



Efficiency and Performance Sub (Finance) Committee

Date: TUESDAY, 18 SEPTEMBER 2012
Time: 1.45 pm
Venue: COMMITTEE ROOM - 2ND FLOOR WEST WING, GUILDHALL

**7. REVIEW OF THE PROCUREMENT AND PROCURE TO PAY (PP2P)
PROGRAMME**

Report of the Chamberlain.

Item received too late for circulation in conjunction with the Agenda.

**John Barradell
Town Clerk and Chief Executive**

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Agenda Item 7

Committee(s):	Date(s):
Efficiency and Performance Sub-Committee of Finance Committee	18 September 2012
Subject: Addendum - Review of the Procurement and Procure to Pay (PP2P) Programme	Public
Report of: Chamberlain	For Information
<u>Summary</u>	
<p>This addendum to the report on the review of the PP2P programme has been drafted to show all the information relating to savings and fees as used by officers. It sets out the detailed information relating to Year 1, the current information for Year 2 and the forecasts for years 3, 4 and 5 of the programme.</p> <p>The purpose of the report is to inform members of the data which is available so that members may select the data which should be included in the monthly Finance Committee reports.</p> <p>Recommendations</p> <ul style="list-style-type: none">• Members are asked to receive this report and comment on the metrics that should be reported to Finance Committee on a monthly basis.	

Main Report

Background

1. This addendum contains the detail of the savings forecasts, actual savings to date, the forecast for the remainder of the programme and the associated fees paid to Accenture.
2. The information has been included in different reports and from this comprehensive set of metrics we want to seek the views of the sub-Committee regarding the information should be contained in the monthly update on the PP2P programme for the future.

Savings

3. There are a number of ways in which the savings from this programme are being tracked. Contractually we have annual targets which drive an element of the fees which Accenture receive for delivering the savings

element of the programme. We also report the savings on the basis of the value they deliver against the overall target of £30.1m and the value of the savings compared to the ongoing annual value. The estimate for that being £9.4m per annum.

Fees

4. The fees paid to Accenture are made up of three elements as discussed in the main report. These are analysed in Table 2 of Appendix 1 showing the fixed and the two variable elements which we pay to Accenture. This shows that the savings related element is a small part of the fees overall.

Appendices

5. There are three appendices which have been compiled to show how much information we have and how we use it to track the progress of the project. This is all maintained on an ongoing basis but it is a complex model because of the very way in which it was put together.
6. Appendix 1 sets out the detail of savings, fees and what has been delivered up to end of August. Appendix 2 shows how we can represent this graphically. Appendix 3 is the tabular version of the figures which drive the graphs.

Conclusion

7. We have always felt that the key financial parameters for the programme are:
 - the comparison of actual savings against the forecast savings; and
 - the comparison of actual fees against the forecast fees,

which together produce the break-even point. If members agree with this then we would recommend that we continue to produce Appendices 2 and 3 for the main Finance Committee report and from time to time e.g. at the end of each project year or for target setting prior to a new project year, we give the detail contained in Appendix 1.

Background Papers:

Procurement & Procure to Pay report and Addendum – (Finance Committee 24/01/12)

Procurement & Procure to Pay – Due Diligence (Finance Committee 26/07/11)

Efficiency Review – Procurement and Procure to Pay (Finance Committee 23/11/10)

Procurement and Procure to Pay Efficiency Review (PP2P) – Further Report (Finance Committee 14/12/10)

PP2P Update Report (Efficiency & Performance Sub Committee 23/5/11)
Procurement & Procure to Pay Updates (Finance Committee 28/6/11, 20/9/11,
18/10/11, 15/11/11, 13/12/11, 24/01/12, 21/02/12, 20/03/12, 01/05/12, 26/06/12,
25/07/12, 04/09/12)

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Summary of the metrics used to measure the progress to targets

Table 1 – Annual savings

This shows the annual savings targets at the due diligence stage compared to the actual annual confirmed savings as at 31st August 2012. The forecast annual savings are what are expected for the remainder of the programme.

