

# Local Government Association

## eInvoicing case study: Essex County Council

### Introduction

Essex County Council provides a leading example of how eInvoicing continues to deliver benefits and supports business processes, long after the service goes 'live'. In 2014, eInvoicing simply represents 'good business as usual' for Essex and all its suppliers, with strong compliance and significant savings.

### About the council

As one of the largest councils in the UK, Essex spends around £930m each year on goods and services. About 40% of these transactions can be processed through its corporate eProcurement solution. The council currently receives 190,000 invoices per year.

### Background

Essex was an early adopter of eProcurement, launching a solution in 2002. Its Cedar e5 Financials system was used for payments only. The council continued to innovate with eProcurement, adding eInvoicing in 2007 and enhancing the service since then.

### Objective

Introducing eInvoicing was the final link in the council's purchase-to-pay (P2P) process. The goal was to save its accounts payable teams from spending hundreds of hours each week in re-keying, processing, and archiving paper invoices. Cashable savings were anticipated, plus other benefits.

### Approach

Essex needed an eInvoicing partner and chose EGS, which is now part of the PROACTIS group. The council engaged with its 15,000 suppliers, providing a choice of eInvoicing methods:

- Large, technically-advanced suppliers benefited from system-to-system XML connections.
- Small and medium-sized suppliers used a web portal where purchase orders sent to them by the council could be 'flipped' into a ready-made eInvoices.
- Other suppliers were brought on board using scanning and advanced OCR (optical character recognition) to harvest their paper-based invoices into system-ready data.

### Outcomes

To date (May 2014), of the 190,000 invoices it receives per year, Essex processes about 70% (135,000) electronically. The majority are via the XML and PO flip methods with just under a third using OCR. All eInvoices that pass the three-way matching process (order value, receipt and invoice value) are paid automatically.

### Benefits

- Essex continues to save hundreds of thousands of pounds every year, thanks to eInvoicing.
- Previously, a large team processed invoices. Now only a handful of people are needed to deal with anomalies and enquiries.
- Paper and postage costs have been minimised. Digital records have replaced the physical space required to store over one million invoices.

- Council budget-holders and users, as well as suppliers, have full visibility of the status of invoices.
- eInvoicing has helped to drive compliance: the need for council employees to raise purchase orders at the correct time has been embedded within processes; meanwhile all new suppliers have to sign up for eInvoicing if they want to sell to the council.
- In 2014, the council's P2P team was able to move to mobile and flexible working, thanks in part to the paperless offices created by eInvoicing.

### **Resourcing**

Engaging with 15,000 suppliers was easier than the council had anticipated. Most small and medium-sized enterprises (SMEs) are participating in the new process. They recognised that more business is becoming electronic today and supplier-related benefits including the ability to track the status of invoice payments online.

The council's supplier team of 3-4 people contacted suppliers by phone and email. Guidance on how to submit eInvoices was also provided by a video, presentations, web pages, drop-in sessions and one-to-one support where needed. The eInvoicing provider helped to connect large suppliers with XML interfaces.

### **What next?**

For Essex, eInvoicing has matured to become a business-as-usual activity, essential to the smooth-running of the organisation. All new suppliers now have to sign up for eInvoicing as part of their standard terms for working with the council. Meanwhile, Essex continues to encourage existing suppliers that use OCR to upgrade to the more efficient, purer forms of eInvoicing.

### **Challenges & lessons learned**

- Engaging with a large number of suppliers was far easier than anticipated, especially once they could see the benefits e.g. timely payments and being able to check the status of invoices online.
- For eInvoicing to run smoothly, the council had to become more compliant itself - with employees raising purchase orders at the right time. Getting the support of the council's procurement team was key, through management meetings and encouragement. As a result, by May 2014 only 5% of purchase orders are being raised after invoices are received.
- The support of procurement colleagues has also helped to embed a requirement for eInvoicing for tenders and within the council's standard terms and conditions.

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