

Using the private sector to recover supplier overpayment

Glenn St. John-Colgan, Managing Partner at Augmentas Group, takes a look at a recent UK initiative to recover money owed from suppliers and considers its implications



The UK Government spends £250 billion a year buying goods and services, and there is rightly always much debate about how much of this is wasted. One initiative from the Crown Commercial Service (CCS) aims to identify and recover overpayments to suppliers.

Called Spend Analysis and Recovery Services 2, it relies on 17 external consultancies. They compare purchase orders and invoices with the contracts that were signed for services and goods. If what was ordered and delivered matches what was invoiced, payment is authorised.

Types of spending review

The consultancies can review spend on utilities, telecoms, VAT, rental and agency staff for overspend, savings that can be made and other anomalies. They can also provide an end-to-end review to look for any undiscovered overspend and examine the statements of account to look for undeclared credit that can be refunded.

Matching orders to delivery and invoices can become a little more complicated when dealing with services, where the quality of what was provided can be difficult to align to an invoiced amount. But this is not an insurmountable challenge. The work is undertaken on a no-win, no fee basis, so if the supplier finds no opportunities to reclaim the money, the government pays nothing.

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Gaps in the system

This is a useful service as far as it goes, but it leaves gaps. For example, if a consulting firm finds a weakness or a flaw in a process, it is not clear how the work needed to fix it should be paid for. Indeed, the fact that the service exists at all hints at a worrying problem in itself. The government should be able to do this work in-house, without resorting to consultants, but often the public sector simply does not have the capacity to support such initiatives. This is where we think the focus should be, rather than relying on the private sector to perform such fundamental financial checks.

Since the introduction of the Public Contracts Regulations in the 1990s, a lot of the focus has been placed on de-risking the procurement process to reduce the possibility of a legal challenge. That has taken away the focus from driving the best value from the market and properly managing the delivery of contracts. In addition, junior to mid-level civil servants are often deployed to oversee, manage and challenge delivery by suppliers, and they are simply outgunned.

There are three main stages that the public sector can leverage to save money when buying goods and services. The first is during pre-award, by accurately defining the goods or services required. The second is during procurement. Extra value could be found here by using the latest commercial techniques, rather than relying on internal processes to achieve this.

Potential for savings

Unfortunately, current constraints mean that very little can be achieved in these two stages, but there is potential in the third stage, post-award. There are approximately 30,000 civil servants in the UK with responsibility for managing the delivery of complex services. But despite that seemingly high number of people with this responsibility, the reality is that there is a shortage of people with good contract and financial management skills. Despite many recent initiatives, this is an area that has suffered from under-investment.

Ultimately, there is a fundamental mismatch between the private and public sector that cannot be dealt with if it is not acknowledged. The primary responsibility of the private sector is to maximise the interests of its shareholders or partners. The public sector's primary responsibility is to serve a civic duty. Until more of a focus is put on investing in qualified, public sector senior operatives with commercial awareness, these conflicting objectives will continue to play out in the private sector's favour.



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