

North Yorkshire Council

Pension Fund Committee

28 June 2024

Application for a new Community Admission Body

Report of the Treasurer

1. Purpose of the report

- 1.1 To advise Members of a request received from Veritau Limited. Approval is requested for a community admission agreement to be created for a new ¹Teckal company, Veritau Public Sector Limited. This will allow continued access to the Local Government Pension Scheme (LGPS) for staff currently working for Veritau Limited and Veritau's subsidiary company, Veritau Tees Valley (VTV) Limited (currently in the Teesside Pension Fund). It is planned that the services will move to the new company on 1 August 2024.
- 1.2 For a decision to be made on whether to approve the request.

2. Reason for the request

- 2.1 To retain teckal status, staff employed by Veritau Limited and VTV would TUPE transfer into a new Teckal company called Veritau Public Sector Limited. An admission agreement would be required to allow continued membership of the LGPS for members of staff who are currently paying into the Scheme. The new company would become a 'community admission body' under the LGPS Regulations.
- 2.2 The North Yorkshire Pension Fund's Admission and Termination Policy requires that requests for admission agreements relating to 'community admission bodies' must be considered by the Pension Fund Committee.

3. Background

- 3.1 Veritau Limited was originally established in 2009 as a shared service between (the then) North Yorkshire County Council and the City of York Council. The objectives were to provide improved resilience, increased capacity and hence access to specialist skills, economies of scale, efficiencies and greater flexibility. Other councils (including five of the then district and borough councils) saw the benefits and joined the shared service.

¹ To be Teckal compliant:-

The local authority must control all of the shares in the company and must also exercise effective day-to-day control over its affairs; in other words, the same as the relationship between the council and one of its internal directorates. This can be achieved through the governance structure.

The company must be 'inwardly and not outwardly focused'. The directive requires that at least 80% of the activity of the Teckal company – that is, over 80% of its turnover – must be for its public sector owners. Any contracts with other public sector bodies or private sector entities will not benefit from the Teckal exemption and the company will have to tender in the ordinary way for such contracts in accordance with any applicable procurement legislation.

- 3.2 Veritau Public Sector Limited has been established as a company limited by guarantee. It will provide internal audit, counter fraud, risk management and information governance services to its member councils and other public bodies (including North Yorkshire Council and the City of York Council). It has been set up with three member councils, North Yorkshire, City of York and Redcar and Cleveland.
- 3.3 Employees currently employed by VTV and who are contributing to the Teesside Pension Fund would transfer to the North Yorkshire Pension Fund as part of the TUPE process, to 'streamline administration and reflect the fact that Veritau employees already work across all the member councils.'

Once created, Veritau Public Sector Limited will look to admit two other member councils and transfer any LGPS staff into the North Yorkshire Pension Fund. More councils and other public bodies may follow

- 3.4 All assets and liabilities (including non-actives) would transfer from Veritau Limited to Veritau Public Sector Limited.
- 3.5 Veritau Limited will continue as a commercial body with no staff (for now).
- 3.6 The test for a 'community admission body' is that the body must be:

'a body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise)'

Veritau Limited's application confirms that Veritau Public Sector Limited will not be a profit-making company and they are providing a 'public service' and have 'sufficient links with North Yorkshire Council to be regarded as having a 'community of interest'.

4. Funding of the company

- 4.1 The company will be taking on most of the business of Veritau Limited (an existing admission body in the NYPF) and all of the business of VTV (an admission body in the Teesside Pension Fund).
- 4.2 As a Teckal company at least 80% of the company's income will be derived from providing services to its member councils. Each member council will also be required to pay a one-off subscription to join the company. The company will also derive income by providing resources to Veritau Limited, which in turn, will provide services to non-member councils and schools. This income will account for less than 20% of the company's turnover.

5. Protecting the Fund and its employers

- 5.1 North Yorkshire Council and the City of York Council would act as guarantor for the duration of the contract. This means that the assets and liabilities of Veritau Public Sector Limited would become the joint responsibility of North Yorkshire Council and the City of York Council if the company ceased to exist and couldn't make good any shortfall.
- 5.2 Subsumption commitments would also be included in the admission agreement so that North Yorkshire Council and the City of York Council would subsume any liabilities that arose after exit.
- 5.3 All other member councils will provide indemnities as part of the members' agreement.

- 5.4 It is not possible to predict the long-term success of Veritau Public Sector Limited (the company will enter into 10 year contracts with its member councils with an option to extend by 5 years). However, the strength of North Yorkshire Council and the City of York Council's guarantees indicate that everything necessary will be done to safeguard the Fund under any potential admission agreement for the life of the admission agreement and on termination. In addition, Veritau Limited has a good track record and has traded successfully for over 15 years. The existing management and leadership of Veritau will transfer to Veritau Public Sector Limited so there will be continuity.

For clarity, the Committee is not being asked for its views on the structure of the new company but simply whether it is satisfied to admit the new company as a community admission body, based on the guarantees provided.

6. Recommendations

- 6.1 That Members approve the request given the guarantees provided by North Yorkshire Council and the City of York Council and the indemnities that will form part of the members' agreement.

Gary Fielding
Treasurer to North Yorkshire Pension Fund
NYC
County Hall
Northallerton

18 June 2024