

Finance and Resources Committee

10.00am, Thursday 3 December 2020

Award of Contract for an Employee Benefits Platform

Executive/routine Executive
Wards
Council Commitments

1. Recommendations

- 1.1 It is recommended that the Finance and Resources Committee:
 - 1.1.1 Approves the award of a Contract for an Employee Benefits Platform to SME HCI LIMITED (trading as Vivup) for a period of five years commencing on 21 December 2020;
 - 1.1.2 Approves a recommended award of up to £20M in value for salary sacrifice for the goods and services that employees chose over the full Contract term. This would allow for a potential increase of up to 5% in employee numbers participating in salary sacrifice to take advantage of a wider range of benefits;
 - 1.1.3 Notes that there is no cost, excepting additional resource to manage and administer, to the Council for set up or access to the Employee Benefits Platform.

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Report

Award of Contract for an Employee Benefits Platform

2. Executive Summary

- 2.1 This report seeks approval to award the Contract for an Employee Benefits Platform to SME HCI LIMITED (trading as Vivup), to commence on 21 December 2020 for a period of five years for a value of up to £20M of salary sacrifice funds over the Contract term.
- 2.2 Vivup have experience with delivering benefits to over 250 NHS Trusts, Councils, Universities and educational bodies. The organisation has been trading for 15 years and manage circa 1M employees via their benefits platform.

3. Background

- 3.1 The City of Edinburgh Council (Council) offers a Cycle to Work Scheme, a Car Lease Scheme and an Employee Discounts scheme through several separate contracts at present.
- 3.2 There are several disadvantages to our current approach of maintaining separate contracts, including; challenges in employees understanding and navigating the totality of benefits on offer; substantial manual intervention and administration required for managing different processes and systems; the individual procurement processes required; and, the contract management arrangements are unnecessarily time consuming for the Human Resources (HR) Division.
- 3.3 HR aims to bring together Employee Benefits on one accessible platform under a single Contract. This would simultaneously improve the offering for our employees and increase employee engagement by providing an easily accessible platform for all.

4. Main report

- 4.1 Commercial and Procurement Services (CPS) and HR undertook a Mini Competition utilising Lot 1 (Managed Service) from Eastern Shires Purchasing Organisation (ESPO)'s Framework Agreement for Staff Benefits (319_19).

- 4.2 On 11 September 2020, the Council issued an Invitation on Public Contracts Scotland to all eight Service Providers on Lot 1 (Managed Service) of the Framework with a submission deadline of 5 October 2020.
- 4.3 A cost/quality ratio of 40%/60% was applied to encourage competitive rates while ensuring that the Service Provider could fulfil the Council's requirements.

4.3.1 **Cost** 40%

The price for evaluation was based on the initial set up fee for the six core schemes and any annual platform charge per employee for the six core schemes.

In addition, the Pricing Schedule contained two requests for information. Service Providers were requested to provide information on the set-up fee and the annual platform charge per employee for two additional schemes and Service Providers were requested to provide information on what percentage of sales rebate they could offer annually.

4.3.2 **Quality** 60%

Service Providers were requested to answer questions on Scope of Services (30%), Platform Operation (15%), Implementation (20%), Marketing Communication (10%), Supply Chain (10%), Contract Management (5%), Continuous Improvement (5%), Data Protection (5%) and Fair Work Management Information (N/A).

- 4.4 Tenders were received from three Service Providers and the following scores allocated:

Service Provider	Quality Score (60%)	Cost Score (40%)	Total Score (100%)
SME HCI LIMITED (Vivup)	57.00	40.00	97.00
Tenderer 2	45.00	40.00	85.00
Tenderer 3	27.00	0.00	27.00

- 4.5 Two of the providers who bid, did not charge for the use of their platform as they rely on supplier commission to make a profit in providing the service. This is reflected in scoring as they submitted nil cost returns. This effectively means that the cost to the Council for the benefits platform is neutral as the service provider does not charge the Council but instead receives commission from the suppliers they work with and help promote through their scheme.
- 4.6 The recommended Employee Benefits Platform will introduce the following six core schemes: Cycle to Work Scheme, Green Car Scheme, Employee Discounts Scheme, Discounted Gym Membership Scheme, Technology and Smartphone Discount Scheme and Shared Cost Additional Voluntary Contributions (AVC).
- 4.7 The specification required that the Service Provider shall offer the facility to add or already include independent local cycle outlets where possible, as well as national

providers (Cycle to Work Scheme specific). Vivup manages a network of independent bike shops and will offer independent local cycle shops as a route to employees. They will also offer access to some larger national chains to ensure employees have a wide choice.

