

Report for:	Pensions Committee: 18 September 2014	Item Number:	
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Title:	Local Government Pension Scheme IT System – Contract Renewal
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Report Authorised by:	Jacquie McGeachie - Interim Head of Human Resources and Organisational Development
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Lead Officer:	Paul Smith – Interim Head of Schools HR
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Ward(s) affected: None	Report for Key/Non Key Decisions: Non Key Decision
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1. Describe the issue under consideration

- 1.1. At its meeting on 26th November 2013, the Corporate Committee approved the award of a contract for an IT system to enable the Council to administer the LGPS for its members and employers.
- 1.2. Following this decision negotiations with the supplier identified that the contract price was to be £14,288 higher than the original estimate.
- 1.3. This report is for the Committee to note the Chair's delegated action to approve this revised contract price.

2. Cabinet Member introduction

Not applicable.

3. Recommendations

That the Pension Committee note the amendment to the value of the Heywood Contract which has increased by £14,288 to £244,046 for a period of three years with the option to extend for a further two years to

Heywood for the provision of a managed service, including support, maintenance, and required upgrade.

4. Alternative options considered

- 4.1. It is not feasible to consider alternative options as this matter arose following a contract award.

5. Background information

- 5.1. At its meeting on 26th November 2013, the Corporate Committee approved the contract award for a new Local Government Pension Scheme (LGPS) IT system called Altair. The costs of the contract provided in the report were an estimate of costs.
- 5.2. Following further discussions with the supplier the final costs were slightly higher than those reported to Committee so on 2nd April 2014 the Chair, acting under delegated authority, approved the revised contract costs. A copy of the record of delegated authority is appended.

6 Costs

The additional costs are £14,288 giving a total contract price for a 3+2 year contract of £244,046

7 Comments of the Chief Finance Officer and financial implications

- 7.1 The Chief Finance Officer has been consulted over the contents of the report and confirms that the annual and one-off costs can legitimately be charged against the pension fund.
- 7.2 The proposed costs of both the standard and fixed term contract are both higher than the existing contract however, given that the current system will fall out of life in December 14, coupled with the fact that the new system must be compliant with the new LGPS regulations leave few options.
- 7.3 The report highlights that there is currently little competition in this field so significant time and effort could be undertaken for potentially little realistic chance of driving out further value.
- 7.4 It is expected that internal effort to migrate onto this new system can be managed within existing resources.
- 7.5 Members will be aware that there is current interest around creating larger pension schemes covering more than one authority. At this stage, there are not clear decisions and it is unlikely that anything tangible will have been concluded before the end of the proposed 3 year contract period. As such, it

appears that overall the benefits of a reduced annual fee and one-off costs outweigh the disadvantages of being tied into a longer term contract.

8 Comments of the Assistant Director of Corporate Governance and legal implications

- 8.1 The Assistant Director of Corporate Governance notes the contents of the report.
- 8.2 Approval was obtained at Corporate Committee on 26 November 2013 for award of the contract to Heywood for an IT system to enable the Council to administer the Local Government Pension Scheme. The Council procured the contract using the negotiated procedure without publication of a notice, a process allowed for under the Public Contracts Regulations 2006 (as amended).
- 8.3 Subsequent negotiations meant that the price was £14,288.00 higher than the original price which had been approved by Corporate Committee. The variation to the contract award was approved by way of Cabinet Member report in April 2014. This is a process which is compliant with Contract Standing Orders.
- 8.4 The business unit now wishes to formally inform the Corporate Committee of the variation in the contract.

9 Equalities and Community Cohesion Comments

N/A

10 Head of Procurement Comments

The pensions system is proprietary software and as such it can only be supported by the incumbent supplier, Heywoods and CSO 9.01(f) is used to support the action taken under Regulation 14(1) (a) (iii) of the Public Contracts Regulations 2006.

The market has been investigated and, as stated, is limited which means that a tender exercise at this stage is unlikely to provide adequate comparison and competition for an incumbent supplier especially considering potential switching costs. There is a clear need to upgrade the existing versions and to undertake developments to support the Regulatory changes.

11 Policy Implications

N/A

12 Reasons for Decision

It is necessary to purchase this system to enable the Council to undertake its statutory obligations as an administering authority under the Local Government Pension Scheme.

13 Use of Appendices

Record of decision taken under urgent action is attached at Appendix A.

14 Local Government (Access to Information) Act 1985

This report contains exempt and non-exempt information. Exempt information is contained in Appendix A and is not for publication. The information is exempt under the following category (identified in the amended Schedule 12 A of the Local Government Act 1972).

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