Payments and Purchasing
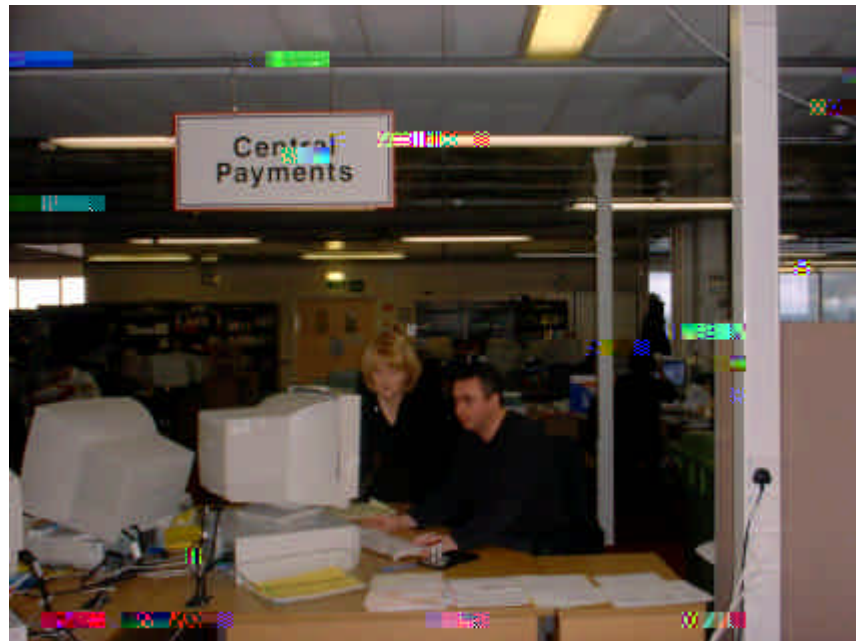
02 December 2003

Report to City Council

Payments and Purchasing

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Preface

By Councillor Len Gregory
Chairman, Co-ordinating Overview and Scrutiny Committee

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1: Summary

1.1.1   The review of the City's purchasing and payments processes was commissioned to:-

- Review the introduction of the SAP Phase IV (GLAMIS) module for the purchasing of goods and services and the processing of the payment of invoices.

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3: Introduction

3.1 Reasons for the review

3.1.1   The processes used by Birmingham City Council to procure and pay for goods and services have undergone significant changes since 2001. These changes include:-

- The introduction of the SAP Phase IV (GLAMIS) module for purchasing and paying for goods and services.

- The centralisation of the Payments Team.

- The merger of the City Supplies Organisation and Strategic Procurement Services to form Corporate Procurement Services.

3.1.2   These changes took place as a response to the need to modernise the functions highlighted by:

- The crosscutting 'Money' Best Value review.

- The Byatt Review of Local Government Procurement in England.

- The Government's 'Implementing Electronic Governance' agenda.

- E-procurement and procurement modernisation papers from Government Departments.

3.1.3   There is a common thread to the modernisation agenda and that is the capability of new systems and processes to reduce costs, time taken and bureaucracy related to purchasing, and paying for, goods and services.

3.1.4   This, in the future, (2003/2004) could mean the introduction of:

- Purchase cards for small value goods.

- Consolidated billing of supplier invoices.

- E-tendering.

- E-enabled transactions   (ordering, invoicing, payments

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generated orders are the only official orders to use.

- The closure of Dollman Street stores (part of CSO) has increased the number of separate orders being placed and, therefore, the number of invoices received.

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3.3   Method of Investigation

3.3.1   The investigation was undertaken by a Working Group of the Co-ordinating Overview and Scrutiny Committee.   The group was chaired initially by Councillor Mike Olley. The group members were Councillor Peter Howard and Councillor Michael Wilkes.   The membership changed in August 2003 to include Councillors Len Gregory and Hugh McCallion, as Chairman and Vice-Chairman respectively, and Councillor Ken Hardeman.

3.3.2   A number of reports were provided by officers from the Central Payments and Central Procurement functions, which set out the background to the issues discussed and the current policies within which the functions were working.

3.3.3   Departmental representatives gave evidence to the Working Group on their own experi TD 0.0489s.694
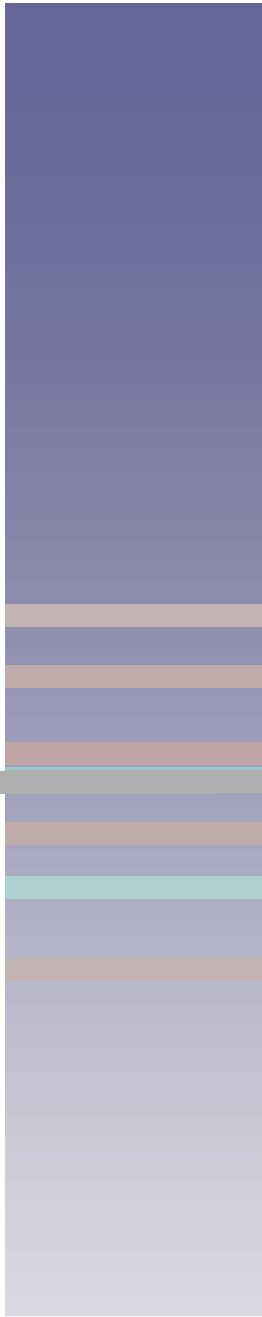
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orderers where payment is being "delayed" due to non-input of a GRN, or where there is a price, quantity or quality mismatch, to resolve the issue promptly.

