National e-Procurement Project
Delivering e-Procurement

A Desktop Guide to Delivering e-Procurement to Schools

Part 3: An Overarching Guide to e-Procurement to Schools

e-Procurement

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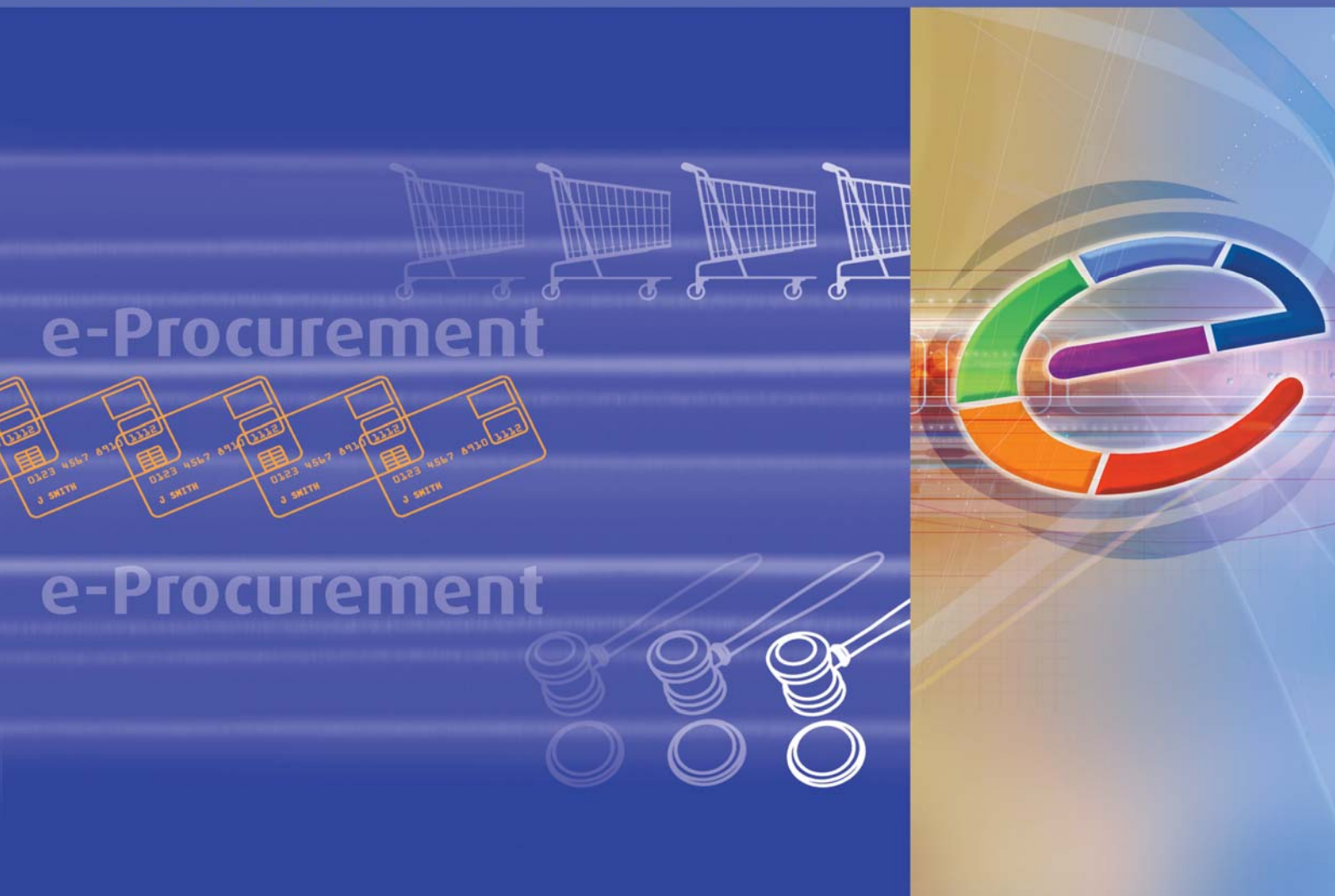
e-Procurement

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Delivering e-procurement   Local e-gov – National e-procurement Project
Overarching Guide to e-procurement for Schools

1. Introduction

Background

The National e-Procurement Project (NePP) and Centre for Procurement
Performance (CPP) are working to support and enable schools to meet their e-
Government targets and to gain the benefits available from e-procurement. As
part of this work, the NePP has developed entry-level guidance notes for use by
Schools as they work to implement e-procurement. These 'How to' guidance
notes are designed to cover the basic steps that schools need to take to
implement e-procurement. The notes can be found at
www.idea-knowledge.gov.uk/eprocurement and cover the following topics:
Part 1:A Guide to Collaboration
Part 2:Overarching Guide to e procurement for LEAs
Part 3:Overarching Guide to e procurement for Schools
Part 4:Getting the best from Purchase Cards
Part 5:A guide to Selling to Schools

Structure

The purpose of this document is to provide schools with guidance on options for
delivering e-procurement efficiencies and to highlight challenges that may be
faced in doing so.

