



## Notice of a public

### Decision Session - Executive Leader (incorporating Finance & Performance)

- To:** Councillor Rawlings  
[As this item impacts on companies which include those of which the Leader is a director, the Leader has allocated this decision to Councillor Rawlings]
- Date:** Tuesday, 28 March 2017
- Time:** This meeting will start at the close of the Decision Session – Executive Member for Education, Children & Young People but no earlier than 4.15pm.
- Venue:** The Craven Room - Ground Floor, West Offices (G048)

## AGENDA

### Notice to Members – Post Decision Calling In:

Members are reminded that, should they wish to call in any item\* on this agenda, notice must be given to Democratic Services by **4:00 pm on Thursday 30 March 2017**.

\*With the exception of matters that have been the subject of a previous call in, require Full Council approval or are urgent which are not subject to the call-in provisions. Any called in items will be considered by the Corporate and Scrutiny Management Policy and Scrutiny Committee.

Written representations in respect of items on this agenda should be submitted to Democratic Services by **Friday 24 March 2017 at 5.00pm**.

## **1. Declarations of Interest**

At this point in the meeting, the Executive Member is asked to declare:

- any personal interests not included on the Register of Interests
- any prejudicial interests or
- any disclosable pecuniary interests

which he might have in respect of business on this agenda.

## **2. Public Participation**

At this point in the meeting, members of the public who have registered their wish to speak at the meeting can do so. The deadline for registering is at **5.00 pm on Monday 27 March 2017.**

Members of the public may register to speak on:-

- an item on the agenda
- an issue within the Executive Member's remit;

### **Filming, Recording or Webcasting Meetings**

Please note this meeting may be filmed and webcast and that includes any registered public speakers, who have given their permission. This broadcast can be viewed at

<http://www.york.gov.uk/webcasts>.

Residents are welcome to photograph, film or record Councillors and Officers at all meetings open to the press and public. This includes the use of social media reporting, i.e. tweeting. Anyone wishing to film, record or take photos at any public meeting should contact the Democracy Officer (whose contact details are at the foot of this agenda) in advance of the meeting.

The Council's protocol on Webcasting, Filming & Recording of Meetings ensures that these practices are carried out in a manner both respectful to the conduct of the meeting and all those present. It can be viewed at:

[http://www.york.gov.uk/download/downloads/id/11406/protocol\\_f\\_or\\_webcasting\\_filming\\_and\\_recording\\_of\\_council\\_meetings\\_20160809.pdf](http://www.york.gov.uk/download/downloads/id/11406/protocol_f_or_webcasting_filming_and_recording_of_council_meetings_20160809.pdf)

### **3. Guarantees relating to Pension Fund Admitted (Pages 1 - 4) Bodies**

This report seeks approval for the Council to amend the pension fund guarantor arrangements in relation to the following organisations:

- Yorkshire Museums Trust
- Veritau
- Make It York
- Be Independent
- Explore

### **4. Urgent Business**

Any other business which the Executive Member considers urgent under the Local Government Act 1972.

Democracy Officer:

Jayne Carr

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For more information about any of the following please contact the Democratic Services Officer responsible for servicing this meeting:

- Registering to speak
- Business of the meeting
- Any special arrangements
- Copies of reports and
- For receiving reports in other formats

Contact details are set out above.

**This information can be provided in your own language.**

**我們也用您們的語言提供這個信息 (Cantonese)**

**এই তথ্য আপনার নিজের ভাষায় দেয়া যেতে পারে। (Bengali)**

**Ta informacja może być dostarczona w twoim własnym języku. (Polish)**

**Bu bilgiyi kendi dilinizde almanız mümkündür. (Turkish)**

**یہ معلومات آپ کی اپنی زبان (بولی) میں بھی مہیا کی جاسکتی ہیں۔ (Urdu)**

** (01904) 551550**



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**Executive Leader (incorporating Finance & Performance) 28 March 2017**  
**Decision Session**

