Strategic Sourcing
Transforming Procurement in Local Government
Strategic Sourcing: Value through joined-up purchasing

BT is working with local authorities to cut the cost of procurement by taking a strategic approach to purchasing. Strategic Sourcing solutions, including supporting technology such as eProcurement, offers clients real bottom line opportunities to substantially drive down the cost of bought in goods and services. As such, Strategic Sourcing sits at the very heart of the current drive for “Delivering Efficiency in Local Services”.

Do you need to drive down the cost of purchasing?

A local authority typically spends around 30% of its budget on the procurement of bought in goods, services and works. But these are just the up front costs, in addition the National Audit Office estimates that the processing costs for each purchase order can range from £25 to £100.

Strategic Sourcing is about:

- Targeting and driving down these two massive areas of expenditure.
- Achieving excellence in procurement, underpinned by common processes and systems.
- Freeing up resources to support vital services on the front line.

Making better use of the resources you have as opposed to cutting services.

Precisely the sentiments of the current drive for Effectiveness and Efficiency in Local Government.

Typically, cashable and sustainable savings of 4 to 6% are achievable but only through adopting a programme of Strategic Sourcing can the full potential be realised.

BT’s approach is geared to turning that potential into reality and it is something that we are already achieving in Local Government.

Fig 1. Scope of Purchasing
BT’s Strategic Sourcing solutions can help your authority realise significant savings, releasing funds for improved service delivery through:

- Driving down the cost of goods and services by strategically rationalising the supplier base and renegotiating contracts.
- Increasing buying power to secure keener contract prices.
- Improving operational efficiency through the automation of complex, manual, paper-based processes.
- Generating accurate and timely management information enabling procurement policy and supplier performance to be proactively managed.

BT’s procurement and supply chain management professionals offer a carefully managed and phased approach to Strategic Sourcing focused on agreed outcomes and return on investment models, which aim to:

- Maximise the business benefits and resources to be released.
- Minimise the risk to the council.
- Deliver “Quick Wins” to assist in meeting immediate Annual Efficiency Statement and eGovernment targets.


How Strategic Sourcing works

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BT’s Experience

BT’s own experience of tackling the issue of purchasing costs has allowed us to develop clear strategies for managing the transformation of procurement processes and they include:

- **Strategic Sourcing** – to define the optimal configuration, investment and focus of your procurement function, highlighting through the process any immediate contract negotiation opportunities or other quick wins to justify your endeavours. Our degree of involvement can range from that of facilitator and advisor to the delivery and running of your procurement function. Our approach remains business benefits centric, we see eProcurement as a means of freeing up the time of and providing information to the procurement professionals to focus on Strategic Sourcing activity.

At BT, our experience in implementing and managing eProcurement solutions allows us to support our clients in their transition to an online procurement environment. Our approach is to start small and simple, demonstrating success before moving on to larger-scale implementations. We work closely with our clients to ensure that the technology is tailored to meet their specific needs, minimizing risk and maximizing benefits.

- **Phased planning** – review and reassessment of the plan as conditions change and the solution evolves.

- **Benefits management** – continual measurement of progress against objectives and capture of planned benefits before moving to the next stage of implementation and investment.

- **eEnablement evolution** – Supporting technology such as eProcurement should be planned large-scale, but start simple and small to demonstrate success. BT has extensive experience in implementing a range of different platforms and systems, together with assisting our customers in managing that change.

A flexible approach to solution modelling – we recognise that whilst there are many similarities, each local authority will have its own unique set of circumstances, e.g. level of professional procurement capability, financial systems and use of marketplaces.

Our approach enables us to offer either a full range of services or specific elements to complement in-house expertise and functionality. Equally, we are able to offer a variety of commercial models to suit your particular requirements, including shared risk and reward.
Benefits of BT Strategic Sourcing solutions

The main benefits of adopting a strategic approach to procurement and the purchase to pay process are:

- **Driving down the costs of goods and services** through rationalising and renegotiating contracts.
- **Securing savings for the long term** through the use of supporting technology such as eProcurement.

