

Officer Non Key Executive Decision

Relevant Chief Officer (Decision Maker):	Steve Thompson, Director of Resources
Relevant Cabinet Member (for consultation purposes):	Councillor Lynn Williams, Leader of the Council
Report Author (Officer name and title):	Kirsten Whyatt, Finance Manager, Subsidiaries and Partnerships Finance Team
Implementation Date of Decision:	2 March 2023

DEED OF GUARANTEE: LOCAL GOVERNMENT PENSION SCHEME BLACKPOOL WASTE SERVICES LIMITED BLACKPOOL HOUSING COMPANY LIMITED BLACKPOOL COASTAL HOUSING LIMITED LANCASHIRE COUNTY COUNCIL

1.0 Purpose of the report:

1.1 To obtain authority for Blackpool Council to execute deeds of guarantee with Lancashire County Council and:

- Blackpool Waste Services Limited;
- Blackpool Coastal Housing Limited; and
- Blackpool Housing Company Limited

whereby Blackpool Council, as guarantor, guarantees to the Administering Authority (Lancashire County Council) the performance of each of the named companies' obligations under the Local Government Pension Scheme regulations in respect of scheme liabilities and agrees the manner in which any liabilities to or assets in the Fund shall be dealt with in the event of the company becoming an exiting employer. Lancashire County Pension Fund have asked for the deeds of guarantee to formalise current arrangements.

1.2 To grant delegated authority to the Head of Legal to execute the deeds of guarantee.

2.0 Recommendation(s):

2.1 To approve the Council entering into the deeds of guarantee with Lancashire County Council, as the Administering Authority for the Local Government Pension Scheme, in respect of:

- Blackpool Waste Services Limited;
- Blackpool Coastal Housing Limited; and
- Blackpool Housing Company Limited.

3.0 Reasons for recommendation(s):

3.1 In order to enable the three wholly-owned Council companies named in 2.1 above to benefit from lower employer local government pension scheme contribution rates.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:

The Council may chose not to act as Guarantor in which case the wholly-owned companies would continue to pay the local government pension scheme contribution rates applicable where no guarantee is in place.

4.0 Council Priority:

4.1 The relevant Council Priority is

- The relevant Council Priority is: "The economy: Maximising growth and opportunity across Blackpool".

5.0 Background Information

5.1 Currently there are 4 local government pension scheme employers, listed below, which operate in isolation of each other:

- Blackpool Waste Services Limited
- Blackpool Coastal Housing Limited
- Blackpool Housing Company Limited
- Blackpool Council

5.2 If Blackpool Council were to provide a guarantee for the other three schemes, this could have benefit of reducing future contribution rates for the Council companies listed above under certain options offered by Lancashire County Council.

5.3 Three options are available:

1. Council acts as guarantor and when the employer exits the pension scheme a settlement payment is to be made by the exiting employer before assets and liabilities are subsumed by Blackpool Council.
2. Council acts as guarantor and when the employer exits, assets and liabilities will be subsumed by Blackpool Council without any exit payment being made.
3. Blackpool Council guarantee the exit payment, but does not subsume assets and liabilities. The assets and liabilities would be orphaned within the fund and the exit payment would be calculated on harsher assumptions to protect the fund. Surplus offset would not be permitted.

5.4 Detailed analysis of the three options has been undertaken by the Council. This analysis demonstrates that there is clear financial benefit to the three Council wholly-owned companies as a result of the Council acting as guarantor.

Table 1

	Rate if option 1 or 2	Rate if option 3	Rate if no guarantee
Blackpool Coastal Housing	14.6	18.9	20.4
Blackpool Housing Company Ltd	16.3*	16.3*	17.7
Blackpool Waste Services	17.7	19.7	21.1

In addition, this analysis enables option 3 to be discounted since the reduction in contributions is less when compared to options 1 or 2 and as shown in Table 2 the Council would become guarantor to potential deficit payments of £16.7m.

Table 2

	Option 1 (remaining ongoing assets and liabilities would be subsumed by Blackpool BC) (value as at 31/03/2022)	Option 2 (ongoing assets and liabilities would be subsumed by Blackpool BC) (value as at 31/03/2022)	Option 3 Exit payment if option 3 (then ongoing liabilities would be orphaned) (value as at 31/03/2022)
Blackpool Coastal Housing	Exit credit of £3,379,000	No exit payment made – all assets and liabilities would be subsumed by Blackpool BC	Exit deficit of £10,249,000
Blackpool Housing Company Limited	Exit credit of £40,000		Exit deficit of £1,874,000
Blackpool Waste Services	Exit credit of £822,000		Exit deficit of £4,600,000

Does the information submitted include any exempt information?

No

List of Appendices:

n/a

6.0 Legal considerations:

6.1 Legal Services have reviewed the proposed deeds of guarantee.

6.2 The recommended approval will give delegated authority to enable the execution of the deeds of guarantee.

7.0 Human Resources considerations:

7.1 n/a

8.0 Equalities considerations:

8.1 n/a

9.0 Financial considerations:

9.1 From the Council perspective, option 2 is preferable as no exit payments are made and all assets at scheme exit are subsumed by the Council, reducing the cost of the guarantee to the scheme. If option 1 were to be pursued, the Council would need to require the companies to pass over the credits available on exit of the scheme for subsuming within the Council scheme. Otherwise, the Council would be liable for making up any deterioration in the scheme return from the extraction of the monies.

9.2 Option 3 leads to high exit payments to the fund because the assets and liabilities would be "orphaned" to protect the other employers in the fund from future risks. With option 1 and option 2, only Blackpool Council takes on the future risk so the calculations are less prudent.

9.3 Given this analysis, the Council has chosen to progress Option 2. Lancashire County Council have recalculated the contribution rates to the respective companies and they have been advised of these rates for budgetary purposes.

9.4 The final requirement is for all parties to execute the required deeds of guarantee.

10.0 Risk management considerations:

10.1 Whilst there is an immediate benefit to the companies in terms of reduced contribution rates from entering into this deed of guarantee, as guarantor to the schemes, the Council is pledging its resources to fund the schemes if there are insufficient monies available within the schemes. The Council is therefore taking on additional financial risk. It will not have the option of leaving responsibility to deal with any deficits solely to its subsidiaries.

11.0 Ethical considerations:

11.1 N/A

12.0 Internal/ External Consultation undertaken:

12.1 Consultation with the three relevant companies has been undertaken. They are also required to be signatories to the deeds of guarantee.

13.0 Decision of Chief Officer

13.1 To approve the Council entering into the deeds of guarantee with Lancashire County Council, as the Administering Authority for the Local Government Pension Scheme, in respect of:

- Blackpool Waste Services Limited;
- Blackpool Coastal Housing Limited; and
- Blackpool Housing Company Limited

14.0 Reasons for the Decision of the Chief Officer

14.1 In order to enable the three wholly-owned Council companies named in 2.1 above to benefit from lower employer local government pension scheme contribution