Executive Summary

With government modernisation initiatives providing an ongoing catalyst for councils to deliver government services at Best Practice, in August 2003 Woking Borough Council undertook an assessment of how it was going to meet the growing list of legislative and statutory initiatives targeting procurement. In considering how to embrace these initiatives Woking Borough Council reviewed the National Procurement Strategy for Local Government and the Office of Government Commerce (OGC) Gateway Program.

This review led Woking to the conclusion that the Council needed to develop a cohesive procurement strategy on many fronts. Consequently, to underpin these efforts the Council decided to base its modernisation of procurement on a holistic approach that embraced its core business fundamentals alongside e-initiatives from OGC, e-payment cards, market place solutions from the Improvement and Development Agency (IDeA) and supply chain management solutions from TenderTrust.

In developing the fundamental building blocks for this strategy Woking embarked on a pilot of e-sourcing solutions from TenderTrust Limited.

This pilot had two goals:

1) To assess the TenderTrust application suite of software.
2) To review the Council’s current procurement processes in line with Best Practice guidelines outlined by the Office of the Deputy Prime Minister (ODPM), the Audit Commission (AC) and OGC in the Gateway Program.

Following the successful conclusion of this pilot, Woking is now fully embracing a modernisation program that promises to deliver significant business efficiencies, reducing the time to award contracts by 60%.

Today Woking is well on the way to meeting 90% of the ODPM requirements two years ahead of the National Procurement schedule.

Furthermore, this pilot has identified significant Return on Investment (ROI) through the reduction in the tender evaluation time by an average of 60%, cutting 109 man-hours from the current process. Additionally the pilot helps avert the need to re-engineer Information Technology (IT) fundamentals and Enterprise Resource Planning (ERP) platforms (e.g. financial management) simply to form a building block to deliver e-procurement.
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Change-Procurement Drivers

Government Legislation and other Statutory Initiatives
- Implementing Electronic Government (IEG) - Council submission targets for e-procurement
- Local Public Service Agreements (LPSA) target for Small and Medium Enterprises (SME) e-enablement
- National Procurement Strategy for Local Government - This sets out a three year Strategy 2004-2006, designed to realise the full potential of local government procurement
- The Taskforce has made 39 recommendations towards a National Strategy with support from:
  - Local Government Association (LGA)
  - The Office of the Deputy Prime Minister (ODPM)
  - The ODPM Strategic Partnering Taskforce (SPT)
  - The Improvement and Development Agency (IDEA)
  - The Public Private Partnerships Programme (4ps)
  - The Employers’ Organisation (EO)
  - The Local Government Task Force (LGTF)
  - The Audit Commission (AC)

Best Practice Drivers:
- OGC National Procurement Guides and Gateways Review Program
- The Audit Commission
- Best Practice changes in procurement
- Woking Borough Council Procurement Strategy

Project Scope

Based on the realisation that to meet government procurement initiatives Woking Borough Council needed to align its “business processes” and “procurement solutions”, an e-procurement pilot was initiated in August 2003.

In establishing a framework for the pilot, Council personnel worked with TenderTrust to review the internal procurement processes and to evaluate the e-sourcing software applications. Whilst the Council had previously explored e-catalogue solutions it was apparent to the Council that marketplace solutions only addressed a fraction of the Council’s procurement activities (mainly services). Furthermore, the Council had identified that to meet the National Procurement Strategy directives in regard to contract planning; risk management; value-for-money assessments; time of contract award and ongoing supply chain improvement by 2006, they needed to completely reassess their e-sourcing strategy.
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In establishing the scope of the project the Council decided to run the pilot where the traditional manual tender process was run in parallel to a fully electronic solution. Whilst time consuming, this approach allowed the Council to test the solution and identify any change management issues arising from e-enabling procurement.

Further, it was defined that this approach would provide an appropriate ROI process to enable the Council to assess the business productivity issues of e-procurement whilst benchmarking actual procurement savings.

