



Minutes of the Border to Coast Joint Committee

Monday, 20 June 2022 - Border to Coast Offices, Toronto Square, Leeds, LS1 2HJ

Present

Members

Councillor Doug McMurdo (Chair)
Councillor Mark Abley, Councillor David Coupe, Councillor Wilf Flynn, Councillor Nick Harrison, Councillor Christophe Kettle, Councillor John Mounsey, Councillor Patrick Mulligan, Councillor Eddie Strengiel and Councillor Nigel Wilkinson

Deirdre Burnet and Nicholas Wirz (Scheme Member Representatives)

Border to Coast Ltd Representatives

Rachel Elwell, John Harrison, Graham Long and Ewan McCulloch

Fund Officers

Ian Bainbridge, Alison Clark, Paul Cooper, Jo Garrison, Neil Mason, Julie McCabe, Victoria Moffett, Tom Morrison, Nick Orton, Jo Ray, Gill Richards and Sharon Smith

Statutory Officer Representative(s)

Andy Felton

Apologies were received from

Councillor Mel Worth, Councillor John Holtby, Councillor Anne Walsh and Chris Hitchen

1 APOLOGIES/DECLARATIONS OF INTEREST

The Chair welcomed everyone to the meeting.

The Chair acknowledged the sad passing of Cllr John Horner which had followed the earlier passing of Cllr Bob Stevens. The Committee and officers stood in remembrance.

New members Cllrs Mark Abley, Christopher Kettle and Nigel Wilkinson were welcomed to the Joint Committee.

The Chair thanked outgoing members Cllrs Bill Kellett and Michael Lee for their contribution to the work of the Committee.

Apologies were noted as above.

2 MINUTES OF THE MEETING HELD ON 8 MARCH 2022

RESOLVED – That, subject to an amendment showing Neil Mason as present, the minutes of the meeting held on 8th March 2022 be agreed as a true record.

3 UPDATE ON THE IMPACT OF ELECTIONS AT EACH FUND

The Committee discussed the potential issues caused by member turnover due to election results and also changes to local government arrangements in some Partner Funds areas and the possible implications of these.

4 ELECTIONS AND NOMINATIONS 2022 - IAN BAINBRIDGE

I Bainbridge reminded members that J Garrison had written out for nominations for the positions of Chair, Vice-Chair and one NED, the deadline for nominations was noted as 8th July. Partner Funds were asked to submit a nil return if they did not wish to nominate.

It was noted that, following collation of the nominations, a ballot would be conducted by email.

5 JOINT COMMITTEE BUDGET - IAN BAINBRIDGE

A report was considered which presented the Committee's budget.

RESOLVED – That members:

- i) Note the final budget position for 2021/22.
- ii) Note the budget position for 2022/23.

6 MARKET REVIEW - JOHN HARRISON

J Harrison presented a report which provided an overview of the macroeconomic and market environment, the performance of Border to Coast funds and the medium-term investment outlook.

It was noted that the dominant economic issue at the moment was the return of inflation which had risen not only suddenly but unexpectedly. Supply chain issues, food shortages and rising energy prices in the wake of Russia's invasion of Ukraine had contributed to the inflation shock, as had loose monetary policy over the last 10 years.

Consumer confidence was falling sharply and consensus economic forecasts had deteriorated significantly over the last few weeks with slower growth and higher inflation in most developed countries.

It was noted that markets had already discounted less benign economic times ahead. The resurgence of inflation had resulted in significant falls in both bond and equity indices. Growth stocks and speculative investments had fared even worse.

A table within the report showed performance data for the ACS funds to 31st March 2022 which varied by fund.

The report concluded that an outlook of higher and unpredictable inflation seemed likely to be difficult for bond markets but equity market valuations were less stretched and appeared to have discounted much of the short-term economic downturn.

Falling equity and bond markets had reinforced the diversification benefits of alternatives.

RESOLVED – That the report be noted.

Exclusion of the Public and Press

RESOLVED – That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act and the public interest not to disclose information outweighs the public interest in disclosing it.

7 GOVERNANCE REVIEW - RACHEL ELWELL & IAN BAINBRIDGE

A report was considered which provided details of the progress of the Governance Review.

It was noted that a four-stage process had been developed which was outlined in section 3 of the report. The first two stages of the review had been completed and the third stage, which involved the input of an external legal advisor for the Partner Funds, was well progressed.

It was further noted that the annual review of the Governance Charter had been postponed pending the outcome of the Governance Review.

RESOLVD – That the Joint Committee note the report and the current progress on the Governance Review.

8 SUMMARY OF EXTERNAL EQUITY FUNDS' ANNUAL REVIEWS - GRAHAM LONG

G Long presented a summary of the external Equity Funds' annual reviews.

It was noted that detailed reviews had been completed for Global Equity Alpha Fund, UK Equity Alpha Fund and Emerging Markets Equity Fund and the principal findings discussed with the Board. The paper summarised the findings and highlighted issues for the Joint Committee's attention.

RESOLVED – That the Joint Committee notes the report.

9 **EMERGING MARKETS ALLOCATION IN GLOBAL EQUITY ALPHA - PROPOSED CHANGES TO STRUCTURE - GRAHAM LONG**

A report was submitted which presented a planned addition of a strategic asset allocation to Emerging Markets in the Global Equity Alpha Fund (GEA). This addressed a known structural gap that was identified at fund inception, which was accepted at the time with a plan to revisit in due course.

It was noted that the Board had approved a proposal for an allocation to each of a China manager and Emerging Markets ex-China manager and had delegated authority to the CEO to implement the allocation to Emerging Markets within GEA.

Section 3 of the report set out the case for an allocation to Emerging Markets within GEA and Section 4 then detailed the risks of investing in China as well as the investment case and set out the portfolio risk and ESG impacts.

The Committee discussed the report at length, expressing a variety of views. In particular concerns were raised about the weighting to Emerging Markets following this change.

R Elwell suggested that a FAQs was circulated to all Partner Funds; Border to Coast officers would work with Partner Fund officers over the next few weeks so that there was a good understanding of the issues raised.

RESOLVED – That the Joint Committee note the report whilst acknowledging there was still work to be done.

10 **CEO REPORT MAY 2022**

R Elwell presented the CEO report for the period since the last Joint Committee meeting.

Highlights included:

- Interactions with Partner Funds.
- An update on fund launches.
- An update on progress from a corporate functions perspective and the expected outturn for the Operation Budget,
- A brief discussion of the world external to pooling.
- An overview of key business risks.

Prior to the meeting, a draft letter to Teresa Clay at the Department of Levelling Up, Housing and Communities from Rachel Elwell and Ian Bainbridge had been shared with Committee members. This was in response to Teresa Clay's request to share thoughts on how the Government's Levelling Up agenda could be reflected in LGPS investment strategy to help inform the Government's development of the

consultation expected in the autumn. The Joint Committee noted that they were comfortable with the draft letter.

RESOLVED – That the report be noted.

11 PERFORMANCE REPORT - MARK LYON & GRAHAM LONG

A report was submitted which summarised the performance and activity of the Border to Coast Investment Funds over Q1 2022.

RESOLVED – That the report be noted.

**12 STANDING ITEM - UPDATE ON EMERGING MATTERS - RACHEL ELWELL,
FIONA MILLER, IAN BAINBRIDGE**

None.

CHAIR