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**USE OF ALTERNATIVE MEANS TO PROCURE GOODS & SERVICES**

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**Responsible Cabinet Member(s) – Councillor Don Bristow, Resource Management Portfolio**

**Responsible Director(s) – Lorraine O’Donnell, Head of Policy; Paul Wildsmith, Director of Corporate Services**

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**Purpose of Report**

1. The purpose of this report is to seek permission of the members to: -
  - (a) amend Contract Procedure Rules with regards to the use of Purchasing Consortia; OGC Framework contracts; e.Auctions; contracts negotiated by other local authorities; contracts negotiated jointly with other local authorities, when considering the most cost effective way to purchase goods and services.
  - (b) pilot the use of an electronic tendering system.

**Background**

2. The procurement environment is changing; the Regional Centres of Excellence (RCE), funded by the ODPM, are facilitating collaboration between local authorities and other public sector partners. The Gershon agenda requires us to make 2.5% efficiency savings; half of which have to be cashable, and the expectation is that a large proportion of this will come from better procurement.
3. The National Procurement Strategy (NPS) for Local Government states that “The strategic objective of collaboration is to obtain better value by bringing councils and other public bodies together at local, regional and national levels to combine their buying power and create shared services”.
4. A number of milestones are set within the NPS including identifying opportunities for collaboration with neighbouring councils for shared commissioning and/or delivery of services. It also sets out milestones for electronic procurement, which include using e.sourcing modules for seeking quotes and tenders and e.auctions. Our progress in achieving this will be monitored using BVPI 157, which measures our compliance against the Implementing Electronic Government (IEG) directive.
5. The Corporate Procurement Strategy<sup>1</sup> set out the Council’s approach to improving procurement across the authority, this included the use of collaborative contracts and e.procurement tools.

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<sup>1</sup> Adopted by Council 30th September 2004

6. The recently amended EU Procurement Directive allows for the use of dynamic purchasing systems, e.auctions and framework agreements.
7. Our current Contract Procedure Rules do not cater for the use of consortia contracts or e.procurement tools.

### **Information and Analysis**

8. The North East Purchasing Organisation (NEPO) brings together the buying power of all of the 25 authorities in the region and is responsible for an approximate annual spend of £140 million. Darlington became a full member of NEPO earlier this year and therefore is eligible to buy from their contracts. Similarly the Yorkshire Purchasing Organisation (YPO) makes a number of contracts available to other public sector organisations.
9. The Office of Government Commerce Buying Solutions offer a range of framework agreements for Consultancy; Information and Communication Technology; Energy; Goods and Services, that other public sector bodies can take advantage of. The Office of Government Commerce (OGC) have been working with the RCEs to offer funding for e.auctions; the North East Centre of Excellence (NECE) is being funded to carry out an e.auction for Office Supplies on behalf of all the other centres.
10. All of the contracts have been advertised through the Official Journal of the European Union (OJEU); all have been evaluated on the basis of cost, financial standing, health and safety; equalities and references.
11. The Tees Valley Joint Procurement Group (TVJPG), chaired by the Head of Policy, has been tasked by the Tees Valley Chief Executives (TVCEX) to identify areas for collaborative procurement; in addition we will be agreeing procedures to make working together more straightforward.
12. When Darlington became a member of NEPO<sup>2</sup> we bought into the NEPO Portal, this gives us electronic access to all of the negotiated contracts as well as a shared area for information, standardised documentation and discussion boards for easier communication with other NE authorities. In addition our membership gave us access to an e.tendering system, which facilitates electronic sourcing of suppliers; receipt of quotes and tenders.

### **Benefits of Collaboration**

13. When considering a procurement exercise, we need to be able to evaluate the costs and benefits of all available options, in order to make the most informed decision about what is best value to Darlington. The NEPO, YPO and OGC have been negotiated on behalf of a number of organisations and therefore attract greater economies of scale.
14. In addition to getting best prices, and in some cases retrospective rebates, using these existing contracts saves an invaluable amount of time for the Council in the contracting process. It also negates the need for suppliers to continually supply the same information to a number of different organisations.

