



BCPP Joint Committee

Date of Meeting: 11th March 2019

Report Title: Governance Arrangements

Report Author: Ian Bainbridge – Chair of Officer Operations Group and Rachel Elwell CEO of Border to Coast

1.0 Executive Summary:

- 1.1 This report updates the Joint Committee with the outcome of a meeting of a Governance Sub Group, which was held on 11th February to discuss the roles of the funds and administering authorities as both investors in and shareholders of Border to Coast. Part of the remit also included a review of the terms of reference of the Joint Committee.
- 1.2 The Sub Group concluded that roles were reasonably well defined in the Governance Charter and no changes were proposed to either these roles or the terms of reference of the Joint Committee.
- 1.3 To improve the interaction between the administering authorities and Border to Coast, it was proposed that an informal meeting of shareholders should be held on the same day as the Joint Committee meeting. In addition, consideration should be given to co-opting the Partner Fund nominated non-executive directors onto the Joint Committee as non-voting members.
- 1.4 Consideration will also be given to taking legal advice in respect of any conflict of interest for an individual member acting as a Partner Fund nominated non-executive directors as well as members on their own Fund's pensions committee.
- 1.5 The Governance Charter has been reviewed to reflect the feedback provided at the July 2018 Joint Committee meeting (predominantly to more clearly reflect the separate roles of Partner Funds as investors and Administering Authorities as Shareholders) and to update for the introduction of the Border to Coast Private Markets structure. There are also some minor changes following the publication of the new Corporate Governance Code in July 2018.

2.0 Recommendation:

- 2.1 That Members consider the report and adopt the following recommendations for the reasons set out in detail in this paper.
 - 2.1.1 That Partner Fund nominated non-executive directors should be co-opted onto the Joint Committee as non-voting members.

2.1.2 That the Governance Charter as included at Appendix A be approved for publication on the Border to Coast website.

3.0 Background:

- 3.1 A draft Governance Charter was presented to the Joint Committee in July 2018, which set out the roles and responsibilities of all parties in the Border to Coast pool. At this meeting, it was agreed that some of the detail and wording would be revisited and changed if appropriate, before this would be put into the public domain.
- 3.2 Following on from this meeting it also became clear that further more significant changes would be needed to reflect the governance arrangements around the operating model for alternatives.
- 3.3 In addition to this, at the Joint Committee meeting in November 2018, further clarity was requested on the role and remit of the Joint Committee, as investors and also the role of the administering authorities acting as Shareholders. It was agreed to set up a Governance Sub Group to look at these issues.

4.0 Meeting of the Governance Sub Group:

- 4.1 A meeting of a Governance Sub Group took place on Monday 11th February. In attendance were:

Councillor McMurdo – Chair of the Joint Committee (Bedfordshire)

Councillor Evans – Vice Chair of the Joint Committee (Surrey)

Councillor Stowe – Joint Committee Member (South Yorkshire)

Councillor Ellis – Partner Fund Nominated NED

Councillor Weighell – Partner Fund Nominated NED

Chris Hitchen – Chair of Border to Coast

David Coleman – Monitoring Officer (Lincolnshire)

Ian Bainbridge – Head of Pensions (Tyne and Wear)

David Hayward – Principal Solicitor (Tyne and Wear)

- 4.2 The Governance Sub Group started by reviewing the roles of investors and as shareholders as set out in the Governance Charter, and how each interacts with Border to Coast. It was agreed that the roles and interaction as defined in the Governance Charter were a good representation of the position and provided sufficient clarity as to the differences between the roles.
- 4.3 It was agreed that whenever a shareholder meeting was held, whether formal or informal, it was up to each individual administering authority to determine who should attend. This could be either a member or an officer, or both. It should be clear, however, that each administering authority would only have one vote, irrespective of the number of representatives at the meeting. It was also up to each individual authority to determine who should cast that vote.

- 4.4 The main area of potential weakness in the governance arrangements centred around the interaction between the shareholders and the Partner Fund nominated non-executive directors. To improve this, the following proposals were made.
- The Partner Fund nominated NEDs should be co-opted onto the Joint Committee. This is allowed under the constitution of the Joint Committee. It should be noted that they will be attending as representatives of Border to Coast and will not have the power to vote.
 - An informal meeting of shareholders will be held on the same day as the Joint Committee to discuss Border to Coast Pensions Partnership company business. Attendance at this meeting will be at the discretion of each individual administering authority in its role as a shareholder. This will be a private meeting, separate from the Joint Committee meeting with its own agenda. It should also be noted that is a shareholder issue and not an issue for the Joint Committee to determine.
- 4.5 The role of the Partner Fund nominated non-executive directors was discussed, in particular the issue of conflicts of interest. It is recognised that acting as a director of the Company will be a Disclosable Pecuniary Interest within the meaning of s31 Localism Act 2011. Depending on the circumstances and arrangements at each individual administering authority, it may then prove necessary to refer the matter to the individual authority's Standards Committee for a dispensation pursuant to s33 of the Localism Act.
- 4.6 It was noted that different administering authorities take different approaches and have different views. It was therefore concluded it may be appropriate for external legal advice to be sought on this matter and this will be discussed with the Monitoring Officers at each authority. Ultimately, however, it is for candidates for the role of partner fund nominated non-executive directors, to satisfy themselves that they are able to carry out such functions in relation to their local pensions committees as they deem desirable.
- 4.7 The terms of reference for the Joint Committee, as set out in the Inter Authority Agreement, were also discussed and at the current time they were considered to be reasonable and not in need of change. It will however, be necessary to keep this under review as arrangements within the Border to Coast pool mature and as guidance from MHCLG develops.
- 4.8 The only other issue discussed was the desire for the individual Joint Committee members to get a greater insight into activities of the other funds with the Border to Coast pool. It was therefore, agreed that one of the reports from Border to Coast will be enhanced to cover activities and progress with each of the funds. The Chief Executive Officer has agreed to incorporate comments on each fund in a report. In addition, it was agreed that the minutes of the Officer Operations Group would be circulated to the members of the Joint Committee for information.

5.0 The Governance Charter:

- 5.1 As part of establishing Border to Coast, the Partner Funds spent significant time in considering an appropriate governance model. Due to the number of stakeholders and the need for public accountability, the model is complex.

- 5.2 Due to this relative complexity involving many different stakeholders, it is important that we are able to have a shared understanding of how decisions are made and how progress and performance is overseen in order to achieve the pooling objectives effectively and efficiently.
- 5.3 Governance is also a significant area of focus for Central Government (MHCLG) and the Scheme Advisory Board. MHCLG's recent draft consultation is covered separately on the JC's agenda and includes specific guidance on governance, consistent with the approach taken by Border to Coast and Partner Funds.
- 5.4 To support understanding in this area, during 2018 a "Governance Charter" setting out roles and responsibilities across the Pool was jointly developed by Border to Coast and Partner Fund Officers. The aim is to have a public document available for all stakeholders to understand their role in the governance of Border to Coast.
- 5.5 The charter is likely to evolve as the governance model evolves and in 2018 we proposed an annual review. Version 0.7 of the charter is presented at Appendix A and includes the following changes, which we propose constitute the first annual review:
- To reflect the feedback provided at the July 2018 Joint Committee meeting (predominantly to more clearly reflect the separate roles of Partner Funds as investors and Administering Authorities as Shareholders)
 - To update for the introduction of the Border to Coast Private Markets structure.
 - To update for changes in the internal governance within Border to Coast (e.g. evolution to Committee structures and to note formal delegation of day-to-day investment matters from the Board to the Executive).
 - To reflect minor changes following the publication of the new Corporate Governance Code in July 2018.
 - To correct Appendix A: Matters Reserved to the Shareholders (a version pre-dating the Shareholder Agreement had been accidentally included in v0.6).

6.0 Conclusion:

- 6.1 The Joint Committee is recommended to approve the recommendations in section 2.

Report Authors:

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22 February 2019

Further Information and Background Documents:

Appendix A: Border to Coast Governance Charter v0.7 22 February 2019