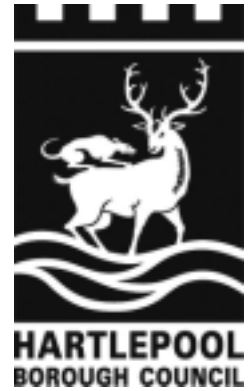


CONTRACT SCRUTINY COMMITTEE AGENDA



Monday, 20 September 2010

at 11.00 am

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

MEMBERS: CONTRACT SCRUTINY COMMITTEE:

Councillors Aiken, Ingham, Lawton, London, Maness, Richardson, Simmons, Sutheran and Wells

- 1. APOLOGIES FOR ABSENCE**
- 2. TO RECEIVE ANY DECLARATIONS OF INTEREST BY MEMBERS**
- 3. MINUTES**
 - 3.1 To confirm the minutes of the meeting held on 6 September 2010 (*to follow*)
- 4. ITEMS FOR INFORMATION**
 - 4.1 Consultation/Information paper relating to a variety of developments to corporate procurement arrangements - *Strategic Procurement Manager*
- 5. ANY OTHER ITEMS WHICH THE CHAIR CONSIDERS ARE URGENT**

6. 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

7. TENDERS TO BE OPENED

- 7.1 Raby Road Corridor Registration Scheme – Developer Selection (Ref 466)
(Para 3) – *Principal Housing and Regeneration Officer*

8. ANY OTHER CONFIDENTIAL ITEMS WHICH THE CHAIRMAN CONSIDERS ARE URGENT

CONTRACT SCRUTINY COMMITTEE

MINUTES AND DECISION RECORD

6 September 2010

The meeting commenced at 11.00 a.m. in the Civic Centre, Hartlepool

PRESENT: Councillor Frances London (In the Chair);

Councillors Trish Lawton, Sarah Maness, Carl Richardson,
Chris Simmons, Lil Sutheran and Ray Wells

OFFICERS: Graham Frankland, Assistant Director (Resources)
David Hart, Strategic Procurement Manager
Peter Morgan, Senior Commissioning Officer
Brendan Colarossi, Senior Engineer (Construction)
Kate Wachorn, Commercial Solicitor
Jo Wilson, Democratic Services Officer
Jess Coulson, Modern Apprentice

27. Apologies for Absence

Apologies were submitted for Councillor Martyn Aiken.

28. Declarations of Interest

None

29. Exception to the Contract Procedure Rules *(Director of Child and Adult Services)*

Members were advised that the Portfolio Holder for Adult and Public Health Services had agreed to make an exception to the contract procedure rules in relation to the following contracts:

- Hartlepool Citizen's Advice Bureau – Representational Advocacy
- Hartlepool MIND – LD Advocacy Worker
- North Regional Association for Sensory Support – Services for people with Sensory Loss

Reasons for the exceptions were detailed within the report.

Members requested further information as to the number of people being helped by the advocacy services. Concerns were expressed that by charging an annual sum services might be disproportionately expensive if only small numbers were using them. However the Senior

Commissioning Officer advised that the numbers were available and if they had proven to be too low it was doubtful that the service would be offered at all. Specifically in the case of the MIND contract because only one company had been shortlisted it had been necessary to engage in a retendering process which had led to a delay in the start date. Members were assured that payment would fall in line with the revised start date and there would be no double payments. Members requested information on the value of the contract.

Decision

That the Portfolio Holder for Adult and Public Health Services' agreement to make an exception to the Contract Procedure rules in relation to the following contracts be noted:

- Hartlepool Citizens Advice Bureau – representational advocacy
- Hartlepool MIND – LD Advocacy Worker
- North Regional Association for Sensory Support (NRASS) – services for people with sensory loss

30. Update on Contract Procedure Rules – Verbal Presentation *(Assistant Director (Resources))*

The Assistant Director (Resources) referred members to incidents which had taken place at the previous meeting with regards to incorrect advice being given to tenderers by Council officers. He apologised for these mistakes, acknowledging that there should have been checking mechanisms in place to protect against such errors. In light of this the Contract Procedure Rules (CPR) would be made more explicit. The Strategic Procurement Manager alongside legal is currently amending the Contract Procedure Rules (CPR) to ensure that all relevant information was included within them rather than just being referred to in the officer guidance, including the 12 noon deadline. A draft version of the revised CPR would be brought to the Committee in the near future.

