

Business Plan and Budget Quarterly Update



Joint Committee

Date: 19 September 2018

Report by: Officers Working Group

Subject:	Business Plan and Budget Quarterly Update
Purpose of the Report:	To provide an update on the activities undertaken since the last Joint Committee.
Recommendations:	The Committee is asked to: <ol style="list-style-type: none">1. Note the update2. Agree the additional forecast to the budget
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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 ACCESS ACS and initial sub-fund set-up.	Completed in August (later than the original June 2018 date due to due diligence required on the documents supporting the application to the FCA).	 Green
Approve Sub-Fund Tranche 2 and Tranche 3 Ensure subsequent sub-funds meet Operator's due diligence requirements and participating Authorities value for money criteria (including transition activity).	<p>Drafting of relevant Schedules for each sub-fund underway by Link.</p> <p>However FCA application now due 25 September and FCA approval now due on 23 October and Sub Fund Launch due on 23 January 2019, which is one month behind the original schedule.</p> <p>Tranche 3 Sub-Funds to be agreed with Link with FCA application to be made by 11 December, FCA approval due on 12 February and Sub Fund Launch due on 10 April 2019, which is two months behind the original schedule.</p> <p>Status shown as red based on the original Business Plan agreed by the JC. Project Management is now against the revised dates shown above and the status is showing as green against the re-forecasted dates.</p>	 Red
Determine Phase 2 Sub-Funds Joint Committee agree sub-fund requirements for Phase 2 following Officer consideration	<p>Work underway with proposal to be considered by the Joint Committee elsewhere on the agenda relating to global and UK equities.</p> <p>Please Note: It was original anticipated that the Joint Committee would agree Phase 2 Sub-Funds in November 2018 and Link would apply for FCA approval of the Phase 2 sub-funds in January 2019. The application for Phase 2 sub-funds will follow the completion of Phase 1 Tranche 3 (now planned to be submitted in December 2018).</p>	 Amber
Agree ACCESS Support Unit Identify ASU resource requirements, roles and responsibilities for activities and draft job description and recruitment process.	Agreement by Joint Committee to roles and responsibilities and draft role profiles in line with plan (June 2018) and Essex County Council as Host Authority have subsequently	 Amber

	<p>determined the recruitment process for the ASU.</p> <p>Advert for Programme Director has been published with applications due by 10 September but unlikely that appointment of permanent ASU will be completed by October 2018 as originally planned.</p>	
<p>Complete Governance Manual</p> <p>Work with external advisers to reflect decision making principles, communication strategy, policies and procedures, code of conduct etc in the Governance Manual</p>	<p>Additional work in respect of the Governance Manual and Inter Authority Agreement has resulted in a delay to the completion of the Manual. However this has limited impact on work elsewhere, which has been able to progress.</p>	<p> Amber</p>

2.3 In addition to the above, it is anticipated that the following activities will be started over the next quarter:

- Contract and Operations Manuals to be formalised to assist with the management of the Operator Contract and the ACS sub funds investment process
- Determination of reporting requirements at both Pool level and for participating Authorities.
- 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.

3.2 In line with the terms of the Inter Authority Agreement, Kent County Council (as Host Authority at commencement) has invoiced each Council £105,000 as their estimated share of the costs budgeted for the 2018/19 financial year.

3.3 The table below compares the original budget with the current forecast. The following points are made:

- The forecast for Strategic and Technical advice has increased by 15% reflecting the additional work incurred to date relating to the Prospectus and FCA application and the Communication Strategy work which has been commissioned.
- The additional forecasted spend on legal advice relates to the Inter Authority review.
- Project Management and Client Unit costs have increased due to the inclusion of an additional month for interim support whilst the permanent Client Unit takes over to Business as Usual.
- The original budget figure for governance advice has been increased reflecting work commissioned.
- Additional forecast expenditure has been included for sub-fund manager selection (which is subject to discussion elsewhere on the agenda) and client unit recruitment.

Item	Budget	Total Forecast	Variance - Forecast vs budget
	£	£	£
Provision of services by advisers appointed by the Joint Committee including establishment costs			
Strategic and Technical advice	270,000	311,595	-41,595
External Legal advice	180,000	185,647	-5,647
Project management	230,000	247,205	-17,205
Financial and Taxation advice	60,000	59,000	1,000
Sub-fund manager selection		25,000	-25,000
Provision of services to the Joint Committee by the Host Authority			
Secretariat	21,000	21,000	0
Any other services provided by a Council or third party which are considered by the Joint Committee to be the shared responsibility of the ACCESS Authorities - Other Costs			
Operation of the Client Unit	360,000	451,773	-91,773
Recruitment		20,000	-20,000
Insurance advice	5,000	5,000	0
Governance advice	30,000	100,000	-70,000
Website	1,000	1,000	-
TOTAL	1,157,000	1,427,220	-270,220
<i>Participating Authority's share of costs</i>	<i>105,000</i>	<i>129,747</i>	<i>-24,565</i>

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
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<p>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.</p>	<p>The interim arrangement will be required after October 2018.</p> <p>Essex County Council as Host Authority are targeting mid-September to early October to interview for the permanent ASU roles.</p>	<p> Red</p>
<p>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.</p>	<p>Unchanged from previous meeting but increased to red due to budget implications.</p> <p>OWG meetings were reverted to monthly to reduce demand on Officer time and delegation was given to progressing activities to sub-groups.</p>	<p> Red</p>
<p>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.</p>	<p>Unchanged from previous meeting.</p> <p>To date, funds have agreed unanimously to proceed with Phase 1 sub-funds. The approach adopted for Phase 2 is subject to consideration by the Joint Committee.</p> <p>The Governance Manual is being finalised.</p>	<p> Amber</p>
<p>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.</p>	<p>Unchanged from previous meeting.</p> <p>The risk remains at Amber until the first sub-fund is launched to test the seeding process.</p>	<p> Amber</p>
<p>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.</p>	<p>Unchanged from previous meeting.</p> <p>To date, funds have agreed unanimously to proceed with Phase 1 sub-funds. The approach adopted for Phase 2 is subject to consideration by the Joint Committee.</p>	<p> Amber</p>
<p>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.</p>	<p>Although there has been unanimous agreement proceed with Phase 1 sub-funds concerns have been raised around value for money which is covered elsewhere on the agenda.</p>	<p> Amber</p>
<p>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.</p>	<p>S151 Meeting held on 25 May and 25 July with next meeting to be held on.</p> <p>Remains on amber until future meetings agreed.</p>	<p> Amber</p>

5. Recommendation

5.1 That the Joint Committee:

- a) Notes the update.
- b) Agrees the additional forecast to the budget

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. Background Papers

None

8. Appendices

Appendix 1 – Issue Summary (Exempt – Commercially Sensitive)