

# Procurement Board (CCB)

## Contract Award Report

Date of meeting	<i>26/8/21 Once stage 2 confirmed from finance and lead member send back to CCB for virtual. Make sure is on delegated cabinet member decision list</i>
By	Vicki Richardson, Head of HR & Finance Service Centre, Resources
Title	Pension Enquiry Service
Project Sponsor	Sue Moorman Director of Human Resources
Executive Director	Asmat Hussain Interim Executive Director Resources
Lead Member	Cllr Callton Young
Key Decision	Insert key decision number (if applicable)

### 1. Recommendations

**The CCB is asked to recommend to the Cabinet Member for Resources and Financial Governance to:**

1. Approve the award of a Pension Enquiry Service contract in accordance with Regulation 28(4)(c) of the Council's Tenders and Contracts Regulations to Liberata UK Limited for a period of 2 years from 1 April 2021 with a maximum contract value of £150,000.
2. Approve a waiver under regulation 19 of the tenders and contracts regulations in respect of regulation 11.3 requiring a tender to be conducted.
3. Note the aggregate spend with the supplier is £547,716 including this arrangement.

**The Cabinet Member for Resources and Financial Governance in consultation with the Leader is recommended to:**

1. Approve the award of a Pension Enquiry Service contract in accordance with Regulation 28(4)(c) of the Council's Tenders and Contracts Regulations to Liberata UK Limited for a period of 2 years from 1 April 2021 with a maximum contract value of £150,000.
2. Note the aggregate spend with the supplier is £547,716 including this arrangement

### 2. Background & strategic context

The Council ceased providing payroll services for schools 2016. Prior to this the Council had provided this via a 3<sup>rd</sup> party contract with Liberata UK Ltd. Liberata decided to offer their payroll services directly to Croydon schools and 48 schools are signed up to have their payroll service with them.

As the Payroll contract is now between Liberata and the schools, the Council would not have the authority to have access to data that they previously had which included the Pensions Team. As the Pensions Team administers the Teachers' Pension Scheme and the Local Government Pension Scheme then an important part of the process involved having access to the payroll database. This was considered essential for the Pension Team to carry out their duties especially as the receipt of timely and quality information is paramount, with any failure to do this carried legal implications. The Pension Manager at the time advised that not having access to essential data would require an increase in staffing levels by 2 FTE's.

An arrangement was put in place with Liberata for 20 officers within the pension team to have direct access to the schools payroll system. To date this has been renewed on an annual basis via the issue of a purchase order. The previous purchase order for this service expired at end March 2021 and we have been undertaking a review of the arrangement.

#### **Local Government Pension Service (LGPS)**

Over 20% LGPS active and deferred scheme members are on the Liberata payroll. At Croydon the LGPS Pension Team calculate final pay and CARE benefits. The salary data contained on the system is used to process and calculate a range of pension benefits from new starters, leavers, final pay calculations, estimates, divorce and death benefits plus other ad-hoc

calculations. In addition, the service data contained on the system is used to establish service history, maternity leave dates, sick pay dates and service breaks.

Liberata also provide monthly reports to notify the pension team of starters and leavers which contain all of the information needed by the team in an easily understandable format which can be directly uploaded into the pension administration team.

Without direct access to the payroll system the LGPS admin team will need to contact the individual school to provide final pay and care pay for every member who becomes a leaver, requests a retirement estimate, transfer valuation, divorce valuation or payment of pension benefits. This will result in delays for scheme members and inefficiency in pension administration due to the resource efforts involved in chasing for information.

In addition each school would to notify the pension team provide starters and leavers. It is likely that this would result in schools providing the information in a variety of formats including paper forms and emails. This will be less efficient for the LGPS who will spend more time chasing up this information from these 48 employers. In addition information provided in paper/email format will need to be processed manually rather than directly loaded into the pensions administration system. A rollout of software known as I-connect enables that employers to submit their data to the pension fund electronically to schools who have their payroll service with Liberata would significantly reduce the manual effort involved.

Analysis of the number of days to process pension benefit estimates has been undertaken and on average, LGPS benefits are processed more quickly using the Liberata payroll, with an average of 7 days compared with 23 days for an employer with an alternative payroll provider. This is due to delays experienced in obtaining the information from the employer or their payroll provider. The time spent processing cases where the pension team have direct access to the payroll system is also, on average 36 minutes shorter.

### **Teachers Pensions Service (TP)**

The Teachers Pensions (TP) Team provide a TP administration service to 83 schools, including 16 out of borough schools and are income generating. 60 of the schools/academies buying the TP service contract with Liberata for their payroll service. In 2020/21 the income generated was £63k.

