

Report for: Pensions Committee and Board 18 January 2018

Item number:

Title: Investment Consultancy Services Contract

Report authorised by: Clive Heaphy, CFO and S151 Officer

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Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Non Key decision (Pensions Committee)

1. Describe the issue under consideration

- 1.1. In order for Haringey (the Council) to carry out its functions as an Administering Authority under the Local Government Pension Scheme (LGPS), the Council must take proper advice in relation to investment of the fund's assets: this is done via procuring the services of an external specialist firm: the fund's investment consultant. The incumbent provider is Mercer Ltd. who has advised the fund for four years.
- 1.2. The current contract for investment consultancy services with Mercer will expire on 21 January 2018, this contract was extended at the Pensions Committee and Board meeting of 1 February 2017.
- 1.3. This report requests:
 - 1.3.1. That the Committee and Board approves a contract extension pursuant to Contract Standing Order (CSO) 10.02.1 to the current contract with Mercer for the period 22 January 2018 – 31 March 2018 (the end of the financial year).
 - 1.3.2. That the Committee and Board grant delegated authority to the Chief Finance Officer (S151 Officer) to enter into a new two year contract for investment consultancy services, (with possible extension for one further year). This contract award will be made following a procurement exercise carried out by officers, using the National LGPS Framework which is hosted by Norfolk County Council. The Framework Agreement is fully compliant with EU procurement processes.

2. Cabinet Member Introduction

2.1. Pensions Committee

3. Recommendations

- 3.1. That the Pensions Committee and Board approve an extension of the current contract with Mercer Ltd. with no further expenditure anticipated to be incurred over the course of the extension to bridge the period to the end of the financial year, i.e. the period 22 January 2018 – 31 March 2018.
- 3.2. That the Pensions Committee and Board grant delegated authority to the Chief Finance Officer (S151 Officer), to appoint a provider for investment consultancy services to the fund, following a procurement process which will be carried out by officers with the involvement of the Independent Advisor to the Fund. This appointment will be done in accordance with CSOs 3.03 and 9.07.1(d) for the Council to enter into a contract for an initial 2 year term (1 April 2018 – 31 March 2020) at an estimated value of £190k with an option for a further extension of 1 year for a further estimated value of £95k (subject to indexation).
- 3.3. That the Committee and Board nominate, if it deems appropriate to do so, representatives, to attend the interview and presentation stage of the procurement process.

4. Reason for Decision

- 4.1. The existing contract for investment consultancy services expires on 21 January 2018. The Fund must take proper advice on investment matters as Administering Authority for Haringey LGPS Fund.
- 4.2. Procurement exercises are the method that the Council uses to ensure that value for money is maintained when seeking supplies and services contracts from third parties. The LGPS investment environment is changing radically over the next few years with the introduction of pooling, therefore, Officers feel that the best value can be delivered by testing the market at fairly regular intervals in coming years. Hence, it is recommended that this contract would be awarded for a period of 2 years only, with an end date of 31 March 2020. (The option for a one year contract extension will only be utilised in extraordinary circumstances).
- 4.3. Norfolk County Council has set up a National Framework for Investment Consultancy Services for the use of LGPS Funds. There are eight firms signed up to this framework:
 - Aon Hewitt

- Deloitte
- Hymans Robertson LLP
- JLT
- KPMG
- Mercer Ltd
- PricewaterhouseCoopers LLP
- Redington Ltd

Officers are proposing to carry out a mini competition in order to appoint one of the firms above, and Invitation To Tender (ITT) will be sent to all eight firms inviting them to tender for the contract with Haringey.

- 4.4. The procurement exercise will consist of two stages. The first stage will assess written submissions from all firms to assess 'price', and 'quality'. The three firms who score most highly at this stage will then be called to the second stage of the procurement. This second stage will consist of a presentation and interview where 'service fit' will be assessed. It is proposed that Officers undertake the scoring process with the involvement of the Independent Advisor who has previous experience of participating in procurement processes to appoint Investment Consultants to LGPS Funds, and as is the usual practice for procurements for Haringey Pension Fund. The Committee and Board could nominate representatives to attend this meeting on Friday 16 February 2018 if they think this appropriate.

