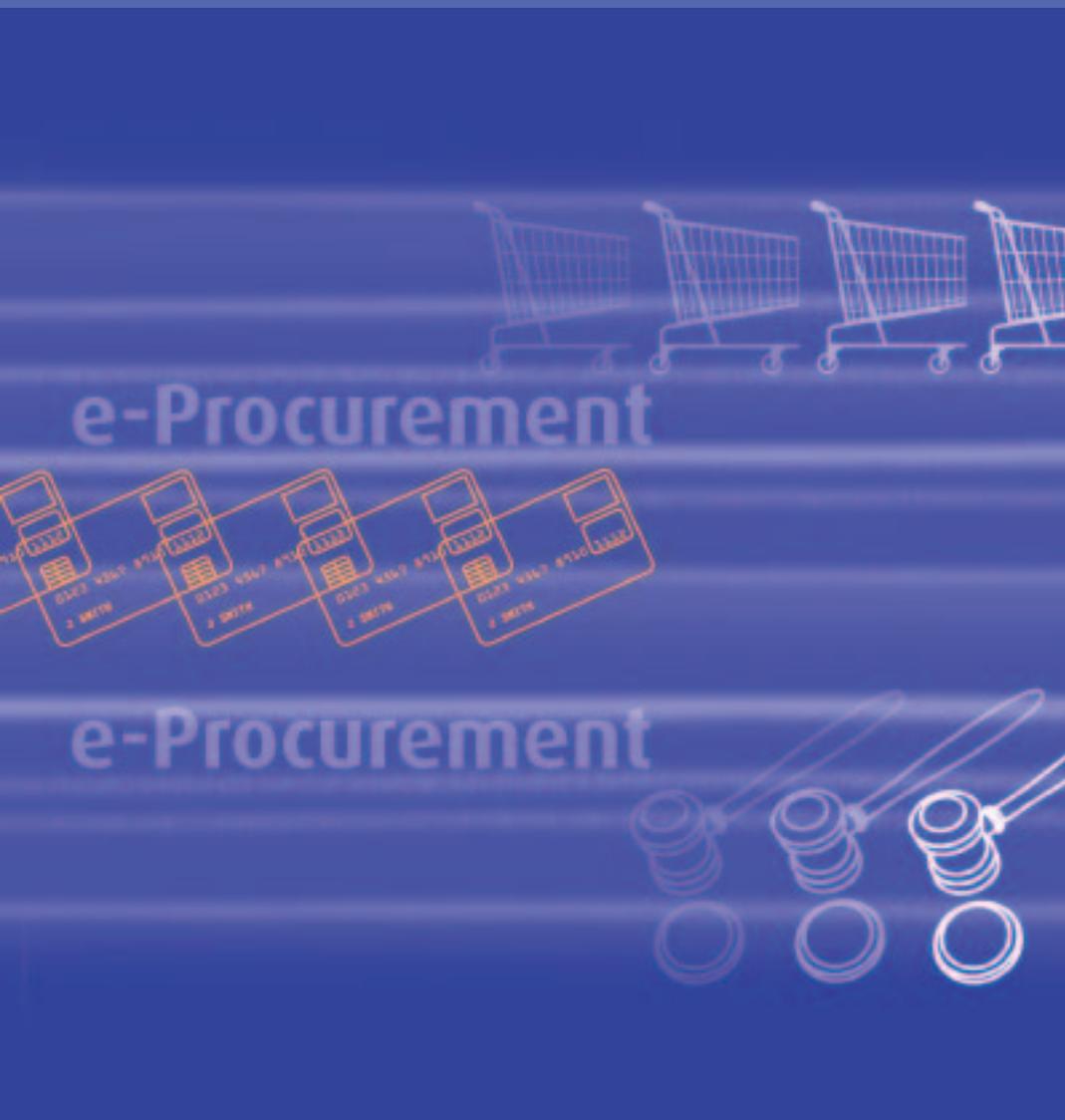**local e-gov**
National Projects

National e-Procurement Project

Delivering e-Procurement

Desktop Guide to e-Procurement
Part 7: What is Spend Analysis... and how to get started

Supported by **Office of the Deputy Prime Minister**

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
- 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 focuses on spend analysis and has the following structure:

- Section 2 - What is spend analysis?
- Section 3 - Why should councils be interested?
- Section 4 - How does spend analysis support the stages of an e-procurement project?
- Section 5 - How do I get started?
- Section 6 – How do I use the spend analysis?
- Section 7 - Where is further information available?
- Section 8 - Checklist
- Section 9 - Frequently asked questions.

