

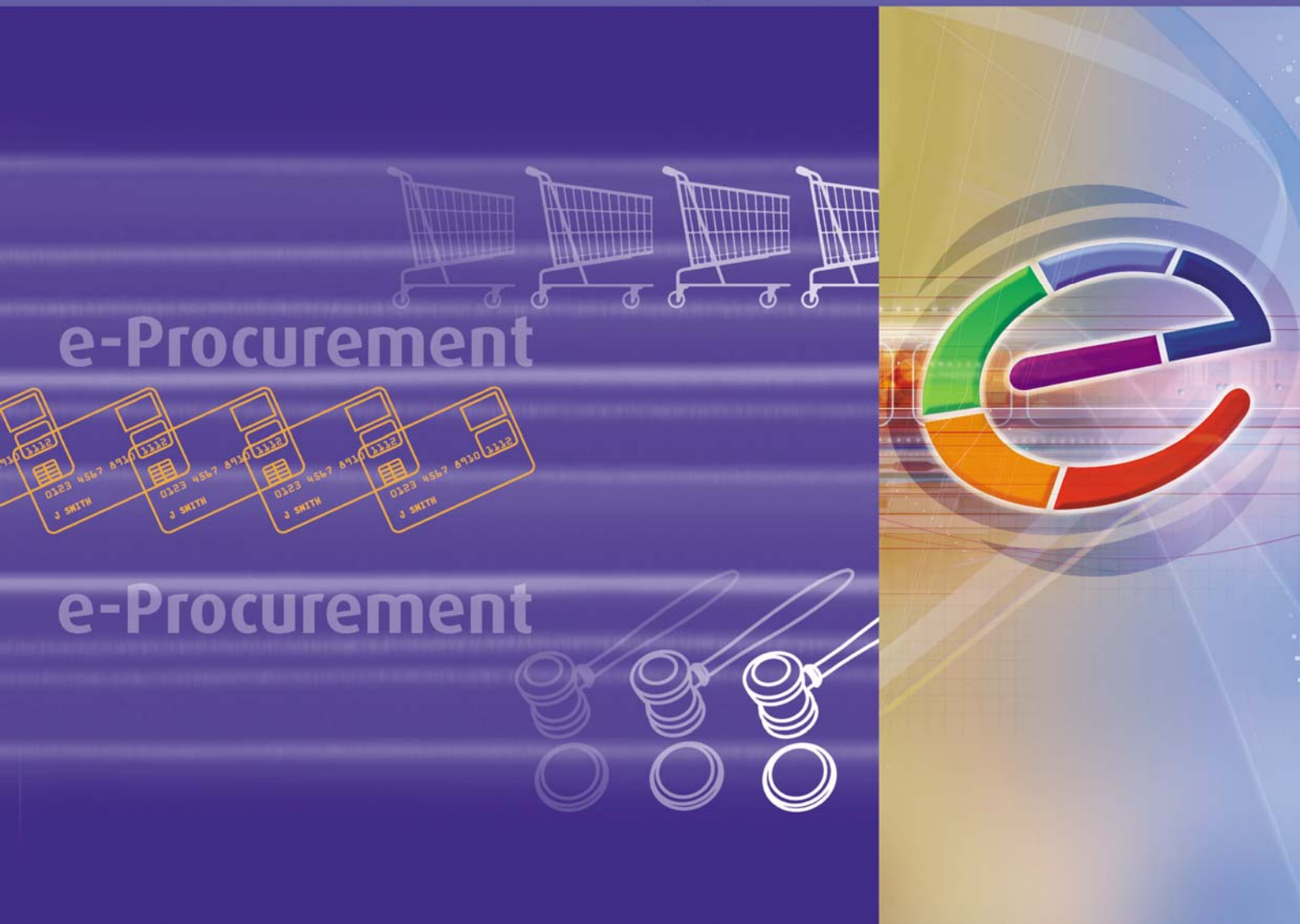
Delivering e-Procurement
local e-gov | National Project

