

# London LGPS CIV Limited

«Full\_name»  
«Job\_title»  
«AddressBlock»

Contact: Hugh Grover  
Direct line: 020 7934 9942  
Email: Hugh.grover@londoncouncils.gov.uk

Our  
reference:  
Your  
reference:

Date: 20 October 2014

Dear «First\_name»,

## London LGPS CIV: progress update and next steps

The project towards establishing the CIV continues to make good progress, with the project team in London Councils, supported by the Technical Sub-Group of borough colleagues, taking forward a number of key workstreams, including:

- Working with the project's lawyers, Eversheds, to revise the company's Articles of Association. Eversheds are drafting a Heads of Terms which will inform the amendment of the Articles, and this will be shared with all participating boroughs shortly to ensure that everyone has the opportunity to raise any issues before the final Articles come to the Board and the CIV Joint Committee for adoption;
- Developing the company's operating model to design a sensible mix of in-house and outsourced arrangements that will ensure robust procedures, responsibilities and accountabilities, and that will be acceptable to the FCA;
- Procuring the Asset Servicer that will be a core partner in the arrangements, delivering fund administration, custodian and depository services; and
- Engaging with fund managers to begin the work of deciding what fund mandates might be suitable to come onto the fund for launch. Once a proposal has been worked up it will be presented to the boroughs for final decisions ahead of going to the FCA for authorisation.

You will be aware that a company has been incorporated (London LGPS CIV Ltd.) and that 23 boroughs are currently shareholders with seven more about to become so. The Board of Directors met for the first time on 14 October and received an update on a number of issues including on budget matters.

The initial fund that was established following the December 2013 and February 2014 Leaders' Committee meetings, with a view to "...exploring the proposal..." has taken the project well beyond exploration, but now is in need of topping up. Once all thirty boroughs have made their initial contribution we will have gathered a fund of £750,000. Of this £469,000 has been spent or committed, leaving a balance of £281,000. It is clear that this will be insufficient to take the project all the way to launch and that further funds are now needed, to cover for example further financial and legal advice, professional services to

work on the detailed operating model, including drawing up procedures and operating manuals, initial costs covering salaries and so on ahead of fees flowing from operations.

Best estimates of future expenditure suggest that the total cost of implementation might be in the region of £1.7 million (the estimate presented in the 11 February report to Leaders' Committee was in the region of £1.5 million), and with that in mind the Board has agreed that the company should approach all the participating boroughs for a further £25,000 contribution now and a final top-up of £25,000 on 1 April next year, hence this letter. For clarity, this funding is separate to the regulatory capital requirement on which the Board will write to you later once the detail in this area has become clearer.

Subject to no objections, the company will raise an invoice during w/c 27 October for your attention for "services leading to the establishment of a London LGPS CIV". If you need to raise a purchase order ahead of an invoice being raised or wish it to be addressed to a different recipient please pass the details to Hugh Grover at the contact details above.

While it is not yet possible to give completely accurate figures about the scale of savings expected through the CIV, some initial analysis of data and informal conversations with Fund Managers suggest fee savings in the area of 20 per cent might be achievable relatively easily. Obviously the extent of savings for each individual borough will depend on the extent of investments made, but across three of the managers we've spoken to informally, that have eight boroughs as clients, the savings appear to be somewhere in the region of £1 million per annum.

If you wish to discuss any of this, or raise any questions, please contact Hugh Grover.

Yours sincerely

A handwritten signature in black ink that reads "Jules Pipe". The signature is written in a cursive style and is positioned above a horizontal line.

Mayor Jules Pipe  
Chair  
For and on behalf of London LGPS CIV Ltd.