

Oracle eBusiness Suite – Financial Savings

Consultative Committee with Parents

4 November 2008

Purpose of report

- 1 This report clarifies the financial savings achieved by Council as a result of the introduction of the Oracle eBusiness Suite in 2005. It does not comment on efficiency savings but focuses on the real monetary savings achieved.

Main report

- 2 As part of the Smart City ICT Partnership the Council introduced a new Financial Accounting system in 2005 called the Oracle eBusiness Suite. This provided the Council with the opportunity to streamline and rationalise its chart of accounts while providing a more integrated solution for the future.
- 3 The new system also allowed the council to streamline its payment practice by centralising payments and introducing invoicing capabilities for suppliers. Centralising payments was something which has seen the Council's prompt payment performance rise to being in the top three performing Council's in the country.
- 4 The new system also introduced new technologies to other parts of the operation which has had a significant positive affect since go live. In particular it introduced a full electronic Procure to Pay process with the introduction of eCatalogues and iProcurement functionality. iSourcing functionality which includes eTenders and eAuctions are now part of standard practice within the Council's corporate procurement function as a result of the introduction of this system.
- 5 The project was one of the largest ICT change project ever conducted, and on day one in April 2005 the Council was able to service 4,000 users.
- 6 The implementation of the Oracle system was predicated upon a robust business case which argued that financial savings could be saved by streamlining procure to pay systems and introducing new ways of working with procurement. In particular it stressed that "purchasing efficiencies" would be able to be made based upon retrieval of pertinent management information around supplies for contracts for goods and services. The figures concurred with those of the National eProcurement Project (March 2004) run from the Office of the Deputy Prime Minister for England and Wales.
- 7 Benefits to the organisation as a whole have been significant. The new system has introduced tighter controls on financial monitoring and reporting corporately For the first time management information relating to spend profiles has been visible. This has allowed the Council to target key areas within the organisation for savings; previously this management information was not available.
- 8 The introduction of integrated eCatalogues with photographic images of products has allowed users in Schools to purchase products more quickly producing a softer saving to teachers within schools not having to flick through catalogues. Officers within Schools no longer have to produce and F33 order, which was posted to CPU, and have slicker goods receipting.
- 9 Invoice certification has been removed from schools with the centralisation of payments with the introduction of the new system. Where staff in schools used to

manually process invoices for approval and log them in the dataease system and manually post a transaction into the centre, there is now no invoice processing in schools at all.

- 10 Specifically, within Children and Families work has been undertaken in a two fold nature. Firstly, there have been specific new contractual and eCatalogue savings which have been realised by the department through such awards as Yorkshire Purchasing, Home to School Taxi contracts (an extra 3% saving). Comparison on new savings and spend within the department for 2007-08 and the previous years performance indicates the following typical savings:

Supplier	New Discount	Spend with	Spend without	Financial
		Discount	Discount	Saving
Yorkshire Purchasing Organisation	22.00%	291,053	355,084.39	64,031.61
Office Depot UK Ltd 1	8.31%	269,947	292,379.73	22,432.61
Matrix Display Systems Ltd	6.50%	259,482	276,348.27	16,866.33
Findel Education Ltd	5.00%	233,378	245,046.63	11,668.89
XMA Ltd	8.47%	199,460	216,354.19	16,894.26
Scotsys Ltd	5.00%	140,494	147,518.85	7,024.71
Bunzl Cleaning & Hygiene Supplies	15.00%	139,907	160,893.33	20,986.09
Insight Direct UK Ltd	8.00%	108,866	117,574.79	8,709.24
Lynch McQueen Ltd	2.80%	17,462	17,951.23	488.94
Metalliform Holdings Ltd	15.00%	9,996	11,495.73	1,499.44
Average Saving	9.61%			
Totals		1,670,045	1,840,647	170,602

- 11 Secondly, the management information relating to Children and Families has provided the council with a strategy on letting new contracts which are being established for the department. This work began in August 2007 when the Enterprise Finance Liaison Officer took a report to the management team entitled "Strategic Sourcing – Children and Families – Schools. The report detailed a number of key procurement projects to realise benefits which were forecast as £887,659 over the next three years. Specifically, the savings would occur in spend areas within schools in the following categories:

- Educational Supplies – Educational Science
- Books
- Food & Drink
- Educational Furniture
- Games and Sports Equipment (with the exception of Fixed gymnastic equipment)
- Musical Instruments
- Audio Visual Products
- Play Things
- Gardening etc
- Soft Furnishings
- Building Services
- Printers, Software and AV Products
- Waste Containers
- Office Supplies

- 12 Corporately, the financial savings arising from better procurement practice and contractual take up throughout all departments totalled £15.3m across the first six years from implementation spread as follows:

Fin Year	Fin Saving
2005/6	£0.60
2006/7	£2.55
2007/8	£3.04
2008/9	£3.04
2009/10	£3.04
2010/11	£3.04
Total	£15.30

Figures are in millions.

- 13 A benefits realisation team was setup within the Corporate Procurement Programme to agree a methodology of capturing and measuring benefit arising from procurement savings against spend values. The methodology was critiqued and tested by Financial Services and approved through the Efficiency Programme Board.
- 14 Financial Savings were measured against spend within contracts and procurement activity established by the Corporate Procurement Programme with the use of the Oracle system. These fit into three main types as follows:
- eCatalogue Savings – spend utilised by departments against contracts in the Oracle iProcurement system. (Typical range from 2.8% to 15% of new saving)
 - non Catalogue Savings – spend captured by Procurement within the Oracle iProcurement system where extra market leverage has been possible for departments. (Typical range from 2.8% to 28% of new saving)
 - Conversion Savings – spend which formerly did not go to tender or enter the Oracle system which is converted to Oracle via procurement process and iSourcing capability. (Typical range from 2.8% to 35% of new saving)

Financial Implications

- 15 Resource allocations were made across each department to assist in paying for the initial investment for the Oracle system.
- 16 Results from the use of Oracle have been extremely favourable and have been reported to CMT, the Efficiency Programme Board, the Strategic procurement Programme Board, and the Covalent System.
- 17 The return of Investment (ROI) model indicates that the Council started to make savings in excess of resource allocation in 2007-2008, and that the overall projection through to 2010-11 are very favourable as follows.

Enterprise Finance ROI Results				Actual			Projected		
Target	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11			
Procurement Savings Target	599,955	2,549,812	3,041,537	3,041,537	3,041,537	3,041,537			
Procurement Savings	-	2,517,790	4,757,876	5,233,664	5,757,030	6,332,733			
Totals	- 599,955	- 32,022	1,716,339	2,192,127	2,715,493	3,291,196			
Return on Investment Results	- 599,955	- 631,977	1,084,362	3,276,489	5,991,982	9,283,178			

Environmental Impact

- 18 Good procurement practice should imbibe the Treaty of Rome as well as the European Directives and local legislation. This gives priority to fair, equal competition but also includes the possibility for new measures that concern the environment. Whilst the implementation of Oracle has had a limited direct impact upon environmental issues, the new capabilities which it has introduced to the procuring of goods and services has had a positive effect on the environment through the acquisition of more greener, renewable, and sustainable resources.

Recommendations

- 19 The Consultative Committee with Parents are asked to note the following;
- a) The contents of the report, in particular the savings methodology;
 - b) The trend of financial savings for the council as a whole;
 - c) The projected outcome of the savings over the first six years.

Sam Austrin-Miner
Programme Director
Payments and Procurement Services
Finance

Appendices

Contact/tel/Email Tel 0131 529 4713 Sam.am@edinburgh.gov.uk
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Wards affected

Single Outcome
Agreement

Background
Papers