

Good Practice Case Study

Procurement Lincolnshire: Innovative P-Cards system generates over £1 million in savings ▼



East Midlands
Improvement and
Efficiency Partnership



Lincolnshire
COUNTY COUNCIL

The Lincolnshire P-Card significantly speeded up buying provisions during the floods that affected Lincolnshire in 2007

Delivering efficiency and value-for-money with Purchase Cards ▼

Procurement Lincolnshire has devised an innovative Purchase Card (P-Card) system making it one of the first, and potentially one of the largest, procurement projects of its kind. More than 1,000 cards are being used across the region, and 600 people have been trained since 2007. The scheme has already led to efficiency savings of £1,019,148 and an average saving of approximately £26 per purchase.

The scheme is growing year on year, with £2 million being spent via the cards in 2009/10 and a

total of 39,200 transactions since 2007. In the last financial year key performance indicators were set to increase spend, number of transactions and cardholders by 40%, with these being achieved.

P-Cards have also brought additional benefits in the form of reducing time spent on processing purchases, empowering staff, and improved supplier relations.

“Lincolnshire authorities continually look at ways to improve the efficiency of working practices and generate savings. The Purchase Cards scheme is a key initiative that has delivered both objectives. Underpinning the project is the excellent partnership working with suppliers. The scheme

is one of the most successful outcomes of the innovative approach to procurement led by Procurement Lincolnshire; the shared procurement service for the eight Lincolnshire authorities.”

Sharon Cuff
Head of Procurement Lincolnshire

The opportunity for innovative procurement ▾

Lincolnshire authorities had already exemplified shared services and partnership working in procurement with an overarching aim to drive out efficiency savings, as well as delivering an improved service to the customer.

It was identified that the process of raising purchase orders was often more costly than the items being bought, for example items could cost £10-£15, but the administration revolving around the associated purchase orders could cost up to £40-£50, a significant amount when accumulated across all purchases. Thus, there was a need to streamline some administrative processes for low value purchases.

The Lincolnshire Procurement Card (LPC) project was set up in 2007 with the aim of implementing the cards in each local authority and also other public sector bodies in the county.

A project team was created, with members from public bodies across the county and importantly, officers from auditing teams and senior

finance managers. This was crucial as they would be integral to the management of P-Cards and setting up such a scheme needed to involve them from the outset.

Rolling out the scheme

- Lincolnshire County Council took the lead role and appointed a full-time programme manager
- A contract was outlined and tendered to the public in 2007, with Lloyds TSB being awarded the contract to become the P-Card suppliers, initially for a 12-month period
- The agreement provided a fully integrated P-Card system, including all cards for no cost. This allowed the project board to channel all funding into the management of the programme of work, which also assisted with the selling-in of the project to potential members

The cards were offered to;

- The seven district councils; Boston Borough, City of Lincoln, East Lindsey District, North Kesteven District, South Holland District, South Kesteven District and West Lindsey District Councils
- The health service (which joined)
- Lincolnshire Police and The University of Lincoln were also invited to join, but chose not to. The former because of the financial commitment required, the latter because it already had a similar system in place

The initial phase

Lincolnshire County Council was the key driver for the implementation of the cards. Phase 1 saw East Lindsey and West Lindsey District Councils, two NHS Trusts and a pilot across the County Council including ten schools and the Fire Service.

Four key stages were identified that had to be undertaken in the initial phase of the project, to ensure its successful integration:

1. *Setting clear objectives:* The scheme aimed to target invoices under the value of £500. It was stipulated that the card should be used for anything under £500 with the aim of eliminating petty cash. Having clear boundaries meant users

could easily understand when it was appropriate to use the card.

2. *Engaging through communication:* Getting departments to use the cards could only be encouraged through clear communication. The project board drove this primarily through finance managers who sat on the board and therefore could take the information back to their relevant teams. Other communication methods included posting details on the intranet, newsletters and of course promoting the benefits of the card through word of mouth.

3. *Giving users confidence:* Lincolnshire County Council hosted training sessions, at no extra cost, to departments which were keen to adopt the scheme and also retrain staff who administer the cards. 600 staff have been trained so far.

4. *Centralising purchase administration:* Within Lincolnshire County Council it was agreed to manage the administration process through a central purchasing team. The team that reconciles all purchases, which was already in place, took on this remit to ease the extra pressure that could arise from administering purchases.

Using P-Cards ▾

Once the P-Card has been introduced to departments and staff have been trained, the practicalities of the card are easy to relay to users:

- The programme used to manage the cards is a simple web-based system that requires no installation
 - To apply for the card it needs to go through management approval
 - There are no restrictions on the categories that the card can be used for, with the exception of cash withdrawals. This is because it was found in Phase 1 that some items overlap
- categories, which caused confusion
 - Monthly spend limit is in place
 - Anyone with a business requirement can use the cards (as long as they have management approval), for example in East Lindsey the grounds maintenance team use the cards
 - A transaction log is also available for users and the central processing team to use, which helps assist with tracking purchases



Figure 1. Example artwork of a Lincolnshire P-Card

Benefits of using P-Cards ▾

For those departments that have embedded the use of cards across their teams, tangible savings have been apparent. However, efficiencies are not the only benefit to using the card, there are numerous others that come with using P-Cards. Here are just 10 that have been identified:

1. Auditable: The card allows tracing of low value purchases, so budget

holders can see exactly what has been bought. This gives them greater control of budgets and also helps minimise 'human error', as they can assess spend on a monthly basis.

