



National e-Procurement Project

Delivering e-Procurement

DESKTOP GUIDE TO E-CONTRACT MANAGEMENT SYSTEMS

eCMS Business Case Template

[xxxx] COUNCIL

Business Case – e-Contract Management System

Background

The business requirement for [xxxx] Council to invest in the development of its procurement resources, procedures and systems that support strategically its ability to better deliver public services is clearly outlined in a variety of policy and guidance documentation produced by various organisations including, but not limited to ODPM, OGC, IDeA, LGA and NAO.

Various initiatives including the National eProcurement Programme, the National Procurement Strategy and the IDeA's Procurement Fitness Health Check programme seek to guide our specific sector in the development of its procurement capability, specifically in relation to the development of our people, processes and technology.

Furthermore, specific targets aimed at achieving improved efficiency in public service delivery, borne out of the 2004 Treasury Spending Review (Gershon Review), identify and set specific targets that relate to the achievement of efficiencies, many driven by "...improved productivity of procurement".

Fundamentally, all central and local government organisations were tasked to agree, by Dec 2004, how they were to:

- Improve the value for money of procurement activity ... through enhanced scrutiny, monitoring and accountability;
- Enhance their procurement capacity by ... application of best-practice tools;
- Improve the strategic management of key supply markets;
- Ensure all procurement is conducted via a process, for example, a framework agreement;
- Put in place strong controls on the engagement of external service providers.

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In short, one of the mechanisms that can be put in place to assist the Council in its ability to meet its efficiency obligations is the development of its procurement capability. In particular, adoption by the Council of appropriate tools and procedures to deliver a strategic management capability in the areas of supplier, sourcing and contract management.

Traditionally, [xxxx] has been well disposed to a business model where certain service delivery functions and back-office functions have or can be externalised.

This has in the main worked well for the Council. However, it must be recognised that whilst responsibility for delivery can be externalised, ultimately, accountability and ownership of the success or failure for public service delivery resides within the Council.

There is a clear need to appropriately manage our 'risk' in respect of the suppliers used by the council to support service delivery, the procurement process used to 'source' them, the sourcing procedure followed and the robustness of the contract and project management process that ensures successful delivery.

In addition to managing risk, the Council must recognise that the core values under which it operates – sustainable development, equal opportunity and social inclusion – impose constraints and requirements on procurement procedures beyond the need for best price and quality and impose a complexity in the calculation of 'best value' that has a tangible impact and consequence for many other initiatives against which we are required to measure ourselves and report. For example, the engagement of small businesses, options for developing local sourcing strategies, the regional collaborative procurement agenda.

Our ability to efficiently develop a strategic procurement capability in respect of our people and procedures will be influenced to a large degree by the nature of the systems adopted. Currently, the Council is making good progress in [current activity if any]. These initiatives are expected to deliver relatively short term process efficiency benefits. However, by their nature, they are transactional and operational.

Empirical research suggests that 75% of the benefits opportunity presented by e-procurement is delivered through focus on the more strategic activity associated with effective supplier, sourcing and contract management. The diagram below outlines the key e-procurement related activities in the context of strategic and operational activity:



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The remainder of this business case document outlines the proposal for the procurement of a strategic technology application, an e-Contract Management System, that can work alongside and interface with the systems we are committed to implementing and deliver the 'strategic procurement' component that will support the Council in its achievement of key targets, in particular those relating to the Gershon Review and the National Procurement Strategy.

Business Need

The key challenges facing the [xxxx] Council in relation to its procurement capability are:

- Achievement of key Gershon related efficiency targets as reported in the Council's AES, specifically:
 - Target 1
 - Target 2 ...
- Compliance with key National Procurement Strategy milestones including:
 - Target 1
 - Target 2 ...
- Compliance with the e-Government (IEG) 2005 milestones targets including:
 - Target 1
 - Target 2 ...

Availability of Quality Management information

One simple example to highlight the requirement in respect of risk relates to contract management and supplier performance. Currently the Council has no mechanism from which to report, at a corporate level, the following:

- How many contracts are let across the Council
- the relative value and importance of contracts and their progress
- The nature of suppliers engaged to support delivery and their performance
- The renewal dates and associated procurement procedure required.

Visibility of this type of information, particularly in respect of the nature of procurement spend and activity, will enable a lean and focused procurement function to deliver appropriate strategic support in mitigating risk at the appropriate time without the need to exert unnecessary control in respect of the buying decision and placement of order / contract.

A platform for effective procurement risk mitigation and management

The Council faces many internal and external risks. Traditionally risk has been associated closely with Health & Safety and environmental considerations. Newer more commercially focused risks are appearing, for example those risks relating to social inclusion and the equal opportunities agenda and the Freedom of Information Act.

A system that supports efficient tracking and management of risk and KPI's particularly in respect of the partners and suppliers that are engaged to support our service delivery is essential.

As stated earlier, externalisation of services and functions is appropriate and effective in certain instances and has proven to be an effective delivery model for the Council.

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However, it must be recognised that whilst responsibility for delivery can be externalised, ultimately the accountability and ownership of the success or failure for public service delivery resides within the Council. Therefore, we must still manage the risk. Currently, there is no efficient mechanism in place through which this can be done in a visible and proactive manner.

A platform to support collaboration.

