

**Report to:** EXECUTIVE CABINET

**Date:** 21 March 2018

**Executive Member / Reporting Officer:** Councillor Gerald P Cooney – Executive Member (Healthy and Working)  
Sandra Whitehead – Assistant Director Adults  
Debbie Watson – Interim Assistant Director of Population Health  
Emma Varnam – Assistant Director Operations and Neighbourhoods

**Subject:** TAMESIDE CITIZENS ADVICE BUREAU

**Report Summary:** Tameside Citizens Advice Bureau (CAB) provides free, confidential, impartial and independent support and advice for residents of Tameside. The current funding levels of CAB are not sustainable and the organisation is potentially running at a deficit of £16,766 in 2017/18. In addition to this, funding from the National Lottery is due to come to an end in March 2018 and this will further impact sustainability as this funding contributes to core overheads and management hours

The current contract with CAB concludes on 31 March 2018. A procurement exercise without additional funding and a commitment beyond current budgetary requirements is unlikely to result in the provision of a local organisation that can provide the current levels of service and additional value. At best, provision of sessional advice could be expected.

The direct award of a contract with initial additional funding is proposed to give time for the organisation to reorganise and bid for additional funding to ensure their sustainability.

Tameside CAB is embedded within Tameside communities and has extensive experience as a provider of information, support and advice that is free, impartial and confidential. They have a track record of delivering services and have attracted additional funding and services into the Borough. Their approach delivers excellent social value for the Borough.

Direct award of contract will maintain the continuity of a proven and valued organisation that is a key asset in the Borough particularly for vulnerable members of the community. It is proposed that a waiver to standing orders is granted to allow the direct award of contract to be made to Tameside CAB for a period of three years with a year one value of £140,000 and with values for years 2 and 3 to be confirmed during the contract subject to budget availability.

For year one this represents an increase in funding of £35,600 on current funding levels. This will enable CAB to -

- remain solvent and to budget at break-even rather than the current 2017/18 deficit of £16,766;
- meet its commitments to other funders in terms of contract monitoring and reporting;
- restructure to reduce overheads;

- provide additional investment through the recruitment of a project co-ordinator to seek additional funding streams and managing bids.

Funding sources for year one only are -

- £78,000 Neighbourhood Services;
- £38,000 Population Health;
- £24,000 Adult Social Care improved Better Care Fund

A report was considered by the Single Commission Strategic Commissioning Board (SCB) on 20 February 2018 and approved the approach outlined in this report for the funding that is contributed from the Single Commission.

### Recommendations:

Executive Cabinet is asked to note the content of the report and agree

- (i) approval for the spend identified within Council budgets that are not within the remit of the Single Commission
- (ii) that a waiver to standing orders is granted to allow the direct award of contract to Tameside CAB for a period of three years with a year one value of £140,000 and with values for years 2 and 3 to be confirmed during the contract subject to budget availability
- (iii) that this recommendation is taken forward to Executive Cabinet on 21 March 2018 for approval and adoption.
- (iv) That for the reasons explained in Appendix 2 to reduce the ongoing risks and immediate liability to the Council and to maintain the viability of the CAB that in light of the last employee in the GMPF pension scheme retiring that the scheme be closed and the Council transfer the assets and liabilities in the Tameside CAB section of GMPF into the Tameside MBC section, which would have no material impact on its funding position and no immediate cash contributions would be required.

### Links to the Corporate Plan:

The Corporate Plan outlines the priorities for improving the borough of Tameside. The vision includes increasing the self-sufficiency and resilience of individuals and families and protecting the most vulnerable.

