

Business Plan, Budget & Risk Summary

Quarterly Update



ACCESS Joint Committee

Date: 9 September 2019

Report by: Officer Working Group

Subject:	2019/20 Business Plan Update and revised outturn 2020/21 Proposed Business plan and budget
Purpose of the Report:	To provide an update on the activities undertaken since the last Joint Committee, associated spend and risk summary. To propose a business plan and budget for 2020/21
Recommendations:	<p>The Committee is asked to note the 2019/20 updated business plan, the ASU workstream progress report, the revised outturn and summary risk register.</p> <p>The Committee is also asked to consider the proposed business plan and budget for 2020/21 and</p> <ul style="list-style-type: none">• recommend the 2020/21 business plan to the ACCESS Authorities; and• accepts the recommendation of the s151 Officers from ACCESS Authorities to determine the 2020/21 budget totalling £1.080m to support the proposed business plan.
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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 March 2019 and referred to the relevant ACCESS Authorities.
- 1.2 The Joint Committee also determined the budget necessary to implement the business plan during 2019/20 (insofar as the costs will not be paid by ACCESS Authorities direct to the Operator) at their meeting in March 2019 and this has been charged to the relevant ACCESS Authorities.
- 1.3 This report updates the Joint Committee on the work undertaken to date and costs incurred in 2019/20. It also sets out the proposed business plan and budget for 2020/21. In addition, a summary of the risk register is included.

2. 2019/20 Business Plan Update

- 2.1 The key activities either undertaken or to be undertaken in 2019/20 are as follows:
 - ACCESS Support Unit (ASU) recruitment completes
 - ASU functions mainly undertaken by ASU officers and technical leads
 - Review of the IAA completes
 - Tranches 3, 4 and 5 sub funds onboarding
 - Consideration of non-listed / illiquid assets
 - Procurement of legal advisor for ACCESS
 - Collective custodian procurement on behalf of ACCESS Authorities
 - Review of ESG / RI guidelines commences
- 2.2 The table overleaf shows progress against key items delivered since the last Joint Committee as well as the proposed activity in 2020-21.
- 2.3 As previously advised, in 2019-20 ASU Officers employed by Essex as the Host Authority, together with the Technical Leads, will be taking over most of the functions of the ASU from the third-party providers.
- 2.4 Some external advisors have been engaged in relation to the work on the Governance arrangements for the ACCESS pool, and others have commenced work on the approach towards pooling illiquid assets.
- 2.5 Activities shown in the business plan below that are also the subject of separate items on the Committee's agenda include:
 - Governance update
 - Risk Register
 - Sub-Fund implementation and development of illiquid pooling option
 - MHCLG return
 - Contract Management Update

Key Milestone	Planned 2019-20	Anticipated 2020-21	Change from previous reports
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	Will have residual cost relating to training. Governance manual update to be completed once IAA agreed.	N/A	No change
Complete Review of Inter Authority Agreement Work with external advisers to reflect any changes resulting from the completion of the Governance Manual and review	At the time of writing one matter required the consideration of further drafting. This matter is limited to ensuring that references to Operator Agreement(s) are generic rather than specific.	N/A	change
Agree and establish ACCESS Support Unit Identify ASU resource requirements, roles and responsibilities for activities, scope and run recruitment activity and appoint	With effect from 1 April 19 ASU functions have been mainly undertaken by ASU Officers and Technical Leads. Hymans Robertson no longer provide project management support.	BAU established	change
ASU Operation and Business as usual (BAU) ASU Operation plus professional advice and support	ASU support officer recruited April 19 and ASU Interim Director recruited August 19	BAU established	No change
Determination of Reporting Framework Reflecting investments within the sub-funds work with Link to ensure that reporting meets Authority, Pool, CIPFA and Government requirements	Work continues, led by Technical Leads, to develop reporting arrangements as required by Authorities' annual reports.	Framework established & monitored	Change
Development of Reporting for the Joint Committee in respect of funds in the ACS - Quarterly investment performance - Information on investment and operational costs including the annual review of investment manager costs	ASU officers and Technical Leads are developing ACS reporting.	BAU established	change
Agreement to joint policies	Work to be undertaken by the		

