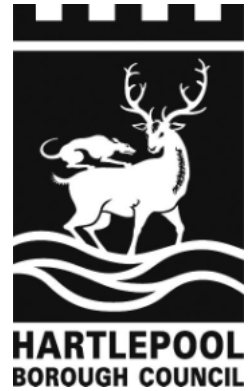


# **FINANCE AND PROCUREMENT PORTFOLIO**

## **DECISION SCHEDULE**



**Thursday 7 October 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 Acquisition of an E-Quotation System for implementation across the Council – *Assistant Director (Resources)*
- 2.2 Corporate Procurement Developments – Review of Contract Procedure Rules and E-Procurement – *Assistant Director (Resources)*
- 2.3 The Market Hotel and Land adjoining Lynn Street – *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. KEY DECISION**

No items

**7. OTHER ITEMS REQUIRING DECISION**

- 7.1 The Lodge, Ward Jackson Park (para 3) – *Director of Child and Adult Services and Assistant Director (Resources)*
- 7.2 Land at Easington Road (para 3) – *Assistant Director (Resources)*
- 7.3 Perth/Hurworth Compulsory Purchase of Properties (para 3) – *Assistant Director (Resources)*

## **FINANCE AND PROCUREMENT PORTFOLIO**

Report To Portfolio Holder

7<sup>th</sup> October 2010



**Report of:** Assistant Director (Resources)

**Subject:** ACQUISITION OF AN E-QUOTATION SYSTEM  
FOR IMPLEMENTATION ACROSS THE  
COUNCIL

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### **SUMMARY**

#### **1. PURPOSE OF REPORT**

To seek approval from Portfolio Holder to procure a web-based e-quotation system for use corporately across the Council.

#### **2. SUMMARY OF CONTENTS**

The report details the drivers for this initiative and the costs and benefits of the proposed system.

#### **3. RELEVANCE TO PORTFOLIO MEMBER**

The Portfolio Holder has responsibility for the Council's procurement activities.

#### **4. TYPE OF DECISION**

Non Key

#### **5. DECISION MAKING ROUTE**

Portfolio Holder Only

#### **6. DECISION(S) REQUIRED**

The Portfolio Holder approves the procurement of the proposed e-quotation system.

**Report of:** Assistant Director (Resources)

**Subject:** ACQUISITION OF AN E-QUOTATION SYSTEM  
FOR IMPLEMENTATION ACROSS THE  
COUNCIL

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**1. PURPOSE OF REPORT**

- 1.1 To seek approval from Portfolio Holder to procure a web-based e-quotation system for use corporately across the Council.

**2. BACKGROUND**

- 2.1 Hartlepool Borough Council currently operates a manual quotation process for procurement activities below the prevailing tender threshold. This procurement activity is devolved across the Council and many officers are involved in the procurement of goods, services and works.

- 2.2 Currently, when 'buyers' within the Council need to purchase goods, services or works between £5,000 and the prevailing tender threshold, that are not covered by an existing contract, they are required to obtain a number of quotes. There is no agreed method for deciding which suppliers are selected to take part in this process and it is left to the individual 'buyer' to decide who to seek quotes from. As such there is a significant opportunity to put in place arrangements which not only makes this quote process more efficient and effective but also ensures a greater portion of Council spend is awarded to local businesses.

- 2.3 Implementation of the e-quotation system will create a web based electronic directory of local businesses, which will be used by Council officers when sourcing goods and services with a value below the prevailing tender threshold. The system will allow businesses to register online and provide information on the goods and services they provide. All potential suppliers and providers will be able to register on the system at no cost.

It is important to highlight that the database will be split into two - one database for Hartlepool based companies and one for companies outside Hartlepool.

- 2.4 The Hartlepool based companies will be prioritised when Council officers (buyers) are sourcing goods and services. Where possible, 3 out of 4 quotes will be obtained from the local suppliers list with a fourth quote obtained from an organisation on the list of companies outside of

Hartlepool. For clarity, the requirement within the Procurement Procedure Rules to obtain an appropriate number of quotes and secure value for money remains. The option for the previous successful supplier (regardless of location) to also be selected by the 'buyer' is available.

