

ABERDEEN CITY COUNCIL

COMMITTEE	Staff Governance
DATE	1 November 2018
REPORT TITLE	Introduction of a “Shared Cost Additional Voluntary Contribution (SCAVC)” pension arrangement
REPORT NUMBER	GOV/18/200
DIRECTOR	Steven Whyte
CHIEF OFFICER	Morven Spalding
REPORT AUTHOR	Neil Yacamini
TERMS OF REFERENCE	5.3

1. PURPOSE OF REPORT

- 1.1 The report is to provide detail on the Shared Cost Additional Voluntary Contribution pension arrangement. It is intended to convert the existing Additional Voluntary Contributions (AVC) scheme provided by Prudential (in partnership with the Local Government Pension Scheme (LGPS)) into a “shared cost, salary sacrifice” version (SCAVC) to take advantage of the National Insurance Contribution savings available to both employees and the Council.
- 1.2 The introduction of the SCAVC pension arrangement will require the input of a professional tax advisory firm to ensure that the scheme is legislatively-compliant in terms of design, implementation and ongoing advice/administration.

2. RECOMMENDATION

That Committee:-

- 2.1 Approve the conversion of the existing Additional Voluntary Contributions scheme into a Shared Cost Additional Voluntary Contribution pension arrangement.

3. BACKGROUND

- 3.1 The Council currently has an Additional Voluntary Contribution (AVC) scheme which can be accessed by employees and is delivered by Prudential. Currently 240 employees participate in the scheme.

- 3.2 Due to changes in legislation there is the opportunity for the Council to establish a shared cost additional voluntary contribution scheme which would replace the existing scheme.
- 3.3 Soft market testing has indicated that undertaking a mini-competition through ESPO Framework 664 (Consultancy Services) is likely to be a suitable procurement vehicle in this instance. However, officers will ensure there is sufficient flexibility in the procurement process in the event that an open ITT is identified as the most appropriate approach to take.
- 3.4 Officers have had preliminary discussions with counterparts at Aberdeenshire Council as they have noted their interest in implementing the SCAVC scheme.
- 3.5 The SCAVC scheme will have the following positive impacts:
- Current beneficiaries of the existing AVC scheme – approximately 240 employees – will see an increase in their net pay of up to 12% of the SCAVC amount sacrificed each month due to reduced employee National Insurance Contributions (NICs)
 - The combination of tax relief and a reduction in employee NICs will provide a greater incentive to employees to enter the scheme, thereby helping increase individual pension provision and financial wellbeing.
 - Integration of the SCAVC scheme into the wider employee benefits package will increase visibility of the offering and take-up should increase across the workforce.
 - The Council will see a reduction of employer's NICs equivalent to 13.8% of the total amount sacrificed through the SCAVC scheme, which can be estimated to be £409,584.
 - Implementing a “fully-managed service” version of the SCAVC scheme will allow the scheme to be internally administered using existing resources within People and Organisation thereby increasing the income generated for the Council.

4. FINANCIAL IMPLICATIONS

- 4.1 In common with other employee benefits, officers anticipate that professional fees will be based on a percentage of the amount of salary sacrificed in the respective invoicing period. Through soft marketing testing, it is estimated that the percentage charge for fees will be a maximum of 3.5%.
- 4.2 It is anticipated that as the popularity of the SCAVC scheme increases, more third-party organisations will enter the marketplace and the cost of the professional fees will decrease commensurate with the level of competition. While this will not benefit the Council now, it is hoped that the marketplace will have matured by the time this particular contract ends.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. MANAGEMENT OF RISK

	Risk	Low (L), Medium (M), High (H)	Mitigation
Financial	Future tax law changes may not provide financial benefits to the Council.	L	This will be assessed as part of the annual budget process.
Legal	Failure to comply with relevant tax law.	L	Deductions will be made through the payroll system in compliance with current taxation rules.
Employee	Employees may join the scheme but in future not benefit from the tax benefit as legislation changes.	M	Any change in tax legislation will be notified to anyone joining the scheme,
Customer	N/A		
Environment	N/A		
Technology	The payroll system is not compliant with current tax legislation.	L	There will be a contractual obligation on the supplier to ensure the payroll system adheres to the relevant tax legislation.
Reputational	N/A		

7. OUTCOMES

Local Outcome Improvement Plan Themes	
	Impact of Report
Prosperous People	The proposed scheme provides existing employees with an additional employee benefit

Design Principles of Target Operating Model	
	Impact of Report
Workforce	The scheme would allow the workforce to prepare for the future and give them the opportunity to increase their pension
Partnerships and Alliances	The scheme would allow a more collaborative approach with local authority partners.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	<i>not required</i>
Privacy Impact Assessment	<i>Not required</i>
Duty of Due Regard / Fairer Scotland Duty	<i>not applicable</i>

9. BACKGROUND PAPERS

N/A

10. APPENDICES

N/A

11. REPORT AUTHOR CONTACT DETAILS

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