

Report to	Resources and Performance Committee
Date	9 June 2011
By	Director of Corporate Services
Title of Report	Procurement of Support Services
Purpose of Report	To set out the proposed arrangements to procure support services for the South Downs National Park Authority (SDNPA) to take effect from 1 April 2012.

Recommendation: The Committee is recommended to:

- 1. Consider the approach to tendering for support services and authorise the commencement of the procurement of support services as set out in the individual recommendations in Appendix 1**
 - 2. Review and agree the criteria for assessing the contracts as set out in paragraph 4.7**
 - 3. Delegate the award of the appropriate contracts to the Chief Executive Officer in consultation with the Monitoring Officer, Chief Finance Officer, and Chairs and Deputies of the Authority and Resources and Performance Committee as appropriate.**
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1. Introduction

- 1.1 The Authority has previously determined that it will buy in support services where this is possible and cost effective.
- 1.2 Short term contracts were put in place when the Authority was established and there is now the need to implement longer term arrangements. These can be informed now by a better understanding of the needs of the SDNPA and, in particular, the services required.
- 1.3 The Appendix to the report considers the range of support services and specialist advice that is needed and recommends a procurement approach for each one. The report also sets out the criteria to be used in assessing each tender.

2. Background

- 2.1 The Authority received a report on 6 July 2010 on the approach to Corporate Services. A set of key principles were agreed to underpin the approach:
 - Reinforce the Authority's guiding principles on its role and culture which were agreed at its meeting on 11 May 2010;
 - Actively support the delivery of the Authority's strategy and functions as decided on 5 June 2010;
 - Provide an integrated solution to corporate services so that different elements of the support work effectively together – whether they are outsourced or provided in-house;
 - Retain organisational flexibility at a time when the NPA is undergoing rapid evolution and is operating within an uncertain environment; and
 - Deliver excellent value for money.

2.2 The report considered options for the following services:

- Finance
- Law
- Information and communications technology
- Human Resources

The Authority agreed to the procurement of each of these services from external providers.

2.3 In addition it confirmed the continuation of the Chief Finance Officer (section 151) service from Brighton and Hove City Council until 31 March 2012 and the continuation of the Monitoring officer service from Hampshire County Council until 31 March 2012.

2.4 Subsequent to the meeting officers have extended the Financial Services contract and ICT contract until 31 March 2012 in order to provide time to procure new longer term contracts.

2.5 The following contracts were put in place:

Service	Supplier
Financial Services	Brighton and Hove City Council
Legal services	West Sussex County Council
ICT	Hampshire County Council
Monitoring Officer	Hampshire County Council

2.6 There are benefits in terms of using suppliers which are familiar with national park / local authority legislation and ways of working. This approach is also consistent with the importance the Authority attaches to building relationships with key stakeholders across the Park and deriving its support locally.

2.7 Although the Authority approved the procurement of HR services this contract was not put in place because of the different range of demands facing HR in the transitional year (including the transfer of staff, a major recruitment programme and establishing a set of policies and procedures).

2.8 Procurement was not identified as a service that should be procured from an external supplier from 1 April 2010 but procurement support including the possible use of an integrated purchasing system will be included in the Financial Services tender to take effect from April 2012.

3. Monitoring contracts

3.1 The external contracts have been the subject of regular monitoring during the year. The monitoring discussions have identified in some cases that the time allowed for in the original contract was not sufficient and a revision has been made.

3.2 In the main the services have been delivered well and the SDNPA has benefitted from extensive expertise and professional support.

4. Future arrangements

4.1 Now that the Authority has completed the transitional year it is better placed to determine the long term specifications and arrangements for support services.

4.2 **Appendix 1** considers the range of support services that might be considered for some form of external contract and the scope of each service. An approach for each service is recommended.

4.3 There are no proposals to outsource estates related activities. It is intended to recruit to a permanent role to undertake this work.

