

# Confident, Capable Council Scrutiny Panel

3 February 2016

<b>Report title</b>	Future Money: Agresso Payment performance	
<b>Cabinet member with lead responsibility</b>	Councillor Andrew Johnson Resources	
<b>Wards affected</b>	All	
<b>Accountable director</b>	Mark Taylor, Finance	
<b>Originating service</b>	The Hub, Payments Team	
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<b>Report to be/has been considered by</b>	Briefing Paper The Chair, Councillors and Co-opted Representatives of the Scrutiny Panel	23 October 2015

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## Recommendation for action:

The Panel is recommended to:

Comment on the findings in this report in regards to payment performance within the Agresso finance system since its implementation.

## **1.0 Purpose**

- 1.1 Scrutiny Panel requested an update from The Hub on Agresso implementation regarding payment performance. This report seeks to provide an update on the payment performance within the Agresso finance system since its implementation 1/4/14.

## **2.0 Background**

- 2.1 Prior to the implementation of Agresso the Council was operating a legacy mainframe system to manage the payment of individuals and suppliers; for the provision of goods and services and operated in the following way:
- 2.1.1 This was a paper based invoicing system.
  - 2.1.2 The supplier master file held over 25,000 records.
  - 2.1.3 Invoices were processed via paper batches manually signed and transported to the central creditor's team.
  - 2.1.4 Purchase orders were minimally used and enforcement of their use was limited.
  - 2.1.5 The remittances and purchase orders were paper based.
  - 2.1.6 Resolving invoice issues was resource hungry due to difficulties in identifying the responsible party.
  - 2.1.7 Many payments were by cheque which was costly and often resulted in returns.
  - 2.1.8 Security was limited.
  - 2.1.9 System support and development was limited.
- 2.2 Following the implementation of Agresso the Council moved from a paper based legacy system to an automated electronic invoicing system. The change led to a reduction in the use of resources, improved payment performance and monitoring. The Council's payment performance is good and continuing to improve. A summary of the main issues that have impacted on the payment process were as follows:
- 2.2.1 Due to re-organisations and restructures a number of the people responsible for legacy invoices had either changed role or left the Council.
  - 2.2.2 During the transition between the legacy system and Agresso a higher than anticipated volume of legacy invoices had to be manually scanned in to the new system.
  - 2.2.3 Without a valid Agresso purchase order, intervention work was required to identify and allocate the approval for payment to the responsible budget manager.
  - 2.2.4 The impact of the previous two points resulted in delays in making certain payments.
  - 2.2.5 Engagement with both services and suppliers was undertaken by the payments team to enforce the use of purchase orders to resolve invoicing issues and to ensure process were able to operate efficiently.

### **3.0 Agresso Implementation Outcomes.**

- 3.1 The implementation of Agresso has delivered many positive outcomes and is summarised as follows:
- 3.1.1 The new payments system has enhanced compliance with the Council's procurement rules.
    - 3.1.1.1 A service or individual first identifies a need to purchase goods and/or services before following the Council's contract procedure rules.
    - 3.1.1.2 The Agresso system enables the raising of an electronic 'requisition' in advance of the purchase identifying the value, volume, item description, delivery details and appropriate budget responsibility.
    - 3.1.1.3 The 'requisition' then electronically workflows to the appropriate budget manager for approval, before it is issued as an electronic purchase order.
    - 3.1.1.4 If the purchase is from a 'non-contracted' supplier the requisition then electronically workflows to Procurement for approval before it is issued as an electronic purchase order.
    - 3.1.1.5 Once the service and/or goods have been received the purchase order can be electronically receipted in regards to the value/volume received.
    - 3.1.1.6 The supplier is then able to quote the unique purchase order number on the invoice they send to us.
    - 3.1.1.7 Invoices can now be sent in more electronic formats.
    - 3.1.1.8 Paper invoices received are scanned in to the system and automatically converted to electronic text, as opposed to manual typing the information in to the legacy system.
    - 3.1.1.9 The Agresso system is able to electronically match the invoice to the purchase order and the receipting. Where all three elements match for example on value or volume they are released for payment.
    - 3.1.1.10 Any issue in matching the three elements creates a workflow task to the appropriate person, based on the systems configuration.
  - 3.1.2 Agresso has enabled the removal of paper in the production of purchase orders, receipting of invoices and issuing of remittances saving both the Council and our supplier's money.
  - 3.1.3 The new system has assisted in the cleansing and reduction of the master supplier file held to under 10,000 records, from 25,000.
  - 3.1.4 Since February 2015 we now operate a 'No Purchase Order No Payment' system for all invoices received. If suppliers do not quote a valid purchase order on the invoice the scanning solution has enabled us to reject the invoice on receipt by email to the sender with an explanation of why and what needs to be done next. Enforcing the use of purchase orders in this way for the payment of invoices has greatly reduced the issues around prompt invoice query resolution.