A full TP service is provided to schools using the Liberata payroll service which includes:-

- Central records and electronic filing of Teacher' Pension (TP) forms, member instructions, service records and pension membership status for each teacher
- Preparation and submission to TP Darlington of monthly auto enrolment schedules and auto enrolment advice and support.
- Preparation of monthly data collection reports and submission to Teachers Pensions.
- Preparation end of year certificates and submission to Teachers Pensions.
- Investigation and resolution of pension queries including historic or complex cases involving several agencies e.g. correcting LGPS information, challenging TP on claims for retrospective uncollected pension contributions and investigation of archived material to capture missing information.
- For schools joining the Teachers' Pension Service an audit of all teachers' pension records and remedial action to bring all records up-to-date.
- Pension workshops on request and/ or 1-2-1 sessions with teachers.

Liberata provide the TP team with a number of monthly reports which enables the delivery of the service they offer including, automatic enrolment, starters/leavers, ½ and Nil Pay, monthly contributions and monthly data collection information for Teachers.

The alternative would be to ask the individual schools and academies to provide the data to the TP team.

The TP team also access the system on a daily basis, looking at pay slips, history of hours etc. to respond to enquiries from Teacher's Pensions. This information may be able to be obtained from previous end of year returns or directly to the schools.

The resource effort involved in providing the TP service to schools and academies would increase meaning costs to the Council may increase. An options appraisal of the service will need to be undertaken to determine ongoing viability. No longer providing a TP service where the Council is ultimately the employer may lead to poor quality recording keeping in relation to Teachers Pensions. This carries some financial risk into the future, if accurate records are not maintained historic arrears cases could cost the Council significant sums of money.

**Options Appraisal**

Option	Advantages	Disadvantages and Risks
<p><b>Do nothing and service ceases</b></p>	<p>No ongoing cost of arrangement</p>	<p>Direct access to the data will be lost.</p> <p>Increased resources will be needed in LGPS Team. Initially an additional 4 officers at a cost of £185k per annum will be required to:-</p> <ul style="list-style-type: none"> <li>• Process starters and leavers manually</li> <li>• Implement i-connect</li> <li>• Raise enquiries with individual schools to provide final pay and care pay</li> <li>• Educate employers on calculation of final pay</li> </ul> <p>Scheme members will wait longer for their pension benefits to be calculated.</p> <p>Poor data quality leads to the administering authority being unable to meet The pension regulator (TPR) code of practice in relation to record keeping.</p> <p>Poor quality data provided by employers leads to incorrect calculation of pension benefits resulting in financial loss.</p> <p>Poor data quality results in actuarial assumptions needing to be made that leads to an increase in employer rates.</p> <p>May impact ability to implement changes to pension regulations e.g. McCloud judgement as will be reliant on employers providing the required information for McCloud remedy.</p> <p>TP Impact – may need to repay income to schools who have signed up to SLA on basis that we have direct access.</p>

		<p>Additional resource (0.5 FTE) needed in TP team to obtain return information direct from the schools raise enquiries with employers.</p> <p>TP arrears – if accurate records are not maintained historic arrears cases could cost the Council significant sums of money</p> <p>No time to deliver exit plan to minimise service impacts/risks.</p> <p>Ceasing the service without a plan to redesign how we deliver the service is likely to impact on the morale of the team, leading to increased sickness and impacting on staff retention.</p>	
<p><b>Renew for current year plus 2022/23 and implement for March 2023</b></p> <p><b>RECOMMENDED OPTION</b></p>	<p>Allows time to deliver an exit plan to minimise service risks of ceasing service. Exit plan includes:-</p> <ul style="list-style-type: none"> <li>• Full rollout of i-connect plan to reduce manual data processing and number of queries that will need to be raised with the employer</li> <li>• Undertake systems process review, learning from other funds</li> <li>• Educating employers on calculation of final pay</li> <li>• Educating employers on their responsibilities for LGPS and TP</li> <li>• Arrange extraction of data needed for McCloud remedy</li> <li>• Review of traded services to schools including charging models</li> </ul>	<p>Direct cost of arrangement - £75k PA</p> <p>An additional 2 officers will be needed until March 2023 at a total cost of £123k for the expected 18 month duration require to deliver the following elements of the exit plan:-</p> <ul style="list-style-type: none"> <li>• Implement i-connect</li> <li>• Educate employers on calculation of final pay</li> </ul> <p>From 23/24 direct access will be lost which will does have the following disadvantages and risks, albeit somewhat mitigated through the delivery of the exit plan:-</p> <p>Direct access to the data will be lost.</p> <p>A permanent additional 1 FTE will be needed in LGPS Team to process the data received via i-connect at a cost of £39k per annum.</p> <p>Scheme members will wait longer for their pension benefits to be calculated.</p> <p>Poor data quality leads to the administering authority being</p>	

