



DRAFT PORTFOLIO HOLDER DECISION NOTICE

PROPOSED INDIVIDUAL DECISION BY THE PORTFOLIO HOLDER FOR PROFESSIONAL SERVICES

TOPIC - APPROVAL TO INTRODUCE AN EMPLOYEE BENEFITS PLATFORM AND SHARED COST AVCS

PROCEDURAL INFORMATION

The Access to Information Procedure Rules – Part 4, Section 22 of the Council’s Constitution provides for a decision to be made by an individual member of Cabinet.

In accordance with the Procedure Rules, the Head of Legal Services (Interim), the Chief Executive and the Strategic Director: Resources are consulted together with Chairman and Vice Chairman of The Overview and Scrutiny Committee and any other relevant overview and scrutiny committee. In addition, all Members are notified.

If five or more Members from those informed so request, the Leader may require the matter to be referred to Cabinet for determination.

If you wish to make representation on this proposed Decision please contact the relevant Portfolio Holder and the following Democratic Services Officer by 5.00pm on 12th December 2018.

Contact Officers:

Case Officer: Samantha Hanks, 01962 848178 ext. 2942, shanks@winchester.gov.uk

Democratic Services Officer: Matthew Watson, 01962 848317 mwatson@winchester.gov.uk

SUMMARY

This paper seeks approval of the procurement process for employee benefits:

- The ‘mylifestyles’ employee benefits platform and associated benefits
- Shared Cost Added Voluntary Contributions (pension/retirement benefit)
- free2cycle (cycling/physical activity incentivisation scheme)

Employee benefits are increasingly being linked to organisational success. Impacting on recruitment, retention, employee engagement and employee wellbeing, an organisation’s benefits strategy has the potential to drive the employee experience and be a key differentiator in the marketplace.

In developing a benefits strategy, and in choosing which benefits to offer, organisations have to balance business needs with those of their employees. Employees' are increasingly being encouraged to look to their employer to provide a 'holistic' reward package capable of supporting their lifestage needs, aspirations and wellbeing.

Personnel Committee (PER304) approved in November 2017 a number of enhancements to the employee benefits package as part of the wider Employee Strategy. Clearly aligned with business and organisational drivers, approval was given to the introduction of a health cash plan (*links to wellbeing/financial wellbeing i.e. help with the cost of everyday health care*), a private lease car scheme (*links to business travel review, Corporate Social Responsibility, Green travel*) and employee discounts (*links to financial wellbeing/helping employees money to go further*).

In addition to the above, the Council have identified two additional employee benefits, Shared Cost Added Voluntary Contributions (SCAVCs) (*links to financial wellbeing*) and the cycling incentivisation scheme 'free2cycle' (*links to wellbeing, green travel/sustainability, Corporate Social Responsibility*).

Fundamentally, all of these proposed enhancements to the benefits package align with the Council's Employee Strategy and ambitions to increase employee engagement and productivity, aid recruitment and retention and help to set the Council apart as an 'employer of choice'.

Health Plan

The health cash plan was awarded to Simplyhealth following a formal quotation exercise. This employee benefit has been well received and over 160 employees (almost a third of staff) have signed up since the scheme was launched in August 2018.

Private car leasing and employee discounts

Priority now is on procuring a private car leasing scheme and employee discounts. The timely implementation of a private car leasing scheme is particularly salient with the confirmed closure of the Council's current car leasing arrangements in September 2019.

The Council has identified a single solution for the procurement and provision of cars and discounts. The 'mylifestyles' employee benefits portal through Edenred provides a technology mobilised platform for the implementation, administration, maintenance,

delivery and promotion of a suite of flexible, voluntary and salary sacrifice benefits, including cars and employee discounts.

Available exclusively to the public-sector, this one-stop solution would enable the Council to simply call-off individual benefits without the need for separate procurement and contracts. 'mylifestyles' is only available through the Crown Commercial Services 'Employer Services' framework agreement (RM3704), a single collaborative pan government framework available for the provision of employee services across the Civil Service and Wider Public Sector.

