

Pensions CIV Sectoral Joint Committee

Item no: 5

Progress update and risk register

Report by: Hugh Grover **Job title:** Chief Executive, London LGPS CIV Ltd.

Date: 04 November 2015

Contact Officer:

Telephone: 020 7934 9942 **Email:** hugh.grover@londoncouncils.gov.uk

Summary This report provides the Committee with updates covering programme implementation and the high-level programme risk register for consideration.

Recommendations The committee is recommended to:

- i. Consider and note the contents of this report.

Progress update and risk register

Introduction

1. Since the last update provided to the Committee at its 21 July 2015 meeting significant progress has been made in implementing the London CIV. This report provides an update to Members for consideration.

Progress

2. Major items to note are:

- **Company authorisation:** the Financial Conduct Authority (FCA) authorised the company as an Alternative Investment Fund Manager on 15 October 2015. The Company's entry in the FCA register can be found here:

https://register.fca.org.uk/ShPo_FirmDetailsPage?id=001b000000sD6OtAAK

- **Fund authorisation:** the application for Fund authorisation was submitted to the FCA on 15 October and it is hoped to have the authorisation confirmed by the middle of November. The FCA is treating the application as a priority and, while no promises will be made, they have indicated that best efforts will be made to meet the desired timetable.
- **Fund launch:** if the FCA authorise the Fund in line with the ideal timeline it should be possible to launch the CIV's first sub-fund before the end of the year. This will be a relatively small active global equities fund with three boroughs currently invested with the Fund Manager. Final work is in hand to prepare this fund for launch including liaising with the relevant boroughs to prepare the necessary documentation.

On the assumption that the first fund will be launched as planned the aim is to open the remaining eight sub-funds in the first quarter of 2016. Detailed fund information has been sent to all the boroughs that are invested in the same or similar mandates with the relevant Fund Managers and each borough has been asked to give feedback about their intention to transition to the CIV or not. If all boroughs do transition the CIV will have in excess of £6bn under management by the end of this financial year.

- **Revised Articles of Association and Shareholders Agreement:** as noted at the Committee's last meeting the Company's Articles of Association have been revised and a Shareholders Agreement has been drafted. Both documents were circulated to all participating boroughs for adoption. The Articles of Association have been adopted by special written resolution and all but one borough has now signed and sealed the Shareholders Agreement.
- **Regulatory Capital:** with the adoption of the revised Articles and the signing of the Shareholders Agreement it has been possible to issue share subscription letters to each borough for the B shares that will generate the required regulatory capital.
- **Board appointments:** it can now be reported that all Board appointments have been made with the following people appointed as Executive and Non-executive directors:
Lord Bob Kerslake Chair (Non-executive)

Hugh Grover	CEO (Executive)
Julian Pendock	Investment Oversight Director (Executive)
Brain Lee	Chief Operating Officer (Executive)
Lisa Arnold	Non-executive
Chris Bilsland	Non-executive
Eric Mackay	Non-executive

All interview panels included at least one of London Councils' party group leaders except the executive panels where it was not possible to align diaries.

- **Finance and accounting systems:** Members will be aware that it has taken some time to put finance and accounting systems in place. This has now been achieved through a contract with PWC utilising their 'My Financepartner' solution. The system is live and will provide both operational finance support and the relevant management information and financial reporting outputs. It has now been possible to invoice each of the participating boroughs for the £25,000 for f/y 2016-16 to cover the balance of implementation costs and initial operating overheads.

Risk register

3. The current implementation risk register is attached at Annex A for consideration, significant updates are:
 - **Risk 1:** this risk is now entirely focused on the Fund authorisation process as Company authorisation has been achieved.
 - **Risk 2:** this risk is now closed as key positions have now been filled.
 - **Risk 4:** the 'Likelihood' factor for this risk with controls in place has been reduced to 1, reducing the 'Outcome' rating to 2, as all the indications from the boroughs are positive and necessary action is being taken to ensure delegations are in place.
 - **Risk 6:** the 'Likelihood' rating before controls has been reduced to 1 as it now appears unlikely that the government will take action undermine the London CIV.

Recommendations

4. The committee is recommended to:
 - i. Consider and note the contents of this report.

Financial implications

5. There are no financial implications for London Councils.

Legal implications

6. There are no legal implications for London Councils.

Equalities implications

7. There are no equalities implications for London Councils.

Annexes

Annex A Programme risk register

Risk Register

Responsibility		London CIV Programme Office									
Date last reviewed		26/10/2015									
Reviewed by		Hugh Grover									
No	Risk	Risk Type	Risk description	Risk Rating without control (1-4)			Controls in place	Responsible Officer	Risk rating with control (1-4)		
				L	I	O			L	I	O
1.	FCA Authorisation	External; & Reputational	1a) Risk that FCA will delay the CIV application	2	3	6	- Expert advisors engaged for application. - Meetings with FCA to discuss proposal.	Hugh Grover	2	2	4
			1b) Risk that FCA will reject the CIV application	1	4	4	- Expert advisors engaged for application. - Meetings with FCA to discuss proposal.	Hugh Grover	1	3	3
2.	Recruitment	Operational	Risk that key company positions will not be filled in line with FCA application authorisation timeline	2	4	8	Senior positions now filled and Approved Persons applications with FCA. Junior roles can be filled on an interim basis if necessary. Fall back position would be to recruit locums, but this would increase cost.	Hugh Grover	2	3	6
3.	Borough engagement	External; & Reputational	Risk that any serious delays in the CIVs launch will result in some of the boroughs withdrawing their support	2	2	4	- Frequent communications with senior borough officers and SLT. - Engagement with members through the PCJC and other communications.	Hugh Grover	1	2	2
4.	Borough investment decision making	Project	Risk that the borough committees will not take the decision to invest through the CIV and delay sub fund launches.	3	2	6	- communicate critical timeframes to boroughs. - understand and respond to individual borough needs. - Boroughs being encouraged to seek delegated decision making powers for the s.151 (Finance Director).	Hugh Grover	2 1	2	2

5.	Company infrastructure	Operational	Risk that infrastructure is not established within launch timeline	2	3	6	- Project plans in place to deliver infrastructure within timeframe.	Hugh Grover	1	2	2
6.	Government action	Project	Risk that government may decide to take its own actions to reform the LGPS and that the CIV may not be part of those reforms	2 1	4	8 4	- maintain regular contact with Ministers and civil servants. - maintain high profile of the CIV.	Hugh Grover	1	4	4
7.	Not delivering savings	Financial & reputational	Risk that the CIV will not deliver savings to the participating boroughs	1	4	4	- Ensure focus on delivering savings.	Hugh Grover	1	3	3
8.	Unexpected costs	Financial & project	Risk that programme implementation costs will exceed budget due to unexpected costs	1	2	2	- Robust financial system and regular budget review. - Ensure VFM is gained from every 3 rd party contract.	Hugh Grover	1	2	2