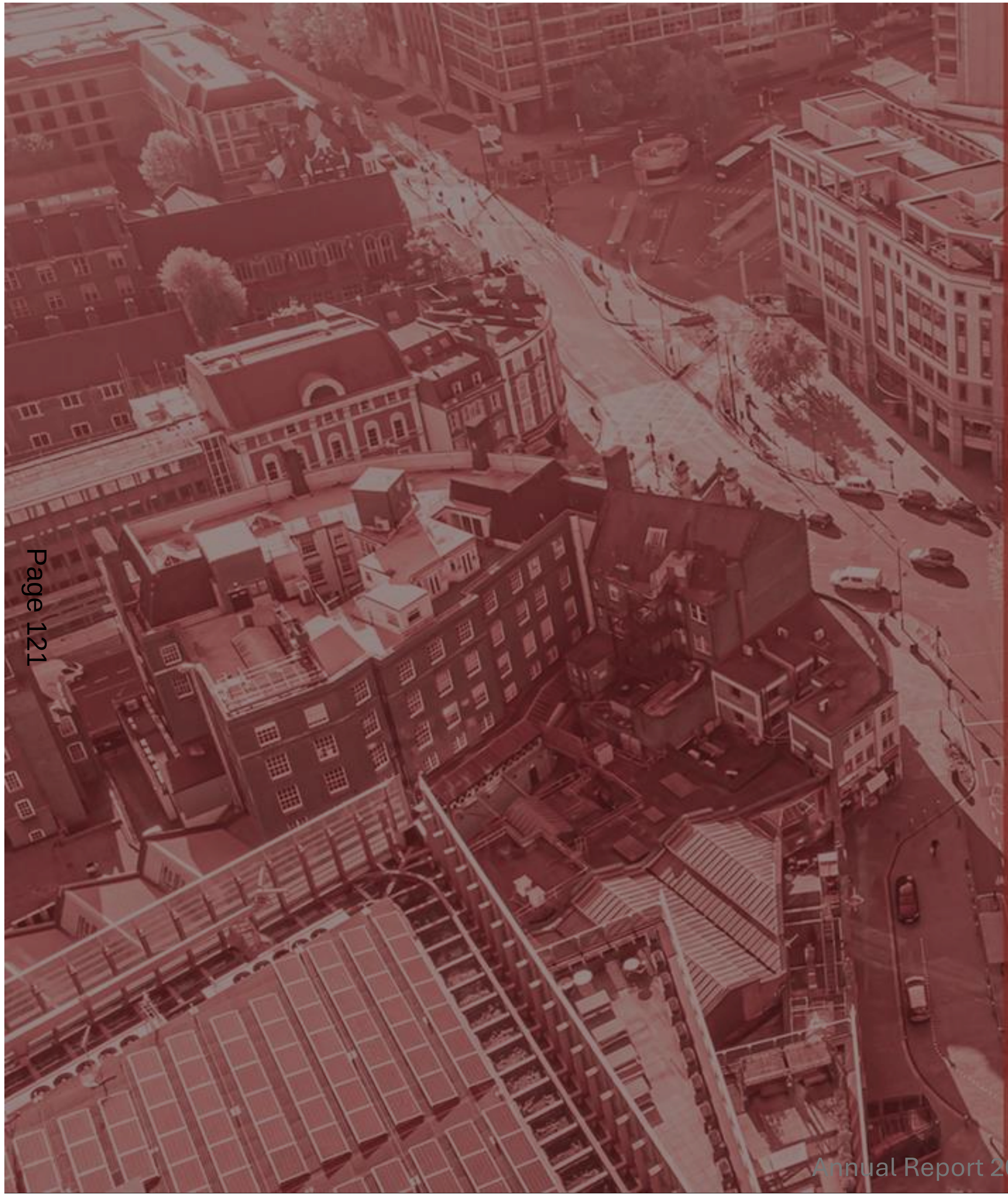
Tel: 0800 917 4487

### Member Complaints

The pension administrators occasionally deal with members of the Fund who dispute an aspect of their pension benefits. These cases are dealt with by the Internal Dispute Resolution Procedure (IDRP).

The number of complaints for 2024-25 is 40. The number of complaints as a percentage of workload now stands at 0.52% compared to 0.75% last year.

| | 2024-25 |
|---|---|
| Number of complaints received | 40 |
| Number of complaints categorised as Pension Ombudsman cases | 2 |
| Number of Internal Dispute Resolution Procedure cases (IDRP**) | 5 |



# 5.

# Actuarial Information

Page 121

# Report by the Actuary

## INTRODUCTION

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the regulation.

## DESCRIPTION OF FUNDING POLICY

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS). In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 67% likelihood that the Fund will achieve the funding target over 20 years.

## FUNDING POSITION AS AT THE LAST FORMAL FUNDING VALUATION

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £1,325 million, were sufficient to meet 105% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £58 million. Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

## PRINCIPAL ACTUARIAL ASSUMPTIONS AND METHOD USED TO VALUE THE LIABILITIES

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

## METHOD

The liabilities were assessed using an accrued benefits method which considers pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

# Report by the Actuary Continued

## ASSUMPTIONS

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value. The key financial assumptions adopted for the 2022 valuation were as follows:

| Financial Assumptions | 31 March 2022 |
|---|---|
| Discount Rate | 4.4% pa |
| Salary Increase Assumption | 3.7% pa |
| Benefit increase assumption CPI | 2.7% pa |

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

| | Males | Females |
|---|---|---|
| Current Pensioners | 22.1 years | 24.7 years |
| Future Pensioners* | 23.2 years | 26.1 years |

**Aged 45 at the 2022 Valuation. Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.*

## EXPERIENCE OVER THE PERIOD SINCE 31 MARCH 2022

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. Asset performance improved in 2024 and early 2025; however, the recent increase in US tariffs on imports has caused significant market volatility. The peak of this market volatility was experienced immediately after 31 March 2025, however, generally lower than expected asset returns were experienced in the month immediately prior to this.

High levels of inflation in the UK (compared to recent experience) have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, inflation has reduced towards historical levels and the Bank of England's target (2% pa), with LGPS benefits increasing by 1.7% in April 2025. There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025, and will be finalised by 31 March 2026. The FSS will also be reviewed at that time, and a revised version will come into effect from 1 April 2026.

Adrian Loughlin FFA C.Act
9 May 2025
For and on behalf of Hymans Robertson LLP

# 6.

# Pension Fund Accounts

Page 124

# Statement of Responsibilities

**Responsibility for the Financial Statements, which form part of this Annual Report, is set out in the following declaration**.

## THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- Arrange for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In line with statute, this is the Director of Finance;
- manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

## RESPONSIBILITIES OF THE DIRECTOR OF FINANCE

The Director of Finance is responsible for the preparation of the Pension Fund Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC 2023/24 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing these Statements of Accounts, the Director of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting.

The Director of Finance has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- Used the going concern basis of accounting on assumption that the functions of the authority will continue in operational existence for the foreseeable future;
- Maintained such internal control as they determine as necessary to enable the preparation of financial statements free from material misstatement, whether due to fraud or error.

## CERTIFICATE OF THE STRATEGIC DIRECTOR OF FINANCE

I certify that the Statement of Accounts (set out below) present a true and fair view of the financial position of the London Borough of Hammersmith and Fulham Pension Fund as at 31 March 2025 and income and expenditure for the year for the financial year 2024/25.

Sukvinder Kalsi
Director of Finance
Section 151 Officer

Date:

# Independent Auditors Report

**Independent auditor's report to the members of the London Borough of Hammersmith and Fulham on the consistency of the pension fund financial statements of Hammersmith and Fulham Pension Fund included in the Pension Fund Annual Report**

## OPINION

## RESPECTIVE RESPONSIBILITIES OF THE DIRECTOR OF FINANCE AND THE AUDITOR

## USE OF THIS AUDITOR'S STATEMENT

# Independent Auditors Report Continued

Continued

# Pension Fund Accounts and Explanatory Notes

**Fund Account**

| | Note | 2024/25 | | 2023/24 | |
|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 |
| Dealings with members, employers and others directly involved in the scheme | | | | | |
| **Contributions** | | | | | |
| From Employers | 7 | 33,255 | | 31,323 | |
| From Members | 7 | 10,768 | 44,023 | 10,303 | 41,626 |
| Transfers In from other Pension Funds | | | 8,123 | | 8,299 |
| **Benefits** | | | | | |
| Pensions | 8 | (48,851) | | (44,317) | |
| Commutation & Lump Sum Retirement Benefits | 8 | (9,768) | | (8,966) | |
| Payment in respect of tax | | (45) | (58,664) | (473) | (53,756) |
| **Payments to and on account of leavers** | | | | | |
| Transfers Out to other Pension Funds | | | (6,370) | | (6,980) |
| Refunds to members leaving service | | | (81) | | (109) |
| **Net Additions (Withdrawals) from dealings with members** | | | **(12,969)** | | **(10,920)** |

# Pension Fund Accounts and Explanatory Notes Continued

**Fund Account Continued**

| | Note | 2024/25 | | 2023/24 | |
|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 |
| **Management expenses** | 9 | | **(8,260)** | | **(10,857)** |
| **Returns on Investments** | | | | | |
| Investment Income | 10 | | 21,140 | | 19,531 |
| Other Income | 10 | | 286 | | - |
| **Profit and losses on disposal of investments and changes in value of investments** | 12 | | 35,670 | | 89,367 |
| **Net Return on Investments** | | | **57,096** | | **108,898** |
| **Net Increase (Decrease) in the net assets available for benefits during the year** | | | **35,867** | | **87,121** |
| **Opening Net Assets of the Scheme** | | | **1,377,564** | | **1,290,443** |
| **Closing Net Assets of the Scheme** | | | **1,413,431** | | **1,377,564** |

# Pension Fund Accounts and Explanatory Notes Continued

## Net Asset Statement

| | Note | 2024/25 | 2023/24 |
|---|---|---|---|
| | | £000 | £000 |
| **Investment Assets** | | | |
| Equities | 11 | 150 | 150 |
| Pooled property Vehicles | 11 | 77,505 | 73,256 |
| Pooled Investment Vehicles | 11 | 1,212,013 | 1,183,983 |
| Private Equity / Infrastructure | 11 | 91,187 | 96,035 |
| Cash Deposits | 11 | 27,459 | 7,456 |
| **Other Investment Balances** | 11 | | |
| Investment Income Due | 11 | 92 | 18 |
| **Net Investment Assets** | 11 | **1,408,406** | **1,360,898** |
| **Current Assets** | 19 | 4,002 | 3,929 |
| **Current Liabilities** | 20 | (2,219) | (2,905) |
| **Cash Balances** (held directly by Fund) | | 3,242 | 15,642 |
| **Net assets of the Fund available to fund benefits at the period end** | | **1,413,431** | **1,377,564** |

# Note 1 Description of Hammersmith and Fulham Pension Fund

### (a) General

The Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Hammersmith and Fulham Council (the Council). It is a contributory defined benefits scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of Hammersmith and Fulham Council and the admitted and scheduled bodies in the Fund. These benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. Teachers are excluded from this scheme as they are administered under the Teachers' Pension Scheme.

The benefits payable in respect of service from 1 April 2014 are based on an employee's career average revalued earnings (CARE) and the number of years of eligible service. The benefits payable in respect of service prior to 1 April 2014 are based on an employee's final salary and the number of years eligible service. Pensions are increased each year in line with the Consumer Price Index.

The Fund is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

- The LGPS Regulations 2013 (as amended)
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
- The LGPS (Management and Investment of Funds) Regulations 2016.

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and from investment returns on the Fund's investment assets.

Contributions from employees are made in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2025. Employer contributions are set based on the triennial actuarial funding valuation, as detailed in Note 18.

### (b) Pension Fund Committee

The Council has delegated the investment arrangements of the scheme to the Audit and Pensions Committee, which in December 2014 formed a Pension Fund Committee (the Committee) and delegated all pensions responsibilities to it. The Committee decides on the investment strategy most suitable to meet the liabilities of the Fund and has responsibility for the investment strategy. The Committee is made up of seven members, five of whom are elected representatives of the Council with voting rights, one employer representative and one co-opted members. Members of the admitted bodies and representatives of the Trade Unions may attend the Committee meetings but have no voting rights. The Committee reports annually to the Audit and Pensions Committee and has full delegated authority to make investment decisions. The Committee obtains and considers advice from the Director of Finance, and as necessary from the Fund's appointed actuary, investment managers and adviser.

### (c) Pensions Board

In line with the provisions of the Public Service Pensions Act 2013, the Council has set up a Local Pensions Board to oversee the governance arrangements of the Pension Fund. The Board meets twice a year and has its own Terms of Reference. Board members are independent of the Pension Fund Committee.

# Note 1 Description of Hammersmith and Fulham Pension Fund Continued

### (d) Investment Principles

In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the Committee approved an Investment Strategy Statement on 15 November 2023 (available on the Council's website). The Statement shows the Council's compliance with the Myner's principles of investment management.

The Committee has delegated the management of the Fund's investments to regulated investment managers (see note 11), appointed in accordance with the regulations, and whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

### e) Membership

Membership of the LGPS is voluntary, and whilst employees are auto-enrolled into the scheme, they are free to choose whether to stay in or leave the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Hammersmith & Fulham Pension Fund include:

- Scheduled bodies, which are local academies and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies and private contractors undertaking a local authority function following outsourcing to the private sector.

The deferred member numbers include 905 undecided leavers, who are no longer paying contributions or in receipt of benefits.

| | 31 March 2025 | 31 March 2024 |
|---|---|---|
| Number of Active Employers | 50 | 51 |
| Contributing Employees | 4,921 | 5,016 |
| Pensioners Receiving Benefit | 6,367 | 6,046 |
| Deferred Members | 6,335 | 6,243 |
| Total Members | **17,623** | **17,305** |

Details of the scheduled and admitted bodies are included in the scheme administration section of this annual report.

# Note 2 Basis of Preparation of Financial Statements

The Statement of Accounts summarise the Fund's transactions for 2024/25 and its position at year end as at 31 March 2025. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts have been prepared on an accruals basis, apart from transfer values which have been accounted for on a cash basis. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they consider the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Asset Statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Council has opted to disclose this information in a note to the accounts (Note 18).

The Hammersmith & Fulham Pension Fund is a statutory, state back Local Government Pension Scheme (LGPS) that, as at 31 March 2022, is 105% funded on a conservative basis and backed by an administering authority with tax raising powers. As such, the Pension Fund Accounts have been prepared on a going concern basis.

It is recognised that the current environment gives rise to a risk of uncertainty and volatility in investment markets, and the Fund has reviewed fund manager assessments, and no material uncertainty has been identified. The Fund continues to monitor cashflows and invests in a diverse range of investment vehicles including availability to liquid assets.

# Note 3 Summary of Significant Accounting Policies

**Fund Account – Revenue Recognition**

### (a) Contribution Income

Normal contributions from active members are accounted for on an accruals basis in accordance with the rates specified under the Local Government Pension Scheme (LGPS) Regulations for the relevant pay period. Employer contributions are also accounted for on an accruals basis and are set in line with the rates determined by the actuary as part of the Fund's triennial actuarial funding valuation. Employer deficit funding contributions are accounted for on the due dates set out in the schedule of contributions, or on receipt if earlier

### (b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

### (c) Investment Income

Investment income arising from the underlying investments of the Pooled Investment Vehicles is either reinvested within the Pooled Investment Vehicles and reflected in the unit price or taken as a cash dividend to support the Fund's outgoing cash flow requirements.

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset. Where the amount of an income distribution has not been received from an investment manager by the balance sheet date, an estimate based upon the market value of their mandate at the end of the year is used.

Changes in the value of investments are recognised as income and comprise all realised and unrealised profits and losses during the year.

# Note 3 Summary of Significant Accounting Policies Continued

**Fund Account – Expense Items**

## (d) Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

## (e) Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. As the Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax. Income from overseas investments suffers withholding tax in the country of origin unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises

## (f) Voluntary Scheme Pays, Mandatory Scheme Pays and lifetime allowance

Members are entitled to request that the Pension Fund pays their tax liabilities due in respect of annual allowance and lifetime allowance in exchange for a reduction in pension. Where the Fund pays member tax liabilities direct to HMRC, it is treated as an expense in the year in which the payment occurs.

## (g) Management Expenses

The fund discloses its pension fund management expenses in accordance with the CIPFA guidance “Accounting for Local Government Pension Scheme Management Expenses 2016”.

**Administrative expenses** – All staff costs of the pension administration team are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

**Oversight and governance** – All staff costs associated with governance and oversight are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. The cost of obtaining investment advice from the external advisor is included in oversight and governance costs.

**Investment management expenses** – The Committee has appointed external investment managers to manage the investments of the Fund. Managers are paid a fee based on the market value of the investments they manage, and/or a fee based on performance.

Where an investment manager’s fee note has not been received by the Balance Sheet date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the fund account.

# Note 3 Summary of Significant Accounting Policies Continued

**Net Assets Statement**

### (h) Financial Assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Asset Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the value of the asset are recognised in the Fund account. The values of investments as shown in the Net Asset Statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 14a).

### (i) Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

### (j) Cash and Cash Equivalents

Cash comprises cash in hand and deposits with financial institutions which are repayable on demand without penalty. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

### (k) Financial Liabilities

A financial liability is recognised in the Net Assets Statement on the date the fund becomes party to the liability. The Fund recognises liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the Change in Value of Investments. Other financial liabilities classed as amortised costs are carried at amortised cost i.e., the amount carried in the Net Asset Statement is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

### (l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 26 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial present value of retirement benefits by way of a note to the Net Assets Statement (Note 18a).

# Note 3 Summary of Significant Accounting Policies Continued

**Net Assets Statement**

### (m) Additional Voluntary Contributions (AVCs)

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in Note 21. There are also some residual policies with Scottish Widows, which are disclosed in Note 21, but it is not open for new members.

### (n) Recharges from the General Fund

The LGPS (Management and Investment of Funds) Regulations 2016 permit the Council to charge administration costs to the Fund. A proportion of the relevant Council costs have been charged to the Fund based on actual time spent on Pension Fund business. Costs incurred in the administration and the oversight and governance of the Fund are set out separately in Note 9.

.

# Note 4 Critical Judgements

The accounts contain certain estimated figures that are based on assumptions made by the Council and other bodies about the future or that are otherwise uncertain. Estimates are made because they are required to satisfy relevant standards or regulations and are based on best judgement at the time, derived from historical experience, current trends and other relevant factors. As a result, actual results may differ materially from those assumptions.

There were no such critical judgements made during 2024/25

# Note 5 Assumptions Made About the Future and Other Major Sources of Uncertainty

Preparing financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end and the amounts reported for income and expenditure during the year. Estimates and assumptions are made considering historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual results could differ from the assumptions and estimates.

| Description of asset | Uncertainties | Basis of valuation |
|---|---|---|
| Actuarial present value of promised retirement benefits (Note 18a) | Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. Hymans Robertson are engaged to provide the fund with expert advice about the assumptions to be applied. | For instance:<br>• 0.1% decrease in the discount rate assumption would result in an increase in promised retirement benefits of £19m<br>• 0.1% increase in assumed earnings would increase the value of the liabilities by approximately £1m<br>• 0.1% increase in pension increases would increase the liability by approximately £18m<br>• A one-year increase in life expectancy would increase the liability by approximately £47m |

# Note 5 Assumptions Made About the Future and Other Major Sources of Uncertainty Continued

The items for which there is a significant risk of material adjustment are:

### (a) Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed actuary with annual updates in the intervening years. The methodology used follows generally agreed guidelines and is in accordance with IAS 19. These assumptions are summarised in Note 18a. The estimates of the net liability to pay pensions depends on several judgements and assumptions. In particular, those relating to the discount rate, the rate at which salaries are projected to increase, change in retirement ages, mortality rates and expected returns on the Fund's assets. Management has agreed a reasonable set of actuarial assumptions in consultation with the actuary which derives the total pension fund liability

### (b) Private debt/Infrastructure investments/Other Illiquid Investments

The fair value of the Partners Group Multi Asset Credit fund and Infrastructure fund is also subject to some valuation uncertainty. Several of the underlying assets are traded in private markets only and therefore judgement needs to be made about value, using factors such as the enterprise value and net debt. As at 31 March 2025, the assets invested with Partners Group were valued at £37.6m (£39.7m in 2023/24).

The same applies to the Quinbrook Infrastructure investment, as at 31 March 2025, the value of the investment was £56.3m (£47.6m in 2023/24). The impact of the uncertainty surrounding these investments has also been included in the sensitivity analysis in Note 14d.

The fair value of several illiquid assets in the portfolio are also subject to some valuation uncertainty as their carrying value is dependent on the latest available fair value provided by the manager, adjusted for cash movements subsequent to that date as required. As at the 31 March 2025, these assets and their values are Darwin Alternatives (£22m), Alpha Real Capital (£74m), Man Group (£26m) and Aberdeen Multi-Sector Private Credit (£52m). Regarding Darwin Alternatives, Alpha Real Capital and Man Group assets, the values for these assets are not based on recently observed market prices. For Aberdeen Multi-Sector Private Credit, several of the underlying assets are traded in private markets only and therefore judgement needs to be made about value, using factors such as the enterprise value and net debt. The impact of the uncertainty surrounding these investments has also been included in the sensitivity analysis in Note 14d.

# Note 6 Events After the Balance Sheet

There are no events after the balance sheet date.

# Note 7 Contributions Receivable

Employees' contributions are calculated on a sliding scale based on a percentage of their gross pay. The administering body, scheduled bodies, and admitted bodies are required to make contributions determined by the Fund's actuary to maintain the solvency of the fund.

The table below shows a breakdown of the total amount of employers' and employees' contributions.

| | Employer Contributions | | | | Employee Contributions | |
|---|---|---|---|---|---|---|
| | Normal | | Deficit Recovery | | | |
| | 2024/25 | 2023/24 | 2024/25 | 2023/24 | 2024/25 | 2023/24 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Administering Authority | 26,471 | 24,609 | 1,212 | 1,121 | 9,159 | 8,694 |
| Scheduled Bodies | 4,590 | 4,163 | - | - | 1,336 | 1,232 |
| Admitted Bodies | 984 | 1,449 | (2) | (19) | 273 | 377 |
| **Total** | **32,045** | **30,221** | **1,210** | **1,102** | **10,768** | **10,303** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total Contributions | | | **33,255** | **31,323** | **10,768** | **10,303** |

# Note 8 Benefits Payable

The table below shows a breakdown of the total amount of benefits payable.

| | Pensions | | Lump Sum Retirement Benefits | | Lump Sum Death Benefits | |
|---|---|---|---|---|---|---|
| | **2024/25** | **2023/24** | **2024/25** | **2023/24** | **2024/25** | **2023/24** |
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Administering Authority** | (43,996) | (40,186) | (6,396) | (5,915) | (923) | (909) |
| **Scheduled Bodies** | (867) | (771) | (336) | (238) | (145) | (451) |
| **Admitted Bodies** | (3,988) | (3,360) | (1,849) | (1,328) | (119) | (125) |
| **Total** | **(48,851)** | **(44,317)** | **(8,581)** | **(7,481)** | **(1,187)** | **(1,485)** |

| | | |
|---|---|---|
| **Total Lump Sum Benefits** | **(9,768)** | **(8,966)** |

# Note 9 Management Expenses

The table below shows a breakdown of the management expenses incurred during the year.

| | Management Expenses | |
|---|---|---|
| | 2024/25 | 2023/24 |
| | £000 | £000 |
| Administering Costs | (1,137) | (1,329) |
| Investment Management Expenses | (6,739) | (9,184) |
| Oversight and Governance Costs | (384) | (344) |
| **Total** | **(8,260)** | **(10,857)** |

# Note 9 Management Expenses Continued

The table below provides a breakdown of the Investment Management Expenses. The fund transitioned assets between managers in the previous year which resulted in increased transaction costs in 2023/24, and these have reduced for the current year.

| | Investment Management Expenses | |
|---|---|---|
| | 2024/25 | 2023/24 |
| | £000 | £000 |
| Management fees | (5,569) | (5,580) |
| Performance fees | (65) | (672) |
| Transaction costs | (1,033) | (2,864) |
| Custody fees | (72) | (68) |
| Total | **(6,739)** | **(9,184)** |

The table to the right shows a breakdown of the investment management expenses incurred during the year by Investment Manager. Please note this table excludes fees paid to the Custodian.

| | 2024/25 | 2023/24 |
|---|---|---|
| | £000 | £000 |
| Legal and General | 489 | 372 |
| Ruffer | 1,376 | 3,149 |
| Morgan Stanley | 945 | 1,137 |
| Insight | 140 | 26 |
| Allspring Global | 236 | 251 |
| Oak Hill Advisers | 876 | 836 |
| Alpha Real Capital | 524 | 692 |
| Quinbrook | 692 | 322 |
| Aberdeen | 403 | 439 |
| Partners Group | 635 | 1,181 |
| Man Group | 168 | 171 |
| Darwin Alternatives | 184 | 228 |
| Aviva | - | 157 |
| PIMCO | - | 156 |
| Total | **6,666** | **9,116** |

# Note 10 Investment Income

The table below shows a breakdown of investment income..

| | Investment Income | |
|---|---|---|
| | 2024/25 | 2023/24 |
| | £000 | £000 |
| Pooled Investment Vehicles | 14,068 | 8,745 |
| Pooled Property Vehicles | 3,040 | 2,718 |
| Private Equity/ Infrastructure | 3,123 | 7,301 |
| Interest on Cash Deposits | 909 | 766 |
| Other Investment Income (HMRC Refunds) | 286 | |
| Total | **21,426** | **19,531** |

# Note 11 Investment Strategy

During 2024/25 the Fund's investment strategy had the following developments:

- In November 2024, the Pension Fund committee agreed a top up of 2.5% (£35m) into Quinbrook Renewable Infrastructure Fund II. The first drawdown to this commitment was made in January 2025.
- In March 2025, the Pension Fund Committee agreed to a 2% (£30m) top up into the Alpha Real Capital Income Linked Index Fund (Commercial Ground Rents). This commitment was fully funded in April 2025.
- In order to fund the new investments, the Fund received its redemption from Aviva Infrastructure in September 2024 and made a partial redemption from the LCIV Ruffer – Absolute Return Fund.

In August 2015, the Fund made a commitment to the Partners Group Direct Infrastructure fund. As at 31 March 2025 €8.3m (£6.9m) remained unfunded.

As shareholders of London LGPS CIV Ltd, (the organisation set up to run pooled LGPS investments in London) the Fund has funded £150,000 of regulatory capital. This is in the form of unlisted UK equity shares. The Fund has been active in the transfer of assets under management to the London Collective Investment Vehicle (LCIV) to gain efficiencies and fee reductions. As at 31 March 2025, the Fund had £846m invested with the London CIV, which accounts for 60.1% of the fund's total assets.

The market value and proportion of investments managed by each fund manager at 31 March 2025 was as follows:

| | 31 March 2025 | | 31 March 2024 | |
|---|---|---|---|---|
| | Market Value | Total | Market Value | Total |
| | £000 | % | £000 | % |
| **Investments Managed by the London CIV Asset Pool** | | | | |
| **LGIM - MSCI Low Carbon (Passive)** | 438,128 | 31.1% | 412,468 | 30.3% |
| **Morgan Stanley - Global Equity Quality Fund** | 189,598 | 13.5% | 179,216 | 13.2% |
| **Ruffer - Absolute Return (Active)** | 154,813 | 11.0% | 151,199 | 11.1% |
| **Insight - Buy and Maintain (Short Duration)** | 33,056 | 2.3% | 33,056 | 2.4% |
| **Insight - Buy and Maintain (Long Duration)** | 30,557 | 2.2% | 33,508 | 2.5% |
| **Total Under Pool Management** | **846,152** | **60.08%** | **809,447** | **59.48%** |

# Note 11 Investment Strategy Continued

| | 31 March 2025 | | 31 March 2024 | |
|---|---|---|---|---|
| | Market Value | Total | Market Value | Total |
| | £000 | % | £000 | % |
| **Investments Managed Outside the London CIV Asset Pool** | | | | |
| Allspring Global - Buy and Maintain Bonds | 138,146 | 9.8% | 135,290 | 9.9% |
| Oak Hill Advisers - Secured Income (Active) | 77,780 | 5.5% | 73,581 | 5.4% |
| Alpha Real Capital - Ground Rents | 73,877 | 5.2% | 78,962 | 5.8% |
| Quinbrook - UK Renewable Infrastructure | 56,269 | 4.0% | 47,633 | 3.5% |
| Aberdeen - Long Lease Property | 51,808 | 3.7% | 49,613 | 3.6% |
| Aberdeen MSPC | 51,734 | 3.7% | 51,221 | 3.8% |
| Partners Group - Infrastructure | 34,918 | 2.5% | 33,163 | 2.4% |
| Inhouse Cash - Cash | 27,551 | 2.0% | 7,474 | 0.5% |
| Man Group - Affordable Housing | 25,697 | 1.8% | 23,643 | 1.7% |
| Darwin Alternatives - Leisure Fund | 21,654 | 1.5% | 28,995 | 2.1% |
| Partners Group - Multi Asset Private Credit | 2,670 | 0.2% | 6,487 | 0.5% |
| London CIV Ltd | 150 | 0.0% | 150 | 0.0% |
| Aviva - Private Infrastructure | - | 0.0% | 15,209 | 1.1% |
| Unigestion - Private Equity | - | 0.0% | 30 | 0.0% |
| | **562,254** | **39.9%** | **551,451** | **40.5%** |
| | **1,408,406** | **100.0%** | **1,360,898** | **100.0%** |

# Note 11 Investment Strategy Continued

The table below shows the Fund investments which exceed 5% of net assets. These are all pooled investment vehicles, which are made up of underlying investments, each of which represent substantially less than 5%.

| | 31 March 2025 | | 31 March 2024 | |
|---|---|---|---|---|
| | Market Value | Total | Market Value | Total |
| | £000 | % | £000 | % |
| LGIM - MSCI Low Carbon (Passive) | 438,128 | 31.1% | 412,468 | 30.3% |
| Ruffer - Absolute Return (Active) | 154,813 | 11.0% | 151,199 | 11.1% |
| Allspring Global - Buy and Maintain Bonds | 138,146 | 9.8% | 135,290 | 9.9% |
| Oak Hill Advisers - Secured Income (Active) | 77,780 | 5.5% | 73,581 | 5.4% |
| Alpha Real Capital - Ground Rents | 73,877 | 5.2% | 78,962 | 5.8% |
| Morgan Stanley - Global Equity Quality Fund | 189,598 | 13.5% | 179,216 | 13.2% |

# Note 12 Reconciliation of Movement in Investments

The table below shows a reconciliation of the movement in the total investment assets of the Fund by asset class during 2024/25:

| | Value at 1 April 2024 | Purchases during the year and derivative payments | Sales during the year and derivative receipts | Change in market value during the year | Value at 31 March 2025 |
|---|---|---|---|---|---|
| **Fund Managed** | **£000** | **£000** | **£000** | **£000** | £000 |
| Bonds | 150 | - | - | - | **150** |
| Equities | 1,183,983 | 7,399 | (9,013) | 29,644 | **1,212,013** |
| Pooled Investment Vehicles | 73,256 | 2,444 | 168 | 1,637 | **77,505** |
| Pooled Property Vehicles* | 96,035 | 13,892 | (23,139) | 4,399 | **91,187** |
| Private Equity / Infrastructure* | **1,353,424** | **23,735** | **(31,984)** | **35,680** | **1,380,855** |
| **Sub-total** | 150 | - | - | - | **150** |
| Cash Deposits | 7,456 | | | (10) | **27,459** |
| Investment income due | 18 | | | - | **92** |
| **Totals** | **1,360,898** | **23,735** | **(31,984)** | **35,670** | **1,408,406** |

Pooled investment vehicles includes equities, absolute return and bonds
Pooled property vehicles includes property, affordable housing, commercial ground rents and the leisure fund.
Pooled Equity / Infrastructure includes infrastructure and renewable infrastructure.

# Note 12 Reconciliation of Movement in Investments Continued

The equivalent analysis for 2023/24 is provided below

| | Value at 1 April 2023 | Purchases during the year and derivative payments | Sales during the year and derivative receipts | Change in market value during the year | Value at 31 March 2024 |
|---|---|---|---|---|---|
| **Fund Managed** | **£000** | **£000** | **£000** | **£000** | **£000** |
| Bonds | 150 | - | - | - | **150** |
| Equities | 1,118,138 | 232,617 | (267,154) | 100,382 | **1,183,983** |
| Pooled Investment Vehicles | 78,572 | 1,881 | 171 | (7,368) | **73,256** |
| Pooled Property Vehicles* | 63,531 | 50,304 | (14,197) | (3,603) | **96,035** |
| Private Equity / Infrastructure* | **1,260,391** | **284,802** | **(281,180)** | **89,411** | **1,353,424** |
| **Sub-total** | 20,245 | | | (31) | **7,456** |
| Cash Deposits | 39 | | | - | **18** |
| Investment income due | - | | | (13) | **-** |
| Spot FX contracts | 20,245 | | | (31) | **7,456** |
| **Totals** | **1,280,675** | **284,802** | **(281,180)** | **89,367** | **1,360,898** |

# Note 13 Fair Value Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year:

| Description of asset | Investment Manager | Valuation hierarchy | Basis of valuation | Observable and unobservable inputs | Key sensitivities affecting the valuations provided |
|---|---|---|---|---|---|
| **Pooled Investments - Equity funds UK and Overseas Managed Funds** | LGIM – MSCI Low Carbon<br>Ruffer – Absolute Return Fund<br>Morgan Stanley – Global Sustain Fund | Level 2 | The NAV for each share class is calculated based on the market value of the underlying equity assets | Evaluated price feeds | Not required |
| **Unquoted bonds and unit trusts** | Oak Hill Advisors<br>Allspring Global Bonds<br>LCIV Insight Buy and Maintain Bonds (Short Duration)<br>LCIV Insight Buy and Maintain Bonds (Long Duration) | Level 2 | Fixed income securities are priced based on evaluated prices provided by independent pricing services | Evaluated price feeds | Not required |
| **Pooled Long Lease Property Fund** | Aberdeen - Long Lease Property | Level 2 | The Aberdeen Standard Long Lease Property Fund is priced on a Single Swinging Price | In house evaluation of market data | Not required |

# Note 13 Fair Value Basis of Valuation Continued

| Description of asset | Investment Manager | Valuation hierarchy | Basis of valuation | Observable and unobservable inputs | Key sensitivities affecting the valuations provided |
|---|---|---|---|---|---|
| **Infrastructure funds** | Partners Group – Infrastructure<br>Quinbrook Renewable Infrastructure | Level 3 | Valued by Fund Managers at the lower of cost and fair value. | Managers use their judgement having regard to the Equity and Venture Capital Valuation Guidelines 2012 guidelines noted above | Upward valuations are only considered where there is validation of the investment objectives, and such progress can be demonstrated.<br>Downward valuations are enacted where the manager considers there is an impairment to the underlying investment |
| **Illiquid Alternatives** | Darwin Alternatives<br>Man Group<br>Alpha Real<br>Aberdeen – MSPC<br>Partners – MSPC | Level 3 | Valued by Fund Managers at the lower of cost and fair value. | In house evaluation of market data | Valuations could be affected by changes to expected cashflows, cost of replacing key business assets, or by any differences between the audited and unaudited accounts |

**Cash Classification**

For the Fund, cash at custodian is simply a sweep from the custodian into a nominated Money Market Fund and an overnight rate paid. The full cash amount needs to be available for potential investment/withdrawal the next morning and is purely there to service investment and payment of pensions. It is therefore understood that this cash should be amortised cost. It is however not correct to assume cash would always be amortised cost. When an investment committee has taken an active decision to hold cash as part of its asset allocation and invests in a liquidity fund there would almost certainly be duration and variable NAV, in this circumstance we would expect the IFRS9 treatment to be Fair Value at Profit and Loss.

# Note 14A Valuation of Financial Instruments Carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values. The definitions of the levels are detailed below.

**Level 1** – Fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Examples are quoted equities, quoted index linked securities and unit trusts. All level 1 investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

**Level 2** – Quoted prices are not available for financial instruments at this level. The valuation techniques used to determine fair value use inputs that are based significantly on observable market data.

**Level 3** – Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data e.g., private equity investments.

The values of the private equity investments are based on valuations provided by the General Partners to the private equity funds. The Partners Group Multi Asset Credit and Infrastructure funds are closed ended and therefore not tradable. The valuation is based on market prices where available for some underlying assets and on estimates of prices in secondary markets for others.

# Note 14A Valuation of Financial Instruments Carried at Fair Value Continued

| | 31 March 2025 | | | 31 March 2024 | | |
|---|---|---|---|---|---|---|
| | Quoted Market Price | Using observable inputs | With significant unobservable inputs | Quoted Market Price | Using observable inputs | With significant unobservable inputs |
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **Financial Assets** | £000 | £000 | £000 | £000 | £000 | £000 |
| Pooled Investments - Equity funds UK and Overseas Managed Funds | | 782,539 | - | | 742,883 | - |
| Unquoted bonds and unit trusts | | 279,539 | - | | 275,435 | - |
| Pooled Long Lease Property Fund | | 51,808 | - | | 49,613 | - |
| Infrastructure funds | | | 34,918 | | - | 80,796 |
| Illiquid Alternatives | | - | 232,051 | | - | 204,697 |
| Designated at fair value through profit and loss | - | - | - | 0 | - | - |
| **Total Financial Assets** | **-** | **1,113,886** | **266,969** | **0** | **1,067,931** | **285,493** |
| **Financial Liabilities** | | | | | | |
| Designated at fair value through profit and loss | - | - | - | 0 | - | - |
| **Total Financial Liabilities** | **-** | **-** | **-** | 0 | - | - |
| **Net Financial Assets** | **-** | **1,113,886** | **266,969** | **-** | **1,067,931** | **285,493** |
| | | | **1,380,855** | | | **1,353,424** |

# Note 14B Transfers Between Levels 1 and 2

In 2024/25 the Fund's operational activity resulted in no transfers between Levels 1 and 2.

# Note 14C Reconciliation of Fair Value Measurements Within Level 3

| | Market Value as at 31/03/2024 | Transfers in/out of Level 3 | Purchases | Sales | Unrealised gains / (losses) | Realised gains / (losses) | Market Value as at 31/03/2025 |
|---|---|---|---|---|---|---|---|
| **Asset Category** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| Overseas Infrastructure | 33,193 | - | 3 | (724) | 4,403 | (1,957) | 34,918 |
| UK Infrastructure | 62,843 | - | 13,889 | (19,888) | 7,476 | (8,049) | 56,271 |
| UK Venture Capital | 109,092 | - | 2,418 | (2,526) | (6,739) | - | 102,245 |
| London LGPS CIV | 150 | - | - | - | - | - | 150 |
| Private Credit Funds | 51,221 | - | - | (2,275) | 2,785 | - | 51,731 |
| UK Equity Funds | 28,995 | - | - | - | (7,341) | - | 21,654 |
| **Total** | **285,494** | **-** | **16,310** | **(25,413)** | **584** | **(10,006)** | **266,969** |

The equivalent analysis for 2023/24 is provided on the next page.

# Note 14C Reconciliation of Fair Value Measurements Within Level 3 Continued

| | Market Value as at 31/03/2023 | Transfers in/out of Level 3 | Purchases | Sales | Unrealised gains / (losses) | Realised gains / (losses) | Market Value as at 31/03/2024 |
|---|---|---|---|---|---|---|---|
| **Asset Category** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| Overseas Infrastructure | 37,566 | - | - | (1,212) | (3,176) | 14 | 33,192 |
| UK Infrastructure | 25,965 | - | 50,882 | (11,536) | 204 | (2,673) | 62,843 |
| UK Venture Capital | 88,051 | - | 38,850 | (1,475) | (16,334) | - | 109,092 |
| London LGPS CIV | 150 | - | - | - | - | - | 150 |
| Private Credit Funds | 46,209 | - | - | (1,901) | 6,914 | - | 51,221 |
| UK Equity Funds | 34,694 | - | - | - | (5,699) | - | 28,995 |
| **Total** | **232,635** | **-** | **89,732** | **(16,124)** | **(18,091)** | **(2,659)** | **285,493** |

# Note 14D Sensitivity of Assets Valued at Level 3

The Pension Fund has analysed historical data and current trends in consultation with independent investment advisors to determine the accuracy of the valuations of its Level 3 investments. The potential impact on the reported valuations as at 31 March 2025 has been estimated to be accurate within the following ranges:

| Description of assets | Assessed Valuation Range (+) | Assessed Valuation Range (-) | Value at 31 March 2025 | Value on increase | Value on decrease |
|---|---|---|---|---|---|
| | | | **£000** | **£000** | **£000** |
| Partners Group - Infrastructure | 12.00% | 12.00% | 34,918 | 39,108 | 30,728 |
| Partners Group - Multi Asset Private Credit | 8.00% | 8.00% | 2,670 | 2,884 | 2,456 |
| Darwin Alternatives - Leisure Fund | 8.00% | 7.10% | 21,654 | 23,386 | 20,117 |
| Aberdeen MSPC | 2.01% | 2.14% | 51,734 | 52,774 | 50,627 |
| Alpha Real Capital - Ground Rents | 6.30% | 5.60% | 73,877 | 78,531 | 69,740 |
| Quinbrook - UK Renewable Infrastructure | 15.53% | 13.30% | 56,269 | 65,008 | 48,785 |
| Man Group - Affordable Housing | 9.50% | 9.00% | 25,697 | 28,138 | 23,384 |
| **Total** | | | **266,819** | **289,829** | **245,837** |

*An asset (totalling £0.150m) has been excluded from this note due to immateriality.

The equivalent analysis for 2023/24 is provided on the next page.

# Note 14D Sensitivity of Assets Valued at Level 3 Continued

| Description of assets | Assessed Valuation Range (+) | Assessed Valuation Range (-) | Value at 31 March 2024 | Value on increase | Value on decrease |
|---|---|---|---|---|---|
| | | | £000 | £000 | £000 |
| Aviva - Private Infrastructure | 6.90% | 7.70% | 15,209 | 16,258 | 14,038 |
| Partners Group - Infrastructure | 6.60% | 7.75% | 33,163 | 35,352 | 30,593 |
| Partners Group - Multi Asset Private Credit | 9.73% | 9.73% | 6,487 | 7,118 | 5,856 |
| Darwin Alternatives - Leisure Fund | 7.40% | 6.50% | 28,995 | 31,141 | 27,110 |
| Aberdeen MSPC | 2.77% | 2.77% | 51,221 | 52,637 | 49,805 |
| Alpha Real Capital - Ground Rents | 7.30% | 6.40% | 78,962 | 84,726 | 73,908 |
| Quinbrook - UK Renewable Infrastructure | 16.60% | 13.80% | 47,633 | 55,540 | 41,060 |
| Man Group - Affordable Housing | 9.40% | 8.70% | 23,643 | 25,865 | 21,586 |
| **Total** | | | **285,313** | **308,638** | **263,956** |

# Note 15A Classification of Financial Instruments

The following table analyses the carrying amounts of financial assets and liabilities split by UK and Overseas, by category and Net Assets Statement heading as at the balance sheet date. All investments are quoted unless stated.

There were several recategorizations to this note between 2023-24. These included correcting the table from 'UK equities' to 'Global Equities', changing 'Allspring Global – Buy and Maintain Bonds', 'LCIV insight Buy and Maintain Bonds' from UK fixed income fund to overseas fixed income fund, and moving 'Alpha Real Capital – Ground Rents' from classified as a UK Infrastructure fund in the table to being classified as a UK Property Fund. These changes were retrospectively applied to the 31 March 2024 are also shown allow consistent comparison in the table

| | 31 March 2025 | | | 31 March 2024 | | |
|---|---|---|---|---|---|---|
| | **Designated at fair value through profit & loss** | **Financial assets at amortised cost** | **Financial Liabilities at amortised cost** | **Designated at fair value through profit & loss** | **Financial assets at amortised cost** | **Financial Liabilities at amortised cost** |
| ***Pooled Investment Vehicles:*** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| UK equity funds | 782,539 | - | - | 742,883 | - | - |
| UK fixed income fund | 54,404 | - | - | 259,562 | - | - |
| UK property fund | 173,036 | - | - | 102,251 | - | - |
| UK infrastructure | 56,269 | - | - | 141,804 | - | - |
| Overseas fixed income fund | 279,539 | - | - | 73,581 | - | - |
| Overseas infrastructure | 34,918 | - | - | 33,163 | - | - |
| Overseas venture capital | - | - | - | 30 | - | - |
| London LGPS CIV | 150 | - | - | 150 | - | - |
| Investment income due | - | 92 | - | - | 19 | - |
| Cash deposits with managers | - | 27,459 | - | - | 7,455 | - |
| Debtors | - | 876 | - | - | 1,033 | - |
| Cash balances (held by fund) | - | 3,242 | - | - | 15,642 | - |
| **Grand Totals** | **1,380,855** | **31,669** | - | **1,353,424** | **24,149** | - |
| | | | **1,411,151** | | | **1,375,387** |

# Note 15B Net Gains and Losses on Financial Statements

This table summarises the net gains and losses on financial instruments classified by type of instrument

| | 31 March 2025 | 31 March 2024 |
|---|---|---|
| | £000 | £000 |
| **Financial Assets** | | |
| Fair value through profit and loss | 35,680 | 89,410 |
| Loans and receivables | - | - |
| **Financial Liabilities** | | |
| Fair value through profit and loss | (10) | (43) |
| **Total** | **35,670** | **89,367** |

# Note 16 Nature and Extent of Risks Arising from Financial Statements

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities. The Fund's liabilities are sensitive to inflation through pension and pay increases, interest rates and mortality rates. The assets that would most closely match the liabilities are a combination of index-linked gilts, as the liabilities move in accordance with changes in the relevant gilt yields and changes in inflation.

The Pension Fund Committee maintains a Pension Fund risk register and reviews the risks and appropriate mitigating actions at every meeting.

