



# South Tyneside Council

## Case study

Savings. Efficiency. Social Value.



South Tyneside Council

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South Tyneside Council spends £207m every year with over 3,000 suppliers who help the Council to provide a wide range of key services – from school and library materials and health and wellbeing services to highways maintenance and waste disposal.

One of the ways the Council is working to ensure best value for money is through the Supplier Incentive Programme – an early payment scheme – which has already attracted many suppliers, with invoices approaching £55m signed up to receive early payment in the first year.

The initiative represents a new level of collaboration between the Council and its supply chain, providing mutual benefits for both the Council and businesses, with suppliers having their invoices fast tracked in exchange for a small rebate.

The Supplier Incentive Programme forms part of the Council's Procurement Strategy 2016- 21, which aims to ensure its spending on goods and services gives value for money for Borough residents through efficient and effective buying practices.

Key elements of the strategy include giving consideration to the social or environmental benefits suppliers can bring to the Borough such as apprenticeships and local employment opportunities. It also makes sure opportunities are made more accessible to local businesses with guidance available to help them quote and compete for work, more effectively.

South Tyneside Council partnered with Oxygen Finance Limited to introduce the programme and the Council has become a role model for other Local Authorities that wish to improve their purchase-to-pay (P2P) processes, boost suppliers' cash flow and generate a new income stream. Oxygen Finance has a wealth of experience with public sector clients throughout the UK and continues to help Councils add social value, generate a new income stream and implement e-invoicing, which is fundamental in order to comply with the EU Directive on e-invoicing and payment performance reporting.



“Stimulating economic growth is one of our key priorities here in South Tyneside.

Businesses, particularly small and medium sized firms, are the backbone of our economy, therefore we feel it is important we do all we can to support them through these challenging financial times.

Through the Supplier Incentive Programme and paying businesses early we can help our key suppliers to keep their cash flowing and hopefully ease the financial burden for businesses, which often need to fund the gap between payments. It is also an excellent way for us to strengthen our relationship with suppliers.

The scheme will also benefit the Council with invoices dealt with much more efficiently and with money generated from early payments going straight back into protecting the vital Council services our residents value and deserve.”

**Councillor Iain Malcolm**, Leader of South Tyneside Council



## Council testimonials

“We spend a significant amount of money on commissioned supplies, services and works provided by external organisations. They help us to deliver essential services across the Borough but we must ensure that we get value for money for our tax payers.

The Supplier Incentive Programme is just one of the approaches we are taking to make sure we get value from our spending. The scheme not only helps suppliers with their cash flow, but money generated from early payments goes straight back into protecting the local services people rely on.

Effective procurement is fundamental to achieving our vision, protecting our front line services and supporting a socially sustainable economic environment. Making sure we deliver value for money while maintaining quality is more important than ever in the current economic climate.

I’m pleased that the Social Value Act has been included as a key element of our new Procurement Strategy. Encompassing social value enables us to ensure that bidders bring a social or environmental benefit to South Tyneside where possible. This can often include apprenticeship or local employment opportunities, which supports our strategic objective of economic growth.”



**Councillor Ed Malcolm**, Lead Member for Resources & Innovation

“The Supplier Incentive Programme is a key initiative for the Council and is part of our commitment to supporting business growth and the economy.

South Tyneside Council partnered with Oxygen Finance to introduce the programme and the Council has become a role model for other councils that wish to improve their P2P processes and generate a new income stream. Oxygen Finance has a wealth of experience with public sector clients throughout the UK and continues to help councils add social value, generate a new income stream and implement e-invoicing, which is fundamental in order to comply with the imminent EU Directive on late payments and e-invoicing.”

**Martin Swales**, Chief Executive





## Supplier testimonials

McVickers has supplied electrical services to the Council for over 5 years. When invited to join the Supplier Incentive Programme they were very interested in receiving early payment of their invoices to improve their cash flow and increase process efficiencies with the use of e-invoicing.

Catherine Ridley, Finance Director, said: "The improved cash flow that we receive from being on the programme allows us to settle more of our own supplier accounts earlier and we therefore benefit from increased 'early payment' discounts. This and other advantages of the programme such as increased invoicing efficiency are also mirrored having a beneficial effect on the whole supply chain. A little bit of work at the onset to set it up and have the process approved was well worth the effort to have the cash flow and invoice processing run smoothly. I would highly recommend the programme to other suppliers to the Council."

Catherine Ridley, Finance Director, McVickers



North East Panels has supplied doors and shutters to South Tyneside Council for over ten years. When asked to join the Supplier Incentive Programme in April 2015 they were very keen to sign up and have now been a member of the programme for more than a year.

James Wood, National Sales Manager for North East Panels said: "I was mostly interested in receiving prompt payment from the Council which is why I was very interested in the Supplier Incentive Programme. Since joining it has been very beneficial for my company as I now have a stronger working relationship with the Council and improved cash flow due to my invoices being paid earlier than our contracted terms."

James Wood, National Sales Manager, North East Panels


## About Oxygen Finance

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Oxygen Finance is a specialist provider of payment solutions and insight. Our early payment programmes and public sector spend analysis help public and private sector organisations to drive savings, improve operational effectiveness and deliver against social value objectives. We have offices in the UK and US and work with a range of technology partners. Oxygen Finance is a wholly owned subsidiary of TruFin PLC, a specialist fintech and lending business.

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### For further information:

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