

Appendix C

Accounts Payable (AP) Strategy Options available:

The below document provides some background on how we have arrived at the strategy, the options considered and the success and risks factors of the proposal:

Background

1. Agresso

- a. In 2016 a meeting was held with relevant parties to establish if there was an appetite within the authority to change the Authority's financial System.
 - i. This involved a demonstration of other software available by competitors in the market.
 - ii. The decision was made to stay with the Agresso software for the foreseeable future, to be reviewed when appropriate e.g. software developments, partner organisations.
- b. Agresso released a newsletter which indicated they have moved away from integrating products into the software package under the Agresso product to working with software partners to link already developed packages to the Agresso system.
 - i. One such partner is the Proactis Company who provide a product to automate the data collection when processing invoices.

2. Procurement Cards

- a. The trial of purchase cards has identified 3 main benefits to the use of purchase cards:
 - i. Reduced Administration where large volume orders are being placed with one supplier.
 1. The purchase card is lodged with the specific supplier and any order placed by MCC is charged against the card.
 2. A current example of this is the Holdsworth food supplier that serves each of Monmouthshire's schools (Daily orders from 44 schools).
 3. The suppliers selected all have reporting level 3 functionality which means we can rely on information generated from the Barclaycard Spend Management System for HMRC purposes (No requirement for supporting invoices).
 - ii. Ability to purchase online.
 1. Many Purchases are now only available online e.g. copy birth certificates (Required by Children's services).
 2. There is often greater savings when using online companies e.g. amazon for school stationery.
 - iii. Use in emergency / out of office hours
 1. Many of Monmouthshire's services operate 24 hours a day 7 days a week standard ordering procedures are not practical.

3. Welsh Government and Basware (Basware EProcurement)

- a. Welsh Government entered into a five year contract with Basware to provide an EProcurement solution to the Welsh Authorities. The solution offers an EMarket place

which enables the Purchase to Pay process to be further automated and streamlined as it enables MCC to log onto the Market place to place an order and the supplier can later 'flip' this into an invoice, which can be imported directly into Agresso for Payment (Subject to the Goods Receipt note having been entered within MCC).

- b. The introduction of e payments would reduce the number of invoices that require manual intervention before payment is made
- c. The Use of e catalogues is both nice and easy for the requisitioner to use.
 - i. The National Procurement Services will be developing e catalogues for the majority of contractual relationships, this will make purchase orders easier to administer.

The Options Considered:

1. Do nothing and continue as we are
2. Purchase some Technology to help automate the process
3. Develop procurement cards further
4. Embrace E procurement

Option 1 Do nothing and continue as we are

This option was not considered to be viable due to the following existing issues:

- The current process is manually intensive and the service would not be moving forward in terms of development, efficiencies and automation.
- We have experienced problems recruiting and retaining members of the team to this post over the past five years, in addition further vacancies have now arisen.
 - Due to the above we are relying on expensive agency staff to undertake aspects of the role.
 - This requires a large amount of resource of experienced staff training new members of staff and agency staff as well as trying to maintain the service.
 - Errors can occur as inexperienced staff are learning the process to follow when dealing with specific invoices/ queries. This can then put additional pressure on experienced staff to correct errors as well as result in inaccurate payments being made to suppliers.
 - This has resulted in extra pressure and stress on the whole team, including one instance of long term sick due to work related stress.

Option 2 Purchase some Technology to help automate the process

Optical Character Recognition Software

- Monmouthshire's existing supplier 'Agresso' was contacted to establish if further system functionality was available to further automate the invoice processing. They put us in touch with a partner supplier 'Proactis'.
 - The software provides the following:
 - Intelligent data capture

- This does not rely on specific templates to be set up for individual suppliers, the system scans the whole document for key words e.g. Invoice Number and then capture the information to populate the relevant field.
- It has a learning feature, if using the above example the system cannot find the invoice number on a specific invoice, the user can activate the learning mode, highlight where the invoice number is on the page, the system will then remember this when a future invoice for that supplier is scanned.
- The system also runs various checks on the information being populated e.g. Supplier is checked against Name, Address, Contact Details, and Vat Registration. Any variance is then highlighted to the user for review.
- Potential duplicate invoices are highlighted for review before they are processed.
- Exception handling
 - Any invoice queries generated by the validation process are routed to the Exception Handling process. This provides the user with the ability to take the relevant action e.g. contact the supplier, reject the invoice, and process the invoice.
 - The managed service also has the functionality to email suppliers directly from the software, if for example there is a missing purchase order number the supplier then follows a link from the email to enter the details through a portal, thus reducing the handling process.
- Costs:

One off Licence Fee	£49,350
Setup Costs	£27,200
Total Implementation Cost	£76,550
Annual Maintenance Costs	£13,818

We also obtained a quote from another provider of a similar software product, costs quoted reflected those received from Proactis.