### Financial Implications: (Authorised by Section 151 Officer)

<b>ICF Budget</b>	<b>S 75 £'000</b>	<b>Aligned £'000</b>	<b>Total £'000</b>
<b>TMBC Adult Services</b>	24	-	24
<b>TMBC Population Health</b>	38	-	38
<b>TMBC Neighbourhood Services</b>	-	78	78
<b>Total</b>	<b>62</b>	<b>78</b>	<b>140</b>

<b>Section 75 - £'000</b> <b>Strategic Commissioning Board</b>	<b>62</b>
<b>TMBC – Aligned - £'000</b> <b>TMBC Executive Cabinet</b>	<b>78</b>
<b>Value For Money Implications – e.g. Savings Deliverable, Expenditure Avoidance, Benchmark Comparison</b> As detailed in section 4 of the report	
<b>Additional Comments</b> The annual recurrent budget available for this contract is £116,000 with the remaining £24,000 for year one (2018/19) of the contract funded from the non-recurrent Adult Social Care improved Better Care Fund grant. It is essential that the level of recurrent funding is considered when setting the value of the contract for years 2 and 3. In addition to the existing and proposed contract value it should be noted that the Council spent £9,720 with CAB to provide support with the Universal Credit Scheme.	

**Legal Implications:**  
**(Authorised by Borough Solicitor)**

Before any contract or grant is entered into there needs to be a clear understanding of all financial risks including the pension.

**Risk Management:**

The relationship with the CAB will be managed through the contractual relationship thereby mitigating risk.

**Access to Information :**

The background papers relating to this report can be inspected by contacting the report writer Richard Scarborough:



Telephone: 0161 342 2807



e-mail: [richard.scarborough@tameside.gov.uk](mailto:richard.scarborough@tameside.gov.uk)

## 1. BACKGROUND

- 1.1 Tameside Citizens Advice Bureau (CAB) provides free, confidential, impartial and independent support and advice for residents of Tameside. The core service is delivered from Clarence Arcade where they have both office space and customer facing space alongside the Council's customer services. Outreach is also provided across the Borough.
- 1.2 The current contract with Tameside CAB commenced on 1 April 2016 for a period of two years and was awarded following a waiver to procurement standing orders to enable a direct award. Current funding is 40% less than the funding level in 2014 and is no longer sufficient to sustain the organisation.
- 1.3 Tameside CAB is a company limited by guarantee, with its own trustee board and overseen by the Charities Commission. Tameside CAB has been funded by Tameside Council for 51 years and is a trusted and recognised brand in the Borough for advice and information.
- 1.4 Tameside CAB subscribes to membership from National Citizens Advice and this provides their information system, insurance, access to specialist advice lines and a platform to raise social policy issues. It also provides a pathway to government funding for example to provide consumer advice and debt advice. The bureau is also part of an informal consortium arrangement with other Greater Manchester bureaux which operates independently from Tameside bureau. The consortium, with its own trustee board, facilitates bids for national projects at a devolved Manchester level. Tameside CAB also enables other specialist organisations to provide services from their premises such as housing, immigration and community care and rental income is generated from this. A separate arrangement through Pennine West Citizens Advice keeps back office costs to a minimum. This includes discounted training for volunteers, a shared website, IT support and access to technical supervision.
- 1.5 In addition to funding from Tameside Council, Tameside CAB successfully bids for funding from other sources including the National Lottery and local housing providers. These additional services are dependent upon the core service being funded.
- 1.6 The current funding levels of CAB are not sustainable and the organisation is potentially running at a deficit of £16,766 in 2017/18. In addition to this, funding from the National Lottery is due to come to an end in March 2018 and this will further impact sustainability as this funding contributes to core overheads and management hours.
- 1.7 Current core funding levels are insufficient to sustain other funding streams as there is insufficient resource to monitor and report on these or to bid for replacement funding. Under the current delivery model the core funding sustains the organisation by providing funding for the majority of overheads as well as funding core service; this allows for further funding to be bid for to supplement and enhance the service offer. Funding bids include management costs and overheads wherever possible but resources are still required to make bids and sustain the organisation.
- 1.8 Core funding presently provides a manager, supervisor and half time reception. Core funding also includes the provision of half time specialist employment advice. Volunteers are used to provide the gateway/triage at drop in and some generalist advice, although housing, debt and employment is provided from paid workers. A typical week would see around 108 volunteer hours being provided into the service.
- 1.9 CAB provide access to all main foodbanks through vouchers and CAB fund their own foodbank through fundraising which operates on Fridays. 113 food parcels were provided directly by CAB last year and an additional 92 vouchers for clothing. Around £1000 a year is donated by staff and management to facilitate this. Help is also provided where there have been domestic incidents through access to clothing and kitchen utensils from the CAB