& guidelines Including communication, environmental social and governance and responsible investment.	ASU Officers on developing joint guidelines re ESG / RI in H1 2020	Work continuing to finalise joint guidelines re ESG / RI in H1 2020	No change
Approval and launch of Tranche 3 Sub-Funds Ensure sub-fund meets Link's due diligence requirements and ACCESS Authorities' value for money criteria (including transition activity). Work with Link to submit application to the FCA for approval of the sub-fund set-up. Launch.	2 sub-funds - transition completed May 2019		No change
Approval and launch of Tranche 3a Sub-Fund As above	1 sub-fund - transition completed September 2019		No change
Determine, approve and launch tranche 4a Sub-Funds As above	6 sub-funds – 1 transition completed November 2019, 2 sub-funds due to transition December 2019, remaining sub-fund to early 2020		Change
Determine, approve and launch tranche 4b Sub-Funds As above	1 sub-fund – transition activity February 2020	1 sub-fund – transition activity February 2020	Change
Determine, approve and launch tranche 5a Sub-Funds As above	5 sub-funds – transition activity May 2020	5 sub-funds – transition activity May 2020	Change
Determine, approve and launch tranche 5b Sub-Funds As above	3 sub-funds – transition activity July 2020	3 sub-funds – transition activity July 2020	Change
Determine, approve and launch tranche 6 Sub-Funds As above but to also include manager search and selection activity	ACCESS Authorities to determine further local requirements for equity / fixed income sub-fund	Timing for approval and launch TBC	Change
Sub-funds (all)	Establish arrangements		New

	enabling transitions between sub-funds within the ACS.	BAU expected to in place	
<p>Consideration of approach to illiquid investments</p> <p>Consideration of requirements and implementation options for ACCESS Authorities' current and proposed investments in illiquid asset classes, including infrastructure.</p>	<p>Work to be undertaken by the ASU using third party suppliers as required.</p> <p>bFinance were appointed as advisor re suitable pooled structure in October. Dialogue began in November with a timeline agreed to report to the March 2020 JC.</p>	<p>Work to be undertaken by the ASU and Technical Leads using third party suppliers as required</p>	Change
<p>Communication with MCHLG</p> <p>Providing updates to Government and responding to consultations</p>	<p>Meeting with MHCLG July 19. New draft reporting requirements under consideration. No date yet published for formal pooling consultation. Work to be undertaken by the ASU using third party suppliers as required. First report submitted under new MHCLG reporting template in October.</p>	<p>Work to be undertaken by the ASU using third party suppliers as required</p>	Change
<p>Pool Wide Activities</p> <p>Professional support in relation to ACCESS Governance Structure includes JC, S151, OWG and workstream meetings</p>	<p>Procurement of legal advisor for ACCESS Collective custodian procurement on behalf of ACCESS Authorities</p> <p>Work to be undertaken by the ASU using third party suppliers as required</p>	<p>Work to be undertaken by the ASU using third party suppliers as required</p>	Change

2.6 Stemming from the Business Plan a series of workstreams have been identified. These are highlighted in Appendix 1, along with progress since the Committee's last meeting. The nature of the work involved means that some workstreams in Appendix 1 feature in other items on this agenda.

3. 2019-20 Budget Update

3.1 In agreeing the strategic business plan for 2019/20 the Joint Committee determined the budget necessary to implement the outcomes of the plan and meet the expenses of undertaking the Specified Functions. The costs set out in the 2019/20 budget were indicative based on the understanding of the resource requirements at the time.

