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Date: 04/06/2018

Dear Member

ACCESS JOINT COMMITTEE - MONDAY, 11 JUNE 2018

I am now able to enclose, for consideration at the meeting of the ACCESS Joint Committee, next Monday, 11 June 2018, the following reports that were unavailable when the agenda was printed.

Agenda Item No

- | | |
|---|---|
| 5 | <u>Business Plan & Budget [11:20 - 11:30]</u> (Pages 3 - 10) Includes Exempt Appendix (Pages 7-9) |
| 7 | <u>Hymans Update [11:30 - 11:50]</u> (Pages 11 - 26) |

Joel Cook
Clerk to the Joint Committee
03000 416892

4 June 2018

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Business Plan and Budget



Joint Committee

Date: 11 June 2018

Report by: Officers Working Group








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|-------------------------------|---|
| Subject: | ACCESS Business Plan Update |
| Purpose of the Report: | To provide an update on the activities undertaken since the last Joint Committee. |
| Recommendations: | The Committee is asked to: 1. Note the update |
| Enquiries to: | Name - Rachel Wood Tel – 0330 222 3387 Email - rachel.wood@westsussex.gov.uk |

1. Purpose.

- 1.1 The Joint Committee is required to make recommendations to the ACCESS Authorities about the annual strategic business plan for the Pool. The strategic plan was agreed by the Joint Committee in April 2018 and has now been referred to the relevant ACCESS Authorities.
- 1.2 The Joint Committee also agreed the budget necessary to implement the business plan (insofar as the costs will not be paid by ACCESS Authorities direct to the Operator) at their meeting in April 2018 and this will be charged to the relevant ACCESS Authorities.
- 1.3 This report updates the Joint Committee on the work undertaken.

2. Business Plan Update

- 2.1 The table on the following page shows progress against key items anticipated to be delivered since the last Joint Committee.

| Key Milestone | Update | Status |
|---|--|--|
| Consider Legal Entity Consider the benefits and drawback of legal entity model for ACCESS pool. | Completed |  Green |
| Approve Sub-Fund Tranche 1 Ensure initial sub-fund meets Link's due diligence requirements and ACCESS Authorities value for money criteria (including transition activity). | Completed |  Green |
| FCA Approval for Initial Sub-Fund Work with Link to submit application to the FCA for approval of the initial sub-fund set-up. | In progress but behind (June) schedule. Update provided elsewhere on the agenda. |  Amber |
| Approve Sub-Fund Tranche 2 Ensure subsequent sub-funds meet Operator's due diligence requirements and participating Authorities value for money criteria (including transition activity). | Ahead of (July) schedule. Update provided elsewhere on the agenda. However the FCA approval may be impacted due to the delay to the prospectus. |  Green |
| Determine Phase 2 Sub-Funds Joint Committee agree sub-fund requirements for Phase 2 following Officer consideration | Timeframe moved from June to September 2018. Initial data gathering underway but delayed due to priority of agreeing prospectus and sub-fund appendix. |  Amber |
| Agree ACCESS Support Unit Identify ASU resource requirements, roles and responsibilities for activities and draft job description and recruitment process. | On Track. Update provided elsewhere on the agenda. |  Green |
| Complete Governance Manual Work with external advisers to reflect decision making principles, communication strategy, policies and procedures, code of conduct etc in the Governance Manual | On Track to be completed in July for recommendation at September Joint Committee. Update provided elsewhere on the agenda. |  Green |

2.2 The Committee should note the potential delay to the approval of Phase 1 / Tranche 2 sub-funds on account of the delay to the initial sub-fund application being lodged with the FCA. The application to the FCA for Tranche 2 cannot be submitted until the documentation is received back in respect of the initial sub-fund. It was originally anticipated that the application would be provided to the FCA in July and approval received in September 2018.

2.3 It is anticipated that the following activities will be started over the next quarter:

- Determine recruitment process for ACCESS Support Unit (ASU), subject to approval of the Host Authority and roles by the Joint Committee.





- Population of Contract and Operations Manuals to assist with the management of the Operator Contract.
- Determination of reporting requirements at both Pool level and for participating Authorities.
- Consideration of Phase 1 Tranche 3 sub-funds.
- Consideration of Phase 2 sub-funds.
- Subject to agreement by the Joint Committee, review of the Inter Authority Agreement.





3. Budget Update

- 3.1 The costs set out in the 2018/19 budget were indicative based on the understanding of the resource requirements at the time of setting the original budget. An update on the spend versus estimated budget will be provided at future Joint Committee meetings.

4. Risks

- 4.1 A full risk matrix is appended to the main Business Plan and risks which have an amber or red status are summarised below. Further details are in Appendix 1:

| Risk | Update | Status |
|--|--|--|
| FCA Submission The aggressive timeline to complete the initial submission to the Financial Conduct Authority (FCA) will require approvals and decisions to be made in accordance with the milestones. | There is one outstanding point before the prospectus is finalised. |  Amber |
| Permanent ACCESS Support Unit (ASU) Interim ASU arrangements put in place until October 2018, with action to handover to the permanent ASU function included in the project planning. | Section 151 Officers from eight Funds were briefed at a meeting on 25 May to inform paper to be considered by the Joint Committee. |  Red |
| Decision making There is a risk that Funds / JC do not agree on key decisions around asset pooling (sub-funds / investment managers) / governance etc. This could lead to delays in FCA application, strategic decisions etc which could cause project delays and missed milestones. | ToRs and Decision Matrix detailing decision making process/hierarchy. To date, funds have agreed unanimously to proceed with Phase 1 sub-funds. |  Amber |
| Establishment phase resource A substantial amount of Officer resource will be required to support the project plan work streams / tasks etc. This could result in delays or increased cost if resources are constrained. | OWG meetings were reverted to monthly to reduce demand on Officer time and delegation was given to progressing activities to sub-groups. |  Amber |

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|--|---|--|
| Sub-fund / ACS Establishment - Seeding process The initial seeding / ongoing management process has not yet been tested and it is uncertain how this process will work in practice. | Link provided documentation on the seeding process which was agreed to be sufficient. The risk remains at Amber until the first sub-fund is launched to test the seeding process. |  Amber |
| Conflicting requirements Due to the number of parties involved in ACCESS, there may be conflicting requirements for the new funds which could delay approvals and impact the timeline. | To date, funds have agreed unanimously to proceed with Phase 1 sub-funds. |  Amber |
| Sub-fund / ACS Establishment - Optimal sub-fund design It is critical that ACCESS is able to demonstrate the benefits of pooling (VFM / cost savings). There is a risk that Funds may incur higher costs overall than they do currently for investing in specific sub-funds, once in the Pool. | JC approved revisions to Phase 1 sub-funds on 26 April and these changes were communicated to Link. The Tranche 2 sub-funds proposal will be presented to the JC elsewhere on the agenda. Data is being gathered for Officers to begin initial analysis for Phase 2 sub-funds. |  Amber |
| S151 Officer engagement S151 Officers are responsible for the proper administration of their local authority's financial affairs, including the LGPS Fund and therefore their input is important for the progress of the pool. | S151 Meeting occurred on 25 May. Separate quarterly meetings to be arranged. |  Amber |

5. Recommendation

5.1 That the Joint Committee:

- a) Notes the update.

6. Consultation with Key Advisers

- 6.1 Hymans Robertson have been appointed to provide general / project support and technical advice to the ACCESS pool.

7. Appendices

Risk Register (exempt by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972).

8. Background Papers

None

By virtue of paragraph(s) 3, 5 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Agenda Item 7

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