

Decision Maker: **RESOURCES, COMMISSIONING AND CONTRACTS
MANAGEMENT PORTFOLIO**

Date: **Wednesday 5 September 2018**

Decision Type: Non-Urgent Executive Key

Title: **EMPLOYEE BENEFITS**

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Chief Officer: Director of Human Resources

Ward: Not Applicable

1. REASON FOR REPORT

1.1 The contract with our current employee benefits provider, Sodexo, is due to end on 9th December 2018.

1.2 The report sets out:

- Summary of the outcome of soft market testing exercise undertaken by officers
- The business case to enter into the Crown Commercial Services CCS framework for a new employee benefits provider.

2. RECOMMENDATION(S)

Members of the Executive, Resources & Contracts Policy and Development Committee are asked to:

2.1 Note the outcome of the soft market testing exercise.

The Portfolio Holder is asked to:

2.2 Agree to enter into the CCS Framework and engage with Edenred to provide Employee Benefits services for the total contract value of up to £544,150. The total contract value includes the vouchers for the merited rewards.

2.3 Agree the contract term as set out in para 3.25 of this report for a period of 4 years.

Impact on Vulnerable Adults and Children

Summary of Impact: The provision of employee benefits services is vital for the Council in attracting and retaining employees to LB Bromley, especially in hard to fill posts such as Social Work positions.

Corporate Policy

1. Policy Status: Existing Policy
 2. BBB Priority: Excellent Council
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Financial

1. Cost of proposal: Estimated Cost: £544,150
 2. Ongoing costs: Recurring Cost: £136k
 3. Budget head/performance centre: Human Resources
 4. Total current budget for this head: £200k
 5. Source of funding: Existing revenue budget for 2018/19
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Personnel

1. Number of staff (current and additional): N/A
 2. If from existing staff resources, number of staff hours: N/A
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Legal

1. Legal Requirement: None
 2. Call-in: Applicable
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Procurement

1. Summary of Procurement Implications: EU compliant framework
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 1464 employees
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not Applicable

3. COMMENTARY

3.1 This report provides members with an overview of the history of the employee benefits contract along with the outcomes of soft market testing and proposals for a replacement provider.

Contract History

3.2 The Council's current Employee Benefits contract is provided by Sodexo (formerly P&MM). The contract has been with Sodexo since September 2007 with the current contract due to expire on 9th December 2018.

3.3 Whilst officers are on the whole satisfied with the current contractor's performance there are no further extensions under the terms of the Contract and the service will need to be retendered.

3.4 HMRC have also made changes to certain salary sacrifice schemes, such as the technology schemes, meaning that the employer NI savings, which funded the leisure & retail element, are no longer in place.

3.5 In October 2018, there are also changes planned to Childcare Vouchers with the introduction of a government scheme. Therefore, from October 2018, only employees currently within the salary sacrifice scheme at this point can continue to pay into this and therefore the employer NI savings received from this will reduce once they choose to leave the scheme.

Current Scope of Employee Benefits

3.6 The following services are currently included in the Employee Benefits Contract:

- Childcare Vouchers
- Cycle to Work Scheme
- Technology Salary Sacrifice
- Telephone Salary Sacrifice
- Leisure & Retail Discount Portal (including access to discounted vouchers)

3.7 Following a previous review, the telephone salary sacrifice scheme has not proved worthwhile and we would therefore not look to replace this element.

3.8 The £135,000 annual spend for merited rewards, previously agreed as part of Localised Pay, does not currently form part of this contract.

Summary of Business Case

3.9 In April 2013, the Council withdrew from national terms and condition and introduced Localised Pay.

3.10 A key part of Localised Pay was to acknowledge and invest in staff, and improve the Council's ability to recruit and retain a skilled and flexible workforce in challenging times

3.11 Both employee benefits and reward pay a huge part in the Council's ability to recruit and retain staff, especially those in shortage, hard to fill, occupations.

