

Report for: Cabinet

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| Date of Meeting: | 17 June 2021 |
| Subject: | Procurement of Pensions Administration System |
| Key Decision: | Yes - it is intended to award a five-year contract with an option to extend for up to a further five years. Based upon the annual value of the existing contract, the total contract value will exceed the key decision threshold of £500,000. |
| Responsible Officer: | Dawn Calvert – Director of Finance and Assurance |
| Portfolio Holder: | Councillor Natasha Proctor – Deputy Leader and Portfolio Holder for Finance and Resources |
| Exempt: | Yes - paragraph 3, Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) |
| Decision subject to Call-in: | Yes |
| Wards affected: | None |
| Enclosures: | None |

Section 1 – Summary and Recommendations

This report sets out the proposed approach to the procurement of the Pensions Administration system in readiness for the expiry of the existing contract.

Recommendations:

Cabinet is requested

1. To approve the commencement of a procurement for the provision of pensions administration software and the hosting thereof.
2. Approve the use of the National Local Government Pension Scheme (LGPS) Framework as the procurement route.
3. Delegate authority to authorise any procurement decisions made through this process and to award the contract for the Pensions Administration System following a compliant procurement to the Corporate Director of Resources following consultation with the Director of Finance and Assurance and the Deputy Leader and Portfolio Holder for Finance and Resources

Reason: (for recommendation) To ensure that the Council has a Pensions Administration system to discharge its responsibilities for the LGPS in Harrow.

Section 2 – Report

The Council is the Administering Authority for the Local Government Pension Scheme (LGPS) in Harrow. This means it is responsible for managing the Harrow Pension Fund, and importantly, for administering and maintaining the contribution and pension records for all of the scheme members in the Fund – more than 18,600 people in total, from approximately 40 employers, of whom LBH is the largest. Maintaining this number of individual records for what is a complex scheme, requires specialist pensions administration software.

Options Considered

1. As indicated above, the Pension Administration system is a complex database which enables the Council to manage and maintain the individual pension contribution records and calculate the pension entitlements for all of the Fund's active, deferred and pensioner scheme members – of whom there were totalling 18,638 at 31 December 2020.
2. The current contract, with SCC Limited (Aquila Heywood) expires in October 2021. It covers the administration software, together with hosting of the database and provision of interface files to collect / provide

data with other LBH systems, including payroll. Importantly, there is provision for updates to the system as the LGPS Regulations change.

3. It is essential to have a software solution which has been configured to meet the various regulatory arrangements for the LGPS. Given that the current system and arrangements meet Harrow's requirements, and offers the opportunity for enhancements such as "self-service" facilities, the options considered are as follows:
 - a. Extend the existing contract for a further period – as the contract has previously been extended, in accordance with the terms of the framework under which that contract was procured, a further extension is not possible.
 - b. Direct award to the existing contractor – whilst this is technically possible, legal advice indicates that the approach is not recommended because such a decision would carry the risk of a legal challenge from other potential providers.
 - c. Undertake a procurement exercise – this is the recommended option, using a suitable framework (the National LGPS Frameworks) for the reasons set out below. The Framework does not provide a facility for direct award.
4. The National LGPS Frameworks, led by Norfolk County Council who have been assisted by other administering authorities, have developed procurement frameworks covering the various services which all LGPS Funds require to carry out their responsibilities by administering authorities for the LGPS. Harrow has previously used these to appoint actuaries and investment advisors for the Pension Fund.
5. The specialist nature of software required for LGPS administration means that there are very few suitable solutions available in the market, and hence the National LGPS Frameworks have developed a framework contract for this service.
6. The framework will enable the Council to carry out a simplified tender process and award a contract commensurate with the services it requires. It will include the opportunity to develop "self-service" options to help improve efficiency and scheme members' experiences.
7. The cost of joining the framework (£8,000) has been met from the Pension Fund. This provides access to a suite of documents which will be used to carry out a tendering exercise using the three providers who have met the framework's quality threshold.
8. The current contract costs approximately £170,000 a year. The expected length of the new contract will be five years with an option to extend beyond that to a maximum period of ten years in total (i.e. 5 + 5). The total estimated cost of the contract is therefore £1.7 million.

9. The current system is “cloud based” and therefore aligns fully with the Council’s IT strategy. As part of the procurement, it will be essential to ensure that the solution chosen is similarly cloud based. There has been engagement with the IT team, and they will be involved in the tender evaluation and implementation of the chosen system.

Environmental Implications

10. Whilst initially the system will replicate the current situation, it is intended that the implementation of some of self-service functionality will reduce the use of printed documents.

Data Protection Implications

11. As this is continuing to deliver existing functionality, appropriate data protection arrangements are in place and will continue.
12. Should a data migration to a new provider’s platform be required, this will be carried out to the standards required to maintain protection and confidentiality of all personal data held.