Further checking mechanisms would also be put in place whereby all contracts would be inspected by the procurement and legal teams prior to despatch. This would be to ensure they were correct from a technical standpoint and would not consider the nature of the contract itself or the service being provided.

Consideration was also being given to increasing the tender threshold amounts as it was felt that this would encourage more local businesses to become involved. However to do this would mean strengthening the current quotation system, possibly through electronic means. The possibility of using an e-tendering process was also being considered and officer training in procurement systems would be extended.

Members thanked the Assistant Director for his attendance. They

expressed disappointment that a junior officer had been put into an uncomfortable situation at the previous meeting and felt that a more senior officer should have intervened and offered her support. The Assistant Director acknowledged this. He commented that while there had always been rules in place previously these had not been stringent and officers had been given the freedom to progress their work. However given the current economic climate extra controls needed to be in place and final checks of tender packs by procurement and legal would provide this extra control. In terms of the proposed increase in thresholds members welcomed this but cautioned that care would need to be taken that the checks carried out on companies were just as stringent however the contract were awarded. While the individual amounts might be small the net effect would be greater. They queried what safeguards would be put in place, the Assistant Director gave an explanation.

Decision

That the verbal presentation be noted

31. Harmonisation of Tender Procurement Process *(Strategic Procurement Manager)*

Following on from the previous presentation the Strategic Procurement Manager gave members further information on the proposed e-tendering process. This would involve using an internet portal, available to local authorities in the Tees Valley areas whereby companies would submit virtual bids which would then be opened via a laptop. This would mean that all tenders would be submitted in a correct and uniform manner and that the system would be locked off after the deadline meaning that no further information could be submitted. Previous problems with incorrect information on envelopes, opening of envelopes in error and late submission of tenders would no longer be an issue. Compliance would be forced and the Council safeguarded.

Changes to the quotation system would be also be considered. Aside from the increase in thresholds previously referred to it might also be possible to have a list of local suppliers which would automatically be invited to quote on any relevant contracts. This was something that had been done by Sunderland County Council so legally a precedent had been set. Members queried what checks would be in place to ensure that any listed companies were suitable and were advised that officers would be able to check companies' previous records on delivery, finance and health and safety prior to them being accepted onto the electronic systems.

In terms of the electronic systems Members queried how this would change their role within the Contract Scrutiny Committee. The Strategic Procurement Manager felt that there would be very little change, other than tenders would be virtual. The system could be configured so that it would lock after the deadline, it could then be opened in the presence of

the committee by the appropriate officer, possibly through use of a password. A complete audit trail would be available for members' reassurance. As both systems were available online there would be no requirement to amend the Council's existing ICT contract. Members expressed their support for the proposals providing the appropriate checks were put in place

Decision

That the presentation be noted.

32. Local Government Access to Information

Under Section 100 (A)(4) of the Local Government Act 1972, the press and public were excluded from the meeting for the following items of business on the grounds that it convolved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of the Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information)(Variation) order 2006

Minute 33 – Catcote Road / Oxford Road Junction Improvements (ref 467) – para 3 information relating to the financial or business affairs of any particular person (Including the Authority holding that information)

Minute 34 – Minutes of the meeting held on 23rd August 2010 – para 3 information relating to the financial or business affairs of any particular person (Including the Authority holding that information)

33. Catcote Road / Oxford Road Junction Improvements (ref 467) (Senior Projects Officer)

Three tenders had been received in respect of this contract and these were opened in the presence of the committee.

Decision

That the opening of the tenders be noted

34. Minutes of the meeting held on 23 August 2010

Confirmed subject to an amendment to the exempt section, details given in the closed minutes.

The meeting concluded at 12:05 pm

CHAIR

CONTRACT SCRUTINY COMMITTEE

20 September 2010



Report of: Strategic Procurement Manager – Regeneration and Neighbourhoods Department

Subject: Consultation/Information paper relating to a variety of developments to corporate procurement arrangements

1. PURPOSE OF REPORT

- 1.1 To inform the Committee on a variety proposed changes and developments to corporate procurement practices and to seek comment/input into the proposals.

2. BACKGROUND

- 2.1 There are a number of initiatives currently being developed which seek to improve procurement systems and practices across the Council. These initiatives revolve around a number of complimentary changes with regard to the Council's Contract Procedure Rules (CPR's) and the use of e-technology in carrying out the procurement process.