clothing and charity shop. The clothing and charity shop generates approximately £15,000 per annum additional income which all goes back into the bureau to provide advice and assistance to residents.

- 1.10 The Bureau currently has 19 paid staff and 26 volunteers. Volunteer hours totaled 5527 hours in 16/17 which carries a public value of £244,422.
- 1.11 Nationally there has been a fundamental review of welfare with a number of key reforms implemented over last few years, with further reforms envisaged throughout the period up to 2020 and beyond. The introduction of Universal Credit (UC) along with a number of other welfare reforms in recent years, such as the Under Occupation Charge (Bedroom Tax), the Benefit Cap, Tax Credits restrictions and Personal Independence Payments have had a significant financial impact on claimants across the Borough.
- 1.12 Tameside residents will continue to be affected by the welfare reform agenda and the continued co-ordination of information and advice is key to responding to the challenging range of issues facing the Borough. To be sustainable our response must build and strengthen community and citizens assets.

## **2. AIMS AND OBJECTIVES OF THE SERVICE**

- 2.1 Tameside CAB provides free, confidential, impartial and independent information, support, advice and casework to residents of Tameside. CAB also provides access to its information and advice services via its website at [www.tamesidecab.org.uk](http://www.tamesidecab.org.uk).
- 2.2 The aims of the service are:
  - To ensure that individuals do not suffer through lack of knowledge of their rights and responsibilities or of the services available to them or through an inability to express their needs effectively.
  - To exercise a responsible influence on the development of social policies and services both locally and nationally.
- 2.3 Access to Tameside CAB services is through drop-in at its offices on Stamford Street, Ashton-Under-Lyne and outreach services at -
  - Women & their Families Support Centre;
  - Big Local Hub, Stalybridge;
  - Haughton Green Centre;
  - Acresfield Community Building, Newton, Hyde;
  - The Rowans Mossley Youth Base;
  - The Hub, Hattersley.
- 2.4 Tameside CAB provides a free, confidential service that is open to everyone in the Borough. Staff are trained and qualified to give information on a wide range of issues, including:
  - Welfare Benefits;
  - Debt;
  - Employment;
  - Consumer Rights;
  - Housing;
  - Neighbourhood Disputes;
  - Education and Healthcare;
  - Immigration and Residency Issues;
  - Human Rights;
  - Family and Personal Issues.

- 2.5 They aim to provide customers with all the facts and possible outcomes of different options to allow them to make the decision that's right for them. If needed, they can also offer practical support, such as help with filling in forms, writing letters or negotiating with third parties.
- 2.6 There is a well established relationship and referral pathway with the council's welfare rights and debt advice service for those clients who require help in appealing negative benefit decisions. Likewise, referrals are also made to the council for specialist help for people with rent or mortgage arrears who have a court hearing.
- 2.7 Telephone advice is provided twice weekly and there are plans in place to move towards a GM advice line model. The benefits of the GM model are outside of the sessions, callers will be provided with telephone advice through other bureaux. For those Tameside residents who then need face to face advice, they are placed in a work queue at the Tameside bureau which is likely to increase the numbers of residents who need access to the service.
- 2.8 Tameside CAB can currently provide specialist help in the following areas:
  - Housing through Manchester CAB
  - Debt – funded by Money Advice Service (national funding)
  - Employment