National e-Procurement Project

Delivering e-Procurement

A Desktop Guide to e-Procurement

IDEA:marketplace, a Case Study Part 3: More for Your Money



Supported by **Department of Communities and Local Government**

IDeA:marketplace

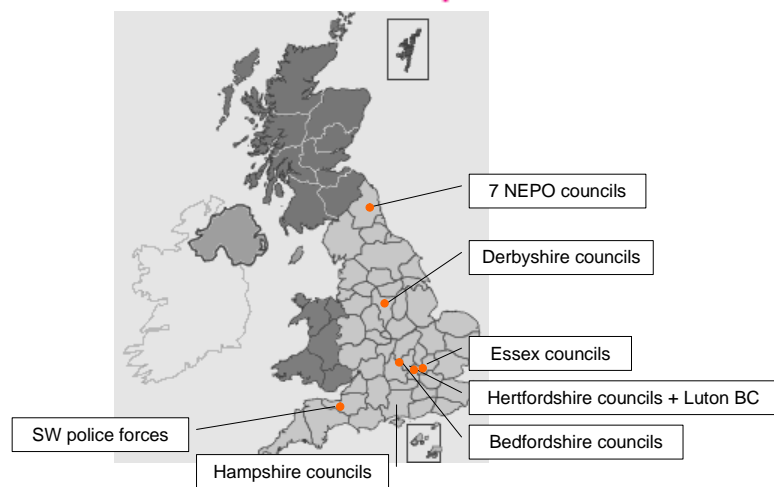
Background

This case study has been commissioned by the NePP to provide an overview of an e-marketplace solution and forms part of a broader assessment of five local authority e-marketplaces. It should be read in conjunction with the other four e-marketplace case studies and the *More for your money* overview and comparison reports. The information on which it is based was gathered from the solution provider, local authority users and implementation consultants. Prior to publication, the solution provider had the opportunity to verify the data supplied.

Introduction

IDeA:marketplace is a product of the Improvement and Development Agency (IDeA), which was created for local government, operates independently of central government and regulatory bodies and delivered through a partnership with eGovernment Solutions (eGS). The e-marketplace was established three and half years ago specifically for the use of local government and has experienced a rapid uptake since it was launched. Despite competition from its private sector competitors, IDeA:marketplace has proved a popular choice across the spectrum of local government, especially for collaborative groups.

IDeA:marketplace



Take-up of IDeA:marketplace as at
January 2006

Solution and associated savings

Local authority users of IDeA:marketplace are currently grouped into seven collaborations and eight single authorities, totalling 63 local authorities and making it one of the biggest market players in the sector. Its users enjoy access to a full procure-to-pay (P2P) system with advanced functionality and a wide ranging supplier base. In the e-marketplace users can browse a range of supplier catalogues, create a “basket” of products they wish to buy, and complete all transactions online including ordering, invoicing and receipting as standard. The e-marketplace allows local authorities to enhance their procurement processes and secure efficiency savings. IDeA:marketplace says that cashable savings ranging from 20-30% are currently being achieved. Results are achieved largely from increased awareness of, and access to, contracts, supported by purchasing management information, Official Journal of the European Union compliant contract access and e-sourcing. Cashable

Case example

Essex County Council currently puts £10m per month through its e-marketplace. This equates to 20% of its annual spend (excluding schools and staff salaries). Essex says it will **save £4.8m in three years** through the use of its e-marketplace.

Tendering District Council is one of the 12 districts collaborating with the County Council in the Essex marketplace. Since Go Live in October 2003, Tendering has processed over 9,000 orders with a value exceeding £9m.

Devolved purchasing has meant that Tendering's stores office has been closed and redeployment of staff has **saved the council £70,000**.

and non-cashable savings of 20-40% are being achieved resulting from activities such as re-deployment of transaction processing staff, improved purchasing and sourcing as a result of the management information available from the solution and in some cases from business re-engineering resulting in stores closures.

Broader benefits

The cashable savings identified by IDeA:marketplace are derived from product cost savings that are achieved through competitive contract prices and process cost savings that are achieved through streamlining existing procurement procedures. In addition to these savings, the non-cashable benefits of using IDeA:marketplace include greater visibility and control over spend, improved management information and a level playing field for suppliers of different sizes.

