

Meeting of the

PENSIONS COMMITTEE

Wednesday, 17 February 2010 at 8.30 p.m.

A G E N D A

VENUE

COMMITTEE ROOM C1, 1ST FLOOR, TOWN HALL, MULBERRY PLACE

Members:	Deputies (if any):
Chair: Councillor Rajib Ahmed	
Vice – Chair: Councillor Marc Francis	
Councillor Helal Abbas	Councillor Shahed Ali, (Designated Deputy representing Councillors Rajib Ahmed, Helal Abbas, Marc Francis, Waiseul Islam and Denise Jones)
Councillor Waiseul Islam	Councillor Tim Archer, (Designated Deputy representing Councillor David Snowdon and Councillor Dr. Emma Jones)
Councillor Denise Jones	Councillor Alibor Choudhury, (Designated Deputy representing Councillors Rajib Ahmed, Helal Abbas, Marc Francis, Waiseul Islam and Denise Jones)
Councillor Fozol Miah	Councillor Shiria Khatun, (Designated Deputy representing Councillors Rajib Ahmed, Helal Abbas, Marc Francis, Waiseul Islam and Denise Jones)
Councillor Tim O'Flaherty	Councillor Harun Miah, (Designated Deputy representing Councillor Fozol Miah)
Councillor David Snowdon	Councillor M. Mamun Rashid, (Designated Deputy representing Councillor Fozol Miah)
Councillor Dr. Emma Jones	
1 Vacant Post - Non-Voting Member (Trade Union)	
1 Vacant Post - Non-Voting Member (Admitted Body)	

[Note: The quorum for this body is 3 Members].

If you require any further information relating to this meeting, would like to request a large print, Braille or audio version of this document, or would like to discuss access arrangements or any other special requirements, please contact:

Nadir Ahmed, Democratic Services

Tel: 020 7364 6961, E-mail: nadir.ahmed@towerhamlets.gov.uk

LONDON BOROUGH OF TOWER HAMLETS

PENSIONS COMMITTEE

Wednesday, 17 February 2010

8.30 p.m.

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

2. DECLARATIONS OF INTEREST (Pages 1 - 2)

To note any declarations of interest made by Members, including those restricting Members from voting on the questions detailed in Section 106 of the Local Government Finance Act, 1992. See attached note from the Chief Executive.

3. UNRESTRICTED MINUTES (Pages 3 - 6)

To confirm as a correct record of the proceedings the unrestricted minutes of the ordinary meeting of the Pensions Committee held on 19th November 2009.

4. UNRESTRICTED REPORTS FOR CONSIDERATION

4 .1 Report of the Investment Panel for Quarter Ending 30th September 2009 (Pages 7 - 12)

4 .2 Proposals for a National Challenge Trust at St Paul's Way Community - admission of support staff to Local Government Pension Scheme (Pages 13 - 18)

5. ANY OTHER UNRESTRICTED BUSINESS CONSIDERED TO BE URGENT

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Agenda Item 2

DECLARATIONS OF INTERESTS - NOTE FROM THE CHIEF EXECUTIVE

This note is guidance only. Members should consult the Council's Code of Conduct for further details. Note: Only Members can decide if they have an interest therefore they must make their own decision. If in doubt as to the nature of an interest it is advisable to seek advice **prior** to attending at a meeting.

Declaration of interests for Members

Where Members have a personal interest in any business of the authority as described in paragraph 4 of the Council's Code of Conduct (contained in part 5 of the Council's Constitution) then s/he must disclose this personal interest as in accordance with paragraph 5 of the Code. Members must disclose the existence and nature of the interest at the start of the meeting and certainly no later than the commencement of the item or where the interest becomes apparent.

You have a **personal interest** in any business of your authority where it relates to or is likely to affect:

- (a) An interest that you must **register**
- (b) An interest that is not on the register, but where the well-being or financial position of you, members of your family, or people with whom you have a close association, is likely to be affected by the business of your authority more than it would affect the majority of inhabitants of the ward affected by the decision.

Where a personal interest is declared a Member may stay and take part in the debate and decision on that item.

What constitutes a prejudicial interest? - Please refer to paragraph 6 of the adopted Code of Conduct.