- 2.5 For procurements over the prevailing tender threshold the Council will continue to follow its normal tender process, however we are in the process of now migrating this manual activity over to the North Eastern Purchasing Organisation (NEPO) supplier portal for electronic tendering. European and UK Procurement regulations will also continue to be met where required.
- 2.6 To support the successful implementation and ongoing development of the system the Corporate Procurement Team will support local businesses in completing quotation documents, and advice and training will be provided where necessary. This will be accompanied by a launch event designed to encourage local suppliers to register on the system.

### **3. OBJECTIVES / OUTCOMES / RISK MITIGATION**

- 3.1 The objectives of introducing the e-quotation system and risk control measures are listed below:

- i). A greater proportion of below tender threshold contracts from Hartlepool-based public procurement being placed with local suppliers;
- ii). Higher and more stable turnover for local companies through greater numbers participating in public sector procurement and being successful;
- iii). A better and more effective relationship between public sector buyers in Hartlepool and potential local suppliers.

- 3.2 The expected outcomes of the project are listed below:

- i). A greater number of local businesses bidding for below tender threshold contracts from Hartlepool Borough Council;
- ii). A single system for businesses to register their interest in being a supplier to the Council, and a significant increase in the proportion of local businesses who could be potential suppliers registered on this system;
- iii). A single system from which buyers can select at least some of the companies to which they wish to go for quotations for contracts below the tender threshold;

- iv). A system of quality assurance which allows the procurement function to identify and address issues related to the quality of specification and choice of companies for quotations;
- v). A system of quality assurance which allows the Council to identify and help companies which are consistently failing to win work for the same reason;

#### **4. PROJECT IMPACT**

- 4.1 For the project to succeed it will require all officers within the Council who have responsibility for sourcing goods, services and works which have a value below the tender threshold and which are not part of a larger Council contract, to use the e-quotation system to obtain the relevant quotations.
- 4.2 Whilst areas of the Council can continue to use internal traded services without seeking other quotations the internal traded services may also register on the database to bid for work that they currently are not asked to bid for. It would be a sensible proposition to require that all internal trading operations are requested to bid for all relevant opportunities (in addition to seeking external quotes).
- 4.3 Where appropriate the system will replace all other Directorate specific lists of suppliers /providers /contractors currently used to obtain quotations. This will provide one point of access for businesses to register their interest in supplying goods, services and works to the Council and ensure a fair and transparent process of selecting companies to bid for Council opportunities.
- 4.4 The current quotation system which is predominantly paper based will be replaced by an electronic method of despatching and receiving quotations, through the e-quotation system. This will not however replace the existing finance system which is used to manage the actual procure to pay process, once quotes are accepted.
- 4.5 As explained above, the system will only operate for lower value contracts up to the prevailing tender threshold, i.e. where the formal tendering provisions do not apply. However, the underlying EU procurement principles of transparency, fairness and non-discrimination still apply to these contracts. There is a balance to be struck between promoting the use of local businesses where possible and ensuring procurement processes are fair and non-discriminatory.

## **5. LINKS TO COMMISSIONING AND PROCUREMENT STRATEGY**

- 5.1 The implementation of the e-quotation system will also support the Council's Commissioning and Procurement Strategy by achieving efficiencies and better value for money in a number of ways, as follows:
- i). It will assist in identifying those staff who undertake procurement activity and ensure they are considered are part of the corporate procurement function;
  - ii). It will provide an electronic system for 'request for quotes', removing a range of manual / disparate systems;
  - iii). It will provide greater visibility of third party spend which is currently not formally contracted;
  - iv). It will improve control and risk management in this area.

