

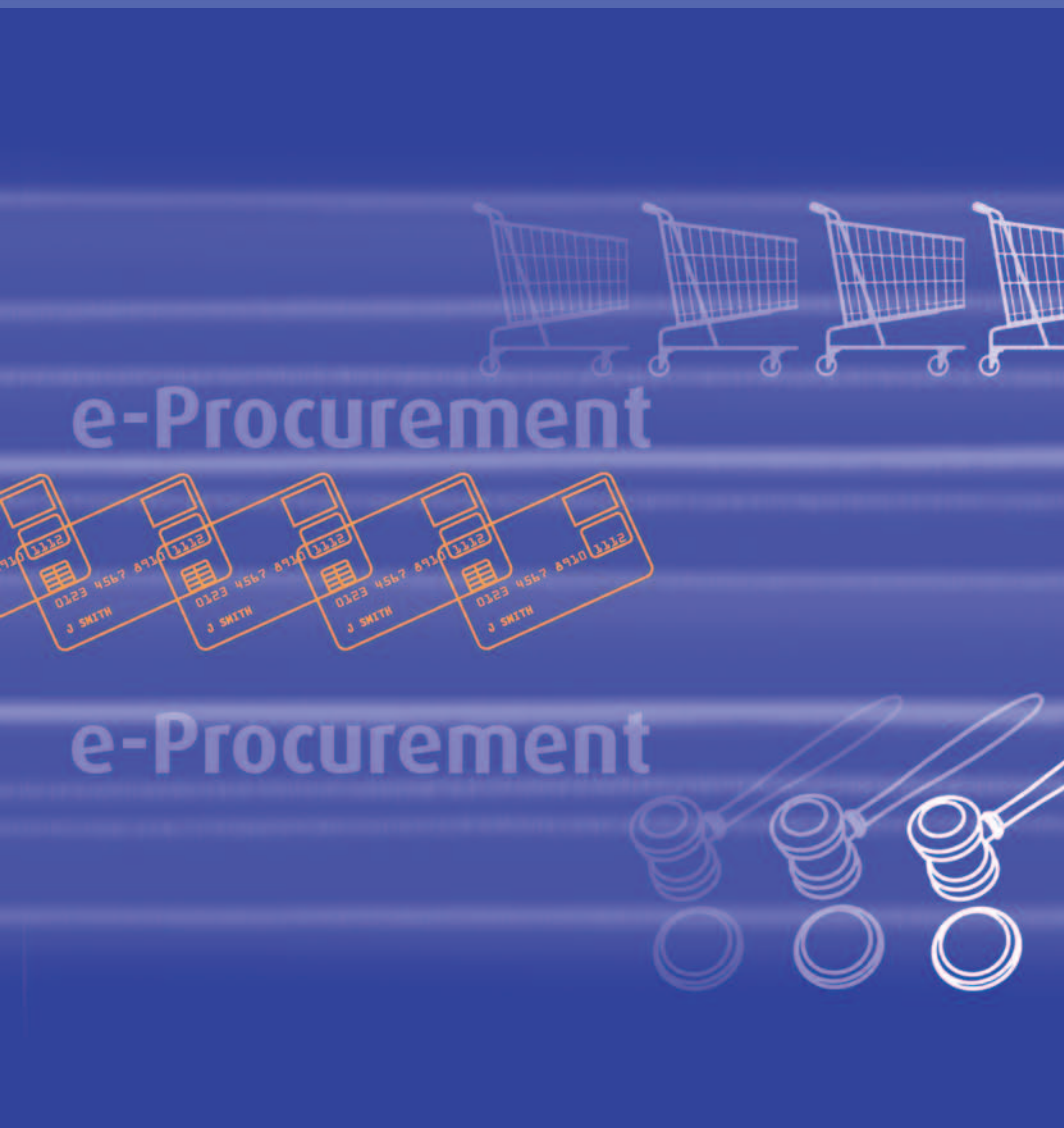


National e-Procurement Project

Delivering e-Procurement

Desktop Guide to e-Procurement

Part 2: What are Purchase Cards



1. Introduction

Background

The National e-Procurement Project (NePP) is working to support and enable councils to meet their e-Government targets and to gain the benefits available from e-procurement.

As part of this approach, the NePP has developed entry-level guidance notes for use by councils as they work to implement e-procurement. These 'How to' guidance notes are designed to cover the basic steps that councils need to take to implement e-procurement. The notes can be found at www.idea.gov.uk/knowledge/eprocurement and cover the following topics:

- Part 1: Overarching Guide to e-Procurement
- Part 2: Purchase Cards
- Part 3: e-Auctions
- Part 4: e-Tendering
- Part 5: e-Marketplace
- Part 6: e-Procurement Business Case
- Part 7: Spend Analysis
- Part 8: Selling to the Council
- Part 9: e-Procurement Guide to Suppliers.

