

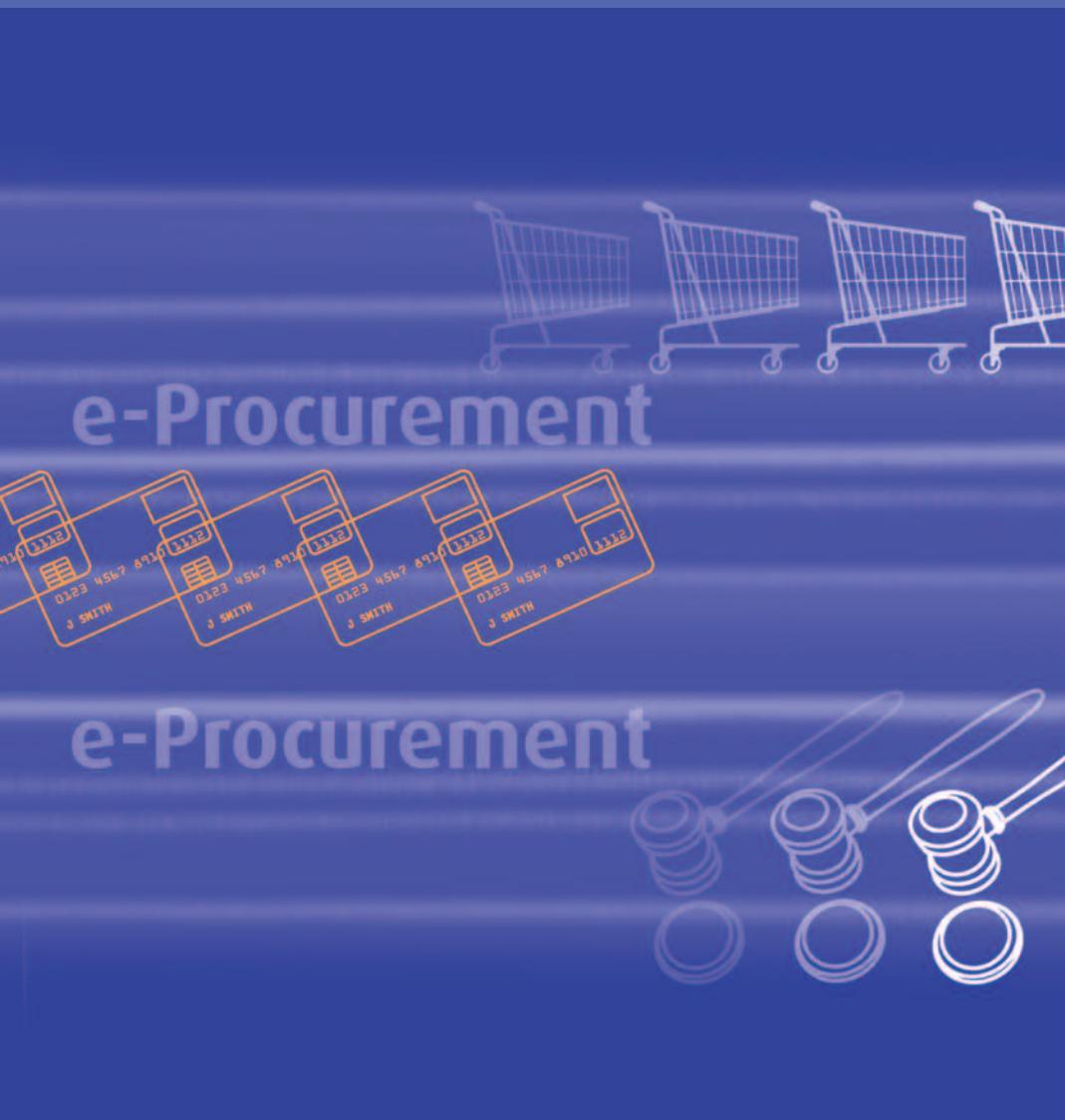


National e-Procurement Project

Delivering e-Procurement

Desktop Guide to e-Procurement

Part 3: What are e-Auctions.... and how to get started





1. Introduction

Background

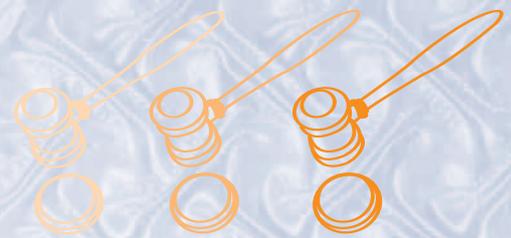
The National e-Procurement Project (NePP) is working to support and enable councils to meet their e-Government targets and to gain the cashable and non-cashable benefits available from e-procurement. As part of this work, the NePP has developed entry-level guidance notes for use by councils as they work to implement e-procurement. These 'How to' guidance notes are designed to cover the basic steps that councils need to take to implement e-procurement. The notes can be found at www.idea.gov.uk/knowledge/eprocurement and cover the following topics:

- Part 1: Overarching Guide to e-Procurement
- Part 2: Purchase Cards
- Part 3: e-Auctions
- Part 4: e-Tendering
- Part 5: e-Marketplace
- Part 6: e-Procurement Business Case
- Part 7: Spend Analysis
- Part 8: Selling to the Council
- Part 9: e-Procurement Guide to Suppliers.