4.4 There are number of procurement options available. If the estimated value of the contract over the period of the contract exceeds £157,000 any formal tender is usually covered by the EU procurement rules. This will apply to Finance and ICT support. Although the

contract value for legal services might exceed this threshold, legal services are a specific exception to the normal tendering rules and more limited requirements apply.

- 4.5 A formal EU tendering process will take some 63 days minimum from the point the tender is advertised (assuming all the contract documentations is complete) to the award of the contract. In practice it would be advisable to allow longer than this to provide for a thorough evaluation. In almost all cases there will then need to be a transition period if the new supplier and the current supplier are different. In outline the timetable would be:

Complete specification and documentation	June 2011
Publish notice and identify the tenderers	July 2011
Tenders invited	August 2011
Tender evaluation	September 2011
Contract award	October 2011
Contract starts	April 2012

There would need to be some phasing of the various contracts.

- 4.6 In some cases it may be more appropriate to specify the service in smaller elements in order to target specialist suppliers. This could apply to Human Resources where there is a range of services which the SDNPA may need (e.g. health and safety advice) which may not all be available from a single supplier.

- 4.7 The previously agreed criteria for the award of these contracts was:

Cost	50%
Quality	30%
Contract Management	10%
Sustainability	5%
Delivery of the NPA purposes and duty	5%
Health and Safety	Pass / Fail
Equality and diversity	Pass / Fail

The Committee may wish to consider whether any changes should be made to these criteria. In particular it may wish to have more explicit criteria demonstrating an understanding of the National Park and, where relevant, particular experience or expertise (e.g. local government accounting and financial management).

5. Resources

- 5.1 The costs of outsourced services are set out in **Appendix 2** (Part II Confidential) in this report which is confidential since publishing the detailed information may prejudice the ability of the Authority to obtain competitive bids in the procurement processes and therefore its ability to obtain best value.
- 5.2 In addition there are a small number of staff within the Corporate Services Directorate who provide strategic advice, act for the SDNPA in monitoring the contracts / agreements and provide specific support. There are also some in-house budgets such as the costs of recruitment advertising.
- 5.3 In undertaking a tender exercise it is helpful to have a benchmark of what the in-house service might cost. This will be developed before the tendering process commences. In practice however the SDNPA is relatively small and the range of specialist services is quite wide. To develop and maintain sufficient professional expertise on all topics is likely to be more expensive.
- 5.4 So far it has not proved possible to benchmark reliably the SDNPA's services with those of other National Parks. This is partly because the SDNPA's costs have changed over the transitional year, but also because of the difficulty of being able to compare like with like. Equally, benchmarking with other organisations is available, at a cost, but tends to highlight

differences in the roles and the organisation of different organisations rather than exposing opportunities for improvements in efficiency.

5.5 Part of the tendering work may need to focus on the adequacy of the in-house provision to:

- Set a strategic direction for the outsourced services
- Have the knowledge to monitor the contract
- Undertake the elements of the role which have not been outsourced.

5.6 One of the difficulties is that often the in-house role needs to operate at a range of levels. So for example, in relation to Human Resources, the in-house function will need to be able to offer strategic advice (e.g. on pay and reward), operational support (e.g. to managers involved with disciplinaries) and administrative (e.g. monthly payroll input). In the current lean structure it is a challenge to ensure that this range of expertise is available and this will need to be considered in awarding any contract.

5.7 There will be a cost of tendering, mainly in the call on the time of managers in the SDNPA to support the procurement process. It is not possible to estimate this accurately.

6. Risk management

6.1 In a small organisation, such as the SDNPA, there is a risk that the full range of support services cannot be provided in house at a reasonable cost. As a result the support to the organisation is either insufficient in key areas or relatively expensive. It was for this reason that the SDNPA agreed previously to look to buy in support where this was practicable to ensure if had appropriate professional support.

