

**POLICY & RESOURCES CABINET BOARD**

**16<sup>th</sup> OCTOBER 2008**

**DIRECTORATE OF FINANCE & CORPORATE SERVICES**

**REPORT OF THE HEAD OF FINANCIAL SERVICES  
– HYWEL JENKINS**

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**PART 1**  
**SECTION A – MATTERS FOR DECISION**

**ITEM 1 - FINANCIAL INFORMATION SYSTEMS - UPDATE**

**ORACLE FINANCIAL INFORMATION SYSTEM REIMPLEMENTATION  
- COMPANIES TO BE INVITED TO TENDER**

**1. Purpose of Report**

To request permission to invite formal tenders from experienced companies involved in reimplementing Oracle Financial Systems to Version R12.

**2. Background**

2.1 The current version of the financial system provided by Oracle is no longer supported and is the subject of much concern to officers and the Wales Audit Office. We are now in a high risk situation with Oracle only dealing with any new data or system errors on a time and materials fee basis.

2.2 Progressing to an updated version of the financial system with the opportunity for further development that this introduces will increase the opportunity to improve the Council's management information.

**3. Proposal**

3.1 Over the course of the last six months, detailed pre-tender discussions have taken place with and Indicative Proposals have been sought from, a number of companies.

3.2 These discussions have enabled the Council to appraise the general cost of different options and to refine the specification of the system required.

3.3 The companies concerned have been chosen on the basis of market knowledge of their expertise in implementing Oracle Financial Systems.

3.4 Permission is sought to invite the following list of companies to formally tender for this opportunity:

- Atos
- Mokum
- Oracle
- Oracle Contractors
- Patech
- PDG

3.5 Given the unstable nature of the current system, this is considered to be a purchase of an urgent requirement under Paragraph 3.1 (xi) (c) of the Contracts Procedure Rules.

3.6 Formally advertising this requirement could significantly delay the procurement process.

#### **4. Costs and funding**

4.1 Following discussions with suppliers in relation to this work it is estimated that the external cost of reimplementation will be lower than the OJEC limit of £139,000. These costs will be confirmed as part of the official tendering process.

4.2 The indicative cost for internal support required to re-implement the system is £130,000. This will cover a range of costs including a new server, IT kit, overtime and backfilling posts.

4.3 A year end reserve amounting to £750,000 was established in the 2007/08 accounts. The balance of this funding will be required to support the larger scale project relating to improving the procurement processes and arrangements

#### **5. Recommendation**

5.1 It is recommended that Members approve that formal tenders be invited from the 6 companies mentioned in Section 3.4 of this report.

**Reason for Decision**

To facilitate the purchase to enable the reimplementation of Oracle Financial Systems

**List of Background Papers**

FIS – Re-implementation

**Wards Affected**

All

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## COMPLIANCE STATEMENT

### ORACLE REIMPLEMENTATION – COMPANIES TO BE INVITED TO TENDER

#### Implementation of Decision

The decision is proposed for implementation after the three day call in period.

#### Sustainability Appraisal

##### Community Plan Impacts

Economic Prosperity	-	No impact
Education & Lifelong Learning	-	No impact
Better Health & Well Being	-	No impact
Environment & Transport	-	No impact
Crime & Disorder	-	No impact

##### Other Impacts

Welsh Language	-	No impact
Sustainable Development	-	Positive
Equalities	-	No impact
Social Inclusion	-	No impact

#### Consultation

There has been no requirement under the Constitution for external consultation on this item.

**PART 1**  
**SECTION A – MATTERS FOR DECISION**

**ITEM 2 - HIRE OF OPERATIVE PLANT AND DAILY HAULAGE**

**1. Purpose of Report**

The purpose of this report is to seek Member approval to appoint a framework of suppliers for the Hire of Operative Plant and Daily Haulage for the period from the 1<sup>st</sup> November 2008 to 31<sup>st</sup> October 2010 with an option to extend for a further year to 31<sup>st</sup> October 2011.