- 3.12 As part of the Localised Pay agreement, Members agreed an annual amount of £200,000 towards merited pay to reward employees for exceptional performance. The estimated spend on vouchers totals approximately £135k per annum, with an additional £65,000 being paid for NI and tax.
- 3.13 Currently, the voucher spend is not included within the employee benefits contract. It would therefore be beneficial to include this going forward to create a more streamlined process in the distribution of vouchers.
- 3.14 HMRC have made changes to some salary sacrifice schemes, which will result in the loss of some of the employer NI savings which are used to fund this contract. It is therefore important for us to find more competitive, affordable services.
- 3.15 As part of the review of the current services, officers have also reviewed a number of different aspects to this contract as follows:

Options to add additional services in

- 3.16 In addition to the current services set out in para 3.6 of this report, HR reviewed the additional services which could be included into the contract. Those services included the following:
- Online Vouchers for Merited Reward
 - Salary Sacrifice Gym Membership
 - Annual Leave Purchasing
 - Salary Sacrifice Lease Car Arrangements
- 3.17 Online Vouchers for Merited Reward would create a more streamlined service when administering the annual scheme and provide a quick and easy way for employees to access and choose their own vouchers. This would be fully auditable and save officer time.
- 3.18 Salary Sacrifice Gym Membership would link to Dep Rep Dream Organisation suggestions and also help to support a healthy workforce.
- 3.19 Although annual leave purchasing and salary sacrifice lease car arrangements could both bring potential savings in employer NI costs, these would both need further investigation and therefore will not be progressed at this stage.

Options to remove current services

- 3.20 Officers reviewed the current employee benefits offerings and will not provide a telephone salary sacrifice scheme going forward. The benefit to employee and employer was minimal and the take up very low.

Options Appraisal

3.21 Option 1 – Do Nothing (Not recommended)

3.21.1 The Council require an employee benefits service in order to attract candidates to work for the London Borough of Bromley, to enable the Council to continue to deliver value for money services to its residents and continue to work towards achieving the Building a Better Bromley 2020 Vision. Providing a good range of employee benefits is a key part of recruitment and retention.

3.21.2 For these reasons, the option to do nothing is not recommended.

3.22 Option 2 – Join the ESPO Framework (not recommended)

3.22.1 Although the ESPO framework offers benefits in not having to complete a full tender exercise, the costs associated with this, for one off and ongoing costs, are still much higher than those offered under the CCS framework (detailed in para 3.24).

3.22.2 For these reasons, this option is not recommended.

3.23 Option 3 – Go out to a full tender exercise (not recommended)

3.23.1 Given a suitable framework is in place which has already been through the procurement process, offers a low cost option and given the timescales available to implement a new system, Officers do not consider there to be any benefits to going out to with a full tender exercise for this contract.

3.23.2 For these reasons, this option is not recommended.

3.24 Option 4 – Join the Crown Commercial Services (CCS) Employee Services RM3704 Framework (recommended)

3.24.1 Officers, with the assistance of procurement, have reviewed the CCS Framework for Employee Services RM3704, of which Edenred are the sole provider. The CCS agreement allows Government departments including Local Authorities to benefit from its procurement route, meaning that the Council would avoid substantial procurement costs.

3.24.2 The framework offers access to Edenred as the sole provider, who have been selected for their ability to provide customers with a comprehensive range of services. The framework is compliant with UK/EU procurement legislation and there is no need for the Council to run a full EU procurement process.

3.24.3 The Framework went live on 12th November 2015 and ends on the 11th November 2018, although it now has an extension for a further year. It was an open procedure and OJEU notice was published

3.24.4 The key benefits of signing up to the Framework are:

- It is a far quicker process than going through a full tender process
- CCS have already been out and tested the market in the last few years as part of the process leaving little benefit to the Council of doing the same.
- CCS have already carried out a compliant UK/EU procurement process – little point to the Council incurring the costs of doing the same.
- During the process, Edenred have been reviewed for their financial stability and all other necessary due diligence and ability checks.
- Fixed price throughout the life of the contract, officers will not incur any additional charges.
- The pre-agreed basic contract terms are in place which will require legal input, however this will not require legal to draft contract documents from scratch.
- This will save officers time and cost on running a full procurement process.