### **3. CONTRACT HISTORY**

- 3.1 A contract was awarded to Tameside CAB from 1 April 2011 until 31 March 2014 on a three year basis plus an additional two years at a value of £152,260 per annum. The contract was extended until its full term up to 31 March 2016.
- 3.2 From April 2013 Tameside CAB took on additional responsibility to provide information, advice and support to residents who have suffered discrimination and harassment contrary to the Equality Act 2010. This was previously provided by Tameside Racial Equality Council and Tameside CAB received an additional £20k in funding to accommodate this additional responsibility.
- 3.3 From 1 April 2014 the contract value was reduced from £176,070 to £156,070, a reduction of 11.3%.
- 3.4 In December 2015 a waiver was granted to award the current two year contract from 1 April 2016 to 31 March 2018. The award was on the basis of further contract price reductions
  - 2016/17 £116,000 (£78k from Neighbourhoods and £38k from Public Health);
  - 2017/18 £104,400 (£66.4k from Neighbourhoods and £38k from Public Health);

### **4. FINANCIAL APPRAISAL**

- 4.1 The total income of CAB in 2017/2018 was £434,960 of which Tameside MBC provided £104,400. The budget for 2017/18 is in deficit by £16,766.
- 4.2 For every £1 the council provides in core funding, Tameside CAB generates £3.16 additional funding into the service.
- 4.3 Additional funding is obtained by CAB from a range of different sources. All additional funding is dependent upon provision of contract monitoring and reporting. The additional funding bought in 2017-18, £ 330,560 in total, is dependent on sustainable core-funding:
  - £104,000 Money Advice Service Debt Advice Project (MASDAP)
  - £152,000 Big Lottery
  - £14,000 Energy Best Deal (EBD)

- £10,718 TMBC/DWP/PBS – for personal budgeting support referrals for Universal Credit Claimants funded via the DWP through the LA.
  - £33,992 Various Housing Providers (RSL's) to deliver drop in sessions
  - £15,850 income generation, donations and shop income.
- 4.4 Current Lottery funding of £152,000 concludes on 31 March 2018. This income stream currently covers 30% of management costs, 10% of admin and 22% towards overheads. Most of these are fixed costs that will need to be found from core budget.
- 4.5 The core funding allows for other funding bids to be applied for which extends the service out to benefit more residents generally through outreach.
- 4.6 Tameside CAB currently occupy premises in Clarence Arcade having previously been located within the Tameside Administration Centre. Current rent, payable to the Council, is £17,800. It is planned that the service will transfer to the new administration building currently being built and it is anticipated that this level of rent will be charged in the new building.
- 4.7 Tameside CAB has been effective in already reducing overheads and salary costs. This has included reduction of an outreach worker, reduced management hours which will reduce further in 2018/19 and the reception function has been absorbed into other staff functions. Back office costs have been reduced significantly through the arrangement with Pennine West.
- 4.8 Insufficient core funding has a range of impacts upon the organisation including:
- Contracts such as the Face to Face debt advice contract worth £104,000 may become unstable if there is insufficient core resource to monitor and report on provision to the funders and to bid for extension funding;
  - Core resources are required to bid for additional outreach projects and to monitor and manage successful bids;
  - There will be less volunteers if there is less money to spend on training, supervising and retainment (including less money to pay expenses);
  - There would be reduced home visits available for our more vulnerable residents.
- 4.9 Financial modelling provided by national CAB (appendix 1) demonstrates the social value of the organisation and suggests that in 2016/17 the Tameside Bureau had
- a fiscal benefit of £2.31 for every £1 invested;
  - a public value of £13.64 for every £1 invested;
  - a value to the people they help (financial outcomes) of £19.16 for every £1 invested;
  - Fiscal benefit to the Local Authority of £2.14 for every £1 spent;
  - Savings to the NHS of £230,407 (reducing use of mental health and GP services and keeping people in work);
  - Savings to Housing providers of £348,832 through preventing evictions.

## **5. CONTRACT PERFORMANCE**

- 5.1 The Tameside CAB contract is closely monitored by the Team Manager of the Welfare Rights and Debt Advice Service. CAB provides comprehensive quarterly monitoring information including both qualitative and quantitative information.