2. What is spend analysis?

Spend analysis is the examination of the volume and value of purchasing transactions that an organisation makes. It is essential for the following reasons:

- To understand what goods and services are bought, who purchases them, and where they are bought from.

- To identify expenditure that is critical to the delivery of the council's services (such as waste disposal services) and expenditure that supports the smooth running of the council (such as office supplies). This information can then be used to identify opportunities to minimise risk and ensure continuity of service for these business-critical services by establishing longer-term contracts and developing contingency arrangements.

- To define how many transactions the council processes with suppliers (such as the number of orders and invoices) and identify opportunities to consolidate expenditure or invoices.

- To understand how many suppliers the council purchases from, how much the council spends with individual suppliers and which suppliers the council spends the most with.

- To calculate the potential spend savings from e-procurement and to identify opportunities for process efficiencies.

- To understand what system controls and management information are in place to encourage and to enforce the use of corporate contracts. For example, does the council's purchasing system control which suppliers orders can be placed with? Are there reports available of invoices received for which there is no purchase order?

For the purposes of this document, the following terms are used as defined below:

Table 1: Glossary of terms used in this document

Term	Definition
Addressable spend	This is the proportion of expenditure that is eligible for spend savings i.e. the proportion of the cost of a purchase or service that can be reduced by re-letting a contract.
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.gov.uk/eprocurement.
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.
Compliance	The extent to which orders for particular goods or services are placed with approved suppliers or contracts, in accordance with EU regulations and the council's Contract Procedures.
Consolidation of spend/ suppliers/ invoices	Consolidation of spend means bringing together the expenditure on particular goods and services incurred by individual departments of the council, so that contracts can be let to cover the total expenditure for the goods and services. Consolidation of suppliers means reducing the number of suppliers that the council deals with, for example by introducing a corporate contract with one supplier in place of contracts with several suppliers made by individual departments. Consolidation of invoices means reducing the number of invoices that the council receives. This can be achieved through consolidation of spend, consolidation of suppliers or using purchase cards for low value items (this replaces individual supplier invoices with one statement from the card provider).

Term	Definition
Corporate contract	A formal agreement with a supplier that is used by all departments and services in the Council for the purchase of particular goods or services. This agreement will be either a: • Tendered contract – with agreed terms and conditions, set pricing structures for specified goods or services. This agreement will have a set period of validity before re-tendering is required. • Framework Agreement (in compliance with EU Procurement Directives) – where terms and conditions have been agreed, but a number of suppliers have been appointed to provide a range of goods or services. The selection of an individual supplier for specific goods or services will then be subject to a mini-competition through a quotations process before agreeing which supplier will be used.
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.
Management information	This is information from reports available from the purchase ordering or accounts payable system which provide officers with information about purchasing transactions. For example, reports of invoices for which there are no purchase orders.
Non-pay expenditure	This is expenditure on goods and services as opposed to staff salaries and other payroll costs.
Purchasing transactions	The activities between purchasers and suppliers during the purchase of goods and services such as orders and invoices.
Process efficiencies	A reduction in the cost of a process or the time taken to complete a process (e.g. processing a purchase order) as a result of automating the process.
Spend analysis	An analysis of data held in the purchasing or accounts payable systems that enables councils to obtain information such as: • What goods and services are bought by the council? • Who purchases the goods and services? • How many suppliers does the council purchase from?
Spend savings	The paying of lower prices for the same goods or services as before.
System controls	The features of the purchase ordering system that automatically limit decisions that purchasers can make. For example, restricting which suppliers orders can be placed with.

3. Why should councils be interested?

Reducing the cost of goods and services bought by a council is one of the core benefits from e-procurement. This benefit is sometimes referred to as expenditure or spend savings. NePP has analysed the level of spend savings that might be available to a council. A range of savings were identified (low, average and high), to reflect the varying characteristics of purchasing in different councils. If the answer to the following questions is predominantly "no" then your savings opportunity will tend to be higher.