Structure

This document is concerned with e-auctions and has the following structure:

- Section 2 - What are e-auctions?
- Section 3 - Why e-auction?
- Section 4 - When and where are e-auctions suitable?
- Section 5 - How do I get started?
- Section 6 - Where can I get further information?
- Section 7 - Checklist
- Section 8 - Frequently asked questions



The document contains a number of terms that may be unfamiliar to Councils. The following table, therefore, provides a glossary of terms.

Table 1 – Glossary of terms

Term	Definition
Auction	Basket of Goods The goods and services that are being priced in the auction.
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 achieved. Further information on benefits realisation can be found at www.idea-knowledge.gov.uk/idk/core/page.do?pageId=82701
Bid decrement	The amount (£) that each bid has to be reduced by. For example, to submit a lower bid, the supplier will have to offer a price that is £500 less than their previous bid.
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.
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.
e-Auction	An e-auction is the means by which suppliers can place bids for a contract via the internet.
e-Auction decision tool	A spreadsheet which supports the council in assessing whether e-auction is an appropriate e-procurement technology. See the NePP diagnostic tool at http://ideatest.bsky.net/idk/reg/login.do?redirect=http%3A%2F%2Fideatest.bsky.net%2Fidk%2Fnepp%2Fqnaire-selector.do (you will need to register to access this document) or the e-auction decision tool prepared by the OGC: http://www.ogc.gov.uk/index.asp?docid=1001034 .
e-Auction partner / service provider	A company that specialises in e-auction. They will provide the technology to run the e-auction event and provide advice on the tasks to prepare for an e-auction.
e-Procurement	A range of technologies that allows procurement processes such as the issue and receipt of tender documents, the issue of purchase orders and the receipt of invoices to occur electronically.

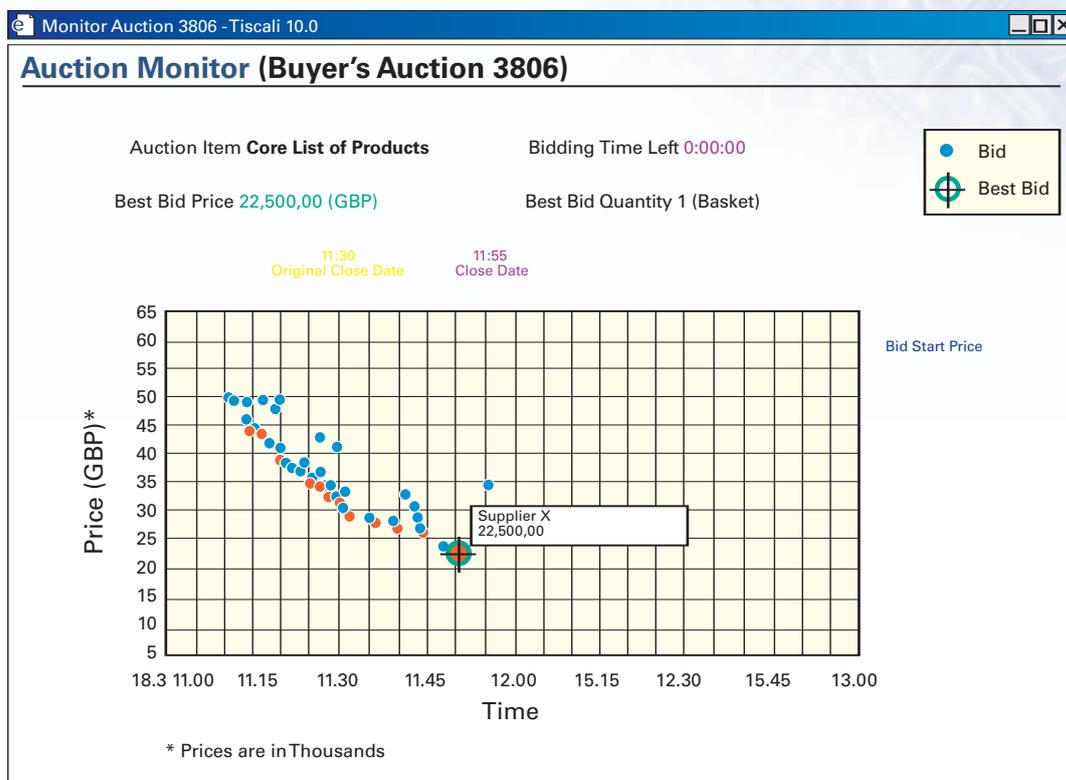
Term	Definition
e-Procurement website	The area of the council's website used for issues relating to the purchase of goods and services. It could include advice to suppliers on how to sell to the council, relevant policies, tender procedures and details of tenders that are currently open to suppliers.
Identify requirement	The council identifies requirements by: <ul style="list-style-type: none"> • Using spend analysis to understand what the council purchases and the number of suppliers it purchases from • Awareness of market conditions – are there few or many suppliers for particular goods or services? • Assessing which goods and services can be easily specified and which are complex • Defining the criteria that will form the basis of awarding a contract (ie price, quality, service)
Invitation to tender (ITT)	Documents issued by the council specifying what they wish to purchase, the contractual terms and conditions for the tender and instructions for how bidders are to respond.
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.
Non-OJEU Official Journal of the European Union)	The selection of a supplier through a tender process. The level of expenditure at which suppliers tender must be selected through a Non-OJEU tender will be determined by the council's financial regulations.
OJEU tender	The selection of a supplier through a tender, where the contract value is above the level of expenditure at which EU regulations require the contract to be advertised in the Official Journal of the European Union (OJEU). The current levels of expenditure are: <ul style="list-style-type: none"> • Goods and certain services – £153,376 • Public works - £3,834,411. See www.simap.eu.int .
Spot purchases	One-off purchase of goods or services where there is insufficient demand to organise a contract.
True market price	The lowest sustainable price that suppliers can offer for the contract.



