

# Business Plan, Budget & Risk Summary

## Quarterly Update



**ACCESS Joint Committee**

**Date: 17 July 2020**

**Report by: Officer Working Group**

<b>Subject:</b>	<b>Business Plan, Budget &amp; Risk Summary – Quarterly Update</b>
<b>Purpose of the Report:</b>	To provide an update on the activities undertaken since the last Joint Committee, associated spend and risk summary.
<b>Recommendations:</b>	The Committee is asked to note: <ul style="list-style-type: none"><li>• the Business Plan update</li><li>• the 2019/20 outturn and 2020/21 budget; and</li><li>• summary Risk Register.</li></ul>
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## **1. Background**

- 1.1. Business Plan (the Business Plan) to the ACCESS Authorities. The Business Plans for 2019/20 and 2020/21 were agreed by the JC in March 2019 and December 2019 respectively prior to being referred to the ACCESS Authorities.
- 1.2. At each of those meetings the JC also determined the budget necessary to implement both years' plans and to be charged to the relevant Authorities.

## **2. COVID-19 and lockdown**

- 2.1. The last JC meeting took place on 9 March. In the following week, as a result of the COVID-19 national emergency, ACCESS Authorities along with the ACCESS Support Unit (ASU), Link Fund Solutions, Northern Trust, Investment Managers and Advisers migrated to remote working arrangements.
- 2.2. Working arrangements during lockdown have included:
  - emailed updates to JC Members in late April and late May;
  - regular briefing calls with the JC Chairman and Vice-Chairman;
  - emailed updates to s151 Officers in April and May along with a virtual s151 Officer meeting on 3 July;
  - weekly virtual meetings of the Officer Working Group (OWG).
- 2.3. Lockdown has placed numerous demands on Local Government and has also impacted on the ability of Authorities to engage with pooling activity. In view of this, in late March, OWG considered a series of scenarios across seven areas of pool activity. The thinking behind this approach was shared with s151 Officers along with the Chairman and Vice Chairman. The scenario analysis was part of the April JC update and is included at Appendix A.
- 2.4. The April update to the JC also invited responses to the Chairman and Vice Chairman's thoughts on the approach to holding the next JC meeting. Key outcomes from both this dialogue and the scenario analysis include:
  - rescheduling the next JC meeting to the 17 July on a virtual basis;
  - sub-funds launching only if all original investing Authorities were able to do so; and
  - ASU keeping the alternatives milestone appropriately positioned until such time as Authorities were in a position to engage. As a result, consideration of alternatives will now take place at the Committee's next meeting on 7 September.

### 3. Business Plan Update

- 3.1. This report updates the Joint Committee on the work undertaken and costs incurred in 2019/20. The developing and ongoing nature of a significant amount of pooling activity means that a number of the milestones appear within both the 2019/20 and 2020/21 Business Plans. Furthermore, the timescales for establishing a process to transition between sub-funds and determining the approach to pooling alternatives have been moved from 2019/20 into 2020/21.
- 3.2. The Business Plans for 2019/20 and 2020/21 are shown in full detail, with commentary in Appendices B and C respectively. 2019/20's Business Plan contained 11 milestones. 2020/21's Plan used a different format in which milestones were based around 5 themes: active, passive and alternative assets along with governance and the ASU. An overview of both years is provided in the table below.

2019/20 milestone	Comment	2020/21 activity
Inter Authority Agreement (IAA)	Final draft of IAA circulated to Monitoring Officers in June – a report on this matter will be brought to the Committee's September	Completion part of the <i>Operational Protocols</i> milestone within <i>Governance</i> theme
Review Governance Manual	Follows finalisation of IAA review (above)	Completion part of the <i>Operational Protocols</i> milestone within <i>Governance</i> theme
Agree and establish ASU	Recruitment complete	ASU theme includes a milestone to <i>review ASU's size and scope</i>
ASU operations and BAU	Project management activities undertaken by ASU	ASU theme includes a milestone to <i>review ASU's size and scope</i>
Determining reporting framework	Recent activity on the Cost Transparency initiative was led by the Reporting sub-group	Will continue in 2020/21
Development of JC ACS Reporting	Investment performance and cost information now established within JC reporting	Will continue in 2020/21
Agreement to joint policies and guidelines	Formal consideration of Communications scheduled for September meeting. A position statement on ESG / RI appears elsewhere on this agenda	The <i>Governance</i> theme includes an <i>Agreement to Joint policies and Guidelines</i> milestone with specific reference to ESG/RI and Communications
Approval and launch of Sub-funds (tranches 3-6)	15 sub-funds launched as at 31 March 2020 with a total value of £13bn	The <i>Active Assets</i> theme includes milestones for <i>tranches 4, 5 and 6</i>