Its content is:
• Section 2 - What is e-procurement?
• Section 3 - Why does e-procurement matter?
• Section 4 - What does the School need to consider?
• Section 5 - Frequently asked questions

2. What is e-Procurement?

- e-Procurement is a collective term for a range of technologies that can be used to automate the internal and external processes associated with strategic sourcing and purchasing: examples are e-tendering, e-auctions, e-marketplaces and purchase cards (p-cards).

- e-Auction, which is the means by which a supplier can submit quantifiable elements of a bid via the internet as part of a full tender process.

- e-Tendering, which comprises of the tasks of advertising the requirement for goods or services, registering suppliers, issuing and receiving tender documents via the internet, and automating the evaluation of responses to a tender.

- e-Marketplace, which is an internet based facility or 'hub' that enables trade between one or more purchasing organisations and a variety of suppliers.

- Purchase cards or p-cards, which work in a similar way to credit cards and can be used to purchase goods or services. Restrictions on transaction value and the type of suppliers that can be used allow p-cards to be controlled effectively and tailored to the needs of an individual or organisation

- Purchase to Pay process or systems (also known as Procure to Pay (P2P)) is the end-to-end process of raising a purchase requisition, purchase order, goods receipt and making payment to suppliers.

Purchasing goods and services is an activity that is undertaken by most members of a council during the day-to-day delivery of services. It is the process of raising purchase requisitions, creating purchase orders, receiving goods or services and paying suppliers.

3. Why does e-Procurement matter?

Schools spend thousands of pounds each year on materials and services needed to deliver education services. There is an increasing need to make best use of available resources as budget are getting tighter, but service levels must be maintained/improved.

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e-Procurement enables organisations to automate procurement activities, including sourcing, ordering and commissioning, receipting and making payments for the whole spectrum of goods and services that schools purchase. e-Procurement matters to schools because there is the ever increasing demand to make limited funds go further. By automating the procurement process, schools could save time and money.

Government targets

Sir Peter Gershon was commissioned in 2003 by central government to undertake an independent review to assess how the public sector could exploit opportunities for efficiency savings, so that resources could be released for front-line public service delivery.

Schools will be required to achieve efficiencies to free resources for delivering the curriculum; e-procurement is a tool to support this, by reducing process transaction costs and embedding good procurement practice.

From 2005/6 all schools are required to achieve efficiencies to free resources for frontline services
e-Procurement could assist in delivering these efficiencies by:

> ➢ **Reducing costs of raising an order and processing and paying the invoice.**

> ➢ **Allowing schools to take advantage of web-catalogue ordering and any discounts that are available.**

Benefits to Schools from e-procurement

Benefits can be categorised as cashable and non-cashable.

Cashable benefits result in a reduction in expenditure. For example, less money will be spent with suppliers but the volume or quality of goods or service will remain the same, or fewer staff will be required to deliver the same level of service.

Non-cashable benefits free-up staff from a task (because it is automated or eliminated) but the time saved for each staff member is not large enough to result in a reduction in the number of staff required.

There is increasing evidence that by adopting both good procurement practice
and e-procurement technologies a school will be able to release more money to
be spend on curriculum activities.

4. What does the school need to consider?

**The following are factors that will influence the level of savings that your
school can achieve**

- Do you benchmark existing contracts to ensure that they offer value for
  money?

- Do you have an integrated ordering and finance system?

- Do you have collaborative arrangements with other schools for the
  purchase of goods and services?

- Do you have many steps in your purchase processes?

- Do you regularly measure supplier performance?

- Are you able to estimate the requirement for goods and services across
  the whole school?

If the answer to these questions is "no", the benefits that a school can achieve
will be at the higher end of the range.

Research undertaken by the NePP (see www.nepp.org.uk) suggests that around
60% of the cashable and non-cashable benefits are derived from good
procurement practices and 40% from e-procurement technologies (such as e-
purchasing). It is, therefore, the combination of good procurement practice and e-
procurement technology that will deliver maximum benefits for a school.

