

*A Guide to...*

# A Business Case for e-Tendering



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# A Business Case for e-Tendering

## Objective

The purpose of this document is to assist with the decision to review the tendering process within the public sector; for this purpose it is recommended that the public sector considers the implementation of an e-tendering solution. The document also provides a formulated appendix which will allow authorities to record their next steps using a template document provided in Appendix 1.

*The benefits to the public sector from implementing an e-tendering solution include:*

- (i) reduces administration on staff time that is currently directed towards undertaking purchasing tasks such that there may be opportunity to reduce overall staffing costs or redirect staff resources to more valuable tasks
- (ii) reduces the overall cost of the tendering process with the streamlining of practices and supply processes
- (iii) centralises the tendering process to improve visibility and reportability
- (iv) provides a compliant process that improves the public sector's ability to manage supplier information, increases consistency, and achieves value for money through return on investment and further savings

*The benefits to public sector buyers are an improved tendering process with management reporting that:*

- (i) provides staff with a user-friendly web-based technology
- (ii) creates conformity and easy to use processes
- (iii) simplifies a key element in the procurement process
- (iv) enables effective data exchange and management
- (v) provides for more comprehensive recording of transactions.
- (vi) aims to drive tender transaction processing costs down – it is estimated a transaction using e-tendering will be lower than the cost of the paper-based process

The vision is to establish a standardised electronic tendering service for all public sector procurement that is easy to use, delivers transaction savings and provides added value not available through the current paper-based process.

## Introduction

This Business Case provides the options available to the public sector to assist the assessment of current and future tender processes within the sector. The main objective of this document is to record the current tendering processes, review the opportunities for improving them and develop partnerships with public and private sector organisations with experience in the public sector tendering field.

e-Procurement/e-Tendering is seen as a key enabler in achieving greater public sector efficiency. This is high on the Government's agenda and was the goal behind Sir Peter Gershon's review of the public sector, *Releasing Resources to the Front Line* (the 'Efficiency Review') commissioned by the Prime Minister and published in July 2004.

The Efficiency Review identified that the UK public sector spends over £100bn a year on bought-in goods and services and were set a target of more than £20bn of efficiency savings for delivery by 2007/8.

*To achieve these savings, public sector bodies (PSBs) were required to:*

- improve purchasing processes
- maintain best practice in purchasing
- reduce order error rates
- establish improved relationships with suppliers

- reduce timescales for purchasing and tendering activity
- collect and report on spend activity
- make real cash savings on prices paid

## Background

### What exactly is an e-Tendering solution?

The exchange of information by digital files and electronic communications has been normal practice within the public sector for some time; indeed tender documentation has often been supported by the use of floppy disks, CD-ROMs or even, in some cases, emails. However, e-tendering is more fundamental. It is the conduct of the complete tendering exercise – from the advertising of the requirement through to the placing of the contract, including the exchange of all relevant documentation – by electronic communications and possibly by electronic reverse auction. The e-auction process is aided by using e-tendering.

e-Tendering solutions enable the standard tendering process to be conducted via the internet. This process can include the advertisement of the requirement, document production, supplier registration, electronic delivery of documents between buyer and supplier, opening ceremony, evaluation of submissions and finally contract award and publication.

*Authorities' requirements differ from those in the private sector, and e-tendering solutions cater for this by supporting different types of tenders:*

- RFQ – electronic request for quotation
- Non-OJEU – creation and management of tenders that are not subject to EU regulations
- OJEU – creation and management of tenders that are subject to EU regulations and involve publishing a notice through OJEU.

It should be noted that e-tendering is a relatively new solution in local government and, hence, is not extensively used in the sector. It is important for the tendering process in the public sector to be, and to be seen to be, fair. Use of e-tendering solutions can support this by allowing suppliers to see the progress of their responses and ensuring that communication to all suppliers is standardised, thereby eliminating bias. If a problem does arise, then e-tendering systems can provide a full history of the events leading up to contract award. Internal audit departments are able to review contract history to understand why departments are over budget on certain projects, to avoid future slippage or to understand when contingency has not been factored into a tender. In addition, audit departments can identify areas that have a low level of expertise in contract specification which may lead to suppliers receiving higher payments from contract change requests.

### Why e-Tendering?

*The potential benefits to the public sector from implementing an e-tendering solution include:*

- (i) freeing staff time that is currently directed towards undertaking tendering tasks such that there may be an opportunity to reduce overall staffing costs or redirect staff resources
- (ii) reducing the overall cost of the purchasing process through the streamlining of tendering and supplier engagement processes

*The potential benefits to users include an improved tendering process with management reporting by:*

- (i) providing staff with a user-friendly web-based tendering facility
- (ii) simplifying access to web-based tendering documentation
- (iii) creating standard processes and practices
- (iv) reducing data entry and copying
- (v) reducing process costs

- (vi) increasing accessibility of tender-related information
- (vii) providing longer response times due to ability to transmit data at the last minute

#### Expectations from Implementing an e-Tendering Solution

The implementation of e-tendering aims to drive procurement processing costs down and it is estimated a transaction using e-tendering will be lower than the cost of using paper-based systems. The vision is to establish a standardised procurement process for all public sector requirements. This would include all commonly purchased product categories such as office supplies, computers and peripherals, software, electronic components, office equipment, etc. The interactive intuitive web-based e-tendering system could be supplied and maintained by a third party solution.

