



General Purposes Committee

Wednesday 8 November 2017 at 6.30 pm

Board Room 1 - Brent Civic Centre, Engineers Way,
Wembley HA9 0FJ

Membership:

Members

Councillors:

Butt (Chair)
McLennan (Vice-Chair)
Farah
Hirani
M Patel
Southwood
Tatler
Warren

Substitute Members

Councillors:

Aden, Denselow, Kabir, Mahmood, Miller, Moher and
Krupa Sheth

Councillors:

Maurice, Ms Shaw

For further information contact: Bryony Gibbs, Governance Officer
020 8937 1355, bryony.gibbs@brent.gov.uk

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democracy.brent.gov.uk

The press and public are likely to be excluded from part of this meeting.

Notes for Members - Declarations of Interest:

If a Member is aware they have a Disclosable Pecuniary Interest* in an item of business, they must declare its existence and nature at the start of the meeting or when it becomes apparent and must leave the room without participating in discussion of the item.

If a Member is aware they have a Personal Interest** in an item of business, they must declare its existence and nature at the start of the meeting or when it becomes apparent.

If the Personal Interest is also a Prejudicial Interest (i.e. it affects a financial position or relates to determining of any approval, consent, licence, permission, or registration) then (unless an exception at 14(2) of the Members Code applies), after disclosing the interest to the meeting the Member must leave the room without participating in discussion of the item, except that they may first make representations, answer questions or give evidence relating to the matter, provided that the public are allowed to attend the meeting for those purposes.

***Disclosable Pecuniary Interests:**

- (a) **Employment, etc.** - Any employment, office, trade, profession or vocation carried on for profit gain.
- (b) **Sponsorship** - Any payment or other financial benefit in respect expenses in carrying out duties as a member, or of election; including from a trade union.
- (c) **Contracts** - Any current contract for goods, services or works, between the Councillors or their partner (or a body in which one has a beneficial interest) and the council.
- (d) **Land** - Any beneficial interest in land which is within the council's area.
- (e) **Licences**- Any licence to occupy land in the council's area for a month or longer.
- (f) **Corporate tenancies** - Any tenancy between the council and a body in which the Councillor or their partner have a beneficial interest.
- (g) **Securities** - Any beneficial interest in securities of a body which has a place of business or land in the council's area, if the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or of any one class of its issued share capital.

****Personal Interests:**

The business relates to or affects:

(a) Anybody of which you are a member or in a position of general control or management, and:

- To which you are appointed by the council;
- which exercises functions of a public nature;
- which is directed is to charitable purposes;
- whose principal purposes include the influence of public opinion or policy (including a political party of trade union).

(b) The interests a of a person from whom you have received gifts or hospitality of at least £50 as a member in the municipal year;

or

A decision in relation to that business might reasonably be regarded as affecting, to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the electoral ward affected by the decision, the well-being or financial position of:

- You yourself;
- a member of your family or your friend or any person with whom you have a close association or any person or body who employs or has appointed any of these or in whom they have a beneficial interest in a class of securities exceeding the nominal value of £25,000, or any firm in which they are a partner, or any company of which they are a director
- any body of a type described in (a) above

Agenda

Introductions, if appropriate.

Item	Page
1 Apologies for absence and clarification of alternate members	
2 Declarations of interests Members are invited to declare at this stage of the meeting, the nature and existence of any relevant disclosable pecuniary, personal or prejudicial interests in the items on this agenda and to specify the item(s) to which they relate.	
3 Deputations (if any) To hear any deputations received from members of the public in accordance with Standing Order 67.	
4 Minutes of the previous meeting To approve the minutes of the previous meeting as a correct record.	1 - 4
5 Matters arising (if any) To consider any matters arising from the minutes of the previous meeting.	
6 Appointments to Sub-Committees / Outside Bodies <i>To be tabled on the day.</i>	
7 Future Provision of the Pension Administration Service The report seeks approval from the Committee to enter into a shared service arrangement with a partner through the delegation of functions pursuant to The Local Government Acts 1972, and 2000, the Localism Act 2011 and the Local Authorities (Arrangement for the discharge of Functions) (England) Regulations 2012 for the provision of the future pensions administration service.	5 - 16

Please note that Appendix 1 is not for publication as it contains exempt information as specified in the Local Government Act 1972.