This will release additional funds that can be used to enhance your front line services. There are other benefits too:

- **Tighter control of spend** – full control over the internal approval process ensuring only approved suppliers are used; centralised data showing who’s spending what.
- **Pricing benefits** – ease of obtaining the best price possible from a number of suppliers; achieving economies of scale by concentrating spending with approved suppliers.
- **Time benefits** – faster processes for purchasing; centralised data allows mistakes and discrepancies to be more easily spotted; electronic payment of invoices.
- **Resource savings** – automation of processes means it is possible to operate with fewer administration staff, freeing them up to be deployed more effectively.
- **Greater control** – provides high quality detailed management information; visibility of user activity.
- **Compliance** – potentially the easiest first step in an eBusiness strategy; more goods and services procured from approved suppliers.

![Diagram of Strategic Sourcing solutions]

**Strategic** – We assess top down, defining the best practice purchasing function and infrastructure, supporting you to operate it.

**Operational** – Help allocate spend into Categories (the strategic e.g. Construction) and Commodities (the routine e.g. Office Supplies) helping you determine how best to manage those spend groups, utilising our benchmarking information to identify the scale of the opportunity. This could be conducted on an advisory basis or we could manage one or more of your commodities on your behalf.

**Executional** – We help you explore a portfolio of procurement applications in eProcurement, eMarketplaces, eAuctions and eTendering. Offering either a one-off purchase or to be implemented and rented as a hosted managed service.
Why BT?

BT manages a spend of £5.7bn per annum, second only in the UK to central government. BT was also one of the first in the UK to implement eProcurement on a company-wide basis and now over 95% of the purchase-to-pay process within BT is conducted electronically. BT offers support in a broad range of areas, including:

- Supply chain and strategic procurement consulting.
- Category and Commodity management of your spend.
- Benefits driven eEnablement of the purchase to pay cycle.
- This is all underpinned from the leverage of BT’s own procurement function.
- BT gives you access to innovative solutions and proven capabilities which will deliver your Strategic Sourcing vision.

BT’s Credentials

- Delivering millions of pounds in cashable savings for Local Government.
- Currently supporting ten English Local Authorities in some or all aspects of Strategic Sourcing.
- At the forefront of the latest Category Management thinking and techniques.
- Experienced in implementing a range of eProcurement systems and platforms together with other supporting technologies.
- One of the largest UK management consulting companies, Accenture, positioned BT second out of 22 blue chip companies in benchmarking study in December 2004, quoting ‘... key strengths in the areas of strategy, governance, transactional and sourcing…”
- Selected as one of five suppliers for the OGC Framework Agreement for Reverse Auctions.
- BT is supporting the “Delivering Efficiency in Local Services” agenda together with the National Procurement Strategy and is a member of the NePP Service Provider Advisory Group. BT is now increasingly working with and assisting the recently created Regional Centres of Excellence.

Case Study – Rotherham MBC realises multi-million savings with Strategic Sourcing

Rotherham Council joined in partnership with BT to create RBT (Connect) Ltd, and part of the services offered by RBT was the total management of the procurement function. Since contract commencement in April 03, RBT has created a P2P Team that manages all purchase to pay transactions in the Council. Additionally, it has created a Best Practice Procurement Team, training up a group of buyers to adopt and implement the latest thinking in Category Management. This team is working jointly with Council teams to generate best value for a variety of categories of spend, ranging from Construction to Office Equipment. The efforts of this team have been re-inforced by introducing eProcurement to over 1500 users, who can electronically requisition from a catalogue of goods and services from 60 suppliers, supplying over 40,000 items.

RBT’s efforts have generated banked procurement savings of over £2.5M and a 20% reduction in direct administration staff. This will, over the duration of the contract, see savings of well in excess of £30 million being realised. The transformation has been done in parallel with all relevant central government initiatives and has and will see Rotherham Council excel in the requirements of the eGovernment agenda, National Procurement Strategy as well as the recent recommendations of the Gershon Review.
Suffolk County Council
Implementation and roll-out of Oracle iProcurement and Oracle Purchasing to 800 users in Suffolk County Council. Delivered through CSD, the Council’s joint venture with BT.

Liverpool City Council
Successful implementation of initial eProcurement solution using the BT Transact eMarketplace for the City of Liverpool, with 300 users accessing 10 suppliers. Delivered through LDL, the Council’s joint venture with BT.

Rotherham Metropolitan Borough Council
As part of the main contract, Quick Wins of £1 million and savings of over 18% in Agency Staff spend have been achieved, together with the selection of a new partner for Construction.

Initial Assessments
In recent studies commissioned by local authorities, BT identified on average potential savings of £6 million pa per authority, realisable in 2-3 years.
Connections that get results

Offices worldwide

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