- 3.2 For the Committee's information the original budget for 2019/20 and latest forecast based on actual costs for Q1 April – November 2019 are included in the table overleaf.
- 3.3 The 2019/20 business plan and budget anticipated that with the establishment of the ASU work would transfer with effect from April 2019 from Hymans Robertson to the ASU. Additional governance work has been required re the update of the IAA however these higher costs have been offset by the delayed recruitment of the ACCESS Director and a lower than forecast Technical Lead recharge.
- 3.4 In September 2019 one Technical Lead indicated that it would no longer possible for them to continue in that role. Their responsibilities have been assumed by the Interim Director. The work undertaken by the Technical Leads since April 2019 as detailed in the report in Appendix 1 is expected to cost £78k for the year.
- 3.5 The external professional costs cover Hymans Robertson, Squire Patton Boggs and *bFinance* support for the ACCESS pool through strategic, technical and legal advice. This includes advice in relation to the establishment of a pooled structure for illiquid assets and the completion of the IAA review and Governance manual as well as the delivery of governance training.

	Final Outturn 2018/2019	Agreed Budget 2019/2020 £	November forecast 2019/2020 £	Overspend / (Underspend) 2019/2020 £
ASU				
Interim ASU Support	328,734	-	81,082	81,082
ASU Salaries (incl. on cost)	31,649	295,000	228,797	(66,203)
ASU Operational	53,375	20,500	14,301	(6,199)
ASU Host Authority Recharge	7,830	42,000	42,000	-
ASU JC Secretariat Support	-	-	-	-
Technical Lead Recharge Costs	9,599	93,000	78,067	(14,933)
Interim ASU / ASU Total	431,187	450,500	444,247	(6,253)
Professional Costs				
<i>Internal Professional Costs</i>				
Internal Professional Costs	20,018	24,800	22,102	(2,698)
<i>External Professional Costs</i>				
Strategic & Technical	286,115	364,000	271,131	(92,869)
Legal & Governance	341,680	207,250	189,127	(18,123)
Project Management	168,500	156,000	91,536	(64,464)
<i>External Professional Costs</i>	796,295	727,250	551,794	(175,456)
Professional Costs Total	816,313	752,050	573,896	(178,154)
Total Costs per 2019/2020	1,247,500	1,202,550	1,018,143	(184,407)

4. Summary risk register

- 4.1 The Pool's key risks are considered on a quarterly basis. An overview of the current (as proposed) and previous quarters' risks is set out below:

	September 19	December 19
Total Risk Score	84	83
Red	2	2
Amber	9	8
Green	6	7

- 4.2 Full details are set out in agenda item 9 (Risk Register) on this agenda.

5. 2020/21 Business Plan and budget

- 5.1 It is anticipated that 2020/21 will see key activities within the following themes:

Actively managed listed assets: the completion of pooling active listed assets within the Authorised Contractual Scheme (ACS).

Alternative / non listed assets: the initial implementation of pooled alternative assets.

Passive assets: ongoing monitoring and engagement with UBS.

Governance: the application of appropriate forms of governance throughout ACCESS.

ACCESS Support Unit (ASU): the size and scope of the ASU will be reviewed.

- 5.2 The full business plan is set out in Appendix 2. This includes milestones for each theme along with details of the key activities.

- 5.3 A draft budget totalling £1.080m 2020/21 is also included within Appendix 2. The assumptions underpinning the budget include:

- the first Full Year Effect of a fully staffed ACCESS Support Unit along with four Technical Leads;
- the absence of external project management support;
- the use of external consultancy in the establishment phase of pooling illiquid assets;
- the requirement for external technical support in procuring illiquid asset vehicles;
- legal advice on illiquids and BAU.

- 5.4 The draft budget was discussed at the s151 Officer meeting on 25 November who agreed that it should be recommended to the Joint Committee.

6. Recommendations

- 6.1 The Committee notes the 2019/20 updated business plan, the ASU workstream progress report, the revised outturn and summary risk register.
- 6.2 The Committee considers the proposed business plan and budget for 2020/21 and
- recommends the 2020/21 business plan to the ACCESS Authorities; and
 - accepts the recommendation of the s151 Officers from ACCESS Authorities to determine the 2020/21 budget totalling £1.080m to support the proposed business plan.

7. Consultation with Key Advisers

- 7.1 Hymans Robertson have provided general / project support and technical advice to the ACCESS pool.
- 7.2 Squire Patton Boggs provide legal advice to the ACCESS pool.

8. Background Papers

- 8.1 None