- 3.1.5 In excess of 800 suppliers have been proactively moved to BACs payment from cheque, which is faster and cheaper for both parties.
- 3.1.6 In Agresso, individuals can have bespoke access and permissions based on their role enhancing the system security.

#### **4.0 Measureable payment performance**

4.1 The following points summarise many of the improvements that can be evidenced as a result of the implementation of Agresso.

- 4.1.1 Commercial suppliers in the master file are now less than 6,000 cleansed.
- 4.1.2 80% of the commercial suppliers have a valid email address to enable electronic interaction and reduction in paper.
- 4.1.3 In the 2014/15 financial year the number of cheques issued reduced by 22%.
- 4.1.4 In 2015/16 we remain on target to further reduce cheque payments on the previous year by over 50%.
- 4.1.5 'No purchase order, No payment' is active and our suppliers and services are more compliant with the contract procedure rules.
- 4.1.6 The risk of duplicate payments has been reduced through the scanning solution checks in force and via 'checking' reports out of Agresso.
- 4.1.7 We publish **all** spend monthly on the Council's Datashare site.
- 4.1.8 The purchasing card provider and scheme has been changed and improved with tighter controls. The bank has asked us to be a reference site and is creating a case study around this because it was done so well and in such a short period of time.
- 4.1.9 In the 2014/15 financial year we paid 150,000 invoices across 85,000 payment transactions, with a total value of just under £360 million.
- 4.1.10 We receive on average 500 invoices a day and the volume of invoices unpaid in the system workflow is less than 1000; those awaiting approval, receipting or in dispute.
- 4.1.11 The suspense areas of the systems are cleared daily by the payments team and all transaction tasks are worked on daily.
- 4.1.12 In the 2015/6 financial year 89% of invoices have been paid within 30 days of receipt (compared to 78% in the October Briefing note). The remainder includes all invoices in dispute.
- 4.1.13 In the 2015/6 financial year the average time from invoice receipt/creation to payment is 16 days for all payment types including interface systems.

#### **5.0 Developments**

5.1 A full end to end review of the 'procure to pay' process is currently underway with all key stakeholders to ensure that we are operating efficiently. This is being led by Clare Morris, Procure to Pay System Specialist, aiming to complete by the end of June 2016.

- 5.2 We are reviewing the processes and resources required for the raising of purchase orders to further improve quality and efficiencies. This is being led by Darren Herries, Payments Manager, aiming to complete the review by the end of June 2016.
- 5.3 We are reviewing our current purchase order scanning contract to identify any potential improvements and/or efficiencies. This is being led by Darren Herries, Payments Manager, aiming to complete the review by the end of September 2016.
- 5.4 We are continuing with target service and supplier engagement to ensure prompt payment of invoices via electronic means. This is being led by Darren Herries, Payments Manager, and it is ongoing.

## **5.0 Financial implications**

- 5.1 There are no financial implications associated with the recommendation in this report as Councillors are simply requested to consider the evidence of improved payment performance following the implementation of Agresso. Effective payment performance obviously enhances the reputation of the Council and limits exposure to risk of late payment penalties.  
[GE/20012016/Y]

## **6.0 Legal implications**

- 6.1 There are no legal implications. Everyone is paid within government guidelines and within contract parameters.  
[TS/20012016/A]

## **7.0 Equalities implications**

- 7.1 The matters which are paid have been commissioned and procured prior to payment and therefore, there are no equalities implications.

## **8.0 Environmental implications**

- 7.1 There are no environmental implications.

## **8.0 Human resources implications**

- 8.1 There are no human resource implications.

## **9.0 Corporate landlord implications**

- 9.1 There are no corporate landlord implications.