Your personal interest will also be a prejudicial interest in a matter if (a), (b) and either (c) or (d) below apply:-

- (a) A member of the public, who knows the relevant facts, would reasonably think that your personal interests are so significant that it is likely to prejudice your judgment of the public interests; AND
- (b) The matter does not fall within one of the exempt categories of decision listed in paragraph 6.2 of the Code; AND EITHER
- (c) The matter affects your financial position or the financial interest of a body with which you are associated; or
- (d) The matter relates to the determination of a licensing or regulatory application

The key points to remember if you have a prejudicial interest in a matter being discussed at a meeting:-

- i. You must declare that you have a prejudicial interest, and the nature of that interest, as soon as that interest becomes apparent to you; and
- ii. You must leave the room for the duration of consideration and decision on the item and not seek to influence the debate or decision unless (iv) below applies; and

- iii. You must not seek to improperly influence a decision in which you have a prejudicial interest.
- iv. If Members of the public are allowed to speak or make representations at the meeting, give evidence or answer questions about the matter, by statutory right or otherwise (e.g. planning or licensing committees), you can declare your prejudicial interest but make representations. However, you must immediately leave the room once you have finished your representations and answered questions (if any). You cannot remain in the meeting or in the public gallery during the debate or decision on the matter.

Agenda Item 3

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS COMMITTEE

HELD AT 8.45P.M. ON THURSDAY, 19TH NOVEMBER 2009

COMMITTEE ROOM C1, 1ST FLOOR, TOWN HALL, MULBERRY PLACE, 5
CLOVE CRESCENT, LONDON, E14 2BG

Members Present:

Councillor Rajib Ahmed - (Chair)
Councillor Marc Francis
Councillor Denise Jones
Councillor Waiseul Islam
Councillor David Snowdon

Other Councillors Present:

None.

Officers Present:

Alan Finch - Service Head Corporate Finance (Resources)
Ian Talbot - Interim Capital and Investment Manager
(Resources)
Daniel Hudson - Democratic Services

David O'Hara - Investment Advisor Hymans Robertson & Co.
Raymond Haines - Chair of Pensions Fund Investment Panel
John Gray - Trade Union Representative
Fred West - Trade Union Representative

1. APOLOGIES FOR ABSENCE

Apologies for absence were received on behalf of Councillors Helal Abbas and T. O'Flaherty.

2. DECLARATIONS OF INTEREST

Members who had joined the Local Government Pension Scheme declared a personal interest as Members of the scheme.

Councillor D. Snowdon declared a non-pecuniary interest in agenda item 5.3.

3. UNRESTRICTED MINUTES

The Chair **Moved** and it was **RESOLVED**

That the unrestricted minutes of the meeting of the Pension Committee held on Thursday 13th August 2009 be approved and signed by the Chair as a correct record of the proceedings.

4. DEPUTATIONS & PETITIONS

None received.

5. UNRESTRICTED REPORTS FOR CONSIDERATION

5.1 Report of the Investment Panel for Quarter Ending 30th June 2009

The Service Head Corporate Finance (Resources) introduced the item.

Members discussed the information contained within the report and were given reassurance in relation to the performance of a number of fund managers.

RESOLVED that the report be noted.

5.2 Local Government Pensions Scheme Annual Report

While recognising that additional work needed to be done in respect of confirming the number and names of Admitted Bodies it was **RESOLVED** that the report be noted.

5.3 Selection of Bonds Manager

Following a comprehensive introduction by the Service Head Corporate Finance (Resources) it was **RESOLVED** that from a date to be agreed Investec Asset Management be appointed to manage an active bonds portfolio with funds transferred from the bonds mandate currently managed by Aberdeen Asset Management.

In reply to a point raised it was agreed that the next meeting of the Investment Panel would give due consideration to the request made by the Trade Union Representative in respect of the United Nations Pension Code.

6. ANY OTHER UNRESTRICTED BUSINESS CONSIDERED TO BE URGENT

6.1 Structure of Investment Panel and Pension Committee Meetings

Following a wide ranging debate it was agreed that the existing arrangements be retained although it was recognised that the Investment Panel needed to conduct its business in a more efficient manner.

The meeting ended at 9.20p.m.

