

Report to:	Sutton Shareholdings Board	Date:	27 June 2018
Report title:	Cognus Ltd: Approval of Written Resolutions		
Report from:	Nick Ireland, Acting Strategic Director for People		
Ward/Areas affected:	Borough Wide		
Chair of Committee/Lead Member:	Councillor Sunita Gordon, Chair		
Author(s)/Contact Number(s):	Tracey Burley, Managing Director, Cognus Ltd		
Corporate Plan Priorities:	<ul style="list-style-type: none"> • A Smart Council 		
Open/Exempt:	Open		
Signed:		Date:	14 June 2018

1. Summary

- 1.1 The purpose of this report is to secure Written Resolutions for two reserved matters as outlined in the recommendations.

2. Recommendations

The Sutton Shareholdings Board is recommended to:

- 2.1 Agree that the company enter into a pension scheme provided by Standard Life for which an ordinary written resolution is required.
- 2.2 Approve the company's adoption of the annual business plan for which a special written resolution is required.
- 2.3 Approve that the Acting Strategic Director - People sign the written resolutions on behalf of the Council as shareholder.



3. Background

- 3.1 Cognus is 75% owned by the London Borough of Sutton and 25% owned by 21 schools across Sutton. Under the Shareholders' Agreement there are a number of Reserved Matters which require the prior consent of shareholders through either a Simple Majority of 75% or an Enhanced Majority of 90%. As a result, both Written Resolutions will be circulated to all shareholders of the Company.

4. Issues

Pension Scheme

- 4.1 At a previous Sutton Shareholdings Board, members explored what opportunities there were for the company to reduce costs. The discussion focussed on the existing requirement for the Company to enrol new staff on the Local Government Pension scheme and whether this could be reconsidered. This was clearly identified by the Managing Director as a key cost saving option that could be made by the company in the future through the development of a new group pension plan on a defined contribution basis. This scheme would be used for future auto-enrollment.
- 4.2 The Managing Director has sought professional advice from an approved independent financial adviser and instructed the adviser that Cognus is seeking a high-quality pension scheme that is regulated by the Financial Conduct Authority and has sound financial standing.
- 4.3 The scheme recommended, offered by Standard Life, has a strong track record and good credit ratings, the scheme includes online administration, UK based phone support and employee engagement support.
- 4.4 The proposed use of Standard Life will provide a defined contribution scheme with equal employer and employee contributions up to the rate of 8%. This enables flexibility for those employees who choose to make a lower rate of contribution and ensures that Cognus will continue to meet all future auto enrolment legislation.
- 4.5 The current legal requirement is employer contributions of 2% of pensionable pay increasing to 3% from April 2019. By April 2019 the total employee and employer contributions will be 8%, Cognus is proposing a total employee and employer contribution of 16%. Thus, ensuring the company remains competitive in the labour market.

Annual Business Plan

- 4.6 The Company has produced an Annual Business Plan which is appended to this report. Members of Sutton Shareholdings Board have previously been offered the opportunity to meet with the Managing Director and discuss the Business Plan in detail, an equal offer has been made to all B shareholders.

- 4.7 All feedback received has been considered and the Cognus Business Plan, initially approved by the Board of Directors, is presented to Sutton Shareholdings Board.
- 4.8 The Company is presently developing a Three Year Corporate Plan which will provide greater insight into the strategic direction of the organisation and which will be circulated with all shareholders to seek approval in due course.

5. Options Considered

Pension Scheme

- 5.1 The proposal received by the Board of Directors narrowed the most appropriate products to those supplied by NEST, Standard Life and Aviva. A number of providers including Zürich, Royal London and Aegon declined to quote due to the low number of employees who may be eligible at the start of the scheme.
- 5.2 The Board of Directors authorised the Managing Director to seek approval from the shareholders for the Company to establish a pension scheme through Standard Life. The reasons for this decision were primarily around the security of the fund, the cost-effective management fees and the online administration of the scheme.

Annual Business Plan

- 5.3 Various iterations of the Cognus business plan have been drafted and ongoing discussion has taken place with both A and B shareholders and other key stakeholders. The Annual Business Plan submitted is representative of this iterative process.

6. Impacts and Implications

Financial

- 6.1 Using the Standard Life pension scheme would reduce the Cognus employer contributions from 20.6% to 8% for all new employees. The management fees charged by standard life would be 0.75%, plus an additional fee of £100 per month. The savings to the Company would not be immediate but would be realised over a period of time as the number of employees on the Standard Life scheme increases.
- 6.2 Cognus is committed to combined employee and employer contributions of 16% to ensure that we remain competitive in the labour market, this will be double the minimum legal requirement by April 2019. Cognus is also aware of the need to continue to develop our reputation as an employer of choice, but we recognise that this is achieved not just through pension benefits but through a wider range of features of which financial reward is just one part and work is ongoing to ensure Cognus remains a desirable place to work.
- 6.3 Financial forecasts are included within the Cognus Annual Business Plan.

Legal

- 6.4 There are no legal implications of establishing a new pension scheme for new employees of Cognus. All requirements under the transfer of Undertakings (Protection of Employment) regulations (TUPE) will remain met through employees and their current roles continuing under their existing Local Government Pension Scheme arrangements.
- 6.5 Cognus is currently and will remain compliant with the requirements of the pensions regulator through the current pension offer and the proposed future pension offer.
- 6.6 The Commissioning Agreement with the London Borough of Sutton will need to be updated to reflect the alternative pension option available to Cognus employees.

7. Appendices and Background Documents

Appendix letter	Title
A	Cognus Annual Business Plan 2018/19
B	Ordinary Resolution Business Pension
C	Special Resolution Business Plan

Background documents
None

Audit Trail		
Version	Final	Date: 14 June 2018
Consultation with other officers		
Finance	The Company has sought the views of the Board of Directors and a pensions specialist adviser.	N/A
Legal	No	N/A
Equality Impact Assessment required?	No	N/A