

East Devon District Council Procurement Strategy 2007 – 2010

Reviewed

October 2007

Strategy Approval

Executive Board 27th February 2008

Reasons for introducing the Strategy

To raise the profile of procurement and to highlight its role in the efficiency agenda.

Strategy Statement

Procurement concerns the acquisition of all goods, works and services. Procurement encompasses every aspect of the process from determining the need for goods, works or services, to the choice of the best form of provision, buying and delivery in order to help achieve an organisation's key objectives and outputs. Procuring services is central to the management of any operation.

Terms Explained

ODPM – Office of Deputy Prime Minister

Third sector organisations – The range of voluntary and charitable organisations which occupy the space between the state and the private sector

Sustainable development - development which meets the needs of the present without compromising the ability of future generations to meet their own needs.

Stakeholders - individuals, organisations and businesses with a direct or indirect interest in the operation of Council business

How will we go about it?

Work will be co-ordinated by a member and officer procurement group and monitored by the strategic management team.

Specific Policy Areas

1.0 Executive Summary

1.1 The aim of this procurement strategy is to set a clear framework for procurement throughout the authority. It underpins the council's corporate plan and provides a framework for best value and which stands alongside the council's financial regulations, contract standing orders and constitution. It is an essential mechanism for achieving the council's priorities and, therefore, should be known, understood and implemented across the council's services.

1.2 In considering the corporate objectives and values and the requirements of best value, the following procurement objectives have been set:

- To ensure that the procurement is necessary to meet the council's objectives and that the process, as required by the Code of Corporate Governance, is clear and focused in the first instance on maximising best value.

- To ensure that the best procurement option is selected on the basis of the degree to which it fulfils the council's corporate purpose, priorities and values as well as those of specific services.
 - Where appropriate, to seek out and develop new methods of service delivery.
 - To ensure that in choosing the best value procurement method, the process of balancing and evaluating cost against community and environmental benefit is made in a transparent way and supported where appropriate with clear evidence.
 - To have regard to the benefit to the council of local sourcing in furtherance of the council's priorities whilst applying the principles of best value through unfettered competition.
 - To ensure that direct provision by employed staff (the 'make' option) is tested against the external purchase of service (the 'buy' option) and 'vice versa'.
 - To use Information and Communication Technology (ICT) appropriately and imaginatively to support and enable the best value goals of the procurement strategy.
- 1.3 To ensure that these policies are implemented, the following key actions will be pursued:
- An elected Member shall be appointed Champion for procurement and shall work to the appropriate Portfolio Holder.
 - The corporate procurement function within the council will be significantly strengthened to ensure that the ethos underlying procurement is properly understood and that procurement is not just concerned with the management of purchasing.
 - Current procurement skills will be identified across the service and an action plan will be prepared for addressing any shortfall in skills requirements
 - Financial and contract standing orders be routinely reviewed in order to ensure they provide the appropriate degree of control and flexibility in the procurement of goods and services and that they reflect domestic and European procurement requirements.
 - The council take action to ensure that, when dealing with staff transfers, TUPE and workforce requirements continue to be fully adopted
 - The council will draw up and annually review a forward plan for service delivery. This will set out the council's likely demand for goods, works and services from outside suppliers in each of the following three financial years.
 - The elected Member Champion for procurement with key officers prepares, delivers, monitors and reviews the procurement action plan.

2.0 Introduction

- 2.1 Procurement is the process of obtaining supplies, services and works spanning the life cycle of the product, asset or service. 'Life cycle' is defined as being from the initial definition of the business need through to the end of the useful life of the asset or service.
- 2.2 The term 'procurement' has a far broader meaning than that of purchasing, buying or commissioning. It is about securing services and products that best meet the needs of users and the local community in its widest sense. This strategy provides a common framework within which all procurements by the council are to be managed. It includes the important 'make' or 'buy' considerations that are central to local authority best value reviews.

- 2.3 The council will procure the best value for money supplies, services and construction works by:
- adopting the life cycle approach to the assets or contract;
 - identifying direct and indirect effects of each procurement option;
 - applying effective and up-to-date procurement procedures;
 - ensuring procurement helps deliver the council's key corporate priorities.

