

CABINET MEETING – 16 FEBRUARY 2011

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

ASSOCIATION OF NORTH-EAST COUNCILS LIMITED – GUARANTEE RELATING TO PENSION FUND ADMISSION

Author(s):

Executive Director of Commercial and Corporate Services

Purpose of Report:

To advise Cabinet of the admission of the Association of North-East Councils (ANEC) Limited to the Tyne and Wear Pension Fund. Also, to request Cabinet's approval for the Council, as a member of ANEC Limited, to act as a guarantor in relation to that Admission, together with the other constituent authorities of ANEC.

Description of Decision:

Cabinet is asked to authorise the Head of Law and Governance to execute, on behalf of the Council, a Guarantee relating to the admission of employees of the Association of North-East Councils Limited to the Tyne and Wear Pension Fund.

Is the decision consistent with the Budget/Policy Framework? *Yes/No

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

The reason for the decision is to enable ANEC Limited to be formally admitted to the Tyne and Wear Pension Fund.

Alternative options to be considered and recommended to be rejected:

The only alternative option would be not to act as guarantor in the manner described. This would prejudice the admission of ANEC Limited – of which this authority is a constituent member – to the Tyne and Wear Pension Fund.

Is this a "Key Decision" as defined in the Constitution? Yes

Is it included in the Forward Plan? No

Relevant Scrutiny Committee:

Management Scrutiny Committee

CABINET - 16 FEBRUARY 2011

ASSOCIATION OF NORTH-EAST COUNCILS LIMITED - GUARANTEE RELATING TO PENSION FUND ADMISSION

REPORT OF THE EXECUTIVE DIRECTOR OF COMMERCIAL AND CORPORATE SERVICES

1. Purpose of the Report

- 1.1 The purpose of this Report is to advise Cabinet of the admission of the Association of North-East Councils (ANEC) Limited to the Tyne and Wear Pension Fund. Also, to request Cabinet's approval for this Council, as a member of ANEC Limited, to act as a guarantor in relation to that Admission, together with the other constituent authorities of ANEC.

2. Description of Decision

- 2.1 Cabinet is asked to authorise the Head of Law and Governance to execute, on behalf of the Council, a Guarantee relating to the admission of employees of The Association of North-East Councils Limited to the Tyne and Wear Pension Fund.

3. Background

- 3.1 A request has been received from South Tyneside Council for this Authority, together with the other constituent authorities of ANEC Limited, to execute a guarantee against the liabilities of ANEC Limited under an Admission Agreement admitting its employees to the local government pension scheme.
- 3.2 On 12th August, 1987, an admission agreement was entered into between South Tyneside Council and ANEC's predecessor, the Northern Regional Councils Association (NRCA) in relation to the staff employed by that Association. NRCA was an unincorporated association representing local authorities in Cleveland, Cumbria, Durham, Northumberland and Tyne and Wear. At that time, South Tyneside were appointed the guarantor in relation to any pension liabilities that may arise.
- 3.3 Subsequently, NRCA changed its name to the Association of North-East Councils, representing local authorities within the smaller catchment area of Durham, Northumberland, Tees Valley and Tyne and Wear, and on 14th January, 2004, ANEC became incorporated as a private limited company. Currently, there are 12 local authority members of ANEC Limited.

4. Current Position

- 4.1 It is proposed by South Tyneside Council that a fresh Admission Agreement be entered into with ANEC Limited, to whom the functions, assets, liabilities and employees of NRCA/ANEC are transferred. In conjunction with this fresh Admission Agreement, South Tyneside are now seeking from each of the 12 Councils within the north-east region, a guarantee as to their share of the pension liabilities associated with ANEC Limited. The basis for allocating the pension guarantee is on an equal basis. Therefore Sunderland's share of the pension guarantee would be 8.33%.
- 4.2 As at 31st March, 2007, the overall pension deficit in relation to ANEC was £858,000 and the Association was 86% funded. On that basis, this Authority's share of the guarantee would have equated to approximately £71,000. Currently, it is not known what the deficit will be as the 2010 Actuarial Review is not yet complete.
- 4.3 The guarantee would only be triggered if ANEC Limited found itself without funds to meet its pension liabilities as part of its normal operating expenditure. A more realistic prospect would be that ANEC Limited would be wound up at some point in the future.
- 4.4 South Tyneside Council has advised that all other constituent authorities of ANEC Limited have agreed to act as guarantors in the manner requested.

5. Reasons for the Decision

- 5.1 The reason for the decision is to enable ANEC Limited to be formally admitted to the Tyne and Wear Pension Fund.

6. Alternative Options

- 6.1 The only alternative option would be not to act as guarantor in the manner described. This would prejudice the admission of ANEC Limited - of which this authority is a constituent member - to the Tyne & Wear Pension Fund.

7. Relevant Considerations/Consultations

(a) Financial Implications

The Executive Director of Commercial and Corporate Services has been consulted on the report and the financial implications are set out above.

(b) Legal Implications

The Head of Law and Governance has been involved in the preparation of this report and there are no issues in relation to the legality of the proposal.

8. Background Papers

- (1) Letter from South Tyneside Council - 08/07/2009.
- (2) Briefing note dated 27/01/2010.
- (3) E-mail from N. Rawlinson, South Tyneside Council, dated 15/02/2010.
- (4) E-mail from K. Beardmore, dated 18/02/2010.
- (5) E-mail from N. Rawlinson, South Tyneside Council, dated 25/08/2010.
- (6) Draft Guarantee Bond.
- (7) E-mail from N. Rawlinson, South Tyneside Council dated 30/11/2010.

All on Law and Governance Services file reference 69613.