2.2 CPR Amendments

- 2.3 As part of the Council's ongoing development of its systems and processes the CPR's are reviewed from time to time to ensure they reflect the changing procurement landscape and any other identified requirements.
- 2.4 The last review took place in 2008 therefore a review is now due to reflect changes and developments which have taken place in the intervening period.
- 2.5 A working party was assembled in late 2009 to look at the Council's existing Contract Procedure Rules (CPR's). The group met on several occasions and as a result of these meetings a number of issues were identified as being worthy of review.
- 2.6 This document contains proposals for a number of amendments to the Council's constitution which are designed to enable several significant

improvements in how the procurement function is executed within the Council and also to clarify certain areas of current practice for the benefit of those in the Council engaged in procurement activities.

2.7 There are six areas for development, namely:

- i) **Quotation/Tender thresholds** – There has been work carried out on a regional basis to harmonise, as far as possible, the quotation/tender thresholds used by the various north-eastern councils. An analysis has been made on the impact of any changes which is included later in this report. The benefits and risks of increasing quotation thresholds are provided later in this report.
- ii) **Supporting local businesses and third sector** – The introduction of an IT based quotation gathering solution (covered at point iii) provides the opportunity to support local businesses and third sector more effectively than can be achieved currently. The adoption of a requirement to offer opportunities to local businesses in the CPR's will ensure that quotation processes are configured in such a way as to ensure that this occurs.
- iii) **Quotation gathering processes** - To support the raising of tender thresholds as described in paragraph (i) above, 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 hugely important in ensuring that all procurement activities are carried out in an appropriate and proportional manner.
- iv) **Collaborative procurement** – The current CPR's refer to the use of existing collaborative contracts, however the wording is such that it doesn't allow procurers to easily make use of the wide range of collaborative procurement arrangements which currently exist and which have been developed to provide efficient options in terms of procurement process, risk and value for money.
- v) **Completion/review of contract documents** – There are a number of contract documents developed by Council staff which have not been issued to the Legal Department for review and completion. In order to ensure that all supply, service and works contracts of which Hartlepool Borough Council are a party are appropriately drafted and executed it is essential that this documentation is routed through the appropriate department.

There is currently no requirement in the CPR's that such a referral take place and as a result this is an ideal opportunity to implement such a requirement.

- vi) **Instructions to Tenderers** – In order to ensure procurers follow a consistent approach to setting out instructions to tenderer, it is proposed that the CPR's are strengthened by providing additional guidance.

Each of these development areas support the aims of the Council's Commissioning and Procurement Strategy.

2.8 E-Procurement

- 2.9 Some of the above CPR related proposals are designed to support the introduction of e-procurement technology, specifically the introduction of e-tender practices and the development and implementation of an e-quotation system.

- vii) **E-tender technology** - In relation to the introduction of e-tender technology there are some specific issues relating to how this can be implemented whilst still complying with the requirements and role of the Contract Scrutiny Committee (CSC). The main issue concerns the logistics of opening tenders which this is explored and input from CSC requested later in this paper.
- viii) **E-quotation technology** – In addition to developing the Council's e-tendering capability, an initiative is underway to examine the possibility of introducing an electronic system to support council staff in the gathering of quotations from suppliers for levels of expenditure which are below the prevailing tender threshold.

Background on the latest situation in relation to this initiative is provided later in the paper.

3. PROPOSALS

3.1 Amendments to the Contract Procedure Rules

Proposals in respect of:

- i) Quotation/Tender thresholds
- ii) Supporting local businesses
- iii) Quotation gathering processes

The above three issues addressed by this paper are intrinsically linked and as a result they are covered together in the following paragraphs.