## (a) Market Risk

Market risk is the risk of loss emanating from general market fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk across all its investment activities. To manage excessive volatility in market risk, the Fund continues to invest its assets in a broad range of asset classes in terms of geographical and industry sectors and individual securities which are expected to produce returns above their benchmarks over the long term, albeit with greater volatility. This diversification reduces exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level.

The aim of the investment strategy is to maximise the opportunity for gains across the whole Fund's portfolio within a tolerable level of risk of an overall reduction in the value of the Fund. Responsibility for the Fund's investment strategy rests with the Pension Fund Committee and is reviewed on a regular basis.

## (b) Price Risk

Price risk represents the risk that the value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all such instruments in the market.

The Fund is exposed to price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities represent a risk of loss of capital. The maximum risk resulting from financial instruments (except for the derivatives where the risk is currency related) is determined by the fair value of the financial instruments. The Fund's investment managers aim to mitigate this price risk through diversification and the selection of securities and other financial instruments.

All assets except for forward foreign exchange contracts, other investment balances, debtors and creditors are exposed to price risk. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if prices had been 8.9% higher or 8.9% lower.

**Assets exposed to price risk**

| | Value | Price Risk | Positive increase | Negative increase |
|---|---|---|---|---|
| | £000 | % | £000 | £000 |
| **At 31st March 2025** | 1,380,705 | 8.9% | 1,504,733 | 1,256,677 |
| **At 31st March 2024** | 1,353,274 | 8.5% | 1,468,800 | 1,237,748 |

# Note 16 Nature and Extent of Risks Arising from Financial Statements Continued

### (c) Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. Fixed Interest securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

Fixed income investments, cash and some elements of the pooled investment vehicles are exposed to interest rate risk. The table below shows the value of these assets at 31 March 2025 and what the value would have been if interest rates had been 1% higher or 1% lower.

**Assets exposed to interest rate risk**

| | Value | +1% | -1% |
|---|---|---|---|
| | £000 | £000 | £000 |
| At 31st March 2025 | 419,090 | 402,613 | 436,908 |
| At 31st March 2024 | 428,565 | 410,599 | 453,104 |

### (d) Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than pounds sterling.

The Fund recognises that a strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

To mitigate the risk, one of the Fund's investment managers enters forward foreign exchange contracts (accounted for as derivatives) to hedge the currency risk which arises from undertaking non-sterling transactions. In addition, several of the pooled investment vehicles partially or fully hedge the currency back into sterling. These actions reduce the overall currency risk the Fund is exposed to.

**Assets exposed to currency risk**

| | Value | Currency Risk | Positive Increase | Negative Increase |
|---|---|---|---|---|
| | £000 | % | £000 | £000 |
| 31 March 2025 | 654,970 | 7.3 | 703,003 | 606,937 |
| 31 March 2024 | 590,357 | 7.4 | 633,778 | 546,936 |

# Note 16 Nature and Extent of Risks Arising from Financial Statements Continued

### (e) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high-quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

### (f) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that there are adequate cash resources to meet its commitments. This will particularly be the case for cash to meet the pensioner payroll costs, and cash to meet investment commitments. The Fund has immediate access to its cash holdings.

The only assets in the Fund which cannot be liquidated within a month are detailed in the table below. These amounted to 19.0% of the Fund's Net Assets at 31 March 2025 (19.7% at 31 March 2024). The remaining assets can all be liquidated within days.

| Manager | Portfolio | 31 March 2025 | 31 March 2024 |
|---|---|---|---|
| | | **£000** | **£000** |
| Standard Life | Property | 51,808 | 49,613 |
| Partners Group | Infrastructure | 34,918 | 33,163 |
| Partners Group | Multi Asset Credit | 2,670 | 6,487 |
| Unigestion | Private Equity | - | 30 |
| Darwin Alternatives | Illiquid Alternatives | 21,654 | 28,995 |
| Alpha Real Capital | Ground Rents | 77,780 | 78,962 |
| Quinbrook | Infrastructure | 56,269 | 47,633 |
| Man Group | Property | 25,697 | 23,643 |
| | | **270,796** | **268,526** |

# Note 17 Contingent Liabilities and Contractual Commitments

The Fund had the following commitments at the balance sheet date:

| | 31 March 2025 | 31 March 2024 |
|---|---|---|
| | **£000** | **£000** |
| Quinbrook - UK Renewable Infrastructure | 30,238 | 3,155 |
| Man Group - Affordable Housing | 3,772 | 6,1898 |
| Alpha Real Capital - Ground Rents | 30,000 | - |
| Partners Group Direct Infrastructure Fund 2015 | 6,963 | **7,103** |
| Total | **70,973** | 16,447 |

# Note 18 Funding Arrangements

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Hammersmith & Fulham Pension Fund is able to meet its liabilities to past and present contributors and to review employer contribution rates.

The latest full triennial valuation of the London Borough of Hammersmith and Fulham Pension Fund was carried out by Hymans Robertson, the Fund's actuary, as at 31 March 2022 in accordance with the Funding Strategy Statement of the Fund and the Local Government Pension Scheme Regulations 2013. The results were published in the triennial valuation report dated 29 March 2023. This valuation set the employer contribution rates from 1 April 2023 through to 31 March 2026.

The 2022 valuation certified a common contribution rate of 20.7% of pensionable pay (17.4% as at March 2019) to be paid by each employing body participating in the Fund, based on a funding level of 105% (97% as at March 2019). In addition, each employing body must pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

The actuary's smoothed market value of the scheme's assets at 31 March 2022 was £1,325m (£1,043m in 2019) and the actuary assessed the present value of the funded obligation at £1,267m indicating a net asset of £58m (£1,079m 2019).

The actuarial valuation, carried out using the projected unit method, is based on economic and statistical assumptions, the main ones being:

| Financial Assumptions | March 2022 | March 2019 |
|---|---|---|
| Consumer Price Index (CPI) increases | 2.70% | 2.60% |
| Salary Increases | 3.70% | 3.60% |
| Pension Increases | 2.70% | 2.40% |
| Discount Rate | 4.40% | 5.00% |

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries. Estimates for the Pension Fund are based on the full valuation of the scheme as at 31 March 2022. The next actuarial valuation of the Fund was carried out by the Fund's actuary Hyman's Robertson as at 31 March 2025 and will set contribution rates for the period 1 April 2026 to 31 March 2029. The 2022 Triennial valuation has now been signed off and is publicly available.

The contribution rate is set on the basis of the cost of future benefit accrual, increased to keep the funding level at 100% over a period of 20 years, as set out in the Funding Strategy Statement. It is set to be sufficient to meet the additional annual accrual of benefits allowing for future pay increases and increases to pension payments when these fall due, plus an amount to reflect each participating employer's notional share of value of the Fund's assets compared with 100% of their liabilities in the Fund in respect of service to the valuation date.

# Note 18A Actuarial Present Value of Promised Retirement Benefits

The table below shows the total net liability of the Fund as at 31 March 2025. The figures have been prepared by Hymans Robertson, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS19.

| | 31 March 2025 | 31 March 2024 |
|---|---|---|
| | **£000** | **£000** |
| Present Value of Promised Retirement Benefits* | (1,178) | (1,355) |
| Fair Value of Scheme Assets (Bid Value) | 1,413 | 1,378 |
| Net Asset/(Liability) | 235 | 23 |

The promised retirement benefits at 31 March 2025 have been projected using a roll forward approximation
from the latest formal funding valuation as at 31 March 2022.

The assumptions applied by the actuary are in the following table:

| Financial Assumptions | 31 March 2025 | 31 March 2024 |
|---|---|---|
| Salary Increases | 3.80% | 3.80% |
| Pension Increases | 2.80% | 2.80% |
| Discount Rate | 5.80% | 4.80% |

**Demographic Assumptions**

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2023 model, with a 15% weighting of 2023 (and 2022) data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

| Life Expectancy from age 65 | | 31 March 2025 | 31 March 2024 |
|---|---|---|---|
| Retiring Today | Males | 21.5 | 21.6 |
| | Females | 24.3 | 24.3 |
| Retiring in 20 Years | Males | 22.5 | 22.6 |
| | Females | 25.5 | 25.6 |

# Note 19 Current Assets

| | 31 March 2025 | 31 March 2024 |
|---|---|---|
| **Debtors** | **£000** | **£000** |
| Contributions due - employers | 2,351 | 2,153 |
| Contributions due - employees | 776 | 743 |
| London Borough of Hammersmith and Fulham | 49 | 47 |
| Sundry Debtors | 826 | 986 |
| | **4,002** | **3,929** |

| | 31 March 2025 | 31 March 2024 |
|---|---|---|
| **Analysis of debtors** | **£000** | **£000** |
| Local authorities | 49 | 47 |
| Other entities and individuals | 3,740 | 3,791 |
| Central Government | 213 | 91 |
| **Analysis of debtors** | **4,002** | **3,929** |

# Note 20 Current Liabilities

| | 31 March 2025 | 31 March 2024 |
|---|---:|---:|
| **Creditors** | **£000** | **£000** |
| Unpaid Benefits | (846) | (719) |
| Management Expenses | (1,096) | (1,278) |
| Sundry Creditors | (277) | (908) |
| **Total** | **(2,219)** | **(2,905)** |

| | 31 March 2025 | 31 March 2024 |
|---|---:|---:|
| **Analysis of Creditors** | **£000** | **£000** |
| Other entities and individuals | (2,219) | (2,905) |
| **Total** | **(2,219)** | **(2,905)** |

# Note 21 Additional Voluntary Contributions (AVCs)

The Fund's AVC providers are Scottish Widows Workplace Savings and Utmost Life and Pensions. AVCs are invested separately from the Pension Fund and their valuations are shown in the table below.

| | 31 March 2025 | 31 March 2024 |
|---|---|---|
| | **£000** | **£000** |
| **Scottish Widows Workplace Savings** | | |
| Market Value at 31st March | 820 | 848 |
| Contributions during the year | (31) | (60) |
| **Utmost Life and Pensions** | | |
| Market Value at 31st March | 152 | 152 |

In accordance with Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 the contributions paid and the investments are not included in the Pension Fund Accounts.

The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year. The Fund relies on individual contributors to check that deductions are accurately reflected in the statements provided by the AVC provider.

This note has not been updated as the information is not currently available, so the prior year's figures have been included for the current year until this information becomes available

# Note 22 Related Parties

The Pension Fund is administered by the London Borough of Hammersmith and Fulham. The Council incurred costs of £0.921m in 2024/25 (£1.1m in 2023/24) in relation to the administration of the Fund and were reimbursed by the Fund for the expenses. The Council made £26.5m of contributions in year (£24.6m in 2023/24).

The Pension Fund's accounting and governance management is carried out through a shared service with Westminster City Council. Westminster City Council incurred costs of £0.207m in 2024/25 (£0.206m in 2023/24) in relation to the accounting and governance of the Fund and were reimbursed for the expense.

# Note 22A. Key Management Personnel

The key management personnel of the Fund are the Executive Director - Finance & Corporate Services and the Tri-Borough Director of Treasury and Pensions. Total remuneration payable to key management personnel in respect of the pension fund is set out below:

| | 31 March 2025 | 31 March 2024 |
|---|---|---|
| | **£000** | **£000** |
| **Short-Term Benefits** | 35 | 33 |
| **Post-Employment Benefits** | (28) | 20 |
| | **8** | **53** |

# Note 23 External Audit Costs

The external audit fee payable to Fund's external auditors, Grant Thornton LLP, was £97,945 (£94,724 in 2023/24

# 7. Glossary and Contacts

# Glossary of Terms

**ACCOUNTING POLICIES**
The rules and practices adopted by the authority that determine how the transactions and events are reflected in the accounts.

**ACCRUALS**
Amounts included in the accounts for income or expenditure in relation to the financial year but not received or paid as at 31 March.

**ACTIVE MANAGEMENT**
Active management or active fund management is where the fund manager makes specific investments with the aim of outperforming an investment benchmark.

**ACTIVE MEMBER**
Current employee who is contributing to a pension scheme.

**ACTUARIAL GAINS AND LOSSES**
These arise where actual events have not coincided with the actuarial assumptions made for the last valuations (known as experience gains and losses) or the actuarial assumptions have been changed.

**ACTUARY**
An independent professional who advises the Council on the financial position of the Fund. Every three years the actuary values the assets and liabilities of the Fund and determines the funding level and the employers' contribution rates.

**ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)**
An option available to active scheme members to secure additional pension benefits by making regular contributions to separately held investment funds managed by the Fund's AVC provider.

**ADMITTED BODY**
An organisation, whose staff can become members of the Fund by virtue of an admission agreement made between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.

**ASSET ALLOCATION**
The apportionment of a Fund's assets between different types of investments (or asset classes). The long-term strategic asset allocation of a Fund will reflect the Fund's investment objectives.

**BENCHMARK**
A measure against which the investment policy or performance of an investment manager can be compared.

**BONDS**
Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.

# Glossary of Terms Continued

**CIPFA (CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTING)**
CIPFA is the professional institute for accountants working in the public services. CIPFA publishes the Code.

**CREDITORS**
Amounts owed by the Council for goods and services received but not paid for as at 31 March.

**DEBTORS**
Amounts owed to the Council for goods and services provided but where the associated income was not received as at 31 March.

**DEFERRED MEMBERS**
Scheme members, who have left employment or ceased to be active members of the scheme whilst remaining in employment but retain an entitlement to a pension from the scheme.

**DEFINED BENEFIT SCHEME**
A type of pension scheme, where the pension that will ultimately be paid to the employee is fixed in advance and not impacted by investment returns. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the pension promised.

**DERIVATIVE**
A derivative is a financial instrument which derives its value from the change in price (e.g. foreign exchange rate, commodity price or interest rate) of an underlying investment (e.g. equities, bonds, commodities, interest rates, exchange rates and stock market indices), which no net initial investment or minimal initial investment and is settled at a future date

**EMPLOYER CONTRIBUTION RATES**
The percentage of the salary of employees that employers pay as a contribution towards the employees' pension.

**EQUITIES**
Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

**EXCHANGE TRADED**
This describes a financial contract which is traded on a recognised exchange such as the London Stock Exchange or the London International Financial Futures Exchange.

**FINANCIAL ASSETS**
Financial assets are cash, equity instruments within another entity (e.g. shares) or a contractual right to receive cash or another asset from another entity (e.g. debtors) or exchange financial assets or financial liabilities under potentially favourable conditions (e.g. derivatives).

# Glossary of Terms Continued

**FINANCIAL INSTRUMENT**
Any contract giving rise to a financial asset in one entity and a financial liability or equity in another entity.

**FINANCIAL LIABILITIES**
Financial assets are contractual obligations to deliver cash or another financial asset (e.g. creditors) or exchange financial assets or financial liabilities under potentially unfavourable conditions (e.g. derivatives).

**FORWARD FOREIGN EXCHANGE DERIVATIVE**
Forward foreign exchange derivatives are over the counter contracts whereby two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange.

**INDEX**
A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

**OVER THE COUNTER**
This describes a financial contract which is potentially unique as they are not usually traded on a recognised exchange

**PASSIVE MANAGEMENT**
Passive management is where the investments mirror a market index.

**PROJECTED UNIT METHOD – PENSION FUND VALUATION**
An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable later) and their dependents, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date.

**RELATED PARTIES**
Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party, to an extent that the other party might be always inhibited from pursuing its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source, to such an extent that one of the parties to the transaction has subordinated its own separate interests.
- Advice from CIPFA is that related parties to a local authority include Central Government, bodies precepting or levying demands on the Council Tax, members and chief officers of the authority and its pension fund.

# Glossary of Terms Continued

**RELATED PARTY TRANSACTION**
A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund;
- the provision of services to a related party, including the provision of pension fund administration services; and
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

**RETURN**
The total gain from holding an investment over a given period, including income and increase or decrease in market value.

**SCHEDULED BODY**
An organisation that has the right to become a member the Local Government Pension Scheme under the scheme regulations. Such an organisation does not need to be admitted, as its right to membership is automatic.

**THE CODE**
The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003.

**UNREALISED GAINS/LOSSES**
The increase or decrease in the market value of investments held by the fund since the date of their purchase.
NOTE: values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences

# Contact Information

**FOR FURTHER DETAILS CONTACT:**

**FINANCE ENQUIRIES**
Tri-Borough Pensions Team
16th Floor
64 Victoria Street
London
SW1E 6QP
pensionfund@lbhf.gov.uk

**PENSION FUND MANAGEMENT ENQUIRIES**
Pensions Manager
Hammersmith & Fulham Council
The Town Hall
King Street
London
W6 9JU
pensions@lbhf.gov.uk

**ADMINISTRATIVE ENQUIRIES**
Local Pensions Partnership Administration (Scheme Administrators)

Contact form: https://www.lppapensions.co.uk/contact/contact-lppa/

Phone: 0300 323 0260

# 8.

# Appendices

# Appendices

Full Text Versions of the following documents can be found by following the hyperlinks provided below:

| | |
|---|---|
| **1. THE FUNDING STRATEGY STATEMENT** | **London Borough of Hammersmith and Fulham Pension Fund Funding Strategy Statement (lbhf.gov.uk)** |
| **2. THE INVESTMENT STRATEGY STATEMENT** | Pension Fund Investment Strategy Statement 2023 to 24 (lbhf.gov.uk) |
| **3. THE GOVERNANCE COMPLIANCE STATEMENT** | governance-compliance-statement.pdf (lbhfpensionfund.org) |
| **4. THE COMMUNICATIONS POLICY** | hfpf-communications-policy-final.pdf (lbhfpensionfund.org) |
| **5. PENSIONS ADMINISTRATION STRATEGY** | pension-administration-strategy-2022-final.pdf (lbhfpensionfund.org) |
| **6. RESPONSIBLE INVESTMENT STATEMENT** | H&F Pension Fund Responsible Investment Statement 2022 (lbhf.gov.uk) |

# Appendix 7. Annual Report of the Pensions Board

The role of the Pensions Board is to assist the scheme manager (the administering authority) in securing compliance with:

- The LGPS scheme regulations
- Other governance and administration legislation
- The requirements of the Pensions Regulator (tPR)
- Additional matters, if specified by scheme regulations

The Pensions Board is required to have an equal number of representatives from employers and scheme members. They may also have other types of members, such as independent experts, but such members will not have a vote.

The law requires Pensions Board members to have knowledge and understanding of relevant pension laws, and to have a working knowledge of the LGPS, its governance and documentation. Whereas the role of the Pension Fund Committee usually involves carrying out a decision-making function, members of the Pensions Board should focus on the processes involved in the governance of the Fund. For example, are policies and procedures up-to-date, are the requirements of the Pensions Regulator being met and is the Fund following recognised best practice?

At a national level, the LGPS Scheme Advisory Board (SAB) consists of representatives from a broad spectrum of LGPS stakeholders. Its purpose is to encourage best practice, increase transparency and coordinate technical and standards issues by being reactive and proactive. Separate SABs exist for the schemes in England and Wales, Scotland and Northern Ireland.

**Elected Members**
- Councillor Nikos Ashok Patel (Chair)
- Councillor Nikos Souslous

**Appointees**
- William O’Connell
- Bruce Mackay
- Andy Sharpe
- Patsy Ishmael

**During the year 2024/25 the Pensions Board met twice:**
- 12 November 2024
- 12 February 2025

**During the year, the Pensions Board had a varied and extensive work programme covering the following areas:**
- The monitoring of quarterly fund investment performance
- Reports detailing the Fund’s financial management, including cash flow and scrutiny of the fund risk register
- Pensions administration key performance indicators

**The Board also reviewed the following work during the year:**
- The ongoing performance of the new pensions administration provider and the associated ongoing project work related to the transition across.
- The new investments made by Pension Fund Committee into Buy and Maintain Bonds and Renewable Infrastructure.

# Appendix 7. Annual Report of the Pensions Board Continued

**The Board underwent the following training in the year:**

The Board attended two half-day bespoke training events that took place in September 2024 and March 2025 respectively and covered the following topics:

- Interpreting LGPS pension fund accounting statements
- Government policy on the future of UK LGPS pensions
- Latest actuarial position for LGPS,
- Pooling Updates
- Global update on natural capital, RI and ESG issues
- Market Updates

Councillor Ashok Patel
Chair, LBHF Pensions Board
August 2025

Hammersmith & Fulham Council • Town Hall, King Street, Hammersmith, London, W6 9JU • www.lbhf.gov.uk

hammersmith & fulham

Agenda Item 9

**LONDON BOROUGH OF HAMMERSMITH & FULHAM**

| | |
|---|---|
| **Report to:** | Pension Fund Committee |
| **Date:** | 9 September 2025 |
| **Subject:** | Pension Fund Quarterly Update Q2 2025 |
| **Report author:** | Siân Cogley, Pension Fund Manager |
| **Responsible Director:** | Phil Triggs, Director of Treasury and Pensions |


**SUMMARY**

This paper provides the Pension Fund Committee with a summary of the Pension Fund's:

- overall performance for the quarter ended 30 June 2025;
- cashflow update and forecast;
- assessment of risks and actions taken to mitigate these.


**RECOMMENDATIONS**

1. The Pension Fund Committee is recommended to note the update.

**Wards Affected:** None.

| **Our Values** | **Summary of how this report aligns to the H&F Values** |
|---|---|
| Being ruthlessly financially efficient | Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council taxpayer. |

**Financial Impact**

None.

**Legal Implications**

None.

## DETAILED ANALYSIS

### LBHF Pension Fund Quarterly Update: Q1 2025/26

1. This report and attached appendices make up the pack for the quarter ended 30 June 2025. An overview of the Pension Fund's performance is provided in Appendix 1. This includes administrative, investment, and cash management performance for the quarter.

2. Appendix 2 provides information regarding the Pension Fund's investments and performance. The highlights from the quarter are shown below:

   - Overall, the investment performance report shows that, over the quarter to 31 March 2025, the market value of the assets increased by £30m to £1.439m

   - The Fund has underperformed its benchmark net of fees by 1.0%, delivering an absolute return of 2.4% over the quarter.

   - The total Fund delivered a positive return of 5.4% on a net of fees basis over the year to 30 June 2025.

3. The Pension Fund's cashflow monitor is provided in Appendix 3. This shows both the current account and invested cash movements for the last quarter, as well as cashflow forecasts to 31 March 2026. An analysis of the differences between the actuals and the forecast for the quarter is also included.

4. The breaches of the law log has not been included in this quarter as there have been no breaches to report.

### Risk Management Implications

1. These are included in the risk registers.

   i. This quarter we are trialling a new approach to risk reporting.
   ii. Appendix 4 sets out a current review of four of the 11 red risks on the risk register
   iii. This approach has been taken from comments from the Pension Fund Committee members to align the approach of risk reporting with the Audit Committee.
   iv. In the new reporting system, the full Risk Register would be brought to the committee in the Q2 meeting each year, with the other meetings (Q1, Q3 and Q4) receiving a focused review for discussion.
   v. The reason for the Q2 cycle regarding the full register is to align with likely date for external audit completion.
   vi. We welcome any feedback or further development of this approach.

2. There have been no other changes in the risk scores on the full risk register.

### Pensions Investment Review (PIR) Update

### BACKGROUND

1.1 In July 2024, the new Labour government expressed that it was committed to reforming the LGPS in line with the previous government's ambitions, in the form of a Pensions Investment Review (PIR).

1.2 As part of PIR, the MHCLG published the Local Government Pension Scheme (England and Wales): Fit for the Future consultation on 14 November 2024. The consultation focused on three key areas: asset pooling, UK and local investment, and governance.

1.3 On 29 May 2025, the consultation outcome was released, alongside the final report on the Pensions Investment Review, which covers both defined contribution (DC) schemes and defined Benefit (DB) schemes. The LGPS falls under the latter.

1.4 Reference the committee requirement for training and regular updates on the progress of actions, a summary document has been attached as Appendix 5.

**List of Appendices:**

| | |
|---|---|
| Appendix 1: | Scorecard as at 30 June 2025 |
| Appendix 2a: | Isio Quarterly Performance Report for Quarter Ended 30 June 2025 (public) |
| Appendix 2b: | Isio Investment Performance Report 30 June 2025 (EXEMPT) |
| Appendix 3: | Cashflow Monitoring Report |
| Appendix 4: | Red Risks Review |
| Appendix 5: | LGPS: Pensions Investment Review & Pension Schemes Bill |

**Appendix 1**

**Scorecard at 30 June 2025**

**London Borough of Hammersmith and Fulham Pension Fund Quarterly Monitoring Report**

| | **Sep 24 £000** | **Dec 24 £000** | **Mar 25 £000** | **Jun 25 £000** | **Report reference/Comments** |
|---|---|---|---|---|---|
| | | | | | |
| Value (£m) | 1,374 | 1,428 | 1,409 | 1,439 | IRAS reports. |
| % return quarter | 1.23% | 2.95% | -1.27% | 2.4% | |
| % Return one year | 10.29% | 9.86% | 3.73% | 5.4% | |
| **LIABILITIES** | | | | | |
| Value (£m) | 1,014 | 988 | 1,178 | 959 | Hymans Robertson LLP Estimated Funding Update |
| Surplus/(Deficit) (£m) | 360 | 440 | 231 | 480 | |
| Funding Level | 135% | 145% | 120% | 150% | |
| **CASHFLOW** | | | | | |
| Cash balance | 8,268 | 6,291 | 3,616 | 6,566 | Appendix 3<br>Large September variance is due to receiving the Aviva Redemption Monies |
| Variance from forecast | 21,592 | 2,334 | (1,980) | (351) | |
| **MEMBERSHIP** | | | | | |
| Active members | 4,949 | 4,932 | 4,921 | 4,881 | Reports from Pension Fund Administrator |
| Deferred beneficiaries | 7,099 | 7,203 | 7,216 | 7,186 | |
| Pensioners | 6,172 | 6,252 | 6,266 | 6,300 | |
| **RISK** | | | | | |
| No. of new risks | | | 1 | 0 | Appendix 4: Risk Register |
| No. of ratings changed | | | 0 | 0 | |
| **LGPS REGULATIONS** | | | | | |
| New consultations | 1 | 1 | None | 1 | Sep 24 – Call for Evidence<br><br>Dec 24 – Fit for the Future<br><br>May 25 – Access and Fairness (Admin)<br><br>Pension Schemes Bill in Committee Stage |
| New sets of regulations | None | None | None | Pending | |

# London Borough of Hammersmith & Fulham Pension Fund



Investment Performance Report to 30 June 2025

August 2025

isio.

# Contents




The contacts at Isio in connection with this report are:

**Andrew Singh**
Head of LGPS Investment
Investment Advisory
+44 (0)1312023916
Andrew.Singh@isio.com

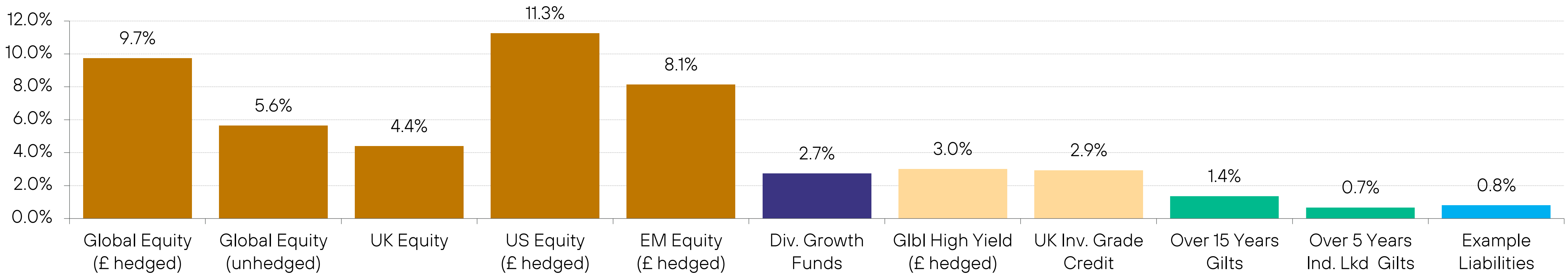
**Jonny Moore**
Manager
Investment Advisory
+44 (0)1313222469
Jonny.Moore@isio.com

**Alexander Antonov**
Consultant
Investment Advisory
+44 (0)1412609701
Alexander.Antonov@isio.com

**Jeconia Hogan**
Assistant Consultant
Investment Advisory
+44 (0)1312023911
Jeconia.Hogan@isio.com

# Market Summary – Overview Q2 2025

## Market movements over the quarter






### Key Upcoming Events

**Notable events**

- US: President Trump's pause for reciprocal tariffs ends on 1 August

**Q3 2025 Base rate publications**

- UK: The dates for the Bank of England's Monetary Policy Committee ("MPC") announcements are 7 August and 18 September.
- US: The dates for the US Federal Reserve's Federal Open Market Committee ("FOMC") meetings are 29/30 July and 16/17 September.

**Q3 2025 Inflation publications**

- UK : 16 July, 20 August, and 17 September
- US: 15 July, 12 August and 11 September

### Commentary

- Global equity markets experienced significant volatility over the quarter, with a sharp fall and recovery at the outset, largely driven by US tariff announcements. Investor confidence in the "Magnificent 7" returned as markets corrected and gains were driven by AI-exposed companies. Amidst US volatility, UK and Eurozone equities made strong gains driven by industrials and real estate sectors performing well. Currency had a strong impact on returns over the period, with a significant weaking of USD.
- Despite credit spreads widening post "Liberation Day", the subsequent market rebound resulted in spread levels contracting to below pre-announcement levels. Against this backdrop, high yield credit delivered stronger absolute returns, albeit more volatile, with US and European issuers strongly outperforming higher-rated counterparts.
- The UK gilt curve steepened over the quarter as a result of shorter dated yields being pushed lower due to increased expectations of future rate interest rate cuts, whilst fears persisted over the long-term health of the UK economy and the fiscal position.

Sources: Refinitiv, DGF investment managers, L&G, Isio calculations.

# Executive Summary – Q2 2025

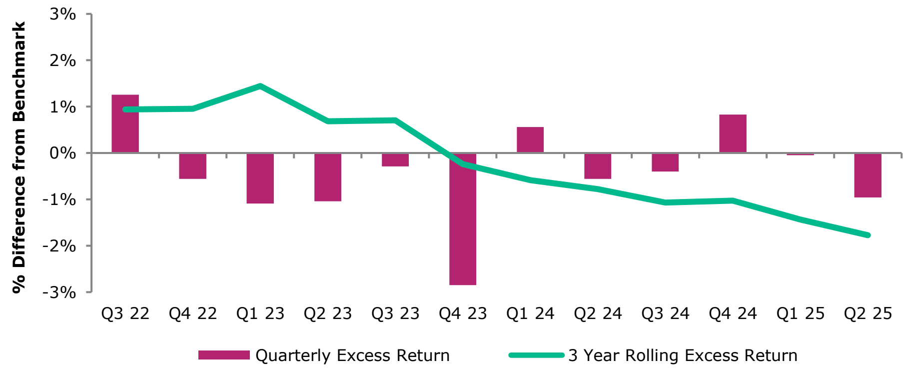
| Fund Performance to 30 June 2025 | | 3 months (%) | | | 1 year (%) | | | 3 years (% p.a.) | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Fund | Benchmark | Relative | Fund | Benchmark | Relative | Fund | Benchmark | Relative |
| Equity | LCIV Global Equity Quality | (1.5) | 5.1 | (6.5) | 5.0 | 7.2 | (2.1) | 9.5 | 12.7 | (3.2) |
| | L&G Low Carbon Mandate | 4.9 | 5.0 | (0.1) | 8.4 | 8.6 | (0.1) | 14.3 | 14.5 | (0.2) |
| Dynamic Asset Allocation | LCIV Absolute Return Fund | 1.6 | 2.1 | (0.5) | 4.8 | 8.9 | (4.1) | 0.8 | 8.5 | (7.7) |
| | LCIV Long Duration B&M | 3.2 | 3.7 | (0.5) | 1.9 | 2.0 | (0.1) | n/a | n/a | n/a |
| | LCIV Short Duration B&M | 1.8 | 2.1 | (0.3) | 6.2 | 6.6 | (0.4) | n/a | n/a | n/a |
| | Allspring Climate Transition Global B&M | 3.0 | 2.2 | 0.9 | 5.6 | 2.4 | 3.3 | n/a | n/a | n/a |
| Secure Income | Partners Group MAC[2] | (2.1) | 2.1 | (4.1) | (13.1) | 8.9 | (22.0) | (3.0) | 8.5 | (11.4) |
| | Oak Hill Advisors | 2.6 | 2.1 | 0.6 | 6.5 | 8.9 | (2.4) | 7.3 | 8.5 | (1.2) |
| | Aberdeen MSPC Fund[3] | 1.6 | 3.1 | (1.5) | 7.3 | 6.4 | 1.0 | 5.1 | 3.8 | (1.3) |
| | Darwin Alternatives | 0.0 | 2.5 | (2.5) | (25.0) | 10.9 | (35.8) | (13.3) | 10.5 | (23.8) |
| | Partners Group Infra[2] | 6.4 | 3.0 | 3.4 | 15.9 | 12.9 | 3.0 | 14.0 | 12.5 | 1.5 |
| | Quinbrook Renewables Impact[4] | 2.6 | 4.4 | (1.8) | 8.6 | 10.5 | (1.8) | n/a | n/a | n/a |
| Inflation Protection | Aberdeen Long Lease Property Fund | 1.3 | 2.4 | (1.1) | 5.5 | 3.7 | 1.8 | (9.8) | (1.0) | (8.8) |
| | Alpha Real Capital | 0.0 | 0.2 | (0.2) | (2.3) | (13.3) | 11.1 | (8.7) | (17.9) | 9.2 |
| | Man Group | 0.1 | 2.1 | (2.0) | (3.8) | 8.9 | (12.7) | 0.4 | 8.5 | (8.1) |
| Total Fund[1] | | 2.4 | 3.4 | (1.0) | 5.4 | 6.0 | (0.6) | 6.0 | 7.8 | (1.8) |



## Commentary

- The Total Fund delivered a positive return of 2.4% on a net of fees basis in absolute terms over the quarter to 30 June 2025, underperforming the fixed weight benchmark by 1.0%. The Total Fund delivered positive absolute returns of 5.4% and 6.0% p.a. on a net of fees basis over the year and annualised three years respectively to 30 June 2025, underperforming its fixed weight benchmark by 0.6% over the year and 1.8% p.a. over the annualised three years.
- Short term deviations from benchmark can be expected where the underlying fund is measured against a target that does not move in line with the respective asset class, for example a number of the private markets funds are measured against a cash-plus target. Details of the benchmarks used for each fund can be found in the Appendix.
- The chart to the right compares the net performance of the Fund relative to the fixed weight benchmark over the three years to 30 June 2025. The 3-year rolling excess return remained negative over the second quarter of 2025 with the Fund having underperformed the fixed weight benchmark over nine of the last twelve quarters to end June 2025. This longer-term underperformance has been driven by weak performance from the LCIV Global Equity Quality Fund and the LCIV Absolute Return Fund, and to a lessor degree from the Partners Group MAC and Darwin Alternatives funds.

## Total Fund Performance – Last Three Years







Source: Northern Trust (Custodian). Figures are quoted net of fees. Differences may not tie due to rounding. [1]The Total Assets benchmark is calculated using the fixed weight target asset allocation. [2]Partners Group Multi Asset Credit and Direct Infrastructure Fund performance provided to 31 May 2025. [3]Aberdeen MSPC Fund performance provided by Northern Trust with quarter lag. [4]Quinbrook performance provided by Northern Trust with quarter lag. Northern Trust do not take into account cashflows in and out of the fund; and as such we anticipate that performance over longer time periods may differ to that quoted in the table above

# Asset Allocation as at 30 June 2025

| Fund | Actual Asset Allocation | | | | |
|---|---|---|---|---|---|
| | 31 March 2025 (£m) | 30 June 2025 (£m) | 31 March 2025 (%) | 30 June 2025 (%) | Benchmark Allocation (%) |
| LCIV Global Equity Quality | 189.6 | 186.5 | 13.5 | 13.0 | 13.0 |
| L&G Low Carbon Mandate | 438.2 | 459.8 | 31.1 | 31.9 | 27.0 |
| **Total Equity** | **627.8** | **646.3** | **44.6** | **44.9** | **40.0** |
| LCIV Absolute Return Fund | 154.8 | 142.1 | 11.0 | 9.9 | 10.0 |
| Allspring Buy & Maintain (Climate Transition) | 138.1 | 142.3 | 9.8 | 9.9 | 10.0 |
| LCIV Buy & Maintain (Long Duration) | 30.6 | 31.2 | 2.2 | 2.2 | 2.5 |
| LCIV Buy & Maintain (Short Duration) | 33.1 | 33.3 | 2.3 | 2.3 | 2.5 |
| **Total Dynamic Asset Allocation** | **356.6** | **349.0** | **25.3** | **24.2** | **25.0** |
| Partners Group MAC[1] | 2.7 | 2.6 | 0.2 | 0.2 | - |
| Oak Hill Advisors Diversified Credit Strategies | 77.8 | 79.8 | 5.5 | 5.6 | 5.0 |
| Partners Group Direct Infrastructure[1] | 34.9 | 28.9 | 2.5 | 2.0 | 5.0 |
| Quinbrook Renewables Impact | 56.3 | 57.0 | 4.0 | 4.0 | 3.5 |
| Aberdeen Multi Sector Private Credit | 51.7 | 51.3 | 3.7 | 3.6 | 4.0 |
| Darwin Alternatives Leisure Development Fund | 21.7 | 21.7 | 1.5 | 1.5 | 2.5 |
| **Secure Income** | **245.0** | **241.3** | **17.4** | **16.8** | **20.0** |
| Aberdeen Long Lease Property | 51.8 | 52.5 | 3.7 | 3.7 | 5.0 |
| Alpha Real Capital Inflation Linked Income Fund | 73.9 | 103.2 | 5.2 | 7.2 | 7.5 |
| Man Group | 25.7 | 27.0 | 1.8 | 1.9 | 2.5 |
| **Total Inflation Protection** | **151.4** | **182.6** | **10.7** | **12.7** | **15.0** |
| Bank Balance | 27.5 | 20.5 | 2.0 | 1.4 | - |
| **Total Assets** | **1,408.3** | **1,439.6** | **100.0** | **100.0** | **100.0** |

Page 194

Source: Northern Trust (Custodian) and have not been independently verified. Figures may not sum to total due to rounding. [1]Partners Group Multi Asset Credit and Direct Infrastructure valuations provided by Northern Trust with a month's lag (i.e. as at 28 February 2025 and as at 31 May 2025).

# Fund Activity (1)

| Item | Action points / Considerations | Status |
|---|---|---|
| Infrastructure and Renewable Infrastructure | **Quinbrook**<br>• Renewables Impact Fund I ("QRIF I"): Quinbrook issued no further drawdown requests or capital distributions over the quarter. Resultantly, as at 30 June 2025, the Fund's remaining unfunded commitment stands at c.£2.0m, with the Fund's £45m commitment c. 95% drawn.<br>• Renewables Impact Fund I ("QRIF II"): Over the quarter, Quinbrook issued an equalisation distribution payment of £0.7m to the Fund on 24 April 2025 for additional investor commitment at the fifth close. Resultantly, as at 30 June 2025, the Fund's £35m commitment is c. 17% drawn.<br><br>Over the quarter, Quinbrook announced several key changes within its executive team<br>• Global CEO Appointment – Brian Restall, currently Quinbrook's Australian Regional Leader will be appointed to the newly created role of CEO of Quinbrook by year-end. Brian has worked for Quinbrook since its founding in 2015 and has more than 28 years' experience in energy-related infrastructure investments and operating businesses in Australia, the US, Europe and Africa.<br>• New Regional Leader for North America – Giulia Siccardo joins Quinbrook as Managing Director and succeeds John Lucas, who left at the end of month, as the Regional Leader of Quinbrook for North America. Giulia was most recently at the US Department of Energy in Washington DC and oversaw the deployment of large-sized investments in building a portfolio of energy infrastructure projects.<br><br>Isio view – We do not believe these changes will impact the QRIF fund range. We will continue to monitor progress and future team changes at the firm but continue to rate Quinbrook on its investment capabilities. | Information only<br><br>Information only |
| Affordable Housing | **Man Group Community Housing**<br>• Over the quarter, Man Group issued a drawdown request for £1.3m for payment by 23 April 2025, funded from cash held in the Northern Trust bank account. As such, the Fund's total commitment is c. 92% for investment as at 30 June 2025.<br>• An update on the Community Housing Fund's investments in Grantham, Wellingborough and Saltdean can be found in the Private Appendix to this report. | Information only |

Page 195

### Summary

This page sets out the key Fund activity updates over the quarter and following quarter end.

Any updates that require action or discussion are flagged accordingly with the key below.

### Status key

- Action
- Decision
- Discussion
- Information only

# Fund Activity (2)

| Item | Action points / Considerations | Status |
|---|---|---|
| Multi Sector Private Credit | **Aberdeen**<br>• In March 2025, Aberdeen provided notice to investors that the MSPC Fund has been gated. Aberdeen presented to the Committee at the 25 June 2025 Pension Fund Committee Meeting to discuss the rationale for gating the fund, alongside proposed changes to the MSPC Fund strategy.<br>• Subsequently, the Committee agreed to disinvest from the MSPC Fund and submitted a formal redemption request ahead of the 30 June 2025 deadline.<br>• During July 2025, Aberdeen informed all investors that the Fund's gating mechanism remained in place due to the significant amount of withdrawal requests it has received (75% of NAV). Aberdeen are considering options for the MSPC Fund, including potential new inflows and a voluntary termination of the fund.<br>• We will continue to monitor the progress of this development. | ● |
| Ground Rents | **Alpha Real Capital**<br>• In January 2025, Inspiring Learning Ltd, the tenant of the Kingswood portfolio entered administration. The portfolio consists of 5 outdoor education sites with a book value of £26.7m (1.9% NAV, 2.0% Rent). The 3 largest properties are in the process of being transferred to PGL, the market leading operator in the sector. The remaining two sites with book value £14.6m (0.5% NAV, 0.6% rent) are ceasing operations. Both sites have received interest from several alternative operators, and Alpha Real Capital is exploring an off-market sales process. We continue to monitor the process.<br>• At the 5 March 2025 Pension Fund Committee Meeting, the Committee agreed to top-up the Fund's ground rents allocation via an additional £30m investment in the Alpha Real Capital Index Linked Income Fund. The additional investment was completed on 17 April 2025 – funded via a combination of cash held in the Northern Trust bank account and a £15m partial redemption from the LCIV Absolute Return Fund. | ● |
| Multi Asset Credit | **Partners Group**<br>• The Partners Group Multi Asset Credit Fund had made 54 investments, of which 51 have been fully realised as at 30 June 2025. The Fund's three-year investment period ended in July 2017 and therefore, any investments realised have subsequently been repaid to investors.<br>• Over the quarter, Partners Group issued no further capital distributions.<br>• The MAC fund represents 0.2% (£2.6m) of the Fund's total investment portfolio. Partners Group anticipates that the majority of remaining portfolio asset exits will complete by the end of 2025. | ● |



**Summary**

This page sets out the key Fund activity updates over the quarter and following quarter end.

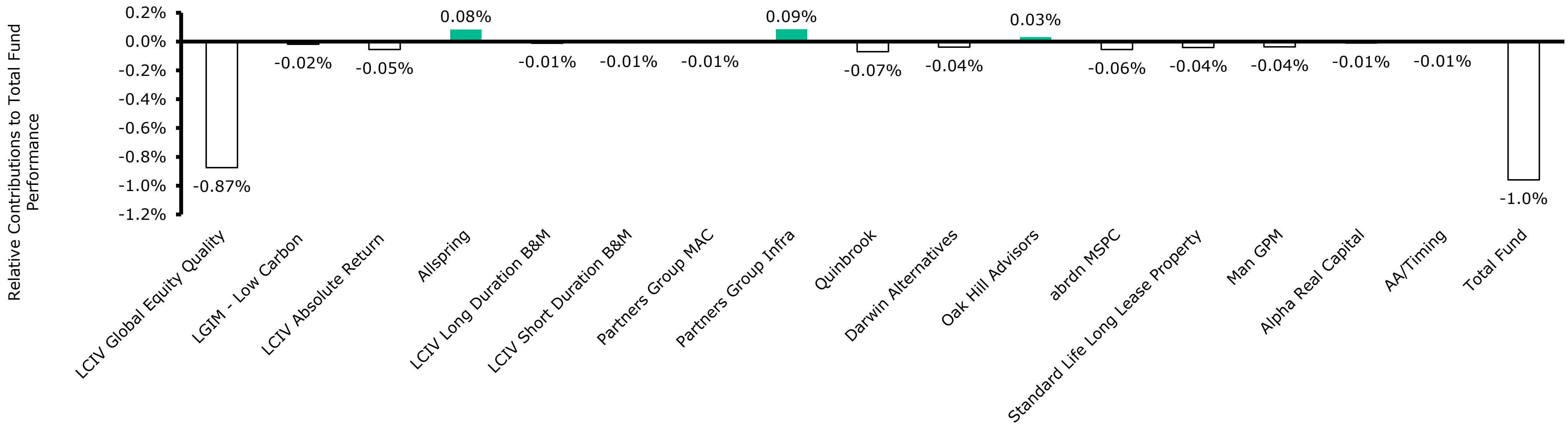
Any updates that require action or discussion are flagged accordingly with the key below.

