

North Yorkshire Council

Shareholder Committee

19 March 2024

Border to Coast Governance Documents

Report of the Corporate Director, Resources

The Appendices to this report contains information of the type defined in paragraph 3 of Part 1 of Schedule 12A Local Government Act 1972 (as amended) as it contains information relating to the business affairs of Border to Coast Pensions Partnership Limited and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

1.0 PURPOSE OF REPORT

- 1.1. To describe the background of the Council's part-ownership of Border to Coast Pensions Partnership Limited, a company created to manage the investments of the North Yorkshire Pension Fund.
- 1.2. To recommend approval of the updated governance documents of Border to Coast Pensions Partnership Limited.

2.0 BACKGROUND

- 2.1. On 1 November 2016 the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016 came into force. These Regulations mandate that the 89 separate Local Government Pension Scheme (LGPS) Funds in England and Wales combine their assets into a small number of investment pools.
- 2.2. The associated guidance states that each LGPS administering authority must commit to a suitable pool to achieve benefits of scale. The Secretary of State has direction and intervention powers if he is not satisfied that an administering authority is complying with its obligations in relation to the Regulations.
- 2.3. North Yorkshire Council (as the administering authority for the North Yorkshire Pension Fund) was actively involved in the development of an investment pooling arrangement, Border to Coast Pensions Partnership (BCPP). Eleven other administering authorities were also involved.
- 2.4. In December 2016 the Secretary of State approved BCPP as meeting the requirements of the 2016 Regulations and associated guidance.
- 2.5. At its meeting on 15 February 2017 the Council decided to formally commit to be a member of BCPP, which at that time was in the process of being

incorporated with the name Border to Coast Pensions Partnership Limited. The proportional shareholding of each administering authority including this Council was to be 1/12th.

2.6. To give effect to this decision, the Council:

1. entered into a Shareholder Agreement between the Council, the other administering authorities and BCPP Ltd, which describes how shareholders exert control over the company
2. entered into an Inter-Authority Agreement between the Council and the other administering authorities, which describes the establishment of governance arrangements relating to the company
3. agreed the Articles of Association to be adopted by BCPP Ltd
4. approved the subscription of 1/12th of the shares in BCPP Ltd
5. approved the establishment of suitable governance arrangements including the BCPP Joint Committee which assists administering authorities with oversight of BCPP
6. referred the nomination of the shareholder to the Executive

2.7. In 2020 two administering authority pension funds merged, so each proportional shareholding is now 1/11th.

2.8. In March 2023 Shareholder Committee approved changes to the Shareholder Agreement, Inter-Authority Agreement and Articles of Association. The changes were needed to reflect appropriate governance arrangements for an established rather than start-up company.

2.9. Where decisions are required, the Council considers that recommendations should be brought to the Shareholder Committee in accordance with the Council's constitution.

3.0 2023/24 REVIEW OF GOVERNANCE DOCUMENTS

3.1. BCPP started managing investments on behalf of the Pension Funds of its administering authorities in 2018. At that time only a small proportion of BCPP's costs related to the management of investments in the few investment funds initially available. The vast majority of costs related to the development of the wider range of investment funds that would eventually be needed by the Pension Funds. Developing and launching each investment fund is a time consuming and costly undertaking. A cost recharge model was implemented, based on cost sharing principles agreed by the shareholders, to allow the company to recover all costs. This model is described in the Shareholder Agreement.

- 3.2. A separate agreement, the Pension Cost Recharge Agreement, details the recharge of the cost of LGPS pensions obligations.
- 3.3. It has always been the intention to move to a different model, where costs are charged directly to the investment funds to which they relate. Now that a sufficiently wide range of investment funds is available, this is intended to happen from April 2024. This requires changes to the Shareholder Agreement and the Pension Cost Recharge Agreement.
- 3.4. A small number of other changes have been made to these documents, for example to reflect the name change of The North Yorkshire Council.
- 3.5. The review process was broken down into three stages
 1. stage one was a review of each of the proposed changes in principle, undertaken by a working group of senior administering authority pension fund officers, and discussions with the administering authority elected member representatives from the Joint Committee, and BCPP's Chief Executive and Chief Operating Officer;
 2. stage two was a review of the proposed changes to the two agreements by Squire Patton Boggs acting for the administering authorities, and Eversheds acting for BCPP. Both companies have extensive experience with local authority and investment management industry organisations;
 3. stage three is for each administering authority to take the updated governance documents through their governance processes.
- 3.6. The appointment of Squire Patton Boggs was made by South Tyneside Council as administering authority for the Tyne & Wear Pension Fund, on behalf of the eleven BCPP administering authorities. Their role was to provide advice and ensure the changes were appropriate and in the best interests of the administering authorities as shareholders in BCPP.
- 3.7. Stages one and two have been completed and stage three is underway. This report is the Council's "stage three" approval. Alongside this process, the Council's Corporate Director, Resources and the Head of Investments have discussed the changes with BCPP and the other administering authorities and are comfortable with them.
- 3.8. The updated Shareholder Agreement (**Appendix 1**) and Pension Cost Recharge Agreement (**Appendix 2**) are attached to this report.

4.0 FINANCIAL IMPLICATIONS

- 4.1. There are no financial implications arising from this report.

5.0 LEGAL IMPLICATIONS

5.1. The updates to the governance documents do not have any financial or legal implications beyond those attached to the decision in 2017 to formally join BCPP Ltd.

5.2. A legal review of the documents has been provided by Squire Patton Boggs.

6.0 EQUALITIES IMPLICATIONS

6.1 Not Applicable

7.0 CLIMATE CHANGE IMPLICATIONS

7.1 Not applicable

8.0 RECOMMENDATIONS

8.1. The Shareholder Committee are requested to:

- i. approve the updated Border to Coast Pensions Partnership Limited governance documents at Appendix 1 and Appendix 2, being the Shareholder Agreement and the Pension Cost Recharge Agreement;
- ii. delegate the Council entering into the two agreements to the Assistant Chief Executive, Legal and Democratic Services. delegate the nomination of an appropriate shareholder representative on behalf of the Council to the Council's Chief Executive Officer.

APPENDICES:

Appendix 1 – Shareholder Agreement (confidential)

Appendix 2 – Pension Cost Recharge Agreement (confidential)

Gary Fielding
Corporate Director, Resources
County Hall
Northallerton

Report Author: Tom Morrison, Head of Investments
Presenter of Report: Tom Morrison, Head of Investments

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.