		<p>unable to meet The pension regulator (TPR) code of practice in relation to record keeping.</p> <p>Poor quality data provided by employers leads to incorrect calculation of pension benefits resulting in financial loss.</p> <p>TP arrears – if accurate records are not maintained historic arrears cases could cost the Council significant sums of money .</p>
<p><b>Renew for current year with options to extend annually e.g. for a further 5 x 1 year</b></p>	<p>Ongoing direct access to the data</p> <p>Efficient processing of LGPS pension benefits for over 20% of active and deferred scheme members,</p> <p>Benefits scheme members who will receive the calculation of their benefits quicker</p> <p>Access to quality data assists in ensuring the correct calculation of pension benefits.</p> <p>Actuarial assumptions are made on good quality data</p> <p>TP arrears – good quality data reducing risk of financial burden on the Council of historic arrears cases .</p>	<p>Ongoing cost of Pension Enquiry Service is expensive at £75k per annum and cost reduction that could be achieved through ceasing the arrangement and redesign of service will not be delivered.</p> <p>Risk that in the event schools move to an alternative payroll provider that value for money would be further reduced.</p>

### 3. Contract Providing for a Statutory Requirement

The administration of the Local Government Pension Scheme and the employer responsibilities for Teachers Pensions are governed by legislation and the Council has obligations under both The Local Government Pension Scheme Regulations 2013 and The Teachers' Pension Scheme Regulations 2014.

Consideration has been given to how we redesign service delivery to enable this arrangement to be terminated without significant impact on the pension team and risks to the administration of pensions as outlined in the options appraisal.

It will take time to deliver the service redesign activity and therefore it is recommended that this arrangement continues until March 2023 to enable this to take place.

#### 4. Financial implications

The original cost of the service in 2016 was £82,500 per annum. This was reduced to £77,472 in 2018. Liberata have advised the reduction was in the recognition that Liberata do get some benefit from the arrangement as it is a unique selling point for their payroll services to schools.

Further discussions have been held with Liberata about the cost of the service and they have agreed to a further reduction in cost to £75,000 per annum. Discussions were with Liberata whether further costs savings could be achieved by reducing the number of users but they have advised this is not possible as their costing basis is the numbers of records held on the database.

##### Spend with supplier

Year	Amount
2016-17	82,500
2017-18	82,500
2018-19	77,572
2019-20	77,572
2020-21	77,572
To 2021 total	397,716
New arrangement	
2021-22	75,000
2022-23	75,000
Total	
Aggregate Spend	547,716

##### Apportionment of costs

As the service is provided to both the LGPS pension team and Teachers Pensions the costs will be apportioned between the general fund and pension fund.

Access to the service allows Croydon Council to meet its responsibilities to two separate pension schemes, the Local Government Pension Scheme (LGPS) and the Teachers' Pension Scheme (TPS). The costs have been apportioned between the pension fund and the general fund to ensure the Council's responsibility, as the administering authority for the LGPS, to ensure funds are used correctly is adhered to. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 permits any costs, charges and expenses incurred administering the fund to be taken from the fund.

Costs not associated with the administration and running of the LGPS (such as the TPS) cannot be met by the pension fund.

Croydon Council is deemed to be the employer for all community, foundation and voluntary aided schools in the borough and has legal responsibilities under the Teachers' Pension Scheme (TPS) regulations to provide information and data to TPS. TP Administration is a service purchased by schools and the cost of access to the Trent payroll system is met by this cost.

Therefore the 15k from general fund is to cover the contract charges in relation to administering the TPS and cannot be met by the LGPS pension fund.

There is sufficient budget in the Teacher Pensions budget for the general fund costs.

Budget Available	Yes		Cost Centre (Internal/External)	C14714/C90471
In-year Pressures on Budget	No		Future Pressure on Existing MTFS Budget	No

Details	Internal Capital	Revenue	Period funding	of	External		Period of funding
					Capital	Revenue	
Pension Fund		135k	2021/22 2022/23	-			
General Fund		15k	2021/22 2022/23	-			

## 5. Supporting information

Required Input		Details
5.1	Procurement Process followed: Incl. details of the competition, advertisement, tenders received and any clarifications or issues.	Direct Award
5.2	Evaluation results: Incl. each providers scores in accordance with the published criteria. Winning providers VFM offer	Not applicable
5.3	Any compliance issues with PCR or TCR?	<p>Liberata UK Ltd are the only provider who can supply this service as they provide the payroll service to schools which would render competition absent for technical reasons under PCR Regulation 32(2)(b)(ii) which permits the use of the negotiated procedure without prior publication of advertisement.</p> <p>Note the contract amount for this direct award is below PCR threshold although aggregate spend to date exceeds PCR threshold.</p> <p>A direct award will require a TCR regulation 19 waiver to the requirements of regulation 11.3.</p>
5.4	Contract Management: Please detail how this will be delivered and by who?	This will need to be agreed as part of the contract and will be responsibility of Head of Service for Pensions Administration. To date annual meetings have taken place as there have been no issues with service availability or performance.
5.5	Risks: Incl. how they will be managed	<p>There is a procurement risk with the direct award although the risk is considered low as only the supplier can grant access to the IT system and data which they use to deliver the payroll services to schools.</p> <p>The main operational risk is that schools choose to switch to an alternative payroll provider during the next 12 months, although the risk is considered low. This will be monitored monthly.</p>