Structure

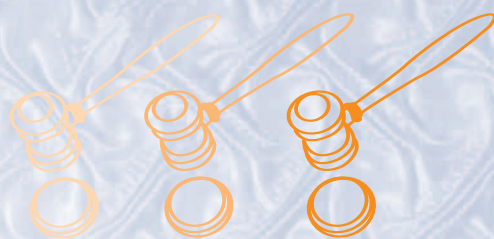
This document is concerned with purchase cards (p-cards) and has the following structure:

- Section 2 - What is a purchase card?
- Section 3 - Why do purchase cards matter?
- Section 4 - What are the stages in a purchase card project?
- Section 5 - Where can I get further information?
- Section 6 - Checklist
- Section 7 - Frequently asked questions.

This document contains a number of terms that may be unfamiliar and therefore, the following table provides a glossary.

Table 1: Glossary of terms used in this document

| Term | Definition |
|----------------------|--|
| Benefits realisation | The actions taken to identify where benefits should come from, assessing whether benefits are being achieved and taking steps to ensure that cashable and non-cashable benefits are achieved. Further information on benefits realisation can be found at www.idea-knowledge.gov.uk/idk/core/page.do?pagelid=82701 |
| Business case | A business case is the document used to obtain management commitment and approval for investment in business change, such as e-procurement, which changes the way that suppliers are selected and goods and services are purchased. The business case provides a framework for planning and management of this change and ongoing identification of risks. The viability of the project will be judged on the contents of the business case. |



| Term | Definition |
|----------------------------------|--|
| Cashable benefits | Cashable benefits result in a reduction in expenditure. For example, less money will be spent with suppliers but the volume or quality of goods or service will remain the same, or fewer staff will be required to deliver the same level of service. |
| Corporate contract | <p>A formal agreement with a supplier that is used by all departments and services in the Council for the purchase of particular goods or services. This agreement will be either a:</p> <ul style="list-style-type: none"> • Tendered contract - with agreed terms and conditions, set pricing structures for specified goods or services. This agreement will have a set period of validity before re-tendering is required. • Framework Agreement (in compliance with EU Procurement Directives) - where terms and conditions have been agreed, but a number of suppliers have been appointed to provide a range of goods or services. The selection of an individual supplier for specific goods/services will then be subject to a mini-competition through a quotations process before agreeing which supplier will be used. |
| Decentralised invoice processing | With decentralised invoice processing, invoices are matched to orders and proof of delivery by the departments who raised the order. |
| Exception reports | Reports that focus on unusual transactions, such as high value purchases. |
| Imprest accounts | Petty cash accounts, used for low value purchases. The officer wishing to make a purchase is given cash and then accounts for that cash by production of a receipt for expenditure (where possible). |
| Leveraging expenditure | Contracts with suppliers are based on the overall expenditure made by the council rather than expenditure by individual departments. This is likely to result in better value for money (lower whole life costs and higher quality) because the increased volume of business is an incentive for the supplier to provide better value in their tender submissions. |
| Maverick spend | The purchase of goods and services from suppliers that have not been subject to competition in accordance with the official procedures approved by the council. The consequence is to spend less with suppliers that have been approved and hence to potentially pay more for the goods or services or to put at risk the prices agreed with approved suppliers (because they don't get the expected level of business with the council). |
| Merchant categories | The names given to groups of goods that can be bought. p-cards can be restricted to particular types of merchant category eg stationery, travel. |

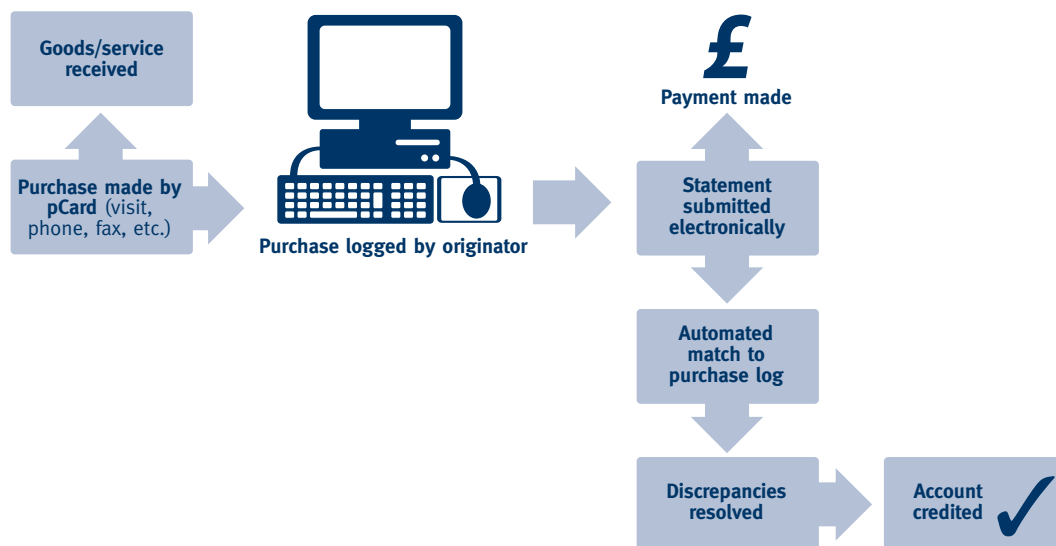
| Term | Definition |
|--|--|
| Non-cashable benefits | Non-cashable savings and benefits are those that free-up staff from a task (because it is automated or eliminated) but the time saved for each staff member is not large enough to result in a reduction in the number of staff required. |
| Process efficiencies | A reduction in the cost of a process or the time taken to complete a process (e.g. processing a purchase order) as a result of automating the process. |
| Procurement and e-procurement strategy | <p>A document that describes:</p> <ul style="list-style-type: none"> • how procurement / e-procurement supports the objectives of the council and the business needs of departments • the actions that the council will take to implement good procurement practices and e-procurement • the prioritisation of goods and services - which goods and services should the council focus on first? • partnership & collaboration approaches • how value for money and / or savings will be achieved through e-procurement, • roles and responsibilities, etc. |
| Purchase cards or p-Cards | p-Cards or purchase cards, are charge cards which work in a similar way to credit cards and can be used to purchase goods or services, they can be controlled effectively at both a transaction value, and spend type level. |
| p-Card issuer | The company that issues the purchase card, that receives details of purchase transactions from suppliers and which sends the card statement to the council. |
| Purchase to pay process | The end-to-end process of raising a purchase requisition, purchase order, goods receipt and making payment to suppliers. |
| Reconciliation | The process of manually or automatically matching purchase transactions recorded in an electronic purchase log with the statement received from the card issuing bank. |
| Supplier | An organisation responsible for supplying goods and services. p-Cards can be restricted to particular suppliers. |



