

Business Plan, Budget & Risk Management



ACCESS Joint Committee

Date: 6 June 2022

Report by: Director of ACCESS Support Unit

Subject:	Business Plan, Budget & Risk Management
Purpose of the Report:	To provide an update on the activities undertaken since the last Joint Committee, associated spend and risk summary.
Recommendations:	<p>The Committee is asked to note the:</p> <ul style="list-style-type: none">• 2021/22 Business Plan summary;• 2022/23 Business Plan update;• 2021/22 financial outturn; and• matters highlighted on risk management. <p>The Committee is also asked to note:</p> <ul style="list-style-type: none">• the variations to the IAA set out in paragraphs 3.3-3.6 acknowledging that comments have been invited from Monitoring Officers by 20 June 2022. <p>The Committee is asked to agree:</p> <ul style="list-style-type: none">• that should the deadline for responses not align with the Committee's schedule of meetings, the Director of ACCESS Support Unit will make necessary arrangements to ensure that the Members of the Committee may consider and comment on the DLUHC Consultation; and that authority be delegated to the ASU Director to finalise and submit a response, in consultation with the ACCESS Joint Committee Chairman.
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1. Background

- 1.1 The Joint Committee have a role to keep the performance against the strategic business plan agreed by the Councils under review.
- 1.2 The Section 151 Officer Group are responsible for making recommendations to the Joint Committee on budget and business plan matters, reviewing / advising on budget variations throughout each financial year and advising the Committee on the identification of, and mitigation of, any risk to the operation or success of the Pool. In response to decisions made by the Joint Committee, the Section 151 Officers should ensure appropriate resourcing, support, advice and facilitation to the Joint Committee.
- 1.3 The ACCESS Support Unit (ASU) have responsibility to manage the development and implementation of the strategy, business plan and budget including the identification and management of risks.
- 1.4 This report was prepared by the ASU following consultation with the Officer Working Group. In draft form it was presented to Section 151 Officer Group at their meeting on 18 May 2022, whose feedback has informed this final version.

2. 2021/22 Business Plan

- 2.1 The Business Plan for **2021/22** (last year) was agreed by the Joint Committee (JC) in January 2021 prior to being recommended to the Councils. At the same meeting the JC also determined the budget necessary to implement this year's plan and to be charged to the relevant Authorities.
- 2.2 The activities within last year's **2021/22** Business Plan, along with commentary on the status of each milestone at the end of the year are shown in the table below. The ongoing nature of a number of areas result in milestones spanning different years.

Theme / Milestone	2021/22 activity	2021/22 Joint Cttee report reference	Year-end status	2022/23 milestone ?
Actively managed listed assets				
Launch of remaining Tranche 4b sub-fund	1 UK equity sub-fund (launched July 2021)	Item 15, 6 Sep	Complete	-
Launch of Tranche 5b	3 Fixed income sub-funds	Item 12, 6 Dec; Item 13, 7 Mar	In progress	Yes
Launch of Tranche 5c	2 Fixed income sub-funds (launched Oct & Dec 2021)	Item 12, 6 Dec; Item 13, 7 Mar	Complete	-
Launch of Tranche 5c	1 Global Equity sub-fund (launched Feb 2022)	Item 13, 7 Mar	Complete	-
Determine, approval & launch of Tranche 6	2 Emerging Market sub-funds	Item 12, 6 Dec	In progress	Yes
Transitioning capacity between sub-funds	Guide on existing options brought to March 2022 JC	Item 13, 7 Mar	Complete	-
Scheduled BAU evaluation	Ongoing dialogue	Item 11, 6 Sep; item 15, 6 Dec; item 16, 7 Mar;	In progress	Yes
Actively managed non-listed assets				
Implementation of approach	MJ Hudson appointed Implementation Adviser Dec 2021	Item 10, 7 Mar	In progress	Yes
Passively managed assets				
Ongoing monitoring of passive assets	Dialogue included UBS presenting to IUG in March 2022	Item 7, 6 Sep	Complete	Yes
Governance				
Meetings and oversight	3 Joint Committees held; 2 Member briefings held 6 ACCESS s151 Officer meetings held		Complete Complete	Yes Yes
Operational protocols	Review of Governance Manual undertaken	Item 7, 6 Sep; item 7, 7 Mar	In progress	Yes
Engagement with HM Government	Annual Report to DLUHC submitted Autumn 2021 ASU met DLUHC Civil Servants Oct 2021 No pooling consultations during year	Item 5, 6 Dec Item 5, 6 Dec	Complete Complete Yet to begin	Yes Yes Yes
Agreement to Joint Polices & guidelines. Communications ESG / RI	MHP presented Year 1 Comms activity to March 2022 JC Minerva developed draft RI Guidelines	Item 9, 7 Mar Item 8, 6 Dec; item 11, 7 Mar;	In progress In progress	Yes Yes
ASU				
ACCESS Support Unit	Implementation of 2020 review completed July 2021	Item 7, 6 Sep	Complete	Yes

