

Supplier Incentive Programme

A South Tyneside Council and South Tyneside Homes Initiative

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Agenda

- Background
- The Basic Model
- Benefits
- Arrangement
- Supplier Engagement
- Results to Date





Background

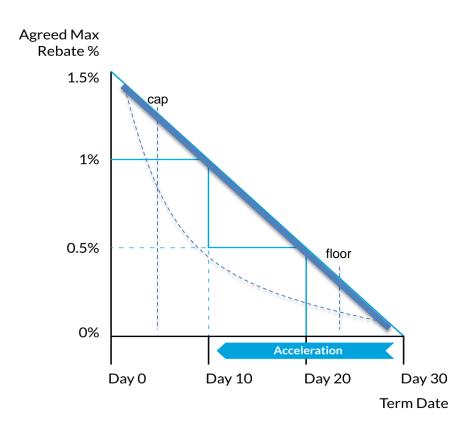
- Addressable spend of £125m p/a, over 3,000 suppliers, traditionally paid 30 days from receipt of invoice
- No incentive to pay invoices early, favourable terms for local suppliers, no standard e-invoice solution
- Suppliers chasing payments as they look to manage cash flow in current economic climate
- Council looking to improve P2P efficiencies
- South Tyneside Council and South Tyneside Homes form partnership with Oxygen Finance and launch the Supplier Incentive Programme





The Basic Model

- An Early Payment Programme that enables the council to unlock value through paying suppliers ahead of contracted terms
- The rebate is calculated proportionate to the number of days we pay the supplier early (accelerated) from agreed contractual terms which typically is 30 days







Benefits

South Tyneside Council



New, predictable income stream

£1m (£200k per year for 5 years)



Contributes to social value agenda

 Part of the Council's new Procurement Strategy 2016- 21, aims to ensure value for money for Borough residents



P2P efficiencies and reduced cost

- Integral e-invoicing solution, automated processes via secure file transfer
- Drives internal compliance



Adhere to government legislation

Late Payment risk mitigation

Suppliers (big and small)



Improved cashflow

Paid on average in 10 days



Prioritised invoice processing

Reducing process time & costs



Improved relationship

 Dedicated council contact for Procurement and AP



Hands free and fully automated

Free access to e-invoicing





Arrangement

- Evaluation Business Case
- Implementation
- 5 year contract
- Gain share
- Be aware of resource requirements





Supplier Engagement

- Participation is optional
- Flexible approach adopted not one size fits all

STC Approach:

- High value suppliers (£1m+) are required to opt in via face to face meetings with Oxygen and supported by council procurement
- Medium and Low (£50k+) value suppliers contacted by digital marketing campaigns and follow up calls (conducted by Oxygen) required to opt into the SIP through dedicated website
- Local Suppliers can still benefit from the scheme even if already paid earlier than traditional payment terms



Key Drivers For Success

- Chief Exec and Leader support
- No PO No Pay
- Migrate away from BACs
- Suppliers paid on Received Date of invoice (historically Invoice Date)
- System reset to contractual payment terms
- Lost Opportunity reporting
- E-invoicing



It's Not All Plain Sailing

- Resource implications
- Technical input from your own ICT
- It can be an exponential implementation
- A need to work closely with suppliers





Performance To Date

- Deployed full solution September 2016
- Onboarded 137 suppliers (£50.4m spend per annum)
 - Including Care suppliers (traditionally difficult to accelerate)
- Suppliers paid on average within 10 days FY17/18 to date
- On target to deliver forecast earnings for FY17/18





Further Information

Questions?

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Appendix 3 – Project Approach

Assessment

2 weeks

Objectives:

- To agree As-Is situation
- To define To-Be Solution
- To deliver finalised business case and report

Implementation

2 months

Objectives:

- To define the detailed design requirements
- To embed change
- To produce build, test and deploy the core solution

Service Management

5 years > Ongoing

Objectives:

- To agree and prepare operational requirements for go-live.
- To monitor and improve programme performance

P&C Workshop

- Document current processes and metrics
- Identify current policies and highlight new policies
- · Highlight key pain points
- Document any other ERP feeder systems
- Feasibility Review of EPP and design principle gap analysis

Business case

- Further meetings scheduled
- Finalisation of business case
- Finalisation of target acceleration and ramp up existing to new process

Final Report

- Highlight key change requirements and risks
- Roadmap for sustainable improved acceleration
- Compliance management framework
- Change impact



Oxyge

Appendix 4 – How Rebates Are Generated

