

Report to CABINET

Approval to Award the Contract for the Delivery of the Early Payment Scheme

Portfolio Holder: Cllr A Jabbar, Deputy Leader/Cabinet Member for Finance & Low Carbon

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22nd August 2022

Reason for Decision

To award a call off contract to Oxygen Finance Ltd to deliver the Early Payment Scheme.

Executive Summary

Oldham Council have been offering an Early Payment Scheme since 2012 allowing invoices to be paid early in exchange of a percentage rebate of the total invoice, generating over £2m in income. This report seeks approval to continue with the scheme and award a 5-year contract to Oxygen Finance Ltd.

Recommendations

To engage Oxygen Finance Ltd in a 5 year, call off contract under the NEPO Early Payment Services framework. This will ensure the ongoing success of the Early Payment Scheme in Oldham assisting the Council in relieving financial pressures they currently face.

Approval to Award the Contract for the Delivery of the Early Payment Scheme

1 Background

1.1 Oldham Council have offered an early payment scheme to suppliers since 2012. The scheme allows for invoices to be paid earlier (on average day 10) than the standard 30 days payment terms in exchange for a percentage rebate of the total invoice.

1.2 The rebate is applied dynamically meaning it is proportionate to the actual number of days by which the payment is accelerated. For example:

Supplier A has offered a 1.25% rebate which would be deducted from the invoice if paid on day 10. However, if the invoice were to be paid on day 8 a rebate of 1.38% would be deducted and if paid on day 22 only 0.5% would be deducted.

1.3 Suppliers are given the opportunity to join the scheme during tender processes and is evaluated in the price section. Bidders are to submit their gross price and discount offered which is used to calculate the net price; this is the price that is used to evaluate.

1.4 The Council is now consistently paying suppliers promptly with the weighted average of 12 days however has been as low as 8 during the year.

1.5 The scheme currently has 375 signed suppliers and earnings over the financial year 2021/2022 were £211,603 averaging out a £17,633 per month.

2 Current Position

2.1 The current contract with Oxygen Finance is up for renewal and expires on 19th May 2022, therefore a desktop exercise was carried out to identify potential solutions.

2.2 Proactis (supplier of the Council's e-procurement portal 'The Chest') have introduced 'bePayd'. This is a new solution with a limited number of public sector organisations on board so were unable to give any indication on the potential gain share ratio we could expect without engaging in further dialogue.

Taulia were also identified having provided service to Surrey & East Sussex Council, however again no indication on the potential gain share ratio we could expect could be given without further engagement. In order to test the solutions and open tender process would be required.

3 Options/Alternatives

3.1 Option 1: (Recommended) To engage Oxygen Finance Ltd in a 5 year call off contract under the NEPO Early Payment Services framework. This will ensure the ongoing success of the Early Payment Scheme in Oldham assisting the Council in relieving financial pressures they currently face.

3.2 Option 2: (Not Recommended) To undertake an open tender process further exploring the other options within the market. This would cost officer time in undertaking the tender

process which may result in a less competitive gain share ratio and losing out on the competitive offer from Oxygen Finance Ltd.

3.2 Option 3: (Not Recommended) To do nothing thus ceasing the Early Payment Scheme and loss of income.

4 **Preferred Option**

4.1 Option 1: (Recommended) To engage Oxygen Finance Ltd in a 5 year call off contract under the NEPO Early Payment Services framework. This will ensure the ongoing success of the Early Payment Scheme in Oldham assisting the Council in relieving financial pressures they currently face.

5 **Consultation**

5.1 None

6 **Financial Implications**

6.1 The preferred option outlined in 4.1 is to engage Oxygen Finance Limited in a 5 year call off contract.

6.2 The Early Payment Scheme generated income of £212k in 2021/22 and the gain share paid to Oxygen Finance was £61k therefore the net income to the Council was £151k. This compared with the 2021/22 budget represented a pressure in the Procurement budget of £34k which was mitigated by income from other sources.

6.3 The net income target included in the 2022/23 base budget is £168k after paying Oxygen's gain share. It is difficult to quantify the income 'run rate' due to the variables around supplier engagement but based on the income generated in the last quarter of 2021/22 there was an increase of circa 35%. If the 'run rate' continues at the same level it is estimated the income target will be met. In addition, there is the opportunity to onboard construction and other care categories which would provide an additional funding contribution to the Council.

(Nicola Harrop – Finance Manager)

7 **Legal Services Comments**

7.1 The proposal to make a direct award to and enter into a Call-Off Contract with Oxygen Finance Limited, utilising the NEPO 0521 framework, complies with the Contract Procedure Rules. Additional Oldham Council peculiar terms (i.e. minimum wage requirements and Covid provisions) are to be added to the terms and conditions of the Call-Off Contract (Mark Hope)

8. **Co-operative Agenda**

8.1 The goals of the Scheme are aligned with the Council's Co-operative vision and Corporate Objectives in the following key areas:

- Open for business. The scheme helps the Council to pay suppliers quicker, which helps with cash flow, increases efficiency through e-invoicing and helps optimise our supply base. This in turn supports our social value objective of promoting jobs, growth and productivity.

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- Delivering High Performance. The key focus of the scheme is in establishing best practice in P2P and supplier relationships and using this to drive increased efficiency in supplier payments.
 - Responsible with resources. The early payment rebates generated through the scheme form an income stream for the Council that contributes to our savings targets.

9 **Human Resources Comments**

9.1 None

10 **Risk Assessments**

10.1 The net financial benefit to the Council from the arrangement with Oxygen Finance via past contracts has been assisted by low interest rates nationally. As interest rates increase (based upon the last few months experience) the net financial benefit reduces as the Council has the potential to generate improved returns on investments. Based on current interest rates and those projected for the future there is a clear financial net benefit from this proposal. Should interest rates increase much higher than current future projections then this net benefit is substantially reduced. (Mark Stenson)

11 **IT Implications**

11.1 None

12 **Property Implications**

12.1 None

13 **Procurement Implications**

13.1 The Commercial Procurement Team supports the recommendation outlined in the report as it demonstrates value for money and use of the framework is compliant with rule 4.1 of the Council's Contract Procedure Rules (Emma Wall)

14 **Environmental and Health & Safety Implications**

14.1 None

15 **Equality, community cohesion and crime implications**

15.1 None

16 **Implications for Children and Young People**

16.1 None

17 **Equality Impact Assessment Completed?**

17.1 No

18 **Key Decision**

18.1 Yes

19 **Key Decision Reference**

19.1 FLC-04-22

20 **Background Papers**

20.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: The Chest – DN609039

Name of File: Delivery of the Early Payment Scheme

Records held in Commercial Procurement Unit, 'The Chest' www.the-chest.org.uk

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21 **Appendices**

21.1 None