Chair, Councillor Rajib Ahmed
Pensions Committee

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Agenda Item 4.1

COMMITTEE: Pensions Committee	DATE: 17th February 2010	CLASSIFICATION: Unrestricted	REPORT NO.	AGENDA NO. 4.1
REPORT OF: Corporate Director of Resources ORIGINATING OFFICER(S): Oladapo Shonola – Chief Financial Strategy Officer		TITLE: Report of Investment Panel for Quarter Ending 30th September 2009. Ward(s) affected: N/A		

Lead Member	Cllr Ohid Ahmed – Resources and Performance
Community Plan Theme	All
Strategic Priority	One Tower Hamlets

1. SUMMARY

- 1.1 This report informs Members of the activities of the Investment Panel and the performance of the Fund and its investment managers for the period ending 30th September 2009.
- 1.2 In the quarter to the end of September 2009 the Fund achieved a return of 15.3% which was slightly over the benchmark return of 15.2%. The twelve months return of 7.1% was marginally below the benchmark return of 7.3%. For longer periods, performance continued to lag behind the benchmark with the three years return of 0.2% underperforming the benchmark return of 0.9% and the five years return of 6.2% underperforming the benchmark return of 6.7%.
- 1.3 The performance of individual managers was variable. Five managers achieved returns above the benchmark whilst the remaining three were below. The variability of returns does however partially reflect the management structure of the fund where complementary investment styles reduce the volatility of returns.
- 1.4 The distribution of the Fund amongst the different asset classes is broadly in line with the benchmark.

2. DECISIONS REQUIRED

- 2.1 Members are recommended
 - 2.1.1 To note the contents of this report.

3. REASONS FOR DECISIONS

- 3.1 There are no decisions to be made as a result of this report. The report is written to inform panel members of performance of pension fund managers and the overall performance of the Tower Hamlets Pension Fund. The report also updates the Committee on the activities of the Investment Panel.

4. ALTERNATIVE OPTIONS

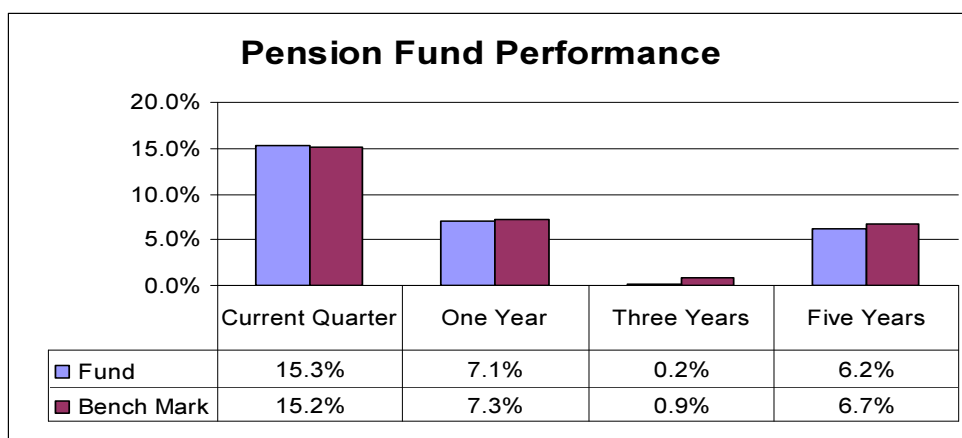
- 4.1 The Pension Fund Regulations requires that the Council establishes arrangements for monitoring the investments of the pension Fund. No alternative method of meeting the Pension Fund Regulations requirement has so far been identified.

5. BACKGROUND

- 5.1 The Pension Fund Regulations require that the Council establish arrangements for monitoring the investments of the Fund and the activities of the investment managers and ensure that proper advice is obtained on investment issues.
- 5.2 This Committee has established the Investment Panel, which meets quarterly for this purpose. The Panel's membership comprises all Members of the Pensions Committee, an Investment Professional as Chair, an Independent Financial Adviser, and the Corporate Director of Resources represented by the Service Head Corporate Finance, two trade union representatives and one representative of the admitted bodies. The Investment Panel is an advisory body which makes recommendations to the Pensions Committee which is the decision making body.
- 5.3 This report informs Members of the activities of the Investment Panel and performance of the Fund and its investment managers for the period ending 30th September 2009.

