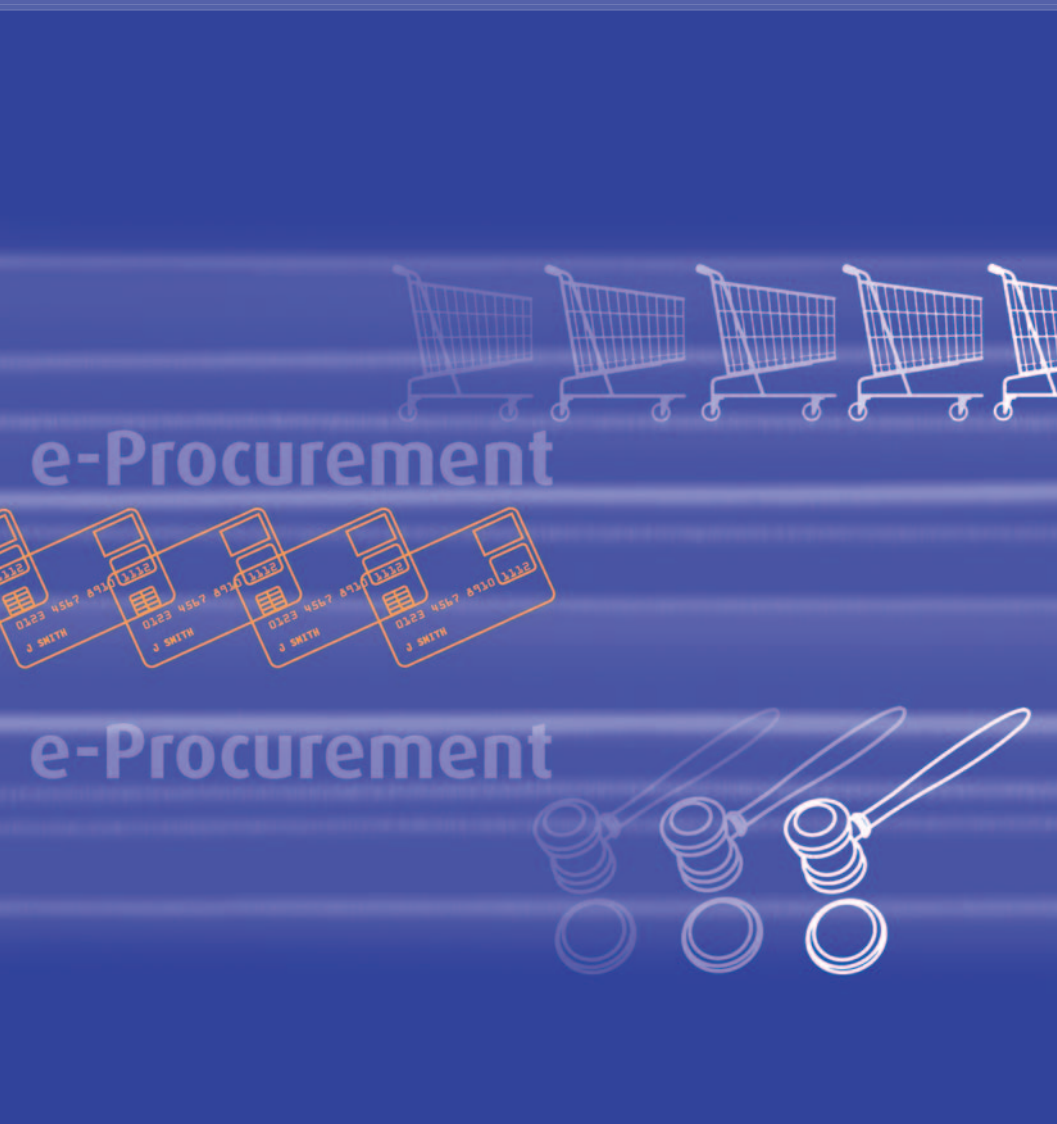




National e-Procurement Project

Survey of e-Procurement Supplier Adoption in the English Local Authority Sector

April 2006



Foreword



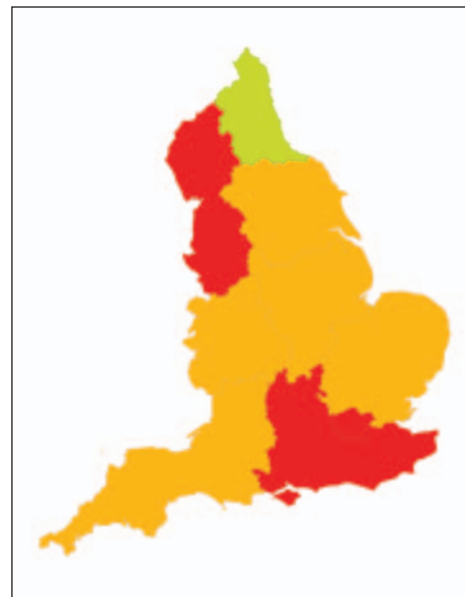
This survey was carried out to assess the progress being made by English local authorities in addressing supplier adoption issues. 82% of the 149 non-Districts (Counties, Metropolitans and Unitaries) participated, giving an accurate picture of the status of the sector.

