

HM Government Procurement Card

**HM Government Procurement Card
Case Studies 2000**

Contents

1. GPC Critical Success Factors
2. Ministry of Defence
3. HM Treasury
4. Department of Health, Social Services and Public Safety
5. Passport Agency
6. Environment Agency

Preface

Sarah E Allen, Senior Manager
KPMG

The GPC programme was formally launched by the Treasury in October 1997 as a tool to purchase and pay for low value goods and services efficiently and cost effectively. Since then, the GPC programme has gone from strength to strength with many Government Departments and Agencies having the vision to recognise the benefits of Procurement Cards and launching individual programmes.

KPMG were commissioned to review a number of these programmes and develop a series of case studies which would demonstrate the value of the GPC and identify best practice for its successful implementation and usage. All of the cases illustrate the flexibility of the programme as each Department or Agency has aligned it to their particular requirements. However, they also show that there are clear benefits to be derived by leveraging the experience of others and following a clear process for implementation.

All the Departments and Agencies included in these Case Histories recognise that they have further potential to improve their programmes and are planning to regularly review them to ensure that:

- *the process is efficient, streamlined and automated where appropriate, and not over engineered*
- *it continues to meet audit requirements, achieving value for money*
- *it targets as many purchases as possible, particularly Contracts.*

The GPC has become an integral part of the Government's low value purchasing strategy but, in order to continue to deliver value and improve process efficiency, programmes should be continually reviewed and success strategies shared.

GPC Critical Success Factors

The Case Histories included provide an overview of the way in which some of the UK Government Departments and Agencies (GDAs) have approached and structured their GPC programmes. Despite each GDA having a different infrastructure, and being at various stages of maturity, they have all developed successful programmes. We have identified some common themes and critical success factors which can be categorised as follows and, by adopting the techniques and approaches below, GDAs will be able to unlock the full benefits of the GPC.

People

- The vision of Senior Management to see the opportunity, develop a strategy and introduce the GPC.
- The active support of Senior Management plays a vital part in the success and sends a strong message of commitment.
- A strong implementation approach led by enthusiastic and skilled implementation personnel who can inspire personnel and 'manage change'.
- All relevant parties involved and communicated with as early as possible, particularly Finance and Procurement.

Process

- A simple and straightforward purchasing process which has been developed to be a convenient and relevant for the cardholder.
- Appropriate financial thresholds set to capture a large percentage of low value goods and services.
- Cardholders trained in GPC usage prior to roll-out and cards given to end users and delegated budget holders wherever possible.
- GPC designated as the preferred payment method for low value purchases.
- Adequate controls in place but restrictions kept to a minimum.
- GPC used together with supplier contracts wherever possible.
- Commonly purchased goods targeted on the GPC to create a wide base of users and encourage full utilisation.

Co-ordination

- Central policy/guidelines issued to try to avoid the wheel being re-invented.
- Day to day problems identified and long term strategies put into place.
- Knowledge shared with other GDAs.
- A centre of competence created where guidance is given on Best Practice and common issues/opportunities are co-ordinated.
- Supplier strategy is focused on to identify relevant suppliers and the invoice data capability required.
- Actively driving the supplier recruitment strategy, obtaining support from the bank where necessary e.g. set-up GPC threshold/criteria, identify suppliers to recruit and devise method of communicating with suppliers.
- The GPC should be used as a catalyst for change and an opportunity to re-think the ways purchasing and accounting can be undertaken.

Benefits

- *Prompt payments record improved*
- *Process savings enabling personnel to be freed for other duties*
- *Improved visibility through GPC process*
- *Management information improved*
- *Petty cash reduced*
- *Ease of use for end users and line management*
- *Process streamlined*
- *Administration/paperwork reduction*
- *Reduced payments made*
- *Improved controls - reduces manual checking*

“The GPC is proving a catalyst for change and is helping to make people re-think the way that things are done. It can be a very simple process - the aim is not to put too many restrictions in place, identify the buyer (end users), train them and give them a card.”

Background

The Ministry of Defence (MOD) is made up of a number of units, including the British Army, Royal Navy, Royal Marines and Royal Air Force. The objective of the Ministry of Defence is to provide the defence capabilities needed to ensure the security and defence of the United Kingdom and the Overseas Territories.

Why the GPC was introduced

A key aim of the MOD is to ‘seek value for money in every activity’ so, when the GPC was announced by H M Treasury, the MOD recognised it could play a key role in streamlining the procurement process for greater efficiency. A pilot with a number of sites was undertaken to identify the potential benefits of purchasing cards for low value procurement. This pilot confirmed that the GPC offered significant potential process savings as well as operating efficiencies.

Pilot Studies

A total of 8 pilot projects were implemented in 1998 across the MOD (large and small with a total of 300 cards issued). These were selected to trial the purchasing cards, prove the process and to identify critical success factors.

At the end of the pilot period, the projects were reviewed but it was clear that a number of them were not as successful as expected. Further investigations showed that cards were not being used as extensively as expected for the following reasons:

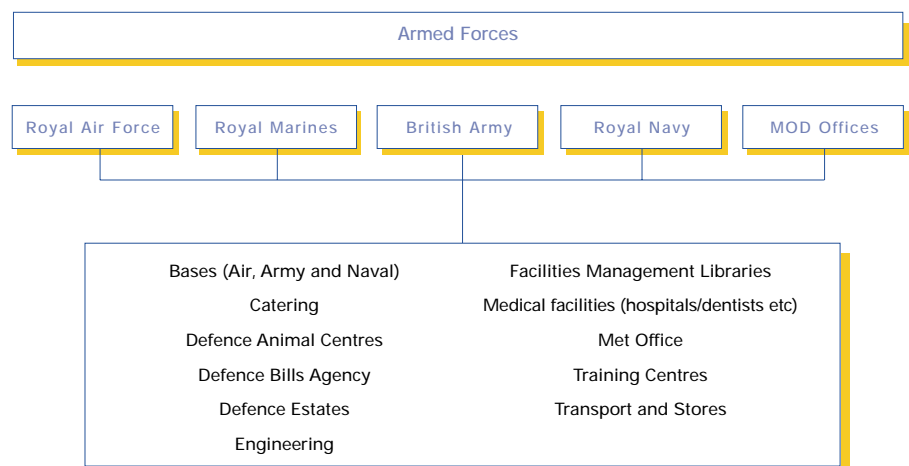
- too many merchant codes had been blocked off which limited choice
- cardholders were limited to suppliers with VAT capability
- all the accounting codes (both the cost code and commodity code) had been built into the purchasing cards which severely limited the variety of purchases made e.g. individuals had to have a card for tools and another for health and safety items. This was further complicated by the fact that the MOD policy is not to make accounting transfers under £1,000.

Overall use of the GPC cards was poor due to the pilots focus on control. However, the potential benefits of the GPC were still recognised and invaluable lessons drawn from the pilot. It was agreed, therefore, to continue with the GPC implementation, whilst ensuring that mistakes were not repeated in the full implementation roll-out.

The scale of the implementation programme

The MOD GPC programme is being actively endorsed but is, currently, voluntary. The number of potential GPC programmes has yet to be established particularly as the scale of the Ministry of Defence is extremely broad and varied and the organisation and budget structure of the MOD complex.

Typical establishments include:



Implementation roles

The pilot programmes were originally managed by the Procurement Executive. However following its revised status as the Defence Procurement Agency, the programme has been co-ordinated by the

Defence Logistics Organisation (DLO) on behalf of the MOD. The MOD's macro and micro implementation approach to the GPC is fundamental to the way the different roles have been defined e.g.

Bank's Role

- Mail and recruit suppliers who have supplied goods and services within the £2.5k threshold in the last year.
- Issue and maintain cards and provide management information.
- Assist with cardholder training.
- Assist with major supplier presentations.
- Provide support as and when required.

Steering Group

Business orientated management personnel e.g. Contracts, Finance, Internal Audit, Defence Bill Paying Agency, Logistics. A cross-functional team who provide authority and an advisory role.

Central Project Team

GPC Implementation Manager, Programme Managers, Trainers, Help Desk and Administrators. Central approach to look at the bigger picture, lay down minimum standards and guidance and oversee the total programme e.g.:

- communicate project both internally and externally e.g. in-house/external magazines, website
- develop and lay down policy/guidance (minimum requirements)
- issue standard framework instructions which can be augmented by local management as necessary
- develop and hold GPC management workshops and training sessions - offer every major site the opportunity to attend a presentation
- review overall figures (financial value and transactions)
- co-ordinate common issues and opportunities (see below).

