

## **Local Government Pension Scheme: Fair Deal – Strengthening pension protection**

### **About the District Councils' Network**

The District Councils' Network (DCN) is a cross-party member led network of 191 district councils. We are a Special Interest Group of the Local Government Association (LGA), and provide a single voice for district councils within the Local Government Association.

District councils in England deliver 86 out of 137 essential local government services to over 22 million people - 40% of the population - and cover 68% of the country by area.

District councils have a proven track record of building better lives and stronger economies in the areas that they serve. Districts protect and enhance quality of life by safeguarding our environment, promoting public health and leisure, whilst creating attractive places to live, raise families and build a stronger economy. By tackling homelessness and promoting wellbeing, district councils ensure no one gets left behind by addressing the complex needs of today whilst attempting to prevent the social problems of tomorrow.

The vast majority of employees of District Councils are enrolled in the Local Government Pension Scheme, and under these new regulations would be considered as Fair Deal Employers. In the current climate of pressure on Local Authority budgets, many District Councils have commercialised and/or outsourced operations as a way of generating efficiencies and offering a better value service.

### **Key Issues**

Any new regulations should not significantly increase the administrative burden on District Councils. This is a cost that will ultimately be passed to local taxpayers.

Guidance should be issued by the Secretary of State as soon as possible stating in clear terms the risks inherent with the new employer statuses to allow Councils to fully understand these risks when contracting services out.

### **Consultation Questions**

#### **Question 1 – Do you agree with this definition?**

We broadly agree with this definition, but we are concerned that the clause requiring LGPS employers to ensure protected transferees are given access to membership will result in an additional administrative burden for District Councils who are undertaking outsourcing activities. We ask that some clarity be given as to what employers are expected to do to ensure contractors do not withhold this access, and how often they are expected to do this. There seems to be an assumption in this definition that public sector pension schemes are broadly comparable to the LGPS; any subsequent changes to other public sector pension schemes must be reviewed to ensure this remains the case.

#### **Question 2 – Do you agree with this definition of a Fair Deal employer?**

Yes, we agree. The proposed definition is more inclusive than previously.

#### **Question 3 – Do you agree with these transitional measures?**

Yes, we agree. Employees will need to be made aware of their ability to request a benefits transfer in a clear and transparent way in order to benefit from this. Councils and service providers may also require additional guidance when contracts under the 2007 or 2012 Directions are re-tendered.

**Question 4 – Do you agree with our proposals regarding the calculation of inward transfer values?**

Yes, we agree as this seems an equitable solution, but would defer to LGPS administrators greater knowledge in this area.

**Question 5 – Do you agree with our proposals on deemed employer status?**

Using a pass through approach may reduce the price of contracts due to the lack of risk premium, but that does not necessarily deliver good value for money. Risk is retained by the Local Authority under this model, which, in the current climate of budget pressures, could give Finance Officers difficulties when preparing Medium Term Financial Plans and balanced budgets. We would also like to comment that the prevailing principle when preparing a statement of accounts is “substance over form”, which means although there would be different legal standing, this will not necessarily translate into different accounting treatment.

**Question 6 – What should advice from the scheme advisory board contain to ensure that deemed employer status works effectively?**

We would defer to individual authorities responses to this question.

**Question 7 – Should the LGPS Regulations 2013 specify other costs and responsibilities for the service provider where deemed employer status is used?**

We would defer to individual authorities responses to this question.

**Question 8 – Is this the right approach?**

We agree with this approach.

**Question 9 – What further steps can be taken to encourage pensions issues to be given full and timely consideration by Fair Deal employers when services or functions are outsourced?**

We would already expect these issues to form part of service contracts in most cases, so the regulations themselves in our opinion do not solve the timeliness issue. It will be difficult for District Councils to have a confirmed idea of the route they wish to take regarding pensions at invitation to tender stage, as the consultation explicitly states that agreement as to the approach is required by the contractor, who will not at that stage be appointed. It may be helpful to state in the guidance a recommended timeframe when the pensions approach is expected to be agreed, perhaps as a given number of days before the commencement of the contract.

**Question 10 – Are you aware of any other equalities impacts or of any particular groups with protected characteristics who would be disadvantaged by our Fair Deal proposals?**

We have no comments on this question.

**Question 11 – Is this the right approach?**

We agree with this approach.

**Question 12 – Do the draft regulations effectively achieve our aims?**

We have no comments on this question.

**Question 13 – What should guidance issued by the Secretary of State regarding the terms of asset and liability transfers?**

We would urge the Secretary of State to consult with the LGPS administrators on this issue.