

# NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

## CABINET

20 February 2019

### REPORT OF THE HEAD OF FINANCE – H.JONES

#### MATTER FOR DECISION

#### WARDS AFFECTED

All

#### ADDITIONAL VOLUNTARY CONTRIBUTIONS

##### Purpose of Report

1. This report seeks approval to appoint AVC Wise Ltd to provide a fully managed service for additional voluntary contributions (AVC) as part of the Local Government Pension Scheme (LGPS) arrangements.
2. The report also seeks authorisation to exclude the requirements of competition, to suspend Rule 2.2 of the Council's Contracts Procedure Rules ("CPRs") and to make a direct award to AVCWise Limited ("the Service Provider").

##### Background

3. This Council has offered the opportunity for employees to invest in an AVC scheme since its inception and in March 2018, successfully implemented a salary sacrifice scheme for additional voluntary contributions (SSAVC). The initial AVC resulted in tax savings for employees, whilst the new Scheme also reduces the cost of national insurance for those choosing to make these retirement contributions, as well as resulting in savings for the Council of around £60,000 per annum from consequential reduced employers national insurance costs. The number of LGPS members contributing to the two AVC schemes has remained stable at around 430 for the past two years, with over 80% choosing the salary sacrifice scheme and the rest selecting the standard AVC scheme.
4. Previously, the AVC provider, Prudential, provided annual sessions to explain the opportunities around AVCs and to improve the understanding of the Local Government Pension Scheme. However,

they have now withdrawn this useful service so staff no longer have the chance to develop their knowledge of the options available to support their retirement plans.

### **AVCWise Fully Managed Service**

5. PSTax, the Council's advisor for employment tax and value added tax, supported the early implementation of the SSAVC scheme, including providing direct guidance to this Council, which ensured our documentation was HMRC compliant. They have now set up a new company to specialise in providing future support, AVCWise Ltd.
6. The Company has taken the opportunity to appoint staff previously employed by Prudential, with expertise in the local government sector, to support the provision of a fully managed service for AVCs. The service offered includes:
  - A minimum of three days each year to deliver presentations and workshops, including "one to one" meetings with LGPS members;
  - Employee access to an Employee Service Centre providing support to individual applications covering all aspects of salary sacrifice;
  - The implementation and use of an IT portal for AVCWise applications and administration;
  - Continued professional tax advice and support to ensure continuing compliance with tax and pension rules included the updating of scheme documentation where appropriate.
7. There is no upfront charge for this service. The proposal is that there will now be a 4.5% fee payable for any new members of the scheme or any increased contributions from current scheme members (the fee being payable on the increased amount only with effect from April 2019). The fee is payable to AVCWise Ltd, with the Council benefitting from the remaining national insurance savings available for additional salary sacrifice contributions.

### **Implementation**

8. If the recommendation to this report is approved, the Council will work with AVCWise Ltd to roll out the arrangements from 1<sup>st</sup> April 2019, with the contract finishing 36 months after this date.

## **Financial Impact**

9. Members should note that the employers' national insurance rate is 13.8% of pay. The fee plan proposed by AVCWise Ltd does not take account any of the savings already achieved by the Council, but includes costs of 4.5% of the increase in additional voluntary contributions. Rather than resulting in a net cost to the Council, the Council will benefit from the remaining 9.3% national insurance savings available for additional salary sacrifice contributions. The annual savings will vary in line with the number of contributors to the scheme.
10. If AVCWise Ltd do not successfully market the SSAVC scheme, there will be no cost or benefit to the Council.

## **Equality Impact Assessment**

11. This proposal does not result in any equality issues, so there is no requirement for an equality impact assessment in respect of this item.

## **Workforce impacts**

12. This scheme will provide a benefit to workforce members who are part of the LGPS.

## **Legal Impacts**

13. The support of AVC Wise Ltd will provide the assurance that the Council continues to comply with HMRC requirements for its SSAVC arrangement.
14. Even though the requirement to competitively tender the agreement by way of a European based tender is not applicable, the Council is required by the general obligations of transparency, equal treatment, non-discrimination and proportionality that derive from the Treaty on the Functioning of the European Union (TFEU) when an agreement of this kind is of 'certain cross border interest'. What these principles imply in practice is that the contract should be transparently awarded in a non-discriminatory way. The simplest way to demonstrate compliance would be by going through a procurement exercise compliant with the principles outlined above. The Council would contend that an agreement of this kind is unlikely to have 'cross border interests'.

In addition, the Council must ensure that suitable contractual arrangements can be put in place for the provision of the Services without delay and to ensure continuity is not disrupted for the Council. Further, the Council must comply with its own internal CPRs which provide that the Council will, whenever possible put contracts of this value out to open competition. Rule 2.2 of the CPRs provides that where the value of the contract is between £5,000 and £50,000 at least three written quotations must be sought. The value of this contract is uncertain, as it is dependent on the take up of AVC arrangements, so as part of the Recommendations, an exclusion of the CPRs will be sought.

### **Risk Management**

15. This proposal mitigates the risk that staff are not supported when make financial decisions for retirement planning.
16. The introduction of this arrangement should maintain the savings already realised as well as having the potential to make further savings. This alleviates the possibility of not continuing to achieve the current savings level.

### **Consultation**

17. There is no requirement under the Constitution for external consultation on this item.

### **Recommendation**

18. It is recommended that:
  - the Council commission AVCWise to provide a fully managed AVC service including face to face training.
  - the requirements of competition are excluded and Rule 2.2 of the Council's Contracts Procedure Rules is suspended.
  - authority is given to make a direct award to the Service Provider and for the Council to enter into contract with the Service Provider for the provision of the Services for a period of three years from 1<sup>st</sup> April 2019.

## **Reasons for Proposed Decision**

- 19.** To ensure that staff receive support when they are making retirement planning decisions, whilst complying with contract procedure requirements.

## **Implementation of Decision**


- 20.** The decision is proposed for implementation after the three day call in period

## **List of Background Papers**

AVC Wise Communication Plan.


## **Officer Contact**

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