

Councillor JG Watson
14 Magdalene Fields,
Warkworth,
Morpeth,
Northumberland, NE65 0UF

17 April 2020

To the Standards Committee - 19 June 2020

Application for a dispensation

The relevant roles I currently fulfil are:

- I chair NCC's Pension Fund Panel; and
- I am a Partner Fund nominated non-executive director ("**NED**") of BCPP Ltd.

I also anticipate being appointed by Council in May 2020 to represent NCC on Tyne and Wear Pension Fund's Pensions Committee after merger comes into force in June 2020.

Border to Coast Pensions Partnership Ltd

Northumberland County Council Pension Fund ("**NCCPF**") is one of twelve Partner Funds participating in Border to Coast Pensions Partnership Ltd ("**BCPP Ltd**"), a company established to satisfy the Government's LGPS pooling agenda. BCPP Ltd is a "teckal company", providing asset management services to and wholly owned by the twelve Partner Funds. Therefore, NCCPF is both a customer/potential customer of **and** a shareholder in BCPP Ltd.

The BCPP Joint Committee was established in 2017 (when BCPP Ltd was incorporated) to provide the forum for Partner Funds' collective oversight of BCPP Ltd. Prior to my appointment as NED of BCPP Ltd, I represented NCCPF on the BCPP Joint Committee.

Non-executive director (NED) role

In October 2019 I was nominated by the other eleven Partner Funds to the role of NED of BCPP Ltd, and formally appointed on 5 February 2020 following:

- confirmation by the FCA that I met its "fit and proper person" test;
- confirmation of my appointment by the BCPP Ltd Board; and
- formal shareholder approval.

There are two such Partner Fund nominated NEDs, both on two year appointments one of which expires each year. The NED role to which I have been appointed expires on 1 October 2020, though it is possible that the appointment will be extended for two further years.

The Partner Fund nominated NED role is remunerated by BCPP Ltd. With effect from 1 April 2020, NED remuneration was £15,000 per annum.

I have a disclosable pecuniary interest (“DPI”) in BCPP Ltd as a result of my BCPP Ltd NED appointment.

The NED role involves a time commitment of at least three days per month (including time spent before the appointment was made), with availability for meetings, conference calls, induction and training as required.

The NED role is to:

- support BCPP Ltd’s Chair and Executive Team in instilling the appropriate culture, values and behaviours in the boardroom and beyond;
- provide independent oversight and scrutiny of BCPP Ltd including:
 - provide an impartial and independent view of BCPP Ltd and its operations, removed from the day-to-day running of the business,
 - oversee the performance of the Board and Executive Team in meeting strategic objectives, including monitoring financial controls and risk management systems;
- draw on wider experience, in other organisations, to provide the Board and BCPP Ltd Executive Team with a breadth of understanding and insight, including to:
 - challenge and contribute to the development of the strategy of BCPP Ltd,
 - support the development of a suitable succession plan for the Board and CEO,
 - use specialist knowledge to input to decision making processes;
- promote a culture of responsible investment and stewardship throughout the organisation;
- commit to building a full understanding of BCPP Ltd, especially in those areas of the business with a significant level of risk; and
- take time to understand various stakeholder needs and ensure these are addressed at Board level.

In order to meet the above requirements, BCPP Ltd requested representation of its shareholders on the Board and asked the BCPP Joint Committee members (twelve in all) to nominate potential candidates for this role.

When appointed as a NED I stepped down from my role as NCCPF representative on the BCPP Joint Committee, and passed that role on to the Vice Chair of the Pension Fund Panel (a Panel decision made on 20 September 2019 allowed for this). When the Partner Fund nominated NED positions on BCPP Ltd’s Board were first introduced, the BCPP Joint Committee agreed that the appointed NEDs should step down from the Joint Committee to avoid any potential conflicts of interest.

Governance arrangements following merger

NCCPF is expected to merge with Tyne and Wear Pension Fund, with legislation to effect that merger coming into force in June 2020. Following merger, NCC will no longer have LGPS administering authority responsibility and I expect to be nominated by NCC as NCC’s representative on Tyne and Wear Pension Fund’s Pensions Committee.

