

Business Plan, Budget & Risk Summary



ACCESS Joint Committee

Date: 6 December 2021

Report by: Officer Working Group

Subject:	Business Plan, Budget & Risk Summary
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:</p> <ul style="list-style-type: none">• the 2020/21 outturn;• the Business Plan update;• the 2021/22 budget update; and• summary risk register. <p>The Committee is also asked to consider the proposed business plan and budget for 2022/23 and</p> <ul style="list-style-type: none">• recommend the 2022/23 business plan to the ACCESS Authorities;and• accept the recommendation of the s151 Officers from ACCESS Authorities to determine the 2022/23 budget totalling £1.366m to support the proposed business plan.
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1. 2020/21 financial outturn

1.1. The financial outturn for 2020/21 (last year) was previously circulated to Members of the Joint Committee in papers noted at the virtual briefing held on 25 June 2021. As that event was not a formal meeting of the Joint Committee, the financial outturn is re-presented for noting below. The detail set out in this section repeats that used at the June virtual briefing.

	Revised Budget 2020/2021 £	January JC Forecast 2020/2021 £	Outturn 2020/2021 £	Overspend / (Underspend) 2020/2021 £
ASU				
ASU Salaries (incl. on cost)	300,261	296,740	299,838	(423)
ASU Operational	20,580	15,625	16,590	(3,990)
ASU Host Authority Recharge	42,725	42,725	31,398	(11,327)
Technical Lead Recharge Costs	89,747	45,146	34,398	(55,349)
ASU Total	453,313	400,237	382,225	(71,089)
Professional Costs				
<i>Internal Professional Costs</i>				
JC Secretariat	19,000	16,502	14,030	(4,970)
Procurement	60,000	45,000	28,800	(31,200)
<i>Internal Professional Costs</i>	<u>79,000</u>	<u>61,502</u>	<u>42,830</u>	<u>(36,170)</u>
<i>External Professional Costs</i>				
Strategic & Technical	344,000	353,450	289,811	(54,189)
Legal & Governance	203,450	154,600	147,822	(55,628)
<i>External Professional Costs</i>	<u>547,450</u>	<u>508,050</u>	<u>437,634</u>	<u>(109,816)</u>
Professional Costs Total	626,450	569,552	480,464	(145,986)
Total Costs per 2020/2021	1,079,763	969,788	862,689	(217,075)
Cost Per Authority	98,160	88,163	78,426	(19,734)

1.2. The final expenditure for financial year 2020/21 was £862,689 against a budget of £1,079,763 giving rise to an underspend of £217,075. The final position was largely driven by underspends in the following areas:

- a £55,349 underspend on *Technical Lead Recharge* costs. For a large part of the year, the number of Technical Leads able to devote time reduced from four to three. A lower budget has been set for 2021/22;
- a £31,200 underspend on *Procurement* costs. The budget was based on four procurements, when during the year there was two

(Communications partner and Environmental Social and Governance Adviser);

- a £54,189 underspend on *Strategic and Technical advice*. This includes the delayed commencement in pooling alternatives and the costs of advice; and
- a £55,628 underspend on *Legal & Governance* advice. The original budget assumptions included the commencement of pooled alternatives during the year.

1.3. The expenditure against budget of £862,689 for financial year 2020/21 features in the table below (shown as £863k) highlighting the overall costs and savings as shown in the ACCESS Annual Report. This table also includes Operator and Depositary fees charged to the ACS sub-funds, and pool fee savings for both the 2020/21 and since inception.

