

London Borough of Hammersmith & Fulham

Report to: Pension Fund Committee

Date: 23/11/2021

Subject: Darwin Leisure Development Fund Update

Report of: Phil Triggs, Director of Treasury and Pensions
Matt Hopson, Strategic Investment Manager

Summary

At the committee meeting of 20 September 2021, Darwin Alternative Investment Management were interviewed reference a 2.5% investment allocation to the Darwin Leisure Development Fund. Several areas for clarification arose out of this interview on which the Committee asked for further information. This report and its appendices details Darwin's response.

Recommendations

The Pension Fund Committee is requested to:

1. Note the report.
2. Approve the Pension Fund's 2.5% allocation to the Darwin Leisure Development Fund to be funded from the existing secure income allocation with Oak Hill.

Wards Affected: None

LBHF Priorities

| Our Priorities | Summary of how this report aligns to the LBHF priorities |
|--|---|
| <ul style="list-style-type: none">• 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

Legal Implications

The Council's obligations as the administering authority of the Pension Fund are to comply with the requirements of the Local Government Pension Fund Regulations 2013 and the Local Government Pension Fund (Management and Investment of Funds) Regulations 2016, and the Funding Strategy Statement and Investment

Strategy made in accordance with these regulations. There is no obligation to comply with the public procurement rules which have no application in relation to investment decisions.

Implications prepared by John Sharland, Senior solicitor (Contracts and procurement) Telephone: 07979 907148, Email: john.sharland@lbhf.gov.uk

Contact Officer(s):

Name: Patrick Rowe
Position: Pension Fund Manager
Telephone: 020 7641 6308
Email: prowe@westminster.gov.uk

Name: Matt Hopson
Position: Strategic Investment Manager
Telephone: 020 7641 4126
Email: mhopson@westminster.gov.uk

Name: Phil Triggs
Position: Director of Treasury and Pensions
Telephone: 020 7641 4136
Email: ptriggs@westminster.gov.uk

Verified by Phil Triggs

Background Papers Used in Preparing This Report

None

Overview

1. Background

- 1.1. At the committee meeting of 20 September 2021, members requested that Darwin Alternative Investment Management should provide;
- three sets of financial statements up to 31 Oct 2019, 2020 and 2021 for each of the two funds.
 - Occupancy rates pre and post pandemic for each of the two funds in respect of the 36 months from 1 November 2018 to 31 October 2021.

- Confirmation of the proposed fees, assuming that LBHF opts for maximum lockdown period.
- Assessment of when approximately the income distribution for LBHF's choice fund will commence.

2. Financial Statements

- 2.1. Please see attached Appendices 1 to 4 for the 2019 and 2020 Annual Report and Financial Statement for both funds: DLPF and DLDF.
- 2.2. The draft accounts for 2021 are currently being prepared by the Fund's Administrator. This is quite a lengthy process as it involves consolidating all UK subsidiaries and Guernsey based entities, but Darwin will provide these as soon as they are available (likely to be mid to late December).
- 2.3. In the absence of the 2021 draft accounts, Darwin has provided detailed bookings data for the last financial year and a forecast outlook of bookings for the next financial year, which provides a good indication of the underlying trading performance in the last financial year and anticipated performance looking forward (Appendix 5).
- 2.4. This level of data is not information Darwin would normally provide and, as such, they have asked that it should be treated as highly sensitive commercially and remain in confidence.

3. Occupancy Rates

- 3.1. Please see attached Appendix 5 for rates for all parks in DLPF and DLDF for the last three financial years together with the average net hire (yield) figures. Occupancy has remained strong since the parks reopened from the Covid-19 lockdown, with significant improvement seen in rates over the last three years set to continue into the next financial year.

4. Proposed Fees

- 4.1. The Tri-Borough Director of Treasury and Pensions has been in consultation with Darwin over fees and the agreed rate can be found in Appendix 5.

5. Income Distribution

- 5.1. Darwin anticipates that for DLDF income distributions will commence in 2023.

List of Appendices:

Appendix 1: DLDF Report & Accounts 2019

Appendix 2: DLPF Report & Accounts 2019

Appendix 3: DLDF Report & Accounts 2020

Appendix 4: DLPF Report & Accounts 2020

Appendix 5 (EXEMPT): Occupancy, net hire rates and fee proposal