

# National e-Procurement Project

Delivering e-Procurement

## DESKTOP GUIDE TO E-CONTRACT MANAGEMENT SYSTEMS

Supported by



# EXECUTIVE SUMMARY

## 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?

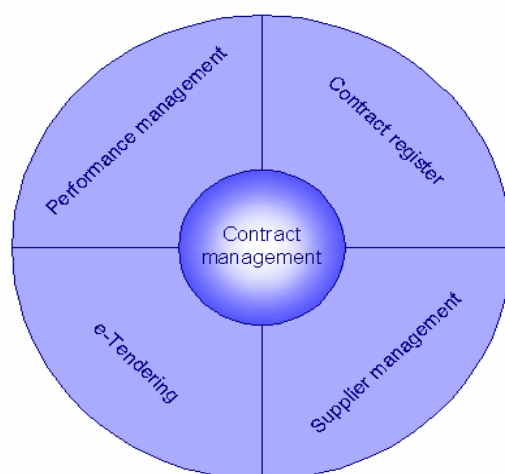
From NePP feedback, it appears that whilst much effort is put into preparing for procurement and the tender/buying cycle, fewer resources are allocated to managing contracts and monitoring delivery of services. In some authorities hardly any proactive contract and supplier management takes place.

## 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.



*Fig 1: The elements of a typical eCMS*

Table 1: Summary of Benefits

### **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.localgov.org.uk](http://www.localgov.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.

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# Section 1: Introduction

## 1.1. Background

This 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-procurement systems and tools in order to generate available efficiency and cost benefits.

e-Contract Management (eCM) represents an important aspect of e-Procurement that has yet to be addressed by NePP. As more authorities are awarding larger contracts, both individually and in partnership, it is time to provide guidance in this important area. It is widely acknowledged that whilst much effort is put into preparing for procurement and the tender/buying cycle, contracts are often poorly managed and legal, financial and under-performance problems can result as a consequence.

A recent baseline survey carried out by NePP, showed that, as at the end of 2006:

- Out of the 268 authorities that responded, 39 (14.9%) reported that they had access to an eCMS. However this includes those with limited details held on an intranet register, as well as those with full management and supplier performance functionality.
- The proportion of tenders being managed 'electronically' by this definition is estimated at 6.5% of contracts in volume, 11.7% in value.
- The proportion of authorities with a specialist e-CMS capability is well below 10%
- Of those that have selected an integrated eCMS solution, most are using the e-tendering capabilities but have not yet populated the contract register and none have yet fully rolled out the system, so no English local authority is yet achieving the full benefits.
- 33.6% reported that they had the ability to run e-Tenders but the proportion of tenders being run electronically is only 4.6% of tenders in volume, 2% in value.

Suppliers of e-procurement solutions also reported that, on the whole, their customers were not yet asking them for eCMS. This points to the relatively lower priority being given to automating contract management, as opposed to commodity e-procurement and the fact that mature eCMS solutions have only emerged quite recently.

The introduction of the National Procurement Strategy and the Gershon Efficiency review has elevated eCM higher up the local government agenda. Many councils are now interested in streamlining their procurement processes by becoming less reliant on paper based systems or desktop products such as Microsoft Access or Excel Spreadsheets. eCM allows a more proactive control and consistent approach to the procurement process, by holding all contracts as electronic documents in one place and by using workflow and scheduling.

This guide deals with e-Contract Management Systems (eCMS) as an integral part of e-Sourcing. NePP has already created 'how-to' guidance on e-Tendering and e-Auctions (published at: <http://www.localgov.org.uk>). This guide is intended to supplement, not replace these.

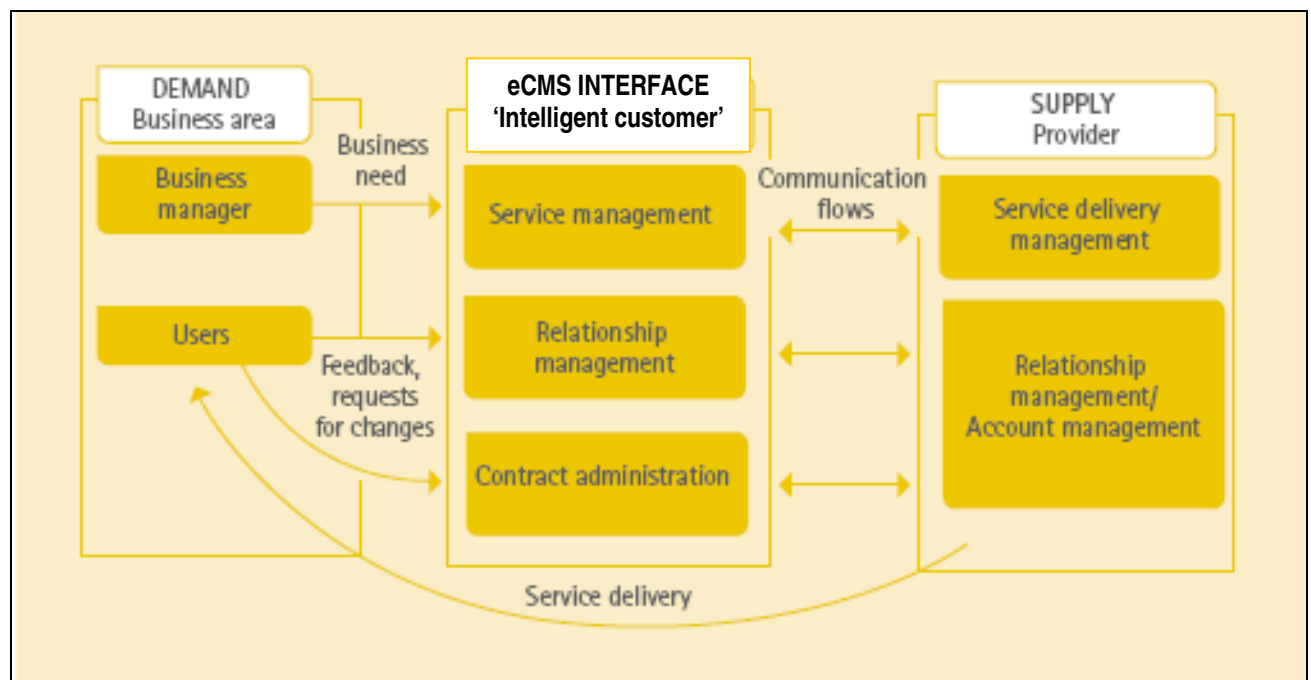
## Section 2: Planning eCMS

### 2.1. What we mean by effective Contract Management and why is it important?

Contract management is the process that enables both parties to a contract to meet their obligations in order to deliver the objectives required from the contract. It also involves building a good working relationship between customer and provider. It continues throughout the life of a contract and involves managing proactively to anticipate future needs as well as reacting to situations that arise.

“The procurement activities leading up to contract award are only the beginning; effective contract management is where 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 fail (as seen in numerous high-profile failures in the public sector).

Fig 2: Contract management functions, in the centre of this diagram, form the link between business managers and users on the customer side and the provider organisation