**2. Background**

- 2.1 The Corporate Procurement Unit in accordance with the European Union Procurement Directives publicised the Authority's requirements for a Framework for the Hire of Operative Plant and Daily Haulage in the Official Journal of the European Union (OJEU) via the Open procedure.
- 2.2 The proposed contract is to cover a wide range of Operative Plant and Daily Haulage to ensure that Council demand is met. There is no guaranteed value or estimates for this framework. Tenderers are expected to provide quality equipment, service and value for money.
- 2.3 The EU Directives permit Public Bodies to award a contract on the basis of Most Economically Advantageous Tender, which takes in to account criteria such as quality, delivery, compliance, after sales service etc., as well as cost. For this process, the quality/price ratio was set at 60:40 prior to the tendering exercise.
- 2.4 Responses were received from ten companies.

**3. Financial Implications**

- 3.1 The current annual expenditure for the Hire of Operative Plant and Daily Haulage is estimated at £600,000. The introduction of a framework is expected to reduce spend by approximately 3%. The Council is also actively reducing spend through more effective demand management initiatives.

**4. Outcome of Tendering Exercise**

All ten tenders were cost and quality evaluated and a weighting score was applied using a pre-agreed assessment matrix.

## 5. Recommendation

It is recommended that the Authority award the Framework for Hire of Operative Plant and Daily Haulage to all ten suppliers, with a view that this number of suppliers will cover any eventuality that may occur throughout the term of the contract. Suppliers recommended for appointment being:

- Exuma Plant
- Parker Plant
- Crynant Plant
- GDH Plant
- RE Plant
- LG Murray
- N. Crookes
- DG Jones
- DJ Davies
- DG Moses

## 6. Reasons for Proposed Decision

To ensure the Authority complies with European Procurement Directives and the Council's Contract Procedure Rules, with the further aim at improving the efficiency of the Authority's Hire requirements.

### List of Background Papers

Tender Reference No. 686

Tender Response documents and other associated papers

### Wards Affected

All

### Officer Contact

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## COMPLIANCE STATEMENT

### HIRE OF OPERATIVE PLANT AND DAILY HAULAGE

#### Implementation of Decision

The decision is proposed for implementation after the three day call in period.

#### Sustainability Appraisal

##### Community Plan Impacts

Economic Prosperity	-	Positive
Education & Lifelong Learning	-	No impact
Better Health & Well Being	-	No impact
Environment & Transport	-	Positive
Crime & Disorder	-	No impact

##### Other Impacts

Welsh Language	-	No impact
Sustainable Development	-	No impact
Equalities	-	No impact
Social Inclusion	-	No impact

#### Consultation

There is no requirement under the Constitution for external consultation on this item.



**PART 1**  
**SECTION A – MATTERS FOR DECISION**

**ITEM 3 - E-TENDERING/AUCTIONING**

**1. Purpose of Report**

To seek approval to set aside the Authority's Contract Procedure Rules to enable the Authority to utilise an e-tendering/auctioning process to procure the Supply of General Groceries and the Supply of Personal and Protective Equipment & Corporate Clothing.

**2. Background**

- 2.1. Following approval from Members in June 2006, the Council ran its first 'Electronic Tender' (E-tender) for an Educational and Curriculum Aids supply contract. The project was supported by Bravo Solutions and the Welsh Assembly Government's 'Value Wales' team.
- 2.2. Bravo Solutions are approved by the Office of Government Commerce (OGC) 'Buying.Solutions' and Welsh Assembly Government having completed an accreditation process to ensure that the service is compliant with HMG Information Security Standards, the requirements of the Manual of Protective Security (MPS) and all UK legislation relevant to the processing of information.
- 2.3. The benefits of utilising an electronic method of tender submission are significant. The distribution of tender documentation and subsequent analysis of the bids by traditional methods is resource intensive for the Council and bidding suppliers. Electronic submissions can be received, checked and analysed automatically and highly efficiently via the Bravo Solutions system.
- 2.4. The Bravo Solutions system has been upgraded since the Council's initial pilot in 2006, in line with developments the Welsh Assembly have made in their 'Xchangewales' e-procurement vision for the Welsh Public Sector. Using this e-tender/auction software for the Supply of General Groceries and Personal and Protective Equipment (PPE) & Corporate Clothing contracts will provide the Council with essential experience for future roll out to other Council commodity groups.
- 2.5. The cost of using the e-tendering technology for both projects will be met by Value Wales.

2.6. The Council have an established Officer working group who are continually reviewing the Contract Procedure Rules (CPR's). The group will be asked to consider how the use of this modern software can be adequately accommodated into the Council's CPR's. This will be reported back to Members in due course.

