



BCPP Joint Committee

Date of Meeting: 6th June 2017

Report Title: Update on Project Delivery and Implementation Budget

Report Sponsor: Programme Lead – Fiona Miller

1.0 Executive Summary:

- 1.1 This report updates Members on the high level activities undertaken since the last meeting towards the delivery of phase three of the BCPP implementation plan, i.e. to establish a fully regulated asset management company that is ready to accept the transition of assets.
- 1.2 The paper outlines the high level activity across the three key work streams, i.e. the three member sub-groups. A more detailed analysis of activity is provided where appropriate through the individual work-stream update reports elsewhere on today's agenda.
- 1.3 As agreed at the last meeting, the spring update (copy attached at Appendix 1) was submitted to DCLG on 21st April. A follow up call between Officers from DCLG and BCPP workstream leads is scheduled for the 1st June, due to report publication timings a verbal update will be given as to the content and any outcomes from that call at today's meeting.
- 1.4 The current project implementation focus is on key deliverables over the next 12 weeks through to September 2017, including the procurement and initial engagement with the asset service adviser around the target operator modelling, executive recruitment, procurement of banking services, appointment of auditors and property/ICT requisition.
- 1.5 In addition, the paper provides the Joint Committee with the current high level Risk Register, highlighting by exception any key areas for consideration by Members. The changes since the last report to Members being the

appointment Operator and Property Advisory Services, and revised timescales for executive recruitment.

- 1.6 There are no changes to the projected implementation budgetary outturn as reported at the last meeting. As per the last meeting, currently the only area where it is anticipated there may be a budgetary overspend is for the Executive / Non-Executive recruitment. Once there is greater line of sight as to when individuals may commence their roles this will be revised accordingly.

2.0 Recommendation:

2.1 That Members:-

- 2.1.1 approve the attached high level BCPP Project Implementation Risk Register and mitigating actions proposed by the Project Team.
- 2.1.2 note the increase in the projected implementation budgetary outturn.
- 2.1.3 following the changes to the Joint Committee Membership following the Local Government elections, confirm the proposed allocation of Members to each work streams or agree a realignment of positions.
- 2.1.4 note the high level project activity during this period, and
- 2.1.5 approve the proposed activities to be completed by the project team and sub-groups over the next period.

3.0 Background:

PROJECT PLAN – ACTIVITY DURING THE PERIOD (FEBRUARY TO MAY 2017)

- 3.1 As agreed at the last meeting, the spring update (copy attached at Appendix 1) was submitted to DCLG on 21st April.
- 3.2 As agreed at the last meeting of the Member Steering Group, the BCPP spring update informed DCLG that the implications of the late receipt of confirmation of the BCPP proposal from the Minister have now been fully worked through. Working with our implementation advisors (Eversheds, Alpha and Deloitte) the key activities and inter-dependencies have been realigned and the project implementation timetable has now been revised to reflect the resultant rescheduled operational “go-live” of June 2018.

- 3.3 Officers at DCLG with GAD, Treasury and Cabinet Office have reviewed the submissions.
- 3.4 Whilst Officers were informed that we should not expect a response from the Minister, Officers at DCLG have made a general comment on all the submissions that “It has been good to see that senior appointments are beginning to be made and it is encouraging developments on infrastructure investment continue”.
- 3.5 Officers at DCLG have requested a follow up call with Officers of each pool in order to enable them to provide “an up to date briefing to new Ministers following the outcome of the national elections”. Specifically DCLG have requested that the call cover any changes following the local elections. Due to timing of this call a verbal update will be given at today’s meeting as to the content and any outcomes.
- 3.6 A number of key activities have been completed since the last meeting, and good progress has been made by the work teams on agreed tasks.
- 3.7 As reported at the last meeting some activity was delayed due to receipt of Government support to ensure effective control of project risks and costs, i.e. procurement of advisory services. All advisory services are now in place so the pace of the work has significantly increased during the current period. The High Level Project Plan is shown in Appendix 2.