I hope that this will provide a useful basis for us all to accelerate the pace of change in this important aspect of e-Procurement.

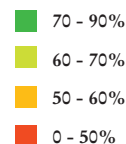
Martin Scarfe, National e-Procurement Project

Summary Results

- Compliance to the supplier adoption requirements of the National Procurement Strategy averages at 71% across the country.
- 52% of authorities say they are meeting the requirements of the PSO 'Excellence' target for e-procurement but 25% have no plans to do so and the Procurement Managers in many of these authorities did not even know what PSO targets were!
- 42% of authorities are using the data from a well-informed supplier analysis to develop collaborative work on contracts and risk assessment of their local SME suppliers.
- 28% have achieved some level of interaction with suppliers via a web-based supplier portal.
- Leading the way overall are North East (63%). Five other regions scored between 58% and 54%: East, East & West Midlands, South West and Yorks & The Humber. In the last group are London (49%), South East (46%) and North West (42%).
- The role of Regional Centres is emerging as key to progress being made, even for these larger authorities.
- There is some concern about the Concordat for SMEs and voluntary organisations.
- Recent OGC guidance on the use of local suppliers has caused confusion – this needs to be resolved urgently.



The North East leads the way in supplier adoption



What the survey covered:

The National Procurement Strategy requires councils by March 2006 to have addressed local economic sustainability and equality issues, linked their procurement strategy to the wider objectives published in their community plan and to be involving the voluntary sector.

The Priority Services Outcomes "Excellent" e-government outcome for e-procurement also includes a target related to local suppliers, which is, by March 2006, to have included Small and Medium Enterprises (SMEs) in the council's e-procurement programme, in order to promote the advantages of e-procurement to local suppliers and retain economic development benefits within their local community.

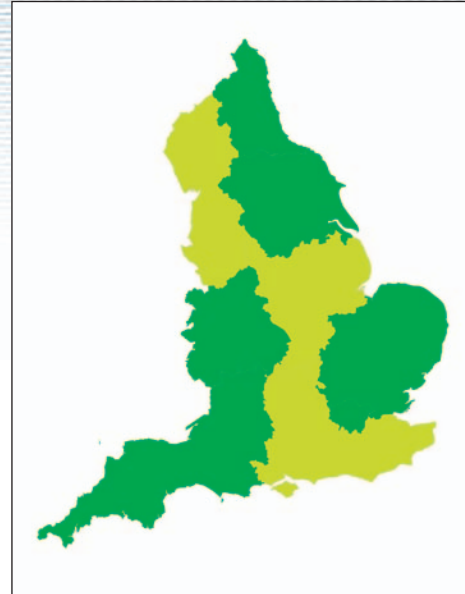
Supplier Analysis has been identified as one of the key first steps in improving an authority's procurement performance. Best practice is for a group of authorities to use an external analytics service provider to obtain a full analysis, including the identification of common suppliers and opportunities for reduction of risk to local SMEs.

Supplier Portals are being planned or implemented by most authorities but there is little agreement on what a Supplier Portal should do, for the buying organisation and for its suppliers.



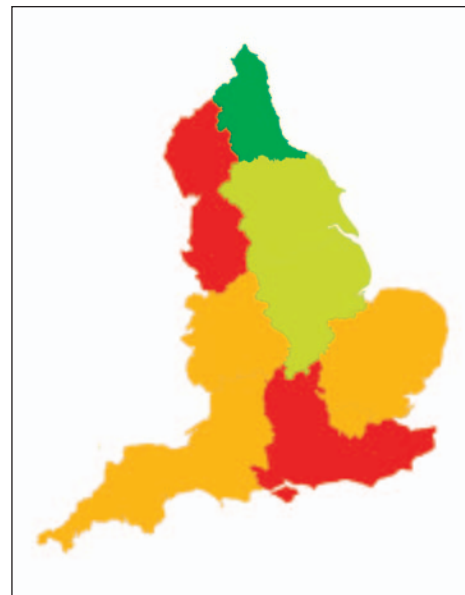
Compliance to National Procurement Strategy

- Overall, compliance to NPS was high (71%), but included in this are a number of specific requirements where there was considerable variation.
- 91% of councils have published a Selling to the Council guide and 76% have linked their procurement strategy to their community plan objectives.
- 87% actively encourage diversity and competition and 86% have addressed equality issues in their strategies.
- 74% have built sustainability (including economic sustainability) into their strategies but only 40% have published the Concordat for SMEs and voluntary organisations as many authorities have some issues with this.
- 54% encourage the use of local suppliers where appropriate but several authorities cited OGC's recent guidance as precluding this – an issue that needs dealing with urgently.
- There was some variation between regions: Yorkshire & The Humber, East and North East were ahead of other regions in meeting all the NPS requirements (86-83%), South West, London and West Midlands followed with 76-73%. South East, East Midlands and North West trailed with 64-63%.
- Of the 27% of authorities not achieving the NPS targets, 21% are in the process of implementing improvements or planning to do so – only 6% have no plans in place.