	2020 – 2021		2016 – 2021	
	Actual In Year £'000	Budget In Year £'000	Actual Cumulative to date £'000	Budget Cumulative to date £'000
Set Up Costs	-	-	1,824	1,400
Transition Costs	-	-	674	2,499
Ongoing Operational Costs	863	1,079	3,071	3,548
Operator & Depositary Costs	3,672	4,077	7,304	6,577
Total Costs	4,535	5,156	12,873	14,024
Pool Fee Savings	21,747	13,600	42,262	32,050
Net Savings Realised	17,212	8,444	29,389	18,026

2. Business Plan update

2.1 The Business Plan for **2021/22** (current 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 Activities within this year's **2021/22** Business Plan (Annex A) that are also the subject of separate items on the Committee's agenda include:

- Communications
- Responsible Investment
- Implementation Adviser appointment
- Sub-fund performance and implementation
- Contract Management
- BAU evaluation next steps

3. Cross Pool research on overseas pooling

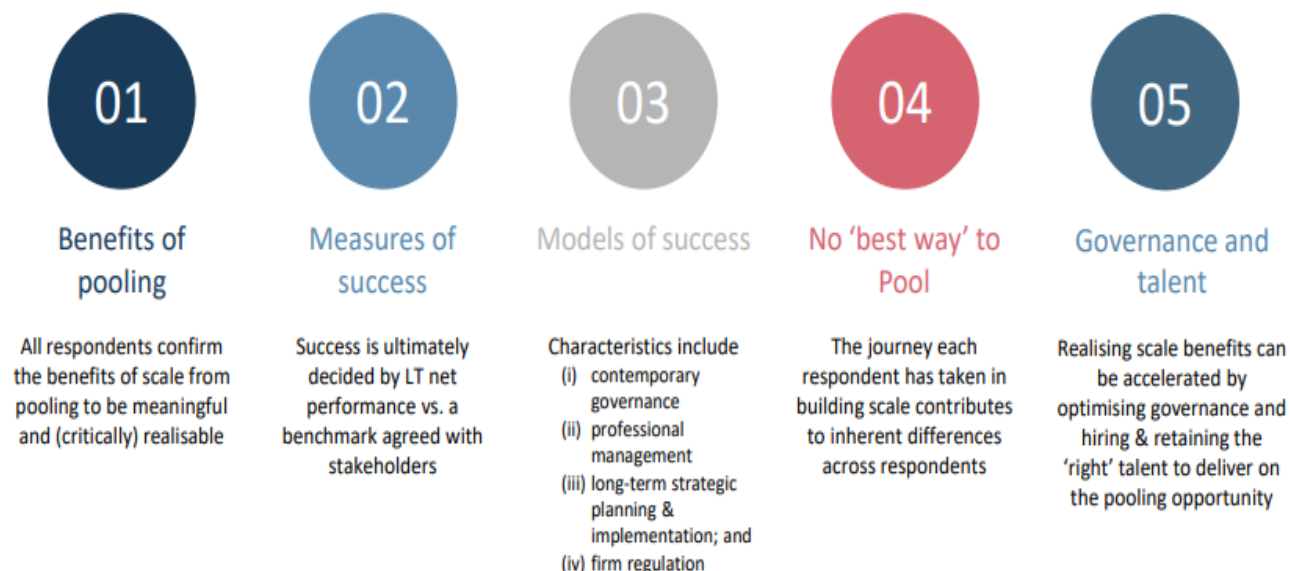
- 3.1 In addition to the activities highlighted above, and within Annex A, ACCESS was one of seven LGPS Pools to commission research into the experience of overseas pooling. This research was undertaken by NMG and published in September, shortly after the Committee's last meeting. The full report entitled LGPS In the UK: Learning from International Peers was emailed to Joint Committee members on the evening of 6 September 2021, prior to general publication on 13 September 2021.
- 3.2 Based on the experience of eleven public pension pools across the world, the aim was to learn from more established pools who had already banked 10, 20 or even 30 years' experience – in particular the project did not set out to make recommendations.
- 3.3 Mark Fox from NMG presented to the Officer Working Group on 26 September 2021 and an excerpt from one of his slides, capturing the key findings of the research is set out below.