<i>Agreed Activity to be undertaken in the period to the 19th May 2017</i>	<i>Progress of Activity Against Project Plan</i>
Target Operating Model (TOM)	Following the appointment of the final advisor, Alpha Financial Advisory Consultants, detailed scoping and analysis is underway to define the high level TOM and FCA requirements. Paper at item 8 on today’s agenda provides the detail of the work progressed during the period in this area.
Set up of the BCPP Ltd company	This will proceed immediately following the receipt of all authorised establishment documentation from the Partner Funds. As agreed four statutory officers are to be appointed as interim directors to facilitate the company being incorporated, these are :- <ul style="list-style-type: none"> • Gary Fielding – North Yorkshire • Julie Crellin – Cumbria • Caroline Lacey – East Riding • Mike Harding – Tyne and Wear Further detail on this is included at item 5 on today’s agenda.
Premises Search	A property agent has been appointed to assist in securing the required premises for BCPP Ltd. operations.

	<p>Further work has been undertaken during the period to refine both short and medium term staffing and operational requirements which will be used to further inform the property design and fit out now a shortlist of properties has been established.</p> <p>A shortlist of potential properties in the Leeds area against this BCPP Ltd operational specification has been formulated and full details of the work undertaken and the shortlisted properties are given at item 7 on today's agenda for Members consideration.</p>
Member appointment of the senior company Executive and Non-Executive Director (Chairman and Chief Executive Officer).	<p>Job roles; responsibilities; remuneration and contracts have all been finalised during the period.</p> <p>Adverts for the Chair and CEO have been placed in the FT with a closing date for applications of the 2nd June with expected interview dates of:-</p> <ul style="list-style-type: none"> • Chair June, • CEO July <p>Appointed recruitment advisors have progressed with the initial shortlisting activities for both roles. Paper at item 12 on today's agenda gives greater detail on progress against this Workstream activity.</p>

UPDATE ON MEMBERSHIP OF BCPP JOINT COMMITTEE (JC) AND SUB-GROUPS FOLLOWING MAY LOCAL COUNCIL ELECTIONS

- 3.8 Due to local elections in May, in seven of the twelve Authorities, there are some changes to the membership of the MSG / Joint Committee (JC) and therefore its sub groups.
- 3.9 The Membership of the BCPP JC is shown below (para 3.10), with proposed allocations to sub-groups (para 3.11) based on those in place prior to the elections. Members are asked to consider these and agree any changes they wish to make.

AUTHORITIES REPRESENTATION ON THE BCPP JOINT COMMITTEE

3.10

- Bedfordshire - Doug McMurdo
- Cumbria - TBC
- Durham – Mark Davidson
- East Riding – John Holtby
- Lincolnshire - Eddie Strengiel
- North Yorkshire - John Weighell
- Northumberland – Jeff Watson

- South Yorkshire - Sue Ellis
- Surrey – Tim Evans
- Teesside – Steve Bloudelle
- Tyne & Wear – Eileen Leask
- Warwickshire – Bob Stevens

3.11

GOVERNANCE SUB-GROUP		
Members	North Yorkshire	John Weighell
	Tyne & Wear	Eileen Leask
	South Yorkshire	Sue Ellis
	Cumbria	TBC
Officers	Tyne & Wear	David Hayward
	Cumbria	Fiona Miller
PEOPLE		
Members	Bedfordshire	Doug McMurdo
	Durham	Mark Davidson
	East Riding	John Holtby
	Northumberland	Jeff Watson
Officers	Durham	Nick Orton
	South Yorkshire	Steve Barrett
OPERATING MODEL		
Members	Teesside	Steven Bloudelle
	Warwickshire	Bob Stevens
	Surrey	Tim Evans
	Lincolnshire	Eddie Strengiel
Officers	East Riding	Mark Lyon
	Lincolnshire	Jo Ray
	Tyne & Wear	Tom Morrison

KEY PROJECT IMPLEMENTATION ACTIVITIES UPDATE

3.12 The table below shows the key activities being progressed and the updated high level timeline for the project implementation identifying any time critical dates / key milestones.

