

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



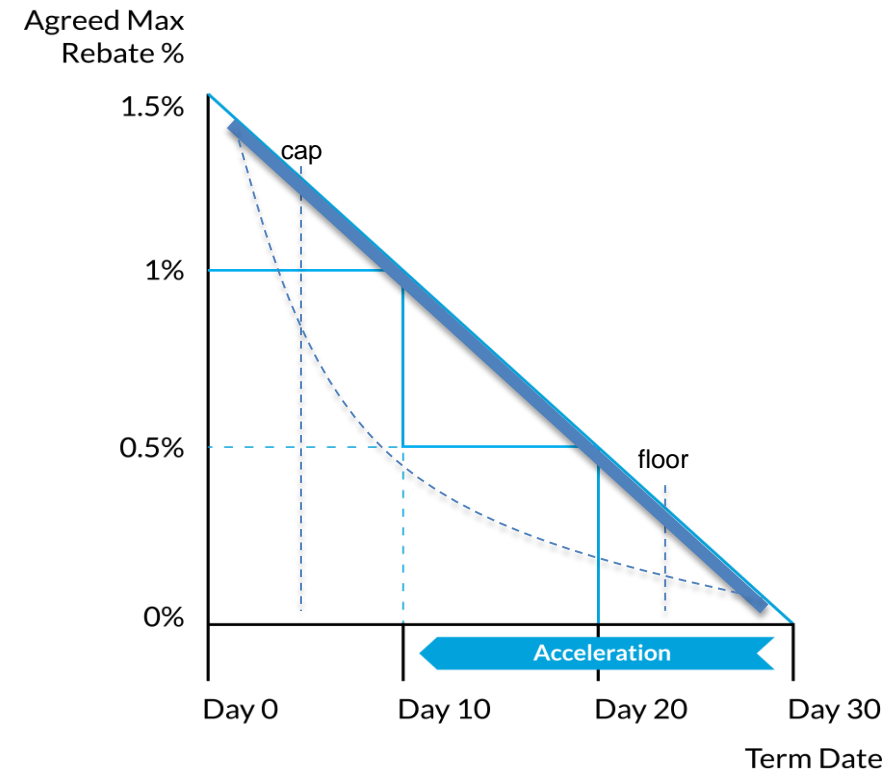
Background

- 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

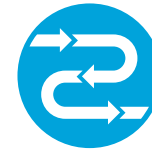
- Late Payment risk mitigation

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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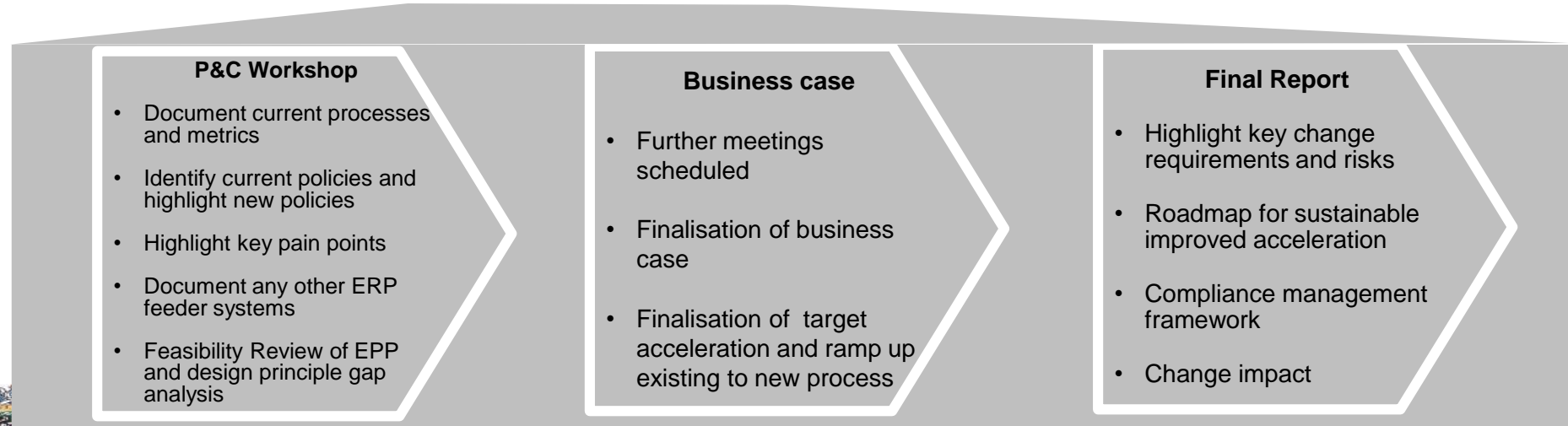
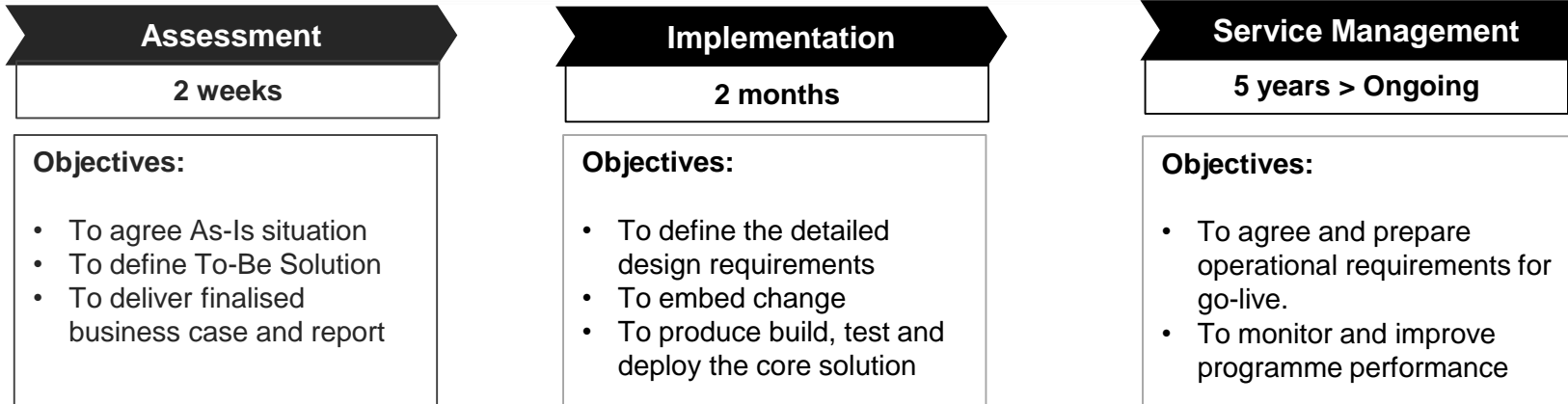
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Appendix 3 – Project Approach



Appendix 4 – How Rebates Are Generated