## **6. SYSTEM DELIVERY AND COMMUNICATION**

- 6.1 A cross- functional team, led by Corporate Procurement will be set up which will include Economic Development, Finance and representatives from the Council's Departments to deliver the project.
- 6.2 An implementation plan will be developed which covers both internal communication with officers/members and external communication with the supply market.
- 6.3 Full training and support will be given to Council officers (buyers) and local businesses.

## **7. FINANCIAL CONSIDERATIONS**

- 7.1 There is a tried and tested e-quotation system available from a north east based developer and the payment structure is based on an unlimited user site-wide license which is paid via a single annual payment which also covers all hosting, support and maintenance.
- 7.2 The charge for the first year would be £5000 + vat. We have been advised that this is a discounted rate and that it would increase for subsequent years, although we have been advised that year two costs would not exceed £10,000 + vat.
- 7.3 There may be a small amount of customisation required to integrate Hartlepool Borough Council's corporate identity into the software and consultancy required to deliver this is charged at £650 + vat per day. It is estimated that it will take no more than 2 days to complete the necessary work.

- 7.4 Funds to support the acquisition and operation of this software have been identified from within existing revenue budgets. Ongoing savings expected from improved procurement will also support the system operation.

## 8. PROCUREMENT CONSIDERATIONS

- 8.1 As described above, the initial cost of this solution is £5,000 + vat for the first year and the following year would be a maximum of £10,000 + vat.

Were we in a position where we were seeking to identify a suitable solution for our requirements then there would be no question that the standard procurement processes would apply, i.e. we would secure at least three formal written quotations.

However, this proposal is based on an existing system which is currently being used successfully at Sunderland City Council (SCC) and **it is requested that the Portfolio Holder approves an exemption to the contract procedure rules allowing a single quotation action to be taken in the procurement of this solution.**

- 8.2 We are aware of a number of alternative solutions available in the marketplace however initial enquiries into these have indicated that they are significantly more expensive than the system used by SCC.
- 8.3 Further benefits of the SCC system are that there are currently a number of other local authorities investigating its feasibility with a view to implementation. Should this result in a critical mass of usage in the region, significant costs savings could be achievable in terms of negotiated development costs and future license fees as well as the possibility of developing a region-wide database of suppliers.

These opportunities will not arise if alternative systems are used.

- 8.4 The SCC system has been developed for a specific purpose and marketplace and as such it represents an excellent model which fits with Hartlepool Borough Council's aims and priorities. It is a relatively simple system and as such, we will make use of all of its functionality, which is preferable to procuring a more expensive more complex solution where most of the functionality will be paid for but not used.

## 9. TECHNICAL CONSIDERATIONS

- 9.1 Conversations have taken place within Hartlepool Borough Council relating to the technical issues which surround this software. These are fairly minimal given the fact that it is a browser based solution. In fact,



implementation of the software itself could be as simple as providing a desktop icon on Council computers and passwords to users.

- 9.2 Some questions have been raised regarding the security of the system and the data held upon it. These will be addressed in an upcoming meeting between the solution developers and Hartlepool Borough Council (HBC). The Council will be represented at this meeting by both procurement and ICT technical staff.

## **10. PROPOSALS**

- 10.1 That the Portfolio Holder approves an exemption to the Council's contract procedure rules to enable the above e-quotation system to be procured without undertaking a competitive quotation exercise –
- 10.2 That the Portfolio Holder approves the procurement of the e-quotation system as described above. Subject to the satisfactory resolution of any technical/security issues.

## **11. RECOMMENDATIONS**

- 11.1 That the Portfolio Holder agree the above proposals.

## **FINANCE AND PROCUREMENT PORTFOLIO**

Report to Portfolio Holder

7 October 2010



**Report of:** Assistant Director (Resources)

**Subject:** CORPORATE PROCUREMENT  
DEVELOPMENTS – REVIEW OF CONTRACT  
PROCEDURE RULES AND E PROCUREMENT

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### **SUMMARY**

#### **1. PURPOSE OF REPORT**

To inform the Portfolio Holder of a variety of proposed changes and developments to corporate procurement practices and to seek comment and endorsement of the proposals.