1. Have you consolidated expenditure on goods and services across all services / departments? The spend analysis will help you to understand which departments purchase which goods and services and who they purchase from.

2. Do you challenge existing corporate contracts to ensure that they offer value for money? Part of the spend analysis is to identify where corporate contracts are in place. Existing contracts should be reviewed to assess whether they reflect the amount of expenditure incurred by the council on the relevant goods and services and whether they take account of current market conditions. For example:

     • Are suppliers facing difficult trading conditions and offering discounts?

     • Have new suppliers entered the market and are looking to win contracts in local government?

3. Do you have a clearly defined and implemented procurement strategy?

4. Do you have officers who are responsible for procurement across the whole authority and who work closely with services / departments to understand their procurement requirements? Who is responsible for negotiating contracts for the goods and services identified through the spend analysis?

5. Do you have few suppliers (especially for major areas of expenditure)? The spend analysis will identify how many suppliers you have for each category of goods and services (such as office supplies and travel).

6. Do you have long-term relationships with suppliers of critical goods and services?

7. Is there a process of regular measurement of supplier performance?

8. Can you forecast the requirement for goods and services across the whole authority?

9. Do you have an integrated ordering and finance system?

10. Do your ordering and finance systems provide comprehensive purchasing information?

11. Do you have collaborative arrangements with other authorities for the purchase of goods and services?

The following table contains average potential spend savings per annum, as analysed by the NePP. The table shows the average reduction in expenditure per annum on goods and services that a council could achieve from good procurement and e-procurement.

Table 2: Spend savings benefits

Sourcing	District	Unitary	County
Reduction in the cost of goods and services	£0.4m	£3.5m	£4.9m

Spend savings are achieved by ensuring that expenditure on particular goods and services is consolidated across the council. The council is likely to achieve better prices by letting one council-wide contract for £80,000 rather than four individual, departmental contracts for £20,000 each. By reducing the number of suppliers the council deals with, more business can be offered to fewer suppliers who can therefore offer more competitive prices due to increased volumes of business.

Spend analysis is an opportunity to really understand the relationships you have with your suppliers. For example:

• Spend analysis will identify suppliers with whom the council spends significant amounts. Perhaps a council does not have a corporate contract with a supplier who supplies over £100,000 of goods or services per annum? This may point to opportunities for spend savings.

• Spend analysis will identify where there are many suppliers providing similar goods or services. A council may want to reduce the overall number of suppliers it deals with, in particular suppliers of low value goods and services, to achieve spend savings but also process efficiencies by reducing the number of purchase transactions, such as orders and invoices.

• Spend analysis will help the council map out a route to a more efficient, cost effective and user friendly purchasing process. For example, the spend analysis may identify a significant number of low value purchases which could be more effectively dealt with through purchase cards, which significantly speed up the purchasing process and replace many invoices with a single card statement.

4. How does spend analysis support the stages of an e-procurement project?

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

Figure 1: Stages of an e-procurement project

Gain support of senior management → Build the business case → Commit resources → Implement e-procurement → Deliver and Measure the benefits

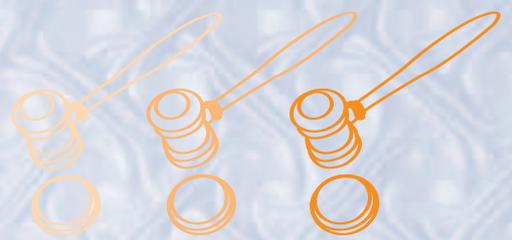Spend analysis supports the stages of an e-procurement project in the following ways:

• Gain support of senior management – a high level spend analysis should be undertaken at this stage, although it may be brief since resources will not have been allocated to an e-procurement project. The high level spend analysis will provide an assessment of the potential spend savings and areas to be addressed, and henc e help to generate interest in e-procurement. It is a high level analysis because it considers total non-pay expenditure only without any analysis into the detail of what is bought, by whom and from which suppliers. Non-pay expenditure is expenditure on goods and services as opposed to staff salaries and other payroll costs. This high level assessment of potential savings could be based around the metrics defined by the NePP, as illustrated below.

