

REPORT TO: Cabinet Member Corporate Services
Cabinet
Council

DATE: 24 June 2009 (Corporate Services)
9 July 2009 (Cabinet & Council)

SUBJECT: Implementation of Web Based Procurement Portal

**WARDS
AFFECTED:** All

REPORT OF: Paul Edwards - Finance & Information Services Director
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**CONTACT
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**EXEMPT/
CONFIDENTIAL:** No

PURPOSE/SUMMARY:

To gain approval from Council to proceed with the implementation of a web based portal for procurement contracts.

REASON WHY DECISION REQUIRED:

To inform members of the background relating to the proposed implementation of the Pro Contract procurement portal.

To obtain Cabinet approval for Sefton to implement the procurement portal across the authority and to amend the Council's Contract Procedure Rules within the Constitution accordingly.

RECOMMENDATION(S):

The Cabinet Member for Corporate Services is recommended to note the content of this report.

The Cabinet is requested to recommend Council to approve the implementation of the Pro Contract electronic procurement portal solution, across the authority; and to amend the Contract Procedure Rules of the Constitution accordingly.

KEY DECISION: No

FORWARD PLAN: Not appropriate

IMPLEMENTATION DATE: Following the Council meeting

ALTERNATIVE OPTIONS: The hosting of a portal contract solution becomes a mandatory requirement on all public sector bodies in 2010.

IMPLICATIONS:

Budget/Policy Framework: N/A

Financial:

<u>CAPITAL EXPENDITURE</u>	2009/ 2010 £	2010/ 2011 £	2011/ 2012 £	2012/ 2013 £
Gross Increase in Capital Expenditure				
Funded by:				
Sefton Capital Resources				
Specific Capital Resources				
<u>REVENUE IMPLICATIONS</u>				
Gross Increase in Revenue Expenditure		11,400	5,400	5,400
Funded by:				
Sefton funded Resources				
Funded from External Resources		11,400	5,400	5,400
Does the External Funding have an expiry date? Y/N	When? 2011			
How will the service be funded post expiry?	Corporately; from revenue savings generated as identified in this report			

Financial:

Implementation will result in revenue savings in respect of expense claims and advertising costs.

Legal:

The exercise fulfils the authority's obligations within the current European Procurement Directive 2004/18/EC Public Sector, and will enable the authority to fulfil mandatory requirements driven by central government.

Risk Assessment: Consultations have taken place at a senior level across the authority.

Asset Management: N/A

CONSULTATION UNDERTAKEN/VIEWS

Procurement and Regeneration colleagues have consulted senior officers across the authority informing them of the current situation and potential solution. The supplier of the procurement portal solution also hosted an overview session which was attended by senior representatives from all internal directorates.

CORPORATE OBJECTIVE MONITORING:

Corporate Objective		Positive Impact	Neutral Impact	Negative Impact
1	Creating a Learning Community		✓	
2	Creating Safe Communities		✓	
3	Jobs and Prosperity	✓		
4	Improving Health and Well-Being		✓	
5	Environmental Sustainability	✓		
6	Creating Inclusive Communities		✓	
7	Improving the Quality of Council Services and Strengthening local Democracy	✓		
8	Children and Young People		✓	

LIST OF BACKGROUND PAPERS RELIED UPON IN THE PREPARATION OF THIS REPORT

N/A

1. Background - External Issues

- 1.1 Suppliers competing for public sector business opportunities have consistently commented that current processes are cumbersome, costly and that a lack of transparency is evident regarding opportunities arising. Ultimately such processes are viewed by suppliers as a 'barrier to entry'. This is a common theme consistent with the supply base across the UK in respect of its perception of competing for public sector contracts.
- 1.2 Supplier feedback to the authority indicates that the same issues are prevalent in respect of Sefton.
- 1.3 Such issues were recognised as having potentially serious implications on the capability of Small Medium Enterprises (SME's) to successfully compete for public sector contracts. Therefore the government appointed Anne Glover CBE to undertake an investigation into potential barriers within public sector procurement.
- 1.4 As a result, the Glover Report was issued in November 2008, with the following key recommendations:
 - By 2010, contract opportunities above £20,000 across the public sector should be advertised electronically and be accessible to SME's through a single, free, easy to search online portal.
 - Government should issue all tender documentation electronically by 2010. Businesses should be permitted to tender electronically for all public sector contracts by 2010. No 'paper' tenders should be required after this date.
 - Details of contract awardees should be published online in standard format within 48 days of contract signature, accessible via electronic portal by 2010.

2. Background – Internal Issues

- 2.1 Currently within Sefton paper processes govern procurement and commissioning activity in respect of advertising opportunities and awarding business to suppliers. Such processes have governed procurement activity for some time across the authority.
- 2.2 Current processes generate hefty documents and huge amounts of paper which are costly for both the authority and its suppliers to undertake and administer.
- 2.3 The current paper driven procedure also requires officers from internal departments to physically open tender bids at Southport Town Hall alongside colleagues from the legal department. Within the last twelve months 88 tender exercises have been administered by the authority's legal staff in Southport. This generates expense claims given that circa 80% of opportunities require advertising officers to travel to Southport Town Hall from

Booth to open tender bids. These processes are in line with current Contract Procedure Rules.