- 5.2 Quarterly performance meetings take place with TCAB whereby work levels, client numbers, issues and outcomes are discussed. The services outlined in the contract specification have been delivered and information relating to the performance indicators specified is provided in advance of every contract monitoring meeting. The Contract Performance Officer reports no issues with the performance of the contract.
- 5.3 In 2016/17, 4074 new clients were seen in the Bureau with 12834 new issues. CABs analysis show the financial value of outcomes in this year was £1,880,989.

## 6. PROPOSAL

- 6.1 It is proposed that a waiver to standing orders is granted to allow the direct award of contract to be made to Tameside CAB for a period of three years with a year one value of £140,000 and with values for years 2 and 3 to be confirmed during the contract subject to budget availability.
- 6.2 For year one this represents an increase in funding of £35,600. This will enable CAB to -
- remain solvent and to budget at break-even rather than the current 2017/18 deficit of £16,766;
  - meet its commitments to other funders in terms of contract monitoring and reporting;
  - restructure to reduce overheads;
  - provide additional investment through the recruitment of a project co-ordinator to seeking additional funding streams and managing bids.
- 6.3 Funding sources for year one only are
- £78,000 Neighbourhood Services
  - £38,000 Population Health
  - £24,000 Adult Social Care improved Better Care Fund.

## 7. ALTERNATIVE APPROACHES

### **Cease to provide a CAB Service**

- 7.1 The CAB service provides an essential service to the most excluded and marginal members of our communities. It helps to tackle social inequality and financial exclusion and for many is their last line of defence. Ceasing the service would have significant impact on local communities. Tameside CAB is a trusted and recognised brand in the Borough for advice and information
- Conduct an open tender exercise to procure a service based on current or lower funding levels**
- 7.2 Current funding levels are unlikely to be sufficient to fund provision of a local service and are therefore likely to be based on a delivery of sessional services from a remote base. This approach is unlikely to be able to sustain the continuation and development of the services currently provided through alternative sources of funding and will result in minimal service delivery compared to the current model.
- 7.3 It is estimated that at an amount of £104,400 this would provide for a full time manager, 30 hour supervisor and 25 hours admin. There would be limited capacity to recruit and manage volunteers. There would be no capacity to bid for or monitor external funding which would reduce the outreach provision and ability to provide home visits. Our most vulnerable residents would be significantly affected, especially those unable to travel into Ashton
- Conduct an open tender exercise to procure a service based on slightly increased funding levels**



7.4 A small increase in funding levels for the first year of the contract is unlikely to impact upon the level of provision offered due to the level of uncertainty and risk to longer term funding.

## **8. GROUNDS UPON WHICH WAIVER /AUTHORISATION TO PROCEED SOUGHT:**

8.1 A waiver to standing orders F1.4 is sought to enable the direct award of contract without competition. The services provided by CAB fall within the remit of the light touch regime and the total contract value of is below the threshold for Social and Other Services under the Public Contracts Regulations 2015 (currently £615,278)

8.2 A procurement exercise without additional funding and a commitment beyond current budgetary requirements is unlikely to result in the provision of a local organisation that can provide the current levels of service and additional value. At best, provision of sessional advice could be expected.

8.3 The direct award of a contract with initial additional funding is designed to give time for the organisation to reorganise and bid for additional funding to ensure their sustainability.

8.4 Tameside CAB is embedded within Tameside communities and has extensive experience as a provider of information, support and advice that is free, impartial and confidential. They have a track record of delivering services and have attracted additional funding and services into the Borough. Their approach delivers excellent social value for the Borough.

8.5 Direct award of contract will maintain the continuity of a proven and valued organisation that is a key asset in the Borough particularly for vulnerable members of the community.

