



PROCUREMENT

## e-Procurement Collaborative Project

### Summary

Nottingham City Council and Nottinghamshire County Council have been sharing their knowledge and experience in developing electronic procurement with their local partners, including Ashfield, Mansfield and Newark and Sherwood District Councils as part of the Nottinghamshire Procurement Forum.

Nottingham City Council is also leading on the Nottinghamshire e-Auctions project, a collaborative initiative set up to pilot the use of reverse auctions for this group. The first auction event was organised in March 2004, to source a supply of paper.

The partnership's joint achievements in the field of procurement were recognised by the ODPM, which awarded the partnership the option to host a Regional Centre of Excellence for the East Midlands.

### Quote

***“Nottingham City Council has reached a relatively advanced stage of modernisation of its procurement practices. To date it has implemented the J.D. Edwards e-procurement module and purchasing cards have been the driving force behind much of the collaborative working on procurement in Nottinghamshire.”***

Improvement through efficiency



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## How the collaboration came about

Since Nottingham City Council became a unitary authority in 1997 it has sought to share experiences and develop procurement initiatives with other councils and public sector bodies. In particular it focused on collaboration with the County Council and the District Councils. In the early stages, the collaboration mainly involved sharing Nottingham City's contracts with the district councils. More recently, Nottingham City has focused on formalising collaborative working as part of the Nottinghamshire Procurement Forum, a body designed to share information, procurement best practice and options for delivering financial savings.

The collaboration between Nottingham City and Nottinghamshire County Council has steadily evolved, with more frequent collaboration on a number of initiatives from IT to procurement.

### Examples of collaboration:

- The City shared its knowledge and experience from implementing purchase cards with the County
- The County Council is leading the Nottinghamshire Procurement Forum in tendering for an e-Procurement solution for all 9 councils in Nottinghamshire
- The two authorities brought together their respective contracts in a move towards joint procurement
- The City Council approached the County to collaborate on a joint tender exercise for the procurement of paper using a reverse e-Auction pilot.

### Collaborating on reverse e-Auction

Nottingham City and Nottinghamshire County Council decided to pilot a reverse e-Auction to explore the benefits of utilising technology to support joint procurement. The partners settled on a paper contract for the pilot and put forward the proposal to all Nottinghamshire councils.

The reverse auction pilot was seen as the first step in establishing a county wide Procurement Group, where joint procurement would become more widespread and where councils in the region would benefit from improved and standardised processes, economies of scale and reduced contract prices through leverage of spend.

Three of the district councils at the Procurement Forum were in favour of the idea and joined the County and City Councils for the reverse auction pilot.

- Nottingham City Council
- Nottinghamshire County Council
- Ashfield District Council
- Mansfield District Council
- Newark & Sherwood District Council.

### Drivers and objectives

**The main drivers for using the reverse e-Auction solution on a collaborative basis were:**

- Consolidation of demand
- Achieving market prices.

The pilot reverse e-Auction aimed to procure a wide variety of paper for the five Councils.

**The pilot exercise sought to:**

- Establish ground rules for collaboration
- Develop criteria for the selection of appropriate goods and services
- Identify the best contractual business model for reverse e-Auctions by local authorities.

### Selecting a reverse e-Auction vendor

**The partners sourced an appropriate reverse e-Auction provider by following these steps:**

- The city approached the OGC special interest group on reverse e-Auctions to help design a draft specification of requirements
- The specification of requirements were issued in a tender to approximately a dozen potential reverse auction suppliers
- Six suppliers responded to a request for proposals to provide reverse e-Auction support.

BiP was selected for the e-Auction pilot following successful completion of the tender process.

## Running the e-Auction

The reverse e-Auction event was part of a larger tender exercise, advertised through the OJEU inviting bids for supply of paper. The tender indicated that bidders might be subject to a reverse e-Auction.

Bids were received and the outcome highlighted the contract prices arising from a standard tendering process. These prices were used as a benchmark for the reverse e-Auction and provided the partners with an objective evaluation of the benefits and savings attributable to the use of the reverse e-Auction.

On the day of the auction, four paper suppliers took part in the event. The auction was run over the internet with the suppliers placing bids from the comfort of their own offices where they had access to the necessary information and people to make bidding decisions.

BiP organised a special showcase event with representatives of a number of other local authorities from the Nottinghamshire region viewing the progress of the bidding on a large screen.