### **3. Recommendation**

It is recommended that Members approve that the Authority set aside Contract Procedure Rules for the procurement of the Supply of General Groceries and the Supply of Personal and Protective Equipment (PPE) & Corporate Clothing to enable the process set out in this report to be followed.

### **4. Reason for Proposed Decision**

To ensure the most efficient method of carrying out the tender process is used.

### **List of Background Papers**

EU Directives and Contract Procedure Rules

Value Wales and Bravo Solutions Communications

### **Wards Affected**

All

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## COMPLIANCE STATEMENT

### E-TENDERING/AUCTIONING

#### Implementation of Decision

The decision is proposed for implementation after the three day call in period.

#### Sustainability Appraisal

##### Community Plan Impacts

Economic Prosperity	-	Positive
Education & Lifelong Learning	-	Positive
Better Health & Well Being	-	No impact
Environment & Transport	-	No impact
Crime & Disorder	-	No impact

##### Other Impacts

Welsh Language	-	No impact
Sustainable Development	-	No impact
Equalities	-	No impact
Social Inclusion	-	No impact

#### Consultation

There is no requirement under the Constitution for external consultation on this item.

**PART 1**  
**SECTION B – MATTERS FOR INFORMATION**

**ITEM 4 - TENDER FOR THE PROVISION OF WINDOW CLEANING SERVICES**

**1. Purpose of Report**

To inform Members of the contract award for the provision of Window Cleaning services until 7<sup>th</sup> May 2011, with an option to extend, by the Authority, for a maximum of 12 months.

**2 Background**

- 2.1. The Authority has in place corporate arrangements for the provision of Window Cleaning services to Council sites, including Primary and Comprehensive Schools, Care Homes, Civic Sites and Leisure outlets.
- 2.2. Neath Port County Borough Council agreed to lead a collaborative tender exercise that could potentially include all potential 16 Member Authorities of the Welsh Purchasing Consortium (WPC).
- 2.3. In accordance with the requirements of the European Procurement Directive, the requirements of the WPC Member Authorities were advertised in the Official Journal of the European Union (OJEU), with tenders being invited through an ‘Open’ procedure.

**3. Financial Implications**

- 3.1. The annual estimated spend by the Council on the provision of Window Cleaning services to Council sites is £40,000.

**4. Outcome of Tendering Exercise**

- 4.1. Five tenders were received and were evaluated using a pre-determined Price/Quality matrix. The assessment was undertaken in conjunction with facility management officers.
- 4.2. A recommendation for the award of the contract has been approved by the Welsh Purchasing Consortium, in line with the reporting mechanisms detailed within its constitution.

4.3. The Authority awarded its contracts for the provision of Window Cleaning services to:

- OCS Group (UK) Limited
- Pedus Limited
- MSS Group

4.4. Corporate Procurement will continue to facilitate the roll out of the contract, in conjunction with the Council's Facility and other end user departments. The arrangements are also available for use by the Authority's Comprehensive Schools.

### **List of Background Papers**

Tender Documents associated with Council Tender 694

### **Wards Affected**

All

### **Officer Contact**

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**PART 1**  
**SECTION B – MATTERS FOR INFORMATION**

**ITEM 5 – TREASURY MANAGEMENT**

**1. Purpose of Report**

This report sets out treasury management action and information since the previous report.

**2. Long Term Borrowing**

On 17<sup>th</sup> September 2008, £10m was borrowed from Dexia Credit Local. The market LOBO loan agreement is for 70 years at an interest rate of 4.01%, with the initial 5years fixed and semi annual calls thereafter.

Lenders Option Borrowers Option (LOBO) are Financial Loan Instruments where only the lender has the option to vary the interest rate after the initial fixed period. The borrower can only repay the loan when the lender requests a change in the interest rate.

The authority now has a total of £62.5m of its borrowing funded by LOBO Loan Instruments at an average interest rate of 3.93%.

The £10m borrowing has been arranged in advance of need in order to finance future years capital expenditure. The decision was taken to secure future funding now at favourable interest rates to minimise the possible effects on the Authority resulting from the turmoil in global financial markets.