We also looked at alternative software solutions from Basware, ITESoft, One Technology, all these products worked as Accounts Payable solutions and whilst they were selling as an 'add on' to our current Agresso AP solution there seemed to be duplication and inconsistency in the functionality from which MCC could benefit for example certain reports and functionality could only be used if the software was used to generate the payment etc.

This option was deemed as not feasible when compared with the costs of the Outsourcing option below. The option below benefits from use of the same software, significantly reduced upfront costs, plus the reduction in work within the section enables the cost to be met from savings in establishment costs (Which also addresses the issue of recruitment and retain of staff).

Optical Character Recognition Software - Outsourcing invoice processing (Recommended)

- This provided all of the benefits of the above software.
- An External company would be Receiving, Scanning, Indexing, Validating and registering the invoices.
 - MCC officers would be managing the Exceptions
- Costs

Section	£
One off Set up cost	22,500
Annual cost of	22,000

- The annual cost is made up of a charge of 59p per invoice to a volume of 37,288. If the volume exceeds this amount the cost will increase by 59p per invoice.
 - This volume of invoices is in line with the number of invoices expected to be processed by the creditor payments team per annum.
 - Example

Actual Volume of Invoices	Minimum Charge £	Additional Charge £	Total Annual Cost £
1	22,000	0	22,000
35,000	22,000	0	22,000
37,288	22,000	0	22,000
47,288	22,000	47,288 – 37,288 = 10,000 Invoices 10,000*0.59=5,900	27,900
60,000	22,000	60,000-37,288 = 22,712 Invoices 22,712*0.59=13,400	35,400

- As previously stated the annual volume of manually processed invoices in 52,500 these are processed by the following sections:

Section	No of Invoices	% of total invoices
Creditor Payments	38,958	70.83
Grounds	1,602	2.91
Highways	390	0.71
Property	3,443	6.26
SHS Finance	10,607	19.29
Total	55,000	100

- Other sections who process invoices have been contacted with regard to moving to this process, however none will be changing at this time.

- The Creditor Payments volume of invoices will be managed down 37,288 invoices through expanding use of the lodged Purchase Cards and making use of the electronic invoices via the Basware EProcurement software.
- In addition as the work is being moved out of the section, we could maintain a vacancy within the team structure, resulting in a saving of £21,000 per annum which would be used to fund the Managed Service.
- Feedback received from reference sites are displayed at the end of this document
- This would address all of the issues as follows:
 - We would be removing manually intensive tasks from the process and the service would be moving forward in terms of development, efficiencies and automation through the use of advanced technology.
 - The reduced workload for the team would reduce the impact of vacancies
 - There would be less reliance on expensive agency staff to undertake these tasks.
 - Experienced staff would be concentrating on value adding tasks of the service.
 - Errors would be reduced by using the automated features of the software with built in validation checks.
 - The pressure and stress on the team would be reduced.

Option 3 Develop Purchase Cards Further

- There were three main areas of benefit from using purchase cards:
 - Lodged cards with suppliers to reduce administration for both MCC and the Supplier. Payment is far quicker and controllable to a certain extent by the supplier (Paid within 3 days based on processing of card payments). suitable where:
 - Large volumes of orders are raised with the supplier
 - The Supplier provides reporting level three reporting for HMRC purposes
 - There are a large volume of invoices processed to pay the supplier
 - Provide individual cards upon approval of a specific business case. Suitable where:
 - There can be emergency or out of hours payments required by the service.
 - The service benefits from online purchases being more cost effective or efficient.
 - Enable online purchases across the authority.
 - As part of the Purchase card package, Barclaycard offer a Precision Pay Product which essentially produces a Purchase Card to allow a specific transaction to be undertaken online or over the phone.
- It is proposed that when reviewing the supplier base to determine the most appropriate form of payment we develop the current Procurement Card Programme and the Precision Pay Product (Virtual Purchase Card) to enable online purchase across the authority services.
- There are no associated costs.

Option 4 Embrace EProcurement

Basware (Procserv) EProcurement

- The Welsh Government had invested substantially in this product including ensuring resources were available to manage the change process.
 - Local Government have been encouraged to incorporate this functionality into their procurement portfolio of software.
 - Neighbouring authorities had implemented the market place and were seeing benefits in terms of reduce payment processing timescales.
 - MCC officers (requisitioner) were keen to use the catalogue feature available through the Market place.
 - Functionality enabled suppliers to register and submit invoices directly, which could enable suppliers to become self-serving.
 - The software provides a foundation to build upon
- Feedback received from reference sites are displayed at the end of this document
- Costs

Section	£
One off Consultancy to interface Basware into Agresso	24,000

Recommendations:

1. Proactis Managed Service

This strategy proposes that Monmouthshire purchase this additional functionality as a managed service as this will:

- a. Reduce manual intervention and automate the process with the use of advanced Optical Character Recognition.
- b. Enable Suppliers to enter missing information directly into the system by emailing issues out from the product providing a Web link for the supplier to log in and enter the information.
- c. Address team recruitment and retention issues by outsourcing the opening, sorting, scanning, indexing and registration of invoices. The team would then concentrate on value adding tasks such as addressing exceptions that cannot be automatically processed.

