

Report to	<b>Policy &amp; Resources Committee</b>
Date	<b>30 September 2021</b>
By	<b>Head of Business Services</b>
Title of Report (Decision)	<b>Financial Services Contract 2022 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 years with extensions) from April 2022.**
- 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**
- 3) Subject to a successful retendering of the Financial Services Contract, endorse the undertaking of a detailed and fully costed option appraisal for delivering financial services, to include an in-house model, the results of which are to be presented to the Committee for consideration during the first half of the initial contract period.**

**1. Introduction**

- 1.1 The report describes the process for tendering the financial services contract and the proposed timetable for this.
- 1.2 The current financial services contract with Brighton and Hove City Council ends on 31 March 2022. No further extensions to this contract are possible and a new competitive process is now required to put a new contract in place.
- 1.3 It is noticeable that there was little serious competition for the award of the current contract and increased functionality during the term of the contract, to facilitate Community Infrastructure Lev and integrate HR systems with payroll, have probably made this even less likely, and that the regulated procurement procedures themselves represent a barrier to many smaller accounting businesses.

**2. Future Service Delivery – Re-tendering the contract**

- 2.1 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 only minor variations to contract required during the term. 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 SDNPA well, pending the outcome of a detailed and fully costed option appraisal for the future delivery of financial services.
- 2.2 As the organisation matures and becomes more complex, there is a growing recognition among Managers in SDNPA that a different form of financial reporting is necessary to support their decision-making. More work needs to be done to establish what the enhanced

reporting might encompass, and this will be developed in conjunction with the successful contractor using SDNPA resources.

- 2.3 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.
- 2.4 The provision of the Chief Financial Officer role forms a separate lot within this tender. This recognises the different nature of the post holder appointment from the provision of the financial services, and having this as an option on the main contract removes a potential barrier to competition.
- 2.5 During the current contract, a variation to contract was agreed with Brighton and Hove City Council to provide financial support to the South Downs National Park Trust. It is proposed that this variation is included in the tender process although the decision on whether to continue with this will be for the Trustees to make.
- 2.6 On a similar basis, it is the intention to include financial support to the South Downs National Park Commercial Company within this tender, although the decision on whether to proceed with this will be for the Directors of the company to take.
- 3. Options appraisal on in-sourcing**
- 3.1 The only credible alternative to re-tendering the current contract and accepting that the growth in size and complexity of SDNPA has reduced the competitive element of this, would be to in-source parts or all of the financial management function.
- 3.2 The majority of established National Park Authorities in the UK, manage their own financial services with a small in-house team, to varying extents. Most have external payroll provision and about 50% rely on a neighbouring local authority organisation for treasury management services or system support. It is believed that two other National Park Authorities have an outsourced arrangement similar to ourselves.
- 3.3 There are pros and cons to the question of in-house provision, and these are outlined in the table below. These are not exhaustive and have not been proven / quantified at this time.

<b>IN-SOURCING FINANCIAL SERVICES</b>	
<b>Gains</b>	<b>Losses</b>
Cost – it should be possible to achieve a cost saving through in-sourcing financial management	Resilience – An in-house finance team set up by SDNPA would be less resilient than having the service provided by a larger organisation, with more potential single points of failure.
Business Knowledge - Finance staff would be part of organisation and have intimate knowledge of SDNPA operations	Specialised Knowledge – Using the current provider as an example, through the Orbis organisation (encompassing ESCC and Sussex CC and BHCC) we are able to gain access to more specialised knowledge than a small in-house team could provide.
Systems Fit – Finance systems could be geared towards SDNPA needs – only as complex as needed and able to develop to meet specific management reporting needs of SDNPA	Economies of scale – Using the current provider as an example, the scale of BHCC operations provide significant reductions in transaction costs such as merchant fees on card payments
	Economies of scale 2 – the ability to access BHCC’s treasury management provides better returns for SDNPA invested reserves than could be achieved alone.

- 3.4 The detailed work that would allow Members to make an informed choice on in sourcing the financial services has not been carried out at this time, and this is anyway not a realistic option for implementation in the six months remaining in the current contract. It is therefore intended that a detailed and fully costed option appraisal shall be carried out and presented to Members for consideration, during the first half of the three-year contract period. This will give time for an informed decision to be made and to have this implemented by the end of the contract term.
- 3.5 To enable a smooth transition, if the decision is made to in-source financial services, the new contract will be procured with an enhanced exit provision. This would require bidders to agree to undertaking specific actions to assist SDNPA with the in-sourcing process and the transfer of the control of funds and financial / personal data. This work will be separately priced within the tender, and the clause would be invoked on a decision to in-source.
- 3.6 The option appraisal will take into account the developing plans for the National Landscape Service and the likely implications of these in respect of the provision of financial services.
- 4. Next steps**
- 4.1 An open process will be undertaken to procure the replacement contract, with a single stage tender being advertised in England through the government's 'Contract Finder' portal and on 'Find a Tender', the new high value portal which replaces OJEU.

**5. Other Implications**

<b>Implication</b>	<b>Yes*/No</b>
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?	Yes, social value will form part of the award criteria.
Have you taken regard of the South Downs National Park Authority's equality duty as contained within the Equality Act 2010?	Consideration will be given to ensure that the procurement exercise and the terms of the subsequent contract comply with the NPA's duties under the Equality Act 2010.
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 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 Data Protection implications?	Yes, both personal and financial information will be held by the successful contractor, who will need to demonstrate full compliance with GDPR

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.
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## 6. Risks Associated with the Proposed Decision

- 6.1 There are four well documented risks with any procurement and those are listed as follows;
- 6.2 *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. SDNPA will mitigate this risk by using an outcome-based specification, which will prove more resilient to changes brought about by legal (tax regime, legislation et.) or technical changes. This risk is also mitigated through competition and it is a concern that SDNPA’s systems and processes become so aligned with those of BHCC that the opportunity for effective competition is reduced.
- 6.3 *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. The specification continues to be refined and has proved to be straightforward and resilient. Concerns as above remain.
- 6.4 *Performance Risk* – This concerns the ability of suppliers to perform consistently over the life of the contract to deliver the planned benefits. Performance is managed through continuous engagement with the contractor on a number of levels to ensure levels are maintained and issues are resolved at an early stage.
- 6.5 *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.
- 6.6 In Public Procurement, there is also the *Legal Risk*, where a procurement is found unsound in law, through either the remedies directive or the public procurement rules. 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.

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SDNPA Consultees Chief Executive; Director of Countryside Policy and Management;  
Director of Planning; Chief Finance Officer; Monitoring Officer; Legal  
Services

External Consultees None