Central Payments will actively identify blocked payments in the System and liaise with Departments to resolve these issues within the required timescales. Departments must respond to these queries within agreed timescales.

That management information is produced to allow departmental managers to take responsibility for ensuring that quality issues are discussed with the staff involved.

Chief Officers should ensure that their Department's Goods Received procedures are complied with, and that staff are fully aware and trained in current procedures. An Assistant Director in each Department will be nominated as a point of contact to ensure this takes place.

GLAMIS User Survey

4.2.15   As part of this review the Scrutiny Review Group were keen to find out the experience of officers who use the GLAMIS System for payments and purchasing on a regular basis. This was done by conducting a GLAMIS User Survey. This has presented the Group with a valuable cross section of views from users. However, it is important to note that 151 returns only represents 8% of the 1878 GLAMIS user population. A higher return would give the Group a higher degree of confidence that this gives a representative picture of most users' experience.

4.2.16   It is recognised that there have been problems with extending the use of the GLAMIS system throughout the Council across a diverse range of users and their requirements. The survey indicated that:-

- Users have found the GLAMIS System complex to use and would benefit from a simpler design more suited to lower usage.

- There was some confusion over the use of Family Codes by some users due to a lack of understanding in how to use them correctly.

- Most users found the CPS catalogue easy to use. However, some complained about the difficulties they encountered when trying to find items, and the quality of indexing.

- The payments functions of GLAMIS were rated by users as 'poor,' although the survey was undertaken during a

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4.3   Payments Issues:

Experiences of main suppliers dealing with the Council

4.3.1   Representatives from two of our major suppliers, Blakemores and Lyreco, attended a Scrutiny Review Group meeting to express their views on the service they were receiving.

4.3.2   The review highlighted the experiences of the City Council's suppliers and the effects of poor payment performance on each organisation. One of the factors that made resolution difficult was a lack of communication and the difficulties suppliers had in identifying the right Council contacts.

4.3.3   Blakemores were experiencing difficulties due to the high number of invoices they were issuing to the City Council and they were asked if they would be able to submit their invoices via electronic feeder files. They also had a problem with goods receipting when early morning deliveries were made to schools.

4.3.4   The Working Group recommended that:

Arrangements be pursued with Blakemores as to the implementation of an electronic feeder file method for the transmission of their invoices.

That all suppliers issuing the City Council with more than 2000 invoices each year be contacted to discuss the efficacy of issuing invoices via an electronic feeder file. If successful, this process to be extended.

Discussions to be held with the Education Department to identify improvements to local procedural arrangements for the goods receipting of purchases from Blakemores at schools.

That an informal user group for suppliers, with Council Member involvement, be established. This would enable contractors to raise any problems concerning payments or procurement, and for Members to be aware of these. The group to be referred to on the Council's website, on purchase orders, financial documents and within contracts.

4.3.5   The two suppliers who attended the review were pleased with the outcome. It is however true to say that both suppliers had experienced a number of problems in receiving prompt payment. The problems were as a result of the inherent problems in the System described in this report. The major improvement in paying invoices (shown at 5.1) during the period of the review was a major contribution to an increase in satisfaction.
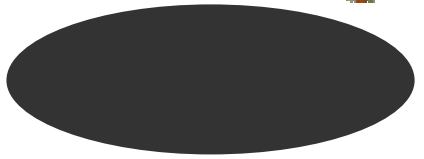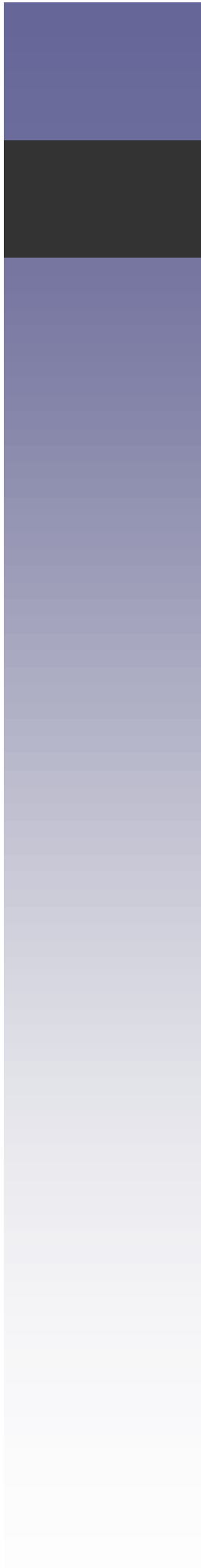
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- Through reducing the order process time. This saving is estimated at an average of around 30 minutes per order.