5. Other options considered

- 5.1. The fund must appoint an investment consultant to ensure it is able to access proper investment advice in order to fulfil its duty as Administering Authority for Haringey LGPS Fund. Therefore, not appointing an investment consultant would be an inappropriate course of action.
- 5.2. The framework hosted by Norfolk County Council is used extensively by LGPS funds. The framework increases transparency when it comes to fees, and comparability between firms. Officers therefore feel that the use of the framework presents best value for the fund. It was therefore thought best to use the framework agreement to conduct the procurement exercise.

6. Background information

- 6.1. All costs of the contract will be met fully by the pension fund, i.e. there will be no direct cost implications for the Council. The pension fund maintains a separate bank account for the payment of pension fund related costs, such as those for investment consultancy services. This

is a required practice for LGPS funds under Regulation 6 of the LGPS (Management and Investment of Funds Regulations) 2016.

- 6.2. The contract will be procured by a call off from a Framework Agreement set up by Norfolk County Council for Investment Management Consultancy Services as permitted by CSO 7.01.b). There are three lots on this particular framework agreement, Haringey is calling off from Lot 1 on the framework which is for Investment Consultancy services.
- 6.3. There is a one-off cost to access the Norfolk County Council framework of £5,500.00. This fee is indicative of the costs they incurred in setting up the framework which other public bodies can benefit from.
- 6.4. Officers will invite the eight firms signed up to the framework to participate in a mini competition to tender for the contract with Haringey.
- 6.5. By inviting members of the Committee and Board to attend the presentation and interview stage of the mini competition, members of the Committee and Board would be able to have oversight of the process, and meet the firms tendering for the contract.
- 6.6. The contract will be priced by activity, and the pricing structure for each provider on the framework is fixed so that the prices for all LGPS funds calling off the framework for this specific provider are the same. Officers estimate that the likely spend over the course of the 2 year period will be in the region of £190k, with an additional £95k likely to be incurred if the option for a 1 year extension is taken up (subject to indexation).

7. Contribution to Strategic Outcomes

- 7.1. None.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance

- 8.1. The chief finance officer has been consulted over the contents of the report and confirms that the annual costs can be legitimately charged to the pension fund.
- 8.2. The Fund must take proper investment advice in relation to the fund's assets, therefore appointing an investment consultant is necessary.

Procurement

- 8.3. Procurement supports the extension of the current contract with Mercer for the period 22 January 2018 – 31 March 2018 as per CSO 10. 01.1.a. There is not anticipated to be any spend during the contract extension period. The approval of this extension is imperative for business continuity.
- 8.4. This extension will allow service to engage in a procurement exercise in line with CSO 7.01b which allows contracting with a supplier from a framework after conducting further competition. Procurement endorses this action.

Legal

- 8.5. The Assistant Director of Corporate Governance notes the contents of the report.
- 8.6. *The legal comments in paragraph 8.6 contain exempt information, these are included in the attached exempt report.*
- 8.7. Paragraph 3.2 of the report is recommending that delegated authority be granted to the Chief Finance Officer to award a contract for investment consultancy services.
- 8.8. As the value of the contract is estimated to be above the EU threshold for goods and services (£181,302), it would normally be subject to EU tendering. However, the report is recommending that the contract should be procured by way of a call off from a National LGPS Framework Agreement set up by Norfolk County Council (NCC). Under the Public Contract Regulations 2015 ("PCRs") as well the Council's Contract Standing Orders (see CSO 7.01a) the Council may avoid an EU tender and instead procure goods or services by way of a call off from a framework agreement set up by another contracting authority in compliance with EU procedures. The Service has confirmed that the Council is entitled to use the National LGPS Framework Agreement, which has been set up in a compliant manner.

8.9. Subject to paragraph 8.6, the Assistant Director of Corporate Governance sees no legal reasons preventing the Pensions Committee and Board from approving the recommendations in paragraph 3 of the report.

Equalities

8.10. There are no equalities issues arising from this report.

9. Use of Appendices

9.1. N/A

10. Local Government (Access to Information) Act 1985

10.1. N/A

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