



## TESCO Cuts the Cost of Employee Expenses

Engineering Management Services Ltd (EMSL) is a wholly owned subsidiary of Tesco plc, responsible for the maintenance of more than 1500 Tesco stores across the UK. The company has in excess of 900 employees, approximately 800 of which are mobile while the rest work at the head office in Milton Keynes.

EMSL was formed in December 2006 following the collapse of Maintenance One Ltd, a third party company that had provided Tesco with their field based maintenance in the UK. In January 2007, Tim Watsham was appointed to head up the finance function of the new company, establishing a new finance team and building a control and reporting framework to ensure business stability.

"EMSL was allowed to run as an autonomous unit within the Tesco organisation" explains Watsham, "and subsequently I was able to select systems best suited to the operational environment and most likely to encourage best practice."

In a very short space of time, Watsham implemented new systems for HR, Travel and Expense, Electronic Purchase Orders and Contractor Self-Billing as well as SunSystems in the back office. "It was vital that we automated our systems as soon as possible" continues Watsham "we were forecasting rapid growth and I did not have the head count to operate manual systems." In fact, EMSL grew turnover to £90m in the first year, and is forecasted to reach £105M in 2008/9 with only eight heads in the Finance department!

For expense management, Watsham turned to ExpenseOnDemand, a UK based company with clients including the NHS and the Police Force. ExpenseOnDemand is a fully managed, hosted solution, accessed via a web browser from anywhere in the world. The system supports multiple currencies and is used in more than 70 countries worldwide.

"Automating employee expense claims was a no-brainer for us" states Watsham, "we have a workforce distributed across the country making claims on a regular basis. We recognised ExpenseOnDemand as a quick win, a way for us to rapidly take control of a process that was clumsy, very time consuming and open to manipulation."

Previously, EMSL inherited the paper based system implemented by Maintenance One, whereby forms were completed manually and delivered, together with receipts, to a line manager for approval. The forms were then forwarded to Finance for coding and checking before being sent to the budget holders for authorisation to pay. Once authorised, the forms were returned to Finance for payment.

Watsham was concerned that it was taking too long to settle claims in this way, he had enough on his plate without the added complication of disgruntled employees. Also, the integrity of the information being collected was questionable, and he was struggling to enforce compliance of the company's expenses policy.

Drawing on previous experience of electronic expense management tools, Watsham selected Expense On Demand to provide the solution. "I liked Expense On Demand for a number of reasons" he said, "**the system is really quick and easy to use and that's so important when you have to convince users to change.** Also, the functionality available to us is extremely sophisticated, particularly the way it handles mileage claims and associated tax treatments".

During the implementation stages, Expense On Demand is configured to incorporate the specific business rules and expense policies required by the client. For example, employees may claim only for expense category items allocated to them and, if required, expenditure for each expense category may be capped.

"I delegated the implementation project to my Management Accountant" Watsham continues, "after a couple of days consultancy the guys from Expense On Demand went away and configured the system for us. We then tested it for a few days before going live. The entire process went very smoothly, just three weeks from beginning to end, and we were able to realise benefits almost immediately."

# Expense OnDemand

Clearly, web based expense systems rely on the assumption that all users have access to the Internet. Whereas generally this is the case, a small minority of the field-based users at EMSL did not have PCs at home. To resolve this problem, Watsham issued laptops to his Service Managers to provide a shared access point in each geographical region. Problem solved.

To file a claim, staff simply log in with a unique user name and password and complete the claim form presented to them. Options are selected from drop down menus and fields are pre-populated whenever possible. Each line of a claim may be charged separately to a different project or cost code and duplicates are automatically detected.

Expense On Demand incorporates a claim tracking feature that allows users to check the progress of their claims on-line. A colour coded flow chart shows the progress of each line item of a claim through the various stages of the process from submission through approval to payment. In this way, claimants are kept informed throughout the process while finance staff and managers do not waste time dealing with queries.

The tax treatment surrounding motor vehicles and mileage claims is a particular concern for many organisations. Expense On Demand deals with this accurately and comprehensively. Pre-set parameters, based on statutory guidelines, automatically calculate the correct amount of VAT to reclaim for each individual transaction. P11D calculations are handled in a similar manner.

“One of my other hats at EMSL is Fleet Manager of approximately 600 vehicles and so I was particularly interested in the vehicle management functionality Expense On Demand offers” says Watsham. “The ability to monitor the carbon footprint of the fleet by individual vehicle is great and the automated VAT calculation is invaluable.”

Mileage claims are verified automatically by a real-time web service. Users enter either preset destinations or postcodes and the corresponding distances are provided by the system. This feature has the effect of reducing mileage claims by around 18% often equating to a saving of hundreds of thousands of pounds per annum.

Another key strength of Expense On Demand is reporting. Numerous standard formats provide real-time management reports including spend by employee, spend by cost centre, mileage analysis etc. These standard reports are complemented by a powerful report writer that enables managers to select, merge and sort specific fields and then produce reports in real time. In this way, it is very easy to break down and analyse spend across different cost centres.

This report writer may also be used to build customised file exports, created in CSV or XML file format, to prevent the need for re-keying. These files are uploaded to other peripheral systems such as Payroll, HR, Finance or BACS either on demand or scheduled automatically.

Since claim forms arrive in Finance fully coded and approved, the processing workload is dramatically reduced. In fact, a reduction of at least 50% is the norm with some companies reporting reductions in excess of 70% “When I started at EMS we were processing two expense runs per month because the approval process was so protracted. Now we do just one and we have halved the finance resource associated with expenses” says Watsham.

“Expense On Demand has been a success story for us right from the start,” concludes Watsham, “it saves us a lot of time in Finance, which means we have more time to focus on delivering our business objectives. **We now have control over employee expenses and we know pretty accurately what our cash commitments are at any one time.** And because we have complete visibility of every single claim, issues with compliance are now a thing of the past.”