3. 2022/23 Business Plan

- 3.1 The Business Plan for **2022/23** (this year) was agreed by the JC in December 2021 prior to being recommended to the Councils. At the same meeting the JC also determined the budget necessary to implement this year's plan and to be charged to the relevant Authorities.
- 3.2 Activities within this year's 2022/23 Business Plan (Annex A) that are also the subject of separate items on the Committee's agenda include:
- Responsible Investment
 - Alternative / non listed assets
 - Sub-fund implementation and performance
 - Contract Management
 - BAU Evaluation

Inter-Authority Agreement (IAA)

- 3.3 At both the December 2021 and March 2022 meetings, the Committee were informed that work was underway in order to draft the amendments required to the IAA in order to enable the Joint Committee to formally recommend guidelines to Councils. The drafting is below:

"The Joint Committee shall have the ability to make recommendations to the Councils about the adoption and content of guidelines for the Pool, including to allow common guidelines or policies of the Councils to be applied to the Pool, Pool Assets and/or Pool Aligned Assets, and for any such guidelines that are adopted to be periodically reviewed and updated. When determining the content of such guidelines, the Joint Committee shall consult with and consider the advice of the Section 151 Officers Group (and, where requested, the Monitoring Officers and from appropriate professional advisers). Any guidelines for the Pool must not go beyond policies already in place and will not supersede or replace the Investment Strategy Statement or policies of each Administering Authority."

- 3.4 At the March 2022 meeting the Committee agreed proposals on Local Pension Board observation which also requires amendments to the IAA.
- 3.5 During April 2022 the Officer Working Group considered drafting covering the above points, along with two further changes brought to the attention of the ASU by ACCESS Authorities:

- in instances whereby the Vice Chairman of an s101 Committee is an Elected Member, but not of the Administering Authority; it is currently not possible for that individual to substitute for the regular Joint Committee Member (who is generally the s101 Chairman). An amendment to the IAA enabling an Elected Member from an associated Authority who is a s101 Committee Member to be a JC substitute, has been drafted.
- it is currently possible for Members of a s101 Committee who are Elected Members of the Administering Authority to attend the Joint Committee as observers. However, such rights do not apply to Members of s101 Committees who are not Elected Members of the Administering Authority. An amendment to the IAA enabling Members of s101 Committees who are not Elected Members of the Administering Authority to observe JC meetings, *at the discretion of the JC Chairman*, has been drafted.

3.6 As a consequence, a proposal from Suffolk County Council to amend the IAA was circulated to Monitoring Officers on 22 April. Comments have been invited by 20 June. The Suffolk proposal, if agreed, would:

- introduce an express provision for the Joint Committee to have the ability to make recommendations to the Councils about the adoption and content of guidelines for the Pool;
- allow for observers from nominated Local Pension Boards to attend the Joint Committee meetings; and
- make the rules around Councils nominating substitutes for Joint Committee members, and s101 Committee Member attendance more flexible.

3.7 Governance arrangements to approve the proposed IAA revisions will vary across the pool. Some Authorities require the change to be agreed at Full Council whilst others have delegations in place (for example to the s101 Committee). A verbal update on progress will be given at the meeting, however it is possible that not all Authorities will have been able to schedule the appropriate governance by the time of the Committee's next meeting on 12 September 2022.

3.8 The ASU are exploring what informal options are open to the Committee in order for the September Committee to commence the Local Pension Board observation arrangements agreed at the last meeting.

Governance Manual Review

- 3.9 As highlighted in previous updates, work has been undertaken on updating the Governance Manual. Following agreement from s151 Officers, Technical Lead officers from West Sussex (Rachel Wood and Vickie Hampshire) reviewed the Manual, identified themes and launched a project to highlight the areas of highest risk to the delivery of the ACCESS Business Plan. This work formed the basis of the revised Governance Manual which has been comprehensively updated. The draft revision was taken to the Officer Working Group in early April. It was then presented at a special meeting of ACCESS s151 Officers on 6 May 2022. The ASU will continue to work to develop and embed the protocols around the processes set out in the revised Governance Manual. The Manual will be circulated to JC Members for information.