6 INVESTMENT PERFORMANCE

- 6.1 The Fund achieved a return of 15.3% in the quarter compared to the benchmark return of 15.2%.
- 6.2 The performance of the fund over the longer term is as set out in table 1.



- 6.3 The relatively low returns between the one to three year figures illustrate the volatility and cyclical nature of financial markets and are within the range of expectations used by the Fund actuary in assessing the funding position. The Fund can take a long term perspective on investment issues principally because a high proportion of its pensions liabilities are up to sixty years in the future. Consequently it can effectively ride out short term volatility in markets.

7. MANAGERS

- 7.1 The Fund currently employs eight specialist managers with mandates corresponding to the principal asset classes. The managers are as set out below:

Table 2: Management Structure

Manager	Mandate	Value £M	Target % of Fund	Date Appointed
GMO	Global Equity	179.8	25.0%	29 Apr 2005
Baillie Gifford	Global Equity	113.7	16.0%	5 Jul 2007
Martin Currie	UK Equity	85.4	12.0%	17 Jan 2006
Aberdeen (Equities)	UK Equity	62.8	10.5%	6 Jul 2007
Aberdeen (Bonds)*	Bonds	164.8	21.0%	28 Feb 2006
Schroder	Property	59.3	12.0%	30 Sep 2004
Record	Currency	9.6	1.5%	2 Sep 2008
Auriel	Currency	10.7	2.0%	2 Sep 2008
Total		686.1	100.0%	

*The Pension Funding is in the process of replacing Aberdeen (Bonds) with Investec Asset Management

- 7.2 The fund value of £686.1 million held by the managers has risen by £91.2 million (15.3%) over the quarter.
- 7.3 The performance of the individual managers relative to the appropriate benchmarks is as set out in table 3.

Table 3: Manager Investment Performance relative to benchmark

Manager	Current Quarter	One Year	Three Years	Five Years
GMO	-0.20%	-1.70%	0.00%	0.00%
Baillie Gifford	1.60%	1.80%	1.20%	0.00%
Martin Currie	-1.00%	-2.60%	-4.20%	-3.00%
Aberdeen (Equities)	1.80%	-1.90%	-2.90%	
Aberdeen (Bonds)*	1.10%	-0.30%	0.10%	0.00%
Schroder	0.40%	1.00%	1.50%	1.50%
Record	-11.40%	-17.30%		
Auriel	8.80%	4.70%		
Total Variance	1.10%	-16.30%	-4.30%	-1.50%

- 7.4 **GMO** marginally underperformed the benchmark over the quarter. As with the previous quarter they attribute this to the outperformance of the more “speculative” stocks and their bias to “higher quality” stocks.
- 7.5 **Baillie Gifford** continues to perform strongly, with the outperformance over the quarter sourced particularly from Financial Holdings.
- 7.6 **Martin Currie** underperformed by 0.8% over the quarter. Again they attribute their underperformance to the widespread indiscriminate rally in the market as a whole, outpacing the gains made on their favoured stocks (high quality blue chip). However, Martin Currie’s overall performance since commencement of contract has been disappointing so there are questions to be answered over the reasons for the longer term performance which lags well behind the benchmark return.

- 7.7 **Aberdeen (UK Equities)** outperformed the FTSE All Share index over the quarter. Stock selection contributed most to outperformance while sector selection had an overall positive but much smaller effect. Despite the strong Q3, performance over 12 months now looks disappointing, with Q3 of 2008 dropping out of the calculation (Aberdeen had significant outperformance in that quarter). Longer term performance also remains poor.
- 7.8 **Aberdeen (Bonds)** outperformed over the quarter, the holding of longer dated gilts was beneficial as was the exposure to Financials with corporate bonds. Relative performance over the longer term remains flat. Investec have been appointed to replace Aberdeen for the bonds mandate.
- 7.9 **Schroder** property had its first positive quarter in over 2 years with the benchmark returning 2.1%. Schroder outperformed the benchmark with a strong contribution from their Continental Europe fund. Long term performance is ahead of benchmark too.
- 7.10 **Record** underperformed over quarter 3. Losses were attributable to the strengthening Yen against both Sterling and the Euro in particular. This was the main reason for the underperformance in their "Forward Rate Bias" strategy, whereas in their Range Trading Strategy positions in the Swedish Krona versus Euro hurt.
- 7.11 **Auriel** outperformed their benchmark by 8.9%. Gains resulted predominantly from the short US dollar position versus the New Zealand dollar, Australian dollar and Norwegian Krone. Their sentiment indicators had a strong quarter, along with the short-term technical model. This was a very good quarter for Auriel.

