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Essex County Council

A Study of a Regional Marketplace

Introduction

In 2002 Essex County Council decided to implement a countywide e-marketplace to enhance its e-procurement capability. It was in the process of setting up a procurement agency for the county and saw an e-marketplace as a reliable method of pooling spend in the authorities and channelling it through approved suppliers. This method would enable the councils involved to obtain more competitive prices for their purchasing and assisting them to meet their IEG (Implementing e-Government) targets.

Essex had an e-procurement function in place, however the focus was on tactical rather than strategic buying. At the time, the use of e-procurement technology in local authorities was rare and Essex was no exception, with some purchasing through p-cards but most via a paper-based system.

Although the predominant reason for change was driven by government targets, the council critically saw an opportunity to capture standardised and useful management information on procurement spend and wanted the capability to integrate their purchase-to-pay systems with their financial systems.

Seven district councils are currently members of the e-marketplace: Basildon, Maldon, Braintree, Tendring, Rochford, Harlow, and Uttlesford. In addition, Castle Point Borough Council has also signed up, and are due to roll-out July 2005. These councils were attracted by the opportunity to work together and gain access to a resource that they would not otherwise be able to finance independently giving them lower prices and effective management information.

As a large county, Essex spends about a third of its total spend on road building, while another third of its spend goes on social care. Both of these were previously channelled through separate systems. Therefore, it was a significant challenge to aggregate the spend through one single system.

The IDeA:marketplace was chosen as the e-marketplace solution because it had the facility to trade with a range of suppliers including local and small to medium enterprises and it possessed the functionality to deal with spend on services which makes up 80% of Essex County Council's spend.

In 2004 the marketplace members ran an e-auction to consolidate spend on stationery. A potential saving of approximately £1million across all the authorities was identified.

The Essex Marketplace went live in early 2003 and spending made through the site accelerated towards the end of that year. The technology was rolled-out on a department-by-department basis with the high spending departments that were most open to change being targeted first.

With the drive to ensure compliance against agreed negotiated contracts, 45 shared catalogues have been loaded. Maverick suppliers have been removed guaranteeing that purchasing is with approved suppliers.

To date, across the Essex Marketplace there are over 4000 people using it to place and authorise orders with around 4500 suppliers.

The Project

The implementation of the e-marketplace was very much a procurement led-initiative, with the proposal and project team submitted from the procurement team.

The county appointed a Project Manager who reported to the Head of Procurement, with responsibility for leading a co-ordinated approach to implementation activities. Monthly marketplace meetings allowed all members to collaborate and share experiences of best practice and to pool ideas and approaches to roll-out.

Eight days consultancy was provided with IDeA:marketplace, and this support was pooled by the five councils to give forty days. Initially this was the only external expertise brought into the project. After this e-marketplace development period had expired, an e-procurement expert was brought on board to help Essex increase the usage of the new system.

Attached to the main implementation plan, a number of tactical benefits were identified and progressed i.e. the target to e-enable all suppliers throughout the county before the end of March 2005. This was achieved and 99% of SME's are receiving purchase orders electronically.

IDeA:marketplace has proven to be an excellent solution with an solid support mechanism. It was even easier to implement than first imagined as there were very few similar cases to benchmark the council's experience with.

Culture and change

The culture at Essex County Council was typical of almost all large organisations, where purchase order placement and workflow processes had been manually intensive and paper based with approval of spend typically taking place at invoice stage. It was important to ensure that an effective change management programme was put in place to make certain that what would be happening, why it was happening and what the organisation hoped to gain was communicated and training was targeted at the right staff. Agreeing go-live criteria with department heads and managing the implementation against these with regular reporting to a visible and participative sponsor was essential. Nominating "change agents" within departments who shared responsibility for providing necessary information was particularly effective.

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Essex is the market leader in public sector implementation of e-procurement. It was decided to roll out the e-marketplace on a phased approach bringing users and suppliers on board department by department. Currently, there are 2000 users, some 30 service areas and 4000 plus suppliers.

Geography and technical capability were also relevant factors, as people working in non-office based jobs were less likely to be able to attend training sessions or to have a reliable connection to the county network.

The functionality of I&DeA marketplace allows the monitoring of who is and who is not using the system. This informs programmes of advanced or refresher training to be developed both in terms of system usage and wider procurement policies and best practice.

The project team needed to be "champions" for the system from the initial stages of preparing the organisation for the change, through implementation and training to post go-live support.

Districts

Collaboration and support from the County Council was key to the success of districts adopting e-marketplace, Tendring was one of the first to fully roll-out the solution within six months of contract signage, to all 11 service areas and 180 users completely transforming the purchasing function.

As an active member of the Essex Marketplace, Tendring works in collaboration with other Essex authorities to identify common suppliers and local catalogues. Savings have been made through the use of basket comparisons and through eliminating maverick purchasing from non-compliant suppliers.

