

	<p><b>Policy and Resources Committee</b></p> <p><b>19 February 2020</b></p>
<p style="text-align: center;"><b>Title</b></p>	<p><b>Pension Fund Administration</b></p>
<p style="text-align: center;"><b>Report of</b></p>	<p>Chairman of the Policy and Resources Committee</p>
<p style="text-align: center;"><b>Wards</b></p>	<p>All</p>
<p style="text-align: center;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: center;"><b>Urgent</b></p>	<p>No</p>
<p style="text-align: center;"><b>Key</b></p>	<p>No</p>
<p style="text-align: center;"><b>Enclosures</b></p>	<p>Appendix A – Full business case Appendix B – Indicative transition plan</p>
<p style="text-align: center;"><b>Officer Contact Details</b></p>	<p>Anisa Darr, Director of Finance, 020 8359 7634 <a href="mailto:Anisa.darr@barnet.gov.uk">Anisa.darr@barnet.gov.uk</a></p> <p>Deborah Hinde, Director of Commercial &amp; Customer Services, 0208 359 2461 <a href="mailto:Deborah.hinde@barnet.gov.uk">Deborah.hinde@barnet.gov.uk</a></p>

## Summary

At the Policy and Resources Committee on the 17/06/19, members requested that the Director of Finance puts appropriate measures in place to enable alternative service provision arrangements to be made for the pensions administration service. This report makes recommendations to the committee in respect of this matter.

## **Officers Recommendations**

**That the Committee:**

- 1. Notes the conclusion of the council's engagement with Capita in respect of the future delivery of the pension fund administration function as set out in para 1.3;**
- 2. Agrees the cessation of the pension fund administration function from the ongoing wider Customer and Support Group (CSG) contract, subject to the outcome of the necessary financial due diligence, on the commercial principles as set on in para 1.4;**
- 3. Authorises the Director of Commercial and Customer Services to take necessary action to conclude negotiations and effect the transfer of this service from Capita;**
- 4. Notes the transition plan that will exist up to March 2021;**
- 5. Agrees the appointment of Bradford City Council (as administrating authority of the West Yorkshire Pension Fund (WYPF)) as the pension fund administration provider;**
- 6. Recommends to Council to, under S101 agreement, delegate the pensions administration function to WYPF; and**
- 7. Authorises the Director of Finance to take necessary action to conclude discussions and effect the transfer to WYPF of this service.**

### **1. WHY THIS REPORT IS NEEDED**

#### **Background**

1.1. On 17 June 2019 the Policy and Resources Committee resolved as follows:

That the Committee

- Agrees that the Director of Finance should continue to work with Capita to achieve the necessary improvements to the Pensions Administration service.
- Instructs the Director of Finance to put appropriate measures in place to enable alternative service provision arrangements to be made for Pensions Administration, should the need arise, with a view to bringing a further report to Policy and Resources Committee in due course.

1.2. In accordance with the decisions of P&R committee on 17 June 2019 the council started putting contingency plans in place. As part of these contingency plans the council, whilst recognising the considerable effort and resources Capita expended in implementing the jointly agreed remediation plan, engaged with Capita to discuss the best long-term solution for the pensions administration service.

- 1.3. These discussions proceeded in a constructive manner and recognised that while Capita continues to implement the jointly agreed remediation plan, it is not yet complete and it has therefore been concluded that the best long-term solution for the service is to move the service to a local government pension scheme specialist provider supported by a managed transition plan through 2020.
- 1.4. After considering the various routes to securing a new provider (in-house provision, open procurement, procurement via the National LGPS Framework for Third Party Pensions Administrator or entering into a Section 101 arrangement with another public sector LGPS pensions administrator – Appendix A refers), the Section 101 route was considered to be the most efficient (and is the most widely used route used by other public sector pension administrators seeking to secure alternative service provision, particularly in the Local Government, Police and Fire-fighters Pension Schemes).
- 1.5. Three organisations were identified as providing pensions administration services to a high standard (each have been recognised for their services at various times in industry awards), and their track records in taking in, and retaining, local authority business speaks to a high level of customer satisfaction. These were then whittled down to preferred provider status through a scoring process further detailed in the FBC.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1. Site visits were undertaken to each of the above potential providers to assess both their capacity and capability of providing a pensions administration service to the Barnet Pension Fund.
- 2.2. Initial evaluation suggested that two of the organisations were better placed to meet the council's needs.
- 2.3. These remaining two candidates, following the site visits and upon receipt of clarification information, were subject to formal assessment by officers, across five broad headings. This qualitative assessment constituted 80% of the available marks – cost represented the remaining 20%.
- 2.4. The results indicate a clear, most cost effective and best quality option for the Barnet Fund Pension which is in entering into a Section 101 agreement with Bradford City Council (as administering authority for the West Yorkshire Pension Fund) to undertake the pensions administration function of the Barnet Pension Fund going forward, subject to a/ the Policy and Resources Committee of the London Borough of Barnet Council resolving to both cease that aspect of the contract with Capita that relates to the provision of pensions administration services and adopting the recommendation of this paper which is to appoint the West Yorkshire Pension Fund as pensions administrator to the Barnet Pension Fund and b/ Barnet Council resolving to enter into a Section 101 agreement with Bradford City Council (as administering authority for the West Yorkshire Pension Fund) to undertake the same.

