

eProcurement in defra

The requirement

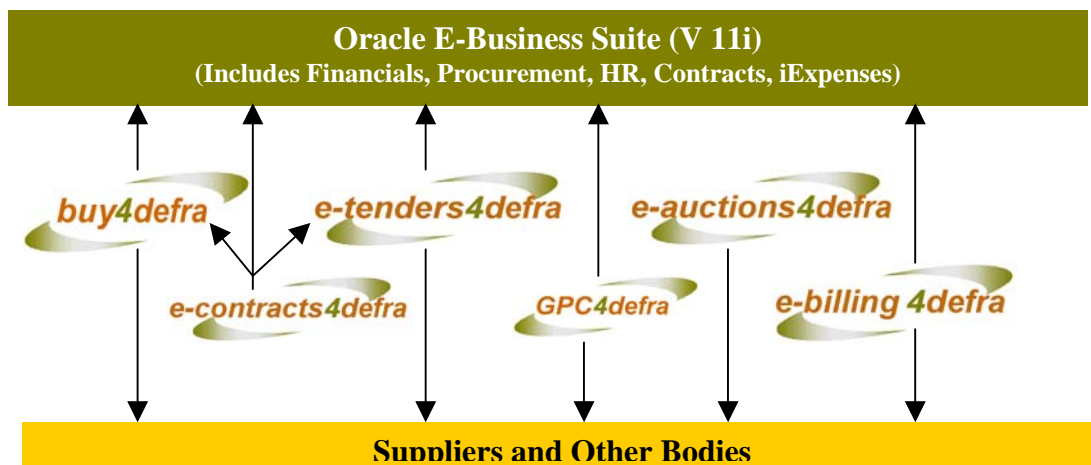
In 2003/4 the total defra resource budget was over £2.2bn, with revenue and capital expenditure in Operations and Administration of £448m. This expenditure generated over 16,500 purchase orders, 120,000 supplier invoices and over 100,000 other payments.

defra is a department with vision and set themselves challenging eProcurement goals to provide systems and processes that would provide electronic solutions for all procurement processes, which included:

- Reduction of maverick spend and to capture all expenditure.
- Enable full automation of month end accrual processes, eliminate unmatched invoices and improve immediate invoice registration.
- Reduction in the number of vendors supplying defra
- Provide for better value for money (VFM)
- Align corporate services and systems to business need.

The process

The eProcurement applications shown below are being implemented in defra. The core application, 'buy4defra,' is the desktop method for initiating all external expenditure, with many standard products and services being included in the online catalogues.



A pre-requisite for good expenditure control in defra is the capture of a financial commitment at the earliest opportunity. A purchase order must be issued to record every transaction. Off system expenditure will become the exception not the norm, with 'No purchase Order – No Payment,' gradually being introduced.

Outcomes

Rollout of the initial solution 'buy4defra,' commenced in September 2002 in order to introduce change effectively a 'big bang' approach was avoided.

- Autumn 2003 the next generation Oracle software 11i introduced
- By end 2004 it is expected 1,000 users will be registered processing well over 2500 requisitions a month
- 20 supplier catalogues online
- Electronic transmission of Purchase Orders went live in 2004

Benefits

The major benefits are:

- Smarter use of eProcurement has already generated savings of £600,000 each year
- Removal of many unnecessary paper and manual processes in all areas of transactional activity
- Reduction in 'maverick purchasing'
- 20% of supplier invoicing matched at time of implementation, 90% will be matched by mid 2005
- It is expected that by March 2006 at least 60% of defra's £1.4 bn expenditure will be processed through the eProcurement solution

Lessons learned

- Avoid customising Oracle applications to match your existing business processes. Oracle applications already have a lot of functionality defra needs, so it makes better sense to re-model your own processes on them
- Join an Oracle User Group and learn from organisations in other industry sectors how they use Oracle E-Business Suite in their own companies