The e-sourcing review included two products from TenderTrust: the Tender Lodgement Application and the Tender Evaluation Software (TenderMAX PRO) which incorporate contract planning, risk management, tender creation, tender evaluation and tools for best value-for-money assessment.

The procurement review benchmarked the Council’s current procurement processes. This was achieved using the TenderMAX software, which mirrors the ODPM guidelines for assessment and best value-for-money contract evaluation.

The IT platform existing in the Woking Council is a Citrix thin client deployment model. The basis of the review was a solution that fitted this environment and also allowed the process of e-lodgement (Official Journal of the European Union – OJEU notice creation), tender delivery and receipt to be fully enabled.

It was preferable that this service was delivered as a hosted service by an external provider; this removed the need for the Council to invest in any new IT infrastructure or to take on the role of a data bureau providing 24x7 resources to suppliers wanting to lodge tenders.

- The Purchasing steps defined as part of the project review included:
  - Contract planning / register
  - Risk assessment / management
  - Submission for OJEU and non-OJEU notices with digital certificates
  - Tender hosting (question management)
  - Electronic tender receipting with as a minimum, a certified Tender box service (lock-door receipting) with non repudiation audit trails for proof of tendering
  - Electronic tender creation with best practice fundamentals in: question design, weighting processes, scoring management and value-for-money assessments all with full audit trail management
  - Supplier satisfaction management and Key Performance Indicator (KPI) assessment

Specific assessments were taken on each stage of the tender process, which included Post-Production, Production, Distribution, Process Management, Tender Analysis, Benchmarking, Fulfilment and Contract Management.

Overall the review documented a process saving of 60% reflecting in the ability to trim 109 man-hours off the tender process.
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Pilot Findings
From the early inception of the e-sourcing pilot Woking Borough Council focused on measuring a number of key e-procurement drivers. This included claims by solution providers of productivity savings and assessing how a fully enabled e-procurement process would impact the Council’s existing procurement activities which are presently distributed throughout departments supported by a core centre of procurement excellence.

Business Process
As a result of the pilot the Council identified a number of business processes that could be adapted to technology. These included:
- Pre validation of suppliers
- Question design techniques
- Pre-trapping scoring rules for internal evaluators
It was highlighted that these new processes would be highly beneficial in improving the overall quality of the tender structure and question format and in turn, raising the level of probity surrounding the tender process. Most importantly, the Council identified that these shifts represented only marginal skill changes that could be easily transferred to both skilled and semi-skilled procurement staff.

Solution Gain
From a solutions perspective the Council measured the entire tender process. The key conclusion was that in each stage of tendering the “manual process” adapted readily to automation. Further, the pilot identified that the use of automated software delivered significant benefits far exceeding the National Procurement Strategy goals of reducing contract cycles by 10% by 2005, 25% by 2006. This productivity win came from a realisation that the pre-qualification process could be automated or merged with the tender, thereby allowing the tender software to draw rapid short lists in turn removing an entire stage of the tendering process.

Key Savings
The pilot identified significant time and operational improvements:
- The actual time from tender creation to lodgement fell by 61%
- The time to handle tender response receipting, data entry and data analysis dropped by a substantial 80%
- Based on the ROI the Council identified a saving of over 108 hours or a 58% reduction in time to process tenders
- Based on a labour rate of £50 per hour the electronic process was estimated to reduce costs from £13,030 down to £5,361 per average tender
- Printing, production and distribution costs of £650 were saved
- Suppliers identified the process saved them time in completing questions by as much as 25%

Key Findings
The pilot identified the opportunity to reduce tendering cycles far exceeding the National Procurement Strategy goals of reducing contract cycles by 10% by 2005 and 25% by 2006.
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The Barriers Identified
While the world of e-commerce has enveloped a global marketplace the issue of implementing simple technology steps in reality can be a minefield of unexpected issues. Within the scope of the pilot, the Council’s review team looked at both the change management issues for the Council and the barriers to the projects success from the supply chain. Generally, these issues fell into two areas:

- Pure change management – doing things differently / picking up new innovations
- Technology enablement – skills to implement