2. What are e-auctions?

An e-auction or reverse auction allows suppliers to compete for your council's business by out-bidding each other in terms of quality, price and/or other criteria. The e-auction allows this to take place 'real-time' on the internet.

By seeing the current winning bid on their screen (even if they don't know whose it is) suppliers have the opportunity to propose a more competitive tender price bid there and then, and respond immediately to other bidders trying to undercut them. The following chart shows bids received during an e-auction run for a district council. It shows the current spend by the council (£60,000) and the bids received during the e-auction. The winning bid was for £22,500.



This is equivalent to going through several rounds of negotiation in less than one hour, and achieves the nearest thing possible to a true market price (i.e. the lowest sustainable price that suppliers can offer for the contract). Whilst the above example illustrates a successful e-auction event, our general advice is that expenditure of less than £80k is unlikely to work well in an auction, to ensure that the savings generated exceed the cost of the auction, including the council's own resources.

Electronic reverse auctions offer an efficient, open and transparent method for submission of prices or schedules of rates, for consideration as a criterion in securing the most economically advantageous tender as part of a full procurement process. They can be used to maximise competitiveness in OJEU and non-OJEU tendering, as well as in 'spot purchases' (a one-off purchase of goods or services where there is insufficient demand to organise a contract). An OJEU tender is the selection of a supplier through a tender, where the contract value is above the level of expenditure at which EU regulations require the contract to be advertised in the Official Journal of the European Union (OJEU). A Non-OJEU tender is the selection of a supplier through a tender process. The level of expenditure at which suppliers must be selected through a Non-OJEU tender will be determined by the council's financial regulations. It is important to note that



running an e-auction is the final stage of the tender process and should be done after the full Invitation to Tender process. The e-auction takes place at the final price submission stage of a tender, and the bids placed should be assessed as an element of a full bid evaluation.

An e-auction is a part of the process for selecting a supplier. It should focus on quantifiable selection criteria such as price. The selection of a supplier will be on more than price, so other qualitative criteria, such as product quality, which needs to have been resolved prior to the e-auction. The usual approach to dealing with the qualitative aspects (such as product quality) is to ensure that all suppliers invited to take part in the e-auction can meet these criteria and hence the e-auction is about selecting the supplier which can best meet the qualitative criteria and offer the lowest price. For example, suppliers invited to take part in the auction can be asked to provide samples of their products for evaluation by the council, before they are confirmed for the e-auction.

3. Why e-auction?

Background

e-Auctions effectively allow for an infinite number of bid re-submissions by suppliers in an open and competitive environment, at a relatively low overhead cost. This turns the concept of a 'true market price' into a reality, providing significant benefits to purchasing organisations, from large multinationals to local district councils.

The Office of the Deputy Prime Minister (ODPM), the EU and the Office for Government Commerce (OGC) are all fully supportive of the use of e-auctions in public sector procurement. For example, the ODPM funds the NePP (creator of this series of guides) to promote the adoption of e-procurement across local councils, the OGC has secured a number of framework agreements for local councils to use e-auctions and the latest EU Consolidated procurement directives review agreed in April 2004 and which must be in operation by January 2006, incorporates e-procurement and e-auctions as standard procurement tools.

More information on the activities of these and other organisations is available from the internet. A list of useful reference sites is contained at the end of this guide.

Benefits from e-auctions

In general, the benefits of e-auctions will be greater for those councils that do not:

- Have corporate contracts in place for range of goods or services selected for the auction.
- Collaborate with other councils or partners in terms of aggregation of expenditure.
- Understand the marketplace and exploit true competition.
- Manage their contracts well.
- Have professional procurement resource to arrange contracts.

e-Auctions have a proven record of delivering benefits to the private sector over the last decade. They have been successfully adopted by central government, and in the last year or two there have been very encouraging examples of significant cashable benefits (i.e. lower prices paid to suppliers for goods or services included in the auction) being achieved by councils. Experience from organisations that have used e-auctions suggests that they deliver a significant return on investment in a short timescale.



Beyond this, e-auctions (and the promised cash benefits) are often used as a catalyst to drive/enhance good procurement practices. For example:

- By awarding a contract through an e-auction, the council will probably reduce the number of suppliers for the goods or services included in the e-auction by establishing a corporate contract for those items. Reducing the number of suppliers that a council trades with is regarded as good procurement practice since it can both reduce prices (more business offered to fewer suppliers) and may reduce the number of transactions that a council has to process.
- The preparation for an e-auction involves collating expenditure on the goods or services to be included across the council or the council and other public sector organisations. The savings can only truly be generated from e-auctions with a sufficiently high value, otherwise the savings will be absorbed by the costs of preparing for and running the auction. Therefore collaboration between the council and other organisations, which is also regarded as good procurement practice, is ideal, since it maximises the value of the contract offered to suppliers and hence encourages competition. Rather than attempting to guarantee a volume of business to attract suppliers, the opportunity to supply a number of councils and tap into new markets should attract suppliers.
- A spend analysis will be required to gather information for the e-auction. This would involve an assessment of the volume and value of expenditure on the goods or services for the e-auction, number of suppliers currently selling those goods or services to the council and which departments are purchasing the goods or services.