Implementing good procurement practices across the school as a whole, such as
consolidating expenditure on particular goods or services and reducing the
number of suppliers, could deliver a significant overall cashable benefit to the
school

- It is the combination of good procurement practice and e-procurement
  technology that optimises the potential benefits. The following are
  examples of good procurement practices and how e-procurement
  supports them.

| Good procurement practice	How supported by e-procurement
Reducing the number of suppliers that the school deals with can lead to the school being able to secure a more competitive contract with a particular supplier because you are providing them with more business and process efficiencies (fewer invoices and payments).	The school can decide which suppliers are made available on their e-procurement system.
Streamlined process, removing unnecessary steps to ensure that purchasing processes are efficient and effective.	e-Procurement automates the purchasing tasks (such as raising a purchase order, matching orders to invoices) thereby reducing cost and time taken to complete the purchasing task.

There may be potential spend savings a school can expect from implementing e-procurement.

Identifying characteristics of your schools current purchasing infrastructure (processes, policies etc.) will provide additional insights into the spend savings opportunities available to your school. It will give an indication of the opportunities for process efficiencies, which are defined as a reduction in the cost of a process or the time taken to complete a process (e.g. processing a purchase order) as a result of automating it.

An example of this analysis is shown below. These characteristics depict procurement practices that offer room for improvement.

Characteristics
- Large number of suppliers used to provide goods/services.   - Minimal consolidation of expenditure across the school / departments   - The school uses limited contract management i.e. limited awareness of what contracts are in place, their renewal date and how the contract is performing   - The school does not make use of a purchase ordering system - manual orders raised outside of the purchase ordering system   - The school has no system to track and monitor procurement - to ensure that orders are placed with approved suppliers   - The school makes little use of e-procurement technologies
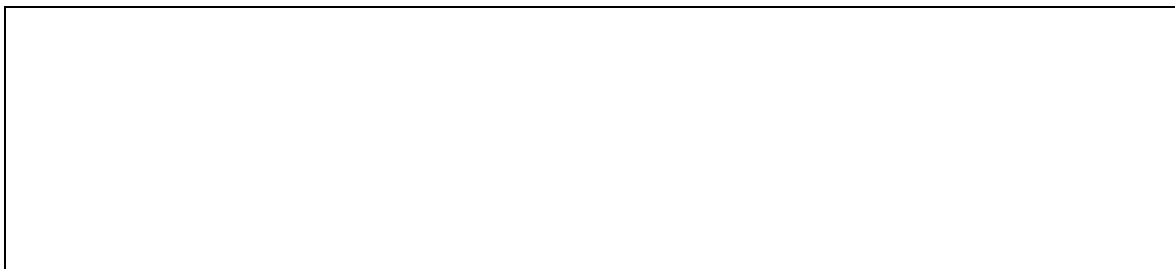
Below are some examples of the reasons you may be given for not investing in
e-procurement, alongside some responses you could use to argue for e-
procurement

Challenge	Response
How do I know that the benefits you suggest from e-procurement are achievable for this school?	Where schools have introduced e-procurement they have been able to save on transactional costs of between £10-£70 per order. By using a Government Procurement Card (GPC) or County Council Procurement card instead of a business credit card, the school will not be charged a transaction fee. Schools can also take advantage of discounts offered by suppliers on their website and not in store or via a catalogue.
"We have a purchasing process that works. Changing will be expensive and chaotic."	The school need to become more efficient and this will require investment to make sure that we change. A lot can be done to prepare for change so it won't be chaotic and a business case will be prepared to explain both the costs and the benefits.
I'm not convinced by the security and robustness of e-procurement technology"	e-Procurement technologies are successfully in use in a number of schools. It is of the highest priority for software companies to design systems that are secure and reliable and it is in their best interests to ensure that systems run smoothly and operates with a maximum level of security. Schools should also ensure that virus protection measures are in place to maintain the integrity of the e-procurement systems.
There are a lot of e-procurement systems available, how will I know that I am choosing the right technology?"	If the school writes a good specification for the system they require, it will be able to both evaluate alternative systems and understand what they are getting. This will give confidence that the schools purchasing a system closest to its needs. Remember, this isn't just about

	purchasing a system but a service partner who will be providing the school with implementation, training and other services. • Check what advice is being offered by your LEA or purchasing consortia. • See what other schools are using in your area. • Check if there are any Government sponsored options available to you.
Won't smaller suppliers be disadvantaged by e-procurement?"	Suppliers only need access to a computer and the internet to take part in e-procurement. We will work with suppliers to ensure that they understand how we wish to purchase goods and services and what they need to do. schools will still be able to use small, local suppliers.
"We can't afford e-procurement"	e-procurement forms part of many finance packages used in schools at the moment and may be in the existing functionality of the system you have in place already but are not using. Check what your finance package provider can offer.