2. What is a purchase card?

Purchase cards (“p-cards”) are charge cards that work in a similar way to personal credit cards and can be used to purchase goods or services. They are used to make purchases on behalf of the council and the council pays the card statement. They can be treated like traditional charge cards and can be open for use with any supplier or they can have restrictions placed upon them by the council limiting their use to certain commodities or suppliers. A typical p-card purchasing process would appear as follows:

- Step 1.** Goods / services are ordered by telephone, over the internet, by fax or in person using the p-card
- Step 2.** Purchase recorded by the card holder (council staff) onto an electronic purchase log
- Step 3.** Goods / services are received
- Step 4.** Supplier paid by the card issuing bank
- Step 5.** The council receives a statement from the card issuing bank
- Step 6.** This statement is automatically matched to the purchase log
- Step 7.** Discrepancies between the purchase log and the statement are investigated and confirmation sought from the card holder that a transaction that appears on the statement but not on the purchase log is a purchase made by the card holder. Where confirmation is not received, the transaction is queried with the card issuing bank
- Step 8.** Payment made by the council to the card issuing bank



Generally p-cards are best suited to high volume, low value purchases (e.g. under £250), one-off purchases (i.e. using a supplier on one occasion only, as using a p-card is cheaper than setting the supplier up in a purchasing system) and single item purchases (as this then removes single-line invoices which frequently cost more to process than the item purchased) and where the goods or services being purchased are easily definable. Goods and purchases should be easily definable so that the ordering process is simple i.e. requirements can be quickly and clearly explained.

The main benefit of the p-card is to reduce the traditional activities associated with a 'standard' ordering process (such as approval to make the purchase and the matching of orders to invoices), and to improve the flexibility of purchasing. For example, staff are able to make purchases outside of normal office hours which traditionally would be difficult because a purchase order number would be needed. P-cards are also useful for off-site purchasing (eg staff who travel regularly can use p-cards for train/ hotel/ food purchases, which then gives the council information on spend as opposed to processing expenditure via expenses, plus they save time in terms of processing expenses claims).

Councils may have concerns regarding the controls surrounding p-cards and it is good practice to ask internal audit to be a member of the implementation team. However, p-cards can be effectively controlled, as follows:

- They are allocated to authorised staff only
- Transactions are captured against the p-card number which is associated with a cost centre and the individual who is the card holder (i.e. transactions would be visible within council financial reports)
- Individual transactions can be limited by value (depending on the chosen use of the p-card). This means that a single purchase cannot exceed a specified maximum value
- p-Cards can be limited to specific suppliers and goods or services
- Spend limits can be imposed per month and could be tied to budget limits

Payments to suppliers are made by the p-card issuer's bank within 3-5 days of the council placing the order, whilst p-card statements are paid monthly by the council by direct debit. p-Card statements can be imported into the council's finance system for allocation to cost centres, for checking and for internal audit.

p-Cards are offered free of charge by several financial and banking companies and also under the core Government Procurement Card (GPC) contract to UK public sector organisations. Councils may want to invest in software to both reconcile the card statement to the purchase log or to automatically upload the statement into the council's purchasing and financial systems. This can be achieved by either in-house development or the purchase of a software package. In either case, a cost will be incurred, and consideration should be given to the most beneficial option for the Council.