Shared Cost Added Voluntary Contributions (SCAVCs)

The essence of a holistic reward package includes a portfolio of benefits that can be flexed to meet the changing work and lifestyle needs of employees throughout their employment lifetime and even beyond. The Council has identified an employee benefit that has the potential to make a real difference to an employee's pension and retirement options – Shared Cost Added Voluntary Contributions (SCAVCs).

Members of the Local Government Pension Scheme (LGPS) already have the option to pay additional voluntary contributions (AVCs) to increase their pension benefits at retirement. AVCs are effectively a long term savings plan which run alongside the mainstream LGPS and allow a member to build up a capital sum with flexible draw down options at retirement. SCAVCs have the advantage over standard AVCs in that they attract both tax and NI relief rather than tax relief alone, which can be used to increased the pension pot further where savings are reinvested. The employer also saves through reduced employer NI & apprenticeship levy costs.

SCAVCs is only available through a single supplier, AVC Wise Ltd (a subsidiary of PSTAX who are the Council's tax adviser and the leading tax advisers to the public sector).

Free2cycle

free2cycle is an innovative, social enterprise scheme committed to transforming wellbeing through cycling. Employees are provided with a free bike and only contribute where they fail to meet their pledged mileage (20 miles per week minimum pledge). Repayment of the bike is met by free2cycle and a 20p per mile contribution from the employer.

free2cycle offers measurable environmental and wellbeing returns on investment, by using reward for regular physical activity/cycling to change behaviours long term. The scheme aligns well with the Government's response to the 'Cycling & Walking Investment Strategy: safety review' 2018 which sets out a number of initiatives to

improve road safety, including championing Councils to spend 15% of their local transport infrastructure funding on walking and cycling. Options to offset costs against park & ride provision for any member of staff who enrolls onto the scheme are also being considered.

Whilst some financial eligibility criteria apply, the scheme is not income or salary sacrifice based, therefore in principle it is available to most staff aged 18 and over who have completed their employment probation. free2cycle is not an exclusive cycling benefit and can be run alongside Cycle to Work salary sacrifice schemes which can be used to finance cycling accessories and safety clothing.

Free2cycle is only available through free2cycle.

This paper specifically addresses and seeks Portfolio Holder approval of the procurement process for the above employee benefits which cannot, in each case, be obtained through a tendering/quotation process.

More details on the 'mylifestyles' employees benefits portal, SCAVCs and free2cycle are provided in Appendix A and throughout this paper.

PROPOSED DECISION

That under the Contract Procedure Rules, Portfolio Holder approval is given to:

- (1) Access the OJEU compliant Crown Commercial Services (CCS) 'Employer Services' single supplier framework agreement (RM3704) for the procurement of the public sector exclusive 'mylifestyle' employee benefits portal and associated benefits on the grounds that it can only be obtained through the CCS framework agreement (2.4.(b).i)
- (2) Waive the requirement for an evaluation model of a combination of price and up to and including 40% for quality and accept the evaluation model used by Crown Commercial Services for the award of the 'Employer Services' procurement framework (RM3704) of 70% Quality and 30% Price (2.4.(b) iv)
- (3) That a minimum 3 year contract for a shared cost additional voluntary contribution (SCAVC) scheme through a salary sacrifice arrangement be negotiated directly with AVC Wise Ltd on the grounds that they are the only providers of this product on the market (2.4(a))
- (4) Enter into a contract directly negotiated with free2cycle for the provision of a cycling/physical activity incentivising scheme on the grounds that they are the only providers of this product on the market (2.4(a))

- (5) That in accordance with Contract Procedure Rule 2.4 (b) (ii) and Contract Procedure Rule 25.1 (a) authority be given to the Interim Head of Human Resources in consultation with the Strategic Director (Resources), to enter into Contracts for the provisions of the 'mylifestyles' employee benefits platform SCAVCs and free2cycle

REASON FOR THE PROPOSED DECISION AND OTHER ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

The Council's Contract Procedure Rules allow for a variation from standard tendering/quotation procurement procedures where Portfolio Holder approval is given and it can be demonstrated this will meet the Council's objectives and deliver best value.

