

## Case Study: Basingstoke & Deane: Purchase-to-Pay Efficiency Improvement with ABC

### The Challenge

Basingstoke & Deane Borough Council was seeking ways to further improve business performance and deliver efficiency savings in every one of its Business Units. The council wanted to identify potential areas of improvement and motivate the managers and staff within the Business Units to change their working practices.

Basingstoke and Deane believed that Activity Based Costing techniques (ABC) had the potential to set the focus for improvements within a process and furthermore to quantify the business case for transformation.

Activity Based Costing can however be a complex tool to implement and the council feared that the effort might outweigh the benefits. It wished to pilot an ABC analysis, and use the findings to influence and motivate all the Business Units to adopt the approach and deliver value for money.

### The Solution

ValueAdding.com's "Rough-cut ABC", a slightly modified form of Activity Based Costing, proved to be the simple answer.

Basingstoke & Deane selected the purchase-to-pay process (P2P) to prove the concept as well as driving improvements for purchasing transactions. They set up a cross-functional team, led by their Policy & Partnership Co-ordinator, to review the council-wide procurement process with a view to improving efficiency.

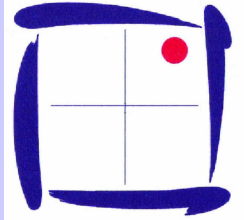
The analysis was performed on a part-time basis over a six week period. It resulted in a clear understanding of the issues within the purchasing process and a shopping list of proposals for improving efficiency.

### What we delivered

We trained their in-house team (which included members from ICT, Finance, Executive Office and Internal Audit) in the principles of ABC and the data collection techniques needed to build an ABC model.

We also coached the team members as they then undertook a series of interviews with the staff that originated, processed and received purchased goods or services for the Council.

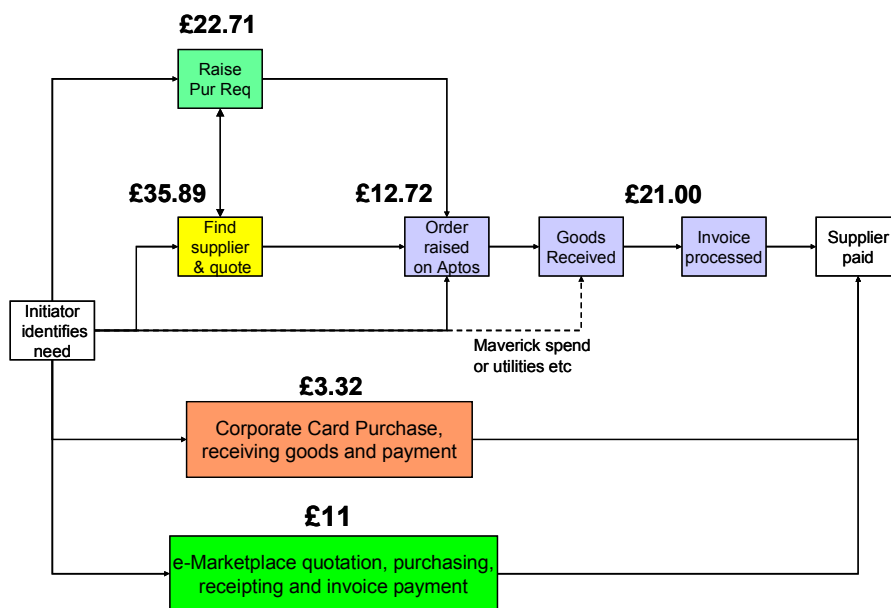
We trained a team member in the use of ValueAdding's ABC software to create the model and analyse the results. The findings were presented to Executive Staff and an improvement action plan was agreed.



## The benefits

The project confirmed that ABC is an effective tool for analysing local government processes. The findings identified clear and quantified opportunities for improving the P2P process.

### The Purchase to Pay process costs per order



Staff purchased items through several different ways:

- The paper-based quotation and ordering process costs £92 per order;
- IT only based order process cost £33 per order;
- E-marketplace and credit card purchasing were significantly cheaper;
- 60% of all purchase orders were for less than £500, and represented less than 1% of the purchasing spend;
- Recommended changes to the P2P process would deliver £120k per year, every year.

Basingstoke & Deane have subsequently started to implement the recommendations, and are using Rough-cut ABC across a further three processes.

The Department for Communities and Local Government reviewed the project and quoted the approach as a clear example of best practice in the "Strong and Prosperous Communities" White Paper published in October 2006.