



**Executive
15 February 2010**

**Report from the Director of
Business Transformation**

Wards Affected:
ALL

**Authority to participate in a Collaborative Procurement for
the provision of services for the Administration of the Local
Government Pension Scheme**

Forward Plan Ref: BusTr-09/10-6

1.0 Summary

1.1 This report requests approval to participate in a collaborative procurement with the London Borough of Hammersmith and Fulham to set up a Framework Agreement for the provision of services for the administration of the Local Government Pension Scheme as required by Contract Standing Order 85.

2.0 Recommendations

2.1 The Executive give approval to the Council to participate in a collaborative procurement exercise leading to the establishment of a framework agreement by the London Borough of Hammersmith and Fulham for the provision of services for the administration of the Local Government Pension Scheme.

2.2 The Executive give approval to the collaborative procurement exercise described in paragraphs 3.5 – 3.10 being exempted from the normal requirements of Brent's Contract Standing Orders in accordance with Contract Standing Orders 85(c) and 84(a) on the basis that there are good financial and operational reasons as set out in the report below.

3.0 Detail

3.1 The Local Government Pension Scheme is a statutory scheme providing final salary benefits to its members. The council has a legal responsibility to administer the scheme for its members. The membership of the scheme is made up as follows:

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3.2	Current Members:	4599
	Leavers with frozen pensions:	5290
	Receiving benefits:	<u>4918</u>
	Total:	<u>14807</u>

- 3.3 For 15 years the administration of the scheme has been contracted under a series of contracts to a third part administrator; initially to ITNET and since 1999 to the London Pensions Fund Authority (“LPFA”). The LPFA has provided good day to day service and has helped to ensure that pension records are correct. This has meant that scheme members have received a good service and that the actuary has been able to deliver timely and accurate valuations of the pension fund.
- 3.4 The most recent LPFA contract ran for an initial term of five years from 2004 to 2009 and with the agreement of the Director of Finance and Corporate Resources was extended to 28th February 2011.
- 3.5 On 1st October 2009 the London Borough of Hammersmith and Fulham (“H&F”) issued an email to the Society of London Treasurers. The email informed London Boroughs that the H&F contract for pension administration services ceases in March 2011 and invited interested parties to join them in procuring a framework agreement for the provision of pension administration services upon which they will lead. Key officers from Brent and H&F met on 1st December 2009 to discuss the possibilities of our participation. Officers agreed on a range of mutual issues. The London Borough of Croydon joined the meeting in an advisory capacity.
- 3.6 Officers consider that there are good financial and operational reasons to participate in the collaborative procurement of pension administration services. One of the aims of the One Council initiative is to ensure better procurement and contract management. Officers believe that the collaborative procurement with H&F are aligned with these aims. Officers have identified potential cost savings and efficiencies of taking part in such a collaborative procurement, to include but not be limited to:
- A saving in procurement costs and the removal of duplication e.g. the drafting of a full specification, market testing, tender documents and administration would be shared between authorities.
 - The advantages of economies of scale that procuring a framework agreement for more than one authority may provide which may increase should further authorities join the framework
 - The benefit of joint working with other pension and procurement professionals which will increase knowledge and experience available to the procurement process.
- 3.7 There are some differences between H&F’s and Brent’s contract standing orders and financial regulations and therefore a decision must be taken as to which authority’s contract standing orders and financial regulations should apply should Brent take part in a collaborative procurement with H&F. As H&F initiated the project and wish to lead on it, officers consider that there are good financial and operational reasons why H&F’s contracts standing orders and financial regulations rather than Brent’s should therefore be used. As a result approval is sought for any

collaborative procurement to be exempted from the normal requirements of Brent's contract standing orders.

- 3.8 Under the terms of H&F standing orders the framework agreement would be for a four year term. A call off contract under the framework agreement would also be for a 4 year period. Procurement officers from the two councils have agreed that their time scales for the procurement are generally similar and any dissimilarities may be easily overcome.
- 3.9 At this time Brent is the only authority that has expressed an interest in the collaborative procurement of the framework agreement and H&F have welcomed Brent's full participation in the tender process. This gives Brent the advantage of having the scope to shape the specification in accordance with Brent's needs whilst reducing the associated demands on resources or budgets. It is also intended that Brent officers would be involved in setting the evaluation criteria and weightings for framework agreement. Brent Officers would also be fully involved in the evaluation of tenders leading to the appointment of a contractor under the framework.
- 3.10 Officers have considered whether there are disadvantages of proceeding with the collaborative procurement with H&F. As it is a collaborative procurement, the framework agreement will not be tailored only to the needs of Brent as would be the case if Brent were procuring an agreement for its exclusive use. As H&F are leading the procurement, where there is a divergence of interests between the two authorities, H&F's interests are likely to gain precedence. From discussions with H&F however, Officers consider that there is little prospect of any significant divergence of interests between the authorities and that the advantages of a collaborative procurement as set out in paragraphs 3.6 to 3.9 outweigh any disadvantages. Also, even if Brent takes part in the collaborative procurement, there will be no commitment to potential tenderers that Brent will enter into any call off contract under the framework.

4.0 Financial Implications

- 4.1 The application of the Council's standing orders and the EU Regulations to this contract are set out in the Legal Implications in section 5 below.
- 4.2 The value of a four year contract from March 2011 is estimated to be around £1.2m. Existing budgetary provision exists for this.
- 4.3 The cost of leading the procurement process are being borne by H&F. Costs incurred by Brent Council in participating in the procurement process will be met within existing budgets.

5.0 Legal Implications

- 5.1 Approval is sought for the Council to participate in a collaborative procurement leading to the establishment of a framework agreement. H&F will enter into the framework agreement with a single service provider and Brent will have the right to make a call-off over the lifetime of the framework agreement. It is likely that H&F will require Brent to sign some form of agreement confirming that they will comply with the terms of the framework.

- 5.2 The framework is being procured by means of a collaborative procurement exercise. Under Contract Standing Orders 85(c) such collaborative procurements need to be tendered in accordance with Brent Standing Orders and Financial Regulations, unless the Executive grants an exemption in accordance with Standing Order 84(a). A request for an exemption under Standing Order 84(a) can be approved by the Executive where there are good operational and / or financial reasons, and these reasons are set out in paragraphs 3.6 to 3.9 above.
- 5.3 The estimated value of the framework agreement over its lifetime is higher than the EU threshold for Services under the Public Contracts Regulations 2006 (“the EU Regulations”). H&F has indicated that as pension administration services are classed as Part A Services under the Public Contracts Regulations 2006, it will procure the framework agreement fully in accordance with the EU Regulations, to include advertising the framework agreement in the Official Journal of the European Union. The EU Regulations also ensure that the duration of a framework is required to be up to 4 years.
- 5.4 It will be necessary to ensure that the tender documents meet Brent’s requirements and clearly set out Brent’s rights and responsibilities in view of the fact that H&F will be entering into the main framework agreement, with the right for Brent to enter into a call-off contract.
- 5.5 Once H&F awards the framework agreement, then there will be a further report to the Executive to award a call-off contract in accordance with Contract Standing Order 86(d).

6.0 Diversity Implications

- 6.1 Officers have screened the proposals in this report and believe that there are no diversity implications arising from the report.

7.0 Staffing/Accommodation Implications

- 7.1 The LPFA provide pensions administration to Brent and H&F. If an alternate provider is chosen this may require staff to transfer pursuant to the Transfer of Undertakings (Protection of Employment) Regulations 2006 from the LPFA to a successor organisation.
- 7.2 There are not direct implications for Brent staff other than the potential to receive a more efficient pension administration service.

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