Typical commodities procured with p-cards include:

- Stationery and Print
- Office Equipment
- Computer supplies
- Temporary staff
- Building and Maintenance supplies
- Books, periodicals
- Fuel
- Hotels
- Travel and Subsistence
- Education and Training Courses



3. Why do purchase cards matter?

Most e-procurement solutions focus on making the purchasing process more efficient through automation of the purchase to pay process and integration between purchasing and finance systems. The purchase-to-pay process covers the activities to purchase goods or services, such as purchase requisition, purchase order, goods receipt and payment to suppliers. p-Cards are used in place of the purchase order and as a means of paying the supplier. In addition, invoices are not received from suppliers and sufficient data can be recorded on the card statement to meet VAT requirements. p-Cards can enable process efficiency by significantly reducing the number of individual transactions being processed (e.g. many invoices are replaced by one p-card statement), and reducing the time taken to process the remaining purchase card ones. Furthermore, p-cards can deliver many other benefits associated with best practice procurement, as summarised below:

Table 2: Examples of good procurement practices and support from p-cards

| Good procurement practice | p-Cards capability |
|--|---|
| To eliminate duplication of effort in processes and to minimise opportunities for error | p-Card transactions are received electronically and can be uploaded to the Council's finance system for analysis: for both budget control and for purchasing information (what is being purchased and by whom?). |
| To undertake purchasing transactions electronically, so that time and cost are minimised and data errors are reduced | p-Cards will significantly reduce the number of orders and invoices processed, so that the cost of processing orders is reduced. In place of a purchase order, the p-card number will be quoted. Instead of an invoice being received for each purchase, a single card statement will be received each month. p-Cards also enable ordering to be more flexible and responsive, particularly out of hours. |
| To standardise the purchasing process | <p>p-Cards can be implemented with clear, standardised rules:</p> <ul style="list-style-type: none"> • p-Cards can be associated with cost centre codes; • p-Cards provide transaction analysis. For example, the card statement can capture who made the purchase, with which supplier, what was purchased and VAT information; • p-Cards allow for transaction and monthly spend limits to be set; • p-Cards can enable limits to be put on which suppliers and merchant categories are bought from. A merchant category is the name given to groups of goods that can be bought. |

Cashable benefits

Cashable benefits result in a reduction in expenditure. For example, less money will be spent with suppliers but the volume or quality of goods or service will remain the same, or fewer staff will be required to deliver the same level of service.

Costs of goods and services

If p-cards are used effectively, with controls put in place to limit their use to specific suppliers and types of spend, then compliance with corporate contracts can be controlled i.e. orders can only be placed with approved suppliers. A corporate contract will either be a tendered contract (perhaps with more than one supplier) that purchasers can go to when they need goods or services, with set pricing structures or schedules of rates and agreed quality and specifications of the goods or services or a Framework Agreement under the EU directive, where the terms and conditions have been agreed along with elements of price and specification, but purchasers need to undertake a 'mini-competition' by obtaining quotations from each of the suppliers on the agreement before making a decision about who to purchase from.

This means that the council is letting contracts with suppliers on the basis of the total spend on the goods or services. This increased compliance to contracts is a valuable bargaining tool that can be used in contract discussions with suppliers to drive down prices. p-Cards also provide prompt, electronic payments for orders which lead to potential supplier discounts on current prices.

Any charges levied by the p-card issuer on the supplier for processing the p-card transaction may be passed on to the buyer, in this case the council. As such, potential reductions in prices may be downgraded to take account of this. However, this should not deter Councils from using p-cards; it is important to remember that any price quotation will take into account the costs of invoicing, delay in payment, tendering, etc. Any form of procurement has associated costs for a supplier; it's just that with a p-card, the costs are more visible.

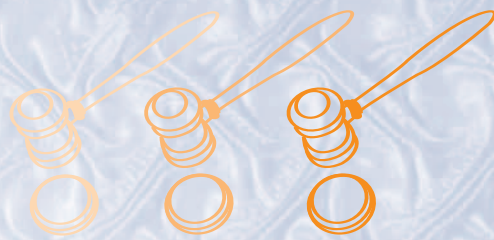
Process Efficiencies

Process efficiencies are a reduction in the cost of a process or the time taken to complete a process (eg processing a purchase order) as a result of automating the process. Process efficiencies and a reduction in staff being required primarily come from the reduction in invoices being passed through the finance system. There are also significant process efficiencies relating to the fact that the purchase requisition, purchase order, purchase order approval or invoice matching processes are not required with a p-card. Spend Analysis will be critical to identify suppliers from whom the council is making frequent low value purchases. For further information on Spend Analysis, see the guidance note at www.idea.gov.uk/knowledge/eprocurement

These process efficiencies are possible without sacrificing control over expenditure because:

- p-Cards are primarily used for low value, high volume transactions, so that risk is limited in terms of monetary value;
- Suppliers and what can be purchased are pre-defined;
- Spending limits are set for the p-cards;
- Visibility of transactions and accountability of cardholders

Using a p-card for low value, high volume transactions results in a significant reduction in the number of invoices received from suppliers. An example is for building materials and equipment, where traditionally a high volume of commodity items are purchased. Moving to p-card payment removes what are often thousands of invoices processed each year within a council.



p-Cards lend themselves to a more streamlined reconciliation process whereby p-card statements may even be matched automatically to an electronic purchase log. The electronic purchase log is a record of all p-card transactions. This can lead to reductions in the number of accounts payable staff required to process invoices.