#### Intangible Benefits

Further benefits by way of reduced risk through standardisation of processes and automatic audit trails will improve compliance with EC procurement regulations and reduce the potential for supplier disputes.

#### Return on Investment

The level of purchasing processing cost savings achievable through the introduction of e-tendering would be dependent on the successful deployment of the system. As with any new technology, immediate savings may not be immediately apparent. Gradual savings would be expected as e-tendering became more widely used within the public sector.

#### The Benefits of e-Tendering

In addition to supporting the Government's revised targets for conducting business by electronic communications, there are business benefits for the supplier industry in e-tendering. The range of benefits continues to expand as business processes are changed to maximise the opportunities that electronic tendering can deliver.

*Detailed below are the most notable:*

- making government easier for industry to do business with
- stimulating increased interest in the market, by reducing the burden that tendering to government can be
- efficient and effective electronic interfaces between industry and the public sector leading to reduced costs and timesaving on both sides
- quick and accurate pre-qualification and evaluation enabling the automatic rejection of industry partners that fail to meet stipulated fixed criteria
- transmission of quality information to and from industry to enable a clearer understanding of requirements and proposals
- quick response to any questions and points of clarification during the tender period
- reducing the traditionally labour-intensive tasks of receipt, recording and distribution of tender submissions
- reducing the paper trail on tendering exercises, reducing costs to the buyer and supplier alike and supporting 'green' issues
- providing a clearer audit trail, demonstrating integrity
- providing quality management information
- providing like-for-like comparisons of qualitative and quantitative information resulting in faster and more accurate evaluation of tenders
- reducing postal costs on tender exercises for buyer and supplier alike; the Crown Prosecution Service recorded savings of £10,000 in postal and administration costs alone

However, in doing so it is vital that current principles commonly applied in procurement in the public sector are maintained, namely those of confidentiality, fairness and equity. Care must also be taken to ensure that the public sector does not unintentionally inhibit competition by moving ahead of the ability of its supplier base to operate using e-tendering.

#### What Tendering Tasks can be done Electronically?

With the improved capability across some areas of the public sector and the supplier industry, it is now possible to enable the electronic

conduct of competitive and single tender responses, as well as acceptances and declines.

*However, this is subject to the following conditions being satisfied:*

- the security and operating procedures of the buying authority and supplier industry internal information systems (IS) are maintained
- the current principles, and not the entire practice, of the standard Tender Board are fully replicated, by the use of a "virtual" tenderbox which restricts access to tenders until after the due date and time for receipt
- the integrity of stored tender documentation is maintained through the use of an appropriate technical infrastructure

If these conditions are fully met, the requirement for a paper "master copy" is no longer necessary as there is no legal requirement for paper documentation, provided that electronic information is sufficiently robust to enable it to be produced as evidence. However, discretion should be exercised and factors such as the tender value, familiarity of those involved and experience of e-tendering should be given due consideration. The requirement to have a paper master copy of a contract is likely to remain until confidence in an electronic repository for contracts has been developed.

#### The Future for e-Tendering

It is the UK Government's aspiration to have PSBs introduce e-tendering solutions that will encompass the complete end-to-end tendering process, including creating and advertising the notice, the Pre-Qualification Questionnaire (PQQ) and the Invitation to Tender (ITT) as well as managing the tender process through to contract award as soon as possible.

#### Key Principles to Consider when Conducting e-Tendering

*The key principles which should be considered when conducting e-tendering are as follows:*

- security
- supplier acceptance
- flexible processes
- confidentiality
- future-proofing
- integrity
- audit trail
- authentication
- affordability
- equity/transparency
- compatibility/interoperability
- liability
- firewalls
- trust
- scalability
- business benefits
- reliability/availability
- portability of data

#### Background summary

e-Tendering can already be undertaken where the local capability exists to do so as described above. However, it remains as important as ever to ensure that all the necessary procedures are followed and a robust audit trail created.

### e-Tendering Options

*There are three options available to the public sector within the tendering process:*

#### 1. Developing an in-house solution

##### Pros

- ✓ the Authority would control the development of a bespoke solution completely tailored to the Authority's requirements

- ✓ the Authority would control future development of the solution which could quickly be adapted to any changes in policy, procedure or process

**Cons**

- ✗ the Authority would be expected to fund and develop the IT development which may be exhaustive if they do not have specialised IT professionals
- ✗ costs would prohibit any savings in reduced administration, reduced postage or increased visibility

**2. Purchase of a software solution (locally installed)**

**Pros**

- ✓ once initial investment has been made there should be minimal costs to run the system
- ✓ system will have been developed to a specific standard allowing confidence in expected outcomes

**Cons**

- ✗ most systems have limited warranty and support once initial purchase has been made and these options may be more cost-prohibitive
- ✗ any future upgrades or patches may require further purchases of the next version of the system

**3. Opt for a hosted solution**

**Pros**

- ✓ costs are spread over a number of years, reducing initial outlay

- ✓ solution will be future-proof as the hosted solution will normally be updated centrally to all subscribers when new developments occur

