

Committee(s)	Dated:
Procurement Sub Committee	7 November 2018
Subject: City Procurement Quarterly Progress Report (November 2018)	Public
Report of: The Chamberlain	For Information
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Summary

The report updates Members on the work of City Procurement, key performance indicators and areas of progress as at the end September 2018.

Members are asked to:

Note the progress report on key strategic improvement projects and performance:

- i. Procurement savings at end of September 18 of £3.21m achieved against cumulative target of £3.12m.
- ii. Projecting year-end procurement savings of £6.77m against target of £6.52m.
- iii. Additionally, achieved Commercial Contract Management savings to date of £616k.
- iv. Purchase Order Compliance is at 97% for FY18/19 to date.
- v. For the first half of FY 18/19, 95% of all supplier payments are happening within 30 days whilst 80% of SME supplier payments are happening within 10 days. An action plan to improve and stabilise our 10-day payment performance has been devised.
- vi. Finally, 72% of invoices are currently received in True PDF format which is the compatible format required in preparation for a new e-invoicing system that should be in place by the end of FY 2018/19.
- vii. Waiver trends:
 - a) Number of waivers has reduced by 50% this year to date.
 - b) Non-compliant waivers have decreased by 78%.
 - c) 22 Procurement breaches in total recorded to date this year.

Main Report

Background

1. City Procurement has four main functions, Category Management/Sourcing, Commercial Contract Management, Accounts Payable and Policy and Compliance. This report updates on progress and current performance of delivery against the service KPIs set in the Chamberlain's Business Plan in April 2018.

Efficiency and Savings

2. City Procurement is set an annual savings target at the start of each year based on the contracts to be let during the financial year that have the potential to make

efficiency or cost savings and contracts let in previous years that are generating guaranteed savings in the current year. Each contract is reviewed by the relevant Category Board to set the targets: each contract target considers historic spend, scope changes, complexity, risk and industry benchmarks. The 2018/19 City Procurement target is £6.52m as approved at Finance Committee in June 2018.

The Annual Savings Target elements

3. The 2018/19 annual savings target was set using two types of in-year savings:
 - a. **Previously let contracts generating savings (known as run-rate)** – Savings already guaranteed for the current financial year from contracts let in previous years. This is for contracts that span different financial years and is typically for service contracts that are let for a 2-7 year period when the savings are spread across the contract life.
 - b. **New contracts let generating savings** – Savings targeted to be generated from new contracts let during the current financial year.
4. The savings targets are for competitive price savings and are not inclusive of scope changes/service downgrades or other operational decisions which are treated as local department savings.

Commercial Contract Management savings target

5. In addition to the City Procurement annual target, an additional savings target for Commercial Contract Management has been introduced. This relates to efficiencies and savings delivered within the duration of a contract. The 2018/19 Commercial Contract Management target is £1.27m.

2018/2019 Efficiencies and savings progress as at 31 July 2018

6. City Procurement to date has achieved £3.21m compared to the cumulative target of £3.12m for this period. In terms of the annual position, City Procurement is projecting a positive end of year position of realised savings totalling £6.77m against the target of £6.52m. Of the projected £6.77m total savings, £6.04m will be budget impact savings. (£780k new cashable this year).
7. Additionally, Commercial Contract Management efficiencies and savings have already been achieved this year. As a result, a total savings of £616k have contributed to the 2018/19 target of £1.27m. A regular update on Commercial Contract Management efficiencies and savings initiatives are to be reported at Procurement Sub-Committee.

Accounts Payable Performance – Compliance with No PO No Pay Policy

8. The Corporation's No Purchase Order (PO) No Pay Policy is now fully embedded, and we continue to achieve high levels of compliance. We achieved 97% compliance on average against our target for FY18/19 of 97% as at the end of September 2018.

Payment Performance

9. The Corporation's 30-day invoice paid-on-time performance is currently 95% (target 97%) for the period April – September 2018 inclusive.

10. Our 10-day SME invoice payment performance is 80% (target 85%) as at the end of September 2018. Unfortunately, the 10-day paid-on-time figure is falling short of the target, however we have exceeded 80% in 4 out of the first 6 months of FY 18/19, with a high of 84% in May, and we are taking measures to ensure further improvement. An action plan has been drawn up to seek to achieve the target (*subject of a separate paper on Procurement Sub November 2018 agenda*), and is as follows:

- Set up rules in Accounts Payable mailbox to prioritise SME invoices, to give them the best possible chance of being paid within 10 days. This was set up in September and we are intending to expand the scope of the rules.
- Add the SME flag on a supplier to the Expected Receipts report to help departments prioritise the receipting of SME purchase orders (POs).
- Give priority to SME invoices when chasing invoices on hold.
- Send an email to all staff who receive confirm receipt notifications, reminding them of the importance of receipting POs in a timely manner.
- Target low performing departments and analyse their invoices to identify the cause of their late payments and take preventative action.