If your council uses decentralised invoice processing, such savings may be more difficult to realise due to the multi-role nature of departmental administration staff. With decentralised invoice processing, invoices are matched to orders and proof of delivery by the departments who raised the order. This means that many staff are involved in the purchase-to-pay process but their involvement tends to consume a small proportion of their time. Whilst the use of p-Cards will save some of this time, the time saved will be small for an individual officer. In this case, the process efficiencies will be non-cashable, but will instead create extra capacity, allowing more work to be done using the existing staff. Alternatively, invoice processing can be undertaken by a centralised team, which means that fewer staff are involved and the task occupies a significant proportion of their time. In this case the time saved by the p-Card will be a larger part of the individual officer's time and therefore any savings will be easier to identify and turn into cashable savings.

Other savings

The use of p-cards will lead to a reduction in overhead costs, such as cheques, envelopes and postage associated with the raising of orders and payment of invoices, as p-card balances are paid by BACS (Bankers Automated Clearance System). This is an automatic payment method whereby money is transferred from the council's bank account to the card issuer's bank account. Savings from the p-card issuer may also be realised from, for example, a signing bonus, volume rebates or an annual bonus. This means that the council may receive a payment from the p-card company for:

- Agreeing to use their p-card (signing bonus),
- Expenditure through the p-card that exceeds a threshold level per year eg more than £50,000.

In addition, p-cards can help realise other benefits:

- Reducing the need for imprest (petty cash) accounts. An imprest account is a petty cash account, used for low value purchases. The officer wishing to make a purchase is given cash and then accounts for that cash by production of a receipt for expenditure (where possible). Many councils use a large number of petty cash accounts to reimburse staff for responsive, urgent purchases. Imprest accounts are time consuming to administer, reconcile and audit and, of course, cash transactions inevitably have a higher risk due to their lack of transparency. p-Cards can be used to replace imprest accounts for purchasing low value goods and services.
- Replacing the need for stores - councils often retain stores for building and maintenance supplies (usually associated with direct service departments, such as housing repairs) to meet urgent repair requirements. p-Cards can enable purchasing to become more responsive and flexible, reducing the need for expensive stock-holding and the management overheads, such as supervision, associated with stores.

Non-cashable benefits

Non-cashable savings and benefits are those that free-up staff from a task, because it is automated or eliminated, but the time saved for each staff member is not large enough to result in a reduction in the number of staff required. It also refers to benefits which improve the control of the procurement process. For example, all transactions made with a p-Card can be traced back to the card holder.

p-Cards give rise to a range of non-cashable benefits including:

- Process efficiencies where the savings represent a small proportion of an officer's time. Process efficiencies may allow attention to be focussed on more strategic activities such as developing supplier relationships and managing contracts.
- Improved visibility and control at department level as monthly cardholder statements and purchase transaction logs are available for review by a department manager.
- An increased ability to identify the total spend by supplier for the council. This information can be used to secure better deals with suppliers, because contracts will be based on the overall expenditure made by the council rather than expenditure by individual departments. This approach is known as leveraging expenditure. This is likely to result in better value for money (lower whole life costs and higher quality) because the increased volume of business is an incentive for the supplier to provide better value in their tender submissions. p-Cards also enable the council to track the level of expenditure for contracts agreed with suppliers, to ensure that contracts are being used as expected.
- Improved supplier relations resulting from immediate payment via BACS.
- Enhanced satisfaction of staff involved in the purchase-to-pay process through improved convenience and reduced paperwork.

4. Where are the stages in a p-Card project?

The implementation of a p-card system would typically consist of four sequential stages. These are described below.

Figure 1: Stages in a p-card project



Gain support of senior management.

Implementing p-cards requires an investment (for example, in software to reconcile the purchase log to the p-card statement) and therefore, you will have to make sure that your council has a sound business case for implementing p-cards. Before you write a business case you need to be sure that your management board understands what p-cards are and what they can do for your council. The government targets for e-procurement may well have created a good deal of interest at board level, but do not assume that they know what p-cards are or why they should invest in them.

Initial data gathering

The best way to get the interest of the board is to show the senior management what would be different in the council if they used p-cards. To do this you need to undertake the following steps:

Step 1 - Determine goals and objectives for the p-card project. Define how the p-card implementation aligns with the council's overall purchase-to-pay objectives. If the council has one, these objectives should be set out in the council's Procurement and e-Procurement strategy. This is a document that describes:



- how procurement / e-procurement supports the objectives of the council and the business needs of departments
- the actions that the council will take to implement good procurement practices and e-procurement
- the prioritisation of goods and services (lotting strategy) - which goods and services should the council focus on first?

For example, the council may want to increase the number of purchases that are paid for electronically or reduce the cost of processing purchase transactions.

Step 2 - Describe the current purchase-to-pay process for low value transactions i.e. with a high level of low value purchases creating lots of paperwork.

Step 3 - Describe what the purchase-to-pay process for low value transactions would be with p-cards.

Step 4 - Summarise the benefits from using p-cards.

Having completed the initial data gathering, you can now approach the board, but be warned! Although you may think that p-cards will be of real benefit to the council, the board may take some persuading. Below are some examples of the reasons you may be given for not investing in p-cards, alongside are some responses you could use to argue for p-cards.