Outcome	Current Status	Risks / mitigations to project implementation	Revised Timeline (March 2017)
Overall Project Delivery "Go Live"	<p>MSG agreed go-live revised date of June 2018.</p> <p>All project plans re-profiled to new date.</p> <p>Reported to DCLG 21st April in spring up-date report, feedback expected 1st June.</p>	<p>All project time contingency removed.</p> <p>Minimal impact on implementation budget.</p> <p>Risk of adverse comment from DCLG.</p>	June 2018
Establish Joint Committee (JC)	<p>All documentation being sealed.</p> <p>First JC scheduled for 6th June 2017.</p>	<p>One authority fails to meet signing date.</p> <p>Project proceeds under MSG guidance.</p> <p>Company formation proceeds.</p>	6 th June 2017
Design TOM and Appoint Asset Servicing Provider	<p>On-going full update at item 8 on today's agenda.</p> <p>Template TOM and associated documents.</p>	<p>This is the core project requirement to establish BCPP Ltd as a functioning FCA asset manager – as such any slippage will have implications to overall go-live date.</p> <p>Successful appointment and implementation of the asset servicing provider will be the core driver of future operating cost base for the business and as such all decisions are</p>	<p>Design TOM July 2017</p> <p>Tender for asset servicer published July 2017</p> <p>Appoint Asset Servicer - Sept 2017.</p> <p>Complete implementation and data population of systems - March 2017</p>

		<p>being taken with full support of the appointed advisors.</p> <p>Mitigation – tight project management with extensive external professional support to ensure BCPP can position itself as an educated client in procurement and implementation activities.</p>	
FCA regulatory approval process.	<p>Work commenced in April following the appointment of Alpha.</p> <p>Initial contact with FCA undertaken by Alpha on our behalf.</p> <p>Submission pack to FCA in initial stages of being populated.</p>	<p>Resourcing issues at FCA due to Mifid II opt up processes hamper FCA approval processes.</p> <p>Mitigation early engagement and delivery of proposal in Sept 2017 to FCA.</p>	<p>Agreement by JC of FCA submission pack Sept 2017.</p> <p>Submission of proposals to FCA Sept 2017.</p> <p>Receipt of FCA Approval Dec 2017</p>
Remuneration and recruitment process for Senior Exec. and Non-Exec.'s	<p>Knock on of government delays in approval have hampered securing Members to fill recruitment panels due to Local elections.</p>	<p>If revised timetable not met FCA application will be delayed.</p> <p>In the absence of the executives, decisions need to be made by the project team that will be prohibitively expensive to revise at a later date should the execs wish to do so.</p> <p>Mitigation – decisions taken are on receipt of advice from advisors and confirmed by input from sub-groups and OOG</p>	<p>Anticipated start date September 2017 (Chair / CEO)</p> <p>NEDS Sept 2017</p> <p>October 2017 (CIO / COO / Compliance)</p>

	<p>Terms and conditions agreed.</p> <p>Revised schedule shown in paper 12</p>		
<p>Agree Asset Template Offering</p>	<p>Proceeding per plan.</p> <p>Outline template in paper 8 on today's agenda.</p> <p>OOG meeting scheduled for 20th June to finalise detail in initial offering.</p>	<p>Initial template offering required to inform asset servicing procurement – delays will prevent FCA application.</p> <p>Mitigation – involvement by OOG and Fund Advisors to ensure initial offering meets Fund's needs.</p>	<p>Outline template agreed by JC. June 2017.</p> <p>Detailed template required July 2017 to inform asset servicing tender.</p>
<p>Acquire BCPP Premises</p>	<p>BCPP project Leads and external property agent have undertaken an initial shortlisting listing process.</p> <p>Further refinement of operational requirements to enable spatial planning at shortlisted premises on going.</p> <p>Paper 7 on today's Agenda.</p>	<p>Delays to securing appropriate accommodation space will delay project implementation.</p> <p>Too much space is acquired, incur unnecessary cost.</p> <p>Too little space is acquired, does not allow for planned expansion & results in additional costs to move.</p>	<p>JC agree premise (plus alternative) Sept 2017.</p> <p>Contract negotiations, leading to signing of lease agreement Nov 2017.</p> <p>Premises available for fit out Dec 2017</p> <p>Occupation for testing and team integration from April 2018.</p>

<p>Establish Corporate Services Functions</p>	<p>Ongoing Procurement Exercises in this period :-</p> <ul style="list-style-type: none"> • Banking Services • External Auditors • Payroll / HR • Web provider • Interim Corporate ICT <p>Future Periods:-</p> <ul style="list-style-type: none"> • Operational ICT • premises servicing (utilities; cleaning; catering; confidential waste; • Office supplies, • Photocopiers/M FD, • Investment research • Brokers • Office furniture / fit out • Recruitment Services 	<p>All these are corporate enabling services and delays will inhibit core interdependencies elsewhere in the project delivery.</p> <p>Mitigation – detailed project planning to ensure all independencies are tracked and realigned as required.</p>	<p>April 2018</p>
---	---	--	-------------------

