



Haringey Council

Agenda item:

Pensions Committee

On 12th April 2011

Report Title. **Admission of Veolia ES UK Ltd. to the Haringey Pension Fund**

Report of: *J. Parker* 4/4/11

Julie Parker Chief Financial Officer

Signed

dated

Stuart Young Assistant Chief Executive People and Organisational Development

Signed :

Stuart Young

Contact Officer : Ian Benson Pensions Manager (020 8489 3824)

Nicola Webb

Head of Treasury and Pensions (020 8489 3726)

Wards(s) affected: All

Report for: Information only

1. Purpose of the report

1.1. To approve the admission of Veolia ES UK Ltd as a transferee admitted body participating in the Haringey Council Pension Fund from 17th April 2011.

1.2. This results from the TUPE transfer of staff from Enterprise Ltd, the Haringey Council Recycling Team and a small number of cleaning staff from Corporate Services to the above-mentioned contractor.

2. Introduction by Cabinet Member (if necessary)

2.1. N/A

3. State link(s) with Council Plan Priorities and actions and /or other Strategies:

3.1 N/A

4. Recommendations

- 4.1. That Members agree to the admission of Veolia ES UK Ltd as a transferee admitted body to the Fund from 17th April 2011
- 4.2. That the agreement is a closed agreement such that no new members other than those listed in the admission agreement can be admitted.
- 4.3. That the contractor is required to provide a Bond to the value of £26,000 to be reviewed by the Fund actuary on an annual basis
- 4.4. That final approval to the terms of this Admission Agreement be delegated to the Chief Financial Officer.

5. Reason for recommendation

- 5.1 Committee approval is required to admit Europa Support Services Ltd as an transferee admitted body to the Haringey Council Pension Fund

6. Other options considered

- 6.1 Not applicable.

7. Summary

- 7.1 The Waste Management Services contract was tendered and awarded to Veolia ES UK Ltd. The new contract includes the Recycling Team and starts on 17th April 2011. The contract runs for 14 years with an option to extend for a further 7 years.
- 7.2 Staff will be TUPE transferred from the current contractor Enterprise Ltd and staff employed in the Recycling Team will also be TUPE transferred from the Council to the new contractor. Membership of the Local Government Pension Scheme will continue under this proposed admission agreement
- 7.3 The new contractor will pay a contribution rate set by the Fund actuary to cover the cost of future service accrual. The rate is 21% of pensionable pay with a cap of plus or minus 3% over the lifetime of the contract. The Council will retain the past service deficit costs and any cost above the capped employer contribution rate.
- 7.4 The contractor is also required to provide a Bond which is valued by the Fund actuary at £1,271,000. The Bond is required to protect the Fund against the commercial failure of the contractor.

8. Chief Financial Officer Comments

- 8.1 The Chief Financial Officer concurs with the financial implications set out in section 13 below. The Pension Fund is protected from loss through the agreement made between the Council and Veolia as set out in Service Finance Comments paragraph 13. The funding position of Veolia will be monitored throughout their membership of the Pension Fund.

9. Head of Legal Services Comments

9.1 The Head of Legal Services has been consulted on the content of this report. The recommendations set out in the report meet the requirements of the general power available to the Council to make an admission agreement with a transferee admission body and the conditions that will apply to such an agreement set out in the Local Government Pension Scheme Administration Regulations 2008. In this particular case a bond is required under the provisions of Regulation 6 of the 2008 Regulations to meet the level of risk arising on premature termination of the provision of the service or assets by reason of the insolvency, winding up or liquidation of the transferee admission body, following an assessment made of that risk. The Committee has the power to delegate the final approval of the terms of the admission agreement under the terms of the scheme of delegation within the Council's Constitution.

10. Head of Procurement Comments

10.1 Not applicable.

11 Equalities & Community Cohesion Comments

11.1.

12. Consultation

12.1 The Employee-side have been consulted and support the recommendations in this report.

13. Service Financial Comments

- 13.1 The Council's actuary has set a future service contribution rate for the contractor of 22.1% of pensionable payroll. Any future changes to the rate are capped at plus or minus 3%. A Bond is required to protect the Fund against the commercial failure of the company and will be reviewed annually. Initially the Bond value is £1,271,000.
- 13.2 The Council has agreed to meet all past service costs and any excess above a contribution rate of 25.1%. The contractor will reduce charges to the Council if the contribution rate falls below 19.1%.
- 13.3 This agreement which protects the Fund against loss has been agreed between the Council and Veolia in consultation with the Fund Actuary. The terms of the agreement were approved by Cabinet on 21st December 2011.

14. Use of appendices /Tables and photographs

14. There is no Appendix to this report

15. Local Government (Access to Information) Act 1985

15.1 Local Government Pension Scheme (Administration) Regulations 2008 (as amended)

1 BACKGROUND

- 1.1 Following a tender process for the renewal of the Council's Waste Management contract, the successful bidder was Veolia ES UK Ltd. The new

contract will commence on 17th April 2011 when staff will TUPE transfer from Enterprise Ltd (the current contractor).

- 1.2 There will also be a TUPE transfer to Veolia of staff from Haringey Council employed on the Recycling Team and a small number of cleaning staff in Corporate Services.
- 1.3 This admission agreement is with a private contractor where service is being transferred by means of a contract. The contractor is thereby a 'transferee admission body' as defined in Regulation 6 of the Local Government Pension Scheme Administration Regulations 2008.
- 1.4 The agreement will be a 'closed agreement' under which only the transferred staff who are employed on the contract, will be eligible for admission to the Local Government Pension Scheme. Eligible staff are required to spend not less than 50% of their time working on the Haringey Contract.
- 1.5 The contractor takes responsibility for funding actions that they have control over such as early retirements or excessive pay awards etc. Any actions taken that require payment of a capital cost will be recovered through the normal charging process. The actuary will take account of the contractor's discretionary policy including early and ill health retirements when setting its employer contribution rate at future fund valuations.
- 1.6 The regulations require that the contractor provides a Bond to protect the fund should the agreement terminate early. The value of the Bond is determined by actuarial assessment and is agreed between the parties. The Bond protects the Fund against any deficit payments should the company fail commercially. The review and provision of the Bond is an employer cost.
- 1.7 A cessation report as at 16th April 2011 will be provided by the actuary for Enterprise Ltd which will be reported separately. Early indications are that there is no deficit attributable to this employer.

2. Conclusion

- 2.1 Members are asked to approve the recommendations in this report.