Table 3: Key challenges

| Challenge | Response |
|---|---|
| <p>Control of Spend - Misuse of p-cards can easily lead to an increase in maverick spend (expenditure with suppliers that have not been approved).</p> | <p>Controls can be put on individual p-cards that can restrict their use to certain suppliers and certain categories of spend. This must be put in place if spend is to be controlled effectively and the cashable and non-cashable benefits are to be achieved.</p> |
| <p>Individual supplier relationships - In order to give competitive pricing agreements, a supplier will want guarantees that they will receive certain volumes of spend and levels of service.</p> | <p>This level of service, for example, may include prompt payment times and a p-card is a way of guaranteeing this. An agreement will, therefore, need to be made which will specify, how the purchases are to be made and how they will be paid for? The use of p-cards with suppliers must be tightly controlled, in order for benefits to be realised. Councils need to ensure that staff are aware that p-cards are to be used to place certain orders and pay certain suppliers to minimise the risk of breach of contract. Suppliers should not be guaranteed levels of business since this may fluctuate through factors out of your control. Guarantees of business are a dangerous way of securing value for money as situations change so rapidly that what works this month may be impractical next.</p> |

| Challenge | Response |
|--|---|
| <p>Management information - The level of information that a p-card transaction provides is based on the level of coding (e.g. codes for the department placing the order) that a supplier puts on the purchase.</p> | <p>Agreements should be made with suppliers that a defined level of coding will be entered with all orders to allow spend to be analysed. This will often form part of a wider discussion with suppliers to ensure that suppliers understand the information that the council requires for accounting and purchase information purposes. With a p-Card, information is captured at three levels:</p> <ul style="list-style-type: none"> • Level 1 - basic summary of purchase transactions • Level 2 - VAT summary • Level 3 - line item detail. |
| <p>Benefits realisation - Measuring the success of a p-card project can often be difficult.</p> | <p>Councils should focus on simple, key measures that predict and track the benefits attributable to p-cards and not be diluted by complexity. Examples are:</p> <ul style="list-style-type: none"> • Percentage of corporate spend through purchase cards • Percentage of orders raised electronically • Average invoice value • Average minimum cost of raising an order. |

Sponsorship

Assuming that you've been successful in gaining the support of your senior management for p-cards, the next step is to create a business case. However, the job of creating a business case is time consuming and will require some investment of resources (at the very least). If you are to get the commitment you require to create the business case, it will be necessary for the board to appoint a sponsor for the project.

Sponsorship is critical at this point both to raise p-cards onto the agenda of the senior management team but also to manage the work and funding required to developing the business case. Clearly, sponsorship will be required during the later stages of the project as well. An ideal sponsor will be the Director of Finance.

Evidence that effective sponsorship has been achieved includes:

- there is a nominated sponsor for the project,
- that the sponsor is at a senior level,
- that the sponsor is actively seeking advice and progress reports from the project manager and is championing the project and getting buy-in from peers.



Build the business case

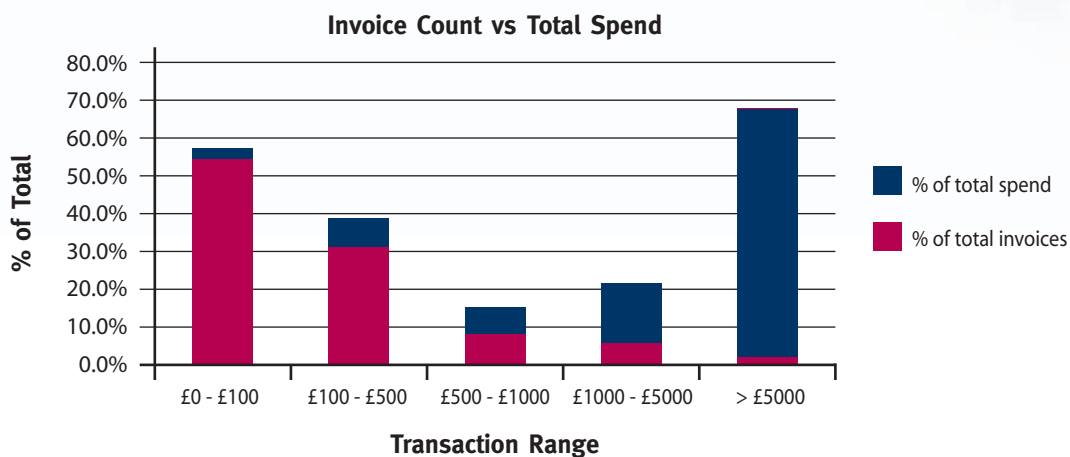
When you are preparing your business case you need to be aware that the business case is an on-going piece of work and that it might change as you progress. During the writing of the business case, you will learn more about the purchase-to-pay process at your council and the goods and services that the council buys. These factors will affect your business case and result in revisions to your work.

A business case will include the following steps.