3.24.5 The preferred options are further explored below.

Preferred Option

- 3.25 Officers recommend that the Council call off the CCS framework and enter into an agreement for a period of 4 years.
- 3.26 After initial market testing and review of the suppliers on the existing ESPO framework, officers were then advised about the CCS framework and the further cost savings that could be realised by looking at this route.
- 3.27 For comparison, the ESPO Framework pricing is below:

ESPO Framework Pricing

Company	Initial set up costs (one-off)	Annual Costs
Sodexo	No Cost (Existing Supplier)	<ul style="list-style-type: none"> £4.95 per head per annum 1-1000 employees £3.50 per head per annum 1001 + employees Childcare Vouchers 0.50% administration fee No administration fees on Cycle to Work or Technology
Edenred	£1,200	<ul style="list-style-type: none"> £1.35 per head per annum Childcare Vouchers 0.20% administration fee No administration fees on Cycle to Work or Technology
Wider Plan	£1,750	<ul style="list-style-type: none"> £0.15 per head per annum Childcare Vouchers 0.85% administration fee, subject to minimum charge of £2000 per annum No administration fees on Cycle to Work or Technology

- 3.28 Under the CCS Framework, Edenred are the sole provider. Costs are minimal, with no set up costs and a low administration cost on the childcare voucher scheme.
- 3.29 Under the CCS Framework, officers would have access to the reward portal, Compliment Select, which is not covered under the ESPO Framework. This would allow easy administration of the annual merited reward scheme.

3.30 There would be no set up costs involved in moving to Edenred under the CCS Framework.

3.31 Our existing Employee Benefits supplier, Sodexo, have confirmed they are unable to compete with the prices offered by Edenred under the CCS Framework.

CCS Framework Pricing

Company	Initial set up costs (one-off)	Annual Costs
Edenred	No Set Up Costs	<ul style="list-style-type: none"> • No cost per head • Childcare Vouchers – 0.18% Administration Fee • No administration fees on Cycle to Work, Technology or Compliments Select (Reward Portal) • £750 annual fee for Salary Sacrifice Gym Membership

3.32 The Total Contract Value for the maximum 4 year contract with Edenred would be up to £544,150. This amount includes the annual £135,000 for merited reward vouchers.

3.33 Outside of these frameworks, Officers also reviewed offerings from Zest and Thomsons.

3.34 Although there is a dedicated employee benefits market out there, for the reasons set out in para 3.23 of this report officers felt that there was little or no benefit to go out to a full tender exercise when Edenred offers such a low cost option under the CCS Framework.

Stakeholder Engagement

3.35 On-going discussions will take place with staff, Heads of Service and other affected service users throughout the implementation of this Contract.

Indicative Procurement Timescales

3.36 Post signing of the Contracts with the Framework Provider, the project is expected to require 2-3 months to complete and will need to be in place by the 10th December 2018 when the existing contract ends. The table below sets out the indicative timetable for the project

Task	Date
Commissioning Board	20 th August 2018
Executive, Resources and Contracts PDS	5 th September 2018
Enter in to discussions with the Framework and Edenred	6 th September 2018
Enter into the Framework	30 th September 2018

Project Kick Off	1 st October 2018
System to be in place (latest)	10 th December 2018

IT and GDPR

- 3.37 Any third party offering services of an independent web based solution would need to provide assurances and evidence to LBB that;
- Their connection to the site is via https
 - Provide evidence of regular suitable health checks
 - Have effective privacy notices
 - The system has site and administrator access controls
- 3.38 Although a web based solution has the afore detailed security implications, any other solution would have the same security implications but would also have additional overheads. By having an independent solution (from LBB network) we transfer the risk and costs
- 3.39 An agreed retention policy, and breach notification procedure would also need to be evidenced.
- 3.40 LBB would need to ensure that staff are made aware the proposed solution/services are independent to LBB and that LBB would not be liable for any personal information uploaded. The information provided would be owned by the provider as the data controller and so the contractual relationship ultimately will be between the employee and the company providing the requested product/service.
- 3.41 We should also make staff aware that the registration on the site is not compulsory as part of their employment.

