



# The Global Standard for Procurement and Supply

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Leading global excellence in procurement and supply

# Segment 4.4 Controlling Expenditures on Goods and Services

**Level:** Operational

**Theme:** Spend Management

Knowledge: Will know and understand	Capabilities: Will be able to
The typical breakdown of organisational costs represented by goods, services or works	Collate data and estimate the breakdown of organisational costs represented by goods, services or works
The causes or triggers of expenditure with suppliers	Evaluate opportunities to avoid expenditure with suppliers
The sources of value that can be achieved through effective procurement and supply including: <ul data-bbox="199 1294 746 1711" style="list-style-type: none"><li>• Competitive pricing</li><li>• Reduced total costs of ownership</li><li>• Improved quality</li><li>• Delivery performance and time to market</li><li>• Reduced stockholding</li><li>• Quantities of resources</li><li>• Matching demand</li><li>• Innovation</li><li>• Sustainable procurement</li></ul>	Advise colleagues and other internal stakeholders on the main sources of value that can be achieved through effective procurement and supply activities

## Knowledge: Will know and understand

## Capabilities: Will be able to

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

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

Develop and effectively present business cases to justify expenditure. Advise colleagues and other stakeholders of the contents and outcomes of business cases

The creation of financial budgets for the control of procurement

Estimate the costs and prices of procurement that may be required to complete the financial budgets operated by colleagues or other internal stakeholders

The operation of financial budgets for the control of procurement

Advise internal stakeholders on the operation of financial budgets and assess the causes of variances compared with planned expenditure related to the procurement of goods or services

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)

[Business Case Development - http://www.cips.org/Knowledge/Procurement-topics-and-skills/Strategy-policy/Business-Case-Development/](http://www.cips.org/Knowledge/Procurement-topics-and-skills/Strategy-policy/Business-Case-Development/)

[Contract Management - http://www.cips.org/Knowledge/Procurement-topics-and-skills/Developing-and-managing-contracts/Contract-Management1/](http://www.cips.org/Knowledge/Procurement-topics-and-skills/Developing-and-managing-contracts/Contract-Management1/)

[Data Analysis / Business Intelligence - http://www.cips.org/Knowledge/Procurement-topics-and-skills/Understand-Need---Market-and-options-assessment/Data-Analysis--Business-Intelligence/](http://www.cips.org/Knowledge/Procurement-topics-and-skills/Understand-Need---Market-and-options-assessment/Data-Analysis--Business-Intelligence/)

[Efficiency - http://www.cips.org/Knowledge/Procurement-topics-and-skills/#6901](http://www.cips.org/Knowledge/Procurement-topics-and-skills/#6901)

[Financial Analysis and Reporting for Purchasers - http://www.cips.org/Knowledge/Procurement-topics-and-skills/People-and-skills/Financial-Analysis-and-Reporting-for-Purchasers/](http://www.cips.org/Knowledge/Procurement-topics-and-skills/People-and-skills/Financial-Analysis-and-Reporting-for-Purchasers/)

[Terms and Conditions and the Developing of Contracts - http://www.cips.org/Knowledge/Procurement-topics-and-skills/Developing-and-managing-contracts/Terms-and-Conditions-and-the-Developing-of-Contracts/](http://www.cips.org/Knowledge/Procurement-topics-and-skills/Developing-and-managing-contracts/Terms-and-Conditions-and-the-Developing-of-Contracts/)

[Stakeholders - http://www.cips.org/en-GB/Knowledge/Procurement-topics-and-skills/Procurement-Organisation/Stakeholders/](http://www.cips.org/en-GB/Knowledge/Procurement-topics-and-skills/Procurement-Organisation/Stakeholders/)

[Sustainable and Ethical Procurement - https://www.cips.org/en-GB/Knowledge/Procurement-topics-and-skills/Sustainability/Sustainable-and-Ethical-Procurement/](https://www.cips.org/en-GB/Knowledge/Procurement-topics-and-skills/Sustainability/Sustainable-and-Ethical-Procurement/)