

National e-Procurement Project

Delivering e-Procurement

DESKTOP GUIDE TO E-PROCUREMENT IN LOCAL AUTHORITY CONSTRUCTION

Efficiency and collaboration
through the use of e-technology

EXECUTIVE SUMMARY

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Supported by



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This Guide

This Desktop Guide has been initiated by the National e-Procurement Project (NePP) Board to accelerate local authority take-up of e-procurement in construction, in order to achieve better procurement performance and generate efficiency and cost benefits.

The guide, compiled with the help and support of a cross-sector group of participants, defines local authority construction and reviews the role of e-procurement in underpinning the significant potential for efficiency and collaboration in this complex area. It establishes the status of e-procurement systems and tools and proposes some actions that could move e-procurement forward and deliver price and process savings.

The sector

Local Authority Construction encompasses a wide range of activities across three distinct areas: Housing, Property (which includes schools) and Highways. The sector poses some of Corporate Procurement's greatest challenges, due to:

- The **value** – over £14bn. That's a third of all local authority external expenditure and includes an authority's biggest contracts and lowest value transactions
- The **breadth** of activity - new build, refurbishment, scheduled & reactive maintenance), each requiring different processes and expertise
- The **complexity** of the supply chain - over 20 stakeholder groups identified
- The **variety** of approaches to managing construction across authorities
- The **lack of influence** by procurement managers on specialist construction functions.

The opportunity

The potential opportunity for cost and efficiency savings in this sector is significant (up to 30% is being saved in best practice examples) and, given that construction represents a third of all local authority external expenditure, achieving these savings is of critical importance in the light of the ongoing squeeze on resources from Gershon and the Comprehensive Spending Review (CSR07).

Collaborative and partnership working models are becoming accepted as best practice in this sector – the opportunity now is for these initiatives to adopt e-procurement technologies to enable further efficiencies and cost savings.

The benefits of e-procurement in construction can be summarised as follows:

- Visibility of data provides access to better management information, which leads to...
- Aggregation of demand, control of maverick spend via frameworks and better supplier relationships, all resulting in a reduction in prices = **cashable savings**
- Automation and streamlining of processes across the supply chain enables suppliers to cut prices = **cashable savings** - and results in...
- Process efficiencies for authorities = **non-cashable savings**, but releasing time for...
- Better management of contracts and projects, leading to...
- Reduced risk of poor supplier performance = **cashable savings** and...
- Improved **customer satisfaction** (citizens and internal customers)

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Examples

The potential opportunity for cost and efficiency savings from the use of e-procurement tools in this sector is significant. For example:

- Cambridgeshire Highways Partnership is using **e-Procurement** to order and, shortly, to pay for work worth £24m pa
- Fusion21 and GM Procure are two examples of groups of social housing organisations working together, enabled by a vendor-neutral supply chain **e-technology** provider specialising in construction. Fusion21 is achieving 11% cashable efficiencies worth £5m year-on-year and is training hundreds of unemployed Merseyside people. GMProcure, which went live in 2006, has already achieved 31% cost savings and cost predictability of over 99%.
- North Tyneside Council recently used **e-Auctions** to cut over £6m (30%) off the cost of building materials.
- ODA is using **e-Tendering** to place all contracts for the 2012 Olympics so as to minimise costs.
- The West London Alliance identified potential savings of 15% if they invested in an **e-Contract Management System** for housing and highways maintenance.
- London Borough of Camden has **integrated** their specialist works ordering system with their procurement and financial management system to gain efficiency savings.
- Wirral Council is using an online **supplier pre-qualification** service to save time and money – and it is playing a role in helping the council support local businesses.

Key things you should do:

- **Use suitable tools:** construction services don't lend themselves to simple one-size-fits-all solutions. Implementation of new systems and processes needs to take the complexity into account; tailored and bespoke solutions may be needed.
- **Use e-Procurement to collaborate:** e-Procurement, and especially e-Contract Management, can bring real benefits in collaboration, sharing data and forward planning. Just having access to an online central contract and project database will start this process. Industry tells us that forward planning is the key to their being able to reduce prices.
- **Use your partners:** Look to private and voluntary sector partners to collaborate in innovative use of e-procurement and e-collaboration tools to manage lifecycle frameworks and partnering – although industry partners have similar non-compliance cultures to overcome, partnering will drive change on both sides and deliver incremental service delivery improvement and cost savings.
- **Use online catalogues:** don't overlook the fact that materials procurement is an important part of construction and there's a lot of scope for aggregation and online catalogue purchasing.
- **Integrate:** if your authority has retained its direct labour force, give priority to overcoming any incompatibility between legacy works order systems and newer financial and e-procurement systems.
- **Use supplier pre-qualification:** one of the simple things all councils can do immediately is to take advantage of standardised pre-qualification documents and processes to reduce buyer and supplier costs.
- **Improve skills and ensure take-up:** Focus on upskilling staff and changing embedded culture before transforming processes and adopting new systems and tools – or they won't get used.
- **Use the 'Overcoming the Barriers' Checklist** in this guide to get started.