2.4 Background

- 2.4.1 The key role that value for money now plays in the delivery of local services means that procurement has moved to centre stage. As such, procurement is now everyone's concern, not just that of the small number of professional officers who deals with procurement issues as part of their daily job. In recognising the increasing prominence of procurement, it is important to understand the role that procurement plays in various aspects of the council's work and this has been reflected in the approach taken to this strategy.
- 2.4.2 From the best value perspective there are benefits to be derived from a corporate procurement function as the focus of excellence and the driver for mandating, modernising and monitoring procurement across the council. This strategy sets out:
- the nature of the council's procurement activity;
 - the priorities for procurement in supporting the council's strategic priorities;
 - the principles which underpin procurement activity across the council;
 - key targets for procurement and service review, in the form of an action plan.
- 2.4.3 The purpose of this strategy is to communicate clearly to all stakeholders, operational managers, strategic directors, procurement specialists and suppliers in the private and voluntary sectors the council's vision for the way forward in its procurement of services, supplies and works so that they may play a meaningful role in the implementation of that vision.
- 2.4.4 This procurement strategy will be circulated to all key stakeholders and suppliers. Comments and views are welcomed so that we can improve the strategy further.

3.0 Current arrangements

- 3.1 Procurement of goods, services and assets are regulated by domestic and European law, contract standing orders and by financial regulations. Within departments, these requirements have been embodied in office instructions and other procedure notes designed to provide guidance to staff involved in day-to-day procurement decisions.
- 3.2 Procurement is fragmented within the Council with individual departments often working independently of each other. This has led to a plethora of suppliers, duplication of effort and variations in the prices paid for similar goods and services.
- Contracts are used for capital works and a range of activities including refuse collection, housing repairs, financial services but not generally for the supply of routine goods and services. Here, duplication of effort means that the procurement process is inefficient and the council is not able to benefit from its corporate purchasing power.
 - Manual ordering and invoice handling systems are time consuming and expensive to administer.

- Although steps have been taken to reduce the number of orders/invoices handled through the use of procurement cards, their use has not been fully explored.
- No full time centralised professional procurement expertise exists within the council. A short term, part-time 'Procurement Manager' role is currently on trial.
- The council could achieve more by working with other organisations in order to benefit from their expertise, to share best practice and through joint supply contracts.
- More thought should be given to the social and environmental, and the long-term economic, consequences of specific procurement decisions.

3.3 How much does the Council spend on procurement?

3.3.1 In 2006-07 total expenditure on services, excluding payroll and housing/council tax benefit payments was £23.6m. This sum comprises capital and revenue payments on Housing Revenue Account and General Fund services as detailed below.

3.3.2 A total of 26,750 invoices were handled in the year with payments made to 2090 different suppliers. Between them the 4 firms issuing the greatest number of invoices accounted for 41% of the total received, whilst at the other extreme 10% of suppliers submitting 5 invoices or less.

3.3.3 The average value of an invoice was £870. Across the range suppliers issuing the highest number of invoices tended to do so for lower values than those issuing smaller numbers. The relative figures for the 4 suppliers issuing the highest number of invoices and those at the other end of the spectrum are:

No. invoices	Total value	Average value
Highest	£	£
4031	1129170	280
3825	876872	229
2085	326943	157
1073	203717	190
Lowest		
Suppliers issuing 4-5	1547648	2472
Suppliers issuing 2-3	1773533	1838
Suppliers issuing 1	848138	759

3.3.4 Payments for the supply of goods and services were made by:

Electronic transfer (BACs)	60%
Automated cheques	37%
Manual cheques	3%

In addition 9 purchase cards have been issued. In 2006-07 approximately 200 payments were made with a total value of £15,000.

3.3.5 In addition to bought-in goods and services the council internally delivers services through directly appointed staff. The cost of directly provided services (the make option) in 2006-07 was £13m.

3.3.6 The arrangements for the ordering of goods and services, processing of payments and, to a large extent, the payment of creditors, are labour intensive and costly. Opportunities to streamline these processes are considered within the council's e-procurement strategy (see chapter 5 and Appendix 1).