Year	Annual Savings Target at Due Diligence (£000)	Actual Confirmed Annual Savings (£000)	Forecast savings (£000)
1	723	323	323
2	3,657	2,663	3,181
3	7,029		7,000
4	9,133		9,100
5	9,589		9,600
Grand Total	30,130	2,985	29,203

Table 2 – Fees summary

This table sets out the fees that we expected to pay to Accenture and the actual fees paid up to 31st August 2012. It is split across the three different fee elements

Year		Fees Target at Due Diligence (£000)	Fees Paid to Date (£000)	Forecast Annual Fees (£000)
1	Fixed	1,415	1,415	1,415
	Variable – milestones	293	293	293
	Variable – savings	1,173	233	233
2	Fixed	2,018	1,315	2,018
	Variable – milestones	409	259	409
	Variable – savings	1,636	607	1,609
3	Fixed	1,326		1,326
	Variable – milestones	224		224
	Variable – savings	673		673
4	Fixed	1,278		1,278
	Variable – milestones	216		216
	Variable – savings	649		649
5	Fixed	611		611
	Variable – milestones	105		105
	Variable – savings	316		317
	Grand Total	12,344	4,121	11,378

Table 3 – Cashflow actual and forecast

This table summarises the forecast savings, forecast total fees and the forecast net position as at 31st August 2012.

Year	*Forecast Savings (£000s)	*Forecast Total Fees (£000s)	Summary Cash Flow position (£000s)
1	323	1,941	(1,619)
2	3,181	4,036	(855)
3	7,000	2,224	4,776
4	9,100	2,144	6,956
5	9,600	1,033	8,567
Grand Total	29,203	11,378	17,826

* Year 1 figures are actuals, year 2 are actuals to end of August plus forecasts to end of February 2012.

Table 4 – Year 1 individual projects

This table sets out the detail of how the £323,000 savings were achieved in the first year of the programme (1st March 2011 to 29th February 2012) compared to the targets for each of the projects.

Savings Tracker year 1 (£000)

		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1 Forecast	Year 1 Target
		Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12		
Construction	Status														
Phase 2 - FM Conway Rebate	complete	-	-	-	-	-	-	-	-	-	-	2	43	45	90
Phase 2 - PA Finlay Rebate	complete	-	-	-	-	-	-	-	-	-	-	-	43	43	85
		-	-	-	-	-	-	-	-	-	-	2	-	2	4
IT										49		24	17	90	180
Mobile Telephony	complete	-	-	-	-	-	-	-	-	-	-	24	12	36	72
Fixed Telecoms - Daisy	complete	-	-	-	-	-	-	-	-	-	-	-	5	5	10
Phase 2 - Konica Minolta Rebate	complete	-	-	-	-	-	-	-	-	49	-	-	-	49	98
Print (Phase 1 "MFDs")	moved to year 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Soft FM										22	39	35	28	124	248
Water Credit	complete	-	-	-	-	-	-	-	-	-	9	-	-	9	17
Water On-Going	complete	-	-	-	-	-	-	-	-	-	2	0	0	2	4
Postal Services	complete	-	-	-	-	-	-	-	-	-	-	6	2	8	15
Office supplies - paper & stationery	complete	-	-	-	-	-	-	-	-	-	21	7	7	35	69
Office supplies - print cartridges	complete	-	-	-	-	-	-	-	-	-	-	14	7	22	43
Cleaning Materials	complete	-	-	-	-	-	-	-	-	22	7	7	7	45	89
Phase 2 - Water 2 Credit (Epping Forest)	complete	-	-	-	-	-	-	-	-	-	-	-	2	2	4
Water On-Going 2 (Epping Forest)	complete	-	-	-	-	-	-	-	-	-	-	-	1	1	2
Furniture	complete	-	-	-	-	-	-	-	-	-	-	-	2	2	4
Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
HR												7	57	64	128
R&PNA	complete	-	-	-	-	-	-	-	-	-	-	-	12	12	23
Comensura - forward overtime	complete	-	-	-	-	-	-	-	-	-	-	7	3	10	20
Comensura Compliance	complete	-	-	-	-	-	-	-	-	-	-	-	23	23	46
Phase 1 - Comensura Rebate Q1 & Q2 2012	complete	-	-	-	-	-	-	-	-	-	-	-	19	19	39
Recruitment Advertising	removed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Training Courses	moved to year 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Custody Medical Services	moved to year 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Occupational Health	moved to year 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHER from DUE DILIGENCE FILE															128
R&M - Buildings	moved to year 2	-	-	-	-	-	-	-	-	-	-	-	-	-	23
R&M - Highways	moved to year 2	-	-	-	-	-	-	-	-	-	-	-	-	-	20
Phase 1 - Office Depot	moved to year 2	-	-	-	-	-	-	-	-	-	-	-	-	-	46
Phase 1 - Greenham	moved to year 2	-	-	-	-	-	-	-	-	-	-	-	-	-	39
Phase 3 (including Kent County Supplies = £9.5m)	moved to year 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxi services	moved to year 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	71	39	67	145	323	773

