



DRAFT PORTFOLIO HOLDER DECISION NOTICE

PROPOSED INDIVIDUAL DECISION BY THE PORTFOLIO HOLDER FOR FINANCE AND ORGANISATIONAL DEVELOPMENT

TOPIC – CONTINUATION OF GUARANTEE FOR WACA STAFF PENSIONS

PROCEDURAL INFORMATION

The Access to Information Procedure Rules – Part 4, Section 22 of the Council's Constitution provides for a decision to be made by an individual member of Cabinet.

In accordance with the Procedure Rules, the Chief Operating Officer, the Chief Executive and the Chief Finance Officer are consulted together with Chairman and Vice Chairman of The Overview and Scrutiny Committee and any other relevant overview and scrutiny committee. In addition, all Members are notified.

If five or more Members from those informed so request, the Leader may require the matter to be referred to Cabinet for determination.

If you wish to make representation on this proposed Decision please contact the relevant Portfolio Holder and the following Democratic Services Officer by 5.00pm on Tuesday 28 April 2015.

Contact Officers:

Case Officer: Eloise Appleby, Assistant Director (Economy and Communities), tel 01962 848 181, email eappleby@winchester.gov.uk

Democratic Services Officer: Nancy Graham, Tel: 01962 848 235, ngraham@winchester.gov.uk

SUMMARY

- Winchester Area Community Action (WACA) was created over thirty years ago to provide support for the voluntary sector in the Winchester District. It is the local Council for Voluntary Service, delivering training, advice, funding information and other assistance to not-for-profit organisations.
- In view of WACA's remit and its close relationship with Winchester City Council, the Council agreed in 1992 to act as the guarantor so that the organisation – then known as the Winchester District Council of Community Service – could become an admitted body in Hampshire's Local Government Pension Scheme. (Report PR2885 – Superannuation Scheme Guarantor, 30 March 1992 refers.) At the time, the Council also provided a payroll service for WACA.

- In 2008 WACA closed entry to the scheme for new employees, introducing a less costly money purchase scheme. The organisation currently employs 13 staff (five full and eight part-time), of whom five employees are active members in the Hampshire Pension Fund scheme.
- In response to a changing and challenging funding environment, WACA is leading the sector by example: it has negotiated a merger with HCCS Community Action (known as Community First Havant and East Hampshire, or CFHEH). This will make for a more resilient organisation, able to draw on the specialisms, capacity and aptitudes of two hitherto disparate groups of staff.
- CFHEH is the Council for Voluntary Service covering the East Hampshire and Havant districts, itself the product of an earlier merger across those districts.
- At an early stage in planning for the merger, WACA asked whether the Council would continue to act as guarantor for those members of its staff transferring to the merged organisation.
- The Council does not act as guarantor for any other voluntary organisation, having discontinued this role for the CAB at the time of the merger between the Winchester and Bishop's Waltham branches in 2012. The only exception to this is where its own staff have been TUPE-ed across to other organisations, notably Places for People (previously DC Leisure) and the Hampshire Cultural Trust.
- Since 2014/15, the Council no longer core funds WACA but instead commissions support services for the voluntary sector through a competitive procurement process. However, Leading Members have expressed a view that the Council has a moral obligation to continue to provide the guarantee.
- Officers have investigated the options, and discussed the issue with the Hampshire Pensions Fund (HPF). HPF have advised that WACA will need to be party to a new pension fund Admission Agreement with the new organisation (CFHEH). Under that agreement, each body would retain responsibility for the members transferring from their current admission agreement. This would mean that the Council - which currently guarantees the pension liabilities for WACA - would remain responsible for only those members who transfer to the new admission body under WACA. The Council would not be responsible for any liabilities transferring from CFHEH.
- We are advised that there is no opportunity for the Council to avoid the responsibility of these liabilities. Even if the Council were no longer acting as guarantor, as the original letting authority, ultimate responsibility will fall to the Council if WACA were unable to meet the liabilities when their admission body status in the fund ends.

- Consequently, it is proposed that for both moral and financial reasons, the Council continues in the role of guarantor for the five members of WACA staff who are active members of the Hampshire Pension scheme. This would be on the understanding that the new, merged company would continue to make the usual employer contributions.
- This decision supports the Community Strategy outcome of being an efficient and effective Council.

PROPOSED DECISION

That the Head of Legal and Democratic Services, in consultation with the Chief Finance Officer, be authorised to confirm the Council's continued pension fund guarantee for members of WACA staff transferring to HCCS Community Action (known as Community First Havant and East Hampshire), Company Registration No 08071971/Charity No 1147527, following its merger with WACA on 1 May 2014.

RESOURCE IMPLICATIONS

There is no immediate resource implication arising from this decision. The Council will retain the same financial contingent liability after the merger as it currently does, and indeed it would be expected to reduce over time.

WACA employs five active members of the pension scheme and has known deferred members and pensioners (membership base) which can be ring fenced for pension liability calculations. In the last two years, FRS17 calculations have been made by actuaries reflecting the membership base. The FRS17 liability as at 31st March 2014 was £441,000. This provides an indication of the liability for accounting purposes (and the amount will very likely change when FRS102 replaces FRS17 in 2015). The funded nature of the scheme requires the contributions to be calculated to balance the pension liabilities with the assets, over time.

If the guarantee was triggered, the Council could choose to pay the outstanding amount or subsume the liabilities, although there may also be an increase in the Council's annual deficit contributions.

REASON FOR THE PROPOSED DECISION AND OTHER ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

Officers explored the option of discontinuing the guarantee, as outlined in the main body of the report. This was rejected on moral and financial grounds.

**FURTHER ALTERNATIVE OPTIONS CONSIDERED AND REJECTED
FOLLOWING PUBLICATION OF THE DRAFT PORTFOLIO HOLDER DECISION
NOTICE**

n/a

**DECLARATION OF INTERESTS BY THE DECISION MAKER OR A MEMBER OR
OFFICER CONSULTED**

n/a

DISPENSATION GRANTED BY THE STANDARDS COMMITTEE

n/a

Approved by: (signature)

Date of Decision

**Councillor Stephen Godfrey , Portfolio Holder Portfolio Holder for Finance and
Organisational Development**