**Status key**

- Action
- Decision
- Discussion
- Information only

# Attribution of Performance to 30 June 2025

## Relative Contributions to Total Fund Performance - Quarter



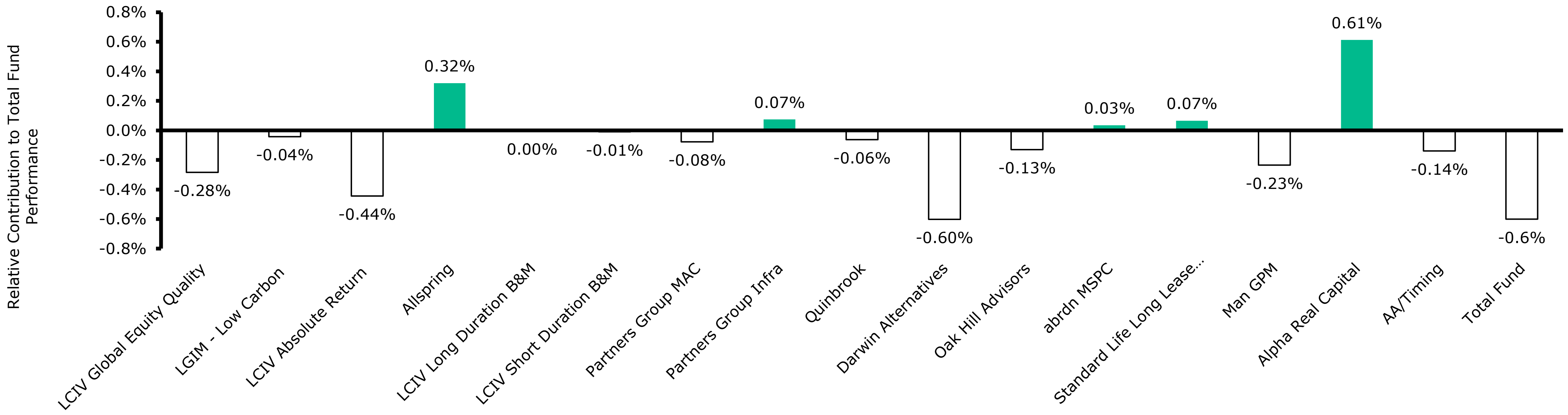



| Key area | Comments |
|---|---|
| Commentary | • The Fund underperformed its fixed weight benchmark by c. 1.0% over the quarter to 30 June 2025.<br><br>• The LCIV Global Equity Quality Fund delivered a negative return on an absolute basis and underperformed its MSCI equity-based benchmark over the quarter, driven primarily by poor stock selection within technology with the underlying stocks unable to benefit from recovering optimism around AI following the pause in tariffs, and poor sector selection – in particular the overweight exposure in financials and healthcare stocks. We would expect quality-driven strategies, such as the LCIV Global Equity Quality Fund, to outperform the wider market during periods of market stress, however during periods of market rally we would expect defensive strategies to lag the wider market, as recognised over the quarter.<br><br>• Partners Group Infrastructure and Allspring provided a slight offset to Total Fund underperformance, driven respectively by resilient infrastructure returns and Allspring's security selection within communications and non-cyclical consumer exposures, which enhanced returns over the quarter. |

Sources: Investment managers, Isio calculations.

# Attribution of Performance to 30 June 2025

## Relative Contributions to Total Fund Performance - Annual




Page 198

| Key area | Comments |
|---|---|
| Commentary | • Over the year to 30 June 2025, the Fund underperformed its fixed weight benchmark by c. 0.6%.<br>• Underperformance over the year can primarily be attributed to Darwin Alternatives, with the Leisure Development Fund's assets written down by c.23% over Q3 2024, and the LCIV Absolute Return Fund, owing to the negative impact of rising yields on its defensively-positioned portfolio. The LCIV Global Equity Quality Fund has also underperformed the wider market during a period of equity market rally.<br>• In addition, a number of the Fund's private markets investments have underperformed their cash-plus targets over the year – with valuations impacted by wider uncertainty in traditional real assets markets alongside the positive impact of heightened interest rates on the target SONIA level.<br>• Underperformance has been offset to some extent by Alpha Real Capital, having outperformed its long-dated inflation-linked gilts benchmark, with rising yields over the year acting to reduce the value of the benchmark measure, and Allspring, having outperformed the wider corporate bond market owing to the portfolio's shorter duration alongside positive impact from the strategy's climate transition-tilted portfolio. |

# Investment Manager Updates

# London CIV (1)

Page 200

| Sub-fund | Asset Class | Manager | Total AuM as at 31 Mar 2025 (£m) | Total AuM as at 30 Jun 2025 (£m) | Number of London CIV clients | Inception Date |
|---|---|---|---|---|---|---|
| LCIV Global Alpha Growth | Global Equity | Baillie Gifford | 1,393 | 1,523 | 5 | 11/04/16 |
| LCIV Global Alpha Growth Paris Aligned | Global Equity | Baillie Gifford | 2,256 | 2,471 | 11 | 13/04/21 |
| LCIV Global Equity | Global Equity | Newton | 607 | 642 | 3 | 22/05/17 |
| LCIV Global Equity Quality | Global Equity | Morgan Stanley Investment Management | 747 | 734 | 3 | 21/08/20 |
| LCIV Global Equity Focus | Global Equity | Longview Partners | 1,223 | 1,199 | 6 | 17/07/17 |
| LCIV Global Equity Value | Global Equity | Wellington Management International Limited | 329 | 334 | 3 | 28/10/24 |
| LCIV Emerging Market Equity | Global Equity | Henderson Global Investors | 533 | 566 | 8 | 11/01/18 |
| LCIV Sustainable Equity | Global Equity | RBC Global Asset Management (UK) | 1,431 | 1,524 | 8 | 18/04/18 |
| LCIV Sustainable Equity Exclusion | Global Equity | RBC Global Asset Management (UK) | 732 | 772 | 5 | 11/03/20 |
| LCIV PEPPA | Global Equity | State Street Global Advisors | 1,080 | 1,133 | 5 | 01/12/2021 |
| LCIV Global Total Return | Diversified Growth Fund | Pyrford | 106 | 108 | 1 | 17/06/16 |
| LCIV Diversified Growth | Diversified Growth Fund | Baillie Gifford | 254 | 259 | 3 | 15/02/16 |
| LCIV Absolute Return | Diversified Growth Fund | Ruffer | 1,047 | 1,043 | 10 | 21/06/16 |
| LCIV Real Return | Diversified Growth Fund | Newton | 40 | 42 | 1 | 16/12/16 |
| LCIV Global Bond | Fixed Income | PIMCO | 941 | 958 | 10 | 30/11/18 |
| LCIV Short Duration B&M Credit Fund | Fixed Income | Insight Investment Management | 139 | 167 | 3 | 06/12/23 |
| LCIV Long Duration B&M Credit Fund | Fixed Income | Insight Investment Management | 788 | 809 | 7 | 06/12/23 |
| LCIV All Maturities B&M Fund | Fixed Income | Insight Investment Management | 487 | 496 | 3 | 09/10/24 |
| LCIV MAC | Fixed Income | CQS & PIMCO | 2,233 | 2,289 | 18 | 31/05/18 |
| LCIV Alternative Credit | Fixed Income | CQS | 727 | 743 | 5 | 31/01/22 |
| Total | | | 17,090 | 17,812 | | |

Investment Performance to 30 Jun 2025

Business

As at 30 June 2025, the London CIV had assets under management of £17.8bn within the 20 sub-funds (not including private markets strategies), an increase of £0.7bn over the quarter owing to positive investment returns across the equity-based sub-funds available on the platform.

As at 30 June 2025, the total assets under oversight, including passive investments held outside the London CIV platform, stood at £35.5bn, an increase of c. £1.6bn over the quarter. Total commitments raised by the private market funds stood at c. £3.9bn of which c. £2.1bn had been drawn as at 30 June 2025.

The table to the left provides an overview of the public market sub-funds currently available on the London CIV platform.





Source: London CIV.

# London CIV (2)

| Sub-fund | Total Commitment as at 31 Mar 2025 (£'000) | Called to Date (£'000) | Fund Value as at 31 Mar 2025 (£'000) | Number of London CIV clients | Inception Date |
|---|---|---|---|---|---|
| LCIV Infrastructure Fund | 475,000 | 370,791 | 450,755 | 6 | 31/10/2019 |
| LCIV Real Estate Long Income Fund | 213,000 | 213,000 | 153,494 | 3 | 11/06/2020 |
| LCIV Renewable Infrastructure Fund | 1,108,500 | 610,035 | 661,108 | 16 | 29/03/2021 |
| LCIV Private Debt Fund | 625,000 | 420,091 | 532,352 | 8 | 29/03/2021 |
| LCIV UK Housing Fund | 530,000 | 207,373 | 207,303 | 9 | 31/03/2023 |
| LCIV Private Debt Fund II | 273,000 | n/a | 70,843 | 4 | 28/05/2024 |
| LCIV Nature Based Solutions Fund | 299,000 | n/a | 59,207 | 4 | 12/07/2024 |
| The London Fund | 250,000 | 119,248 | 123,041 | 4 | 15/12/2020 |

Source: London CIV.

Page 201

### Investment Performance to 31 Mar 2025

The table to the left provides an overview of the London CIV's private markets investments as at 31 March 2025. Data as at 30 June 2025 is not available as at the time of writing.

In addition, London CIV launched an indirect property proposition on 31 March 2025.

# LCIV – Global Equity Quality

| Key area | Performance commentary |
|---|---|
| Commentary | • The LCIV Global Equity Quality Fund delivered a negative absolute return of -1.5% on a net of fees basis over the quarter, underperforming the MSCI-based benchmark by 6.5% over the period.<br>• The LCIV Global Equity Quality Fund's portfolio is predominantly comprised of quality franchises with strong recurring cash flows, and the strategy therefore has a low allocation to cyclical stocks. Resultantly, the strategy is expected to outperform during market downturns, but may not fully participate in periods of market uplift. This was evidenced over the quarter, with the Sub-Fund outperforming the market by c.5% YTD at the low point following the initial aftermath of tariff announcements, before underperforming thereafter.<br>• Negative returns were primarily as a result of weak stock selection, where technology holdings that were favoured by the manager (Oracle, TSMC) lagged relative to their counterparts. Financial and healthcare stocks were also key detractors to the overall performance.<br>• The Sub-Fund has delivered positive returns of 5.0% and 9.5% p.a. over the year and three years to 30 June 2025, respectively on a net of fees basis. The Sub-Fund underperformed its MSCI-based benchmark by 2.1% over the year and 3.2% p.a. over the three-year period. |

Page 202

**Investment Performance to 30 June 2025**

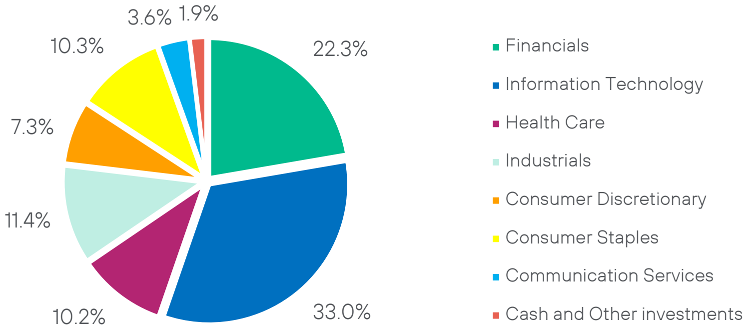
| | Last Quarter (%) | One Year (%) | Three Years (% p.a.) |
|---|---|---|---|
| Net of fees | -1.5 | 5.0 | 9.5 |
| Benchmark (MSCI World Net Index) | 5.1 | 7.2 | 12.7 |
| Net Performance relative to Benchmark | -6.5 | -2.1 | -3.2 |

Relative performance may not tie due to rounding

**Fund Overview**

Morgan Stanley Investment Management was appointed to manage an active equity portfolio with a focus on sustainability when selecting investment opportunities, held as a sub-fund on the London CIV platform from 30 September 2020. The aim of the fund is to outperform the MSCI AC World Index.

**Portfolio Sector Breakdown**




**Key Statistics**

| | LCIV Global Equity Quality Fund |
|---|---|
| No. of Holdings | 39 |
| No. of Countries | 10 |
| No. of Sectors | 7 |
| No. of Industries | 18 |

**Holdings**

| | % of NAV |
|---|---|
| Microsoft | 6.8 |
| Sap Se | 6.1 |
| Visa Inc | 5.3 |
| L'Oreal | 3.9 |
| Aon | 3.6 |
| Alphabet Inc (Class A) | 3.6 |
| Coca-Cola | 3.3 |
| Procter & Gamble | 3.2 |
| Booking Holdings | 3.1 |
| Intercontinental Exchange Inc. | 3.0 |
| Total | 41.8 |



Note: Returns net of fees.

Sources: Northern Trust, Morgan Stanley and London CIV. Totals may not sum due to rounding.

# L&G – World Low Carbon Equity

| Key area | Performance Commentary |
|---|---|
| Commentary | • The L&G MSCI World Low Carbon Index Fund delivered a positive absolute return of 4.9% on a net of basis over the quarter to 30 June 2025 with the wider global equity market rallying following the temporary pause on US tariffs which restored investors' confidence in global equities. The fund marginally underperformed its benchmark.<br>• The L&G MSCI World Low Carbon Index Fund delivered an absolute return of 8.4% on a net of fees basis over the one-year-period to 30 June 2025, slightly underperforming its MSCI World Low Carbon Target benchmark by 0.1%. Over the longer three-year and five-year periods, the strategy delivered positive absolute returns of 14.3% p.a. and 12.6% p.a. on a net of fees basis, slightly underperforming its MSCI World Low Carbon Target benchmark by 0.2% p.a. and 0.1% p.a. respectively. |

**Investment Performance to 30 June 2025**

| | Last Quarter (%) | One Year (%) | Three Years (% p.a.) | Five Years (% p.a.) |
|---|---|---|---|---|
| Net of fees | 4.9 | 8.4 | 14.3 | 12.6 |
| Benchmark (MSCI World Low Carbon Target) | 5.0 | 8.6 | 14.5 | 12.8 |
| Net Performance relative to Benchmark | -0.1 | -0.1 | -0.2 | -0.1 |

Relative performance may not tie due to rounding

## Fund Overview

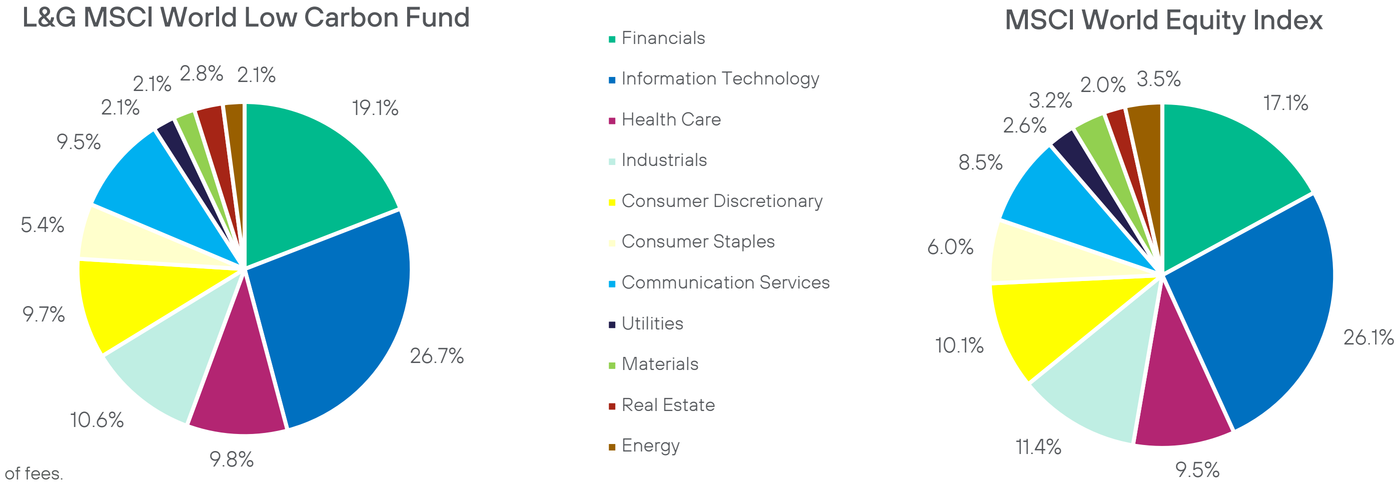
Legal and General Investment Management ("L&G") was appointed on 18 December 2018 to manage a low carbon portfolio with the aim of replicating the performance of the MSCI World Low Carbon Target Index. The manager has an annual management fee, in addition to On Fund Costs.

The bottom left charts compare the relative weightings of the sectors in the L&G MSCI World Low Carbon Index Fund and the MSCI World Equity Index as at 30 June 2025.

The L&G MSCI Low Carbon Index Fund has a larger allocation to financials than the MSCI World Equity Index, whilst the relatively lower allocation to materials, industrials and energy reflect the 'low carbon' nature of the Fund.

Page 203

**Portfolio Sector Breakdown at 30 June 2025**




Note: Returns net of fees.
Sources: Northern Trust and L&G.

# LCIV – Absolute Return

| Key area | Performance Commentary |
|---|---|
| Commentary | • The LCIV Absolute Return Fund delivered a positive return of 1.6% over the quarter on an absolute basis, underperforming its SONIA + 4% p.a. target by 0.5%. The Sub-Fund benefitted from its defensive position, where derivative strategies protected the portfolio from significant market volatility following Liberation Day. The Sub-Fund also made some gains from its call options on the S&P 500 index when markets recovered over the latter period of the quarter.<br>• The Sub-Fund has delivered positive returns over longer time periods, but underperformed the cash-based benchmark. Ruffer attributes its underperformance to the portfolio's defensive bias and tilt to downside protection strategies, which have an ongoing cost if markets rise (across credit, equity and volatility). |



### Investment Performance to 30 June 2025

| | Last Quarter (%) | One Year (%) | Three Years (% p.a.) | Five Years (% p.a.) |
|---|---|---|---|---|
| Net of fees | 1.6 | 4.8 | 0.8 | 3.6 |
| Target | 2.1 | 8.9 | 8.5 | 6.8 |
| Net performance relative to Target | -0.5 | -4.1 | -7.7 | -3.2 |

Relative performance may not tie due to rounding

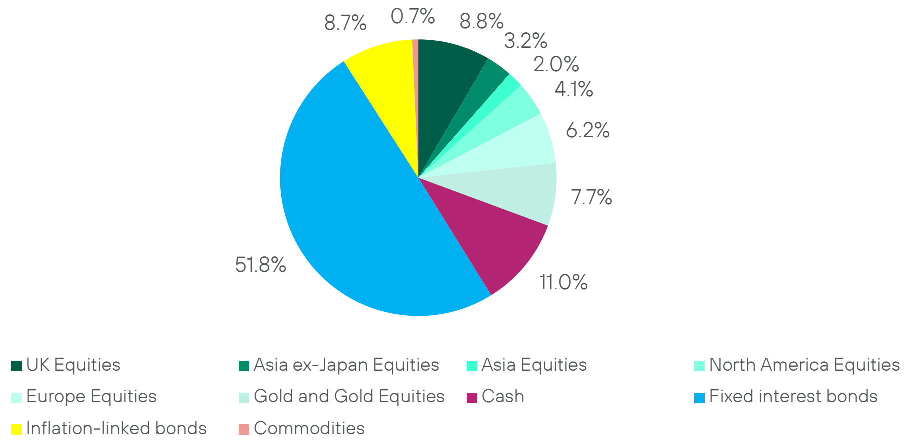
### Fund Overview

Ruffer was appointed to manage an absolute return mandate, held as a sub-fund under the London CIV platform from 21 June 2016, with the aim of outperforming the 3-month Sterling SONIA benchmark by 4% p.a. The manager has a fixed fee based on the value of assets.

The LCIV Absolute Return Fund aims to deliver growth throughout the investment cycle and acts as a return-seeking diversifier from equities through a relatively defensively positioned portfolio. The manager has the ability to regularly alter the underlying asset allocation in response to market conditions.

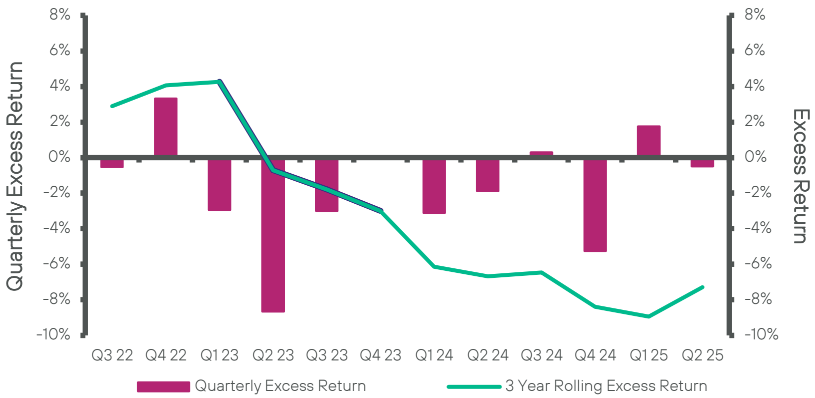
While the manager, Ruffer, maintains its view that investors are too bullish on equity markets and are not pricing in downside risks, the manager has opted to retain some level of risk-on assets that will help capture upside if growth asset returns remain consistently positive.

### Portfolio Sector Breakdown at 30 June 2025




Total exceeds 100% as a result of negative derivative exposures not included in the chart.

### Investment Performance to 30 June 2025





Sources: Northern Trust, London CIV and Ruffer.

# LCIV – Short and Long Duration Buy & Maintain (1)

| Key area | Performance Commentary |
|---|---|
| Commentary | • The Short Duration Sub-Fund delivered a positive return of 1.8% over the quarter as nominal yields fell at the shorter-end of the curve, while credit spreads tightened following market recovery in the aftermath of the pause on tariffs. Relative to the reference index, the Sub-Fund marginally underperformed its iBoxx 0-5 Years credit index measurement, due to USD-debt spreads which underperformed GBP-debt spreads over the quarter.<br>• The long-dated Sub-Fund delivered a positive return of 3.2% on a net of fees basis owing to tightening credit spreads despite rising yields at the longer end of the curve, underperforming its benchmark by 0.5%. Similar to the short-dated Sub Fund, underperformance was primarily attributed to weak performance of USD-debt spreads. In terms of credit selection, utilities was the significant detractor as the Sub-Fund's was largely underweight this sector, relative to the index. |



**Key Statistics**

| | Short Duration | | Long Duration | |
|---|---|---|---|---|
| | 31 Mar 2025 | 30 Jun 2025 | 31 Mar 2025 | 30 Jun 2025 |
| Weighted Average Credit Rating | A- | A | A- | A- |
| Yield to Maturity | 5.10 | 4.75 | 5.99 | 5.77 |
| Current Yield | 3.97 | 3.95 | 5.47 | 5.43 |
| Interest Rate Duration (Years) | 2.25 | 2.21 | 10.99 | 11.03 |
| Spread Duration (Years) | 1.95 | 2.04 | 10.28 | 9.93 |

**Investment Performance to 30 June 2025**

| Short Duration | Last Quarter (%) | One Year (%) |
|---|---|---|
| Net of fees | 1.8 | 6.2 |
| Benchmark / Target | 2.1 | 6.6 |
| Net performance relative to Benchmark | -0.3 | -0.4 |

| Long Duration | Last Quarter (%) | One Year (%) |
|---|---|---|
| Net of fees | 3.2 | 1.9 |
| Benchmark / Target | 3.7 | 2.0 |
| Net performance relative to Benchmark | -0.5 | -0.1 |

Relative performance may not tie due to rounding

**Fund Overview**

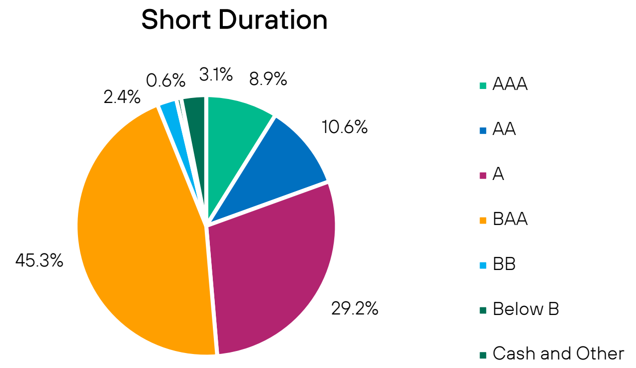
Insight Investment Management was appointed to manage a buy & maintain credit mandate across both a short and long duration strategy, held as sub-funds under the London CIV platform from 6 December 2023.

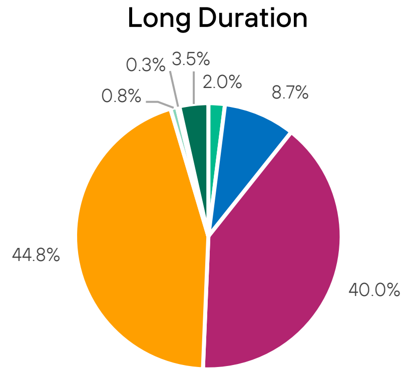
The aim of the short and long duration sub-funds is to achieve a portfolio yield to maturity in line with the iBoxx GBP Collateralized & Corporates 0-5 Index and the iBoxx £ Collateralized & Corporates 10+ Index respectively while limiting turnover. The manager has a fixed fee based on the value of assets.


Sources: Northern Trust and London CIV.

# LCIV – Short and Long Duration Buy & Maintain (2)

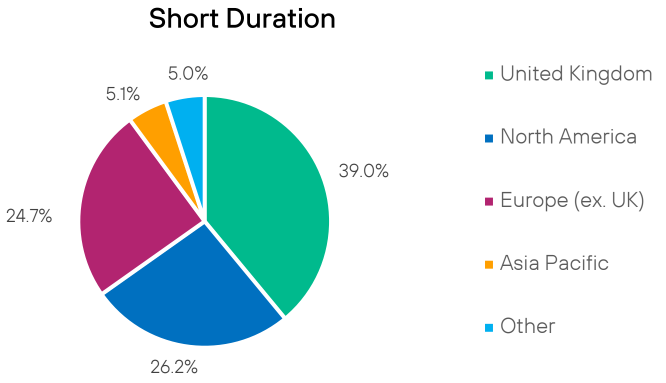
## Portfolio Credit Rating Breakdown as at 30 June 2025

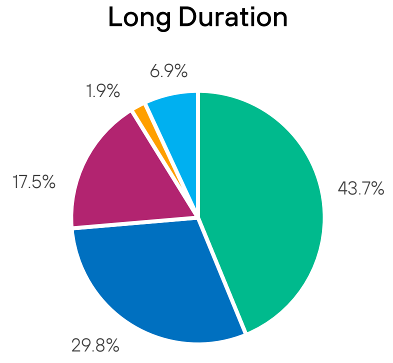



Page 206

## Portfolio Regional Breakdown as at 30 June 2025




## Fund Overview

The charts to the left represent the split of the Short and Long duration portfolios by credit rating and by region as at 30 June 2025.



Sources: Northern Trust and London CIV.

Note that figures may not sum to 100% due to rounding and due to the potential for the manager to use short holdings in cash and currency forwards.

# Allspring – Climate Transition Global Buy & Maintain (1)

| Key area | Performance Commentary |
|---|---|
| Commentary | • The Allspring Climate Transition Global Buy and Maintain Fund has delivered a positive return of 3.0% over the quarter to 30 June 2025 on a net of fees basis, outperforming its target by 0.9%.<br>• The Fund's positive return was mainly driven by tightening credit spreads, despite US Treasury yields increasing over the period. Additionally, the Fund also benefitted from its carry element which rose during the higher interest rate environment.<br>• Outperformance against the Sterling denominated index was mainly driven by the strategy's security selection (particularly within non-cyclical consumer) and overweight position to communications. |

**Investment Performance to 30 June 2025**

| | Last Quarter (%) | One Year (%) |
|---|---|---|
| Net of fees | 3.0 | 5.6 |
| Target | 2.2 | 2.4 |
| Net performance relative to Target | 0.9 | 3.3 |

Relative performance may not tie due to rounding

## Fund Overview

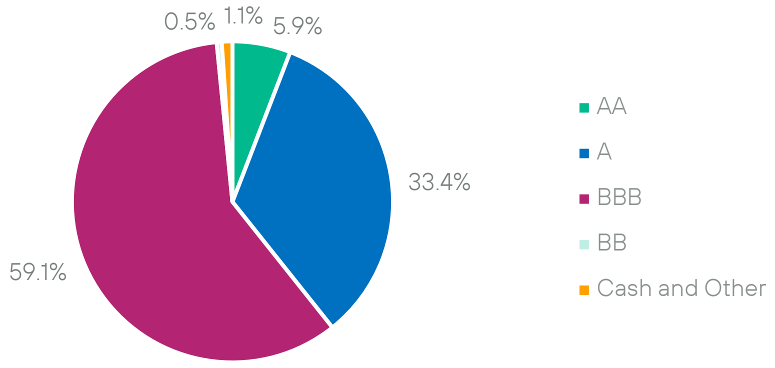
Allspring was appointed on 7 November 2023 to manage a global climate transition buy and maintain credit mandate.

The aim of the Fund is to broadly track the performance of the ICE BofA Sterling Corporate Index, while simultaneously achieving various climate transition related targets. The manager has a fixed fee based on the value of assets.

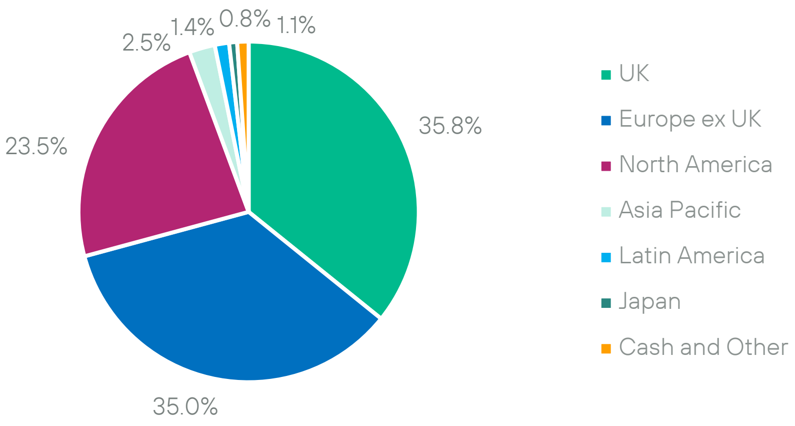
The charts to the bottom left represent the split of the Allspring Climate Transition Global Buy & Maintain Fund by credit rating and by region as at 30 June 2025.



**Portfolio Credit Rating Breakdown as at 30 June 2025**




**Portfolio Regional Breakdown as at 30 June 2025**





Sources: Northern Trust and Allspring.

# Allspring – Climate Transition Global Buy & Maintain (2)

**ESG Metrics as at 30 June 2025**

| | Allspring Climate Transition Global Buy & Maintain | | Benchmark | |
|---|---|---|---|---|
| | Value | Coverage | Value | Coverage |
| MSCI ESG Score | 7.5 | 97% | 7.1 | 92% |
| Sustainalytics ESG Risk Score | 19 | 96% | 20 | 96% |
| Carbon to Value Invested (metric tons $CO_2e$/$1m invested)* | 21 | 96% | 27 | 94% |
| Weighted Average Carbon Intensity (metric tons $CO_2e$/$1m revenues)* | 48 | 96% | 67 | 94% |
| Coal Emissions (metric tons $CO_2e$/$1m invested) | 0 | N/A | 3,903 | N/A |
| Gas Emissions (metric tons $CO_2e$/$1m invested) | 3,766 | N/A | 4,315 | N/A |
| Oil Emissions (metric tons $CO_2e$/$1m invested) | 6,273 | N/A | 6,063 | N/A |

MSCI ESG Score: scale of 0-10 (10-best)
Sustainalytics ESG Risk Score: scaled of 0-100 (0-no ESG Risk, >40-severe ESG Risk)
*Operational and Tier 1 supply chain emissions

Page 208

## ESG Metrics

Allspring integrates the objectives of the EU Climate Transition Benchmark pathway into its investment approach but targets a carbon intensity reduction trajectory that is more ambitious than the prescribed 1.5°C pathway to net zero by 2050.

Allspring, however, does not automatically exclude industries with high historical carbon emissions and instead focuses on firms' forward transition performance. For example, where many ESG strategies exclude fossil fuels on the view that historical carbon intensity will continue indefinitely, Allspring takes a prospective view on firms' climate and financial performance with the outlook that some of today's heaviest emitters may be tomorrow's decarbonisation outperformers. As such, we would expect the strategy's carbon intensity metrics and ESG scores to improve over time.

The table to the left compares the ESG metrics of the Climate Transition Global Buy & Maintain Fund with those of the reference benchmark as at 30 June 2025.

Please note that we have included definitions of each of the metrics in the Appendix to this report.

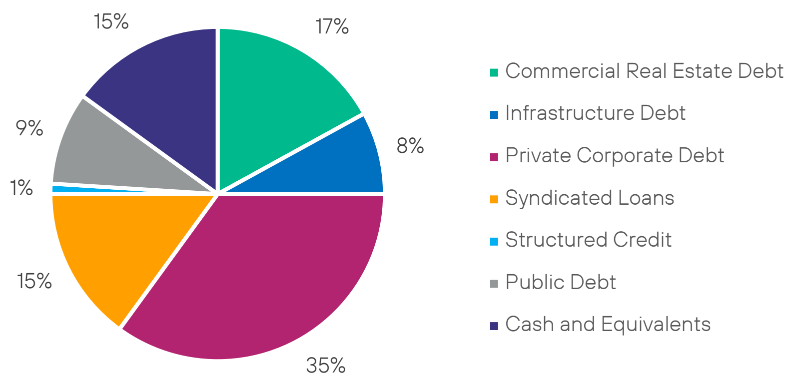

Source: Allspring.

# Aberdeen – Multi-Sector Private Credit Fund

| Key area | Performance Commentary |
|---|---|
| Commentary | • The MSPC Fund has delivered a positive return of 1.6% on a net of fees basis over the quarter, primarily driven by the strategy's allocation to corporate private debt, which remained resilient during recent market headwinds. The strategy has underperformed its corporate bond-based target by 1.5% over the quarter, owing to the index' greater sensitivity to movements at the short-end of the yield curve. The strategy has outperformed over longer periods owing to the illiquidity premium attached to the Fund's assets. |
| Portfolio Composition | • As at 30 June 2025, the MSPC Fund portfolio has reached target allocation and consists of 18 private assets:<br>◦ 4 infrastructure debt investments;<br>◦ 5 senior commercial real estate debts investments; and<br>◦ 9 private corporate debt investments.<br>• The MSPC Fund has also made investments in syndicated loans, structured credit and public bonds. |

Page 209

### Portfolio Asset Type Breakdown at 30 June 2025




### Investment Performance to 30 June 2025

| | Last Quarter (%) | One Year (%) | Three Years (% p.a.) | Five Years (% p.a.) |
|---|---|---|---|---|
| Net of fees | 1.6 | 7.3 | 5.1 | 1.7 |
| Benchmark / Target | 3.1 | 6.4 | 3.8 | 0.5 |
| Net performance relative to Benchmark | -1.5 | 1.0 | 1.3 | 1.2 |

Relative performance may not tie due to rounding. Please note that Aberdeen MSPC Fund performance is provided by Northern Trust with a quarter lag.

### Investment Metrics

| | 31 Mar 2025 | 30 Jun 2025 |
|---|---|---|
| Duration (years) | 3.57 | 2.79 |
| Average rating | BBB | BBB |
| Average portfolio spread | 256bps | 239bps |
| Average illiquidity premium | 114bps | 119bps |
| Average yield to maturity | 6.34% | 5.42% |

### Fund Overview

Aberdeen was appointed to manage a multi sector private credit mandate, with the Fund drawing down capital for investment on 8 April 2020.

The Multi Sector Private Credit Fund aims to outperform the ICE ML Sterling BBB Corporate Bond Index once it has been fully deployed. The manager has a fixed annual management fee based on the value of investments.

One of the Fund's Corporate Debt investments, Corp 6 has been added to the Fund's watchlist over Q1 2025, as the debt was amended, and extended from its original maturity date in 2025. This action was taken as the borrower was optimistic on improving its performance, further supported by its high liquid assets. We will continue to monitor this investment.

As at 30 June 2025, c. 76% of the MSPC Fund portfolio has been invested in illiquid assets that will make up the long-term portfolio, while the remaining c. 24% of the portfolio remains invested in a liquid transition portfolio in order to avoid a cash drag for liquidity purposes.

The asset allocation as at 30 June 2025 is provided in the chart to the left.





Source: Northern Trust and Aberdeen.

# Darwin Alternatives – Leisure Development Fund (1)

| Key area | Performance Commentary |
|---|---|
| Commentary | • The Leisure Development Fund delivered a flat return on an absolute basis over the quarter to 30 June 2025, underperforming its cash +6% p.a. target by 2.5%. Over the one-year period, the Fund has delivered a negative absolute return of -25.0%, underperforming its target by 35.8%.<br><br>• Significant underperformance over the one-year period can primarily be attributed to Darwin revising downward its management projections of revenues and costs, which resulted in a fall in the NAV of the Fund by c. 23% over Q3 2024. Further detail is provided in a separate Committee report, which was discussed at the March 2025 Pension Fund Committee Meeting. Darwin also presented to the Committee at the June 2025 Pension Fund Committee Meeting.<br><br>• Darwin remains focussed on operational improvements and cost-cutting measures such as reducing the main costs of staffing, cleaning and utilities. As well as the expansion of stately home partnerships, aiming to replicate the success of the Blenheim asset. |



**Investment Performance to 30 June 2025**

| | Last Quarter (%) | One Year (%) | Three Years (%) |
|---|---|---|---|
| Net of fees | 0.0 | -25.0 | -13.3 |
| Benchmark / Target | 2.5 | 10.9 | 10.5 |
| Net performance relative to Benchmark | -2.5 | -35.8 | -23.8 |

Relative performance may not tie due to rounding

## Fund Overview

Darwin Alternatives was appointed to manage a leisure property development mandate, with the Fund drawing down capital for investment on 1 January 2022.

The Leisure Development Fund aims to outperform the 3-month Sterling SONIA target by 6% p.a. The manager has an annual management fee and performance fee.

Details of the Fund’s underlying assets can be found overleaf.

**Activity**

- Blenheim Palace and Norfolk Woods performed well but the other sites were slightly behind budget.
- Bleinheim Palace Lodge Retreat has proven to be successful, and development strategies for the Fund going forward will be to replicate this partnership with other stately home landed estates around the UK. This partnership allowed Darwin to further expand the portfolio, whilst also boosting its marketing and profile by allowing Darwin to open parks in areas outside the usual holiday park locations. Darwin have secured the sale of High Lodge in Suffolk and will continue looking to secure new investments in the fund for this development strategy.
- Darwin has completed the planning review to install solar panels and batteries at some of the sites and currently looking to appoint an appropriate Power Purchase Agreement (PPA) provider to take this forward. This proposition would allow Darwin to achieve its long-term environmental target of reducing indirect emissions from the electricity used across the portfolio.
- The project at Blenheim is progressing well as the plan for Phase 2 at Blenheim Palace has been presented to the real estate team. Darwin is currently identifying suitable accommodation and developing a specific site plan.





Source: Northern Trust and Darwin Alternatives.

# Darwin Alternatives – Leisure Development Fund (2)

**Portfolio Holdings**

| Park | Purchase Rationale | Size (Acres) | Purchase Date |
|---|---|---|---|
| Stratford Armouries, Warwickshire | Develop site into luxury lodge retreat | 9 | June 2017 |
| Norfolk Woods, Norfolk | Redevelop to holiday resort with leisure facilities | 15 | June 2017 |
| The Springs, Oxfordshire | Upgrade golf facilities and add lodges to create small lodge resort | 133 | July 2017 |
| Rivendale, Derbyshire | Redevelop to holiday resort with leisure facilities | 35 | January 2018 |
| Dundonald Links, Ayrshire | Add lodges and central facilities to create lodge resort | 268 | March 2019 |
| Kilnwick Percy, East Yorkshire | Add additional lodges to existing golf resort | 150 | March 2020 |
| Rosetta, Peeblesshire | Redevelop to holiday resort with leisure facilities | 47 | May 2020 |
| Plas Isaf, North Wales | Add additional lodges utilising existing planning | 39 | June 2020 |
| Bleathwood, Shropshire | Develop site into luxury lodge retreat | 12 | December 2020 |
| Blenheim Palace, Oxfordshire | Develop site into luxury lodge retreat | 10 | December 2021 |



- The Fund also owns a stake in Bentley Rowe, a lodge manufacturing business.

## Portfolio

The table to the left shows details of the parks underlying the Darwin Alternatives Leisure Development Fund portfolio as at 30 June 2025.

Source: Darwin Alternatives.

# Oak Hill Advisors – Diversified Credit Strategies

| Key area | Performance Commentary |
|---|---|
| Commentary | • The strategy delivered a positive return of 2.6% on a net of fees basis over the quarter to 30 June 2025, outperforming the benchmark by 0.6%. As the strategy is measured against a Sterling cash-plus benchmark, we would expect relative performance differences over shorter time horizons.<br>• Although recent geopolitical events have led to heightened volatility in markets, the strategy's US-denominated credit holdings generated positive returns driven by tightening spreads and declining US rates.<br>• The strategy's opportunistic nature means that the fund can take on restructuring opportunities for issuers. There were no defaults over the second quarter of 2025 within the Diversified Credit Strategies portfolio, while five positions representing c. 1.4% of the total portfolio were downgraded. |

Page 212

### Investment Performance to 30 June 2025

| | Last Quarter (%) | One Year (%) | Three Years (% p.a.) | Five Years (% p.a.) |
|---|---|---|---|---|
| Net of fees | 2.6 | 6.5 | 7.3 | 6.3 |
| Benchmark / Target | 2.1 | 8.9 | 8.5 | 6.8 |
| Net Performance relative to Benchmark | 0.6 | -2.4 | -1.2 | -0.4 |

Relative performance may not tie due to rounding

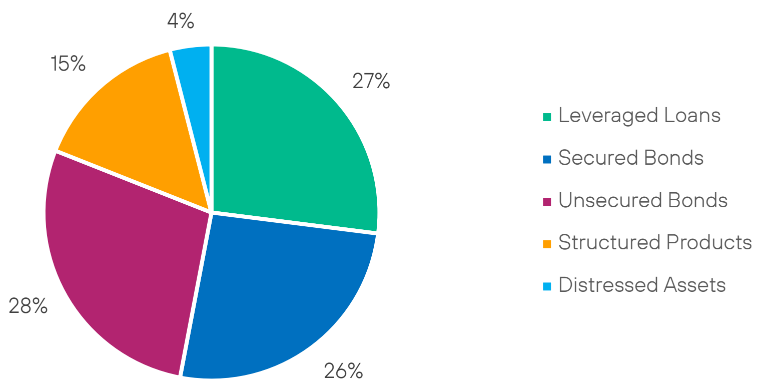
### Fund Overview

Oak Hill Advisors was appointed to manage a multi asset credit mandate with the aim of outperforming the 3-month Sterling SONIA benchmark by 4% p.a. The manager has an annual management fee and performance fee.

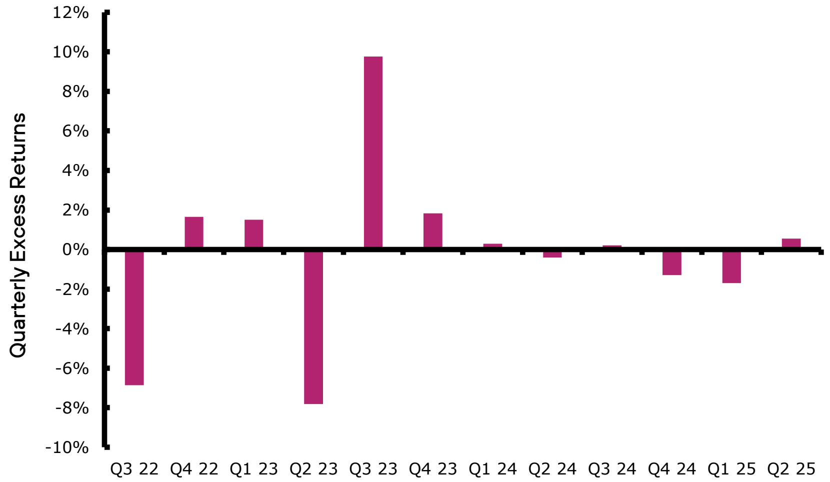
It should be noted, however, that the DCS Fund is denominated in US Dollars. There is no hedging in place in respect of this investment and therefore short-term returns are impacted by exchange rate fluctuations. Oak Hill Advisors highlights that the strategy has delivered 6.8% on a net of fees basis over the year to 30 June 2025 once currency fluctuations have been stripped out. Oak Hill Advisors compares the performance of the Diversified Credit Strategies Fund against a blended index of high yield credit and leveraged loans, which delivered a return of 8.9% over the year to 30 June 2025.

The chart to the bottom left shows the composition of the Diversified Credit Strategies Fund's portfolio as at 30 June 2025.

### Portfolio Sector Breakdown at 30 June 2025




### Quarterly Excess Returns





Source: Northern Trust and Oak Hill Advisors.

# Partners Group – Direct Infrastructure

| Key area | Performance Commentary |
|---|---|
| Activity | • The Direct Infrastructure Fund's investment period ended on 30 September 2021 and the Fund will therefore make no further investments going forward, having made 22 investments.<br>• As at 31 March 2025, the Partners Group Direct Infrastructure Fund was in its realisation phase with an active portfolio of 13 investments having realised 9 positions to date.<br>• As at 31 March 2025, the Fund has delivered a net IRR of 14.4% since inception.<br>• The Fund's net multiple increased over the period, due to the sale of Greenlink Interconnector, a 504MW subsea electricity interconnector linking Great Britain and Ireland, to Baltic Cable AB and Equitix. |

Page 213

**Investment Performance to 30 June 2025**

| | Last Quarter (%) | One Year (%) | Three Years (% p.a.) | Five Years (% p.a.) |
|---|---|---|---|---|
| Net of fees | 6.4 | 15.9 | 14.0 | 15.7 |
| Benchmark / Target | 3.0 | 12.9 | 12.5 | 10.8 |
| Net Performance relative to Benchmark | 3.4 | 3.0 | 1.5 | 4.9 |

Relative performance may not tie due to rounding

## Fund Overview

Partners Group was appointed to manage a global infrastructure mandate with the aim of outperforming the 3-month Sterling SONIA benchmark by 8% p.a. The manager has an annual management fee and performance fee.