Much has been done within this Council and across the sector at a regional and national level to develop and raise awareness as to the strategic value and contribution that procurement can deliver. Part of the opportunity presented by a strategic approach to procurement can be delivered through effective collaboration at a local, regional and national level. However, an organisation must be capable of engaging effectively when collaborating. This means that there must be a baseline level of competence, discipline and awareness in terms of the people, processes and technology within that organisation. It follows that those best equipped to engage will naturally lead and set the agenda. Those less well equipped and prepared will merely follow and continually play 'catch up'.

Implementing an e-Contract Management System alongside the other systems that we are committed to will place [xxxx] in a leadership position, given that we are likely to be among the few Councils to have a fully e-enabled end-to-end procurement process. Furthermore, it will help establish best practice based standards and procedures that we can offer to other organisations.

Key System Requirements

It is useful to define the key characteristics of the system being sought. These are outlined in the context of 4 key areas:

- Supplier Management
- Sourcing Management
- Contract Management
- Technical Requirements

Supplier Management

Key characteristics of the system required to support effective supplier management include the following:

- Supplier management functionality should provide the Council with a corporate supplier registration and approval system;
- Support supplier self service and acts as a single entry point for suppliers and contractors wishing to trade with the Council.
- Enables Council buyers to quickly identify appropriate suppliers and subsequently report on their performance
- Support the Council in identifying / categorising suppliers capability in respect of size, nature and capability in order to support and monitor progress in respect of sustainable economic and environmental development, equal opportunities and social inclusion.

The required system will deliver improvement and efficiency in the administration, recruitment and where appropriate the validation of suppliers, significantly reducing the risk of using inappropriate suppliers. Furthermore, this reduced administration should allow the Council to focus more on the management of key and strategic supplier relationships.

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Sourcing Management

Key characteristics of the system required to support effective sourcing management include the following:

- Sourcing management functionality should standardise and simplify tender procedures in line with the Council's standing orders and reducing the time and costs associated with sourcing activity;
- Build quality, consistency and probity into the tender process in line with the Council's financial regulations;
- Provide platform for best practice and where appropriate compliance (eg OJEU regulations);
- 'Close the loop' in respect of process integration with supplier and contract management functionality where buyers can source suppliers based on supply capability and past performance;
- Supports traditional and/or e-Tendering.

Contract Management

Key characteristics of the system required to support effective contract management include the following:

- The contract management functionality should provide a central corporate register of all contracts let by the Council and visibility of contract activity;
- Enable pro-active management of awarded contracts, suppliers and organisational and financial risk;
- Integrate Supplier performance reporting back into the sourcing and supplier management processes.

Technical Requirements

Key technical features of the system should provide the following:

- A web based application accessible to internal and external users via Internet Explorer;
- Appropriate technical security to protect the councils existing systems, networks and data including compliance with BS7799;
- Compliance with key statutory requirements including Data Protection Act 1998 and Freedom of Information Act 2000;
- Flexible delivery options including external hosting;
- XML based interface capability with other Council systems, in particular [xxxx] and [xxxx];
- Standard based software with strict access and security control and comprehensive activity and history audit trail.

System Benefits

It is envisaged that the system will deliver the following benefits to the Council:

- Achievement of key efficiency targets to be reported in the Council's AES;
- Compliance with key National Procurement Strategy milestones;
- Compliance with IEG 2005 milestones;
- Best Practice Procurement – the system will support best practice procurement by principally refocusing procurement effort into higher value, high-risk activities and away from administrative, transactional routines, improving value for money;

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- Improved management overview – achieved by utilising a single system across the Council, delivering improvements in the visibility of activities, spend and supplier management on a Council wide basis. Delivering enhanced management control;
- Improved Supplier Information and delivery of enhanced VFM – a Council wide supplier database accessible on-line, real time from desktop PC's. Improved information will enable the Council's requirements to be more effectively delivered by matching supplier/contractor availability and capacity in a more efficient manner;
- Performance monitoring – captured during the life of a contract, with historical performance information at the supplier selection stage:- allowing the better performing suppliers to bid for more work and the poorer performing suppliers to be identified and dealt with;
- Management of contract variations and claims – allowing real contract outturn costs to be monitored through to the completion of the contract;
- Document generation – all standard documents (terms and conditions, specifications, contract documentation) will be held on and produced by the system in a consistent format and the system can produce exception reports where changes have been made;
- Discriminatory Pricing Practices – identification of pricing anomalies from suppliers, leading to price reduction opportunities for the Council;
- Environmental – utilisation of computer systems rather than paper has strong synergies to the benefits of Environmental Management Systems;
- E-Commerce & Intranet – the system will have the capabilities of supporting e-commerce & Intranet requirements;

Existing Systems

There are currently no systems within the Council that provide aspects of supplier, sourcing or contract management. Consequently, there are no legacy system or replacement system issue to consider.

An Indicative Business Case

Budget

It is estimated that the budget required to purchase an appropriate solution at an enterprise level and for a contracted period of 5 years is as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5
Licence Cost					
Implementation Cost					
Maint. & Support Cost					
Hosting Costs					
Sub Total					
Total					

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Anticipated Savings

Following full implementation of an appropriate system, achievable savings have been assessed and it is anticipated that efficiency savings of between £xxxk and £xxxm can be achieved over the life of the contract. These are split as follows:

- Productivity Savings between £xxxk - £xxxk over the life of the contract
- Financial Savings of between £xxxk - £xxxm over the life of the contract

The Return on Investment (ROI) multiple is anticipated to be between xx – xx, and the calculated payback period is in weeks and not months. However, for prudence, anticipated annual savings have only been accrued for 3.5 years allowing 18 months for the system to be implemented, rolled out and adopted within service departments.

The basis of the savings calculated is attached at xxxx.