Step 1 - Establish the business case for the project by understanding elements such as:

- Current spend to identify high volume, low value transactions;
- Number and types of suppliers;
- Current cost of goods or services;
- The 'enthusiasm' across the council for changing purchasing methods;

This may look something like this for each type of spend:



This analysis should confirm the conclusions reached from the initial data gathering tasks.

Step 2 - Establish parameters for p-card use, for example:

- Which commodities and what value of transactions are appropriate for p-card usage;
- What controls are required for p-card use for monthly and transaction spending limits, positions/roles authorised to use the p-card, suppliers with whom the p-card can be used etc. Typically, a team from Procurement, Audit, Legal, Finance, and IT will work together to design these controls. There may be far-reaching impacts that need to be considered at the very initial stages if the project is to have a chance at success.

Commit resources

Step 1 - Establish centre-led management and administration as it is important to assign ownership of the overall project to an individual to ensure that the project is delivered in a controlled environment. The concept of centre-led management allows for centralised supervision of the project with administration by department-specific representatives. Activities that can be performed centrally include:

- The defining and documenting of purchase card policies and procedures in conjunction with Internal Audit
- Approval of new suppliers. Over time the council will need to work with new suppliers because of changes in what they buy, the poor performance of a current supplier, because a contract comes to an end, or because the supplier ceases to trade. However, to maintain the focus of using p-cards for low value purchases, central control is required to ensure that new suppliers accept p-cards as the method of payment
- Management of supplier performance, such as establishing and monitoring expected levels of service (eg delivery times and product quality)
- Creation of training programmes for staff who will use the p-cards. Training is important to ensure that staff understand the purpose of the p-card and how it is to be used (for what goods and services, with which suppliers, to what value of purchase, etc). Designing the training centrally will ensure consistency across the council.

Activities that can be decentralised include:

- Departmental-specific reporting. It may be that particular departments require information on transactions that is not generally required across the council. For example, property maintenance may require information on which property the expenditure was for (ie a project code)
- Reconciliation of the p-card statement to the purchase log, to ensure that the payment made to the card issuer is for purchases made by the council. Reconciliation is the process of manually or automatically matching purchase transactions recorded in an electronic purchase log with the statement received from the card issuing bank.
- Training delivery to users of the p-cards
- Response to enquiries from card holders within their department. For example, adding a new item that can be purchased from a supplier.

Step 2 - Develop and disseminate council-wide p-card policies and procedures. This would include a description of the controls (spend limits, names of approved suppliers etc.) associated with the p-cards. The information could be made available via an intranet site or a procurement manual.

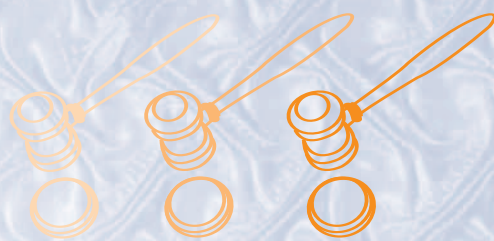
Implement p-cards - Pilot project

Step 1 - Conduct a pilot of the p-card process with a limited number of council staff to evaluate how the p-card implementation project might go-ahead, so that, refinements can be made as necessary before fully implementing p-Cards.

Step 2 - Monitor p-card usage at least quarterly to ensure optimal distribution of the p-cards within the council. Mandate the use of p-cards for all eligible purchases to ensure that p-cards become established as the way to place orders. The method by which p-card usage is enforced is dependent upon culture of the council.

Corporate roll-out

Step 3 - Capture, report, and analyse comprehensive, council-wide spend data to provide information about where contracts can be re-let and to track compliance with policies. Comprehensive spend analysis means that information is available on what the council is purchasing with the p-cards, which suppliers they are purchasing from, which departments are using the p-cards and the value of purchases being made through the p-cards.



This information will enable the council to have informed discussions with suppliers because the council will know exactly what is being purchased from them, by whom and to what value. This information will also monitor the extent to which council staff are purchasing from corporate contracts. The focus of reporting should be on:

- The performance of the p-card process rather than control over the use of p-cards - the p-card process is intrinsically well controlled (for example which suppliers can be used, what can be purchased, how much can be spent) and hence the focus can be on the benefits achieved. Has the use of p-cards achieved a reduction in the workload of staff (reduced times to process orders, less invoices to process, fewer payments to be made to suppliers); and
- Exception analysis rather than an audit of 100% of transactions. Exception analysis focuses on unusual transactions. An example of exception analysis would be a review of high value purchases. This is not to say that p-card usage should not be monitored but that monitoring is by exception.

Step 4 - Standardise and automate the interface between data received from the p-card issuer and the council's finance system. This means that purchase transaction data contained in the statement received from the card issuer is automatically uploaded into the council's finance system. Examples of standardisation and automation are:

- Receive data according to a predefined schedule or based upon transaction volume (e.g. one statement per 1000 transactions);
- Predefine and enforce approved general ledger account codes for cost centres and expenditure type.

Step 5 - Investigate the expansion of the p-card project to additional spend categories or departments to maximise benefits achieved. Examine total spend data quarterly to determine additional categories that are appropriate for p-card use.

Deliver and measure the benefits

Having implemented the p-cards, initially through a pilot project and then more widely across the council, it is important that achievement of the expected benefits is monitored.

