

REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES

Extension of Actuarial Services and Benefits & Governance Consultancy Contracts Pensions Committee 24th June 2020	Classification PUBLIC	Enclosures One
	Ward(s) affected ALL	AGENDA ITEM NO.

1. INTRODUCTION

- 1.1. This report recommends that the Pensions Committee approve a one year extension for both the Fund’s Actuarial Services contract and its Benefits & Governance Consultancy contract.

2. RECOMMENDATIONS

- 2.1. The Committee is recommended to:
- Approve the extension of the Actuarial Services Contract with Hymans Robertson for an additional year to 31st October 2021
 - Approve the extension of the Benefits & Governance Consultancy Contract with Aon for an additional year to 31st October 2021

3. RELATED DECISIONS

- 3.1. Pensions Committee 12th September 2018 – Extension of Actuarial Services and Benefits & Governance Consultancy Contracts

4. COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES

- 4.1. The procurement for the Actuarial Services and Benefits and Governance Consultancy contracts were undertaken via the National LGPS Framework for Actuarial, Benefits and Governance Services. Use of the framework resulted in significant savings on the resources required to undertake the procurement, and as well as helping to drive competitive fee arrangements from suppliers.
- 4.2. The initial terms of the contracts were for 4 years from 1st November. The contracts were first extended in 2018 for 2 years and under normal circumstances would need to be re-tendered during 2020. Extending the contracts as described for one year will allow the ongoing delivery of services under both contracts under the same pricing arrangements as applied previously, except where adjustments for inflation are permitted. It will also permit the Fund to procure the new contracts in 2021

under the revised and updated Actuarial, Benefits and Governance Consultancy Framework.

- 4.3. A one year extension to the existing contracts is not expected to have a material financial impact. Both contracts would otherwise be re-let under the existing framework, which would be unlikely to result in a significant reduction in price.

5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

- 5.1. The Council's Constitution sets out the terms of reference for the Pensions Committee which includes delegated powers to make arrangements for the appointment of and to appoint suitably qualified Pension Fund administrators, investment managers and custodians and to periodically review those arrangements.
- 5.2. The procurement of the Actuarial Services and Benefits & Governance Consultancy Services contracts was originally carried out in 2014 using an OJEU-compliant framework and in accordance with the Public Contracts Regulations 2006. The two call-off contracts commenced on 1 st November 2014 for a period of four years to 31st October 2018, with the option to extend for a further two years until 2020. This option was exercised and the contracts were extended to 31st October 2020.
- 5.3. This paper requests that the Committee approve 12 month extensions to the contracts outside of the extensions permitted in the contracts. These extensions are being requested in line with Regulation 72(1) of the Public Contracts Regulations 2015, which states that:
'Contracts ... may be modified without a new procurement procedure ... in any of the following cases:
(c) where all of the following conditions are fulfilled:
(i) the need for modification has been brought about by circumstances which a diligent contracting authority could not have foreseen;
(ii) the modification does not alter the overall nature of the contract;
(iii) any increase in price does not exceed 50% of the value of the original contract or framework agreement.
- 5.4. These extensions would appear to meet the 3 requirements. Firstly, the extensions are being requested as a result of the Coronavirus pandemic, which could not have been foreseen. Secondly, the proposals are to extend rather than fundamentally modify the contracts. Thirdly, in each case a 12-month extension, if granted, would represent 1/7th of the overall contract length. The annual value of each contract falls between £100k - £200k; the 12 month increase in contract length is therefore extremely unlikely to breach the 50% threshold in either case.

6. BACKGROUND TO THE REPORT

- 6.1. This report recommends that the Pensions Committee approve a one year extension to both the Fund's Actuarial Services contract with Hymans Robertson and its Benefits & Governance Consultancy contract with Aon, extending the end date for both contracts to 31st October 2021.
- 6.2. The contracts were originally let under the National LGPS Framework for Actuarial,

Benefits and Governance Services for an initial period of four years, with the option to extend by a further 2 years. This option was exercised and the contracts were extended to 31st October 2020.

- 6.3. The one year extensions are being requested as a result of the Coronavirus pandemic. The framework under which the contracts were let was originally due to expire during 2020; in response, the National LGPS Frameworks programme was developing a new framework with updated terms and conditions. The introduction of the new framework has been delayed by the pandemic and Norfolk County Council, the letting authority, has secured an extension of the existing framework until 30th June 2021.
- 6.4. The current framework therefore has a limited lifespan. To ensure choice around contract term and to maintain up to date terms and conditions, Fund officers recommend delaying re-tendering the contracts until the new framework is in place in July 2021. A one year extension of the current contracts to 31st October 2021 would allow both contracts to be re-let in summer/autumn 2021.
- 6.5. As set out in Section 5, the request to extend these contracts is outside the original contract terms but compliant with Regulation 72(1) of the Public Contracts Regulations 2015. The request is further supported by a Cabinet Office Procurement Policy Note (Appendix 1) in relation to Covid-19, which sets out information and associated guidance on the public procurement regulations and responding to the current coronavirus outbreak.

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Appendices

Appendix 1 - Cabinet Office - Procurement Policy Note - Responding to Covid-19