		<p>Supplier unable to deliver service: The supplier has been engaged and is willing and able to continue the service as it ties in with their services being delivered to schools.</p> <p>There is a risk the in house service redesign is not able to be completed successfully in order to deliver savings. Project management, monitoring and regular status reporting to be deployed to ensure delivery kept on track.</p>
5.6	Mobilisation plan How will it be managed?	As this is continuation of an ongoing service no mobilisation is needed.
5.7	Decommissioning plans: How will they be managed between providers?	<p>The plan is to decommission this by March 2023 through service redesign. The exit plan activity includes:-</p> <ul style="list-style-type: none"> <li>• Full rollout of i-connect (I-connect enables employers to submit their data to the pension fund electronically) to reduce manual data processing and number of queries that will need to be raised with the employer</li> <li>• Educating employers on calculation of final pay</li> <li>• Arrange extraction of data needed for McCloud remedy</li> <li>• Options appraisal of TP service and delivery of any change to service provision</li> </ul>
5.8	TUPE: If applicable, how will it be managed?	TUPE does not apply
5.9	Interdependencies – If any: Incl. details of any arrangements i.e. Landlords, Consortiums, Assets connections and how they will be managed	The agreement is required as Liberata provide payroll services to schools. No other known interdependencies.
5.10	GDPR implications: Has an assessment been completed, do legal know to include in t&cs?	<p><i>Further information and support can be found at the link below:</i></p> <p><a href="https://intranet.croydon.gov.uk/resources/information-management/gdpr/gdpr-overview">https://intranet.croydon.gov.uk/resources/information-management/gdpr/gdpr-overview</a></p> <p>A DPIA has been completed.</p>
5.11	Equalities: Please confirm how the proposed contract will support the EQIA?	An EQIA has been completed and the evidence shows there is no potential for discrimination and we have taken all opportunities to advance equality and foster good relations, subject to continuing monitoring and review
5.12	Social Value: Please confirm how the provider will deliver the 10%?	There is no social value offer with this arrangement.
5.13	London Living Wage (LLW): Please confirm the provider pays LLW?	All Liberata employees are paid a minimum of the national living wage with the exception of apprentices. For some contracts they have an obligation to pay the real living wage.
5.14	Premier Supplier Scheme (PSP):	There is no PSP offer with this arrangement however the supplier can be approached and invited to enter the scheme.

Please confirm this is included in the requirements

## 6. Conclusion and reasons for recommendations

The purpose of this report is to enter into a direct award with Liberata Uk Ltd for the Pension Enquiry Service, and address legacy non-compliance with the Public Contracts Regulations 2015 and the Council's Tenders & Contracts regulation's.

The Pension Enquiry Service has been in place since 2016 and does provide administrative benefits to the Pensions team. However there is a significant cost attached to the ongoing provision and savings could be achieved through service redesign.

Therefore it is recommended that the Pension Enquiry service is continued until March 2023 to allow the delivery of an exit plan to minimise the risks and impacts to the Pensions Service and scheme members. The agreement will then be terminated.

## 7. Outcome and approvals

Outcome	Date agreed	
<i>Insert outcome of CCB discussion</i>	Service Director Sue Moorman Chris Buss Assmat Hussain see emails	All on 17 August 2021
	Cabinet Member for Finance & Resources	<i>28/10/21</i>
	Legal Services Sonia Likhari CCBReportsforlegal@croydon.gov.uk	<i>23.8.2021</i>
	Head of Finance Sent to Paul Clifflands and Michael Jarret on 26/8	<i>17/8/21</i>
	Human Resources (if applicable)	<i>n/a</i>
	C&P Head of Service Scott Funnell	<i>19/8/21</i>
	Lead Member arranged for Sue Moorman to brief Cllr) <i>(for contract award over £500k)</i>	<i>n/a</i>
	Procurement Board	CCB1697/21-25 <i>7/10/21</i>

## 8. Comments of the Council Solicitor

*There are no additional legal considerations directly arising from this report*

Approved by Sonia Likhari on behalf of the Director of Law and Governance

## 9. Chief Finance Officer comments on the financial implications

*Approved*

Approved by [ Chris Buss ] on behalf of the Chief Finance Officer