

Business Plan, Budget & Risk Management



ACCESS Joint Committee

Date: 4 December 2023

Report by: Director of ACCESS Support Unit (ASU)

Subject:	Business Plan, Budget & Risk Management
Purpose of the Report:	<p>To provide an update on the activities undertaken since the last Joint Committee, associated spend and risk summary.</p> <p>To propose a Business Plan and Budget for 2024/25.</p>
Recommendations:	<p>The Committee is asked to note the:</p> <ul style="list-style-type: none">• 2023/24 Business Plan update;• 2023/24 budget update; and• risk summary. <p>The Committee is also asked to consider the proposed Business Plan and budget for 2024/25 and:</p> <ul style="list-style-type: none">• recommend the 2024/25 Business Plan to the ACCESS Authorities; and• accept the recommendation of the s151 Officers from the ACCESS Authorities to determine the 2024/25 budget totalling £1.707m to support the proposed business plan.
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1. Background

- 1.1 The Joint Committee (JC) 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 a 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 (OWG). In draft form, it was presented to Section 151 Officer Group at their meeting on 10 November 2023 and their feedback has informed this final version.

2. 2023/24 Business Plan

- 2.1 The Business Plan for **2023/24** was agreed by the JC in December 2022 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 Activities within this year's 2023/24 Business Plan (Annex A.1) that are also the subject of separate items on the Committee's agenda include:
- BAU evaluation
 - Third party review
 - alternative / non-listed assets
 - communications partner re-procurement
 - investment performance
 - sub-fund implementation
 - contract and supplier relationship management

3. Responsible Investment

- 3.1 At its last meeting on 4 September 2023, the Joint Committee noted the outcome of the National LGPS Frameworks procurement for Phase II of the Pool's Responsible Investment workstream. PIRC's appointment along with the associated contractual arrangements have since been finalised. Colleagues from PIRC attended the Officer meeting on 20 October of the ESG / RI sub-group and have subsequently been drafting a timetable of activities.
- 3.2 An update will be brought to the Committee's March 2024 meeting.

4. 2023/24 Budget

- 4.1 At its December 2022 meeting, the Committee determined a budget of **£1,559,033** to support the 2022/23 business plan. Details are shown within the following table.

	Budget 2023/24 £	Actual Costs to 31 Oct 2023 £	Estimated Costs 1 Nov - 31 Mar 2024 £	Actual + Estimated Costs 2023/24 £	Overspend / (Underspend) 2023/2024 £
ASU					
ASU Salaries (incl. on cost)	499,833	300,599	209,516	510,115	10,282
ASU Operational	23,000	7,144	9,170	16,314	(6,686)
ASU Host Authority Recharge	35,700	20,825	14,875	35,700	0
Technical Lead Recharge	40,000	25,792	26,500	52,292	12,292
ASU Total	598,533	354,360	260,061	614,421	15,888
Professional Costs					
<i>Internal Professional Costs</i>					
JC Secretariat	23,100	10,663	11,500	22,163	(937)
Procurement	145,000	-	59,000	59,000	(86,000)
<i>Internal Professional Costs</i>	168,100	10,663	70,500	81,163	(86,937)
<i>External Professional Costs</i>					
Strategic & Technical	602,000	266,851	305,795	572,646	(29,354)
Legal & Governance	190,400	197,355	120,000	317,355	126,955
<i>External Professional Costs</i>	792,400	464,206	425,795	890,001	97,601
Professional Costs Total	960,500	474,869	496,295	971,164	10,664
Total Costs	1,559,033	829,229	756,356	1,585,585	26,552
Cost Per Authority	141,730	75,384	68,760	144,144	2,414

4.2 The following matters are highlighted:

- ASU Staffing: Since 1 May 2023, Paul Tysoe has worked on a part-time basis to assist Alistair Coyle commence his role as Client Manager, in addition to supporting workstreams across listed assets, non-listed assets and Responsible Investment. Paul Tysoe will leave the ASU on 31 January 2024. An overspend of £10,282 is estimated on this budget line;
- the ASU Host Authority recharge includes finance, information technology, human resource and property services;
- Technical Lead Recharge: increased workload particularly in respect of the range and scope of reporting has contributed to an estimated overspend of £12,292;
- Procurement: a number of processes originally planned to conclude in 2023/24 will now conclude in 2024/25. The associated costs will now fall into 2024/25 resulting in an estimated current year underspend of £86,000.

