

Report to	<b>Policy &amp; Programme Committee</b>
Date	<b>26 May 2016</b>
By	<b>Business Services Manager</b>
Title of Report	<b>Financial Services Contract 2017 Onwards</b>

**Recommendation: The Committee is recommended to**

- 1) Approve the commencement of a procurement process leading to the appointment of a contractor to provide corporate financial services to SDNPA for a period of 3 years (and up to 5 with extensions) from April 2017.**
- 2) Approve delegation of Authority to the Chief Executive to award contracts for the above, following a competitive process carried out under the terms of the Public Contracts Regulations 2015.**

**1. Summary and Background**

- 1.1 The report describes the process for tendering the financial services contract and the proposed timetable for this.
- 1.2 The extension to the existing financial services contract with Brighton and Hove City Council takes the termination date to 31 March 2017. This is the final extension that is allowable under the terms of the existing contract and a new competitive process is then required to put any new outsourced arrangements in place.
- 1.3 It is noticeable that there was little serious competition for the award of the current contract and such market testing that has taken place so far has tended to suggest that the comprehensive nature of the contract has reduced the scope for competition, although the Official Journal of the European Union (OJEU) tendering procedures themselves represent a barrier to many smaller accounting businesses.

**2. Options for Future Service Delivery**

- 2.1 Re-tender on current terms – The current contract has worked well overall for SDNPA and has proved to be quite stable in its application through significant changes in the scope of service delivery. With an updated set of functional specification and the addition of metrics to form Key Performance Indicators during the life of the contract, this could continue to serve us well.
- 2.2 The current contract has the advantage of providing a comprehensive packaged service, which makes management simple through a “one stop shop” environment. This comprehensive approach covers transactional areas like payroll, creditors, debtors and cash receipting as well as financial accounting including budget preparation, monitoring and compiling the annual accounts, also includes Section 151 governance as well as treasury management and arranging insurance cover.
- 2.3 Re-tender Core Services with Options – this is the recommended option, where the main transactional and accounting elements are kept together in one lot and section 151 duties are presented as an additional service that bidders can choose, either to price or exclude. This would potentially allow non-public sector organisations to submit bids for the service,

excluding the Section 151 role and would allow SDNPA to evaluate bids together on that basis. If the best value bid also included Section 151 services this element would be assessed against in-house provision on a separate value for money basis, taking criteria such as resilience into account.

- 2.4 In-house Provision – A further option will be presented on in-house provision of all financial services. For reasons of scale this is unlikely to be the preferred option at this stage but would provide an alternative way forward should the market fail to produce an acceptable outsourced solution following the tender exercise. The in-house option will be compiled in consultation with other National Park Authorities already operating this model of delivery.

### **3. Procurement Route**

- 3.1 A Prior Information Notice (PIN) in respect of this contract was published in the OJEU on 4 March 2016 (I17120-2016). There has been a high quality of response to this in terms of some of the companies involved but the numbers are not huge.
- 3.2 The main reason for using the restricted process is to use selection criteria to reduce a large number of bids to a more manageable set before the main tender and award process. Using the restricted process runs the risk of capable organisations being excluded from the shortlist, while companies who are selected at this stage then decide not to submit a bid. This is becoming more common and was certainly a factor in the process to award the ICT contracts last year.
- 3.3 For these reasons the intention is to use the open process and publish the full tender documents through SDNPA's In-tend portal as the Contract Notice appears on OJEU. The contract will also be advertised on the SDNPA website and through England's Contract Finder National website.
- 3.4 The functional specification for the current contract is very much outcome based and allowed the contractor to set the terms of the contract delivery to a great extent. This was unavoidable in 2012 and the contract has worked well in adapting to the changing circumstances in the transactional and accounting sides of the service over the past four years. It is expected that SDNPA are now in a position to determine service levels in more detail and those details will be included in the new functional specification.
- 3.5 The contract will specifically allow for the inclusion of service provision to a related charity or trading arm related to SDNPA on similar terms as the Authority, but will not contain any further detail at this time.