Findings from the research



To understand and learn from some of the experiences of global peers, seven UK LGPS pools commissioned research with 11 comparable international investors.

The research revealed:



- 3.4 Reflections from this research will feature in officer discussions on business planning and risk management.

4. 2021/22 budget update

4.1 At its January 2021 meeting the Committee determined a budget of £1,247,019 to support the 2021/22's (current year's) business plan. Details are included within the table below.

	Agreed Budget 2021/2022 £	Actual Costs 01/11/2021 plus forecast 2021/2022 £	Overspend / (Underspend) 2021/2022 £	Budget 2022/23
ASU				
ASU Salaries (incl. on cost)	460,261	419,484	(40,777)	465,000
ASU Operational	20,580	14,865	(5,715)	23,000
ASU Host Authority Recharge	64,087	30,000	(34,087)	35,000
Technical Lead Recharge Costs	40,000	38,752	(1,248)	45,000
ASU Total	584,928	503,101	(81,827)	568,000
Professional Costs				
<i>Internal Professional Costs</i>				
JC Secretariat	21,761	16,322	(5,439)	22,000
Procurement	45,000	27,000	(18,000)	60,000
<i>Internal Professional Costs</i>	66,761	43,322	(23,439)	82,000
<i>External Professional Costs</i>				
Strategic & Technical	433,000	355,500	(77,500)	546,000
Legal & Governance	162,330	160,320	(2,010)	170,000
<i>External Professional Costs</i>	595,330	515,820	(79,510)	716,000
Professional Costs Total	662,091	559,142	(102,949)	798,000
Total Costs per 2020/2021	1,247,019	1,062,243	(184,776)	1,366,000
Cost Per Authority	113,365	96,568	(16,798)	124,182

4.2 Current forecast variances against the planned budget are currently expected in the following areas:

- ACCESS Support Unit (ASU) salaries (incl. on cost): the new Client Manager joined the ASU part way through the current year. The budget reflects a full year's cost.
- ASU Operational: this reflects reduced instances of travel costs, particularly during the first half of the year.
- ASU Host Authority recharge: the overhead charged by Essex County Council has been reviewed and reduced.
- JC Secretariat: the budget includes contingency for an additional 5th JC meeting in the year.
- Strategic & Technical: the budget assumptions were set on a prudent basis prior to the finalisation of external advice appointments. The variance includes favourable procurement outcomes.

5. 2022/23 proposed Business Plan and budget

5.1 It is anticipated that 2022/23 (next year) will see key activities within the following themes:

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

Alternative / non-listed assets: the first full year's activity on the implementation of pooled alternative assets.

Passive assets: ongoing monitoring and engagement with UBS.

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

ACCESS Support Unit (ASU): an external review of the ASU.

5.2 The proposed business plan was presented and discussed at the meeting of ACCESS s151 Officers held on 19 November and is set out in Annex 2. This includes milestones for each theme along with details of the key activities.

5.3 A proposed budget totalling £1.366m for 2022/23 is also included within Annex B.

5.4 The proposed budget, to support the 2022/23 proposed Business Plan, was discussed at the s151 Officer meeting on 19 November 2021 who agreed that it should be recommended to the Joint Committee.

6. Risk Summary

6.1 A summary of the risk profile is shown below, and a more detailed report, including the revised approach to risk scoring, appears elsewhere on this agenda.

	Sept 2021	Dec 2021
Low	4	4
Medium	14	14
High	1	1
Elevated	2	2
Risk Index	111	123

7. Recommendations

7.1 The Committee is asked to note:

- the Business Plan update;
- the 2020/21 outturn;
- the 2021/22 budget update; and
- summary risk register.

7.2 The Committee is also asked to consider the proposed business plan and budget for 2022/23 and

- recommend the 2022/23 business plan to the Councils;
and
- accepts the recommendation of the s151 Officers from ACCESS Authorities to determine the 2022/23 budget totalling £1.366m to support the proposed business plan