- ✓ system will have been developed to a specific standard allowing confidence in expected outcomes

- ✓ support is normally included within the annual licence fee

- ✓ most hosted solutions provide modular upgrade pathways which allow gradual and realistic development rather than all functions live on day one

**Cons**

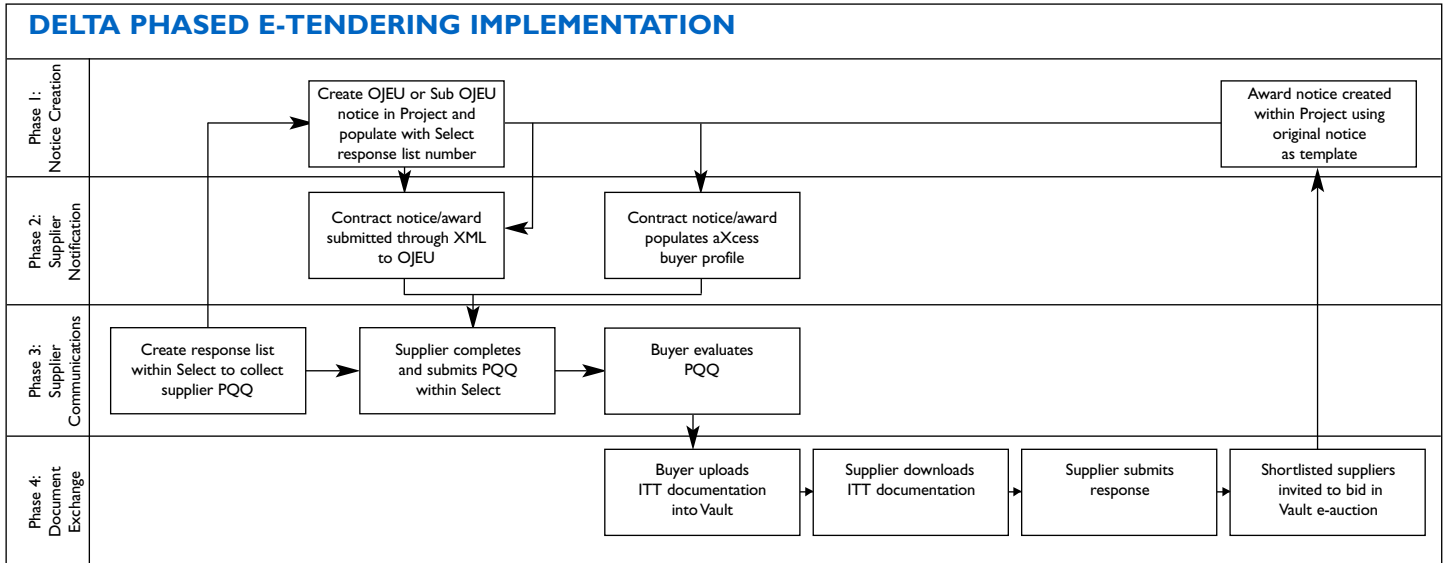
- ✗ there are annual charges involved; however, some hosted services allow multiple years to be purchased which may offer cost savings based on length of term

- ✗ the Authority does not own or purchase the software

- ✗ software is normally allocated to a specific user, rather than ability to use on multiple PCs

**Recommendation**

Based on the fact that the public sector has already chosen a hosted service to create, submit and manage its OJEU and low-value contract notices, and that its current provider BiP Solutions has a scalable e-tendering suite, it is recommended that Option 3 is undertaken to ensure best value for money, quickest return on investment and ease of ability to prove expected efficiency and effectiveness.



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## Implementation

The roll-out of the e-tendering system across the public sector is focused primarily on the Contracts and Procurement Team; however, during various stages of the tender cycle other departments will have to access and possibly download or review supplier data or documents.

### Phased Costs for Implementation

The costs are dependent on usage and uptake of the modular system. The standard costs are listed below. To attain the highest benefits the full electronic tendering solution should be adopted as an e-auction yields the highest quick return but can only be reached through adopting a fully electronic model. The diagram on page 8 illustrates how each phase can enhance the e-tendering model.

#### Phase 1:

##### Project e-notification module to facilitate notice creation

1 User	Annual Licence:	£150
3 User	Annual Licences:	£300
10 User	Annual Licences:	£800
	Further Annual Licences:	£40

**Benefits:** A quick win solution with immediate roll-out available through internet access. Reduced costs for centralised contract notice creation and repository system allowing buyers to benefit from reduced advertising turnaround.

#### Phase 2:

##### aXcess Buyer Profile module to facilitate supplier notification

Set-up costs:	£1800
Tier 1 Portal (allows third party banner):	£1000 (annual)
Tier 2 Portal (allows BiP trade banner):	£1500 (annual)
Tier 3 Portal (no banners):	£3000 (annual)

**Benefits:** BiP's aXcess portal is a low-cost, low-maintenance solution which saves both time and money. The portal is fully compliant with UK regulations and European Directives and has the ability to instantly inform suppliers of your authority's contract opportunities.

An aXcess Buyer Profile is automatically updated in real time with all your contract announcement information submitted through Project, allowing your authority to make significant savings in advertising costs and dramatically reduce administration time.