Uttlesford initially struggled with the implementation, without any on-site project manager or resource and little internal visibility to the project targets. To this end the Essex Regional Project Manager implemented a plan to identify procurement champions in each department, and oversee change management and the project roll-out. With ambitious 'go live' date set and a 'big bang' approach the challenge was set to go live within 8 weeks.

The success of the Uttlesford roll-out was built on the other implementation experiences from within the Essex Marketplace with the ability to reuse joint training manuals, best practice guidelines and build on an already successful supplier adoption programme, the organisation went live in early October 2004 with all departments electronically ordering and the removal of all paper order books.

Ongoing districts are now implementing local user group meeting, producing regular internal bulletins and tracking benefits; this has improved awareness and enthusiasm for contract usage which is supported through the PAE, as new contracts are let.

The Successes

The Essex Marketplace is strategically aligned with the Procurement Agency for Essex, which will use its management information to deliver a range of new contracts and efficiencies.

While individual Essex authorities have gained from implementing the broad-based IDeA:marketplace solution, a key to success have been the benefits achieved through working in a shared environment. The marketplace members are now benefiting from:

- national, regional and consortium contracts;
- shared local catalogue;
- an SME e-enablement and adoption programme;
- shared knowledge, skills and best practices through access to common management information.

The most obvious success of the project is that people are using the e-marketplace instead of the old systems. Having a full time Project Manager in place was an enormous asset to the project's achievement and this was coupled with the strong support of a well-resourced and trained procurement team.

Suppliers have already bought into the marketplace concept, and many are working with a range of authorities. Latest figures show that 43% of purchase orders are going to suppliers who are working with more than one authority, while 26% are going to suppliers working in more than four authorities.

Essex already has interest from other authorities who are keen to join the marketplace and who want to:
take advantage of the process and cost savings

accrue the benefits of grants based on collaboration,
improve back office integration and subsequent savings
gain access to the critical management information on spend that the marketplace generates.

The Essex Marketplace is confident that it can generate significant process savings to meet the demands of the Gershon Efficiency Review.

Councillor Finch, Cabinet Member for Finance & Resources at Essex says:

'Procurement is a strategic weapon for Local Authorities and harnessing technology is a major element in utilising best-in-class procurement. The Marketplace is where suppliers of all sizes and complexity provide their goods and services content electronically, receive orders and provide invoices electronically. This allows us to create a collaborative environment where Essex County Council and all other authorities in Essex can work together to maximise buying opportunities'.

The Challenges

Securing top level sponsorship to ensure buy in was effected from all areas of the organisation.

The reviewing of policies and financial regulations to ensure that they reflect and support the implementation.

The culture change of receipting goods and services as opposed to invoice approval.

The culture change of budget holder approval at order stage rather than at invoice stage.

Integration to financial management systems to e-enable the full purchase to pay cycle.

Delivery of complex spend areas where reporting requirements are often wider than traditional e-procurement.

Lessons Learnt

The overall implementation of the e-marketplace was highly successful. However, some of the lessons learnt have included:

Ensuring that high level sponsorship was secured and senior management have a clear understanding of the project objectives and the core benefits.

It is advisable to bring in independent experts in e-procurement, change management and business process re-engineering to use their previous experience to make the most of the expertise and capabilities already within the council.

There needs to be a dedicated implementation team planning, delivering and communicating. It is vital not to underestimate the manpower required to ensure the new system is used to the full.

Learn from the experiences of other councils who have already implemented an e-marketplace.

Recognise that the implementation of an e-marketplace is a change management project, and not a technology project.

Influence on Development

As part of the programme implementation, the Essex project leads meet on a regular basis to share learning from implementation and supplier adoption. As this group matured and the solution became embedded, the group also focused on the need to identify areas where there was a need for future development, using the actual experience gained from budget holders to inform these discussions. As a result, locally identified enhancements were tabled at the national user group - LAUG (each IDeA: marketplace customer has representation on this) and a sub-group considered these and others generated from elsewhere and determined which was a priority for the next release.

This is a particularly important feature of the relationship between the Essex partners and the IDeA, as it enables the local authority to have a direct influence over future product development. As the solution is focused primarily on local government procurement, the ability to ensure that it is refined and improved to meet the needs of the current and future procurement agenda is critical to its members. Essex partners have taken the opportunity to input a number of suggestions as to how the solution can be enhanced and this has enabled them to deliver an improved procurement service to their own authorities.

Some metrics

Live authorities	8
Total spend since January 2003	£77.3m
Total No of PO's placed	50,800
Recent transactional growth	March - April 2005 20% April - May 2005 19% May - June 2005 23%
Purchase Order rate	250 per day approximately

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