

AGENDA ITEM: 10

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Meeting	Pension Fund Committee
Date	21 March 2011
Subject	Update on Admitted Body Organisations issues and revised monitoring arrangements
Report of	Deputy Chief Executive
Summary	This report updates the Committee on admitted body organisation issues previously reported at the December meeting, sets out revised monitoring arrangements and seeks retrospective approval for the admission of Y-Gen to the Pension Fund.

Officer Contributors	John Hooton, Assistant Director of Strategic Finance Hansha Patel, Pension Services Manager Mark Rudd, Head of HR Service Delivery
Status (public or exempt)	Public
Wards affected	All
Enclosures	None
For decision by	Pension Fund Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

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1. RECOMMENDATIONS

1.1 That the Committee notes:

1.1.1 The update to issues in respect of admitted body organisations within the Pension Fund;

1.1.2 The revised monitoring arrangements in place to avoid such issues reoccurring in the future

1.2 That the Committee grants, retrospectively, approval to the admission of Y-Gen as a 'Admission Body' to the Local Government Pension Fund, administered by the council.

2. RELEVANT PREVIOUS DECISIONS

2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 Maintain the integrity of the Pension Fund by ensuring robust monitoring of admitted body organisations and ensuring all third-parties comply fully with admission agreements and bond requirements. The principle supports the corporate priority of getting the best value from our resources.

4. RISK MANAGEMENT ISSUES

4.1 The ongoing viability of the Pension Fund is dependent on maximising contributions to the Fund. All admitted bodies are subject to reviews and actuarial assessments to ensure compliance with admissions agreements and maintenance of appropriate employer contribution levels in order to mitigate against any risk to the financial viability of the pension fund.

4.2 There is a possibility of financial losses on the Pension Fund where arrangements around admitted bodies and bond agreements are not sufficiently robust. The new monitoring arrangements are being put in place to ensure that Admissions Agreements and, where relevant, bonds, are in place and that bonds are renewed, as appropriate, during the lifetime of the, relevant, Admission Agreement.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Ensuring the long term financial health of the pension fund will benefit everyone who contributes to it.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

6.1 Paragraph 4, above, deals with the financial implications of this report.

6.2 There are no procurement, performance & value for money, staffing, IT, Property or Sustainability implications.

7. LEGAL ISSUES

7.1 The Local Government Pension Scheme (Administration) Regulations 2008 (as amended) provide that a Local Authority may admit a contractor into the Local Government Pension Scheme, provided that criteria, specified within the Regulations, are met.

7.2 The Regulations, further, provide for an assessment of the level of risk arising on premature termination of the provision of the service or assets by reason of insolvency, winding up or liquidation of the admission body. The assessment must be with the benefit of actuarial advice and, where the level of risk is such as to require it, the admission body shall enter into an indemnity or bond to meet the level of risk identified.

7.3 The Council's standard Admissions Agreement makes provision for the admission body to maintain a bond in an approved form and to vary the level of risk exposure under the bond as may be required from time to time.

8. CONSTITUTIONAL POWERS

8.1 The Council's constitution, Part 3 – Responsibility for Functions, Pension Fund Governance Compliance Statement, paragraph 2.2.13 empowers the Pension Fund Committee to “approve applications from organisations wishing to become admitted bodies into the Fund where legislation provides for discretion, including the requirements for bonds.”

9. BACKGROUND INFORMATION

9.1 Officers have undertaken a review of all admitted body arrangements, following the administration of Connaught Partnership Limited (Connaught). This report provides a further update on issues previously reported at the Committee meeting held in December.

9.2 This report also sets out revised monitoring arrangements to ensure that sufficient control and management oversight is in place over the risks associated with bodies admitted to the Pension Fund.

10. UPDATE OF CURRENT ISSUES:

Admitted Body – Connaught Partnership:

10.1 Connaught went into administration with effect from 31/08/2010. The pension fund deficit has been calculated by the actuaries and the pension contributions that remain unpaid for August 2010 have been confirmed by the Pension section.

10.2 The Council's legal team are currently liaising with Connaught's Administrators, KPMG with a view to recovery of these monies. With respect to the Pension Fund deficit, KPMG notified the Council, on 16th February

2011, that, in their view, the deficit is an unsecured, non-preferential debt and the Council has been added to the list of creditors. With respect to the contributions, a Form RP15 – detailing the outstanding contributions for August 2010 - has been completed and submitted to KPMG. They have indicated that the outstanding contributions will be paid.