Quite simply, the aXcess Buyer Profile solution is a one-stop shop of information for your suppliers.

#### Phase 3:

**Supplier communications is facilitated through various modules such as Select, Vault and the eAuction tool allowing all communications to be held centrally and be audited if required**

<b>Buyers:</b>	Select is free of charge (with Project licence)
<b>Suppliers:</b>	Select is free of charge

**Benefits:** A quick win, free for both buyers and suppliers to house their Expressions of Interest electronically. Significantly reduces paper and postage costs and allows suppliers to manage their business profile within a secure, electronic environment while reducing paper costs for buyers maintaining supplier lists.

#### Phase 4:

##### Vault internet based electronic lodgement module to facilitate the electronic lodgement and exchange of documentation

All costs are attributed to the buyer:

1 Tenderbox @ £120 with £130 support costs:	£250
5-25 Tenderboxes @ £130 each	

**Benefits:** A quick win, pay as you use electronic ITT secure document exchange solution which allows buyers to lodge ITT documentation within a virtual tenderbox thereby simply mimicking the incumbent paper-based service. Suppliers can retrieve and upload their responses within a fully electronically managed and audited service.

### Optional Costs: Vault eAuction

One Tenderbox and Electronic Reverse Auction with buyer and suppliers supported: £2000

Offsite support: £650

**Benefits:** In an electronic reverse auction (eAuction) potential suppliers compete online and in real time, providing prices for the goods/services under auction. Prices start at one level and gradually, throughout the course of the eAuction, reduce as suppliers offer improved terms in order to gain the contract.

This can help provide authorities with significant saving, and this is illustrated in the OGC e-Procurement in Action guide 2005 (also known as Blue Frog 2).

Of the 17 eAuctions run by six departments and agencies for financial year to March 2004, savings averaged 13.4% over a total affected spend of £44.8m.

In addition to the software, Vault eAuctions offer buyer and supplier support, any required consultancy and training both offsite and onsite.

*Further benefits include:*

- improved preparation and planning for the tendering process
- opportunity for suppliers to submit revised bids for a contract (as opposed to the formal tendering process)
- increased market knowledge for buyers and suppliers
- suppliers particularly benefit from increased awareness of competitor pricing
- provides a more level playing field for suppliers
- improved quality of service

In the Independent Assessment into the Development of Auctions as a Purchasing Tool (I-ADAPT) study, buyers were asked how suppliers' performance had changed since using an e-Auction.

*The results were:*

- flexibility up 22%
- quality of the product or service up 20%
- delivery/reliability up 12%
- dependability (keeping promises) up 11%
- account or customer support up 8%

## Typical Model Authority Costs

Model authority costing based on a moderate-sized organisation running 75 tender exercises (ten buyers with 700 Expressions of Interests (EOIs), shortlisted to 450 Invitations to Tenders (ITTs) in 75 tender exercises) and two e-auctions for selected commodities equates to £20,200. With the savings on e-auctions averaging 13.4% this represents a valuable investment.

### Return on Investment (ROI)

To realise the full cost savings, efficiency and effectiveness that an e-tendering system can attain it is recommended that the current paper-based tender service is benchmarked to allow comparison to quickly be evaluated and the way forward agreed.

*There are various forms of savings and benefits:*

#### 1. 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. In terms of e-tendering, cashable benefits are largely process efficiencies (time saved that results in headcount savings and hence reduced expenditure) and reductions in overhead costs incurred during the tendering process. These savings are achieved through automation of the tender process.

#### 2. Process efficiencies

The estimated process efficiency savings potentially available to an authority is made by considering the number of tenders that an authority issues during the year, the costs involved with a traditional,

manual tender process and the costs involved with an automated e-tendering process. These savings fall within a range of low, average and high, depending upon the degree of change from a manual to automated tender process. Process efficiencies are a reduction in the cost of a process or the time taken to complete a process (eg processing a purchase order) as a result of automating the process and may be cashable or non-cashable. Cashable process efficiencies result in a reduction in expenditure (fewer staff required because of automation of the purchasing process). Non-cashable process efficiencies are those that free up staff from a task (because it is automated or eliminated) but where 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.

### 3. Reduction in overhead costs

The National e-Procurement Project (NePP) Desktop Guide 4 estimated the average reduction in the overhead costs of a tender would be up to £50 per tender document.

The main elements of overhead cost savings are printing, copying, paper, postage and stationery which will mostly be avoided because tender documents and tender responses will be issued and received electronically. This is also environmentally friendly since it reduces the use of paper. It is important to note that realisation of these benefits is dependent on certain cultural changes, such as the evaluation of tenders performed through electronic media (such as email) rather than tender responses being printed out for evaluation.

e-Tendering can also release additional office space as contract documentation (required to be kept for at least the length of the contract period) can be stored online.

e-Tendering can further reduce the amount an authority spends on advertising tenders. This can be achieved by aggregating all announcements into a small regular posting in a newspaper, and directing suppliers to the authority's e-procurement website/Buyer Profile for further information.

The e-procurement website/portal is the area of the authority'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 authority, relevant policies, tender procedures and details of tenders that are currently open to suppliers.

