



## **BCPP Joint Committee**

**Date of Meeting:** 20<sup>th</sup> November 2019

**Report Title:** Joint Committee Budget

**Report Sponsor:** Ian Bainbridge, Chair Officer Operations Group

### **1.0 Recommendation**

1.1 The Joint Committee is asked to note the position on the 2019/20 Budget.

### **2.0 2019/20 Joint Committee Budget**

2.1 At the Joint Committee meeting on 11<sup>th</sup> March 2019 a budget of £40,000 was approved for 2019/20.

2.2 This Budget of £40,000 is based on a basic cost estimate included in a report from Deloitte, obtained in May 2016, as part of the initial cost benefit analysis for the submission to Government. As previously noted it is difficult to determine whether this budget is set at the appropriate level. This will be monitored both in year and for future years and adjusted accordingly.

2.3 The Budget is intended to cover costs incurred by the Joint Committee and the partner funds, including the secretarial services to convene and run meetings, and for collective advice and support (internal from partner funds and external sources) which may be required from time to time by all partner funds.

2.4 It is also considered reasonable that this budget is used to cover travel costs and expenses for any members or officers who are attending meetings to represent all partner funds. This will include but will not be limited to meetings with MHCLG and Cross Pool meetings. This budget will not be used where members and officers are attending meetings to represent their own funds including Joint Committee meetings and Officer Operations Group Meetings.

2.5 The budget will also be used to cover travel expenses for scheme member representatives appointed as observers to the Joint Committee. This is because they will be deemed to be representing the scheme members from all twelve funds.

2.6 In line with the cost sharing principles these costs will be shared equally between the partner Funds.

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2.7 To the end of October 2019 total expenditure committed against the budget of £40,000 was £9,600. A breakdown of the expenditure incurred and committed is shown below;

Secretariat Support to Joint Committee - £1,500

Catering and Room Hire for Joint Committee - £2,500

Legal Advice - £5,000

Travel and Subsistence - £600

2.8 As can be seen from the paragraph above the largest element of cost is in relation to legal work. This relates to advice from Counsel in connection the appointment of a Partner Fund Nominated Non Executive Director.

2.9 Further external legal advice is in the process of being acquired in connection with the Border to Coast Compensation Policy, following an error. This was discussed at the informal meeting of shareholders on 4<sup>th</sup> June 2019. The advice will be taken on behalf of the Shareholders and will relate to a supplemental agreement to the main shareholder agreement. It is estimated this advice should cost less than £5,000. This is not included in the figures above.

2.10 At the time of writing the expenditure is expected to remain within the budget.

### **3.0 Investment Consultant for the Joint Committee**

3.1 At the pre meeting for the September meeting of the Joint Committee, the issue of the funds appointing an investment consultant to advise the Joint Committee was discussed.

3.2 Should a decision be taken to appoint a consultant, it would be appropriate for this to be met out of the Joint Committee Budget, provided this was for the benefit of all funds.

3.3 Following the meeting in September, officers have discussed the merits of appointing a consultant. There were concerns raised about the remit and role of a consultant and how this would interact with the role and responsibilities of the consultants appointed by individual funds. What would need to be avoided is a situation where conflicting advice is received from a consultant advising the Joint Committee and a consultant advising an individual Pension Fund.

3.4 It is important to recognise that it is the responsibility of each individual Fund to come to its own conclusion on decisions to invest, disinvest and to be comfortable with the performance and service from Border to Coast. It is not the role of the Joint Committee to impose views on individual funds or Committees.

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- 3.5 That said, if there are specific collective issues where the appointment of one advisor can be made where all twelve funds will benefit and therefore should contribute towards the costs, it is entirely appropriate that this budget is used. This is the approach that has been used for legal work and could also be used for investment work if a suitable project can be identified.
- 3.6 It should also be noted that some funds have collaborated on due diligence work on investment products where they share the same advisor. This approach will continue to be encouraged. It should be noted that this would not be suitable to be charged against the Joint Committee Budget as different funds invest in different products.
- 3.7 Should members wish to appoint an investment advisor, the consultant's remit should be consistent with that of the Joint Committee. The consultant would assist in the Joint Committee's "*oversight of investment performance of the collective investment vehicles comprised in the BCPP Pool.*"

#### **4.0 Conclusion**

- 4.1 The current expenditure is within the Joint Committee Budget.
- 4.2 It is considered appropriate to use the Joint Committee budget for investment consulting advice, provided this was for the benefit of all funds in Border to Coast and be consistent with the role of the Joint Committee. However, care would need to be taken to ensure that this does not result in conflicts at individual funds and does not impinge on each funds own fiduciary duties.

#### **Report Author:**

Ian Bainbridge, [ian.bainbridge@southtyneside.gov.uk](mailto:ian.bainbridge@southtyneside.gov.uk)

#### **Further Information and Background Documents:**

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