



London Borough of Hammersmith & Fulham

Cabinet

20 JUNE 2011

LEADER

Councillor Stephen Greenhalgh

AWARD OF A FRAMEWORK AGREEMENT FOR PENSION ADMINISTRATION SERVICES

**Wards:
All**

This report seeks approval to award a Framework for Pensions Administration to Capita Hartshead Ltd to commence on 1 October 2011 for a period of 4 years, with provision to award call-off contracts for a period of 6 years extendable by a further 2 years.

A separate report on the exempt part of the agenda provides exempt information about the procurement process.

CONTRIBUTORS

AD (HR)
AD (IT and
Procurement)
DFCS
ADLDS

**HAS A EIA BEEN
COMPLETED?
YES**

Recommendations:

1. That approval be given to the award of the **Framework for Pension Administration Services, on behalf of the Council, to Capita Hartshead Ltd, to commence on 1 October 2011 for a period of 4 years, with provision to award call-off contracts for a period of up to 6 years extendable by a further period of up to a further 2 years.**
2. That a call-off contract for 6 years extendable by up to 2 further years be awarded by H&F to the new provider.
3. That officers arrange contract mobilisation meetings with the successful tenderer to ensure a smooth implementation.

**HAS THE REPORT
CONTENT BEEN
RISK ASSESSED?
YES**

1. BACKGROUND

- 1.1 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.
- 1.2 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.
- 1.3 This report recommends 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.
- 1.4 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.
- 1.5 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.
- 1.6 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.
- 1.7 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.
- 1.8 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.
- 1.9 Key objectives were to drive down costs; to provide better value for money, and improve service efficiency.

2. EVALUATION OF TENDERS

- 2.1 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.
- 2.2 An Evaluation Tender Model was published with the Invitation to Tender (ITT) documents which is attached as Appendix 1. 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.
- 2.3 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.
- 2.4 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 set out in Stage 1 of the evaluation model. Both tenders were then subjected to detailed examination of quality at stage 2.
- 2.5 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).
- 2.6 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.
- 2.7 Any additional costs were added to original tendered costs and taken into account in evaluation of price by each tenderer to the Council.
- 2.8 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.

- 2.9 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.
- 2.10 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.
- 2.11 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.
- 2.12 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.

3. KEY BENEFITS OF THE NEW CONTRACT

- 3.1 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.
- 3.2 There are significant budget savings outlined above.
- 3.3 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.

4 RECOMMENDATION BY THE TENDER APPRAISAL PANEL (TAP)

- 4.1 The Tender Appraisal Panel chaired by the Assistant Director (HR) – Finance & Corporate Services met on 23rd March 2011 and agreed to recommend Capita Hartshead as the Framework provider subject to clarification on a small number of points being resolved satisfactorily. Those matters have been satisfactorily resolved.
- 4.2 The Tender Appraisal Panel further recommends that officers arrange contract mobilisation meetings with the successful tenderer and the current provider to ensure a smooth implementation.

- 4.3 The Framework Agreement to be awarded for a period of 4 years with provision to award call-off contracts for a period of up to 6 years extendable by a further period of up to a further 2 years.

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. COMMENTS OF THE DIRECTOR OF FINANCE AND CORPORATE SERVICES

- 7.1. 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.

8. COMMENTS OF THE ASSISTANT DIRECTOR (LEGAL AND DEMOCRATIC SERVICES)

- 8.1 The Assistant Director (Legal and Democratic Services) has advised in this matter and agrees with the recommendation of the report.
- 8.2 The tender procurement process has been conducted in accordance with the Council's Standing Orders and the Public Contracts Regulations 2006 (as amended).

9. COMMENTS OF THE ASSISTANT DIRECTOR PROCUREMENT

- 9.1 A representative of the Assistant Director (Procurement & IT Strategy) has been fully involved in the tender process, and agrees with the report's recommendations.
- 9.2 Savings of approximately £65k are indicated for H & F for 2011/12 and £130k annually thereafter. Analysis also indicates that the Framework will also result in financial benefits for other participating bodies (LB Brent £65k pa)
- 9.3 The Public Contracts Regulations 2006 (as amended) requires that unsuccessful tenderers are notified of the Council's intention to award the contract and are given an opportunity, should they so wish, to challenge the decision. This provides for a standstill period of 10 days before the Council can award the contract and places requirements on the Council to provide detailed feedback to tenderers. Following award, a contract award notice will need to be placed in the Official Journal of the European Union (OJEU) within 48 days.