The following alternative procurement routes for the public sector exclusive 'mylifestyles' employee benefits portal, SCAVCs and free2cycle are being recommended on the grounds that they cannot be obtained through quotations/tendering:

'mylifestyles' employee benefits portal

Employee benefits portals provide a technology enabled, centralised hub for the integration, administration and promotion of an organisations suite of employee benefits. Numerous industry case studies have shown a marked increase in engagement with and take up of employee benefits following the introduction of a benefits portal. Previously discounted on the grounds of cost, particularly considering many of the benefits available on a portal are typically free where implemented directly, 'mylifestyles' from Edenred provides a viable and cost free solution available exclusively to the public sector.

'mylifestyles' is only available through the Crown Commercial Services procurement framework 'Employee Services' (RM3704) and therefore there is no alternative procurement route available. This approach offers particular benefit to the Council in that all the usual framework efficiencies and assurances apply not only to the procurement of the portal itself but also to each of the individual associated benefits as they simply need to be called off from the overarching framework rather than tendered for separately.

Shared Cost Added Voluntary Contributions (SCAVCs)

Shared cost AVCs offer a real opportunity to make a difference to an employee's pension and retirement options at no additional cost to the employee and at effectively no cost to the Council (i.e. service fees can easily be met through employer NI and apprenticeship levy savings). Shared cost AVCs is only available through AVC Wise Ltd and therefore the only procurement route available to the Council is to negotiate directly with this single provider.

Free2cycle

free2cycle is different from other cycling based employee benefits in that incentivises long term behaviour change by rewarding regular cycling/physical activity. Employers and free2cycle contribute to the repayment costs of a bike which is 'free' to employees who meet their mileage pledge. Offering measurable wellbeing, environmental and Corporate Social Responsibility returns on investment, options to offset employer costs against current park & ride provision for anyone who enrolls onto the scheme are currently being considered.

RESOURCE IMPLICATIONS:

'mylifestyle' employee benefits portal

There is no set up or licence fee for the 'mylifestyles' portal from Edenred under the Crown Commercial Services procurement framework. Employee benefits portals are typically charged on a per head basis on top of any of hosted benefit/service fees, even though many of the benefits can be implemented for free if awarded directly. A recent benchmarking exercise shows these costs can be up to £10k per annum for a circa 500 employee headcount.

Where normal service charges apply to individual salary sacrifice benefits (e.g. childcare vouchers), these would be discounted as a result of the cumulative spend through the agreement. An immediate benefit to the Council of moving to the portal will be a reduction in the service charge for childcare vouchers, provided through Edenred, from 1.75% to 0.18%. This would see a saving of approximately £1k on service fees per annum based on current scheme membership, although savings are likely to erode over time with the recent national closure of childcare voucher schemes to new entrants.

The Green Car Scheme through Tusker will provide a private car leasing scheme through a salary sacrifice arrangement at a lower cost than retail and will be available to all members of staff who meet the eligibility criteria. Take-up may be particularly high amongst those staff directly affected through the closure of the current lease car arrangements.

Shared Cost Added Voluntary Contributions (SCAVCs)

AVC Wise Ltd provides the fully managed, HMRC compliant SCAVC scheme at a fee of 4.5% of total salary sacrificed. These costs would be met through employer NIC and apprenticeship levy savings which is currently 14.3% of the total salary sacrificed (13.8% NIC and 0.5% Apprenticeship Levy).

Currently 20 members of staff contribute to an AVC. Assuming 90% of these transfer to a SCAVC, AVC Wise estimate the Council could expect to achieve gross annual savings of around £11k based on 14.3% employer savings (less fees to AVC Wise of c£3.5k, giving a net £7.5k saving). This could increase to around £24k gross (£16.5k net) per year with a realistic increase in membership to 12%/57 employees over 3 years with an average AVC contribution of £2.4k per new employee contributor per annum. Further employer and employee savings would be realised where scheme members elected to 're-invest' their savings.

Free2cycle

With no set up costs and minimal administration, 'free2cycle' employer costs of 20p per mile are only incurred on 'actual' mileage achieved. Employees only contribute towards the cost of the bike provided under the scheme where they fail to meet their mileage pledge.