In order to understand the impact of the e-procurement technology on the schools staffing structure, roles and skills, clear communication is required at all stages of implementation. This will enable staff to understand why the project is taking place and how the impact will be managed. Staff who are informed, trained and involved are less likely to be resistant to changes in the procurement process when they are implemented.

Understanding how the e-procurement technology will change ways of working e.g. how a supplier is selected, How orders are raised and how invoices are approved, which staff members will be responsible for each taskwill also ensure a smooth implmentation.

5.   Frequently Asked Questions

Is e-procurement compatible with supporting local suppliers, particularly SMEs?

The National Procurement Strategy actively encourages councils to work with SMEs:

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• Every LEA or Procurement team should publish a "Selling to Schools" guide on its corporate website, you can also do this yourself on your own website so that suppliers are clear about how your school intend to trade with them electronically or otherwise.

Is e-procurement compatible with EU procurement directives?

Yes - the EU procurement directives have been updated so that:

- e-Procurement technologies can be used for goods, services and works

- e-Tenders are permitted if there is sufficient security and confidentiality arrangements in place

- Following an initial evaluation, successful tenderers can be invited to participate in an e-auction.

Are there specific audit requirements for electronic trading?

Currently there are no new audit requirements for public sector organisations using e-procurement systems. Schools should continue to follow the existing fundamental principles that cover:

- An audit trail being available from all stages of the transaction process (from request through to receipt of goods / services and payment)

- The visibility of the transaction, which means, for example, that information is available regarding, who raised the transaction and who has been involves at each stage (e.g. the person who approved a purchase)

- Adequate controls and security

- The separation of duties, so that the member of staff cannot raise a purchase order, approve the purchase order and authorise an invoice for payment

- e-Procurement procedures must be aligned with guidelines for public procurement.

Electronic evidence is most at risk during its capture, whilst in storage and during transmission over networks. Risks include deliberate or accidental duplication, deletion or insertion of invalid records.

Particular areas for consideration include:

- **Evidence** - any e-procurement system must support specific procedures and provide evidence of conformity to them.

- **Control** - system controls must be implemented that are appropriate to the importance of the record, they must also protect authentication and be consistent and reliable.

- **Accountability** - individuals who make transactions must be identifiable and accountable for their actions.

What if staff are unwilling to adopt new ways of working and make use of e-procurement technology?

It is highly likely that you will encounter some resistance to the changes you are making, and this is extremely common. There are a number of steps that can be taken to ensure that the implementation is as smooth as possible and that users adopt it - practical Change Management guidance and case studies by Councils who have gone through e-procurement implementations are available at
www.idea.gov.uk/knowledge/eprocurement

What support is available to help schools when considering e-procurement?

A range of support and expertise is available to schools. Examples include:

Resource	Link
NePP website	http://www.nepp.org.uk
IDeA Knowledge – NePP pages	http://www.idea-knowledge.gov.uk/eprocurement
IDeA Knowledge home	http://www.idea-knowledge.gov.uk/
SIMAP UK – Public Procurement Information	http://simap.eu.int
CIPFA - Chartered Institute of Public Finance and Accountancy	http://www.cipfa.org.uk/
DfES Centre for Procurement Performance	http://www.dfes.gov.uk/cpp/

Term	Definition
Accounts payable	The module within a finance system that supports the processing of invoices and the payment of suppliers.
Business case	A business case is the document used to obtain management commitment and approval for investment in business change, such as e-procurement, which changes the way that suppliers are selected and goods and services are purchased. The business case provides a framework for planning and management of this change and ongoing identification of risks. The viability of the project will be judged on the contents of the business case.
Benefits realisation	The actions taken to identify where benefits should come from, assessing whether benefits are being achieved and taking steps to ensure that cashable and non-cashable benefits are acheived. Further information on benefits realisation can be found at www.idea-knowledge.gov.uk/idk/core/page.do?pageId=82701
Cashable benefits	Cashable benefits result in a reduction in expenditure. For example, less money will be spent with suppliers but the volume or quality of goods or service will remain the same, or fewer staff will be required to deliver the same level of service.
Compliance	The extent to which orders for particular goods or services are placed with approved suppliers or contracts, in accordance with EU regulations and Contract Regulations.
Contract	The legal agreement between the school and a supplier.
e-Auction	An e-auction is the means by which suppliers can submit bids as part of a best and final offer for a contract via the Internet.
e-Marketplace	This is an internet based facility that enables trade between one or more purchasing organisations and a variety of suppliers.
e-Purchasing	Automating the activities involved in purchasing goods and services from the creation of a requisition through to payment of suppliers.