### 4. Indicative savings

*For an average authority, the NePP Desktop Guide to e-Tendering advised the estimated savings could be as shown in the following table:*

Sourcing	District	Unitary	County
e-tendering process efficiencies	0.9 Fte	2.4 Fte	7 Fte
e-tendering overhead cost savings	£6k	£27k	£105k

In the example above FTE means "full time equivalent member of staff". It is calculated by dividing the total hours saved (for example through e-procurement) by the standard hours worked per week (eg 35 hours). An alternative way of expressing the process efficiency savings opportunity is as a reduction in the costs associated with the RFQ, non-OJEU and OJEU tender processes.

The NePP has estimated the average savings in the cost of the tender process to be 15% for an RFQ, 25% for a non-OJEU tender and 28% for an OJEU tender. In Appendix 1 these figures are expanded to show how a PSB can work out savings for themselves.

### 5. Non-cashable benefits

*e-Tendering can provide a range of non-cashable benefits:*

- e-Tendering can lead to better management and/or co-ordination of the tender process. This is due to information on who is working on each stage of the tender, such as preparation of the tender documents and evaluation of the tender responses, being accessible from the reports available from the e-tendering system. Authority tendering policies and procedures (eg approval authorities) can be built into the e-tendering system to enforce compliance. Having one system shared across the authority or authorities ensures that anyone involved in the tender process with work within a consistent and unambiguous framework.
- With e-tendering, all documents for a particular contract can be held electronically in a logical structure for ease of retrieval.
- The time spent analysing numerical information (such as costs) is reduced using e-tendering because parts of the tender response can be automatically loaded into a spreadsheet format ready to compare, saving time re-keying information. BiP's Delta e-tendering system has the functionality that can immediately send out email notification to suppliers who fail to provide all expected information.
- The e-tendering system usually has the ability to create a summary or audit report on each tender, including information such as the number of suppliers that have expressed an interest, details of suppliers that have not downloaded the tender documents and details of when suppliers have responded to the tender.
- It is important for the tendering process in the public sector to be fair and for the fairness to be documented. e-Tendering provides a secure history from advertising the tender to awarding the contract. This history is a full audit trail that encourages openness and integrity in all contractual decisions. The need for an audit trail to be secure and reliable is a requirement of the Audit Commission. A full audit trail can help authorities if they face requests for information from the public under the Freedom of Information Act and can also support the authority if they face legal action over the award of a contract.
- With a traditional tendering process, responses arriving late due to courier delay or incorrect addressing would have been disqualified from the tendering process. e-Tendering ensures this does not occur because suppliers receive an immediate confirmation by email that their tender has been received by the authority, thereby avoiding potential disputes and ill feeling.
- Less time is taken to process responses for evaluation; this means less staff time spent administering and also that responses can be evaluated faster, so end-to-end tendering time is reduced.
- Other more general non-cashable benefits include improved management information, better audit trail/records and increased compliance with process legislation.

#### Supplier benefits

*By using e-tendering solutions the following scenarios will not occur:*

- responses arriving late as a result of courier delays
- responses arriving late as a result of incorrect addressing/routing
- responses being rejected as a result of envelopes being stamped with supplier logos

In each case, potential suppliers would have been disqualified from the tendering process, potentially giving rise to disputes and negative feeling towards the authority. It should be noted that e-tendering may give rise to other potential areas of dispute, such as problems with connectivity and file sizes. A supplier education programme can mitigate this risk.

*In addition to the savings and benefits for the authority, the following benefits are also available for suppliers:*

- A single website/Buyer Profile gives potential suppliers 24/7 access to view all tender opportunities including contract renewal dates, tender deadlines, status of tenders and the rationale for the eventual contract award. This can be achieved by utilising the XML functionality within BiP's Project service to populate a Buyer Profile. For examples of how these might look see Appendix 2.

- Early notification of tendering opportunities, giving advance warning to suppliers so that they have more time to prepare responses.
- All suppliers will be notified in a standardised way, ensuring no bias to individual suppliers.
- Suppliers can submit tender documents electronically, thereby using the time and costs that would otherwise have had to be allowed for postal delivery to complete the response.
- Where e-tendering systems are used collaboratively, suppliers may gain access to larger markets.
- As e-tendering is internet based, suppliers can easily view and engage in tendering opportunities without being constrained by location.
- e-Tendering systems maintain an approved list of suppliers that have responded to previous tenders and categorises them by set criteria, such as location and goods or services offered. You can then view lists of suppliers that may be interested in a certain area of work, to establish the level of market interest. This gives officers confidence that the tender will be successful – a sufficient number of suppliers will be interested and competition will be achieved.

## Contact

For more information on developing a Business Case for e-tendering please contact:

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## Appendix 1: Business Case Formulation

### How do I get started?

The tangible benefits from e-tendering comprise process efficiencies and overhead cost savings. The starting point, therefore, is to understand the cost of the tendering process and overhead costs.

Process costs are typically determined through techniques such as process mapping. The result is an understanding of how the current tender process operates, the resources involved and the time taken. A contrast can be made with best practices (as supported by an e-tendering solution) to determine the level of potential savings. Overhead cost savings will be estimated by calculating the costs associated with a sample of tenders and comparing the costs expected from operating an e-tendering solution.

