

National e-Procurement Project

Delivering e-Procurement

DESKTOP GUIDE TO E-CONTRACT MANAGEMENT SYSTEMS

EXECUTIVE SUMMARY

May 2007

Supported by



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This Guide

This Desktop Guide has been initiated by the National e-Procurement Project (NePP) Board as one element of its remit to accelerate local authority take-up of e-contract management systems in order to achieve better supplier performance and generate available efficiency and cost benefits.

What is an e-Contract Management System?

An e-Contract Management System (eCMS) automates the contract management lifecycle from supplier sourcing and tendering to contract exit and renewal. It enables authorities to take a more proactive and consistent approach to contract management with existing or fewer resources.

Why should we bother?

Effective contract management is key to savings. The procurement activities leading up to contract award are only the beginning; effective contract management is where many of the business benefits will be achieved.

A critically important part of contract management is the working relationship between the authority and its suppliers/providers - if this is not managed well, the contract will deliver poor service or even fail (as seen in numerous high-profile failures in the public sector).

As the summary of benefits in Table 1 overleaf shows, an eCMS can help an authority to improve control, reduce risk and raise procurement performance. Because an eCMS deals with the 70-80% of an authority's spend that is above formal contract thresholds, just a 5% improvement would contribute over £1bn nationally to local government efficiency and cost savings, as well as contributing to service delivery improvement targets.

Don't we have good contract management processes already?

From NePP feedback, it appears that whilst much effort is put into preparing for procurement and the tender/buying cycle, fewer resources are allocated to managing contracts and monitoring delivery of services. In some authorities hardly any proactive contract and supplier management takes place.

Why not just get an e-Tendering solution?

This guide focuses on the benefits of implementing an integrated e-Contract Management System (eCMS), linked to the purchase-to-pay module of your financial system. This may initially be more expensive than a stand-alone e-tendering solution or a simple contracts database, but it delivers far greater cashable and non-cashable benefits, including improved quality of service delivery to your customers.

Doesn't a simple contract register achieve most of the benefits?

No - the workflow that underpins the eCMS provides the discipline needed to change the culture and raise performance and the built-in rules ensure compliance to the regulatory framework without having to train hundreds of staff.

Table 1: Summary of Benefits

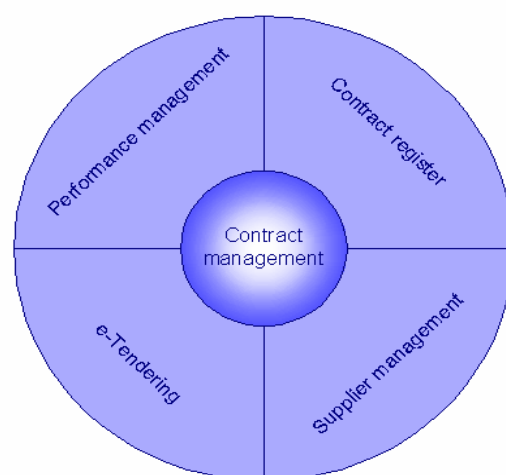


Fig 1: The elements of a typical eCMS

Automation of processes and use of standard templates

- Speeds up processes and improves efficiency
- Enables better preparation and evaluation of tenders
- Reduces senior officer and member time
- Brings consistency of application of regulations with less need for procurement knowledge and skill among non-procurement specialists
- Accessible documentation and audit trail of procurement process

Integration of e-tendering with e-contract management

- Means continuity of management and pull-through of supplier performance and contract delivery measures (KPIs) from tendering process
- Workflow prompts operational engagement in managing commercial aspects of project

Single point of access to central contracts register

- Gives visibility of the Council's contractual arrangements as a whole
- Facilitates aggregation of demand, cross-department working, strategic procurement
- Ensures that buyers use existing contracts before buying from non-preferred suppliers
- Prompts compliance and increased throughput to contracted suppliers
- = Significant opportunity for cashable and non-cashable savings

Monitoring and measuring supplier performance

- Reduces risk of service delivery failure and improves quality
- Improves supplier relationships, provides basis for collaboration and partnering
- Better supplier relationship means opportunity to plan and implement year-on-year cost and service improvement programme

Feedback into sourcing process

- Better data on supplier performance enables selection of better suppliers
- Over time this can significantly improve value for money

Timely renewal and termination

- Avoids over-runs and out-of-contract supply
- Enables better exit and hand-over strategies, asset management etc,
- Avoids service discontinuity and loss of control

What do I need to do now?

Use the checklist provided in the Guide (section 3.2) to establish whether your authority needs an eCMS. If so, the Guide and the downloadable tools available at www.localt.gov.org.uk provide all you need to develop a business case, calculate your savings, issue a statement of requirements to suppliers, compare their responses and plan implementation.