

Appendix 1

Bridging the Gap Theme		Maximising Resources								
Bridging the Gap Proposal:		Third Party Expenditure						Ref:		
Executive Portfolio Sponsor:		Executive Member – Corporate Services								
Officer Proposal Sponsor:		Chief Officer Commercial								
Impact on other Portfolios:		All								
Delivery in:	2020/21		2021/22		550		1,000		2024/25	
Values (low – high)	£'000	£'000	550	1,000	£'000	£'000	£'000	£'000	£'000	£'000
	550	1,000	250	550	250	550	250	550	250	550

Strategic Business Review:

The focus of this phase was to identify how much, on what and with whom.

- A full review of all third party expenditure through examining creditors records for 2017/18 and 2018/19, review of the contracts register and examination of contracts held.
- Analysis of data and categorisation
- Identification of deep dive areas.

Key findings:

£80m of controllable spend

78,000 separate transactions with 3,320 unique creditors

75% of total Council spend (>£100k) is with less than 4% of suppliers, while payments to 74% of suppliers (<£5k) account for only 2.5% of total expenditure

89% of all payments are below the compulsory procurement threshold for DMT approval (£25,000) and account for 10% of total expenditure

55% of payments are below £1000 in value (each) and 47% below £500

863 creditors are registered as suppliers since 2007 (> 12 years) and 557 new creditors set up in FY18/19 alone

Opportunities identified:

Manage cost control through tightening contracting arrangements particularly in relation to terms, conditions and liabilities i.e. inflation up lift.

Prioritise supplier negotiations and develop a negotiation strategy for contracts due for renewal in 2020/21.

Explore with contractors discounts and rebates for different payment schedules.

Where appropriate convert agency staff into permanent or temporary posts to reduce additional cost to service including agency fees.

Introduce invoice discounting incentives for early payment

Strengthen the alignment of spend to strategic priorities and categorise expenditure against need, identifying, at one end of the spectrum, spend that is based on choice and that we could continue to support, and at the other, spend on activities that we must do to satisfy a basic customer need. This will give rise to options of where and how much to invest in different services, initiatives and activities and give members the evidence to support their decision making.

Challenges and risks

The complexity of the data and the visibility of the contractual arrangements that are in place means that this requires a deep analysis of information, match data from different sources and detailed reviews of current contract. Alongside this is the need to establish the commissioning intentions for 2020/21 and beyond with current and future suppliers.

Invest to save options:

Our ability to move at pace and to work through the data to reach the opportunities has been achieved through the investment in external expertise. This has been funded through an earmarked Procurement reserve. To maintain this pace and focus further support is required and this would be based on a risk and reward contract with payment on results.

Appendix 1

Actions:

Deep dive into the use of agency staff to reduce fees being paid to temporary recruitment agencies;
Review of discount incentives to utilise our cash flow to drive cost reductions;
Reconciliation of creditors expenditure to known contracts to facilitate negotiation of better payment terms;
Review of contracts where there has been higher values paid to facilitate negotiations with suppliers;
Implement No Purchase Order No Pay as a means of controlling costs.

Executive decisions:	MTFS and Bridging the Gap Programme
Scrutiny Route:	Corporate Overview in Autumn 2019
Consultation:	With staff affected by changes in contract arrangements
EqIA:	Screening to be undertaken prior to any contract variations being progressed