Establish a process for transitioning between sub-funds	This milestone is addressed in a separate item within this agenda	<i>Establishing a process for transitioning between sub funds</i> is a legacy 2019/20 milestone, brought into the 2020/21 Business Plan within the <i>Active Assets</i> theme
Consideration of approach to illiquid investments	Authority engagement recommenced in June ahead of a report being brought to the September JC	The <i>Alternative Assets</i> theme includes a legacy 2019/20 milestone to <i>Determine approach to pooling alternative/non listed assets</i> milestone
Communication with MCHLG	Pool Officers remain in dialogue with those supporting the Scheme Advisory Board	The <i>Governance</i> theme includes a milestone for <i>Engagement with HM Government</i>
Pool-wide activities	The provision of third-party support is now contracted via the ASU	The use of third-party support will form part of the <i>review of the size and scope of the ASU</i> milestone

The following are milestones featuring in the 2020/21 Business Plan for the first time.

2020/21	Comment
A Scheduled BAU evaluation is a milestone within the <i>Active Assets</i> theme	A report on this matter will be brought to the Committee's next meeting
The <i>Passive Assets</i> theme includes a milestone for <i>ongoing monitoring of passive assets</i>	Ongoing engagement with UBS has been a feature of Officer activity since the 2017 completion of the joint procurement by ACCESS Authorities

3.3. Activities shown in the Business Plan below that are also the subject of separate items on the Committee's agenda include:

- ESG/RI
- Risk Register
- Investment Performance
- Sub-fund Implementation
- Contract Management update

#### 4. 2019/20 outturn

4.1. The final expenditure for financial year 2019/20 was £810,758 against a budget of £1,202,550, giving rise to an underspend of £391,792. The financial contribution required from each of the eleven ACCESS LGPS Authorities was £73,705. The contributions to be invoiced to Authorities in respect of 2020/21 will be adjusted to reflect the 2019/20 underspend. Details were part of the May JC update and are included in the table overleaf.

4.2. The final position was largely driven by underspends in two areas, both of which are under External Professional Costs:

- an underspend of £176,001 on *Strategic & Technical* advice. This reflects both the delayed start to procuring pooled alternative solutions and the cost of associated advice; and
- an underspend of £112,499 on Project Management. This primarily reflects the migration from third-party provision to Host Authority provision of ASU services.

#### 5. 2020/21 budget

5.1. At its December 2019 meeting, the JC determined a budget of £1,080,000 to support the 2020/21 Business Plan. Details are included in the table below. Expenditure against this budget is being kept under review and will be reported to future meetings of the JC.

	Agreed Budget 2019/2020	11-Feb-20 Forecast 2019/2020	Actual Total 2019/2020	Variance 2019/2020	Budget 2020/2021
<b>ASU</b>					
Interim ASU Support	-	70,247	70,247	70,247	
ASU Salaries (incl. on cost)	295,000	228,814	229,083	(65,917)	300.261
ASU Operational	20,500	11,958	11,799	(8,701)	20.580
ASU Host Authority Recharge	42,000	42,000	42,000	-	42.725
ASU JC Secretariat Support	-	-	-	-	14.000
Technical Lead Recharge Costs	93,000	38,131	30,892	(62,108)	89.747
<b>Interim ASU / ASU Total</b>	<b>450,500</b>	<b>391,150</b>	<b>384,021</b>	<b>(66,479)</b>	<b>467.313</b>
<b>Professional Costs</b>					
<i>Internal Professional Costs</i>					
Internal Professional Costs	24,800	13,793	13,831	(10,969)	65.000
<i>External Professional Costs</i>					
Strategic & Technical	364,000	286,131	187,999	(176,001)	344.000
Legal & Governance	207,250	203,836	181,406	(25,844)	203.450
Project Management	156,000	64,337	43,501	(112,499)	
<i>External Professional Costs</i>	727,250	554,304	412,905	(314,345)	547.450
<b>Professional Costs Total</b>	<b>752,050</b>	<b>568,097</b>	<b>426,737</b>	<b>(325,313)</b>	<b>612.450</b>
<b>Total Costs per 2019/2020</b>	<b>1,202,550</b>	<b>959,247</b>	<b>810,758</b>	<b>(391,793)</b>	<b>1,079,763</b>
<b>Cost Per Authority</b>	<b>109,323</b>	<b>87,204</b>	<b>73,705</b>	<b>(35,618)</b>	<b>98,160</b>

## 6. Risk Summary

6.1. A summary of the risk profile is shown below. Further detail is contained within a separate item within this agenda.

	March 20	June 20
Red	2	2
Amber	12	16
Green	6	5

## 7. Recommendations

7.1. The Committee is asked to note:

- the Business Plan update
- the 2019/20 outturn and 2020/21 budget; and
- the summary risk register