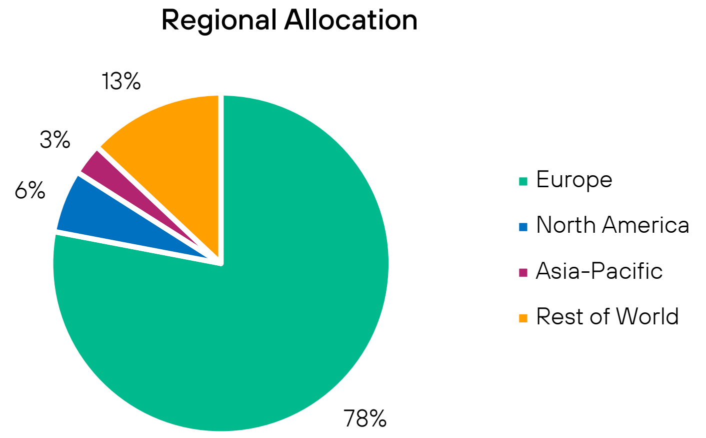
The charts to the bottom left show the regional split of the Direct Infrastructure Fund and a breakdown of the Fund by infrastructure sector as at 31 March 2025.

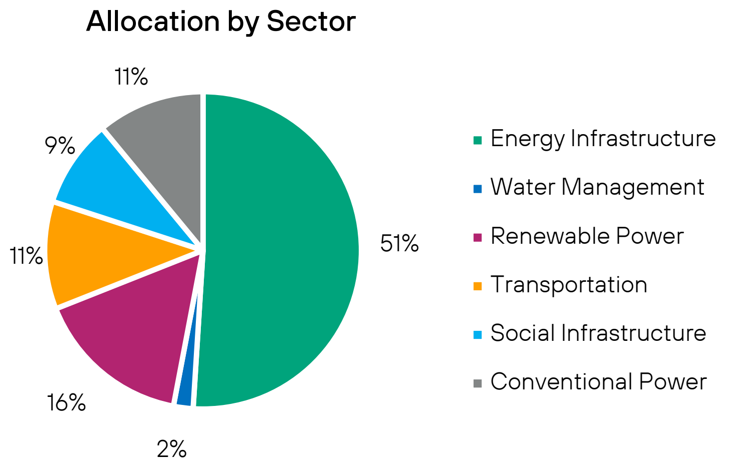
## Capital Calls and Distributions

Partners Group have confirmed that the Direct Infrastructure Fund is unlikely to draw any further capital into the strategy. Remaining capital is held back for the purposes of meeting potential future currency hedging calls or follow-on capital for portfolio companies.

Over the quarter, Partners Group issued two capital distributions on 9 April 2025 (c.€7.4m) and 28 April 2025 (c.€2.2m), which amounted to c.€9.6m.

**Portfolio Breakdown by Region and Sector as at 31 March 2025**





Source: Northern Trust and Partners Group.

# Quinbrook – Renewables Impact Fund (1)

| Key area | Performance Commentary |
|---|---|
| Capital Calls and Distributions | • The London Borough of Hammersmith & Fulham Pension Fund committed £45m to the Quinbrook Renewables Impact Fund ("QRIF I") in August 2023 and £35m to the Quinbrook Renewables Impact Fund II ("QRIF II") in November 2024.<br>• Over the second quarter of 2025, Quinbrook issued no further capital call notices or distributions in respect of QRIF I, but issued an equalisation distribution payment of £0.7m in respect of QRIF II on 24 April 2025.<br>• Resultantly, the Fund's £45m commitment to QRIF I remained at c.95% drawn for investment as at 30 June 2025 and the Fund's £35m commitment to QRIF II is c.17% drawn as at 30 June 2025. |

**Investment Performance to 30 June 2025**

| | Last Quarter (%) | One Year (%) |
|---|---|---|
| Net of fees | 2.6 | 8.6 |
| Benchmark / Target | 4.4 | 10.5 |
| Net performance relative to Benchmark | -1.8 | -1.8 |

Relative performance may not tie due to rounding

### Fund Overview

Quinbrook was appointed to manage a UK renewable infrastructure mandate with the aim of outperforming the 3-month Sterling SONIA benchmark by 6% p.a. The manager has a base annual management fee and a performance fee.

The Renewables Impact Fund I achieved final close on 29 September 2023 having raised £620m in commitments, exceeding the initial £500m target.

As at 31 March 2025, the Renewables Impact Fund I has delivered a net IRR of 9.5% since inception.



### Activity over the quarter to 31 March 2025

QRIF I

- On 19 December 2024, the Rothienorman project saw the last steps in the construction and commissioning process completed. Following this, the project was declared operational and began earning revenue under its Pathfinder II contract. Over Q1 2025, Rothienorman achieved 100% availability and Rassau has outperformed and EBITDA expectations at the time of investment.
- Delays by the Transmission Owner ("TO") at the Thurso site is anticipated to delay the Commercial Operations Date ("COD") by 19 May 2025. The Manager is actively working to expedite this timeline, which remains ahead of the Pathfinder contact's longstop date.
- A global circuit breaker procurement shortage has impacted Siemens which has caused a delay on the Neilston project. The Manager has been working extensively with Siemens to identify alternative procurement approaches; however, it has been confirmed the best-case COD is July 2025.
- The Gretna project has suffered delays due to Storm Darragh impacting the High Voltage termination and connections works schedule. The best-case COD is now early July 2025, well within the Pathfinder longstop date.
- At Uskmouth, 100% of both the BESS containers and Power Conversion System ("PCS") have now been delivered and installed on site.
- Significant progress continues to be made on Project Fortress. Construction of the solar asset neared completion with approximately 99% of piles, solar mounting structures and modules installed over Q1 2025.

QRIF II

- As at 31 March 2025, QRIF II had invested £60.1m into several core thematics: standalone storage, decarbonisation of transport, co-located generation and storage and standalone generation.
- The Fund had closed on four investments at Q4 2024: (i) Project Kamino (battery energy storage system); (ii) Aegis Energy (company building a platform of dedicated multi-fuel stations); (iii) Fern Portfolio (Norton and Talbot Green) - solar PV and BESS project; and (iv) Mallard Pass (standalone solar PV project).
- The Manager progressed several new investment opportunities over Q1 2025 in spanning grid support, renewable electricity generation and battery storage assets.



Source: Northern Trust and Quinbrook.

# Quinbrook – Renewables Impact Fund (2)

| QRIF I: Project Name | Fund Ownership | Investment Date | Technology | Location |
|---|---|---|---|---|
| Pathfinder - Operational | | | | |
| Rassau | 100% | Dec-20 | Synchronous Condenser | UK |
| Pathfinder – Under construction | | | | |
| Thurso South | 100% | Jul-21 | Synchronous Condenser | Scotland |
| Rothienorman | 100% | Jul-21 | Synchronous Condenser | Scotland |
| Gretna | 100% | Jul-22 | Synchronous Condenser | Scotland |
| Neilston Grid Services | 100% | Jul-22 | Synchronous Condenser | Scotland |
| Pathfinder – Other | | | | |
| Reggie Development Loan | 100% | Dec-20 | Synchronous Condenser | UK |
| Solar and Battery Storage – Under construction | | | | |
| Cleve Hill | 100% | Oct-21 | Solar and Battery Storage | UK |
| Battery Storage – Under-construction | | | | |
| Uskmouth | 100% | May-22 | Battery Storage | Wales |
| Other | | | | |
| Habitat | 100% | Jul-21 | Trading Platform | UK |
| Held at cost | | | | |
| Dawn | 100% | Mar-22 | Battery Storage | UK |
| Teffont | 100% | Apr-23 | Battery Storage | UK |

| QRIF II: Project Name | Fund Ownership | Investment Date | Theme | Location |
|---|---|---|---|---|
| Norton | 100% | Dec-24 | Co-located Generation and Storage | England |
| Mallard Pass and Talbot Green | 100% | Dec-24 | Standalone Generation | UK |
| Kamino | 100% | Dec-24 | Standalone Storage | England |
| Aegis | 100% | Dec-24 | Decarbonisation of Transport | UK |

Portfolio

The table to the left shows a list of the investments held by the Quinbrook Renewables Impact Fund I & II as at 31 March 2025. Data as at 30 June 2025 is not available as at the time of writing.







Source: Quinbrook.

# Aberdeen – Long Lease Property

| Key area | Performance Comments |
|---|---|
| Commentary | • The Long Lease Property Fund has delivered a positive return of 1.3% over the quarter to 30 June 2025, underperforming its gilts-based benchmark by 1.1%. The Fund has outperformed the wider property market over the year, while underperforming over the longer periods. Further detail is provided overleaf.<br>• Aberdeen has realised collection rates of 100% for 2020, 2021, 2022, 2023, and 2024 rent, with the manager stating that rent collection levels are back to pre-COVID levels. None of the Long Lease Property Fund's rental income is subject to deferment arrangements. |

**Investment Performance to 30 June 2025**

| | Last Quarter (%) | One Year (%) | Three Years (% p.a.) | Five Years (% p.a.) |
|---|---|---|---|---|
| Net of fees | 1.3 | 5.5 | -9.8 | -2.4 |
| Benchmark / Target | 2.4 | 3.7 | -1.0 | -3.8 |
| Net Performance relative to Benchmark | -1.1 | 1.8 | -8.8 | 1.4 |

Relative performance may not tie due to rounding

## Fund Overview (lagged by one quarter)

Aberdeen was appointed to manage a long lease property mandate with the aim of outperforming the FT British Government All Stocks Index benchmark by 2.0% p.a. The manager has an annual management fee.

Aberdeen acknowledges that further asset sales will be required to meet redemption requests. The manager will monitor the portfolio with a focus on selling weaker credits or those with poor ESG scores, and further reducing its office exposure where possible.

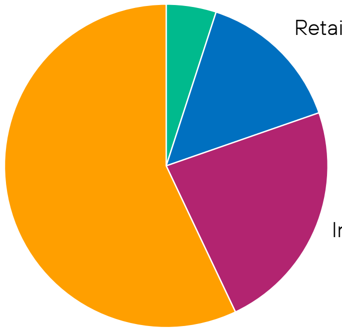
As at 30 June 2025, 1.8% of the Fund's NAV is invested in ground rents via an indirect holding in the Aberdeen Ground Rent Fund, with 25.5% of the Fund invested in income strip assets.

The top 10 tenants contributed c. 67.1% of the total net income of the Fund as at 30 June 2025.

The unexpired lease term as at 30 June 2025 stood at 27.1 years, an increase of 0.9 years over the second quarter of 2025. The proportion of income with fixed, CPI or RPI rental increases decreased by 0.4% over the second quarter of 2025 to 93.5% as at 30 June 2025.

Page 216

**Portfolio Sector Breakdown at 30 June 2025**




**Top 10 Tenants (% of net rental income) as of 30 June 2025**

| Tenant | % Net Income | Credit Rating |
|---|---|---|
| Amazon UK Services Limited | 8.4 | AA |
| Marston's plc | 8.2 | BB |
| Viapath Services LLP | 7.9 | A |
| J Sainsbury plc | 7.7 | BBB |
| Salford Villages Limited | 6.8 | A |
| Park Holidays | 5.9 | Ground Rent (A) |
| Poundland | 5.8 | B |
| Next Group plc | 5.7 | BBB |
| Premier Inn Hotels Limited | 5.6 | BBB |
| Lloyds Bank plc | 5.2 | Not available |
| Total | 67.1* | |



Source: Northern Trust and Aberdeen.
Note that figures may not sum to 100% due to rounding.

# Aberdeen – Long Lease Property

| Key area | Performance Comments | Outlook |
|---|---|---|
| Commentary (continued) | • Aberdeen has attributed negative absolute returns over the last three years primarily to the combination of the following factors:<br>  • Property market and long income decline at the end of 2022 and early 2023 – starting from a position of materially low market yields over early 2022, following the September 2022 UK Mini Budget and corresponding sharp rise in yields the property market has seen a large relative re-pricing in asset valuation. The characteristically longer duration of long income assets means that the impact of increasing yields has had a greater proportional effect on long income assets than the wider property market.<br>  • Asset sales at depressed pricing – owing to rising gilt yields following the UK Mini Budget in September 2022, Aberdeen received a number of redemption requests from corporate defined benefit schemes. Initially to provide liquidity to meet collateral calls relating to these schemes' leveraged liability driven investment allocations in order to maintain their hedge position, and subsequently for schemes looking to complete insurer buy-out in the shorter-term as a result of short-term significant funding level improvements. Resultantly, Aberdeen was a forced seller of assets during a period of property valuation decline. As a result of the lack of liquidity and poor market demand, Aberdeen estimates that disposals over 2022 were completing on average at c. 10% discount to NAV, and over 2023 at around 5-10% discounts. Aberdeen however highlights that, owing to the general recovery in the property market, most sales over 2024 have completed either broadly at NAV or slightly above.<br>  • Sector exposure – while the wider property market has recognised a valuation recovery or stabilisation leading into 2024, this has been driven primarily by retail warehousing, multi-let industrial, private residential, and other sectors that don't lend themselves well to long income. Resultantly, the Long Lease Property Fund has had minimal to no exposure to these asset classes, and therefore has not fully participated in the recovery of the wider property market indices. | • The manager, Aberdeen, is confident that the Long Lease Property Fund is well positioned to take advantage of the continued recovery in the wider property market. The Fund has shown shoots of recovery over recent quarters, largely driven by income growth, and Aberdeen anticipates that capital value growth will be recognised going forward. From a sector perspective, the Fund has a large exposure to industrials and alternatives – two sectors which the manager anticipates are well placed to capture the market recovery.<br>• Transaction volumes have been low over 2024 and 2025 to date, however with improving investor liquidity and looser monetary policy transaction activity is set to increase over the coming periods.<br>• In continuing to build out the Long Lease Property Fund portfolio, Aberdeen is targeting quality UK real estate with long leases and strong tenant covenants, with a key focus on only purchasing assets that are deemed "best-in-class" from an ESG perspective. Aberdeen are also working with the Fund's current assets, collaborating with tenants to ensure that the properties are meeting all sustainability requirements (such as the installation of solar panels and electric vehicle charging stations where possible) and are in the process of delivering social initiatives across the asset base.<br>• The manager recognises a general lack of supply for these "best-in-class" properties in the wider market as construction costs have fed through to emerging pipelines. Aberdeen anticipates that this will feed through into improved pricing for the quality assets already held in the portfolio. |

# Alpha Real Capital – Index Linked Income

| Key area | Comments |
|---|---|
| Commentary | • The Index Linked Income Fund has delivered a marginal negative return on a net of fees basis over the quarter to 30 June 2025. This can primarily be attributed to rising gilt yields at the longer-end of the curve and increasing yields on revaluation over the period, impacting the estimated NAV. The strategy underperformed its long-dated inflation-linked gilts benchmark by 0.2% over the three-month period.<br>• Over the quarter, the Index-Linked Income Fund completed on the disposal of the Bridge and Park Leisure portfolios for a net sale price of £48.5m and an asset in the HC One portfolio for £1.1m. Additionally, the Fund also received a £30m subscription in April and drawn down over the quarter. The cash received from the above asset sales and the subscription, was utilised to satisfy £78.5 of redemption requests. |



**Investment Performance to 30 June 2025**

| | Last Quarter (%) | One Year (%) | Three Years (% p.a.) |
|---|---|---|---|
| Net of fees | 0.0 | -2.3 | -8.7 |
| Benchmark / Target | 0.2 | -13.3 | -17.9 |
| Net performance relative to Benchmark | -0.2 | 11.1 | 9.2 |

Relative performance may not tie due to rounding

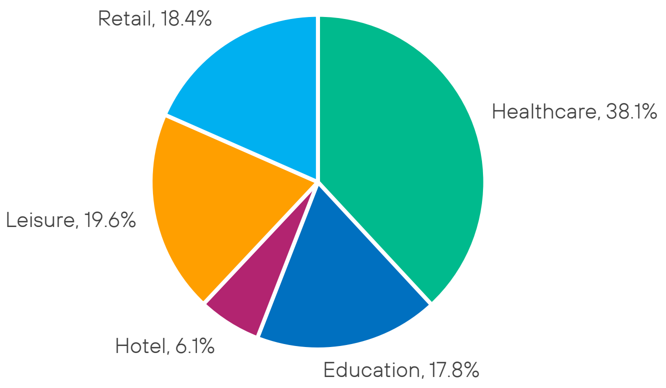
Alpha Real Capital was appointed to manage a ground rents mandate with the aim of outperforming the BoAML Long-Dated UK Inflation-Linked Gilts Index benchmark by 2.0% p.a. over a 5-year period. The manager has an annual management fee.

The average lease length stood at c. 141 years as at 30 June 2025, reducing by one year over the quarter following asset sales. The Index Linked Income Fund's portfolio is 100% linked to RPI (or CPI) with no fixed rent reviews in the portfolio.

The sector allocation in the Index Linked Income Fund as at 30 June 2025 is shown in the chart to the left.

The table shows details of the top ten holdings in the Fund measured by value as at 30 June 2025. The top 10 holdings in the Index Linked Income Fund accounted for c. 81% of the Fund as at 30 June 2025.

**Portfolio Sector Breakdown at 30 June 2025**




**Top Ten Holdings by Value as 30 June 2025**

| Tenant | Value (%) | Credit Rating |
|---|---|---|
| Elysium Healthcare | 13.7 | A1 |
| Dobbies | 13.0 | Baa1 |
| Parkdean | 11.4 | A2 |
| HC One | 9.6 | A2 |
| Away Resorts | 7.7 | A2 |
| PGL | 7.2 | Baa2 |
| Busy Bees | 5.7 | A2 |
| Leonardo | 4.9 | A2 |
| CareTech | 4.8 | A3 |
| Booths | 2.8 | Aa3 |
| Total | 80.9 | |


Source: Northern Trust and Alpha Real Capital.

# Man Group – Affordable Housing

| Key area | Comments |
|---|---|
| Commentary | **Capital Calls and Distributions**<br>• The Fund committed £30m to Man Group in February 2021.<br>• Over the quarter, Man Group issued a drawdown request for £1.3m for payment by 23 April 2025.<br>• As such, the Fund's total commitment is c. 92% for investment at Q2 2025.<br>**Activity**<br>• Having completed the strategy's eleventh investment, Man Group has confirmed that no further investments will be added to the Community Housing Fund portfolio.<br>• As at 30 June 2025, the Fund has contracted 1,403 homes and delivered 331 homes.<br>• An update on the Fund's investments in Grantham, Wellingborough and Saltdean can be found in the Private Appendix to this report. |



**Investments Held**

| Investment | Number of Homes | Affordable Homes (%) | Gross Cost (£m) | Unlevered Net Income Yield (%) |
|---|---|---|---|---|
| Atelier, Lewes | 41 | 95 | 13 | 3.6 |
| Alconbury, Cambridgeshire | 95 | 100 | 22 | 4.4 |
| Grantham, Lincolnshire | 227 | 85 | 51 | 3.8 |
| Campbell Wharf, Milton Keynes | 79 | 100 | 21 | 4.3 |
| Towergate, Milton Keynes | 55 | 100 | 18 | 4.2 |
| Coombe Farm, Saltdean | 71 | 83 | 28 | 5.8 |
| Chilmington, Ashford | 225 | TBC | 73 | N/A |
| Tattenhoe, Milton Keynes | 34 | 100 | 6 | 4.6 |
| Glenvale Park, Wellingborough | 146 | 100 | 35 | 5.5 |
| Old Malling Farm, Lewes | 226 | 100 | 84 | 5.2 |
| Stanhope Gardens, Aldershot | 96 | 100 | 39 | 4.3 |
| Wantage Grove | 108 | 100 | 35. | 4.8 |
| Total | 1,403 | 96 | 426 | 4.7 |

Man Group was appointed to manage an affordable housing mandate following the manager selection exercise in February 2021. The manager has an annual management fee.

The table to the left shows a list of the projects currently undertaken by the Man Group Community Housing Fund as at 30 June 2025.

As at 30 June 2025, the Man Group Community Housing Fund has a weighted average unlevered income yield of 4.7%.


Source: Man Group.

# Appendices

# Fund and Manager Benchmarks

| Manager | Asset Class | Allocation | Benchmark | Inception Date |
|---|---|---|---|---|
| LCIV | Global Equity Quality | 13.0% | MSCI AC World Index | 30/09/20 |
| L&G | Low Carbon Target | 27.0% | MSCI World Low Carbon Target Index | 18/12/18 |
| Ruffer | Dynamic Asset Allocation | 10.0% | 3 Month Sterling SONIA +4% p.a. | 31/07/08 |
| LCIV | Short Duration Buy & Maintain Credit | 2.5% | iBoxx £ Collateralized & Corporates 0-5 | 06/12/23 |
| LCIV | Long Duration Buy & Maintain Credit | 2.5% | iBoxx £ Collateralized & Corporates 10+ | 06/12/23 |
| Allspring | Climate Transition Global Buy & Maintain | 10.0% | ICE BofA Sterling Corp Bond | 07/11/23 |
| Partners Group | Multi Asset Credit | 0.0% | 3 Month Sterling SONIA +4% p.a. | 28/01/15 |
| Oak Hill Advisors | Multi Asset Credit | 5.0% | 3 Month Sterling SONIA +4% p.a. | 01/05/15 |
| Aberdeen | Multi Sector Private Credit | 4.0% | 3 Month Sterling SONIA / ICE ML Sterling BBB Corporate Bond Index | 08/04/20 |
| Partners Group | Infrastructure Fund | 5.0% | 3 Month Sterling SONIA +8% p.a. | 31/08/15 |
| Quinbrook | Renewables Impact Fund | 3.5% | 3 Month Sterling SONIA +6% p.a. | 24/08/23 |
| Darwin Alternatives | Leisure Development Fund | 2.5% | 3 Month Sterling SONIA +6% p.a. | 01/01/22 |
| Aberdeen | Long Lease Property | 5.0% | FT British Government All Stocks Index +2.0% | 09/04/15 |
| Alpha Real Capital | Ground Rents | 7.5% | BoAML >5 Year UK Inflation-Linked Gilt Index +2.0% | 17/05/21 |
| Man Group | Affordable / Supported Housing | 2.5% | 3 Month Sterling SONIA +4% p.a. (Target) | 02/06/21 |
| | Total | 100.0% | | |

# Yield Analysis

| Manager | Asset Class | Yield as at end June 2025 |
|---|---|---|
| LCIV Global Sustain | Global Equity | 1.24% |
| L&G MSCI Low Carbon | Global Equity | 1.73% |
| LCIV Absolute Return | Dynamic Asset Allocation | 0.72% |
| Allspring Climate Transition B&M | Dynamic Asset Allocation | 5.91% |
| LCIV Short B&M | Dynamic Asset Allocation | 3.95% |
| LCIV Long B&M | Dynamic Asset Allocation | 5.43% |
| Partners Group MAC | Secure Income | 5.10% |
| Partners Group Infrastructure | Secure Income | 1.50% |
| Aberdeen MSPC Fund | Secure Income | 5.42% |
| Oak Hill Advisors | Secure Income | 6.70% |
| Standard Life Long Lease Property | Inflation Protection | 5.21% |
| Alpha Real Capital | Inflation Protection | 4.47% |
| | Total | 2.69% |

# Explanation of Market Background

This glossary explains the components of the Market Background charts at the beginning of this report.
All returns are in Sterling terms, unhedged, unless otherwise stated. Where "hedged" returns are quoted, these are local currency returns (i.e. any costs and imprecisions in hedging are assumed to be negligible).

**Market Background Overview**

- Returns by Asset Class – The market indices underlying this chart are as follows:
  - UK Equity: FTSE All-Share
  - Global Equity: FTSE World (Unhedged and Hedged)
  - Emerging Market Equity: MSCI Emerging Markets
  - Diversified Growth Funds: mean of a sample of DGF managers
  - Property: IPD Monthly UK
  - Global High Yield: BoAML Global High Yield (GBP Hedged)
  - UK Inv. Grade Credit: BoAML Sterling Non-Gilt
  - Over 15 Years Gilts: FTSE Over 15 Year Gilt
  - Over 5 Years Index-Linked Gilts: FTSE Over 5 Year Index-Linked Gilt
  - Example Liabilities: a simplified calculation illustrating how a typical pension scheme's past-service liabilities may have moved

# Allspring – ESG Metrics (1)

| Data Source | Metric | Scoring | Description |
|---|---|---|---|
| MSCI | MSCI ESG Scores | Scores range from 10 (best) to 0 (worst) | MSCI measures and analyses companies' risk and opportunities arising from environmental, social and governance issues. By assessing indicators typically not identified by traditional securities analysis, ESG Ratings uncover hidden risks and value potential for investors. Ratings range from AAA (best) to CCC (worst). Scores range from 10 (best) to 0 (worst). |
| Sustainalytics | ESG Risk Score | ESG Risk assessment ranging from Negligible (best) to Severe (worst) | ESG Risk assessment consisting of Negligible (best), Low, Medium, High, and Severe (worst). |
| Trucost | Carbon Intensity-Direct+First Tier Indirect (tonnes CO2e/$MM) | GHG emissions over which the company has control, or derive from direct suppliers, divided by revenue | Greenhouse gases emitted by the direct operations of and suppliers to a company (scope 1, 2, and upstream scope 3) divided by revenue. |
| Trucost | Carbon-Direct+First Tier Indirect (tonnes CO2e) | GHG emissions over which the company has control (Direct + First Tier indirect) | Greenhouse gases emitted by the direct operations of and suppliers to a company (scope 1, 2, and upstream scope 3). |
| Trucost | Carbon-Scope 1 (tonnes CO2e) | GHG emissions from operations that are owned or controlled by the company | Greenhouse gas emissions generated from burning fossil fuels and production processes which are owned or controlled by the company (reference: GHG Protocol). |
| Trucost | Carbon-Scope 2 (tonnes CO2e) | GHG emissions from consumption of purchased electricity, heat or steam by the company | Greenhouse gas emissions from consumption of purchased electricity, heat or steam by the company (reference: GHG Protocol). |
| Trucost | Carbon-Scope 3 (tonnes CO2e) | Other indirect GHG emissions not covered in Scope 2 | Other upstream indirect greenhouse gas emissions, such as from the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g. T&D losses) not covered in Scope 2, outsourced activities, waste disposal, etc. (in line with GHG Protocol standards) (reference: GHG Protocol). |





Source: Allspring.

# Allspring – ESG Metrics (2)

| Data Source | Metric | Scoring | Description |
|---|---|---|---|
| Trucost | Reserves CO2 emissions from Coal (tonnes) | GHG emissions embedded in coal reserves in tonnes CO2 | GHG emissions embedded in coal reserves in tonnes CO2. |
| Trucost | Reserves CO2 emissions from Gas (tonnes) | GHG emissions embedded in gas reserves in tonnes CO2 | GHG emissions embedded in gas reserves in tonnes CO2. |
| Trucost | Reserves CO2 emissions from Oil (tonnes) | GHG emissions embedded in oil reserves in tonnes CO2 | GHG emissions embedded in oil reserves in tonnes CO2. |
| Trucost | tCO2e (under)/over 2°C carbon budget base year-horizon year | tCO2e (under)/over 2°C carbon budget base year-horizon year | This indicates the difference between a company's projected emissions pathway and the required pathway to reach 2°C alignment over the time horizon assessed, measured in tonnes of carbon dioxide equivalent. A negative value indicates a company's transition pathway is aligned with a 2°C outcome, while a positive value indicates a company's transition pathway is misaligned with a 2°C outcome. |





Source: Allspring.

# Disclaimers

## Performance, Opinions, and Estimated Liabilities

- This report sets out the past performance of various asset classes and fund managers. It should be noted that past performance is not a guide to the future.
- Our opinions (and comparison vs criteria) of the investment managers stated in this report are based on Isio's research and are not a guarantee of future performance. These are valid at the time of this report but may change over time.
- Our opinions of investment products are based on information provided by the investment management firms and other sources. This report does not imply any guarantee as to the accuracy of that information and Isio cannot be held responsible for any inaccuracies therein. The opinions contained in this report do not constitute any guarantees as to the future stability of investment managers which may have an effect on the performance of funds.
- Funds that make use of derivatives are exposed to additional forms of risk and can result in losses greater than the amount of invested capital.



## Addressee and Isio Relationships

- This report has been prepared for the sole benefit of the London Borough of Hammersmith and Fulham Pension Fund and based on their specific facts and circumstances and pursuant to the terms of Isio Group Limited/Isio Services Limited's Services Contract. It should not be relied upon by any other person. Any person who chooses to rely on this report does so at their own risk. To the fullest extent permitted by law, Isio Group Limited/Isio Services Limited accepts no responsibility or liability to that party in connection with the Services.
- Please note that Isio may have an ongoing relationship with various investment management organisations, some of which may be clients of Isio. This may include the London Borough of Hammersmith and Fulham Pension Fund's existing investment managers. Where this is the case, it does not impact on our objectivity in reviewing and recommending investment managers to our clients. We would be happy to discuss this further if required.
- In the United Kingdom, this report is intended solely for distribution to Professional Clients as defined by the Financial Conduct Authority's Conduct of Business Sourcebook. This report has not therefore been approved as a financial promotion under Section 21 of the Financial Services and Markets Act 2000 by an authorized person.
- The information contained within the report is available only to relevant persons, and any invitation, offer or agreement to purchase or otherwise acquire investments referred to within the report will be engaged in only with relevant persons. Any other person to whom this communication is directed, must not act upon it.
- Isio Services Limited is authorised and regulated by the Financial Conduct Authority FRN 922376.

# Contacts


**Emily McGuire**
Partner
+44 (0)207 046 9997
Emily.McGuire@isio.com

**Alexander Antonov**
Assistant Manager
+44 (0)141 260 9701
Alexander.Antonov@isio.com

**Andrew Singh**
Head of LGPS Investment
+44 (0)131 202 3916
Andrew.Singh@isio.com

**Jeconia Hogan**
Graduate Trainee
+44 (0)131 202 3911
Jeconia.Hogan@isio.com

**Jonny Moore**
Manager
+44 (0)131 222 2469
Jonny.Moore@isio.com

**Committee Report** **Appendix 3**
**Reporting Period: Q1 25/26**
**Pension Fund Current Account Cashflow Actuals and Forecast for period Apr - Jun-25**

## Pension Fund Current Account Cashflow Actuals and Forecast for period Apr - Jun-25

| | Apr-25 £000s Actual | May-25 £000s Actual | Jun-25 £000s Actual | Jul-25 £000s F'cast | Aug-25 £000s F'cast | Sep-25 £000s F'cast | Oct-25 £000s F'cast | Nov-25 £000s F'cast | Dec-25 £000s F'cast | Jan-26 £000s F'cast | Feb-26 £000s F'cast | Mar-26 £000s F'cast | F'cast Annual Total £000s | F'cast Monthly Total £000s |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance b/f** | **3,279** | **1,831** | **1,013** | **6,566** | **5,129** | **4,376** | **2,927** | **6,481** | **5,631** | **4,183** | **2,735** | **6,886** | | |
| Contributions | 3,755 | 3,814 | 3,677 | 3,600 | 3,600 | 3,600 | 3,600 | 3,600 | 3,600 | 3,600 | 3,600 | 3,600 | 43,646 | 3,637 |
| Pensions | (3,493) | (3,560) | (3,559) | (3,537) | (3,552) | (3,550) | (3,546) | (3,549) | (3,548) | (3,548) | (3,549) | (3,548) | (42,541) | (3,545) |
| Lump Sums | (398) | (835) | (1,978) | (800) | (800) | (800) | (800) | (800) | (800) | (800) | (800) | (800) | (10,412) | (868) |
| Net TVs in/(out) | (713) | (635) | (293) | (300) | (300) | (300) | (300) | (300) | (300) | (300) | (300) | (300) | (4,341) | (362) |
| Net Expenses/other transactions | (599) | (312) | (293) | (400) | (400) | (400) | (400) | (400) | (400) | (400) | (400) | (400) | (4,804) | (400) |
| **Net Cash Surplus/(Deficit)** | **(1,449)** | **(1,528)** | **(2,447)** | **(1,437)** | **(1,452)** | **(1,450)** | **(1,446)** | **(1,449)** | **(1,448)** | **(1,448)** | **(1,449)** | **(1,448)** | **(18,452)** | **(1,538)** |
| Distributions | | 710 | | | 700 | | | 600 | | | 600 | | 2,610 | 653 |
| **Net Cash Surplus/(Deficit) including investment income** | **(1,449)** | **(818)** | **(2,447)** | **(1,437)** | **(752)** | **(1,450)** | **(1,446)** | **(849)** | **(1,448)** | **(1,448)** | **(849)** | **(1,448)** | **(15,842)** | **(1,320)** |
| Transfers (to)/from Custody Cash | | | 8,000 | | | | 5,000 | | | | 5,000 | | 18,000 | 3,600 |
| **Balance c/f** | **1,831** | **1,013** | **6,566** | **5,129** | **4,376** | **2,927** | **6,481** | **5,631** | **4,183** | **2,735** | **6,886** | **5,438** | **53,195** | **2,280** |

## Current account cashflow actuals compared to forecast in Apr - Jun-25

| | Apr-25 | | May-25 | | Jun-25 | | Apr - Jun-25 |
|---|---|---|---|---|---|---|---|
| | Forecast £000s | Actual £000s | Forecast £000s | Actual £000s | Forecast £000s | Actual £000s | Variance £000s |
| Contributions | 3,600 | 3,755 | 3,600 | 3,814 | 3,600 | 3,677 | 446 |
| Pensions | (3,531) | (3,493) | (3,531) | (3,560) | (3,533) | (3,559) | (17) |
| Lump Sums | (800) | (398) | (800) | (835) | (800) | (1,978) | (812) |
| Net TVs in/(out) | (300) | (713) | (300) | (635) | (300) | (293) | (741) |
| Expenses/other transactions | (400) | (599) | (400) | (312) | (400) | (293) | (4) |
| Distributions | | | 700 | 710 | | | 10 |
| Transfers (to)/from Custody Cash | | | | | 8,000 | 8,000 | |
| **Total** | **(1,431)** | **(1,449)** | **(731)** | **(818)** | **6,567** | **5,553** | **(1,118)** |

**Notes on variances**

- Contributions are paid one month in arrears.
- Transfers in and lump sum benefits cannot be reliably forecast given they relate to individual member decisions and take time to process

## Pension Fund Custody Invested Cashflow Actuals and Forecast for period Apr - Jun-25

| | Apr-25 £000s Actual | May-25 £000s Actual | Jun-25 £000s Actual | Jul-25 £000s F'cast | Aug-25 £000s F'cast | Sep-25 £000s F'cast | Oct-25 £000s F'cast | Nov-25 £000s F'cast | Dec-25 £000s F'cast | Jan-26 £000s F'cast | Feb-26 £000s F'cast | Mar-26 £000s F'cast | F'cast Annual Total £000s | F'cast Monthly Total £000s |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance b/f** | **27,550** | **19,750** | **20,455** | **13,740** | **15,243** | **15,222** | **15,219** | **8,711** | **8,701** | **8,694** | **2,186** | **2,177** | | |
| Sale of Assets | 15,000 | | | | | | | | | | | | 15,000 | 7,500 |
| Purchase of Assets | (31,869) | | | | | | (3,000) | | | (3,000) | | | (37,869) | (12,623) |
| **Net Capital Cashflows** | **(16,869)** | | | | | | **(3,000)** | | | **(3,000)** | | | **(22,869)** | **(1,906)** |
| Distributions | 8,909 | 710 | 1,235 | 1,500 | | | 1,500 | | | 1,500 | | | 15,354 | 2,193 |
| Interest | 91 | 83 | 51 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 315 | 26 |
| Management Expenses | | | | | | | | | | | | | | |
| Foreign Exchange Gains/Losses | 68 | (89) | | (7) | (32) | (13) | (17) | (21) | (17) | (18) | (19) | (18) | (181) | (15) |
| Class Actions | | | | | | | | | | | | | | |
| Other Transactions | | | | | | | | | | | | | | |
| **Net Revenue Cashflows** | **9,069** | **705** | **1,285** | **1,503** | **(22)** | **(3)** | **1,493** | **(11)** | **(7)** | **1,492** | **(9)** | **(8)** | **15,488** | **1,291** |
| **Net Cash Surplus/(Deficit) excluding withdrawals** | **(7,800)** | **705** | **1,285** | **1,503** | **(22)** | **(3)** | **(1,507)** | **(11)** | **(7)** | **(1,508)** | **(9)** | **(8)** | **(7,381)** | **(615)** |
| Contributions to Custody Cash | | | | | | | | | | | | | | |
| Withdrawals from Custody Cash | | | (8,000) | | | | (5,000) | | | (5,000) | | | (18,000) | (2,571) |
| **Balance c/f** | **19,750** | **20,455** | **13,740** | **15,243** | **15,222** | **15,219** | **8,711** | **8,701** | **8,694** | **2,186** | **2,177** | **2,169** | **(25,381)** | **(3,186)** |

| 1 | Risk Description | Asset and Investment Risk | Risk Score: | Impact | 10 | Likelihood | 4 | Total | 40 |
|---|---|---|---|---|---|---|---|---|---|

Significant volatility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainty. Within this consideration is given to Covid-19, Brexit, and the invasion of Ukraine, current events in the Middle East.

| **Risk Owner(s)** | Phil Triggs |
|---|---|

| **Summary risk update/current position (incl. key metrics)** | **Date updated:** | **30 June 2025** |
|---|---|---|

*Global investment markets remain under considerable pressure, shaped by a convergence of disruptive geopolitical and economic events. This environment has created heightened uncertainty, contributing to increased market volatility and cautious investor sentiment. The following key risks are central to the current landscape:*
*Impact of Recent Tariff Actions by the Trump Administration on Global Markets:*
*In early April 2025, President Donald Trump announced the implementation of significant tariffs, including a 10% levy on all imports and higher duties on major exporters such as China and the European Union. These measures have intensified global trade tensions and led to notable market disruptions, including but not limited to stock market declines and investors shifting to cash and other liquid assets.*
*Brexit (Ongoing Trade and Regulatory Frictions):*
*While the UK has formally exited from the EU, the long-term economic and investment implications of Brexit are still unfolding. Persistent trade frictions, regulatory divergence, and political tensions continue to affect investor confidence and business operations.*
*Invasion of Ukraine (Geopolitical Tensions and Energy Security):*
*The conflict in Ukraine has significantly reshaped global geopolitical dynamics and continues to disrupt markets. Key risks include elevated energy prices, food supply chain challenges, and sanctions-related market distortions. The war has led to redefined trade alliances and increased defence spending.*
*Middle East Conflict (Rising Tensions and Market Sensitivity):*
*Renewed and escalating conflict in the Middle East, particularly involving Israel and regional actors, has raised fears of broader instability. This presents a significant risk to energy markets, global supply chains, and investor sentiment. The situation remains fluid, with the potential for escalation posing additional downside risk for global markets.*
*These developments have amplified existing geopolitical and economic uncertainties, contributing to a complex and volatile environment for global investment markets.*

| Proposed/planned mitigations | Mitigation Owner | Date for completion | Current Status |
|---|---|---|---|
| TREAT | | | |
| ***1.*** *Ongoing Engagement with Investment Managers on Political Risk Management - the Fund maintains structured and continuous engagement with fund managers to ensure appropriate consideration and management of political risk, particularly within global developed markets. These discussions encompass assessment of geopolitical developments, and the corresponding impact on investment positions. Managers are expected to demonstrate clear strategies for responding to market dislocations arising from political events, thereby ensuring that political risk is proactively incorporated into the investment decision-making process.* | Tri-Borough Pensions Team | Ongoing | Ongoing |
| **2.** *Integration of Portfolio Diversification and Risk Management within the Investment Strategy - The Fund's investment strategy is designed to incorporate robust diversification across asset classes, geographies, sectors, and investment styles. This approach aims to reduce concentration risk and enhance resilience against external shocks, including those of a political or economic nature. Diversification is not only a defensive measure but also serves to enhance the potential for stable long-term returns under varied market conditions.* | Tri-Borough Pensions Team | Ongoing | Ongoing |
| ***3.*** *Continuous Review of Investment Strategy with Investment Consultant - The Fund, in collaboration with its investment consultant, undertakes ongoing strategic reviews to ensure that its investment approach remains appropriate, adaptive, and aligned with its long-term objectives. These reviews include detailed assessments of macroeconomic trends, geopolitical developments, and the performance of individual asset classes. Recommendations may include adjustments to strategic asset allocation, rebalancing across asset types, or reassessment of investment mandates. This continuous review process supports informed, evidence-based decision-making and strengthens the Fund's ability to navigate evolving market environments.* | Tri-Borough Pensions Team | Ongoing | Ongoing |

| 2 | Risk Description | Liability Risk | Risk Score: | Impact | 12 | Likelihood | 3 | Total | 36 |
|---|---|---|---|---|---|---|---|---|---|
| There is insufficient cash available to the Fund to meet pension payments due to reduced income generated from underlying investments, leading to investment assets being sold at sub-optimal prices to meet pension obligations. | | | | | | | | | |
| **Risk Owner(s)** | Phil Triggs | | | | | | | | |
| **Summary risk update/current position (incl. key metrics)** | | | **Date updated:** | | **30 June 2025** | | | | |
| *The Fund faces a liability risk stemming from potential shortfalls in available cash to meet pension payment obligations. The Fund would currently be cashflow negative in terms of the contributions received would not equal the payment of the outgoing pensions, however income from distributions of investments keeps the cashflow position neutral.* | | | | | | | | | |

| Proposed/planned mitigations | Mitigation Owner | Date for completion | Current Status |
|---|---|---|---|
| TREAT | | | |
| *1. Cashflow Forecast Maintained and Monitored; Position Reported Quarterly to Committee - The Fund maintains a detailed and dynamic cashflow forecast to monitor its ability to meet short- and medium-term pension payment obligations. This forecast is updated regularly to reflect changes in contribution inflows, benefit payments, and expected investment income. The cashflow position is formally reviewed and reported to the Pensions Committee on a quarterly basis, enabling timely identification of potential shortfalls and ensuring that any necessary actions can be taken in advance to preserve liquidity and financial stability.* | Tri-Borough Pensions Team | Ongoing | Ongoing |
| *2. Quarterly Income Distributions from Investments to Support Short-Term Obligations - A proportion of the Fund's investment portfolio is structured to deliver quarterly income distributions, which provide a consistent and predictable cash inflow. This income is utilised to help meet ongoing pension payments and reduce reliance on the sale of growth assets. By aligning a portion of the investment strategy with income generation, the Fund enhances its ability to manage liability cashflows while limiting the need to disinvest during periods of market volatility.* | Tri-Borough Pensions Team | Ongoing | Ongoing |
| *Ongoing Review of Investment Income with Targeted Allocations to Meet Income Requirements - The Fund, in conjunction with its investment consultant, regularly reviews the level of income generated from its underlying investments. This includes evaluating the sustainability and reliability of income streams across asset classes. Where necessary, strategic allocations may be adjusted to ensure the Fund remains aligned with its target income objectives. The next formal review of the investment strategy will follow the conclusion of the 2025 Triennial Valuation.* | Tri-Borough Pensions Team | Ongoing | Ongoing |

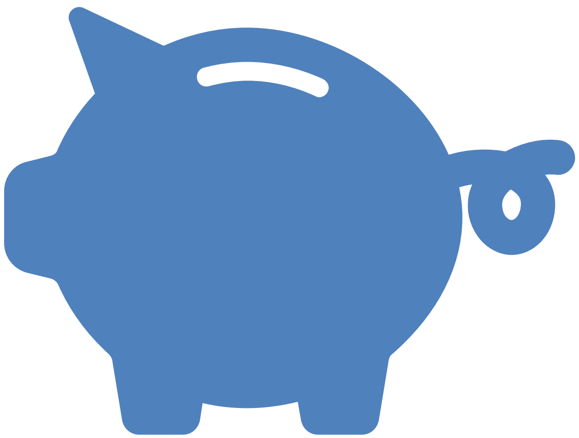
| 4 | Risk Description | Asset and Investment Risk | Risk Score: Impact 10, Likelihood 4, **Total 40** |
|---|---|---|---|
| Investment managers fail to achieve benchmark/ outperformance targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £1.25m. | | | |
| **Risk Owner(s)** | Phil Triggs | | |
| **Summary risk update/current position (incl. key metrics)** | | **Date updated:** | **30 June 2025** |
| *There is a risk that investment managers may fail to achieve their performance benchmarks or outperformance targets over the longer term. Persistent underperformance would adversely affect the Fund's ability to meet its long-term return objectives and could place additional pressure on funding levels and employer contributions. Monitoring manager performance and taking corrective action where necessary is essential to mitigating this risk.* | | | |
| **Proposed/planned mitigations** | **Mitigation Owner** | **Date for completion** | **Current Status** |
| TREAT | | | |
| *1. Regular Performance Monitoring and Manager Evaluation - The Fund conducts rigorous and ongoing monitoring of all investment managers against agreed performance benchmarks and objectives. Performance is reviewed quarterly and assessed over multiple time horizons to identify persistent underperformance trends. This includes both quantitative analysis and qualitative evaluation of investment processes, style consistency, and risk-adjusted returns.* | Tri-Borough Pensions Team | Ongoing | Ongoing |
| *2. Active Oversight and Governance through Investment Advisory Structures - The Fund's Investment Committee, supported by its investment consultant, maintains strong governance oversight of manager performance. Where concerns arise, formal engagement with managers is undertaken to understand drivers of underperformance and to challenge their strategic positioning. If appropriate, recommendations for mandate changes or manager replacement are made in a timely manner.* | Tri-Borough Pensions Team | Ongoing | Ongoing |
| *3. Diversification Across Investment Managers and Styles - The Fund employs a diversified structure of investment managers with differing styles and specialisms to reduce reliance on any single manager or strategy. This approach mitigates the impact of individual underperformance and contributes to more stable aggregate returns. Strategic allocations are reviewed periodically to ensure that manager diversification continues to support the Fund's overall risk-return objectives.* | Tri-Borough Pensions Team | Ongoing | Ongoing |

| 5 | Risk Description | Asset and Investment Risk | Risk Score: | Impact | 10 | Likelihood | 3 | Total | 30 |
|---|---|---|---|---|---|---|---|---|---|
| Global investment markets fail to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers. | | | | | | | | | |

| Risk Owner(s) | Phil Triggs |
|---|---|

| Summary risk update/current position (incl. key metrics) | Date updated: | 30 June 2025 |
|---|---|---|
| *There is an ongoing risk that global investment markets may fail to deliver returns in line with long-term expectations. Such underperformance could result in a deterioration of the Fund's funding position, as investment returns are a key driver of asset growth. A sustained shortfall in returns may lead to increased contribution requirements from employers in order to maintain the Fund's solvency and meet future pension liabilities.* | | |

| Proposed/planned mitigations | Mitigation Owner | Date for completion | Current Status |
|---|---|---|---|
| TREAT | | | |
| 1. *Diversification of Asset Classes and Managers - The Fund employs a diversified investment strategy structured to incorporate various asset classes, reducing reliance on any single asset manager or strategy. This approach mitigates the impact of individual underperformance and contributes to more stable aggregate returns. Diversification is not only a defensive measure but also serves to enhance the potential for stable long-term returns under varied market conditions.* | Tri-Borough Pensions Team | Ongoing | Ongoing |
| 2. *Continuous strategy monitoring - The Fund conducts rigorous and ongoing monitoring of all investment managers against agreed performance benchmarks and objectives to ensure that its investment approach remains appropriate, adaptive, and aligned with its long-term objective. Recommendations may include adjustments to strategic asset allocation, rebalancing across asset types, or reassessment of investment mandates. This continuous review process supports informed, evidence-based decision-making and strengthens the Fund's ability to navigate evolving market environments.* | Tri-Borough Pensions Team | Ongoing | Ongoing |
| 3. *Engagement with the actuary - Actuarial valuation and strategy review take place every three years post the actuarial valuation. IAS19 data is received annually and provides an early warning of any potential problems. The actuarial assumption regarding asset outperformance is regarded as achievable over the long term when compared with historical data.* | Tri-Borough Pensions Team | Ongoing | Ongoing |



# LGPS: Pensions Investment Review & Pension Schemes Bill

Implications for H&F Pension Fund

Committee Member Update

# Contents

# Pensions Investment Review – LGPS Focus

- Reinforces asset pooling for LGPS funds
- Focus on delivering Value for Money (VfM)
- Encourages greater investment in productive finance (infrastructure, private markets)
- Seeks improved governance and professional management

# Pensions Investment Review – LGPS Focus (Detail)

- **Reinforces asset pooling for LGPS funds**
The Review strengthens the Government's long-standing policy that LGPS funds must pool their investment assets. By working collectively through authorised investment pools such as the London CIV, funds can achieve economies of scale, access a wider range of asset classes, and reduce management costs. Pooling also supports greater transparency and consistency in governance. For individual funds like H&F, this means continuing to invest the majority of their assets through the pool, while retaining responsibility for liabilities and strategic decision-making.

