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## Gateshead Council

### Collaborating locally to drive effective supplier participation

#### **Baseline Points**

Gateshead Council is a local authority consisting of 5 strategic groups and currently employs approximately 11,000 people who are involved in providing essential services to a population of around 200,000.

The project undertaken by Gateshead involved the introduction and integration of e-procurement into the council. It was thought that by implementing a more modern technology, savings could be made and greater efficiency could be achieved. e-Procurement was guided by e-Government targets that had been set with the objective of making local authorities more electronically efficient. For example, providing facilities for e-tendering and e-payments as opposed to using paper based purchasing and basic DOS systems

Gateshead's move towards e-Procurement has been driven by outside influences such as Best Value, Comprehensive Performance Assessment, the Gershon Efficiency Review, the National Procurement Strategy, and Priority Service Outcomes and facilitated by its membership of the North East Purchasing Organisation (NEPO)

NEPO was established to make savings by organising public sector contracts; improve by co-ordination local authority purchasing with the object of effecting savings in public expenditure for the benefit of its members; to facilitate the making of contracts for the supply of agreed items to all or some of the constituent authorities; and to discuss all matters relating to purchasing and co-operation amongst the authorities.

Ambitious government targets with the aim to achieve complete e-procurement by the close of 2005 were further complicated by time and budget limitations. Gateshead, together with other NEPO authorities - City of Sunderland, City of Newcastle, Northumberland County Council, Durham County Council, Borough of South Tyneside, Borough of North Tyneside, Hartlepool Borough Council, Stockton On Tees Borough Council, Darlington Borough Council, Redcar and Cleveland Borough Council, and Middlesbrough Borough Council – thus all benefited from obtaining guidance from a more established company for the initial stages of the implementation.

The advantages of working in a collaborative form across numerous authorities included knowledge and skill sharing, as well as, a more standardised nature of purchasing. More importantly, sharing purchasing and administrative costs would be of much benefit to each authority.

#### **The Project**

Gateshead realised that it needed to get started on e-Government to match the Government's Best Value requirements and the conclusions of the Byatt Report. At the time, there was an 'appetite' in the council to move forward and look at the solutions available and determine what suited Gateshead and what improvements that might mean for citizens.

To achieve its goals, first of all, Gateshead realised that it needed to get a strategy and get the main players working together. So it set up an e-Commerce Steering Group, comprising the Head of ICT, Head of Corporate Procurement, and key users in these sections. This e-Commerce Steering Group's remit was to examine all council services, and look at what the options were before deciding how to build up electronic-driven systems and stocks.

In seeking ODPM funding for its plans to deliver an e-Procurement portal, Gateshead knew it needed an effective strategy, implementation plans, and an insight into what the prospective outcomes would be.

After looking at various options through the North East Purchasing Organisation (NEPO) and considering e-tendering and an e-marketplace, Gateshead realised that a marketplace would be the best fit for its plans. But first it needed to ensure that effective processes were in place.

Through a NEPO working group, it put together a bid for £90,000 funding to put together a pilot, focusing on collaboration and local regeneration issues. The goal was to bring local suppliers on board, work with other councils to develop a central portal, with an e-procurement toolkit to help demystify the process of doing business electronically, and at the same time, assist suppliers and drive economic regeneration.

The portal would provide a central hub, with up-to-date contact details for key staff at various councils, all the purchasing organisation's standard documents, such as tender documents, canvassing certificates, and a discussion forum and electronic tendering facility and RFQs and ability for suppliers to enter a defined own area to register an interest in contracts across the region. It also enabled them to have the facility of a forward planning tool so they could interrogate what council contracts were coming up for renewal and have a means of expressing their interest. The portal also included health and safety documentation, environmental questionnaires, and a calendar and diary of events.

The council decided that it was also necessary to bring in third parties to advise on what could be achieved by collaboration, and how, by working together as a consortium, they could reduce costs and achieve economies of scale.

As an example of working collaboratively, Gateshead and Durham who were members of portal steering group, set up and led two e-tendering pilots from which they hoped to learn lessons.

During 2001, Gateshead was still using its legacy financial management system, but in 2002, it introduced a new Agresso system, which not only had an e-Procurement module, but would enable Web requisition, meaning Gateshead would be able to raise an order and interface that to the marketplace.