4.3 Further detail in relation to External Professional costs have been provided and shown in the Part II Annex B to this report.

5. 2024/25 proposed Business Plan and budget

5.1 It is anticipated that 2024/25 (next year) will see key activities within the following themes:

Actively managed listed assets:

- launch of final sub-funds under the first ACS Operator contract;
- review of sub-funds.

Scheduled BAU evaluation:

- completion of re-procurement of ACS Operator services;
- implementation of re-procurement outcome;
- commencement of new contractual arrangements.

Alternative / non-listed assets:

- initial investment within real estate mandates;
- the development of pooled asset solutions for other non-listed asset classes.

Passive assets:

- ongoing monitoring and engagement with UBS.

Governance:

- implementation of the outcomes of the Third-Party Review;
- implementation of RI reporting arrangements;
- review of the Communications plan.

ACCESS Support Unit:

- implementation of the outcomes of the Third-Party Review.

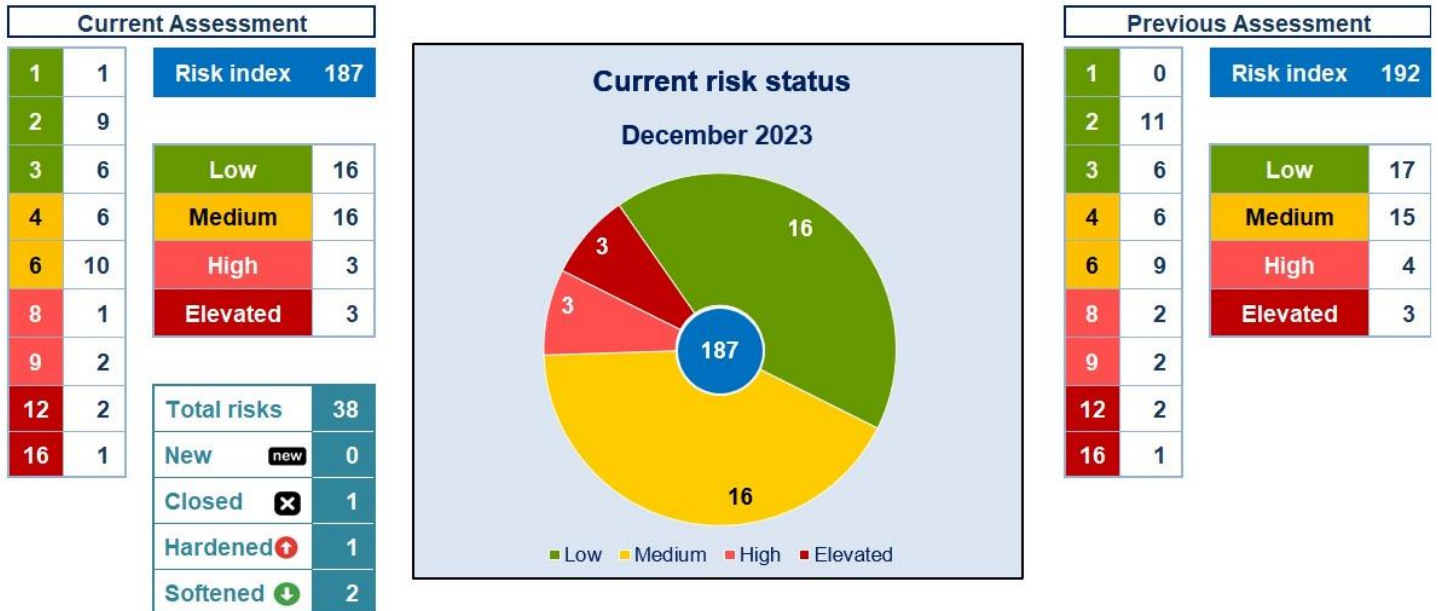
5.2 The proposed business plan was presented and discussed at the meeting of ACCESS s151 Officers held on 10 November and is set out in Annex A.2. This includes milestones for each theme along with details of the key activities.