Supplier Adoption
From the supply side the review highlighted that while suppliers had a high interest and acceptance of the inevitability of e-procurement, they were not as ready to implement this process as they thought. From a process perspective (completing electronic tenders) the suppliers quickly adapted to the digital tenders with some reporting faster turn-around and better tender comprehension. However, e-trading proved to be a more demanding issue from a technology enablement standpoint. The basis of this hurdle fell on the fact that while government runs managed IT environments, the supplier community in the main is either, less IT prepared or alternatively over-prepared, to the extent that security barriers in place within some supplier IT environments delayed the process of requesting and generating private keys and digital certificates, until IT support services with administrative rights were able to access the Personal Computer (PC) and install the certificates. In most cases this was a simple step unless the operating system had not been kept up to date with Microsoft’s recommended updates.

Given that digital certificates form the only legal process for exchanging e-documents with government and within the European Community (EC), it is anticipated that these issues would need to be addressed. In the most part the Council feels planning and education is needed to motivate suppliers to enable this technology prior to exchanging documents with government bodies. Further, it is expected that the office of e-Envoy’s (www.e-envoy.gov.uk) drive to have suppliers engaging with government bodies using digital certifications will also help to dissipate these issues.

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1 Electronic Communications Act enacted in May 2000, affords digital signatures the same status as signatures in ink and ECC directive 1999/93/E
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Pilot Methodology

In developing their e-sourcing pilot, Woking Borough Council had decided to undertake a pilot that assessed both the council’s ability to meet the national procurement strategy guidelines along with a review of the technology umbrella that would be needed to underpin this modernisation.

The pilot for the e-sourcing and supplier relationship management (SRM) consisted of two products sourced from TenderTrust. This included a hosted service for the tender delivery and management, and a tender evaluation tool TenderMAX PRO. The TenderTrust service included two application layers to manage the lodgement of tenders. This system used digital certificates in line with government and European Community (EC) directives. The components included:

- Purchaser Software Module to lodge tenders
- Hosting service

The purchaser software module provided a storage library for tenders and ran an interactive application to guide users completing OJEU and non OJEU forms, the application automatically checked all the notices for invalid lodgements (incorrect or missing fields).

The hosting service handled tender delivery, the tender box services (publishing notices and receipting tenders), audit trails and tender forums for restricted mail and discussion boxes to handle tender questions from suppliers. The issues of security, access and communication performance were managed by the service provider.

For the suppliers, the Council had the option to use Web access (non supplier install) and full supplier installs which provided the highest level of site security, i.e. certificates and full encryption. Given the pilot scope, it was elected to test the highest security level to gauge the full impact on the supply chain.

In the tender evaluation, the Council used the TenderMAX software. This was installed as a thin client suitable for Citrix or Microsoft terminal services. Optionally the application can also be installed on a PC allowing for notebook deployment. A number of Government standards were also built into the methodology for compliance, these included:

- e-government interoperability framework (e-GIF) Compliance v5 and v6
- Office of the e-Envoy (Government strategy framework requirement)
- Minimum requirement for the verification of the identity of organisations
- EC - EC directive 1999/93/EC
- National Procurement Strategy for local government
- OCG gateway program

Methodology of the Pilot

A number of government enablers were also built into the methodology for compliance. These included:

- e-GIF Compliance v5 and v6
- Office of Envoy / Government strategy framework requirement
- Minimum requirement for the verification of the identity of organisation
- ECC- ECC directive 1999/93/E
- National procurement strategy for local government
- OGC Gateways Best Practice Guide
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The tender evaluation software, TenderMAX, handled the tender creation, response management, tender receipting and importing, tender evaluation and value-for-money assessment. Additional modules provided contract planning with levels of “risk assessment” or “risk treatment planning” and a contract monitoring module to run supplier performance reviews and satisfaction surveys. A catalogue component was available to run panel Catalogues however, this was not used.