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<sup>2</sup> DBC was formally accepted as a full member of NEPO 14th July 2005

15. Similarly any contracts negotiated on a sub-regional basis with the TVJPG should deliver tangible savings through economies of scale, as well as non-cashable savings from the reduction in effort in the tendering process. The tender would be carried out under the rules of the lead authority for that particular purchase.

### **Benefits of e.Procurement Tools**

16. e.Auctions are a means of carrying out purchasing negotiations over the internet. It is a real time event in which a number of pre-qualified suppliers place and modify bids simultaneously, within a specified time frame. It is a means of post tender negotiating on price, in a controlled framework/environment, for certain commodity goods such as stationery and has proved successful for other authorities in achieving significant savings.
17. e.Tendering solutions provide a single regional information source for tendering opportunities. The e.tendering tools available through the NEPO Portal will give us the opportunity to send and receive quotes and tenders through a secure electronic mailbox hosted by a third party company, Due North.
18. The system allows us to utilise standard documentation, which will aid suppliers when completing tenders, as well as providing a sound audit trail to ensure local and national procurement procedures have been adhered to and that responses to suppliers are standardised, thus ensuring no bias. There are obvious cost benefits in the reduction in officer time, paper, envelopes and postage normally incurred in the traditional process.

### **Proposal**

19. As part of the Use of Resources action plan for CPA, Contract Procedure Rules are to be reviewed in detail, however this review will not be completed until the end of the 1st quarter 2006. Through the various regional workstreams there are a number of opportunities arising that require us to be more flexible in our approach, our current procedures preclude us from doing this easily.
20. We request that Council amend Contract Procedure Rules to reflect that they do not apply to procurement through Purchasing Consortia, OGC and contracts arranged through other local authorities; and also the use of e-auctions.
21. We propose that Members and officers pilot the e.Tendering solution as offered through the NEPO Portal on a small number of procurements, with a view to assessing its capability and a further report will be presented to Council on the outcome in due course. To facilitate this pilot it is proposed that Tender Panel be granted delegated powers to waive relevant aspects of the Contract Procedure Rules as considered appropriate.

### **Outcome of Consultation**

22. None carried out.

## **Legal Implications**

23. This report has been considered by the Borough Solicitor for legal implications in accordance with the Council's approved procedures. There are no issues which the Borough Solicitor considers need to be brought to the specific attention of Members, other than those highlighted in the report.

## **Section 17 of the Crime and Disorder Act 1998**

24. The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998, namely, the duty on the Council to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. It is not considered that the contents of this report have any such effect.

## **Council Policy Framework**

25. The issues contained within this report are required to be considered by Council.

## **Recommendation**

26. Council are requested to:-

- (a) Amend Contract Procedure Rules to reflect: -
  - (i) That they do not apply to procurement through Purchasing Consortia, OGC and contracts arranged through other local authorities;
  - (ii) The use of e.Auctions.
- (b) Agree to the pilot of the e.tendering system and grant delegated powers to Tender Panel to waive relevant aspects of the Contract Procedure Rules as considered appropriate.

## **Reasons**

27. The recommendations are supported by the following reasons:-
- (a) Assist in meeting the requirement of the National Procurement Strategy to purchase through consortia to achieve economies of scale;
  - (b) Assist in meeting the requirements of the National Procurement Strategy and the Implementing Electronic Government directive to implement an e.Procurement solution.
  - (c) Aid the implementation of the Corporate Procurement Strategy and will allow for much more efficient processes which will save considerable time and effort for both officers and suppliers.

- (d) Assist in realising both cashable and non-cashable savings to achieve our efficiency targets.

**Lorraine O'Donnell, Head of Policy**  
**Paul Wildsmith, Director of Corporate Services**

**Background Papers**  
National Procurement Strategy

Susan White: Extension 2019