Table 5 – Year 2 projects and progress as at 31st August 2012

This table shows the progress to the annual target for year 2 and includes the ongoing savings from the year 1 projects detailed above in Table 4

Year 2 Savings Tracker (£0000)		Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24	Year 2 Forecast	Year 2 Target
		Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	775	727
Year 1 Savings Run Rate		63	63	63	63	63	64	83	63	73	56	56	66		
Construction														1,084	1,201
	Status	-	-	-	-	94	94	94	272	132	132	132	132		
BR&M Implementation of current scope	G	-	-	-	-	94	94	94	162	111	111	111	111	891	1,013
Minor Projects & Refurbishments	G	-	-	-	-	-	-	-	62	21	21	21	21	146	188
Major Projects	G	-	-	-	-	-	-	-	47	-	-	-	-	47	-
Medium Projects	G	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community and Children's Services R&M (Section 20)	G	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Highways R&M														1,103	1,149
Highways R&M	Complete	-	-	-	-	130	146	138	138	138	138	138	138	1,103	-
Schemes														-	-
IT														55	27
Print Phase 2	G	-	-	-	-	-	-	-	5	1	1	1	1	10	3
CCTV & ANPR	R	-	-	-	-	-	-	-	-	-	4	4	4	13	17
Fixed Telecoms CoLP + CoL	A	-	-	-	-	-	-	-	-	-	-	-	2	2	
Network Cabling	A	-	-	-	-	-	-	-	-	1	1	1	1	6	6
Barbican Radio Microphones	Complete	-	-	-	-	-	25	-	-	-	-	-	-	25	-
Soft FM														99	87
Catering	G	-	-	-	-	-	-	2	1	13	21	21	21	-	-
Car Parking Negotiation	G	-	-	-	-	-	2	1	10	10	10	10	10	54	16
Electric and Gas - Liquid Fuels	A	-	-	-	-	-	-	-	2	2	2	2	2	10	29
Electric and Gas - EDF Quarterly Meters	Removed	-	-	-	-	-	-	-	-	-	-	-	-	-	5
Electric and Gas - Invoice Consolidation	A	-	-	-	-	-	-	-	-	8	8	8	8	32	32
Pest Control	G	-	-	-	-	-	-	-	0	0	0	0	0	2	3
Water	Removed	-	-	-	-	-	-	-	-	-	-	-	-	-	2
Couriers	G	-	-	-	-	-	-	-	-	-	0	0	0	1	1
Water Coolers	G	-	-	-	-	-	-	-	-	-	-	-	-	-	-
HR														37	33
Clothing, Uniforms and Safety Apparel	G	-	-	-	-	-	-	-	-	2	2	2	2	9	9
Training and Education	A	-	-	-	-	-	-	-	-	-	-	4	4	8	8
Occupational Health	A	-	-	-	-	-	-	-	11	2	2	2	2	20	16
Temporary Labour New Contract	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property Professional Services														16	16
PS - Engineering, Architects, CDM	G	-	-	-	-	-	-	-	-	-	3	3	10	16	16
Other														12	19
eMarketplace Product Rationalisation	A	-	-	-	-	-	-	-	2	2	2	2	2	12	19
		63	63	63	63	288	330	315	505	373	364	368	386	3,181	3,259

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Potential Project Dashboard – graphical formats

This dashboard sets out the graphs which can be used to demonstrate the progress towards the various measures that we are tracking to ensure that we meet the annual targets agreed as part of the contract, the total projected savings and the ongoing annual value of savings. Each of the three blocks is explained here.

1. Programme Measures – Our expectation of the programme
 - a. Signed off savings shows how we have accumulated £15m of the £30.1m projected period over the months of the contract – so if we made no more savings this is the total savings which would be attributable to the project.
 - b. Forecast savings shows the way we expect to progress to the £30.1m target
 - c. 12 month run rate savings – shows how we expect to build up to the ongoing savings of £9.4m.

