

## WEST DUNBARTONSHIRE COUNCIL

### Report by Head of Human Resources and Organisational Development Tendering Committee: 11<sup>th</sup> November 2009

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#### **Subject: Tender for Provision Child Care Voucher Scheme**

#### **1. Purpose**

- 1.1 This report seeks Committee approval to award a contract for the provision of Salary Sacrifice Based Child Care Voucher Scheme.

#### **2. Background**

- 2.1 Childcare Vouchers were introduced by the Government from 6 April 2005. It is a means by which employees can receive relief from Tax and National Insurance contributions up to the value of £55 per week (£243 per month) on their childcare costs (where both spouses or child carers work for the Council, each can claim up to the maximum limit). The employer also receives relief on the National Insurance contributions for each employee in the Scheme.
- 2.2 The Scheme operates on the basis that an employer appoints an authorised Childcare Voucher Scheme Provider to administer the Scheme and issue vouchers on behalf of the employee to an authorised Child Carer/Organisation.
- 2.3 By participating in a Childcare Voucher Scheme the Council will enhance its standing as a family friendly employer, sensitive to the issues parents face in balancing their working lives with concern for their children's welfare. Research indicates provision of such schemes to be a significant factor in retaining employees.
- 2.4 Childcare Vouchers are a widely used form of employer-funded childcare in the UK due to their cost effectiveness and administrative convenience and they are a significant benefit and incentive for staff. A large number of other Councils have introduced Schemes or are in the process of doing so.
- 2.5 A report was submitted by the Executive Director of Corporate Services on 28<sup>th</sup> May 2008, following investigation by a working group, seeking authority to tender for the service provision of a Childcare Voucher Scheme to be implemented within the Council in line with the requirements of best value and efficient government. After discussion and having heard the Senior HR Officer and Section Head – Exchequer, Finance & ICT Services in further explanation and in answer to Members'

questions, the Committee agreed to endorse the proposal to submit the Childcare Voucher Scheme to a tender exercise in line with the Council's current tendering process.

### **3. Main Issues**

**3.1** An advert inviting tenders was placed on the Public Contacts Scotland website on 1<sup>st</sup> September, and then via Local Press. Tender packs were issued by Corporate Human Resources to the eighteen (18) companies which responded. On the closing date, Nine (9) valid tenders were received from the following companies:

- (a) Accor Services UK Ltd, 50 Vauxhall Bridge Rd, London, SW1V 2RS
- (b) BusyBees, Kuhlmann House, Lancaster Way, Litchfield, WS13 8SX
- (c) Employers for Childcare, 137a Hillsborough Old Road, Lisburn, BT27 5QE
- (d) Fideliti, Spectrum Arena, 56-58 Benson Road, Birchwood, Warrington, WA3 7PQ
- (e) Gemelli, Gemelli House, Wood Green, Buckingham, MK18 5DZ
- (f) Imagine, The Mid Counties Co-operative, 234 Botley Road, Oxford, OX2 0HP
- (g) Kiddivouchers, Copper Brier, Appletree Lane, Inkberrow, WR7 4JA
- (h) Premier Employer Solutions, Parkway House, Hambrook Lane, Bristol, BS34 8QB
- (i) Sodexo, Solar House, Kings Way, Stevenage, Herts, SG1 2UA

**3.2** The nine valid tenders have been comprehensively evaluated on the following criteria:

- (a) Cost, 50%
- (b) Technical Quality, Service and Administration 50%

**3.3** The evaluation team comprised of staff from Exchequer and Corporate HR and OD who were involved in the Child Care Voucher and Salary Sacrifice steering group.

**3.4** Having assessed all offers, these were assessed against the criteria identified in the tender.

3.5 The completed evaluation matrix is attached for information at Appendix 1 from which it can be seen that KiddiVouchers Limited (Supplier 1) is the preferred bidder.