DLUHC LGPS Consultation

- 3.10 A Department for Levelling Up, Housing and Communities (DLUHC) consultation is anticipated on investment related LGPS matters. This is expected to cover Climate Related disclosures, LGPS Pooling and the LGPS implications of February 2022's Levelling Up White Paper.
- 3.11 The timing of the commencement of the consultation is not yet known. Although publication later in June is not considered likely, it would be prudent to ensure that appropriate arrangements are agreed, should the timing of the consultation fall between the Committees meeting on 6 June and 12 September 2022, or the consultation period be less than 12 weeks. As a consequence, it is therefore recommended that the Committee agree:
- that should the deadline for responses not align with the Committee's schedule of meetings, the Director for the ACCESS Support Unit will make necessary arrangements to ensure that the Members of the Committee may consider and comment on the DLUHC Consultation; and that authority be delegated to the ASU Director to finalise and submit a response, in consultation with the ACCESS Joint Committee Chair.

4. 2021/22 outturn and 2022/23 Budget

- 4.1 At its January 2021 meeting the Committee determined a budget of **£1,247,019** to support the 2021/22 business plan. Details are included within the table overleaf:

	Agreed Budget 2021/2022 £	7/3/22 JC Forecast 2021/2022 £	Outturn 2021/2022 £	Overspend / (Underspend) 2021/2022 £	Agreed Budget 2022/23
ASU					
ASU Salaries (incl. on cost)	460,261	415,474	408,255	(52,006)	465,000
ASU Operational	20,580	17,628	15,575	(5,005)	23,000
ASU Host Authority Recharge	64,087	30,000	34,000	(30,087)	35,000
Technical Lead Recharge Costs	40,000	38,144	35,821	(4,179)	45,000
ASU Total	584,928	501,246	493,651	(91,277)	568,000
Professional Costs					
<i>Internal Professional Costs</i>					
JC Secretariat	21,761	16,322	18,090	(3,671)	22,000
Procurement	45,000	12,000	12,000	(33,000)	60,000
<i>Internal Professional Costs</i>	66,761	28,322	30,090	(36,671)	82,000
<i>External Professional Costs</i>					
Strategic & Technical	433,000	335,698	357,668	(75,332)	546,000
Legal & Governance	162,330	167,002	165,221	2,891	170,000
<i>External Professional Costs</i>	595,330	502,700	522,889	(72,441)	716,000
Professional Costs Total	662,091	531,022	552,979	(109,112)	798,000
Total Costs per 2021/2022	1,247,019	1,032,268	1,046,630	(200,389)	1,366,000
Cost Per Authority	113,365	93,843	95,148	(18,217)	124,182

4.2 The final expenditure for the financial year **2021/22** was **£1.047m** against a total agreed budget of **£1.247m**, giving rise to an underspend of **£0.200m**. The final position was largely driven by underspends within the following areas:

- ACCESS Support Unit (ASU) salaries (incl. on cost): the new Client Manager joined the ASU part way through the current year;
- ASU Host Authority recharge: the overhead (including finance, information technology, human resource and property services) charged by Essex County Council was reviewed and reduced at the start of the year;

- JC Secretariat: the budget included contingency for an additional (fifth) JC meeting in the year which was not required; and
- Procurement; Non-listed procurements and the second phase of Responsible Investment (reporting) are now expected to commence in 2022/23.

4.3 Further detail in relation to the budget for Strategic & Technical advice has been provided in the Part II Annex B to this report.

5. Risk Summary

5.1 A summary of the risk profile is shown below, and a more detailed report, appears within the Part II Annex C to this report.

	March 2022	June 2022
Low	4	4
Medium	18	17
High	0	2
Elevated	2	1
Risk Index	134	134

6. Recommendations

6.1 The Committee is asked to note the:

- 2021/22 Business Plan summary;
- 2022/23 Business Plan update;
- 2021/22 financial outturn; and
- matters highlighted on risk management.

6.2 The Committee is also asked to note:

- the variations to the IAA set out in paragraphs 3.3-3.6 noting that comments have been invited from Monitoring Officers by 20 June 2022.

6.3 The Committee is asked to agree that:

- should the deadline for responses not align with the Committee's schedule of meetings, the Director of the ACCESS Support Unit will make necessary arrangements to ensure that the Members of the Committee may consider and comment on the DLUHC Consultation; and that authority be delegated to the ASU Director to finalise and submit a response, in consultation with the ACCESS Joint Committee Chairman.