8.6 Research for other local Authority procurement activity for Welfare rights services showed 1 tender, by Wigan council, with a value of £446,231.60 per annum (This service appears to be similar to ours other than the addition of tier 4 representation at decision making bodies such as appeal tribunal, civil court or panel hearings.) Bournemouth and Poole announced a market engagement event for joint service however this was cancelled and no further information has been published.

## **9. REASONS WHY USUAL REQUIREMENTS OF PROCUREMENT STANDING ORDERS NEED NOT BE COMPLIED WITH BUT BEST VALUE AND PROBITY STILL ACHIEVED**

9.1 Tameside CAB have provided services under contract to the Council for a number of years. Contracts have been closely monitored and performance against contract has always been exceeded. They are able to demonstrate a clear social and economic value to the borough.

9.2 Tameside CAB have a strong track record of leveraging in additional funding and resources by using the core funding to support the organisation and provide the infrastructure for additional services.

9.3 Tameside CAB is a well-recognised and respected local organisation. The services provided under the terms of this contract, and the additional services they are able to secure funding for from other funders, are well used and valued by the people who use them and produce a range of outcomes key to the local health and social care economy.

9.4 The loss of Tameside CAB would result in a cessation of services for which they have been able to attract additional funding.

9.5 The services provided by the CAB in respect of benefits and debt advice are congruent with the Council's policies in preventing homelessness and tackling indebtedness. It also provides a quality assured volunteering opportunity, and facilitates active citizenship.

9.6 Tameside Citizens Advice Bureau is part of a national network of bureaus, which local and national government rely on as a mechanism for articulating the needs of excluded communities.

9.7 The Bureau currently has 19 paid staff and 26 volunteers, Volunteer hours totaled 5527 hours in 16/17 which carries a public value of £244,422

## **10. SINGLE COMMISSION**

10.1 A report was considered by the Single Commissioning Board (SCB) on 20 February 2018 with regards to the spend identified within the remit of the Single Commission. The SCB approved the recommendation to award a contract to Tameside CAB in the terms outlined in this report.

## **11. RECOMMENDATIONS**

11.1 As stated on the report cover.

<b>Headline statistics 2016/17</b>	
<b>Name of local Citizens Advice member</b>	<b>Tameside District Citizens Advice</b>
<b>Reported funding to local Citizens Advice</b>	£448,570
Reported funding to local Citizens Advice from LA	£116,035
Reported funding (confirmed or unconfirmed)	Confirmed
<i>*We use the latest funding data you have sent us to complete this model. If your status is unconfirmed, we are using interim funding data for 2016/17.</i>	
<b>1) Overall financial value to society in 2016/17</b>	
<b>Overall value (advice and volunteering)</b>	
Fiscal benefit total	£1,036,081
Public value total	£6,119,304
Value to the people we help (financial outcomes) total	£8,592,802
<b>For every £1 invested:</b>	
For every £1, £x in fiscal benefits	<b>£2.31</b>
For every £1, £x in public value	<b>£13.64</b>
For every £1, £x in value to the people we help (financial outcomes)	<b>£19.16</b>
<b>2) Making specific arguments to key stakeholders</b>	
<b>Local authority- by preventing homelessness and housing evictions</b>	
Savings to local authority total (fiscal benefits)	£166,735
For every £1 of LA funding, £x in fiscal benefit to local authority	£2.14
<i>*N.B. Most local Citizens Advice do not breakeven on their LA funding - this is because we only put a financial value on preventing homelessness.</i>	
<b>NHS - by reducing use of mental health and GP services, and keeping people in work</b>	
Reducing use of health services	£212,877.18
Keeping people in work	£17,530.43
Total saving to NHS	£230,407.61
<b>Other government departments</b>	
Department of Work and Pensions (by keeping people in work)	£274,643.41
Criminal Justice System (by preventing housing evictions and homelessness)	£15,462.24
Housing Providers (by preventing housing evictions)	£348,832.67
<b>Wider economic and social benefits - NOT tangible public savings</b>	
Public value of improving clients' wellbeing (emotional wellbeing and positive functioning)	£4,253,399
Public value of volunteering (part of public value total)	£244,422