2. Security: It is clearly visible to the fraud team where anomalies occur. Interestingly, to date there have been no known cases of misuse so far.

3. Reduce administration: P-Cards effectively eliminate the use of petty cash, which minimises errors and reduces administrative time.

4. Empowering staff: Giving approval from the beginning avoids management needing to be involved every time a purchase is made. This empowers staff, demonstrating trust and giving them the flexibility and freedom to buy and meet business requirements.

5. Streamlining does not mean redundancy: There is often the connotation that 'streamlining' means 'redundancy', however Procurement Lincolnshire emphasises that it tends to free up staff time to focus on other core aspects of their role.

6. Speeding up processes: Using the cards means processes are speeded up, for example maintenance works can be carried out more easily.

7. Quicker payment: The payment process is reduced from 30 days to three to five. This is highly attractive to potential suppliers.

8. Benefit to procurement as a whole: Having P-Cards has raised awareness of Lincolnshire's overall procurement strategy and shared services due to the joined up working approach.

9. Improved supplier relations: For example, it will be straightforward to accumulate information by supplier for particular kinds of goods or services, enabling;

- preferred suppliers to be identified
- greater leverage to be applied and better terms obtained
- supplier relationships to be cemented by consistent and prompt payment

10. Environmental benefit: Since P-Cards rely on electronic transmission, it significantly cuts down the use of paper and ink.

"We knew that there would be transactional benefits from introducing the Lincolnshire Purchase Card, but the speed that service benefits were realised was stark. During the floods of Summer 2007, the impact that the Lincolnshire Procurement Cards had in being able to procure goods quickly and efficiently at a time that stocks were running low was a life saver."

Steve Larter
Finance Director
East Lindsey District Council

Lessons from the journey so far ▾

It is clear that the savings and efficiencies generated illustrate the success of introducing the P-Card scheme. However, a project like this is not without its challenges, particularly as the cards can mean a fundamental change in financial administrative processes, which understandably may lead to apprehension. Key lessons learned include:

1. *Sharing information on the benefits helps getting people to join:* It is thought that the apprehension of a change in culture can be a main barrier to joining. Now more districts are aware of the benefits of using the P-Card, they are more likely to be interested in being involved as many feel more secure seeing the benefits from others who have gone before.

2. *Emphasise responsibility as positive:* Some managers are nervous about introducing the P-Cards due to a perception of losing control of their staff and empowering people. *Solution:* As part of the sell-in, emphasise the ease of auditing purchases as well as the employee satisfaction that comes with passing on responsibility.

3. *Invest to reap reward:* The project requires a significant amount of time, effort and commitment from the beginning for full benefits to be reaped. However, the cards are straightforward to roll-out due to the centralised system in place.

4. *Project Leader:* Need someone to lead the project and own the implementation of P-Cards; for example a finance, procurement or project manager. Having drive from the top can assist with generating enthusiasm for the cards within an authority.

Future P-Card plans ▾

In the past financial year, the numbers of cards being used have not been as high as forecasted, due to Lloyds TSB changing back office functions which caused unexpected disruptions. However, it is even more telling of the P-Card's benefits that other targets were achieved despite this. Procurement Lincolnshire feel they are merely scratching the surface of the possibilities in efficiency savings available through P-Cards, and are planning further developments in the next financial year:

1. Increase members: The scheme's membership is already growing year-on-year and the intention is to encourage even more to join. For example South Holland District Council and the University of Lincoln are currently in talks with Lincolnshire County Council to come on board.

2. Research opportunities for further ways the cards can be used: For example, the board aims to have more suppliers paid by P-Cards to cut out the purchase order process as much as possible, attracting suppliers with the offer of payment by card in two to three days as opposed to 30 days. Obviously, some suppliers do not accept cards

so it is impossible to completely wipe out the invoicing process.

3. E-market place is about to be introduced: This will be a hub for catalogues and pricing structures; staff will be able to use the card to make payments. Having this resource also allows for the procurement of bulk discounts.

4. Consider the introduction of hosted software solutions: Procurement Lincolnshire will be looking at the possibility of introducing a hosted transactional administration system, which could significantly reduce the resource required in training staff when changing card provider.

"Although we have already generated savings of over £1 million, we feel we have only scratched the surface of the opportunity to introduce greater efficiencies and make financial working practices more streamlined. We are very excited about more people working in partnership with us and continuing to focus on value-for-money."

Andrew Househam
Procurement Officer
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East Midlands Improvement and Efficiency Partnership Case Studies

In their original guise as the Regional Centre of Excellence; the East Midlands Improvement and Efficiency Partnership (EM IEP) has provided professional advice and support to the Lincolnshire Procurement Card (LPC) project.

The EM IEP Support Team publish case studies showing how East Midlands councils are improving services, and delivering significant improvements and efficiencies.

The case studies are intended to inspire councils in the region, and indeed nationally, to transform services and benefit from the processes developed by those councils that have pioneered the way forward.

For all the latest news, guidance, good practice case studies and video case studies visit our website:

www.eastmidlandsiep.gov.uk