- **Focus on delivering Value for Money (VfM)**
The Review places strong emphasis on ensuring that LGPS assets are managed efficiently and deliver tangible value for members and employers. VfM is not just about lower fees, but about net investment returns, risk management, and alignment with scheme objectives. For Committees, this means enhanced reporting, benchmarking, and scrutiny of pooled vehicles such as the London CIV to demonstrate that member and employer interests are being safeguarded.

- **Encourages greater investment in productive finance (infrastructure, private markets)**
The Review highlights the role of pension funds in supporting the UK economy through "productive finance" investments. For the LGPS, this translates into expectations to allocate more to infrastructure, housing, and private equity, which can deliver long-term returns while supporting economic growth. Through pooling, funds like H&F gain cost-effective access to such asset classes. The challenge is to balance these opportunities with fiduciary duty, ensuring investments remain consistent with prudent funding strategies.

- **Seeks improved governance and professional management**
Recognising the scale and complexity of the LGPS, the Review calls for stronger governance frameworks and more professional investment management. Pools like the London CIV are expected to demonstrate robust oversight, risk controls, and accountability. Locally, Committees must ensure their governance arrangements remain fit for purpose, with sufficient training, clear decision-making structures, and effective monitoring of both fund performance and pool activity. This professionalisation strengthens confidence that the scheme is being managed in members' best interests.

# Pensions Investments Review → Pension Schemes Bill Bill → LGPS Impact

| Theme | Pensions Investment Review | Pension Schemes Bill | LGPS Impact (H&F) |
| --- | --- | --- | --- |
| Pooling & Consolidation | Reaffirms need for LGPS funds to use asset pools (e.g. London CIV). | Gives Ministers powers to legally enforce pooling compliance. | H&F must continue moving assets into London CIV; less flexibility outside pool. |
| Value for Money (VfM) | Introduces a consistent VfM framework for efficiency and governance. | Embeds VfM requirements into law with statutory reporting duties. | Committee must demonstrate VfM in reporting and scrutinise CIV performance. |
| Productive Finance | Encourages greater allocations to infrastructure and private equity. | Creates reserve powers for government to influence allocations. | H&F may need to increase CIV allocations to infrastructure, balancing risk and duty. |
| Governance & Professionalisation | Calls for stronger oversight, risk management and professional standards. | Supports consistent governance requirements and regulatory powers. | Committee must maintain robust training and oversight of CIV governance. |

# London CIV – Overview

- Pooled investment vehicle for 32 London LGPS funds
- Manages £51bn of assets*
- Governance: Shareholder Committee, Board, oversight committees
- H&F is both investor and shareholder; retains liability but shares scale benefits

*LCIV Annual Report 2025 London CIV - Year at a glance

# London CIV – Responsible Investment (RI) Matrix Model (2025)

**Context:**

- London CIV submitted its Fit for the Future Strategic Plan to Government in February 2025.
- Government has approved the plan, allowing the pool to proceed.
- In response to consultation feedback, CIV committed to offering more investment options to reflect differing Partner Fund requirements while retaining the benefits of pooling.

**RI Matrix Framework:**

- Aims to create a consensus model for implementing Responsible Investment, balancing shared scale with Partner Funds' varied priorities.
- Designed to avoid 32 separate RI policies, instead delivering a flexible but coherent framework.
- Anticipated to include 2–3 central "streams", with the possibility of an additional impact strategy if there is sufficient demand. This is expanded further on the next page

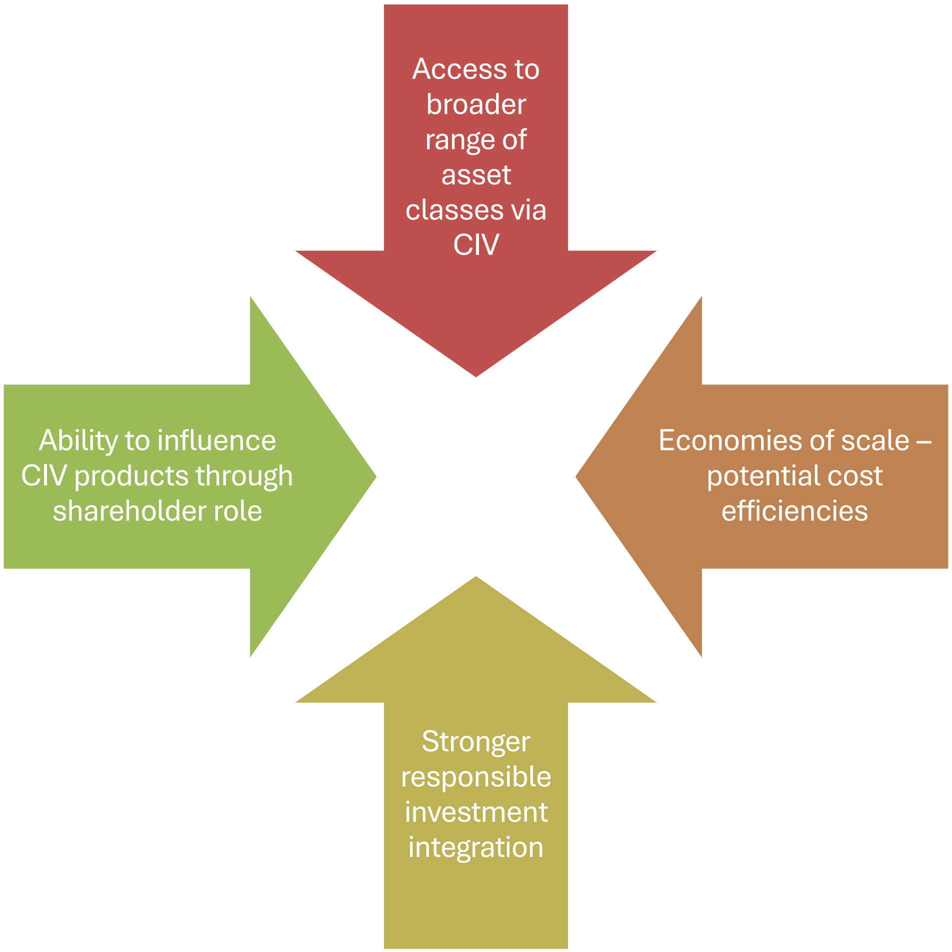
# LCIV RI Streams – Indicative Model

| Stream | Ethos | Exclusions / Features |
|---|---|---|
| Stream One – RI Incorporated | Integrates ESG into investment and stewardship; focus on financial risk/opportunity. | Few exclusions; for discussion: fossil fuel exploration, controversial weapons. |
| Stream Two – RI Progressive | As Stream One but with more exclusions; Partner Funds favour engagement over avoidance. | Exclusions may include: coal, unconventional oil/gas, tobacco, controversial weapons. |
| Stream Three – RI and Avoidance | Tailored for Funds seeking broader exclusions to manage reputational/investment risk. | Exclusions may include: defence/arms, fossil fuels, natural capital (palm oil/soy), human rights-based screens. |

# H&F Pension Fund – Current Position

- Active participant in London CIV pooling arrangements
- Strategic allocations via CIV products (e.g. credit, equities, RI-focused funds)
- Maintains strong local governance and oversight
- Ongoing monitoring of cost savings and performance

# Strategic Opportunities



# Key Risks & Challenges

Potential loss of flexibility in investment choices

Government policy direction vs fiduciary duty

Ensuring CIV delivers value for money

Maintaining local accountability and transparency

# Recommended Actions for Committee

1. Review Investment Strategy Statement (ISS) for alignment following the next triennial valuation result.

2. Strengthen oversight of CIV governance and performance

3. Engage with CIV on fund design, fees and RI policies

4. Monitor developments in Pension Schemes Bill

5. Provide member training on pooling and VfM obligations

# Next Steps & Timeline



### Short-term (0–6m):

1. Review ISS and governance policies
2. Briefing on Bill progress

### Medium-term (6–18m):

1. Align reporting with VfM framework
2. Strengthen CIV engagement structures

### Long-term (to 2030):

1. Track pooling compliance
2. Evaluate infrastructure/private market allocations

**LONDON BOROUGH OF HAMMERSMITH & FULHAM**

| | |
|---|---|
| **Report to:** | Pension Fund Committee |
| **Date:** | 9 September 2025 |
| **Subject:** | Resonance Impact Evergreen Fund Investment Proposal |
| **Report author:** | Patrick Rowe, Strategic Finance Manager – Treasury and Pensions |
| **Responsible Director:** | Phil Triggs, Director of Treasury and Pensions |

## SUMMARY

This paper provides the Pension Fund Committee with an overview of a local impact investment opportunity in the Resonance Impact Evergreen Fund.

## RECOMMENDATIONS

1. The Pension Fund Committee is recommended to approve an investment of £50m in the Resonance Impact Evergreen Fund subject to the final due diligence report from Isio being supportive of the investment.

2. The Pension Fund Committee is recommended to delegate authority for the completion of the investment upon receipt of a positive due diligence report to the Director of Treasury and Pensions in consultation with the Chair.

**Wards Affected:** None.

| **Our Values** | **Summary of how this report aligns to the H&F Values** |
|---|---|
| Being ruthlessly financially efficient | Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council taxpayer. |

### Financial Impact

None.

### Legal Implications

None.

## DETAILED ANALYSIS

### Resonance Impact Evergreen Fund Investment Proposal.

1. Appendix 1 sets out the due diligence Isio has conducted on the Resonance proposal to date, including an overview of the portfolio and its key objectives.

2. Resonance has a track record of delivering effective solutions in the underserved part of the housing market that is transitional housing and temporary accommodation through closed ended funds. This will be its first evergreen fund, the details and risks of which are outlined in Appendix 1.

3. The Fund seeks to return a 6% IRR on a rolling ten-year basis with a targeted 3% distribution yield, generating secure income for the pension fund.

4. Additionally, the pension fund can agree through a side letter agreement where its allocation should be invested as well as provide for the use of the underlying assets for the administering authority on a nominations basis.

5. This means that provided suitable properties within the specified parameters set out within the side letter can be acquired in a timely manner. The administering authority can work with the registered provider Notting Hill Genesis to use the units acquired for temporary accommodation.

6. This ensures the investment achieves the desired outcome of attaining local status, while also helping to support a significant London wide issue through increasing local housing supply.

7. The outcome is an achievement of the government's objective of support for UK local investment.

8. Appendix 2 provides an overview of the impact Resonance has made through its previous and existing funds and a clear demonstration of its tenant first design.

### Risk Management Implications

1. Risks are contained in the Isio due diligence report.

### List of Appendices

Appendix 1: Isio due diligence
Appendix 2: Resonance Social Impact Report 2023/24

# London Borough of Hammersmith & Fulham Pension Fund



## Investment Fund Review (Initial Findings)

## Resonance Impact “Evergreen” Fund

August 2025

isio.

# Introduction and Background

- This paper has been prepared for the Pension Fund Committee (the "Committee") of the London Borough of Hammersmith & Fulham Pension Fund (the "Fund").
- This paper follows Isio's initial red flag review of the Resonance Impact "Evergreen" Fund on behalf of the Fund and the City of Westminster Pension Fund (the "Funds"), with the findings driven by Isio's dedicated Real Assets Research Team and Sustainable Investment specialists, supported by the Fund's dedicated Isio client team. The initial red flag review was issued to Pension Officers during July 2025 and is included in the Appendix to this paper.
- We have agreed to complete an in depth due diligence exercise of Resonance's strategy on behalf of the Funds. The process is not yet finalised and our due diligence is thus far incomplete subject to receipt of further information from Resonance and following formal review by the Isio Investment Committee (Research Engine). We are therefore not yet in a position to allocate a formal Isio Research Rating to the strategy.
- We have, however, overleaf provided the key details of our due diligence thus far to aid the Committee in considering the investment opportunity.
- The data driving our due diligence has been sourced via initial and follow-up requests for information responses by Resonance, and through a number of meetings between Isio and the Resonance portfolio managers.
- At the 9 September 2025 Pension Fund Committee Meeting, the Committee should consider the detail outlined in this paper and determine whether they wish to consider the Resonance strategy further as an opportunity for the Fund. Throughout discussions, the Committee should remain cognisant of the limitations of this report, and that Isio's full due diligence will be finalised in due course.



Initial Red Flag Review – issued July 2025 (see Appendix)

Investment Fund Review (Initial Findings) – issued August 2025 for discussion at the 9 September 2025 Pension Fund Committee Meeting

Full Investment Research and Responsible Investment Due Diligence – TBC September 2025

Isio investment research and responsible investment views may evolve and are subject to change as we progress through our full due diligence process.

# Initial Due Diligence: Update

## Resonance Impact 'Evergreen' Fund – Preliminary Review Update

- Following our initial red flag review of the Resonance Impact Evergreen Fund, Isio's dedicated Real Assets research team has conducted further due diligence. Please note that this review remains ongoing and is subject to final approval by Isio's internal investment committee before a formal rating is assigned.
- The team have reviewed Resonance's due diligence questionnaire response, and materials, and held a number of due diligence meetings with the manager. A summary of the findings thus far is provided below and overleaf.
- We will continue engaging with Resonance to complete our due diligence in the coming weeks. We have flagged several key areas that will require further investigation and follow-up discussions, which will be addressed in our final report. Please note that the due diligence process is subject to approval by Isio's internal investment committee, at which point formal investment and ESG ratings will be issued for the fund.



# Summary

## Research Summary

- Although the review is still in progress and may evolve with continued engagement, we've outlined overleaf our key observations to date.
- Resonance demonstrates strong credibility in UK homelessness investing, supported by an experienced team and operational capabilities. Building on over a decade of sector experience and approximately £400m deployed to date, the fund represents a natural evolution of Resonance's impact-driven investment strategy, and is a unique proposition in the market.
- Overall, the fund offers a differentiated proposition, with a strong track record in delivering social impact, particularly in transitional housing. That said, several points remain under review and will require additional engagement with Resonance to complete the due diligence process.

# Key Strengths

### Key Strengths of the Resonance Evergreen Fund

- **Established Sector Experience:** Resonance has been active in homelessness investing since 2013, deploying c. £400m in the market and over 90% of their total AuM is dedicated to this area. This marks their first open-ended, evergreen fund, with prior funds structured as closed-ended.
- **Capable Senior Team:** The fund is led by Chris Cullen (Senior Fund Manager with 17+ years' experience, 4 years at Resonance), with the support of Simon Chisholm (Chief Investment Officer) and John Williams (Managing Director of Property Funds), all of whom have managed previous homelessness strategies at Resonance.
- **Robust Governance:** Investment oversight is provided by internal and external committees comprising senior professionals with sector expertise. Every asset acquisition benefits from input by experienced industry specialists.
- **Clear Social Mission:** The strategy is designed to support tenants transitioning from homelessness to independent living, currently a hugely underserved area.
- **Diversified Portfolio Strategy:** Initial investments are expected to come from maturing, fully invested Resonance funds. Geographic allocation will reflect the distribution of temporary accommodation needs (expected c. 60% London and c. 40% rest of UK). Investors have the flexibility to express location preferences via side letters, however ultimately Resonance retains discretion over capital deployment depending on investment opportunities.



### (Continued)

- **Structured Investment Process:** The fund follows a three-pillar acquisition framework, combining new property purchases with mature portfolio acquisitions.
- **Proven Scale and Outcomes:** Resonance's cumulative footprint compares favourably with peers, both in terms of homes delivered and people supported. Social outcome data (employment, health access, tenancy sustainment) is robust and provides evidence of meaningful impact.
- **Focussed Mission:** By concentrating on transitional housing, the fund addresses a niche but structural gap in the UK housing system where individuals are often underserved by broader affordable housing initiatives.
- **Tenant-first Design:** Properties are "pepper-potted" rather than block-based, reducing stigma and supporting community integration.
- **Governance and Leadership:** The fund benefits from a credible and experienced board and management team, combining property expertise with links to homelessness charities e.g. Karen Shackleton (Chair) brings over 30 years' finance experience and sectoral leadership via Pensions for Purpose and the UK Government Social Investment Taskforce and Jessica Hodge, with 20+ years' experience and a strong background in homelessness-related charities.
- **Positive Fundraising Momentum:** Several new investors are in the final due diligence stage, with a large number of existing fund investors expected to roll into the evergreen structure. First close is anticipated in H2 2025, targeting £200m, with ambitions to grow the evergreen fund to £1–1.5bn over the next 5–10 years.

# Considerations (Pending Further Due Diligence)



## Remaining Considerations in Assessing the Resonance Evergreen Fund

- **Firm and Team Size:** Resonance operates with a relatively small team of c. 60 individuals, with some functions small versus peers. Additional resource is expected to be added as the fund scales.
- **Return Profile:** The fund aims for a net IRR of 6%, which is relatively modest in comparison to other UK housing strategies and wider investments available in the current market environment.
- **Policy Sensitivity:** The 3% annual income distribution is linked to the UK's Local Housing Allowance, making it susceptible to policy changes. This rate is reviewed annually in April through a transparent process.
- **New Fund Structure and Track Record:** Resonance has a strong track record in homelessness investing, with their first fund (incepted in 2013) delivering c. 6%, however, this is their first open-ended, evergreen fund (which will be different and potentially more complex to run operationally) and has yet to establish performance history. We are currently awaiting a comprehensive performance track record from Resonance covering their full fund range. Please note that historical performance does not guarantee future results, and target returns are indicative, not assured.
- **ESG Integration:** While the fund considers ESG-related factors in property selection (e.g. access to green space, transport links, safety), the process appears largely desktop-based and not yet systematic (caveat: we still need to receive and review further information on this point). ESG expertise is a new addition to the team, with the recent hire of a Head of ESG & Impact who has relevant but limited experience (~5 years). Embedding a more robust ESG framework across acquisition and development functions is a potential area of progress.

## (Continued)

- **Housing Partners:** Resonance uses a 7-step due diligence framework (which the Isio research team still need to receive and review in detail) to select partners, ranging from highly mission-aligned niche charities (e.g. Developing Health & Independence) to larger housing associations (e.g. Notting Hill Genesis). However, reputational, and operational risks remain, particularly where partners have faced regulatory downgrades or controversies over tenant treatment. Evidence of how engagement and escalation are managed in such cases is limited, and not all partners are registered providers.
- **Impact Measurement:** Backward-looking impact reporting is detailed and can be disaggregated by partner, but the absence of forward-looking quantitative KPIs (e.g. targets for numbers of individuals housed, refurbishment goals, or decarbonisation pathways) may limit strategic direction. This is increasingly viewed as best practice, both for fund discipline and alignment with SDR impact labelling requirements. Additionally, a lot of the data seems to be self-reported and not third-party verified.
- **Decarbonisation:** A baseline commitment exists to achieve EPC C across all properties, with a net zero strategy in development. This is not as ambitious as other peers in the market. The detail of this plan is not yet articulated, and there may be a tension between retrofit costs and maintaining return expectations.

# Appendix

A1: Isio Red Flag Review – July 2025

A2: Isio Due Diligence Process

A3: Disclaimers



isio.

# A1: Resonance Impact "Evergreen" Fund (1)

## Fund overview:

- Resonance Impact Investment ("Resonance") is a specialist investment manager that has been investing in social impact since 2002. Resonance currently has an AUM of c.£440m and a team of 60+ people across the UK.
- Resonance "Evergreen Fund" ("the Resonance Fund") is an open-ended strategy, which invests in residential property across the UK with a focus on homelessness and temporary accommodation. This is a social impact driven strategy, aiming to provide safe, affordable homes for people facing housing crisis.
- The Resonance Fund is at early fundraising stage and is expected to be launched in H2 2025. The initial equity raise target is £200m, with a long-term target of £1bn+ going forward. The target return is 6% net IRR, with a distribution yield of 3% p.a. The Resonance Fund is expected to have a large allocation to Greater London – making up over 60% of the targeted UK regional split.
- The Resonance Fund follows a bottom-up approach to identify potential assets among three main types: ordinary single-unit homes, existing portfolios in the market and Resonance's other existing asset portfolios that are reaching maturity. Resonance also have specialist internal teams (e.g. acquisition, surveyors) to further support their fund's asset selection process.
- The strategy provides homes at Transitional Housing and receives full Local Housing Allowance* income rates. For this reason, the Fund's yield target is set with linkage to LHA, rather than RPI or CPI rates.

## Considerations / points to flag:

- As the Resonance Fund has not yet launched it has no track record, however Resonance has a strong track record of investing in residential property within the homeless sector and has been building on this experience since the launch of the first Resonance homelessness fund in 2013. This is also the first open-ended, evergreen fund structure for Resonance, with prior funds being closed-ended in structure.
- Although the Resonance Fund offers a strong impact component, its target return (6% IRR, net) is at the lower-end of the residential property range – this is not unexpected given the target assets.
- The Resonance Fund carries an element of political risk, as the 3% p.a. income distribution is linked to the Local Housing Allowance in the UK. If this allowance changes it will impact fund returns.

## Isio research view:

- Our initial research view on the Resonance Fund is positive, and it is a unique proposition, and we believe it is worth considering for further due diligence. It has a narrow focus on homelessness and temporary accommodation — a niche yet underserved area in the UK residential property market.
- The Resonance Fund's flexibility in capital allocation allows investors to direct a portion of their investment locally while diversifying the remainder across UK-wide properties, enhancing both social impact and the Fund's diversification profile – which we see as a positive.
- Resonance brings established credibility in Homelessness investing across the UK and have a strong and experienced team in place to manage the strategy. While further engagement is needed to understand their investment philosophy and asset-sourcing process, their approach appears to align with industry standards, supported by Resonance's operational expertise.
- The Resonance Fund targets a net IRR of 6%, which is modest relative to other residential property funds available in the market, but is offset by its strong social impact credentials, positioning it as a viable option for impact-focused allocations.
- A key risk lies in the reliance of returns on the UK's Local Housing Allowance, this is set by central government, and which could impact returns if government support diminishes.
- The Resonance Fund is currently in the pre-launch phase, and aims to raise £200m initially, with aspirations to scale to £1bn. Monitoring early fundraising progress will be important to assess viability of Resonance meeting its fundraising targets.
- In summary, Resonance has demonstrated strong capabilities in this narrow sector of the market and have managed prior funds effectively. The Resonance Fund's focus and impact alignment is attractive, and we believe it is worthwhile considering further due diligence. Although the (evergreen) fund structure is new for Resonance, and this presents some operations differences, we believe they are capable in managing these.
- We note that Westminster City Council have invested with Resonance in the past and this may provide sufficient comfort to progress without the need for further due diligence.

*LHA is calculated at the 30th percentile of the PRS (Private Rented Sector) rate in a Broad Market Rental Area as defined by Central Government and is due to be recalculated annually, every April.

Note: Information as of 30 June 2025 unless stated otherwise.
Source: Resonance Impact Investment Limited

# A1: Resonance Impact "Evergreen" Fund (2)

Page 255

## Isio strategic view – the Funds:

- Isio's dedicated Real Assets Research team has completed an initial due diligence review, as highlighted overleaf. While the research team has indicated a desire to complete further due diligence, the initial view of the Fund and its credentials in positive.
- In forming our strategic view, we caveat that Resonance's strategy is unique within the UK investment universe – and therefore there exists limited opportunity to compare the strategy relative to peers. The Resonance Fund does however offer the opportunity to access a niche aspect of the market with a strong impact focus where there exists a clear need for further supply of accommodation.
- A key question mark lies with the Resonance Fund's proposed structure. Resonance has successfully raised and managed a number of closed-ended strategies but this is the first open-ended product. While it would be preferable to further assess the management team's ability to successfully manager an open-ended vehicle, particularly noting the operational differences that arise relative to closed-ended funds, we are supportive of the manager's aspiration to add further scale, diversification and liquidity – which we feel, if executed successfully, would make the strategy more attractive to pension fund investors.
- From a strategic perspective, the Pension Fund Committees of both Funds may wish to further consider the relative weighting they place to societal impact vs return. From a return perspective, the homelessness sector lags the wider residential property fund market and higher expected returns could be achieved elsewhere. This is driven by the cap on rental payments the Resonance Fund can achieve relative to the wider residential property market. However, it is the unique impact credentials of the strategy that drives its appeal – which we feel makes it an attractive prospect for investors such as the Funds (with strong funding levels and less need to drive higher returns).
- Both Funds have a strategic allocation to the property market, across commercial and residential strategies. Considering recent market dynamics (and that Westminster's allocation to the LCIV UK Housing Fund is not yet fully drawn), both Funds are underweight their strategic real estate allocations. The respective Committees may wish to consider an allocation to the Resonance Fund within these allocations but, as above, should consider that Resonance has a lower expected return than its Man Group, Aberdeen and London CIV (Westminster) counterparts. The Pension Fund Committees should also consider the impact on governance, noting the number of products the Funds already invest.

## Isio strategic view – the Funds (continued)

- Resonance is established in the sector, but relatively small from an assets under management perspective. We would expect AuM to grow over the coming years considering the unique focus of their product range and strong positive impact focus, and we recognise that Resonance has been making continued traction within the LGPS market over recent periods.
- The outcome of the "Fit for the Future" consultation is now known and there is clarity on the coming legislation. An allocation to the Resonance Fund is "off-pool" and not currently available on the London CIV platform. We understand that London CIV have assessed Resonance in the past, at the time of launch of the LCIV UK Housing Fund (which Westminster invests in), and there exists the potential for London CIV to add the Resonance Fund to their line up (as an underlying manager for the LCIV UK Housing Fund) in future. This should be discussed with London CIV ahead of progressing further.
- Typically, we would recommend further due diligence is undertaken on Resonance and the Resonance Fund. However, we understand that Westminster City Council has invested in previous vintages of Resonance's closed-ended strategies, and will likely invest in the open-ended fund considered here. On this basis, Westminster may have sufficient comfort to proceed without further investment due diligence. We do note that investing in the Resonance Fund has an additional cost saving impact for Councils (relative to the LGPS) through reduced spending on temporary housing. For LGPS Funds, these benefits will be limited to impact and return.
- **Ultimately, we believe there exists strong potential merit in the Funds' consideration of this strategy from an impact perspective, and would propose further consideration is given to how an allocation would impact overall investment strategy – risk, return and funding source. From a strategic perspective, we highlight that an allocation would likely reduce the' overall target expected return – and therefore the respective Committees should be comfortable with this and their views on seeking investment return vs positive impact ahead of agreeing to proceed.**
- **The Fund is not currently available on the London CIV platform and guidance should be sought as to whether London CIV would retain the investment following the March 2026 pooling deadline.**

# A1: Resonance Impact "Evergreen" Fund (3)

Key:
- ● Competitive advantage
- ● Neutral
- ● Competitive disadvantage

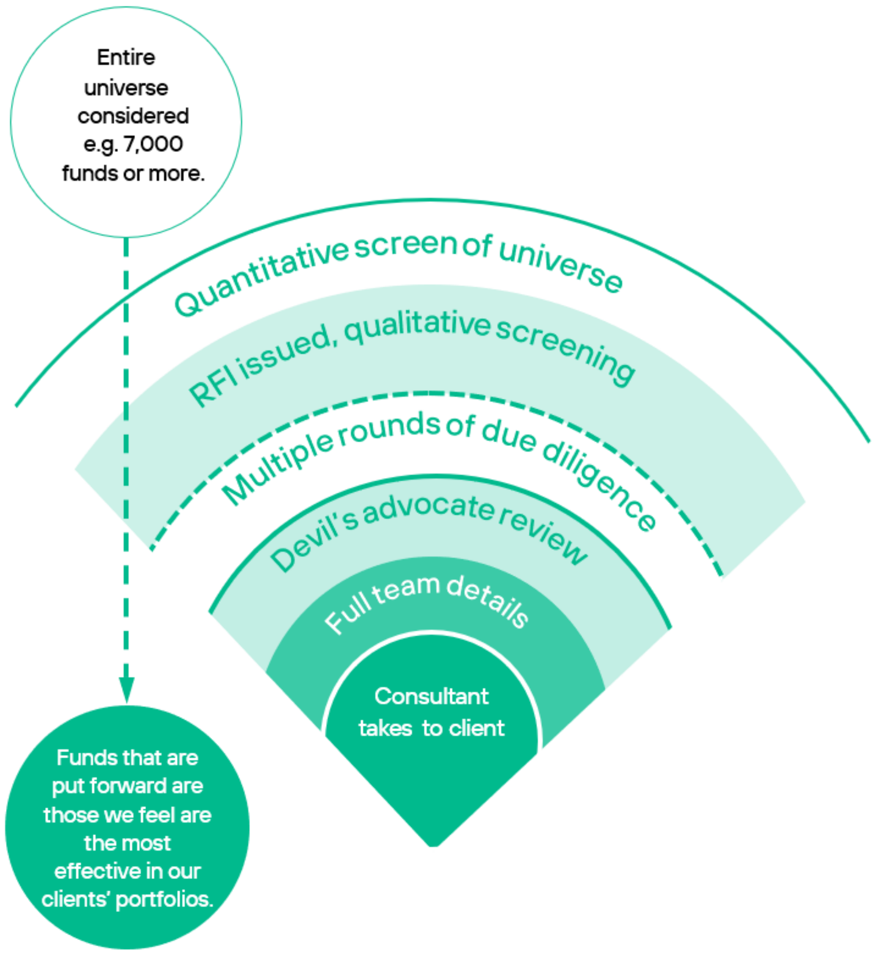
| Fund characteristic | View | Comment |
|---|---|---|
| Target returns | ● | – Target return: 6% IRR (net of fees, ungeared) – in line with our expectations for a high impact residential strategy<br>– Distribution yield: 3% per annum (with linkage to Local Housing Allowance) |
| Liquidity terms | ● | – Initial hold period: 5 year (lock in)<br>– Redemption requests: Semi-annual<br>– Execution of redemptions: 12 months (with up to 24-month extension, if required for asset sales) |
| Fees | ● | – Standard (based on Resonance Fund's total NAV) up to £250m: 0.75% p.a.; £250-£500m: 0.65% p.a.; > £500m: 0.55% p.a. No performance fee<br>– Acquisition Fee: 1% of property purchase price, where no fee paid to 3rd party property sourcing agent<br>– Fees may be negotiable |
| Inception date | ● | – Due to be launched in H2 2025 |
| Investment Philosophy | ● | – UK temporary accommodation statistics highlight a pressing need for approximately 126,000 homes (equivalent to £25.6 billion in investment, based on an estimated £200,000 per property) to address housing crises and replace unsuitable temporary solutions. The Fund focuses on providing secure housing for vulnerable individuals and families, reducing reliance on costly and inadequate alternatives.<br>– The process involves purchasing and managing diversified residential property assets in the UK, designed to offer institutional investors stable, long-term returns through regular income and potential capital growth. Resonance aim to align financial objectives with measurable social impact, enabling investors to support community stability while meeting fiduciary responsibilities.<br>– By prioritising tenant welfare, the model facilitates transitions from homelessness to community integration. Tenants gain access to employment opportunities, training, and financial stability, empowering them to eventually secure private housing. This approach combines responsible investment with tangible societal benefits, addressing both housing shortages and long-term social equity. |
| Track record | ● | – The Fund will build on Resonance's prior experience, having launched their first Resonance homelessness fund in 2013. This Fund is on track to outperform its original 5% p.a. return target, delivering c. 6% p.a.<br>– The most recent fund (NHPF2) benefitted from greater scale and diversification (housing partners & regions) and targets a c. 6% p.a. ungeared return. |
| ESG objectives | ● | – The Fund has strong ESG credentials, and Resonance are a specialist social impact fund manager. They report through their Social Impact Report.<br>– At a firm level there are also specific climate targets including a development Path to Net Zero plan. |




Note: Information as of 30 June 2025 unless stated otherwise. Please note Isio do not formally rate this fund and have not completed formal due diligence of the investment manager.
Source: Resonance Impact Investment Limited.

# A2: Isio Due Diligence Process

- An overview of the key steps in our due diligence process is highlighted in the chart to the right.
- We are happy to conduct bespoke research tailored to your specific requirements, as has been the case for this project.
- At the commencement of any due diligence process we establish a set of mandate evaluation criteria specific to the mandate that you are looking for, this allows us to assess the prospective managers and their offering. In this scenario, Resonance is the only dedicated homelessness fund manager we are aware of in the market and therefore the quantitative screen of the universe has been minimal relative to the process for a listed equity fund for example.
- During the process, all key decisions are presented to our internal investment committee ('Research Engine') to provide rigorous challenge to proposed ratings and view – the "devil's advocate review".
- The Research Engine, a specialist group, overlays the asset class research teams and comprises of the most experienced members and heads of our research teams from each asset class, client consultants and other specialists, including Ajith Nair as our Head of Asset Class and Manager Research.
- The research engine process incorporates multiple presentations from research teams on findings and gives the senior research engine team opportunity to actively challenge proposals ahead of formalising views on funds or findings. The purpose of this group is to scrutinise the research and ideas coming out of the research teams and provide a 'devil's advocate' viewpoint to ensure all ideas we take to our clients are robust and best in class.




Page 257

# A3: Disclaimers

- This report has been prepared for the sole benefit of the London Borough of Hammersmith & Fulham Pension Fund and based on their specific facts and circumstances and pursuant to the terms of Isio Group Limited/Isio Services Limited's Services Contract. It should not be relied upon by any other person. Any person who chooses to rely on this report does so at their own risk. To the fullest extent permitted by law, Isio Group Limited/Isio Services Limited accepts no responsibility or liability to that party in connection with the Services.
- Please note that Isio may have an ongoing relationship with various investment management organisations, some of which may be clients of Isio. This may include the London Borough of Hammersmith & Fulham Pension Fund's existing investment managers. Where this is the case, it does not impact on our objectivity in reviewing and recommending investment managers to our clients. We would be happy to discuss this further if required.
- In the United Kingdom, this report is intended solely for distribution to Professional Clients as defined by the Financial Conduct Authority's Conduct of Business Sourcebook. This report has not therefore been approved as a financial promotion under Section 21 of the Financial Services and Markets Act 2000 by an authorized person.
- The information contained within the report is available only to relevant persons, and any invitation, offer or agreement to purchase or otherwise acquire investments referred to within the report will be engaged in only with relevant persons. Any other person to whom this communication is directed, must not act upon it.
- Isio Service Limited is authorised and regulated by the Financial Conduct Authority FRN 922376.

# Contacts

**Andrew Singh**
**Head of LGPS Investment**
0131 202 3916
andrew.singh@isio.com

**Jonny Moore**
**Manager**
0131 222 2469
jonny.moore@isio.com

**Iseabail Rioch**
**Head of Real Assets Research**
0207 046 9993
iseabail.rioch@isio.com



isio.



# SOLUTIONS TO HOMELESSNESS

## THROUGH SOCIAL IMPACT INVESTMENT

resonance

# CONTENTS





Front Cover Photo: Lee is a National Homelessness Property Fund 2 tenant, living in Liverpool and supported by our housing partner in the region, Redwing.



# SUMMARY


This report evaluates the combined social impact of the Resonance Homelessness Property Funds from April 2023 to the end of March 2024. At the end of this year (31 March 2024), the funds were housing 2,207 people (1,252 adults and 955 children) across 1,140 tenancies.

Some key statistics, notably population, are taken from all households but much of the detail comes from a survey that was completed by tenants, via housing partners. 721 tenants completed the survey, a 65% sample. The size of the sample and demographic testing suggests that the sample was a statistically reliable[1] representation of the tenant population. It is worth noting that this year, a greater amount of tenant data has been collected across a wider range of partners, different geographies and tenant types with a wider range of support needs. Improvements have also been made to this year's tenant survey by including a range of answer options per question.

Since tenant profiles fluctuate by housing partner, where smaller groups of tenants have been analysed, in all cases, these have been checked for sample consistency, and details of methodology are given on a case-by-case basis.

A key feature of this report is its dual focus: it not only examines the properties and their impact on tenants but also aims to learn and evolve through the assessment of that impact. The first section of the report centres on the current year's outcomes, reflecting on the past to understand how the funds have influenced tenants' lives. The second section highlights the broader insights and lessons that enable the funds to grow and improve, enhancing their ability to support those in a housing crisis and offering a unique positive contribution to the housing market.


This report was prepared by the team at the Curiosity Society, with valuable contributions from the Resonance team, housing partners, and tenants. The authors gratefully acknowledge the assistance of everyone who contributed to the creation of this report.

**3,647**
**PEOPLE HOUSED (since 2013)**

**96%**
**OF TENANTS* SAID THEIR SUPPORT NETWORKS AND RELATIONSHIPS HAD BEEN POSITIVELY AFFECTED BY THEIR TENANCY**

**61%**
**OF HOUSEHOLDS HAVE CHILDREN LIVING IN THEM**

**91%**
**OF TENANTS REGISTERED WITH A GP**

*This number reflects the % of tenants that responded to this survey question with either a definitive positive or negative response and does not include not known, no answer or neutral responses.

> I never truly understood the meaning of having my own place. Response has given me a home with a new beginning and new memories. Having a home is the best feeling ever. I have a safe secure home where I feel protected.
>
> **KIM, TENANT**

**2,207**
**PEOPLE HOUSED & SUPPORTED IN THE LAST YEAR**

# ABOUT THE FUNDS

The Resonance Homelessness Property Funds are impact investment funds that aim to provide stable and affordable homes for people facing a housing crisis. Socially motivated investors provide the finance to buy the properties that Resonance refurbishes to a high standard, with the aim of improving property energy efficiencies where possible. Once refurbished, the funds lease homes to expert and experienced housing partners across the UK, to manage the tenancies and support tenants.

**Capital raised across all five funds to 31 March 2024 was £323 million, enabling the funds to purchase 1,140 properties so far, that have housed a cumulative total of 3,647 people, including 1,653 children.**

Housing partners are carefully selected by Resonance and have a proven track record of supporting tenants to access appropriate health, social and financial support services so that they can find stability and independence within their local communities.

The first of the five funds, **Real Lettings Property Fund 1**, was launched eleven years ago, in 2013, with one housing partner, and at the end of its first year of operation, twenty-three properties in London were tenanted. **Since then, the funds have grown, so that now, there are five operational funds covering numerous regions in England. 2,207 people, including 955 children, are being housed in 1,140 homes across the UK, supported by ten experienced housing partners.**

- National Homelessness Property Fund 2 (NHPF2)
- Resonance Everyone In Fund (REIF)
- Real Lettings Property Fund 1 (RLPF1)
- National Homelessness Property Fund 1 (NHPF1)
- Real Lettings Property Fund 2 (RLPF2)

Access to decent housing is a fundamental human need, essential for well-being, dignity, and stability. For people experiencing homelessness and facing housing crisis, the lack of a permanent home can have far-reaching consequences, impacting their physical health, mental wellbeing, making it difficult for them to access support networks and social care services, and their ability to achieve economic stability. Over 320,000 households are facing homelessness this year[1] and over 117,000 households[2] are currently living in temporary accommodation in the UK and, whilst providing emergency shelter, this is not a long-term solution.

Temporary accommodation often lacks privacy, security and a sense of safety, can be retraumatising, and prevent people from accessing specialist support services and putting down roots. Working with its expert housing partners, the funds are providing tenants with both stable housing and a foundation from where they can start to rebuild their self-esteem, tackle any health issues, establish routines, reconnect with their communities, build relationships, participate in society in meaningful ways and start making plans toward a better life.

This year has seen the continued growth of the funds in housing and supporting people experiencing housing crisis. Over 2,200 people lived in the funds' homes, many of whom are families with children. NHPF2 has focused on continued deployment in five regions across England and on developing and strengthening its relationships with its expert housing partners. And as per last year, the property team has been busy managing the successful transfer of its London based RLPF1 and RLPF2 properties from **St Mungo's** to **Notting Hill Genesis (NHG)**. The majority of these properties are now being managed by NHG, with a small number due to complete final transfer during 2024/early 2025. Meanwhile, the fund is in discussion with several potential new housing partners to cover an even greater geographic area.

| | | | | |
|---|---|---|---|---|
| **3,647** | **1,140** | **£323m** | **10** | **34** |
| **PEOPLE HOUSED** (since the start of the funds) | **HOMES** | **TOTAL FUNDS RAISED** | **EXPERT HOUSING PARTNERS** | **IMPACT INVESTORS** |



## RESONANCE HOMELESSNESS PROPERTY FUNDS

NHPF2 and REIF continue to purchase and refurbish properties before handing them over to their respective housing partners to make them ready for tenants to move into. In line with its expansion across England, NHPF2 is aiming to partner with more like-minded housing partners, whilst REIF is close to full deployment.

### Real Lettings Property Fund 1 (RLPF1)

Launched February 2013

The pioneer fund for this initiative, tackling homelessness in London. Fully invested.

**£56.8m RAISED**

**HOUSING PARTNERS**

### National Homelessness Property Fund 1 (NHPF1)

Launched December 2015

Expanded to high rent areas outside of London tackling homelessness in Bristol, Milton Keynes and Oxford. Fully invested.

**£43.6m RAISED**

**HOUSING PARTNERS**

### Real Lettings Property Fund 2 (RLPF2)

Launched January 2017

Extended the work started by RLPF1 in tackling homelessness in London. Fully invested.

**£98.5m RAISED**

**HOUSING PARTNERS**

### Resonance Everyone In Fund (REIF)

Launched March 2021

Created in response to the pandemic to house people experiencing rough sleeping, in London. REIF has almost completed full deployment and is closed for investment.

**£16.5m RAISED**

**HOUSING PARTNER**

### National Homelessness Property Fund 2 (NHPF2)

Launched December 2020

Extending the proven solution to tackling homelessness across the country including Greater Manchester, Bristol, Oxford, Merseyside, London and Gloucestershire. Open for investment.