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

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	All background papers, including: Contract advert; Contract specifications; Tender evaluation models; Letter and tendering instructions to short-listed organisations. Tender submissions Written Clarifications Notes of TAP meetings	Debbie Morris/Les Green AD - HR (Finance & Corporate Services) 020 8753 3068/1878	Human Resources, Finance & Corporate Services Hammersmith Town Hall, King Street, W6 9JU
2.			
CONTACT OFFICER:		NAME: Les Green EXT. 1878	

TENDER EVALUATION MODEL

1. Introduction

- 1.1. The Authority is committed to providing high quality, value for money services and will evaluate each Tender according to 3 successive stages, as set out below.
- 1.2. The Authority will award the Framework Agreement fairly on the basis of quality and cost. The Tender Appraisal Panel (TAP) will evaluate the quality of tenders using a weighted model. Quality will account for **50%** of the overall evaluation process and price **50%**.
- 1.3. The Authority's approach to evaluation will be equitable and transparent and will allow Tenderers to tender on the basis of quality at an affordable price. It allows the TAP to recommend the selection of a tender that meets the key quality requirements and therefore represents best value for money, i.e. the economically most advantageous tender.

2. Provision of Additional Information

- 2.1. If at any time during its evaluation of a Tender the TAP forms the view that any matter requires clarification, it may require the same from the Tenderer concerned in writing.

3. Stages

There will be a 3-stage evaluation of returned Tenders:-

3.1 Stage 1 - Checking for Validity

- 3.1.1 A valid Tender shall be received in accordance with this ITT. Validity will involve checking that all requisite documents are completed, enclosed and signed where required in accordance with the Instructions to Tenderers.
- 3.1.2 Tenders that do not pass this Stage 1 will be rejected and not considered further except, at the Authority's sole discretion, in the case of minor omissions that can be rectified in accordance with any reasonable request of the Authority (for example missing signature or date etc. - for the avoidance of doubt this is not an exhaustive list).

3.2 Stage 2 - Detailed Consideration of Tenders

- 3.2.1 All Tender submissions reaching this stage will be awarded points in relation to Price and Quality. Presentations will also be scored and comprise part of the Quality evaluation.

3.2.2 Tenders reaching this stage will, after evaluation against the detailed criteria set out below (eg Quality/Price), be ranked in order of aggregate score.

3.2.3 Evaluation of Price

3.2.4 The maximum score that can be achieved for Price element is **50** points. This will be split, with 45 points awarded for tendered costs as set out below, with the remaining 5 points for the Discount Structure as set out in paragraph 3.2.7.

3.2.5 Tendered costs for each Contracting Body for provision of Standard services and Additional services will be determined by reference to the completed charges schedule at Schedule 7.

The total cost per annum shall comprise:

Total base tender price

- cost of providing service to Active members (item i)
- cost of providing service to Deferred members (item ii)
- cost of providing service to Pensioner members (item iii)
- management charge for Administration of Scheme (item iv)

together with

- Year 1 costs for set up and transition/migration (amortised over contract period)

Additional Services price

- Year 1 costs for providing Redundancy, Severance etc payments
- Year 1 costs for providing Cashflow service
- Year 1 Pensions Payroll service

The total base tender price will be proportionately weighted (70%) and Additional Services price weighted (30%) respectively and then aggregated to form a grand total for that Council. A simple worked example is set out below to demonstrate the principle.

If total base tender price and year 1 amortised costs for set up and transition/migration = £200K

and

Additional services price (total year 1 costs for redundancy, cash flow and pensions payroll) = £50K

Weighted base tender price = £200K x 70%

Plus weighted additional services price = £50K x 30%

Grand total weighted sum = (£140K + £15K)

3.2.5 Each tenderer's weighted grand total tender price for the Authority (H&F) and Other Contracting Body (Brent) will be added together to give a joint cost for both authorities.

3.2.6 Each Tender will be awarded points based on its relationship with the lowest aggregate (combined) tendered cost for both the Authority (H&F) and Other Contracting Body (Brent) as set out in paragraph 3.2.4 and 3.2.5. The Tender with the lowest aggregate tendered cost (x) will be awarded a maximum score of **45** Points; each of the remaining Tenders (y) will be awarded points on a pro rata basis in accordance with the following formula:

$$1 - \frac{(y - x)}{x} \times 45$$

Where x = lowest aggregated tender total

y = aggregated tender total other than lowest

For example, if the lowest aggregate tender total (for combined H&F [Authority] and Brent [OCB]) ie x, was £200k :-

Tender	£ x	£ y	Points Awarded
A	200		45.00
B		210	42.75
C		220	40.50
D		250	33.75

Please note that the figures are merely examples and are in no way an indication of the contract value.

3.2.7 Finally the tendered Discount Structure related to the number of participating Contracting Bodies set out at Schedule 2b in the Charges Schedule will be evaluated and a maximum of **5** points awarded in accordance with the following scoring scheme.

