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| Meeting | Cabinet Resources Committee |
| Date | 20 June 2012 |
| Subject | Renewal of Heywoods Axise Pension Administration Software and Services Contract |
| Report of Summary | Cabinet Member for Resources and Performance This report seeks waiver of the contract procedure rules as to tender procedure and approval to renew the pension administration software and services contract with Heywood Limited for a period of two years from 14 September 2012 to 13 September 2014. |

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| Officer Contributors | Mark Rudd, Head of HR Operations Hansha Patel, Pension Services Manager Praful Ladwa, Corporate Procurement |
| Status (public or exempt) | Public |
| Wards Affected | N/A |
| Key Decision | No |
| Reason for urgency / exemption from call-in | Not Applicable |
| Function of | Executive |
| Enclosures | None |
| Contact for Further Information | Hansha Patel 020 8359 7895 |

1 RECOMMENDATIONS

That the Committee waive the relevant Contract Procedure Rules and authorise the renewal of the Heywood Axise Pension Software and Services Contract for a period of two years from 14 September 2012 to 13 September 2014. The total value of the new contract will be approximately £128,000 over the lifetime of the contract.

2 CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 2.1.1 The Corporate Plan 2012-13 states that “we will continue to drive costs out of the Council through transforming our internal organisation, reducing costs of providing Services and giving better value for money”. This is to meet the Council’s corporate priority “Better services with less money” strategic goal to maximise improvements and savings in back-office functions.

3. RELEVANT PREVIOUS DECISIONS

- 3.1 Heywood Limited has provided the Pension Administration System to the Council for more than ten years. The current Contract, covering both licensing and maintenance is due to expire 13 September 2012.
- 3.2 Last year’s contract for the period 14 September 2011 – 13 September 2012 was renewed following a Delegated Powers Report and approval by the Deputy Chief Executive on 31 January 2012.

4. RISK MANAGEMENT ISSUES

- 4.1 The current contractual arrangements in place with Heywood Limited allow for automatic renewal of the licence annually; either Heywood Limited or the Council can terminate the licence giving 12 months written notice.
- 4.2 If the Council does not renew the licence contract or fails to put alternative service provision in place, it will not be able to administer the pension on behalf of approximately 15,000 active / deferred members and approximately 7,000 pensioners.
- 4.3 Unless the option to extend the contract is exercised the Council will need to carry out costly tendering processes before January 2013, resulting in significant expenses to the Council and arrangements that may not deliver best value for money.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The Equality Act 2010, requires all public bodies and all other organisations exercising public functions on its behalf must have due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advance equality of opportunity between those with a protected characteristic and those without; promote good relations between those with a protected characteristic and those without. The ‘protected characteristics’ referred to are: age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex and sexual orientation.

It also covers marriage and civil partnership with regard to eliminating discrimination.

- 5.2 Heywood Limited are ISO 9001:2000 Certified since 2005

6. USE OF RESOURCES IMPLICATIONS

(Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 There are no adverse staffing, IT, sustainability, procurement and or property issues as a result of continuing participation in the current contract.

- 6.2 Finance:

The cost of the contract will be met wholly from the Pension Fund. The expenditure with Heywoods for the two year contract period to 13 September 2014 will be approximately £128,000.

7. LEGAL ISSUES

- 7.1 Procurement processes must comply with the European procurement rules and the Treaty obligations of transparency, equality of treatment and non discrimination as well as the Council's Contract Procedure Rules.

- 7.2 In the event that the lifetime values of the contracts, dealt with within this report, exceed the, relevant, European Threshold, the Public Contracts Regulations 2006 (as amended) will apply. Any non-compliance with the Regulations carries a risk of legal challenge and the imposition of sanctions if successful.

- 7.3 With reference to contracts, which have values above the, relevant, EU threshold it is considered that reliance may be placed upon Regulation 14 of the Public Contracts Regulations 2006 (as amended), which implement the European Directive into domestic legislation. Regulation 14 enables a Contracting Authority to negotiate a contract with a particular supplier, without the publication of a contract notice, when, for technical or artistic reasons, or for reasons connected with the protection of exclusive rights, the public contract may be awarded only to a particular economic operator.