Whilst process times vary between authorities, as a guide, typical process times for a traditional tender process are (taken from IDeA's *How to... e-tendering* document 2004): RFQ – 7 hours; non-OJEU – 80 hours; OJEU – 175 hours.

The number of tenders let per annum for a typical authority is:

Authority type	OJEU	Non-OJEU	RFQ
County	30	350	4000
Unitary	25	100	1000
District	10	50	200

The number of hours spent conducting tenders per annum is:

Authority type	OJEU	Non-OJEU	RFQ
County	5250	28000	28000
Unitary	4375	8000	7000
District	1750	4000	1400

The average efficiency savings available per annum (hours) is shown below (note that this is a capacity saving):

Authority type	OJEU	Non-OJEU	RFQ
County	1313	5880	3640
Unitary	1094	1680	910
District	438	840	182

The authority could extrapolate these hours saved into FTEs, on the basis of 1540 hours per annum to provide the savings and efficiency required by the Gershon Review.

### Calculate the baseline

Having established the % time saving relevant to your authority through Step 2 above, the next step is to understand how much time this percentage equates to. To measure this, we need to begin with a baseline assessment of the activity time taken to perform a typical OJEU, non-OJEU and RFQ tender process. These As-Is analyses will require all stages of the manual tendering process to be identified.

Typical process steps might include:

- managing the tender processes
- consultation meetings with client
- giving advice on timescales and EU Directives
- completing and sending EU contract notices
- defining estimated requirements
- documenting estimated requirements
- composing tenders
- responding to queries
- document distribution
- opening ceremony
- evaluation of tenders
- notification of decision

Once the process has been identified, the time spent and grade/level of resource must be collected through interviews or process mapping. The grade is important to understand the total cost of the process. The information garnered will give a monetary value for the Baseline Tendering Time (traditional process). It is important to record actual activities rather than the planned process and to highlight delays, duplication, non-value-added activities and the costs associated with these activities.

### Calculate potential savings

The next step uses the % Time Saving and Baseline Tendering Time above in the following equation to calculate the Reduction in Time Spent to Tender:

Reduction in Time Spent to Tender (prediction)
=
% Time Saving
x
Baseline Tendering Time (traditional process)

### Track the benefits

Following the implementation of an e-tendering solution, it is important to track the level of benefit to ensure that the predicted benefit recovery is achieved. The time taken by the new process is established through interviews or process mapping. It is recommended that the baseline analysis be used as a starting point and amended for the addition of the electronic tasks and removal of redundant manual steps. This will provide the Electronic Tendering Time.

This should be used in the following equation to calculate the Reduction in Time Spent to Tender:

Reduction in Time Spent to Tender (realised)
=
Baseline Tendering Time (traditional process)
-
Electronic Tendering Time

This KPI relates to one typical tender, and should be multiplied by the number of each type of tender per annum to give the overall time saving.

## Reduction in total overhead cost

The reduction in advertising costs is separate to this calculation because:

- i) some authorities (in particular county councils) have minimal advertising spend;
- ii) advertising spend is calculated differently from other overhead cost components; and
- iii) reduction in advertising spend can be realised without the use of an e-tendering solution.

e-Tendering solutions are only catalysts for the adoption of good procurement practice in advertisement co-ordination.

### Calculate the baseline

To predict the reduction in costs, we need to begin with a baseline assessment of the total overhead costs associated with a typical traditional, manual tender. In a similar method to calculating the Time Saving, it is recommended that this analysis be performed for a typical OJEU, non-OJEU and RFQ tender process. In the following calculations, the unit cost of small components needs to be used, such as the cost of a sheet of paper. It is recommended that the price for a collection of such components is used and the unit cost is calculated. For example: the cost of one page of paper = cost of ream / number of pages per ream = £5/500 = £0.01.

To calculate the component costs use the following equations for each type of tender (RFQ, non-OJEU, OJEU):

#### Paper

Number of suppliers sent documents x Number of tender documents  
 x Average number of pages per document = Total number of pages  
 Total number of pages x Cost per page = Total cost of paper per tender

#### Postage

Number of suppliers sent ITT documents x Postage cost per tender  
 = Total cost of postage per tender

#### Printing/Copying (excluding paper)

Number of suppliers sent ITT documents  
 x Number of tender documents  
 x Average number of printed pages per document  
 = Total number of printed pages  
 Total number of pages x Cost to print one page  
 = Total cost of printing per tender

#### Stationery

In the same manner, calculate the quantities and cost of stationery per tender. Stationery can include envelopes, letterheads, address labels and pre-printed return envelopes. These components are added together to give the average Spend on Traditional Tendering Overheads per tender and should be different for RFQs, non-OJEU and OJEU tenders.

## Advertising

Baseline Advertising Spend can be calculated as an annual prediction or from previous monthly, quarterly or annual spend across the authority and then divided by the number of tenders in that time period.

Use the % Reduction in Advertising Spend from Step 2 to calculate the Reduction in Advertising Spend per tender by:

Reduction in Advertising Spend (prediction)  
 =  
 % Reduction in Advertising Spend  
 x  
 Baseline Advertising Spend (traditional process)

Again, this measure should be different for RFQs, non-OJEU and OJEU tenders. It should be noted that advertising will not be a significant cost for all authorities.