No of authorities included in Framework	Probability of event – weighting to be applied	Element to be evaluated with discount	Element with discount and probability weighting applied
3 to 4	50%	contract rates (i) to (iv) less percentage discount offered.	*sub-total for this category to be calculated as below
5 to 8	25%	ditto	ditto
9 to 12	10%	ditto	ditto
13 to 16	8%	ditto	ditto
17 to 20	5%	ditto	ditto
21 or more	2%	ditto	ditto
Grand Total			Grand total of all calculated sub-totals

* A sub-total shall be calculated for each category by applying tendered discounts to tendered subtotals (i) to (iv). This will then be multiplied by the probability weighting to give the sub-total. The resultant grand total for all categories will be assessed. The tenderer with the lowest grand total will score **5** points. The remaining tenderers' grand totals will be scored on a pro-rata basis (lowest grand total/next lowest grand total x **5**)

3.2.8 Evaluation of Quality

3.2.9 In respect of Quality, a maximum score of **50** points will be awarded.

3.2.10 The criteria on which the quality of the Tender will be assessed, including the weighting are set out below. For full details of the main and sub-criteria please refer to the Contractor's Proposals at section 4.

3.2.11 The TAP will assess each Tenderer's Contractor's Proposals to determine the degree to which the quality criteria have been met. A score out of 4 will be awarded for each question in the Contractor's Proposals in accordance with Table 1 set out below.

Any tenderer who scores 0 (unacceptable) for any question forming part of the quality submission will be deemed disqualified and its tender submission for price and quality will be rejected and not further considered.

Table 1

Points	Rating	Description
4	Excellent	High quality, fully meeting all the requirements of the Specification, no shortcomings
3	Good	Good quality, meeting requirements of the Specification, robust, few if any shortcomings
2	Fair	Average Quality, meeting most requirements of the Specification, some shortcomings
1	Poor	Well below average, meeting few requirements of the Specification, significant shortcomings
0	Unacceptable	No information provided or so little information provided to prevent a judgement to be formed

Evaluation Criterion One

Assessment of the quality of products and service [main criterion] (accounts for 50% overall quality weighting – 25 marks)

Sub-criteria weightings and example marking is set out below:

Question No	Topic	Weighting	Max Marks	Weighted score/25
1.1	KPI's	15%	4	3.75
1.2	Service Improvement Plan	15%	4	3.75
1.3	Quality Systems	20%	4	5
1.4	Customer Focused Approach	20%	4	5
1.5	Example 'Products'	10%	4	2.5
1.6	Key Tasks	20%	4	5
				25

Evaluation Criterion Two

Organisational and management experience and resources to be employed in the Contract [main criterion] - (accounts for 30% overall quality weighting – 15 marks)

Sub-criteria weightings are as follows:

Question No	Topic	Weighting	Max Marks	Weighted score/15
2.1	Proposed Management	15%	4	2.25
2.2	Training and Development	15%	4	2.25
2.3	ICT System Support	20%	4	3
2.4	Systems/arrangements for Data security	20%	4	3
2.5	Location and arrangements	10%	4	1.5
2.6	Mobilisation Plan	20%	4	3
				15

Evaluation Criterion Three

Commitment to a collaborative relationship [main criterion] - (accounts for 10% overall quality weighting – 5 marks)

Sub-criteria weightings are as follows:

Question No	Topic	Weighting	Max Marks	Weighted score/5
3.1	Partnering Arrangements	50%	4	2.5
3.2	Identification & Resolution of Problems	50%	4	2.5
				5

Presentations

Presentations will be scored and will account for 10% of overall quality weighting – 5 marks.

Tenderers reaching this stage will be invited to make a presentation which will comprise:

- a summary by the Tenderer of key elements of its submission
For the avoidance of doubt this summary will not be scored.
- a Q & A session where a set of predetermined questions will be asked of Tenderers. For the avoidance of doubt the same questions will be asked of each Tenderer invited to the Presentation and will be scored in accordance with Table 1.

Further details will be forwarded to Tenderers prior to the closing date for receipt of tenders.

Finally the aggregate weighted Price / Quality scores will be combined to obtain the total weighted score. The Tenderer with the highest total weighted score is that which offers the most economically advantageous Tender.

For the avoidance of doubt evaluation scores will be reviewed by the full TAP and individual scores may be moderated in accordance with Table 1 on page 4

3.3 Stage 3 - Consideration of Abnormally Low Submissions

- 3.3.1 The TAP will consider when evaluating Tenders whether in its opinion the tendered rates and prices submitted by each Tenderer are sufficient to support the levels of service, manpower etc proposed by the Tenderer in the information submitted with its Tender.
- 3.3.2 Tenderers which, after clarification with the Tenderer, are deemed to be abnormally low will be rejected.

Following approval by the Authority, the Tenderer recommended to provide the service under the Framework Agreement will be that Tenderer who submits the most economically advantageous Tender according to the criteria set out above.

Contract Award

Following approval by the Council, the Contract will be awarded to the Tenderer who has submitted the most economically advantageous Tender for providing the services according to the criteria set out above.
