



SCOTTISH EXECUTIVE

Case Study

Executive Summary

Introduction

The Scottish Executive is the devolved government for Scotland. It was established in 1999 and is responsible for most of the issues of day-to-day concern to the people of Scotland, including health, education, justice, rural affairs, and transport.

The Scottish Executive manages an annual budget of more than £20 billion, of which £6 billion is used to fund the departments and executive agencies of the Scottish Executive itself. Of this, £65 million is spent on transactional purchases required to run the central departments of the Scottish Executive, the Executive agencies and other non-departmental public bodies on a day-to-day basis. This results in over 200,000 purchasing transactions each year with over 6000 suppliers.

From 24 December 2001 the Scottish Executive processed all purchase transactions through the procurement module of the Scottish Executive Accounting System (SEAS). SEAS, however, was designed to manage and control high value purchases. Although highly automated, the procurement process using SEAS required no less than 7 key steps involving budget holders, buying assistants, managers, the purchasing manager and suppliers. This was expensive to operate and generally inappropriate for the large numbers of lower value transactions processed by the Scottish Executive.



The Government Procurement Card

In December 1999, the Scottish Executive set up a project team to consider how the purchasing of lower value, one-off items could be streamlined using the Government Procurement Card (GPC). Before introducing the GPC a pilot programme was implemented. The objectives were to:

- Provide a cost effective means of purchasing goods and services with a value below £600
- Enhance standards of service delivery by making it easier for employees to buy essential day-to-day items
- Allow prompt payment of suppliers.

Barclaycard Business was chosen as the card provider and worked closely with the Scottish Executive to ensure the success of the pilot programme. The pilot proved that use of the GPC could bring major benefits in streamlining the procurement procedure for lower value purchases.

Using the GPC, the procurement process is reduced to just three steps in which:

1. **The Cardholder:** identifies their requirements and contacts supplier. They order what they want and record details on a personal log.
2. **The Supplier:** dispatches the goods to the cardholder with a receipted VAT invoice.
3. **The Cardholder:** receives the goods, enters the date of receipt on the Transaction Log and files the Visa voucher pending arrival of the monthly statement.

At the end of the month, the GPC Administrator at the Scottish Executive receives a consolidated statement of transactions for all cardholders. Details of each cardholder's purchases are automatically split out and forwarded to them by email. The cardholder checks the transactions on their log against those on their statement. They then attach the vouchers and VAT invoices to the statement and pass it to their departmental Card Officer for sign-off.

The local finance team receives the Transaction Log and VAT receipts from the Card Officers. They produce a VAT summary for all of their cardholders and pass this to the central finance team for the consolidated VAT reclaim to be processed.

The rewards of success

So successful was the pilot that the Scottish Executive decided to roll out the GPC without delay. Usage was further boosted by a decision in 2003 to increase the transaction limit for the card to £1000 excluding VAT. By March 2004, the use of the GPC had become a key component of the Scottish Executive's procurement policy:

- Over 700 cards had been issued, of which over 455 were being used on a regular basis
- Nearly 20,000 transactions under £1,000 – many of which were of an ad hoc nature – were being made each year
- Annual expenditure on the GPC had reached almost £2 million.

Benefits of this widespread take-up have included:

- Savings in process costs estimated at £125,000 annually
- Savings in time spent putting one-off suppliers onto SEAS – these savings are estimated at £10,000 annually
- Ease and speed of purchasing for budget holders making purchases using the GPC, leading to better service to the people of Scotland
- More effective control of expenditure thanks to comprehensive management reporting from Visa
- Prompt settlement for suppliers, helping the Scottish Executive to meet government targets for prompt payment.

In late 2002, following a fully EC compliant tender process, the Office of Government Commerce signed a new contract with Visa and seven of its member banks for the provision of the GPC. The key change in the contract terms was that, whereas the previous GPC had been aimed exclusively at central government and its agencies, the new GPC was aimed at all public sector organisations. This change paved the way for the GPC to play a key role in the Scottish Executive's e-Procurement initiative – e-Procurement Scotl@nd.

e-Procurement Scotl@nd - a model for the future.

As early as July 2000, the Scottish Executive had started developing an e-Procurement strategy by creating an procurement Supervisory Board tasked with carrying out a comprehensive review of requirements. A key recommendation of the Board was that the e-Procurement strategy should not be limited to the Scottish Executive; there should be a national e-Procurement programme for Scotland. Key objectives were that the system should:

- Be capable of meeting the procurement needs all major public sector bodies in Scotland, including central government, local government, health and education
- Be “scaleable” with scope for easy adoption by other Scottish public sector bodies wishing to follow the Scottish Executive’s lead
- Be flexible, allowing easy take-up by buyers and suppliers with different legacy systems and at varying stages of e-enablement
- Facilitate collaboration between buyers and suppliers and foster inclusion through the use of a common platform using Extensible Mark-up Language (XML)
- Encourage the use of best practice and innovative thinking in order to achieve a step-change in purchasing effectiveness.