### Calculate potential savings

The next step uses the three (RFQs, non-OJEU and OJEU tenders) Baseline Spend on Traditional Tendering Overheads from above and the Reduction in Advertising Cost in the following simple equation to calculate the Reduction in Total Overhead Cost to Tender:

Reduction in Total Overhead Cost (prediction)  
 =  
 Spend on Traditional Tendering Overheads  
 (paper, postage, printing, stationery)  
 +  
 Reduction in Advertising Cost

This calculation will need to be separately made for RFQs, non-OJEU and OJEU tenders.

The calculation assumes that the cost of paper, postage, printing and stationery is reduced by 100% when using an electronic solution. This is only attainable when no tender documents are printed or sent by post.

### Track the benefits

Following the implementation of an e-tendering solution, it is important to track the level of benefit to ensure that predicted benefits are recovered. The approach to tracking this benefit is to monitor use of the e-tendering solution. Benefits are only realised on the tenders that are processed electronically, so in order to track the realised benefits, there must be monitoring of solution use.

The following calculation should be used:

Reduction in Total Overhead Cost (realised)  
 =  
 Number of Electronic Tenders  
 x  
 Spend on Traditional Tendering Overheads  
 (paper, postage, printing, stationery)  
 +  
 Reduction in Advertising Cost



A series of seminars for the public and the private sector designed to demystify procurement procedures. Outlining the legislation and processes involved, these events detail how both sectors can fully understand the legal requirements of the tendering process.

For further information on the PASS events service, contact our Events Team on **0845 270 7095** email [events@bipsolutions.com](mailto:events@bipsolutions.com) or visit [www.bipsolutions.com/events/](http://www.bipsolutions.com/events/)

Given that the level of benefit realised is directly linked to how the system is used, it is important to monitor its usage across the authority.

As an example, every month Leeds City Council collate and report on the following measures to monitor the usage of their Electronic Tendering System (ETS):

MEASURE GROUP	PERFORMANCE INDICATOR
New registrations	New registrations per month Cumulative total registrations
Site visit information	Average visits per visitor Number of visits Unique visitors
Schemes placed on the site	Advertised tenders Invited tenders Total no. of tenders
Document availability information	Schemes with documents Schemes without documents % of schemes with documents
Bids received electronically	Non-approved firms Approved firms
Document download information	Individual documents downloaded Individual documents sent out hard copy
Electronic lodgement information	Tenders lodged traditionally Tenders lodged electronically % of tenders lodged electronically
Feedback information	Proportions ratings (Poor, Average, Good, Very Good)
Advertisement information	No. of adverts placed Advertising savings
Scheme estimate information	Invited tenders Advertised tenders
Successful firm information	No. of successful electronic bids

### Assumptions

The following assumptions for benefits from an electronic tendering process have been made:

- i) all documentation is sent electronically
- ii) no documentation is printed throughout the process (including during the tender creation, and the response evaluation)
- iii) advertising is aggregated and notification of the tender is advertised on the e-tender site

Care must be taken to correct the calculation above in the event that one or more of these assumptions are not correct. For example, it is likely that initially a dual process of manual and electronic tendering will have to be adopted to cater for suppliers that do not have the necessary IT capability. In this case, a correction must be made to ensure that savings are only captured for those parts of the overall process that are performed electronically.

Use the following sections to create a mandate for the review and implementation of e-tendering within your authority:

### Recommendations

(Insert here your authority's recommendations to the desirability of undertaking e-tendering within your organisation ensuring that you mention the Government strategies and best practices to reduce costs and improve efficiency)

### Change management

(Insert here details about the management of change consequential to implementing e-tendering, include training details, communication plans, internal memorandums, press releases, etc using standard principles such as PRINCE2 project management approach)

### Funding methodology

(Insert details of the funding methodology for cost recovery of the cost of implementing the e-tendering solution using the calculations above)