The setting of some challenging Priority Service Outcome targets by the ODPM in 2003/2004, notably to be transacting e-Procurement online by December 2005, and participating in an electronic marketplace by April 2006, confirmed to Gateshead, that as a result of its local collaboration efforts, it was now 'ahead of the game'. This was especially true in meeting requirements to be collaborating on a regional basis, and having SME and supplier engagement strategies in place

The project undertaken by Gateshead involved changing the way it conducted its purchasing and to alter the patterns taken during the purchasing procedure. By conducting purchasing collaboratively, authorities could greatly increase their combined purchasing power, thus attracting more competitive prices from suppliers and receiving a more standardised, quality product. This type of combined purchasing also meant that each authority could benefit by gaining access to the lowest price being paid by another member

Gateshead was one of five authorities that made up the project team in developing the NEPO Portal, with the others being North Tyneside, Sunderland, Newcastle Upon Tyne, and Stockton on Tees.

The project management methodology used was Prince 2, and the team's goal was to

make sure the project strands met all their objectives, both business and social, and to ensure that adequate resources and finances were available to enable the project to come to a satisfactory within timescale and budget.

## Strategies Implemented

The core strategy was aimed at achieving electronic trading by December 2005, working within the portal frameworks. Gateshead determined that taking part in an electronic marketplace would provide it with efficiency gains and streamline council procurement processes. Areas of the e-marketplace were carefully observed in order to distinguish which issues could be resolved with possible solutions. Areas under consideration included e-tendering, e-sourcing, e-invoicing, purchase cards, and an information sharing website. The council's annual budget is £200m including staffing costs, half of which is addressable spend.

The first initiative involved putting in place a new Financial Management System, as existing processes within the authority were proving to be insufficient and were unable to meet the authority's operational needs. The new FMS was compatible with various other marketplace technologies and enabled users to gain access to online catalogues and areas of the pay cycle. FMS was an integral part of e-procurement and only served to better manage online ordering and purchases. Eventually Gateshead wanted ordering and purchasing to be integrated with an e-marketplace to enable e-invoicing. By introducing Procure-to-Pay electronic technologies, it would be able to link an e-marketplace to back office systems, and provide for a commitment to accounting and budget control as well as the ability to browse NEPO, National Consortium, and local Gateshead contracts and place orders seamlessly.

Gateshead believed collaboration between the local authorities would become greatly beneficial as a management and money-saving tool, and a formal partnership was created in the hope of driving strategic and operational progress amongst the authorities. This "tool" became the Local Government Online Partnership (LGOL). This joint initiative was successful and proved to be a valuable asset to the authorities involved.

The North East Procurement portal was launched to serve as a central point of entry where North East Authorities would be able to conduct business. The portal would allow businesses to access tender opportunities and demonstrate interest in contracts. Furthermore, the portal could serve as a means to download standard documentation and serve as an electronic tendering service.

The 2001 Byatt Report, which reviewed local government procurement in England, suggested that "local government has responsibilities to local communities including promoting local economic development." So, local suppliers were integrated into the e-Procurement project and were encouraged to become involved in electronic trading.

Lastly, purchase cards were introduced to allow the improved management of small purchases electronically, cutting paperwork and saving time.

## Challenges

A challenging factor in the introduction of e-procurement was the initial government targets that were laden by time and budget constraints. Furthermore, working as a collaborative body meant that the existing processes already in place didn't always facilitate the standardisation of processes.

Gateshead understood that the implementation process would mean a re-engineering of procurement

processes which in turn would require a great deal of support for the rollout of e-Procurement. A recent overarching survey to see how many people are involved in ordering and purchasing demonstrated that hundreds of people are involved in procurement throughout the council, and there may be scope for efficiency gains. Training programmes on e-tendering and implementation of marketplace would be needed for all those staff.

Gateshead also had to make sure that it had a good communications plan in place so that people know why a new system is being introduced and what it means for them, how it can streamline processes and reduce the amount of time spent on administrative tasks, and how that would allow them to do more interesting and productive work.

The authority also knew it was important to have a structured Change Management programme in place so that employees weren't feeling like e-procurement was being thrust upon them.

