



Havering
LONDON BOROUGH

Notice of Non-key Executive Decision

Subject Heading:	Contract award for Custodial & Performance Measurement Services to the Pension Fund
Decision Maker:	<i>Interim Statutory Section 151 officer, Dave McNamara</i>
Cabinet Member:	<i>Cabinet member for Finance & Transformation, Councillor Chris Wilkins</i>
SLT Lead:	<i>Interim Statutory Section 151 officer, Dave McNamara</i>
Report Author and contact details:	<i>Debbie Ford</i> <i>01708432569</i> <i><u>Debbie.ford@onesource.co.uk</u></i>
Policy context:	To ensure that the Pensions Committee and officers have confidence that all assets are properly accounted for.
Financial summary:	<i>Contract award £190,000</i>
Relevant OSC:	Overview and Scrutiny Board
Is this decision exempt from being called-in?	<i>Yes - The decision will be exempt from call in as it is a Non key Decision</i>

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The subject matter of this report deals with the following Council Objectives

People - Things that matter for residents	x
Place - A great place to live, work and enjoy	x
Resources - A well run Council that delivers for People and Place	x.

Part A – Report seeking decision

DETAIL OF THE DECISION REQUESTED AND RECOMMENDED ACTION

To agree to and approve a direct contract award to Northern Trust for Custodian and Performance Measurement Services for the Pension Fund, at a value of £190,000, for a term of three years, commencing on 1 October 2023 until 30 September 2026.

AUTHORITY UNDER WHICH DECISION IS MADE

Part 3.3 of the constitution, section 3.10.3 (j) The S151 Officer has the function of managing the council's pension scheme and pension Fund.

“(j) To manage the Council's loan debt, investments, and temporary investments, pension scheme and pension fund, insurance fund, act as registrar of loan instruments, manage all banking arrangements including numbers and types of accounts and arrange insurance of property and the selecting and accepting of tenders for insurance cover and related services which are considered to offer best value for the Council promoting good risk management practices at all times.”

STATEMENT OF THE REASONS FOR THE DECISION

Northern Trust (NT) are currently and have been the Funds custodian since 2019 and there have not been any cause for concern about the current level of service provided and preference would be to maintain continuity. NT have a long history and knowledge of the Local Government Pension Scheme (LGPS) requirements and already provide custodial services to 23 out of the 32 London boroughs.

One aspect of the custody contract provides accounting data in line with regulations and guidance. The Pension Fund accounts and Annual Report are produced using this financial and performance information and provides assurances to our auditors that the accounting information is reported accurately.

Northern Trust (NT) are also Custodians for the Funds mandatory pooling agent the London Collective Investment Vehicle (LCIV) and Onesource partner London Borough of Newham.

The Government's pooling agenda requires all LGPS funds to plan for the transfer of the majority of their LGPS assets into their local asset pool over the forthcoming years. At the moment there will be a continuing need for custodial services but there may be a need to assess how custodial services will be delivered in the future and it may become evident that some aspects of the custody service may no longer be

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appropriate. There may also be opportunities to undertake joint procurements across a number of Pension Funds and this will be monitored

NT having gone through a recent mini competition via the framework were awarded a contract by seven other LGPS in November 2022. This recent award demonstrating that NT were the most competitive bidder at his time. A direct award would avoid going through the call-off process and save £8,000.00 for potentially reaching the same outcome of appointing NT.

In discussions with NT they have stated that the pricing structure that applied to that joint procurement exercise, as mentioned above, will be applied to contracts from the 1 April 2023, so offering a more beneficial pricing structure than the existing contract. Based on the new pricing structure, the expected savings are to be in the region of £25k over the three years.

OTHER OPTIONS CONSIDERED AND REJECTED

A Competitive tender route via the use of the National LGPS Framework for Global Custodial Services was rejected for the following reasons:

- The cost of joining is £8,000.00
- NT having gone through a recent mini competition via the framework, were awarded a contract by a consortium of seven other LGPS in November 2022. This recent award demonstrating that NT were the most competitive bidder at that time.
- NT will also be extending the similar pricing terms offered to the consortium of authorities that called off the framework.