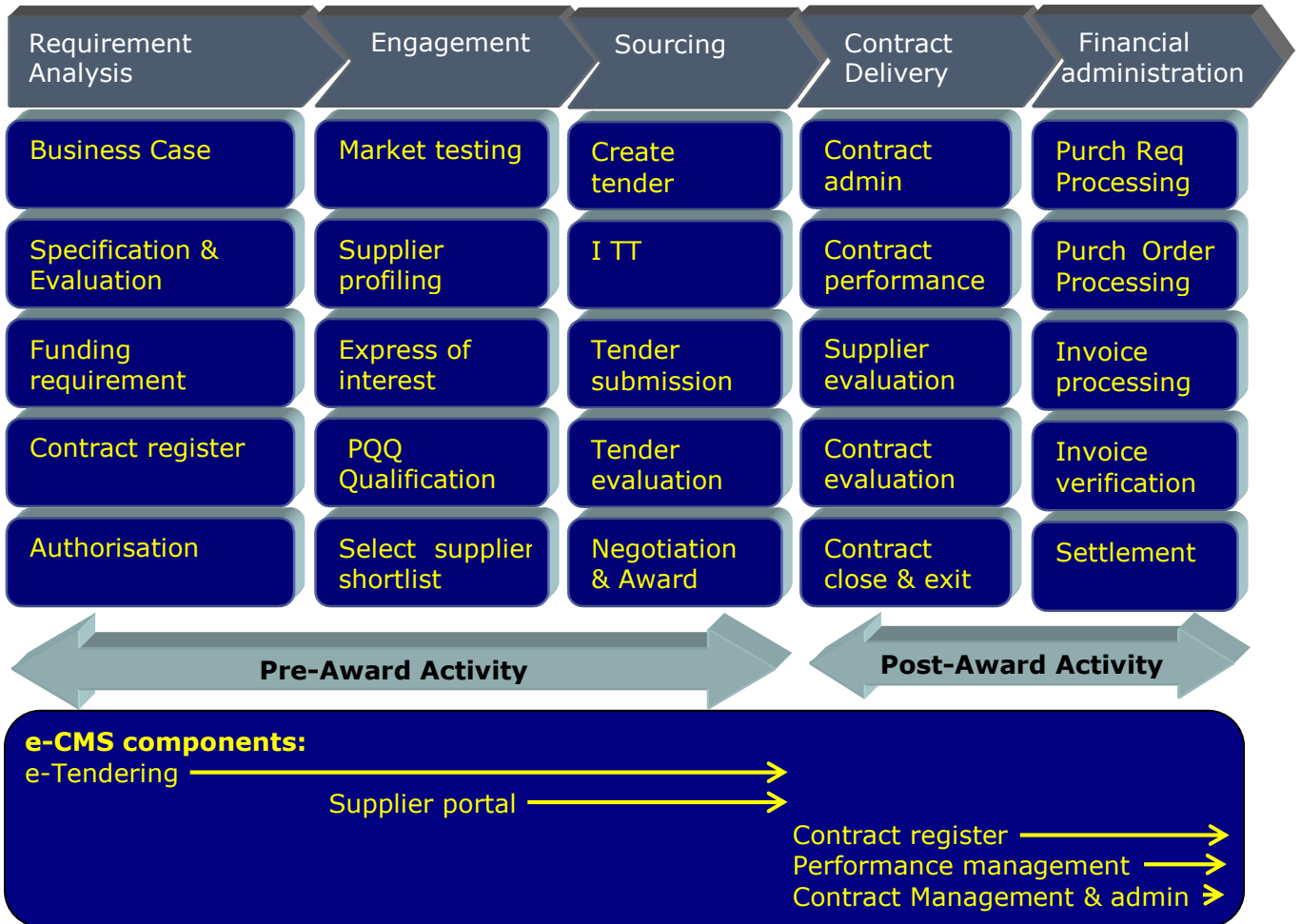


Source: OGC

In practice, in most local authorities, contract management is typically “what happens after the contract has been signed”, and then only if it is high value or high profile and the resources are available.

A more holistic approach and an integrated solution is required to reduce the elements of risk and enhance performance – see fig 3 overleaf.

Fig 3: Contract management needs to be seen within the context of the full contract lifecycle



## 2.2. What does an eCMS do?

The central aim of contract management is to obtain the services as agreed in the contract and achieve value for money.

Where this is not happening, investment in eCMS can help to achieve it, bringing together all those involved in service delivery management, relationship management and contract administration.

Table 2 shows how an eCMS helps an authority to undertake the main sourcing and contract management functions:

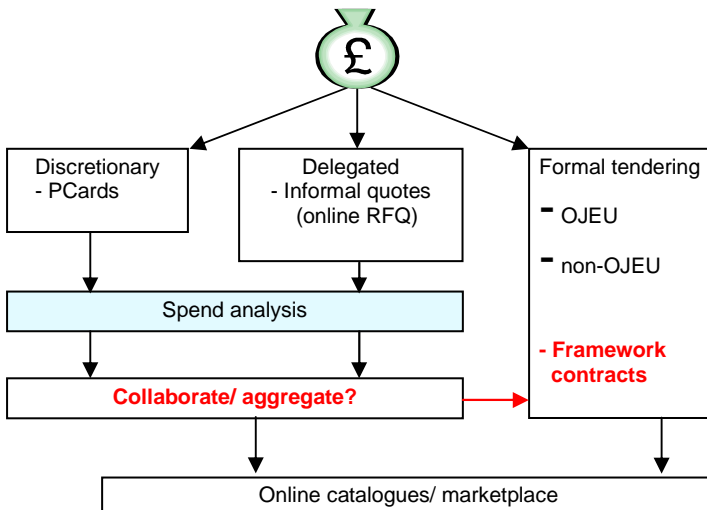
Table 2: eCMS Functions

e-tendering	Automates the publication of notices, tendering, evaluation and awards processes. This includes the exchange of all relevant documents in electronic format, automating the Q&A process and managing the workflow. May include evaluation tools to aid decision-making.
Supplier portal	Supplier portal gives suppliers web access to published notices and tender documents; suppliers can register and submit PQQs.
Contract register	Collects all contract information into a central online repository, accessible by all stakeholders.
Performance management	Workflow prompted reviews using performance measures derived from tender and award process; supplier relationship management (SRM), performance feedback.
Contract management & administration	Workflow prompted diarying of renewal and contract termination processes.

## 2.3. Why is eCMS important?

### It impacts on the high value areas of an authority's spend

Analysis indicates that typically over 70-80% of an authority's spend is above their formal contract thresholds. This represents about £30bn spend nationally.



The development of strategic procurement in authorities is increasing. This is highlighting, for the first time, regular spend profiles which can be used to allow greater aggregation of commodity spend into framework contracts – see fig 4. However, this increases the risk and impact of any supplier performance problems or contract failure, so better performance control becomes a critical requirement.

Fig 4: Trends in spend on goods and services

One cannot overstate the importance of being able to manage these high value contracts properly, from initial sourcing to completion of contract. However, with the pressures on resources, it would be unrealistic to suggest to authorities that they increase the time and effort being spent on management of contracts.

One way this can be achieved is by introducing an eCMS, which provides the infrastructure and workflow foundation to enable authorities to respond to this trend, redeploying the time and effort currently spent on manual processes to ensure that selection, evaluation and management of these larger contracts is carried out to the necessary high standard.

### **It improves continuity**

Responsibility for managing the contract is usually passed to a contract manager in an operations department who may have had little or nothing to do with the original tendering exercise, so may have only a fleeting knowledge of the original requirement. To add to this it is frequently the case that the stakeholders at the time of the tender cease to be involved. **It is this discontinuity that lies at the heart of many instances of poorly managed contracts.**

Even where contracts are let and delivered by the same team, as in specialist construction and social service departments, there is often less emphasis placed on managing the commercial aspects of the contracts than on the physical delivery of services and no real motivation for operational staff to get the KPIs right and apply them consistently. The introduction of an eCMS helps an authority to improve control and impose continuity of management, reducing risk and raising procurement performance, as detailed below.

### **It improves control**

Maintaining control of procurement, both contracts and frameworks, has long been an issue in local authorities. A lack of control means that maverick spend proliferates and that existing contracts are not used effectively. The net result of this is added cost to the acquisition process. The use of an eCMS will bring control and consistency to these areas and enable significant process and price savings to be realised.

### **It reduces risk**

However even more critical to performance and a serious cause for concern across the local authority sector is **risk exposure**. Risk comes in many ways:

- lack of compliance to the authority's own procedures
- non-compliance to OJEU and other regulations
- the opportunities in an unmanaged process for non-compliant arrangements
- use of poor quality suppliers leading to reduced customer satisfaction and even service delivery failure
- use of exploitative suppliers (low pay, non-vetted staff, poor sub-contractor payment etc) leading to bad press for the authority and the need to re-let the contract with all of the associated costs and loss of reputation

The introduction of the Freedom of Information Act and increase risk of high profile litigations, requires that councils need to be fully assured that the correct procedures have been undertaken and that they have a full audit trail to confirm best practice. An eCMS allows the regulatory framework to be incorporated into the automated processes, introduces best practice and high standards of compliance.

### **It raises procurement performance**

Inevitably, procurement (as with every other council activity) comes under pressure to do more for less. This has the effect of occasionally allowing short-cuts to become normal practice. A manager needs to be able to manage his remit, but this is rarely possible in a system where everything is on paper and duly filed away. That means relying all too often on fire-fighting techniques which can lead to:

- late contract renewal
- inadequate preparation and evaluation of tenders
- short-cuts and abuse of regulations and financial standing orders
- lack of monitoring during a contract
- little or no feedback to suppliers
- lapses in management attention that may lead to lack of probity

The business case for automating the tender handling process is relatively straightforward. Calculating the cost of poor contract management is not so easy, as there are no studies or examples in the local government sector of a fully implemented eCMS to compare before-and-after. Where there are cases of badly-managed contracts leading to litigation, the costs are frequently attributed to other reasons.

However there are some statistics from the private sector:

- BP implemented a system to consolidate all procurement data relating to its contracts. It estimated that the system would deliver \$100M a year on an annual spend of \$15Bn, simply through smarter sharing of its procurement knowledge and information
- A recent Aberdeen Group report found that best in class organisations, using a contract management system, had greater than 82% of their spend under contract and achieve a contractual renewal rate of 90%, compared with an average of 60% and an average improvement of 30% in their contractual cycle time.
- A recent BuyIT report suggests that the implementation of contract management systems technology can yield internal savings of up to 50%

One piece of research focusing on the local authority sector, a study of the local authority construction sector in 2005 for the West London Alliance, identified potential savings of 15% if councils invested in an eCMS for housing and highways maintenance.

Table 3 below (repeated from the Executive Summary) summarises the benefits and Table 4 overleaf gives a high-level view of where the benefits come from in the integrated eCMS. Table 5 then looks at how each component contributes to realising the cashable and non-cashable savings.

