

Committee(s)	Dated:
Procurement Sub Committee Finance Committee	30 May 2019 18 June 2019
Subject: City Procurement Quarterly Progress Report – Year end position for 2018-2019 financial year.	Public
Report of: The Chamberlain	For Information
Report author: Chris Bell, Commercial Director, Chamberlain's	

Summary

The report updates Members on the work of City Procurement, key performance indicators and areas of progress.

Members are asked to:

Note the progress report on key strategic improvement projects and performance for the 2018/19 financial year (FY 18/19):

- i. A total savings achievement of £8.4m in 2018-2019 financial year
 - a. Procurement savings of £6.74m achieved against a target of £6.52m.
 - b. Commercial Contract Management (CCM) savings of £1.66m against a target of £1.27m.
- ii. Purchase order compliance of 97% (on target).
- iii. 94% of all supplier invoices were paid within 30 days (target of 97%)
- iv. 84% of SME invoices were paid within 10 days (target of 85%).
- v. Waiver trends:
 - a) Total number of waivers has reduced by 32% compared to the previous financial year.
 - b) Non-compliant waivers have decreased by 72% comparing the same periods.
 - c) A total of 42 Procurement Breach waivers recorded in 2018/19 with a value of £2.5m.

Main Report

Background

1. City Procurement has four main functions: Category Management/Sourcing, Commercial Contract Management, Accounts Payable and Policy and Compliance. This report provides an update on the progress and current performance 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 and each contract target considers historic spend, scope changes, complexity, risk and industry benchmarks. The

2018/19 City Procurement target was £6.52m as approved at Finance Committee in June 2018.

Commercial Contract Management savings target

3. In addition to the City Procurement annual target, a 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 was £1.27m.

The Annual Savings Target elements explained

4. 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-to-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.
5. 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.

Key Performance Indicator End of year results

2018/19 Efficiencies and savings progress as at 31 March 2019

6. City Procurement has achieved savings of £6.74m for FY 18/19 against a total target of £6.52m. Of the £6.74m total savings achieved, £5.78m were budget impact savings of which £523k were newly generated cashable in year.
7. Commercial Contract Management has achieved total efficiencies and savings of £1.66m for FY 18/19 against a total target of £1.27m.

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% PO compliance for FY 18/19, therefore hitting our target of 97%.

Payment Performance

9. The Corporation's 30-day invoices paid-on-time performance for FY 18/19 is 94% against the target of 97%.
10. Our 10-day SME invoice payment performance for FY 18/19 is 84% (target 85%). Due to the action plan that was drawn up in early Q3 and the decision to use working days as the basis for our 10-day performance objective, we have achieved over 90% on a few occasions since October. Unfortunately, we have fallen just short of the target during the financial year, but the last six months' figures have been positive, with 89% of 10-day invoices being paid on time.

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

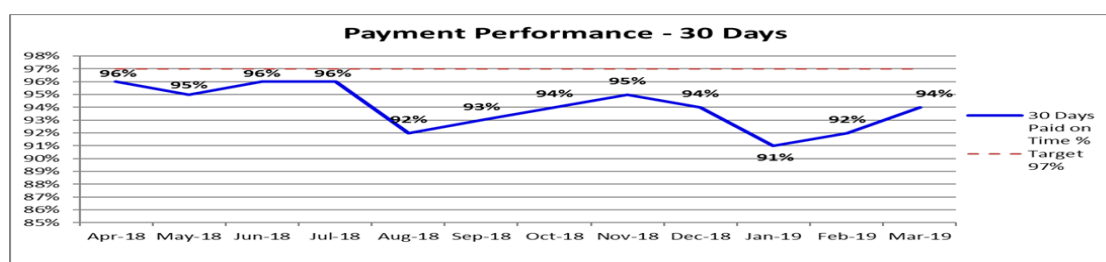
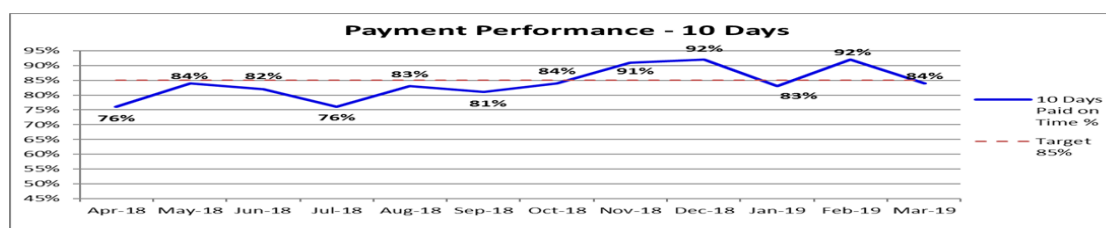