**Guarantees relating to Pension Fund Admitted Bodies**

**Purpose of Report**

1. To request approval for the Council to amend the guarantor arrangements in relation to the following organisations;
  - Yorkshire Museums Trust
  - Veritau
  - Make It York
  - Be Independent
  - Explore

**Analysis**

2. The Local Government Pension Scheme is subject to a triennial valuation. The 2017 valuation, which takes effect from 1<sup>st</sup> April 2017, has resulted in a significant increase for a number of admitted bodies. The above admitted bodies have advised that the proposed increases are unaffordable. The North Yorkshire Pension Fund actuary has suggested that the Council could look to provide a “subsumption” guarantee. In doing so, the actuary would consider this poses a reduced risk to the Pension Fund and would therefore recalculate the revaluation accordingly with the result being reduced contribution rates for these organisations.
3. Under current arrangements, these bodies have a guarantee of last resort, which was agreed when they were set up. This means that, in the unlikely event they ceased trading and were unable to cover the required exit payment, the Council would be required to cover any unfunded liabilities. Under a “subsumption” guarantee, the assets and liabilities of the organisation would be “subsumed” into the Council’s overall assets and liabilities. The financial effect is likely to be the same, but spread over a number of years rather than being in one single year.
4. The principle of when the Council would be asked to make good any shortfall remains the same under both types of guarantee - ie only if the body which is being wound up can’t provide the full exit payment (which would be calculated on a cautious basis using appropriate assumptions at the time of exit ). If

agreement can't be reached with the exiting body about a means to make the appropriate payment due, then the Council would have to step in and fund the payment.

5. The impact on the Council would depend on the position at exit and the actuarial assumptions used going forward but if the overall assets and liabilities of the exiting admission body are relatively small in relation to City of York's total assets and liabilities it is unlikely that there would be a material impact on the Council's own contribution rate. However, if the Council needed to step in for a number of organisations then the cumulative effect may become material at a certain point. This risk exists now and is unchanged by the proposals in the report.

## **Options**

### Option 1 (recommended option)

6. Change the current guarantee arrangements in place to offer a subsumption guarantee. As outlined in the analysis section earlier in the report, this would offer greater security for the Pension Fund and the admitted bodies without creating any additional financial burden for the Council.
7. Veritau is jointly owned with North Yorkshire County Council and they have already indicated that they will be proceeding with the subsumption guarantee.

### Option 2

8. Continue with the current guarantee of last resort. This is not recommended, as it would leave the admitted bodies with unaffordable pension contribution rates. All the organisations concerned are undertaking important services on behalf of the Council. If they were to cease trading this would have a greater financial impact on the Council and would result in the loss of services to residents.

## **Council Plan**

9. This proposal supports the council plan by providing financial stability to these local organisations that deliver services to residents.

## **Implications**

10. The proposed change in definition of the guarantee has no direct financial implications on the Council. The risks to the Council if any of the bodies were to fold are set out in the report, and have been set out in previous reports relating to the establishment of these organisations.

11. There are no equalities, human resources, crime and disorder, information technology, property or other implications to this report.

### **Risk Management**

12. There is a risk that, if all 5 bodies ceased trading in same year and were unable to meet the exit payments due to the pension fund, the Council would be liable for substantial exit payments. This risk exists under the current guarantees. If the recommended option is agreed, this risk will be spread over a number of years, as the assets and liabilities will be subsumed within the Council valuation.

### **Recommendation**

13. The Executive Member is asked to agree to change the current arrangements for these admitted bodies from guarantee of last resort to a subsumption guarantee.

Reason: To enable the admitted bodies a greater level of security and reduce risk to the pension fund.

<b>Author:</b>	<b>Chief Officer responsible for the report:</b>		
Debbie Mitchell Corporate Finance & Commercial Procurement Manager Ext 4161	Ian Floyd Deputy Chief Executive and Director of Customer & Corporate Services		
Emma Audrain Technical Accountant Ext 1170	<b>Report Approved</b>	√	<b>Date</b> 8 March 2017
<b>Wards Affected:</b> All			
<b><i>For further information please contact the authors of the report</i></b>			

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