6.2 Conversely, there are risks with buying in services from a third party provider. These include a potential inability to secure the services in a way the SDNPA requires, the absence of in-house expertise to specify, monitor and manage the contract and the lack of direct management control over the activities.

7. Human Rights, Equalities, Health and Safety

7.1 There are no implications arising from this report.

8. External Consultees

8.1 None

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Appendices Appendix 1 – Options for the procurement of Support Services

Appendix 2 – Cost of outsourced services (Part II Confidential)

SDNPA Consultees Chief Executive Officer, Head of Planning, Director of Strategy and Partnerships, Head of Operations, Chief Finance Officer, Deputy Chief Finance Officer, Monitoring Officer & Senior Solicitor.

Background Documents South Downs National Park Authority, 6 July 2010, Approach to Corporate Services

Options for the procurement of Support Services

Service: Monitoring Officer
Scope: Under the Local Government & Housing Act 1989 Section 5, the Monitoring Officer is responsible for reporting to the Authority on any proposal which is unlawful; advising on the code of conduct, and supporting the Standards Committee.
Issues: Previous consideration of the options for this role concluded that the most cost effective solution would be to buy-in this service. The alternatives considered included in-house provision or shared provision with another local authority. The provider needs to have a good working knowledge of local authority / national park governance, procedures and law.
Procurement: This contract is due to expire in March 2012. The contract does not need to be tendered under European rules since the total value is below the EU threshold.
Procurement options: <ul style="list-style-type: none"> • The SDNPA could invite tenders from selected local authorities • The SDNPA could seek to negotiate an agreement, in accordance with Contract Standing Orders Section 17 with the existing provider to continue with the services of the current Monitoring Officer
Recommendation: This service is currently operating well and the service provider has gained significant knowledge of SDNPA. As the contract was originally tendered and therefore recently tested for best value it is recommended to seek to negotiate to continue with the services of the current Monitoring Officer in accordance with Contract Standing Orders for a period of 3 years until 31 March 2015.

Service: Chief Finance Officer
Scope: The Chief Financial Officer (Local Government Act 1972 Section 151) is responsible for the proper administration of the Authority's financial affairs, including supporting and advising members and officers in their operational roles, leading and managing an effective and responsible financial services, and contributing to corporate management and leadership. The position is also referred to as the Section 151 Officer.
Issues: The SDNPA is currently recruiting a permanent Director of Corporate Services who it is expected will be CCAB qualified to undertake the statutory Chief Finance Officer role. If that is not the case then the role will need to be tendered for. The permanent role will need to develop very effective and close working relationships with the Financial Services provider(s) in order to discharge the responsibilities of the role without direct management responsibility. There will be a need to appoint a deputy CFO. None of the other posts in the Corporate Services structure are required to hold the necessary qualification to discharge this role. So this requirement will need to form part of the financial services tender. The handover of responsibilities between the current CFO and the new person will need to be clearly defined. This might be at the date the financial services contracts become effective.
Procurement: Not applicable, subject to the appointment of a suitably qualified Director of Corporate Services.
Procurement options: Not applicable.
Recommendation: If the new Director of Corporate Services is not qualified, negotiate with the Financial Services provider to undertake the Chief Finance Officer role.

Service: Financial Services**Scope:**

This service covers 4 areas:

- Deputy Chief Finance Officer
Provision of Deputy Chief Finance Officer
- Payroll
Payroll including the integration of costing information in the accounts, the deduction and onward transmission of tax, NI, pension contributions, and the like, fulfilling employer responsibility in respect of pensions, and providing staff and Members with appropriate records.
- Financial services including procurement
Financial and management accounting, including Medium Term Financial Planning, preparation of the annual budget, budget monitoring, year end closure of accounts and production of the statutory Statement of Accounts, completion of grant claims and government returns;
Financial advice, including the impact of new legislation and regulation, appropriate input and advice on policy and service proposals;
Input as necessary to tender specifications and evaluation;
Administration of a purchasing system
Payments to suppliers;
Raising of debtor invoices and recovery of sums due;
Tendering for and managing banking and imprest facilities;
Day-to-day cash-flow and investment management and preparation of the Treasury Management Policy, including recommendations regarding Annual Borrowing Limits;
Tendering for and managing insurance cover for the Authority, based on a continuous assessment of risk;
Advising on tax matters (e.g. VAT, PAYE) and minimising the Authority's liability;
Advice on procurement policies and specific tenders.
Advice on risk management
- Internal Audit
Internal audit

