

BUSINESS MANAGEMENT PROGRAMME (SAP) DEVELOPMENT PLAN

Executive Summary

To update Members on the work plan for continuing the business improvement that is necessary to ensure the organisation is using SAP in the most effective way, together with the latest service KPIs. A more detailed report will be brought to the Committee in the autumn on the SST developments including the HR and Procurement aspects of SAP.

Proposal

That the Committee note the report and associated work plan.

Reason for Proposal

The report updates the Committee on the planned work in the Shared Service Team (SST) and describes the KPIs to be used to measure improvement.

**Dr Carlton Brand
Corporate Director, Resources**

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Purpose of Report

1. At its January meeting the Committee received a report on the work plan for continuing the normal development and de-bug process that occurs after a major implementation, together with information on the business improvement that is necessary to ensure the organisation is using SAP in the most effective way, and extracting the maximum benefit from the system.
2. The purpose of this report is to update the Committee on the work plan and also to inform them of the latest KPIs for the service.

Latest update

3. Since the last report the Shared Services Team has migrated the schools payroll and Councillor payroll from the old Cyborg system onto the SAP system. This went very successfully with everyone paid. This means that there are now 33,000 people being paid through the SAP payroll system including external clients and pensioners.
4. The work plan has been updated and demand capture has taken place which has enabled identification of the main reasons for delays in the payment of some invoices.
 - (i) Purchase orders raised on SAP are not receipted when the goods are received, so the invoice cannot be paid.
 - (ii) Invoices are being sent to the originating department and are then held up before being sent to SST for payment (NOTE: under the new system, all invoices should be received directly by SST).
 - (iii) Vendors do not always provide contact details of the purchaser on the invoice, so if there is a query, it can be very difficult to find out who placed the order.

The processes currently used within Shared Services are being reviewed and improvements identified and implemented to provide the organisation with a “leaner”, more efficient service.

System Performance Measures

5. In order for us to ensure consistency of information provided on a monthly basis, it has been necessary to adjust the measures of data collected. Those listed in the table below will enable the tracking of the Council’s performance and will also provide information on how SAP is being used within departments for making payments to vendors. To enable the Council to realise the full benefits from SAP, it is important to compare the methods used to ensure that goods are being purchased and vendors paid in the most efficient and cost effective way.
 - (i) Time lapse between receipt of invoice to invoice entry onto SAP in Shared Services - for goods purchased by **raising a purchase order** to the supplier (i.e. via SRM) - this measures the time taken to process invoices

and will ensure compliance with vendor contract terms, assuming the invoice has been received within SST in sufficient time to meet the terms.

- (ii) Time lapse between receipt of invoice to invoice entry onto SAP in Shared Services for goods/services that require payment but which are **not purchased following the usual method of raising a purchase order** (i.e. outside of SRM) - this also measures the time taken to process invoices and will ensure compliance with vendor contract terms, assuming the invoice has been received within SST in sufficient time to meet the terms.
- (iii) Delivery date of goods against purchase order creation date - this data is subject to a wide variance as it is produced in two separate parts of the system and requires a large amount of manual manipulation, which can then be open to inaccuracy. This is therefore not considered to be a viable and sustainable measurement and will be excluded from future reports.
- (iv) Purchase order mis-match against invoice – this information was gathered manually as part of a lean data collection exercise carried out over 3 weeks during February and March. Analysis of the data has enabled us to establish where the problem areas are and to target the departments who have the most issues. Successful implementation of corrective measures will be reflected in (E). See below (1).
- (v) Number of direct payments (FB60s) processed against payments by invoice (MIROS) - to measure the number of payments made through matching invoices to purchase orders. Currently a large number of invoices are processed through direct payments which is not the most efficient method. The number of direct payments (FB60s) should decrease as departments use SAP more efficiently.
- (vi) % of items paid to vendor terms – the number of invoices paid within specific contract terms that differ from the Council's 28 day standard. *N.B. the receipt to payment figures in (i) and (ii) do not allow for the time delay in SST receiving the invoice from vendors/departments.*
- (vii) % of items paid within standard 28 day terms – the number of invoices paid within the Council standard of 28 days. *N.B. the receipt to payment figures in A and B do not allow for the time delay in SST receiving the invoice from vendors/departments.*
- (viii) % of items paid within 10 Day Government Target.

		February	March	April
(i)	Time lapse between receipt of invoice to invoice entry onto SAP in SST – with PO	5.6 days*	4.4 days*	7.1 days*
(ii)	Time lapse between receipt of invoice to invoice entry onto SAP in SST – without PO	N/A	N/A	3.4 days*

(iii)	Delivery date of goods against purchase order creation date	Report not viable measure – requires data from SRM	Report not viable measure – requires data from SRM	Report not viable measure – requires data from SRM
(iv)	Purchase order mis-match against invoice (1)	814	Not available from SAP. Requires manual recording exercise	Not available from SAP. Requires manual recording exercise
(v)	Number of direct payments (FB60s) processed against payments by invoice (MIROS)	37% (FB60)	37% (FB60)	45% (FB60)
(vi)	% of items paid to vendor terms (2)	N/A	N/A	37%
(vii)	% of items paid within standard 28 day terms (3)	N/A	N/A	39%
(viii)	% in 10 Days	N/A	N/A	16%

** CIPFA organisations 2009 average 7-10 days. Figures for February and March were not split between payments made against purchase orders and those made as direct payments, therefore figure appears to increase for (i) in April.*

(1) Data not recorded in SAP, requires an extra manual exercise to complete therefore will not be done on a monthly basis.

(2) Invoices paid where vendor terms are less than 28 days.

(3) Invoices paid under standard Council terms of 28 days.

N.B. All figures exclude items paid by interfaces, these are direct key invoices only.

Conclusion

6 The Committee is asked to note the updated report and the work plan.

Dr Carlton Brand, Corporate Director, Resources

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Background Papers

None

Appendices

Work Plan Shared Services Finance Team
