

Introduction

Capturing the added value that procurement can bring. Please note this is not an exhaustive list. All saving activities are to be captured along with a clear record and rationale of how the figure has been derived.

Ref	Type of Saving	Description	Guidance for reporting and recording savings and added value
1	Direct Price Based Savings	Baseline for reporting price based savings	For new contracts that replace pre-existing contracts - the savings should be versus previous price paid at the end of the previous contract(s) period.
			For new contracts / procurements that haven't taken place before (eg ad hoc requirements) the benchmark would be the average price of top 5 acceptable compliant highest ranked bids (or all the bidders if less than 5)
			For collaborative agreements where there is no pre-existing collaborative agreement to benchmark against and appropriate base line would be agreed with the Head of Procurement
			Active price management; by applying awareness of price trends (e.g. labour and/or market indices) to either achieve net savings, or costs avoidance to minimise or eliminate increased costs
2	Demand Management	Is applicable where internal demand & consumption can be influenced to reduce costs	A saving should not be claimed where a service is reduced in a way that has a negative impact on services the public receives or reduces quality below a level that is genuinely required.
			For any saving to be claimed in this area, it must be demonstrated that; - The same business requirements and appropriate quality standards are still being met; or; - Any reduction of service is of low priority activity and that this reduction has been explicitly reported and approved within normal business activity / governance arrangements
			Examples of demand management; - Management consultancy; challenging the need & making better use of lower cost alternatives - Travel; making better use of technology and lower cost options - Office equipment; rigorously manage supply to meet needs taking into account reducing numbers of users.
3	Make v Buy / Outsourcing	Savings made by the transfer of a service to / from external suppliers	Savings are made in this area by the transfer of a service to / from external suppliers. The same business requirements and quality standards are still met. Savings figure needs to be agreed/ratified with contract manager and/or service area
4	Cost Removal	Savings generated by using an alternative solution that resulted in no purchase being made	Savings are made in this area by using an alternative solution that resulted in no purchase being made (eg. Reciprocity, sponsorship)
5	Added Value	Additional benefit generated through a contract	Savings in this area may include services that previously were direct costs to the council and are now included in the price of a contract (for example; production of management information, undertaking additional tasks and duties that have been historically performed by the council, leveraging supplier relationships to deliver more) Savings need to be ratified with the contract manager and/or service area.
6	Risk Reduction	Reduced costs through risk based approach	Savings in this area may include changes to terms and conditions, payment terms, such as staged payments or retentions will result in a reduction in both cost and risk. Likely to be a one-off saving and not be extended over the life of the contract
7	Payment terms based savings	Savings relating to different payment strategies	Savings in this area may include; Early payment discount or introduction of a more efficient contract payment mechanism. Saving would need to be agreed / ratified with HD-One and contract manager