Risk Management Implications

13. Risks included on corporate or directorate risk register? **No**
14. Separate risk register in place? **Yes** – the Pension Fund Risk Register is reviewed regularly by the Pension Fund Committee.
15. The relevant risks arising from this decision are summarised below. They are not specifically reflected in the Pension Fund Risk Register.
16. The following key risks should be taken into account when agreeing the recommendations in this report:

| Risk Description | Mitigations | RAG Status |
|--|---|------------|
| LBH is unable to identify a suitable provider through the procurement process. | Procurement to be carried out using the National LGPS Framework which has identified 3 suitable providers. | Green |
| Procurement not compliant with legislation or LBH procurement rules. | Procurement to be carried out using the National LGPS Framework which is designed to comply with relevant legal requirements. | Green |

Procurement Implications

17. The procurement route identified as suitable to compliantly deliver a provider for the Pensions Administration System is the National LGPS Framework.
18. The framework has been developed by administering authorities of the LGPS in the UK, and the three providers on the framework have all demonstrated that they have systems which provide the required functionality.
19. The intended length of the award is five years with an option to extend for a further five years
20. A key aspect of the procurement evaluation will be the quality – with two factors of particular importance
 - demonstration of a track record with LGPS authorities in England and Wales (the LGPS has some different rules in other parts of the UK), and
 - the ability to have the system fully operational at the expiry of the existing contract.

Legal Implications

21. The purchase of a pension administration system is categorised as a public services contract under the Public Contracts Regulations 2015 as amended by the Public Procurement (Amendment etc.) (EU Exit) Regulations 2020 (together the “Regulations”).
22. Given the estimated value of the contract being over the procurement threshold, the Council is required to undertake a regulated procurement. However, where the purchase of such services are procured through a Framework Agreement established in compliance with the Regulations, the Council is able to purchase services from the Framework Agreement by strictly following the rules set up under the Framework and in accordance with the Regulations. In addition, in accessing a Framework Agreement the Council must also follow its Contract Procedure Rules and be authorised to do so in accordance with the Council’s Scheme of Delegation contained within the Constitution.
23. As an LGPS Administering Authority, the Council is able to access the National LGPS Frameworks as a compliant Framework established in compliance with the Regulations. The National LGPS Frameworks have been specifically developed by practitioners working within the LGPS to streamline procurement of those services which are required by all LGPS Funds.

24. The Council must comply with the terms of the National LGPS Frameworks, which will involve a “mini competition” between the three companies named on the relevant National LGPS framework. The selection decision will be based upon which bid is the most economically advantageous for the Council, taking into account any initial set up and training costs which may arise.

Financial Implications

25. The annual cost of the current contract is approximately £170,000. It is envisaged that the new contract will be comparable with this. These costs are met from the Pension Fund.
26. If a new provider is appointed as a result of the “mini competition”, there will be additional costs arising from the migration of data / records for all scheme members, the building of interfaces, development of new processes, training of staff plus project management of the change process. It is also likely that staff would be diverted from their routine work to assist in the migration process, necessitating the use of temporary staff to backfill. These costs have not been quantified at this stage but will form part of the tender evaluation process. Any such costs would be met from the Pension Fund.

Equalities implications / Public Sector Equality Duty

27. There are no direct equalities implications arising from this report.
28. The Pensions Administration Team is committed to providing a service which meets appropriately the needs of all scheme members and will continue to do so.

Council Priorities

29. The Pensions Administration System records contributions and facilitates payment of pensions to the scheme’s members when these are due – having adequate pensions helps to address poverty in retirement, and in doing so assists in improving health outcomes.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 13/05/2021

Statutory Officer: Puja Shah

Signed on behalf of the Monitoring Officer

Date: 17/05/2021

Chief Officer: Charlie Stewart

Signed off by the Corporate Director

Date: 01/06/2021

Head of Procurement: Nimesh Mehta

Signed by the Head of Procurement

Date: 13/05/2021

Head of Internal Audit: Susan Dixon

Signed by the Head of Internal Audit

Date: 03/06/2021

Mandatory Checks

Ward Councillors notified: NO – no direct impact on any ward.

EqlA carried out: NO – see paragraph 27 above

There are no direct equalities impacts of this decision which is the procurement of an IT system to continue an existing function.

Section 4 - Contact Details and Background Papers

Contact: Jeremy Randall – Interim Pensions Manager

email: jeremy.randall@harrow.gov.uk

Tel: 020 8736 6552

Background Papers:

1. [Report to Pension Fund Committee 24 March 2021](#) (exempt)
2. National LGPS Framework for Pensions Administration Software Initial Notes.

Call-in waived by the Chair of Overview and Scrutiny Committee

NO