**TAMESIDE CAB SECTION OF GREATER MANCHESTER PENSION FUND****1. SUMMARY**

- 1.1 The Local Government Pension Scheme ('LGPS') provides retirement benefits for employees of local authorities and other related employers.
- 1.2 The LGPS in England and Wales is administered via approximately 90 regional funds, of which Greater Manchester Pension Fund ('GMPF') is the largest. The 'Administering Authority' of GMPF is Tameside MBC.
- 1.3 The benefits provided to members in the LGPS and the rules by which administering authorities must operate are set out in the LGPS Regulations.
- 1.4 The LGPS has two main types of employer:  
**'Scheme Employers'** – required to admit new employees to the Scheme under the LGPS Regulations. Examples include local authorities, academy schools, further education colleges and certain universities, or;  
**'Admission Bodies'** – although the terminology no longer features in the LGPS Regulations, these are generally either "community admission bodies" that provide a public service and have a community of interest with a Scheme Employer (such as housing associations or charities) or "transferee admission bodies" formed as a result of Scheme Employers outsourcing services under a contract (e.g. cleaners, school meals etc..).
- 1.5 An admission body is admitted to the LGPS by the signing of an 'admission agreement' setting out the terms and conditions of their participation. Tameside CAB's admission agreement took effect on 1 October 1996 at which point it became a community admission body and was responsible for funding the LGPS benefits its current employees had earned to that point and would earn in future.
- 1.6 The admission agreement was signed by Tameside CAB and Tameside MBC both in its capacity both as administering authority of the GMPF and as the 'guarantor' to the admission agreement – see section 4 below.

**2. GMPF FUNDING ARRANGEMENTS**

- 2.1 Each employer that participates in GMPF has what is referred to as a 'sub-fund'. This is an account to which contributions paid by the employer and its active employees are added and any payments made to former employees who are now drawing a pension from GMPF (plus any other payments out) are deducted.
- 2.2 GMPF and its actuary add contributions, deduct benefits paid and allow for the investment returns on the assets held in each sub-fund on a monthly basis.
- 2.3 Periodically the GMPF actuary also estimates the amount of assets which it thinks need to be held in each sub-fund in order to pay the benefits promised to members. This figure is what is commonly referred to as the 'liabilities'. If the assets held are greater than the current estimate of the liabilities then the sub-fund is said to be in surplus, if the reverse is true then there would be a deficit and additional contributions may need to be paid in future by the employer.

**3. CALCULATION OF THE DEFICIT IN TAMESIDE CAB'S SUB-FUND IN GMPF**

- 3.1 Under the terms of the Tameside CAB admission agreement and the LGPS Regulations, when the last remaining employee member ceases to contribute to GMPF (and there is no

expectation that further members will join) then the admission agreement is terminated and the GMPF actuary will calculate whether a deficit exists.

- 3.2 Tameside CAB's sole remaining employee member ceased contributing to GMPF on 1 March 2017 and unless there is an expectation that a new employee will join the fund (which is technically possible under the admission agreement), GMPF's default position is that the deficit that exists at that point is payable immediately by the employer.
- 3.3 In calculating the deficit at the employer's exit date, the actuary makes assumptions about the future. For example, the rate of future inflation (which determines the increases pensioners receive on their pension each year) and how long pensioners are going to live. There are no right or wrong answers (in practice the assumptions made will almost certainly prove to be incorrect).
- 3.4 There are 3 common sets of actuarial assumptions used to measure the pension liabilities. The main difference between them is the level of assumed future investment returns that the assets held in GMPF are expected to generate, which is the most significant factor in determining the value placed on the liabilities. These measures are

**Ongoing funding** – this values the liabilities using the assumptions set by the GMPF actuary at each triennial valuation exercise (the last one was at 31/3/16). The main purpose of this is to determine ongoing employer contribution rates.