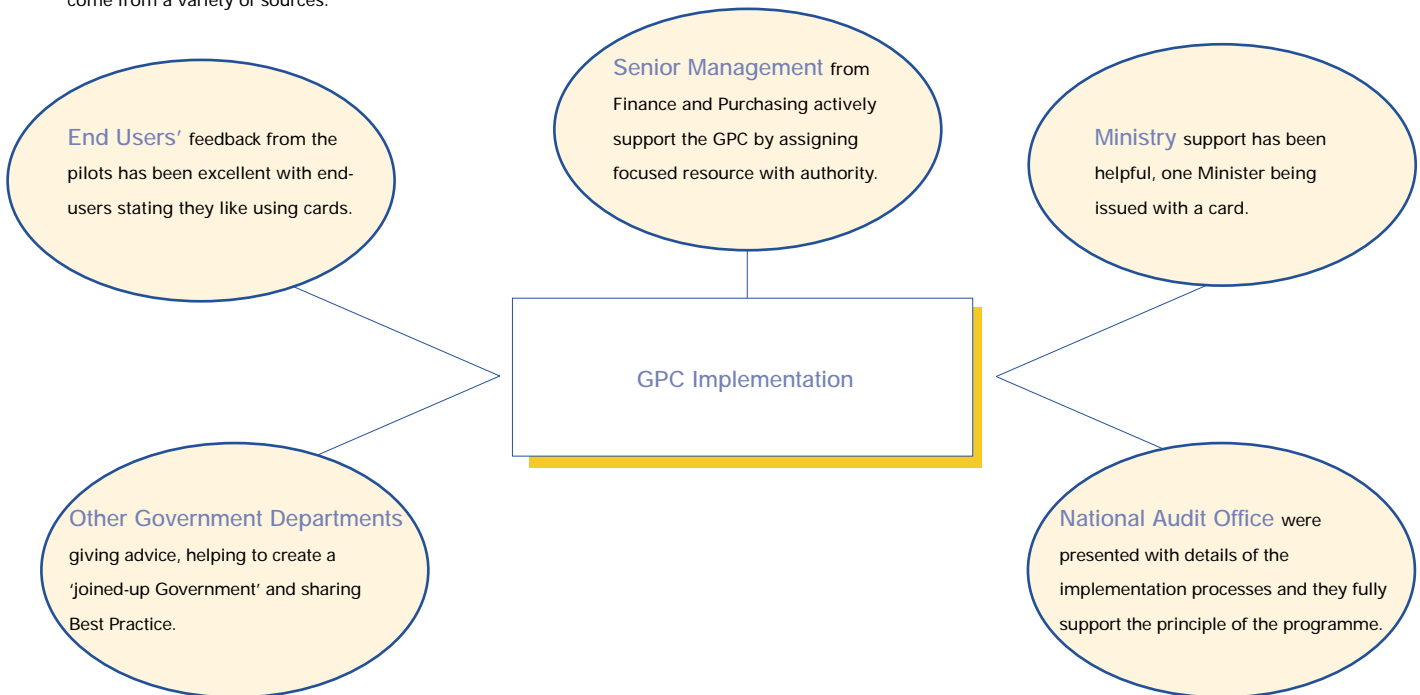
Local Management

Roll-out and manage individual programmes using the guidance issued by the GPC Central Project Team e.g.:

- volunteer for programme
- obtain Senior Manager sponsorship
- appoint a GPC Manager
- attend an Induction Workshop
- delegate budget
- apply to bank
- schedule training dates
- adopt framework policy for local use
- co-ordinate and manage local programme and budget
- feedback and use expertise of Central Project Team.

Project support

There is considerable support for the GPC throughout the MOD which has helped promote and communicate the programme. This support has come from a variety of sources.



Common issues and opportunities

The MOD recognise that the GPC represents an excellent opportunity to review and improve the way existing business is done and maximise the opportunities for the entire MOD. Therefore, the Central Project Team will also focus on providing a centre of excellence, a central point for common opportunities and ideas to be developed, and to help share best practice e.g.

- Enabling and Direct Supply Contractual arrangements are seen as playing a key part in the GPC growth as they account for a large number of transactions. It is hoped that the opportunity to use the GPC as a payment mechanism will be assessed and included in the contractual terms and conditions as and when contracts are renewed e.g. the DCSA Catalogue (Defence Communications Services Agency) has already been partially GPC enabled.

- Guidance on best GPC practice for example, suppliers of enabling agreements must have VAT enhanced data capabilities.
- Development of a system to use the merchant category codings to allocate expenditure to commodity codes.
- Some commodities operating without contracts have been targeted for inclusion in the GPC process and, therefore, come within a control framework e.g. recruitment advertising.
- Investigate methods of further streamlining and automating the accounting and financial aspects of the process.
- Encouragement of purchasing via the internet where possible.

Each GPC process is tailored by local management to reflect individual requirements, however, the basic process requires:

- The GPC to be used wherever possible, particularly for low value transactions (excluding cash advances)
- A £2.5k procurement limit with an aim to increase to £5k as soon as possible.
- Where the card is being used as a payment mechanism and a contract is in place the upper limit doesn't apply
- VAT returns are in the process of being changed so that local management complete them (process change necessitated by Resource Accounting and Budgeting requirements but facilitated by the GPC)
- Each cardholder should have delegated contractual and financial authority to match his/her use of the card.

Key implementation messages

As a result of the pilot projects, some invaluable lessons have been learned which are being communicated to all potential GPC sites. This will ensure that the programme potential is maximised and implementation is managed successfully.

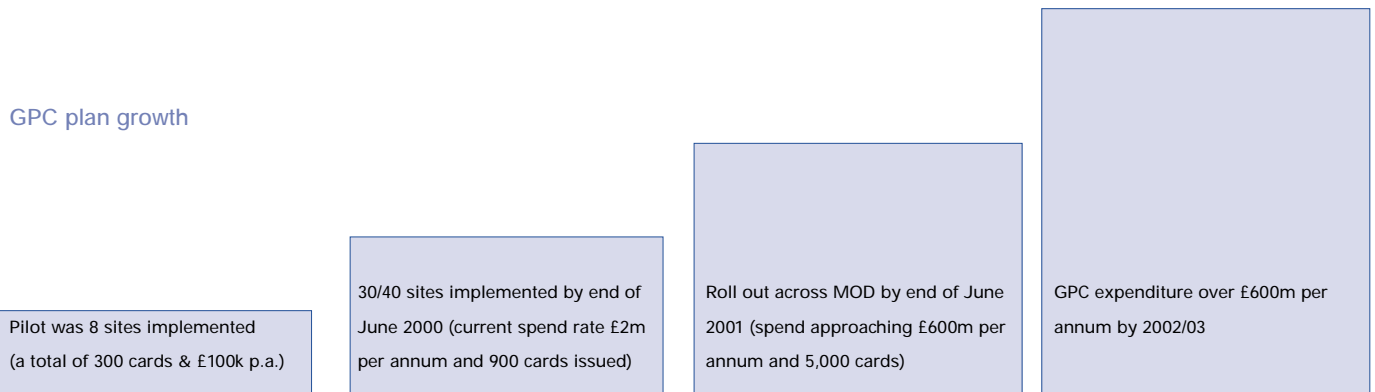
<p>Re-Think the process</p> <p>Use the GPC as a catalyst for change. Don't try and fit the GPC into the current system - challenge the process.</p>	<p>Play to the GPC strengths</p> <p>Look at the benefits the GPC can bring rather than search for areas where it is not ideal e.g. VAT is done automatically with enabling suppliers who have enhanced data facilities.</p>
<p>Keep restrictions to a minimum</p> <p>Don't put too many restrictions in place. Control is NOT via the cards but through the management structure. Don't make the process too complicated.</p>	<p>Keep it simple</p> <p>Find the buyers (end users), train them and give them a card. Select requisitioners as cardholders and include some Purchasing.</p>

Project targets

The aim is to roll out the GPC one group at a time, with the ultimate objective being to roll out throughout the MOD by June 2001. The expected growth over the next few years is anticipated to increase significantly, particularly as:

- a large proportion of direct supply contracts and enabling agreements will be reviewed to incorporate the GPC as the standard method of payment where sensible.
- more and more suppliers to the DCSA catalogue are happy to use GPC which could mean £100m is spent this way per annum
- there is potential to use the GPC for other large blocks of expenditure such as the Defence Accommodation Stores up to £45m per annum
- the MIS provided by the GPC will enable further enabling agreements with enhanced discount arrangements to be pursued
- this card is seen as a major facilitator in the MOD's drive towards e-commerce.

GPC plan growth



The GPC benefits

The implementation is still in its early stages and the opportunities and advantages of using it are continually evolving. Whilst Senior Management and first line management feedback has been excellent, there has been some resistance from middle management due to a lack of understanding, a perceived erosion of control, together with a “can’t trust them” attitude, and a reluctance to change. However, clear benefits have been identified to-date including:

- End users love it as they:
 - get what they want, not what someone else thinks they want
 - like the direct contact with suppliers
 - enjoy the enhanced responsibility and understand the pricing implications better e.g.
 - carriage and delivery costs
 - gain extra discounts
 - enjoy the variety of work
- Procurement process streamlined for low value purchases
- Flexibility of purchase
- Less cash in process
- Reduced/eliminates the need for storage and distribution
- Reduced paperwork and administration
- Reduced number of errors due to direct contact
- Enables achievement of prompt payments targets
- Less hassle chasing invoices and paperwork
- Improves relationships with suppliers - already proving more active in coming up with initiatives e.g. catalogues, CDs etc
- MI provides a comprehensive view of procurement profile and activity
- VAT automatic on enhanced data suppliers
- Automatic payment - one invoice
- Faster delivery - proved recently in getting experts properly equipped before leaving, at short notice, for Sierra Leone.

Summary

The GPC roll-out has only recently been formally announced within the MOD. However, despite this, the word seems to be out and considerable interest has already been expressed in the programme. This, together with the targeted growth, will deliver real savings and efficiencies on a considerable scale.

KPMG comments:

“The MOD are currently implementing an extensive GPC roll out programme across a number of varied and diverse services.