#### **2. SUMMARY OF CONTENTS**

The report outlines the requirement to review the Contract Procedure Rules and proposes changes in relation to:-

- i) Quotation/Tender thresholds.
- ii) Supporting local businesses and third sector.
- iii) Quotation gathering processes.
- iv) Collaborative procurement.
- v) Completion/review of contract documents.
- vi) Instructions to Tenderers.

#### **3. RELEVANCE TO PORTFOLIO MEMBER**

Portfolio Holder is the Procurement Champion.

#### **4. TYPE OF DECISION**

Non Key.

**5. DECISION MAKING ROUTE**

Portfolio Holder on 7 October 2010.

**6. DECISION(S) REQUIRED**

Portfolio Holder comments on and endorses the proposed changes and developments in respect of the contract procedure rules and e procurement. The Contract Procedure Rules with the Portfolio Holders comments will be considered by Constitution Committee Consultation Working Group and Council.

**Report of:** Assistant Director (Resources)

**Subject:** CORPORATE PROCUREMENT  
DEVELOPMENTS – REVIEW OF CONTRACT  
PROCEDURE RULES AND E PROCUREMENT

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## **1. PURPOSE OF REPORT**

- 1.1 To inform the Portfolio Holder of a variety of proposed changes and developments to corporate procurement practices and to seek comment and endorsement of 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 complementary changes with regard to the Council's Contract Procedure Rules (CPR's) and the use of e-technology in carrying out the procurement process.

## **3. REVIEW OF CPR'S**

- 3.1 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.
- 3.2 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.
- 3.3 This report 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.
- 3.4 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 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. The Portfolio Holder has previously endorsed the introduction of an e quotation system and there is a separate report on the agenda to approve its purchase and implementation.
- 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 tenderers, 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.

- 3.5 Changes to CPR's need to be considered by the Constitution Committee, Constitution Working Group and Council. In addition the views of the Contract Scrutiny Committee have been sought as part of the consultation.

#### 4. E-PROCUREMENT

- 4.1 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 and, input from Contract Scrutiny Committee has been sought through the submission of a report – details of feedback are provided later in this report.

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.

#### 5. PROPOSALS

- 5.1 Amendments to the Contract Procedure Rules Proposals in respect of:

- Quotation/Tender thresholds
- Supporting local businesses
- Quotation gathering processes

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

##### Quotation/Tender thresholds

- 5.2 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.

- 5.3 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. Details of the threshold harmonisation work is provided in **Appendix A**.
  - 5.4 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, (£100,000 for in-house tenders) however these will need to change so they at least meet the minimum level agreed throughout the region.
  - 5.5 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).
  - 5.6 An analysis of the impact of increasing the quotation threshold has been undertaken 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.
  - 5.7 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.
  - 5.8 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.
  - 5.9 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.
  - 5.10 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.
- 5.11 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 necessarily result in a stream of poorly regulated, high value procurements to take place.

5.12 This already small statistical risk would be further mitigated by the introduction of an e-quotation system which is also discussed in this paper.

**5.13 After initial discussions with Corporate Management Team Support Group and the Corporate Procurement Group, on the balance of risk, the proposal suggests that, in conjunction with other proposals in this report, Hartlepool Borough Council increase its quotation threshold for goods and services to £60,000 and works 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 an 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 'Invitation 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).

5.14 Corporate Management Team Support Group and Corporate Procurement Group considered the proposal against the risks and benefits and felt that £100,000 for goods and services may be too high although (£60,000 may be more appropriate) £100,000 for works



was more accepted particularly as the Council's Construction framework agreement covers work below £100,000.

Contract Scrutiny Committee supported the rise to £100,000 for goods services and works so long as they were able to have visibility of high value quotations before any award was made. The logistics of this need to be explored further and if the value of quotations for goods and services is set at £60,000 the concerns of Contract Scrutiny Committee may be allayed.

