

AGENDA ITEM No. 14(a)

NORTH LANARKSHIRE COUNCIL

REPORT

To: POLICY & RESOURCES (FINANCE) SUB COMMITTEE	Subject: PROCURING CHANGE EXEMPTION FROM CONTRACT STANDING ORDERS E-TENDERING / E-AUCTION
From: DIRECTOR OF FINANCE	
Date: 4 May 2005	Ref: BC/CC

1 Introduction

- 1.1 In accordance with Contract Standing Order No3.4, this report requests an exemption to Contract Standing Orders to allow the Procurement Section to test the effectiveness of e-tendering/e-auctioning software for up to three contracts.
- 1.2 The recommendations made in the report are designed to give the Central Procurement, Legal Services and Internal Audit Sections the opportunity to explore e-tendering/e-auctioning and its potential as a tool for efficiency, economy and effectiveness in relation to the purchase of goods and services. In addition it will allow Central Procurement, Legal Services and Internal Audit to assess what amendments may be needed to Contract Standing Orders.

2 Background

- 2.1 Following approval by the Policy & Resources (Finance) Sub Committee on 7 September 2004, the Council has entered into a tri-partite agreement with the Scottish Executive and CapGemini for the use of the PECOS e-procurement software system.
- 2.2 The software system provides the technology base upon which the Council could conduct e-tenders/e-auctions. These approaches to procurement provide a basis for both process efficiencies and cost savings to be delivered.

2.3 A brief summary of these approaches is outlined below.

2.3.1 e-Tendering

Public sector organisations including North Lanarkshire Council have historically employed paper based formal tendering procedures prior to the award of contract. With the advent of electronic communications (e-mail, the Internet, etc) it is now possible to replace much of the paperwork involved in this process with electronic equivalents. The e-Procurement Scotland Service that the Council has purchased contains e-tendering/e-auction software functionality as part of a 'Direct Trading Centre' module.

E-tendering uses web based technology to facilitate the full life cycle of the tendering process for both buyer and supplier, from initial notification of requirement (both above and below OJEU thresholds), through expression of interest, pre-qualification questionnaire (where appropriate) issue and receipt of tender and evaluation. The use of web-based technology provides a common working environment to enable geographically dispersed groups such as the Council to develop and structure assessment criteria, conduct evaluation of tenders and generally 'join up' procurement across the Council.

2.3.2 e-Auctions (Reverse Auctions)

Electronic Reverse Auctions differ from traditional auctions in that the suppliers bid against each other to offer the keenest bid for a particular contract. Council procurement officers will be able to monitor the various bids over the course of the auction until all bidders have reached their final offer. Electronic Reverse Auctions offer a simple and efficient way for North Lanarkshire Council to harness the opportunity offered by the web to improve how they purchase products and services. Reverse auctions have in other Local Authorities, the NHS and Scottish Executive delivered increased value for money to the public purse. The Office of Government Commerce estimate savings from the user of e-auctions in the public sector are approximately 25% when viewed against traditional paper based tender processes. The main benefit of e-auctions is a much more transparent process that removes constraints from suppliers eager to put forward their best bids for Local Authority business. It enables Council officers to undertake faster and more transparent contract negotiations which are beneficial for both supplier and buyers alike. The process also ensures total transparency for the buyer and suppliers taking part in the bidding, and guarantees security and anonymity for both, via a secure Internet access.

3 Contract Standing Orders

- 3.1 At present there is no provision in Standing Orders for e-tendering and e-auctions. It is proposed to include such provision once this exercise has been completed. In order to gain familiarity with e-tendering/e-auctioning, the Procurement Section have requested the opportunity to complete an e-tendering/e-auctioning exercise for 3 contracts. During this period the contracts which are not used as part of the e-tendering/e-auctioning test would continue to be awarded in accordance with current Standing Orders.
- 3.2 For the e-tendering exercises, suppliers will be asked to complete the tender in hard copy (for record purposes) as well as through the e-tendering system. This will ensure that the tendering process is not compromised. At the same time the e-tendering/e-auction exercise will provide the opportunity to weigh the merits of the e-tendering system against the current tendering procedures.

- 3.3 The Council will work with local suppliers and provide training (if appropriate) to make sure that they are not disadvantaged from this process. Feedback will be sought to determine the effectiveness of the initial e-tenders/e-auction.
- 3.4 These tenders will be advertised, evaluated and awarded in accordance with EU Regulations.
- 3.5 Following the outcome of the trial, amendments to the Standing Orders would be proposed, as necessary, to accommodate e-auction/e-tendering.

4 Recommendation

It is recommended that:-

- 4.1 In terms of Contract Standing Order 3.4, the Council exempts up to 3 contracts over the period to September 2005 from Standing Orders for the reasons set out in this report.



Director of Finance

Members wishing further information please contact Mr Brian Cook, Head of Revenue Services,
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