Table 3: Summary of benefits from eCMS (Exec Summary Table 1)

### **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
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### **Monitoring and measuring supplier performance**

- Reduces risk of service delivery failure and improves quality
- Improves supplier relationships, provides basis for collaboration and partnering
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### **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

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Table 4: how the different components in the eCMS contribute to the benefits

Components  Benefits C = cashable, N = non-cashable	e-Tendering  C & N	Supplier Portal  N	Contract Register  C & N	Supplier/Contract Mgt  C	Contract Admin  C & N
▪ Automation of processes and use of standard templates	✓✓	✓	✓	✓	✓
▪ Integration of e-tendering with e-contract management	✓✓	✓	✓✓	✓✓	✓
▪ Single point of access to central contracts register			✓✓	✓	✓
▪ Monitoring and measuring supplier performance			✓	✓✓	✓
▪ Feedback into sourcing process	✓	✓	✓	✓	✓✓

Table 6: Specific component benefits

eCMS Components	Key Benefits
e-tendering	<ul style="list-style-type: none"> <li>Enables better preparation and evaluation of tenders, releases time for better contract management, reduces senior officer and member time. <b>Mainly non-cashable savings</b></li> <li>Integration of e-tendering with e-contract management means continuity of management and pull-through of KPIs etc. Can lead to substantial <b>cashable savings</b></li> </ul>
Supplier portal	<ul style="list-style-type: none"> <li>Enables improved supplier engagement and information</li> <li>Online publication of notices and tenders reduces time and cost for buyers and suppliers</li> <li>Online PQQ and bid submission reduces paper-work for both sides and speeds up process - <b>Mainly non-cashable savings</b></li> </ul>
Contract register	<ul style="list-style-type: none"> <li>Existing contracts are visible to buyers before they opt for non-preferred suppliers: significant opportunity for <b>cashable savings</b>.</li> <li>Integration with P2P creates single point of access for all ordering and prompts compliance – a critical factor for success: <b>cashable savings</b></li> </ul>
Performance management	<ul style="list-style-type: none"> <li>Monitoring and measuring supplier performance reduces risk of service delivery failure and improves quality; <b>cashable savings</b></li> <li>Improved SRM can generate year-on-year cost and service improvements. <b>cashable savings</b></li> <li>Feedback into sourcing process raises ongoing quality of supply base and improved value for money. <b>cashable savings</b></li> </ul>
Contract management & administration	<ul style="list-style-type: none"> <li>Visibility of contracts reduces search time and duplication <b>Mainly non-cashable savings</b></li> <li>Timely renewal and termination avoids over-runs and out-of-contract supply. <b>Cashable savings</b></li> <li>Termination processes provide better exit and hand-over strategies, asset management etc, avoiding service discontinuity and loss of control. <b>Mainly non-cashable savings</b></li> </ul>

### 2.4. What will suppliers gain?

The benefits from implementing an eCMS have been discussed from the authority's perspective – naturally - but many of the cashable benefits actually come from the ability of suppliers interacting with the system to reduce their process costs and to pass on this cost reduction in their pricing. It will be critical to the success of the eCMS project that suppliers are willing and able to change the way they work, so it may be important to have a clear understanding of the benefits to suppliers, in order to 'sell' the changes to them.

Some suppliers will be unaware of the benefits of eCMS that can be gained for their own organisation. In many cases this may have been the way that e-procurement has been portrayed in the past (for example, the benefits of e-Auctions and Marketplaces have both been singularly weighted towards the local authority purchasers). In fact, eCMS is key to building strong and sustainable supplier relationships where both parties are the winners.

The following benefits can be identified to counter this negative perception. In fact suppliers that take advantage of the change to the way they trade with authorities via an eCMS will gain as much, if not more than the Council.

- Access to advance notice of contracts through a portal without having to use sales personnel to track down the information from disparate sources
- Registering all of the key data once, e.g. H&S policy, equal opportunities and sustainability policies etc
- Reduced processing through use of the Internet and computers
- Reduced print, postage and delivery costs
- Increased confidence that there is a 'level playing field', that rules and regulations are being applied fairly and consistently and that selection processes are transparent and being scrutinised
- A reduced elapsed time frame from the start of the tender procedure to the award stage. (This was a key target of the National Procurement Strategy)
- Involvement as a stakeholder in the performance monitoring process, so that the review procedures are managed to achieve the best and equitable solution for both parties
- A better managed exit process, avoiding the last-minute scramble for renewal or termination at the end of the contract.

The net result for the supplier should be a substantial reduction in their overall cost of sale, which is their key to managing a successful private enterprise.

There is even more potential if an authority uses the eCMS as a basis to enter into collaborative partnership relationships with key suppliers. The online, real-time management information that the eCMS can provide can be fed into developing continuous improvement plans and collaborative initiatives, to reduce whole life costs and build sustainability into programmes – important benefits for all stakeholders.

## 2.5. Factors critical to good contract management and how eCMS can help - checklist

A number of critical factors will dictate whether an authority's contracts are being well managed. These are listed in the checklist table on the following pages, together with the role of an eCMS in helping to achieve these.

This checklist is downloadable from [www.localgov.org.uk](http://www.localgov.org.uk)

See how many critical factors are carried out well in your authority today.

<b>Red = not well managed</b> <b>Amber = could do better</b> <b>Green = well managed.</b>
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For the purpose of this exercise, we suggest that you just consider formally tendered contracts, which should be 'visible'.

If you do not have access to this information, try the exercise with just OJEU tendered contracts.

If even that information is not available, the case for an eCMS may already be clear!

If, having used the checklist, you have identified 3 or more critical factors which are **Red** or **Amber**, you should give priority to introducing an eCMS into your authority and applying immediate corrective action.

## Critical factors checklist

### 1. Stakeholder involvement

Key stakeholders, including senior officers, members and private/voluntary sector partners must be involved in management of all strategic and high value contracts. Best practice requires that:

- A 'champion' or the person that is responsible for managing the contract is identified at the time of placing the contract and involved throughout the project
- Communication with stakeholders during the tendering and contract award process is rapid and efficient
- Stakeholder involvement continues during contract delivery (and not just when things go wrong!)
- Up-to-date information is readily available to all stakeholders, including supplier partners.

**How are you doing?**



**eCMS role in achieving good performance:**

- An eCMS not only enables rapid and time-efficient communication with key stakeholders throughout the tendering and contract award process, but it also provides the means for continued stakeholder involvement during contract delivery.
- The workflow function of the eCMS makes it easier to involve senior stakeholders, such as the project champion, in management of contracts of strategic importance and/or high value.
- Access to management information is enabled by an eCMS, facilitating open supplier relationships, continuous improvement and joint planning.

### 2. Clear specification

Too often contracts fail at the first hurdle because there is a lack of clarity regarding the goods and services being delivered. Good practice requires that the specification of requirements, as agreed with the supplier during the tendering process, is embodied into a set of KPIs to measure contract performance – see [3].

**How are you doing?**



**eCMS role:**

- The e-tendering, contract evaluation and award components of an eCMS prompt the inclusion of clear specifications and measures.
- Supplier responses will also be of a higher standard.
- In addition the process allows for publishing RFQ's internally for approval, further speeding up the document creation process.

### 3. Clear roles and responsibilities

Successful contract management requires the creation of suitable client structures and job roles throughout the contract lifecycle - and commitment to their execution.

#### How are you doing?



#### eCMS role:

- The eCMS requires that a suitable organisational structure is put in place for managing contracts.
- The role of the monitoring officers is clearly set out, as is the resource commitment required to undertake the management of each contract.

### 4. Continuity

Many instances of poorly managed contracts arise when stakeholders at the time of the tender cease to be involved in ongoing management of the contract. For successful service delivery, there should be an element of continuity between these functions.

#### How are you doing?



#### eCMS role:

- An integrated eCMS ensures that managers responsible for managing contracts have involvement through the procurement from the earliest sourcing stage to ensure continuity of understanding and relationships with suppliers.
- The system generates greater commitment by operational managers to measuring contract and supplier performance.

### 5. Controls

Good practice requires the establishment and operation of suitable processes, systems and controls to manage contracts. These need to be carried out consistently and transparently.

#### How are you doing?



#### eCMS role:

- The eCMS provides a framework for controls to manage the whole contracts lifecycle. These are applied routinely and scrutiny is quick and easy.
- Use of an eCMS will enable authorities to track and control delivery of the contract throughout its life, ensuring that the flexibility exists to deal with the changing needs and circumstances of both client and supplier.
- Where controls are linked to financial processes, monitoring can extend to eg payment efficiency – a key factor in encouraging performance by suppliers, especially the SMEs

### 6. Central Contracts Database

A key to successful contract management is the ready access to a data repository of existing contracts and their documentation, for all departments. It should contain details of all contracts let across the authority, including when they are due for renewal.

#### How are you doing?



#### eCMS role:

- The central online repository for all contracts lies at the heart of an eCMS. Collecting this data together will highlight where aggregated framework contracts can be let.
- Integration with the authority's P2P provides a single point of access for buyers, leading to higher throughput and cashable savings.

### 7. Performance Measurement

A critical factor in achieving delivery of goods and services to the contracted SLA is the establishment of suitable performance criteria (KPIs and benchmarking where necessary).

Once performance criteria have been agreed, a system of monitoring (and possibly, inspection) also needs to be put in place. The level and extent of the monitoring system is determined in line with the strategic importance of the contract and the risks and likelihood of contract failure.

#### How are you doing?



#### eCMS role:

- The workflow facility of an eCMS ensures that performance monitoring is scheduled.
- The level and extent of the monitoring system is determined in line with the strategic importance of the contract and the risks and likelihood of contract failure.

