



30<sup>th</sup> June 2011

# AUDIT AND PENSIONS COMMITTEE

## CONTRIBUTORS

AD (HR)  
AD (Procurement &  
IT)  
DFCS  
AD (Legal &  
Democratic  
Servs)

**Award of a Framework Agreement for  
Pension Administration Services**

## WARDS

All

This report is to appraise the Committee of the recommended award of the Framework agreement for the provision of Pension Administration Services which was submitted for approval by the Cabinet on the 20<sup>th</sup> June 2011

### RECOMMENDATION:

1. That the Report be noted

## 1. PURPOSE

- 1.1 The purpose of this report is to appraise the Audit and Pensions Committee of the recommended award of this Framework which was submitted for approval by the Cabinet on the 20<sup>th</sup> June 2011.
- 1.2 Following approval by Cabinet, the council intends to enter into a Call-off contract with Capita Hartshead Ltd (the recommended provider on the Framework) for provision of these services for a period of 6 (six) years extendable by a further 2 (two) years.

## 2. **BACKGROUND**

- 2.1 The tender process for the Pension Administration service has reached the point where the Council is now able to award the Framework following a detailed and comprehensive tender evaluation.
- 2.2 Pension Administration services are an important support service underpinning the management and administration of the Council's pension arrangements for all employee and ex-employee members of the Local Government Pension Scheme.
- 2.3 A report submitted to Cabinet on 20<sup>th</sup> June 2011 recommended that the Framework is awarded to Capita Hartshead Ltd who submitted the most economically advantageous tender in terms of the specified price/quality evaluation model. It also recommends that officers hold meetings with the successful contractor to agree/implement contract mobilisation.
- 2.4 The recommendation is that the Framework will commence on 1 October 2011 and will be for a period of 4 (four) years, with options to award call-off contracts for up to 6 (six) years with option to extend by up to a further 2 years (on an annual basis). However, the aim will be that all contracts called off from the framework will have co-terminus expiry dates to facilitate the retendering of the service by the participating councils.
- 2.5 These services are being tendered to renew contract arrangements upon expiry of the Council's current arrangements on 30 September 2011. A key objective is to reduce pension administration costs whilst optimising service quality.
- 2.6 These services are currently provided by the London Pension Fund Authority, a third party body, under contract with the Council. Annual expenditure on these services is £331,000 per annum.
- 2.7 It was established that, in the circumstance that the Framework was awarded to a new provider for both Hammersmith & Fulham and LB Brent, a number of staff had TUPE rights of transfer arising out of their working on LBHF and Brent pension administration matters.
- 2.8 In August 2010 Cabinet Member approval was given for the Council's existing contract for Pension Administration services to be reawarded, but retendered in the form of a Framework which could be accessed by other Councils in London.
- 2.9 Key objectives were to drive down costs; to provide better value for money, and improve service efficiency.

### **3. KEY ASPECTS OF EVALUATION OF TENDERS AND BENEFITS OF NEW CONTRACT**

- 3.1 In May 2010, OJEU contract notices were published inviting expressions of interest. Subsequently in August, following evaluation of applicants, a shortlist of six (6) companies were approved by Members to be invited to tender via Cabinet member decision. The shortlisted companies and other exempt information relating to the procurement process are in the separate report on the exempt part of the Cabinet agenda.
- 3.2 An Evaluation Tender Model was published with the Invitation to Tender (ITT) documents. This required tenders to be evaluated through a staged approach, with those having passed through the earlier stages being evaluated on the basis of a 50/50 Price/Quality Model.
- 3.3 The six shortlisted companies were invited to tender. Four companies withdrew from the tendering process prior to the tender return date, leaving two companies who submitted tenders on or before the deadline of 21 February 2011.
- 3.4 The 2 organisations who submitted tenders were evaluated in accordance with the agreed Tender Evaluation Model. Both tender submissions were checked for completeness and both satisfied the criteria. Both tenders were then subjected to detailed examination of quality.
- 3.5 TUPE and Pension details of those staff eligible to transfer were not available when tenders were invited in January 2011 and thus, initially, tenders were invited to be submitted on a 'non-TUPE' basis (ie tenderers would simply base their submissions on the anticipated level of staffing, salaries etc required to provide the service without taking into account specific details of staff due to transfer).
- 3.6 TUPE and Pension details of those staff eligible to transfer became available significantly later in the tender period. These details were forwarded to the two tenderers (after the initial tender return date) as part of a subsequent post-tender clarification where, under the aegis of the Council's secure e-tendering portal, both tenderers were requested to provide details of any further costs arising out of employment of the staff eligible to transfer. Thus tenderers had submitted a 'TUPE' bid. Those responses were opened and downloaded by the Mayor on 22 March 2011.
- 3.7 Any additional costs were added to original tendered costs and taken into account in evaluation of price by each tenderer to the Council.

