

**Bury Metropolitan Borough Council**

# **E- Procurement Strategy**

**2006 - 2008**

December 2005

## **Introduction**

E-procurement is the electronic management of all procurement activities and is a key element of the wider 'e-commerce' revolution. It has been identified by the ODPM as a priority service in the delivery of the e-government agenda, which, by 2005, requires all authorities to have appropriate e-procurement solutions in place, including as a minimum paperless ordering, invoicing and payment. Nationally it has been identified that considerable cost and efficiency savings can be made through the introduction of e-procurement tools – the National E-procurement Pathfinder Project released their findings in March 2004 confirming that £1.1 bn of cost savings plus the equivalent of 3,300 full-time staff could be saved nationally by local authorities as a consequence of modernizing procurement processes.

## **Why adopt e-procurement?**

Bury M.B.C. currently spends around £90m per annum on the procurement of external goods and services. This is a considerable expenditure and the authority fully recognises the benefits that could be achieved through the implementation of appropriate e-procurement tools. These benefits include:-

1. Improving the consistency of expenditure management by introducing a single authority-wide system.
2. Ability to provide staff access to all contracted goods and services providers from their desk. It will also be easier to keep information current and ensure all procurement is consistent with the authority's strategic aims and objectives.
3. Improving back office processes via the introduction of workflow and electronic receipt and transmission of documents, in particular the invoice registration and payment processes.
4. Providing real time management information enabling better management of the procurement function.
5. Improving audit trails.
6. Speeding up the entire procure to pay process and allowing the authority to share benefits with providers.
7. Allowing tendering to be conducted in an efficient, effective and speedy manner without impinging on probity.
8. Allowing effective performance management of the authority's procurement activity.
9. Reducing the costs of the procurement process.

10. Making it easier to enter into effective partnerships with other authorities and providers. (E.g. marketplaces for the provision of goods and services).

### **Bury Metro Approach**

The procure to pay process can be divided into a series of specific stages, from the identification of a requirement and the sourcing of a solution to meet that requirement, through to receipt of, and payment for, the goods or services involved. Different issues affect the different stages of the procure to pay process – choosing the appropriate tool to address the different issues is the logical way of progressing the implementation of e-procurement within Bury.

### **Current Processes and Weaknesses**

The current arrangements are designed to combine the flexibility offered by devolved purchasing activity whilst at the same time harnessing the benefits of the combined purchasing power represented by the authority's global spend. Corporate Procurement officers have established a wide range of contracts for use throughout the authority and also facilitate use of consortia contracts via membership of YPO and collaboration with other AGMA authorities (LAPP). OGC national contracts are also available for use. One of the major issues with the current process is that although corporate arrangements are in place there is no way of knowing how extensively these arrangements are being used, whether they truly reflect the requirements of devolved purchasers and to what degree they cover the authority's areas of major expenditure. Put simply, the authority does not currently have systems in place to access key management information such as how much is spent on what products/services with which suppliers and by whom. The introduction of electronic ordering will address this lack of information. Other key process issues facing the authority are:-

- Large volume of low value orders generated by service departments placing a high administrative burden on officers
- Management and reconciliation of paper invoices in multiple finance departments
- Maverick spend with non-approved suppliers
- Officer time used to market test procurement from multiple suppliers
- Multiple suppliers in same category
- Non-adherence to Contracts Procedure Rules

### **E-ordering**

The development of e-ordering has been considered alongside the acquisition and implementation of a new financial management information system. Consequently an e-procurement specification was drawn up as part of the mainframe replacement financials requirement. The functionality of the e-procurement module of the preferred financials provider, Agresso, met the requirements of the e-procurement specification and therefore it was agreed to implement this solution in accordance with a phased programme which recognized the priorities of the authority. It is anticipated that e-ordering will commence in the 2006-07 financial year, initially for 'quick win' (high volume, low value) purchases, and on a department by department basis.