Wards Affected:
All Wards

Contact Officer: David Veale, Director
of Human Resources and
Organisational Development

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Email: david.veale@brent.gov.uk

8 Any other urgent business

Notice of items to be raised under this heading must be given in writing to the Head of Executive and Member Services or his representative before the meeting in accordance with Standing Order 60.

9 Exclusion of Press and Public

The following items are not for publication as they relate to the following category of exempt information as specified under Section 100A(4) of the Local Government Act 1972, namely:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information).



Please remember to set your mobile phone to silent during the meeting.

- The meeting room is accessible by lift and seats will be provided for members of the public.



LONDON BOROUGH OF BRENT

MINUTES OF THE GENERAL PURPOSES COMMITTEE Thursday 12 October 2017 at 6.00 pm

PRESENT: Councillor McLennan (Vice-Chair) and Councillors Farah, Hirani, M Patel, and Tatler

Councillor McLennan took the chair.

1. **Apologies for absence and clarification of alternate members**

Apologies for absence were received from Councillors Butt, Southwood and Warren.

2. **Declarations of interests**

There were no declarations of interest received from Members.

3. **Deputations (if any)**

RESOLVED that the minutes of the previous meeting, held on 30 May 2017, be approved as an accurate record of the meeting.

4. **Minutes of the previous meeting**

There were no matters arising.

5. **Matters arising (if any)**

There were no deputations received.

6. **Appointments to Sub-Committees / Outside Bodies**

Councillor McLennan drew Members' attention to the nominations for appointments on the General Purposes Sub-Committees and it was **RESOLVED** that the following appointments to the sub-committees be made:

BRENT PENSION FUND SUB-COMMITTEE

S CHOUDHARY (C)	LABOUR
ADEN	LABOUR
A CHOUDRY	LABOUR
DALY	LABOUR
DAVIDSON	BRENT CONSERVATIVE
PERRIN	LABOUR
SHAZHAD	LABOUR

SUBSTITUTE MEMBERS:

LABOUR: DENSELOW, MOHER, KHAN

BRENT CONSERVATIVE: MAURICE, WARREN

CO-OPTED NON-VOTING:

FRANCESCA HAMMOND
STEPHEN HOLLEY

(UNISON)
(COLLEGE OF NORTH WEST LONDON)

INDEPENDENT ADVISOR:

PETER DAVIES

PENSION BOARD

DAVID EWART (C) – INDEPENDENT CHAIR

CLLR CRANE
CLLR KABIR

TREVOR DAWSON
BOLA GEORGE
EUTON STEWART
[VACANCY]

PENSION SCHEME MEMBER
TRADE UNION (UNISON) MEMBER
TRADE UNION (GMB) MEMBER
EMPLOYER MEMBER (NON-BRENT COUNCIL)

SCHOOLS DISCIPLINARY SUB-COMMITTEE

FULL MEMBERS:

HARRISON (C)
M PATEL

SENIOR STAFF APPOINTMENTS SUB-COMMITTEE

FULL MEMBERS:

BUTT (C)
HIRANI
MCLENNAN
TATLER
WARREN

LABOUR
LABOUR
LABOUR
LABOUR
BRENT CONSERVATIVE

SUBSTITUTE MEMBERS:

LABOUR: FARAH, M PATEL, MILLER, SOUTHWOOD

BRENT CONSERVATIVE: DAVIDSON, SHAW

STAFF APPEALS SUB-COMMITTEE

FULL MEMBERS:

KETAN SHETH (C)
BRADLEY
CHOUDRY
MARQUIS
WARREN

LABOUR
LABOUR
LABOUR
LABOUR
BRENT CONSERVATIVE

SUBSTITUTE MEMBERS:

LABOUR: S CHOUDHARY, COLACICCO, KABIR, NERVA
BRENT CONSERVATIVE: DAVIDSON, MAURICE

7. **Apprentice Pay Rates**

Althea Loderick (the Council's Director of Resources) introduced the report which recommended that apprentice pay rates were increased. The Committee heard that this would attract and retain individuals in a more competitive apprenticeship market whilst enabling the independent living of young people who did not or could live at their home.

RESOLVED that:

- (i) The contents of the Apprentice Pay Rates report, be noted; and
- (ii) The recommended new apprenticeship pay scales for the council's own apprentices be agreed;


8. **Any other urgent business**

There was no other urgent business.

The meeting was declared closed at 6:06pm.

