

By: Cabinet Member for Finance  
Director of Finance

To: Governance and Audit Committee – 1 December 2009

Subject: **ePAYMENT PROJECT**

Classification: Unrestricted

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Summary: To report on improvements underway to the Council's processes for making payments to suppliers.

## **FOR DECISION**

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### **INTRODUCTION**

1. With an external spend on goods and services approaching £1bn per annum the Authority needs to be able to transact payment processes in an efficient way. This report updates members on a new project aimed at achieving a step change in how we transact business.

### **CURRENT POSITION**

2. The main means of making payments currently are:
  - (1) Oracle Accounts Payable – this is our main payment system and is part of the Oracle suite of financial software used by the Authority. Accounts Payable processes around 370,000 commercial manual invoices annually – a further 50,000 commercial invoices are processed electronically through interfaces linked to business systems.
  - (2) Oracle iProcurement – iProcurement was implemented in November 2007 and processes around 30,000 Purchase Orders annually. The scope of iProcurement is limited as it excluded transactions going through the Council's major business systems eg. SRP in KASS and MIDAS in Highways.
  - (3) Purchase Cards – a limited roll-out of purchase cards has been undertaken for low value, low frequency transactions. There are around 500 cards currently issued. Purchase cards do have internal control risks as well publicised issues recently at the Metropolitan Police illustrates.

- (4) Imprest Accounts – these are local cheque accounts, some with a facility for cash. Purchase cards have been used to reduce the number of imprest accounts.

### **BUSINESS IMPROVEMENT PROJECT**

3. This project was launched in July 2009 by the Chief Executive and Director of Finance. The main focus for the project was the scope to reduce the number of manual invoices and identify other efficiencies in the payment process. The report was completed in September.
4. The key metrics from the report were:
  - 17,500 suppliers on the Accounts payable system.
  - January – July 2009 3,500 “commercial suppliers” set up
  - 1 April 2008-31 May 2009 400,000 invoice processed
  - 13,681 suppliers who have invoiced KCC between 1 and 10 times (34,005 invoices) – value £104m
  - 6,542 suppliers with an account value of less than £500
  - 35 suppliers who invoiced KCC over 1,000 times
  - 48,000 Commercial services invoices, 16,000 Kent top temps invoices
5. In the Appendix a summary of the Project Plan is attached. The Project sponsor is Lynda McMullan and Finance Strategy Board is the project steering group. The timeline for completion of the work is April 2010.
6. The project has strong links with the major Procurement Review now underway.
7. We will report progress in 6 months time.

### **RECOMMENDATION**

8. Members are asked to endorse the approach set out.

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