

LICENSING AND GENERAL PURPOSES COMMITTEE MINUTES

19 APRIL 2011

Chairman: * Councillor Mano Dharmarajah

Councillors:

* Husain Akhtar	* Ajay Maru
* Mrinal Choudhury	* John Nickolay
* David Gawn	* Raj Ray
* Susan Hall	† Stanley Sheinwald
* Thaya Idaikkadar	* Krishna Suresh
* Krishna James	† Simon Williams
* Manji Kara	

* Denotes Member present

† Denotes apologies received

43. Attendance by Reserve Members

RESOLVED: To note that there were no Reserve Members in attendance at this meeting.

44. Procedure at Re-convened Meeting

It was noted that at the Special meeting of the Licensing and General Purposed Committee on 11 April 2011, Members had not had sufficient time to fully consider the report entitled "Academies – Employer Contribution Rates". Members had therefore requested that the meeting be reconvened so that the report could be considered in full.

The Members in attendance at the meeting on the 11 April were:

Councillor Mano Dharmarajah (Chairman)
Councillor Husain Akhtar
Councillor Mrinal Choudhury

Councillor David Gawn
Councillor Susan Hall
Councillor Thaya Idaikkadar
Councillor Krishna James
Councillor Manji Kara
Councillor Ajay Maru
Councillor Raj Ray
Councillor Stanley Sheinwald
Councillor Simon Williams
Councillor Stephen Wright

Other Councillors in attendance:

Councillor Barry Macleod-Cullinane
Councillor Richard Romain

The Chairman stated that recommendations 1, 2 and 3 of the report were approved on 11 April and that Members need only consider recommendations 4, 5, 6 and 7.

He requested that any Member that had not been in attendance for the first part of the Special meeting on 11 April 2011 carefully consider whether they had enough information to make an informed decision on any of the remaining recommendations. If any Member felt they had insufficient information, he encouraged them to refrain from voting.

45. Declarations of Interest

It was noted that although most of the Members present held governor positions at Harrow Schools, these were on whole at primary and middle schools. Furthermore, none of the Members present were governors at any of the 7 high schools seeking academy status.

RESOLVED: To note that there were no declarations of interests made.

RECOMMENDED ITEMS

46. Academies - Employer Contribution Rates

An officer stated that the report concerning Employer Contribution Rates for Academies had been considered at the meeting of the Pension Fund Investment Panel on 5 April 2011 and Members had agreed the officer recommendations. The recommendations had subsequently been presented to the Licensing and General Purposes Committee on 11 April 2011 for consideration.

The officer advised that at the meeting on the 11 April 2011, a representative from Hymans Robertson also delivered a presentation on the issues relating to Academies and the pension fund highlighting the decisions and the implications that needed to be considered.

For the benefit of Members that had not been in attendance on 11 April 2011, the officer provided a brief summary of recommendations 1, 2 and 3. In doing so, the officer made the following points:

- 7 High schools in Harrow were seeking academy status which would have implications for the Local Government Pension Scheme (LGPS). Upon achieving academy status, each school would be deemed a separate scheme employer (a Scheduled Body) and would have individual pension contribution rates;
- the schools were seeking to become part of the Council's current employer pool which would result in a shared employer contribution rate. However it was agreed at the previous meeting on 11 April 2011 that academies will not be able to pool with the Council;
- teaching staff could not join the LGPS but were part of a separate scheme for teachers and only non-teaching staff were part of the LGPS, therefore any changes would apply to the employers' contribution rate in respect of the LGPS and not the Teachers' Pensions Scheme.