The main benefit from an e-auction is better value for money, quantifiable by cash savings gained from paying less for the same quality and quality goods or services. Whilst savings from an e-auction have been known to vary from single digit percentages through to over 80%, these depend greatly on the goods and services chosen for the e-auction, the current value for money of the category of goods and services being procured, and the amount of work done leading up to an e-auction. For example, cash savings will be greater when the correct goods and services are e-auctioned, as part of a full procurement process, when all staff are made aware of the new arrangements and procedures are in place to ensure that the contract is used. The e-auction only puts into place the opportunity to make savings; it is what happens next that achieves them. There is nothing gained if this process is not followed and no one uses the new arrangements. The contract will be awarded following the e-auction, based on the Terms and Conditions set out in the tender process, and incorporating any method statements, performance levels etc established through the tender stages.

It has been proven that e-auctions can deliver significant savings where councils do not have corporate or consortium contracts in place. The savings opportunity may be increased further if councils are prepared to consider alternatives, such as replacing popular branded goods with non-branded substitutes of the same quality.

Examples where the specification of the products might be changed include the standardisation of the style/brand of pens and pencils used across the council, considering different technologies for telecoms provision, or testing non-branded goods instead of relying on branded goods alone. This type of approach can deliver substantially higher savings, but should not sacrifice the existing level of quality in order to reduce prices.

As well as the cashable benefits from lower prices being paid for goods or services, there are also non-cashable benefits from e-auctions. 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. The main non-cashable benefits are:

- e-Auctions can raise awareness and understanding of procurement and good procurement practices in your council, therefore, encouraging other organisations and suppliers to take up e-procurement practices. This is achieved through a combination of the preparatory work for the e-auction which draws upon good procurement practices, attendance of (senior) officers at the e-auction itself and publicising the results achieved.
- Through running e-auctions, your council will develop skills not just in running an e-auction but also in undertaking spend analysis. This is an area that is currently new to local government but which is expected to have increased usage, so skills developed now will be of use in the future.
- e-Auctions pave the way for an electronic ordering system to be used more effectively (for example, through an e-marketplace or e-purchasing), by establishing corporate contracts that allow users to order from a set list/catalogue, and speed up the process of selecting a supplier.

4. When and where are e-auctions suitable?

e-Auctions are a tool to be used during the finalisation of quantifiable elements (price, service levels, quality, etc.) by the council with potential suppliers.

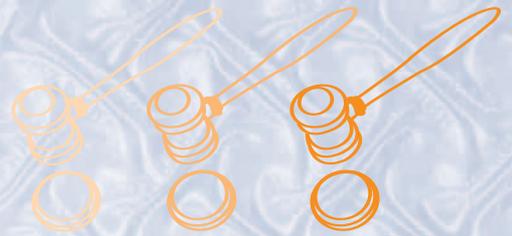
Most expenditure that is of sufficient value to attract a number of suppliers to bid and where the specification of the goods or services can be clearly written down, is suitable for an e-auction. The e-auction needs to be for a contract of a reasonably high value, to ensure that the savings it delivers are greater than the costs of running the e-auction.

Before using e-auctions, the council may want to select a 'partner' (a third party organisation that has experience in running e-auctions) to provide support. The council's chosen partner may provide questions that will help prioritise which categories are likely to benefit most from the e-auction approach in the council's specific circumstances, but broadly speaking there are two main considerations that can help sort the most viable options from those which are unsuitable.

Competitive environment

Are there enough suppliers who are capable of providing the goods and services to the council to generate competition for the business? Is the value of the business attractive enough to encourage suppliers to bid?

More than three suppliers is usually the minimum requirement, although around ten suppliers are typically invited to an e-auction. These will be the suppliers who have been identified through the earlier stages of the tender process as being capable and willing to meet the requirements of the council. The number of suppliers responding to the Invitation to Tender may be more than ten. In terms of expenditure on goods and services, anything less than £80k is unlikely to work well in an auction, due to the overheads of running an e-auction compared to likely savings.



Procurement Specification

How accurately can the goods and services be specified? How complex are the goods and services and can the basis on which the contract will be awarded be quantified? For example, a maintenance contract for a council's vehicles will be more complex than a contract to supply protective clothing.

Requirements with several variables (such as a minimum order quantity or period of warranty) make e-auctions more difficult to manage. However, an e-auction could still be justified if the rest of the criteria are suitable. In this situation, more time will need to be spent with potential suppliers to ensure that the requirements of the council are clearly understood and that the council is satisfied that the suppliers can meet these requirements. When requirements cannot be accurately specified or award criteria cannot be (largely) quantified, the viability of an e-auction is less likely and in this situation an e-auction is not recommended. In this situation, the majority of the council's requirements can be addressed through the tender process. Bids can be scored as for a normal tender (using criteria such as quality or approach to delivery as in a normal tender) and then the e-auction used to provide the final price. This final price can then be scored and added to the rest of the evaluation to enable a decision to be made on the preferred supplier.