Table 3: Assessment of spend savings

Assessment approach	Illustration
1. Estimate total non-pay expenditure, for example from the accounts payable system	£16m
2. Calculate annual potential spend savings by applying the average NePP percentage of 2.8% to the total of non-pay expenditure	£0.448m

Σ

• Build the business case – a robust spend analysis will need to be undertaken to support the business case for e-procurement and to act as the baseline against which benefits realisation can be monitored. Benefits realisation means the achievement of the benefits identified in the business case. The robust spend analysis supports the business case by calculating spend savings that are specific to the council. The way in which a spend analysis is undertaken is described in Section 5 of this document – How do I get started? Guidance on how to prepare a business case for e-procurement is included in Part 6 of the guidance notes (e-Procurement Business Case). This document can be found at www.idea.gov.uk/knowledge/eprocurement.

• Deliver and measure the benefits – spend analysis provides the target for spend savings. It describes the level of savings expected during each year covered by the business case and the expenditure categories and departments / services that will contribute the savings. It therefore enables a plan of action to be developed that identifies quick wins, areas to be addressed and the e-procurement technologies that are appropriate. Actual savings achieved can then be compared to this target so that progress on delivering spend savings can be monitored.

5. How do I get started?

The following tasks need to be undertaken to produce a spend analysis.

Task 1
Obtain a full year's spend data

Task 2
Define the spend categories

Task 3
Allocate spend data to the spend categories

Task 4
Determine the potential benefits

The starting point, Task 1, is to import purchase transaction data into a spreadsheet or database. The purchase transactions will be copied from the order processing and/or accounts payable systems. Some support may be needed from IT (Information Technology) or finance staff to extract information from these systems into spreadsheets or database for analysis. Data covering a 12 month period – usually the last financial year – should be taken. Where the pattern of expenditure is consistent throughout the year, a shorter time period, such as 3 or 6 month's data is acceptable. In either case, adjustments will need to be made for known major changes in the goods and services that will be purchased. This will ensure that the spend analysis is based upon expenditure likely to be incurred in the future. The information to be copied into the spreadsheet or database will be individual orders or invoices and will include the following:

- The subjective code (ie the general ledger codes used to identify the category of the goods or services purchased),
- Description of the subjective code, (i.e. the category description)
- The cost centre code (ie the code for the department or service making the purchase),
- Description of the cost centre code
- The name of the supplier,
- The value of the purchase transaction.

An example of this information is shown below:

Subject code	Description of the cost centre	Cost Centre code	Subjective code description	Speeds Category	Supplier name	Transaction value
A2521	PUBLIC RELATIONS	4F21	PRINTING STAT GEN OFFICE	PRINTING, STATIONERY & GENERAL OFFICE EXPENSES	ABACUS OFFICE SUPPLES	33.74
P2003	CPA PREPARATION & ACTION PLANNING	AB10	FURNITURE	EQUIPMENT, FURNITURE & MATERIALS	ABACUS OFFICE SUPPLES	874.10
P2023	CPA PREPARATION & ACTION PLANNING	AB10	FURNITURE	EQUIPMENT, FURNITURE & MATERIALS	ABACUS OFFICE SUPPLES	165.06
P0600	HEAD OF LEGAL & ASSET MANAGEMENT	AB10	FURNITURE	EQUIPMENT, FURNITURE & MATERIALS	ABACUS OFFICE SUPPLES	181.36
P0340	ESTATES & VALUATION	AB10	FURNITURE	EQUIPMENT, FURNITURE & MATERIALS	ABACUS OFFICE SUPPLES	53.50
P0600	HEAD OF LEGAL & ASSET MANAGEMENT	AB10	FURNITURE	EQUIPMENT, FURNITURE & MATERIALS	ABACUS OFFICE SUPPLES	251.17
B2056	HIGHWAYS & PRIVATE SEWERS	2AFW	REPAIRS AND MAINTENANCE	REPAIRS, ALTERATIONS & MAINTENANCE - BUILDINGS	ABB LIMITED	48.34
B2056	HIGHWAYS & PRIVATE SEWERS	2AFW	REPAIRS AND MAINTENANCE	REPAIRS, ALTERATIONS & MAINTENANCE - BUILDINGS	ABB LIMITED	48.34
B2056	HIGHWAYS & PRIVATE SEWERS	2AFW	REPAIRS AND MAINTENANCE	REPAIRS, ALTERATIONS & MAINTENANCE - BUILDINGS	ABB LIMITED	48.66
B2056	HIGHWAYS & PRIVATE SEWERS	2AFW	REPAIRS AND MAINTENANCE	REPAIRS, ALTERATIONS & MAINTENANCE - BUILDINGS	ABB LIMITED	42.32
B2056	HIGHWAYS & PRIVATE SEWERS	2AFW	REPAIRS AND MAINTENANCE	REPAIRS, ALTERATIONS & MAINTENANCE - BUILDINGS	ABB LIMITED	69.57
B2056	HIGHWAYS & PRIVATE SEWERS	2AFW	REPAIRS AND MAINTENANCE	REPAIRS, ALTERATIONS & MAINTENANCE - BUILDINGS	ABB LIMITED	29.00

When you analyse the money the council spends by the type of purchase being made (the breakdown according to subjective code) you will probably produce a large number of analysis lines because the data is captured at individual transaction level (ie order or invoice). To make the spend analysis more manageable, the next task (Task 2) is to define higher level spend categories. A number of industry and generic standards are available, such as the CIPFA classification (see www.cipfa.org.uk). These standard classifications will give you a starting point, but you will have to add further detail to reflect the expenditure that you have incurred. In the example on the next page, the CIPFA classification of Employees / Direct employee expenses has been further analysed into agency staff, advertising and training.

CIPFA GROUP	CIPFA SUB GROUP	CATEGORY
1. EMPLOYEES	DIRECT EMPLOYEE EXPENSES	AGENCY STAFF
		ADVERTISING (EMPLOYEES)
	INDIRECT EMPLOYEE EXPENSES	TRAINING

Having defined the spend categories, Task 3 involves collecting individual transactions into the spend categories. An example of this is shown below.

Subject code	Description of the cost centre	Cost Centre code	Subjective code description	Speeds Category	Supplier name	Transaction value
A2521	PUBLIC RELATIONS	4F21	PRINTING STAT GEN OFFICE	PRINTING, STATIONERY & GENERAL OFFICE EXPENSES	ABACUS OFFICE SUPPLES	33.74
P2003	CPA PREPARATION & ACTION PLANNING	AB10	FURNITURE	EQUIPMENT, FURNITURE & MATERIALS	ABACUS OFFICE SUPPLES	874.10
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P0340	ESTATES & VALUATION	AB10	FURNITURE	EQUIPMENT, FURNITURE & MATERIALS	ABACUS OFFICE SUPPLES	53.50
P0600	HEAD OF LEGAL & ASSET MANAGEMENT	AB10	FURNITURE	EQUIPMENT, FURNITURE & MATERIALS	ABACUS OFFICE SUPPLES	251.17
B2056	HIGHWAYS & PRIVATE SEWERS	2AFW	REPAIRS AND MAINTENANCE	REPAIRS, ALTERATIONS & MAINTENANCE - BUILDINGS	ABB LIMITED	48.34
B2056	HIGHWAYS & PRIVATE SEWERS	2AFW	REPAIRS AND MAINTENANCE	REPAIRS, ALTERATIONS & MAINTENANCE - BUILDINGS	ABB LIMITED	48.34
B2056	HIGHWAYS & PRIVATE SEWERS	2AFW	REPAIRS AND MAINTENANCE	REPAIRS, ALTERATIONS & MAINTENANCE - BUILDINGS	ABB LIMITED	48.66
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B2056	HIGHWAYS & PRIVATE SEWERS	2AFW	REPAIRS AND MAINTENANCE	REPAIRS, ALTERATIONS & MAINTENANCE - BUILDINGS	ABB LIMITED	29.00

Having analysed non-pay expenditure into the spend categories, the next task (Task 4) is to estimate the potential savings available from the use of corporate contracts. To do this, a number of considerations need to be made:

1. For each spend category, to what extent can prices be influenced? For example, the amounts paid to foster carers would not be considered for spend savings. However, the amounts paid for building repairs and maintenance can be influenced. The proportion that is eligible for spend savings is known as "addressable spend".

2. What level of compliance with corporate contracts can be expected for each spend category? Compliance is the extent to which corporate contracts are expected to be used. For example, it is easier to enforce compliance with a telecommunications contract than with an office supplies contract because the choice of supplier will be limited. Compliance is important because the level of spend savings achieved depends upon the use of these corporate contracts. A contract with a £60k saving, will only generate £30k of savings if it is used only 50% of the time, ie it only has 50% compliance. Councils will need to estimate the level of compliance they expect for each spend category, taking account of system controls and management information available to enforce compliance.

3. What level of savings are possible at each spend category e.g. employee training? The percentage will be influenced by judging the competitiveness of current contracts, the number of suppliers for each spend category and market conditions (e.g. are suppliers fighting for market share?).

4. What is the likely phasing of re-letting contracts? Re-letting contracts is usually phased because it is not practical to deal with all expenditure categories in one go. The phasing will be influenced by which spend categories appear to offer the best opportunity for savings (defined by the scale of the potential spend savings and a judgement of the ease with which contracts can be re-let) and by the life span of current contracts.

These considerations are used to calculate the spend savings target. An example of the analysis undertaken, and the resulting spend savings target, is shown below.

CATERGORY	SPEND	ADDRESSABLE SPEND (%)	LEVEL OF COMPLIANCE STRATEGIC SOUCING (SS) (%)	LEVEL OF COMPLIANCE FOR e- PROC (%)	SAVINGS						
					START	YR1	YR2	YR3	YR4	YR5	TOTAL
AGENCY STAFF	529.305	70%	50%	90%	2	3%	2%	1%	1%	1%	8%
ADVERTISING (EMPLOYEES)	63,393	60%	90%	95%	1	5%	0%	4%	0%	3%	12%
TRANING	145,432	40%	60%	90%	2	0%	4%	0%	3%	0%	7%
CLEANING & DOMESTIC & SERVICES	43,072	70%	50%	80%	1	5%	0%	3%	0%	2%	10%
ENERGY COSTS	442,941	80%	95%	95%	3	0%	0%	2%	1%	1%	4%
FIXTURES & FITTINGS	-	80%	40%	90%	1	5%	2%	2%	1%	1%	11%
GROUNDS MAINTENANCE	697,306	50%	65%	70%	2	0%	4%	0%	3%	0%	7%
REPAIRS, ALTERATIONS & MAINTENANCE - BUILDINGS	3,626,469	50%	60%	70%	2	0%	4%	0%	3%	0%	7%

ANNUAL SAVINGS

YEAR	STRATGIC SOURCING	STRATGIC SOURCING & ePROC	IMPROVEMENT THROUGH ePROC	% SAVINGS OF PROCURABLE SPEND WITH ePROC	% SAVINGS OF ADDRESSABLE SPEND WITH ePROC
YEAR1	£46,242	£77,822	£31,580	0.4%	0.8%
YEAR2	£147,660	£208,132	£60,472	12%	2.0%
YEAR3	£183,609	£259,938	£76,329	15%	2.5%
YEAR4	£250,552	£341,489	£90,937	19%	3.3%
YEAR5	£334,401	£440,774	£106,373	2.5%	4.3%
TOTAL	**£962,465**	**£1,328,155**	**£365,690**		

% ADDRESSABLE SPEND = 58%

Where the analysis includes expenditure undertaken by schools, a decision will need to be made as to whether this expenditure will be included in the savings target. Through delegated budgets, schools have a significant degree of autonomy as to where they purchase goods and services from. However, a significant element of their expenditure will be for goods and services similar to those that are bought by the council. There is, therefore, an opportunity to include schools' expenditure when contracts are re-let. Councils should bear in mind that they can not mandate schools to use their corporate contracts and that schools may wish to use other suppliers. However, it is important that schools are advised of the benefits of corporate arrangements and are able to make use of them where appropriate. As a matter of good procurement practice, councils should ensure that schools are able to access these contracts.

