

Part A Report

REPORT TO:	Cabinet Member for Finance and Treasury
AGENDA ITEM:	Background document to item 14 – Cabinet 15.12.14
SUBJECT:	Payroll Administration and Management Services for Corporate Staff, Pensioners and Schools Lot 1 Corporate Staff and Pensioners Lot 2 Schools Staff
LEAD OFFICER:	Richard Simpson, Director of Finance and Assets and S151 Officer
CABINET MEMBER:	Cllr Simon Hall, Cabinet Member for Finance and Treasury And: Cllr Tony Newman, Leader of the Council
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT:	
<p>Delivering high quality public services and improving value for money</p> <p>The provision of a professional payroll service is vital to the Council as it enables the Council to promptly accurately pay staff and pensioners and meet it’s obligations under PAYE.</p>	
AMBITIOUS FOR CROYDON & WHY ARE WE DOING THIS:	
<p>The provision of a professional payroll service supports the ambition for the Council as a place where everyone is proud to live and work. It helps support staff and pensioners by ensuring they are without concern over whether payroll payments will be for the correct amount and credited on time. As there is a cost reduction to the general fund, this recommendation also supports the ambition of taking a prudent approach to managing the council’s finances.</p>	
FINANCIAL IMPACT SUMMARY	
<p>This report recommends the award of two contracts for Payroll Administration and Management Services for an initial 3 years with the option to extend for a further 1 year in the following Lots.</p> <p>Lot 1. Corporate Staff and Pensioners</p> <p>The total cost of Lot 1 over the maximum term should not exceed £2.84m. Based on current volumes the award of this contract will enable the Council to make savings to the general fund budget of £251k per annum.</p> <p>The cost to the pension fund for pensioners’ payroll will be £480k per annum.</p>	

Lot 2. Schools Staff, including licences and hosting.

The total cost of Lot 2 over the maximum term should not exceed £998k. Costs associated with the award of Lot 2 will be met by schools so cost neutral for the Council.

KEY DECISION REFERENCE NO.: 22/14/FT

This is a Key Decision as defined in the Council's Constitution. The decision may be implemented from 1300 hours on the 5th working day after it is made, unless the decision is referred to the Scrutiny & Strategic Overview Committee by the requisite number of Councillors.

1. RECOMMENDATIONS

1.1 The Cabinet Member for Finance and Treasury, in consultation with the Leader of the Council is recommended to approve the award of two contracts for Payroll Administration and Management Services for an initial term of 3 years with the option to extend for one year for the Lots detailed below and to the providers, and on the terms detailed, in the associated Part B report:

Lot 1. Corporate Staff and Pensioners

Lot 2. Schools Staff, including Licenses and hosting

The total value for both contacts is £3.84m

2. EXECUTIVE SUMMARY

2.1 The purpose of this report is to detail the procurement and evaluation process undertaken for the Payroll Administration & Management Services and to recommend the award of two contracts for an initial term of 3 years with the option to extend for one year. The contract Lots are as follows:

Lot 1. Corporate Staff and Pensioners

Lot 2. Schools Staff including Licences and hosting

2.2 The content of this report has been endorsed by the Contracts and Commissioning Board.

CCB Approval Date	CCB ref. number
06/11/2014	CCB0947/14-15

3. DETAIL

Background

- 3.1 In April 2007 the Council entered into a contract with Liberata UK Ltd (the current contract) for the provision of Payroll Administration Services for Corporate Staff, Pensioners and Schools for a term of 5 years with the option to extend up to a further 3 years. This arrangement has provided payroll service for approximately 3350 corporate staff, 7000 pensioners and 3500 schools staff.
- 3.2 Schools are offered the opportunity to purchase payroll administration services via The Council Schools Traded Services, on an annual cost per employee basis.
- 3.3 In 2012, following a full market benchmark review the Council entered into the optional three years extension period. Therefore the Council's current payroll contract will expire on 31st March 2015.
- 3.4 The approved procurement strategy (CCB Reference Number CCB0881/13-14) was to procure payroll services for a period of 3 years plus the option to extend for a further 1 year, as 2 Lots on two distinct technical platforms:
- Oracle for the Council's Payroll Administration and Management Services for Corporate Staff and Pensioners (Lot 1)
 - iTrent for the Council's Payroll Administration and Management Services for Schools staff. Costs associated with the Schools options will be met by schools so cost neutral for The Council (Lot 2)
- 3.5 The current contract was awarded based on an iTrent platform which is provided by Midland Software and hosted by Liberata, as part of the contract. While the current contract has been active the operational landscape of the Council has changed. The Council has entered into partnership with five other Local Authorities in and around London to collectively rationalise its ICT offering through the implementation of a single instance of Oracle e-business suite (One Oracle). The payroll processing for Corporate Staff and Pensioners moved across to the Oracle platform in August 2014.
- 3.6 Alongside this strategic system implementation a further consideration for the Council was and is the on-going operational management of the Council (circa 75) schools who purchase payroll and HR services from the Council. Migration of these Schools to the One Oracle platform offers no revenue efficiencies or adds any business or process value to the Council in managing these payroll services. In addition the intended formation of the Schools Mutual from 1st April 2015 and the possibility of novation of the schools payroll services to the Mutual added further complexity.
- 3.7 Lot 2 therefore will remain using the Midland iTrent solution.
- 3.8 By taking a tactical approach to the duration of the proposed new contractual arrangements for Payroll Administration and Management Services, allows time for the Council to consider the provision of Payroll Services in any future

development of the One Oracle partnership, which may meet business requirements in a more strategic manner in the future.

Procurement Approach

3.9 An EU 'open' procurement procedure was carried out using the Council's e-tendering system. The contract notice (advert) was submitted to the Official Journal of the European Union (OJEU) on 10 April 2014 inviting tenders against a detailed specification. The submission deadline was 12 noon on 2nd June 2014.

Tender Evaluation Process

3.10 An evaluation panel was established and assessed each submission for both Lot 1 and Lot 2.

3.11 The evaluation was conducted in accordance with the Tenders and Contracts Regulations and Corporate Evaluation Guidance.

3.12 The tenders for both Lot 1 and Lot 2 were evaluated according to the published criteria as set out below.

Evaluation Section	Criteria	Weight
Qualitative Evaluation (40%)	Method Statements	40%
Commercial (60%)	Price	60%

3.13 A quality assessment was made for each element of the tendered services by reviewing method statements submitted by the bidders. Each element of bidders' responses was evaluated and scored out of a maximum of 5, applying the scoring guide as below:

Score	Acceptability	Description
0	Unacceptable	The information is omitted/no details provided
1	Poor	The response does not address the criterion, or the Evaluator is not confident that the applicant understands the contract requirements covered by this criterion and/or will be able to satisfactorily meet the criterion requirements.
2	Fair	The Evaluator has some reservations that the applicant understands the contract requirements covered by this criterion and/or will be able to satisfactorily meet the criterion requirements.
3	Satisfactory	The Evaluator is reasonably confident that the applicant understands the contract requirements covered by this criterion and/or will be able to satisfactorily complete the contract requirements covered by this criterion to a reasonable standard.
4	Good	The Evaluator is confident that the applicant understands the contract requirements covered by this criterion and/or will be able to satisfactorily complete the contract requirements covered by this criterion to a high standard.
5	Excellent	The Evaluator is completely confident that the applicant understands the contract requirements covered by this

		criterion and or will be able to satisfactorily complete the contract requirements covered by this criterion to a very high standard.
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3.14 Scores were multiplied by a weighting reflecting the importance of each element.

3.15 Price represented 60% of the overall marks and was awarded on the basis of comparing each bidder's price against the lowest. A cost assessment was made on the basis of expected volumes.

