SUBJECT:	**Accounts Payable Strategy - Further automation of the procedure to process payments.**
MEETING:	**Individual Cabinet Member Decision**
DATE:	
DIVISION/WARDS AFFECTED: ALL	

1. PURPOSE:

To seek approval of the Accounts Payable Strategy detailed in Appendix A which includes:

- The outsourcing of scanning, indexing and registration of Creditor Invoices

- The implementation of EProcurement Software

2. RECOMMENDATIONS:

- That the proposed Accounts Payable Strategy detailed in Appendix A be agreed.

- That the Proactis software is implemented and funded by a one off investment of £22,500.

- That the annual transaction costs associated with Proactis is funded by holding open a vacancy of 1 FTE Financial System Support Officer. To be reviewed after a period of 3 years on the renewal of the contract.

- That the Basware EProcurement software is implemented and funded by a one off investment of £24,000

- That the funding sources identified are carried forward over year end to enable the project to be completed as planned.

3. KEY ISSUES:

Developments in the accounts payable system have been ongoing since the Agresso system was introduced in 2002. Appendix B provides a detailed account of the work that has been undertaken to date.

Over this time, the main objectives of the service have been:

- Meeting service users' needs
- Improving information collection, maintenance and reporting.
- Improving efficiencies and effectiveness

Significant developments undertaken to date in achieving these objectives include:

- Implementing software systems
- Implementing interfaces to bulk load transactions
- Reviewing and revising processes to remove duplication and unnecessary steps or the implementation of more efficient processes.
- Automation of processes for example payments via Bacs rather than cheques.
- Implementation of alternative payment methods e.g. purchase cards, direct debits.
- Discussions with suppliers to redefine the invoicing output.

These resulted in:

- A reduction in invoices. It is estimated these have reduced by around 20,000 by 2016/17
- Improved performance in processing invoices within 30 days of receipt (PI). From 83% in 2012/13 to 97.19% for 2016/17
- Reduction in postage costs, down from £6,000 in 2009 to under £3,000 in 2016

Despite automating a large proportion of the process there remains elements of the Procure to payment process that require manual intervention. The Authority's payment process still requires that if paper invoices are received they have to be scanned and registered on the system. Some 52,500 invoices are expected to be processed in 2016/17 (although this is down from a high of nearly 72,000 in 2013/14). The authority's procurement process also requires that orders are raised and authorised before being placed with suppliers. There is no facility yet to order on line, and create an order which automatically populates the authority's system without further input.

Whilst a great deal of progress has been made, further automation of the Procure to payment process has now been explored. This will make the process more efficient and effective for officers in the authority involved in the process and ease the pressure in the central processing team where recruitment and retention has been an ongoing problem.

Given all of the above, the natural next phase in developing both the system and processes is to embrace digital and E technology. This will enable us to streamline and automate processes further, enable our suppliers to self-serve and help alleviate some of the recruitment difficulties.

The service manager has undertaken a review of the service and conducted some research into automated systems that may assist in the future and build on the developments that have already taken place.

Appendix C sets out options considered in developing this Accounts Payable Strategy:

1) Do nothing and continue as we are
2) Outsource scanning and registering of invoices using a company that uses Optical Character Recognition Software

3) Develop procurement cards further
4) Embrace E procurement to enable online ordering and automatic order processing and invoice matching

Following this research, option 2 (Optical Character Recognition Software - Outsourcing invoice processing), 3 and 4 were considered the best way forward as this:

- Was affordable, as the annual cost can be accommodated within current budget
- Removed manual steps from the process
- Took advantage of automation and self service
- Addressed current recruitment and retention issues
- Provided reporting which when analysed will assist in identifying future development areas.

The Proactis system works using intelligent optical character recognition and has various automated checks built into the system, which will speed up the processing of invoices leading to shorter payment timeframe (less time spent dealing with queries) plus improved accuracy.

The team will be able to develop the service and the technology to take advantage of automated processes and self-service functionality for suppliers.
The Basware software offers the authority the functionality to raise orders directly with the supplier online which automatically populates the authority's system without further input, plus automatically receive and process the associated invoice for approval and subsequent payment.

The Basware software will enable the authority to identify a process to allow suppliers to log online and submit invoices directly into the system for approval and subsequent payment.

This research has culminated in the proposed draft three year Accounts Payable Strategy found in Appendix A, which automates the remaining manual elements of the Procure to payment process. The stages required to implement this objective is summarised in the table below:

Stage 1
- Purchase Proactis and Basware Software.

Stage 2
- Embed Proactis into daily routines
- Build Basware Solution

Stage 3
- Onboard existing Basware Suppliers
  - 'Quick Wins'

Stage 4
- Design and implement process for one off suppliers

Stage 5
- Review remaining supplier base for best practise

Stage 6
- Review the AP strategy

4. REASONS:

The current procure to payment process still requires some manual intervention and processing. In the central team this has meant that we have needed to substitute staff resources by using expensive agency staff, due to being unable to fill vacancies on the team.

A three year contract to outsource the scanning, indexing and registration of supplier invoices would offer some stability to the team and the service in terms of experienced personnel undertaking the task, and resilience in service during peak periods and periods of annual leave etc.

The team will be able to develop the service and the technology to take advantage of automated processes and self-service functionality for suppliers.

5. RESOURCE IMPLICATIONS:

The costs associated with this proposed strategy are summarised below:

Description	One off Cost 2016/17 £	Annual Cost £
Outsourcing of scanning, indexing and registration of invoices (Proactis)	22,500	22,000
EProcurement Market Place (Basware)	24,000	0
Total	**46,500**	**22,000**

It is proposed that:

- The one off initial costs are funded from the current central creditors' system budget. This is made up of a combination of one off vacancies and the use of the systems consultancy budget, which has purposely been held back in order to facilitate this important development work.

- The annual running costs be funded by holding open one full time vacant Financial System Support Officer post. This will reduce the number of Financial System Support Officer posts in the team from 3.4 fte to 2.4 fte and will release annual savings of £21,000. The small difference in annual costs will be managed within the current revenue budget

- Every endeavour will be made to finance the above from the current budget and this will need to be carried forward to enable the project to be completed. However, should this not be possible we would need to seek support from the ICT Reserve.

The development of the systems themselves will fall to our in house system development team, external consultants and the SRS.

6. SUSTAINABLE DEVELOPMENT & EQUALITY IMPLICATIONS:

The significant sustainable development and equality impacts identified in the assessment (Appendix D) are summarised below for members' consideration:

The Outsourcing of the invoice processing will remove pressure from team members in supporting vacancies on the team and the continuous training of new team members.

The service will be more resilient during peak times and during times of absence such as annual leave.

Both implementations offer advanced technology benefits over that currently being used by MCC which will help move the service forward in terms of automation and self-service for suppliers.

The actual impacts from this report's recommendations will be reviewed every year and criteria for monitoring and review will take place within the annual audit process.

7. SAFEGUARDING & CORPORATE PARENTING IMPLICATIONS:

There are no safeguarding or corporate parenting implications linked with this report.

8. CONSULTEES:

- Head of Finance
- Assistant Head of Finance
- Revenues, Systems & Exchequer Team
- Procurement Team
- Audit Team
- Digital Team
- Devolved Invoice Processing Teams (Highways, Waste, Property)
- Unions - There were no comments / objections regarding the proposal

9. BACKGROUND PAPERS:

Appendix A Proposed AP Strategy
Appendix B AP Service Development Timeline
Appendix C AP Strategy Options Available
Appendix D Future Generations Evaluation Form

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