### Segment 4.4 Controlling Expenditures on Goods and Services

**Level:** Operational  

**Theme:** Spend Management

<table>
<thead>
<tr>
<th>Knowledge: Will know and understand</th>
<th>Capabilities: Will be able to</th>
</tr>
</thead>
<tbody>
<tr>
<td>The typical breakdown of organisational costs represented by goods, services or constructional works</td>
<td>Collate data and estimate the breakdown of organisational costs represented by goods, services or constructional works</td>
</tr>
</tbody>
</table>

The sources of added value that can be achieved through effective procurement and supply including:

- Competitive pricing
- Reduced total costs of ownership
- Improved quality
- Delivery performance and time to market
- Reduced stockholding, quantities of resources matching demand
- Innovation
- Sustainability

Advise colleagues and other internal stakeholders on the main sources of added value that can be achieved through effective procurement and supply

The use and content of business cases to justify expenditures on supplies, services or projects including:

- Costs
- Benefits
- Options
- Alignment with organisational needs
- Timescales

Develop and effectively present business cases to justify expenditures and advise colleagues or other stakeholders of their contents
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<th>Knowledge: Will know and understand</th>
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</tr>
</thead>
<tbody>
<tr>
<td>The creation of financial budgets for the control of procurements</td>
<td>Estimate the costs and prices of procurements that may be required to complete the financial budgets operated by colleagues or other internal stakeholders</td>
</tr>
<tr>
<td>The operation of financial budgets for the control of procurements</td>
<td>Advise internal stakeholders on the operation of financial budgets and assess the causes of variances to planned expenditures on procurements of goods or services</td>
</tr>
</tbody>
</table>

The main types of pricing arrangements in commercial agreements including:

- Pricing schedules
- Fixed pricing arrangements
- Cost plus and cost reimbursable pricing arrangements
- Indexation and price adjustment formulae
- Incentivised gain share pricing
- Payment terms
- The use of open book costing and adjustments

Monitor pricing arrangements in commercial agreements to ensure effective price and cost management

Related CIPS Knowledge Links

Continuous Improvement - [http://www.cips.org/Knowledge/Procurement-topics-and-skills/#6906](http://www.cips.org/Knowledge/Procurement-topics-and-skills/#6906)

