



Pension Fund Sub Committee
28 June 2011

**Report from the Director of Finance
and Corporate Services**

For Action/Information
* delete as necessary

Wards Affected:
ALL

**Contract for the provision of pension administration
services**

1.0 Summary

- 1.1 This report informs members of the council's decision to award the pensions administration contract to Capita Hartshead.

2.0 Recommendations

- 2.1 That members note the migration of the pension service to a new contractor

3.0 Detail

- 3.1 Since 1999, the London Pensions Fund Authority (LPFA) has acted as the council's contractor for the payment of benefits, such as pensions and lump sums.
- 3.2 On 15 February 2010 the Executive approved proposals for the council's participation in a collaborative procurement exercise leading to the establishment of a single supplier framework agreement by the London Borough of Hammersmith and Fulham (LBHF) for the provision of services for the administration of the Local Government Pension Scheme (LGPS). As LBHF was leading on the procurement, members also agreed that the collaborative procurement exercise was exempt from Brent's Contract Standing Orders and Financial Regulations, with LBHF's own Contract Standing Orders and Financial Regulations being applied instead.
- 3.3 Framework contracts represent potential efficiencies and financial savings to local authorities. This is because the framework holder has already created the specification and gone through the procurement process - other councils can join that framework (known as a call off) without going through those processes. It also means that as more councils join, the contractor can achieve economies of scale

and deliver more savings and that the framework holders can work collaboratively with the contractor to achieve standard procedures and best practice.

- 3.4 Officers from Brent and LBHF worked closely on all stages of the procurement, including setting the procurement timetable, agreeing evaluation criteria and creating the specification, as well as the other tender documentation for the proposed framework agreement and call-off contracts for Brent and LBHF.
- 3.5 Westminster and Kensington and Chelsea councils have expressed an early interest in the framework and assisted in the evaluation of the tender of the final bidders
- 3.6 The Tender Evaluation Panel identified Capita Hartshead as submitting the most economically advantageous tender for appointment to the framework agreement. This is because it scored consistently highly across all quality criteria and also submitted the lowest priced tender.

Financial Implications

- 4.1 The Council's Contract Standing Orders require that contracts for services exceeding £500,000 or works contracts exceeding £1million shall be referred to the Executive for approval. The estimated value of this contract exceeds that threshold. The cost of the council's current pension administration contract is £304,525.00 per annum. The annual cost of the preferred bid is £245,104.00.
- 4.2 The savings against the current contract cost are as follows:

Annual saving =£ 59,421.00
Saving over contract term (six years) =£356,526.00
Maximum saving with extension (eight years) =£475,368.00
- 4.3 Under the terms of the framework agreement the contractor will apply a discount to the contract cost as more councils join that framework. Details of the discount percentages applicable are provided below.

Number of Authorities included in Framework	Percentage reduction that will be applied
3 to 4	1%
5 to 8	1.10%
9 to 12	1.20%
13 to 16	1.30%
17 to 20	1.40%
21 or more	1.50%

- 4.6 In the current economic climate the number of current contributors has reduced e.g. redundancy and early retirements have increased. This has meant that there has been an increase in deferred beneficiaries (early leavers whose pension benefits are frozen until they reach retirement age) and pensioners. The administration of

deferred and pensioner members costs less than current members. In the light of the current trend, bidders were asked to provide a price per member according to their status. If the current trend towards a declining active membership continues the cost of the contract will reduce.

5.0 Legal Implications

- 5.1 These were reported to the meeting of the Executive 13th June and no issues arose from these

6.0 Diversity Implications

- 6.1 The proposals in this report have been subject to screening and officers believe that there are no diversity implications.

7.0 Staffing/Accommodation Implications

- 7.1 This service is currently provided by an external contractor and there are no implications for Council staff arising from retendering the contract.

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