Each graph has a vertical line show the current time – these have been run up to September 11th 2012

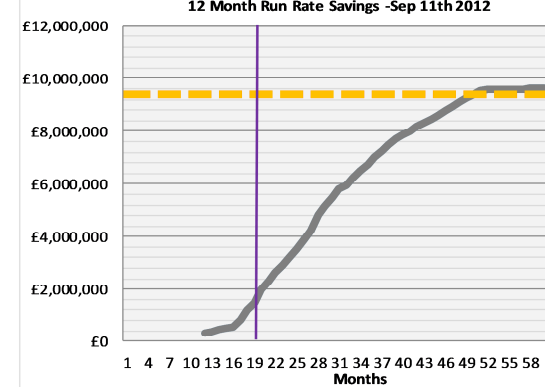
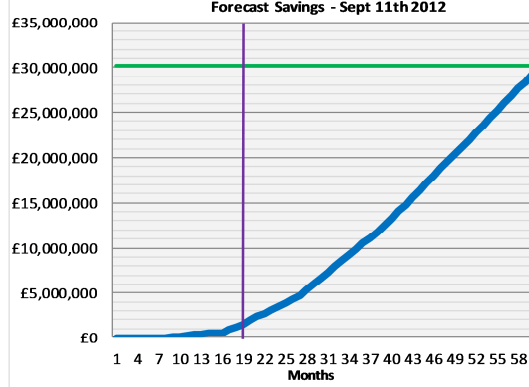
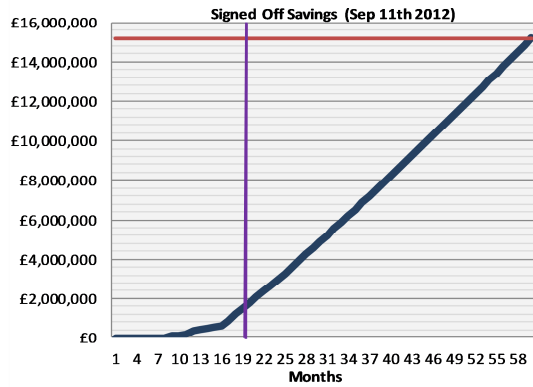
Current Position

- a. This shows the cumulative forecast savings with what has been achieved to the left of the vertical time line – this looks much like graph 1b at the moment but could change over time.
- b. This is the fees to Accenture showing the expected fees at due diligence in the highest line with a solid block to the left of the time line show actual paid to date (end of August 2012) and the ongoing hashed red line the expected fee rate if all savings are delivered.
- c. This shows where we expect the break-even point to occur – i.e. the point when the savings will match the fees paid across the entire programme including the fixed element.

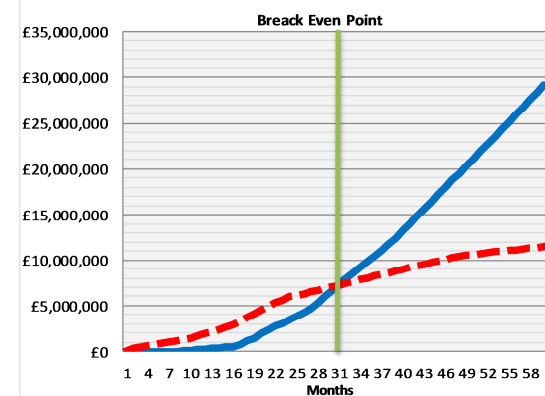
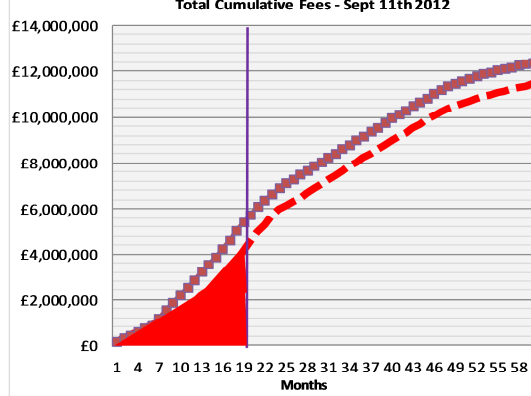
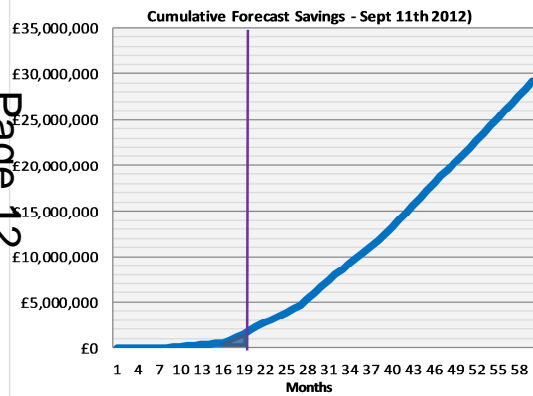
2. Annual target
 - a. Year 1 actual savings by category
 - b. Year 2 projected savings by category
 - c. Year 3 targets – shown numerically and legend for the graphs