3.4 The corporate context

- 3.4.1 Procurement must be seen in the context of the council's overall objectives. All too often the driving force has in the past been focused on economy, to achieve the lowest price for the specified quality of service required. Whilst this remains an essential ingredient of Best Value, it is also important that procurement decisions are taken in the light of the broader objectives which the council is seeking to achieve. It is inevitable that for a public body, effective procurement must be measured by social outcomes and community and environmental benefits as well as financial gains. Balancing these three dimensions as at the heart of effective best value procurement.
- 3.4.2 To ensure due consideration is given to procurement options across all services areas, and not just those traditionally subject to external competition, a forward plan for service delivery should be produced. The 3 year plan will set out the likely demand for goods, works and services from outside suppliers. To maintain the integrity of the plan the content will be reviewed annually.
- 3.4.3 To understand the community benefits the council is seeking to achieve it is necessary to consider the East Devon Community Plan, the council's corporate strategy, its purpose, priorities and values, and its legal obligations. These are principally set out in the council's corporate strategy and the headlines are as follows:

3.5 Sustainable Community Plan vision

To improve quality of life in East Devon by promoting the social, economic and physical well being of our communities.

3.6 Corporate strategy

Outstanding and sustainable quality of life for everyone in East Devon.

3.7 Corporate priorities

- Affordable homes
- Thriving economy
- Safe, clean and green environment
- Recycling
- Children and young people
- Excellent service for our customers
- An inspirational Council

3.8 Corporate procurement vision

In support of best value and recognising the requirements of the above statements, the following vision has been developed. With our partners:

- We will organise procurement so as to achieve a balance between best value for money, environmental considerations and community requirements.

4.0 Procurement principles

Procurement principles have been established that aim to support this vision and the council's primary goals. These are set out below.

4.1 Management and Control of Contracts

Arrangements shall ensure that from inception to completion all services are adequately managed and monitored with a view to achieving completion of service delivery on time, within budget, and in accordance with the specification.

- All major procurements should be adequately planned and due consideration given to the resources required to achieve completion within the desired timescale. The use of national framework agreements which enable local councils to access significant savings while minimising bureaucracy should be considered. A procurement plan shall be prepared for each project at the outset by a procurement team. The plan should indicate the timetable for key stages (e.g. budgetary approval), the resources that are required (e.g. staff time, consultants and funds) and the proposed management and monitoring arrangements.
- Prior to the award of a contract, selection criteria and council policy requirements will be determined and communicated to prospective tenderers. This will advise whether a contract is to be let on the basis of price, quality or any other factor or combination of such. Legal advice as to the best structure for this process and any European law procurement implications should be taken at an early stage.
- Project managers should ensure that effective lines of communication are established at the award of a contract and are maintained throughout the contract process, to ensure an adequate and regular dialogue between the client representative, stakeholders, and the service provider. This should include regular progress meetings with contractors at which method statements, health and safety and the time, cost and quality of work are standard agenda items.
- An officer should be designated at the outset for each contract with the responsibility, and authority, for ensuring that the contract is adequately managed and monitored and that service delivery adheres to all relevant current legislation and health and safety requirements. Where appropriate, this person should be involved in the pre-contract process of tender developments (e.g. preparation of specification).
- Effective and efficient methods of contract monitoring and reporting shall be established throughout the contract. Such methods should include monitoring of programme, costs and service delivery and meeting policy requirements against specification, and shall be proportionate to the cost and risks involved.

4.2 Assessing and minimising risk

The risks associated with all procurement shall be assessed through the completion of a risk assessment and minimised accordingly.

- When planning a procurement, consideration should be given to what can go wrong, how likely this is, and the likely consequences assessed accordingly.
- Procedures established for letting and managing major contracts should be appropriate to the risks that have been identified. In particular, procedures should not be over-bureaucratic and should satisfy the three E's – economy, efficiency and effectiveness.
- All identified risks should be managed and allocated to parties so as to minimise the potential consequences. As a general rule, risks should sit with those most able to manage them.

4.3 Qualified, experienced and adequate staff resources

Staff engaged in procurement and contract management shall be suitably qualified and trained for the purpose.