3.2 i) Quotation/Tender thresholds

- 3.3 As part of the work carried out by the North East Regional Improvement and Efficiency Partnership (NERIEP) Local Authorities in the region agreed to establish minimum tender threshold levels (i.e. the value at which procurement activities would follow a formal tender process as opposed to a less onerous quotation process) in order to provide a degree of consistency for the regional supply base.
- 3.4 Agreement was reached that all Local Authority's tender thresholds would start at a minimum of £50,000 although many have taken this further and some raised their thresholds as high as £100,000.
- 3.5 At present Hartlepool Borough Council's tender threshold for goods and services is set at £25,000 and for works the level is £50,000, however these will need to change so they at least meet the minimum level agreed throughout the region
- 3.6 As changes are required to our current tender thresholds, this is an opportunity to review that level and to set it at a point that will provide the maximum benefit to small businesses, i.e. to minimise the numbers of onerous tender processes (albeit with full recognition that an appropriate level of oversight and diligence will be required for sub-tender level procurement – hence the e-quotation proposal).
- 3.7 An analysis of the impact of increasing the quotation threshold has been undertaken (based on 08/09 financial year data) and increasing the current tender level from current to £100,000 (for goods, services and works) will not have a major effect in terms of the value and volume of goods, services and works being procured through the quotation process, i.e. the levels of risk in reducing the number of tenders is small.
- 3.8 Were we to set the tender threshold at £50,000 the regionally recommended level, approximately 75% (by value) of the Council's expenditure would be committed using the quotation process.
- 3.9 Were the tender threshold to be set at £75,000, this would equate to 80% of the Council's expenditure going through the quotation process.
- 3.10 Should the threshold be set as high as Redcar & Cleveland Borough Council's current level, i.e. £100,000, in the region of 85% of expenditure would be committed through the quotation process.
- 3.11 In terms of what this would mean in the number of actual transactions executed through the quotation process, a £50,000 tender level would result in 99.8% of the number of Council transactions being handled using quotations.

A £75,000 or £100,000 level would equate to 99.9% of transactions.

- 3.12 Essentially this tells us that the number of tenders we carry out is very small as a proportion of the overall transaction count and changes of the type recommended will not 'open the floodgates' for a stream of poorly regulated, high value procurements to take place.
- 3.13 This already small statistical risk would be further mitigated by the introduction of an e-quotation system which is also discussed in this paper.
- 3.14 The proposal suggests that, in conjunction with the proposals for issues ii) & iii) below, Hartlepool Borough Council increase its quotation threshold to £100,000 to maximise the amount of business which is handled through a quotation process and the benefits of this are:**
- Reduced bureaucracy for procurers and suppliers
 - An expectation that a greater volume of Council business will be accessible to small, local companies who may previously have been deterred by the onerous tender process
 - When implemented in conjunction with the proposed e-procurement initiatives, streamlining of the Council's business processes

The risks are:

- Without an appropriate system of quotation gathering, there could be a lack of control over the consistency and quality of possibly quite high value procurement activities.
- Without the development of appropriate alternative to the tender documentation, quotation documentation could be variable in quality and suitability, resulting in poor contractual protection for the Council.

But they can be mitigated by:

- The introduction of an e-quotation process (discussed later in the paper)
- The development of 'Request for Quotation' (RFQ) documentation for use across the Council, just as is the case with 'Initiation to Tender' (ITT) documentation.
- Although the tender threshold would be set at a higher level, it would still be possible for tenders to be carried out for sub-tender value requirements (if it was deemed appropriate to do so given the levels of risk associated with the delivery of the requirement).

3.15 ii) Supporting local businesses

3.16 Whilst a formal tender process provides a high level of rigour and reassurance when procuring goods and services, it is often a rather onerous process for suppliers and there is no evidence that increased value for money is secured when compared to the simpler quotation process.

3.17 In addition to the above, the tender process can be far too rigorous and not at all proportional for some requirements, in particular straightforward supply contracts where there is an active competitive supply market and payment is made retrospectively, i.e. following delivery of goods or services.

3.18 As well as supporting local businesses through adjustments to the quotation thresholds there will be a proposal made which suggests an amendment to the CPR's to require that a minimum of one local supplier (where available) must be invited to quote for any particular requirement.

3.19 iii) Quotation gathering processes

3.20 In terms of supporting the local supply base and aligning our processes and rules with the region there is a strong case for issues i) and ii). However, 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.

3.21 Supplementary to this package of proposals, a further proposal is being submitted for approval which relates to the implementation of an IT based quotation process. This IT system will, if implemented, serve to increase the level of rigour applied to the quotation process and as such it fully complements proposal i).

3.22 This 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'.

3.23 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 – as proposed under issue ii).

3.24 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.

3.25 Consequently, a proposal will be made to amend the CPR's to require that all staff securing quotations of goods, services and works on behalf of the Council use the nominated system and process exclusively. Any quotation activity performed outside of the nominated system and process would have to secure prior approval of the Portfolio Holder and be reported retrospectively to the Contract Scrutiny Committee.