- 2.4 There is a lack of a corporate overview of all procurement/commissioning activity undertaken across the authority. This has risk implications from an audit perspective.
- 2.5 Feedback and comments from SME's across the borough have often focused on the difficulty of knowing where and when opportunities are advertised. This is due to the fact that combinations of sources are currently used, including the Chamber of Commerce, the authority's external website and local press.
- 2.6 There have also been instances where tenders have been disallowed due to having been received after the due time, because of errors by couriers.
- 2.7 The Constitution currently has a form of words relating to the potential implementation of an electronic solution to govern the sourcing and contracting process. The form of words is as follows:

'Electronic Tenders:- when an appropriate system is available which meets the satisfaction of both the Legal and Information Services Directors.....Requests for Quotations and Invitations to Tender may be submitted by electronic means' (Contract Procedure Rules, 7. (4)).

3. Proposal

- 3.1 A solution known as '**Pro Contract**', supplied by a company named 'Due North', has been adopted as the preferred solution by north-west authorities following a tender exercise conducted by the North West Improvement and Efficiency Partnership (NWIEP). This solution has also been adopted across authorities within the north-east region. To date within the north-west the portal has been rolled out across authorities in Cumbria and will imminently be adopted within authorities in greater Manchester.
- 3.2 The portal enables Council staff to advertise all business opportunities electronically and allows the supply base to respond accordingly. This replaces the current costly paper led process. In practical terms the portal will guide officers through the tendering process in a step-by-step manner. This process also results in the retention of a full audit trail of all tenders conducted and business awarded across the authority.
- 3.3 Registration to the portal is free for all suppliers. Once registered, suppliers are alerted to all opportunities posted, and can respond to subsequent opportunities electronically. Registered suppliers will subsequently gain access to business opportunities advertised by all members of the Merseyside Collaborative Procurement Group.

- 3.4 The system incorporates dynamic security features which prevent unauthorised officers accessing the portal and meets Council legal requirements in respect of receiving and opening tenders. An electronic 'seal' facility is available to authorised officers only. Therefore officers with current responsibility for physically opening tenders will retain this ownership within the electronic portal.
- 3.5 It is proposed that Sefton will join other partners in the Mersey Collaborative Procurement Group and implement the Pro Contract solution in a phased approach beginning within the central procurement department during August 2009. It is envisaged the solution will be fully embedded across the authority by the end of the current financial year.
- 3.6 The solution is funded by the 'Stepclever' project within the Regeneration directorate. This project is designed to work with local SME's to help them compete for public sector generated contracts. Funding is in place for three years and total cost over this period will be £22,200. Following this ongoing costs of £5,400 per annum will be met by revenue savings generated as a result of full implementation. These are detailed below.
- 3.7 The Procurement Team will liaise with legal colleagues to ensure that the Constitution is updated to reference the new requirements regarding the electronic portal.

4. Financial Implications

- 4.1 The solution is to be funded by the 'Stepclever' project within the Regeneration directorate. This project is designed to work with local SME's to help them compete for public sector generated contracts. The product cost consists of a one-off fee of £6,000. Annual hosting charges beyond this total £5,400. Funding is in place for a three year period for total charges of £22,200. Following this ongoing cost will be met by revenue savings generated as a result of full implementation. These are detailed below:

Cashable Savings (Annual)

Advertising Costs	£35,200
Expense Claims (Mileage)	£ 1,460
Total	£36,660

Assumptions

Cost of Advert	£400 x 88 exercises in last twelve months.
Mileage	70 Journeys (80% of total) x 36 miles (Bootle-Southport-Bootle) x mileage rate of £0.58 per mile.

Non Cashable Savings (Annual)

Officers Time Costs

Committee Clerk Costs

Cost of Paper

Sustainability improvements arising from the reduced use of paper

Reduced carbon impact regarding officer journeys between Bootle

– Southport – Bootle.

Releasing senior officer time to allow concentration on core activities

5. Next Steps

- 5.1 An overview session has been hosted by the provider, Due North. This was attended and positively received by senior personnel from across the authority. Detailed training will take place during June and July for central procurement staff.
- 5.2 It is envisaged that the central procurement unit will begin to use the electronic portal during August 2009.
- 5.3 Following this a phased roll-out will be undertaken in agreement with senior colleagues across internal departments. This will be supported by central procurement staff and colleagues from within regeneration's Stepclever project team.
- 5.4 A communications plan will be agreed in respect of informing the supply base and ensuring the supplier registration process is seamless.

6. Recommendation

- 6.1 The Cabinet Member for Corporate Services is recommended to note the content of this report.

The Cabinet is requested to recommend Council to approve the implementation of the Pro Contract electronic procurement portal solution, across the authority; and to amend the Contract Procedure Rules of the Constitution accordingly.