**Pensions accounting** standards such as **IAS19 and FRS102** – the actuary's assumptions need to be in line with these accounting standards and this currently requires the use of a lower investment return assumption. This places a higher value on the liabilities (you need to hold more money now if future investment returns are expected to be lower).

**Termination/cessation/exit** valuations – These are commonly used when an employer exits GMPF (generally when their last active member retires or leaves their job). Following an employer exiting the actuary will not be able to increase contribution rates in future in order to recover any deficit that may emerge. As a result the actuary is required to take a very prudent view of future investment returns and this places a relatively high value on the liabilities.

- 3.5 The deficit in the Tameside CAB section of GMPF on the measures described above at 1 March 2017 is set out in the table below.

	Ongoing (£000)	IAS19/FRS (£000)	Termination
<b>Liabilities</b>			
Active members	0	0	0
Deferred members	358	495	630
Pensioner members	377	447	496
<b>Total Liabilities</b>	<b>735</b>	<b>942</b>	<b>1,126</b>
<b>Assets</b>	<b>612</b>	<b>612</b>	<b>612</b>
<b>Surplus / (Deficit)</b>	<b>(123)</b>	<b>(330)</b>	<b>(514)</b>
Funding Level	83%	65%	54%

- 3.6 As shown in the table above, the deficit in the Tameside CAB section of GMPF was somewhere between £123,000 and £514,000 at 1 March 2017, depending upon the assumptions used. For an employer with a terminating admission agreement, GMPF's default approach, as set out in its published Funding Strategy Statement, would be to use the most prudent measure (i.e. a deficit of £514,000) and for this to be payable

immediately. Clearly, given the analysis elsewhere in this report, this is highly unlikely to be affordable to Tameside CAB.

#### **4. GUARANTEE**

- 4.1 The vast majority of admission bodies in GMPF have a guarantee from their relevant local authority and the terms of this guarantee are generally set out in the admission agreement that is signed when the employer is admitted to GMPF.
- 4.2 The purpose of the guarantee is to protect GMPF from an admission body being unable to meet the cost of the benefits earned by its members.
- 4.3 Tameside CAB's admission agreement is guaranteed by Tameside MBC and the guarantee clause in the admission agreement states that the guarantor will pay any sum owed to GMPF that Tameside CAB fails to pay. However, in theory before the guarantee can be exercised, GMPF would need to pursue its claim via the liquidation of Tameside CAB. Clearly this is not an outcome which is desirable for any of Tameside CAB, Tameside MBC of GMPF.
- 4.4 Rather than going down this route, Tameside MBC could agree to the transfer of the assets and liabilities in the Tameside CAB section of GMPF into the Tameside MBC section. The Tameside MBC section of GMPF currently has assets and liabilities of approximately £950million, therefore the Tameside CAB liabilities would have no material impact on its funding position and no immediate cash contributions would be required.
- 4.5 In addition, as Tameside MBC is an ongoing employer in GMPF any liabilities transferred from an admission body as a result of a guarantee being invoked would be valued on an ongoing basis rather than a termination basis (i.e a deficit of £123,000 rather than £514,000), although it should be noted that the deficit on accounting measures is c£300,000.

#### **5. OTHER OPTIONS**

- 5.1 The termination of the Tameside CAB admission agreement could potentially be postponed by Tameside CAB requesting that GMPF allows a current Tameside CAB employee to become a contributing member of GMPF.
- 5.2 However, this would involve an ongoing cost not factored into the business plans of Tameside CAB (the ongoing employer contributions rate to GMPF would be 23% of salary in 2018/19) and would likely complicate HR policy given other Tameside CAB staff will have access to alternative pension arrangements. In addition, further liabilities would accrue, which ultimately increases the risk to Tameside MBC as guarantor to the admission agreement.
- 5.3 This option could arguably be viewed as merely 'kicking the can down the road' rather than taking the present opportunity to address this issue whilst the Tameside MBC section of GMPF is well-funded and no cash contribution would be required from Tameside MBC.