



Contract and Financial Procedure Matters Report

SUMMARY

- 1.1 This report deals with the following items that require reporting to and approval by Council Cabinet under contract and financial procedure rules:
- extension of Environmental Services agency contract
 - Central Procurement Team – increased staffing resource
 - ICT contract re-tender – external legal support and procurement advice contract extension
 - Strategic Partnering Agreement for building construction and refurbishment.
- 1.2 Subject to any issues raised at the meeting, I support the following recommendation.

RECOMMENDATION

- 2.1 To extend the Environmental Services agency contract for the supply of casual labour with Taskforce Recruitment Ltd for two additional years from 1 April 2008.
- 2.2 To approve the recruitment of a Principal Procurement Officer and Senior Procurement Officer, funded by a contribution of £8000 from the base budget of each department, together with an allocation of £30,000 per year from the Modernisation Fund for three years.
- 2.3 To approve an allocation of up to £100,000 from the Modernisation Fund to support the costs of specialist external legal advice for the ICT contract re-tender.
- 2.4 To agree a contract extension under Contract Procedure Rule C31.1 with the NCC Group for procurement advice for the duration of the ICT contract re-tender period.
- 2.5 To extend the Strategic Partnering Agreement for building construction and refurbishment for a further two years until 31 August 2009.



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SUPPORTING INFORMATION

1. Environmental Services agency contract

- 1.1. The current casual labour agency contract covers the provision of manual staff for work on refuse collection, markets and toilets cleaning, street cleaning and grounds maintenance. The agreement with Taskforce Recruitment Ltd followed an OJEU notice in 2004 from which a three year contract commencing on 1 April 2005 with a two year extension option was awarded. It is independent of the Council's contract with Commensura for the supply of agency staff.
- 1.2 The Environmental Services Department now wishes to extend the contract for two years from 1 April 2008 to 31 March 2010. The estimated annual value is £500,000. Environmental Services are pleased with the performance of the current supplier and believe that the extension represents best value for the Council.
- 1.3 The proposal complies with procurement and Contract Procedure Rules.

2. Procurement staffing

- 2.1 The existing team of two procurement officers is insufficient to enable the Council to progress the corporate procurement agenda, act as a key facilitator in efficiency and provide support to departments on their individual procurement activities. The recent peer group review undertaken prior to the Corporate Performance Assessment has also highlighted that the current procurement capacity within the Council is a significant limiting factor to the identification and delivery of procurement related efficiency savings.
- 2.2 The advantages of creating additional in-house capacity include...
 - A more cost effective in-house solution than working with consultants on a project-by-project basis, though there will always be a role for consultancy support for the more complex, high risk specialist procurement areas.
 - A better resourced in-house Procurement Team will be able to provide support to more projects and more general day to day advice without the Council incurring additional costs.
 - The team will also have better knowledge and be able to provide better advice for the specific requirements of the Council. It will also be able to facilitate cross departmental working with additional benefits.

- The additional in-house procurement officers will be a resource that will be able to add value to the Council's wider priorities such as climate change initiatives. The addition of a senior officer post will also enable the team to release capacity from the current Principal Officer which is being used to cover administrative duties within the unit.

2.3 It is proposed to create two new posts – a Principal Procurement Officer (PO3) and Senior Procurement Officer (SO1). The total annual cost of these posts is £70,000. It is proposed that the more senior post be funded by means of a flat rate departmental contribution of £8000 per annum from each of the five departments. The contributions should largely be financed by savings on contracting and other areas as a result of the enhanced procurement function. The balance of £30,000 would be pump priming money from the Modernisation Fund, initially for three years, on the basis that savings would be generated for the continued funding of the post. Future business cases for major procurement efficiency projects will need to include a top-slice of cashable savings to fund the on-going cost of these posts after the three year period.

2.4 The staffing proposals are intended for use in conjunction with other approaches to ensure optimisation of use of resource, where it can be demonstrated that they meet the Council's requirements and provide value for money, for example:

- use of purchasing consortium arrangements where these exist
- working in partnership with other authorities in the region.

