

**2020/21 Business Plan update, revised
outturn and Risk Summary**

**2021/22 Proposed Business Plan and
Budget**



ACCESS Joint Committee

Date: 13 January 2021

Report by: Officer Working Group

Subject:	2020/21 Business Plan update, revised outturn and Risk Summary 2021/22 Proposed Business Plan and Budget
Purpose of the Report:	To provide an update on the activities undertaken since the last Joint Committee. To propose a Business Plan and Budget for 2021/22.
Recommendations:	The Committee is asked to note the 2020/21 updated business plan, the revised outturn and summary risk register. The Committee is also asked to consider the proposed business plan and budget for 2021/22 and <ul style="list-style-type: none">• recommend the 2021/22 business plan to the ACCESS Authorities; and• accepts the recommendation of the s151 Officers from ACCESS Authorities to determine the 2021/22 budget totalling £1.247m to support the proposed business plan.
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1. Background

- 1.1. The Business Plan for 2020/21 was agreed by the Joint Committee (JC) in December 2019 prior to being referred to the ACCESS Authorities.
- 1.2. At that meeting the JC also determined the budget necessary to implement this year's plan and to be charged to the relevant Authorities.

2. COVID-19 implications

- 2.1. It is anticipated that meetings will continue be held on a virtual basis.

3. 2020/21 Business Plan – general update

- 3.1. Activities shown in the Business Plan (Annex A) that are also the subject of separate items on the Committee's agenda include:
 - Environmental, Social Governance (ESG) / Responsible Investment (RI)
 - Alternative / illiquid assets
 - Sub-fund implementation
 - Contract Management
 - Scheduled BAU evaluation
- 3.2. A workshop on Communications is planned after the JC's meeting has concluded.
- 3.3. As notified at the JC's September meeting Authorities are in the process of adopting the revised ACCESS Inter Authority Agreement (IAA).

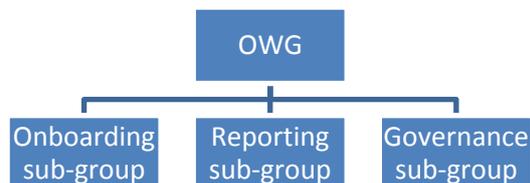
4. 2020/21 Business Plan – review of size & scope of ACCESS Support Unit

4.1. The 2020/21 Business Plan includes a review of the size and scope of the ACCESS Support Unit (ASU). The key milestones in the review are set out below:

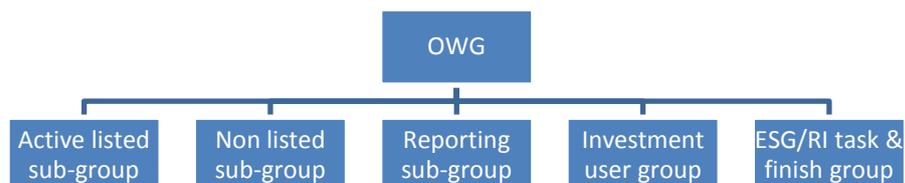
Date	Activity
1 October 2020	Discussion paper 1 issued to OWG
October & November	Interim ASU Director undertakes virtual visits to each Authority
Late November	Discussion paper 2 issued to OWG
3 December	OWG agreement to proposals
11 December	S151 officers' agreement to proposals
13 January 2021	Joint Committee

4.2. The first discussion paper noted that the current size of the ASU was based on consideration of a scenario that none of the Authorities had at that time encountered, and itself was a compromise. The strong levels of collaboration and engagement were highlighted along with the high value placed on the work of both Technical Leads in supporting key workstreams and Kent County Council in providing Secretariat service. The increased workload on LGPS Authorities, stemming from pooling, but also other matters (e.g. McCloud) were outlined. The paper noted the growing complexity of workstreams and the lack of resilience within the current ASU structure. Analysis of the existing ASU officer role profiles indicated implicit rather than explicit reference to pool's most fundamental stakeholders - the ACCESS Authorities. The requirements were noted of both effective contract and supplier relationship and the expanded officer group structure which commenced in September:

Former officer group structure (pre lockdown)



New officer group structure (from September 2020)



4.3. Common themes discussed during the virtual visits were:

- recognition of the increased pressure on Authorities;
- acceptance that the ability to increase Technical Lead capacity was unlikely;
- recognition of the increased workload implication of the business plan on the ASU; and
- support for an expanded ASU.