### **Purchasing Cards**

Purchasing cards are already in wide use throughout the authority (with the current exception of schools), and are currently the authority's preferred method of payment. They provide a simple and efficient method of acquiring and paying for goods without the requirement to raise a purchase order and are particularly valuable in providing non-office based staff with the facility to purchase products required when out in the field. It is envisaged that purchasing cards will continue to play a role in the authority's e-procurement strategy but it is also recognized that this role should be regularly reviewed as alternative and supplementary e-procurement options become available.

### **E-tendering**

E-tendering facilitates the advertisement of tenders on the web, allowing suppliers to download documents for completion and to return them electronically. Benefits associated with this process include reduced tender cycle time, fast and accurate pre-qualification and evaluation, reduction in the labour-intensive tasks of receipt, recording and distribution of tender submissions, reduction of the paper trail on tendering exercises, reducing costs to both the authority and its suppliers, improved audit trail increasing the integrity and transparency of the tendering process and the provision of quality management information. The authority has already acquired an e-tendering solution and has commenced trials within the Environment and Development Services department prior to full-authority rollout.

### **External Factors**

The government has set a challenging target of 2005 for full e-government. The authority recognizes that external factors, such as the ability of providers to comply with the authority's e-procurement requirements, present a threat to achieving this target. However the authority will make significant steps to achieving the target and attempt to support providers, where possible, by adopting a partnership approach. Suppliers with the potential to be most affected by the shift to electronic procurement are small and medium enterprises (SMEs). Engaging with these suppliers and encouraging them to embrace e-trading will not only benefit the authority, but will also provide the

suppliers themselves with an improved ability to trade with other organizations, thus increasing the sustainability of the economy and contributing to the authority's wider community objectives.

### **Resources and Training**

E-procurement will impact on a large number of authority staff, from those raising orders to those paying invoices. Within the evaluation of alternative solutions, ease of use featured as an important criterion, in recognition of the fact that the future success of any system is reliant upon the acceptance of those operating it. The selected e-ordering system will be largely self-regulating in that best practice will happen automatically as a result of controls embedded within the system. Access will be controlled and managed through passwords. This will not only include the input of information but authorizations at all levels. The process for adding suppliers to the system will be developed to allow the authority to better manage both spend and suppliers and ensure best value is consistently achieved. The implementation of e-ordering will represent a significant change to current practices and will be managed as a major change project with appropriate emphasis on people issues, recognizing the legitimate concerns some staff may have about their future roles. All employees will be given full training and support to facilitate this change so that it is seen as an opportunity rather than a threat.

### **Timetable**

This strategy is for the period 2006 to 2008, although for completeness e-procurement achievements for 2005 are also reported.

As the momentum for e-government is gaining strength it is proposed to review the strategy regularly. This will take the form of a report on the achievements regarding e-procurement and the Strategy for the coming two years.

### **Achievements - 2005**

- Process mapped departmental acquisition processes in preparation for implementation of e-ordering
- All tender notices in OJEU placed electronically.
- Participating with the NW Centre of Excellence through active membership of the e-procurement workstream
- "How to do business with the Council" guide available on Bury's website
- Details of forthcoming contracts advertised on council website and facility for prospective suppliers to register interest in doing business with the Council
- Introduction of e-tendering on a pilot basis within Corporate Procurement for quotation exercises

- Identification of existing e-procurement initiatives within the NW region
- Commenced build of e-ordering module of Agresso Financial Management System

### **Activities for 2006 - 2008**

- To consider and exploit any advantages from developing Bury's e-procurement agenda in partnership with other public sector organisations
- To continue to develop the intranet site for users throughout the authority and internet webpages for external stakeholders
- To develop the approach to deliver access to an appropriate e-marketplace (may be influenced by developments initiated by the NW Centre of Excellence)
- In conjunction with neighbouring authorities and other public sector organizations, to develop an effective collaborative business portal
- To further roll out e-tendering across the authority
- To introduce an electronic procure-to-pay process through the implementation of the Agresso procurement module linked to additional e-tools to facilitate electronic sourcing and invoice processing
- To measure the percentage of orders being placed electronically and set annual performance targets.
- To develop a marketing strategy aimed at enhancing local suppliers ability to trade using e-procurement
- To review purchasing card usage and current contract
- To investigate potential benefits of, and where appropriate participate in, collaborative e-auction opportunities.