On the supply side, the TenderMAX software runs a “grid computing model”\(^2\), i.e. the suppliers installed the application onto their system to complete the tender “offline”. When completed the supplier connects and TenderTrust receipts and checks the digital certificate for authentication. The response tool came in two versions, both were piloted, a HTML Tool (free) and a Secure Digital Form. The latter provided independent encryption, user authentication, multi-user responding, CD and online reception, online file spanning for large file transfers and token IDs for attachments and record management of response data.

From an operational perspective, the installation was relatively easy. The system was installed on the Citrix server and individual users were allocated IDs to track, activate and manage access rights. Users of the system were allotted different rights (graders / scorer) which allowed access at a per question level. This supported a two-envelope procedure: a scored review with hidden pricing or an open procedure: graders see all questions and price data. Both procedures are integrated with the in-built value for money assessment module in the software.

General Observations on the Pilot

In using the TenderMAX software, some procedural differences were found. First, the software drives a “question level control”, forcing the tender creator to assign a score base for each question. While different at first, the process was rapidly adopted as it almost instantly helped the creators capture a high level of question quality. The TenderMAX software also introduced some new innovations, including contract planning, identifying service level requirements (SLAs) and key performance indicators (KPIs) to build supplier relationship management strategies around. Overall, the automated process of the TenderMAX software was easy. The main issues identified were ones of change management, approaching the tender process from a question level perspective rather than a document approach. The process also highlighted the opportunity to cross-pollinate skills with other councils. From a procurement process, the software fitted very well into the Council’s current procurement culture. In that, the Council in line with best practice generates tenders and weight plans prior to release. The grading and score management was virtually effortless; users logged in, saw all the online data and attachments, read the plans and then rated their response. Statistical routines check these for inconsistencies and generate management reports against these.

\(^2\) Combines the independent power of PCs to join into a process as opposed to building large scale computer infrastructures.

It was noted that once the e-form scheme was in-place this repeated process would be reduced by as much as 80 to 90% using online templates. This in-turn opened the Council up to the prospect of sharing bid templates with other Councils.
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ROI and Pilot Review Methodology
In forming a review process for the pilot, the Council decided to run a parallel tender process. The same tender (a works contract) was generated in both paper and electronic formats.

Suppliers were asked to complete both formats and a survey was generated post tender, to review issues of implementation and operation.

Internally, the review team modelled this twin process, a manual score regime was applied and then a software based score process was repeated after a time break (for quality control). The results of this process were then reviewed in a range of qualitative and quantitative assessments for change management issues and ROI savings.

A ROI model was also developed to manage the quantity assessment. The ROI tracked the hours to complete the tender across a 7-step program.

The same tasks were run manually and repeated using the TenderMAX software to gauge productivity savings. An internal labour rate was used to determine “productivity cost saving” alongside labour hours saved. The review process did not include an analysis on spend savings comparing one process with the other.

Strategic Sourcing
In the strategic sourcing module, the TenderMAX software offered contract management registers for storing contracts, contract review dates and spend commitments. This software also handled risk management as an assessment and / or treatment plan.

No performance benchmark was run on this process, as there was no existing internal comparable process. The process is however, to be taken up to meet ODPM directives that require this to be in place by 2006.
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Production – Specification Creation
In the production phase, the ROI review looked at the issues of specification writing, question design, price modelling for bids, question scoring, weighting design, tender printing and tender compilation.

The software based evaluation imposed a different approach to the current manual procedures with question design becoming marginally slower which in-turn was offset by the quality gains.

The supporting documents were easily clipped into the E-form that created the tender shell. The manual process for this was gauged to be 54 hours. The TenderMAX software was benchmarked for the same task, 76% faster than the current procedure. It was also noted that once the tender was formed into an electronic template the ability to reuse this would add even further time saving. (This was not used in the saving calculation.)

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<th>Current hours for production:</th>
<th>54 hours average</th>
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<td>Benchmark time saved:</td>
<td>76 %</td>
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Distribution
In the Distribution stage, the evaluation considered the tender submission to OJEU and the tender management process. This included the OJEU form creation, the notice lodgement to OJEU and the internal tender production cycle of printing and collating tenders. Production costs (printing and binding) were excluded although noted to be very high for some large tenders. With the need to print and bind the tender documents entirely removed, the TenderTrust submission was quicker than the manual strategy.