- When project managers are arranging procurement they should have the capability themselves, through qualification, experience and/or knowledge, or have access to suitably trained and informed staff, to be able to arrange the procurement in a satisfactory manner.

- Officers managing major contracts shall have the capability themselves, through qualification, experience and/or knowledge, or have access to technical expertise, to be able to ensure the sound evaluation of contract effectiveness.

4.4 Social, economic and environmental wellbeing

All procurement shall have due regard to the issue of sustainability, as laid out in the Council's Sustainable Development Strategy, ensuring that it contributes positively (and simultaneously) to social, economic and environmental wellbeing and, in particular, reducing both local and global environmental impact, and social inequalities. In pursuance of the council's objectives relating to sustainability:

- Wherever possible, consideration shall be given to carrying out procurements in such a way as to maximise the benefit to the local economy, so far as the law allows.
- Procurement shall be arranged in such a way that it encourages a range of providers capable of meeting the current and future needs of the service while providing best value. 'Third sector' organisations must not be discouraged through the methods used.
- The council will:
 - comply with all relevant environmental legislation;
 - encourage and persuade suppliers to investigate and introduce environmentally friendly processes and products;
 - inform suppliers of its commitment to Sustainable Development;
 - ensure that, where appropriate, suppliers' environmental credentials are considered in the supplier appraisal process and that environmental criteria are adopted in the award of contracts;
 - specify, wherever possible and reasonably practical, the use of environmentally friendly materials and products, and within specifications include provision for environmentally friendly alternatives and ensure that the costs and benefits of such are taken into consideration in tender evaluation.

The council will expect its other policies e.g. on safety, equality, safeguarding children and crime reduction to be met by contractors.

4.5 Procurement options

All options for the delivery of a service, including opportunities for partnering, collaboration and, where applicable trading, should be considered at the outset. To assist in the option review process a checklist will be completed by the project manager.

4.6 Packaging of major projects

Early decisions shall be taken to ensure that projects are packaged so as to encourage delivery in the most efficient manner and achieve what end users want and can afford.

- The environmental and other sustainability policies of the council should be considered and, where applicable, addressed when writing specifications, evaluating tenders and throughout the delivery of the contract.
- Specifications of service/work requirements should focus on service delivery and, wherever possible, clearly define the goals or outcomes required. When planning procurement, due consideration should be given to accommodating innovation and flexibility within the subsequent contractual arrangements.

- Where a mixture of quality/price is used in evaluation, robust quality/price tender evaluation models should be prepared that sufficiently reflect the level of quality than can be afforded. When preparing quality/price evaluation models, consideration should be given to the costs that are expected to be incurred throughout the entire life of the project by using the initiatives and resources at their disposal for new methods of service delivery.

4.7 High professional standards and best practice

All procurement procedures shall operate in a professional manner and ensure the highest standards of transparency, probity and accountability.

- A project procurement manager should be appointed for each project or programme at the outset with the responsibility for ensuring the professionalism and integrity of all procurement procedures.
- All procedures shall be operated in accordance with the council's contract standing orders, codes of practice, best practice and standards set by relevant professional organisations.
- Wherever possible, model or standard terms and conditions of contract should be used that have been evaluated by legal officers as being satisfactory for use by the council.
- All procedures shall be auditable and be able to demonstrate sufficient probity and accountability for all decision-making processes.

4.8 Continuous improvement

Where contracts are going to run for a number of years, the contract should be sufficiently flexible as to provide for continuous improvements throughout the period of the contract.

- Terms of contracts should include mechanisms for measuring the extent to which performance has achieved the specified goals or outcomes and, wherever possible, require service providers to seek to improve on the specified goals and outcomes accordingly.
- Contract monitoring procedures shall provide for sufficient review of performance and for feedback to other and subsequent procurement exercises. Such reviews should highlight lessons to be learned (e.g. to repeat what went well and avoid what went wrong) and consider how innovation and new technology can assist in future contracts.
- Consideration shall be given in a regular and timely manner of how new technology may improve efficiency. The potential gains in efficiency (e.g. reductions in time and cost for council staff, consultants and contractors) shall be evaluated, together with any associated risks.

