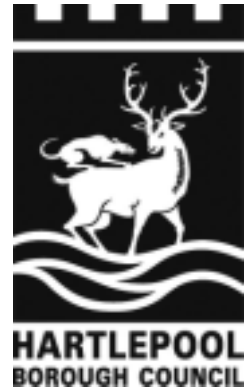


FINANCE AND PROCUREMENT PORTFOLIO

DECISION SCHEDULE



Thursday 9th September 2010

at 10.00 am

**in Committee Room C,
Civic Centre, Hartlepool**

Councillor R Payne, Cabinet Member responsible for Finance and Procurement will consider the following items.

1. KEY DECISIONS

No items

2. OTHER ITEMS REQUIRING DECISION

2.1 Development of E Procurement – *Assistant Director (Resources)*

3. ITEMS FOR INFORMATION

No items

4. REPORTS FROM OVERVIEW OF SCRUTINY FORUMS

No items

5. LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006

EXEMPT ITEMS

Under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it involves the likely disclosure of exempt information as defined in the paragraphs

referred to below of Part 1 of Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006

6. EXEMPT KEY DECISION

No items

7. OTHER EXEMPT ITEMS REQUIRING DECISION

- 7.1 Release of Restrictive Covenant at Mainsforth Terrace, Hartlepool (Para 3) – *Assistant Director (Resources)*
- 7.2 43 Thornbury Close, Hartlepool (Para 3) – *Director of Child and Adult Services and Assistant Director (Resources)*
- 7.3 Land at Wells Street, Headland, Hartlepool (Para 3) – *Assistant Director (Resources)*

8. EXEMPT ITEMS FOR INFORMATION

- 8.1 Endeavour Housing Association – Campus Re-Provision (Para 3) – *Director of Child and Adult Services*

FINANCE AND PROCUREMENT PORTFOLIO

Report To Portfolio Holder

9th September 2010



Report of: Assistant Director (Resources)

Subject: DEVELOPMENT OF E PROCUREMENT

SUMMARY

1. PURPOSE OF REPORT

To inform Portfolio Holder of a potential development for electronic (e) procurement and seek approval to explore the purchase of an appropriate system.

2. SUMMARY OF CONTENTS

The report outlines the need to develop the Council's e procurement capacity and explains how an e procurement system can improve controls and efficiency as well as promoting the opportunity for local suppliers to do business with the Council.

3. RELEVANCE TO PORTFOLIO MEMBER

The Portfolio Holder is the Procurement Champion.

4. TYPE OF DECISION

Non Key Decision

5. DECISION MAKING ROUTE

Finance and Procurement Portfolio 9th September 2010.

6. DECISION(S) REQUIRED

- i) Portfolio Holder's views on the development of e procurement are requested.
- ii) Portfolio Holder's approval to explore the purchase of a system to develop e procurement is sought.

Report of: Assistant Director (Resources)

Subject: DEVELOPMENT OF E PROCUREMENT

1. PURPOSE OF REPORT

- 1.1 To inform Portfolio Holder of a potential development for electronic (e) procurement and seek approval to explore the purchase of an appropriate system.

2. BACKGROUND

- 2.1 The Council has been seeking to develop its e procurement systems in order to achieve efficiencies by Streamlining processes, providing a consistent method of seeking quotations and tenders and to impart controls on spending.
- 2.2 Improving procurement processes and ensuring best value in purchasing goods, services and works is a key workstrand of the Business Transformation Programme.
- 2.3 An increase in the tender Thresholds is planned in a revision of the Contract Procedure Rules (CPR's) currently being considered. There is a degree of risk in raising the level at which we operate under a quotation process, namely the potential reduction in rigour for those areas of spend which are currently subject to a comprehensive tender process.
- 2.4 To support the raising of tender thresholds, it will be necessary to introduce robust processes to support the quotation gathering activity which occurs for any sub-tender level procurement. IT based solutions are available, however, the introduction of these will require that certain activities are mandated. The inclusion of such mandates will be very important in ensuring that all procurement activities are carried out in an appropriate and proportional manner.
- 2.5 The introduction of IT Based quotation solutions also provides the opportunity to support local businesses more effectively than can be achieved currently. The adoption of a requirement to offer opportunities to local businesses in the CRP's will ensure that quotation processes are configured in such a way as to ensure that this occurs.
- 2.6 By increasing the amount of purchasing via quotation there will be a reduction in the number of tenders which require more complex

documentation and processes which sometimes proves a difficulty for small and medium sized enterprises and the third sector.