## Benefits

The financial benefits from collaboration and e-Procurement and introducing good procurement practices have enabled cost savings in supplier products, lower administrative costs and time-saving benefits. NEPO's greater purchasing power has also enabled Gateshead to access high-quality products from dependable suppliers. Monetary benefits include the reduced cost of administration, reduced staffing requirements and more fairly-priced standardised products. Organisational benefits have included a faster, efficient and a more cost effective service.

Another area that has benefited is collaboration with suppliers. Gateshead has been heavily involved in helping suppliers to trade electronically. With great emphasis placed on the harmonisation of processes and, to a certain extent, the harmonisation of mindset and sharing of knowledge, e-procurement seems certain to produce a long-term win-win situation for all parties involved.

This is particularly true for small and medium-sized companies, some of who may feel threatened by e-Procurement technology, and may be reluctant to use it. These worries usually relate to the preliminary cost of adopting such a strategy and the fear of being eliminated by larger players in the marketplace.

To get SME suppliers on board, NEPO has offered SMEs a no-cost, low-risk, entry door into the world of electronic trading, helping them develop and drive their own electronic trading strategies. By developing these smaller, less influential suppliers, authorities are also contributing to the growth and development of the local economy.

A relationship with Tyne & Wear Business Link through the Step Change project has led directly to the training of 120/130 suppliers, of the 2000 who Gateshead use regularly, educating them on what the reality of e-Procurement would be. "A bit of evangelism and a bit of training on how to express an interest in council contracts and how to do business with Gateshead," says Corporate Procurement Manager Bill McNulty.

Gateshead also sponsored a survey to see how prepared suppliers were for e-Procurement. A regional event also attracted 100 suppliers to a series of business seminars in the business technology suite at a local school. By the end, there was a realisation among suppliers that e-Procurement presents a challenge, yet also offers an opportunity not just to trade with local councils but also to trade in the global marketplace.

The authority has already produced a 10-page, A5 guide for suppliers called "Delivering e-Procurement – a guide to trading electronically. The guide, which is available in electronic form on the portal explains

what electronic trading is, what it means for both the buyer and supplier side, and tells how sales orders were done 18 months ago, and contrasts how it will be done tomorrow. It also contains an electronic catalogue case-study. The message for suppliers is that councils will want to do business with suppliers that trade electronically.

“We have produced a great deal of information to get them on board, and show them what the benefits are. We’re trying to tell them, ‘Don’t let the thought of e-Procurement and the jargon put you off.’” says McNulty. “The base requirement to tender electronically is just an Internet facility, preferably Broadband.”

Gateshead has found that existing suppliers were the first joiners and now e-tendering has become their normal method of transaction business, with very few orders manually sent.

Once suppliers tender electronically, and find it is not as difficult as they first thought, they’re happy to transact business and give easy access to their information.

### **Future Plans/Strategies**

In reaction to the Government's Best Value plans, the Council was one of the first in the country to produce its first local performance plan, and is now developing its new customer service strategy, “Gateshead at your Service”.

Gateshead is now looking at efficiencies that can be brought in in the slipstream of the Gershon Efficiency Review, and there is a very strong appetite to work together across services to reduce cashable and non-cashable spend.

For the time being Gateshead is enjoying the benefits of an effective and efficient transformation into e-procurement. The IDeA marketplace is set to be adopted by Gateshead in Spring 2005 together with six other local authorities in the North-East, and is expected to become an integral part of e-procurement.

### **Lessons Learnt**

The strategies adopted by Gateshead have proven to be compatible with meeting government Priority Service Outcomes, and benefited the suppliers involved and the community itself. The documented success of Gateshead clearly highlights that e-procurement is beneficial to organisations that are making use of its concepts.

Some advice the authority might offer to others, includes the following:

Concentrate on the change management issue. Employees will make it a success and you need to win their hearts and minds with the benefits to them of new technology and what benefits will be to the community

Any solution needs to be built on a solid business case

Involve not just personnel but other stakeholders too

Get the full backing of council management

Appoint a sponsor – the highest profile leader i.e. someone with seniority, business driven, and change management skills

Do technology integration in bite sized chunks, not in a Big Bang approach. Assess benefits – and look at things you need to change

Start as early as possible talking to your suppliers about making them e-aware

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