Wider public sector experience

IDeA:marketplace is designed specifically for the use of local authorities and is operated by the partnership of the Improvement and Development Agency (IDeA) and eGovernment Solutions (eGS). As well as its 63 local authority client organisations it also serves a further 40 police forces and education bodies.

Transaction volumes

The e-marketplace is designed to cope with high transaction volumes and 154,000 orders totalling approximately £200m passed through the system in 2005. There are currently 5,400 registered local authority users, of which, on average, 210 are using the system at any one time.

What makes IDeA:marketplace different?

IDeA:marketplace states that there are three main ways in which it distinguishes itself from its competitors:

1. It demonstrates an understanding of local government.
2. It is quick to procure and quick to bring about savings.
3. It offers access to large, popular supplier contracts and preferred suppliers' catalogues.

1. Understanding local government

The IDeA and eGS are bodies dedicated to the support of local government and their users feel

Mini jargon buster

Procure-to-pay (P2P) cycle: The process of raising and paying for an order.

Punchout: Rather than supplying a catalogue that the user can access through the e-marketplace, the supplier displays its goods or services on its own website that is accessible to the user via a link from their e-marketplace.

Free text: When goods or services are not described in catalogues, users can enter text into a field on their e-marketplace describing what they want to order. This message is then forwarded to the supplier.

UNSPSC: United Nations Standard Products and Services Code is a coding system to classify both products and services for use throughout the global eCommerce marketplace.

Case example

Implementation of the **Hampshire** e-marketplace began in January 2006 and will be rolled out to the following eight authorities:

- Basingstoke & Deane Borough Council.
- Gosport District Council.
- Fareham Borough Council.
- New Forest District Council.
- Test Valley Borough Council.
- Eastleigh Borough Council.
- Rushmoor Borough Council.
- East Hampshire District Council.

It is estimated that £15m of purchases will be processed, bringing about **cashable efficiency gains of £100,000 per annum** in total across the eight authorities.

"IDeA:marketplace is a low-cost way for an authority to enhance its procurement processes."

Implementation consultant

that they demonstrate a clear understanding of local government procurement needs. Some of the employees in the IDeA:marketplace team have previously held procurement positions in local authorities and are therefore able to understand and react to the most pressing needs of the government sector.

2. Quick to procure, quick to bring about savings

Due to the EU Service Concession agreement developed by the Improvement and Development Agency, it is not necessary for local authorities to go through a standard (and often lengthy) procurement process to join the IDeA:marketplace. This means that local authorities can start saving as soon as their subscription fee has been paid.

“The unique nature of this partnership enables us to support councils in meeting a diverse set of agendas from Procurement and eGovernment through to Local Economic Development and regeneration.”

www.ideamarketplace.co.uk

3. Large, popular supplier contracts and preferred suppliers’ catalogues.

Being an established market player, IDeA:marketplace attracts national suppliers who offer competitive prices to marketplace users and, critically, who have been awarded contracts following council sponsored EU compliant procurement processes.

Collaborative e-procurement

The IDeA and eGS are strongly in favour of collaborative implementation of the IDeA:marketplace and offer discounted fees for authorities implementing in this way. Collaborative implementation involves a group of local authorities setting up a single e-marketplace that holds joint contracts and collects joint management information. The benefits of collaborative e-marketplace implementation include increased purchasing power leading to economies of scale and lower contract prices, the streamlining of procurement functions in line with the shared services agenda and the opportunity to share knowledge and best practice. Almost all IDeA:marketplace users that are part of collaborative groups say that collaboration brings them significant benefits, for example smaller councils can leverage the procurement experience of larger councils.

IDeA:marketplace costing model	
Initial set-up cost	Agreed on a case-by-case basis depending on the level of input required from the provider.
Annual subscription fee	£30,000-40,000 for county councils; £20,000 - £30,000 for unitaries; £9,000 - £17,000 for district councils.
Basis of costing model	Sliding scale dependent on the base spend of the buying organisation.
Typical duration of contract	3 years.
Support and maintenance	Eight days of onsite support (includes project initiation workshop, user training and supplier adoption); helpdesk (8am-6pm); telephone support. All included in the subscription fee quoted above.
Upgrades	Biannual, included in the subscription fee quoted above.
Cost to the supplier	None.