### **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1. The council has explored a range of options which are outlined in the full business case. The options considered and not progressed were:
- Bring the service in-house and manage directly
  - Procure a new third-party administrator through the Local Government Pensions Service (LGPS) framework
  - Procure a new third-party administrator through an open tender
- 3.2. None of the options above are currently recommended as it is not considered to provide the best value for pension members.

### **4. POST DECISION IMPLEMENTATION**

- 4.1. If the committee agrees the recommendations then work will continue on concluding the necessary commercial negotiations and financial due diligence with Capita. Work will also continue to agree the S101 agreement with WYPF.
- 4.2. Council will be asked to delegate the function under S101 to WYPF.
- 4.3. A jointly agreed transition plan will be agreed and owned by the council.

### **5. IMPLICATIONS OF DECISION**

#### **5.1. Corporate Priorities and Performance**

- 5.1.1. The aims of this contingency planning exercise were to ensure high quality, good value services as envisaged in the council's corporate plan.

#### **5.2. Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

- 5.2.1. The cost of the pension fund administrator (including transition between providers) is recharged to the Pension Fund and will continue to be recharged and therefore does not have a direct impact on the council's General Fund.
- 5.2.2. The cost of transition between providers is expected to be £150,000 and the annual contract value with the new provider is £459,000. This compares to an average cost of the current provider in the region of £479,000 per year.
- 5.2.3. In respect of the termination agreement with the existing provider, each party will pick up their own costs.

#### **5.3. Legal and Constitutional References**

- 5.3.1. The Council Constitution Article 7 (Committees, Forums and Working Groups) outlines the terms of reference of the Policy and Resources Committee Financial Performance & Contracts Committee, which includes responsibility for the oversight and scrutiny of the overall financial performance of the council.

- 5.3.2. The regulations governing the Local Government Pension Scheme (LGPS) and Teachers Pension Scheme (TPS) are made under sections 7, 12 and 24 of the Superannuation Act 1972. In accordance with Regulation 2 and Schedule 1 paragraph H of The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (as amended) (“the Functions Regulations”), these pension functions are non-executive functions.
- 5.3.3. Section 101 1(b) of the Local Government Act 1972 (“the 1972 Act”) enables LBB to arrange for the discharge of any of its non-executive functions by any other local authority.
- 5.3.4. Further, section 111 of the 1972 Act gives LBB the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions; section 112 of the 1972 Act gives LBB the power to appoint such officers as they think necessary for the proper discharge of their functions; and section 113 of the 1972 Act gives LBB the power to enter into agreements with another authority for the placing at their disposal the services of officers employed by them.
- 5.3.5. To the extent that any matters associated with the above functions may be outside of the Functions Regulations and are therefore executive functions, sections 9EA of the Local Government Act 2000 and its supporting provisions permit the discharge of any executive function of and by another local authority.
- 5.3.6. These powers are frequently used for the delegation of functions from one council to another. Underpinning the arrangement should be a delegation agreement clearly setting out the functions to be delegated and any functions reserved by LBB. Much like a services agreement it should set out the expectations of the parties; the funding arrangements; the duration of the agreement and exit/termination provisions; warranties and indemnities and performance management arrangements.

#### 5.4. **Risk Management**

- 5.4.1. The move of the service will need to be governed by an agreed transitions plan that is owned by the council and signed up to by Capita and WYPF to ensure a smooth handover.
- 5.4.2. A draft transition plan is included in Appendix B.

#### 5.5. **Social Value**

- 5.5.1. There are no specific implications.

#### 5.6. **Corporate Parenting**

- 5.6.1. There are no specific implications.

## **5.7. Equalities and Diversity**

5.7.1. Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to 1) eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; 2) advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and 3) fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to parts 2) and 3) (above) of the public-sector equality duty.

5.7.2. There are no specific equalities implications from this report, which is for noting.

## **5.8. Consultation and Engagement**

5.8.1 Not applicable

## **5.9. Insight**

5.9.1 Not applicable

## **6. BACKGROUND PAPERS**

6.1 Pension Fund Committee Report on The Pension Regulator Improvement Notice, 9 September 2019:

<https://barnet.moderngov.co.uk/mgAi.aspx?ID=29161#mgDocuments>

6.2 Policy and Resources Committee Report on Review of Capita Contracts, 17 June 2019

<https://barnet.moderngov.co.uk/documents/s52969/Review%20of%20Capita%20Contracts.pdf>

6.3 Financial Performance and Contracts Committee Report on Year 6 and 7 Capita contracts review – Terms of Reference, 29 January 2020:

<https://barnet.moderngov.co.uk/documents/s57531/Year%206%20and%20Y7%20review%20ToR.pdf>