

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Pension Fund Panel and Board
Date:	14 February 2020
Title:	Governance: ACCESS business plan
Report From:	<i>Director of Corporate Resources – Corporate Services</i>

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Purpose of this Report

1. To present the 2020/21 ACCESS business plan for approval by the Panel and Board.

Recommendations

2. That the Panel and Board approves the ACCESS business plan for 2020/21 and the share of costs that the Hampshire Pension Fund will pay.

Executive Summary

3. The Pension Fund Panel and Board has received a number of reports on the progress of forming the ACCESS pool and in addition receives the minutes of the ACCESS Joint Committee meetings.
4. Hampshire is a member of the ACCESS pool alongside the following ten other LGPS funds:

Cambridgeshire	Kent
East Sussex	Norfolk
Essex	Northamptonshire
Hertfordshire	Suffolk
Isle of Wight	West Sussex
5. According to the terms of the ACCESS Inter-Authority Agreement (IAA) the ACCESS Joint Committee is required to agree a business plan for the forthcoming year which it recommends to the individual ACCESS authorities for their agreement.

6. The 2020/21 business plan was agreed by the ACCESS Joint Committee for recommendation to the member authorities at its meeting in December 2019 and is contained in Appendix 1. The business plan sets out ACCESS' workplan of activities for the current year and the estimated budget to complete the work which is a total of £1.08m, of which Hampshire's one eleventh share would be £98,000.

2019/20 activities

7. ACCESS has continued to establish itself and move into a business as usual phase. The key activities completed in 2019/20 were:
 - Access Support Unit (ASU) – has been fully established, including the appointment of an ASU Director and the transfer of work from external consultants to the ASU.
 - Tranche 3 sub funds launched by Link (taking the total number of sub-funds to 14).
 - Completion of the Governance Manual, review of the Inter-Authority Agreement and delivery of governance training to the Joint Committee.
 - Investigation of the options for pooling illiquid investments.
8. Actual costs in 2019/20 are estimated at £1.02m (£93,000 per authority), £0.18m lower than the approved budget.

2020/21 business plan

9. The main activities for ACCESS in 2020/21 will be:
 - Continuation of the launch of sub-funds by Link, with tranches 5 and 6
 - Consideration of the best means of pooling illiquid (alternative) assets and commencement of pooling.
 - Continuing monitoring and engagement with UBS, ACCESS' passive investment manager.
 - Continued working in line with the ACCESS governance model: support for the Joint Committee and Section 151 Officers and engagement with the Ministry of Housing Communities and Local Government as necessary.
 - Review the size and scope of the ASU.

REQUIRED CORPORATE AND LEGAL INFORMATION:**Links to the Strategic Plan**

Hampshire maintains strong and sustainable economic growth and prosperity:	no
People in Hampshire live safe, healthy and independent lives:	no
People in Hampshire enjoy a rich and diverse environment:	no
People in Hampshire enjoy being part of strong, inclusive communities:	no
OR	
This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because: For the ongoing management of the Hampshire Pension Fund.	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

Equality objectives are not considered to be adversely affected by the proposals in this report as the proposals do not directly affect scheme members.



2020/21

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 2020/21 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

Having migrated all passive assets to UBS in early 2018, a number of sub funds for active assets have been launched since November 2018 by Link, the pool's Authorised Contractual Scheme (ACS) Operator. The ACCESS Support Unit (ASU) was formalised in 2018 and fully staffed by

mid-2019. The original Inter Authority Agreement was reviewed and updated in 2019, and work commenced on scoping the pool's approach to alternatives.

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.

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 2020/21 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 monthly meetings of the *Officer Working Group*. The milestones will indicate where third party providers may be required. Oversight by *s151 Officers* will be via quarterly meetings.

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

Budget

A budget totalling **£1.080m** to support the business plan is included at the end of this paper.

Theme	Milestone	2020/21 activity
Actively managed listed assets	Launch of Tranche 5a	Anticipated April & May 2020
	Launch of Tranche 5b	Anticipated July 2020
	Determine, approval & launch of Tranche 6	Timing for approval & launch TBC
	<i>Ensure sub funds meet Link's due diligence requirements and ACCESS Authorities' Value for Money criteria</i>	

	<p><i>(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. A process for transitioning between sub-funds is established.</i></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. Third party providers will be used where required.</p>
Alternative / non listed assets	<p>Commence implementation of approach to pool illiquid assets</p> <p><i>Following work undertaken in 2019/20 to consider the requirements and implementation options.</i></p>	<p>The initial implementation of pooled alternative assets will commence in 2020/21.</p> <p>The work undertaken, and potentially aspects of any training, will use third party providers as required.</p>
Passively managed assets	<p>Ongoing monitoring of assets managed on a passive basis.</p> <p><i>This follows the migration of all passive assets held by ACCESS Authorities to UBS in early 2018.</i></p>	<p>Engagement with UBS will continue throughout the year.</p>
Governance	<p>Meetings and oversight</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</p>

	<p>Operational protocols</p> <p>Engagement with HM Government</p> <p>Agreement to Joint Polices & guidelines.</p>	<p>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 supplied to MHCLG as required.</p> <p>The Pool will actively participate with any Cabinet Officer / MHCLG pooling related consultations.</p> <p>The Joint Committee will review its Communications Policy.</p> <p>Work will be undertaken to finalise joint guidelines on ESG / RI.</p>
ACCESS Support Unit (ASU)	ACCESS Support Unit	The size and scope of the ASU will be reviewed.

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

Budget 2020/21

The budget for 2020/21 is detailed below.

	£	£	£
ASU			
ASU Salaries (incl On Cost)		300,261	
ASU Operational		20,580	
ASU Host Authority Recharge		42,725	
ASU JC Secretariat Support		14,000	
Technical Lead Recharge Costs		89,747	
ASU Total			467,313
Professional Costs			
<i>Internal Professional Costs</i>			
JC Secretariat	5,000		
Procurement	60,000		
<i>Internal Professional Costs</i>		65,000	
<i>External Professional Costs</i>			
Strategic & Technical	344,000		
Legal & Governance	203,450		
Project Management	-		
		547,450	
Professional Costs Total			612,450
Total Costs per 2020/2021			1,079,763
Cost Per Authority			98,160

Key budget assumptions

Three full time members of staff within the ASU.

Four ASU Technical Lead Officers, drawn from the ACCESS Authorities, on a part-time basis, broadly equating to 1 full time post.

A summer handover between Kent & Essex re: JC secretariat

External consultancy on the establishment of pooled arrangements for alternative assets, along with associated procurements and technical advice.

External legal advice.