

<b>REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES</b>		
<b>CONTRACT TENDERS UPDATE</b>	<b>Classification</b> <b>PUBLIC</b>	<b>Enclosures</b> None
	Ward(s) affected	<b>AGENDA ITEM NO.</b>
<b>Pensions Committee</b> <b>23rd November 2021</b>	<b>ALL</b>	<b>7</b>

## 1. INTRODUCTION

- 1.1. Several of the contracts for services within the Pension Fund are due for renewal, including those for actuarial services, investment consultancy (both currently provided by Hymans Robertson), benefits and governance services (currently provided by Aon) and the custodian services (currently provided by HSBC).
- 1.2. In addition, following the recent transition of investment mandates following the review of the Fund's investment strategy, the Fund now requires a separate foreign currency hedging contract in order to implement the Committee's decision to hedge 30% of the fund's exposure. Hedging was previously provided by the fund managers within the mandates the Fund was invested with.
- 1.3. This report sets out the current position on each of the contacts and sets out the requirement for further extensions on several of these in order to complete the tendering process over the next 6 months.

## 2. RECOMMENDATIONS

- 2.1. The Committee is recommended to:
  - Approve the extension of the both the Investment Consultancy and the Actuarial Services Contracts with Hymans Robertson for an additional 6 months to 30th April 2022
  - Approve the extension of the Benefits & Governance Consultancy Contract with Aon for an additional 6 months to 30th April 2022
  - Note the current position regarding the Custodian Services Contact
  - Note the current position regarding the Foreign Currency Hedging Services Contract

## 3. RELATED DECISIONS

- 3.1. Pensions Committee 24th June 2020 – Extension of Actuarial Services and Benefits & Governance Consultancy Contracts
- 3.2. Pensions Committee 15th March 2021 - Extension of Custodian Services Contract
- 3.3. Pensions Committee 14thn January 2021 - Investment Strategy Review

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

- 4.1. The procurement for the Investment Consultancy Services, Actuarial Services and Benefits and Governance Consultancy contracts were undertaken via the National LGPS Frameworks. 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. However, each of these were extended for a further year in 2020 allowing the ongoing delivery of services under all three contracts under the same pricing arrangements as applied previously, except where adjustments for inflation are permitted. The further extension requested will allow the Fund to procure the new contracts in 2021/22 frameworks for Investment Consultancy Services, and the Actuarial, Benefits and Governance Consultancy Frameworks.
- 4.3. A six month extension to the existing contracts is not expected to have a material financial impact.
- 4.4. The other two contracts in respect Custodian Services and Foreign Currency Hedging are being procured in line with the Council's usual procurement processes.

#### **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. These contacts were further extended for another year to 31st October 2021.
- 5.4. This paper requests that the Committee approve further 6 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.*

- 5.5. 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 6-month extension, would represent 1/14th of the overall contract length. The annual value of each contract falls between £100k - £200k; the 6 month increase in contract length is therefore extremely unlikely to breach the 50% threshold in either case.
- 5.6. As set out in this report, the tenders for Custodian Services and Foreign Currency Hedging Contracts are being let in line with the usual Council procurement processes and timeframes.

## **6. BACKGROUND TO THE REPORT**

- 6.1. This report recommends that the Pensions Committee approve a six month extension to the Fund's contracts for Investment Consultancy Services and Actuarial Services contract with Hymans Robertson and its Benefits & Governance Consultancy contract with Aon, extending the end date for both contracts to 30th April 2022..
- 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. They were then further extended to 31st October 2021 due to the impact of the Coronavirus pandemic and the impending renewal of the related LGPS national frameworks.
- 6.3. The further six month extensions are being requested due to the same reasons, with the ongoing pandemic delaying the refresh of the required frameworks. To ensure choice around contract terms and to maintain up to date terms and conditions, Fund officers recommended delaying re-tendering the contracts until the new framework was in place. A further six month extension of the current contracts to 30th April 2022 would allow all three contracts to be re-let in winter/spring 2021/22.
- 6.4. 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 in relation to Covid-19, which sets out information and associated guidance on the public procurement regulations and responding to the coronavirus outbreak.

- 6.5. The current Custodian Services contract was extended to the end of March 2022, again to enable the Fund to make optimum use of a refreshed LGPS National framework. Work is currently in progress to release the tender for these services and it is expected that the contract award recommendations will be made to the Committee at its meeting in March 2022.
- 6.6. Hymans Robertson have carried out some research and market engagement on behalf of the Council in respect of the foreign currency hedging services contract. Officers have now completed the procurement Risk Analysis Tool in respect of this contract and it has been deemed to be low-risk. Officers are now in the process of completing the Business Case for the contract and the related contract award reports.
- 6.7. Due to the low value of the contract and the low risk associated with it, approval will be via delegated approval of the Director of Financial Management, in line with the Council's procurement process. It is expected that the contract will be awarded prior to Christmas and Committee will be advised of the outcome at its meeting in January 2022.

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## **Appendices**

None