Their macro approach of laying down minimum implementation standards, together with their message to rethink the way things are done, rather than trying to fit it into the current process is excellent. It ensures that the basic framework is adhered to, whilst encouraging individual units to re-engineer their processes and make them more efficient.”

“The number of traditional low value orders has been considerably reduced as a result of the GPC. In addition, savings have also been made given that two extra staff would have had to have been taken on to cope with our prompt payments targets.”

Background

HM Treasury's role is to manage the economy of the United Kingdom, with its main aims being to raise the rate of sustainable growth and achieve rising prosperity, through creating economic and employment opportunities for all. The Treasury has four locations in London and employs approximately 900 staff.

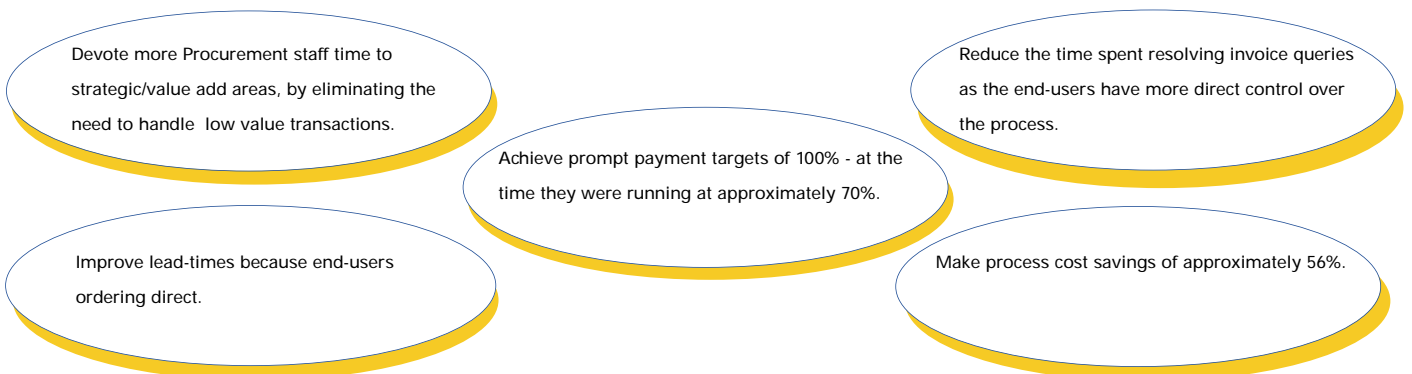
Annual purchasing expenditure	£30 million
Annual GPC expenditure	£648,000
Annual GPC transactions	6,960
Number of staff employed	900
Number of active cardholders	232 (50% used regularly in any month)
How long GPC has been in operation	24 months
Products and services purchased on GPC	Goods and Services within the financial threshold. Excludes travel and subsistence, leisure and cash advances
Average financial threshold	£500 for goods and £1,000 for services, but moving towards £1,000 and £2,000 respectively
Typical cardholders	Wide coverage with end users and some central ordering point

Why the GPC was introduced

The Treasury put a high priority on managing its running costs efficiently, economically and effectively. Senior Management recognised the contribution the GPC could make to achieve these aims and fully endorsed, and encouraged its use to the fullest extent.

A study of the existing purchasing expenditure was undertaken and a Cost Benefit Case was developed and refined showing that the low value spend (under £500) was less than 2% of the total purchasing expenditure but represented 74% of the volume of transactions.

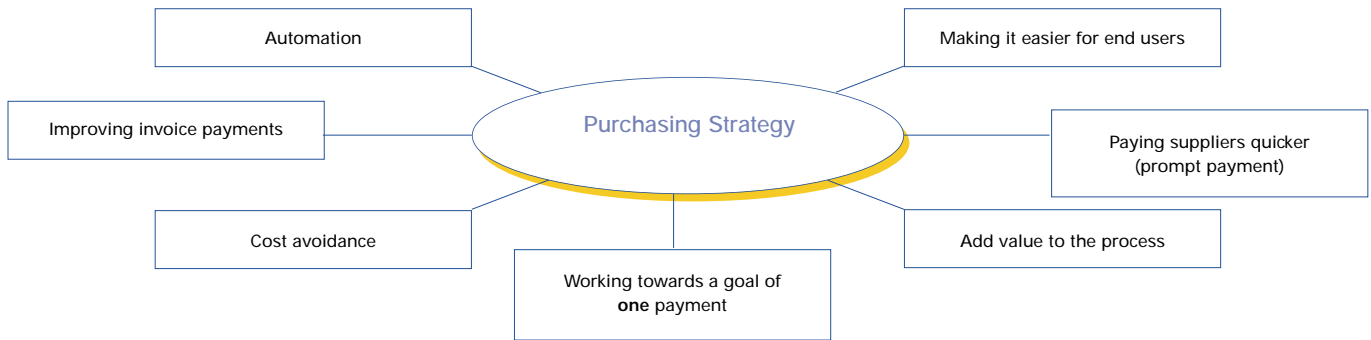
GPC opportunities identified



As a result of the findings it was agreed that the GPC policy was rolled out initially on a voluntary basis in June 1998.

How the GPC was implemented

The resource allocated to the GPC programme was drawn from the Procurement Team, involving the Procurement Manager and a part-time Administrator. Since then it has been scaled down, however, a co-ordinator is still allocated on a part-time basis to continue training, manage day-to-day tasks and issues and monitor the quality of the programme.



The implementation approach was kept simple with Finance, Audit, Accounts, Purchasing, major users and the bank meeting on a number of occasions in the initial stages to discuss and agree the details of the programme.

There was no formal project plan, however, targets were 70% of the 74% of low value transactions in the first year i.e. transactions under £500. In addition some specific objectives to support the overall purchasing strategy were identified as shown above:

A series of presentations were held to communicate and highlight the benefits of the GPC both internally and externally with a questionnaire sent out to establish the requirements and feelings of personnel likely to be involved in the system.

Suppliers were identified according to the bank's criteria, based on volume, usage and strategic importance. They were informed of the introduction of GPC cards and asked to complete a questionnaire to identify if they accepted Visa and, if so, what level of data they provided. A strong message was included in the supplier communications, stating that where suppliers were not intending to accept the GPC, new suppliers would be found within 12 to 18 months.

Average financial thresholds were set in-line with the existing asset levels of £500 for goods and £1,000 for services, with restrictions placed on cash advances, leisure, travel and subsistence.

What the GPC is used for

The policy has always been to issue cards right across all teams and gain a wide spread of GPC cardholders, targeting staff who requisition or spend. In the initial stages of the programme, Team Leaders made the decision as to who should have cards, together with the financial limits. The programme was kicked-off with a total of 31 cards issued, this has since grown to over 230 cards issued.

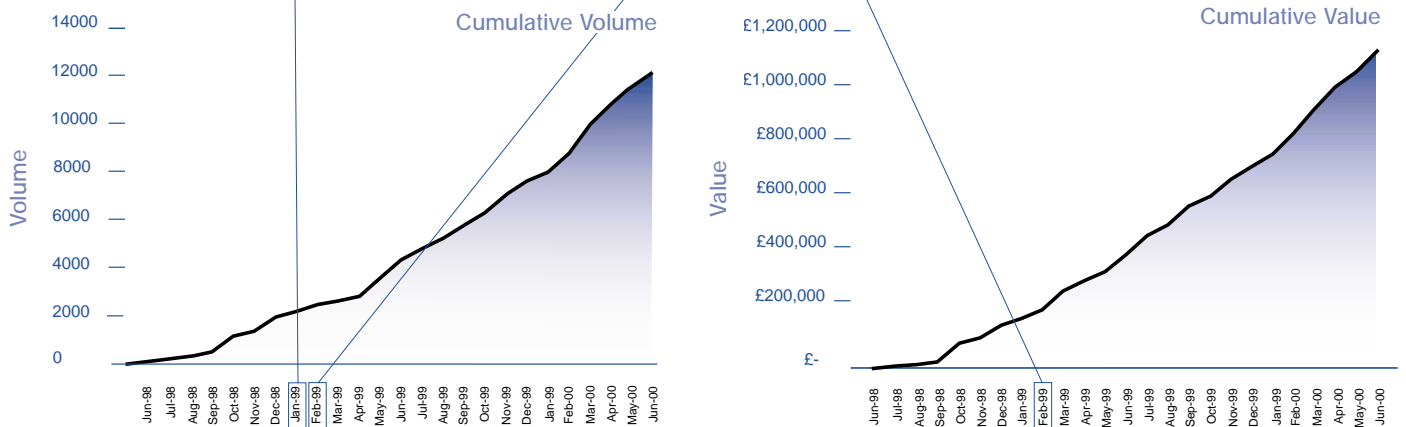
The GPC is used to purchase and pay for a wide variety of goods and services including:

- stationery - desk top deliveries from a large contractor form a large part of the GPC transactions
- IT purchases (consumables) are another significant category with a main contractor
- books, specialised literature and annual subscriptions are purchased centrally by the Library, predominately via central contracts
- courses via the Civil Service College and other training providers are now being purchased on GPC
- newspapers and the press cuttings service are paid via the GPC on a central invoice.