- Fewer mistakes in the ordering process, due to the reduced amount of manual input required.

- Improved On-Contract spend – By making the *right way* to purchase goods the *easy way* to purchase, it should reduce the amount of off-contract maverick spend. A recent study by Best Value Procurement (carried out for Newham and Brent) showed that savings on items such as stationery were between 38% and 74%.

- Improved contractual arrangements with suppliers – through being able to demonstrate that we will be doing business using automated processw (Tv686 0.9686 0.968oomj T

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5: Conclusion

5.1.1   The City Council has purchased a major strategic accounting tool in the GLAMIS System. The System will allow the City Council to make efficiency, and therefore cost, savings if used correctly. The System is not currently being used appropriately for purchase of goods and services and this has contributed to the under performance of the City Council against BVPI8.

5.1.2   The full and effective implementation of this Corporate System requires the co-operation and involvement of officers in Directorates/Departments as well as within the Resources Directorate. It is essential that officers take responsibility for the proper use of this System.

Appendix 1: Updated Review Scoping Table

Outcomes of the Review	Phase	Methodology	Proposed Implementation/Action	Committee Minutes Ref / Page	Complete Status
1 To discover how the Council can make best use of the opportunities presented by GLAMIS: including	Phase I	Discussions with officers on how the System can support key Council objectives including the Procurement Strategy	Live demonstration of the GLAMIS System for ordering and paying an invoice, including reporting on issues or problems	Page 3	23.1.03

a) Identifying the fundamental changes in central and departmental procedures that

	Outcomes of the Review	Phase	Methodology	Proposed Implementation/Action	Committee Minutes Ref / Page	Complete Status
b)	To establish the extent of GLAMIS availability and usage	Phase I	Financial Systems to establish	Report from SAP Support	Appendix 7a	23.1.03
c)	To establish how much of this usage is correct (correct orders inputted as a percentage of orders placed)	Phase I	GLAMIS Reports on correct use Desktop analysis review	SAP Financial Development team to provide summary report Analysis / review of disputed invoices (Identify common suppliers, depts)	Appendix 7b	23.1.03
		Phase I	Discuss with officers the introduction, training and ordering procedures in GLAMIS including future System developments	Report from SAP team as above	Appendix 7b	23.1.03
d)	To find out where and why Departments are experiencing delays with orders/payments placed directly	Phase I	GLAMIS reports where relevant. Distribution of questionnaire to junior and regular GLAMIS users	Surveys to orderers in Departments Report on Social Services Process Mapping	- 3vi	7.5.03 12.3.03

Outcomes of the Review		Phase	Methodology	Proposed Implementation/Action	Committee Minutes Ref / Page	Complete Status
		Phase I		Reportage from key Departments: Environmental and Consumer Services, Social Services, Transportation	ii & iii	21.2.03
	Establish impact if all suppliers were to sue the Authority for late payments	Phase I	Desktop analysis.		23.1.03 Update due	Appendix 6a/b 7.5.03
2	To establish a means of regularly recording and monitoring the total and marginal costs of producing an invoice, and the average cost of an order	Phase II	Use of graduate placement Analysis of GLAMIS report on average order value	Action by Central Payments To be provided by CPS	Draft Report 5.3 23.1.03	7.5.03 Appendix 8a/b
3	To identify blockages and solutions to adopting corporate system	Phase I	Discuss with relevant officers	As detailed in 1a and 1d		On-going
4	To find out from main suppliers their experiences of dealing with the Council	Phase II	Discuss with relevant suppliers	Discussion with key suppliers: Blakemores (food distributors), Lyreco (office supplies) and a smaller supplier	i ii Update due	26.3.03 26.3.03 7.5.03

	Outcomes of the Review	Phase	Methodology	Proposed Implementation/Action	Committee Minutes Ref / Page	Complete Status
5	To find out how disputed invoices are dealt with at present and how the process can be improved	Phase II	Explore with relevant managers the problem with existing practices and highlight policy and practice changes	Central Payments to give presentation	Appendix 5	23.1.03

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Outcomes of the Review		Phase	Methodology	Proposed Implementation/Action	Committee Minutes Ref / Page	Complete Status
		Phase II	Independent overview from external computer software expert on e-procurement	Refer to Briefing Paper on Procurement Cards	ii	26.3.03

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E-procurement

The electronic acquisition of goods and services including processes from the identification of a need to purchase to the payment for these purchases including post contract/payment activities such as contract management, supplier management

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Standing Orders	Rules and regulations that control Council tendering.
Tender Documents	Tender documents should clearly state what the Council's requirements are and enable the services and/or supplies to be accurately priced (Standing Order No 9). Corporate Procurement Services can provide standard sets of documents for use for in a variety of procurement situations.
Vendor	GLAMIS term for supplier or contractorT.t0ns.