3.26 Proposals in respect of:

3.27 iv) Collaborative Procurement

3.28 The current CPR's refer to collaborative procurement in Part 4 of the Constitution – Rules of Procedure.

The actual wording used is detailed below:

Central Purchasing Contracts

Where goods or services are to be acquired of a nature in respect of which a central contract has been established by the North East Purchasing Organisation (NEPO) or the Council's Procurement Unit, such goods and services will be purchased through that contract unless the Chief Officer, following consultation with the Assistant Director (Resources) considers a special exemption can be made.

Goods or services for which the Council has accepted a tender submitted to NEPO are outside the scope of the Contract Procedure Rules and will be obtained from the relevant supplier in accordance with the NEPO procedures.

3.29 There is an increasing focus on collaborative procurement arrangements as a result of a general drive to make public sector procurement more efficient. The Council is a member of NEPO and makes significant use of the contracts it offers, however there are a wide range of collaborative contracts available from other sources which also will also offer significant benefits to the council.

- 3.30 At present, should the council wish to make use of these alternative collaborative contracts it is necessary to either follow the existing CPR's, i.e. to have some form of competitive procurement process to establish value for money, or alternatively to request an exemption from the CPR's which would require Executive permission and a follow-up report to be submitted to Contract Scrutiny Committee.
- 3.31 As these collaborative contracts have already been through a competitive procurement process which will evidence any value for money achieved; and as a result of the procurement process have been through the period where challenges from suppliers could have been made (thereby offering a reduced level of risk to the Council as opposed to carrying out the procurement exercise ourselves) they offer an efficient route to market which fits with the general theme of collaborative procurement in public sector expenditure.
- 3.32 It is also worth highlighting that the Council is not obliged to use these arrangements therefore where it is felt that an alternative to a large national supplier would be preferable, the Council will still be in a position to avail itself of that option.
- 3.33 In order to streamline the council's procurement processes and to provide a consistent approach to accessing collaborative contracts a proposal will be made suggesting a development of the CPR's stated position on 'Central Purchasing Contracts' to incorporate flexible access to public sector collaborative contracts from organisations such as the OGC, Pro5 members and other approved Central Purchasing Bodies etc.**
- 3.34 Proposals in respect of:**
- 3.35 v) Completion/review of contract documents
- 3.36 In a recent audit report a recommendation was made that contracts entered into by the Council should be referred to the Council's legal department for review prior to signature.
- 3.37 At present there are no stated requirements within the CPR's to submit contractual documents to the council's legal department for review prior to issue for signature although there is a requirement for all contracts with a value of £100k or more to be executed by the Chief Officer and the Chief Solicitor or the Chief Financial Officer (see extract from Constitution below), although this still doesn't describe a process whereby the structure and content of contracts are required to be reviewed by the council's legal department.

Extract from Constitution**20 Signature of contracts**

i) Except for contracts entered into by an officer in exercise of delegated powers, the Chief Solicitor shall be the agent of the Council to sign on behalf of the Council all contracts agreed to be entered into by or on behalf of the Executive or the Council.

ii) Contracts which are for a value of £100,000 or more shall be either-

➤ *executed by the Chief Officer and the Chief Solicitor or the Chief Financial Officer or*

➤ *executed under the Council's seal (to be affixed in the presence of the Chief Solicitor (or in his/her absence, some other person authorised by him/her)).*

3.38 In order to ensure that all supply, service and works contracts of which Hartlepool Borough Council are a party are appropriately drafted and executed it is essential that this documentation is routed through the appropriate department.

3.39 A proposal will be made that Hartlepool Borough Council amend the above extract from the CPR's to reflect the need for contracts with a value of £100,000 or more to be referred to the appropriate Council department for review/completion prior to signature.

3.40 Proposals in respect of:

3.41 vi) Instructions to Tenderers

3.42 In order to ensure procurers follow a consistent approach to setting out instructions to tenderer, it is proposed that the CPR's are strengthened by providing additional guidance.

3.43 This guidance will cover a number of areas where problems have arisen in day to day procurement activities.
In particular the issue of tender return times will be specifically detailed in the rules to ensure that all staff are aware of the Council's standards.

3.44 Proposals in respect of:3.45 vii) E- tender technology

3.46 This section of the paper has been included to provide details to the Contract Scrutiny Committee of the process followed in undertaking Hartlepool Borough Council's (HBC's) first electronic tender (utilising the e-procurement module on the NEPO (North Eastern Procurement Organisation) Portal) and to ask the Committee to consider a range of options relating to the opening of tenders when submitted in an electronic format.

