

Executive – 19 November 2009

EXEMPTIONS TO STANDING ORDERS RELATING TO CONTRACTS AND FINANCIAL INSTRUCTIONS

Report of the Strategic Director (Resources)

Statutory Powers: s.135(3) Local Government Act 1972.

Financial Implications: This report details exemptions to the Standing Orders Relating to Contracts and Financial Instructions, the financial details of which are set out in the Appendices.

Purpose

The purpose of this report is to inform members of the exemption(s) to the Standing Orders Relating to Contracts and Financial Instructions since the previous Executive meeting, in accordance with the procedure approved by the Council: Minute references 70/07 and 49/07 refers.

Link to Council's Priorities – CP6 Improving core service performance in a cost effective way.

RECOMMENDATION

That the Executive RESOLVES to note the exemptions to the Standing Orders Relating to Contracts and Financial Instructions attached at Appendix A and B.

Background

1. The Council and its Executive have power to authorise exemptions from the requirement to adhere to the Standing Orders Relating to Contracts and Financial Instructions approved by the Council in December 2007 (Minute references 70/07 and 49/07).
2. These documents state that in certain circumstances, with approval, an officer may seek an exemption from the need to invite tenders or quotations for the purchase of goods, works, or services without a detailed written report to members.
3. The intention is to make the Exemption process more flexible and less time consuming than that requiring a full report to the Executive in all cases.

Exemptions to Standing Orders Relating to Contracts – Appendix A (Amounts between £30,000 and the relevant EU Limit)

4. Appendix A summarises the applications for exemption to Standing Orders Relating to Contracts approved through the exemption process since the last Executive meeting.

Exemptions to Standing Orders Relating to Contracts – Appendix B (Amounts between £3,000 and £30,000)

5. Appendix B summarises the applications for exemption to Financial Instructions approved through the exemption process since the last Executive meeting.

Risk Assessment

6. The following are the significant risks and opportunities identified:

Opportunity	Issues / Obstacles	Benefits
The process for providing officers with approval for exemptions to the Standing Orders Relating to Contracts and Financial Instructions, in certain circumstances, provides more flexibility and the ability to react promptly to situations that arise. This less bureaucratic approach, compared with a formal report to members in all cases, saves time for both members and officers. It retains the control elements needed within a procurement process.	There is a risk that controls within the procurement procedures are undermined if the process is inflexible, bureaucratic, and time consuming. If the above situation was allowed to persist, the Council may not achieve best value for money in the purchase of goods, works, and services.	The key benefits of the process are: <i>Greater flexibility:</i> managers are able to react quickly to procure services etc. that may reduce the risk of harm to the public or staff, save time, money, and/or embarrassment. <i>Increased openness:</i> a less bureaucratic approach, in certain circumstances, will encourage managers not to 'take a chance' and ignore procurement rules in high pressure situations.

Conclusion

7. The process for providing officers with approval for exemptions to the Standing Orders Relating to Contracts and Financial Instructions, in certain circumstances, provides more flexibility and the ability to react promptly to situations that arise. It is also a more efficient and less bureaucratic approach than that previously in place.

Allan Goodman
Internal Audit Manager

Executive
19 November 2009

Mark Seymour
Strategic Director (Resources)

List of Appendices:

Appendix A: Summary of Exemptions to Standing Orders Relating to Contracts

Appendix B: Summary of Exemptions to Financial Instructions

Background Documents:

Signed exemption application pro-formas are available to view upon request from Member Support Services.

**SUMMARY OF EXEMPTIONS TO STANDING ORDERS RELATING TO CONTRACTS
(AMOUNTS BETWEEN £30,000 and the EU LIMIT), APPROVED SINCE THE LAST EXECUTIVE**

Appendix A

Lead Officer	Summary of the Application	Reason for the Exemption	Value and Budget
<p>Head of Property Services</p>	<p>Interim Extension to Cleaning Contract, Follaton House The cleaning contract for Follaton is currently awarded to Superclean Services. This contract is an extension of the existing contract which was originally awarded in 2005. The current arrangement ended on 31 March 2009. In order to ensure that the Council receives value for money is necessary to tender the contract on the open market. This is normal practice and is not a reflection on the service received from the current contractor which is satisfactory. In order to attract a competitive price we need to be able to offer a contract for reasonable period of time, say 3 years. This will take us potentially into a post LGR / integrated authorities way of working for South Hams. Until the outcome of LGR is known it is not possible to specify a contract which would give us best value for money for cleaning services. This exemption requests that the existing contract be extended and tendered on 1 April 2010 when we will have a better idea of what form of contract will provide us with value for money in the longer term. Superclean are happy for the contract to be extended and not increase the agreed rates. They are also happy to share any efficiency savings they achieve in contracted hours on a 50/50 basis with the Council. Superclean are aware that the existing contract has expired and they confirm that they happy for the contract to roll on for another 12 months. They accept that the Council will follow its procurement policies and tender the contract in due course. There is a risk to the Council if it enters into a three year cleaning contract based on an assumption on the outcome of Local Government Reorganisation which it finds subsequently does not meet it needs. Alternatively a short term contract is offered which incurs the same level of procurement costs and is not likely to attract competitive rates due to the short term nature and set up costs to the contractor.</p>	<p>Increased Cost: It is considered to be best value for the Council to extend the existing contract.</p>	<p>The annual cost of the current contract is £47,382.52. Existing budget.</p>