- 7.4 With respect to the council's own Contract Procedure Rules, the Cabinet Committee has power to waive any one or more of those Rules if satisfied that waiver is justified on any one or more of the grounds set out in Section 8 below.

8. CONSTITUTIONAL POWERS (Relevant section from the Constitution, Key/Non-Key Decision)

- 8.1 The Constitution: Part 3 Section 3.6 sets out the functions of the Committee including the power to Authorise and Accept contracts.

- 8.2 Section 5.8 of the Contract Procedure (CPR) Rules enables a Cabinet Committee to waive the requirements of the Contract Procedure Rules if

satisfied, after considering a written report by the appropriate officer, that the waiver is justified because:

5.8.1 *the nature of the market for the works to be carried out or the supplies or services to be provided has been investigated and is demonstrated to be such that a departure from the requirements of Contract Procedure Rules is justifiable; or*

5.8.2 *the contract is for works, supplies or services that are required in circumstances of extreme urgency that could not reasonably have been foreseen; or*

5.8.3 *the circumstances of the proposed contract are covered by legislative exemptions (whether under EU or English Law); or*

5.8.4 *there are other circumstances which are genuinely exceptional.*

8.3 The justification in this case is contained within Rule 5.8.1 of the CPR's that the nature of the market for the services to be provided has been investigated and is demonstrated to be such that a departure from the CPR's is justifiable because of the following:

8.3.1 The current pension system is fully embedded into the Council's processes and procedures for the administration of the Local Government Pension Scheme and is used by many active members via self-service functionality. The system, being one of the market leading products for pension's administration, meets all the current business needs of the Council and is essential for business continuity.

8.3.2 The cost of re-tendering will be significant, yet is unlikely to identify an alternative provider in the marketplace that will offer significant cost benefit over the proposed short period of the contract. There is a high probability that any new provider will charge a high implementation cost because of the relatively short length of the contract (only 2 years), in addition to any costs for managing the scheme.

8.3.3 Pension Administration is due to be transferred under the NSCSO Programme to a new service provider early in 2013. The new service provider may want to use its own propriety systems, therefore negating any potential benefit of the Council switching its systems now

8.4 In addition a waiver may apply under Rule 5.8.4 in that there are other circumstances that are genuinely exceptional. The circumstances in this case are the complex nature of the service required, the potential high cost of having to implement a new pension administration system following a full procurement process provided by a new supplier with no experience of local government pension schemes and the impending externalisation of NSCSO to a private service partner.

9. BACKGROUND INFORMATION

9.1 London Borough of Barnet has used the Heywood Axise Pension Administration System for over 10 years. The service is provided by Heywood

Limited, 2 Victoria Street, Altrincham, Cheshire, WA14 1ET. The existing contract expires on 13 September 2012.

- 9.2 The existing contractual arrangements allow for the automatic annual renewal of the contract. London Borough of Barnet or Heywood Limited has the right to terminate the contract giving a minimum 12 months written notice.
- 9.3 The Heywood Axise system is fully integrated and embedded into the Council's processes and procedures. The system allows the Council Pension Services Team to administer the pension on behalf of approximately 15,000 active / deferred members and approximately 7,000 pensioners. The system currently fully meets existing business requirements including Local Government Pension Scheme administration database, licences and maintenance, task management module, Internet-based Member Self-Service functionality and document imaging software.
- 9.4 With the proposal to outsource pension administration as part of the One Barnet New Support and Customer Service Organisation, there is little benefit in re-tendering the existing contract at the present time. Heywood Axise is a market-leading pension system. With the potential costs to tendering for the contract high, the Council would not gain in business benefits from a new contract before the service is outsourced.
- 9.5 The Council has no overriding business need to replace the existing pension administration system and therefore, proposes to renew the contract for a further two year period.

10. LIST OF BACKGROUND PAPERS

None.

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| Cleared by Finance (Officer's initials) | MC |
| Cleared by Legal (Officer's initials) | PD |