COUNCILLOR MARGARET MCLENNAN
Chair

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 Brent	<p style="text-align: center;">General Purposes Committee 8 November 2017</p> <p>Report from the Strategic Director of Resources</p>
For Action	Wards affected: ALL
<p style="text-align: center;">Future Provision of the Pension Administration Service</p>	

Appendix 1 is not for publication as it contains exempt information as specified in the Local Government Act 1972.

1.0 Summary

- 1.1 This report seeks approval from the General Purposes Committee (GPC) to enter into a shared service arrangement with a partner through the delegation of functions pursuant to The Local Government Acts 1972, and 2000, the Localism Act 2011 and the Local Authorities (Arrangement for the discharge of Functions) (England) Regulations 2012 for the provision of the future pensions administration service.

2.0 Recommendations

- 2.1 GPC is asked to approve the selection of the Local Pensions Partnership (LPP) as a shared service partner for the Brent Council pension administration service, using the delegation of functions of the Local Government Acts stated in paragraph 1.1. Approval to award a shared service provision for pension administration rests with Cabinet and General Purposes Committee. Cabinet is due to consider this report on 13 November 2017.

3.0 Details/ Operational Considerations

- 3.1 The responsibility for the administration of the Local Government Pension Scheme (LGPS) for the Brent Pension Fund lies with Brent Council. The pension administration service has been outsourced since 1994. The current pension administration contract was awarded in 2010 for 6 years to Capita Hartshead now Capita Employee Benefits (Capita), and commenced 1 October 2011. The council is now in the sixth year of the contract and the contract has been extended for a further year. A further year's extension is also possible taking maximum use of the current contract up to 30 September 2019 but the intention is to make use of only one year of extension. Pension administration is complex due to the detailed data and legislative requirements for such service provision. It usually takes between 9 to 12 months to transfer such a service from one provider to another.

- 3.2 As at the 31 March 2017, the pension fund had 6,053 contributors, 6,391 pensioners and 8,014 deferred pensioners.
- 3.3 Capita's performance on the contract had not been satisfactory especially on special projects such as implementation of the new LGPS regulations 2014. Concerns had been raised in the triennial valuation by the pension fund actuary with regard to the quality of Brent's pension administration data. Delays in sending out the 2016 and 2017 Annual Benefit Statements (ABS), have been reported as material breaches to The Pensions Regulator. Officers are working closely with Capita and The Pensions Regulator to prepare a record keeping plan to improve the quality of pension data which in turn will enable the issue of a higher number of annual benefit statements. The number of ABSs issued in 2017 has been higher compared to 2016, an increase from 80% to 89% for active members that could have received an ABS. It should be 100%.
- 3.4 Prior to the expiry of the current contract, the Council explored the option of procurement of the pension administration contract through a mini competition using an existing procurement framework. The commercial market for pension administration services is small and rather than procure a further contract, Officers considered that a shared service arrangement may offer the Council a better service going forward. The Council Management Team (CMT) approved this approach in July 2017. CMT discussed options for a shared service partner for pension administration at a meeting on 5 October 2017.
- 3.5 An engagement event with potential shared service partners was held on 4 September. Harrow Council, West Yorkshire Pension Fund, Lancashire Council, Wandsworth Council and Orbis (which comprises of Surrey, East Sussex and Brighton and Hove Councils) were invited to attend. Wandsworth Council did not attend as they felt it would not be fair to existing partners to bring on a new partner at the current time. Harrow Council did not attend as they had misunderstood the nature of the engagement. Lancashire County Council referred us to the Local Pensions Partnership (LPP) who attended on their behalf. LPP is a collaboration between the Lancashire County Pension Fund and the London Pensions Fund Authority (LPFA). It is a local government owned pensions services company. Orbis and the West Yorkshire Pension Fund (WYPF) also attended.
- 3.6 On the day, three presentations were made to officers and the Chair of the Pension Board.
- 3.7 All three organisations clearly stated that a minimum of 9 months lead-in time was required for a successful transition. This ties in with timescales for the current contract which currently will cease in September 2018. A delay in implementation would have detrimental consequences for the successful completion of three major projects: 1) the triannual re-enrolment project which is due in early 2019, 2) the next triennial valuation of the pension fund which is due as at 31 March 2019 and 3) the provision of the ABSs for 2019.
- 3.8 Following the engagement day contact was made with existing partners Southwark and Lewisham who both declined the opportunity for a shared pension administration service.

