ARGYLL & BUTE COUNCIL   **AUDIT COMMITTEE**

CORPORATE SERVICES   **11 DECEMBER 2009**

E-PROCUREMENT SCOTLAND

1.   **BACKGROUND**

1.1   Argyll and Bute Council joined the eProcurement Scotland service in
      April 2004, following a scope and readiness study undertaken by
      CapGemini during the autumn of 2003. At the time the benefits case
      was predicated upon the steady growth of collaborative buying through
      the authorities buying consortium and the communication of contract
      opportunities through electronic catalogues held within the "Pecos"
      software.

1.2   The development in collaborative buying is now happening but has
      taken considerably longer than forecast, as the authorities buying
      consortium has now become Scotland Excel and operates across
      Scotland rather than for only west coast authorities.

2.   **RECOMMENDATIONS**

2.1   That the Committee note the progress to date made on electronic
      procurement and the potential for further efficiency within the purchase
      to pay process.

3.   **BENEFITS OF E-PROCUREMENT**

3.1   The Pecos system provides a streamlined purchase to pay process for
      the Council. Requisitions for goods and services are approved on-line
      by supervisors or managers and are then transmitted to suppliers either
      by e-mail or by electronic fax, or by cXML direct transmission. The
      receipt of goods is also recorded on-line. Suppliers send all invoices in
      response to Pecos Purchase Orders direct to the creditors section for
      entry into the Pecos system where three way matching takes place.

3.2   In 2005 the Scottish Procurement Directorate carried out a time study
      of the purchase to pay process across various departments of the
      Council, measuring the time spent by staff in processing orders,
      receipts and invoices by the traditional paper method and by the
      electronic method. Costing the average time saved by the electronic
      method gave a saving, at today's prices, of £3.40 per transaction.

3.3　A significant benefit of the e-procurement service is in the sharing of information. It became apparent as Pecos was being implemented that many staff in the Council, particularly in small outlying offices, were unaware of the existence of the authorities buying consortium and the many supply contracts that they could access on behalf of the Council. Similarly, staff in one department had no visibility of contracts let by another department in the Council.

3.4　The Pecos system works very much like Amazon, with a straight forward search engine. If a member of staff in a school, for instance, wants to buy an item of stationery, the system will retrieve all instances of that item on contract, in order of ascending price.

3.5　The flow of information is two way, with the Procurement Team gaining visibility on exactly the quantities of commodities being procured across the Council, which enables the correct demand to be captured in future contracts.

3.6　The Council have also used the Pecos system to facilitate electronic invoicing and indeed were the first Council in Scotland to do this, taking c4,000 invoices per annum from Lyreco, the contracted stationery supplier, into Pecos by electronic upload.

4.　COSTS OF E-PROCUREMENT

4.1　The costs of using the e-Procurement service when the Council joined were approximately £80,000 to implement, followed by £55,000 per annum. Since 2007 the annual licence fee has been met by the Scottish Government

4.2　The Council still pay an annual fee of £11,000 for maintenance of the interface between Pecos and Oracle and have two staff posts dedicated to developing and maintaining the system. Those staff are involved in systems administration and supplier management. A survey of Pecos users carried out as part of the Process for Change outline business case identified training as an issue that was preventing staff getting the most from the system. A dedicated member of staff will be recruited under Process for Change whose training duties will include training on Pecos as well as the other procurement software in use within the Council.

5.　DEPLOYMENT OF E-PROCUREMENT TO DATE

5.1　Since 2004 the Council have processed 90,000 purchase orders through the Pecos system. Over the last twelve months the Council have issued 30,000 purchase orders.

5.2   Most purchase orders for goods and services issued from offices across the Council are now made using the Pecos system. Roads materials are ordered through Pecos as are all purchases for the Council's vehicle fleet.

5.3   Since April 2008 all purchases from within schools are made using the Pecos system.

5.4   All purchase orders for Caledonian MacBrayne are made using the Pecos system. Calmac will not accept any other form of purchase order from the Council.

6   FURTHER POTENTIAL FOR THE PROJECT

6.1   The Council processes in the region of 100,000 purchase transactions each year so there is still a large number of transactions happening outwith the Pecos system.

6.2   Property Maintenance has been identified as an area where purchase orders could be made within Pecos. This would allow maintenance staff to immediately place an order with the contractor from any Council premise without returning to the office and to know that the contractor had the order instantly. It will also allow streamlined processing of invoices and will allow the Council to terminate the use of the current system, leased from ACHA. It is proposed to implement Pecos for Property Maintenance during 2010.

6.3   There is scope for further improvements in efficiency within the purchase to pay process from the use of electronic invoicing. Direct exchange by electronic means requires a degree of sophistication that only the minority of the Council's suppliers have in their back office systems. However the use of invoicing portals has been trialled by the Council with some success and this is something that is likely to develop over the next few years.

6.4   While the initial thinking in 2004 was that the introduction of e-Procurement into the Council would bring a single system for all transactions, Pecos is no longer viewed as a single solution. A separate corporate purchasing card project is planned for food purchases for school kitchens and consolidated payments will be examined for external care providers.

6.5   The programme of work for 2010/11 involves increasing the current number of transactions handled through electronic procurement from the current 30,000 per annum to 73,000 per annum, by the following means;

Function	No of Transactions	Electronic process	Start Date	Completion Date
Property Maintenance	10,000	Pecos	Feb 2010	Oct 2010
School Kitchens - Food Purchases	18,000	Corporate Purchasing Card	April 2010	Aug 2010
Care Payments	15,000	Consolidated Billing	Jan 2010	July 2010

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