

SECTION EIGHT – Option Appraisal and Work Packages

1 OPTION CONSIDERATIONS

1.1 Current position

Analysis of the data gathered shows there are some card schemes currently in place with Cornwall (RBS GPC), Somerset and Dorset (RBS corporate card) and Avon (Natwest GPC). However, in all these schemes there is scope to expand the use of GPC and utilise the spend information to focus on delivery of strategic procurement,

Each of the Services have:

- spot buying in place, including use of petty cash for low value items
- some maverick spending
- high administration costs for processing high volume, low value items. Current numbers of transactions under £1,000 equate to 88% of total transactions (51,584) at a current cost of £1,543,393
- sporadic use of PCards that are in operation, current transaction volumes through these cards are low and limited (except Cornwall) to either level 3 transactions or a particular department/category of spend

Examples of current spending within Somerset from the spend analysis information at the GPC strategy day include:

- Current number of suppliers 707
- Suppliers invoicing =<£100 243
- Suppliers invoicing between £100>£500 303
- Total of suppliers <£500 **546/707**
- **200/546** of the these suppliers only invoiced once
- Suppliers providing over 50 invoices 25

Somerset have spent with AMF Taunton £6,512, however, this equates to 246 invoices with an average invoice value of £26.47 which current costs Somerset £8,008 to process in administration costs, more than the value of the goods!

These examples are representative of each Service and all have examples like the ones above. The current situation shows that our processing costs actually cost more than the goods or services purchased in many instances.

1.2 Options Appraisal

Do nothing

<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> • No change to current practises • No training requirements • No ongoing support required for GPC • No time spent implementing GPC 	<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> • • Doesn't support national procurement strategies • Doesn't support regional procurement strategies • No efficiencies or savings generated through its use • Not supporting the Gershon savings identified as part of the Regional and National procurement strategy • Does not improve the transaction management process of the services •
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> • Focus time and effort on other initiatives 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> • No improvement to CPA ratings for procurement • Loss of potential discounts from suppliers • Loss of efficiencies and savings • Loss of project funding • No potential to receive rebate on GPC transactions • Loss of improvement to current processes • Loss of regional and service MI • Alternatives solutions will prove more costly

Introduce GPC – Manually

<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> • Can be implemented relatively quickly • No added complications of automation <p>Time to focus on implementation of GPC</p> <ul style="list-style-type: none"> • No Cost to the Services 	<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> • Reduced functionality/MI access • Although improvements at the requisition/ordering stage, the back end of the process additional work by the GPC administrator in Finance • Users can't update level 1 transaction information – potentially onerous on the administrator
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> • Target manual GPC usage with a level of transactions to motivate Services to use the card. Once levels met, system can be automated • Learning experience with GPC and 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> • Possible extra administration short terms, by manually inputting costs into GL if pivot tables cannot be used • Lost information e.g. receipts for recording VAT

<p>ability to address any issues with the manual system</p>	<ul style="list-style-type: none"> • Lost business to County Councils for cards currently in use by the SWF&RS • Lack of consistency in approach by the Services to coding MCC's to commodity types resulting in inconsistent spend comparisons • Lack of service adoption • Lack of service support • Lack of end user adoption • Lack of supplier adoption
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Introduce GPC – Automation

<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> • Speedier upload of information into the GL • Update of user information completed by user, not the card administrator • No double entry of information into the GL • On-line authorisation and chasing process • Web based solution, won't compromise data security 	<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> • Cost to the Services on an annual basis • Time to set up • Another supplier to deal with • More training requirements for all GPC users • More difficult to manage the process via County Councils • Update of user information completed by user, not the card administrator
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> • Possible links into e-marketplace electronic solution • Increased transactions • Reduction in costs 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> • Although automated, still takes additional time by the card administrator • Transaction levels do not cover costs of automation • Update of user information completed by user, not the card administrator •

Introduce alternatives:

- Consolidated invoicing on a monthly basis not on an order basis, this will reduce time and money spent on administration.
- E-invoicing to replace manual invoices – reduced paper usage- expensive.
- Introduction of e-marketplace, this will eliminate the need for paper invoices and will be linked directly into the Finance system, so less manual intervention.
- BACS payments.

<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> • No immediate change to processes or 	<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> • Continue to miss out on potential
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procedures <ul style="list-style-type: none"> • No immediate need for training 	savings per transaction on low value items
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> • Change in focus 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> • Missed opportunities to consolidate SW Regional spend through PCards

8 Options Rejected

Do nothing

It is recommended that the 'do nothing' approach is rejected as an option. The business case shows that 88% of the transactions that the SWF&RS complete are low value (under £1,000). The potential saving from this is £1,089,454 using the SWFRS figure of £24 saving per transaction rising to £28 with automation. Even if we only put through 20% of the total transactions we would be missing out on savings of £247,603 per annum. If we did nothing these savings and efficiencies would never be realised.

Introduction of GPC manual/automated

The two options left are implementation of GPC using a manual or automated method. Both methods of implementation will allow us to use GPC as part of a phased implementation programme. The manual route will allow us to assess issues with the GPC and related administration and iron out any problems prior to any automation being implemented. By following the manual process it will also enable the Services to accurately measure the time it takes for the manual GPC process administration, thus giving an indication when it is the most cost effective time to implement automation in the future. This cost benefit analysis will enable us to target 4000 transactions before automation is considered to ensure any cost to the Services is recouped by the efficiency gains in using GC.

The automation option is a sound option but rejected at the initial stages of GPC implementation. It is recommended that automation is also phased once target transactions have been met by each Service and the full manual GPC programme roll out has been completed.