3. CONSIDERATIONS

- 3.1 An electronic system will improve the rigour and transparency of the quotation gathering process due to the workflow the system forces the buyer to use, i.e.:
- All quotations are issued using e-mail and quotations cannot be opened at different times – all quotes are ‘locked down’ until the quotation return date and time has passed. This ensures that the Council cannot be accused of divulging bidders’ prices to influence the ultimate winner of an opportunity.
 - All quotations require a written specification to be compiled so submitted pricing will be ‘like for like’.
- 3.2 A further benefit of the system is that it can be configured to ensure that there is a minimum of one local supplier invited to bid for each opportunity.
- 3.3 In order to ensure that the benefits achievable through the use of this system are achieved, it is critical that use of the system be mandated and the most effective method of implementing such a mandate is through the introduction of that requirement as part of the CPR’s.
- 3.4 A further report to the Portfolio Holder will propose an amendment to the CPR’s that will include a requirement for all staff securing quotations of goods, services and works on behalf of the Council use the nominated system and process exclusively.
- 3.5 Portfolio Holder was able to visit a nearby Local Authority to view such a system, and to summarise, the system is used to publish quotes and opportunities to registered suppliers, where procurement teams can quickly, effectively and easily source suppliers and raise quotation requests.
- 3.6 The system in question is a browser based system, hosted by the developers, which directs departmental buyers to follow the prescribed quotation process. It also provides the facility to compile a database of approved suppliers for buyers to use which will assist us in keeping supplier numbers down and directing more council spend through fewer channels, something which will benefit us when it comes to the number and value of our supplier relationships and any subsequent negotiations we may want to undertake.
- 3.7 Importantly, the Local Authority user has developed the database of suppliers mentioned above to provide the facility to make a distinction between local and non-local suppliers. This functionality is used to

support the local supply base by allowing the buyer to select one supplier to contact for a quotation but enabling the system itself to randomly select the remaining suppliers. The key is that the system ensures (if we were inviting a total of four companies) at least three of them were from the local list. This method of operation has seen the number of local suppliers winning business in the Authority rise from 20% to over 50% (relating to those transactions which have gone through the quotation system).

- 3.8 It seems a very simple system to roll out, given that it is accessed through a browser and requires minimal installation at the Council's end (apart from maybe a shortcut setting up on all desktops) and the interface is very intuitive so a minimum amount of user training would be required. Part of the business case will be to explore IT implications.

4. FINANCIAL AND RISK IMPLICATIONS

- 4.1 A business case for the purchase and on-going use of such a system will be required. The option appraisal will need to cover:-
- Purchase costs
 - On-going costs
 - Potential savings
 - Full and proper use of the systems across the Council
 - "Buy-in" from procurers
- 4.2 The proposal would also need to be taken through the ICT Partnership Board to address any issues with Northgate.
- 4.3 Use of the system is based on an annual licence model with unrestricted user numbers, and covers all hosting, support and maintenance. The licence is £5k (+vat) for the first year of use. This is a heavily reduced licence for the first year as we implement the use of the system into our existing internal systems and processes.
- 4.4 Professional services such as branding & initial data import (if required) will form part of the set-up and installation activity, and this is estimated at £1300. It would be possible to customise certain areas for our own use or add new facilities. Developments of this nature will be available at rate of £650 per day, and would be fully specified and agreed prior to any work commencing.
- 4.5 A longer term pricing model will be based on factors such as usage and monitored during the initial year. Year 2 would not exceed £10k in terms of the licence cost, and ongoing at this rate annually thereafter. Based on this information a 2 year arrangement should be priced at £15k (+vat) for the purposes of budgeting, but there is no requirement to be contracted into a long fixed term contract (i.e. 2 or 3 years) and it would be a case of the licence renewing annually. Any purchase of a system would need to follow existing Contract Procedure Rules.

- 4.6 Potential funding for the purchase of the system and first year costs has been identified within the existing departmental budget relating to stores and purchasing as that area of work will benefit significantly from the system. Ongoing costs will need to be funded corporately from additional savings expected from improved procurement as a result of , in particular, increased collaborative projects (e.g. revised arrangements for NEPO under a Regional Collaboration review).
- 4.7 The timing of this opportunity is good in the sense that it supports the imminent proposals to increase the current tender threshold, maybe up to £100k. One of the major concerns about raising the threshold is that there is less control of council expenditure and without a system to control and manage this activity it could be seen as high risk. This system will provide reassurance that procurement activities are being carried out in accordance with the Council's requirements.

5. LEGAL CONSIDERATIONS

- 5.1 The introduction of an IT based solution to seeking quotations provides for greater control and probity.

6. EQUALITY AND DIVERSITY CONSIDERATIONS

- 6.1 The system will be configured and used in such a way to provide a fair and equitable approach to seeking quotations.

7. RECOMMENDATIONS

- 7.1 Portfolio Holder's views on the development of e procurement are requested.
- 7.2 Portfolio Holder's approval to explore the purchase of a system to develop e procurement is sought.

8. REASONS FOR RECOMMENDATIONS

- 8.1 The development of an e procurement system will improve efficiency and provide a control mechanism on Council spending.

9. CONTACT OFFICER

David Hart, Strategic Procurement Manager, Bryan Hanson House,
Hanson Square, Hartlepool, TS24 7BT Tel: 01429 523495 Email:
david.hart@hartlepool.gov.uk