## Appendix 2: Examples Of Buyer Profiles

Authority	aXcess Buyer Profile
Audit Commission	<a href="http://audit-commission.g2b.info/">http://audit-commission.g2b.info/</a>
Barnet Council	<a href="http://barnet.g2b.info/">http://barnet.g2b.info/</a>
Central Science Laboratories	<a href="http://csl.g2b.info/">http://csl.g2b.info/</a>
Competition Commission	<a href="http://competition-commission.g2b.info/">http://competition-commission.g2b.info/</a>
Department for Transport	<a href="http://dft.g2b.info/">http://dft.g2b.info/</a>
Driver and Vehicle Licensing Agency	<a href="http://dvla.g2b.info/">http://dvla.g2b.info/</a>
East Sussex County Council	<a href="http://escs.g2b.info/">http://escs.g2b.info/</a>
Eastern Shires Purchasing Organisation	<a href="http://espo.g2b.info/">http://espo.g2b.info/</a>
London Borough of Richmond	<a href="http://richmond.g2b.info/">http://richmond.g2b.info/</a>
Northern Lighthouse Board	<a href="http://nlb.g2b.info/">http://nlb.g2b.info/</a>
Nottingham City Council	<a href="http://nottinghamcity.g2b.info/">http://nottinghamcity.g2b.info/</a>
Ofgem	<a href="http://ofgem.g2b.info/">http://ofgem.g2b.info/</a>
Ordnance Survey	<a href="http://os.g2b.info/">http://os.g2b.info/</a>
Scottish Borders Council	<a href="http://scotborders.g2b.info/">http://scotborders.g2b.info/</a>
Scottish Environment Protection Agency	<a href="http://sepa.g2b.info/">http://sepa.g2b.info/</a>
Scottish Courts – Procurement Portal	<a href="http://scotcourts.g2b.info/">http://scotcourts.g2b.info/</a>
Trinity House	<a href="http://trinityhouse.g2b.info/">http://trinityhouse.g2b.info/</a>
University of Edinburgh	<a href="http://edinburghac.g2b.info/">http://edinburghac.g2b.info/</a>
West Yorkshire Metro	<a href="http://wymetro.g2b.info/">http://wymetro.g2b.info/</a>
West Midlands Police	<a href="http://west-midlandspolice.g2b.info/">http://west-midlandspolice.g2b.info/</a>
West Yorkshire Police	<a href="http://westyorkshire.police.g2b.info/">http://westyorkshire.police.g2b.info/</a>



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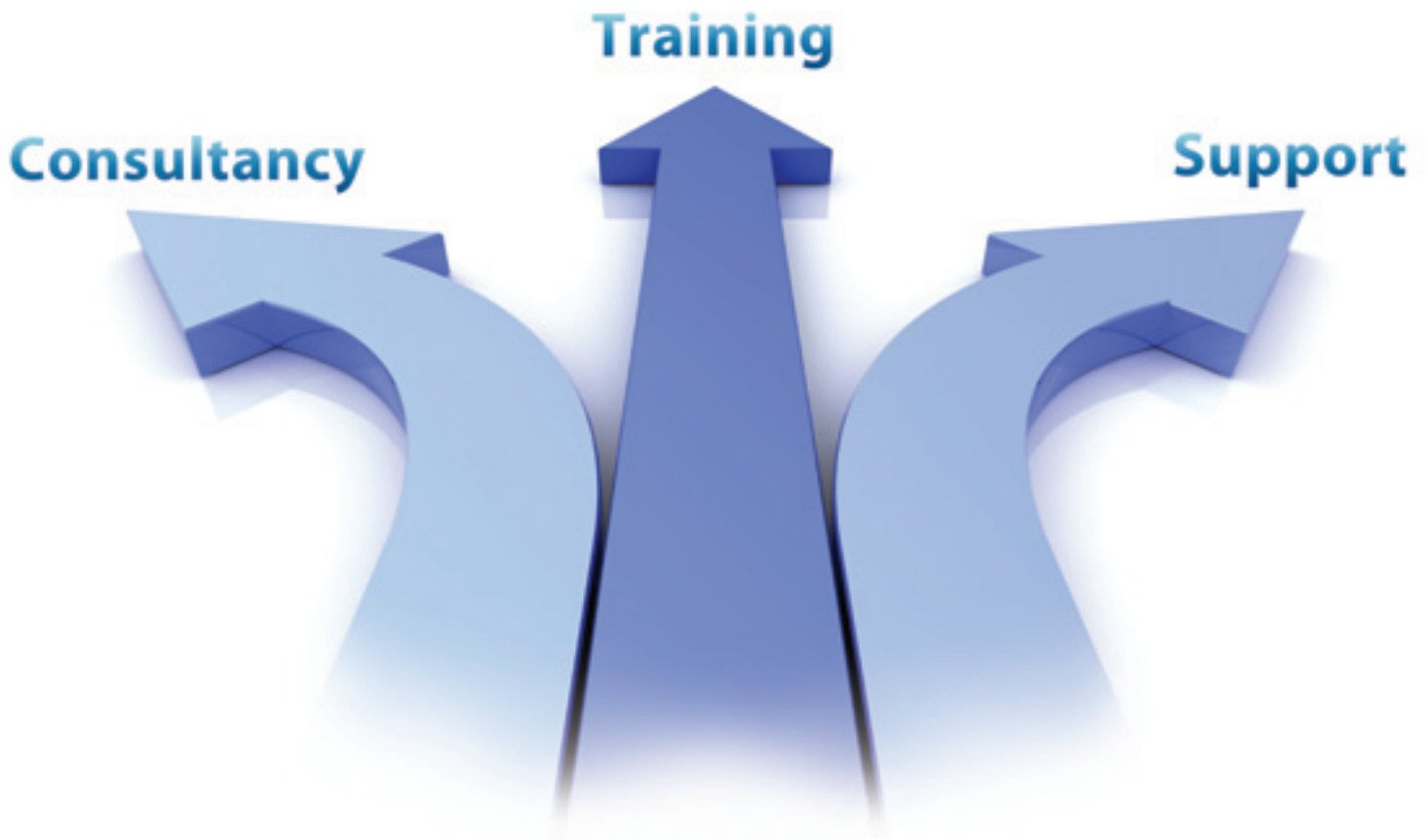
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