

COMMITTEE	Finance, Policy and Resources
DATE	20 th February 2014
DIRECTOR	Angela Scott
TITLE OF REPORT	Request for Authority to Procure Employee Benefits
REPORT NUMBER:	CG/14/04

1. PURPOSE OF REPORT

This report seeks the approval of the Committee to procure the provision of an employee benefits scheme.

2. RECOMMENDATION(S)

It is recommended that the Committee approve:

The Corporate Governance Service conducting a procurement exercise in line with Council Standing Orders, Financial Regulations and EU Legislation for the provision of an employee benefits service for an initial period of three years with the option to extend the contract for a twelve month period and then a further option to extend for a twelve month period and with an estimated expenditure of £5,000,000 (which will be reclaimed through the scheme and will accordingly be cost neutral). It should be noted that the expenditure figure is based on the anticipated amount salary sacrificed by employees over the duration of the employee benefits scheme. For the avoidance of doubt any procurement exercise undertaken will include the award of the contract to the highest scoring compliant bidder on the basis of the most economically advantageous offer.

The method of procurement shall be determined by the Head of Human Resources and Organisational Development in consultation with the Head of Procurement and if procurement for provision of an employee benefits service is to be by way of tender, then such tender shall either be solely conducted by Aberdeen City Council or conducted collaboratively with Aberdeenshire Council

3. FINANCIAL IMPLICATIONS

The value of this procurement is estimated to be between £1,000,000 and £5,000,000. The scheme operates in a cost neutral way to the Council. The Council saves 10% in National Insurance contributions when an employee chooses to utilise a salary sacrifice scheme and the

Council pays a fee to the provider. This results in there being no cost to the Council and some savings generated.

The budget for the Council's current provision of employee benefits is met from the savings generated from the utilisation of the employee benefits service by employees. Currently the employment benefits scheme is utilised by over 500 employees and to date has generated a saving of £44,000 to Aberdeen City Council. It is anticipated that further uptake in the use of the schemes will increase potential savings to the organisation.

4. DURATION OF CONTRACT

The duration of any contract to flow from this procurement process will be for an initial period of three years with the option to extend for two 12 month periods subject to the satisfactory performance of the Service provider.

5. OTHER IMPLICATIONS

Staff resources throughout the Corporate Governance Service will be involved in implementing the new contract.

6. BACKGROUND/MAIN ISSUES

The Council currently has a contract in place for an employee benefits scheme. The current contract is due to expire on the 30th November 2014 and was extended for a 12 month period following the initial 3 year contract term.

The contract was tendered by Aberdeen City Council with the capability for other Public Sector bodies to have access. Aberdeenshire Council exercised this option in 2013 and their contract expiry date aligns with that of Aberdeen City Council.

There are a number of opportunities available to Aberdeen City Council relative to the route to procure. These include utilising a number of existing nationally let framework agreements. The current options are:-

- Utilising existing national frameworks
- Tendering for employee benefits provision, or
- A combination of using existing frameworks and tendering some of the provision.

Given the success of partnership working and scale economies, it is the intention to undertake a collaborative tender exercise with Aberdeenshire Council: the Central Procurement Unit has ascertained that both parties are keen to collaborate and this is being explored in relation to deliver Best Value.

7. IMPACT

Should the outcome of the exercise result in a new supplier being appointed for the provision of an employee benefits service then the procurement timescales will allow for a lead-in period which should militate against any potential upheaval during the initial transition/implementation phase.

8. MANAGEMENT OF RISK

The risk to the organisation of not having an employee benefits service in place after November is that employees would not be able to access benefits and the Council may not be seen as an employer of choice.

9. BACKGROUND PAPERS

None

10. REPORT AUTHOR DETAILS

Neil Yacamini
Team Leader
nyacamini@aberdeencity.gov.uk
01224 522913