3.16 A weighting of 40% Quality to 60% Cost was applied.

Reason for Recommendation/Proposed Decision

Lot 1 Payroll Administration for Pensioners and Payroll

3.17 Two compliant tenders were received for Lot 1 by the deadline of 12 noon on 2 June 2014. Post tender clarification on price was required and final bids from both tenderers were received by the deadline of 11 August 2014.

3.18 The percentage scores for quality and price were added together. The bidder with the highest combined score is the contractor recommended for award of the contract.

3.19 The recommendation to award the contract to Bidder 1 is based on the Most Economically Advantageous Tender as scored against the published award criteria.

	Quality %	Price %	Total %	Ranking
Bidder 1	29.80%	60.00%	89.80%	1
Bidder 2	9.60%	39.69%	49.29%	2

Lot 2 Payroll Administration for Schools Staff

3.20 Three compliant tenders were received for Lot 2 by the deadline of 12 noon on 2 June 2014. Post tender clarification on price was required and final bids from all tenderers were received by the deadline of 11 August 2014.

3.21 The percentage scores for quality and price were added together. The bidder with the highest combined score is the contractor recommended for award of the contract.

3.22 The recommendation to award the contract to Bidder 2 is based on the Most Economically Advantageous Tender as scored against the published award criteria.

	Quality %	Price %	Total %	Ranking
Bidder 1	30.20%	38.38%	68.58%	2

Bidder 2	13.60%	60.00%	73.60%	1
Bidder 3	9.60%	24.06%	33.66%	3

4. CONSULTATION

- 4.1 Consultation with officers in Pensions, Human Resources, Procurement and Legal with regard to the scope and future contract management / performance was undertaken. The outcome of which has been accounted for in the contract.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 5.1 **The effect of the decision:** The effect of the decision will be to enter into two contracts for Payroll Administration and Management Services for an initial 3 years with the option to extend for a further 1 year.

Lot 1. Corporate Staff and Pensioners

Lot 2. Schools including licenses and hosting

- 5.2 **Revenue and Capital Consequences of Report Recommendations:**
Included in Part B of the report.

- 5.3 **Risks:** Finance has appraised the most recent accounts for all Tenderers and has ascertained that the preferred bidder/s achieved a financial health score rating of good.

- 5.4 **Options:** No other options are being considered in the award of this contract

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 6.1 The Council Solicitor comments that the procurement process as detailed in this report meets the requirements of the Council's Tenders and Contracts Regulations and the statutory duty to demonstrate best value under the Local Government Act 1999.

(Approved by: Gabriel MacGregor, Head of Corporate Law on behalf of the Council Solicitor & Monitoring Officer)

7. HUMAN RESOURCES IMPACT

- 7.1 This report makes recommendation that may invoke the Transfer of Undertakings (protection of Employment) 2006 Regulations in relation to a transfer of services between two third party contractors. If this was the case, then all staff that predominantly works in the identified service would be transferred to the new contractor on their existing terms and conditions of service but the role of The Council will be no more than to facilitate this process.

(Approved by: Michael Pichamuthu on behalf of the Director of Human Resources)

8. EQUALITIES IMPACT

8.1 An initial Equality Analysis was undertaken that concluded the award of two contracts for Payroll Administration and Management Services would not have any adverse impact on people who share a protected characteristic and those who do not.

9. ENVIRONMENTAL IMPACT

9.1 There are no environmental impacts arising from this report.

10. CRIME AND DISORDER REDUCTION IMPACT

10.1 There are no immediate Crime and Disorder consequences of this proposal.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

11.1 Following analysis of the commercial and qualitative aspects of the tenders received, it is recommended that the contract for Payroll Administration and Management Services for Corporate Staff and Pensioners (Lot 1) and for School Staff (Lot 2) be awarded to the companies whose tenders will be most advantageous to the Council taking account of quality and price.

12. OPTIONS CONSIDERED AND REJECTED

12.1 No other options have been considered.

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BACKGROUND PAPERS

None