The Scottish Executive decided to opt for a “best of breed” procurement solution choosing Cap Gemini partnering with Elcom, as the e-Procurement system service provider and Reqio as the e-catalogue technology solutions company. The Scottish Executive branded its new system “EASEbuy”. An important requirement was that EASEbuy should be sufficiently flexible to meet different supplier capabilities. This included the ability to send orders electronically directly to a supplier’s back-office systems, as an email attachment or as hard copy. This created a need for an equally flexible payment solution. At first, it looked as though any solution would involve significant capital investment – until it was realised that the GPC could meet all needs with consummate ease and virtually no up-front cost.

The embedded cards - success from simplicity

Working closely with Barclaycard Business, the Scottish Executive came up with the idea of using a single GPC with its card number embedded in the system software as a settlement mechanism. Suppliers can choose how they want to be paid and EASEbuy is designed to accommodate a range of options from immediate settlement by GPC to payment on submission of a paper invoice. For those suppliers who elect to be paid by GPC, EASEbuy allows them to bill purchases to the single “embedded” card account.

For the buyer, using EASEbuy is even faster and easier than using individual GPC cards. The system is web-based, so all the user needs is access to the Internet. The main steps in the procurement process are:

- The buyer or budget holder goes onto the system, searches for the products they want to buy and loads them onto an electronic order which, when complete, is automatically sent for approval
- All orders are approved online and there is scope for approvers to reassign their authority if they are away from the office
- Suppliers who can receive XML documents receive orders directly into their sales order processing systems. Others can receive order by email or in hard copy as they wish
- When the goods or services are delivered, the buyer or budget holder calls up the order and enters the delivery number, the delivery date and the quantity received.

For embedded GPC transactions, there is no further input required except for the month-end posting of purchases by the Strategic Projects Officer who is responsible for managing embedded card payments on EASEbuy. Those suppliers who elect to be paid by Visa are automatically paid in this way without any intervention from the buyer or budget holder.



Faster, quicker, easier, cheaper – the benefits of the embedded card with EASEbuy.

By early 2004, some 850 people had received training on the system. In March 2004 over 1,100 transactions with a total value of £164,000 were processed using the GPC. Of these, over 499 transactions with a total value of £54,000 were settled using the embedded GPC.

In terms of savings, the Scottish Executive estimates that it saves £10.00 per transaction on processing costs by using EASEbuy with the embedded GPC rather than SEAS and BACS settlement. At the current rate of 499 transactions a month using the embedded card, the Scottish Executive is saving over £59,880 each year in process costs alone. The cost of setting up a supplier on EASEbuy is also significantly lower than the set-up cost on SEAS – just £1.35 versus £2.14. This represents a 35% saving.



In association with Barclaycard Business. For further information on Barclaycard Business please contact Jonathan Holden, Head of Public Sector Solutions on 01604 252989 or email jonathan.holden@barclaycard.co.uk

Company Barclaycard and Barclaycard Merchant Services have come together to become Barclaycard Business

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e-Procurement in Scotland – a model for the future

As Tom Wilson at the Scottish Executive comments:

“Scotland is a small country; we have a population of 5 million people, 32 local authorities and 16 health trusts. The last thing we needed was 48 different e-Procurement systems”.

Already other public sector organisations in Scotland are adopting the system. Argyll and Bute Council recently became the 11th customer to join the e-Procurement Scotl@nd service. Others already using the service include the Scottish Ambulance Service, NHS Highland, The Highland Council and West Lothian Council. West Lothian’s adoption of the Scottish Executive-backed e-Procurement Scotl@nd service (ePS), will ultimately yield savings approaching £1m for the Council.

For those currently considering e-Procurement, key learning points from the Scottish Executive’s experience have been:

- The system can only succeed if it achieves widespread take-up
- The system must use a common open standard – most likely to be XML. Without this the need for expensive interfaces will discourage adoption and inhibit take-up
- The system must be sufficiently flexible to accommodate differing levels of e-enablement among buyers and suppliers
- The system must be sufficiently flexible to allow different purchasing organisations to adapt it to their own needs
- Any e-Procurement system involves significant investment. This must be divided equitably. Most suppliers will pay to develop their own catalogue content but will resist payment of subscriptions to be on the system
- The settlement solution is a key component of any procure-to-pay system. The embedded Visa GPC or Visa purchasing card provides security and simplicity, as well as the flexibility and ease of use that will enhance the attractiveness of e-Procurement for all stakeholders.

Finally, e-Procurement implementation involves the commitment and cooperation of all stakeholders – buyers, suppliers, e-Procurement systems providers and the provider of the settlement solution. Barclaycard Business is justifiably proud of the contribution that it has made to the success of the e-Procurement Scotl@nd project.