

<b>SUBJECT:</b>	<b>Finance Procurements</b>		
<b>REPORT OF:</b>	<b>Officer Management Team -</b>	<b>Director of Resources</b>	
	<b>Prepared by</b>	<b>-</b>	<b>Head of Finance &amp; IT</b>

## 1. Purpose of Report

1.1 To seek Members' approval to a programme of financial procurements.

## 2. Links to Objectives

2.1 Having cost effective procurement arrangements in place relates to providing value for money services.

## 3. Discussion

3.1 Chiltern District Council (CDC) and South Bucks District Council (SBDC) have agreed to work together in order to improve value for money and deliver better services. As such it is appropriate to consider whether it is possible to align contracts across the two authorities in order to let joint contracts. Joint contracts will potentially offer better value for money as they will benefit from economies of scale and will only require a single joint procurement process.

3.2 The joint working agreement envisages a gradual evolution of joint working over time. However due to the long term nature of contracts, and the fact that a number of Finance contracts are due for renewal in the next 12 months it is useful to consider the programme of financial procurements now.

### Payroll

3.3 Both CDC and SBDC have a contract with Aylesbury Vale District Council to provide their payroll service. The CDC contract ends on 31 March 2015. The SBDC contract ends on 31 March 2013.

3.4 The following table sets out the various options and the advantages and disadvantages of each.

	Option	Advantages	Disadvantages
A	SBDC could let a contract now (eg for 6 years) which includes the option for CDC to join in once the current CDC contract expires.	Longer term contract.	Potentially the two Authorities would have different payroll providers in 2013/14 and 2014/15, whereas they currently have the same provider.
B	SBDC could let a 2 year payroll contract until 31 March 2015. A joint contract would then be let at that point in time.	Formal market testing is carried out.	Given the low value of the contract, and the cost of change it is unlikely that many suppliers would be able to offer competitive bids.
C	SBDC to extend their current contract with AVDC by two years to 31 March 2015. A joint contract would then be let at that point in time.	Simplest solution with lowest cost. Avoids disruption.	Market testing is delayed until 2015.

- 3.5 It should also be noted that the current AVDC service is flexible and responsive and provides a good service, which is likely to be particularly useful over the coming years as officers will be working across the two authorities.
- 3.6 It is proposed that option C is taken ie SBDC to extend their current contract with AVDC by two years to 31 March 2015, and a joint payroll contract would then be let at that point in time.

### Insurance

- 3.7 CDC have a contract with Jardine Lloyd Thompson for insurance which ends on 1 Dec 2012. SBDC have a contract with Zurich which ends on 31 March 2015, with an option to extend by a further 2 years.
- 3.8 The following table sets out the various options and the advantages and disadvantages of each.

	Option	Advantages	Disadvantages
A	CDC could let a contract now (eg for 6 years) which includes the option for SBDC to join in once the current SBDC contract expires.	Longer term contract.	Given the nature of insurance cover (it is primarily based on the assets that are required to be insured) it is unlikely that contractors would be able to give firm prices for the future SBDC element of the contract.
B	CDC let a 2 year 3 month contract until 31 March 2015, with an option to extend by a further 2 years. A joint contract would then be let at that point in time.	Simplest solution with lowest cost. Formal market testing is carried out.	Shorter contract period.

- 3.9 There is no third option for CDC to extend their current contract as the contract value is above the EU procurement threshold and must therefore be subject to a competitive tender process.
- 3.10 It is proposed that option B is taken (subject to approval by CDC) ie CDC to let a two year contract to 31 March 2015, and a joint insurance contract would then be let at that point in time.

### Banking

- 3.11 CDC has a contract with Co-Op for banking which ends on 31 March 2016. SBDC have a contract with Natwest which ends on 31 March 2013.
- 3.12 The following table sets out the various options and the advantages and disadvantages of each.

	Option	Advantages	Disadvantages
A	SBDC could let a contract now (eg for 6 years) which includes the option for CDC to join in once the current CDC contract expires.	Longer term contract.	CDC would still wish to market test the arrangement in 2016 which would involve time and cost.

	Option	Advantages	Disadvantages
B	SBDC could let a 3 year banking contract until 31 March 2016. A joint contract would then be let at that point in time.	Formal market testing is carried out. Contract is under EU threshold so tender can more easily be tailored to meet SBDC needs.	Shorter contract period, and unlikely to generate commercial competition. (For instance when CDC let their contract in 2011 there was only one bidder).
C	SBDC to extend their current contract with Natwest by three years to 31 March 2016. A joint contract would then be let at that point in time.	Simplest solution with lowest cost.	Market testing is delayed until 2016.

- 3.13 It is proposed that either option B or C is taken dependant on whether members believe that potential cost savings during the 3 year contract would outweigh the disruption caused by having to change contractor.

#### Finance System

- 3.14 CDC uses the SUN finance system and are looking to replace / upgrade this as it is increasingly becoming less sustainable. SBDC uses the Integra Finance system and have no plans to replace this at present - as it has recently been upgraded and meets current needs.
- 3.15 Aylesbury Vale District Council are also looking to replace their current finance system and have started a procurement process for a 'cloud' based solution - ie a shared solution that is fully hosted by the provider and which is paid for based on a cost per use basis.
- 3.16 Both CDC and SBDC have therefore provisionally been named on the AVDC tender documents, in order to ensure that both authorities have the option to switch to this solution if there is a business case to do so in the future, and if AVDC's experience shows this to be a viable and secure approach to delivering financial systems.
- 3.17 Furthermore it is proposed that (subject to approval by CDC) CDC approach Integra to obtain indicative prices for CDC to move to the using Integra, in order to ascertain whether this would be a more cost effective solution to adopt.
- 3.18 Using this approach a final decision on the way forward with regard to the Finance systems would be taken later once potential costs are know. The AVDC procurement is anticipated to reach the final award stage in June of this year, with implementation within AVDC by end December 2012.

#### 4. Resource, Risk and Other Implications

- 4.1 Generally the longer the contract period the lower the price, as it gives suppliers time to recover any upfront investment costs. However this needs to be compared to the potential savings that could be obtained from having joint contracts in the future.
- 4.2 The current annual SBDC costs for the services referred to are:
- Payroll £ 13,000
  - Insurance £107,000
  - Banking £ 20,000
  - Financial System Licenses £ 13,000
  - Financial System Support £ 20,000.

- 4.3 EU procurement rules require contracts to be competitively tendered if their estimated value is over £173,000. Below this contract level the procurement can be more tailored by the authority provided it complies with its contract standing orders. This also applies to contract extensions eg authorities are unable to enter into a contract of £100,000 and then extend at an additional cost of £90,000.
- 4.4 Section 14 (2) of the Contracts Procedure Rules permit extensions to existing contracts subject to approval by both the Committee responsible and Cabinet.

## 5. Recommendations

- 5.1 The Resources Portfolio Holder is asked to endorse the programme of financial procurements as detailed in this report, and recommend to Cabinet that appropriate contract extensions be agreed.

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Background Papers:	