**3. Rates of Interest**

**3.1. The Bank Rate:**

10 May 2007 to 4 July 2007	5.50%
5 July 2007 to 5 December 2007	5.75%
6 December 2007 to 06 February 2008	5.50%
07 February 2008 to 09 April 2008	5.25%
10 April 2008 to 7 October 2008	5.00%
8 October to date	4.50%

3.2 Public Works Loans Board

Examples of Public Works Loan Board new loan fixed interest rates effective on 3<sup>rd</sup> October 2008:

	Equal Instalments of Principal		Annuity		Maturity	
	Current 3Oct08	Previous 21Aug08	Current 3Oct08	Previous 21Aug08	Current 3Oct08	Previous 21Aug08
	%	%	%	%	%	%
5 to 5.5 years	4.11	4.67	4.12	4.67	4.33	4.63
10 to 10.5 years	4.33	4.63	4.36	4.64	4.61	4.77
15 to 15.5 years	4.49	4.69	4.53	4.72	4.73	4.86
20 to 20.5 years	4.61	4.77	4.67	4.82	4.71	4.82
25 to 25.5 years	4.70	4.83	4.73	4.86	4.63	4.70
35 to 35.5 years	4.73	4.85	4.68	4.77	4.57	4.56
49.5 to 50 years	4.63	4.70	4.56	4.45	4.50	4.45

4. Treasury Management Investments

Members are probably aware of the difficulties facing the global banking industry at present as a result of what has been termed the Credit Crunch, which has impacted on financial organisations. The support offered to financial institutions by governments around the world has varied, and in the UK, the Government has acted in order to support banks in difficulty and protect investors deposits.

The Treasury Practices (TMP) document, approved by Members, sets out the policy to be followed in its treasury activities. TMP1 relates to Treasury Risk Management and TMP1.5.1 identifies the ‘Criteria to be used for creating/managing approved counterparty lists/limits’ as follows:

1. This authority will use credit criteria in order to select creditworthy counterparties for placing investments.
2. Credit ratings will be used as supplied from one or more of the following credit rating agencies:
  - Fitch
  - Standard & Poor’s
  - Moody’s Investors Services

- The minimum level of credit rating for an approved counterparty will be as follows (ratings per Fitch IBCA credit rating agency):

	<b>Up to 5 yrs</b>	<b>Up to 364 days</b>
Short term	-	F1
Long term	A	-
Max. Individual limit	£10m	20% of total investment portfolio at time of investment, subject to a maximum of £10m
Overall limit	£25m	-

- The maximum period for investments will be 5 years.
- The maximum value for any one investment transaction will be £5m (excluding rollover investments).
- The maximum level of investment with any one counterparty will be 20% of the total sum invested, subject to £10m for investments up to 364 days, of which £10m could be for investments between 365 days and 5 years (in accordance with TMP1.5.1.3 above).
- The approved counterparty list may include non UK registered counterparties.
- In addition, short term (up to 364 days) and long term (1 year up to 5 years) to be permitted with Local Authorities in England, Wales and Scotland. The maximum individual limits in accordance with TMP1.5.1.3 and TMP1.5.1.6.
- The Authority's bankers, Alliance & Leicester Commercial Bank, a wholly owned subsidiary of the Alliance & Leicester Plc, be exempt from the credit rating requirements detailed in TMP1.5.1.3.
- Where necessary, investments with the Authority's bankers are permitted which may temporarily exceed the £10m maximum individual limit as detailed in TMP1.5.1.3 and TMP1.5.1.6.
- The overall long term limit for investments between 365 days and 5 years is £25m.

The majority of the Authority's investments are short term in nature (up to 364 days). Fitch Short Term Ratings range from F1+ to F3, where F1 denotes the highest credit quality and indicates the strongest capacity for timely payment of financial commitments. F1+ denotes any exceptionally strong credit feature. The UK clearing banks are an example of F1+ credit rated institutions.

The credit rating agencies constantly review the creditworthiness of financial institutions, and change credit ratings accordingly.



Where the credit rating of an institution changes and falls below the authority's minimum criteria, that counterparty is suspended immediately and no further investments are made. Existing investments arranged previously with the counterparty are usually fixed in duration and can only be repaid upon maturity.

The Authority's Officers and its Treasury Advisers monitor these changes and amend approved counterparties accordingly.

### **List of Background Papers**

LOBO5

PWLB Interest Rate Notice GLR(08)197

TMP1.5

### **Wards Affected**

All

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