Figure B – 10 Day SM

E Payment Performance trend report (Target 85%)



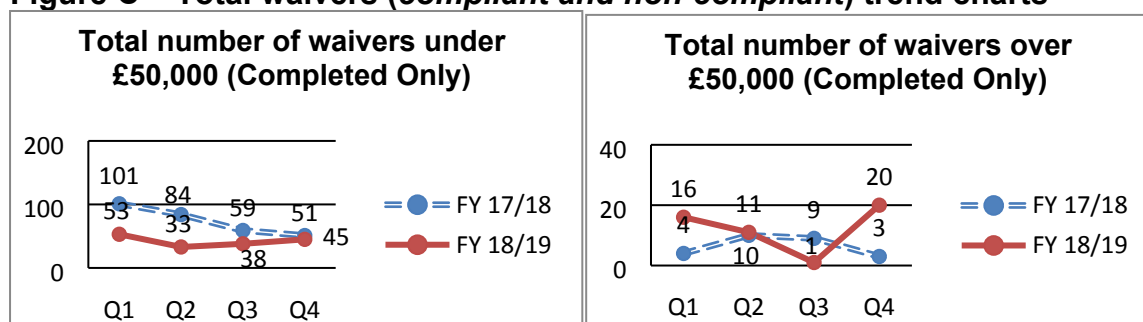
True PDF Invoices Received

11. City Procurement has 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 was due to be introduced during FY 18/19. Our contract with Basware commenced on 1 February and we are currently in the process of onboarding suppliers with the expectation that the first batch of invoices will be uploaded to Oracle via the e-invoicing solution in May 2019.
12. Of all the invoices received from suppliers in FY 18/19, 72% were in the desired True PDF format. 78%, our highest figure to date, was achieved in February 2019 and shows that we are moving in the right direction, and that we are not far off the 80% we hoped to reach by year-end.
13. The new e-invoicing technology should increase process efficiency whilst reducing error rates, as it eradicates the need for manual keying.

Waiver performance

14. 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 FY 17/18 and FY 18/19. Waivers for procurements valued under £50k require Chief Officer approval, while those above £50k require the approval of the appropriate spend Committee.

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



15. The total number of waivers completed in FY 18/19 is **217** (*compared to 267 in 2017/18*), which breaks down as follows:

- a. Compliant Waivers **154** – (value £15.1m)
- b. Non-Compliant Waivers **63** – (value £3.18m)
 - i. Procurement Breaches (*subset of Non-compliant total*) **42** (£2.5m)

16. Waiver Trends:

- a. There has been a reduction in the number and value of waivers completed in FY 18/19 by comparison to the previous financial year (32% decrease in number of waivers and an 8% decrease in the total value).
- b. Comparing the two years, the total number of non-compliant waivers has decreased by 72%, with the value of non-compliant waivers also decreasing by 72%. This shows the positive impact of the Waiver Danger campaign of last year.
- c. Non-compliant waivers make up 29% of all waivers completed during FY 18/19, and 17% of the total value.

17. A separate end of year paper on waivers will be presented on the agenda of the May 2019 Procurement Sub Committee holding more detailed analysis and breakdown information.

Transactional End of year statistics

Invoices Processed

18. The total number of invoices processed during FY 18/19 was 100,598. This is consistent with previous years, this includes 8,936 interfaced transactions, with 91,662 transactions being entered manually. A breakdown of invoices for the last three financial years is provided below.

Financial Year	No of Manual Invoices Processed	No of Interfaced Invoices	Total No of Invoices
2016/17	92,851	7,444	100,295
2017/18	93,122	8,628	101,750
2018/19	91,662	8,936	100,598
Total Last 3 Years	277,635	25,008	302,643

Purchase Card (P-card) Transactions

19. The total number of P-card transactions processed for FY 18/19 was 53,588, amounting to a total spend of £5.5m. Please find below a chart detailing the number of transactions and the spend across the last three Financial Years.

Financial Year	No of P-card Transactions	Total Spend
2016/17	48,779	£4,777,120.55
2017/18	49,892	£5,163,460.33
2018/19	53,588	£5,561,106.31
Total Last 3 Years	152,259	£15,501,687.19

Procurement Exercises Breakdown

20. The Sourcing and Category Management team have completed 357 procurement exercises end to end during 2018/19 with 18% of these being full OJEU compliant exercises, 19% being via internal and external frameworks and the remaining 63% being run as tactical sub-OJEU level request for quotations exercises. Some examples of key projects delivered this year can be found at Appendix 1. A breakdown of procurement exercises for FY 18/19.