Issues:

The Financial Services and Deputy Chief Finance Officer elements are probably best considered together since the Deputy CFO would be expected to have a close involvement in the financial services. There are a number of private sector providers of Financial Services but there are benefits in using a local authority with the specialist expertise in various areas such as the statutory accounts and VAT which are unique to local government.

Payroll (but not pensions fund management and administration which is handled by West Sussex County Council) could be provided by a private sector provider. However there is a benefit in being able to transfer data easily between the payroll and the accounting ledger. The other consideration is in relation to human resources activities. An HR Service provider may run an integrated personnel and payroll system and linking payroll to the Financial Services provider may limit bidders for the HR work. On balance the benefits of linking payroll and ledger are greater than tendering separately for payroll or incorporating it within the HR contract.

Internal Audit is a service that could be bought in separately from either the private or public sector. Many local authorities provide the services "in-house" as a support to the CFO role. If there is an "in-house" CFO then it might be helpful to have an internal audit service which is independent of the financial provider. The converse of this is that where the provider is a local authority the SDNPA would get the benefits of internal audit work reviewing the local authority system and therefore a potentially lower cost service..

Although in theory these services could be let in one, two, three or four separate packages, there are cost and efficiency benefits as detailed above from procuring these services from one provider and therefore procuring as one contract.

Procurement:

The contract has been extended to 31 March 2012.

The contract value is above the EU procurement threshold so a formal tender would need to follow EU procedures.

Procurement options:

The SDNPA could undertake a full tender process in accordance with the EU procedures

Recommendation:

Due to the contract value of this service, it is recommended to procure one whole contract under the EU procurement procedures, to ensure that the Authority achieves best value. The agreement to be for 3 years with a possible extension of up to 2 years.

Service: ICT
<p>Scope:</p> <p>The requirements for ICT by the SDNPA have grown since 1 April 2010 in both scale and complexity.</p> <p>The ICT contract would cover:</p> <ul style="list-style-type: none"> • general office hardware • general office software and project related tools. • a geographical information system (for mapping and related purposes); • appropriate support • connectivity together of several offices (and to a host provider if that is the selected option) <p>The contract would not cover:</p> <ul style="list-style-type: none"> • Telephony arrangements for which a separate contract exists • The planning application system which is a separate contract • an electronic document and records management system (to assist with Freedom of Information and Data Protection Act compliance) which is a separate contract.
<p>Issues:</p> <p>The specification for services will be complex to determine, as in particular it will need to allow for the transfer of certain staff in 2012 to Capron House. In addition, connectivity with the area offices is an important factor in assessing the contracts. It will be very expensive to provide high capacity communications links to the area offices which makes the current hosted solution unsuitable.</p> <p>Due to the complexity of the service provision, further work will be undertaken before this procurement begins, to reassess the costs of an in-house service in order to ensure that efficiencies will be achieved through contracting with a service provider.</p>
<p>Procurement:</p> <p>The contract has been extended to 31 March 2012.</p> <p>The contract value is above the EU procurement threshold so a formal tender would need to follow EU procedures.</p>
<p>Procurement Options:</p> <ul style="list-style-type: none"> • The SDNPA could undertake a full tender process in accordance with the EU procedures
<p>Recommendation:</p> <p>To undertake a full tender process for the provision of ICT services in accordance with EU procedures and award a contract for 5 years with a possible extension for two further years.</p>

Service: Human Resources**Scope:**

The SDNPA budget includes a HR manager and administrative assistant (0.5 full time equivalent) in-house.

