

Better procurement could deliver £147 million savings

The cost of duplicate invoices within Local Government



The level of duplication within Local Authorities

Accounts payable

- Experian* has conducted research on detailed Accounts Payable data of 11 Local Authorities and Central Government bodies
- During this research we looked for the level of duplication and invoices that have been paid twice or more and efficiencies that can be gained through better Accounts Payable processes
- The research suggests that for a very well run Local Authority the level of duplication is 0.16%, which equates to £600k of potentially recoverable cash for an authority with around £400m of spend
- The assumption is for many Local Authorities this figure will be much higher
- When a high profile City Council deployed the solution they were able to identify £500k of recoverable monies with a 2 week period
- If the same approach was adopted by every Local Authority in England this could equate to **£147m**** of recoverable monies

*In partnership with Purchasing Index Limited

** See note attached

Example 1 – Inner London Borough

- An Inner London Borough has a defined ‘third-party non-pay’ spend of around £400 million per year
- These consist of around half a million transactions
- After scrubbing of false-positives, around 600 likely duplicates were found
- These invoices had a value of just over £600,000
- This represents 0.16% of total spend.

Example 2 – County Council

- A county council in the south of England has a total annual spend of £1.07bn
- This consists of 350,000 invoice payments per year
- Duplicate payment checking indicated duplicate invoices totalling £2.4million of total spend
- This represents a total potential recovery of 0.23% of total spend

Example 3 – Central Government Department

- A central government department has a recognised third-party spend of circa £850million per year.
- This consists of around 650,000 transactions.
- A standard duplicate payment check indicated likely duplicate payments of £1.67million.
- This represents duplicate payments totalling 0.19% of total spend.

Case Study

- A large city council were provided with greater visibility into their procurement processes, both through providing enhanced visual intelligence but also through combining data from multiple payment methods such as purchasing cards and invoices.
- Their implementation went live in June 2010
- From final decision to deploy to rollout took six weeks to implement
- The council was then able to immediately identify £500,000 in potential duplicates.
- This meant that they could not only focus on recovering these funds without paying commission to a third party, but could also leverage the intelligence they had gained during the identification process to understand *why* these duplicate payments had occurred – preventing them in the future.

Procurement Insight - the solution to deliver savings and efficiencies for Local Government

In addition to identifying errors in the invoice process Procurement Insight can help drive efficiencies and improve purchasing process in order to realise savings across the supplier base:

- **Price Variance:** the same product bought from the same supplier at differing prices.
- **Order consolidation:** the same product bought frequently in small amounts, potentially by multiple departments, where volume discounts could either be negotiated or utilised
- **Price Comparison:** the same product bought from differing suppliers at varying prices.
- **Product Consolidation:** differing products purchased with the same functional role, where standardisation would deliver savings
- **Price Benchmarking;** understanding the market price adjusted for time and quantity. Providing the information to rapidly identify savings
- **Contract Adherence:** products bought off contract where a contract exists and could, or should, have been used.

The successful approach to facilitate collection of monies owed

The key to successfully collecting and managing cash flow is to fully understand the supplier base.

- Establish the profile of the suppliers and understand their ability to repay sums owed (Experian's data combined with Procurement Insight Solutions can help identify this)
- If the supplier is a SME with limited access to finance what impact would aggressive collection have on the business?
- Using debt collection agencies is the often favoured method of collecting this kind of payment in the private sector. However, this is a blunt instrument that does not take into account local authorities' requirement to support local economies, and ensure the survival of small local businesses.
- Local authorities collecting monies for themselves can take account of these issues when formulating their collection arrangements.

