

**London Borough of Enfield**

**Meeting Date:**

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**Subject: Contract Award of Investment Consultant for Enfield Pension Fund**

**Cabinet Member: Cllr Maguire**

**Executive Director: Fay Hammond**

**Key Decision: [5231]**

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**Purpose of Report**

1. The report outlines the process adopted in selecting an Investment Consultant for Enfield Pension Fund. This contract was split into two functions; one for the main strategic advisory consultant and the other for fund manager search and selection consultant. In order to manage conflict of interest to certain extent, the decision is not to offer both functions to one organisation.
2. The successful service provider is Consultant A Limited for the main strategic advisory consultant.
3. No appointment was made for the second part of this contract as no suitable organisation was found. The decision is to go out and request for quote (RFQ) for Fund Manager Search and selection process as and when required.

**Proposal(s)**

4. To note the contents of this report and approve the evaluator panel selected service provider, Consultant A as the Enfield Pension Fund strategic advisory consultant for a total contract value of £250k and a contract term of 3 years plus 2 years.

**Reason for Proposal(s)**

5. The Committee acts as quasi-trustee to the Pension Fund and as such acts in the capacity of the Administering Authority of the Pension Fund. The Committee's terms of reference require that the Annual Report and Accounts on the activities of the Fund are presented and approved prior to their publication. The Local Government Pension Scheme Regulations 2013, Regulation 57 require the Pension Fund to publish its report and accounts by 1st December following the financial year end and for the Report to contain a number of standard items.

6. The publication of the Pension Fund Annual Report and Statement of Accounts helps to keep Fund members informed, shows good governance and helps to demonstrate effective management of Fund assets.
7. The Pensions Board's role is to assist the Administering Authority in ensuring compliance with the regulations. This requires that a number of monitoring and management activities are undertaken to ensure that it fully discharges its scrutinising responsibilities to the Fund and minimise risks relating to the management of the Fund and could assist in managing down the risk of non-compliance with the Council's obligations under the Regulation as the administering authority of the London Borough of Enfield Pension Fund.

### **Relevance to the Council's Corporate Plan**

8. Good homes in well-connected neighbourhoods.
9. Build our Economy to create a thriving place.
10. Sustain Strong and healthy Communities.

### **Background**

11. The Council as an administering authority under the Local Government Pension Scheme Regulations and is therefore required to produce a separate set of accounts for the scheme's financial activities and assets and liabilities.
12. Enfield Council is the administering authority for the London Borough of Enfield Pension Fund. There are a number of contracts operating which assist the Pension Fund to be managed, monitored and reported in an effective and efficient manner. The contract to be awarded is for Pension Fund Investment Consultancy Services: the proposition was to let this under two separate contracts, one for fund manager selection exercises only, and one for all other investment consultancy services. These contracts are an essential support service to the Fund to ensure Pension Policy and Investments Committee are fully briefed and unbiasedly when making decision or monitoring performance in this specialist area.
13. Investment consultants assist with many aspects of strategic work for Local Government Pension Funds. This includes reviewing the funding strategy, assisting with new fund manager appointments, and changes required by legislation. It should be noted that officers do endeavour to take on as much work as possible in house and only use external companies where technical expertise is required, thus, in the last two years Enfield Pension Fund's use of investment consultants is lower than that of other similar sized schemes: contributing towards delivery of the Council's principle of value for money.
14. CONSULTANT A has provided Investment consultancy services to Enfield Pension Fund for over 15 years. To ensure best value for money for this service, officers of the Council need to review the contract on a regular basis and have consequently conducted an investment consultancy tender exercise. The existing contract had already been subject to extension.

15. At the Pension Policy & Investments Committee (PPIC) meeting of 05 September 2019, officers notified the Pensions Committee, of the Fund procurement plans and the need to call off the Local Government Pension Fund National Framework (established by Norfolk County Council) for the procurement of investment consultants.
16. An investment consultancy specification was drawn up and to manage conflicts of interest, the contract was split into two functions. Conflicts of interest can arise for investment consultants who assist in all areas of advisory services for funds. An example of this is when a consultant assists a fund to appoint a new fund manager, and then has to comment critically upon the performance of this fund manager. To avoid this, officers designed a procurement process whereby there would be at least two consultants appointed: one as the main strategic advisory consultant for the pension fund, and one or two consultants to assist with fund manager selection exercises when required. There will be no overlap in terms of the activities that the different consultants undertake hence appointing multiple providers does not compromise the fund's objective of achieving value for money for stakeholders.
17. 9th February 2020, officers invited tenders from service providers signed up to the national framework for LGPS investment consultancy services. Providers submitted written tenders for the contract and were also interviewed by officers and Members of the PPIC early September. Officers scored the tender submissions for the main strategic advisory consultant against the following rubric:

<b>Element</b>	<b>Weighting</b>	<b>Assessment method:</b>
Service Quality	40%	Written tender submissions scored by officers
Price	40%	Schedule of prices submitted to and scored by Officers
Service Fit	20%	Presentations to officers and members of the Pension Policy & Investment Committee and scored by officers and members of the Pension Policy & Investment Committee
<b>Total:</b>	<b>100%</b>	

### **TENDERS RECEIVED**

18. Bids were received from three companies signed up to the national framework these were:
  - A
  - B
  - C

## **EVALUATION OF TENDERS**

19. The three service providers who provided tender submissions were experienced investment consulting organisations and they all have a number of local authority clients. It was appropriate to closely consider the three bids.
20. Once all the submissions had been reviewed it was agreed to disqualify Consultant C for not answering all the questions in the tender documents, this was in line with the tendering terms and conditions. The two organisations that answered all the questions were scored and invited for an interview for the panel to assess and ascertain their suitability for the Committee.

### **Consultant B**

21. Consultant B scored 40% on price as they submitted the lowest quote. The panel concluded that Consultant B gave the weakest presentation out of the two organisations.
22. The evaluation panel viewed the bidder reliance on cost savings approach to be heavily critical and lacking evidence to suggest the Fund will continue to maintain its good performance based on the streamlined approach on offer.

### **Consultant A**

23. Consultant A scored 27.6% on price as their quote was higher than Consultant B. Consultant A gave a good presentation. The qualities of Consultant A's responses and recommendations were rated highly.

## **Summary of Supplier Performance**

24. Following the interviews, the selection panel chose Consultant A as the best candidate.
25. The National LGPS Framework will reduce the time and cost associated with a full procurement exercise, which will allow London Borough of Enfield to be more flexible with the planning and running of any tender process. The cost of using the framework for this exercise is in the region of £7k.

## **SUPPLIER FEEDBACK INFORMATION**

26. Consultant A has not been informed yet that their tender application has been successful.
27. In the event Consultant B do approach the Council feedback, this will naturally be given.

28. The Council and the Fund would look to maintain good relationships with all service providers as there might be suitable function or roles, they could play in future for cost effective and efficient management of the scheme/fund.
29. Currently the decision is to go out and request for quote (RFQ) on Fund Manager Search and Selection process as and when required and the Fund might end up with two firms sitting on a bench as investment consultants for new fund manager selection exercises.

### **FINANCIAL BENEFITS**

30. Local Government Pension Funds have been the subject of much debate at a national level recently regarding the costs of administering individual funds. The National Framework for investment consultancy services was set up with this in mind. The procurement process is sped up by using the framework procurement process, thereby freeing up officer time and reducing administration burden. The framework also increases accountability and transparency for consultancy fees by enabling direct comparison of different consultants' pricing structures. Thus, by using the framework for procurement, value for money would be achieved for Enfield Pension Fund.
31. Tenders were assessed against a 40% weighting for price. All consultants who bid for the contracts submitted a schedule of prices for different service elements. The consultant with the lowest price for each element was awarded 100% of the marks; a consultant with a price that was 30% higher would receive 30% less marks than this. By scoring the prices in this fashion, it allowed officers to determine which contractors would offer the best overall value for money for the Pension Fund.

### **Safeguarding Implications**

32. None.

### **Public Health Implications**

33. The Enfield Pension Fund indirectly contributes to the delivery of Public Health priorities in the borough.

### **Equalities Impact of the Proposal**

34. The Council is committed to Fairness for All to apply throughout all work and decision made. The Council serves the whole borough fairly, tackling inequality through the provision of excellent services for all, targeted to meet the needs of each area. The Council will listen to and understand the needs of all its communities.

### **Environmental and Climate Change Considerations**

35. There are no environmental and climate change considerations arising from this report.

### **Risks that may arise if the proposed decision and related work is not taken**

36. The rigorous robust management of Enfield Pension Fund results in better quicker and more effective decision making which can lead to better Fund performance and reduction in the contribution required from the Council towards the Fund.
37. The monitoring arrangement for the Pension Fund and the work of the Pension Policy & Investments Committee should ensure that the Fund optimises the use of its resources in achieving the best returns for the Council and members of the Fund.
38. The management of the Fund and careful choice of external advisors helps to achieve the objective of value for money. This in turn manifests itself by keeping the employers' pension contribution costs affordable, these are borne by Enfield Council and admitted and scheduled bodies to the fund. The aim of the fund is to maximise the returns from investments within reasonable risk parameters.