#### Supporting local businesses

- 5.15 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.
- 5.16 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.
- 5.17 **As well as supporting local businesses through adjustments to the quotation thresholds the original proposal 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. The Portfolio Holder has previously resolved that this minimum should be two local suppliers (where available) out of 5 to be invited to quote.**

#### iii) Quotation gathering processes

- 5.18 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.
- 5.19 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).
- 5.20 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’.
- 5.21 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).
- 5.22 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.
- 5.23 E Quotation systems have been investigated in liaison with the Portfolio Holder and he has decided that we should pursue such a system with a mandate for staff to use it. A separate report on this is elsewhere on the agenda.
- 5.24 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.**
- 5.25 To achieve the desired outcomes of the e quotation system it will be necessary to:-
- Have a roll-out plan
  - Test the system
  - Work with local suppliers
  - “Agree” the list of suppliers after vetting
  - Engage staff in awareness / training
  - Consider link to competency framework.

## **6. PROPOSALS IN RESPECT OF COLLABORATIVE PROCUREMENT**

- 6.1 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.*

- 6.2 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.
- 6.3 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.
- 6.4 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.
- 6.5 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.
- 6.6 **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.**

## **7. PROPOSALS IN RESPECT OF COMPLETION / REVIEW OF CONTRACT DOCUMENTS**

- 7.1 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.
- 7.2 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), 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)).*

- 7.3 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.

**7.4 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.**

7.5 The proposals in respect of the review of contract documents have been particularly supported by the Contract Scrutiny Committee.

## **8. PROPOSALS IN RESPECT OF INSTRUCTIONS TO TENDERERS**

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

8.2 This guidance will cover a number of areas where problems have arisen in day to day procurement activities.  
In particular the issue of the standard tender return time of 12 noon on a Friday will be specifically detailed in the rules to ensure that all staff are aware of the Council's requirements.

8.3 The proposals in respect of instruction to tenderers have been particularly supported by the Contract Scrutiny Committee.

## **9. PROPOSALS IN RESPECT OF E- TENDER TECHNOLOGY**

9.1 This section of the paper has been included to highlight that some minor changes to the mechanics of the tender opening process will be required to facilitate Hartlepool Borough Council's (HBC's) first electronic tender (utilising the e-procurement module on the NEPO (North Eastern Procurement Organisation) Portal). These same details have been provided to the Contract Scrutiny Committee and they have been asked to consider a range of options relating to the opening of tenders when submitted in an electronic format.

9.2 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.

9.3 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.

9.4 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.*

**The Process Followed**

- 9.5 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.
- 9.6 This is the first tender which HBC has undertaken electronically, therefore, the methods surrounding the procedure may be subject to change.
- 9.7 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 Council's 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.

### **The Logistics of E-tender Opening**

9.8 There are many options available to the Contract Scrutiny Committee with regard to the mechanics of opening the submitted tenders. These were discussed at Contract Scrutiny Committee on 20<sup>th</sup> September 2010 with the preferred option being:-

- 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. Tender details would be projected so that all members could view the process.

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

## **10. RECOMMENDATION**

10.1 Portfolio Holder comments on and endorses the proposed changes and developments in respect of the contract procedure rules and e procurement. The Contract Procedure Rules with the Portfolio Holders comments will be considered by Constitution Committee Consultation Working Group and Council.

## **11. CONTACT OFFICER**

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## Appendix A

## REVISED THRESHOLDS FOR TENDERS

TENDERS:

<b>Durham **</b> <b>Gateshead **</b> <b>Newcastle **</b> <b>North Tyneside</b> <b>Northumberland</b> <b>South Tyneside</b>	£50,001 to EU Threshold	3 tenders invited
<b>Redcar &amp; Cleveland</b>	£50,000 to EU (Supplies) Over £100,000 (Services & Works)	tender process <i>(thresholds under review)</i>
<b>Stockton</b>	£50,001 to EU (Goods & Services / Consultants) Above £100,001 to EU (Works)	min. 4  <i>(reviewing)</i>
<b>Middlesbrough **</b>	£50,001 - £106,099 (Goods, Services & Materials)  £52,100 - £106,099 (Consultants)  £106,099 - £530,399 (Works)	min. 4 tenders + ad in local paper and Supply2gov.uk
<b>Darlington</b>	£75,001 to EU Threshold	ITT by advert / list to a min. 5 candidates
<b>Sunderland</b>	£75,000 to EU	min. 5 quotes invited + advert in local newspaper / trade journal