Procurement Exercises	Goods and Services	Works	Total
Executed Contracts Above OJEU	42	21	63
Executed Contracts Sub OJEU	194	31	225
Via Framework	48	21	69
Total	284	73	357

Contracts Extended and Change Controls Managed via CCM

21. The total number of contract extensions managed by CCM in FY 18/19 was 31, with 17 change controls managed.

Freedom of Information Requests

22. City Procurement have responded to 33 FOI requests in FY 18/19, totalling to 68 hours of officer time.

City Procurement Budgetary performance – End of year position

23. City Procurement's budget outturn position was 4% (£110k) below the full year budget allocated for 2018/19. This was mainly due to vacancies and posts frozen during the delivery year.

Description	Type of budget	2018-19 Outturn			
		Full year Budget £'000	Actual Outturn £'000	Better / (Worse) £'000	Better / (Worse) %
Leadership, admin and non-staffing	Gross Exp	176	158	18	10
Leadership, admin and non-staffing	Gross Inc	(128)	(73)	(55)	(43)
Accounts Payable	Gross Exp	890	827	63	7
Sourcing & Category Management	Gross Exp	1,275	1,216	59	5
Business Enablement	Gross Exp	329	330	(1)	(0)
Commercial Contract Management	Gross Exp	538	436	102	19
Vacancy allowance (budget only)	Gross Exp	(76)	0	(76)	(100)
		3,004	2,894	110	4

Conclusion

24. City Procurement continues to achieve a high level of performance, meeting or surpassing most of its KPIs for FY 18/19. The two main savings targets were exceeded by a total of £0.61m. The improvement in the 10-day payment performance over the last six months bodes well for 2019/20. The 30-day figure needs improvement, but we fell just short of the target in March, achieving 96%, and we are well placed to maximise the efficiencies offered by the new e-invoicing solution. Waiver compliance has improved significantly with only 28% of waivers being non-compliant at the end of FY 18/19, compared with 47% a year earlier. We have therefore met all our service KPIs, except for payment performance, and we have overachieved on procurement savings.

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Appendix 1 – Summary of key procurement projects delivered in 2018-19

- a) **Waste Collection, Street Cleansing and Ancillary Services:** Contract value: £7,160,166 per annum, equating to £57,281,328 over 8 years. Replacement of the City's waste collection and street cleansing services contract awarded to Veolia ES (UK) Limited for an initial period of 8 years. The new contract seeks to improve innovation and adopt an electric fleet throughout the duration of the contract.
- b) **Housing Repairs and Maintenance Contracts:** Contracts value: Lot 1 – HRA £1,360,000 per annum over 5 years, Lot 2 – Barbican Estates £957,000 per annum over 5 years. Re-tender of existing HRA and Barbican Estates repairs and maintenance services, consolidating a number of repairs and maintenance requirements into 2 overarching contracts.
- c) **Barbican Centre Ticketing & Fundraising System:** Estimated contract value: £1,540,000. Procurement of a replacement ticketing system, which will also incorporate other separate systems for fundraising and mass mailing at the Barbican. The new ticketing system will link to existing databases managed by the Barbican's in-house IT team. The new supplier, Spektrix were awarded a contract for 5 years, with the provision to extend for an additional 2 years.
- d) **New Corporate Website** - Estimated Contract Value: £230,000. Procured an externally supported and hosted corporate website to replace the current website which was set up on SharePoint 2010 and is end of life. The new supplier, Zengenti were awarded a contract for 2 years, with the provision to extend annually up to 2 further years.
- e) **Early Intervention & Prevention** - Estimated Contract Values: Lot 1: City Community Connections Services, £1,000,000, Lot 2: City Finance Services, £110,000 The City re-procured and rationalised its contracts for early intervention and prevention services to adults in their homes, in the wider community and in the Corporation's sheltered housing stock. The new service offer was divided into 2 Lots. For Lot 1, this was awarded to Age UK East London and Lot 2, this was awarded to Barrie Bookkeeping & Payroll Solutions both for 3 years, with the provision to extend for an additional 2 years.
- f) **Intermediate and Major Works Frameworks:** The City now has put framework contracts in place owned by the City for all works between the project estimates of £250,000 and £15,000,000. These are broken up into intermediate works and Major Work.
 - a. **Intermediate Works** has an estimated value of £43 million over 4 years and is split up between Building Fabric and Mechanical and Electrical Works for Projects valued between £250,000 and £1,000,000. The Frameworks are structured with 4 suppliers all invited to provide a Price and Quality response for every requirement, there is no direct award element, all tenders must be competed.

- b. **Mayor Works** has an estimated value of £700 million over 4 years and is split up between different value bandings (£1m - £4.6m & £4.6m to £15m) and Sectors (General Buildings & Housing). The 3 Frameworks are structured with 6 suppliers all invited to provide a Price and Quality response for every requirement, there is no direct award element, all tenders must be competed.