4.9 Workforce matters

Any procurement that potentially involves the transfer of staff who are currently employed by the council the council shall, as far as legally possible, fully protect the future terms and conditions of employment of such staff so that they continue to enjoy the good employment practices of the council.

- For any procurement exercise that involves the transfer of staff to another public or private body, the principles set out in the most up-to-date legislation, e.g. the Local Government Act 2003, and guidance, e.g. ODPM Circular 03/2003, will be applied.

- Procurement exercises will take into account any code of practice issued by the government relating to the handling of workforce matters in local authority service contracts.
- Service providers will be required to demonstrate their support for the above principles and their willingness to work fully with the council to implement them.

4.10 Community Safety

When procurement decisions are under consideration, the implications of promoting Community Safety and reducing Crime and Disorder must be taken into account.

- Section 17 of the Crime and Disorder Reduction Act 1998 requires the Council to consider the impact of their functions and decisions on reducing crime and disorder in the District so it is important that this statutory duty is applied in procurement.
- The East Devon Crime & Disorder Reduction Strategy has six main objectives that cover Burglary, Violent Crime, Vehicle Crime, Misuse of Drugs, Anti Social Behaviour and Domestic Violence and all projects must be considered in light of the strategy.
- Projects must be assessed on their contribution towards reducing crime, anti-social behaviour and the fear of crime. Efforts must be made to maximise the community safety aspects of all projects.

4.11 Equalities

- Contractors shall adhere to the Council's principles and objectives on Equality and Diversity. Employment and Services must be delivered without direct or indirect discrimination or prejudice across, not just the legally controlled diversity issues (e.g. race, gender, age, disability), but also the range of social circumstances encountered in East Devon.

5.0 E-procurement

- 5.1 E-procurement is about doing business more efficiently and effectively and making our services easier to use and access for the public and our partners.
- 5.2 ICT will be used to reduce costs, and improve the efficiency and effectiveness, of all aspects of the procurement process for the Council and its suppliers and contractors
- 5.3 The e-procurement strategy is a component of the Procurement Strategy and so sits within the same context i.e. the Community Plan and Corporate Strategy. Here it is envisaged East Devon will use ICT appropriately and imaginatively to support and enable the procurement vision outlined in section 3. The e-procurement strategy can be found attached as Appendix 1.

6.0 Priorities for Further Action and Action Plan

- 6.1 This part of the document is concerned with proposals for action to be undertaken particularly in respect of the of procurement requirements identified in the three-year forward plan for service delivery. This requires regular review and revision.

Outcomes

Adoption of tendering, ordering and procurement processes that make maximum use of technology, thereby dispensing with paper and achieving efficiency savings.

To undertake procurement, where appropriate working in partnership with other local authorities and organisations, to achieve value for money.

Who is responsible for delivery?

All officers with a responsibility for the procurement of goods, services and works. Guidance to be provided by the Procurement Officer with direction provided by the procurement group and SMT

Performance Monitoring

Procurement is only one of the drivers of the efficiency agenda. Here the Council is required to publish annually a performance indicator of achievement. Regular and detailed monitoring will be undertaken by the procurement group.

Strategy Consultation

Member Champion for Procurement and Resources portfolio holder.

Strategy Review

The Corporate Director working with the procurement group will review this strategy to take account of improvements and advances in e-government and performance demands.

Related Policies and Strategies

Asset management plan and capital strategy

Code of corporate governance

Equalities and diversity policy

Financial regulations and contract standing orders, contract management handbook, contract tendering policy

Partnership strategy

Procurement Strategy: e-Procurement Component

January 2008

Strategy approval

Interim: Procurement and Efficiency Steering Group 28 Jan 2008

The component approach

e-Procurement, like e-government, will become embedded within service procurement activities and the overall Procurement Strategy. However, in the medium term it is being addressed as a distinct component for two reasons; its newness and potential for changing the way we procure warrants focus and this component must be flexible and able to reflect the pace of development in this area.

What is e-Procurement?