3.47 Background

3.48 E-procurement/tendering describes the use of an electronic system to carry out a range of transactional procurement activities, from securing bids for the provision of goods, works and services through to the automated payment of invoices from third parties.

3.49 The system used for this requirement is a web-based stand alone module used to seek tenders or quotations provided by NEPO and utilised by the majority of local authorities in the region.

3.50 The Council's Contract Procedures Rules include a provision for the use of an e-tendering system, as per excerpt below:-

Electronic Procurement (e-Procurement)

The Councils E-procurement Strategy requires that whenever possible procurement shall be carried out electronically. All procurement carried out, on any e-procurement system approved by the Chief Solicitor and the Head of Procurement & Property Services, is subject to these Rules.

3.51 The Process Followed

3.52 The tender being undertaken is a Tees Valley collaborative tender for the supply and maintenance of fire extinguishers and associated equipment on which HBC is taking a lead role.

3.53 This is the first tender which HBC has undertaken electronically, therefore, the methods surrounding the procedure may be subject to change.

3.54 The process which has been followed in this instance was as follows:-

- a) Advertisements were placed in the European Journal, Local Press, Supply2Gov and the HBC Website. The advertisement provided a link to the NEPO Portal which gives prospective tenderers access to the

tender documents and provided details regarding electronic submission instructions, etc.,

- b) Companies are required to register first on the NEPO Portal in order to gain access to the tenders, once done so, they automatically receive details of any tenders in which they may be interested.
- c) Tenderers have the facility to ask questions electronically on the e-tender system throughout the tender period up until the closing date.
- d) Roles within the system are assigned in order to follow the correct tender route and to ensure appropriate separation of duties, i.e., 'Contract Manager' is a representative from the Procurement Team, 'Verifier' is a representative from the Democratic Services Team.

Another role available is a 'Collaborator' which gives the facility for other Councils to assist in the evaluation of tenders once they have been formally opened – a useful facility when working on regional collaborative contracts.

- e) All tenders are 'locked down' and unavailable for review by anyone until they have been opened on the Closing Date by the Contract Scrutiny Committee.

3.55 The Logistics of E-tender Opening

3.56 The submission time and date for tenders is 12 noon on 30th September 2010. It is planned that the opening of the tenders will take place at the next Contract Scrutiny Committee meeting following that submission date.

3.57 There are many options available to the Contract Scrutiny Committee with regard to the mechanics of opening the submitted tenders and two examples are listed below. It should be noted that these are only examples and the Committee might decide upon a mechanism of their own design:

3.58 Example options:-

- i) Representatives from the Procurement Team could attend the Contract Scrutiny Committee meeting with a laptop which is hooked up to the internet. The tenders would be accessible via the NEPO Portal and would be opened in the secure environment of the Committee.

If this is the preferred alternative, it may be possible to set up a projector screen so that all members of the Committee will be able to see the format of the opening screen.

Details of submitted bids could still be recorded and countersigned in the Committee ledger.

- ii) A nominated member or members of the Contract Scrutiny Committee could meet in the Democratic Services or Procurement office to witness the opening of the tenders, prior to the meeting of the Contract Scrutiny Committee. Following this a written report could be prepared for submission to the Contract Scrutiny Committee to note/comment on its contents.

Again, details of the bids could be taken from the report and recorded and countersigned in the Committee ledger.

3.59 Proposals in respect of:

3.60 viii) E- quotation technology

- 3.61 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.
- 3.62 Improving procurement processes and ensuring best value in purchasing goods, services and works is a key workstrand of the Business Transformation Programme.
- 3.63 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.
- 3.64 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.
- 3.65 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 CPR's will ensure that quotation processes are configured in such a way as to ensure that this occurs.
- 3.66 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.

3.67 CONSIDERATIONS

3.68 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’.

3.69 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.

3.70 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.

3.71 Finance and Performance 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.

3.72 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.

3.73 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).

- 3.74 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. RECOMMENDATIONS

- 4.1 The Committees views on the proposed amendments to the Contract Procedure Rules are requested.
- 4.2 That the Committee approve the opening of the first e-tender on Monday, 4 October 2010 and consider the options with regard to the mechanics of the opening process.
- 4.3 The Committees views on the proposed development of an e-quotation system are requested.

5. BACKGROUND PAPERS

- 5.1 None

6. CONTACT OFFICER

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