4.4. Discussion paper 2 proposed that the ASU be increased from 3 full time equivalent posts (FTEs) to 5. The proposed two new posts, both of which increase the ASU's resilience, are:

a Client Manager: at the same grade as Contracts Manager. The role would act as champion for ACCESS Authorities' requirements across all levels of engagement representation and investment. It would involve anticipating and identifying commonalities between Authorities and translating these into plans and outcomes. The role combines active involvement throughout the ACCESS governance model with hands on initiation of workstreams and representing the ASU to the JC and s151 Officers.

an additional Support Officer: at a similar grade to the existing Support Officer. This role would reinforce ASU capacity to support the increased activity and the expanded officer group structure.

4.5. The estimated cost of this revision, including salaries, Employer's NI and LGPS contributions, is £160,000.

4.6. The proposal also includes the suggestion to leave the existing Technical Lead profile in place and review after the revised ASU FTE establishment has been implemented.

4.7. On 3 December the above proposals were discussed and agreed by OWG.

4.8. On 11 December the above proposals were discussed and agreed by s151 Officers. As a consequence, the financial implications of the proposals have been included within the 2021/22 budget.

5. 2020/21 budget

5.1. At its December 2019 meeting the JC determined a budget of £1.080m to support the 2020/21 Business Plan. Details are included overleaf:

	Original Budget 2020/2021 £	Revised Budget 2020/2021 £	January JC forecast 2020/2021 £	Overspend / (Underspend) 2020/2021 £
ASU				
ASU Salaries (incl. on cost)	300,261	300,261	296,740	(3,521)
ASU Operational	20,580	20,580	15,625	(4,955)
ASU Host Authority Recharge	42,725	42,725	42,725	(0)
ASU JC Secretariat Support	14,000 *	-	-	-
Technical Lead Recharge Costs	89,747	89,747	45,146	(44,601)
ASU Total	467,313	453,313	400,236	(53,077)
Professional Costs				
<i>Internal Professional Costs</i>				
JC Secretariat	5,000 *	19,000	16,502	(2,498)
Procurement	60,000	60,000	45,000	(15,000)
<i>Internal Professional Costs</i>	<u>65,000</u>	<u>79,000</u>	61,502	(17,498)
<i>External Professional Costs</i>				
Strategic & Technical	344,000	344,000	353,450	9,450
Legal & Governance	203,450	203,450	154,600	(48,850)
<i>External Professional Costs</i>	<u>547,450</u>	<u>547,450</u>	508,050	(39,400)
Professional Costs Total	612,450	626,450	569,552	(56,898)
Total Costs per 2020/2021	1,079,763	1,079,763	969,788	(109,975)
<i>Check</i>				
Cost Per Authority	98,160	98,160	88,163	(9,998)

5.2. * Reflecting the decision at the July JC to extend to provision of Secretariat services by Kent County Council; the required reprofiling is reflected within the column entitled "Revised Budget 2020/21".

5.3. Key forecast variances against budget are outlined below:

- ASU Operational: this budget line includes travel expenses which are not being incurred in the current virtual meeting environment;
- Technical Lead recharge costs: these costs have tended to be less than anticipated. During 2020/21 the number of Technical Leads able to devote time has reduced from four officers to three;

- Procurement: the budget was based on an assumed four procurements during the year. This is now anticipated to be three (Communications partner; ESG/RI adviser, Illiquids Implementation Adviser);
- Legal & Governance: the budget assumed that implementation of illiquids would have commenced at the start of the current financial year. It is now forecast that these costs are likely to fall into 2021/22.

6. Risk Summary

6.1. A summary of the risk profile is shown below.

	Nov 20	Jan 20
Red	2	2
Amber	14	14
Green	7	7

7. 2021/22 Business Plan and budget

7.1. 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 implementation of pooled alternative assets will commence.

Passive assets: ongoing monitoring and engagement with UBS.

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

ACCESS Support Unit (ASU): the completion of the implementation of the increased ASU.

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

7.3. A draft budget totalling £1.247m for 2021/22 is also included within Annex 2. The assumptions underpinning the budget include:

- A full year effect on an ASU increased in size from three to five full time members of staff (as detailed in section 4);
- Joint Committee Secretariat services remaining with Kent County Council for the duration of 2021/22;
- External consultancy on a range of matters including:

- the establishment of pooled arrangements for alternative assets, along with associated procurements and technical advice;
 - the development and implementation of pool Environmental, Social and Governance (ESG) / Responsible Investment (RI) guidance along with associated required reporting;
 - pool communications and communications strategy.
- External legal advice.

7.4. The draft budget was discussed at the s151 Officer meeting on 11 December who agreed that it should be recommended to the Joint Committee.

8. Recommendations

- 8.1. The Committee is asked to note the 2020/21 updated business plan, the revised outturn and summary risk register.
- 8.2. The Committee is also asked to consider the proposed business plan and budget for 2021/22 and
- recommend the 2021/22 business plan to the ACCESS Authorities; and
 - accepts the recommendation of the s151 Officers from ACCESS Authorities to determine the 2021/22 budget totalling £1.247m to support the proposed business plan.

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2020/21 Business Plan

Legacy milestones noted where applicable

Theme	Milestone	2020/21 activity	January 2021 comment
<p>Actively managed listed assets</p>	<p>Launch remaining Tranche 4a sub-funds (2019/20 legacy milestone)</p>	<p>Two sub-funds: one global equity & one fixed income</p>	<p>An update on this matter appears elsewhere on this agenda.</p>
	<p>Launch remaining Tranche 4b sub-funds (2019/20 legacy milestone)</p>	<p>One UK equity sub-fund</p>	<p>An update on this matter appears elsewhere on this agenda.</p>
	<p>Launch of Tranche 5a</p>	<p>Five sub-funds: four global equity & one UK equity</p>	<p>An update on this matter appears elsewhere on this agenda.</p>
	<p>Launch of Tranche 5b</p>	<p>Three fixed income sub-funds</p>	<p>An update on this matter appears elsewhere on this agenda.</p>
	<p>Determine, approval & launch of Tranche 6</p> <p><i>Ensure sub-funds meet Link's due diligence requirements and ACCESS Authorities' Value for Money criteria (including transition activity). Manager search and selection activity where required. Work with Link to submit application to the FCA for approval of the sub-fund set up. Launch.</i></p>	<p>Likely to include global equity, fixed interest and emerging market equity sub-funds.</p>	<p>An update on this matter appears elsewhere on this agenda.</p>

Theme	Milestone	2020/21 activity	January 2021 comment
Actively managed listed assets continued	<p>Establish a process for transitioning between sub-funds. (2019/20 legacy milestone)</p> <p>Scheduled BAU evaluation</p>	<p>An evaluation of BAU arrangements will be undertaken and reported to the Joint Committee in March 2021 to inform future planning.</p>	<p>Dialogue on a potential solution continues between Link Fund Solutions and the Financial Conduct Authority (FCA).</p> <p>An update on this matter appears elsewhere on this agenda.</p>
Alternative / non-listed assets	<p>Determine approach to pooling alternative/non-listed assets (2019/20 legacy milestone)</p> <p>Commence implementation of approach to pool illiquid assets</p>	<p>Consideration of requirements and implementation options for ACCESS Authorities' current and proposed investments in illiquid asset classes, including infrastructure.</p> <p>The initial implementation of pooled alternative assets will commence in 2020/21.</p>	<p>An update on this matter appears elsewhere on this agenda.</p> <p>The initial work required for the implementation of pooled alternative assets will commence once recommendations have been agreed by the JC.</p>
Passively managed assets	<p>Ongoing monitoring of assets managed on a passive basis.</p>	<p>Engagement with UBS will continue throughout the year.</p>	<p>An Investor User Group has been established, which will enable collective dialogue with investment managers including UBS.</p>

Theme	Milestone	2020/21 activity	January 2021 comment
Governance continued	Agreement to Joint Policies & guidelines	<p>The Joint Committee will review its Communications Policy.</p> <p>Work will be undertaken to finalise joint guidelines on ESG / RI.</p>	<p>A Communications workshop is planned immediately after the January JC.</p> <p>An update on this matter appears elsewhere on this agenda.</p>
ACCESS Support Unit (ASU)	Review of ACCESS Support Unit	The size and scope of the ASU will be reviewed.	The review and its implications are detailed in section 4 of this report.



2021/22

Business Plan
& Budget

Introduction

ACCESS has its origins 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 participating Authorities 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 Authorities to execute their locally-determined investment strategies as far as possible;
- enable participating Authorities 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 participating Authorities have established a set of governing principles. Furthermore, the Joint Committee recommends an annual business plan to the ACCESS Authorities.

The governing principles are set out below, and the annual business plan for 2021/22 is on the following pages.

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 LGPS Authorities.

Context

Significant progress continued during 2020/21 in pooling active listed assets, and key groundwork took place in identifying and establishing the pool's approach to illiquid assets.

During 2020/21 the Joint Committee appointed both a Communications partner and an ESG/RI adviser.

In early 2021, as part of ongoing collaborative working, a joint procurement for global custody services is scheduled for completion.

It is anticipated that 2021/22 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 implementation of pooled alternative assets will commence.

Passive assets: ongoing monitoring and engagement with UBS.

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

ACCESS Support Unit (ASU): the completion of the implementation of the increased ASU.

Business Plan

Each theme within the business plan includes milestones planned for the year. The strategic nature of ACCESS's objectives means that a number of the 2021/22 milestones build on work previously undertaken and will in turn provide the foundation for further milestones in subsequent years.

On a day-to-day basis, the work will be co-ordinated by the ACCESS Support Unit to deliver each milestone with a series of workstreams to support additional requirements. The work is steered/reviewed by meetings of the *Officer Working Group*. The milestones will indicate where third-party providers may be required. Oversight by *s151 Officers* will be via periodic meetings.

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

Budget

A budget totalling **£1.247m** to support the business plan is included at the end of this paper.

Theme	Milestone	2021/22 activity
Actively managed listed assets	Launch of Tranche 5b	Anticipated June 2021
	Launch of Tranche 6	Anticipated July 2021
	Determine, approval & launch of Tranche 7	Timing for approval & launch TBC
	<i>Ensure sub-funds meet Link's due diligence requirements and ACCESS Authorities' Value for Money criteria (including transition activity). Manager search and selection activity where required. Work with Link to submit applications to the FCA for approval of the set-up of sub-funds. Launch. A process for transitioning between sub-funds is established.</i>	
	Scheduled BAU evaluation	Implement outcomes of Scheduled BAU evaluation
Alternative / non-listed assets	Implementation of approach to pool illiquid assets. <i>Following work undertaken in 2020/21 to consider the needs and implementation options.</i>	The implementation of pooled alternative assets will commence in 2021/22. The work undertaken, and

Theme	Milestone	2021/22 activity
Alternative / non-listed assets (contd.)		potentially aspects of any training, will use third-party providers as required.
Passively managed assets	<p>Ongoing monitoring of assets managed on a passive basis.</p> <p><i>This follows the migration of passive assets held by ACCESS Authorities to UBS in early 2018.</i></p>	Engagement with UBS will continue throughout the year.
Governance	<p>Meetings and oversight</p> <p>Operational protocols</p> <p>Engagement with HM Government</p>	<p>Arrangements will be made to support meetings of the Joint Committee (usually each quarter). Meetings of s151 Officers will also be held. Where required training will be provided, this may involve third party providers.</p> <p>Further development of protocols around key processes associated with the Pool's day-to-day operation will take place during the year. Third-party providers will be used where required.</p> <p>ACCESS will liaise with the Scheme Advisory Board as appropriate.</p> <p>Periodic reports will be provided to MHCLG as required.</p>

Theme	Milestone	2021/22 activity
	Joint Policies & guidelines.	<p>The Pool will actively participate with any Cabinet Officer / MHCLG pooling-related consultations.</p> <p>The Communications plan will be implemented.</p> <p>The review of joint guidelines on ESG / RI will be completed.</p>
ACCESS Support Unit (ASU)	ACCESS Support Unit	The implementation of the increased ASU will be completed.

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

Budget 2021/22

The budget for 2021/22 is detailed below.

	Draft Budget 2021/2022 £
ASU	
Interim ASU Support	-
ASU Salaries (incl. on cost)	460,261
ASU Operational	20,580
ASU Host Authority Recharge	64,087
Technical Lead Recharge Costs	40,000
ASU Total	584,928
Professional Costs	
<i>Internal Professional Costs</i>	
JC Secretariat	21,761
Procurement	45,000
<i>Internal Professional Costs</i>	66,761
<i>External Professional Costs</i>	
Strategic & Technical	433,000
Legal & Governance	162,330
<i>External Professional Costs</i>	595,330
Professional Costs Total	662,091
Total	1,247,020
<i>Check</i>	<i>(129,257)</i>
Cost Per Authority	113,365

The key assumptions contained within the budget are outlined overleaf.

Key budget assumptions

A full year effect on an ASU increased in size from three to five full time members of staff (as detailed in section 4 of the cover report).

Joint Committee Secretariat services remaining with Kent County Council for the duration of 2021/22;

External consultancy on a range of matters including:

- the establishment of pooled arrangements for alternative assets, along with associated procurements and technical advice;
- the development and implementation of pool Environmental, Social and Governance (ESG) / Responsible Investment (RI) guidance along with associated required reporting;
- pool communications and communications strategy.

External legal advice.