**CURRENT FUND SIZE £109.25m**
(as at 31 October 2024)

**CURRENT HOUSING PARTNERS**

# KEY EVENTS OVER THE LAST 10 YEARS

Page 263

## 2014
**FIRST LOCAL AUTHORITY INVESTMENT**
CROYDON www.croydon.gov.uk

## 2015
**£50m** FUNDS UNDER MANAGEMENT

**500 PEOPLE HOUSED** BY THE FUND

RLPF1 WINS **NEWCOMER OF THE YEAR**
RESI Awards — Newcomer of the Year Winner 2015

## 2016
**NHPF1 LAUNCHES** WITH HOUSING PARTNER
St Mungo's

**RLPF1 FULLY DEPLOYED,** HAVING RAISED £57m AND PURCHASED 259 PROPERTIES

## 2017
**RLPF2 LAUNCHES** WITH HOUSING PARTNER
St Mungo's

**£100m FUNDS** UNDER MANAGEMENT

**1,000 PEOPLE HOUSED** BY THE FUNDS

**£125m RAISED**

## 2018
**GREATER LONDON AUTHORITY INVESTS £15m** IN RLPF2

**1,500 PEOPLE HOUSED** BY THE FUNDS

RESONANCE PROPERTY FUNDS WIN **BEST SOCIAL IMPACT**
Pensions for Purpose

## 2019
**NHPF1 FULLY DEPLOYED,** HAVING RAISED £43.3m AND PURCHASED 229 PROPERTIES

**£200m RAISED**

RESONANCE HOMELESSNESS PROPERTY FUNDS WIN **GOOD DEAL OF THE DECADE**
SE100

## 2020
**NHPF2 LAUNCHES** WITH 3 NEW HOUSING PARTNERS IN GREATER MANCHESTER
Bolton at Home, SHG, salix homes

**FIRST PENSION FUND INVESTMENT**
gmpf

## 2021
**REIF LAUNCHES,** PARTNERING WITH HOUSING PARTNER Nacro

**RLPF2 FULLY DEPLOYED,** HAVING RAISED £98.5m AND PURCHASED 335 PROPERTIES

**NHPF2 PARTNERS WITH DHI IN BRISTOL**
Developing Health & Independence

NHPF2 PURCHASES ITS **FIRST PROPERTY**

**RESONANCE PROPERTY FUNDS** SHORTLISTED FOR LAPF IMPACT MANAGER OF THE YEAR

## 2022
PROPERTY FUNDS PURCHASE **1,000TH PROPERTY**

**FIRST PORTFOLIO PURCHASE** IN GREATER MANCHESTER

RESONANCE PROPERTY FUNDS WIN **TEAM OF THE YEAR**
Housing Heroes Awards 2022 Winner

REIF WINS **MAJOR PROJECT OF THE YEAR**
Better Society Awards 2022 — Winner - Major Project of the Year

## 2023
**SECOND PENSION FUND INVESTMENT**
South Yorkshire Pensions Authority

**NHPF2 PARTNERS WITH NEW HOUSING PARTNERS:**
Response IN OXFORD
Notting Hill Genesis, Capital Letters IN LONDON
Redwing IN LIVERPOOL

**3,000 PEOPLE HOUSED** BY THE FUNDS IN OVER 1,000 PROPERTIES

**RESONANCE WINS 'BEST IMPACT REPORT' AWARD**
Winner of the Best Impact Report — Pensions for Purpose Content Awards 2023

**RESONANCE PROPERTY FUNDS WIN INVESTMENT COMPANY OF THE YEAR**
Investment Company of the Year Winner — UKREiiF Awards 2023

## 2024
MAJORITY OF RLPF1 & RLPF2 PROPERTY TRANSFERS FROM ST MUNGO'S TO NHG
St Mungo's, Notting Hill Genesis

**3,600 PEOPLE HOUSED** SINCE THE FUNDS LAUNCHED

NHPF2 WINS **SUSTAINABILITY & SOCIAL IMPACT AWARD**
Insider Property Awards Liverpool City Region 2024 Winner

THIRD PENSION FUND INVESTMENT
Gloucestershire County Council

Page 264

# IMPACT IN THE LAST YEAR

## APRIL 2023 - MARCH 2024

### STABLE ACCOMMODATION FOR FAMILIES

**3,647**
**PEOPLE HOUSED SINCE 2013**

**8% INCREASE** on last year

**2,207**
**PEOPLE CURRENTLY HOUSED**
1,252 adults
and 955 children

### POSITIVE RELATIONSHIPS

**96%**
of tenants* said their support network and relationships had been positively affected by their tenancy

**86%**
**OF HOUSEHOLDS THAT MOVED ON, WERE POSITIVE OR NEUTRAL**

### IMPACT REPORT WRITING

Winners of the Pensions for Purpose Content Awards 2023 – Best Impact Report

### SUSTAINABILITY & SOCIAL IMPACT

Insider Property Awards – WINNER

### PROGRESS TOWARDS EMPLOYMENT

**57%** **OF TENANTS ARE PROGRESSING TOWARDS WORK OR ARE IN WORK***

**50%** OF THOSE ELIGIBLE FOR WORK ARE EMPLOYED

**10%** ARE IN EDUCATION

**6%** ARE IN WORK-BASED EDUCATION

*This number reflects the % of tenants that responded to this survey question with either a definitive positive or negative response and does not include not known, no answer or neutral responses.

All statistics based on those tenants that completed the relevant question in the tenant survey.



### WHY THE FUNDS ARE NEEDED:

**1.3m**
households in England on social housing waiting lists[3]

**117,000**
households living in temporary accommodation[4]

including
**147k**
dependant children[5]

**8,870**
households with children were living in B&Bs or hostels[6]

**75k**
women and their families are homeless and living in temporary accommodation[7]

**317,430**
households were supported by councils in England to prevent or relieve homelessness in 2023 - a record high[8]

**49%**
of children in lone-parent families are living in poverty[9]

**11,993**
people experienced rough sleeping in London in 2023/24, a 19% increase on 2022/23[10]

**3,898**
people experienced rough sleeping across England on any one given night in autumn 2023, a 27% increase on 2022[11]

### WHAT THE FUNDS HAVE ACHIEVED SO FAR:

**5**
**FUNDS**

**£323m**
**RAISED**

**1,140**
**PROPERTIES**
(7% increase on last year)

**3,647**
**PEOPLE HOUSED CUMULATIVELY**
since 2013, an 8% increase on last year

**2,207**
**PEOPLE CURRENTLY HOUSED**
(an 8% increase on last year)

of which
**955**
**ARE CHILDREN**

**34**
**INVESTORS**

### 10 HOUSING PARTNERS

Nacro
Notting Hill Genesis
Capital Letters
Bolton at Home
DHI Developing Health & Independence
Redwing
StMungo's
Response
salix homes
SHG

# GEOGRAPHICAL COVERAGE TO DATE

Page 265

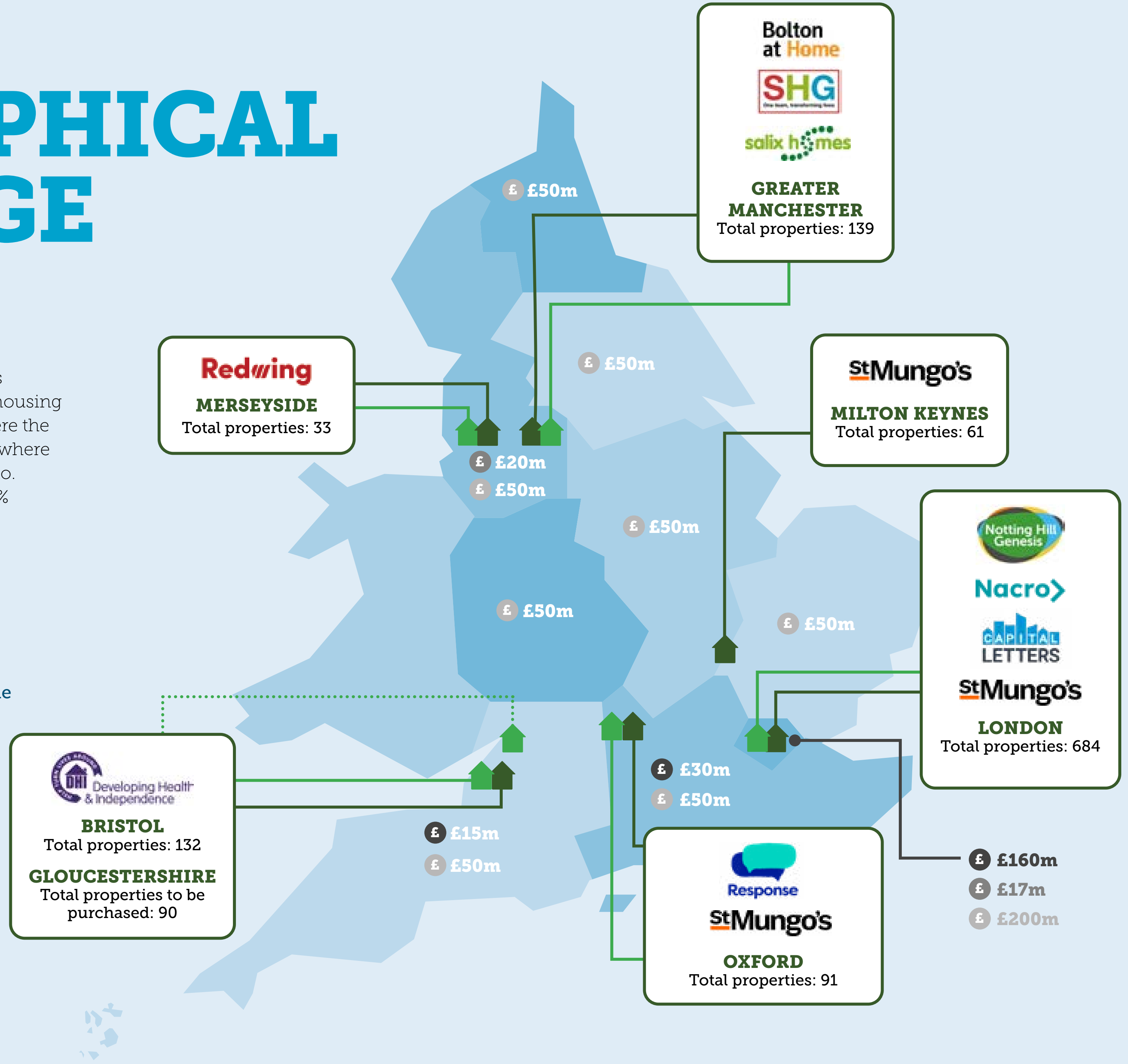
The map shows where Resonance's homelessness property funds have invested in property and are housing people in England. It also shows the locations where the funds are currently investing in our portfolio, and where discussions are taking place to expand our portfolio. There are now 1,140 properties in the portfolio, a 7% increase on last year.

### CAPITAL NEED

- Capital invested – portfolio acquired
- Capital being invested – acquiring portfolio
- Future capital investment – portfolio pipeline

### PROPERTIES

- Where our tenants live
- Where we are still acquiring homes



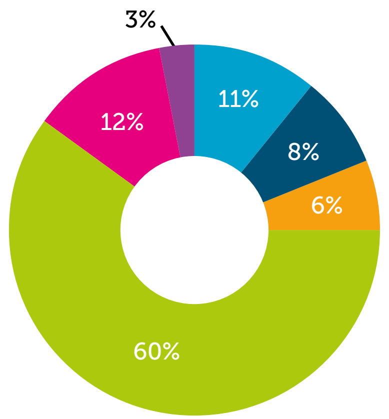



# THE PROPERTY PORTFOLIO

There are currently 1,140 properties in the property funds' portfolio. The majority, over 800 properties, have been purchased by the three legacy and closed funds, RLPF1, NHPF1 and RLPF2. The remaining properties are being purchased by the two newer funds, NHPF2 and REIF. Whilst REIF has almost fully deployed, having completed on 56 of the 57 properties it aims to purchase, NHPF2 continues its deployment in addition to the 261 properties it already has in its portfolio - whilst also owning a 28.5% share of RLPF1 properties, equivalent to 74 homes.

### LOCATIONS OF PROPERTIES ACROSS ENGLAND

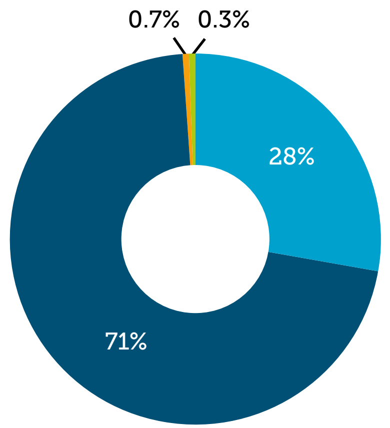
The majority of the property funds' homes are currently based in London & the south east




- Bristol
- Oxford
- Milton Keynes
- London
- Greater Manchester
- Merseyside

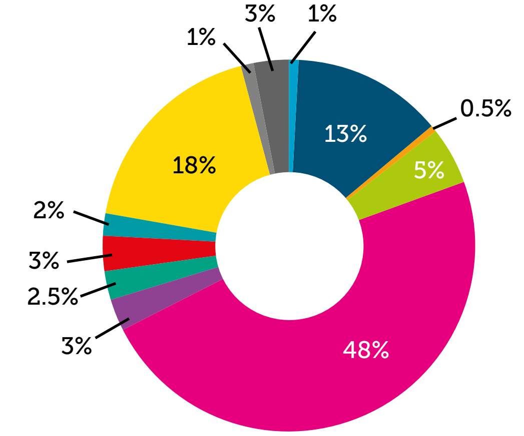
### PROPERTY SIZES ACROSS THE FUNDS

Over 70% of the funds' properties are 2-bed properties




- 1 bed properties
- 2 bed properties
- 3 bed properties
- 4+ bed properties

### DEPLOYMENT BREAKDOWN BY PARTNER




- Bolton at Home
- Developing Health & Independence
- ForHousing
- Nacro
- Notting Hill Genesis
- Redwing
- Response
- Salix Homes
- Stockport Homes
- St Mungo's
- Capital Letters
- Wildheart

**SPECIAL FEATURE**

# DELIVERING SAVINGS FOR GOVERNMENT

**In March 2024, Better Society Capital published independent research, a report 'Financial & Social impact of Homelessness Property Funds', showcasing the transformative impact of Resonance Homelessness Property Funds. Over ten years, our funds have housed over 3,300 people, including 1,607 children, who were in a housing crisis, resulting in significant savings for the government.**

These in-depth findings are based on analysis of our five homelessness property funds, which between 2013 to 2023 have acquired over 1,000 properties. Alongside support services provided by our housing partners, the model is estimated to have saved local and central government **£104m in spend on temporary accommodation**, plus another **£36m resulting from reduced costs** in healthcare, mental health support and criminal justice services.

This comprehensive research comes at a time when many local authorities face bankruptcy, and most are grappling with mounting financial pressures, including skyrocketing temporary accommodation (TA) costs, which have increased 62% in just five years[12].

The research – which was conducted by **Alma Economics** - highlights the role that our funds have played in helping local authorities tackle this challenge. It demonstrates that thanks to the high quality accommodation that enables access to wrap-around care, tenants see a significant boost to their wellbeing when compared to those living in temporary accommodation – **delivering wellbeing benefits equivalent to £17,500 per person**[13].

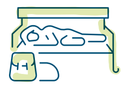
**75% of households in temporary accommodation live in poor conditions and more than two-thirds of people have inadequate access to basic facilities.**

**In contrast, 96% of tenants in Resonance homelessness funds accommodation report that their property is in good condition[14].**

Based on financial savings and wellbeing benefits in the year 2023 only, Alma calculated that a social return on investment (SROI) of **£1.5m per £10m deployed in our homelessness property funds annually.**

**Three main benefits were identified and quantified by the report:**

**1.** Financial savings to local authorities (LAs) along with reduced expenditure on temporary accommodation



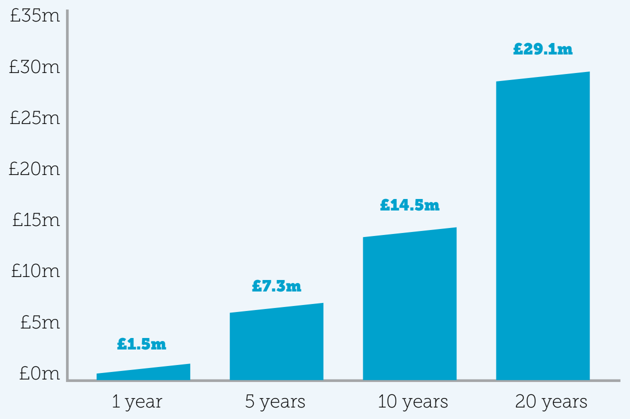
**2.** Public sector savings to central government avoiding public service costs relating to homelessness (e.g. health care, mental health care, interaction with the criminal justice system)

**3.** Wellbeing benefits for tenants who experience significantly improved accommodation compared to TA and/or rough sleeping

The report emphasises the important role that government funding has played in driving the success of these initiatives in recent years. For example, the reallocation of existing housing investment made by the Department of Levelling Up, Housing and Communities (DLUHC), (now known as the Ministry of Housing, Communities and Local Government) in 2021 and 2022 into the homelessness property funds, leveraged significant additional funding from investors, multiplying the impact of government expenditure.

**For every £1 of public and private investment into Resonance's current fund, the National Homelessness Property Fund 2, £2.30 in financial and social value will be created over the next ten years.**

## SOCIAL RETURN ON INVESTMENT (for £10m invested)




For NHPF2, it is estimated the SROI over the lifetime of the fund is £2.30 per pound of capital raised. Specifically, it is projected that from its inception in 2021 to completion in 2035, NHPF2 might generate £175 million in financial and social value from a capital raised of £76 million. If NHPF2 raises additional funds, reaching £300 million, it is anticipated it could create £592 million in financial and social value during the same time period.

These are projections based on the methodology in the Alma Economics research and are not guaranteed.

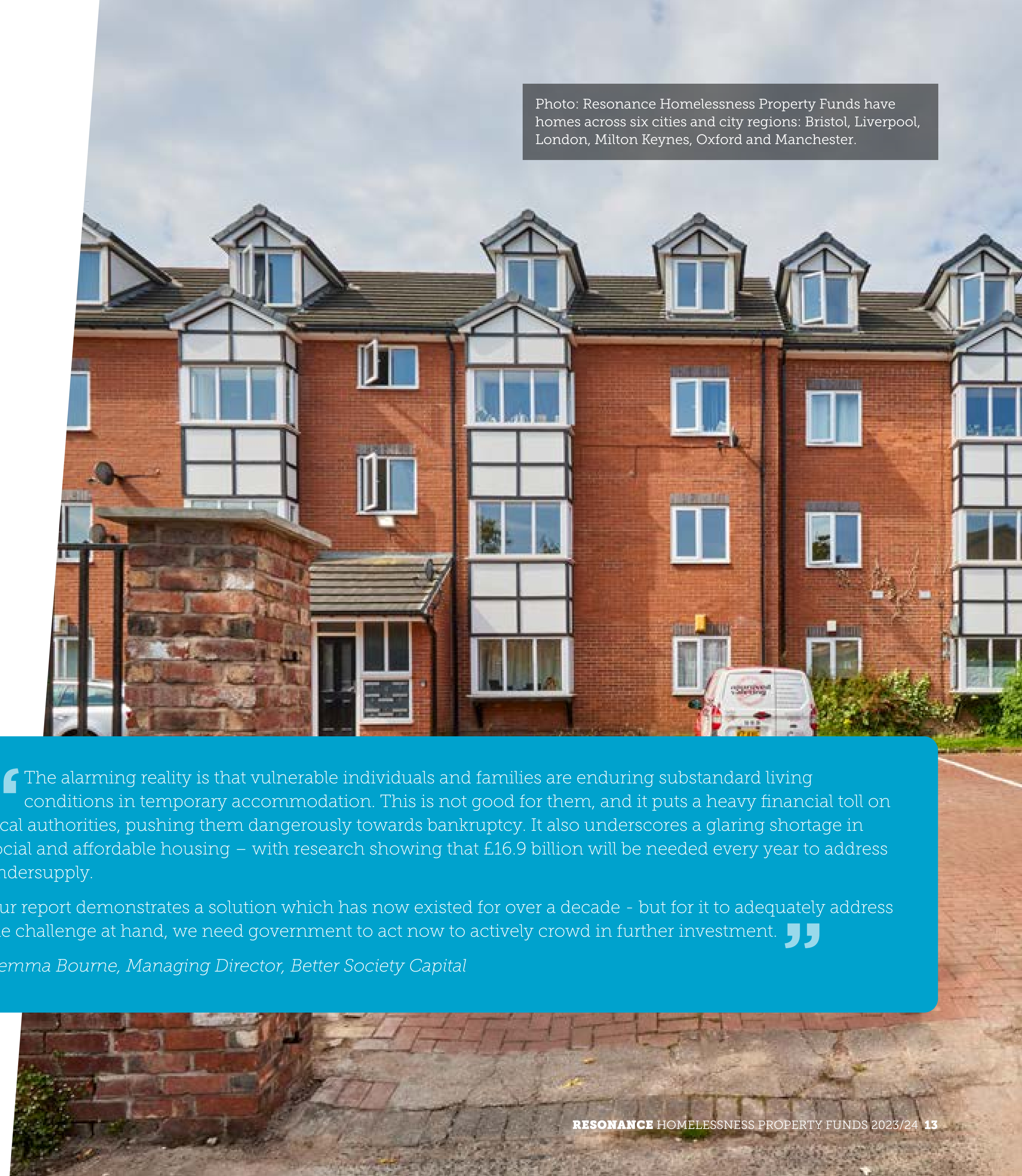


Photo: Resonance Homelessness Property Funds have homes across six cities and city regions: Bristol, Liverpool, London, Milton Keynes, Oxford and Manchester.

> "The alarming reality is that vulnerable individuals and families are enduring substandard living conditions in temporary accommodation. This is not good for them, and it puts a heavy financial toll on local authorities, pushing them dangerously towards bankruptcy. It also underscores a glaring shortage in social and affordable housing – with research showing that £16.9 billion will be needed every year to address undersupply.
>
> Our report demonstrates a solution which has now existed for over a decade - but for it to adequately address the challenge at hand, we need government to act now to actively crowd in further investment."
>
> *Gemma Bourne, Managing Director, Better Society Capital*

Page 267

# A FOCUS ON NATIONAL HOMELESSNESS PROPERTY FUND 2

Our flagship homelessness property fund for institutional investment, tackling homelessness across the country including Greater Manchester, Bristol, Oxford, Merseyside and London, to date.

## 8 HOUSING PARTNERS

Bolton at Home, Developing Health & Independence, Notting Hill Genesis, Response, SHG, salix homes, Redwing, Capital Letters

## 7 INVESTORS, INCLUDING 3 PENSION FUNDS

GMCA Greater Manchester Combined Authority, Better Society Capital, South Yorkshire Pensions Authority, gmpf, Bristol City Council, Liverpool City Region Combined Authority, Gloucestershire County Council, www.oxford.gov.uk Oxford City Council

**355** PROPERTIES IN THE PORTFOLIO SO FAR 1, 2 & 3 BED HOMES

**474** PEOPLE HOUSED
335 ADULTS
139 CHILDREN

**£106m** CAPITAL RAISED TO DATE

**80%** OF PROPERTIES ARE RATED EPC C & ABOVE

Data on this page as of October 2024



## Outcomes achieved for NHPF2 tenants based on those that completed a tenant survey in March 2024.

**90.5%** ADULTS HOUSED FROM TEMPORARY ACCOMMODATION

**71%** OF TENANTS ELIGIBLE FOR WORK ARE IN EMPLOYMENT

**99%** TENANTS SUSTAINING THEIR TENANCIES FOR FIRST 6 MONTHS (AND 99% FOR FIRST 12 MONTHS)

**77%** AGREED THEY WERE SATISFIED WITH THEIR ACCOMMODATION

**73%** AGREED THAT THEIR SUPPORT NETWORKS AND RELATIONSHIPS HAVE BEEN POSITIVELY AFFECTED BY THEIR NEW HOME

**81%** OF TENANTS WITH CHILDREN AGREED THEIR HOME HAS HAD A POSITIVE EFFECT ON THEIR CHILDREN

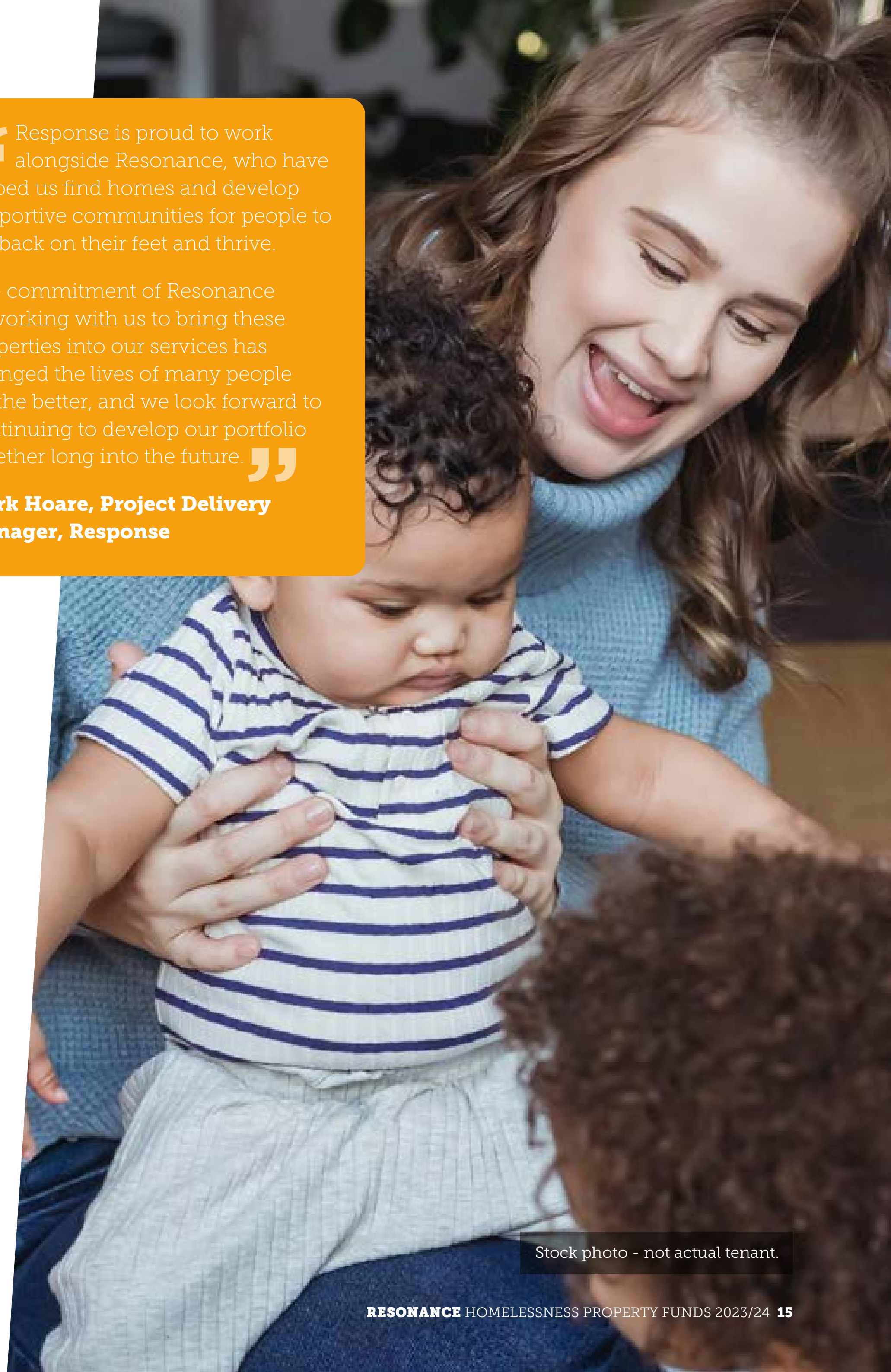
**81%** OF HOUSEHOLDS ARE SINGLE OCCUPANTS

With a focus on housing tenants referred through the rough sleeping accommodation programme, the majority of the fund's tenants are single occupants. However, as the fund expands and houses more people leaving temporary accommodation, so the expectation is that the percentage of single occupant households will change in line with this, too.

"Response is proud to work alongside Resonance, who have helped us find homes and develop supportive communities for people to get back on their feet and thrive.

The commitment of Resonance in working with us to bring these properties into our services has changed the lives of many people for the better, and we look forward to continuing to develop our portfolio together long into the future."

**Mark Hoare, Project Delivery Manager, Response**



Stock photo - not actual tenant.

# A FOCUS ON RESONANCE EVERYONE IN FUND

The Resonance Everyone In Fund (RIEF) was launched in 2021 following the pandemic. It is a specialist fund that has partnered with social justice charity, Nacro, to provide secure housing and specialist support services for people experiencing rough sleeping in London, and now has 56 one-bedroom properties in its portfolio, 54 of which are tenanted.

**90%** of REIF tenants agree they are happy or very happy with their new home

**56 PROPERTIES**
one-bed homes in the portfolio

**1 HOUSING PARTNER**
Nacro

**£16.5m RAISED**

**86% OF PROPERTIES ARE RATED EPC C & ABOVE**

**6 IMPACT INVESTORS INCLUDING**

Better Society Capital
Greater London Authority
Guy's & St Thomas' Foundation
Trust for London – Tackling poverty and inequality
Monday Charitable Trust

**54 TENANTS HOUSED**

Page 268

**Outcomes achieved for REIF tenants based on those that completed a tenant survey in March 2024.**

| | |
|---|---|
| 100% | HOUSED FROM TEMPORARY ACCOMMODATION |
| 100% | OF HOUSEHOLDS ARE SINGLE OCCUPANTS |
| 100% | TENANTS SUSTAINING THEIR TENANCIES FOR FIRST 6 MONTHS AND 12 MONTHS |
| 94% | AGREED THEY WERE SATISFIED WITH THEIR ACCOMMODATION |
| 84% | AGREED THAT THEIR SUPPORT NETWORKS AND RELATIONSHIPS HAVE BEEN POSITIVELY AFFECTED BY THEIR NEW HOME |
| 11% | OF TENANTS ELIGIBLE FOR WORK ARE IN EMPLOYMENT |

This employment figure is significantly lower than for tenants of other housing partners in other funds. REIF tenants typically have much higher support needs and are provided with specialist support services from Nacro and therefore the focus is on stability before an expectation of employment.


Stock photo - not actual tenant.

Page 269

# THE CONTEXT: RISING HOUSING NEED

With a lack of affordable housing, the UK continues to face a significant housing crisis. A combination of fewer homes being built, rising house prices and increased and often unaffordable private rental costs, a decline in social housing availability and longer waiting lists is leaving people facing and experiencing homelessness, rough sleeping and living in inadequate and temporary accommodation. However, there are regional disparities. The map opposite compares the national picture to that of the cities in which housing partners are operating. Nationally and in all areas covered by the funds, rent, house prices, section 21 evictions, the use and cost of temporary accommodation and rough sleeping are increasing – in some areas very markedly. It further demonstrates that:

- All locations where the funds have properties show higher rent increases than the England average[15]. This is a sustained trend: private rents from 2019-2023 have shown sharper and more consistent year on year rises than at any other time in the past decade.
- Section 21 evictions, i.e. evictions for no stated reason, also known as "no fault" evictions, are markedly higher in these cities than the national average, ranging from 33% in Oxford, against 19% across England, to 107% in Liverpool[16].

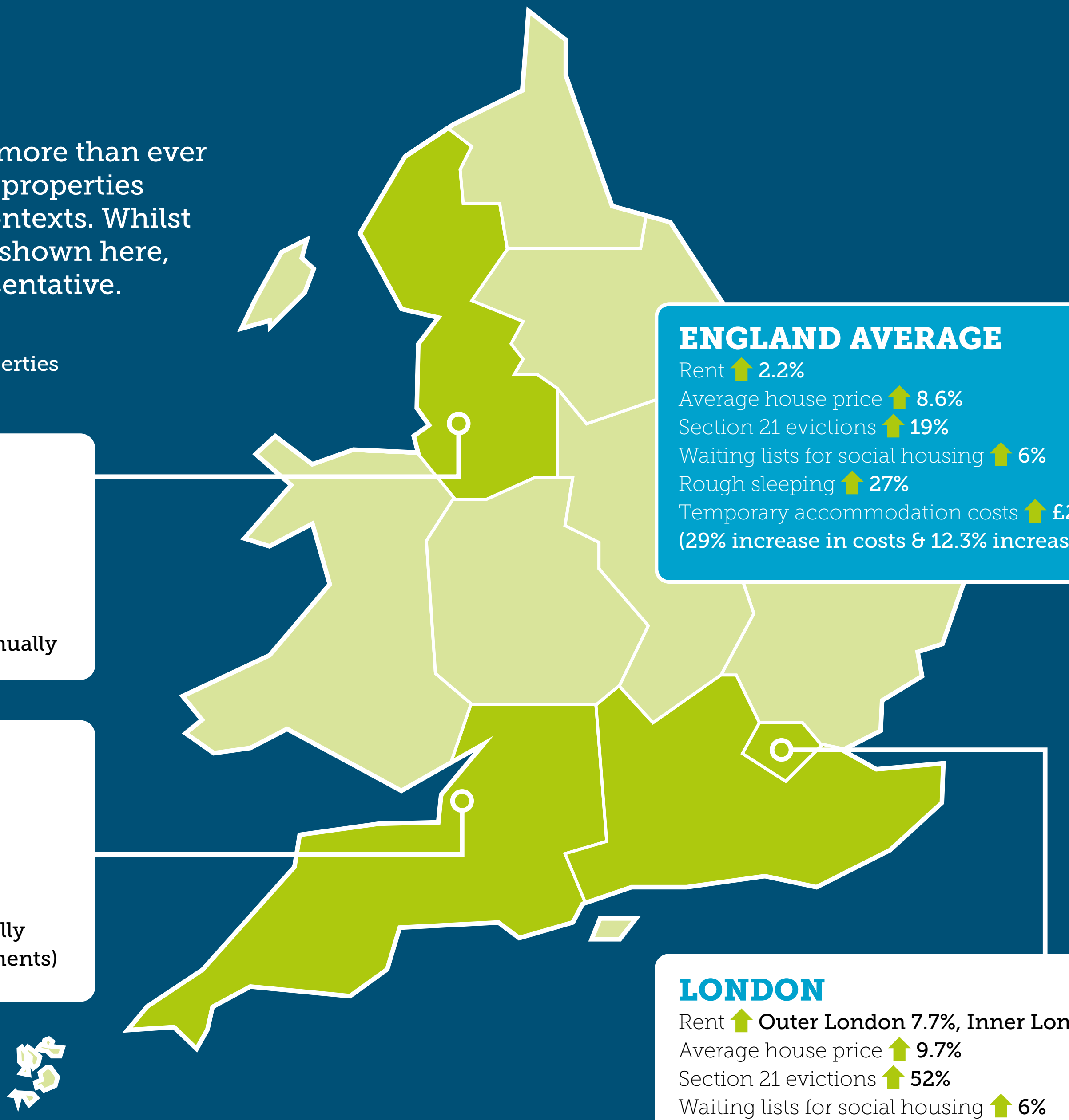
With these trends in the private rented sector it is no surprise that:

- **Social housing waiting lists are longer in all the areas within which the funds have properties except for Milton Keynes.** Councils have the ability to change the criteria for who can be on the waiting list, which usually leads to reducing the number of eligible people, as Milton Keynes City Council did in 2023[17]. This number therefore needs to be understood as a change in eligibility rather than a reduced need or demand. Nationally, the waiting list was the highest it has been since 2014[18] in March 2023.
- **Temporary accommodation is being used more widely.** All of the areas where the funds have properties and where data is available show increases higher than the national average. For example the overall temporary accommodation placement rate has trebled in three years in Oxford[19]. These statistics do not indicate the quality of accommodation, but the combination of high price and short supply make it likely that this is also suffering. In July of this year, there were 123 households in Oxford in B&B temporary accommodation; three years ago they had two recorded[20]. The use of B&Bs for families is supposed to be an emergency measure of last resort. In London, the number of families spending longer than six weeks in B&Bs has increased from 70 in April 2021 to 1,287 in April 2023[21].
- **Simultaneously, temporary accommodation is becoming more expensive.** For example in Bristol there was a 29% increase in costs whilst a 24% increase in placements. The report by Alma Economics shown on Pages 12 and 13 assumed an inflationary rise in costs, where in practice these costs could be significantly higher and therefore the savings to Local Authorities from the funds higher than previously predicted.
- **In the areas in which Resonance own properties, rough sleeping is increasing** and is either equal to the national average of 27%[22], or greater, rising to 70% in Oxford[23].

> "I fell into a period of poor mental health that led to me becoming homeless and I sofa surfed for several years before entering the hostel system. It was very difficult to access support from specialist services for mental and physical health but most of all, it was difficult for me to remain in contact with my children. My quality of life now – it's completely different than it was - I feel safe here. When I moved in, I felt good that I could share this experience with my children who are now able to visit me and make new memories. This home has helped me move on as I can now see my family regularly."
>
> **Lee, Tenant**



Stable, affordable homes are needed more than ever and the places where the funds have properties represent particularly challenging contexts. Whilst we are operating in more cities than shown here, we have chosen these three as representative.



Region where Resonance has purchased properties

### GREATER MANCHESTER
Rent ↑ 2.7%
Average house price ↑ 12.3%
Section 21 evictions ↑ 88%
Waiting lists for social housing ↑ 65%
Rough sleeping ↑ 27%
Temporary accommodation costs ↑ £74.6m annually

### BRISTOL
Rent ↑ 5.7%
Average house price ↑ 2.8%
Section 21 evictions ↑ 46%
Waiting lists for social housing ↑ 19%
Rough sleeping ↑ 28%
Temporary accommodation costs ↑ £1m annually
(29% increase in costs & 24% increase in placements)

### ENGLAND AVERAGE
Rent ↑ 2.2%
Average house price ↑ 8.6%
Section 21 evictions ↑ 19%
Waiting lists for social housing ↑ 6%
Rough sleeping ↑ 27%
Temporary accommodation costs ↑ £2.3bn annually
(29% increase in costs & 12.3% increase in placements)

### LONDON
Rent ↑ Outer London 7.7%, Inner London 4.3%
Average house price ↑ 9.7%
Section 21 evictions ↑ 52%
Waiting lists for social housing ↑ 6%
Rough sleeping ↑ 33%
Temporary accommodation costs ↑ £1bn+ annually

All figures cited in this research are the most recent available and sources listed on page 70. While there may be some variation in exact months, broadly they cover the year 2023/24.

PROFIT THROUGH **PURPOSE**

# THE IMPACT OF THE FUNDS

Stock photo - not actual tenant.





# DELIVERING IMPACT IN FOUR KEY AREAS

Working closely with expert housing partners, the funds prioritise positive tenant outcomes by ensuring tenants are able to access specialist support and that their homes meet their needs. So, as well as access to appropriate support, this means ensuring homes are safe, refurbished to a high standard, energy efficient and affordable, enabling tenants and their families – the majority of which include children aged sixteen and under - to find stability and peace of mind. This sense of security means tenants can live with independence, maintain their tenancies, build resilience against homelessness and gain confidence to find and secure employment or training.

The impact of the funds is measured against four key areas. The first three impact areas have been tracked since the first fund's inception, with the fourth indicator, **Stable Housing for Children**, added due to the growing number of families accessing homes, especially single parents with children, a group that represents over a third of all tenancies in 2023/24.

**1** **IMPROVING HOUSING OPTIONS**
Tenants feel secure in their homes and able to sustain their tenancies

**2** **PROGRESSING TOWARDS WORK**
Having a stable place to live helps tenants take steps towards employment

**3** **IMPROVING RESILIENCE AGAINST HOMELESSNESS**
The stability of their home enables tenants to make positive steps in other areas of their lives

**4** **STABLE HOUSING FOR CHILDREN**
The funds make a big difference to the health and wellbeing of children

Page 271

## 1 IMPROVING HOUSING OPTIONS

The Homelessness Property Funds seek to be a place of stability, where people can sustain and afford their tenancies. It is also designed to be a place from which people can move on at the right time for them. For this reason, improving housing options includes impact measures of people settling in and moving elsewhere.

Sustaining tenancies is particularly important in the first six months of a tenancy as people settle into new homes. Only one person living in the funds' homes was unable to sustain their tenacity in this time and so the proportion of people able to maintain their tenancy remains at 99% across the funds.

Of the tenants that moved on this year, 59% were classed as positive*. Additionally, 27% of tenants moved on to stay with friends and family and classed as 'other' in the funds' move on statistics. For the tenants that moved on to new homes this year, 51% moved into private accommodation, 17% into other social accommodation and 10% into local authority housing. The 5% that moved into local authority temporary accommodation is generally deemed to be a negative outcome.

The average length of stay at the time that people moved on, was four years and seven months. This relatively long average stay (above the 4.3 year national average for private tenancies[23]) suggests that the homes are providing stable, long-term housing solutions for many people in a wider context of rising rents and evictions.

**99%** sustained tenancies for the first 6 months

**86%** of move-ons were positive or neutral

> Having a stable home means a lot to me as I can choose to do what I want, when I want, in my own time - and I haven't been able to do that for a very long time. It's got me in a place where it's a good start for the future.
>
> **LEE, TENANT**

*Evictions, prison, shelters, temporary accommodation and hostels have been counted as 'negative' move-ons and all remaining options including moving to stay with friends and family as 'other'.

Figures based on tenants that completed a tenant survey.



## 2 PROGRESSING TOWARDS WORK

Of the tenants that completed a survey, 50% of them eligible for work are employed. Among those employed, 36% work full-time, 58% work part-time, and 6% are on zero-hours contracts. Additionally, 10% of survey respondents are in education, 6% are engaged in work-based education, and 3% participate in volunteer activities. (These can happen alongside employment for some people.)

Overall, 57% of tenants are employed and/or making progress towards employment, though this marks a decrease from last year's 71%. It should be noted that the lesser change is in employment (56% last year) and the greater change is in other progress to work activities. This drop could be a product of the changing way this has been recorded this year and as a stand-alone feature is not necessarily cause for concern, however attention should be paid to it this year to see if this is a product of changes outside or inside of the funds. For comparison, local authorities had a duty to house 324,990 households who became homeless (i.e. they were owed a prevention or relief duty) in 2023-24[24]. 76,720 were retired, medically unable to work or not seeking work and based at home. Therefore, the number of people available/eligible for work was 245,880. Of these households, for the lead applicant:

- 113,510 were registered unemployed (46%)
- 77,190 were in full or part time work (31%)

> My new home and independence have made me think about, and work towards, returning to work and moving on to my own permanent accommodation. I am keen to return to full-time employment.
>
> **DAVID, TENANT**

Since the time of registering as homeless with a local authority is particularly disruptive and will often be associated with financial hardship, including loss of job, as one might expect this shows a lower employment figure than within the funds. Wider comparison requires an understanding of the differing levels of need that housing partners are supporting, and this is explained more below in the section on Different tenants, different needs.

Tenants seeking jobs remain optimistic with 59% of them confident about finding a job in the future, while only 17% reported feeling doubtful about their prospects for employment.

**57%** of tenants are progressing towards work or are in work

**Of those tenants eligible for work:**

**50%** are now employed

and of these: **58%** are in part-time employment

**AND**

**36%** are in full-time employment

6% are on zero hours contracts

## 3 IMPROVING RESILIENCE AGAINST HOMELESSNESS

Stable housing affects every aspect of life. As one housing partner, Nacro, noted, "Often with our tenants, this is the most stable living situation they have had for a long time". Stability is measured through evidence that tenants have established roots in their community and are taking more control of their finances.

As was the case last year, 99% of tenants had a bank account. Whilst it is positive that only 1% of tenants are missing this financial option, this statistic becomes less useful as a measure since more and more benefits and utility companies insist on direct payments.

Encouragingly, 28% of tenants also have a savings account, although data on how much they are saving is not available. 12% report that they are saving for a deposit and a further 3% planning to start doing so in the next three months. However, this is a fall from last year, where answers to both questions were 14%. For context, 34% of all UK adults had either no savings or less than £1,000 in a savings account and one in six people have no savings at all[25]. This may be a sign of continuing cost of living pressures and other financial challenges.

It's also worth bearing in mind that with many of the funds' tenants on low incomes, there's also an increased likelihood that many will also be experiencing poverty premium. People affected by poverty premium may not be able to pay by direct debit (often the cheapest way of paying for something), may be affected by a 'postcode penalty' when it comes to insurance, and can end up having to pay higher interest rates if they need to borrow money. According to the Trust for London, around 14 million people in the UK – and around one in four Londoners – are affected by poverty premium in 2024[26]. In some parts of London, 35% of households are experiencing poverty premium. Additionally, some households, such as Black and minoritised households and disabled households, are more likely to face premium poverty than others. This means they are more likely to be paying more for essential goods and services, such as food, insurance and energy, than better off households and on average will be paying an extra £444 per year for these essentials, although this can be much higher for some.

> Having this tenancy has made me more stable and I'm looking forward to moving on to my own tenancy one day. It has helped me integrate Into society and get used to things like paying bills, which I didn't do before.
>
> **ANDREW, TENANT**

With the funds now housing a wider range of tenant types, for example one parent families and single people that had been experiencing rough sleeping, many of them will be focused on finding stability and settling into their home so that they can tackle health, wellbeing and similar issues, before they can start even thinking about finding routes to employment, stable incomes and therefore the ability to start saving. This is explained in more detail in the table on p61 comparing three impact measures, including tenants' abilities to save.

Looking at some of the behaviours of tenants can also help to understand the stability that their home now gives them. This year 91% of tenants were registered with a GP (up 11 percentage points from last year's report). This is a good indication that people are somewhat settled in their homes and are connecting with services. It is also a useful proxy for children having access to medical care including immunisations.

| 91% | 99% | 96% |
|---|---|---|
| of tenants are registered with a GP | of tenants have a bank account | of tenants* support networks and relationships positively affected by their tenancy |

*This number reflects the % of tenants that responded to this survey question with either a definitive positive or negative response and does not include not known, no answer or neutral responses.

Figures based on tenants that completed a tenant survey.

This year 96% of people reported that their support networks and relationships had been positively affected by their tenancy, a figure consistent with last year's 97%. However, it is worth noting that this year's figure does not include responses from tenants that either did not give any response to this question or were neutral on the subject. It's also important to point out that this year we have collected responses from all the funds' housing partners and note that with the two newer property funds still in deployment - and therefore in a constant process of moving people out of homelessness and into funds' homes – some tenants will have completed a tenant survey for the first time, many of whom will only just be settling into these properties and 'finding their feet'. This has resulted in slight variation of responses to this question from across partners' tenants. Generally, the expectation is that once tenants are moved into their new homes, have time to become settled and stable, that they start to make more - and rebuild - support connections, networks and relationships.