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

- 4.1 The provision of employee benefits services is vital for the Council in attracting and retaining employees to LB Bromley, especially in hard to fill posts such as qualified Social Worker roles.

5. POLICY IMPLICATIONS

- 5.1 As the Council is already a Commissioning Authority as set out in the Council's Corporate Operating Principles and is key to achieving the Building a Better Bromley 2020 vision, the retendering of this Contract will continue to ensure that the service is provided as efficiently and effectively as possible, in light of the financial pressures facing the Council over the next few years.

6. FINANCIAL IMPLICATIONS

- 6.1 The current annual Employee Benefit contract is estimated to be £7.4k per annum. The cost of the scheme is funded by the savings in the Employer's National Insurance (NI) contributions.
- 6.2 Currently the cost of the Merit Award Vouchers do not form part of this contract. Approximately £135,000 is spent on vouchers per annum, with an additional £65,000 being paid for NI and tax.

6.3 The table below summarises the comparative costs of the companies within the two frameworks: -

	One-off Cost	Est Cost over 4 Years	Total Admin costs	Est cost of Merit Award Vouchers	Total Est Contract Sum
	£	£	£	£	£
ESPO Framework					
Sodexo	0	29,616	29,616 ✓	540,000	569,616
Edenred	1,200	9,183	10,383 ✓	540,000	550,383
Wider Plan	1,750	8,879	10,629 ✓	540,000	550,629
CCS Framework					
Edenred	0	4,150	4,150 ✓	540,000	544,150

6.4 Officers are recommending that the Council enter into the CCS Framework and engage Edenred to provide the Employee Benefits services including the vouchers for the Merit Awards. The estimated contract value will be £544,150 over the four year term.

6.5 The table below summarises the part year and full year effect of the proposal: -

	Current PYE 2018/19 £	New PYE £	Total 2018/19 £	FYE 2019/20 £
Estimated cost of existing contract	5,550	260	5,810	1,037
Estimated cost of vouchers (merit awards)	101,250	33,750	135,000	135,000
Total estimated cost	106,800	34,010	140,810	136,037
Budget for contract costs (funded from NI savings)	5,550	1,850	7,400	6,000
Budget for Merit Award Vouchers	101,250	33,750	135,000	135,000
Total Budget	106,800	35,600	142,400	141,000
Potential net saving depending on level of NI savings			-1,590	-4,963

6.6 Paragraph 3.5 of this report highlights that the effect of the HMRC changes in the Childcare Vouchers scheme will result in a gradual reduction in Employer NI savings over the next few years, although it is expected that the NI savings will be sufficient to cover the annual cost of the contract with Edenred.

6.7 It should therefore be noted that the small savings shown in table above will reduce over the next few years as the NI savings decrease as a result of the impact of the HMRC changes to the salary sacrifice schemes.

7. PERSONNEL IMPLICATIONS

7.1 There are no TUPE implications with this project

7.2 The other personnel implications are set out in the body of the report

8. LEGAL IMPLICATIONS

8.1 The Council may under Regulation 33 of the Public Contracts Regulations 2015 (Regulation) award the contract through a Framework Agreement set up by another public authority provided

it has been competitively tendered in compliance with the Regulation and the Council is named as a body who can access the Framework.

8.2 Any contract awarded will need to be in accordance with the Framework call-off procedure and using the call-off terms and conditions under the Framework.

9. PROCUREMENT IMPLICATIONS

9.1 To the extent that the expenditure envisaged is not considered to be an employee emolument, it falls in to being considered under the Public Contract Regulations 2015, as a Supply item, which is inclusive of a de minimise cost covering the provision of a Service. The requirements of the Regulations and the need to demonstrate “Value for Money” are met by sourcing this provision from an EU compliant framework, which the CCS contract provides.

Non-Applicable Sections:	[List non-applicable sections here]
Background Documents: (Access via Contact Officer)	[Title of document and date]