

# CASE STUDY

## Early Payment Service, South Tyneside Council

As the focus on COVID-19 shifts to recovery and growth, local authorities are considering how to continue to support suppliers in maintaining cash flow.

An **early payment service** can help meet this requirement, enabling local authorities to pay suppliers ahead of standard terms, in exchange for a low pre-agreed discount.





*Peter Lawton, Procurement Lead at South Tyneside Council, explains how an early payment solution has delivered positive outcomes for the local authority and its suppliers.*

## Why did South Tyneside introduce an early payment solution?

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**Peter Lawton**

Procurement Lead at South Tyneside Council

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In 2015, South Tyneside Council procured an early payment service to help suppliers maintain cash flow in challenging times. Oxygen Finance, a leading provider of early payment solutions, was appointed to deliver and manage the service.

Clearly local authority resource does not allow for all suppliers to be paid immediately; the process of receiving invoices, verifying information and then processing payments is time-consuming. South Tyneside's accounts payable team comprises eight members of staff and shortening the 30 day standard terms for all invoice payments would not be sustainable.

By adopting an early payment service, the council was able to pay participating suppliers within 10 days on average. Oxygen, through their technology, support the entire payment process, allowing the council to focus on its other stakeholders.

The council also recognised the additional benefits of implementing the scheme. Whilst early payment is at the heart of the service offered by Oxygen, additional features include e-invoicing, process efficiencies and access to management information and market insights. All of which create operational efficiencies that benefit both the local authority and suppliers.”



South Tyneside Council partnered with Oxygen Finance to introduce the programme and has become a role model for other councils that wish to improve their P2P processes and generate a new income stream. Oxygen has a wealth of experience with public sector clients and continue to drive efficiencies through e-invoicing, income savings, as well as social value benefits.



**Martin Swales**  
Chief Executive at Oxygen Finance

## The approach

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Flexibility is a core feature of the early payment service. The programme recognises that one size does not fit all, and can be adapted to suit spend category profiles and supplier demographics. It can also be used in parallel with other preferential payment schemes, such as those for local suppliers to achieve accelerated payments with no discount applied, supporting local and regional supply chains.

When onboarding suppliers to the scheme, South Tyneside Council and Oxygen held individual meetings with incumbent suppliers to discuss the early payment service and address any queries. In addition, the early payment service was built into tender documentation to aid take-up in future contractual relationships.

# The results

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The early payment scheme has unlocked a range of benefits for South Tyneside Council and its suppliers:



South Tyneside Council's early payment service has grown since 2015 to **include over 240 suppliers**, representing spend in excess of £60m.



On average suppliers participating in the programme are paid **within 10 days** (compared to 30 day standard terms).



Generated approximately **£1.2m savings**.



Secured **financial benefits** and allowed the council to deliver a balanced budget and protect frontline services for the benefit of the community and its residents.



Access to daily management information highlighting progress and features such as top gains/losses and current days to pay, aids continuous **business and process improvements**.



## Get in touch with NEPO

Building on the strengths and insight from South Tyneside's programme, [NEPO521 Early Payment Service](#) was launched in May 2020. The solution is delivered by Oxygen Finance and is available for use by the wider UK public sector.



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