The Office of Government Commerce (OGC) defines e-Procurement as:

“the use of electronic methods in every stage of the purchasing process from identification of requirement through to payment, and potentially to contract management.”

The e-enablement of the purchasing process can be identified as:

- ❑ **e-Sourcing** – for contractual processes. Tools include e-Tendering, e-RFQs (requests for quotations) and e-Auctions.
- ❑ **e-Procurement** – for transactional processes. Tools include marketplaces using techniques such as e-Catalogues and punch-out¹.
- ❑ **e-Payment** – payment cards, e-Invoicing and self-billing.

e-Procurement vision

When it makes good business sense we will use information & communication technology (ICT) appropriately and imaginatively to support and enable the vision of the Procurement Strategy.

e-Government is about doing business more efficiently and effectively and making our services easier to use and access for the public and partners. e-Procurement is part of this modernising agenda and our procurement activities will be:

- ❑ **Easier and quicker** – procurement will be simple and supported by on-line catalogues, extensive help and procurement guidance to ensure best practice
- ❑ **Flexible** – the procurement system will allow for ad hoc purchases whilst using web-based catalogues wherever possible to maximise provide best value and compliance
- ❑ **Compliant and sustainable** – procurement will be compliant with EU legislation, contract standing orders, financial regulations, ethical, sustainable and transparent
- ❑ **Easier to engage with** – it will be easier to do business with the Council by means of information on the web site and tools such as e-auctions or marketplaces
- ❑ **More effective and efficient** – transaction costs will be lower due to ²:
 - ❑ Pre-arranged contracts reducing duplicated effort
 - ❑ Ordering being quicker and simpler due to semi-automated authorisation and elimination of paper
 - ❑ “Maverick” purchasing being reduced
 - ❑ Invoices being automatically linked with orders making reconciliation faster
 - ❑ Consolidation of procurement allowing for greater discount through higher volumes per supplier

¹ A method by which a buyer interacts with a supplier’s website and retrieves requisition content into a purchasing application for submission to internal processes

² approx 80% of payments made in 2006/7 were less than £500

- Performance (inc. supplier) and budget management will be better through more information being available and tighter control of processes

It is useful to envisage some possible scenarios from 2006 to illustrate the vision in action:

- **Scenario 1** - An officer wishes to procure new furniture and decorating services. Using the e-procurement system, she is able to view office supplies catalogues on-line, check the commitment against budget and place the order electronically. Safe in the knowledge that this has been done in accordance with financial regulations and that she is getting best value from her purchase as the contracts have previously been negotiated in partnership with other Devon authorities.

For the decorating services, she is able to use the system to request quotations from approved local suppliers. Details of her requirements are sent in the manner acceptable to the individual supplier e.g. e-mail, fax, letter etc.

- **Scenario 2** – A project team wishes to procure a new ICT system, they are able to specify their requirements but do not know how to go about the procurement process. Using the self-service help facilities within the e-procurement system, they are able to ascertain that the likely value of this system means that they must go through a formal EU procurement exercise, although they are also prompted that the Authority has signed up to a national framework agreement through which they may procure.

A library of tender documents, along with checklists is available on-line to assist them with the process.

All of this guidance is possible because of joint working with the Devon Procurement Partnership, which has pooled the professional procurement expertise available across the county and delivered it via the Devon Portal.

- **Scenario 3** – A new local supplier of street scene furniture wishes to sell to the Council. Via the Council's web site, the supplier is able to register for automatic e-mail alerts to all relevant procurement opportunities and is able read a comprehensive guide to selling to the Council.

Some time later a tender for new dog waste bins is advertised. The interested supplier is notified via e-mail and is able to complete and submit the tender on-line, potentially being part of an e-auction organised with other partners through the South West Centre of Excellence..

Strategy context

This e-procurement strategy is a component of the Council's Procurement Strategy and so sits within the same context i.e. the Community Plan and Corporate Strategy. The following add to the context within which this component has been developed:

- National Procurement Strategy
- National Strategy for Local e-Government
- East Devon's Implementing e-Government Statement 2003
- East Devon's e-Government and ICT strategies
- Devon e-Government and Procurement Partnerships

It is assumed that e-procurement in this context includes transactions between the Council and its suppliers and contractors. It does not include the relationship between the Council and its customers (such as procurement of leisure services by a citizen) or payment of rates, taxes, fines etc by external organisations.