PP2P status Dashboard

Programme Measures

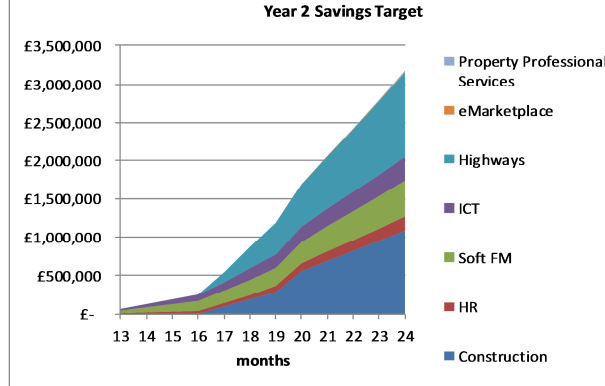
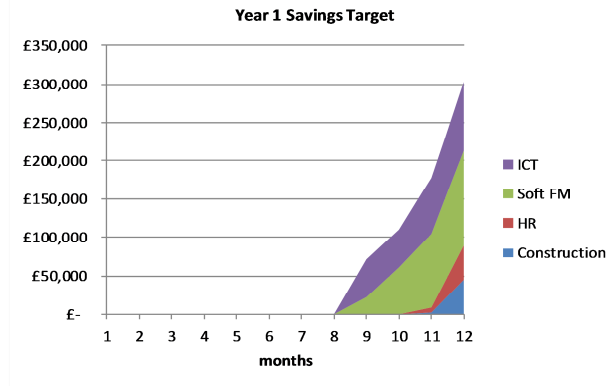


Current Position



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Annual Target



YEAR	SAVINGS TARGET	
3	£	7,000,000
4	£	9,100,000
5	£	9,600,000

- Key Legend**
- Signed Off Cumulative Savings
 - Signed Off Cumulative Target
 - Cumulative Forecast Savings
 - Cumulative Target Savings
 - 12 Month Forecast Run Rate Savings
 - 12 Month Run Rate Target
 - Cumulative Forecast Fees
 - Due Diligence Estimated Cumulative Fees
 - | Break Even Point
 - | Current month

PP2P ADDENDUM - APPENDIX 3

This Appendix sets out the measures in tabular format. These tables are used to produce some of the graphs in Appendix 2

Signed Off Savings (Sep 11th 2012)

	Signed Off Savings	Signed Off Cumulative Target
Y1	£ 322,715	
Y2	£ 2,946,457	
Y3	£ 6,850,556	
Y4	£ 10,959,752	
Y5	£ 15,164,664	£ 15,145,247

Forecast Savings - Sept 11th 2012

	Cumulative Forecast Savings	Cumulative Target Savings
Y1	£ 303,299	
Y2	£ 3,483,894	
Y3	£ 10,483,894	
Y4	£ 19,583,894	
Y5	£ 29,209,623	£ 30,130,062

12 Month Run Rate Savings - Sep 11th 2012

	12 Month Forecast Run Rate	12 Month Run Rate Target
Y1	£ 303,299	
Y2	£ 3,180,595	
Y3	£ 7,000,000	
Y4	£ 9,100,000	
Y5	£ 9,625,730	£ 9,400,000

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Cumulative Forecast Savings - Sept 11th 2012

	Cumulative Forecast Savings	Target Savings until Sept 12
Y1	£ 303,299	£ 303,299
Y2	£ 3,483,894	£ 1,488,352
Y3	£ 10,483,894	
Y4	£ 19,583,894	
Y5	£ 29,209,623	

Total Cumulative Fees - Sept 11th 2012

	Cumulative Forecast Fees	Due Diligence Cumulative Estimated Fees
Y1	£ 1,941,234	£ 2,880,913
Y2	£ 5,976,801	£ 6,943,820
Y3	£ 8,221,308	£ 9,188,327
Y4	£ 10,385,770	£ 11,352,789
Y5	£ 11,439,884	£ 12,406,056

Net cash flow forecast

	Cumulative Forecast Savings	Cumulative Forecast Fees	Net Position
Y1	£ 303,299	£ 1,941,234	(£1,637,935)
Y2	£ 3,483,894	£ 5,976,801	(£2,492,907)
Y3	£ 10,483,894	£ 8,221,308	£2,262,586
Y4	£ 19,583,894	£ 10,385,770	£9,198,124
Y5	£ 29,209,623	£ 11,439,884	£17,769,739

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