The programme has shown a steady increase, as can be seen in the graphs below. There were two significant factors that contributed to this growth:

The introduction of stationery delivered direct to end-users increased the volume overnight, increasing familiarity with the process and developing a need for the card as it was the only way to purchase stationery (Jan'99)

The mandate to use the GPC wherever possible made a significant impact on both volume and value (Feb'99)



The GPC benefits

Project resource has been concentrated on rolling out and improving the programme and although specific cost savings have not been quantified, there have been a number of direct and indirect benefits from the GPC as follows:

- additional personnel would have been required to cope with the prompt payments targets
- procurement resource has reduced due to the significant decrease in purchase orders, allowing personnel to spend more time on strategic matters
- the introduction of the GPC has initiated some innovative re-thinking on ways of purchasing low value goods e.g. newspaper purchases now simplified

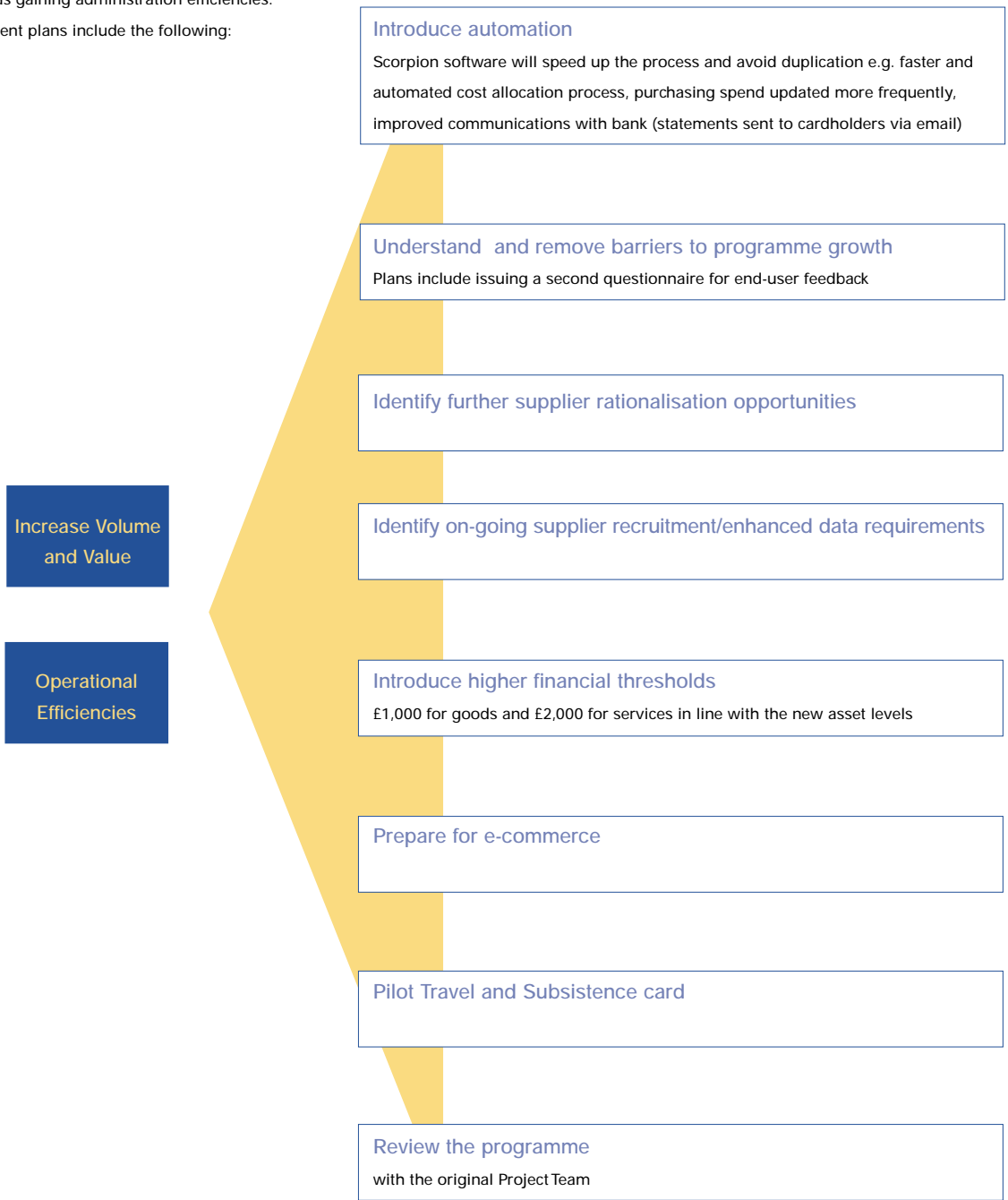
- the Visa management information is presented on disk, allowing the data to be manipulated with ease, giving valuable information and helping to identify administrative queries at the touch of a button e.g.

- suppliers used
- total number of transactions
- total expenditure
- type of expenditure.

GPC progress

The Treasury continues to be very proactive in maximising and refining the GPC programme and believe there is scope to increase the number of transactions by approximately 200 to 300 per month as well as gaining administration efficiencies.

The current plans include the following:



Lessons learned

As one of the first Government Departments to introduce the GPC, HM Treasury has been at the forefront of a 'change management' programme and have learned the importance of managing challenges as they arise.

- The recruitment of suppliers is important and should be a high priority in order to capture target volume on the cards. The response from the letter sent to all suppliers was disappointing and, whilst a plan was created to resolve this, in hindsight this is an activity that requires more resource than first anticipated, to both recruit suppliers with the appropriate level of data capabilities and maximise the support resources of the bank. A number of the smaller training organisations have been shown to recognise the benefits of the GPC.

- Sometimes the supplier can complicate the successful roll-out of the GPC because their systems are not set-up to cope with the automatic process. Problems with suppliers can create the perception of a problem with the GPC so it is important to plan and communicate carefully to avoid this. Problems experienced included:

- a mobile phone can be purchased with ease on the GPC, however, some mobile phone companies require a direct debit for follow-on calls making it a two-tier payment system
- the stationery supplier did not have enhanced, data capability, something critical given the volume of purchases and level of detail required. This resulted in some initial problems for end users.

- The introduction of the Scorpion software has reduced the back-end administration of the process significantly. This is vital to obtain the maximum cost savings potential. However, the automated system also highlighted weaknesses in the structure of the programme which needed to be addressed e.g. centrally purchased goods and services which are then cross-charged back to the end-user teams, can result in manual activity when the supplier does not have enhanced data capabilities.

Summary

In summary, the GPC programme is now an established part of the Treasury's purchasing strategy and culture. And although some staff were initially unconvinced about the benefits of the GPC, believing it would involve extra work, many teams who have since used it regularly have found this is not the case and that real benefit can be achieved.

KPMG comments:

"The HM Treasury's strategy throughout the GPC programme has been to streamline, automate and maximise the volume wherever possible. The addition of an electronic management information and programme management system will improve the accounting administration and management information. It is a good example of the proactive thinking."

The GPC programme has achieved a wide card coverage and expenditure growth, this has mainly been due to:

- a strong implementation approach led by Purchasing who continually looked for improvements without over analysing
- putting few restrictions on the cards
- setting thresholds which were known to cover a large percentage of low value expenditure
- making the programme mandatory, where possible, after the initial period
- targeting commonly purchased goods (stationery) which could only be paid for by GPC
- tackling day-to-day problems by understanding the cause and putting into place long term solutions
- keeping the long term strategy in mind and not getting bogged down in minor, irrelevant detail."

Department of Health, Social Services & Public Safety, Northern Ireland

“The GPC helps to reduce checking and processing to a minimum, but still meets audit requirements.”

Background

The Department of Health and Social Services and Public Safety in Northern Ireland is tasked to improve the health and well-being of the people of Northern Ireland by promoting policies that lead to a reduction in the incidence of preventable disease, disability and ill-health and ensure that effective health and social care services are available to all. The Department currently employs approximately 1,200 staff and has recently taken on board responsibility for Public Safety which includes the public emergencies services (fire service and ambulance trust) employing a further 2,000 personnel.

Annual purchasing expenditure	£787,000 (Management Services Unit only)
Annual GPC expenditure	£190,000 (estimate)
Annual GPC transactions	1,800 (estimate)
Number of staff employed	1,200 (DHSS only)
Number of active cardholders	2 (centrally held cards)
How long GPC has been in operation	5 months
Products and services purchased on GPC	Office supplies only
Typical cardholders	Centralised ordering process

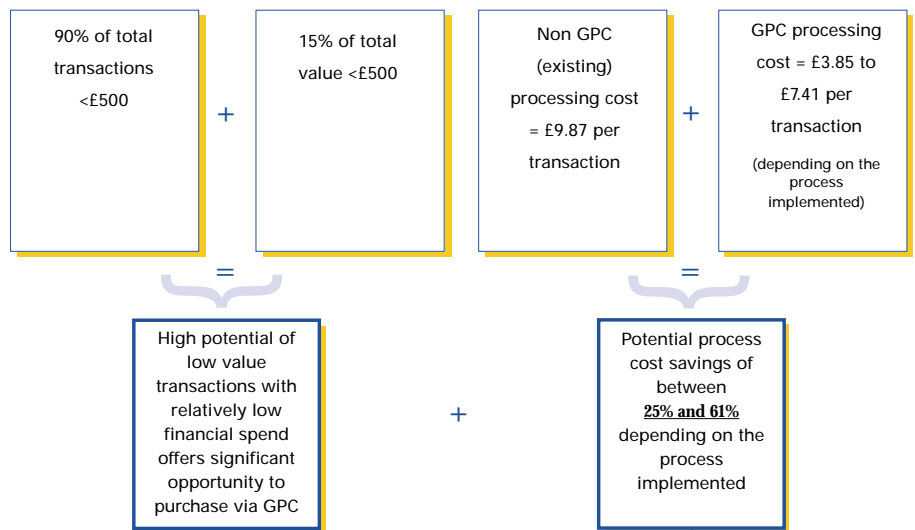
Why the GPC was introduced

The Management Services Unit (MSU) attended an HM Treasury presentation on the GPC programme and immediately saw the opportunities it could offer. A study of the DH,SS & PS process was commissioned which included a Cost Benefit Analysis to determine how beneficial the GPC would be and how it could reduce existing problems such as excessive administration and late payments for low value purchases. The study focused on the local purchases in the Management Services Unit (MSU), which has responsibility for purchasing office supplies, accommodation and library services centrally using two main processes:

- 1) manual and
- 2) Electronic Requisitioning and Ordering System (EROS).