5.3 A proposed budget totalling £1.707m for 2024/25 is also included within Annex A.2.

5.4 The proposed budget, to support the 2024/25 proposed Business Plan, was discussed at the s151 Officer meeting on 10 November 2023 who agreed that it should be recommended to the Joint Committee.

6. Risk Summary

6.1 A summary of the current risk profile is shown below. A more detailed report appears elsewhere on this agenda.



7. Recommendations

7.1 The Committee is asked to note the:

- 2023/24 Business Plan update;
- 2023/24 budget update; and
- risk summary.

The Committee is also asked to consider the proposed Business Plan and budget for 2024/25 and:

- recommend the 2024/25 Business Plan to the ACCESS Authorities; and
- accept the recommendation of the s151 Officers from the ACCESS Authorities to determine the 2024/25 budget totalling £1.707m to support the proposed business plan.

Theme	Milestone	2023/24 activity	November 2023 comment
Actively managed listed assets	Launch of Tranche 5b	Two fixed income sub-funds.	An update on this matter appears elsewhere on this agenda.
	Launch of Tranche 6	Two Emerging Market sub-funds.	Launched Summer 2023.
	Launch of Tranche 7a	Two fixed income sub-funds.	An update on this matter appears elsewhere on this agenda.
	Launch of Tranche 7b	One fixed income and one global equity sub-fund.	An update on this matter appears elsewhere on this agenda.
	Launch of Tranche 8	One sustainable Global Equity sub-fund.	An update on this matter appears elsewhere on this agenda.
Scheduled BAU Evaluation	2023/24 is the penultimate year of the Operator Agreement	Preparation for, and the commencement of, the re-procurement of operator services.	An update on this matter appears elsewhere on this agenda.
Alternative / non-listed assets	Implementation of approach to pool illiquid assets	Commencement of property mandates.	An update on this matter appears elsewhere on this agenda.

Theme	Milestone	2023/24 activity	November 2023 comment
Passively managed assets	Ongoing monitoring of assets managed on a passive basis.	Further engagement and exploration with UBS will continue throughout the year.	UBS presented to the Investor User Group on 12 June 2023. An update on the value of Authorities' passive holdings appears elsewhere on this agenda.
Governance	Meetings and oversight Operational protocols Engagement with HM Government	<p>Arrangements will be made to support meetings of the Joint Committee (usually each quarter).</p> <p>Meetings of s151 Officers will also be held.</p> <p>The implementation of the outcomes of the Third-Party Review.</p> <p>ACCESS will liaise with the Scheme Advisory Board (SAB) as appropriate.</p> <p>Periodic reports will be provided to DLUHC as required.</p>	<p>One further Committee meeting is scheduled during the remainder of 2023/24.</p> <p>S151 Officers met on 10 November 2023.</p> <p>The Third-Party Review will be considered at the Committee's March 2024 meeting.</p> <p>Sian Kunert, East Sussex, participates on the SAB's Cross Pool Working Group on TCFD measures. Kevin McDonald, ASU participates on the SAB's RI Advisory Group.</p> <p>The annual DLUHC return was submitted in September 2023.</p>

Theme	Milestone	2023/24 activity	November 2023 comment
Governance continued	Engagement with HM Government (contd.) Joint Polices & guidelines	<p>The Pool will actively participate in any Cabinet Office/DLUHC pooling-related consultations.</p> <p>The commencement of RI reporting support for the Pool.</p> <p>An annual review will be conducted of the Pool's RI Guidelines.</p> <p>The Pool's second Communications support contract will commence.</p> <p>Continued activity will take place on implementing the Communications plan.</p>	<p>An ACCESS response was submitted in September 2023.</p> <p>PIRC have commenced work following their appointment in September 2023.</p> <p>Scheduled for late 2023/24.</p> <p>An update on this matter appears elsewhere on this agenda.</p> <p>The 2022/23 Annual Report has been published.</p>
ACCESS Support Unit (ASU)	Review of ACCESS Support Unit Annual Audit	<p>A third-party review of the ASU will be undertaken.</p> <p>An Internal Audit of the ASU will be conducted by Essex CC.</p>	<p>The Third-Party Review will be considered at the Committee's March 2024 meeting.</p> <p>Scheduled to commence Winter 2023.</p>



2024/25
Business Plan
& Budget

Introduction

ACCESS was formed in 2016 when eleven Local Government Pension Scheme (LGPS) Authorities agreed to begin working collectively to address the requirements of the Government's agenda for pooling LGPS investments.