- 3.8 Detailed evaluation of both price and quality were then completed in accordance with the agreed evaluation model. Presentations were made by both tenderers. These presentations were evaluated and scored as part of quality.
- 3.9 Capita Hartshead Ltd scored consistently highly across all elements of both price and quality. Detailed scoring results are set out in the exempt part of the agenda.
- 3.10 The tendered costs will enable savings of approx £130,000 to be made annually by Hammersmith & Fulham. For information, annual savings of approx £65,000 will also be made by LB Brent who have worked closely with the Council in letting this Framework. The Council will also explore the cost/benefits of other additional services that are offered by the proposed provider.
- 3.11 The TAP considers that the tender submission represents value for money, is economically advantageous to both the Council and the LB Brent and thus recommends that the contract is awarded to Capita Hartshead Ltd.
- 3.12 The Tender Evaluation Panel which was chaired by the Assistant Director (HR) – Finance & Corporate Services and included representatives from the Pension Managers in Hammersmith & Fulham, LB Brent as well as RB Kensington & Chelsea and City of Westminster, Procurement, Legal and Finance who considered the results of this analysis. Scores for price and quality were calculated in accordance with the Price/Quality evaluation model. On this basis, the tenderer recommended above offered the most economically advantageous tender for appointment as the provider on the Framework.

#### **4. BENEFITS ARISING FROM THE NEW CONTRACT**

- 4.1 Capita Hartshead Ltd is a very well established company with proven experience and expertise in providing these specialised services to a wide range of Councils.
- 4.2 There are significant budget savings outlined above.
- 4.3 Some additional services (administration of redundancy, severance and other non-pension fund payments on behalf of the Council) will be incorporated within the base contract price.

## **5. RISK MANAGEMENT**

- 5.1 In order to mitigate the risk of service disruption, the Council proposes a three-month mobilisation period, during which the Council will work with both the existing service provider and the new contractor to effect a smooth transfer in accordance with a detailed implementation plan to achieve full transfer by October 1 2011.
- 5.2 Risks have been considered throughout the procurement process and as part of the Corporate Risk & Assurance register under risk entry number 11, Market Testing of Services. Risks are also discussed at Competition Board and reviewed by the Executive Management Team and as part of project management.

## **6. EQUALITY IMPLICATIONS**

- 6.1 A Predictive Equality Impact Assessment has been conducted and is available electronically. No adverse impacts have been identified.

## **7. CONCLUSIONS**

- 7.1 The Tender Appraisal Panel chaired by the Assistant Director (HR) – Finance & Corporate Services met on 23rd March 2011 and resolved to recommend Capita Hartshead as the Framework provider to Cabinet at its meeting on 20<sup>th</sup> June 2011.
- 7.2 The Tender Appraisal Panel further proposes that officers arrange contract mobilisation meetings with the successful tenderer and the current provider to ensure a smooth implementation.
- 7.3 The Framework Agreement is to be awarded for a period of 4 years. The council will award a call-off contract for a period of 6 years with provision to extend by a further period of up to 2 years.

## **8. COMMENTS FROM DIRECTOR OF FINANCE AND CORPORATE SERVICES**

- 8.1 The estimated annual saving from the proposed new arrangements for pension administration are estimated at £0.13m per annum. These savings will initially benefit the Pension Fund rather than the Council's General Fund. Over time savings to the Pension Fund should feed through to the General Fund by reducing future pressure on the employer contribution.

**LOCAL GOVERNMENT ACT 2000-  
LIST OF BACKGROUND PAPERS**

<b>No.</b>	<b>Description of Background Papers</b>	<b>Name/Ext. of Holder of File/Copy</b>	<b>Department/ Location</b>
1.	Cabinet Report: AWARD OF A FRAMEWORK AGREEMENT FOR PENSION ADMINISTRATION SERVICES	Debbie Morris x3068/Les Green x1878	Human Resources
2.			
3.			
4.			
5.			
6.			