2. When reviewing the remaining Supplier base to ensure best practise is adopted for payment methods this will include the development of Procurement Cards in:

- a. Extending the use of lodged cards where beneficial.
- b. Provide individual cards upon approval of a specific business case.
- c. Develop the Precision Pay Product (Virtual Purchase Card) to enable online purchase across the authority services.

3. Basware EProcurement

This strategy proposes that Monmouthshire purchase this additional functionality as this will:

- a. Provide a platform for Monmouthshire to develop the payments service.
- b. Reduce manual intervention in raising orders and processing invoices
- c. Provide functionality to enable suppliers to 'Self-Serve'
- d. Provide Requisitioners with electronic catalogues to make purchasing easier.

Success Factors:

The below statements will be true if the AP Strategy is successful:

1. The service is provided on the revised team structure
 - a. No additional resource (Agency, Overtime, non AP officers) is required to operate the routines of the AP service.
2. Current PI performance are not effected or alternatively they are improved upon.
3. Greater percentage of invoices are received electronically rather than in paper format than is presently the case (Bench Mark data will need to be determined upon approval of this strategy).
4. Greater percentage of invoices are batch imported than is presently the case (Bench Mark data will need to be determined upon approval of this strategy).
5. Fewer invoices require manual intervention than is presently the case (Bench Mark data will need to be determined upon approval of this strategy).
6. Invoice volumes are reduced due to:
 - a. Some suppliers having a lodged purchase card (Purchase Card transaction volumes are increased in proportion).

Risk Factors:

The following list identifies risk to the success of the AP Strategy:

1. Change to the team structure being challenged and not agreed.
 - a. The money could not then be spent on the Proactis Software
 - b. Steps taken to address this Risk:
 - i. The team have been involved throughout the whole process, and the union has undertaken formal consultation.
 - ii. The Union consultation ended on 13 February 2017 – There were no comments / objections regarding the proposal
2. Software companies unable to commit resources before 31 March
 - a. Budget is available in the 2016/17 financial year
 - b. Steps taken to address this Risk:
 - i. Will need to review next year's budget to establish if there is scope to fund some of the work should this slip into next financial year
 - ii. Every endeavour will be made to finance the above from the Revenues budget. However should this not be possible we would need to seek support from the ICT Reserve?
3. Resources to deliver the strategy are not available
 - a. Currently the team are experiencing pressures due to vacancies and sickness absence.
 - b. Steps taken to address this Risk:
 - i. The strategy will draw resources from across the whole team, Systems, AP
4. Third parties do not deliver either to timescales or product functionality
 - a. We are heavily reliant upon third parties delivering what is contracted.
 - b. Steps taken to address the Risk
 - i. We have contacted customers (Other Local Authorities and Private Sector Companies) independent of the suppliers to obtain genuine feedback including any issues faced. All feedback was positive and did not highlight any areas of concern. The only thing identified was the lead time in booking consultancy.
5. Suppliers not getting on board
 - a. Suppliers will need to:
 - i. Submit invoices to specific addresses either postal or email based on the type of invoice.
 - ii. Suppliers will need to accurately quote the MCC Purchase Order Number or exception reference
 - b. If suppliers do not work with us in adhering to the set process this could result in delays in paying invoices as they may get 'stuck' in the system.
 - c. Steps taken to address the risk:
 - i. We sent a communication to all suppliers and MCC officers last year reiterating the need to quote order numbers etc. on invoices.
 - ii. The payments team have been in constant communication with Suppliers not adhering to the process.
 - iii. Further communications will be sent out following approval of the strategy and throughout the implementation process.

Reference Sites

Proactis:

- We spoke with Denbighshire and Flintshire County Councils.
 - They do not have Agresso Financials however,
 - They have outsourced their invoice scanning and registration to Proactis for a couple of years with very positive feedback:
 1. The product is easy to use
 2. The company are good to deal with, good performance, support available when required etc.
 3. No issues upon implementation – quite straight forward.
 4. Number of team members have been reduced.
 - The council have also introduced Basware EProcurement software.
 1. Overall positive feedback
 2. They are pushing for areas to be developed so they can progress further with specific suppliers.
- We have contacted a client site 'Anchor' who are England's largest not-for-profit provider of housing and care for older people, and spoke to a service user to gain insight into the of the process and how Proactis works with Agresso.
 - They went with Proactis alongside the upgrade to Milestone4. This means it's hard to put a time frame on it as such in terms of just the Proactis side. The work started in September 2015 and they went live with Proactis April 2016.
 - They are on Agresso Milestone 4 same as MCC (as mention above in terms of the upgrade).
 - They have been live now for nearly 5 months and they haven't experienced any issues. There have been no complaints from the AP team etc.
 - PO Invoices – Currently these go into the registration screen ready for the team at Anchor to pick up. Everything is prepopulated, amount, invoice number etc. The only reason Anchor is currently doing it this way is because they need to add some coding to the text field. Once they enter this and save it goes into workflow as normal. They are hoping to move away from this soon and do, what is called, 3 way matching. This is where it goes in and matches up and goes straight into workflow, cutting out the manual registration stage. He says this is possible and something they are looking to do.
 - All their mail gets sent to Telford and they have a dedicated mail box for electronic items. These then auto forward to Proactis.
 - The amount of exceptions coming through hasn't been anything overwhelming and they feel it's not a huge amount. Obviously there was a higher volume first off but this has calmed down.
 - They deal with about 12,000 – 13,000 invoices a month. They have various suppliers (a few thousand) whose invoices all vary in size and quality.
 - Their orders and goods receipting are done across all bases in the company (800 locations and 100 care homes).
 - They did take a phased approach within the first few weeks. They didn't send everything across they staggered the invoices.
 - They do use something called Market place for flipping and splitting PO.
 - They did 2 tests in their test system first off using dummy invoices.
 - They had a team of 12 originally within AP. Since going with Proactis they have cut 4 positions as well as carrying one vacancy, which they don't intend to fill.

The job roles of the team have changed now as they pick up slightly more advance work like exceptions and supplier management.

- They found one of the biggest resource was working with suppliers and getting them to conform with addressing invoices correctly and quoting order numbers. This is still ongoing with some suppliers.
- TIP - They now use Dual screens as this become vital with the exceptions work they do on AP.
- For the 1st month of going live you have the direct support of the Proactis team so this makes it easier. Once you are happy and things are running smoothly you start to use the general support desk.
- The one issue was Unit4 availability. Trying to get consultancy time etc. from them was tricky. In the end they had 3 – 4 days. Jeremy Arnold came in to do the work. He was good and they had no issues with him.
- They have 3 streams of invoices at Anchor:
 - a. Repairs – These are pretty much handled outside of Agresso, so no PO. They go into Agresso once Proactis has dealt with them but don't go into workflow. They just go straight in and paid.
 - b. Supplier Invoices – These go straight into Agresso as registered invoices and into workflow.

Basware (Basware EProcurement)

- Alongside meeting with Basware and Welsh Government representatives we visited Torfaen County Borough Council as they are advanced with the implementation of the product. Please see below notes taken on the day:
 - Torfaen have actively promoted the use of Basware EProcurement throughout Torfaen
 - Didn't submit business case.
 - Torfaen worked closely with Civica the provider of their ERP system
 - Basware EProcurement provided a test system which Monmouthshire would be able to link to Agresso Test
 - Punch out to place order details
 - Order details come back and populate Agresso PO
 - Order normal route for approval
 - Approved order then sent back through the portal to the supplier
 - Supplier sends electronic invoice back through the portal which is loaded into Agresso
 - Agresso follows same route of matching order, GRN, invoice before payment is made.
 - Torfaen have only put on the Hub where suppliers submit electronic invoices.
 - A lot of work was involved in the initial set up – “no mean feat”.
 - Torfaen payment performance is 97% within 30 days
 - 10% of invoices = 10 of their suppliers
 - Torfaen Social Care need to integrate with another system so have not tackled this yet as potentially a lot of work measured against the benefit.
 - Great where there is a defined product for the service
 - Suppliers work in a couple of ways

- Lyrec has Basware EProcurement built into their back office so easy for them to generate invoices.
 - Other suppliers can flip orders into invoices but then need to replicate the invoice within their financial system.
- Torfaen enforced that officers must place an order.
- Communication was very important throughout the process.
- Training has not been an issue for Torfaen as simple to use, issued written guidance to users.
- Large exercise is mapping the UNSPC codes – Torfaen will send a copy of their mapping.
- Basware EProcurement can restrict users to catalogues they can see e.g.:
 - Schools
 - Catering
 - General
 - The default is that they cannot access anything
- Suppliers need to set up accounts and delivery points
- Can order non-standard items and place call off orders
- Double punch out is where you access the suppliers actual web site having punched out to Basware EProcurement.
- Need to retrieve data load from Basware EProcurement – set these up at specific intervals
- Chapel and Jenkins are difficult to administer due to the number and frequency of changes to orders.
- Free text orders can go over the Hub but do not touch the hub.
- Supplier can add comments to invoices if required e.g. change of price.