Free2cycle provide the following example of employer costs based on a 3.5 mile commute:

Typical mileage pledge = 3.5.miles each way commute
Value of bike based on pledged mileage = £600
Employer cost @ 20p mile = £20 per month

Options to offset costs against current Park & Ride provision for any employee enrolling onto the scheme are being considered.

DATA PROTECTION IMPACT ASSESSMENT

'mylifestyle' employee benefits portal

Edenred, the providers of the 'mylifestyle' employee benefits portal are ISO 27001 accredited for their processes of information security governance, control and compliance. In September 2016 the Edenred Employee Benefits Services was accredited by the Pan-Government Accreditor and Employee Services Security Working Group. Further accreditation was awarded in September 2017 by the National Cyber Security Centre and Employee Services Security Working Group. All data is hosted securely in the UK.

Shared Cost Added Voluntary Contributions (SCAVCs)

AVC Wise Ltd are BSI ISO 9001:15 and ICO accredited. All data is hosted securely in the UK.

Free2cycle

free2cycle adhere to the General Data Protection Regulations 2018 and the Privacy & Electronic Communications Regulations 2003. All data is hosted securely in the UK and data processing within the EU is limited to call centre provision only.

Employee data would only be used internally for scheme and payroll administration purposes and to monitor uptake and performance of the scheme. Any reports on the scheme would use aggregated and anonymised employee data.

CONSULTATION UNDERTAKEN ON THE PROPOSED DECISION

Personnel Committee PER304 – 23 November 2017

Executive Leadership Board – 24 August 2017, 16 May 2018

UNISON – 21 May 2018, 31 May 2018

Review of Business Travel Arrangements, Lease Car Benefit and Historical

Allowances (non-travel) letter to affected staff, 28 June 2018

All members to be consulted via the Portfolio Holder Decision Notice process.

FURTHER ALTERNATIVE OPTIONS CONSIDERED AND REJECTED FOLLOWING PUBLICATION OF THE DRAFT PORTFOLIO HOLDER DECISION NOTICE

NONE

DECLARATION OF INTERESTS BY THE DECISION MAKER OR A MEMBER OR OFFICER CONSULTED

NONE

DISPENSATION GRANTED BY THE STANDARDS COMMITTEE

N/A

Approved by: (signature)

Date of Decision

Councillor Godfrey – Portfolio Holder for Professional Services

APPENDICES:

Appendix A - Background information regarding the Employee Benefits Portal,
Shared Cost Added Voluntary Contributions and free2cycle

Appendix A

Background information regarding the 'mylifestyle' Employee Benefits Portal and Shared Cost Added Voluntary Contributions

'mylifestyles' Employee Benefits Portal

The web-based 'mylifestyles' portal from Edenred provides a single, central, integrated on-line benefits platform for the implementation, administration, maintenance, delivery and promotion of a suite of flexible, voluntary and salary sacrifice benefits. Numerous industry case studies have shown a marked increase in engagement with and take up of employee benefits following the introduction of a benefits portal.

Employee benefits available through the portal include Childcare Vouchers, Cycle to Work, Payroll Giving, a Reward and Recognition Scheme, Employee Discounts, Green Cars (Private Car Leasing), Gym Membership, GymFlex, Home Technology, a Smart Phone Scheme and Financial Education.

Organisations only call-off all those benefits they wish to make available to their staff based on their own business requirements and reward strategy, although any of the remaining services can be added at any time at a later stage. All of the benefits are covered through a single contract with Edenred, dispensing with the need for individual procurement and contracts with each of the benefit providers for each of the separate services.

Winchester City Council would initially look to call-off Childcare Vouchers, Employee Discounts and Green Cars, although implementation may be staggered to allow one benefit to embed before another is introduced. Cycle to Work would be added if the offering through the portal was more advantageous than the scheme the Council already has in place. Financial Education is a future benefit ambition and may be called-off at a later stage as part of the planned roll-out of a wellbeing strategy.

Gym discounts would at this stage be discounted as staff already have sufficient access to similar discounts through existing benefit arrangements. The remaining benefits available through the portal would be considered as and when a perceived need arises.

The 'mylifestyles' employee benefits portal is only available through Edenred and can only be procured through the Crown Commercial Services framework agreement 'Employee Services' (RM3704). With focus initially on servicing Central Government, recent promotion of the portal across the wider public sector has seen

increasing traction, with local authorities currently in project including South Gloucestershire, Bromley, Bradford and Hertsmere.