## **FINANCE AND PROCUREMENT PORTFOLIO**

Report To Portfolio Holder  
**7th October 2010**



**Report of:** Assistant Director (Resources)

**Subject:** THE MARKET HOTEL AND LAND ADJOINING,  
LYNN ST

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### **SUMMARY**

#### **1. PURPOSE OF REPORT**

To advise Portfolio Holder of the current situation and to seek approval to include land adjoining the Market Hotel in a potential sale.

#### **2. SUMMARY OF CONTENTS**

Background to the case and current proposals

#### **3. RELEVANCE TO PORTFOLIO MEMBER**

Portfolio Holder has responsibility for the Council's land and property assets.

#### **4. TYPE OF DECISION**

Non Key Decision

#### **5. DECISION MAKING ROUTE**

Portfolio only

#### **6. DECISION(S) REQUIRED**

- 6.1 That the Portfolio Holder endorses the marketing of the property on a for sale or to let basis in conjunction with the entry on the SAVE website
- 6.2 That Portfolio Holder approves the inclusion of the adjoining land in the marketing and disposal.

**Report of:** Assistant Director (Resources)

**Subject:** THE MARKET HOTEL AND LAND ADJOINING,  
LYNN ST

---

## **1. PURPOSE OF REPORT**

- 1.1 To advise portfolio of the current situation and to seek approval to include land adjoining the Market Hotel in a potential sale.

## **2. BACKGROUND**

- 2.1 The former Market Hotel was acquired on 2<sup>nd</sup> October 2009 on the instructions of the Regeneration section. The sum of £130,000 was paid for the freehold interest, the intention being to incorporate the property into the Charles St housing development. Whilst all parties were aware prior to purchase that the property was listed, specific instructions were given to proceed with the purchase and to complete as soon as possible. The Market Hotel site and other Council owned land adjoining it are shown hatched and cross-hatched respectively on the plan at **Appendix 1**.
- 2.2 A planning application was subsequently made dated 30<sup>th</sup> October 2009 to construct the houses and demolish the Market Hotel. As the building is listed the application was referred to English Heritage by the planning department, and a site visit took place on 3<sup>rd</sup> February. Subsequently, English Heritage formally objected to the application in a letter dated 9<sup>th</sup> March 2010. The planning application was eventually withdrawn and a fresh application made which excluded the Market Hotel from the development.
- 2.3 Following this, discussions took place between the Mayor, various planning and regeneration officers and English Heritage regarding the future of the site. The conclusion of these discussions was that the only course of action available was to place the property on the market for sale on a basis to be agreed with English Heritage. The purpose of marketing the property is to establish whether or not there is a viable use for the building.
- 2.4 If the marketing exercise does not produce any purchasers who are willing and able to acquire the property and use it whilst preserving the special character of the building, alternative solutions will be considered for the site.

- 2.5 In order to progress this, various commercial property estate agents were contacted and three of them indicated that they would be willing to market the property on the Council's behalf, and provided fee quotes. Of these, the proposal from Greig Cavey Commercial Ltd was considered the most suitable given the type of property and was also the most competitive in relation to fees. The fee arrangement is detailed in **Confidential Appendix 2 This item contains exempt information under Schedule 12A of the Local Government Act 1972, (as amended by the Local Government (Access to Information) (Variation) Order 2006) namely (para 3), information relating to the financial or business affairs of any particular person (including the authority holding that information).** The proposal to instruct Greig Cavey was communicated to English Heritage on 4th June 2010.
- 2.6 A further meeting on site then took place on 1<sup>st</sup> July 2010 between myself, representatives from English Heritage and the Council's Townscape Heritage Initiative Manager.
- 2.7 Following this meeting, English Heritage have indicated the following:
1. The marketing period should be 12 months.
  2. The property should be marketed without a guide price.
  3. Greig Cavey are an acceptable agent to market the property.
  4. There should be at least one national advert placed for the property.
  5. The development brief should include the land to the side of the property.