The findings of the study identified a high percentage of low value transactions and a significant process saving which could be applied to a wide range of goods, a summary of which is shown in the Purchase/Payments Analysis.

Purchases/Payments Analysis



Further analysis identified other potential generic savings/benefits e.g.

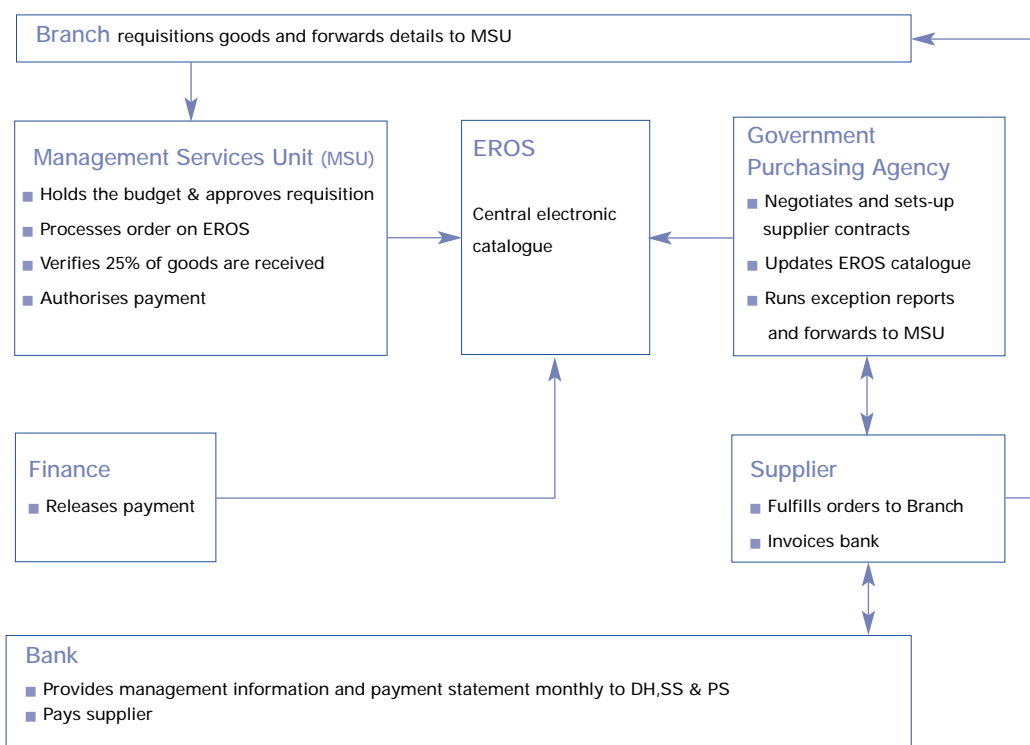
- wide range of commodities could be included in the programme e.g. stationery, training, subscriptions, furniture, IT consumables, rail warrants, season tickets, photographic equipment, couriers and promotional material
- free up manpower
- cost reduction in stationery and postage costs
- improved management information to monitor programme (controls and opportunities)
- supports prompt payments policy
- less invoicing queries
- comprehensive controls can be built into GPC

How the GPC was implemented

The study recommended a pilot phase and identified specific areas within the Department to target. It was decided to pilot the GPC programme within the Management Services Unit (MSU) specifically to enhance EROS (Electronic Requisitions Ordering System) which is used to purchase Office Supplies and IT Consumables on behalf of 70 centres. The existing structure of the process played a key part in the way the pilot scheme was rolled out, particularly as:

- budgets and ordering were centrally controlled by MSU
- supplier contracts were already set-up
- the electronic ordering system was already in place.

A formal project team was not appointed, however, all interested parties were involved in the implementation of the programme including the Government Purchasing Agency (GPA), Management Services Unit (MSU), Finance and the bank. The pilot process was designed as follows.

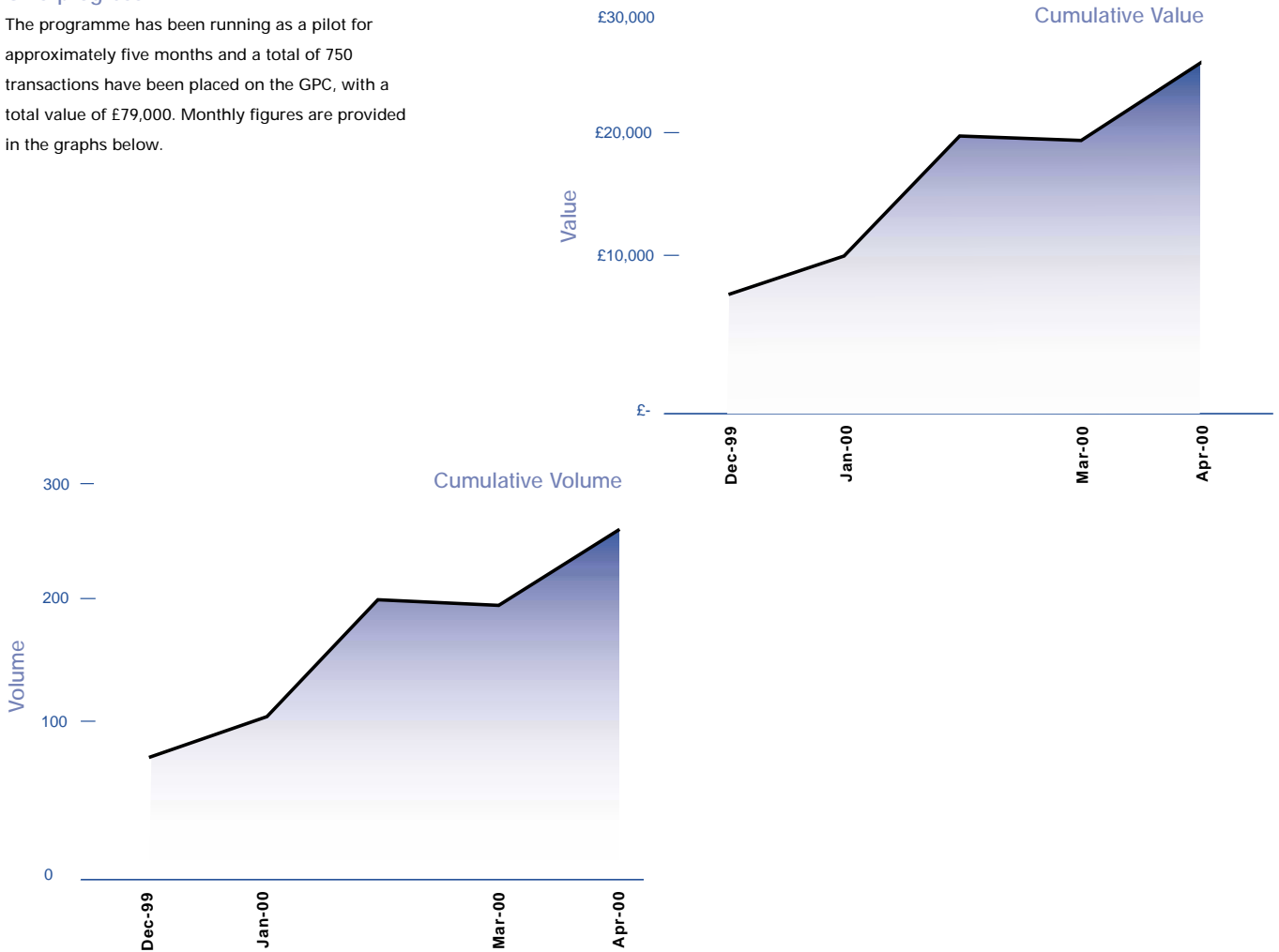


The main process steps are:

- Branches complete a manual EROS requisition form monthly or quarterly
- Details of order sent electronically by fax or by post to supplier (dependent on supplier capability)
- Goods delivered direct to end users - dispatch notes raised and 10% verification of payments made by MSU
- The bank sends the Management information (details of all transactions) to the GPA on a disk which is directly uploaded into EROS and exception reports are run to highlight any financial variations which are investigated further.

GPC progress

The programme has been running as a pilot for approximately five months and a total of 750 transactions have been placed on the GPC, with a total value of £79,000. Monthly figures are provided in the graphs below.