The TenderMAX software generated an E-form which was attached to the TenderTrust OJEU notice. Suppliers connected to the TenderTrust system and receipted the tender notice and the associated electronic tender. The manual time for this process was estimated to be 4.4 hours. The time saving on this step was estimated to be 61%.

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<th>Current hours for production:</th>
<th>4.4 hours average</th>
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<tr>
<td>Benchmark time saved:</td>
<td>61 %</td>
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Case Study in Procurement

Process Management
For this phase of the e-sourcing cycle, the task of supporting tenders in the field was considered. This included handling questions by suppliers and sending the responses to all suppliers where relevant, publishing addendums, and collecting supplier responses in the tender box.

The TenderTrust service automated this task, and offered an online question forum (none were receipted based on a pre-briefing of the process). The TenderBox provided automatic collection of the responses and delivery to the purchaser only after the tender close date/time has passed. The manual time for this was estimated at 15 hours, the automated procedures reduced this by 35%.

Analysis of Tender Bids
In the analysis review, the ROI benchmark looked at all the tasks of data entry, data coding for scores, price reviews for bids, total cost of ownership, data modelling, question scoring, presentation of data internally and question auditing.

In this phase of the process the automated capacities of the TenderMAX PRO application totally reset expectations. Firstly, the system automatically scored the choice, scorecards and open numeric data, virtually halving the questions to be reviewed. This data was automatically scaled and required no user intervention. The open question system handled scoring in a menu approach, users logged onto software, selected the tender, read the score guides and then scored the supplier response. The process almost totally removed the post-tender debate allowing precise scoring and even more precise score assessment cross-checking.

One of the most interesting issues noted using the software rather than the manual process was the fact that the current manual review process had the Council reviewing the suppliers twice, once for the pre-qualification process and again for the short list tender.

The TenderMAX software immediately showed its ability to merge these two functions, alternatively it allowed for the pre-qualification questionnaire to be almost fully automated. These benefits were not applied to the direct process saving but do highlight even more potential than initially reviewed. The current review time for a service contract including pre-qualification was benchmarked at 109 man-hours (4 man review team). The overall time saved using the application was a massive 80% over the current manual approach.
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Benchmarking
The benchmarking process is an in-built function of the TenderMAX software and allows the analysts to review the tender to compare the results of the bidders against an incumbent and / or target goal. A target goal is a process where a review team sets a benchmark for each tender category and then runs the tender process against this.

The gap analysis from this identifies areas of the tender that are not performing to expectations or areas that meet expectations but carry high price premiums against market trends. With no existing incumbent supplier to match against, the benchmark review was not instigated. A manual benchmarking process was estimated at 5 hours with a 50% reduction with the adoption of the TenderTrust solution.

Contract Fulfilment
In the fulfilment cycle the benchmark looked at the process of creating a tender contract. This process looked at the contract production stage, catalogue management (not reviewed) and supplier debriefings.

The process also considered the creation of the SLA service level agreement and KPI and contract terms and conditions.

As contractual terms and conditions (including service levels) are included in the e-tender, software automation considerably assists the drafting of the final contract document, removing a time-consuming manual process. For supplier debriefs and internal management reporting, the TenderMAX software provided an array of charts and reports that allowed easy data comparisons. The estimated time saving for this phase was a 50% reduction.

Contract Management
Included in this phase of the e-sourcing cycle are supply chain disciplines for KPI planning, price monitoring, catalogue content management, performance monitoring and supplier briefings. Although the software tools supporting these activities were not evaluated, Woking had no existing process against which to benchmark. The saving is estimated based on the time to generate what is already enabled in the software.
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The ROI – Return on Investment

Based on a simple return on investment model, the automated e-tendering process was found to deliver impressive productivity savings.

