

Procurement in local government

e-Procurement

Small steps, quick wins



Why is e-procurement on the agenda?

Procurement has traditionally been a low profile activity within local government. But with councils spending £40 billion pounds 'externally' each year, the pressure is on to deliver better value.

Councils can obtain greater control of their spending through an e-procurement strategy. It will generate management information to show how and where money is spent, placing authorities in a better negotiating position with suppliers.

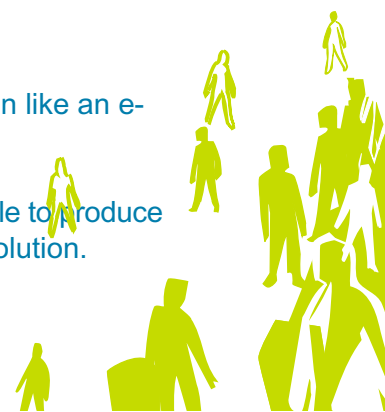
What is the expectation from central government?

- o The National Procurement Strategy states that every council should have an "appropriate e-procurement solution" by 2005.
- o Local authorities that demonstrate progress with e-procurement can receive capital funding through their IEG assessment.
- o Council progress with e-procurement is measured by BVPI 157, which includes e-procurement as a transaction that should be electronically enabled by 2005.
- o The ODPM has funded a National e-Procurement Project (NePP) to the tune of £2.5m to produce guidance and share best practice with local authorities. (www.nepp.org.uk)

Why are some councils finding e-procurement difficult?

There are still a number of barriers to councils, including:

- o A lack of the capacity or resources required to implement a vendor solution like an e-marketplace.
- o Authorities who spend less on procurement, like district councils, can struggle to produce the business case which would support implementing a comprehensive solution.



- o There might not be enough data to inform the decision about which e-procurement solution is appropriate.
- o Larger e-procurement projects, such as e-marketplaces, can “scare off” some authorities because they require substantial up-front investment and can take a long time to bear fruit.

But councils who are regarding e-procurement targets with alarm should not despair.

While iMPower believes that, in the long term, significant benefits would be delivered by taking a strategic view of your authority’s entire procurement function, in the shorter term there are simple ways of achieving elements of e-procurement.

Small steps, quick wins

It is possible for authorities to harvest some quick wins on e-procurement, even with a limited budget and resources.

Management Information

You need information to understand your council’s current position and make the right decisions. Most councils, however, have insufficient data to inform a useful “spend analysis”. Invoice records are usually held electronically in the finance system, but might not reveal what type of items were bought from each supplier, how long they took to be delivered, or how the order was placed.

As an effective first step, you might consider building a spreadsheet of spending in *one* department of your authority, perhaps over three months. You can then collate and analyse this data to provide a snapshot of your council’s spending habits.

Even a short project like this will deliver invaluable data. It might also uncover important issues about how your councils procures. Organisational or process changes may be necessary before you decide upon a technology solution.

Contract Monitoring

This is an often-neglected activity. A lot of effort is invested in writing tender specifications, performing due diligence on suppliers and selecting the best bid. But once a contract is place, councils often put in sufficient energy into monitoring how that contract performs. Information about a supplier is often just subjective or anecdotal. Planning for re-tendering or renegotiation is also important, yet in the worst cases a contract may have expired months – or years – before anyone notices.

Developing a best practice approach to contract monitoring across the council will help you gain better control of procurement. This can be done by promoting a standard monitoring process across the council, and providing procurement officers with a simple spreadsheet for recording contract performance data.

Reducing the paper trail

Procurement can generate a huge amount of paper, such as requisitions, purchase orders and supplier-provided order pads.



These forms will be completed by hand, then shuffled around the office for approval by managers before finally being sent in the post to suppliers.

Paper forms can be expensive both in paper and postage, take up a lot of storage space, and can easily get mislaid between departments or in the mail.

All councils now have access to a means of sending documents electronically – email. This can replace a significant chunk of the paper trail such as emailing requisitions to managers and emailing purchase orders to your suppliers. And email is quicker, cheaper, and provides an auditable electronic record.

With the current urgency around procurement, it is easy to lose sight of the fact that central government targets are not intended to push councils into buying expensive technology solutions. Instead, the intention is to improve procurement to achieve best value.

Ultimately, to achieve sustainable benefits from procurement and e-procurement over the long term, a strategic approach to change and technology should be adopted.

This challenge should not be underestimated. But it doesn't have to be difficult or expensive for your authority to achieve smaller steps which will deliver value and satisfy expectations from central government.

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