The GPC benefits identified to-date

Although the programme has been focused on a specific area of the DH,SS & PS and a full review of the programme has yet to be concluded, some of the benefits identified to-date include:

Payment days have been significantly reduced - was previously up to 60 days	Manpower savings made - manual monitoring of the process has reduced from 100% verification each transaction, to 10% using management information
Invoice reconciliation has been reduced significantly	The budget holder only has one payment to sign instead of the multi supplier invoices to process
Reduction of checking to a minimum but still meeting audit requirements	

Future GPC plans

A dedicated GPC Co-ordinator has recently been appointed who is tasked to move the project forward e.g.:

- review the pilot programme
- identify other areas which would benefit by the use of GPC
- establish and formalise the next steps in the programme.

The plans include extending the GPC to other areas within MSU and DH,SS &PS with potential opportunities to increase volume and expenditure including:

- Library purchases - specialised literature, books, newspapers and subscriptions
- Mobile Phones - currently 500 mobile phones are individually invoiced, creating approximately 600 invoices. However, in future all mobile phone charges (buying, rental and monthly charges) will be consolidated and be paid via the GPC
- Accommodation
- Printing - currently this is a centralised budget and process, however, introducing a call-off arrangement would potentially dispense with the historical wastage and stockpile of out-of-date publications
- Catering
- Cleaning
- Consultancy
- Recruitment
- IT
- External training
- Services e.g. couriers
- Equipment hire and repair
- Promotional material
- Protective clothing.

Improving the process

Part of the review process is to learn from mistakes and constantly find ways of building and improving on what has gone before. A summary of the lessons learned by DH, SS & PS are:

- The approach by personnel involved in the new process was conservative, mainly due to the fact that it was different and represented a change. There was a temptation to return to a traditional high level of checking and it has taken communications effort to:
 - convince individuals to change long standing habits
 - prove to personnel that the new process meets audit requirements
 - confirm that individual verification is no longer necessary due to the management information available.
- Introducing the GPC initially adds time and, like all change programmes requires adjustment, but ultimately gives benefits.

Summary

The DH, SS & PS Northern Ireland are in the early stages of their GPC programme but are now networking with more established GPC programmes to gain from their experiences. They are now rolling out an extensive programme to include the majority of low value expenditure and other opportunities.

KPMG comments:

Using the GPC with EROS (an electronic requisitioning and ordering system) is an excellent way to enhance, streamline and automate the process

Although cards are best placed with personnel who actually require the goods (end users), the DH, SS & PS, Northern Ireland has used the GPC cards where the budget and ordering process are centralised, demonstrating that the GPC can be tailored to suit individual requirements.

The pilot has been limited to a relatively small area of the DH, SS & PS, Northern Ireland, however, there is plenty of opportunity to include more purchases in the GPC programme. The future plans should concentrate on areas of low value purchases or high areas of use, particularly frame-work contracts, which should identify some good opportunities for the ongoing GPC programme.

As a first step, they have just made an agreement with their mobile phone provider, whereby all mobile-user invoices will be consolidated into one GPC payment.

UK Passport Agency

“This key ‘payment’ tool reduces bank charges, is quicker and saves on paperwork and time.”

Background

The UK Passport Agency is an Executive Agency of the Home Office and in 1998/99 handled over 4.7 million passport applications. They currently employ an average of 1,920 permanent and seasonal staff, based in offices and locations as follows:



Annual purchasing expenditure	£50 million
Annual GPC expenditure	£413,000
Number of staff employed	1,920
Number of active cardholders	77
How long GPC has been in operation	12 months
Products and services purchased on GPC	Any goods or services <£5,000 Excluding travel and subsistence and cash advances
Average financial threshold	£5,000 (maximum of £10,000 per month)
Typical cardholder	Central purchasing points at regions. More direct buying arrangement at Headquarters

Why the GPC was introduced

The GPC project was kicked-off by the UK Passport Agency in 1999 as a result of HM Treasury recommending it as the preferred tool to purchase and pay for low value goods.

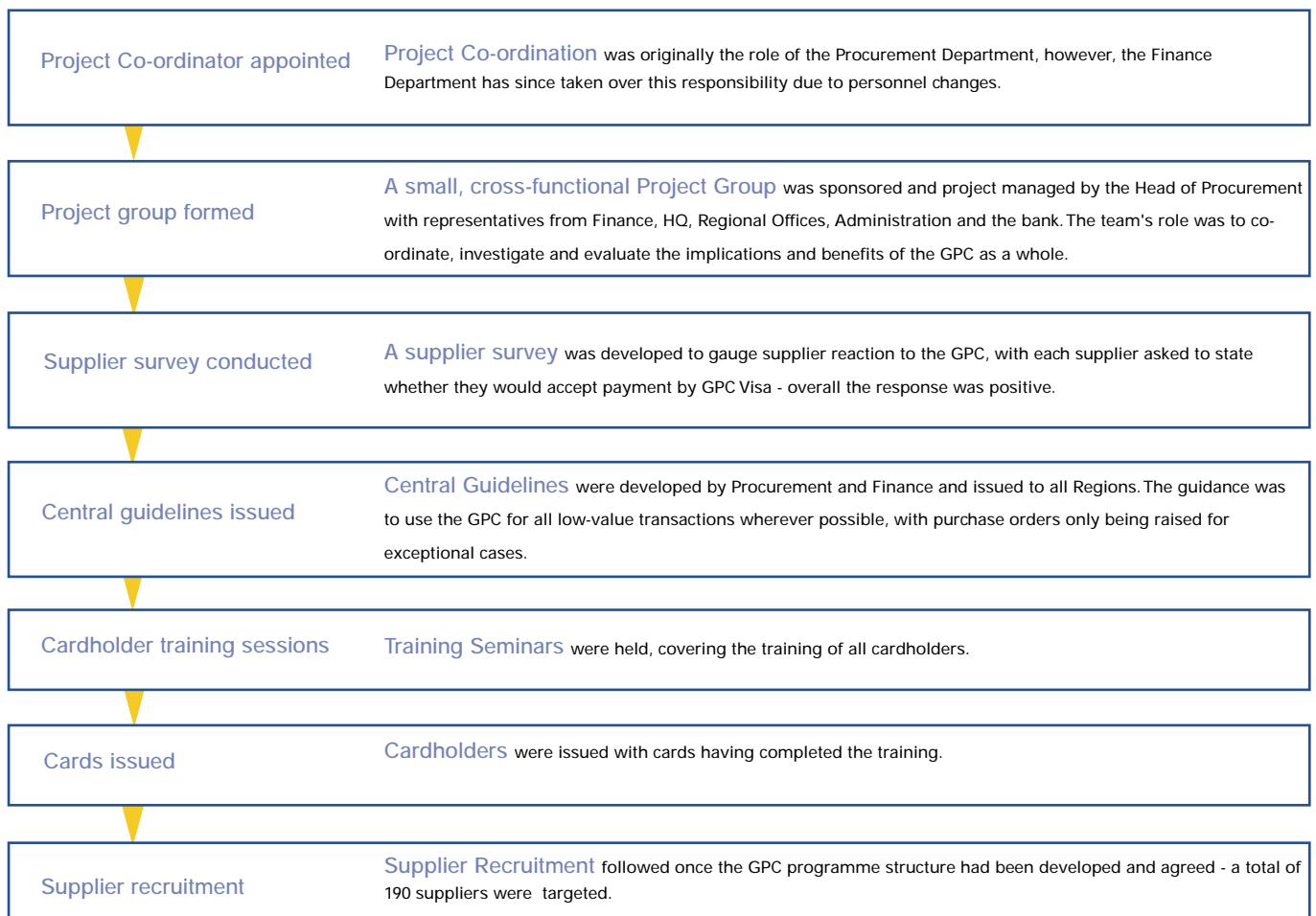
After initial investigations, it was recommended that a pilot scheme was implemented with a subsequent review to ensure it was used to the optimum in all offices and evaluate lessons learned.

Although no targets were identified at the time of introduction, the potential benefits were seen as:

- freeing up approximately 25% of an Administrative Officer in each office (9 offices)
- reducing petty cash purchases
- reducing the volume of paperwork
- generally making the system more efficient.

How the GPC was implemented

Once the decision was made to implement the GPC the programme was rolled out as follows:



The GPC programme was rolled-out across the Regions and Headquarters with instructions to use it for all transactions up to a maximum of £5,000, except cash advances or travel and subsistence.

UK Passport Agency

Roles and responsibilities

The UK Passport Agency currently has two main GPC processes:

- **Regional Offices** operate a centralised purchasing system which is controlled by each Regional Finance Department
- **Headquarters** operate a less centralised system with cardholders for each section e.g. Communications, Finance, Procurement, Policy, Systems and Projects.

It is the budget holder that has ultimate responsibility for ensuring that the GPC is used correctly, which in the case of the Regions is the Regional Manager. This is done by confirming the correctness of the compound monthly statement, or in the case of Headquarters, it is the senior budget holder for the section, who has the ultimate responsibility for ensuring that the GPC is used correctly.