Why e-procurement?

Practical benefits:

- **Lower administration costs**

It is suggested that the typical cost of placing and processing a purchase order is between £65 and £100³. Paperwork can be drastically reduced using ICT and orders raised and routed electronically to authorising managers and suppliers themselves.

The Partnership consultancy report suggested East Devon could create efficiency gains equivalent to 0.5 to 0.65 FTE. The transaction cost can be reduced by up to £40⁴.

❑ **Fewer errors**

It has been suggested that 15% of all purchase orders are incorrect as a result of human error. Electronic systems can drastically reduce this through validation and on-line assistance. Records in electronic form are also less likely to be mislaid.

❑ **Faster turnaround**

Buyers can get instant access to supplier information and quotes from multiple suppliers obtained electronically. Processes such as raising/approving acquisitions, checking availability, ensuring budgets are available, checking invoices, paying suppliers etc can all be done electronically.

❑ **Greater availability**

Electronic purchasing facilities can be made widely available via the intranet, outside normal working hours and independent of the Council's physical offices.

❑ **Better pricing**

. Consolidating contracts and partnering will provide greater buying power and using e-auctions will make the process faster, more transparent and give greater access to suppliers.

Strategic benefits:

❑ **Better information**

Internet searches make finding and comparing supplier information easier. The capture and analysis of data regarding the Council's total procurement activities should help us understand buying patterns, identify opportunities to aggregate demand and analyse supplier performance.

Budget management will be improved through better data on purchasing commitments.

❑ **Greater influence over internal buying behaviour**

Many purchases are outside of corporately negotiated contracts (even if they exist!). Such "maverick" buying can be costly. e-Procurement can help direct purchases through preferred suppliers and enforce evaluation criteria (including evaluation of environmental considerations).

Also, as the process is faster, officers are more likely to use corporate agreements rather than local "more convenient" methods.

❑ **Advantages for suppliers**

Suppliers should be able to reduce their administration costs and get paid quicker. They can provide up to the minute pricing without having to field telephone enquiries or print paper catalogues. Local suppliers could be assisted to participate in low cost on-line marketplaces.

Partners such as contractors can be linked electronically and receive work packages automatically.

e-Procurement Strategy

. Information and communication technology will be used to reduce the cost, and improve the efficiency and effectiveness, of all aspects of the procurement process for the Council and its suppliers and contractors. This will be enabled mainly by:

1. Organising formal and consolidated procurement processes within the Council and training all staff.

³ Source: FITLOG: Electronic Procurement

⁴ Source: National e-Procurement Project

2. Creating and maintaining local and national partnerships for consolidated purchasing and using ICT to develop the communications and buying processes.
3. Based upon sound business cases, invest in e-tendering and connection to electronic marketplaces.
4. Through the Financial Management System develop a “commitment purchasing” process which could involve automated authorisation and matching of invoices

The FMS (Financial Management System) purchasing module

The FMS installed is a system called “Cedar” from Capita. It contains modules which enable

- ❑ Raising of requisitions electronically including extensive validation (including commitments against budget).
- ❑ Creation of on-line catalogues (including ability to punch-out), although this is likely to be too labour intensive for us to maintain
- ❑ Workflow – electronic routing of “paperwork” internally (including approval stage) and to/from supplier if required.
- ❑ Support for payment cards.
- ❑ Extensive management reporting.

Risks

There are a number of risks associated with implementing various elements of the e-procurement strategy including:

- ❑ Business case for specific implementations is not positive and therefore not pursued
- ❑ Benefits not realised because of :
 - ❑ New business processes not delivering the expected results
 - ❑ Lack of supplier and officer buy-in and take-up of the new processes and systems
 - ❑ Lack of leadership/sponsorship and resources to make the changes happen.
 - ❑ Consolidated contracts not adopted
- ❑ Lack of procurement and technology skills

All implementation projects will be managed formally using the PRINCE2 methodology which requires that risks be identified and mitigated.