Implementation models

Like all e-marketplaces, IDeA:marketplace can be implemented in one of two ways:

1. Stand alone solution

For local authorities that have no existing procurement systems in place, it can be implemented as a stand alone P2P solution. This

“This project demonstrates our commitment to continuously improving the quality and value for money of public services. We expect this new technology and our combined buying power to deliver efficiencies and cash savings, together with more opportunities for local suppliers.”

Hampshire County Council,
www.publictechnology.net

means that the e-marketplace will be accessed directly by the user via the internet and will be the unified system used for all procurement processes.

2. Integrated solution

If the local authority already has a sophisticated financial management system (FMS) with e-procurement functionality in place, it is possible to integrate IDeA:marketplace with that package to create a combined e-procurement system with a unified front end. In this case, the user generally logs into their FMS, browses the catalogues stored in the e-marketplace and completes the transaction in the FMS, though this pattern varies depending on the FMS in question.

IDeA:marketplace is confident that it can integrate with a number of different FMSs.

Supplier adoption and catalogue management

IDeA:marketplace takes a very inclusive approach to supplier adoption and currently offers access to 24,342 suppliers. Of this total, 903 offer catalogues listing their individual products. 410 suppliers manage and maintain their own catalogues, 30 of which can be accessed via a punchout to the supplier's website and IDeA:marketplace manages the catalogues of the remaining 493 suppliers. Despite the comparatively wide range of suppliers and the number of big contracts on offer, IDeA:marketplace users are keen to see the supplier base expanded to reflect their specific requirements.

Proven integration paths	
FMS	Type of integration
Agresso	Real time
Aptos	Real time
CedAr	Real time
Consilium	Real time
Griffin	Real time
IB solutions	Real time
Mondas	Batch file
Oracle Financials	Real time
Radius	Real time
Sun Accounts	Batch file
Computer Associates	Real time
SAP	Real time

Case example

The North East Purchasing Organisation (NEPO) is a good example of a successful collaborative e-marketplace implementation. Gateshead Metropolitan Borough Council facilitates the relationship between IDeA:marketplace and the collaborative group. NEPO's catalogue, listing a number of joint contracts, can be accessed by any member of the group through the shared e-marketplace.

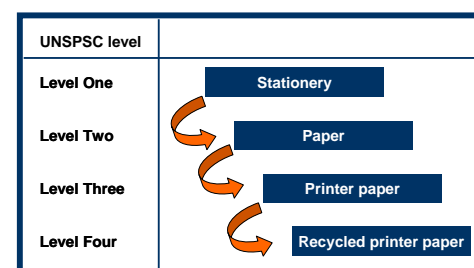
Approach to free text ordering and management information

With regard to the 23,439 suppliers who do not offer catalogues, users can register their orders with them using free text (though they can also use the system to communicate with suppliers via email or fax). IDeA:marketplace says that more and more of these suppliers will develop catalogues in the future as their trust in e-commerce grows.

"The IDeA:marketplace mainly provides off-the-shelf solutions but on occasions we have paid extra to finance developments that we have specifically requested, for example the functionality to procure care packages online."

Local authority user

In the meantime, IDeA:marketplace is careful to capture as much data as possible at the point of order creation for the purposes of collecting intelligent management information. For this purpose, it uses United Nations Standard Products and Services Code (UNSPSC) system to categorise the supplies being ordered.



At least level three coding is necessary to secure

good quality management information. Currently, six IDeA:marketplace buying organisations are at level four coding, six are at level two and 12 are at level one (go to www.unspsc.org for further information).

Approach to interoperability between e-marketplaces

According to e-marketplace users, there is increasing pressure on e-marketplace providers from central government and from local authority users to collaborate and develop joint systems based on open standards that can share information. IDeA:marketplace is at the forefront of this agenda working with both UKprocure and @UK PLC to establish interoperability between public sector e-marketplaces.