> Having a stable home means the world to me as I feel secure and have a sense of belonging. A home for my children, grandchildren and family to visit and feel proud of. It means a new beginning and creating new memories.
>
> **THERESA, TENANT**

## 4 STABLE HOUSING FOR CHILDREN

The funds provided homes for 955 children at the end of the financial year, making this a relatively stable year with only a slight increase on the 937 housed in March 2023.

34% of the children in the survey sample were under 5. Stable housing is vital during this time of development. It has been found to be a major factor in the promotion of healthy brain development, emotional security, and eases access to essential services like healthcare and education. Conversely, housing instability can lead to developmental delays and long-term negative outcomes in health and learning (Sandel et al., 2018). This is therefore an important positive impact of the funds.

61% of children living in the homes were of school age (6-18) with the majority in the 6-13 years of age bracket (44% of all children). During this stage, stable housing supports consistent school attendance, emotional stability, and access to resources for learning. Housing instability is linked to lower academic achievement, increased behavioural problems, and reduced long-term life chances (Coley et al., 2013). Of those families living in the funds' homes, 85% of children are reported as attending school 'all of the time'.

Only 6% of the sample were older (19-21 years and in full-time education). For this age group, stable housing has been found to promote emotional security, as well as further educational attainment. Housing instability is associated with higher dropout rates, increased risk of mental health issues, and diminished future opportunities in employment and higher education (Cutuli et al., 2013).

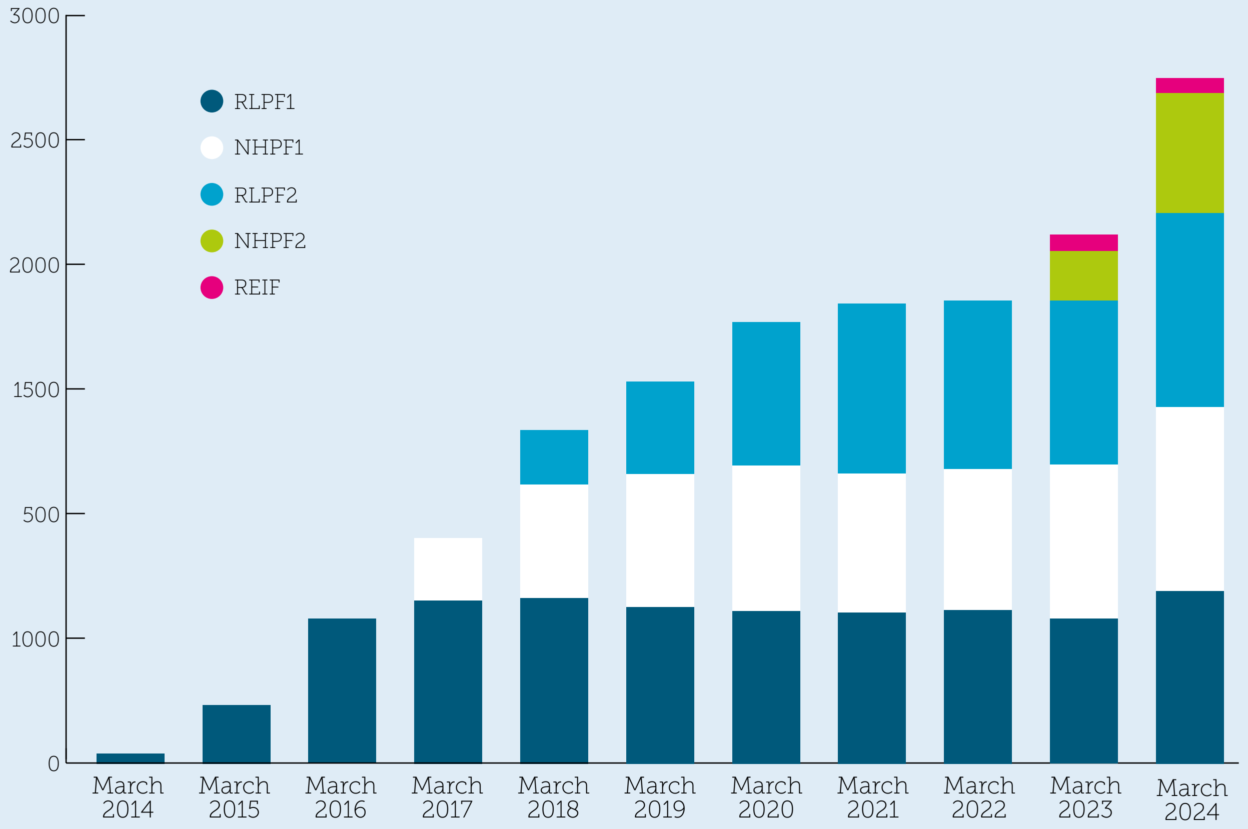
A recent report from the Children's Society suggests that poor housing and a lack of stability negatively impacts children on many levels[27] and there can be no doubt that the stability and quality of the funds' homes is having a positive impact on many children within the funds. A new measurement reported for the first time this year found that parents reported, in the vast majority of cases (72%), their home is something they recognise as having a positive impact on their children.

| 955 | 78% | 80% | 72% |
|---|---|---|---|
| children housed by the funds this year | of children housed are aged 0-13 | of households have children living in them | of parents* agreed their home is having a positive impact on their children |

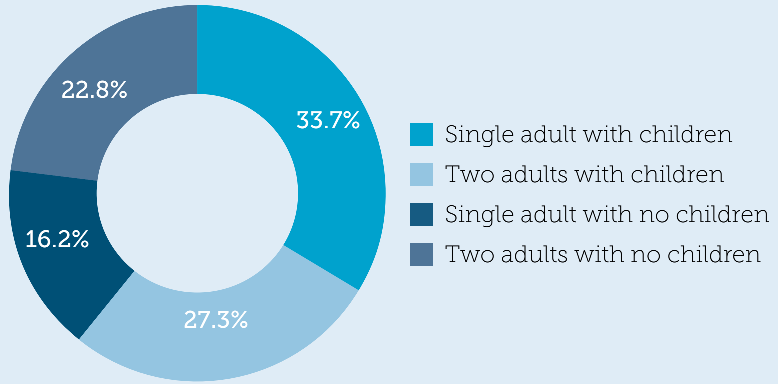
*This number reflects the % of tenants that responded to this survey question with either a definitive positive or negative response and does not include not known, no answer or neutral responses.

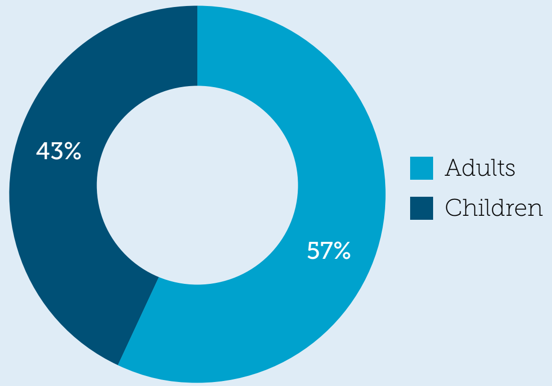
# WHO LIVES IN THE FUNDS' HOMES

2,207 people, made up of 1,252 adults and 955 children, have been housed, an 8% increase on 2022/23, primarily through the steady growth of NHPF2.




Composition of Households




The funds are providing stable homes for all tenants; single people, couples and families. This year, 43% of the funds' tenants are children and 61% of the funds' households have children living in them.



Since the funds first launched we have seen their household composition change. The majority of households (61%) now have children living in them.

61%
of the funds' households have children living in them

60%
of main tenancy holders are female

Children make up
43%
of the funds' tenants, highlighting the desperate need for stable housing for families

34%
of parents have a child under the age of 5

Stock photo - not actual tenant.

# DIVERSE TENANTS

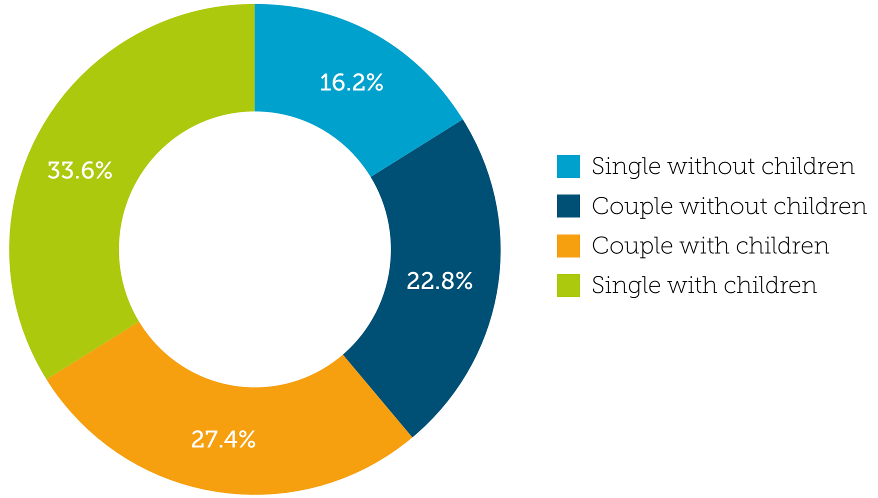
## DIVERSE TENANTS

At the end of 2023/24, there were 2,207 people across 1,140 tenancies. With 1,252 adults and 955 children, the funds continue to have a high number of residents who are children, although the proportion has shifted towards adults, in part due to more specialist housing partners housing more single people, through programmes such as the Rough Sleeping Accommodation Programme and Housing First.

As the chart 'Composition of Households', below, shows, slightly more of these children are living with one parent or guardian rather than two. Where tenants describe themselves as couples, slightly more have children, although significant numbers also do not. Single people without children are the smallest group at 16.2%, roughly one sixth of households, but this varies greatly by housing partner.

### COMPOSITION OF HOUSEHOLDS

The majority of fund properties have households with children living in them.




### WHERE TENANTS COME FROM

Tenants' routes to live in funds' properties is via various forms of temporary accommodation. This ranges from living in a hostel, B&B or hotel, to sofa surfing with family or friends, and living in rehabilitation or sheltered accommodation.




### 3 MAIN COHORTS OF TENANTS

1. Tenants, supported by partners including Nacro, who have a recent experience of rough sleeping and are likely to have high support - and often complex - needs.
2. Tenants, supported by partners including DHI in Bristol, Response in Oxford and Redwing in Liverpool, with known, additional needs and issues, such as recurrent homelessness, mental health issues, substance misuse, financial instability, and receiving some additional and specialist support as needed.
3. Tenants, supported by partners including NHG and St Mungo's, not receiving additional support, beyond their need for accommodation and a general housing offer.

**Within these households, there is also very substantial diversity in terms of:**

- **Age** - The range of the lead tenant ages ranges from 19 to 80. The largest group by age are the 25-39 age group (48%), followed by 40-59 (42%) with under 25s representing just 3% of the tenants. It seems that the average age of lead tenants is increasing. Those over 55 at the beginning of the fund only represented around 2% of tenants. By year 5 of the fund this represented 3% and is now 9%. Although a very small part of this is likely to be due to some long-term tenants becoming older and moving across the recorded age bands, it is for the greater part an increase in the age diversity of those being housed. This is in line with the changing nature of need in the housing market and increasing prices for purchase and rent of homes, which mean that housing need has become more spread across age groups. For comparison, the English Housing Survey in 2012-13 showed that 73% of households in the private rented sector had a lead tenant under 45 years of age; 27% were 45 or over. Jump forwards ten years, to the most recent English Housing survey (2022-23), and this has changed to 64% and 36% respectively[28].
- There are 49 unique **languages spoken** across the funds' tenants. St Mungo's has the most diverse language profile, with tenants speaking 36 different languages. Nacro and DHI follow with nine and eight languages respectively. Other partners have moderate but lower language diversity. This may partly reflect the diversity of the areas they are in as well as smaller numbers of tenants. (It is important to note that this data represents the number of different languages spoken, not the total number of tenants speaking each language.)
- In addition, there are 62 **Nationalities** represented with 66% from the UK and 14% European.
- 58% of the funds' tenants are people of the global majority (people and ethnic groups that make up the majority of the world's population, excluding white British and other white groups). For comparison, 28% of people deemed homeless by local authorities were people of the global majority[29].

This diversity, which is significant but not uniform across geographies, and the differences in the profiles of people housed by different partners, mean that diversity is a key finding and theme of this report. Essentially, the funds are housing people with diverse identities and experiences. Whilst aggregate statistics can be useful to give a general picture, it is important to bear in mind that partners are working with different populations. This also has a bearing on the support people do or do not require and aspects of their life journeys whilst they are with the housing partners. Someone with a history of rough sleeping in London working with Nacro will likely have different needs compared to a family in Stockport.

**48%**
**OF TENANTS AGED 25-39**

**49**
**LANGUAGES SPOKEN ACROSS THE FUNDS' TENANTS**

**62**
**NATIONALITIES REPRESENTED**

**58%**
**OF TENANTS ARE PEOPLE OF THE GLOBAL MAJORITY**

Page 275

Stock photo - not actual tenant.

# TENANTS' STORIES

## KIM, HOUSED & SUPPORTED BY RESPONSE IN OXFORD

After experiencing an abusive childhood and being placed in care, Kim dropped out of school at sixteen to raise her daughter on her own. Her low self-worth led her to leave jobs as she felt no one wanted her. After serving a long prison sentence and taking the steps towards addiction recovery, she moved into supported housing.

"I had served a long sentence in prison and gone through the 12-step recovery programme. I was living in London in supported housing for vulnerable woman with drug and alcohol issues. I felt so isolated and disconnected from everyone. Even though I had come out of addiction, I still felt bits of me were still missing. When I came to Oxford to see my family, I felt like I belonged somewhere.

Kim's new home from Response has provided the safe haven she needs to connect with her family, become part of a community, and feel like she belongs.

"I never truly understood the meaning of having my own place. Response has given me a home with a new beginning and new memories. Having a home is the best feeling ever. I have a safe secure home where I feel protected.

**My new home is so beautiful. The bedroom has patio doors leading to the back garden, a place where my grandchildren can play. It's nicely decorated and clean. Most importantly it's safe and warm. It's the perfect location as it's only 5 minutes away from everyone I know. All of my family live in and around Oxford. I love that I am only a short drive from everyone.**

I can socialise with other people and make new friendships. Being around others is key to my accountability and keeps me on my sobriety path. I know my neighbours fairly well and have made many friends".

**The support provided by Response has allowed Kim to feel supported:**

"Response offers a strong support system. They are caring and compassionate. They help me to cope with my emotions and experiences. They make me feel like I am not alone. I know I can reach out to them when I am in need, and feel reassured and heard.

> If I didn't have this home, I would be living on the streets. My life would be non-existent: trying to make it through the day, causing harm to myself and others around me, likely ending back in prison, going deeper into addiction. I would mostly likely end up dead.

**This new home has let Kim plan for the future:**

"I have a positive future ahead, anything is possible. I would like to volunteer so I can eventually go into full time work. To continue to build bridges with my family and bond with my grandchildren.

I do worry about the cost of living, especially when I go into working full time. But I know with Response's help I can understand my choices and make the right decisions".

## LEE, HOUSED & SUPPORTED BY REDWING/HOUSING FIRST IN LIVERPOOL

Lee grew up in Harringay, North London and moved to the Wirral when he was 27 years old.

"I met someone and got married here. I worked in a few different jobs, in and around the Wirral. I fell into a period of poor mental health that led to me becoming homeless and I sofa surfed for several years before entering the hostel system in central Birkenhead. During the pandemic, I was living in the YMCA in Birkenhead; this was a challenging time.

It was very difficult to access support from specialist services for mental and physical health but most of all, it was difficult for me to remain in contact with my children.

My physical and mental health deteriorated, and I was very low."

Lee explains how his new home is making a difference to his life:

**"I feel I'm free from an environment where I felt really vulnerable and have been able to take back my independence and live how I want to live with support from Housing First. Also, I'm able to make health appointments now and get to them as my doctor is really close.**

A difference my new home is making is to my quality of life – it's completely different than it was - I feel safe here.

When I moved in, I felt good that I could share this experience with my children who are now able to visit me and make new memories. I have realised that all you have are memories and imagination for the future and I am enjoying living in the present and making these memories. It has helped me move on as I can now see my family regularly.

Having a stable home means a lot to me as I can choose to do what I want, when I want, in my own time - and I haven't been able to do that for a very long time."

Redwing supported Lee to move into his new home and provide him with ongoing tenancy support, whilst the Housing First programme offers him ongoing and bespoke support to suit his needs.

> "Redwing were amazing at helping me move in and secure my home, from setting up my rent to checking the property is okay each month and providing support if I need it."

I receive support from Housing First who helped me to set up my utility accounts and helped me to pick my furniture. Since moving in I have been buying all my own furniture and having the place how I want it, and getting to know my neighbours either side of me is an achievement. I also am able to now have visits to my flat from my mental health support worker.

It's got me in a place where it's a good start for the future. Since moving in I have welcomed two new grandchildren, and my children bring them round and we have family meals here."

Photo: Lee, a tenant housed and supported by Redwing in Liverpool.

Page 277

Stock photo - not actual tenant.

## SIMON*, HOUSED & SUPPORTED BY DHI IN BRISTOL

Simon is in his 30's who was referred to DHI from a Level One hostel in Bristol. Level One refers to housing pathway and provides accommodation to individuals with the greatest need and houses a large amount of people who have experienced trauma, suffer complex mental health and drug and alcohol addiction. Simon had fled his country of origin due to the risk to his life and had his refugee status accepted in the UK. Due to his experiences, he suffered from PTSD and found it very challenging living in a large hostel setting.

Now that he has his own place and has more stability in his life, he has been able to engage with mental health services and access a specialist refugee trauma service. He has also been supported to increase his income, maintain links to his church, which he is active in and make small steps towards further education as he would like to train to be a lawyer so he can help people who have been through what he has.

Simon has mentioned several times that he feels safe in his home and wouldn't have been able to make to the progress that he has without this.

> "It's not been easy and there have been ups and downs, but since being housed Simon has been able to start a process of recovery from his trauma. Without the security that his new home has provided him, he was just trying to get through each day as best he could, but now he is able to start making plans for his future. With this stable base he's been able to build bridges in his community and access services that are able to help to maintain his recovery and take steps into education."
>
> **Damien McLaughlin, DHI Supported Move On Team Leader**

*Name has been changed

## HAMIA*, HOUSED & SUPPORTED BY NHG IN LONDON

**After growing up in Algeria and then moving to the UK, Hamia was moved into inadequate temporary accommodation with her two young children before she moved into her new home:**

"I had some bad experiences when it comes to housing; the first one was that the landlord increased the rent by more than 25%. Then I was put in emergency accommodation in different places. Some were inadequate with evidence of pests, mould and troublesome neighbours. With two young children, my main concern was their safety and wellbeing."

**NHG provided a home and support for Hamia and her children:**

> "The house I am in is my sanctuary. It is where I find my peace and tranquillity. It is in a quiet area and the neighbours are nice. The new home has given me stability and a sense of settlement after moving through different places. I have received all the support I needed, any time I have an issue, it is always solved.
>
> It is very important for me and my children to have a stable home so we can concentrate on life and the challenges it throws at us. I am more settled, and the children had stability to focus on their academic achievement. Since I am in this home, I have finished a university degree (BA honours in Early Teaching and Learning) and got promoted at work to a manager position. I love my job and like to work with children to help them realise their potential and help them build a good start in life. Goals for the future consist of opening my own nursery and progressing in my studies."

Page 278

*Name has been changed




Stock photo - not actual tenant.

Stock photo - not actual tenant.

Page 279

## DAVID, HOUSED & SUPPORTED BY SALIX HOMES IN GREATER MANCHESTER

David grew up in Cheetham Hill, Manchester and left school in 1986 to get a job as a forklift truck driver.

"I met my wife Clancy in 1988. I have always enjoyed a drink socially but when Clancy and I split up after 34 years together, I lost my home and began drinking excessively.

I began drinking daily, and when Clancy died of cancer 18 months ago, my life spiralled out of control. I moved into homeless accommodation in Rochdale and was drinking dependently. The staff were brilliant, and I felt that my life improved dramatically while I was there. However, I did find living with lots of other people, some that were managing their substance use issues, challenging.

David was referred to Salix Homes and was moved into his new home:

**"I love my new home. I feel more independent, and I am enjoying living alone. I love the location of the home. It is very rural, and I feed the wildlife and birds. I also enjoy cooking. I am able to go out and socialise, but also able to stay at home with my own company when I like.**

I initially struggled with bills, budgeting and home-running tasks but I have learned to manage my finances and tenancy, and feel this is an achievement. I have received support from RSAP staff with setting up bills such as rent, council tax and utilities. I am really proud that I am able to manage my own finances and bills. I have also received additional support, signposting and referring to other agencies for alcohol use."

David's new home has given him independence and hope for the future. He can now start planning for what's to come:

"I feel more positive about the future. Without it I would be homeless, begging and using the money to buy alcohol. I feel more positive and have a greater incentive to abstain from alcohol use.

I am also proud of the way that I have been able to manage my grief. This has been extremely difficult and something that I think about all day, every day. I do have a brighter outlook on life and believe that having my own home has been a big factor."

> My new home and independence have made me think about, and work towards, returning to work and moving on to my own permanent accommodation. I am keen to return to full time employment.

# HOUSING PARTNERS

Ten housing partners are now partnered with the funds and between them, have housed and supported 2,207 people in 1,140 homes this year. The number of housing partners continues to expand, bringing in both more specialised teams and those serving tenants with more general needs. For example, organisations like Nacro and DHI offer tailored support in addition to stable housing. As a result, some statistics this year will be presented both in aggregate and broken down by housing partners, providing a more accurate view of the funds' impact across its ten not-for-profit partners.

Page 280

## GREATER MANCHESTER

Stockport Homes, established in 2005, manages housing stock across Stockport on behalf of Stockport Council as an ALMO (Arm's Length Management Organisation), overseeing the council's housing management operations. The funds support 43 diverse tenants, including both men and women, with and without children. Most referrals come from the Council's Housing Options team, meaning that these are people who were homeless or threatened with homelessness who are entitled to housing. The primary reasons for leaving previous accommodation were temporary housing, eviction, and homelessness.

**43** TENANTS | **20** TENANTED PROPERTIES

## MERSEYSIDE

Redwing is based in Liverpool and housed 17 tenants in this reporting year, both male and female, none with children. The majority of their referrals for housing came from Housing First and many needed housing because of family breakdowns, evictions and repossessions, or the lack of suitable housing. Redwing is a not-for-profit housing agency that reinvests profits into local good causes, including care and support for vulnerable individuals and training to help upskill people seeking employment.

**17** TENANTS | **17** TENANTED PROPERTIES

## GREATER MANCHESTER

Bolton at Home is a registered provider and charitable Community Benefit Society that owns, manages, and maintains over 19,000 properties across the region. As well as investing in their homes, they also offer a range of services to support our customers and communities to flourish. 16 tenants are currently being housed and supported by the charity's housing team, the majority of whom are single adults.

**10** TENANTS | **8** TENANTED PROPERTIES

## OXFORD

Response is a mental health charity that offers support to residents and tenants in Oxfordshire, Buckinghamshire, and Berkshire. New to the portfolio in 2022/23, they currently support 28 tenants, both male and female, none of whom have children living at home. Most referrals come from Oxford City Council, with the primary reasons for needing accommodation being family breakdown, leaving the care system, and domestic violence.

**28** TENANTS | **26** TENANTED PROPERTIES

## GREATER MANCHESTER

Salix Homes is a not-for-profit social housing organisation based in Salford, Manchester established in 2015 from a stock transfer from Salford City Council. They house 46 tenants, both male and female, the majority of whom do not have children. Most referrals to this housing partner are from either the local council or the Government's Rough Sleeping Accommodation Programme, with tenants coming to the funds from previous temporary accommodation.

**43** TENANTS | **31** TENANTED PROPERTIES

## LONDON

Notting Hill Genesis (NHG), a London-based charitable housing association, was founded in the 1960s to tackle slum conditions in West London. In 2023, they assumed responsibility for some of the properties previously managed by St Mungo's. During the period covered by this report, NHG managed 480 tenancies, with the majority of tenants being women (77%), and 75% of households having children. Tenants were transferred from other Resonance properties, so the reasons and sources of referrals will match data provided in previous reports, with most people having been referred by local authorities.

**984** TENANTS | **480** TENANTED PROPERTIES

## BRISTOL

Based in The South West, DHI provides housing along with practical and emotional support to 271 tenants in 136 homes owned by the funds. Taking over a substantial amount of housing stock from St Mungo's, in Bristol over the last few years, they specialise in supporting tenants with issues that run alongside housing, such as debt, income, employment, and substance misuse. Most tenants in DHI homes previously faced challenges like family breakdown, temporary accommodation, eviction, or homelessness. The tenant population includes both men and women, with approximately 76 being parents.

**402** TENANTS | **132** TENANTED PROPERTIES

## LONDON

Nacro has 55 tenants (47 male, one with a child living in the home) all of whom have been referred by Clearing House, a London partnership for people with a history of rough sleeping. This indicates that all tenants needed additional support to help them build independent lives and maintain their tenancies. Their homes come with practical help and tailored assistance.

**54** TENANTS | **54** TENANTED PROPERTIES

## LONDON, OXFORD & MILTON KEYNES

As the original housing partner with eleven years of experience supporting tenants within the funds, this leading homelessness charity assists individuals at every stage of their recovery from homelessness. Over recent years, they have been gradually reducing their housing stock, with DHI and NHG assuming responsibility for many of their tenants and families. In this reporting year, they supported 572 tenants, the majority of whom were women (71%), with 80% of households including children. Most referrals (82%) came from Local Authorities, including from temporary accommodation, with the remainder primarily from internal transfers from higher support needs hostels and tenancy sustainment teams. The most common reasons for tenants leaving their previous accommodation were family or relationship breakdown, eviction or repossession, housing affordability issues, unsuitable or unstable housing, and domestic violence.

**530** TENANTS | **192** TENANTED PROPERTIES

## LONDON

Set up in response to London's homelessness crisis in 2018, Capital Letters became a housing partner in 2022/23. They are a not-for-profit company who work in partnership with London councils and private landlords to help families find a secure and settled home. A recent partner, they currently have 39 tenants in 12 homes. There is an even gender split amongst tenants (50% male, and 50% female), and half of the households have children. The majority of referrals come through local authorities.

**39** TENANTS | **12** TENANTED PROPERTIES

## LONDON

Wildheart manage properties that the funds have purchased with tenants in them. Once these tenants have moved on, the homes are passed to other partners and become available for tenants referred to the housing partners in that area. Since these tenants are not the target group intended to benefit from the funds, they are not considered as part of the social impact report.

**49** TENANTS | **31** TENANTED PROPERTIES

**A MIX OF HOUSING PARTNERS**

It is positive that this mix of housing partners has the experience and capabilities to cope with more complex needs, as well as providing homes for people with more stable lives. This reflects a previous commitment of the funds in 2019 to provide for a greater breadth of needs and shows progress in this regard.

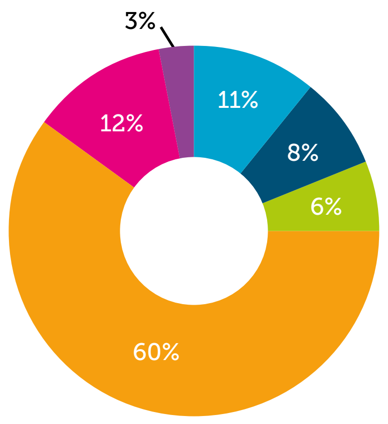
Page 281

# DIVERSE HOUSING PARTNERS

The funds are working with a diverse group of housing partners to provide a wide diversity of housing stock. Many of the funds' partners are geographically focused and are medium-sized. Most of the funds' partners are registered providers meaning they are social housing providers registered with the Regulator of Social Housing and responsible for meeting standards set by the Regulator. Even though two of the funds' partners are not registered providers, they are still subject – as all Resonance's housing partners are – to Resonance's independent due diligence before being taken on as housing partners. Partners offer a wide range of specialist support services dependent on the needs of their tenants.

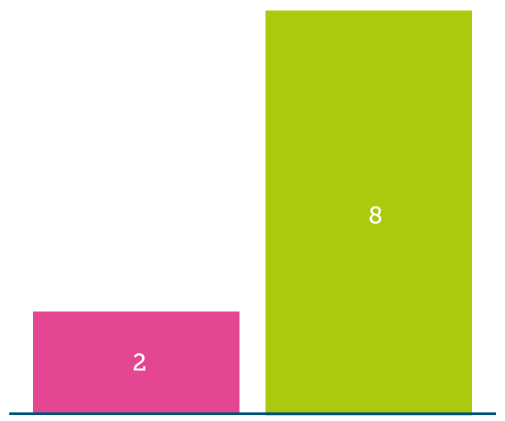
## HOUSING PARTNERS ARE LOCATED IN 6 REGIONS OF THE UK

The majority of the property funds' homes are currently based in London & the south east.



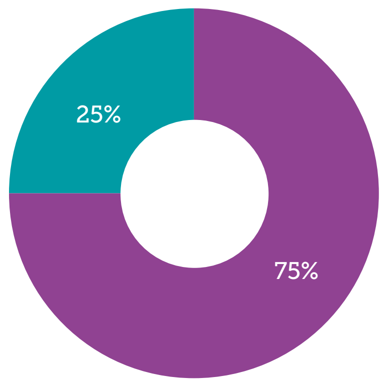

## NUMBER OF PARTNERS THAT ARE REGISTERED PROVIDERS OF SOCIAL HOUSING

The majority of the funds' housing partners are registered providers.



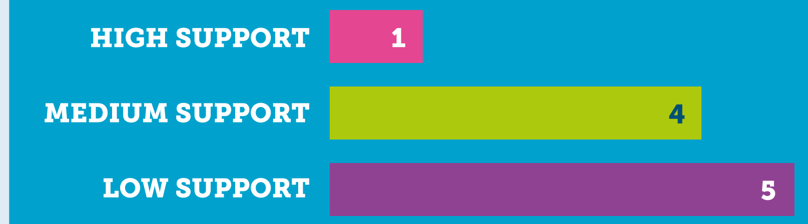

## NOT ALL THE FUNDS' HOUSING PARTNERS ARE HOUSING CHILDREN

Whilst a quarter of the funds' partners focus on housing and supporting adults only, the majority are housing a mix of adults and families.



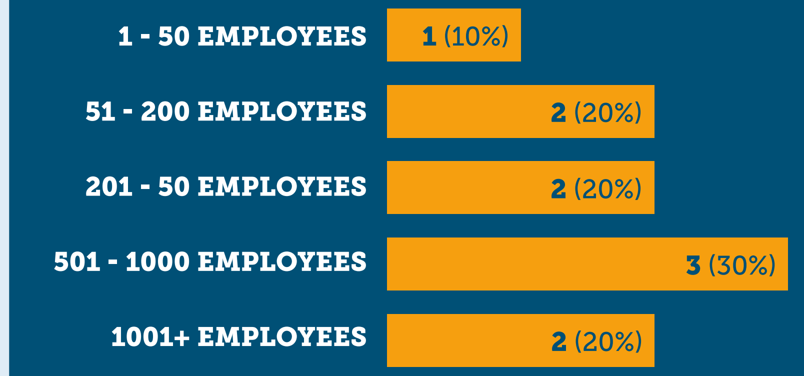

## HOUSING PARTNERS OFFER A RANGE OF SPECIALIST SUPPORT SERVICES

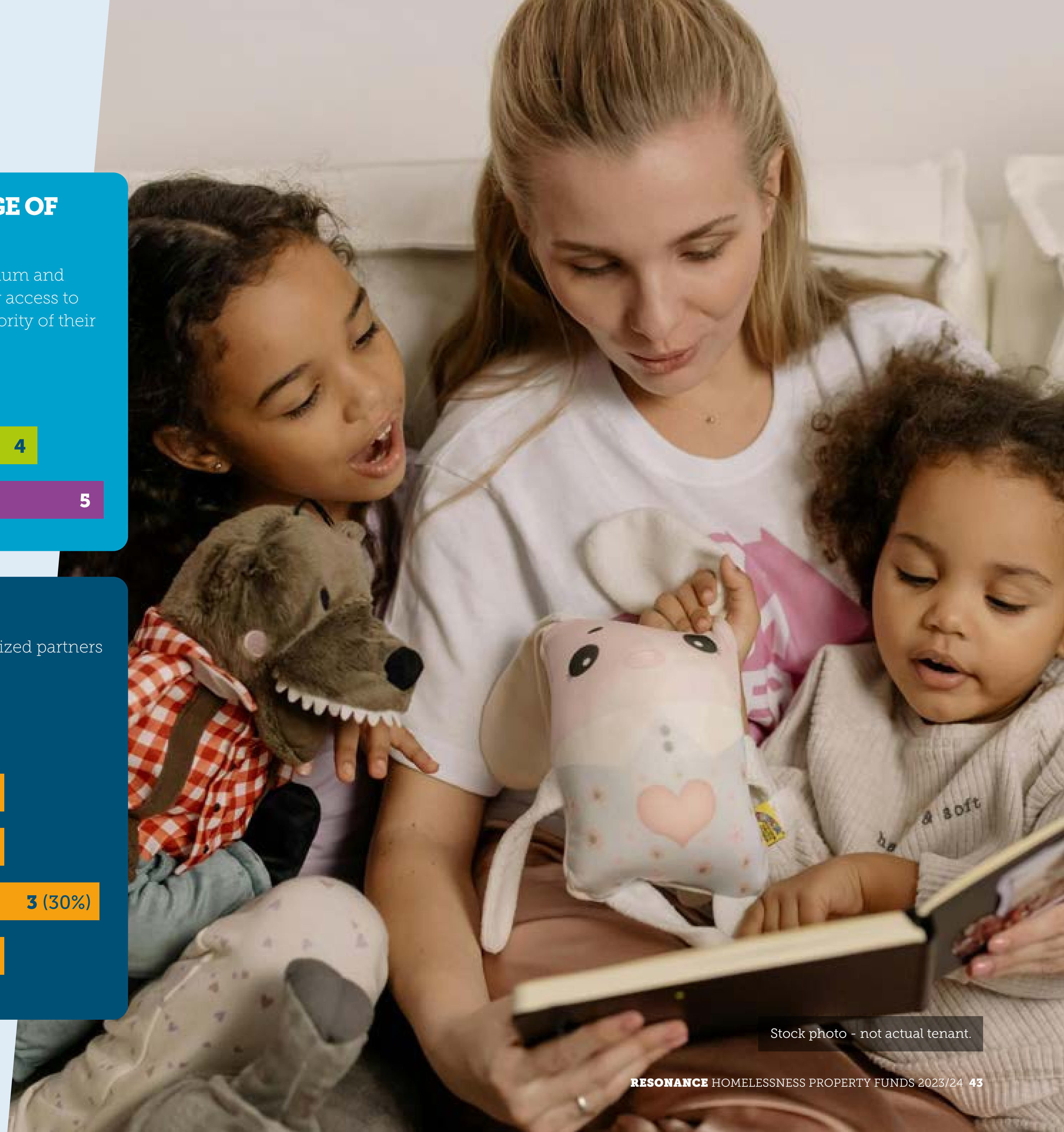
With three main tenant cohorts, falling into low, medium and high support needs, housing partners provide or offer access to specialist support dependent on the needs of the majority of their tenants.




## SIZE OF HOUSING PARTNERS

The fund is working with a wide range of differently sized partners ranging from under 50 to over 1,500 employees.




Stock photo - not actual tenant.

# HOUSING PARTNER SPOTLIGHT:
## DEVELOPING HEALTH & INDEPENDENCE

Page 282

**In the South West of England, Resonance's National Homelessness Property Funds 1 and 2 have partnered with Developing Health & Independence (DHI), a Bath-based and south west focused homelessness charity. DHI provides person-focused, wraparound support to people experiencing housing crisis and other issues, such as addiction, trauma and mental health issues. So far, 136 properties have been purchased in Bristol by the funds and are housing around 300 tenants, including around 140 children. DHI manages the tenancies and supports the tenants living in them.**

The need in the South West:

- **10,500 people** were recorded as homeless at the end 2023, including 4,350 children
- **2,967 people** living in a hostel, temporary accommodation, or on the streets
- **291 households** in Bath/North East Somerset/South Gloucestershire are currently homeless with another 373 at risk

### Q ROSIE, CAN YOU EXPLAIN WHY DHI PARTNERED WITH RESONANCE, ON TWO OF ITS FUNDS?

A At DHI we believe that everyone needs a safe place to live if other issues are to be effectively addressed. Our approach of supporting people's quality of life from the foundations up aligns with Resonance's goals to fight poverty and disadvantage, improve health and wellbeing, reduce inequalities and support communities.

We were aware and interested in Resonance's approach for a while, then in 2020 the opportunity arose to take on the management of Resonance's Bristol portfolio. This allowed Home Turf Lettings, DHI's social lettings agency, to expand in meeting its objective of providing accommodation to tenants on low incomes and in housing need. We are now managing a portfolio of 136 properties with Resonance, including a project to accommodate former rough sleepers in Bristol.

### Q WHAT ISSUES AND CHALLENGES MIGHT SOME OF YOUR TENANTS HAVE EXPERIENCED?

A Many of our tenants have experienced multiple disadvantages including poverty, relationship breakdown, unemployment, discrimination, poor health or problematic substance use. These issues both contribute to and are exacerbated by barriers to maintaining safe, secure accommodation. This is why it is so very important that we offer tenants person-centred, holistic support to overcome their problems and achieve their goals.

### Q WHAT DIFFERENCE DOES HAVING A DECENT HOME MEAN TO SOMEONE WHO HAD BEEN FACING AND EXPERIENCING HOUSING CRISIS?

A A home allows people to put down roots, develop relationships and begin to establish connections within their communities. People are less exposed to health risks and are better able to manage or recover from a health condition. A home provides a sanctuary from the pressures of the outside world. It gives people the head space to develop their sense of self and wellbeing, and to start to address other challenges they may be facing. It is the first, essential step on a person's journey to achieving their personal and professional aspirations and thriving in society.

Once you house somebody, you can typically expect to see a range of secondary benefits such as reductions in substance use and offending, improvements in health and wellbeing, and greater engagement in education, training and employment.

### Q AND WHAT ARE YOU LOOKING FOR IN THE PROPERTIES AND LOCATIONS WITHIN WHICH THE FUND IS PURCHASING?

A We are looking to provide affordable, self-contained housing to give people who have been homeless the chance to regain their independence. Housing needs to meet good accommodation standards and be in areas that are accessible to community amenities and infrastructure that matters to people, with good access to resources including transport, health services and work opportunities.

### Q HOW ARE TENANTS SUPPORTED TO BECOME MORE INDEPENDENT?

A We offer a very person-centred approach, so as well as supporting people to take responsibility for managing their rent and property, we may help them in many different ways depending on what is holding them back from achieving their potential.

Our relationships with agencies and organisations providing external support in all areas we operate is important in enabling us to identify and refer clients to other relevant services such as health and social care, mental health, domestic violence support, or education, training and career opportunities. Sometimes we refer to another DHI service such as drug and alcohol treatment.

### Q WHAT HAS BEEN YOUR EXPERIENCE OF WORKING WITH RESONANCE?

A It has been refreshing working with a social investment organisation like Resonance, as it provides life-changing opportunities for people and communities facing housing crisis. Resonance has a solution-focused approach to project management which has afforded DHI a positive experience of collaboration and enhanced the scale and impact of what can be delivered. Excellent governance and regular opportunities to share updates and manage any risks has been particularly helpful in keeping projects on track and advancing DHI's ambition to tackle housing inequalities.

### Q WHAT ARE YOUR HOPES FOR THE FUTURE REGARDING THE HOUSING CRISIS? WHAT SOLUTIONS MIGHT THERE BE?

A Our vision is for an end to housing injustice. We want people to be able to access good quality, affordable rented housing, which meets their needs and gives them the foundations they need in order to thrive. All tenants should be housed in properties which meet legal standards for renting, with repairs undertaken swiftly and thoroughly.

There needs to be more social housing, and for people's needs to be prioritised over profits. Local housing allowance rates needs to keep a pace with inflation. Planning reforms are needed to ensure land banking ends and legislation put in place to ensure developers really take on board their duties to have some provision for those on no and low incomes. We also need a new definition of affordable accommodation.

The solution is complex and requires political leaders, decision-makers and people of influence to come together to ensure an adequate supply of accommodation to meet the needs of all people.

### Q WHAT WOULD BE YOUR BIGGEST ASK OF THE NEW GOVERNMENT?

A We ask the government to make a commitment to end homelessness, be brave and think long term, investing in housing solutions that enable people to build a sustainable future.

### Q AND FINALLY, WHAT DO YOU FIND MOST REWARDING ABOUT YOUR JOB?

A I love the challenge, the diversity and the people we work with at DHI. Everyone can struggle and feel excluded at some point in their lives, and I love seeing people gain their sense of place in the world, their self-esteem.

Photo: Resonance's Homelessness Property funds purchase and make improvements to properties across the UK through refurbishment.





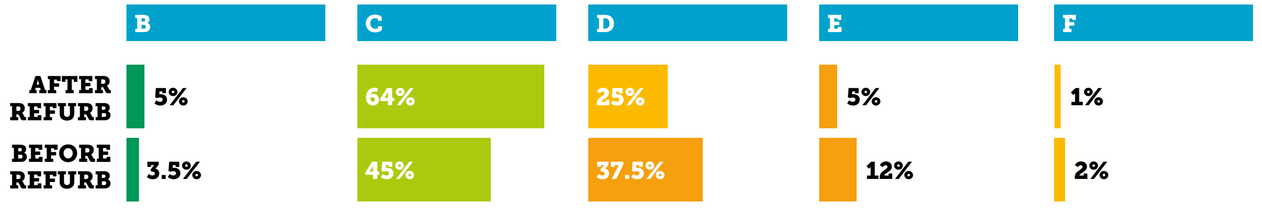
# QUALITY OF HOMES

Despite the challenges of rising costs of refurbishment and house prices across the country, the quality of the homes the property funds are providing is consistently reported as high by tenants responding to the survey and by housing partners. This is in comparison to accessing housing available in the private rented sector for tenants on low incomes or Local Housing Allowance (LHA) is likely to be of poor quality, overcrowded, unsuitable and potentially unsafe. A 2023 report by Shelter, "Still living in limbo"[3], surveyed people living in temporary accommodation: 75% reported poor conditions, 29% felt unsafe and 21% reported safety hazards. The commitment to high standards of accommodation in the funds contributes to the stability and safety that tenants experience.

This quality is also reflected in the EPC (Energy Performance Certificate) ratings of the funds' properties. 69% of homes have a rating of B or C, and these usually represent an improvement as the properties are refurbished. 80% of NHPF2 and 86% of REIF properties reached this standard.

As the demographic diversity of tenants remains high, and the range of needs increases, an emerging consideration is the appropriateness of properties for particular tenants, in particular neighbourhoods, when these neighbourhoods are themselves changing over time.

## IMPROVEMENTS MADE TO PROPERTY EPC RATINGS THROUGH REFURBISHMENT




Properties are bought and refurbished in established communities where there is usually infrastructure that tenants can benefit from. Housing partners have observed that there is a risk in moving people away from their current established networks and that re-establishing themselves elsewhere (even within the same town or area), which can lead to a reluctance to move, even if that means a better-quality property. Having homes in established areas mitigates, to some extent, that risk.

There is also potential for future positive developments to be factored into new property purchases, for instance where there might be significant investment in neighbourhoods, including transport, retail or community assets.

Last year's commitment to *'Review the type of properties in light of high demand from families and geographic expansion'* resulted in an understanding that more two- and three-bedroom properties were needed to meet the profile of tenants. Finally, the reverse logic could be applied to disposals, if properties in a particular location become less suitable. This could include issues with freeholders (some of which have been revealed through the ongoing process of transferring homes from St Mungo's to NHG) or with neighbours, e.g. if antisocial behaviour cannot be resolved. How the portfolio is renewed has become an increasingly important consideration, not only for asset management reasons but as part of the commitment to tenants.

# ENVIRONMENTAL IMPACT AND TARGETS

**The homelessness property funds identify, purchase and refurbish properties to a decent standard before they are leased to housing partners. The funds aim to enhance the environmental credentials of each property when they are refurbished and on an ongoing asset management basis.**

This improvement in environmental performance not only helps reduce the properties' impact on the environment, but also, through upgrading lighting, heating and improving insulation, leads to lower energy consumption and reduced bills for tenants.

The funds' overall aim is to create warm, safe, comfortable, and more energy-efficient homes for housing partners to let to tenants.

## STRATEGY

Resonance's journey to decarbonising its properties focuses on creating the right conditions for comfort in its homes. This means better air quality, improved ventilation and thermal control. Its strategy is that this will be achieved during post-acquisition refurbishment and then on an ongoing asset management basis.

As part of their overall investment process, the homelessness property funds have an active strategy for improving property EPC ratings, where possible. The aim is always to improve the environmental performance of the portfolios.

The key targets that we look to for our homes are:

- Net Zero across all sources by 2043
- Energy Performance Certificate (EPC) grade 'C' or better for:
  - All new properties acquired by our deploying funds at the point of handover to housing partners
  - All properties previously acquired by our deploying funds or acquired from legacy portfolios, by end of 2028 at the latest
  - All properties across all of our non-deploying funds by 2030 at the latest

## MEASUREMENT

The funds measure the EPC ratings of all its properties after refurbishment striving for all homes to be a minimum of a C rating. However, a strategic allocation decision has been taken for up to 10-20% of each fund's portfolio to acquire some properties that fit within the social impact of the fund where it is not immediately viable to improve to a C rating. The fund aims to upgrade these properties by end of 2028.

In October 2024 all properties' EPC ratings were reassessed. This showed EPC ratings across the five funds' portfolios are currently in line with the targets with 69% of properties now at EPC C and above, and 20% more funds' properties are now rated EPC C and B following improvements made during refurbishment.