### **4. Evaluation of the tenders**

- 4.1 Tender evaluation for SDNPA contracts is carried out in two main stages; Selection and Award
- 4.2 An SDNPA tender carries a detailed questionnaire, which each bidder must complete, giving details of the organisation, their structure, legal and business history, technical capacity, experience (with references) and financial capacity. They are required to meet minimum requirements on several of those in order to pass to the next phase of the evaluation. Organisations not meeting the minimum criteria, or triggering any of the EU mandatory exclusion criteria, will be excluded at this point.
- 4.3 SDNPA use the MEAT (Most Economically Advantageous Tender) criteria for awarding the contract, using a combination of quality factors, such as Approach to the Contract, Project Resourcing etc. and price based on lifetime costs.
- 4.4 Evaluation is carried out by a number of officers scoring independently, before meeting on a panel basis. The evaluation programme will also allow for a process of clarification on all aspects of bids and due diligence before Intention to Award

### **5. Outline Timetable**

- 5.1 With Committee Approval, it is intended to publish the Contract Notice and release the documents in mid-June.

- 5.2 The tenders will remain open for a period of around six weeks, allowing for questions from bidders, with a tender deadline around the end of August.
- 5.3 Evaluation of the tenders, including clarification and due diligence will take place during September, with the Intention to Award being issued at the start of October.
- 5.4 This contract will be subject to a Mandatory Standstill Period and award will therefore take place in mid-October, thereby allowing five and a half months of induction before the contract goes live on 1 April 2017.

## 6. Other Implications

Implication	Yes*/No
Will further decisions be required by another committee/full authority?	No
Does the proposal raise any Resource implications?	SDNPA has sufficient resources in place, both in term of staff qualified to undertake the procurement exercise, and revenue budget to meet the costs of the on-going contract
How does the proposal represent Value for Money?	The competitive tender process is aimed at delivering value for money for SDNPA
Are there any Social Value implications arising from the proposal?	Consideration has been given as part of the procurement strategy as to how the tender process could be formed to enhance social value
Has due regard been taken of the South Downs National Park Authority's equality duty as contained within the Equality Act 2010?	The procurement exercise and the terms of the subsequent contract will meet the terms of the Equality Act.
Are there any Human Rights implications arising from the proposal?	No
Are there any Crime & Disorder implications arising from the proposal?	The Crime and Disorder implications are met through the EU mandatory exclusion clauses in the selection stage of the procurement process. As part of the contract the supplier will require to adhere to rules on money laundering etc.
Are there any Health & Safety implications arising from the proposal?	No
Are there any Sustainability implications based on the 5 principles set out in the SDNPA Sustainability Strategy?	The new contract will continue the SDNPA move to paperless trading.

## 7. Risks Associated with the Proposed Decision

- 7.1 There are four well documented risks with any procurement and those are listed as follows;
- 7.2 Commercial Risk – That either the price objectives are not achieved up front or there are other costs that arise during the contract that diminish the overall benefits. The easiest way to mitigate this risk is to use an outcome based specification which will prove more resilient to changes brought about by legal (tax regime, legislation etc.) or technical changes. An outcome specification is also easier for organisations to bid for and therefore should encourage more competition, which is the key to achieving price objectives.

- 7.3 Technical Risk – This concerns the difficulty in being able to specify the desired outcome and on the market being able to deliver to the specification. There is no difficulty in specifying the outcome in what is substantially a re-buy situation and the approach to making the SI51 element of the tender optional is aimed at assisting the market to deliver the specification.
- 7.4 Performance Risk – This concerns the ability of suppliers to perform consistently over the life of the contract to deliver the planned benefits. The use of key performance indicators to measure the contractors’ performance and to set targets for improvement are critical to the success of a term contract of this nature.
- 7.5 Contractual Risk – This covers things like being able to remedy the shortcomings in the contractors’ performance without severely damaging the contract and about avoiding reliance on the contracted supplier as the contract develops. It is impossible not to rely on a contracted supplier in a contract such as this and it is important that the evaluation at the outset, in both stages, capability **and award, is thorough.**
- 7.6 In Public Procurement, there is also the *Legal Risk*, where a procurement is found unsound in law, either through the remedies directive or the public procurement rules or the original Treaty of Rome principles. The main mitigation to this is to have a procurement professional responsible for the exercise and to keep Legal Services involved at the right stages. This will be the first procurement exercise SDNPA has carried out under the 2015 legislation and the implications of this, including the introduction of the European Single Procurement Document have to be taken into account.

**ALAN BROUGH**  
**Business Services Manager**  
**South Downs National Park Authority**

Contact Officer: Alan Brough  
 Tel: 01730 819202  
 email: [alan.brough@southdowns.gov.uk](mailto:alan.brough@southdowns.gov.uk)

SDNPA Consultees Chief Executive; Director of Strategy & Partnerships; Director of Planning; Director of Operations; Director of Corporate Services; Chief Finance Officer; Monitoring Officer; Legal Services

External Consultees None