4.0 Options appraisal of prospective partners

4.1 The Council's objectives for the service are to secure best value for money, achieve consistent quality of performance, improve the quality of data and ensure ease of implementation and transition. The Council considered the relative merits of the three organisations that attended the engagement event and these are detailed below. After the presentation, a process of review took place between Finance and HR. This resulted in a number of calls to the three potential partners for clarification on service provision and costs. Information is summarised in Appendix 1.

Orbis

4.2 Orbis is a partnership between three councils Surrey, East Sussex and Brighton and Hove.

- Orbis pension administration operates Altair software the most common type across LGPS.
- Orbis provides pension administration to 2 Councils and in addition 4 London Boroughs, three of whom had been on the London framework and were previously clients of Capita. Therefore they have experience with transferring from Capita's bespoke pension administration system HartLink.
- As Orbis is a partnership of local authorities, Brent Council would be able to enter into a shared service arrangement. Any shared service agreement means that the councils have a mutual understanding that the administration service is being provided for the benefit of participating councils and its other customers.

Reviewing Appendix 1 however, Orbis costs were significantly higher than the other two presenters and costs for software implementation were also very high. Annual software licence costs are in addition to the annual service provision costs which is not the case for the other two providers. Given that Orbis costs were so much higher, it is recommended that the Council does not enter into a shared service partnership with Orbis.

Local Pensions Partnership (LPP)

4.3 The Local Pension Partnership (LPP), is a local government owned not for profit limited company.

- As a partner with the LPP Brent Council would not have an input into the LPP Board but there is an advisory board to which Brent could input.
- The LPP pension administration operating system is Altair which is the standard local government pension administration system operated by approximately 90% of the LGPS Funds in England and Wales. Aquila Heywood is the software supplier of Altair and the near monopoly means licence costs tend to be higher for system use.
- LPP although a relatively new entity, can draw on the experience of the LPFA, formally one of the main suppliers of LGPS administration. The LPFA indicated two years ago that it was going to focus on pension fund investment rather than pension administration.
- The shared service arrangement would be with Lancashire County Council.

- LPP have a wide range of organisations to which it provides pension administration services.
- The range of organisations to which pension administration is provided and the expertise in provision of such services gives confidence that the LPP can provide a quality pension administration service.

West Yorkshire Pension Fund (WYPF)

4.4 West Yorkshire Pension Fund is a joint service run with West Yorkshire and Lincolnshire Pension Fund.

- WYPF confirmed on the day that Brent would have a genuine partnership being able to input into the running of pension administration.
- WYPF operate Civica as their pension administration software which is the second largest system used by Local Government Pension Scheme providers in England and Wales but that is about five percent of the market. Licenses for this software are significantly cheaper than Altair.
- WYPF operating costs were the lowest of the three presenters.
- WYPF implementation costs were also significantly lower than LPP although WYPF indicated that if implementation costs are greater than the £30k, these extra costs would be passed on.
- WYPF currently provide a pension administration service for a number of fire pension schemes and the Lincolnshire Pension Fund too.

4.5 Although the costs for WYPF are cheaper, serious consideration has to be given to sustainability of quality of service provision into the future. The redacted Table 1 below summarises factors taken into account when considering a service provided by LPP or WYPF. Figures for annual contract costs and implementation costs in Table 1 can be found in Appendix 1 which contains exempt information.

Table 1

	Factor	LPP	WYPF
1.	Annual Contract Costs	Please see Appendix 1	Please see Appendix 1
2.	Implementation Costs	Please see Appendix 1 Expenditure driven by higher costs for implementing Altair but seems more realistic when considering complexities and length of time for implementing a new pension administration service.	Please see Appendix 1 Officers think WYPF have underestimated total implementation costs. WYPF has informed the Council that if costs are higher than specified, these will be passed on which means an unknown additional amount at this time.
3.	Operating System	Altair Proven to deliver across most LGPS pension schemes but the software supplier has a near	Civica Proven to deliver for those funds for which it operates but only has about 5% of the LGPS market. Civica is not