- 4.8 The specification required that the Service Provider ensures that the vehicles available to employees emit less than 120g of CO₂ per kilometre (Green Car Scheme specific).
- 4.9 Additionally, it is possible for the Council to adjust the parameters of vehicles available under the scheme to reflect lower CO₂ limits in future. The CO₂ targets shall be considered annually, and policy amended to reflect legislative changes and when lease costs and infrastructure of electric and ultra-low emission cars make them more accessible for employees.
- 4.10 Additionally, the Contract reserves the option to introduce other schemes at a later stage such as a Reward and Recognition Scheme and an Employee Assistance Programme.
- 4.11 It should be noted that previously another salary sacrifice option that was available to colleagues was Childcare Vouchers which enabled working parents to save on the cost of childcare for children under 16 however the UK Government closed this to new entrants with effect from 4 October 2018. The reason for this is because it launched a new form of childcare funding support for working parents, called Tax-Free childcare (TFC) which changes the package of financial support it offers to working parents. As the new TFC scheme is not a salary sacrifice scheme but managed by the UK Government, the Council plays no part in the administering of this scheme, however parents who were already participating in the Childcare Vouchers scheme before the closure date can continue to benefit from the savings for as long as their child remains eligible and they meet certain terms and conditions.

5. Next Steps

- 5.1 Subject to approval, the Contract will be awarded to Vivup for a period of five years.
- 5.2 Following the award, HR will work with Vivup's implementation team to agree and deliver an implementation plan.
- 5.3 Human Resources will ensure that effective contract management is delivered throughout the lifecycle of the Contract, in accordance with the Council's contract management framework and with the support of the Contracts and Grants Management Team, as necessary.

6. Financial impact

- 6.1 Employees will have access to promotional pricing and offers as well as the ability to spread the cost of purchases through salary sacrifice
- 6.2 Vivup does not charge for the initial set up of the six core schemes nor do they have an annual platform charge per employee for the six schemes.
- 6.3 Currently, the Council saves approximately £221,000 between Tax, National Insurance and Pension Contributions. This is expected to increase due to the greater range of salary sacrifice opportunities.
- 6.4 There would be no further set up fee for additional schemes should they be added to our Employee Benefits Platform at a later point during the contract.
- 6.5 Committee should note that an additional free scheme can be added to the Contract in future, should that be required.
- 6.6 Currently the Council receives a rebate which is only for our bikes and associated goods bought through the Cycle to Work Scheme. This totalled £7,595 in 2019.
- 6.7 Vivup have agreed a rebate which is a lower percentage than that offered by the previous Cycle to Work Scheme operator, however, this is for all goods and services bought across all the new benefit schemes we will offer (excluding the Green Car Scheme).
- 6.8 While this rebate is less in percentage terms, it is likely that Tax, N.I. and Pension Contributions savings made by offering a wider range of schemes, shall mean that the rebate will equate to more over the Contract term.
- 6.9 The associated costs with procuring the contract were estimated to be around £10,000.

7. Stakeholder/Community Impact

- 7.1 HR undertook an initial benchmarking exercise in 2018 to inform a decision to procure an Employee Benefits Platform. Further benchmarking, cost and benefits were reviewed early 2020 and the decision was made to proceed.
- 7.2 Consultation with Council employees was undertaken in the form of focus groups, where diverse sample groups were taken from across the organisation. Each session provided a detailed description of the proposed benefits and provided an opportunity for colleagues to provide feedback on the proposed offering.
- 7.3 According to the responses, the majority of participants were positive about the proposed transition to a single provider and the various schemes included in the proposal. The most popular schemes were the Shared Cost AVCs and the Employee Discounts Scheme, with 90% of colleagues considering using themselves and recommending to others. The proposed Technology and Smartphone Discount Scheme was also popular with participants, with four out of five employees giving positive feedback. For the Cycle to Work Scheme and

Discounted Gym Membership Scheme, 75% of the participants indicated that they would make use of these schemes, whilst also noting the physical, financial and associated sustainability benefits.

- 7.4 During the consultation, 45% of the participants expressed interest in the Green Car Scheme. Whilst a lower result than the other benefits, those who were not interested in the scheme noted that it was mainly due to financial reasons, lack of infrastructure for electric charging points and personal circumstances (e.g. do not drive or already have a car).
- 7.5 The Specification requires that the benefits shall be available to all Council employees and that the Service Provider shall be expected to adapt processes when necessary to meet the individual needs of employees who are disabled or have medical conditions which could be classed as a disability under the Equality Act 2010.
- 7.6 The Specification requires that the Service Provider shall ensure that supply chains are accessible to all sizes of businesses including small and medium sized enterprises (SMEs), VCSEs and third sector businesses. Committee may wish to note that using an external benefits provider is an efficient way of managing the addition of SME organisations to salary sacrifice with minimal administration burden for the Council.
- 7.7 Service Providers of employee benefit systems can demand a high level of commission from local independent providers as part of their network. For this contract the rate will be capped at a fair level of commission which is less than the national average. The provider has indicated they will be open to further discussions with individual shops to in relation to precise levels of commission.
- 7.8 The recommended Service Provider confirms it intends to pay workers the real Living Wage and is an accredited living wage employer.

8. Background reading/external references

- 8.1 Not applicable.

9. Appendices

- 9.1 Not Applicable