The following strategic objectives are in place:

- enable the Councils to execute their fiduciary responsibilities to LGPS stakeholders, including scheme members and employers, as economically as possible;
- provide a range of asset types necessary to enable those participating Authorities to execute their locally determined investment strategies as far as possible;
- enable the Councils to achieve the benefits of pooling investments, preserve the best aspects of what is currently done locally, and create the desired level of local decision making and control.

In order to achieve these objectives, the Councils have established a set of governing principles.

The governing principles are summarised below.

Collaborative	Risk management	Objective evidence based decisions
Equitable voice in governance	Professionalism	Equitable cost sharing
No unnecessary complexity	Evolution and innovation	Value for money

Implicit within the above principles is the democratic accountability and fiduciary duty of the Councils as Administering Authorities.

The Joint Committee recommends an annual strategic business plan to the Councils, following recommendations from Section 151 Officers and following input from the ACCESS Support Unit (ASU).

Context

During 2023/24 further progress took place in pooling active listed assets, along with the establishment of arrangements for the Pool's property mandates – the first non-listed asset class.

The year saw takeovers conclude for two key strategic partners, Waystone (previously Link) assuming the role of ACS Operator and Apex (previously MJ Hudson) assuming the role of Implementation Adviser for illiquid assets.

PIRC were appointed to advise on Responsible Investment (RI) / Environmental, Social & Governance (ESG) reporting arrangements and undertook a review of the pool's RI Guidelines.

Barnett Waddingham undertook a Third-Party Review of the Pool, and a procurement was undertaken for continued communications support to be in place.

The year also saw preparations for, and the commencement of, the re-procurement of ACS Operator services.

It is anticipated that 2024/25 will see key activities within the following themes:

Actively managed listed assets:

- *launch of final sub-funds under the first ACS Operator contract;*
- *review of sub-funds.*

Scheduled BAU evaluation:

- *completion of re-procurement of ACS Operator services;*
- *implementation of re-procurement outcome;*
- *commencement of new contractual arrangements.*

Alternative / non-listed assets:

- *initial investment within real estate mandates;*
- *the development of pooled asset solutions for other non-listed asset classes.*

Passive assets:

- *ongoing monitoring and engagement with UBS.*

Governance:

- *implementation of the outcomes of the Third-Party Review;*

- *implementation of RI reporting arrangements;*
- *review of the Communications plan.*

ACCESS Support Unit (ASU):

- *implementation of the outcomes of the Third-Party Review.*

Business Plan

The Business Plan is proposed each year to the Councils by the Joint Committee on the basis of recommendations from the s151 Officer Group. The Joint Committee, on advice from the s151 Officer Group, determine a budget in order to deliver the annual Business Plan. Workstreams for the ASU are monitored at the Officer Working Group (OWG) and in turn reported to the s151 Officer Group where key ACCESS business plan activity and deliverables for the fiscal year are considered.

Each theme within the business plan includes milestones planned for the year. The strategic nature of ACCESS’s objectives means that most of the 2024/25 milestones build on work previously undertaken and will in turn provide the foundation for further milestones in subsequent years.

The *Joint Committee* will receive updates on the milestones at each meeting.

Budget

A budget totalling **£1.707m** to support the business plan is included at the end of this paper.