## Savings achieved

The overall process resulted in substantial savings compared to previous contract prices. Some of these savings were attributable to the e-Auction technology, however, most of the savings were attributable to the councils' ability to leverage their joint spend to negotiate a better deal, rather than negotiating individually.

The joint and therefore more valuable contract produced savings averaging 13% for both types of paper. The efficiencies introduced by using the reverse e-Auction technology were estimated to be 5.65%. The overall saving from the pilot exercise was 18.65%.

## Encouraging participation from smaller authorities

Nottingham City and Nottinghamshire County Councils had limited initial success in involving the seven other councils in the county in their procurement initiatives. While four of the districts involved in the Nottinghamshire Forum did participate in the reverse e-Auction pilot, on the whole it has been recognised that the other districts lack the necessary resources to commit to joint working and that they may need some more support from the leading authorities.

All of the partners recognised the benefits to be gained from enlarging the collaboration base to work on procurement and e-Procurement, particularly for smaller councils who have limited time, resources, skills and budgets.

The majority of the realised savings were achieved through the consolidation of demand from the five authorities taking part in the exercise, rather than from the use of the technology itself. This is good evidence to support a business case for joint contracting between the Nottinghamshire councils. Despite this, recent experience in Nottinghamshire has been that small councils do not fully participate in collaborating on procurement and 90% of the joint purchases have been between the City and Council councils.

There are a number of possible reasons for the limited success in attracting the smaller district councils to the collaboration:

- Fear of domination by the larger County and City authorities
- Perception that smaller councils' needs will not be considered
- Lack of senior sponsorship in the smaller councils to drive procurement improvement as a key priority
- Smaller councils not having the budget for a dedicated procurement.

It is important that all councils in the region work to overcome the above barriers and begin to find ways to collaborate on procurement exercises.

There are now significant external pressures from central government for councils to work together to improve procurement practice and save money. For the smaller councils, to work with the larger councils in the region, and to become involved with the Regional Centres of Excellence, should be the easiest, most economical and painless way for smaller authorities to achieve the efficiency targets set by central government.

## Future plans for collaboration

The pilot e-Auction has been recognised as successfully demonstrating the benefits of the technology and joint procurement. It is hoped that the success of the pilot event will help to encourage further participation in joint procurement across the region.

Other commodities are now being examined for suitability for further events, future plans for collaboration include:

- Establish the level of interest and total demand for these goods and services
- Schedule existing contract completions for the selected goods and services
- Assess the products of OGC recommended solution providers of reverse e-Auction

- Select an appropriate reverse e-Auction solution provider
- Agree a schedule of reverse e-Auctions
- Consider the scalability of the reverse e-Auctions in light of the creation of the Regional Centre of Excellence.

There is no current requirement for a critical mass of council involvement to make reverse e-Auctions a success. However, it is clear that increased involvement equals better economies of scale, this also reduces the total cost of the reverse e-Auction technology and preparation cost for each reverse e-Auction event. Therefore the more councils that are involved the better for all.

The schedule of reverse auctions will be planned for the next two years and councils in the region may join a contract at the outset, or choose to opt into a contract at a later date. Either way authorities will be able to take advantage of the prices by the e-Auction.

#### **What have Nottinghamshire councils learned about collaborative working on e-Procurement?**

- Joint procurement can bring significant savings
- Small local authorities need more than just an invitation to collaborate. Larger councils must work to make it easier for smaller councils to join in and reap the benefits.

The collaborative e-Auction project has developed under the remit of the East Midlands Centre of Excellence (EMCE) who are working in partnership with the Eastern Shires Purchasing Organisation (ESPO) and ARIBA (the chosen e-Auction software supplier).

The new e-Auction partnership is working extremely well and the EMCE has enlarged the original Nottinghamshire partnership to include Councils from across the East Midlands region, 46 Councils in total.

The EMCE delivered an initial programme of auctions in April 2006, the first two e-Auctions for wheeled bins and computer consumables delivered approximately £4.6 million in savings, with potential for significantly higher savings if the contracts are adopted nationally.

It is anticipated that e-Auctions will become embedded as a routine procurement business tool, forming part of all local authorities procurement practice. Significant challenges still exist in building capacity and increasing the use of e-auctions as a “business as usual” activity within each of the 46 Councils in the region. This is being addressed through promotion of case studies and regional workshops.

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