6. How do I use the spend analysis?

Spend Analysis will enable the council to identify useful management information that will highlight the opportunity for spend savings and process efficiencies. For example, it will identify:

- The scope of corporate contracts. If a schedule of corporate contracts is not available, identifying the suppliers with whom most money is spent may indicate contracts that operate across the whole council. Identifying existing significant contracts is important when considering the opportunity for spend savings. Arguably, the council may not want to change these contracts, so that expenditure covered by the contracts will effectively be excluded from the calculation of spend savings. In addition, the council will be able to identify where departments are purchasing similar goods and services. The council can then investigate whether these different departments are working together in their dealings with suppliers or whether they are making local arrangements. This information will help you to identify where the council might use corporate contracts to gain some spend savings.

- The number of suppliers for each type of goods and services and the average spend per supplier. Identifying multiple suppliers for the same goods and services will indicate:

  - the opportunity to reduce the number of suppliers that the council deals with

  - the extent of purchasing off contract (also known as maverick spend) ie where corporate contracts are in place but goods and services are being purchased from other suppliers. This is likely to be of interest to Internal Audit

  - multiple name descriptions for the same supplier and hence an opportunity for data cleansing.

- Average invoice value and the profile of invoices by value and volume, for example:

GROUPING	NUMBER OF INVOICES	SUM OF AMOUNT
A OVER £100,000	27	£2,916,583
B BETWEEN £50,000 AND £100,000	143	£10,042,513
C BETWEEN £20,000 AND £50,000	501	£15,147,570
D BETWEEN £5,000 AND £20,000	2,134	£20,315,234
E BETWEEN £1,000 AND £5,000	8,587	£18,032,981
F BETWEEN £500 AND £1,000	8,580	£6,018,642
G BETWEEN £100 AND £500	72,766	£16,900,118
H LESS THAN OR EQUAL TO £100	60,587	£961,465
TOTAL	**153,325**	**£90,335,106**

This analysis will indicate the opportunity to introduce purchase cards for low value invoices and one-off purchases (where the cost of processing the invoice may exceed the value of the order), and invoice consolidation for single line invoices (ie only one item ordered), which will reduce the number of transactions that the council is dealing with and hence save time.

How much council expenditure is with small local businesses, the number of suppliers and the level of expenditure with these suppliers. This will inform discussions on how much the council supports the local economy and inform supplier adoption activities.

7. Where is further information available?

A more detailed Spend Analysis guidance note produced by the NePP is available on the ODPM's IDeA Knowledge website.

www.idea.gov.uk/knowledge/eprocurement

8. Checklist

The following is a checklist of key tasks for spend analysis.

Activity	Done?
To agree data to be used for the spend analysis e.g. last year's actual expenditure	
To extract the data from the financial systems into a spreadsheet for analysis	
To collate the data into spend categories	
Define percentages for addressable spend, compliance and spend savings and define the phasing of re-letting contracts to arrive at a spend savings target	
Prioritise areas to focus on for letting corporate contracts	

9. Frequently asked questions

My systems do not capture purchasing information – does this mean that I cannot start a spend analysis?

The majority of councils do not have purchasing information systems. However, sufficient information can be extracted from financial systems to allow a spend analysis to be undertaken. This information is usually found in the accounts payable system. Alternatively, manual analysis of invoices may provide some information as a starting point.

Should schools' expenditure be included in the analysis?

Under delegated budgets, schools have discretion as to where they purchase goods or services from. The goods and services purchased by schools are largely appropriate for e-procurement. Councils should identify the potential savings from including schools' expenditure but then exclude it from savings targets unless schools commit to taking part in e-procurement.

How do we avoid compromising service delivery?

The key principle around spend savings is "delivering the same for less". Services will, therefore, still receive the volume of goods and services that they require and with at least the current standards of quality and delivery performance (potentially these may be improved upon).

Doesn't spend analysis ultimately lead to less business with local small companies?

The spend analysis can identify the number of local small businesses that the council trades with and the value of that business. Further work can be undertaken to understand how important trading with the council is to each business (ie is it 90% of sales or 10%?) and therefore the impact that consolidation of spend may have on them.

This information will allow informed decisions to be made on supplier selection policies.

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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. localegovnp.org.uk