Breaking down the EPC ratings for the two property funds currently in deployment, 80% of NHPF2 and 86% of REIF properties, are EPC C and above. And 22% of properties in these two funds have had their EPC rating improved to a B or a C through the refurbishment process.

The reassessment of the EPC data enables us to define our plan for upgrading any properties with EPC ratings D & E.





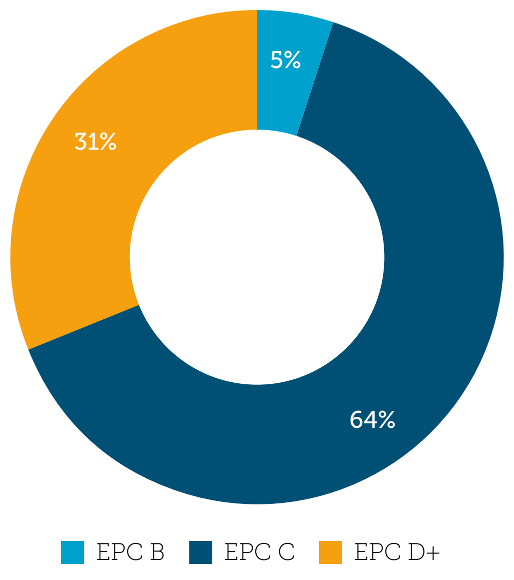
### DELIVERING ON ENVIRONMENTAL GOALS ACROSS THE PROPERTY FUNDS

EPC Ratings post refurbishment

**69%** of all properties are rated EPC B & C

**20.5%** of all properties have had their EPC ratings improved to a C+ through the refurbishment process

EPC Ratings post refurbishment for all funds




The fund seeks either to acquire energy-efficient homes, or upgrade their energy efficiency in refurbishment.

A number of properties purchased by RLPF1, NHPF1 and RLPF2 are currently having their original EPC ratings reviewed. Many of these, where their EPC rating is currently below a C may be improved. This should be reflected in next year's impact report.

Additionally, if a property's original EPC rating was a C to start with, at purchase, within the 'C band' the fund's refurbishments have ensured the property has been improved to a higher C rating.

### DELIVERING ON ENVIRONMENTAL GOALS: NHPF2 AND REIF

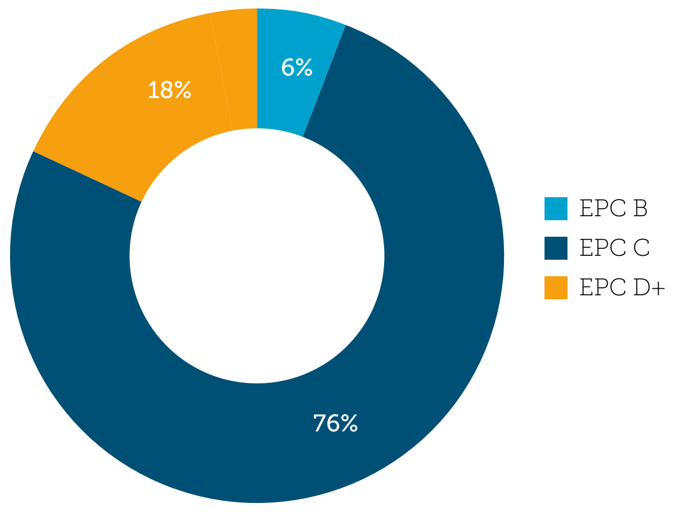
EPC Ratings post refurbishment

**80%** of NHPF2 properties are rated C+

**86%** of REIF properties are rated C+

**22%** of NHPF2 and REIF properties have had their EPC ratings improved to a C+ through the refurbishment process

EPC Ratings post refurbishment



Page 285

## PROPERTY CASE STUDY: GREATER MANCHESTER

One of NHPF2's first housing partners, in 2020, was Greater Manchester-based Stockport Homes (SHG). Partnering with the fund will enable SHG to house people in the Stockport area that are experiencing housing crisis. The fund is purchasing over fifty properties for SHG, a mix of one- and two-beds for single people and small families. So far, twenty out of twenty-four properties in the SHG portfolio, have been handed over and are now tenanted.

One of these properties is a two-bed flat, part of a late 20th century detached purpose built block of multiple flats. It is one of two flats that the fund has purchased and is refurbishing in this block.

The property is on a quiet cul-de-sac, close to similar properties and terraced houses, and provides tenants with off-street parking. It is close to many local facilities, such as shops and a supermarket, schools, places of worship, a leisure centre and library, access to a number of green spaces, and has excellent local public transport links, including buses and a railway station, enabling easy and quick access to the centres of both Stockport and Manchester.

Having been purchased in summer 2024 and undergoing standard refurbishment, the property has now been handed over to SHG to house tenants.

## THE FLATS

The two flats make up a larger building with six flats in total. Both flats are on the ground floor, and each has its own enclosed outdoor space and private parking. They are also close to local amenities and transport links in Headington. The flats had been relatively well-maintained previously.

> "These two-bedroom apartments will provide an excellent family home in close proximity to great transport links in to Stockport and Manchester City Centre as well as waking distance access to local schools and amenities.
>
> The quality of these apartments is high with modern finishes and a secure parking space. Offering one double bedroom pus a single bedroom, these properties will enable a family to create a secure home environment."
>
> Emma Crick, Head of Property Management, Stockport Homes Group

## PROPERTY RENOVATIONS

The fund's experienced property team worked with the refurbishment team to make significant improvements to the property, including:

- NEW FIRE DOORS & OTHER SAFETY FEATURES
- UPGRADED HEATING SYSTEM: RADIATORS & NEW BOILER
- ELECTRICS REWIRED
- NEW FLOORINGS THROUGHOUT
- FULL BATHROOM UPGRADE
- IMPROVEMENTS TO WINDOWS & DOORS THROUGHOUT
- ENERGY EFFICIENT LIGHTING THROUGHOUT
- ANTI-CONDENSATION & DAMP PROOFING
- GARDEN CLEARANCE

Refurbishment has made the property more energy efficient, helping to reduce CO2 emissions and energy bills.

This property is rated EPC C.




Photo: Resonance's National Homelessness Property Fund 2 is purchasing two flats in this multiple block for housing partner Stockport Homes Group.

## BEFORE AND AFTER REFURBISHMENT

# PROJECT BREATHE:

## TRANSFORMING LOW-INCOME HOUSEHOLDS TO LOW-CARBON LIVING

Project Breathe is Resonance's Homelessness Property Funds' pilot project that is aiming to provide low-income households with a just transition to low-carbon living.

### THE NEED

Many private and social landlords providing low-cost accommodation for low-income households are struggling to meet the regulatory target set by the government, which is that all UK properties need to achieve Energy Performance Certificates (EPC) C or above – by 2025 for newly rented properties - and by 2028 for those already tenanted.

Improving the energy performance of a home benefits the occupier through lower energy bills, which is particularly significant to lower-income households who usually must pay a poverty premium for energy. However, neither the value of the property nor its rental income increases with any upgrades to energy performance, so there is little incentive for a landlord to make such improvements.

The need to address this issue is enormous, both in the UK and globally, and it is a key consideration in relation to the homelessness property funds and its portfolio of over 1,140 homes, the majority of which are rated EPC C and above.

We estimate there's a c£20,000 funding gap per home to transition properties to our ambitious low-carbon healthy homes standard.

A £20,000 investment into low-carbon equipment, in theory, should be able to reduce energy costs from c. £2,500 per year to £1,500 per year. The equipment typically has a twenty-year lifespan, ignoring inflation, the savings could pay for themselves and still deliver important meaningful bill savings for tenants. However, the cost of capital, inflation, market volatility and supply chain challenges, ultimately prevent investment from flowing, especially if a return on capital is required.

The challenge Resonance faces with 'Project Breathe', is to develop and deliver a combined technical and financial solution that works for all parties involved.

### PROJECT OUTLINE

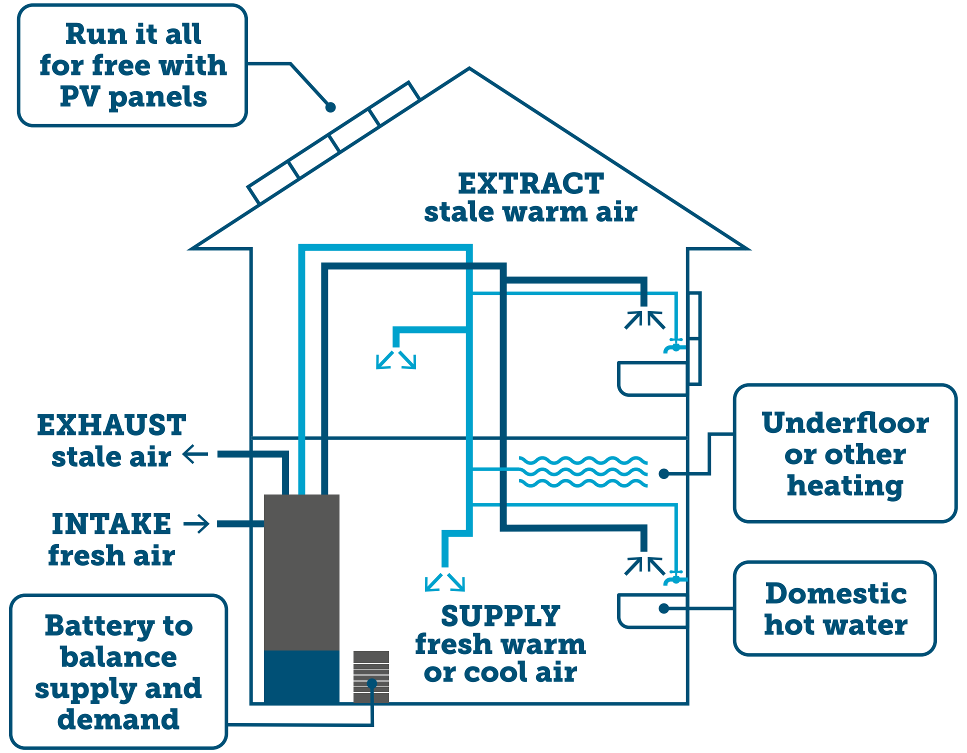
First step - pilot the project on a few preliminary properties, to demonstrate the benefits of low-carbon homes and the positive impacts this can have on low-income tenants, such as:

- Reduced and more predictable energy bills
- Improved home air quality, improving the health of tenants
- Carbon reduction having a positive impact on our environment
- Grid benefits through active grid management
- Supply chain efficiencies through economies of scale

Resonance is working closely with its technical partner, **Sero**, independent experts in helping organisations on their Net Zero journeys, to pilot the data monitoring aspects of this project in a small number of Resonance's properties in Bristol. This requires close cooperation with both the housing partner, Developing Health & Independence (DHI), and the tenants, and creates the opportunity to understand much better both the energy performance of the property and the energy, heating and hot water patterns of the tenants.

This learning is being integrated into Resonance's understanding of its refurbishment process, at an individual property level, as well as informing the bigger picture across Resonance's portfolio of properties.

### LOW CARBON AND HEALTHY HEATING, HOT WATER AND AIR




Page 287

# SUSTAINABLE DEVELOPMENT GOALS

All Resonance impact investment funds, including the funds covered in this report, make significant contributions to the UN Sustainable Development Goals (SDGs).

SDGs are a collection of goals set by the United Nations General Assembly. Each goal has a list of targets, which are measured with indicators to help understand how progress is being made towards the goals.

The homelessness property funds make a significant contribution to six SDGs:


## HOW THE FUNDS CONTRIBUTE TOWARDS SDG 3: GOOD HEALTH AND WELLBEING

Almost 117,000 households – including 147,000 children - are currently living in temporary accommodation and 1.3 million households are on social housing waiting lists[30]. People facing housing crisis can also face numerous health and wellbeing challenges. This is because living in temporary accommodation, such as hostels, hotels and B&Bs, or experiencing rough sleeping also means living with insecurity, sometimes in unsafe environments and certainly without stability. This can lead to people experiencing mental and physical health problems, becoming more likely to turn to alcohol and drug dependency, breakdowns in their relationship and support networks, overcrowding issues and increased risks of isolation, and likelihood of barriers to being part of a local community and wider society.

**Shelter's 'Still living in limbo'** report found that 66% of people living in temporary accommodation said that their physical or mental health has been damaged[31]. This ranged from worsening physical conditions, to higher rates of mental health issues, such an anxiety or depression. And **BRE Group's 'The Cost of Poor Housing'** estimates that poor quality housing costs the NHS in the region of £1.4bn every year, primarily due to disrepair, cold and damp that can lead to ill health, especially of those most vulnerable in society[32]. Meanwhile, **Health Equals** report that people experiencing homelessness and sleeping in shelters and sofa-surfing are at considerable risk to their physical and mental health with one study finding that people living in one hostel in London had on average, seven health conditions, putting them at increased risk of reduced life expectancy[33].

Living in decent, good quality housing, however, is a significant contributor to good health and wellbeing as well as helping tenants in other ways, such as reducing energy costs and improving education and employment aspirations. Amongst the homelessness property fund tenants, 71% said that it was positively impacting their lives and 71% said that it was positively contributing to their support and relationship networks.

And in the wider housing and homelessness sector, the **Housing First** model, being piloted in three areas in the UK, including in the Liverpool City Region, where the fund has partnered with **Redwing** to provide tenants with a mix of Housing First and specialist support services, is proving to be an effective approach for reducing homelessness and improving health and social outcomes. The charity, **Homeless Link**, conducted research on the UK's Housing First model, early in 2024, finding that 50% of Housing First tenants showed a reduction in their mental health needs by the end of the first year and 25% a reduction in their physical health needs[34].

One of the funds' tenants is Lee. He has been housed by NHPF2 in partnership with housing partner, Redwing, in Liverpool. Lee was born and grew up in London but moved to the Wirral in his late twenties. He married and worked in various roles but when his mental health deteriorated, he became homeless, and sofa surfed for several years before he moved into a hostel just before the pandemic.

Lee explains: "It was very difficult to access support from specialist services for mental and physical health but most of all, it was difficult for me to remain in contact with my children. My physical and mental health deteriorated, and I was very low."

After being moved into one of the fund's homes that also provided him with access to specialist support services, Lee said: "I feel I'm free from an environment where I felt really vulnerable and have been able to take back my independence and live how I want to live ... also, I'm able to make health appointments now and get to them, as my doctor is really close ... I also can now have visits to my flat from my mental health support worker."

> "A difference my new home is making is to my quality of life – it's completely different than it was - I feel safe here. When I moved in, I felt good that I could share this experience with my children who are now able to visit me and make new memories. I have realised that all you have are memories and imagination for the future and I am enjoying living in the present and making these memories. It has helped me move on as I can now see my family regularly."

Photo: Lee, a tenant, says that he has been able to take back his independence since moving into his new home.

Page 288

Stock photo - not actual tenant.

# IMPACT IN DEPTH, LEARNING IN DETAIL

## STABILITY

When the first fund was created, most of the individuals moving into the homes were men who had previously lived on the streets in **London**. These homes served as a crucial transition from hostels to private or social rental housing, with tenancies originally expected to last two years. This turnover was intended to free up space for others in temporary accommodation and reduce council spending on hotels and private landlords. However, in practice, tenants in Resonance properties are staying much longer, with the average tenancy now lasting four years and seven months.

Two significant factors have changed since the funds' inception: internal developments within the funds and external shifts in the UK housing sector.

Internally, the funds have grown, and housing partners have become more diverse, serving a wider range of demographics and regions. Some partners focus on supporting people transitioning from insecure rentals, hostels, or homelessness, while others specialise in providing stable housing for families and individuals coming from temporary accommodation.

Externally, the private rental sector has become increasingly hostile, with rents rising consistently, especially over the last three years. In **Bristol**, for example, rents have increased by 52% in the last decade (30% in the last three years), while wages have risen by only 24%[35]. Estate agents report waiting lists and bidding wars, making it highly likely that tenants moving on may find themselves back on waiting lists, especially in urban areas. 2023 saw a 49% increase nationwide (Inside Housing, 2024)[36].

**In the last ten years in Bristol, private rents have increased by**

**56%**

**and wages by only 24%**


Photo: Jonathan Tam, CEO Greater Change, presenting to the Homelessness Property Funds Housing Partner Forum in March 2024.

Page 289



## STABILITY WHEN PARTNERS CHANGE

Consideration of stability has been from the perspective of tenants staying in the funds' homes or moving on. The transition of some homes from the **St Mungo's** portfolio to be managed by **Notting Hill Genesis (NHG)** mean that whilst tenants may have stayed put, their housing provider has, in the majority of cases, changed.

At the end of the reporting year (March 2024), NHG were managing 490 tenancies with just over 800 residents in London that were previously managed by St Mungo's. This change has been possible due to the joint work of NHG, St Mungo's and Resonance, and it is positive that residents have kept their homes during this. St Mungo's continued to manage 92 homes with 146 people at the end of the reporting year. Transfers have continued during Summer 2024 and so it is anticipated that the balance of people and properties will move to NHG gradually, during the autumn, outside of the time period covered by this impact report.

Resonance, St Mungo's and NHG have been working together to mitigate possible risks associated with the outstanding tenancy transfers and Curiosity Society have explored how this has been working. Challenges for the partners included:

- The geographic boundaries within which NHG operates - some of St Mungo's properties fall outside of this
- Fire Risk Assessment issues, where the freeholder of a block of flats has been unresponsive and will not provide the Assessment
- Outstanding repairs/property condition
- Tenants in arrears or otherwise violating their tenancy agreements.

Resonance do not believe that any properties are impairing tenants' quality of life or creating risks to them. Further transfers are planned to take place late 2024 / early 2025 and their outcomes will be reviewed in next year's report.

Curiosity Society advises that there are potential impact risks related to households in arrears, particularly if they are given notice. The funds' partners have committed to proactively managing rent arrears and minimising evictions and, with Resonance, they are encouraged to provide support and find alternative resolutions wherever possible, potentially drawing on third parties if the relationship with tenants has broken down.

## WHAT A STABLE, LONG-TERM TENANCY OFFERS TENANTS

A stable long-term tenancy offers numerous benefits to at risk tenants. A secure tenancy protects tenants from the constant threat of eviction or displacement, which is crucial for those at risk of homelessness. Studies have shown that housing stability is directly linked to improved mental and physical health (**Shelter**, 2017)[37], improved health outcomes, (**Health Foundation**, 2020)[38], economic security (**Joseph Rowntree Foundation**, 2023)[39], community integration (**National Housing Federation**, 2023)[40] and a reduced risk of homelessness in the long term (**Crisis**, 2018)[41]. The high numbers of tenants who report access to healthcare, bank accounts and savings accounts, and stable tenancies (already cited in this report) suggests that the funds' homes are already creating a stable grounding for many of these areas directly linked to housing stability. In addition, this year's move on figures reported previously and the small number of evictions (6%) suggests that the fund is reducing the risk of homelessness* with only one section 21 eviction on record.

The average length of time people spend in their homes in England between 2010 and 2023 varies by tenure type[42].

- Homeowners tend to remain in their home the longest for an average of 17.4 years. This length of stay is significantly longer compared to renters.
- Social renters stay for about 11 years, according to data from the **English Housing Survey (EHS)**, 2020-2021.
- The average private renter remains in their home for an average of 4.3 years (an increase from 3.7 years in 2011).

This suggests that when rental periods are in the hands of residents the tendency is to stay for longer periods. In the UK, economic insecurity, increased competition for private rentals, rising rent costs, limited supply and long housing waiting lists are all contributing to longer stays by private renters in their current properties.

* In 2023 there were 25,282 evictions carried out by county courts across England and Wales. This represents a noticeable increase compared to previous years. These figures highlight growing pressures on renters, especially in the face of increasing rents and cost-of-living challenges. There was also a sharp increase in no-fault Section 21 evictions - a 32% increase compared to the same period the previous year (Shelter)

## SUPPORTING HEALTHY DEVELOPMENT IN CHILDREN

Stable accommodation supports child development, particularly in the first seven years of their lives (**National Library of Medicine, 2018**)[43]. Consistent transiency and displacement in childhood has a deep and lasting physiological impact on children, creating anxiety, a loss of belonging, social status and low self-worth, negatively affecting their education, behaviour and ability to adapt to situations.

Provision of stable housing for children can affect their entire trajectory in life, enabling them to put down roots, build and maintain relationships, develop the ability to think and plan ahead, and imagine and realise the best for themselves and what they can be.

> When uncertainty is over something as fundamental as housing – a satisfier for the human needs for shelter and safety – the results can be experienced at a deep psychological level, affecting what is known among psychologists and social theorists as ontological security. For our transient participants, especially those like Ali with vivid imaginations and a lower threshold for tolerating the unknown, home is far from being a bedrock of ontological security. For Ali, thinking about home meant roaming, in his imagination, to the place where the bad things happen.
>
> **CHILDREN'S SOCIETY, 2020**

**'To be rooted is perhaps the most important and least recognised need of the human soul.'** Simone Weil, The Need for Roots (1952) (Children's Society)

## THE EXPERIENCE OF TRAUMA ON TENANTS

The impact of trauma and traumatic experiences on housing instability and homelessness is complex. Trauma can be a root of homelessness through adverse childhood experiences (ACEs), domestic abuse, mental health and addiction. Conversely, homelessness can be a source of trauma. What is clear from the records of how tenants came to live in the funds' homes, is that the likelihood of trauma is far higher than would be expected in other tenancies and housing providers, with an estimated 80%-85%* having experienced a recent traumatic event related to their homelessness.

The relationship between trauma and employment is significant, particularly in the UK, where individuals who have experienced trauma in their lives often face challenges in securing and maintaining work. Stigmatisation of trauma survivors can make it difficult for them to secure housing or receive adequate trauma-informed services. There is a developing conversation about the importance of trauma informed care in housing (see, for example, **Guidance for the Housing Sector**[44] or **Homeless Link's** practice framework[45]). Some of the partners are already experienced in trauma informed approaches. There is an opportunity to further improve tenants' experiences by providing platforms to share and celebrate this best practice amongst partners.

* Based on reasons for needing accommodation, 80% is trauma indicated (breakdown of family, domestic violence or harassment for example), 5% is trauma suspected but not clearly identified (moved from other support, health issues not specified for example) and 15% no trauma evidenced outside of homelessness or living in temporary accommodation.

## DIFFERENT TENANTS, DIFFERENT NEEDS

Whilst Resonance and housing partners hope that all tenants will progress in line with the impact framework and develop their own goals and objectives, it is important to recognise that different tenants have different starting points. Whilst this is based on personal circumstances and experiences, it is also the case that housing partners work with distinct groups of tenants, although it's important to note that some partners are supporting tenants from more than one of these cohorts:

1. **Tenants with a recent history of rough sleeping, (e.g. those housed by Nacro).** This was a response to the Government's Everyone In scheme, housing people who had been living on the streets when COVID hit, and the subsequent Rough Sleeping Accommodation Programme. Generally these tenants will not have been working and are likely to have additional, complex needs and Nacro have much higher staff to tenant ratios to support them.
2. **Tenants with known, additional needs receiving some additional support.** Several partners are working in this context, including Response, DHI and Redwing, focusing on people with mostly medium support needs such as those with mental and physical health issues, substance misuse and financial independence.
3. **Tenants not receiving additional support, beyond their need for accommodation.** The majority of partners, including NHG, St Mungo's and Capital Letters, provide a general housing offer to tenants, the majority of whom have low support needs. Partners can direct tenants to specialist support services as needed. (It should be borne in mind that individual circumstances change but this level of support is deemed appropriate at the point that people are referred.)



This means that it is helpful to understand tenant feedback in relation to the housing partner and tenants' likely starting point. This has a further consequence: comparing by geography is often unhelpful. For example, the employment rate is very low for former rough sleepers with Nacro, whereas it is relatively high for tenants housed by Capital Letters, NHG and St Mungo's. All are in London, but an average for the capital would be a false average. There is some future potential for geographical comparisons between housing partners not providing additional support, but sample sizes out of London are low and caution is required. They were included in the overall analysis but figures for them are generally not given in the table below, which compares three selected impact metrics. Possible explanations are provided in the right-hand column.

| | Higher Support | ⟷ | Lower Support | Explanation |
|---|---|---|---|---|
| | E.G. Nacro | E.G. DHI and Response | Other partners, including E.G. NHG and St Mungo's | |
| **Employment** | 13% | 39% DHI<br>44% Response | 55% NHG<br>55% St Mungo's | As one would expect, employment is lower amongst former rough sleepers. Nacro is focused on providing stability, safety and support as tenants manage other parts of life. DHI and Response have significantly higher rates than Nacro, although these are lower than settled tenants in NHG and St Mungo's, the majority of whom are working, if they are eligible to do so. |
| **GP registration** | 100% | 97% DHI<br>100% Response | 85% St Mungo's<br>99% NHG | Close work with health professionals is an essential part of recovery for Nacro and Response tenants and GP registration is 100%, closely followed by DHI at 99%.<br><br>Registration rates are more variable for other housing partners. This could reflect people's perceived need to register (people in good health may be less likely to find a GP), or more movement between boroughs corresponding to more people leaving a practice they were previously registered with, or a mix of other factors. |
| **Savings account** | 7% | 46% DHI<br>33% Response | 21% - 29% NHG<br>21% - 29% St Mungo's | Savings are a lower priority and likelihood for people who were rough sleeping. The Nacro cohort is also the least likely to be working and is therefore reliant on benefits for income. It is not surprising that St Mungo's and NHG's tenants show higher rates of saving, with more people working.<br><br>Interestingly, the highest rates are for the middle cohort, with DHI and Response. This may be due to support focusing on financial management and resilience. |

## 1 SUPPORTING TENANTS' FINANCIAL STABILITY IN UNSTABLE TIMES

Although it is housing partners who take and manage the risk of voids, arrears and general maintenance under the leases, the fund none the less clearly monitors the trends in these factors. When tenants first move into their homes, they come from unstable housing situations, most recently:

- Statutory temporary accommodation (46%)
- Staying informally with a friend/sofa surfing (9%)
- Unstable private rental (9%)
- Bed and breakfast (8%) or hostel accommodation (3%).

Tenants of the funds, by the very nature of their needs and the referral mechanisms, are unlikely to be financially stable and are unlikely to have access to significant assets.

For the last five years, many of the recommendations discussed in the impact reports have related to supporting financial stability. In 2018/19, financial stress and the benefits cap were discussed in detail. The financial pressure that this was putting on tenants was evident and when the figures were explored with the St Mungo's team (as the one housing partner at that time) the full picture of that financial pressure on tenants was uncovered. As a result of that learning, Resonance chose to stagger planned rent increases over a nine-month period to allow tenants to prepare and plan for the increase. Rents are mostly set at the Local Housing Allowance (LHA) rates and housing partners work closely with tenants to support their financial stability.

**93%** of tenants report paying their bills on time

**78%** of tenants pay their rent regularly and have no arrears

This year, 93% of tenants report paying their bills on time. This a very marked improvement compared to the first time this measure was recorded (2014/15 - year two of the funds), when just 62% reported doing so, rising to 74% in the 2017/18 reporting year. Improvements are also apparent in the percentage of tenants who pay their rent regularly and have no arrears: this was 78% this year, in comparison to 63% in 2014/15 and 74% in 2017/18. This positive and sustained improvement is significant given the increasingly challenging external context.

The 2020/21 report understandably focused on the impact of COVID-19 on tenants. The report recognised that financially vulnerable tenants were most likely to be adversely affected by the longer-term economic shocks of the pandemic. This was supported to some extent in the following year's report, where some of those impacts were still being felt.

Despite the size and unpredictability of the pandemic, predictions of a long and devastating financial impact for tenants were not realised. The next reporting year saw signs of financial resilience with many families already recovering, with self-reported positivity measures and employment rates returning to pre-COVID levels.

The impacts of both COVID-19 and the cost of living crisis became the inspiration behind two further commitments both of which were and are being implemented by Resonance and housing partners:

- Creating a plan for COVID-19 to support tenants
- Creating a portal for housing partners to share and curate best practice and resources to support tenants struggling with increased bills and a higher cost-of-living.

The subject of arrears arose for the first time in the 2018/19 report and became the focus of learning for the following year. The 2019/2020 impact report uncovered data that presented a far more complex issue and one that could not be corrected by a single intervention. The report highlighted that the housing partner could improve help to a small minority of tenants who found themselves in the trap of persistent arrears.

Figures based on tenants that completed a tenant survey.

At the time, the top ten persistent arrears cases by fund (NHPF, RLPF, RLPF2) accounted for 31.5% of all arrears, i.e. total arrears were massively affected by this small number of tenants, and the effects of this were felt throughout the organisation and by the tenants themselves. As funds dedicated to helping people back from homelessness into homes, it was counterintuitive to evict tenants. It was also clear that the reasons for arrears were often outside the control of the tenant, e.g., most frequently a mixture of benefit issues, support needs, and mental health challenges) or outside of the control of the housing partner e.g., suspected property abandonment.

The report concluded that targeted intervention on a small number of cases was not only morally right but also commercially sensible. Reducing these arrears is good for both the impact of the fund and the financial stability of housing partners.

The commitment to understand the systemic difficulties of this problem led to the commissioning of a framework that outlined current research and evidence-based solutions being tried not only in the UK but across the world, that could then be informed by housing partners to find solutions that suited their tenants, localities and resources. The report concluded that, based on the evidence, there were four levels of support that had seen demonstrable results.

We know that the housing partners all work to at least level 2 of the pyramid, and are skilled and experienced in this area. Having quality housing partners mitigates risk.

## RECOMMENDATIONS AND POSSIBLE SOLUTIONS

**1 Financial Support and Freedom from Debt**

Recognising that poverty is a major contributor to continued arrears and the cycle that impact health, prosperity and inclusion. Adopt practices that provide financial support from housing partners. This could take the form of a grant or ideally a cash injection that is used at the tenant's discretion.

**2 Trauma Informed Approaches and Person Centred Relationships**

Adoption of a trauma-informed approach. Recognising the widespread impact of trauma, how this affects tenants and what actions aid recovery; avoiding systems and procedures that re-traumatise during the debt procedure.

Putting tenants at the heart of the organisation and recognising best communication practices, relational touch points, barriers to communication and what can lead to attribution biases.


**3 Policy Change**

Become a champion for policy and systems change. Recognise that long-term, sustained political change (such as for Housing First) can make long-term changes. Support this movement with evidence, learning and systems thinking.

**4 Information and Autonomy**

At a minimum, providing financial and legal advice and support. Ideally starting before the tenancy begins. Including technology that allows for tenants to access and have control over their money and information in real-time.

## 2 IMPROVING SHARED PRACTICES FOR RESONANCE AND HOUSING PARTNERS

Historically, the impact report has not only been reviewed by Resonance and housing partners but deeply informed by their input. Notably, this has included the annual commitments that they have made to increase the impact of the funds. A more recent shift has been to bring learning and improvements more into the ongoing practices of all partners throughout the year.

To this end, Resonance has established a Housing Partner Forum that has met twice in this reporting year. As well as supporting the expansion of the funds into new geographies and with new partners, it provides a valuable opportunity for housing partners to meet, network and share learnings and best practices in delivering high-quality housing and support to the funds' tenants.

Alongside the creation of the forum, Resonance has also launched a housing partner resource hub. This online, interactive resource tool is accessible to all housing partners across all of Resonance's property funds. It enables partners to share ideas and initiatives around supporting their tenants, especially around the cost-of-living crisis. The portal also has links to key learnings and outcomes from the forums, topical and relevant news articles and useful tools for tenants such as budgeting, debt advice, energy and food saving tips and more.

### Topics discussed to date:

- Transfers of new properties into housing partnerships
- How to best support tenants through the cost-of-living crisis
- The excellent quality of the properties and the journey to this point
- The importance of maintaining the quality of the partners involved
- Ensuring that all housing partners have tenants at the heart of their thinking
- How the lease model could be used to keep properties available for homeless people and how to persuade more partners to consider this leasing model

### Future topics of discussion include:

- The importance of early intervention as prevention is key in not letting issues escalate
- Housing partners' continuing commitment to learning how to guide tenants and look to systems that cause issues
- How to improve learning to support more move-ons
- How to clearly explain to tenants the character and nature of their tenancy and the expectations within that, as opposed to some alternatives such as long-term social housing leases

### MARCH 2023 HOUSING PARTNER FORUM

Following the fund's first Housing Partner Forum that took place in London in November 2022, the fund's second forum took place in March 2023 in Manchester.

Nine of the fund's housing partners joined the forum with the Curiosity Society invited to run facilitated workshop sessions with the group. Sessions included discussions around the cost-of-living crisis and its impact on tenants and the tenant journey: how tenants are supported to move from unstable and temporary accommodation and into their new homes, enabling and empowering them to find stability and to make positive changes in other parts of their lives, such as employment and tackling personal health and wellbeing issues.



Photo: The Homelessness Property Funds Housing Partner Forum held in London in November 2024.

"I appreciated meeting leads from other organisations and hearing about how they are implementing similar projects with you to meet their local needs. I also valued the opportunity to discuss and share our organisations aligned values and ambitions, this was very reassuring."

**BETH HENDRY, DIRECTOR OF OPERATIONS, DEVELOPING HEALTH & INDEPENDENCE**

"Meeting the other delivery providers is such a great opportunity to reflect on best practice, explore the shared challenges and successes across different regions."

**AMY CRIPPS, HEAD OF MOVE ON, ST MUNGO'S**

Page 293

Stock photo - not actual tenant.

## 3 LEARNING WITH TENANTS

One of the commitments from the last few years has been the importance of listening to the experiences of tenants. The impact report has always been built on quantitative data, substantially drawn from tenant surveys, and has included tenant stories. This, together with feedback from Resonance and housing partners, has been helpful in shaping the direction of the funds and bringing a sense of the day-to-day issues faced by tenants. However, there was also a desire for a stronger feedback loop from and with tenants - something that has become more important as the funds have grown.

In the 2020/21 impact report, a key commitment was to 'listen to tenants' and to establish a tenants voice forum, to involve and recompense tenants for longer term engagement with the funds. The report recognised that the demonstrable mission of the funds was a distinguishing characteristic from other funds and that, while a return on investment was a core purpose, the fundamental driver behind the success of the funds has always been its focus on impact and tackling the pernicious problem of homelessness in the UK.

Following the evidence outlined in both the **Social Housing White paper** (2020), the **Charter for Social Housing** (2021)[46] and the **British Academy COVID-19** report[47], a way to further strengthen that priority was to listen more closely to the voices of tenants and learn from their lived experience. The commitment was to create a forum for tenants to have a platform for regular effective engagement.

### TENANTS VOICE GROUP

**9** residents

**66%** are parents

**4** meetings so far

The first Tenants Voice Group met early in 2022 and is currently made up of nine residents who hold tenancy agreements with Resonance (via housing partners). The meetings are held online and bring together people from across the funds. Currently the tenants are mostly London-based (although not exclusively) and housing partners and tenants are helping to recruit more participants. The group is made up of nine participants, two of whom are men and seven are women, ranging in age from mid-twenties to early seventies. Six of the nine participants are parents to one or more children of primary school age.

The forum has since conducted four meetings and has formally expressed its appreciation for the funding that has made its inauguration possible. The goal of the coming year is to develop its role, and to work more closely with the funds' housing partners and the Resonance team.

Together the group have discussed their experience and made recommendations on a number of key issues, which many housing partners are already meeting, that they feel make up a strong basis for excellence and support.

In its next stage, the forum is keen to strengthen its geographic balance and to build relationships directly with Resonance and the funds' housing partners, developing a greater sense of dialogue to inform continued improvements. Housing partners have been supportive of the forum, including in recruitment, and expressed their interest in collaborating around learning and development.

### IN SUMMARY...

The story of the funds is not only a retrospective. It looks forward and changes as it grows, with the inclusion of a greater number of voices: investors, staff, tenants and housing partners. This makes the future of the funds a tale told together.

Going forward, the funds continue to tackle some of the harder learning questions raised over the last ten years in an increasingly collaborative way. Feedback loops ensure that learning is informed by evidence and experience. The funds are sharing power – to reduce risk and improve inequality - in a more participatory way with those who see its impact every day; housing partners and tenants.

# RECOMMENDATIONS



The funds have four key commitments with the aim of further improving the positive social impact of the funds. They are:

## 1 ENCOURAGE - WHERE APPROPRIATE - TRAUMA INFORMED PRACTICE

When people start their tenancies, they come from a place of homelessness including temporary accommodation. Providing support services that treats every tenant as an individual with 'their own story' and in a way that supports psychological and practical stability can ensure that everyone feels respected, listened to and more able to make choices about their futures. This is in positive contrast to the stressful and in many cases traumatic experiences that people faced prior to living in the funds' homes.

It is encouraging that some housing partners already have considerable experience of trauma informed practice and are integrating this into their work. The opportunity is to mainstream this within the funds, including by using housing partner forums to share good practice. As well as supporting learning and improvement across current partners, Resonance could also ensure that any new partners can offer trauma informed practice where appropriate for different cohorts of tenants.

It is important to understand that being trauma informed does not mean that every partner will provide the same level of service. Some partners are equipped to provide higher levels of support, but a trauma informed approach can be adapted across partners. Areas that Resonance and housing partners could look for include reviewing procedures to make them more person-centred, increasing training for staff on trauma and mental health, and broadening and deepening links to other public and third sector services.

## 2 REDUCE PROPERTY TRANSFER RISKS BY WORKING CLOSELY WITH PARTNERS AND TENANTS

The large-scale transfers from St Mungo's to NHG appear to have generally been managed well by Resonance and the partners involved. They are nonetheless an opportunity for learning as they have revealed some new issues. Impact risks can arise because the properties that are harder to transfer are likely to have one or more of administrative issues outside of the funds control (e.g. where a freeholder is unresponsive), fabric issues, or issues in the relationship with the tenant, such as rent arrears. Any one of these can create uncertainty and potentially distress for a tenant. As well as greater general communication with tenants, more co-ordinated work is called for where these issues exist. This recommendation is complemented by (1) on trauma informed practice where appropriate.

## 3 RETAIN THE ASPIRATION OF MOVE-ON

The funds were created with two-year tenancies as the standard, something that has always been well ahead of the private market. This has provided valuable stability for tenants but limitations have emerged. With a lack of suitable homes for people to move on to, and many tenants needing more time to raise families, or having more complex support needs, two years may not be long enough for all tenants. Resonance and housing partners consistently provide tenancy extensions, although these are on a rolling basis with the potential that some tenants could find this unsettling. However, partners see move on as aspirational and therefore support tenants on an individual household basis, recognising that some tenants will need to remain in their homes for longer than others. This ensures tenants can move on at the right time for them. Resonance will work with partners to help increase understanding and motivations of move on, when this is right for tenants and to ensure tenant aspiration to move on is retained through delivery of the right support for each household, based on their 'story' and circumstances.

Ideally housing partners should explain their impact rationale based on their client group and the local housing context. This could be covered in the next impact report.

## 4 FURTHER DEVELOP COLLABORATION BETWEEN HOUSING PARTNERS, TENANTS AND RESONANCE

The diversity reported throughout this document is substantially a product of new and changing partnerships, which bring greater geographical spread and different skills and approaches amongst housing partners. Supporting and connecting these housing partners with each other and with tenants is underway. Continuing the Housing Partner Forum, with its opportunities to share learning and provide peer support is valuable. (Curiosity Society understand that Resonance is also working with partners to implement a revised housing partner relationship plan with a view to increasing service standards.) In parallel, maintaining and developing the Tenant Forum gives greater voice to tenants and can work as a learning and design loop, revealing challenges and rolling out successes. Resonance aims to have a closer relationship with tenants through the creation of a tenant 'Welcome Pack' that will explain to tenants, the role of Resonance and the homelessness property funds, in relation to the housing partner and the properties purchased by the funds. Curiosity Society recommends that Resonance connects conversations across housing partners and tenants, to provide deeper insights and co-design improvements.

Creating more empowering and collaborative relationships that involve tenants in decisions about their homes and services can improve the quality of services and is aligned with a trauma informed approach.

Photo: The Homelessness Property Funds Housing Partner Forum held in Manchester in March 2024.

# ENDNOTES

Page 295


1. Crisis: record number of households facing homelessness across England
2. Centre for Homelessness Impact: Temporary Accommodation in England: is it Value for Money?
3. Shelter: Brick by Brick: A Plan To Deliver The Social Homes We Need

4 and 5. Centre for Homelessness Impact: Temporary Accommodation in England: is it Value for Money?

6. Shelter: Children homeless in temporary accommodation hits new record
7. St Mungo's: Women and Homelessness
8. Crisis: Record number of households facing homelessness across England
9. The Children's Society: What are the effects of child poverty?
10. Trust for London: People sleeping rough
11. GOV.UK: Rough sleeping snapshots in England
12. Shelter: Homeless accommodation bill hits £1.7bn
13. Simetrica/HACT: The Wellbeing Value of Tackling Homelessness
14. Trust for London: Shelter - still living in limbo: why the use of temporary accommodation must end
15. Office for National Statistics: Private rent and house prices, August 2024
16. Inside Housing: No-fault evictions proceedings increase 19% in first quarter of 2024
17. Milton Keynes City Council: Housing Allocation Scheme
18. GOV.UK: The latest data tables on rents, lettings and tenancies
19. Oxford City Council: Procurement of Emergency Temporary Accommodation Framework
20. Oxford City Council: Homelessness Temporary Accommodation Demand and Mitigations
21. London Councils: London's homelessness emergency
22. GOV.UK: Rough sleeping snapshot in England
23. GOV.UK: Housing history and future housing
24. Statutory homelessness in England: financial year 2023-24
25. Money: UK savings statistics 2024
26. Trust for London: What is the poverty premium?
27. The Children's Society: The Good Childhood Report 2024
28. GOV.UK English Housing Survey 2022/23
29. GOV.UK: Statutory homelessness in England: January to March 2024
30. Crisis: record number of households facing homelessness across England
31. Shelter: Still Living in Limbo - Why the use of temporary accommodation must end
32. BRE Group: The cost of poor housing in England
33. Health Equals: How do our homes shape our health?
34. Homeless Link: Research exploring holistic Housing First outcomes
35. Bristol City Council: Tackling the rent crisis in Bristol
36. Inside Housing: No-fault eviction proceedings increase
37. Shelter: The impact of housing problems on mental health
38. The Health Foundation: Improving the nation's health
39. Joseph Rowntree Foundation: Economic security
40. The National Housing Federation: Why we need a long-term plan for housing
41. Crisis: The plan to end homelessness
42. Department for Levelling Up, Housing & Communities: English Housing Survey 2020/21
43. National Library of Medicine: Impact of housing instability on child behaviour
44. The Association of Directors of Public Health: Housing and Health
45. Homeless Link: Being trauma-informed – a practice development framework
46. Ministry of Housing, Communities & Local Government: The Charter for Social Housing Residents – Social Housing White Paper
47. The British Academy: The COVID Decade: understanding the long-term societal impacts of COVID-19


**Sources table for the map 'Rising Housing Need on page 19.**

| | England Average | London | Bristol | Greater Manchester |
|---|---|---|---|---|
| **Rent** | Office for National Statistics | Land Tech | Office for National Statistics | Office for National Statistics |
| **Ave house price** | Office for National Statistics | Office for National Statistics | Office for National Statistics | Office for National Statistics |
| **Section 21 evictions** | Inside Housing | London.GOV.UK | The Bristol Cable | GOV.UK |
| **Waiting lists for social housing** | GOV.UK | GOV.UK | GOV.UK | GOV.UK |
| **Rough sleeping** | GOV.UK | St Mungo's | Bristol City Council | Greater Manchester Combined Authority |
| **Temporary accommodation costs** | Shelter | London Councils | Housing today | Greater Manchester Combined Authority |

# TO FIND OUT MORE ABOUT OUR IMPACT PROPERTY FUNDS PLEASE CONTACT US:

Resonance's FCA regulated fund management subsidiary Resonance Impact Investment Limited (RIIL) creates and manages scalable and diversified residential property funds, that provide life changing housing solutions for people facing housing crisis. RIIL also manages three enterprise growth funds and two community asset funds. These funds invest in social enterprises that support people to rebuild their lives, once they have an affordable home. Since 2013 our funds have raised in excess of £340 million, providing over 1,140 safe and affordable homes for over 3,600 people across the UK.

Page 296

John Williams
**Managing Director of Property Funds**
john.williams@resonance.ltd.uk
07485 311825

Chris Cullen
**Head of Homelessness Property Funds**
chris.cullen@resonance.ltd.uk
07485 311808

Simon Chisholm
**Chief Investment Officer**
simon.chisholm@resonance.ltd.uk
07738 026976

Gary Walker
**Head of Investor Relations**
gary.walker@resonance.ltd.uk
07704 004240

## DATA COLLECTION METHODS AND PROCEDURE

Data was collected from housing partners by Resonance and uploaded to ALICE, a system designed specifically for the fund.

The Curiosity Society analysed the output of ALICE and measured that against the raw data to produce an interim set of results.

These results were socialised with the Resonance team and with representatives of the housing partners in two workshops. This feedback was used to better understand the context of the results and interrogate any anomalies within the key findings.

Finally, the Curiosity Society summarised and clustered the results in light of the feedback.

The key themes and commitments come from those findings and discussions as well as desktop research and statistics.



Photo: The Homelessness Property Funds purchase a range of housing types from one-beds to housing of multiple occupancy.

PROFIT THROUGH **PURPOSE**



resonance

0161 883 2839
propertyfunds@resonance.ltd.uk

**Launceston**
The Great Barn
5 Scarne Court
Hurdon Road
Launceston
PL15 9LR

**Manchester**
Suite 707
Bloc
17 Marble Street
Manchester
M2 3AW

We also have dedicated Resonance teams based locally in **Bristol** and **London**

resonance.ltd.uk | Resonance Limited | @resonanceltd | Resonanceltd | Sign up for our newsletter on our website

Certified B Corporation | evpa European Venture Philanthropy Association | Responsible Finance Provider | Certified Social Enterprise Business for Good

KW-2024-12-SIR-HPF