### 8. Supplier relationship management (SRM)

Collaborative relationships with carefully chosen suppliers are more likely to provide greater value for money for the authority.

#### How are you doing?



#### eCMS role:

- Implementation of an eCMS provides the management information and the workflow prompts to encourage improved supplier relationship management.
- Use of an eCMS allows a focus on continuous improvement both in the authority's performance and in that of their suppliers.
- Scheduled reviews can include setting improvement targets, introduction of innovation and reduction of waste in the delivery of the contract.
- At least one eCMS starts by assessing suppliers and planning contract management priorities accordingly.

#### How well did you do?

If you identified 3 or more critical factors which are **Red** or **Amber**, you should give priority to introducing an eCMS and applying immediate corrective action.

### 2.6. Why do you need an integrated solution?

The most visible part of an eCMS is the automated tendering process and some authorities have implemented e-tendering systems just to handle this aspect of contract management. So why not stop there?

The key to successful eCMS is to understand that the component parts to successful contract management are not discrete and stand-alone - quite the opposite: it is essential for the purposes of operation and risk management that they all integrate.

Indeed, we would regard this as is the only way that any public sector organisation will achieve the desired benefits from the modernisation of its manual tender and contract management processes.

Just as the foundations for good contract management are laid in the stages before contract award, so an eCMS needs to be part of an integrated set of linked processes, starting with e-Tendering.

**It is our recommendation that** any eCMS system that is introduced to improve performance must:

- **Involve** all stakeholders to overcome the risks of discontinuity, starting at the beginning of the lifecycle. This needs to include operational managers, ensuring their engagement by use of workflow-prompted processes. The culmination will be a fully worked business case.
- **Capture** key performance indicators (KPIs) at the acquisition stage and carry these forward into the execution phase
- **Prompt** the development and maintenance of sound relationships with key suppliers
- **Connect** to existing activities and systems, and
- **Ensure compliance** to a consistent and transparent set of processes.

Here are the arguments for each of these recommendations:

#### **Involvement of stakeholders to overcome the risks of discontinuity**

- Letting and managing a contract is rarely the responsibility of a single person. The stakeholders involved at the acquisition phase (buyers, heads of service, members) almost invariably cease to be involved after the letting of the contract, to be replaced by internal users and maintenance support staff – a discontinuity that is often at the heart of the current poor management of contracts in local authorities.
- Given this discontinuity, it is not surprising that little allocation of scarce operational time is given to managing contracts or developing a sound relationship with the supplier – both key to gaining year-on-year cost and performance improvements.
- Any system that is to have an impact on performance must involve all the stakeholders, which will include operational managers, support functions, finance and audit, throughout the lifecycle of the contract. The discipline and workflow prompts introduced by an eCMS helps to ensure that sufficient attention is devoted to these important aspects.

### **Capture KPIs and carry these into the execution phase**

- The framework for performance measuring of the contract (KPIs) that emerges from the acquisition phase is, in our experience, not often carried forward into the execution phase, with the result that little formal performance measurement is undertaken.
- By implementing a system that integrates eCMS with eSourcing, authorities can ensure that formal performance measures are brought forward and applied to the execution of the contract.

Reca and Zieg (1995) state that: "To ensure performance is in compliance with the specification, the contract must incorporate a monitoring system. Because the agency transfers only the operational duties while retaining managerial oversight, it must establish a baseline for acceptable performance and thereafter evaluate the contractor by this yardstick. The contractor in turn can focus its resources on meeting these expectations since it is aware of the criteria by which it will be measured."

And here is another quote, this time from a Highways Agency guideline:

A performance management regime is an essential component of any service delivery arrangement. It should not simply measure past performance but be used to incentivise and drive future improvements. It is important that this regime be linked to the objectives of the contract to ensure that it is measuring the things that matter to the service and are really important to drive continuous improvement.

Measures, including any proposed new Government indicators, should be critically appraised to ensure that they meet these criteria.

The performance management regime should be established at an early stage in the procurement process so that bidders are able to assess it as part of their bids and so that base data can be collected and processed before and during the early stages of the contract.  
*Achieving Efficient Delivery of Local Highway Services: Highways Agency 2006*

### **Prompt sound relationships with key suppliers**

- A contract is an agreement between parties to buy and supply goods or services. Whilst this sounds so obvious that it hardly needs mentioning it is all too often forgotten. Supplier relationship management is an important factor in reducing costs, both cashable and non-cashable savings.
- This whole area is managed through the eCMS workflow from supplier adoption to managing the contract in a logical and timely manner. This has a significant affect on the responsiveness of the supplier to the needs of the authority, which in turn reduces the supplier's perception of risk. This eventually translates itself into a lower tendered price.

This quote from IDeA says it all:

"Effective contract management has a knock-on effect onto future procurements; high-quality providers are more likely to offer goods and services to clients who are perceived to be reliable and well managed. A successful relationship with a contractor can also result in improvements in the level and quality of current service provision with the client and provider working together for mutually-agreed objectives." *IDeA guidance (consultation draft)*

### **Connect to existing activities and systems**

- Successful management of contracts requires an element of connectivity to existing activities and systems within the authority's operating structure. The instigation of the sourcing process ("we need x") should always be followed by reference to a database of existing contracts.
- If there is an existing contract, the FMS or marketplace system is used to place an order.
- If there is no existing contract, a diary of events should kick into place. These can range from business case approvals to dedicated workflows for RFQ's, ITT's, EU notices, T&C's etc.
- In this way there can be assurances that the contracts are used as the central point of ordering if they already exist or that the appropriate tendering procedures are utilised if it is a new requirement.

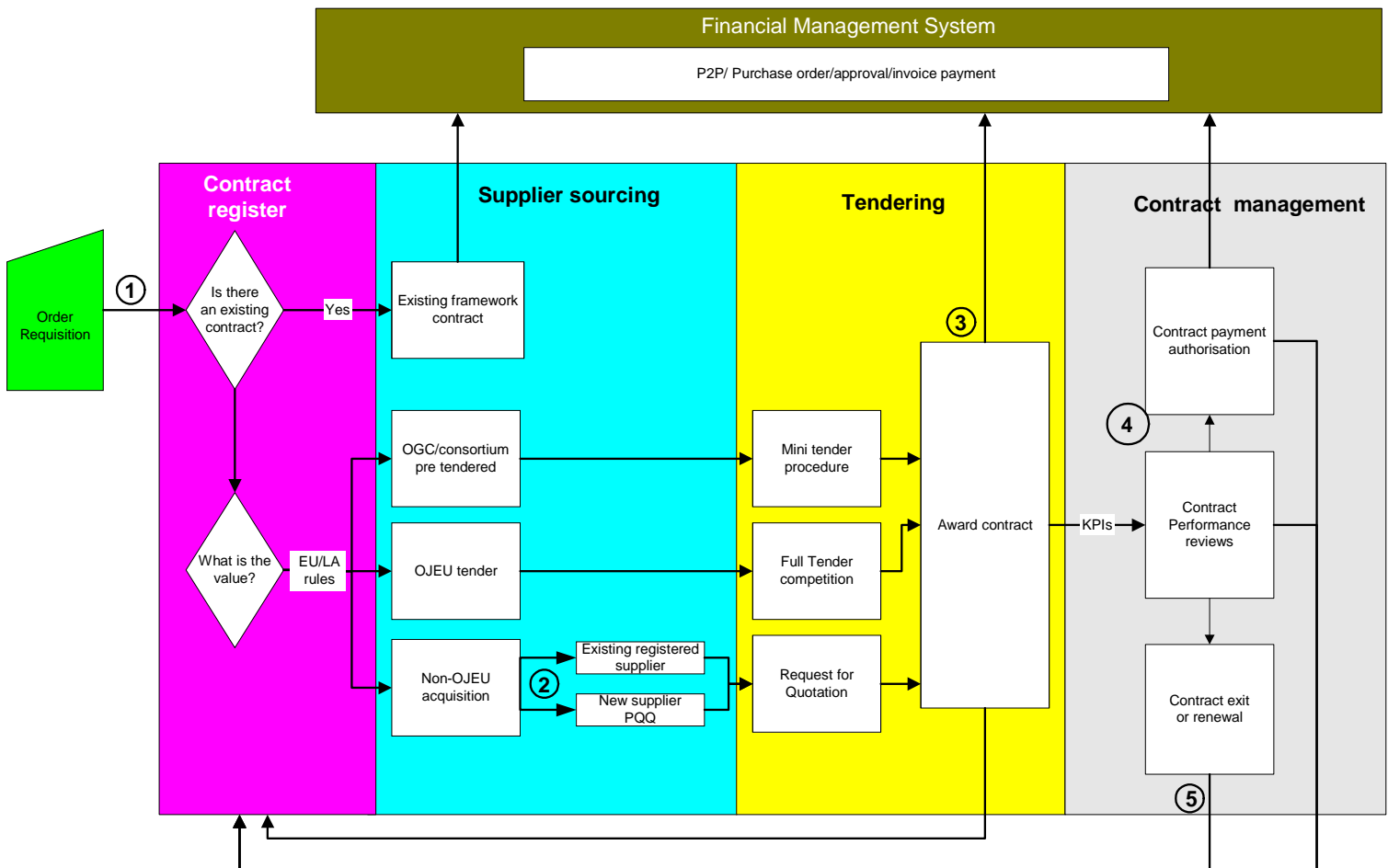
### **Ensure compliance**

- Compliance to a consistent and transparent set of processes is a prime factor to realising the benefits that every authority needs to generate. Implementing stand-alone e-tendering and eCMS systems will not ensure this compliance.
- Every step in the contract lifecycle needs to be managed, monitored and audited to best-in-class standards, right down to authorising payments against the contract.

## 2.7. How eCMS fits with other e-procurement solutions

The e-CMS sits alongside the financial management system and, where this has a modern purchase-to-pay module or where the authority uses a marketplace to access its framework contracts, there is an ongoing relationship between the eCMS and that e-procurement solution. Fig. 5 below illustrates this relationship in a typical integrated implementation.

Fig 5: Flowchart showing how an eCMS might integrate with a financial management system



The flowchart shows the following linkages:

1. Requisitions are passed through the contract register to check whether an existing framework contract can be used
2. Approved suppliers may be selected for tendering based on PQQs already held (eSourcing functions)
3. After a contract is awarded, the data is passed back to the FMS for a purchase order to be raised
4. The contract is monitored; e-invoicing and e-payment systems (including PCards) may be used; reviews and payments data is passed between systems
5. On completion the contract is exited or renewed as appropriate.

All vendors are working on links to integrate their eCMS products with the main financial and e-procurement systems in use by authorities. Where software integration is not being considered, perhaps because the financial system is due to be replaced, manual processes will need to be created to transfer data across as required.

Suppliers of eCMS may also provide an e-Auction facility. This is not normally connected at any technical level to the eCMS, but data may be passed across into the eCMS.

An eCMS does not significantly interface with the other, transactional, e-procurement systems and tools.

### Section 3: Technical review of eCMS solutions

#### 3.1. Available solutions

There are a number of eCMS solutions on the market but contract management processes are relatively more complex in the devolved local authority environment than in central government or in the private sector. It may therefore reduce risk to focus on those suppliers with some hands-on experience of working in the local government sector – and these are reviewed below.

All but one of the systems on offer are the result of a provider adding eCMS functionality on to their basic e-sourcing portfolio – in some cases with significant input from one or two early adopter customers. The result is:

- The available solutions are relatively untried, with some features not fully rolled out.
- There is quite a wide range of features and functions and, unfortunately a lack of potentially key functions in some solutions, e.g. performance and supplier relationship management.

All of the major solution providers offer extensively configurable applications. However **it is strongly recommended** to consider in some detail how each eCMS product will fit with your council's systems and requirements and to acquire a system as fully compliant to your requirements as possible. This will reduce the need for bespoke software, which introduces higher risks.

The Functional Comparison Checklist at 3.2, below and the detailed Statement of Requirements Development Toolkit, downloadable from [www.localgov.org.uk](http://www.localgov.org.uk) will help with the guidance to your requirement needs.

Most applications are flexible enough to be configured to suit a single authority implementation and a shared regional implementation. Much of the functionality is used in the same way whether by a number of users within one organisation or by groups in several authorities - it's the allocation of responsibilities governance that's different. In all the applications, the centralised data repository – the contract register – functions as the focal point for ordering, tendering, contract management and performance measurement and reporting.

The high level summary in Table x overleaf describes the currently available systems and gives an indication of the differences between them.

Although each solution approaches the requirements from slightly different directions, all of the leading solutions appear to be fit for purpose, based on user experience. Any one of them would improve an authority's contract management performance.

Because they all have their own strengths, it is important to consider the relevance of each of the main applications to your own requirement. For example, the interface between the eCMS and an authority's existing systems will be different in every case.

Most notably, those councils with recently upgraded or new finance systems, P2P solutions, marketplace or enterprise solutions such as SAP and Oracle will have covered some of the applications using those systems. So there is no one 'best choice' eCM solution that will fit all authorities' requirements.

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Table 6: Available eCMS solutions

<b>Due North</b>	An integrated e-sourcing and contract management system, developed with the support and input of the North East Centre of Excellence and Gateshead MBC. The fully integrated solution uses customisable workflow templates and allows a modular approach to implementation. The system appears to be user-friendly and would be equally suitable for a single authority or a collaborative implementation across a group of authorities. We understand that this solution will have integration to marketplace solutions.
<b>Iasta</b>	SmartSource is an integrated e-sourcing and contract management suite which also includes decision analysis capability intended to help evaluation of collaborative projects. There is no local authority implementation of SmartSource, although Woking Council is assessing it. Other public service reference sites include Debut Services, prime contractor for the MOD and the British Transport Police. Integration with financial systems is said to be 'simple'.
<b>In-Tend</b>	In-Tend, operated out of a Sheffield University-owned company, is an integrated e-sourcing and contract management system in use across 58 public and private sector organisations, including 14 local authorities. Most of these are only using the e-tendering tools. London Metropolitan University is a reference site for a fully implemented contract management system and Milton Keynes Council is currently implementing it. The system does not provide the rules-based workflow functionality that councils may require but this means it is flexible enough for a procurement manager to adapt to his/her own requirements. We understand that work is under way to offer a generic interface to back office systems.
<b>Alito (ProActis)</b>	An integrated e-sourcing and contract management system that puts strong emphasis on managing risk. In use in over 30 authorities (most of whom are still populating their contract registers, so have not fully implemented the contract management elements of the system), this is the only one of the available products that was designed as an integrated solution from its inception. This solution provider is actively developing schemas for integration and interfacing to FMS, P2P and marketplace systems in use in the local government sector. Based on a series of intuitive templates and workflow modules, the Alito solution would seem to be best suited for a larger authority. Reference sites include Dorset County Council and Yorkshire and Humberside (collaborative implementation).
<b>Bravo</b>	Bravo has not provided any detailed information for comparison concerning its OGC-supported e-sourcing suite of applications, as they did not consider their managed solutions to be directly comparable with the integrated systems under review. However research has established that the contract management system is a stand-alone product with a good international track record. Middleware was being developed to link to the e-sourcing and e-evaluation products in the Bravo Managed Solution offer, but this has not yet been tested in a local authority.

Use the Functional Comparison Checklist at 3.2 below to identify key requirements and then download the more detailed Statement of Requirements Development Toolkit, from [www.localgov.org.uk](http://www.localgov.org.uk) as the basis for a detailed comparative assessment.

### 3.2. Functional Comparison Checklist: A functional comparison between e-Sourcing and integrated e-CMS tools

The following is a comparison between a typical e-sourcing tool and an integrated e-CMS solution, based on information provided by the leading suppliers.

It is in the form of a checklist, designed to allow you to make a direct comparison between a stand-alone e-sourcing tool, which typically handles the sourcing and tendering processes, and a fully-integrated eCMS, which goes on to manage the contract and supplier performance aspects as well.

The checklist gives some guidance as to the minimum requirements that a council should set when considering either the introduction of an e-sourcing tool or an eCMS and indicates those functions specific to an e-CMS which will, as this guide sets out, add significant value.

The checklist will allow you to identify your authority's requirements at a relatively high level (Requirement Y/N), then prepare a comparative chart for use in discussions with suppliers. Note that suppliers have their own interpretation of requirements terms, so there may be some 'grey areas' when comparing solutions.

A more detailed Statement of Requirements (SOR) Toolkit for an eCMS is provided at [www.localgov.org.uk](http://www.localgov.org.uk) for use when developing your own SOR.

Table 7: Checklist – e-sourcing, integrated e-CMS

Requirements	Required Y/N	e-Sourcing tool	Integrated e-CMS tool
Management of requirement analysis		✓	✓
Collaboration capability		✓	✓
Diary of necessary protocol and events			✓
Shared document and contract store			✓
Contract register			✓
Supplier registration, alert notices and expressions of interest		✓	✓
Workflow for tender, RFQ & OJEU processes		✓	✓
Full audit trail		✓	✓
Search for suppliers and existing contracts			✓
Ability to share requirements across collaborating councils		✓	✓
Management and uploading of standard forms, documents, T&C's, contracts, H&S and insurance etc			✓
Creation of pre-qualification		✓	✓

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Requirements	Required Y/N	e-Sourcing tool	Integrated e-CMS tool
questionnaires			
Creation of RFQ and Invitation to Tender		✓	✓
Links to OJEU publications, SIMAP etc		✓	✓
Question and answer facility		✓	✓
Sealed opening of tenders facility		✓	✓
Evaluation tool to mechanise tender submissions		✓	✓
Contract award procedures		✓	✓
Electronic inclusion of stakeholders pre and post contract			✓
Contract review, diary and reporting capability			✓
Correspondence database			✓
Contract and price amendments register			✓
Savings register for contract			✓
Performance measurement of contract including supplier viewpoint			✓
Supplier performance benchmarking			✓
Additional User defined fields			✓
Archive facility for 15 years			✓
Secure hosted environment		✓	✓
Full MIS reporting			✓
Identification of underperforming contracts			✓
Risk register			✓

### Notes:

- e-Auction capability can be provided by e-Sourcing and integrated eCM solutions but is a separate hosted software solution and has therefore been excluded from the above list.
- Some e-Sourcing solution providers can provide elements of the e-CMS functionality on request, although these may not be part of their standard offering.