8 ASSET ALLOCATION

- 8.1 The allocation of investments between the different asset classes was determined in conjunction with the Councils professional advisors in 2004. The asset allocation is determined by a number of factors including:-
- 8.1.1 The risk profile. Generally there is a trade-off between the returns obtainable on investments and the level of risk. Equities have higher potential returns but this is achieved with higher volatility. However, as the Fund remains open to new members and able to tolerate this it can seek long term benefits of the increased returns.
- 8.1.2 The age profile of the Fund. The younger the members of the Fund are the longer the period before pensions become payable and investments have to be realised for this purpose. This enables the Fund to invest in more volatile asset classes because it has the capacity to ride out adverse movements in the investment cycle.
- 8.1.3 The deficit recovery term. All Council funds are in deficit because of falling investment returns and increasing life expectancy. The actuary determines the period over which the deficit is to be recovered and considers the need to stabilise the employer's contribution rate. The actuary has set an eighteen year deficit recovery term for this Council which enables a longer term investment perspective to be taken.

- 8.2 The benchmark asset distribution and the position at the 30th September 2009 are as set out below:

Table 4: Asset Allocation

Fund Type	Benchmark 30 Sep 2009	Fund Position	Variance as at 30 Sep 2009	Variance as at 31 Mar 2009
UK Equities	26.5%	26.8%	0.3%	-2.8%
Global Equities	37.0%	36.9%	-0.1%	-2.3%
Total Equities	63.5%	63.7%	0.2%	-5.1%
Property	12.0%	8.2%	-3.8%	-2.4%
UK Bonds	12.5%	14.5%	2.0%	3.9%
Overseas Bonds	0.0%	1.4%	1.4%	1.6%
UK Index Linked	8.5%	7.3%	-1.2%	0.1%
Cash	0.0%	1.9%	1.9%	2.5%
Currency	3.5%	3.0%	-0.5%	-0.6%
Total Equities	100.0%	100.0%	0.00%	0.00%

- 8.3 Individual managers have discretion within defined limits to vary the asset distribution.
- 8.4 In addition the distribution will vary according to the relative returns of the different asset classes. Equity markets have been recovering over the past several months and indexes are now nearing pre-recession levels. This has corrected the temporary distortion in the distribution of assets, so that the actual distribution of assets is similar to targets.

9. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 9.1. The comments of the Corporate Director Resources have been incorporated into the report.

10. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL)

- 10.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 requires the Council, as an administering authority, to invest fund money that is not needed immediately to make payments from the Pensions Fund. The Council is required to have a Statement of Investment Principles that sets out its investment policy.
- 10.2 The Council does not have to invest the fund money itself and may appoint one or more investment managers. Where the Council appoints an investment manager, it must keep the manager's performance under review. At least once every three months the Council must review the investments that the manager has made and, periodically, the Council must consider whether or not to retain that manager.
- 10.3 One of the functions of the Pensions Committee is to meet the Council's duties in respect of investment matters. It is appropriate, having regard to these matters, for the Committee to receive information about asset allocation and the performance of appointed investment managers.

11. ONE TOWER HAMLETS CONSIDERATIONS

- 11.1 The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will reduce the contribution and increase the funds available for other corporate priorities.
- 11.2 A viable pension scheme also represents an asset for the recruitment and retention of staff to deliver services to the residents.

12. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 12.1 There is no Sustainable Action for A Greener Environment implications.

13. RISK MANAGEMENT IMPLICATIONS

- 13.1 Any form of investment inevitably involves a degree of risk.
- 13.2 To minimise risk the Investment Panel attempts to achieve a diversified portfolio. This diversification relates to both asset classes and management styles.

14. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 14.1 There are no any crime and disorder reduction implications arising from this report.