The reasons for the above points are as follows:

1. The 12 month marketing period reflects the current depressed state of the property market and the need to expose the property to the market very fully. Clearly if an acceptable offer is received during the marketing period and proceeds to completion, the marketing will end at that time.
2. Marketing with a guide price might deter potential purchasers who may prove to be viable users of the property.
3. Greig Cavey are a local firm who have sold other properties in the area.
4. National advertising will expose the property to potential purchasers beyond the local and regional market.

5. The land to the side of the property will enhance the viability of the building. Clearly the inclusion of this land represents a cost to the Council, but given the requirements set out by English Heritage, is unavoidable if the objectives of both the Council and English Heritage are to be met.
- 2.8 Greig Cavey have now been instructed to start marketing the property to find a purchaser or tenant. It is acknowledged that a lease of the property could only be concluded by offering substantial incentives, but in the longer term a revenue stream and a much enhanced capital value may be obtained to the Council's benefit.
- 2.9 Whilst grant funding may have existed in the past for the repair and maintenance of listed buildings, this type of grant assistance is not available at present. Individual purchasers, particularly charities and organisations intending to use the building for non-commercial purposes, may be able to access grants from relevant public or Third sector bodies but the extent of this assistance, if any, is difficult to gauge without knowing the nature of the potential occupier.

### 3. PROPOSALS

- 3.1 It is proposed to continue with the marketing through Greig Cavey. In addition, the property has been entered onto the SAVE website, ([www.savebritainsheritage.org](http://www.savebritainsheritage.org)), a charitable organisation which compiles a register of vacant historic buildings with the aim of identifying new owners able to repair them and or find a new use for them, which will secure the building's future. Hartlepool Voluntary Development Association have also been asked to highlight the property to any local trusts or charities that may be able to renovate and use the property.

### 4. FINANCIAL CONSIDERATIONS

- 4.1 The financial implications can be found attached at the **confidential Appendix 2. This item contains exempt information under Schedule 12A of the Local Government Act 1972, (as amended by the Local Government (Access to Information) (Variation) Order 2006) namely (para 3), information relating to the financial or business affairs of any particular person (including the authority holding that information).**

### 5. LEGAL AND PLANNING CONSIDERATIONS

- 5.1 The Grade II listed status of the building places restrictions on the Council as owner, and whilst a wide range of alternative uses would be considered by the planning department, any alteration of the building will require listed building consent.

## **6. ASSET MANAGEMENT CONSIDERATIONS**

- 6.1 The attention of the Portfolio Holder is drawn to the Asset Management element of the Business Transformation programme. The decision by Cabinet of January 2009 requires a commercial, proactive approach to be taken on Asset Management issues.
- 6.2 The decision to adopt a commercial approach to asset management requires the Council to realise the full value of any properties or property rights that it disposes of.

## **7. SECTION 17**

- 7.1 The marketing of the property and its eventual re-use should contribute to a reduction in crime and disorder in the vicinity. Whilst the building is currently empty, it is boarded up and generally quite secure.

## **8. RECOMMENDATIONS**

- 8.1 That the Portfolio Holder endorses the marketing of the property on a for sale or to let basis in conjunction with the entry on the SAVE website
- 8.2 That Portfolio Holder approves the inclusion of the adjoining land in the marketing and disposal.

## **9. REASONS FOR RECOMMENDATIONS**

- 9.1 Continued marketing on the basis outlined above is the only means available to achieve the Council's regeneration aims in this area.

## **10. CONTACT OFFICER**

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