## Section 4: Business Case for eCMS

Unlike stand-alone e-tendering tools, which replace manual processes that are in place in every authority, the introduction of an integrated eCMS will establish contract management processes that may not be being routinely undertaken. The business case for an eCMS is therefore not just about improving speed and streamlining processes – although that is an important part – it’s also about enabling processes that will consistently and reliably ensure that the authority avoids the **risk** of failure and poor performance of its contracts through lack of appropriate management attention.

The following section describes the typical benefits and provides a savings calculator to help you to quantify these for your organisation – downloadable at [www.localtgov.org.uk](http://www.localtgov.org.uk). The section deals with the costing models in use by eCMS solution providers and provides an indicative Cost Grid of the range of prices currently being quoted. Finally, a Business Case Template is outlined, which is provided at Appendix C for use in developing our own business case for eCMS.

### 4.1. Benefits

The main quantifiable benefits from using an eCMS come under the following headings:

#### Process efficiency savings

- Increased productivity in supplier administration
- Increased productivity in tender administration
- Increased productivity in contract administration

#### Financial savings

- Improved procurement decisions (overspend as a result of poorly performing contracts)
- Aggregation (increased use of cross-departmental contracts)

### Savings calculator

The calculator tool shown below and available on the NePP website can be used to establish indicative process efficiency and financial savings, data that will support a Business Case.

Whilst every council is different due to scale and tier, the calculator uses several good indicators that should be common factors across all implementations. The tool first requires the input of some key data:

General information relating to the Authority	
Annual Expenditure on 3rd party goods, services & works	£200 m
Proportion of this spend currently under aggregated/framework contract	60%
Approx. annual cost of employing 1 procurement staff incl. overheads	35 £k
Number of FTEs employed in supplier administration	50
Number of FTEs employed in tender administration	10
Number of FTEs employed in contract administration	20

Annual Staff Cost Includes Gross payroll cost + building costs, utilities, equipment, admin etc

The tool then requires the setting of minimum and maximum levels of savings: productivity (ie process efficiency), which are largely non-cashable and financial (ie improved procurement decisions and aggregation) which are largely cashable.

Although these will be for each authority to consider, some suggested figures have been used in the illustration, based on a number of business case examples. It should be emphasised that the example below is only an illustration. For example you may wish to add further costs into the model to reflect internal process change management, population of contract register, supplier adoption etc.

A working version of the calculator tool is available at: [www.localgov.org.uk](http://www.localgov.org.uk). You can input your own parameters to enable the model to fully reflect the workings of your authority.

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Savings Calculator			
		Minimum	Maximum
Productivity savings	Suggested range %	Annual Saving	Annual Saving
Increased productivity in supplier administration	10-20%	10.0% £175,000	20.0% £350,000
Increased productivity in tender administration	10-20%	10.0% £35,000	20.0% £70,000
Increased productivity in contract administration	5-10%	5.0% £35,000	10.0% £70,000
		£245,000	£490,000
Financial savings			
<b>Improved procurement decisions</b>			
A contract undertaken by a poorly performing contractor/supplier may <i>on average</i> overrun by/result in an overspend of:	10-20%	10.0%	20.0%
Proportion of contracts <b>currently</b> going over budget:	15-25%	15.0%	25.0%
<b>Anticipated</b> proportion of contracts expected to go over budget with eCMS system in full operation:	5-10%	5.0%	10.0%
		£1,200,000	£3,600,000
<b>Aggregation (increased use of cross-departmental contracts)</b>			
Proportion of spend <b>currently</b> under formal contract (from prev page)		60.0%	60.0%
Proportion of expenditure that <b>could</b> be controlled under aggregated/framework contract by using the eCMS system	85%	50.0%	70.0%
Average savings achieved through aggregated/framework contracts	5%	3.0%	5.0%
		-£600,000	£1,000,000
<b>INDICATIVE ANNUAL SAVINGS POTENTIAL</b>		<b>£845,000</b>	<b>£5,090,000</b>

Estimated Annual Saving as a % of Total Expenditure	0.58%	3.51%
Total Savings Target over 5 Years (Multiple 2.5)	£2,112,500	£12,725,000
Total Cost of System over 5 years	£200,000	£200,000
Cost as a % of Savings	9.47%	1.57%
ROI Multiple	11	64
Payback Period (Weeks)	5	1

### 4.2. Costing models

Scalability, ie who needs access to the system, is probably the major influence on acquisition costs and each of the main suppliers have their own method of doing the calculations, closely guarding the basis of these calculations, especially where there is a grey area between licences and with the numbers and frequency of users.

A large council may have as many as 500 users with varying levels of access requirements, from very occasional access to 'power' access. The starting point in that case would be to look for an **enterprise licence** that is considerably less expensive than 500 user licenses.

While it has not been appropriate to include market price benchmarks in this guide, suffice it to say that there are considerable opportunities for negotiation, as evidenced by a number of deals done by councils and regional groups.

The structure and implementation model of the solution will have a significant impact on price. The Welland councils, for example, specified unified ordering from contracts – whether formal tender, RFQ or local supplier – via a single entry point (a sub-regional marketplace) and a single enforced process. Whilst this approach may not always be applicable, the simplified structure did enable the councils to negotiate a good price.

The price should be for a fully implemented hosted secure system covering the council or group of councils as an enterprise, with no upper limits on usage.

The price should include initial training and roll-out support, but don't forget there are aspects of the solution and its implementation that may not be covered in the supplier's quoted price. For example, existing contracts need to be incorporated and standardisation of account codes with the FMS is also essential. Make sure that these tasks are included in any business case costing and when preparing the initial specification and allocate resources accordingly. (They may also need to be tackled ahead of implementation – see section x, below.)

### 4.3. Indicative Cost Grid

The elements of cost are listed in the Cost Grid table overleaf. These show a range of prices, based on information provided by suppliers.

It is worth noting that these costs have moved significantly even within the timescales of compiling this report and may continue to do so as the eCMS market matures, so use the information as indicative only and reconfirm all relevant costs before initiating a business case.

It is also important that you develop a detailed understanding of your requirements and discuss these with the suppliers, as every aspect of an implementation will have a bearing on cost.

Table 8: Indicative Cost Grid

Cost Item	Price Range
Initial license costs	£10k -> £50k *
Annual subscription fee	£10k -> £50k *
Basis of costing model	Enterprise licence
Subscription cost per power user	Included in annual licence
Subscription cost per ad-hoc or collaborative user	None
Support included at implementation (included in initial licence costs)	Initial training of systems administrator and power users -> plus up to 10 days consultancy
Cost model for collaborating councils	Single unsupported user included – as long as included in the initial agreement. Multiple/supported users – separate license agreement with collaborating council
Typical contract duration	3-5 years
Average chargeable cost for implementation	Included in annual licence
Annual maintenance	Included in annual licence
Upgrade policy and costs	Included in annual licence except major additions
Additional costs	Additional consultancy and training

\* These are negotiable, of course. We would expect to see a 10 - 20% reduction for collaborative projects.

### 4.4. Business case template

A typical business case for an eCMS will include the headings below. A full template is provided at [www.localtgov.org.uk](http://www.localtgov.org.uk).

- 1 Background**
- 2 Business Need**
  - Effective risk management and mitigation
- 3 Key System Requirements**
  - Supplier management
  - Sourcing management
  - Contract management
  - Technical requirements
- 4 System Benefits**
- 5 Existing Systems**
- 6 Indicative Business Case**
  - Budget
  - Anticipated savings

### Section 5: Implementing eCMS

This section provides a Model Implementation Plan and Roadmap for a 'standard' approach ie for a single authority. This is followed by guidance on implementing eCMS in a collaborative environment.

An eCMS may be required to provide contract sourcing and management processes for a single authority or for a group of authorities. The functionality will be broadly the same, but the implementation will require more time and resources, approximately pro rata to the number of participating authorities.

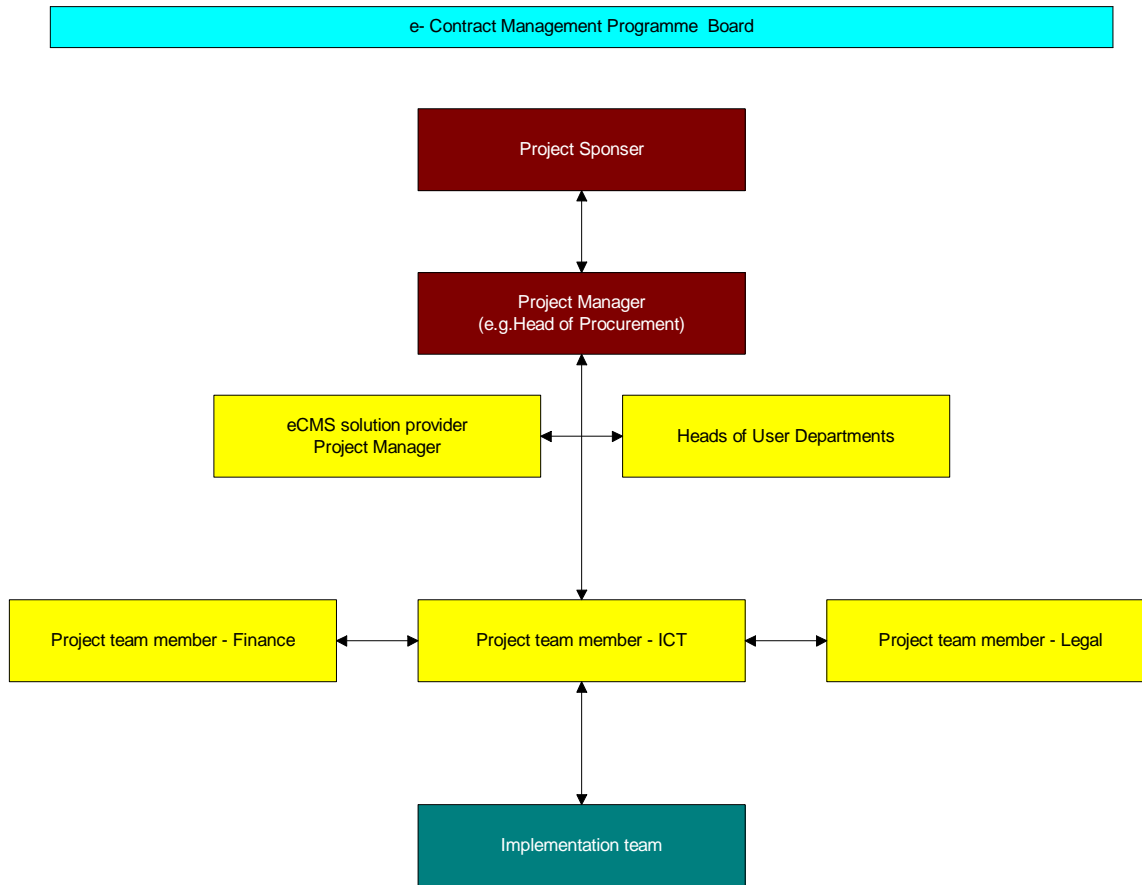
Given the stringent timescales normally attached to projects like eCMS, it is essential to start planning implementation at the earliest opportunity, irrespective of which solution is selected:

- Implementing an eCMS to take on new contracts is one thing – it's quite another to incorporate existing contracts so that the database is sufficiently comprehensive that buyers will start to use it. The work of collecting data about the council's approved suppliers and existing contracts is significant and needs to be undertaken ahead of the system going live – or you will face long delays in rolling out and using the system. Most systems should be able load data in bulk from existing files within an Authority.
- Standardisation of accounts codes with the FMS will also need to be addressed before the eCMS is implemented.
- Standardisation of key supplier data such as address, contacts and email etc should also be started as early as possible, as this may mean requesting additional information from suppliers. This can be completed within the eSourcing tool. Some Councils have created online surveys for suppliers to complete. Supplier detail can then be imported as files.
- Communication with key buying departments and buyer training has to be thoroughly planned and agreed well ahead of bringing any system into operation.
- Finally, and most definitely not to be forgotten is to keep your suppliers involved. Tell existing suppliers how it will affect them and make potential suppliers aware of your new improvements. They need to be sold on, not told of, the benefits that they will gain from the new eCMS.

The following Model Implementation Plan (5.1) and Implementation Roadmap (5.2) take a 'standard' approach for a single authority. This is followed at 5.3 by guidance on implementing eCMS in a collaborative environment.

## 5.1. Model eCMS Implementation Plan

Fig 6 Typical eCMS Stakeholders



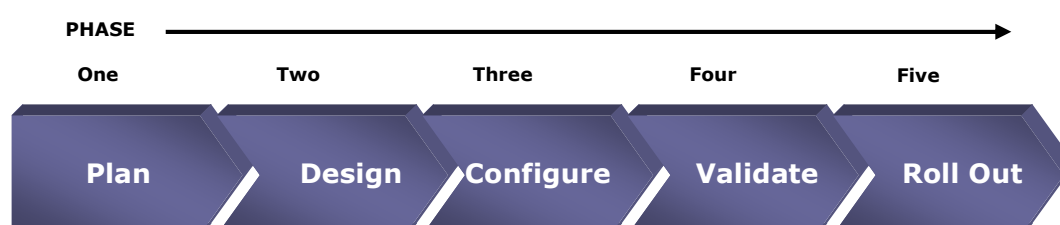
Role	Description
Project sponsor	This is usually a senior Head of Service
Project manager	Although this will vary depending on the size of the Authority it is advisable for that person to have practical procurement expertise and therefore is normally the Head of Procurement
e-CMS solution provider support manager	It is essential that the supplier is represented on the Programme Board and this role is usually filled by their own implementation/project manager.
Heads of departments	The major spending departments need to have their input as do regular user depts. who may not have a large spend but generate a significant number of transactions
Project team members	Interaction with the finance, legal departments is needed at an early stage as is the specific support from the ITC dept.
Implementation team	These are the personnel responsible for change management within the Authority and for the system roll-out

## 5.2. Implementation roadmap

Implementing an eCMS is in many ways similar to implementing any e-Procurement system (or indeed, any IT system). It follows the same roadmap as these systems and it is not intended to provide detailed guidance when there are already many sources of this – OGC being the most well known.

However there are specific aspects of an eCMS that demand rigorous and careful planning and close working with the supplier as well as with end-users. This section describes a 5-stage roadmap that can be used to aid planning an eCMS implementation. The roadmap, which is downloadable from [www.localgov.org.uk](http://www.localgov.org.uk) has been discussed with several eCMS suppliers, who will typically also be following the 5-stage approach, as shown in fig 6, below.

Fig 7: Overview of the Implementation Roadmap



The roadmap addresses not only the technical approach to the project, but also the organisational, procedural and data considerations. Depending on the nature and size of the implementation, some elements of this approach may be simplified as appropriate.

At each stage, the roadmap defines the scope of the work and the deliverables from that stage.

### Critical Issue: internal resources

Internal resources will need to be involved in all five phases. It is, of course almost impossible to provide detailed resource requirement figures in a generic implementation model. However the following, based on the experience of suppliers and a number of authorities should prove a good guide for Districts, Boroughs and Unitary Councils. Metropolitans and regional groups of authorities will need to scale up the table to match their individual circumstances.

Typically an implementation project should take between 10 and 16 weeks and authorities should plan to make the following FTEs available from staff in the project team:

Phase	Minimum time	Maximum time	Authority time requirement (FTE)
1. Plan	2 weeks	4 weeks	0.5
2. Design	2 weeks	4 weeks	0.75
3. Configure	3 weeks	4 weeks	0.25
4. Validate	3 weeks	4 weeks	1.0
5. Roll out	subject to size of roll-out	subject to size of roll-out	subject to size of roll-out

These duration estimates are indicative only and may vary depending on the level of bespoke enhancements requested. The minimum and maximum estimates both correspond to approximately 50% of a FTE throughout the duration of the implementation project.

The time requirement for Phase 5 will clearly depend on the size of the pilot and speed of rollout. Hosted systems will require less time than internal ERP solutions to implement as the effort is spent with the users and work flow rather than the system operation.

One area that is not included in the table above is the collation of existing data to populate the contract register. This will need to be done prior to implementation of the new eCMS and will be totally dependent on the current state of the database, if indeed one actually exists (on a recent survey less than 15% of councils actually held a formal Contract Register).

Where there is little data already compiled, it will be critical to the success of the project to allocate resources and embark on the collation exercise. As it requires the co-operation of contract managers across the whole organisation and they are under considerable pressure, this will take a lot longer than it should. **The need to plan for a Contract register ahead of the start of an eCMS implementation cannot be emphasised too often.**

The detailed Implementation roadmap is downloadable from [www.localgov.org](http://www.localgov.org)

### 5.3. Collaborative implementation roadmap

Collaborative procurement implementation uses a similar Implementation Roadmap as the single authority implementation but on a greater scale. It is no more difficult, but it requires a different skill set.