### **Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks**

39. Not approving the report recommendations and not adhering to the overriding legal requirements could impact on meeting the ongoing objectives of the Enfield Pension Fund.

### **Financial Implications**

40. The use of the National Frameworks for the procurement of investment consultant resulted in a significant savings in comparison to a full OJEU process.
41. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will reduce the contribution and increase the funds available for other corporate priorities.
42. The use of professional advisers is a key element in maximising investment returns, and it is important that these appointments are regularly reviewed to ensure that best value is being obtained from the advisers.
43. A viable pension scheme also represents an asset for the recruitment and retention of staff to deliver services to the residents.

### **Legal Implications**

44. The Council has the power under s.1(1) Localism Act (2011) to do anything individuals generally may do providing it is not prohibited by legislation and subject to Public Law principles. There is no express prohibition, restriction or limitation contained in a statute against use of the power as proposed in this report. Under s.111 Local Government Act (1972) local authorities may do anything, including incurring expenditure or borrowing which is calculated to

facilitate or is conducive or incidental to the discharge of their functions. The proposals outlined in this report are incidental to the functions of the Council.

45. The contract is a public services contract under the Public Contracts Regulations 2015 (PCR 2015) and the contract value is above the EU threshold for public services contract (currently £189,330). The Council must therefore ensure that it complies with Part 2 of the PCR 2015 and the Council's Contract Procedure Rules (CPRs). To comply with the PCR 2015, the Council will have to use one of the procurement processes under part 2 of the PCR 2015 or call off from an existing Framework agreement in accordance with regulation 33 PCR 2015. A due diligence exercise must be carried out by the Procurement and Commissioning Hub (P&C Hub) to confirm that the Council can validly call off from the Framework and the Council must be clearly identified as a contracting authority able to use the Framework when the Framework was set up. The contract award must be in accordance with the process set out in the Framework agreement.
46. Regulation 33(6) PCR 2015 provides that contracts based on frameworks may under no circumstances entail substantial modifications to the terms laid down in that Framework. Consequently, the terms of the call off contract must be consistent with the framework terms. The contract must be in a form approved by Legal Services for and on behalf of the Director of Law and Governance. [Legal implications provided by ZS on 27 October 2020 on the basis that the total contract value is £250,000]

#### **Workforce Implications**

47. The employer's contribution is a significant element of the Council's budget and consequently any robust monitoring and reviewing system will bring about an improvement in the Fund's performance and will allow the Council to meet this obligation easily and could also make resources available for other corporate priorities.

#### **Property Implications**

48. None

#### **Other Implications**

#### **49. Procurement Implications**

- a. All procurement should be carried out in line with the Councils Contract Procedure Rules, EU & UK regulations.
- b. All procurement over £25,000 must take place via the London Tenders Portal and once awarded promoted to the contract register and contracts finder.
- c. It is expected that services will carry out effective contract management once awarded.

- d. The National LGPS Framework for Investment management Consultancy Services Primarily in Support of Local government Pension Scheme (NCCT 41358) was used for procurement. Lot1 Investment Management Consultancy Services. Lot 2 Manager Search/Selection/Monitoring Services. There were 8 suppliers on each lot with 6 being on both. A mini competition was carried out in accordance with the framework rules. All were invited under LTP ref DN377707
- e. Under lot 1 there were 3 supplier responses that were evaluated, with a successful bidder as set out in the report.
- f. Under Lot 2 there were 3 suppliers that were evaluated, with no successful bidder, as it was felt that none of the bidders reached the quality required.

### **Options Considered**

- 50. There are no alternative options.

### **Conclusion**

- 51. The rigorous management of Enfield Pension Fund results in better quicker and more effective decision making which can lead to better Fund performance and reduction in the contribution required from the Council towards the Fund.
- 52. The monitoring arrangement for the Pension Fund and the work of the Pension Policy and Investment Committee should ensure that the Fund optimises the use of its resources in achieving the best returns for the Council and members of the Fund.

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### **Appendices**

Appendix 1 – Part 2: confidential

### **Background Papers**

None