

(TABLED)

Oracle eBusiness Suite – Financial Savings

Consultative Committee with Parents

12th May 2009

Purpose of report

- 1 To update the CCwP on the benefits realisation for Children and Families and in particular, Schools for the financial year 2008/09 as part of the Enterprise Finance Project. 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 and enable the Council to fully engage in electronic procurement.
 - 2.1 The new system also allowed the council to streamline its payment practice by centralising payments and introducing eInvoicing 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.
 - 2.2 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.
 - 2.3 The Corporate Procurement Programme was established to ensure that the procurement savings were realised and to monitor benefits via Benefits Realisation.

Financial Implications

3 Schools

- 3.1 Benefits arising from Procure to Pay processes within the Oracle EF systems are calculated on the basis of: -
 - Savings from contracted supplier spend via eCatalogue and non Catalogue,
 - Savings from department contracted supplier spend; and
 - Conversion savings through new contracts or more effective procurement practice
 - Other savings – where contracts are established but POs are not generated (Utilities, Phones, Printing Devices, etc).

- 3.2 At present the Benefits Realisation methodology is based on the contractual saving achieved on each individual tendered contract as they are tendered. No account is taken of old savings when a contract is re-let, only the savings achieved on the new contract. Therefore the methodology calculates savings on an annual basis and the savings achieved in any year are based on current contract prices and not including any saving applicable to previous years or previous contracts.
- 3.3 Results from the use of Oracle have been extremely favourable and these are due to be reported to CMT during May.
- 3.4 The 2008/09 savings target for Schools for Oracle Enterprise Finance was £554,000 and the following savings split by Benefit type and by Educational establishments delivered £371,134 :-

Benefit Type	NUR	PRIM	SEC	SEN	Total
Savings on Catalogue with contracted vendors	3,078	52,668	39,742	7,911	103,399
Savings off Catalogue with contracted vendors	4,566	76,230	59,877	4,325	144,997
Savings off Catalogue with other Dept contracted vendors	84	7,835	6,570	261	14,750
Conversion	2	296	1,134	145	1,577
Other (MFDs)	1,505	64,521	37,104	3,281	106,411
	9,235	201,550	144,427	15,921	371,134

- 3.5 This savings figure was achieved from a £4.1m spend with known contracted suppliers and equates to a 9% saving against spend.
- 3.6 In contrast, Schools spent a further £4.9m with non contracted suppliers. This £4.9m, which is 55% of the total captured School spend, is split as follows: -

	Grand Total
NURSERY	153,479
PRIMARY	2,126,518
SECONDARY	2,432,642
Special Needs	228,382
	4,941,021

- 3.7 This is clearly an area of opportunity for potential further savings as an initial high level review has identified that some contracts already exist but are not being utilised or contracts could or should be created. In addition where small value one off purchases occur it may be feasible to expand the P-card scheme to speed up ordering and payment to these types of orders.
- 3.8 Further analysis is required to fully scope the potential savings but the table below provides indicative savings figures against a realistic conversion rate of 50% of the spend.

	Potential Savings			
	Grand Total	2.8%	6%	9%
NURSERY	153,479	4,297	9,209	13,813
PRIMARY	2,126,518	59,543	127,591	191,387
SECONDARY	2,432,642	68,114	145,959	218,938
Special Needs	228,382	6,395	13,703	20,554
Total	4,941,021	138,349	296,461	444,692
Conversion Rate	50%	69,174	148,231	222,346

- 3.9 Procurement currently uses various methods to ensure contract usage but renewed support from The Department of Children and Families and Schools is required to ensure that the maximum potential savings are achieved.
- 3.10 In addition to the above measures the following contract awarded in April & May 09 will have a positive benefit to Schools in the forthcoming year: -
- Library Books - 34% reduction in costs against previous contract
 - Sport and Games Equipment – 8% reduction in costs against previous contract
 - Exercise Books – 5% reduction in costs against previous contract
 - School and Text Books – 5% reduction in costs against previous contract

Environmental Impact

- 4 There is not adverse Environmental Impact associated with this report.

Recommendations

- 5 The CCwP are asked to note the following;
- a) The contents of the report,
 - b) The savings for Schools
 - c) The non contracted spend for Schools
 - d) The potential savings and the support required to achieve these.

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Appendices

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Wards affected

Single Outcome
Agreement

Background Papers Held in Finance Department