The following table includes suggested key performance indicators to monitor savings realisation:

Table 4: Key performance indicators

| Type of benefit | KPI |
|----------------------|--|
| Cash savings | Cost of goods and services purchased through the p-card versus the previous projected price. |
| Process efficiencies | Percentage of corporate spend through purchase cards. |
| Process efficiencies | Percentage of orders raised electronically. |
| Process efficiencies | Average invoice value. |
| Process efficiencies | Average minimum cost of raising an order. |

The work undertaken during the “Build the Business Case” stage will:

- identify current expenditure on the goods and services expected to be purchased through p-cards and will set a target for the total expenditure after the use of p-cards
- identify the time taken to process orders now and the expected reduction in time with the use of p-cards
- the number of invoices processed now (especially low value invoices) and the number expected to be processed with the use of p-cards.

Councils will need to:

- identify who is accountable for delivering the expected benefits,
- specify a reporting mechanism and format to capture progress on benefits delivery,
- establish a review process to monitor the benefits actually achieved.

5. Where can I get further information?

A more detailed “How to” guidance note, produced by the NePP is available at www.idea.gov.uk/knowledge/eprocurement. This contains fuller information on the benefits available from p-cards, how to identify your benefits opportunity and how to deliver that opportunity.

Other NePP guidance notes address core issues around the delivery of benefits - technology, change management and supplier adoption. These guidance notes can also be found on the IDeA Knowledge website: www.idea.gov.uk/knowledge/eprocurement and the National e-Procurement Project website: www.nepp.org.uk

6. Checklist

Table 5: Checklist

| Activity | Done? |
|---|-------|
| <p>Gain senior management support</p> <ul style="list-style-type: none"> • Has the initial data capture been completed: <ul style="list-style-type: none"> i) Have the goals and objectives for the p-card project been defined? <input type="checkbox"/> ii) Can you describe the current purchase-to-pay process for low value transactions? <input type="checkbox"/> iii) Can you describe the purchase-to-pay process for low value transactions with a p-card? <input type="checkbox"/> iv) Can you summarise the benefits from using p-cards for your council? <input type="checkbox"/> • Has effective sponsorship been attained? <input type="checkbox"/> | |
| <p>Build the business case</p> <ul style="list-style-type: none"> • Has the business case for the project been established? <input type="checkbox"/> • Have the parameters for the p-card been established? <input type="checkbox"/> | |



| Activity | Done? |
|--|-------|
| <p>Commit resources</p> <ul style="list-style-type: none"> • Has centre-led management and administration been put in place? <input type="checkbox"/> • Have council-wide policies and procedures been disseminated? <input type="checkbox"/> • Have training programmes been developed? <input type="checkbox"/> | |
| <p>Implement p-cards</p> <ul style="list-style-type: none"> • Has the pilot project been completed? <input type="checkbox"/> • Is data on the use of p-cards being captured? <input type="checkbox"/> • Is there a roll out plan to expand the use of p-cards? <input type="checkbox"/> | |
| <p>Deliver the benefits</p> <ul style="list-style-type: none"> • Have the key performance indicators been defined? <input type="checkbox"/> • Has the current level of performance been captured? <input type="checkbox"/> • Have the target levels of performance been set? <input type="checkbox"/> • Has accountability for the delivery of benefits been agreed? <input type="checkbox"/> | |

7. Frequently Asked Questions

How do I control purchasing with p-cards?

p-Cards must be effectively set-up with clear p-card controls and a software system to help collate spend data and analyse p-card usage. There are a number of software suppliers offering systems that collate spend data and analyse p-card usage. Controls can be straight forward:

- Apply transaction and monthly spend limits on the p-card
- Apply restrictions on which suppliers and merchant categories can be used
- p-Cards are associated with a named individual and a cost centre
- p-Card expenditure will be visible in cost centre budget reports
- Payment data (statements) are received electronically and analysed centrally (by independent officers).

Can all suppliers support p-cards?

Many suppliers are able to support p-cards and the number is increasing. Small suppliers that are unable to support credit or debit cards will not be able to support p-cards. However, if appropriate, the council should encourage the supplier to invest in systems to support p-cards, not only to improve invoicing and payment processes, but also to improve their efficiency with other customers.

What if staff are unwilling to use p-cards?

It is highly likely that you will encounter some resistance to the changes you are making, and this is extremely common. There are a number of steps that can be taken to ensure that the implementation is as smooth as possible and that users adopt it - practical Change Management guidance and case studies by Councils who have gone through e-procurement implementations are available at www.idea.gov.uk/knowledge/eprocurement



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Further sources of e-Procurement Best Practice Guidelines

- OGC e-Procurement guidelines for the public sector - www.ogc.gov.uk
- Buy IT Best Practice Group e-Procurement guidelines - www.buyitnet.org

e-Government National Projects aim to ensure that all councils have access to key electronic services and building blocks, without having to build them from scratch. The 22 National Projects have developed products and services, by authorities, for local authorities. National Projects are the heart of local e-Government and are designed to help local councils to improve services, increase efficiency and to help create sustainable communities.

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