Figure B – 30 Day Payment Performance trend report (Target 97%)

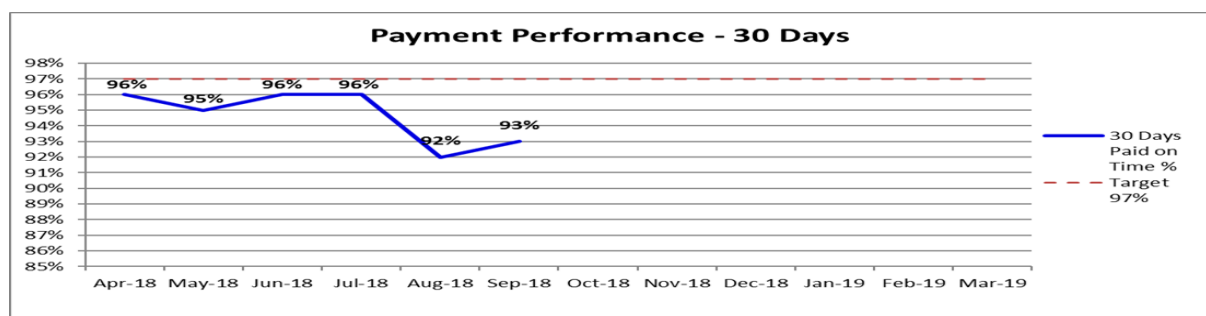
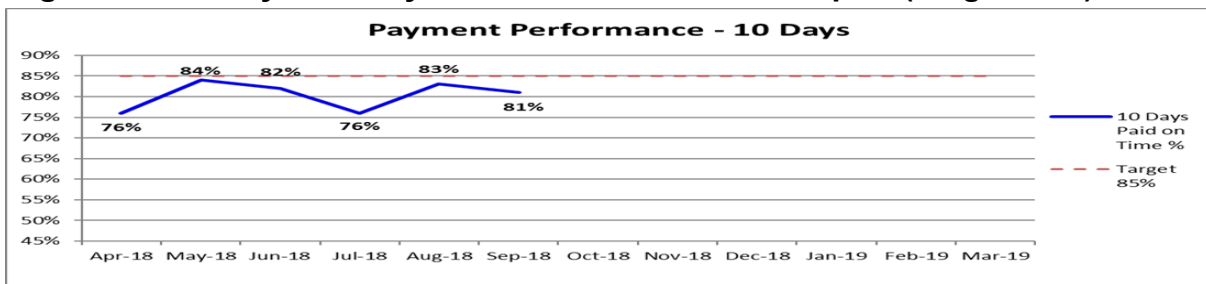


Figure C – 10 Day SME Payment Performance trend report (Target 85%)

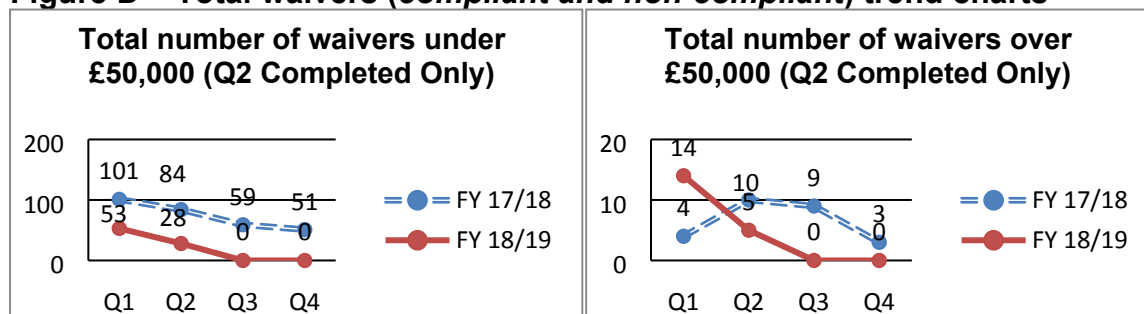


11. **True PDF Invoices Received** Starting from FY 18/19 City Procurement have been monitoring the number of invoices received in 'True PDF' format, which is the machine-readable format required for the new electronic invoicing system that is due to be introduced during FY 18/19. Of all invoices received from suppliers from April to September 2018 inclusive 72% were in the desired True PDF format. The figure for September alone is 74%, so we are trending upwards and are aiming to reach 80% by April 2019. The new e-invoicing technology should increase process efficiency whilst reducing error rates, as it eradicates the need for manual keying.

Current Waiver performance

12. This part of the report sets out the quarterly trend update on the approval of waivers. The following graphs compare the trend for the number of waivers from Q2 2017/18 and Q2 2018/19. Waivers for procurements valued under £50k require Chief Officer approval, while those above £50k require the approval of the appropriate spend Committee.

Figure D – Total waivers (compliant and non-compliant) trend charts



13. The total number of waivers completed between April and September 2018 inclusive is **100** (compared to 199 for same period in 2017/18), which breaks down as follows:

- a. Compliant Waivers **67** – (value £6.00m)
- b. Non-Compliant Waivers **33** – (value £1.45m)
 - i. Procurement Breaches (subset of Non-compliant total) **22** (£994k)

14. Trends:

- a. There were half as many waivers in the first two quarters of the current year as there were in the first two quarters of last year.
- b. Comparing the same two periods, the total number of non-compliant waivers has decreased by 78%.
- c. Non-compliant waivers make up 33% of all waivers completed during the first half of the current financial year.

Freedom of Information Requests

15. City Procurement have responded to 16 FOI requests during the period of April to September 18 totalling 25 hours of officer time.

Conclusion

16. City Procurement continues to achieve consistent performance, attaining the majority of its KPIs for the first half of the current financial year. The 10-day payment target remains challenging and our reliance on the business to goods receipt promptly adds to the challenge, but we are implementing measures to improve performance in this area. Aside from the 10-day payment performance, we are on track to achieve our service KPIs and over-achieve on Procurement Savings.

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