An officer went on to discuss the remaining recommendations:

- Members should consider that recommendation 6 be amended to read: "The actuarial liabilities and deficit contributions for pensioners and deferred members are transferred to the Academies";
- the officer recommendation was amended to require academy schools to contribute towards a share of the deficit in respect of former scheme members. Information relating to previous employees at schools was not readily available and therefore a notional actuarial calculation would be carried out to determine the share of deficit;
- if academy schools were asked to contribute to the deficit in the pension fund in terms of only their active workforce, then this could have implications for Council tax payers especially if at some point in the future all Harrow schools chose to convert to academies;
- the 20 year deficit recovery period recommended by officers was deemed to be a realistic period. However, it was acknowledged that a shorter period of 7 years might be preferable as the levels of risk and liability for the Council would be reduced albeit the risk was very low in the officer's opinion and hence the 20 year deficit recovery period recommendation. The implications of higher costs for the academy should not influence the Committee's decision-making who were there in their capacity as Trustees of the pension fund. Furthermore, the period chosen would not impact on the size of the deficit;
- if the 7 year model was chosen, the schools would pay a higher rate for the first 7 years. The 20 year model was considered to offer fairness

and consistency to both the schools and the Council, as any risks would be mitigated.

A Member stated that with regard to recommendation 6 of the report, a share of actuarial liabilities and deficit contribution for pensioners and deferred members should be transferred to academies, otherwise, this may set a precedent as increasing numbers of Harrow schools might decide to adopt Academy status. She stated that Members of the Committee may be conflicted as the recommendations had been approved by PFIP and Members of L&GP should have regard for both the pension fund and school children affected by the changeover to academy status. She considered that the 20 year deficit recovery period would be best for schoolchildren.

A Member stated that this was a highly technical and complex issue and Members of the Committee were looking to officers and actuaries for sound advice in order to make informed decisions. It was fortunate that officers had reconsidered their advice concerning recommendations 5 and 6 in the light of the discussions at the meeting on 11 April.

The officer explained that although the actuaries had put forward a number of options, the officers' recommendations had not been based purely on the advice of actuaries. She added that some local authorities had chosen the 20 year deficit recovery period model, whilst others had opted for 7 years. Also some authorities would be passing a share of liabilities for "actives", pensioners and deferred members on to their academies and others for "actives" only.

A Member expressed her view that both the "actives" and "deferreds and pensioners" should be transferred to the academies. Members of the Committee should have regard for both the LGPS and Harrow's school children and she felt that the amended recommendation 6 was preferable and would personally opt for the 20 year model, as this would benefit the school children at the academies.

The officer emphasised that Members of L&GP should above all be conscious of their responsibility as trustees of the Council's pension fund when making their decision. She added that whilst the Pension Fund Investment Panel had made the recommendations to the Committee for decision, the decision making power rested with Members of L&GP.

It was noted that the government had guaranteed funding for academies for 7 years and it was considered to be highly unlikely that any academy would be allowed to become insolvent.

An officer stated that the Council could ask the DfE if they were prepared to guarantee the deficit as the changeover to academy status sought by 7 of Harrow's schools would be as a direct result of government legislation. The officer added that some local authorities had raised similar issues with the DfE. However, pension scheme regulations did not permit local authorities to require a guarantee bond or indemnity from a 'Scheduled Body'.

A Member expressed the view that the estimated 30% contribution that Academies would be liable to pay under the 7 year model would be a significant sum for Academy schools to pay but supported the amendment to Recommendation 6. An officer responded that the Committee should focus on the best option of the Council and the Pension Fund.

An officer conceded that although the 7 year model posed a lower risk to the Council, and the likelihood of that risk manifesting was also low, were the risk to arise, it could have significant repercussions for the Council.

The Chairman requested Committee Members to vote on each recommendation. Members were given the option to vote on either the 7 year or 20 year model with regard to Recommendation 4 which recommended the 20 year model.

RESOLVED: That

- (1) a deficit recovery period of 7 years to be used to calculate the deficit contribution;
- (2) the Harrow Council ongoing funding level as at the date of transfer to be applied to the liabilities of transferred actives, to determine the initial assets to be allocated to each academy;
- (3) the actuarial liabilities and deficit contributions for pensioners and deferred members are transferred to the Academies;
- (4) the cost of calculating academy specific contribution rates to be charged to each school (Academy).

(Note: The meeting, having commenced at 7.33 pm, closed at 8.47 pm).

(Signed) COUNCILLOR MANO DHARMARAJAH
Chairman