15. EFFICIENCY STATEMENT

- 15.1 The monitoring arrangement for the Pension Fund and the work of the Pension Fund Investment Panel should ensure that the Fund optimises the use of its resources in achieving the best returns for members of the Fund.

LOCAL GOVERNMENT ACT 1972 (AS AMENDED) SECTION 100D

LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT

Brief description of "background papers"

***Name and telephone number of holder
And address where open to inspection***

*Review of Investment Managers' Performance for
the 3rd Quarter Report – prepared by Hymans
Robertson LLP*

*Oladapo Shonola Ext. 4733
Mulberry Place, 4th Floor.*

Agenda Item 4.2

Committee: Pensions Committee	Date: 17 February 2010	Classification: Unrestricted	Report No:	Agenda Item: 4.2
Report of: Corporate Director Children, Schools and Families Originating officer(s) Susan Acland-Hood/Kate Bingham		Title: Proposals for a National Challenge Trust at St Paul's Way Community – admission of support staff to Local Government Pension Scheme Wards Affected: Mile End East		

1. SUMMARY

- 1.1 On the 23rd December 2009, the St Paul's Way Interim Executive Board determined to implement on 26th February 2010 its proposals to make prescribed alterations to St Paul's Way School, involving a change from community school to foundation school (more particularly a National Challenge Trust).
- 1.2 Trust status will also mean that the new Governing Body becomes the employer of all staff at the school, rather than the London Borough of Tower Hamlets itself being the employer.
- 1.3 Teaching staff at the school can continue to be members of the Teachers' Pension Scheme after the transfer of employment without any special arrangements being made. Non teaching staff at the school can continue to be members of the Local Government Pension Scheme (LGPS) after the transfer of employment provided they have the consent of their new employer (the governing body) and an appropriate resolution is passed by the local authority that previously employed them (London Borough of Tower Hamlets).
- 1.4 The Local Government Pension Scheme (Administration) Regulations 2008 state that where the local education authority has, with consent of a foundation school, designated a person, or a class of employees to which the person belongs, as being eligible for membership of the LGPS, the person may be an active member of the scheme. For the purposes of administration of the LGPS and construing the 2008 Regulations, such persons are "deemed to be in employment with the relevant local authority".
- 1.5 This report proposes a resolution to the pensions committee to allow the non teaching staff at the Trust School to continue to be members of the LGPS.

2. RECOMMENDATION

The Committee is recommended to –

- 2.1 Authorise the Corporate Director Resources, on receipt of consent from the governing body of St Paul's Way School, to designate non-teaching staff employed by the Trust as person who are eligible for membership of the LGPS.

3. BACKGROUND

- 3.1. National Challenge Trusts (NCT) are intended for schools where fewer than 30% of pupils are achieving 5 A*-Cs at GCSE (including English and Maths), and where it is agreed that replacement with an Academy is not an option. The key aim of a National Challenge Trust is to use the experience, energy and expertise from partners as a lever to raise standards in schools.
- 3.2. NCT schools are set up under the same arrangements as for trust schools, but with two key differences:
 - NCTs must be led by a strong school or other education partner (HEI, independent school or FE College);
 - The Trust is set up in such a way so that the strong school/education partner can take charge of the governance of the weak school with the Trust appointing *the majority* of the school's governors.
- 3.3. In response to the National Challenge scheme, the Interim Executive Board proposed Trust status for St Paul's Way school and has managed the process with close support from the local authority.
- 3.4. The Trust will be incorporated and commence to operate as the foundation for St Paul's Way School from the 26th of February 2010. The Council will be a member of the Trust, along with Queen Mary, University of London, The Institute of Education (University of London), King's College London, The University of East London, Catlin Group Ltd and NHS Tower Hamlets.
- 3.5. Trust status will also mean that the new Governing Body becomes the employer of all staff at the school, rather than the London Borough of Tower Hamlets itself being the employer.

- 3.6. Teaching staff at the school can continue to be members of the Teachers' Pension Scheme after the transfer of employment without any special arrangements being made. Non teaching staff at the school can continue to be members of the Local Government Pension Scheme (LGPS) after the transfer of employment provided they have the consent of their new employer (the governing body) and an appropriate resolution is passed by the local authority that previously employed them (London Borough of Tower Hamlets).
- 3.7. The Local Government Pension Scheme (Administration) Regulations 2008 provide a mechanism for making persons employed to work at foundation schools eligible for membership of the LGPS, as specified in paragraph 1.4 above.

4. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 4.1. Under the proposal support staff who are existing LGPS members will change employer from the Council to the governing body of the relevant trust. The pension scheme liabilities in relation to these staff will remain with the school from its budget share, as they do currently.
- 4.2. The rate of employer contributions payable by the Trust will be the same as the prevailing rate for the Council as an employer (i.e. the same as for other schools), but the Authority will continue to take actuarial advice on the level of contributions required to finance the scheme. Therefore, the employer's (St Paul's Way Comm. School Trust) contribution rate may vary in future.
- 4.3. Designating non-teaching support staff at these schools as a class of employee eligible for membership of the LGPS will mean new employees at the school will also be eligible to join the scheme.
- 4.4. It is important that St Paul's Way Community (Trust) School continues to abide by the Council's policies and procedures for the approval of early retirements and redundancies that result in early retirement. Early retirements cause a strain on the Pension Fund, so the approval and funding of such retirements must be carefully managed.

5. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL)

- 5.1. The proposal by the governing body of St Paul's Way school to become a foundation school is governed by the School Organisation (Prescribed Alterations to Maintained Schools) (England) Regulations 2007. Pursuant to the Prescribed Alterations Regulations, a person who was employed by the local education authority immediately before the implementation date (26 February 2010) to work solely at the school transfers to the governing body of the foundation school on the implementation date. The person's contract of employment has effect from the implementation date as if originally made with the governing body. The authority's rights, powers, duties and liabilities transfer to the governing body. Things done by the Council before the implementation date in respect of the contract of employment are deemed to have been done by the governing body.

- 5.2. The Local Government Pension Scheme (Administration) Regulations 2008 deal with membership of the Local Government Pension Scheme (“LGPS”). A person may be an active member of the Scheme if he or she is so enabled by one of the specified regulatory provisions and is not excluded by regulation 12 of the Administration Regulations. Specific provision is made in regulation 8 of the Administration Regulations for employees of a voluntary school, a foundation school, a foundation special school, or a technical institute or similar institution to be made eligible for membership of the LGPS. The effect of regulation 8 as it applies to a foundation school is correctly summarised in paragraph 1.4 of the report.

6. ONE TOWER HAMLETS CONSIDERATIONS

Reduce inequalities

- 6.1 The area around St Paul’s Way is one of the most deprived areas in the borough. Pupils at St Paul’s way Community School achieve less well than their peers in other schools in the borough, which significantly impacts on their life chances given what we know about the links between educational outcomes and deprivation. The aim of National Challenge Trusts is to raise standards in schools, by using the experience and expertise of their partners. This new form of governance will help to accelerate education outcomes and thereby improve life chances for pupils at the school and the local community. In the long term this will help to break the cycle of poverty, one of the key strands in our child poverty strategy.

Ensure strong community cohesion

- 6.2 There is a package of development in the St Paul’s Way area focused on bringing communities together. Alongside the development of the new school and governance arrangements, the goal is to make St Paul’s Way the school of choice for local families, where all children in the local area go to the same school thereby strengthening community cohesion.

Strengthen community leadership

- 6.3 The new governance arrangements will create a strong governing body; there will also be a representative from the local community on the governing body.

7. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 7.1 There are no Sustainable Action for a Greener Environment implications.

8 RISK MANAGEMENT IMPLICATIONS

- 8.1 If this resolution is not passed there is a significant risk of support staff accusing the council of inconsistency by not allowing them to be active members of the Local Government Pension Scheme.

9. EFFICIENCY STATEMENT

- 9.1 The proposals will result in greater efficiency and better use of existing resource.

**Local Government Act, 1972 Section 100D (As amended)
List of “Background Papers” used in the preparation of this report**

Towards a Step Change in Educational outcomes;

Establishing a National Challenge Trust School at St Paul’s Way Community School

<http://www.trustandfoundationschools.org.uk/PDF/Trustee%20Handbook%20-%20Essential%20information%20for%20trust%20schools.pdf>

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