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Appendix A

Lead Officer	Summary of the Application	Reason for the Exemption	Value and Budget
Head of ICT	<p>Follaton House Telephone System Enhancements The initiative taken by South Hams DC and West Devon BC whereby SHDC will deliver a combined Revenue and Benefits Service for both South Hams and West Devon will require enhanced telephone management applications. These include:</p> <ul style="list-style-type: none"> • Voice recording capabilities which will provide paperless evidence trails that enable the streamlining of Revenue and Benefits processes with consequent efficiency savings. • Home working facilities to accommodate remote workers, providing efficiency savings and flexibility in working practices and recruitment. • Increased telephone call routing and supervisory capacity at Follaton to manage the greater call volumes and customer service demands inherent in the combined service. • An increase in the number of active telephone users. <p>An initial financial and functional assessment of these requirements indicated that enhancements to the Council's existing Alcatel private branch exchange telephone system would be operationally and financially preferable to expanding the existing Macfarlane Call Plus telephone system in use by Customer Services (Housing, Customer Services, and Revenue & Benefits). To continue to use the Call Plus system would require a range of capacity and configuration thresholds to be crossed that would result in significant additional expenditure and substantially increase the year on year cost of ownership. The underlying computer hardware of the Call Plus system will reach "end of life" in 2010 incurring additional expenditure on replacement equipment. <i>Continued overleaf.</i></p>	<p>The market testing exercise in the limited market demonstrated that no financial or operational advantages would be gained by changing our incumbent supplier. Undertaking a formal tendering process would result in the same conclusion, add to the overall resource costs and potentially elongate the timescales in which the Revenue and Benefits requirements could be delivered. Without this investment the Council will be unable to provide the combined SHDC WDBC Revenue and Benefits service as operationally envisaged or to deliver the efficiency gains predicted.</p>	<p>The cost of the enhancements including installation and training and the first year's maintenance is estimated to be £68,000. The funding will be provided by the SHDC/WDBC shared Revenue and Benefits Service project budget (£8,000) and by the RIEP Innovation Fund grant for Shared Outreach Services for SHDC and WDBC (£60,000).</p>

**SUMMARY OF EXEMPTIONS TO STANDING ORDERS RELATING TO CONTRACTS
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Appendix A

Lead Officer	Summary of the Application	Reason for the Exemption	Value and Budget
Head of ICT (Continued)	<p>Follaton House Telephone System Enhancements (Continued)</p> <p>These financial considerations demonstrated that enhancements to the Alcatel System would be preferred. Coincidental with this required expansion is the renewal anniversary for the existing maintenance and supply contract for telephone systems with our incumbent supplier, South West Communications Group, based in Exeter.</p> <p>To ensure that the Council is obtaining best value solutions and services from South West Communications a market testing exercise was conducted which considered support of the existing telephone system, the potential enhancements required to meet the new requirements, and the ability to provide local on site maintenance and support services. The exercise followed advice and guidelines provided by the corporate procurement officer and internal audit.</p> <p>All UK Alcatel resellers purporting to be able to support and supply the council's system and required enhancements were identified from the Alcatel corporate web site and by consultation with Alcatel. These resellers, together with South West Communications, were then invited to take part in the market testing exercise. The market testing exercise assessed product costs, service costs, and local maintenance capabilities. The exercise demonstrated that South West Communications measured by both product and service costs and local service provision provide the best value from the limited market of Alcatel resellers.</p> <p>The opportunity to replace the existing Alcatel telephone system completely with an alternative system was considered. The current system, although purchased in 2001, remains technically and architecturally latest generation technology. Any move away from Alcatel would necessitate a re-investment in the basic telephone switch, all of the desk top telephone handsets and retraining.</p>	See above.	See above.

**SUMMARY OF EXEMPTIONS TO FINANCIAL INSTRUCTIONS
(AMOUNTS BETWEEN £3,000 and £30,000), APPROVED SINCE THE LAST EXECUTIVE**

Appendix B

Lead Officer	Summary of the Application	Reason for the Exemption	Value and Budget
<p>Head of Property Services</p>	<p>Wall Reconstruction, Kingsbridge Recreation Ground A combined retaining and parapet wall exists to the rear of the public toilet building in the Kingsbridge Recreation Gardens. The parapet was, most probably, demolished over an 8metre length by a vehicle. The Councils Property Maintenance Team made the area safe with sand bags after it became apparent that the retaining element of the wall was also in a poor condition. In order to prevent vehicle loading causing additional collapse it was decided to fence off part of the access road. The access road is owned by a third party. As the access road is both steep and narrow it is impossible for refuse and delivery vehicles to reach the many properties served by it. This has caused considerable inconvenience to residents and the Council, who have accepted ownership of the wall, are being criticised for the delay in carrying out a repair. The repair is becoming a major issue in the area and is being treated as emergency works. Comparative prices have been obtained from two local contractors, experienced in this sort of work, and the lowest figure received represents good value. The in-house team were unable to do the work.</p>	<p>Embarrassment: Need to act promptly; and Life and Death: Risk to the health of members of the public and officers of the Council.</p>	<p>£8730.00 Budget: Repairs and Maintenance</p>