Given that the Fund will already benefit from the pricing terms as the consortium of authorities that called off the national GC framework, the additional cost of joining the framework and the management time lost in dealing with a call off suggests that there will be little scope for extracting further value from conducting another call off. The new pricing structure is expected to deliver c£25k in savings.

A Waiver has been agreed by the S151 officer on the basis that even though there is enough time to complete the procurement process, in this instance, the Council would likely end up with the same result but avoid the costs of the process.

PRE-DECISION CONSULTATION

Not applicable

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NAME AND JOB TITLE OF STAFF MEMBER ADVISING THE DECISION-MAKER

Name: Debbie Ford

Designation: Pension Fund Manager (Finance)

Signature:

Date: 5 April 2023

Part B - Assessment of implications and risks

LEGAL IMPLICATIONS AND RISKS

The Local Government Pension Scheme Regulations 2013 provide various powers and duties to the Administering Authority. This includes managing the pension fund, the choice of Investment managers, the investment and use of fund money as well as, investment policies and principles.

The Council has power to directly award the contract under s111 of the Local Government Act 1972 which permits the Council to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

The Council also has a general power of competence under Section 1 of the Localism Act 2011 to do anything an individual can do, subject to any statutory constraints on the Council's powers. None of the constraints on the Council's s.1 power are engaged by this decision.

The proposed value of the contract is at an estimated value of £190,000, which is below the applicable Public Procurement threshold for service contracts stipulated in the Public Contracts Regulations 2015 ("PCR") of £213,477. Therefore, the proposed direct award will be subject to the Contract Procedure Rules, unless waived.

Officers have confirmed that a waiver has been granted for the direct award.

For the reason above, the Council may proceed with the direct award to NT.

FINANCIAL IMPLICATIONS AND RISKS

One element of the custody contract provides accounting data in line with regulations and guidance. The Pension Fund accounts and Annual Report are produced using this financial and performance information and provides assurances to our auditors that the accounting information is reported accurately.

It is important that accurate accounting records are maintained and appropriate reconciliations are provided by the custodian as there is a risk that the Fund's value could be misstated if poor or incorrect data was provided by the fund managers and not validated by the custodian.

Officers rely on the records provided by the custodian and their records are considered to be our master records and used for producing the statutory Statement of Accounts.

It is in the Best interests of the Council to obtain value for money and benefit from the discounted price being made available under new contract prices.

The initial contract length will be for three years so that an assessment can be made as to how custodial services will be delivered in the future.

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The total contract cost will be in the region of £190,000. It is estimated that the new pricing structure will deliver savings in the region of £25k.

There is a risk that the cost of the contract may be impacted by Fund activity. Custody and performance measurement services are based on activity. Fund managers are appointed by the Fund to deliver its investment strategy which is not static and is continually reviewed. At the start of the contract, estimated costs only include managers appointed to the fund at that time. It is unforeseen at the start of the contract how many new managers will be appointed or will exit, and what benchmarks (indices) the managers will be measured against.

Custodial and performance measurement costs cannot be avoided, as it is appropriate for the Fund to monitor the value and performance of its appointed managers in order to determine that the investment strategy objectives are being delivered.

The custodian fees will be met from the Pension Fund and adequate provision is available to fund this.

HUMAN RESOURCES IMPLICATIONS AND RISKS (AND ACCOMMODATION IMPLICATIONS WHERE RELEVANT)

No direct HR implications on Havering staff as the service is not provided in-house

EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment/identity.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

An EqEIA is not considered necessary regarding this matter as the protected groups are not directly or indirectly affected.

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ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS AND RISKS

No Direct environmental and climate implications.

BACKGROUND PAPERS

None

APPENDICES

None

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Part C – Record of decision

I have made this executive decision in accordance with authority delegated to me by the Leader of the Council and in compliance with the requirements of the Constitution.

Decision

Proposal agreed

Delete as applicable

Proposal NOT agreed because

Details of decision maker

Signed

Name:

Cabinet Portfolio held:

CMT Member title:

Head of Service title

Other manager title:

Date:

Lodging this notice

The signed decision notice must be delivered to Democratic Services, in the Town Hall.

For use by Committee Administration

This notice was lodged with me on _____

Signed _____