The activities for the current manual process took approximately 256 man-hours (7.2 weeks). The same activities executed employing the TenderTrust / TenderMAX e-tendering solution delivered a minimum saving of over 108 hours or a 58% reduction in time.

Based on a flat labour rate of £50.00 per hour, the e-tendering process was estimated to reduce costs from £13,030 down to £5,361 for the pilot tender.

Across each stage of the pilot tender, the Council noted significant time savings and operational improvements; the actual time from tender creation to submission was reduced by an average 50%, and the time to manage tender responses (receipting, data entry and data analysis) was reduced by an average of 60% with analysis time dropping by a massive 80%.

In addition printing, production and distribution costs of hardcopy documentation was avoided, saving in the region of £650, as well as making a significant contribution to the Council’s sustainability objectives.

E-sourcing taps immediate ROI and opens the door to an inflow of Best Practice benefits including: risk management, contract planning, supply chain surveys, benchmarking and KPI assessment programs for suppliers.

Through the automation process we estimated a minimum saving of over 108 hours – a 58% reduction in time.

The actual time from tender creation to submission was reduced by an average 50%, and the time to manage tender responses (receipting, data entry and data analysis) was reduced by an average of 60% with analysis time dropping by a massive 80%.
E-sourcing Success lays the Ground for Full-Enablement

Following the successful conclusion of the e-sourcing pilot Woking Council has been able to complete its road map for its ongoing procurement modernisation. The knowledge gained from the e-sourcing pilot has contributed to underpinning the current procurement initiatives in marketplace Catalogues from IDEA, plans for purchase cards and enhancements to handle goods receipting in the internal financial system.

Overall, the milestone gained from the e-pilot has been the realization that the focus on e-sourcing principles has led to the development of a procurement modernisation program that will enable the Council to migrate all of its goods, works and services purchases to best practice. Further, these programs, based on sound procurement principles that invest in people and technology, are expected to become a contributing factor to assisting the Council to meet its government objectives in modernisation, cross-council sharing and social obligations.
Case Study in Procurement

Citations
1) The procurement project was managed by David Johnson; leading procurement at Woking Borough Council.
2) The corporate objectives and modernisation program architecture was developed in principle by the Executive Committee at Woking Borough Council. Executive Director – Ray Morgan is champion for procurement modernisation at the Council.
3) Desktop publishing was provided by Woking Borough Council.
4) Pilot Infrastructure support and implementation was provided by the IT Services group at Woking Borough Council.

Technology Partners
The E-procurement solution partners for modernisation include:
1) DecisionMAX Software – TenderMAX Pro
2) CompuCares – providing the TenderMAX tender evaluation software and services
3) IDEA – Marketplace solutions

Government References
1) OPDM National Procurement Strategy
2) Local Government Association (LGA)
3) The Office of the Deputy Prime Minister (ODPM)
4) The ODPM Strategic Partnering Taskforce (SPT)
5) The Improvement and Development Agency (Idea)
6) The Public Private Partnerships Programme (4ps)
7) The Local Government Task Force (LGTF)
8) The Audit Commission (AC)
9) Office of e-Envoy and e-GIF
10) OGC Gateways Program

An Australian company, DecisionMAX Software is a global provider of innovative e-Procurement solutions. Developed by procurement specialists for procurement professionals our comprehensive software offers low-cost entry level enterprise-wide solutions across all areas of purchasing for organisations of any size.

DecisionMAX Software’s solutions are modular in design providing a logical process to migrate from costly, labour and resource intensive processes to fully automated e-Procurement.

For more information, please visit our website at www.decisionmax.com.au

CompuCares Limited is Woking Council’s implementation partner for this technology. Together they are working to deliver this software within the scope of a 3 year procurement modernisation programme.

CompuCares specialises in the provision of strategic e-procurement solutions and services to public and private sector clients. In the public sector our solutions are already being used to meet or exceed government targets and best practice standards. In turn this provides spend and process savings that can be used to deliver a better quality of service to your citizens or organisation. To receive further information relating to CompuCares procurement solutions please visit our website at www.compucares.com