A summary of the roles and responsibilities are as follows:



UK Passport Agency

What the GPC is used for

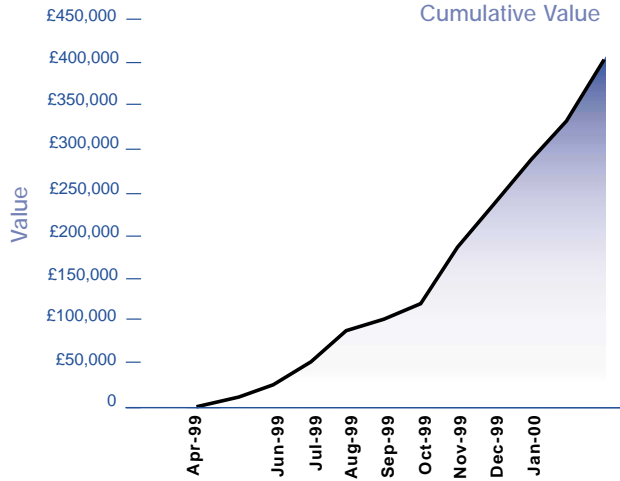
The financial threshold on cards was set in line with the typical spending limits of budget holders, designed to capture as much expenditure as possible. The GPC is currently used for a wide variety of goods, including some purchases made against contracts e.g.

- Mobile phones.
- Stationery.
- IT Consumables.
- Subscriptions.
- Books/publications.
- Refreshments (teas/coffees).
- Training.

The UK Passport Agency has recognised the flexibility of the GPC and, although it was not designed for travel and subsistence expenditure, it has proved very convenient for some exceptions e.g. payment for conference facilities at local hotels. In addition, the cards have allowed the re-structuring of centralised stationery to a more direct arrangement within Headquarters, giving a more effective buying arrangement.

The guidelines issued and financial thresholds in place have been a strong contributor to the success of the programme and this has been reflected in the consistent growth during the first year.

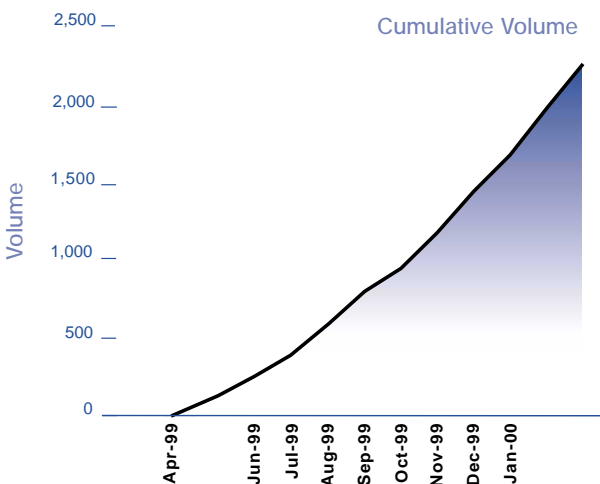
- The number of active cards has increased by 28%.
- The number of transactions has increased to 259 pcm.
- The value of a transaction has increased significantly to £267.



The GPC benefits

The GPC is recognised as a key 'payment' tool which has contributed to a number of improvements including:

- reduction of paperwork and the cost of sourcing stationery
- reduction in the volume of purchase orders, freeing up resource for other tasks and potentially eliminating the need to hire additional manpower
- significant reduction of cheques raised, resulting in lower bank charges
- reduction of petty cash, improving controls and security
- improved convenience, ease and speed of processing (purchasing and payment).



Future GPC plans

The UK Passport Agency recognise that although the programme has been successful, they need to move on from the 'implementation phase' and into the 'improvement' phase, aiming for continual improvement and building on the established programme. They are currently in the process of reviewing their GPC programme as follows:

Area of Review	Potential Improvements
Programme Management	Reviewing roles and responsibilities in order to ensure there is adequate resource and skill available to manage the next phase of programme improvements.
Strategy	Identifying, agreeing and regularly monitoring key targets to measure specific areas which will help to move the programme forward e.g. value, volume, number of cardholders, process efficiencies, contract leakage, non-GPC spend (for missed opportunities).
Suppliers	Working with end-users and cardholders to review the current supply base/contracts to establish further GPC opportunities, particularly on frequent purchases where the GPC can be used in conjunction with contracts.
Communications	Publishing and updating a clearly defined policy (including suppliers that accept GPC) so that cardholders are kept fully informed of best practice.
Process	Reviewing all GPC processes to identify areas which can be simplified, streamlined or automated, e.g. reduce the number of process steps, introduce software such as Scorpion, or simplifying the capture of accounts data. Reviewing who is issued with cards to consider whether a more direct purchasing system is possible e.g. the person who wants the goods/services has the card.
Direct Debits	Changing the current arrangement of paying a direct debit per Region to one direct debit payment per month for the Agency.
Controls	Development of a simple self-audit programme which not only reviews controls but also checks whether the programme is being maximised and achieving 'value for money'.
Data Management	Investigating the option of receiving electronic data (on a disk) so that the information can be manipulated easily by Finance and Procurement for control and statistical purposes.

Summary

The programme has begun to show steady growth and once the above review has been completed and a project plan developed and published, the UK Passport Agency intend to re-launch their programme, increasing both volume, value and gaining further efficiencies.

KPMG comments:

"The high financial threshold on cards has encouraged staff to use the GPC for low value expenditure whenever possible, without compromising controls.

Whilst the best practice is to place cards with the end users, the UK Passport Agency has primarily issued cards to centralised buying points in the Regions. However, this has enabled a more efficient stationery process to be implemented in Headquarters, where sections now order their requirements direct instead of via a centralised system.

This 'mix and match' of issuing cards to central buying points and end users gives flexibility. The open implementation approach has allowed the cards the opportunity to be used and accepted as part of the overall purchasing strategy and this is reflected in the growth to date.

The UK Passport Agency are currently in the process of reviewing their relatively young GPC Programme, moving it from the 'implementation' phase to an 'improvement' phase. This proactive step should help build on the success of the existing programme, maximising and gaining even more efficiencies."

“We recognised the value of Purchasing Cards early and as a result of concentrated effort and active senior management support, we now have a mature, well evolved programme.”

Background

Established in 1996, the Environment Agency is responsible for the environmental management and regulation for England and Wales with the aim of providing a better environment for present and future generations. With annual operating costs of £600m and 9,850 staff, the Agency is a large, geographically dispersed organisation with a regional structure.

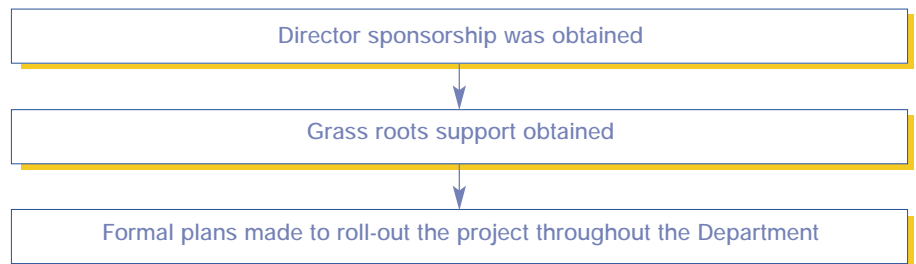
Why the GPC was introduced

Purchasing cards were originally introduced into the southern region of the National Rivers Authority (now part of the Environment Agency) by the Procurement Manager who recognised the conventional approach to low value purchases as being cost-inefficient and paper intensive.

Annual purchasing expenditure	£380 million
Annual GPC expenditure	£20 million
Annual GPC transactions	120,000
Number of staff employed	9,850
Number of active cardholders	Approximately 4,000
How long GPC has been in operation	Since 1998
Products and services purchased on GPC	Any goods or services up to £1,000 (excluding cash advances). A limited number of cardholders have a higher threshold.
Typical cardholders	Wide range of end users.

How the GPC was implemented

The National Rivers Authority pilot scheme was a success with staff, who soon got used to the cards and were reluctant to relinquish them at the end of the pilot period. Although the trial had been a proven success, a major challenge existed in persuading Environment Agency personnel at all levels, and in all Regions, that Purchasing Cards were an appropriate, efficient and controlled mechanism for making low value purchases. As a result, the project went on hold whilst the following steps were undertaken.



Director level commitment to the implementation of Purchasing Cards was secured in 1997, however, people at the grass roots also needed to be convinced as well, particularly as there was some strong resistance from a substantial number of local staff who were used to using traditional order pads to purchase goods.

Environment Agency

Agreement was obtained in late 1997 to implement several concurrent trials, in locations with different expenditure profiles, and it was made clear that the trials were not offering the option to reject the cards but were intended to iron out process issues pending full implementation. The main points throughout the implementation have been:

DIRECTIVES

- Maximise the card and free up resources (more for less).
- Put adequate controls in place, get the cards out and let the programme develop.

MANAGEMENT OF PROGRAMME

- Central guidelines and a generic business case were issued but programmes were managed at a Regional level by Procurement and Finance Managers. (Head Office did not dictate how the Regions rolled out the programme).

RESTRICTIONS

- Few restrictions (only no cash advances) to encourage use and avoid complications.

BACKUP SUPPORT

- Massive effort on training - had to have education before receiving cards, Lots of effort invested to sell-in, however, it is just a change of process.

MAIN IMPLEMENTATION PHASES

- Roll-out.
- Day to day support.

PURCHASES MADE ON GPC

- Staff were encouraged to use cards for a wide range of goods, services and, where possible, used against Call Off National Contracts, where line item information was available.

CARDHOLDERS

- Everyone was issued with a card who had a need to purchase more than one transaction per month.
- One card issued throughout - took away senior managers existing credit cards.

Roles and responsibilities

Although a National Co-ordinator was appointed, a key part of the success of the programme has been that each programme is owned by a Procurement and Finance Manager at a regional level, using centrally issued guidelines, a generic business case and the support of the bank.