The NCC Pension Fund Panel will continue to exist for a few weeks following merger coming into force, to provide oversight of the performance of the LGPS assets and liabilities prior to merger and the audit and finalisation of NCCPF's 2019/20 Annual Report and Accounts.

Proposed dispensation

A dispensation provided by NCC's Standards Committee would allow me to continue to participate in full as Chair and a member of NCC's Pension Fund Panel, as a member of full Council, and (post-merger) as NCC's representative on Tyne and Wear Pension Fund's Pensions Committee. Without the dispensation, I would be required to recuse myself from Panel meetings, full Council meetings and Tyne and Wear Pension Fund's Pensions Committee meetings for any business involving BCPP Ltd.

On behalf of the twelve administering authorities (known as "Partner Funds") that are shareholders and customers of BCPP Ltd, advice (dated 10 June 2019) from leading Counsel was obtained in respect of the legality of granting a dispensation and what that dispensation might cover. A copy of Counsel's opinion is **attached** to my application.

In considering my request for a dispensation, I would ask the Committee to have regard to the following:

- a) The appointment of Partner Fund nominated NEDs has been accepted by the BCPP Joint Committee as being advantageous to the operation of BCPP Ltd. It is in NCCPF's interest (both pre and post-merger) that BCPP Ltd should operate as effectively as possible and that the Partner Fund nominated NEDs have an important role in maintaining the ethos and operation of BCPP Ltd as a key provider of services to NCCPF and its successor, Tyne and Wear Pension Fund.
- b) Nominating NEDs from the BCPP Joint Committee draws on a small pool of elected members who have appropriate experience of the LGPS scheme to provide the knowledge and experience valued by BCPP Ltd.
- c) The close alignment of the administering authorities as shareholders (and by extension the Partner Funds) with BCPP Ltd should promote public confidence in BCPP Ltd and provide reassurance to the twelve shareholders.
- d) My appointment as NED will provide no personal benefit to me, save for the remuneration. The involvement of Partner Fund nominated NEDs on BCPP Ltd's Board of Directors will provide a public benefit.
- e) My participation in discussions at NCC's Pension Fund Panel meetings should be beneficial to informing that debate. As I have only one vote on the Pension Fund Panel, my vote should not be decisive. Similarly, post-merger, my participation in discussions at Tyne and Wear Pension Fund's Pensions Committee should be beneficial, and I will have only one vote on that Committee.
- f) NCC's Pension Fund Panel business is often long term in nature, so members' collective knowledge and experience built up over years is valuable to the Panel's efficient operation and provides the evidence required for NCCPF's financial service providers to grant NCCPF

elective professional client status under MiFID II. Professional client status provides access to suitable investments to implement NCCPF's Investment Strategy. As one of only two members returning to the Panel following the 2017 local election in Northumberland, my contribution to Panel's collective knowledge and skills is significant.

- g) Given the stage reached in merger of NCCPF with Tyne and Wear Pension Fund (expected to come into force in June 2020), and Panel decisions made to date, it is now very unlikely that NCCPF will invest any assets via BCPP Ltd, and as such, it is difficult to envisage how my role as a NED could lead to an actual conflict with my role as member of the Pension Fund Panel.

I would add that I will not be involved, through my participation in BCPP Ltd's Board meetings, in making any BCPP Ltd investment decisions, nor any decision as to the selection of an investment manager as these are executive functions of BCPP Ltd and are carried out in accordance with its internal processes.

I would ask that a dispensation be granted:

(a) For whichever is the shorter of:

- my appointment as Partner Fund nominated NED of BCPP Ltd, and
- 4 years.

(b) To allow me to participate, or participate further, in any discussion of or vote on any matter concerning BCPP Ltd at the meetings of NCC's Pension Fund Panel, full Council and Tyne and Wear Pension Fund's Pensions Committee, *save for* any discussion or vote where changes to the remuneration of BCPP Ltd's directors are discussed.

Thank you for your consideration.

A handwritten signature in black ink, appearing to read 'Jeff Watson', with a long horizontal flourish extending to the right.

Jeff Watson