Admitted Body – Housing 21:

- 10.3 In August 2002, the Council entered in to a contract with Housing 21 (“H21”) for the provision of Homecare Services and staff transferred from the Council to H21. In order that the transferred staff could continue to participate in the Local Government Pension Scheme Fund, administered by the Council, admission body status was granted to H21. This contract ended in September 2010 but H21 was successful, along with 3 other new contractors, in securing a, further, contract with the Council. Officers are liaising with representatives for H21 and the 3 new contractors to finalise matters relating to pensions and a further report will be presented to the next committee once these discussions have been concluded.
- 10.4 The Fund Actuary has provided financial data based on a number of scenarios to support future business decisions. The Pension Fund Committee will be notified of the full implications of any changes when these become clear. Given the continuing nature of the service provision, the risk to the pension fund for this particular arrangement is considered to be low.

Admitted Body – Fremantle Trust:

- 10.5 Fremantle Trust was awarded admitted body status in April 2001. The existing bond expired in September 2010.
- 10.6 The Pension Section has now received confirmation from the Director of Finance at Fremantle that a, further bond, for a three year term, to August 2013, has been arranged. It is expected that executed bond papers will be received by 31 March 2011.

Admitted Body – Birkins Cleaning Services Limited:

- 10.7 Birkins have been providing cleaning services for Queenswell Infant and Nursery Schools since September 2009. The bond expired on 31 August 2010. Birkins have now confirmed that a, further, bond has been provided and that executed bond papers have now been received.

Admitted Body – Go Plant:

- 10.8 An Admitted Body Agreement has been in place since April 2008. A deed of Variation for inclusion of additional staff was finalised and signed on 24 February 2011. A bond is in place and expires on 2 October 2011.

Admitted Body – Open Learning Partnership (OLP):

- 10.9 Admitted body will cease on 31/03/2011. The pension fund deficit, which has been confirmed by the scheme actuaries, will be paid by OLP by 31 March 2011.

Admitted Body – Greenwich Leisure Ltd:

- 10.10 Admitted body since December 2002. The last bond expired on 8 February 2011. The Pension Section is pursuing the provision of a further bond and is in contact with Greenwich Leisure to this end.

Admitted Body – Servite Homes (now Viridian Homes):

- 10.11 Admitted Body since April 2006. The bond is due to expire on 20 April 2011. The Pension Section is liaising with the actuaries for the re-assessment of the bond level.

Admitted Body – Woodhouse College/Duchy Catering/Graysons Restaurants:

- 10.12 Graysons contract ended 31 December 2010. The Pension Section has now obtained confirmation from the actuaries of the pension fund deficit and the monies have now been recovered.
- 10.13 **Caterlink:** staff from Graysons transferred to Caterlink on 1st January 2011, when Caterlink succeeded Graysons. Officers are liaising with Caterlink regarding the Pension Fund requirements in respect of the two members of staff who transferred.

Admitted Body – Y-Gen:

- 10.14 On 18 June 2007 (Agenda item 9 - "Future Provision of Connexions Service") Cabinet approved a preferred model for the provision of the Connexions Service in Barnet following the planned transfer of the service in April 2008. The decision was to approve an in-house model that was locally managed from within the schools, colleges and community services supported by an external provider for work with young people with learning difficulties (LDD) that was within the level of grant allocated.

Y-Gen was commissioned to deliver the LDD service in April 2008 and they requested admitted body status to the Barnet Local Government Pensions Scheme in respect of the two members of staff who transferred.

- 10.15 The service contract commenced in April 2008. Y-Gen provided a bond (which is due to expire on 31 March 2011) but, although Y-Gen have signed the Admissions Agreement it has not, yet, been signed on behalf of the Council. Authority is required, from this Committee, for the Agreement to be signed on behalf of the Council.
- 10.16 The service contract has been extended to 31/03/2012 and the Pension Section is pursuing Y-Gen for an extension of the current bond.

11. REVISED MONITORING ARRANGEMENTS

- 11.1 Revised monitoring arrangements are being put in place to make the monitoring of admitted body agreements more robust. A Pensions Operations Group consisting of Officers from Strategic Finance, Pensions, Treasury Management, Human Resources and Legal has been set up to meet on a quarterly basis to review the current position with each admitted body organisation.

- 11.2 The Pensions Administration Team will be responsible for the on-going day-to-day monitoring of admitted bodies; specifically that agreements and bonds are in place.
- 11.3 The Council’s legal team will prioritise actions in respect of Admitted Body legal documentation.
- 11.4 The Pensions Administration Team and Legal will ensure that all admitted body documentation including agreements and bonds are held in a single central repository.
- 11.5 Where issues are identified that cannot be resolved by the Pensions Administration Team, these will be escalated in a timely manner as per the flowchart below.
- 11.6 Escalation Process:

