

NATIONAL E-PROCUREMENT PROJECT

SIMPLE TOOLS FOR E-PROCUREMENT

Title:	Simple tools for e-procurement
Identification:	<p>This paper outlines how councils can use their existing technology as simple tools to achieve elements of e-procurement. This includes the use of email, spreadsheets, internet and intranet with the aim to replace manual and paper based tasks and processes with electronic ones.</p> <p>This guidance is relevant to all councils but may be of use in particular to smaller councils who are daunted by the expense of implementing e-procurement solutions.</p>
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1 Introduction

This paper outlines how councils can use their existing technology as simple tools to achieve elements of e-procurement. The paper covers the use of various tools to replace manual and paper-based tasks and processes with electronic ones. The tools discussed here include:

- Email
- Spreadsheets
- Internet
- Intranet

This guidance is relevant to all councils but may be of use in particular to smaller councils who are daunted by the potential expense of implementing e-procurement solutions.

2 Email

All councils now utilise email to communicate both internally and externally. Many of the more comprehensive e-procurement systems utilise workflow to automatically send emails to alert relevant staff when action is required.

For example:

- An e-marketplace solution may be set up to automatically send an email to a manager when they are required to approve a requisition created by one of their staff
- Similarly, an e-marketplace system might automatically alert a supplier that an order has been placed with them on the marketplace, via email
- An e-tendering system may include workflow to automatically email suppliers when a new invitation to tender has been posted on the e-tendering site.

All of these examples use workflow to automatically alert a person to take some action and prompt the next stage of the process. However, even without the automatic element provided by the workflow, the emails themselves represent a much more economical way of communicating and prompting action.

Emails can eliminate the need to speak directly to a person (either by phone or in person) while still communicating the necessary message. This is of benefit because the person you may wish to communicate with may not be available just at that moment when you want to pass on the message in person. Thus emails represent a convenient and time-efficient way of communicating.

In some cases, emails may be used to replace a communication that may have been made on paper and sent through the post. In such cases email reduces the cost of paper and postage, and reduces the time taken to pass on the communication.

Email also provides a clear audit trail of communications which is difficult to achieve if communicating by phone or in person.

Below are a number of examples of communications which are common in the procurement process and which can be made more efficient and auditable by the use of email.

2.1 Email internally

Approval process

Many of the steps in the procurement process require communication between council staff. Currently this may be done in person, by phone, using internal mail or leaving memos or notes to ask colleagues to take action. For internal communication email provides a structured way to escalate or request action without the associated problems of traditional communication (waiting around, forgetting, lack of audit trail).

As discussed in the introduction, e-marketplace solutions use workflow to automatically alert managers by email if they are required to approve a requisition. In a similar way you can use email as the standard method for requesting manager approval. The benefit of using email in this way is that the email can be used to communicate clearly the details of what needs approving and the timescales. In turn the manager can send their approval (or not) by email, thus ensuring an auditable record of what has been approved and by whom.

- Requisition to manager for approval
- Approval of requisition from manager to requisitioner

Supplier performance feedback

Another way email can be used is to gather official views from members of staff on the service they have received from suppliers. Many staff across the council may use the same suppliers and have good information about how well that supplier performs against their service agreement, are they delivering on time consistently, is the quality of the goods as expected, are they good at solving issues when they occur. This anecdotal information is often lost because there is no formal way of gathering and recording it.

There are a number of ways that this information can be gathered. Using your internal intranet with a structured e-form that staff can complete when they have views about a supplier is one way.

Using email is an even easier way. If you have an intranet with Procurement Pages you can encourage staff to express their views on suppliers they are using to a specified email address. It makes sense to set up a new email address specifically for collating this information rather than using a personal email, e.g. feedbackonsuppliers@council.gov.uk. In this way you can allow a number of people to have access to read incoming views from staff, and the email address does not need to be changed if that member of staff leaves, or feedback ignored if that person is out of the office.

By gathering this kind of data from staff, councils can feedback to their suppliers about how they might improve their service and performance, supporting the local economy.

2.2 Email to suppliers

Emailing information to your suppliers who use email systems instead of sending information by post benefits both the council and your suppliers. Your council saves money on paper, printing and postage (and the time involved in preparing documents for posting) and gains a clear audit trail of what has been sent to whom.

Your suppliers receive communications or documents more quickly and in electronic format. Receiving documents electronically allows suppliers to store the documents electronically, saving on paper storage space. In the case of documents that require a response, such as a pre-qualification questionnaire, the suppliers can complete it electronically, ensuring that the information provided is legible. Your suppliers are then also able to keep an electronic copy of their own response which saves the cost of photocopying.

Some examples of documents or communications that your council may process by paper, post or by phone, and which can be made more efficient by using email include:

- Invitation to tender document
- Requirements specification
- Request for quotation
- Pre-qualification questionnaire
- Purchase orders

2.3 Email from suppliers

You can support your local economy by making it as easy and cheap as possible for your suppliers to do business with your council. Some of your smaller suppliers may not use email (and for those you can continue to communicate as you have done in the past), but a large proportion will. Those suppliers who do use computers to manage their work will most likely be very pleased to provide documents electronically via email as this saves on the time and cost of printing and posting and in addition provides an electronic audit trail of their communications with your council.

- **Invoice**

Many suppliers use IT systems to manage their finances and produce invoices in these systems before printing and posting to the council.

For your council, being able to store invoices electronically saves on physical filing space and on the time spent on the process of opening, sorting and filing paper invoices.

Note that receiving invoices electronically is the first step to automating matching of invoices against purchase orders. Working with your technical team you may be able to collate all electronic invoice data and match this with your purchase order data. The OGC has defined schemas for passing invoice data. If you are looking to achieve automated matching you can agree with your suppliers what format they will provide the invoice data in.

- **Proposal**

Most suppliers who respond to Invitations to Tenders (ITTs) or Requests for Quotations (RFQs) will prepare their response on a computer before printing and posting it to your council. It therefore takes far less effort just to email the electronic document directly. For the council, the proposal can then be held electronically and easily distributed to relevant staff without the cost of photocopying.

- **Quotation**

Suppliers may have provided quotations either verbally over the phone or committed them to paper and posted quotations. By using email the quote can quickly be provided and received and both parties have a record of the agreed quote, which is not possible if agreed verbally.

3 Fax

Many councils already use fax to communicate with their suppliers, for example they may fax through their orders to suppliers. For external communication, like email, fax reduces the cost incurred in having to post paper based documents.

Email is a cheaper option since it cuts out the cost both of paper and of postage. However, in some cases, your supplier may not have email access, and therefore fax may be a more suitable alternative, and still cheaper than regular posting.

Another alternative, if you are keen to have all communications sent via email, is to combine email with fax: e-fax. Some email systems allow you to do this, or alternatively your service provider can provide this facility. It is similar to sending an email, but rather than being sent to the recipients email address it is sent to a fax number and the document is printed directly out of their fax machine.

Using e-fax not only reduces the postage cost, but also the paper cost, since you do not need to print a piece of paper to be fed into the fax machine. Instead it is sent directly from your computer screen.

Many e-procurement systems including e-marketplaces and back office order systems include 'auto-fax' facilities, where once a purchase order has been raised the system automatically electronically faxes the order to the supplier; the system having a record of the supplier's fax number.

4 Internet

The vast majority of councils now have an external web site providing information about their services to the public including citizens, businesses and other organisations.

Councils are expected to begin to provide services online using transactional websites. However, providing static information (i.e. information which does not need to be updated frequently) to your suppliers can be relatively easy and can be of real value to both your council and your suppliers. Providing standard information for suppliers about how to trade with council is the first step. Government procurement policy requires all councils to have a "How to do business with the council" section on their website. There is also other information which you can post on your website either to be read or to be downloaded by your suppliers which is simple to add to your existing website.

Having a defined space on your website for suppliers to find out relevant information will not only make it easier for suppliers to trade with your council, but should also reduce the number of queries that council staff have to deal with from suppliers. Once you have set up your 'Procurement Pages', inform all staff (particularly those in procurement, call centre, or switch board) to direct supplier queries to the website.

Below are some examples of the kind of information and documentation you could post on your council website's Procurement Pages:

Static information

- How to do business with the council
- Standing order information
- Frequently asked questions

Information for regular review and update by the council

- Advertising of upcoming tender opportunities with the council
- Links to further guidance for SMEs (e.g. links to OGC website)

Downloads

- Copies of current ITTs
- Document templates for suppliers to use when responding to council opportunities (e.g. standard pre-qualification questionnaires)

5 Intranet

Your council intranet is browser based information only accessible to those inside the council, or with a password (as opposed to the internet which can be accessed by anyone).

Your council intranet can be a very useful communications tool to ensure that all relevant staff have easy access to up-to-date information on procurement.

Using your intranet effectively will result in no member of staff having an excuse for not knowing current rules or which contracted suppliers they should be using. Guidance and advice can also be posted here. Your intranet can really reduce the amount of time and resource spent on classroom-based training and communications, and begin to act as a central resource for all staff involved in procurement where best practice and experience can be shared.

Standard information

- Standing orders
- List of corporate contracts (contract database)
- Copies of corporate contracts (in pdf)
- Contact list of key procurement people in the council, may include who is responsible for which contract

Tools

- Document templates (e.g. RFQ form)
- e-forms for feedback on suppliers' performance
- Links to other sites for online purchasing (e.g. links to a contracted supplier's transactional website)

Guidance

- Internal guidance e.g. how to use new procurement system, training manuals, procedures, rules, etc.
- Links to other sites for guidance e.g. ODPM, IDeA Knowledge, OGC
- FAQs (how-to guide for staff, clarification of standing orders)
- Which suppliers to use to purchase what from
- Online training, such as CBT (computer based training) for new procurement systems implemented or for new processes implemented council-wide

6 Spreadsheets and/or simple databases

Spreadsheets or simple database tools are extremely flexible, and many elements of e-procurement can be achieved relatively simply by using them. Below are some suggestions of how you could achieve elements of e-procurement and improve your procurement function using these simple tools.

Tender response form

Electronic bid analysis tools take this as a starting point. Suppliers are provided with a strict format in which to respond to tenders. Fields can be completed with a limited number of variables. It is then much easier to compare responses from a number of suppliers. Electronic bid analysis tools do the analysis of supplier responses automatically, but even if your council continues to do the comparison manually, the analysis is much easier to complete if you are comparing “apples with apples”, rather than trying to compare bids providing lots of different information in free text format.

From the supplier perspective the bid process is made easier since it is clear exactly what information the supplier needs to provide. In addition the council can demonstrate that it is evaluating bids fairly and accurately.

Supplier database (Contracted Suppliers; SMEs; Suppliers for RFQ)

In order to ensure that staff are buying from the right suppliers it is important that all staff have access to information detailing which suppliers they should be using. Most councils suffer from ‘maverick spend’ where staff buy off contract. Some of this maverick spend is the result of staff simply not knowing which suppliers they should be using.

A simple solution is to create a database of suppliers and provide access to it on the council’s intranet procurement pages. Your supplier database may be created so that staff can filter by commodity type. It should also include contact details for the supplier.

Your council may wish to create different views of the supplier list. One may include just contracted suppliers. You may have another listing all suppliers that can be used for requests for quotation (RFQs) where contracted suppliers cannot fulfil a requirement.

Purchase order log

For councils that do not have existing systems which are used to record purchase order information, such as an e-marketplace, a back office order system, or a procurement module which may have come as part of your financial system, using a spreadsheet or simple database is a good start to gaining better control of procurement.

Without basic information about how much is spent on what commodities and with which suppliers, it is very difficult for a council to make any strategic decisions about how it can do procurement better and achieve best value.

Management information about purchasing across the council is vital. A spreadsheet can be used for collecting this information.

For smaller councils with limited spend, a spreadsheet solution may be sufficient for capturing spend information on which decisions can be based.

For larger councils with many members of staff purchasing, it might become an unwieldy system in the long term. However, as a first step to understanding spend patterns and unearthing what can be improved in a council, this approach is very useful.

A spreadsheet system can be used on a pilot basis by a subset of council buyers. At the end of the pilot period the purchasing data can then be analysed to assess what can be improved. For example, the data might highlight that most staff are not using council contracts, or that a very large number of small orders are being placed rather than staff waiting for sufficient demand before placing orders.

A spreadsheet solution would record key purchase order information such as:

- Purchase order number
- Date raised
- Supplier name and code
- Budget codes/cost codes
- Buyer name
- Line item detail
 - Commodity type
 - Description of product
 - Product code
 - Quantity
 - Price

You may also include a column to record the date that delivery was made so that supplier performance can be assessed against your service level agreements.

Recording purchase order information will not only provide your council with better management information, but will also aid invoice matching activities and provide a clear audit trail of purchases.

List of contracts – a contract database

The Byatt report urges that all councils should have an electronic record of the contracts they have with their suppliers.

Contract management technology solutions are available from procurement technology vendors. These solutions enable the recording of contract information and also include workflow to automatically alert relevant individuals if action is required.

Having a central repository of all contracts makes management of those contracts easier and provides a means to communicate to staff which contracts they should be using for which purchases.

A spreadsheet or simple database solution can be used to hold contract information. While the spreadsheet is not as sophisticated as a full contract management solution, it will significantly improve your council's ability to manage contracts. Staff responsible for tendering and administering contracts can be given access to modify and update the spreadsheet. They can also use the contract spreadsheet to assess which contracts are soon to expire, which need to be re-let etc, by filtering the data by commodity type or by end-date .

A read only version of the contract database can be made available on the council's intranet procurement pages, or by email to relevant staff, so that valid contracts are communicated to all departments.

Contract monitoring KPIs tool

Contract monitoring is an often neglected activity. While councils put a lot of effort into tendering activities – writing the specification, performing due diligence on suppliers, selecting the best bid – often, once a contract is in place, insufficient energy is invested in monitoring the performance of that contract, planning for re-tendering and renegotiation activities, or assessing the supplier's performance against their service level agreement. In most cases information about the supplier's performance is subjective or anecdotal at best. In the worst cases a contract may have expired months or years before anyone notices.

Developing a best practice approach to monitoring contracts across the council will help you to take better control of contracts. This can be done by communicating a standard contract monitoring process to individuals in the council responsible for contracts. KPIs (key performance indicators) should be defined for different types of contracts (e.g. goods, services and works). When setting up contracts, KPIs or criteria are used in order to award a contract. These KPIs should then be used to monitor that contract's performance over its life-cycle. A simple spreadsheet can be provided to those individuals responsible for monitoring contracts in which to record contract performance data. Some examples of the KPIs which might be tracked include:

- Were the goods delivered on time? Are goods of the quality expected?
- Have contract prices remained stable?
- Was the order accurately acknowledged and invoiced?

Other examples of areas for monitoring may include performance against health and safety and environmental policies. The contract can be assessed on how well the KPI was met, for example on a grade of 1 – 10, and some KPIs may have greater importance than others.

7 Conclusion

There are many ways that, even smaller councils, can improve their procurement function through the use of simple tools. The examples here demonstrate that automating processes, or recording procurement activity electronically need not always involve expensive technology purchases or complex implementations. All councils have some tools which can help them improve their current procurement function.

But it should be remembered that, as always, the tools on their own will not make a difference.

Councils need to understand what it is they are trying to achieve with procurement. What needs to change, what can be improved and how? For tools to be useful they must be able to enable automation and record *good* processes. The importance of implementing robust processes and procedures, and the change management activities involved in ensuring that staff utilise the new processes, procedures and enabling tools, should not be underestimated.

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