

 EXECUTIVE 10 June 2009		Agenda Item No.
Title	Purchase of E-Procurement Software	
For further information about this report please contact	Melanie Gillman	
Service Area	Finance	
Wards of the District directly affected	None	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number	None	
Background Papers	None	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No

Officer/Councillor Approval		
With regard to officer approval all reports <u>must</u> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Relevant Director	21/5/09	Andy Jones
Chief Executive		
CMT		
Section 151 Officer	21/5/09	Mike snow
Legal		Peter Oliver
Finance	21/5/09	Mike Snow
Portfolio Holder(s)		Cllr Mobbs
Consultation Undertaken		
None		
Final Decision?		Yes/No
Suggested next steps (if not final decision please set out below)		

1. SUMMARY

- 1.1 The Capital Programme contains £39,700 for the purchase of E-Procurement Software. The Procurement Manager has identified suitable software and wishes to proceed with the procurement of the software.
- 1.2 Executive approval is required for the scheme to proceed.

2. RECOMMENDATION

- 2.1 It is recommended that the scheme should proceed and the Council should acquire the E-Procurement software purchased from BIP Solutions.
- 2.2 That the contract period is set on annual basis owing to the current investigations into a shared procurement service with other Councils.

3. REASONS FOR THE RECOMMENDATION

- 3.1 The Council has a capital budget of £39,700 for E Procurement Software.
- 3.2 The Procurement Manager has sought to acquire software to manage the tendering of works, supplies and services. This software will assist managers with the relevant tendering stages so as to comply with EU requirements and the Council's Code of Contract Practice. The software will also provide a full audit trail, secure information exchange and will significantly reduce the level of risk from legal challenge.
- 3.3 After a examining a number of alternatives, the Procurement Manager has identified a system supplied by BIP solutions, the software is called DELTA ETS (Electronic Trading System)
- 3.4 The **BIP** solution, offers a simple to use system which would best suit WDC's needs. BIP solutions have also been identified by central government as a leading supplier in procurement systems (they run and manage the Society of Procurement Officers website site – this site is a well managed and up to date source of information for procurement officers within the public sector). The software will cost £8,500 for the first year, and £7,000 per year for years 2 and 3. A discounted rate of £18,000 has been offered for a contract period of three years. However, for the reasons set out in 5.4 it is felt prudent to initially commit to 1 year only. **Year 1 cost £8,500.**
- 3.5 This offer is based on 5 licences (additional licenses can be purchased at a cost of between £40 and £100 depending on the number of licences purchased) and a 'bundle' of 40 tender boxes. Each tender exercise will require a tender box for sending and receiving documents and information, and for archiving of the audit trail. Unused tender boxes can be transferred from one year to the next. However more boxes can be purchased at a cost of £100 per tender. These can be funded through procurement savings.
- 3.6 The system will provide a full audit trail and archive for each tender exercise. This will speed up the process and reduce the chance of legal challenge against the council with regards to the procedures that need to be rigorously followed. The system also allows all bidders to receive simultaneous answers to any questions submitted, thus increasing legal compliance and chance of errors.
- 3.7 There are no further annual costs associated with the system.
- 3.8 Once this software has been acquired, it will be a requirement that it will be used for all procurement across the Council. Training and support will of course be provided as appropriate for users.

- 3.9 The software can be used for tenders above and below the EU threshold levels. For tenders below the threshold, opportunities are directly advertised on the supply2gov website (supporting the findings of the HM Treasury report 'Accelerating the SME economic engine: through transparent, simple and strategic procurement' November 2008). For tenders above threshold levels the contract notice is sent direct to OJEU and the annual return for the council can be generated automatically.
- 3.10 The software solution is primarily a secure document exchange and so will permit the flexible use of documentation relevant to each service area as may be required.
- 3.11 The Procurement Manager will be responsible for the implementation, training, support and management of the portal.
- 3.12 The software has the additional advantage of providing a WDC buyer profile on a website portal. This Portal will also enable WDC to provide suppliers with relevant information on the way that WDC trades and the procurement opportunities that are available. The Portal will be able to be accessed directly from the internet and via Council's main website.