Achievement of PSO “Excellent” target

- Overall, 77% of councils surveyed said they were attempting to achieve the PSO ‘Excellence’ target.
- 70% were using a wide range of publications to advertise their opportunities.
- However only 41% set out their approach to supplier adoption in their procurement strategy documentation.
- Even fewer (22%) differentiate between local, regional and national suppliers in their strategies.
- North East Region was ahead with 75%, followed by East Midlands, Yorks & The Humber and West Midlands (68-60%). South West, East and London scored 58-52%. South East and North West trailed with 45-38%.
- Of the 48% of authorities that were not hitting the PSO targets, 18% were aspiring to do so and were implementing changes or had plans in place.
- However 25% have no plans to do so and the Procurement Managers in many of these authorities did not even know what PSO targets were!



Methodology: Procurement Managers were contacted by telephone and their responses assessed according to a 1-4 status measure used in NePP and other National Project surveys:

1 = Target met in full (ie impact can be demonstrated, with published documents, web pages etc)

2 = Target being met (ie in place but not yet being widely used)

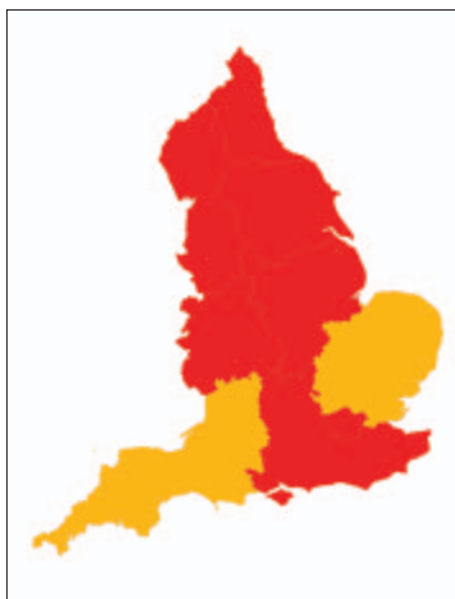
3 = Target not yet met (ie planned or being implemented)

4 = Target will not be met (ie no plans)

In addition, comments and more detailed input were recorded and analysed.

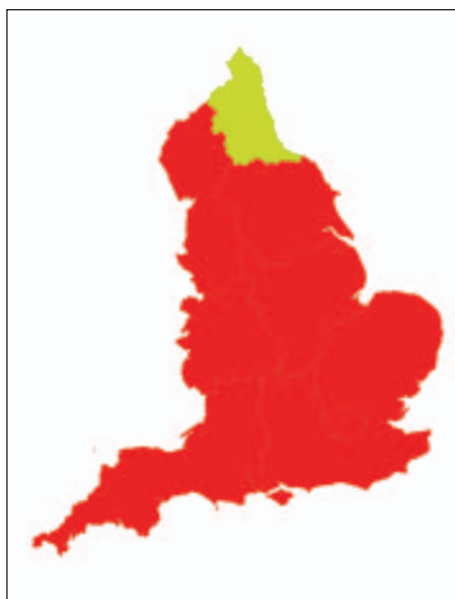
Supplier Analysis

- 81% of councils have carried out a supplier and spend analysis, of which 57% used an external service that included published data to enable risk assessment of local SME suppliers.
- However only 30% have so far used this data to inform their approach to SME suppliers and even fewer (22%) have developed strategies to limit over-dependency among their SME suppliers, so much of the work has still to be done to translate the data into action.
- The Regional Centres are beginning to make an impact, with 39% of councils reporting that they carried out their analysis as part of a group, but to date progress with using the analysis to develop shared contracts is slow (25%).
- Two regions lead the rest: East (57%) and South West (56%). All the others scored below 50%, with North East (33%) and North West (34%) taking up the rear.
- Of the 58% of authorities that were not following the best practice of the rest, 29% had plans to do so.
- This leaves 29% of authorities, almost all of whom had carried out some analysis but were not using a standard approach that could be shared with neighbouring authorities.



Supplier Portal

- The definition of supplier portal varied across authorities and this is reflected in the results.
- 42% claimed to have a portal but 51% were publishing their tender opportunities online - one key feature of a supplier portal.
- 35% had self-registration facilities and 23% also enabled pre-qualification but the full tender alert facility was only available in 14% of authorities.
- Publication of prime contractor details (18%) was controversial with some authorities who fear this visibility will lead to higher prices (due to the supplier handling more enquiries from SMEs and competition from other potential purchasers)
- An integrated portal linked to the authority's e-procurement solution and PO process was claimed by 13% of councils, often as part of an ERP upgrade, but research suggests that most of these are still in development.
- Not surprisingly, with NEPO an established supplier hub for the North East authorities, the North East leads the pack with 62% and none of the others are anywhere close behind. (However non-publication of North East's prime contractor details is a glaring gap in its performance.)
- South East, London and Yorkshire & The Humber come in last with 27 - 26%.
- Of those authorities that did not have a supplier portal, 34% were in the process of implementing something or had plans to do so, mainly waiting for regional initiatives to come through. However 30% had no plans other than to publish tender information on their websites.



The full report is available at www.nepp.org.uk