#### 4. Personnel Issues

4.1 The specifications in the tender document highlighted the need for a comprehensive service that would provide the necessary support in terms of running the scheme with the least administrative burden to the Council, obtaining Best Value and supporting employees to join and use it. The evaluation of bids mirrored these requirements.

4.2 The process built on the experience of other Local Authorities in the West of Scotland area whose experience was researched to ensure that West Dunbartonshire Council obtained the most appropriate scheme, through careful tender design and then evaluation.

4.3 The preferred bidder, KiddiVouchers Limited has extensive experience of working with local authorities, (including East Dunbartonshire Council, Highland Council and Worchester County Council) and a large range of other organisations, including the Scottish Ambulance Service. The Company won the National GO awards 2009 in the best small business or Third Sector Provider category.

#### 5. Financial Implications

5.1 The employer receives relief on the National Insurance contributions for each employee in the Scheme. Table 1 below provides estimated savings to the Council based on an average spend per participating employee of £200 per month, and an administrator fee of 2.5%; a scoping exercise carried out by the working group indicated that uptake would be at least 1% in the West Dunbartonshire Council, national evidence suggests uptakes of between 1% and 3%.

Table 1: Estimated Annual Savings to Council with no take up during unpaid AML period by participants

Take Up	Average Annual Voucher Value	Employer N.I. Savings	Scheme Provider Fee	Maximum Employer Savings
			2.5%	
1% = 65 employees	200 x 12 x 65 £156,000	£14196	£3,900	£8516
3% = 195 employees	200 x 12 x 195 £468,000	£42,588	£12,700	£29,548

**5.2** Changes in Sex Discrimination Regulation in October 2008, mean that the Council would need to provide vouchers during any unpaid Additional Maternity (AML) though they would not benefit from National Insurance Relief during this period because wages would not be payable, this being emphasised by HMRC and Scottish Government guidance.

**5.3** A calculation was carried out during the research into possible implications that showed that if approximately 1 in 8 of participants took the AML and continued to request vouchers savings from the scheme would be counter balanced by this extra cost assuming fees of 2.5%; however uptake of vouchers from participants of schemes who are on unpaid AML during the extended period is extremely low and much lower than this ratio (1 in 8) with only one Council from those contacted in the West of Scotland reporting one instance of this circumstance since October 2008.

## **6. Risk Analysis**

**6.1** The availability of Child Care Voucher Schemes is widely seen in the Scottish public sector as a key employee benefit, especially in the current financial climate; failure to award the contract would leave the Council out of step with most other public sector employers and could contribute to lowered morale.

**6.2** Failure to award this contract would result in a possible financial savings on child care to employees being lost.

## **7. Conclusions and Recommendations**

**7.1** The tendering process has successfully identified a supplier who can provide the overall best service at a competitive price for Council over the tender period; the Committee is invited to consider and approve the award of this Contract to KiddiVouchers for a period of two years with the option to extend the contract for a further period of 12 months. Any extension of this contract will be the subject of a future report to the Tendering Committee.

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**Appendices:** Appendix 1: Tender Child Care Voucher Scheme  
Evaluation Scoring

**Background:** Request to the Tendering Committee on 28 May 2008  
entitled "**Salary Sacrifice – Childcare Voucher Scheme -  
Tendering of the Scheme**"

**Wards Affected:** None

## Appendix 1

### Overall Scoring of CCV Tender Scheme Bidders

<b>Supplier</b>	<b>Combined Overall Score; Quality/Cost</b>
<b>Supplier 1.</b>	<b>68.7</b>
<b>Supplier 2.</b>	<b>67.5</b>
<b>Supplier 3.</b>	<b>63.4</b>
<b>Supplier 4.</b>	<b>62.3</b>
<b>Supplier 5.</b>	<b>58.9</b>
<b>Supplier 6.</b>	<b>58.3</b>
<b>Supplier 7.</b>	<b>53.5</b>
<b>Supplier 8.</b>	<b>47.9</b>
<b>Supplier 9.</b>	<b>23.7</b>