4. **ALTERNATIVE OPTION CONSIDERED**

- 4.1 Alternative software has been considered and 2 options were investigated further:
 - 4.1.1 Option 2 – **Bravo Solutions** in conjunction with the WMRIEP. The annual cost for this service is £2000 per annum (for a single licence, multiple licences at an additional fee of £200 per person) plus training (£2000 per day – 3-5 days would be required as a minimum to get started). The Bravo Solutions option is very impressive but it does involve the use of pre-designed templates which need populating for each procurement exercise. When the system was demonstrated populating these templates appeared to be highly complex activity and there was little scope to use alternative documentation. The complexity of the system was of concern as some service areas may only use the system once or twice a year and would require extensive support in order to utilise the functions. First year cost £9,000 to £15,000, thereafter approximately £3000 per annum. This offer is only available until 2011 when the WMRIEP offer ends, commercial rates are approximately £25K per annum. **Year 1 cost £9,000.**
 - 4.1.2 Option 3 – **Ashgreen Solutions**, a pay per tender option. The software offered under the Ashgreen solutions is supported by Curtis Fitch and is also a very impressive system. There is a minimum support charge of £400 for 4 hours and £100 per hour thereafter. Each tender exercise is charged at £100 sub EU threshold and £250 above threshold levels. There is a charge of £25 for each new user. Based on a comparative usage to the BIP offer this would equate to £8,000 per annum. **Year 1 cost £8,000.**
 - 4.1.3 Both options 2 and 3 offer secure and efficient e-tendering systems.
 - 4.1.4 Option 2 has the additional functionality of the opportunity to set up a buyer profile for the council (essentially a 'shop window' where the council sell itself as a customer). With option 2 this would be in conjunction with the WMRIEP (only a few councils have done this, so this is not a co-ordinated area). Option 3 does not offer this functionality.
 - 4.1.5 Both options offer additional support during the process. Option 2 has free helpline available 24 hours, with consultancy is charged at £2000 per day for training and more complex issues. Option 3 is reasonably simple to use but charges £100 per hour for support.

5. **BUDGETARY FRAMEWORK**

- 5.1 The Capital Programme contains £39,700 for e-Procurement Software. The software will cost £22,500 for 3 years based on an annual license. These costs are based on £8,500 for

year 1, to include the set up of the buyer profile site and £7,000 per annum for years 2 and 3.

- 5.2 Since the expenditure on this software is essentially a revenue item and is below the diminimus it is permissible within the Financial Code of Practice to move the expenditure from capital to revenue.
- 5.3 There are currently sufficient funds to support the program for a period of 5 years. For years 6 onwards it is anticipated that some of the savings generated by more formalised contract arrangements can be used to support the ongoing use of the software.
- 5.4 As part of the Business Improvement Program the possibility of a shared procurement service with other Local Authorities is currently being explored. In order to minimise the financial risk and commitment form Warwick District Council the contract period will only be for 12 months in the first instance. If the council decides not to proceed with a shared service then a longer term contract can be accepted.

6. POLICY FRAMEWORK

- 6.1 The Code of Financial practice requires all Capital Programme items to be authorised by the Executive Committee.
- 6.2 The Code of Contract Practice requires regard for 'best value' for expenditure above £25,000. In this case the Procurement Manager has obtained 3 quotations and examined 3 different options in order to determine the 'most economically advantageous' option.

7. BACKGROUND

- 7.1 The use of e-tendering is a key objective that all councils should be working towards.
- 7.2 E-tendering assures compliance with EC, national and internal standards and legislation by:
 - 7.2.1 Streamlining processes, audit trails, improving efficiency and effectiveness of the tendering and request for quotation process
 - 7.2.2 Reducing the cost of tender advertising, paper, printing, postage and overhead cost for both the buyer and the supplier
 - 7.2.3 Helping suppliers to meet deadlines by reducing the time taken to request tender documents, register interest, compile paper based tender responses and ensuring that the tender response is lodged by the specific deadline
 - 7.2.4 Ensuring the exchange of information between the council and suppliers is conducted in a secure environment and that steps are taken to ensure that only genuine offers are made and accepted.
- 7.3 The council has used some electronic processes for recent tendering exercises and has saved a considerable amount of time and money in the process. However, the process is not fully secure and there is not a full audit trail as would be available with a formal e-tendering system. Examples of savings to date are:
 - Savings of £140 on posting tender documents to potential suppliers.
 - Savings in the region of £7 per set of documents in printing costs.
 - Time saving of 5 days per OJEU tender process by using electronic documentation.
 - Archiving of project and tender documents electronically as opposed to 'hard copy' storage.