This is not exhaustive, and council's should consider its specific circumstances and seek advice before running an e-auction in a category of expenditure it has not experimented with before.

5. How do I get started?

An e-auction project typically follows the stages shown in the diagram below.

Figure 1: Stages of an e-auction project



Gain support of senior management

The guidance note "e-Procurement Business Case" explains how a council will determine which e-procurement technologies are relevant to the objectives of the council and the business needs of departments. This guide assumes that e-auctions have been identified as a relevant e-procurement technology.

Implementing e-auctions requires an investment in time and money and therefore, you will have to make sure that you have a sound business case for implementing e-auctions. However, before you write a business case you need to be sure that your senior management team understands what e-auctions are and what it can do for your council. The government targets for e-procurement may well have created a good deal of interest at senior management level, but do not assume that they know what e-auctions are or why they should invest in the resources necessary for them.

The best way to get the interest of the senior management team is to show them what would be different in the council if they use e-auctions. To do this you need to get some information together about how the council spends its money, this is usually called "spend analysis". See the Spend Analysis guidance note at:

www.idea-knowledge.gov.uk/idk/aio/70919

Initial data gathering

Initial data gathering will be required to argue why e-auctions should be a priority. This initial data will be the spend analysis and will include:

- What goods and services does the council purchases?
- How much does it spend on each category of goods and services?
- What volumes of goods/ services are purchased and are there fluctuations throughout the year?

How many suppliers does the council use for each category of goods and services?

Which departments purchases each category of goods and services?

This information will give the management board a view of the opportunities from e-auctions because it will:

- identify categories of expenditure that are characterised by easily definable goods or services e.g. office supplies,
- highlight where there are many suppliers selling these categories of goods or services to the council,
- highlight where several departments are purchasing the same goods or services, perhaps from a number of different suppliers.

Having completed the initial data gathering, you can now approach the senior management team, but be warned! Although you may think that e-auctions will be of real benefit to the council, the senior management team may take some persuading. Below are some examples of the reasons you may be given for not investing in e-auctions, alongside are some responses you could use to argue for e-auctions.

Table 2: Key challenges

Challenge	Response
"How do I know that the benefits you suggest from e-auctions are achievable for this council?"	A detailed business case will be prepared that will demonstrate in detail what savings are achievable for this council. The business case will describe the goods and services to be included in the e-auction, the current level of expenditure by the council, expected savings by reference to case studies and research undertaken by the NePP and the cost of the e-auction.
"We have a purchasing process that works. Changing will be expensive and chaotic"	Councils need to become more efficient because of the e-government targets and efficiency targets 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. The business case will also identify the risks involved in moving to e-auctions and propose ways to deal with these risks.
"I'm not convinced by the the security and robustness of this technology"	e-Auction systems are successfully in use in a number of councils. 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 operate with a maximum level of security. Councils should also ensure that virus protection measures are in place to maintain the integrity of the e-auction system.



“Won’t smaller suppliers be disadvantaged by e-auctions?”

Suppliers only need access to a computer and the internet to take part in an e-auction. The council will work with suppliers to ensure that they understand how the council wishes to purchase goods and services and what suppliers need to do. For example, the council will run supplier adoption meetings to explain its overall approach to e-procurement. For e-auctions specifically, the council will run a training event for participating suppliers so that they all understand what they have to do.

Sponsorship

Assuming that you’ve been successful in gaining the support of your senior management for e-auctions, the next step is to create a business case. However, the job of creating a business case is time consuming and will require some investment of resources (at the very least). If you are to get the commitment you require to create the business case, it will be necessary for the board to appoint a sponsor for the project. Sponsorship is critical both to raise e-auctions onto the agenda of the senior management team but also to manage the work and funding required to develop the business case. Clearly, sponsorship will also be required during the later stages of the project (“commit resources”, “run e-auction events” and “deliver the benefits”). An ideal sponsor will be the Director of Finance.

Evidence that effective sponsorship has been achieved includes:

- there is a nominated sponsor for the project,
- that the sponsor is at a senior level,
- that the sponsor is actively seeking advice and progress reports from the project manager and is championing the project and getting buy-in from peers.

Build the business case

When you are preparing your business case you need to be aware that the business case is an on-going piece of work that may change as you progress. During the writing of the business case you will learn more about the council’s purchasing and the opportunity for partnership with other public sector organisations. All of these factors can affect your business case and lead to revising the business case.

A business case will include the following information:

- The proposed plan for e-auctions – i.e. What goods and services are considered appropriate for e-auctions? What is the likely sequence of e-auction events (ie what is the programme of e-auctions? For example, the programme could be:
 - Event 1 – stationery
 - Event 2 – IT consumables
 - Event 3 – protective clothing
 - Event 4 – agency staff
- The expected support from an e-auction provider and the costs of that support
- The expected savings that the council will gain from e-auctions
- The challenges you expect the council to face. For example, an e-auction requires all departments purchasing the goods or services to agree on a common specification for those goods or services. This challenge is increased if the e-auction involves several councils or other public sector bodies jointly taking part in the e-auction.
- identify project risks and mitigating actions
- define the resources required to implement e-procurement.

