

Pension Fund Committee

Meeting to be held on 15 July 2011

Electoral Division affected: All

Strategy for the Procurement of Tax Agents

(Appendix 'A' refers)

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Executive Summary

The revised investment strategy approved by the Committee in December 2010 will increase the Pension Fund's exposure to overseas investments which have potential tax implications for the Pension Fund.

It is good governance to appoint tax advisors to the fund who will provide ad hoc advice on the tax structure of new investments and any overseas tax filing obligations as well as acting as tax agents in territories where there is a local law requirement.

Recommendation

The Committee is asked to agree to a mini competition procurement exercise to appoint tax advisors to the Fund.

Background and Advice

The Pension Fund has previously used the assistance of KPMG to submit specific tax claims to the UK and European tax authorities. The current contract with KPMG does not enable them to review any other potential tax exposures of the Fund or provide advice on the implications of the Fund's Private Equity and other alternative investments.

The investment strategy approved by the Committee in December 2010 will increase the Fund's exposure to overseas investments and could lead to the Fund having tax payment and filing obligations in various local jurisdictions. In addition, certain countries (e.g. India) stipulate that investors have local tax agents before they invest.

It is good governance to appoint tax advisors to the fund who will provide ad hoc advice on the tax structure of new investments and any overseas tax filing obligations. The advisors would also be asked to review the current investments of the fund to ensure that any tax filing and payment obligations have been met.

They would also be asked to act as tax agents in jurisdictions where there is a local law requirement.

Given the likely scale of a contract of this sort, and the relatively small number of firms with relevant global exposure it is appropriate to run the procurement process through a form of "mini competition", and a brief for this is set out at Appendix A.

The Committee is asked to agree to a mini competition procurement exercise being run to identify the appropriate tax advisors to be appointed to act on behalf of the Fund.

Consultations

One Connect Ltd Procurement Centre of Excellence.

Implications:

This item has the following implications, as indicated:

Risk management - Financial

There is a risk that the Pension Fund may not meet tax filing obligations in overseas jurisdictions and will be subject to fines and interest.

The Fund would not be able to optimise its investment return if it is unable to invest in certain countries due to it not having local tax agents in place.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Directorate/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A