Shared Cost Added Voluntary Contributions (SCAVCs)

Members of the Local Government Pension Scheme (LGPS) already have the option to pay additional voluntary contributions (AVCs) to increase their pension benefits at retirement. AVCs, administered through an independent insurance company, are effectively a long term savings plan which runs alongside the mainstream LGPS and allows a member to build up a capital sum with flexible draw down options at retirement.

However, in accordance with the terms of the LGPS, the employer can also contribute to the employee's AVC fund through a shared cost AVC (SCAVC) via a salary sacrifice arrangement. To be compliant, both the employer and employee must contribute to the scheme. Operationally, this means the employee agrees to a contractual reduction in salary (salary sacrifice) and the Council contributes this into the SCAVC plan on their behalf. The employee also has to pay a nominal £1 per month into the SCAVC fund via a payroll deduction.

In addition to full tax-relief, members of the LGPS contributing to a SCAVC will see a reduction in their national insurance contributions (standard AVCs attract tax relief only). Based on current tax rates, the saving will be 12% for most employees (lower rate taxpayers), falling to 2% for higher rate taxpayers (salaries greater than £45,000 or £50,000 from April 19). These savings can be realised through take-home pay or re-invested into the SCAVC, adding further to both employer and employee savings.

The Council will similarly benefit through a reduction in their employer national insurance contributions and apprenticeship levy (see Resources section for a more detailed breakdown of potential employer savings).

SCAVCs are exempt from the 2017 legislative changes relating to the withdrawal of tax and NICs advantages for certain benefits provided through salary sacrifice.

'AVC Wise', through AVC Wise Ltd, has HMRC clearance and is the only SCAVC product available on the market. AVC Wise is delivered through a fully integrated on-line portal, incorporating the facility for all aspects of scheme administration, scheme promotion and employee communication.

AVC Wise Ltd currently has over 100 Local Authority Customers, including Portsmouth City Council.

Free2cycle

Free2cycle is an innovative, social enterprise scheme whose mission is to transform wellbeing through cycling. Employees are provided with a cost free bike which they pay for in terms of 'pedal power' rather than cash. By incentivising cycling rather than just ownership of a bike, the scheme aims to achieve long term behavioural change and increased physical activity.

Employees enrolling onto the scheme, have to sign up to a 'mileage pledge' i.e. how many miles they commit to cycling each week (the minimum is 20 miles per week). The mileage commitment determines the value of the bike provided under the scheme, although employees can pay the difference themselves if they want to upgrade to a more expensive bicycle e.g. a pledge of 30 miles a week would provide a bike worth £540, 60 miles per week = £1,080, 100 miles per week = £1,750. The weekly mileage commitment is adjusted down to allow for times when someone is less likely to cycle e.g. during the winter, allowance for annual leave etc. Commute and leisure cycling count and excess mileage can be 'banked' and used to offset shortfalls.

The employer commits to paying 20p per mile for every actual mile cycled up to the pledge limit. The employee only has to contribute in the event that they fail to meet their mileage pledge. In this instance, employees are charged the same percentage of the cost of providing the bike as the % shortfall of mileage pledged e.g. a shortfall of 50% on a 30 mile per week pledge (£540 bike over 48 months at adjusted weekly mileage) would cost the employee £4 per month. Employee contributions are collected from a nominated bank account and not through payroll.

There are no set up costs and minimal administration. The scheme can run alongside a Cycle to Work salary sacrifice and this can be used to pay for cycling equipment and accessories etc. Some eligibility criteria apply, but as the scheme is not income or salary sacrifice based, it is essentially open to most employees aged 18 years and over who have passed their probationary period of employment. In terms of demonstrating a return on investment, employers are provided with regular carbon saving reports based on substituted commute mileage and increased activity levels as measured against NHS benchmarks.

Options to offset costs for scheme members against Park & Ride provision are being considered. Even without this, introducing the scheme would help towards the Council's wellbeing, environmental and Corporate Social Responsibility priorities.

The scheme is only available through 'free2cycle'.