The guidance note “e-Procurement Business Case” provides advice on the content and completion of the business case.

Detailed guidance on calculating potential savings is available in “Realising the Benefits from e-Auctions”, available at www.idea-knowledge.gov.uk/idk/aio/70857



Commit resources

Once you've decided which goods and services will benefit from using an e-auction, you will need to commit resources (time and money) to gather the following:

- Basic requirements
 - Define the goods or services to be included in the e-auction. These goods or services are known as the "auction basket"
 - Define the evaluation criteria for the selection of suppliers.
 - Select an e-auction partner

- Useful extras
 - Collaborating with other public sector organisations (where there is a common interest in the goods or services to be included in the e-auction), to maximise the value of the e-auction.
 - An assessment of the likely levels of expenditure over the next 1-2 years on the goods and services to be included in the e-auction. This will give potential suppliers a view of the business that they can expect to do with the council, should they win the e-auction.

Basic requirements

For suppliers to compete effectively during an e-auction the service and goods to be provided to the council need to be clearly specified. A document will be prepared to invite suppliers to tender for the goods or services and advising them that the tender will include an e-auction. The document will contain a specification of the goods or services to be included in the e-auction – the auction basket.

The simplest form of creating a basket is to replicate last year's list of goods purchased or services required. Depending on the category, this information can be found in service area records, on the accounts/ordering system, by asking your main suppliers, or by trawling through invoices.

The basket of goods does not need to include every item that will be purchased in the category for the e-auction. A basket is suitable for an auction when it incorporates at least 60-80% of total expenditure broken down into the specific goods or services to be purchased (i.e. IT supplies analysed into computer hardware, software and support services).

It is advisable to engage an e-auction service provider as soon as you have identified the need/opportunity to run such an event. Even if they do not need to provide advice until a later stage, it will probably avoid duplication of work later on if you plan the e-auction together from the start.

The typical core support required for an e-auction will include:

- Helping the council gather information on the goods and services to be included in the e-auction.
- Training and supporting bidders before and during the e-auction event.
- Managing the event and reporting after it.

Most e-auction service providers will be able to assist you further in the following ways, and this could be a good idea especially for the first e-auction(s):

- Identification of products and services suitable for e-auctions.
- Assistance in tender preparation.



In selecting a service provider it is important bear in mind that the benefits of using an e-auction will be realised in the savings achieved and that cost of the auction service is likely to be relatively small in comparison, but this will be dependent on the subject of the auction, the volume of the auction, and the starting point of the potential savings to be made.

It is more important to focus on selecting a service provider with the experience and ability to meet your detailed requirements, with experience in your target category and a solid track record in local council e-auctions being key factors.

There are many companies that will provide e-auction services, but if you don't know where to start the OGC has set up framework contracts with various e-auction suppliers available to all councils to select from.

Useful extras

It is often useful where smaller councils want to benefit from savings in smaller categories to collaborate with other councils or public sector bodies (e.g. £20k of copier paper could not easily be auctioned, but if four such councils collaborated, £80k is a much more attractive auction basket and these savings are more likely to exceed the costs.)

Another approach is to extend categories where possible, for example copy paper can be tendered out with office stationery and other consumables to let a contract where the savings will exceed the cost of running the e-auction.

Run e-auction events

An e-auction event is easy to run and should be an exciting experience, watching suppliers bidding progressively lower prices for the council's business!

To run the e-auction event, the council needs to:

- Provide training to shortlisted suppliers
- ensure that technical support is available to suppliers (e.g. ensuring that all participating suppliers have access to the auction) so that suppliers can make their bids. Typically, this will involve telephone contact with the participating suppliers to confirm that they have access to the e-auction system as well as support to ensure that the software runs properly
- ensure that someone is available from the council to resolve any potential queries from the participating suppliers. For example, suppliers may want confirmation of the expected value of the contract or the number of locations to which they are expected to deliver the goods or services. These points will have been discussed with suppliers earlier in the purchasing process, at this point the Council is providing confirmation to suppliers.
- none of the suppliers need to be in a particular location as the e-auction happens via the internet
- make sure you've double tested that the technology works for the event - typically all you need is a computer with internet access and probably projection onto a large screen. You may want to run a 'dummy' event with bidders to ensure everything is in order.

Deliver and measure the benefits

The most obvious direct benefit from an e-auction is simply better value for money. As qualified suppliers (ie suppliers who have been shortlisted through earlier stages of the tender) battle to provide you with higher quality and lower priced services and goods, the benefits are measurable by comparing the outcome to the previous arrangement (the baseline used for the e-auction). The following table includes suggested key performance indicators to monitor savings realisation:

Table 3: Key performance indicators

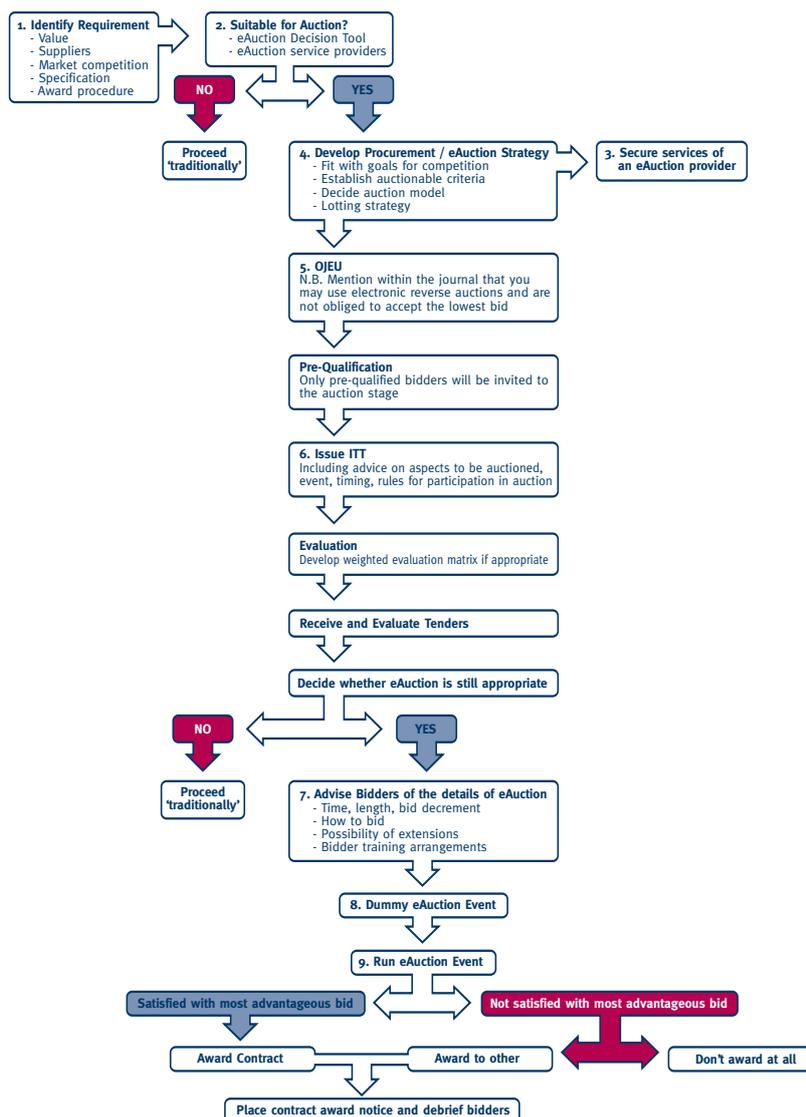
Type of benefit	KPI
Cash Saving	Cost after the auction versus previous year's actual price
Cash savings delivered (contract compliance)	Percentage of corporate spend through contract let via e-auction.

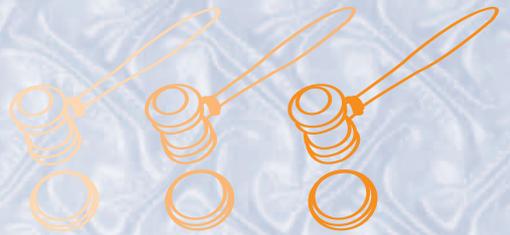
The work undertaken during the “Build the Business Case” stage will identify current expenditure on the goods and services included in the e-auction and will set a target for the total expenditure after the e-auction.

Councils will need to:

- identify who is accountable for delivering the expected benefits,
- specify a reporting mechanism and format to capture progress on benefits delivery,
- establish a review process to monitor the benefits actually achieved.

Summary of the stages in an e-auction project





6. Where can I get further information?

A more detailed "How to" guidance note is available at www.idea-knowledge.gov.uk/idk/aio/70857

This contains fuller information on the benefits available from e-auctions, how to identify the benefits opportunity for the council and how to deliver that opportunity.

Other NePP guidance notes address core issues around the delivery of benefits – technology, change management and supplier adoption. These guidance notes can also be found on the IDeA Knowledge website:

www.idea.gov.uk/knowledge/eprocurement

For further guidance and support about procurement, including EU directives, the OGC's Successful Delivery Toolkit describes proven good practice. The Toolkit brings together policy and best practice in a single point of reference:

<http://www.ogc.gov.uk/sdtoolkit/workbooks/procurement/index.html>

Use the OGC tools to assess the suitability of an e-Auction for the procurement:

Initial Assessment:

<http://www.ogc.gov.uk/index.asp?id=1001034&syncNav=1#eAuctionDecisionTool>

Detailed Assessment:

http://www.ogcbuyingsolutions.gov.uk/RAF/raf_service_providers.asp

The procurement pages of the OGC website are intended to provide access to OGC news, publications, services information and content on particular topics or initiatives of particular interest to members of the government procurement community:

<http://www.ogc.gov.uk/index.asp?docid=35>

This includes a decision tool to assist council's to decide whether it is appropriate to use an electronic reverse auction for the council's particular procurement requirement(s). By answering a number of questions, the decision tool will lead you to a conclusion that an e-auction is either appropriate or inappropriate for the council.

<http://www.ogc.gov.uk/index.asp?docid=1001034>

For information on the requirements for the publication of tender notices in the Official Journal of the European Union (OJEU), including other useful information and facilities for purchasers:

www.myTenders.com

7. Checklist

The following checklist sets out the key tasks to be undertaken throughout the stages of an e-auction project.