Theme	Milestone	2024/25 activity
Actively managed listed assets	Launch of Tranche 7b	Anticipated 2024/25
	Launch of Tranche 8	Anticipated 2024/25
	Sub-fund review	The range and scope of sub-fund provision will be reviewed
Scheduled BAU Evaluation	The conclusion of the re-procurement of ACS Operator Services in relation to the Pool’s actively managed listed assets	Completion of the formal re-procurement process

Theme	Milestone	2024/25 activity
		<p>Implementation of re-procurement outcome</p> <p>Commencement of new contractual arrangements</p>
Alternative / non-listed assets	<p>Initial investment within real estate mandates</p> <p>The development of pooled asset solutions for other non-listed asset classes</p>	<p>The first investments within the Real Estate mandates</p> <p>The procurement of pooled asset solutions for private debt and private equity</p> <p>The alignment of investments within infrastructure and timber</p> <p>The exploration of further non-listed investment opportunities</p>
Passively managed assets	Ongoing monitoring of assets managed on a passive basis	Further engagement and exploration with UBS will continue throughout the year
Governance	<p>Meetings and oversight</p> <p>Operational protocols</p> <p>Engagement with HM Government Department for</p>	<p>Arrangements will be made to support meetings of the Joint Committee</p> <p>Meetings of s151 Officers will also be held</p> <p>The implementation of the outcomes of the third-party review of objectives</p> <p>ACCESS will liaise with the Scheme Advisory Board as appropriate</p>

Theme	Milestone	2024/25 activity
	<p data-bbox="424 208 863 286">Levelling UP, Communities & Housing (DLUHC)</p> <p data-bbox="424 521 783 566">Joint guidelines & plans</p>	<p data-bbox="986 208 1337 331">Periodic reports will be provided to DLUHC as required</p> <p data-bbox="986 521 1406 656">The implementation of RI reporting arrangements for the pool</p> <p data-bbox="986 701 1385 835">An annual review will be conducted of the pool's RI Guidelines</p> <p data-bbox="986 880 1414 969">Communications support to the pool will continue</p> <p data-bbox="986 1014 1409 1149">A review of the pool's Communication Plan will be undertaken</p>
ACCESS Support Unit (ASU)	ACCESS Support Unit	<p data-bbox="986 1207 1409 1341">The outcomes of the third-party review of the ASU will be implemented</p> <p data-bbox="986 1386 1393 1476">An annual internal audit of the ASU will take place</p>

A separate risk register measures the risk of the strategic objectives and milestones not being achieved and the resultant impact.

Budget 2023/24

The budget for 2023/24 is detailed below.

	Budget 2023/24 £	Actual + Estimated Costs 2023/24 £	Overspend / (Underspend) 2023/2024 £	Proposed Budget 2024/25 £
ASU				
ASU Salaries (incl. on cost)	499,833	510,115	10,282	522,436
ASU Operational	23,000	16,314	(6,686)	24,000
ASU Host Authority Recharge	35,700	35,700	0	37,307
Technical Lead Recharge	40,000	52,292	12,292	55,000
ASU Total	598,533	614,421	15,888	638,742
Professional Costs				
<i>Internal Professional Costs</i>				
JC Secretariat	23,100	22,163	(937)	24,255
Procurement	145,000	59,000	(86,000)	180,000
<i>Internal Professional Costs</i>	168,100	81,163	(86,937)	204,255
<i>External Professional Costs</i>				
Strategic & Technical	602,000	572,646	(29,354)	664,000
Legal & Governance	190,400	317,355	126,955	199,920
<i>External Professional Costs</i>	792,400	890,001	97,601	863,920
Professional Costs Total	960,500	971,164	10,664	1,068,175
Total Costs	1,559,033	1,585,585	26,552	1,706,917
Cost Per Authority	141,730	144,144	2,414	155,174

The *Value for Money* principle has been adopted throughout the preparation of the budget. The key assumptions contained within the budget are outlined overleaf.

Key budget assumptions

The full year effect of the ASU comprising of five full time Officers.

Any budgetary impact of the Third-Party Review will be considered once known.

The continuation of Technical Lead support at November 2023 levels.

Joint Committee Secretariat services remaining with Kent County Council for the duration of 2024/25.

Expenditure for a Procurement Lead Authority to deliver the following:

- the re-procurement of an ACS Operator;
- procurement support for the provision of private debt, social housing and infrastructure pooled asset solutions; and
- the re-procurement of legal advice.

External professional costs cover a range of matters including:

- ongoing advice and project management support in relation to the Scheduled BAU evaluation;
- pool communications; and
- ongoing advice in support of operational pool activity.

External legal advice.