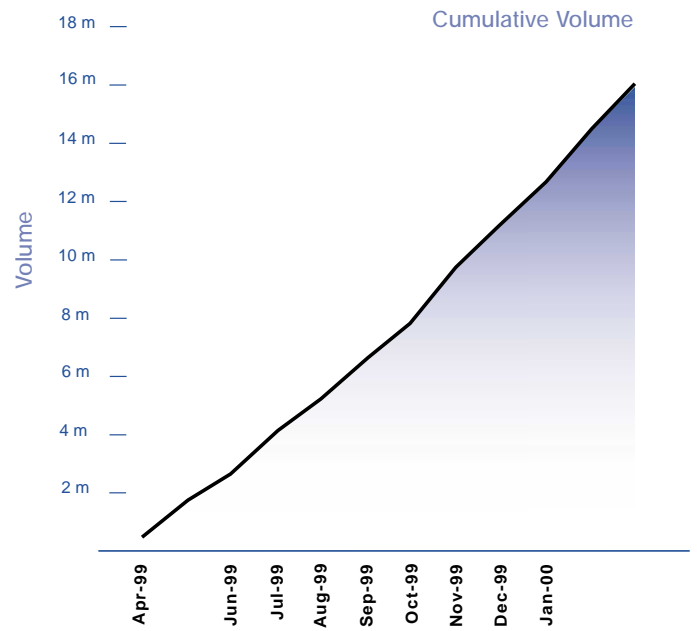
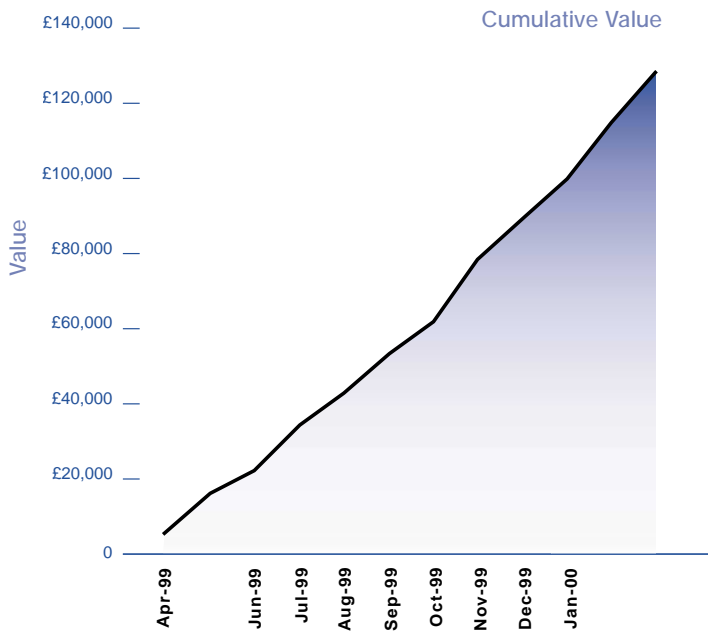
GPC progress

Currently the Environment Agency is the most advanced user of GPC in the public sector with purchasing cards now implemented across 95% of the Agency, approximately 4k cards issued and a spend of £1.8m pcm. This high GPC coverage has been achieved due to:

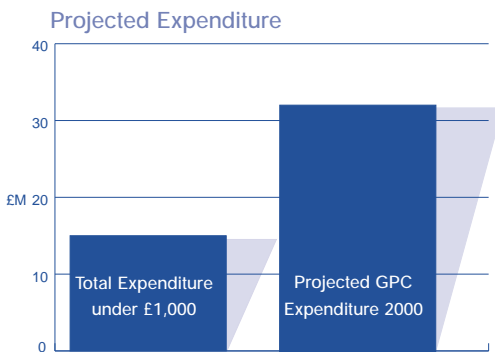
- high proportion of cards issued
- enable a wide variety of goods and services to be purchased on the GPC
- a significant number of National Contracts available on the GPC (the top 10 GPC suppliers have 9% of the total GPC transactions and 15% of the expenditure)
- ongoing analysis of the overall picture is carried out regularly to size further opportunities.

Environment Agency

The latest GPC figures are as follows:



Over 80% of the Agency's purchases are under £1,000, however, this only represents approximately 10% of the total expenditure. Based on the current GPC expenditure, purchasing cards are projected to cover approximately 60% of low value expenditure as follows:



The growth trend is expected to continue as:

- Some Regions have been initially cautious but have the potential to increase both volume and value
- The Agency is increasing the transaction threshold for a limited number of users where significant efficiency gains are available. For example, use GPC under existing framework/call off contracts for training events, hire of conference centres and design/printing of publications.

The GPC benefits

The GPC is seen to be a success in the Environment Agency and is now a well established part of the culture. It has been formally recognised as a successful programme and was awarded the Kelly's Award for Excellence in Purchasing and Supply in 1999.

The original targets for introducing purchasing cards have been achieved and surpassed with additional benefits identified as being:

- environmental factors have been a key consideration and, whilst exact statistics are not available, it is estimated that on current volume approximately one metric tonne of paper annually is saved on purchase order pads alone. In addition, there are other savings e.g. GRNs and supplier paperwork and reduced energy consumption due to less VDU processing time
- operational staff have been freed up for other value add activities
- prompt payments targets are achieved for all GPC transactions
- purchasing cards have helped to streamline and take bureaucracy out of the process - the process saving is estimated to be approximately 50% per transaction

- the cost of operating the GPC process is minimal
- cash flow is maximised
- the Agency's dispersed nature has made it difficult historically to gain visibility of its low value transactions. This has been overcome substantially through purchasing cards. Overall the management information available gives excellent visibility e.g.
 - helps identify leakage on a contract
 - identifies weaknesses of management
 - gives comprehensive information to audit
 - enables analysis to maximise the process
- empowers staff giving them new opportunities - internal customers' reaction to purchasing cards has been very positive
- petty cash is reduced which reduces the opportunity for abuse.

Environment Agency

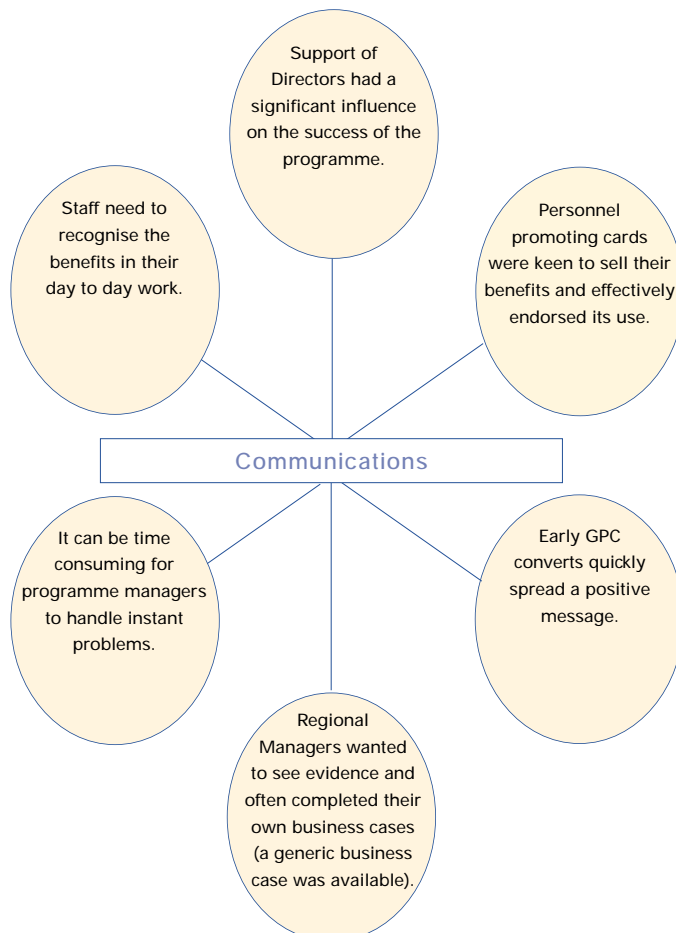
Lessons learned

In hindsight, the main lesson learned has been the need to communicate the process change and effectively overcome any reluctance or opposition.

Future GPC plans

The Agency continues to promote the use of Purchasing Cards and aims to significantly increase the number of GPC transactions, ultimately completely removing conventional low value purchase orders. Specific plans include:

- streamlining the invoice clearance process further, reducing the number of invoices to one
- gradually increase the volume for each Region
- look for the GPC to do more
- investigate the opportunity of using with the e-commerce wherever possible
- review the opportunity to introduce financial and management automation.



Summary

The Environment Agency Purchasing Card programme has been a combination of progressive thinking, capable people, adequate controls and an effective implementation all of which has created a successful programme. The thinking will not remain static as they intend to strive for continuous improvements, promoting best practice across Government and the wider public sector.

KPMG comments:

“The Environment Agency’s vision to see the benefits offered by purchasing cards, together with their pro-active approach to implementation has created a thriving GPC programme which has proved of great benefit to the operation of the Agency.”

Their approach throughout has been to look at the ‘big picture’ and this foresight has enabled them to recognise that volume would only be achieved if people were issued cards without too many restrictions.

The strong support by senior management together with their policy of introducing Purchasing Cards as an integral part of the Agency’s procurement strategy, has played a key part in the success of the programme so that it is now an established part of the Agency’s culture.”