There are a number of strands to the HR support service required. The elements are:

- Transactional services such as HR recruitment, employment checks, payroll input
- Specialist Health and Safety Advice
- Occupational Health support
- Learning and development programmes

It would not include:

- Payroll (included in the Financial Services contract)
- Strategic HR advice
- Managerial support on grievances, disciplinaries, conduct to ensure consistency across the SDNPA

Issues:

It is possible that one provider can provide the range of outsourced services set out above but more likely we would need to purchase them from separate contractors. Tendering contracts simultaneously would allow bidders to bid for one or more packages. However the value of each contract may be quite small.

The Learning and Development contracts would probably be a series of specialist services depending on the needs being addressed (e.g. employment law, equal opportunities, management development, organisational change) and so would be difficult to tender until the needs (which will change over time) are defined.

For some of the services there may be benefit in having a local authority provider but since the SDNPA does not use the same pay scheme or terms and conditions the benefits of economies of scale may be lost with people who are not familiar with how the SDNPA works. However it may be possible to link in to other Local Authority contracts (e.g. for recruitment advertising, occupational health).

There is a need to have adequate advice and managerial support in-house. In addition the HR function has a strategic role to play in organisational development and approach. Finally there is a need to ensure that managers are trained to carry out a number of people management tasks that in some larger organisations might be undertaken by HR.

Procurement:

No contract has been awarded for this work since the current HR workload (during the transition) is very different to the future ongoing work.

Procurement options:

- The SDNPA could seek to negotiate an agreement with a specific local authority to provide some/all of the service
- Break down the HR service into its components and seek individual solutions (either contracts, in-house provision or linking to another local authority).

Recommendation:

Break down the HR service into its components and seek individual solutions (either contracts, in-house provision or linking to another local authority)

Service: Legal services
<p>Scope: The Authority requires legal services to discharge its business effectively including (but not limited to):</p> <ul style="list-style-type: none"> • The SDNPA's constitutional position and duties under the Environment Act 1995 and other legislation that applies to National Park Authorities specifically and public bodies generally; • Procurement and contracts • Employment • Property and conveyancing; • Litigation; • Planning; • Rights of Way; and • Access.
<p>Issues: There is a wide range of areas requiring specialist legal advice.</p> <p>A key area for the SDNPA is in respect of its planning responsibilities. This requires knowledge of planning law and local authority procedures. This would suggest that the SDNPA would probably be best served by buying in services from a local authority. There could be an argument that acquiring this service from a local authority which also has delegated planning responsibilities from the SDNPA could give rise to a conflict of interest. In practice this conflict will arise very infrequently and could be anticipated by establishing appropriate separation of legal advisers.</p> <p>In terms of other areas the advice could be bought from both private or public sector advisers.</p>
<p>Procurement: The current contract will expire in March 2012 Although the contract value exceeds the EU threshold, legal services are not subject to the same rules regarding the procurement processes and there is greater discretion in the award of contracts.</p>
<p>Procurement options:</p> <ul style="list-style-type: none"> • The SDNPA could undertake a tender process for the whole package of services based on inviting a selection of local authorities to tender • The SDNPA could undertake a tender process for the legal advice on planning based on inviting a selection of local authorities to tender and draw on other contracts with other providers as necessary. • The SDNPA could undertake a tender process for the legal advice on planning with the option to buy in other legal services based on inviting a selection of local authorities to tender. Draw on other contracts with other providers as necessary. • The SDNPA could seek to negotiate an agreement with a specific local authority to provide some/all of the service
<p>Recommendation: The SDNPA undertakes a tender process for the legal advice on planning with the option to buy in other legal services based on inviting a selection of local authorities to tender for a three year contract with up to a 2 year extension. Draw on other contracts with other providers as necessary.</p>