In Hertfordshire and Luton IDeA:marketplace is engaged with @UK PLC to provide a joint e-marketplace solution. Hertfordshire County Council has established a three-way strategic partnership with IDeA:marketplace and @UK PLC. By using two e-marketplace providers, Hertfordshire is able to draw on the strengths of each, using IDeA:marketplace to provide P2P functionality and to gain access to big contracts and @UK PLC for their tried and tested supplier adoption strategies.

IDeA:marketplace is fully ebXML compliant.

Future product developments

IDeA:marketplace is planning the following product developments:

- Savings tracker allowing client organisations to measure the benefits of utilising contracts sourced through the e-marketplace.
- Expanding the supplier base.
- Further interoperability and collaboration with other public sector e-marketplaces.
- New functionality releases are prioritised by the Local Authority User Group. These enhancements represent new elements of P2P functionality, support for ERP/FMS Vendor connectivity and usability improvements.
- Buying organisation and supplier co-development projects. These span supply chain integration, new complex procurement functionality for services and supplier connectivity.

Case example

Hertfordshire County Council has formed a collaborative group with nine of its districts and Luton Borough Council. In July 2005 the authority bid for funding from the East of England Centre of Excellence to implement an **e-marketplace provided by both IDeA and @UK PLC**.

Hertfordshire has established a three-way strategic partnership with IDeA:marketplace and @UK PLC. By using two e-marketplace providers, Hertfordshire is able to draw on the strengths of each, using IDeA:marketplace to gain access to big contracts and @UK PLC for their tried and tested supplier adoption strategies. Based on the savings achieved at the nearby county of Essex, Hertfordshire maintains that **for a district council with a Formula Spending Share (FSS) of £15million the potential for savings using this system over the initial 3 years is in excess of £125k**.

About the IDeA and eGS

The Improvement and Development Agency (IDeA) was established by and for local government in April 1999 and is owned by the Local Government Association (LGA). Its mission is to support self-sustaining improvement from within local government. eGS is in partnership with IDeA to build and deliver IDeA:marketplace to the Local Government Community. The 12-year Portal Services Arrangement (PSA) between IDeA and EGS defines key service levels, regulates pricing and oversees performance monitoring and service credits regime.

Additional services

In addition to the development and provision of their e-marketplace solution, the IDeA:marketplace also provides the following services:

- “Health check” to understand existing procurement processes and spending trends before implementation begins.
- Project management and implementation support.
- Procurement consultancy.
- Benefits analysis.
- User training.
- Supplier adoption and training days run in conjunction with local Business Link or similar organisation.
- A local authority user group meets three times a year and provides a platform for local users to set out their priorities and requirements for future product developments. Meetings are usually attended by approximately 30 authorities.

Strategic partners

- OBE delivers regional e-invoicing.
- NPQS/ConstructionLine supports supplier accreditation.
- Due North supports e-tendering services.

Further information

Further information and local authority case studies can be found at www.ideamarketplace.co.uk and www.egsgroup.com.

Associated guidance

The NePP has developed entry-level guidance notes for use by councils as they work to implement e-procurement. These 'How to' guidance notes are designed to cover the basic steps that councils need to take to implement e-procurement. They cover the following topics:

- An introductory overarching guide.
- Purchase cards.
- e-Auctions.
- e-Tendering.
- e-Marketplace.
- Creating a business case.
- Spend analysis.
- Selling to the council.
- Guide for suppliers.

All NePP guidance is available at www.nepp.org.uk and www.idea-knowledge.gov.uk.

Contacts

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- Northumberland County Council.
- Devon and Cornwall Constabulary.

Disclaimer

This case study is based on the information provided to the NePP by the solution provider, local authority users and implementation consultants. This publication is only intended to be used as a guide and the NePP cannot be held responsible for the results that ensue from any commercial decisions made on the basis of this material.

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Further sources of e-Procurement Best Practice Guidelines

- OGC e-Procurement guidelines for the public sector - www.ogc.gov.uk
- Buy IT Best Practice Group e-Procurement guidelines - www.buyitnet.org

e-Government National Projects aim to ensure that all councils have access to key electronic services and building blocks, without having to build them from scratch. The 22 National Projects have developed products and services, by authorities, for local authorities. National Projects are the heart of local e-Government and are designed to help local councils to improve services, increase efficiency and to help create sustainable communities.

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