		monopoly (over 90%) so costs are higher. Altair does calculations within the system so does “end to end” processing.	“end to end” and does calculations externally which then have to be fed back into Civica. This creates additional processes.
4.	Customers	Includes London Boroughs such as One Source and Ealing; Lancashire and Hertfordshire County Council. Fire Services such as Kent, Lancashire, Hertfordshire, Bedfordshire, Merseyside	No London Boroughs to date. Lincolnshire, West Yorkshire County Councils. Fire Services such as Dorset & Wiltshire, Berkshire, Devon & Somerset.
5.	Experience of bringing in Capita contracts and Hartlink	Yes – Cumbria County Council	No
6.	Governance	Entering into a shared service with Lancashire County Council whose pension administration is done by a Limited Company LPP was a concern expressed by officers. This places the service delivery at arm’s length and would not be such a close partnership as would be possible with WYPF. Legal have confirmed that it would be possible to enter into a shared service with Lancashire County Council.	As WYPF is part of Bradford Metropolitan Council, the service provision would not be at “arm’s length” and this would be potentially a closer partnership.
7.	Quality of Service Provision	LPP is the new vehicle of pension administration for the LPFA which is now focusing on pension fund investment. As such, it has a wide breadth of experience of pension administration including London Boroughs. LPP is bigger than WYPF having 520,000 members.	WYPF has recently been shortlisted for the scheme administration award in the LAPF Investment Awards and were Pension Age Awards finalists. WYPF are the third largest of 89 local authority pension funds (447,000 members).

Of the three potential partners WYPF are able to better match the price currently paid by the Pension Fund for the pension administration service. However, given the data quality issues that have been identified by the Actuary and the performance issues that have come to light with the Annual Benefit Statement exercises, it is considered that LPP should be partnered with due to their experience in migrating pensions administration from Capita and experience in delivering a sustained quality service for a range of other LGPS bodies including other London Boroughs.

4.6 Pension Payroll

Currently pension payroll is administered in house by Brent payroll through Oracle. The three authorities were asked about the ongoing pension payroll provision and expressed a preference for an end to end service. Officers have considered the existing arrangements and have a preference for maintaining pension payroll in house. This is cheaper and costing and coding are all dealt with through the Oracle interface which can link with other pension administration systems.

4.7 Please see Appendix 1 for a cost and quality comparison between the three organisations

5.0 Financial Implications

5.1 The current cost of the service and costs associated with adopting the recommendation of the report, including one off implementation costs, are contained in Appendix 1. These costs initially fall to the pension fund. However, this will, over time, add to the deficit on the pension fund, and hence have to be recovered from the other employers in the fund, principally the council as the largest employer.

The report has set out the concerns over the current quality of service and why this additional expense is expected to alleviate those concerns.

6.0 Legal Implications

6.1 Officers are seeking approval to identify a local authority shared service partner for the pension administration service. Officers have considered the statutory framework that permits local authorities to establish shared services. The Local Government Acts 1972, and 2000, the Localism Act 2011 and the Local Authorities (Arrangement for the discharge of Functions) (England) Regulations 2012 give local authorities the authority to delegate (arrange for the discharge) of their functions by:-

- Another local authority;
- The executive of another local authority; or
- A joint committee.

6.2 Any proposed shared service and delegation will need to be undertaken in accordance with the statutory framework noted in paragraph 6.1. Officers will need to be mindful that unless the shared service or delegation is undertaken in accordance with the statutory framework, there is a possibility that the arrangement could amount to a public contract and be caught by the EU procurement rules.

- 6.3 In agreeing any arrangement, Officers should have regard to the Council's fiduciary responsibilities to secure best value and value for money.
- 6.4 The council's statutory pension functions are non-executive functions and are exercised by the Pension Fund Sub-Committee. It could be argued that the decision to enter into a shared service for the provision of pension administration services would also be a non-executive function and that the decision would fall to the General Purposes Committee. Alternatively, the nature of pensions administration is largely an administrative support service and therefore incidental to the council's statutory function. In such circumstances, the decision as to a new provider should be reported to Cabinet. In view of the lack of clarity as to whether a pensions administration service is an executive or non-executive function, it is recommended that approval is sought from both Cabinet and the General Purposes Committee. A report on the pension administration service will be considered by Cabinet on 13 November 2017.

7.0 Diversity Implications

- 7.1 There are no diversity implications arising from the report.

8.0 Staffing /Accommodation Implications

- 8.1 There are no direct implications for Brent staff in having a new shared service with a new provider and the pensioners payroll being retained in house.

Attached: Appendix 1 contains exempt information as specified in the Local Government Act 1972.

Contact Officers

David Veale, Director of HR and Organisational Development
Mildred Phillips, Head of Employee Services
Anna McCormack, Senior Pensions Officer

ALTHEA LODERICK
Strategic Director of Resources

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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