Term	Definition
e-Tendering	e-Tendering comprises: • undertaking the tasks of advertising the requirement for goods or services, registering suppliers, and issuing and receiving tender documents via the internet • automating the evaluation of responses to a tender.
FTE	Full time equivalent employees. Calculated by dividing the total hours saved (for example through e-procurement) by the standard hours worked per week (eg 35 hours).
Government purchase cards	Payment card scheme (like a credit card) operated by Visa, which can by used by the whole public sector.
Non-cashable benefits	Non-cashable benefits are those that free-up staff from a task (because it is automated or eliminated) but the time saved for each staff member is not large enough to result in a reduction in the number of staff required. Other non-cashable benefits include better management information, a more robust audit trail and increased compliance with regulations.
Process efficiencies	A reduction in the cost of a process or the time taken to process (e.g. processing a purchase order) as a result of automating the process.
Procurement team	The officers responsible for leading the sourcing activities.
Purchase card (P-card)	Payment card (like a credit card), which can by used by council staff to order and pay for goods.
Purchase-to-pay process	The end-to-end process of raising a purchase requisition, purchase order, goods receipt and making payment to suppliers.
Supplier	An organisation responsible for supplying goods and services.

Further sources of e-Procurement Best Practice Guidelines

Resource	Link
NePP website	http://www.nepp.org.uk
DfES Centre for Procurement Performance	http://www.dfes.gov.uk/cpp/
NePP Diagnostic tool (NB you will need to register with IDeA to use this resource – this is free of charge)	http://www.idea-knowledge.gov.uk/idk/nepp/qnaire-selector.do
IDeA Knowledge – NePP pages	http://www.idea-knowledge.gov.uk/eprocurement
IDeA Knowledge home	http://www.idea-knowledge.gov.uk/
OGC Buying Solutions	http://www.ogcbuyingsolutions.gov.uk/
OGC website	http://www.ogc.gov.uk/
OGC e-procurement resources	http://www.ogc.gov.uk/index.asp?id=2361
SIMAP UK – Public Procurement Information	http://simap.eu.int
CIPFA - Chartered Institute of Public Finance and Accountancy	http://www.cipfa.org.uk/
National Bursars Association	http://www.nba.org.uk/aboutus.asp

The Centre for Procurement Performance (CPP) will work with budget holders within the education, skills and children and families system to exploit optimum procurement opportunities to help schools deliver better value for money; budget-holders will retain control of money saved in order to re-direct to frontline services.

www.dfes.gov.uk/cpp/

Contact Points and Information

NePP Project Board

Name	Organisation	Position
Colin Whitehouse	Office of the Deputy Prime Minister	Chair and User Advisory Group
Russell Darling	Bristol City Council	Lead on standards and Chair of User Advisory Group
Bill McNulty	Gateshead MBC	Board member
David Pointon	Portsmouth City Council	Board member
Martin Scarfe	London Borough of Newham	Board member
Olivia Thomson	Cambridgeshire County Council	Board member
Paul Howard	Office of Government Commerce	Board member
Peter Howarth	SOPO	Board member
Richard Derham	IDeA	Board member

This guide was adapted for schools by Cambridgeshire County Council (Claire Dicks)

Project Office

• Buy IT Best Practice Group (Frits Janssen, Strategic Advisor)

• Project Secretariat (charles.brooksbank@nepp.org.uk)

Further sources of e-Procurement Best Practice Guidelines

• OGC e-Procurement guidelines for the public sector - www.ogc.gov.uk

• Buy IT Best Practice Group e-Procurement guidelines - www.buyitnet.org

e-Government National Projects aim to ensure that all councils have access to key electronic services and building blocks, without having to build them from scratch. The 22 National Projects have developed products and services, by authorities, for local authorities. National Projects are the heart of local e-Government and are designed to help local councils to improve services, increase efficiency and to help create sustainable communities.

at the heart of excellent services

www. localegovnp.org.uk