Table 5: Checklist

Activity	Done?
Gain senior management support <ul style="list-style-type: none"> • Has the initial data capture (spend analysis) been completed? • Prioritise products and services that are likely to deliver the greatest benefits • Has effective sponsorship been achieved? 	
Build the business case <ul style="list-style-type: none"> • Has the business case been completed? • Has the business case been approved? 	
Commit resources <ul style="list-style-type: none"> • Have the goods or services to be included in the e-auction been defined? • Have the evaluation criteria for the selection of suppliers been defined? • Has an e-auction partner been selected? • Has collaborating with other public sector organisations been investigated? • Has an assessment of the likely levels of expenditure over the next 1-2 years on the goods and services to be included in the e-auction been undertaken? 	
Run e-auction events <ul style="list-style-type: none"> • Will technical support be available on the day of the auction? • Will appropriate officers be available to answer questions? • Have you tested the e-auction software in the room where it will be used? 	
Deliver the benefits <ul style="list-style-type: none"> • Have key performance indicators been defined? • Has the current (baseline) level of expenditure be defined? • Is it clear who is accountable for delivering and measuring the savings? 	



8. Frequently Asked Questions

What are the timescales for setting up an auction?

Running procurement with an e-auction does not significantly extend the time taken to select a supplier. More emphasis on the specification of goods and services is required at an earlier stage in the tender process than would otherwise be the case, but this makes the evaluation and selection of bidders much quicker because the council is clearer about what it wishes to purchase and suppliers are clearer about what they are bidding for.

Your e-auction partner will be able to advise you on this, but it is realistic to expect the shortlisted suppliers to participate in the e-auction around two to three weeks after being issued with the Invitation to Tender (ITT). During this time they will need to clarify all their commercial queries with the defined basket of goods and be trained on the use of the technology (very simple, don't worry!). The ITT specifies the goods or services to be provided and other information such as the locations to which they are to be supplied. The ITT will also make clear that an e-auction will be used to select the supplier. The e-auction takes place after the submission of the tender and therefore suppliers invited to take part in the e-auction must have satisfied all other selection criteria. The e-auction automates the final element of the tender process – the submission of a best and final offer.

Who needs to be involved?

The typical roles for an e-auction are listed below. There is no reason why the same individual cannot carry out more than one role, but bear in mind that many of these roles are more about specific knowledge and buy-in to the e-auction than real time input. They are critical to the success of the project but should not represent too large a time commitment.

Role	Responsibility
Senior sponsor	To ensure that the selection of a supplier is achieved within expected timescales and meets the expectations of the e-auction (i.e. reduced prices).
Procurement coordinator	To have procurement knowledge (e.g. spend analysis) and ensure project coordination.
Analyst	To complete the Spend Analysis
Category purchaser(s)	To have market, product and supplier knowledge, process sign-offs
Auction technical expert	To train suppliers, advise on process specifics, run auction event

Tasks such as supplier communication, document preparation, etc. can be shared out among these roles depending on your individual resourcing constraints.



Are e-Auctions compatible with OJEU and Standing Orders?

The latest EU Consolidated procurement directives review agreed in April 2004 and which must be in operation by January 2006, incorporates e-procurement and e-auctions as standard procurement tools. If carrying out tenders by OJEU, the current guidance from UK government until the new EU directives are incorporated into legislation is to:

- i) Advise bidders of the intention to use an e-auction at the OJEU Notice stage
- ii) Include the auction basket of goods as part of the short listing stage and use the prices provided to set the starting price of the e-auction. The auction basket of goods is the goods and services that are being priced in the auction.

For non-OJEU tenders, the main guidance documents to use are your council's own procurement policies and standing orders. The chances are that they do not currently cater for electronic auctions, so they may need updating, or in some circumstances, even waiving in the short term.

Giving suppliers warning early in the process about the intent to use an e-auction is advisable, because when worried about it they can seek support from the officers responsible for procurement, your economic regeneration unit, or even someone from your local Business Links.

How do suppliers view e-auctions?

Larger suppliers of certain commodities are very used to participating in e-auctions and will usually welcome the opportunity. However, you are likely to come up with scepticism from your current supplier base, usually formed by smaller more local suppliers, in the small fast moving commodities categories who may feel that an e-auction will disadvantage them against larger suppliers.

It is worth being aware of your council's view on supporting local suppliers, because even if e-auctions on their own do not disadvantage local/smaller suppliers, (the technology is very accessible), the supplier rationalisation and aggregation of expenditure across the council results from e-auctions, may well do.

What happens after the event?

The (hopefully) improved value that you have managed to secure will have gained you praise and publicity, but the reality is that none of the savings have been delivered yet!

Awarding the business to the chosen bidder quickly and effectively is important, as it will build on the momentum created by the event and give you a good chance of securing support to enforce usage of the contract. Without tight control on ordering, such as centralised purchasing or electronic ordering tools, maverick spend (purchasing from suppliers other than the supplier selected through the e-auction) is very hard to control. Even if it's just an email from the top mandating that a certain supplier be used, ensuring contract compliance will be necessary to deliver the benefits you have secured with the e-auction. It will be necessary to monitor use of the arrangement agreed through the e-auction on an on-going basis and to follow up and enforce compliance.

Don't let the dust settle, when spirits are running high from the first success you should start to identify the next potential categories to target for further savings.

What if staff are unwilling to use the e-auction solution and the new contracts resulting from it?

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



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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.

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www.localgovnp.org.uk