Acquire Corporate ICT	<p>Scoping and specification for interim executive requirements underway.</p> <p>Specification for permanent solution to commence in July/Aug 2017.</p>	<p>Execs. will be hampered from working effectively due to limited IT. Mitigation council resource would be used as a short term measure.</p> <p>Company cannot go-live without full corporate ICT. Mitigation - early work being undertaken with regular updates to Workstream of any potential slippage or blockages.</p>	<p>Interim solution for Execs Aug 2017.</p> <p>Full solution March 2018</p>
Complete Asset Transition Planning	<p>Work currently progressing ahead of schedule.</p> <p>OOG scheduled for June 20th to progress build of the more complex asset classes.</p>	Ahead of plan.	Dec 2017
Start TUPE transfer of staff from existing Funds	<p>Initial information and legal advice received.</p> <p>Initial written communications with staff & information sessions undertaken.</p> <p>Funds affected undertaking work</p>	On schedule	June 2018

	<p>required to ensure their processes / legal requirements are met.</p> <p>Work undertaken to collate all T&C's from each Fund.</p>		
Recruit additional investment and operational staff	Discussions on going re terms and conditions prior to initiating recruitment processes. Paper 9 on today's agenda	Proceeding per revised plan	<p>Members agree company ethos of content of general staff T&C's to enable officers to progress detailed costings etc. June 2017</p> <p>Approve final T&C;s Sept 2017</p> <p>Start additional recruitment from September 2017</p>

PROJECT IMPLEMENTATION – ACTIVITY IN THE NEXT PERIOD

3.13 There are a number of key activities during the next period, with the main focus being on building the Target Operator Model which will shape the Depository/Custodian and ICT investment systems procurement process, and feed the FCA submission. Key work stream activity planned in the next period:

- Registration of Company following the first Joint Committee on 6th June 2017.
- Continuation of the BCPP Executive and Non-Director Appointment processes and remuneration as per revised project plan.
- Working with Operator Advisers to accelerate work to define the high level Target Operating Model and FCA submission requirements.
- Build the Asset Servicer and Depository specification in readiness for procurement.
- Working with the Premises Advisers to refine operational requirements and shortlist potential properties against a detailed specification which will allow Member to consider final property options.
- Development and delivery of interim corporate ICT solution to allow BCPP executives to function once appointed.
- Development of draft corporate ICT specification document.
- Continue activity on general T's and C's for workforce, specifically decide on pensions offering for new staff.
- Continue to engage with transferring staff as the project continues.
- Procure corporate banking services; external auditors; interim corporate ICT solutions and payroll / HR service providers.

HIGH-LEVEL PROJECT IMPLEMENTATION TIMETABLE

3.14 As agreed at the last MSG and SOG the project implementation target “go-live” date has been delayed to June 2018.

3.15 All project implementation activities and inter-dependencies have now been realigned to this date and the revised high level project plan is attached at appendix 2.

PROJECT RISKS

3.16 Appendix 2 provides the high level project Risk Register for the BCPP, Members input is welcomed on items they would like added or expanded on. Key risks surrounding current milestones are:

- Impact of proposed changes to MiFID across both the Pool and Funds.
- Risk that company infrastructure is not established within launch timeline, e.g. ICT, Premises.
- Impact on key deliverables if executive recruitment process encounters delays.
- Impact of revised operational live date of June 18.

Mitigating controls in place by Officers are detailed in Appendix 3.

PROJECT EXPENDITURE

- 3.17 The project budget including any predicted overspends is shown below. As reported to the last meeting, current planning expectations to deliver the project up to the proposed go-live date of June 2018 are showing a predicted overspend of £0.175m on the total agreed implementation budget of £4.2m (£0.350m per Partner Fund). The increase from the last report to MSG is to accommodate the increase in the salaries approved by Members for the NED's, the appointment of an advisor to assist with the interviews and the additional national advert costs for the Chief Risk Officer. However, due to the level of uncertainty regarding appointment dates of the executives and other areas of the budget where there is potential underspends it is not proposed at this stage to seek additional budgetary provision from the Partner Funds. If required this will amount to £14.5k per Fund.
- 3.18 A full update on projected spend will be presented to the next meeting and to the monthly SOG update calls scheduled to start from June onwards.