3. ICT contract re-tender

3.1 The re-tendering project for the ICT facilities management contract is using the Competitive Dialogue (CD) procedure. The CD process allows solutions to be developed with potential suppliers through negotiation and dialogue, using competition to drive innovation and best value. As our in house experience in running this sort of process is limited, in order to get full benefit from this process, we will require external consultancy support and expertise, in particular for specialist legal, technical and procurement advice on the CD process. Without this there is a risk that the process will not achieve best value for the Council. The total cost of external support will be less than 1% of the expected overall contract value of at least £30m.

3.2 Our in house legal team are unable to provide the specialist resource for this project, so external specialist assistance is required. We plan to carry out a mini tendering exercise within our current framework agreement with four legal firms, plus possibly an additional firm whom we know to specialise in ICT contracts and who have a strong recommendation from NCC, our procurement consultants. These costs are expected to be between £70,000 and £100,000. It is proposed to fund these from the Modernisation Fund.

3.3 We also need external consultants to take a significant role in the re-tendering project and to provide the specialist resource, knowledge, experience and skills to move the project forward in line with the required timetable, but also to ensure that the new contract delivers the most cost effective and functional ICT service for the Council. The new contract will go beyond just ICT provision to cover the innovation,

transformation and technical skills to support and drive forward the delivery of the Council's major transformation programme.

- 3.4 We went out to tender for the first stage of the re-tendering exercise and the contract was won by the NCC Group. We would anticipate continuing to use NCC for this role as they have had a close involvement to date in the project and now have in depth knowledge of our organisation and the issues we face. They can bring with them significant previous experience within this area, including work with Derby Homes, and can assist us and add real value to the process. To bring a new partner into the CD process at this stage would be impractical and represent a significant risk to delivery of the project within the defined timescales
- 3.5 The original tendering exercise was carried out using the Office of Government Commerce (OGC) Catalyst register and was for a value of £64,000. We now want to extend this arrangement for the length of the re-tendering exercise. Estimates put the total cost of extending the current arrangement as between £120,000 and £180,000 which can be met from within existing ICT budgets. Cabinet is, therefore, requested to approve the contract extension under Contract Procedure Rule C31.1.

4. Strategic Partnering Agreement

- 4.1 The Strategic Partnering Agreement for the construction and refurbishment of non-housing buildings was entered into following a tendering exercise under EU Procurement Directive. The agreement commenced on 1 September 2004 and was for three years, with an option to extend for a further two years.
- 4.2 Common minimum standards for the procurement of building work apply to all public sector procurement and, while these are not mandatory for local government, they represent best practice and require projects to be procured with the early involvement of the supply chain. The agreement involves the contractor in the early stages of design and a guaranteed maximum price being developed based on sub-contract packages and the main contractor's agreed rates for overheads and profit and establishment charges. The actual costs are based on open book accounting with shared overspends or savings. Three contractors were appointed for up to £300,000 value and two contractors were appointed for over £300,000 value.
- 4.3 The Strategic Partnering Agreement has the option to be extended for a further two years. By extending the agreement there are savings both in time and costs that would result from the tendering process if the agreement was renewed. Also the East Midlands Alliance – a group of local authorities in the region - is looking into setting in place a Strategic Partnering Agreement for the area and we would be duplicating effort by setting up our own agreement until the outcomes of their proposals are known.
- 4.4 It is not intended to use this procurement method exclusively because the Council does not have a large enough programme and building the supply chain is difficult. It is intended, therefore to continue to use a mixture of traditional and partnering methods for procurement, with each scheme being considered on its merits. Partnering is particularly useful, for example, where an early start is required on site.

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Background papers:	None
List of appendices:	Appendix 1 – Implications

IMPLICATIONS

Financial

1. As outlined in the report.

Legal

2. The proposed contract extensions comply with procurement and Contract Procedure Rules.

Personnel

3. As outlined in the report.

Equalities impact

4. None directly arising.

Corporate priorities

5. These recommendations, where relevant, are in line with approved budgets which accord with the Council's corporate priorities.