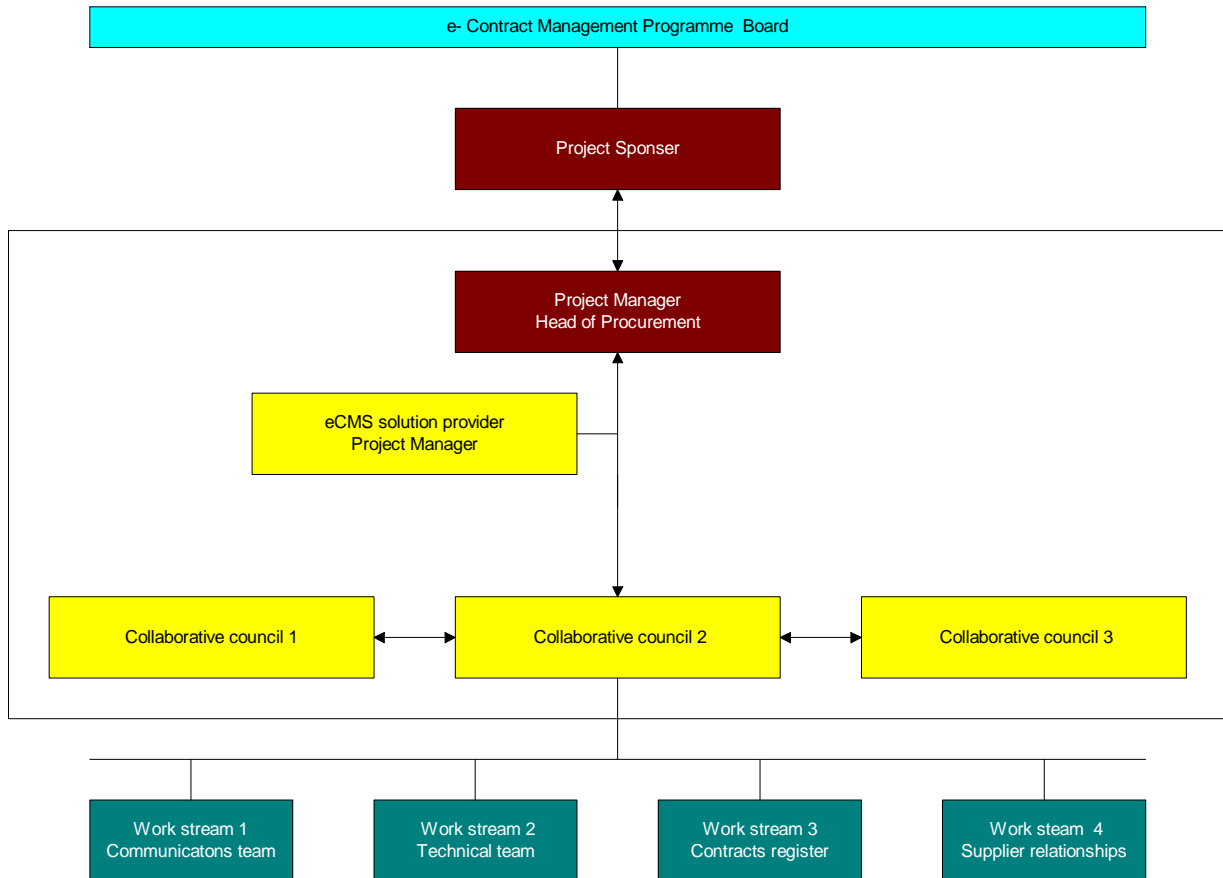
The need for such a collaborative approach is undeniable:

Government policy is clearly emphasising the need for collaboration to increase performance and reduce risk but every procurement officer knows that it is difficult to engage all of the buyers, professional or not, to work within a set of contract parameters. Most authorities struggle to acquire the full set of skills they need to manage their contracts. The regional shared solution is the only approach that offers access to these skills within the authorities' budgetary constraints and the implementation of a shared eCMS is the only practical way to enforce best practice across these highly devolved organisations.

#### Governance

The main difference between an authority introducing eCMS into its organisation and the regional group doing so across a number of authorities, is that of governance. The following diagram, which is a variation of the model implementation plan shown in 5.1, illustrates the differences.

Fig 8: Governance model for collaborative implementation of eCMS



Role	Description
Project sponsor	This is usually a senior Head of Service
Project manager	Although this will vary depending on the size of the Authority it is advisable for that person to have practical procurement expertise and therefore is normally the Head of Procurement
e-CMS solution provider support manager	It is essential that the supplier is represented on the Programme Board and this role is usually filled by their own implementation/project manager.
Collaborative councils	The individual councils need to be closely involved with the project thereby avoiding one member or small group being seen to have undue influence. Therefore a senior representatives from each of the councils are needed to ensure that the good of group not a single entity is pursued.
Workstreams	These are set to match the extent of the application implementation but must include separate streams for contract registers, supplier adoption/ relationship, technical support to include all aspects of ITC ans implementation and communications both internal and to the outside world.

### Section 6: Case Studies

As there are no examples of an eCMS fully rolled out and delivering benefits, the opportunity for truly helpful case studies is limited. The problems that have slowed down implementation and prevented authorities being further ahead, such as non-availability of contract data, are discussed in the body of the guide.

A number of case studies were suggested by suppliers but dealt only with the e-tendering aspects of eCMS, which have already been adequately covered in previous NePP guidelines.

The two case studies included in this section, NEPO and Y&HCE, are both regional projects which, together, provide a wealth of useful information and experience.

Further case studies will be published as they become available.

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#### **North East Purchasing Organisation (NEPO) launch its Regional e-Contract Management System to realise efficiency benefits from procurement collaboration on £2bn spend.**

North East local authorities spend approx £2billion annually on bought in goods and services which are procured through local and consortia contract arrangements.

Traditionally, each local authority stored the data on current and historic contract bids in various paper-based systems and simple electronic contract registers. This means that gathering information, managing the process and participation in collaborative contract bids is a time-consuming and onerous process.

The ability to realise the full potential of the opportunity to collaborate was being hindered by the lack of visibility of contract arrangements and a common means by which to manage collaborative sourcing processes efficiently and effective appraisal of supplier performance.

The need was recognised by the local authorities and North East Centre of Excellence (NECE) for a regional solution that would build on the successes of the North Eastern Purchasing Organisation (NEPO) Portal by providing a centralised contract management system to store and manage information pertaining to the contract lifecycle, streamlined workflow and a virtual environment to facilitate effective collaborative remote working.

A joint project was initiated by NEPO and NECE, led by Gateshead Council, to develop a common contract management system.

#### **The system**

A project-working group was established to map all of the steps within the contract iterative lifecycle from identification of need to the closure of the contract.

Working with Due North, a data model was developed to replicate and streamline the contract processes from which a prototype was developed. This ensured a close fit to the requirements of each authority.

The prototype was quality assured and enhanced through an iterative development cycle in full consultation with the project stakeholders.

At the end of 2006 the solution reached a point where stakeholders were confident of the value of the solution to commit to a roll-out. The system is expected to go 'live' in April 2007.

### **The Benefits**

The expected benefits are:

- Centralised web repository of documents providing visibility of collaborative projects, contract arrangements and supplier performance appraisal
- Cost savings through streamlined processes, reduced response cycle times and remote working.
- Web based repository of documents providing transparency of processes, tender evaluation and supplier performance appraisal
- Enhanced intelligence to analyse needs, plan, prepare and measure
- Streamlining and standardisation of processes delivering process efficiencies and better management and audit controls
- Automated project timeline creation and date tracking enhancing planning, control of projects.

For more information, contact: [deborahmcnulty@gateshead.gov.uk](mailto:deborahmcnulty@gateshead.gov.uk)

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### **Yorkshire and Humberside Regional Centre of Excellence implements a single platform 'shared service' e-Contract Management System across the region**

Twenty-two local government organisations in the Yorkshire and Humberside Regional Centre of Excellence have come together to roll out an integrated e-Contract Management System (eCMS), implemented as a single platform 'shared service' model, managed by the Centre of Excellence.

The solution, an enterprise level strategic procurement software application from Alito, delivers a fully integrated and comprehensive supplier, sourcing and contract management system which was developed by Alito specifically to address the need for local authorities to be able to improve supplier and contract management in order to make savings and deliver better front line services.

All the participating organisations have full autonomy and control in respect of the way they individually manage supplier, sourcing and contract activity. However, the system also gives them the ability to work collaboratively on the management of suppliers, tenders and contracts – a key driver for implementing eCMS in the region.

The project is now in its second phase, with most of the authorities actively using the e-tendering module and feeding contract information into the central data repository.

Analysis of the group's suppliers has prioritised the high value and strategic suppliers and these are now being brought on to the system.

### **The system**

Alito Procurement is a modular and fully scalable application that is e-GIF compliant and open-standards based. It is flexible and can be configured to suit the specific requirements of each authority, while offering a single platform for tendering and management of contracts.

The solution is hosted by Alito for Y&HCE and provides links into all the main financial management systems for seamless end-to-end process management.

### **The Benefits**

It is too soon to be able to track the benefits from full implementation, but Y&HCE have listed four key benefits they have already been able to identify:

- Better management of risk in the procurement process
- Reductions in direct and indirect procurement costs
- A platform of best practice is being created and rolled out across the organisation, ensuring compliance with OJEU, national and local statutory regulations.

Tony Wiltshire, Regional Director of the Yorkshire and Humber Regional Centre of Excellence says:

“It is by creating and embracing systems such as this that we will succeed in achieving true collaboration and greater levels of efficiency across the Yorkshire and Humber Region. Ultimately the result of this will be an improvement to frontline public services, thanks to greater alignment of thinking and strategy. We believe that this system will set a blueprint for the rest of the UK to work towards”.

For more information, contact: [tony.wiltshire@leeds.gov.uk](mailto:tony.wiltshire@leeds.gov.uk)

## Section 7: Acknowledgements and Contacts

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Martin Scarfe, London Borough of Newham  
Olivia Thomson, Cambridgeshire County Council  
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## Appendix A: How do I get started? Tools and reference points

This guide and the following tools are available at [www.localgov.org.uk](http://www.localgov.org.uk):

- eCMS Critical Factors Checklist
- eCMS Business Case template
- eCMS Benefits Calculator
- eCMS SOR Development Toolkit
- eCMS Implementation Roadmap

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