

Committee(s)	Dated:
Procurement Sub Committee Finance Committee	24 September 2019 15 October 2019
Subject: City Procurement Quarterly Progress Report	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. The report was scrutinised at September 2019 Procurement Sub-Committee with Members noting the positive performance whilst challenging the service to further enhance its payment performance to meet targets.

Members are asked to:

Note the progress report on key strategic improvement projects and performance for Q1 of 2019/20 financial year (FY 19/20):

- i. Procurement savings at end of June 2019 of £1.9m, made up of £235k Commercial Contract Management savings and £1.69m Sourcing & Category Management savings
- ii. Purchase order compliance of 98% (target 97%).
- iii. 95% of all supplier invoices were paid within 30 days (target of 97%)
- iv. 86% of SME invoices were paid within 10 days (target of 88%).
- v. 80% of invoices are currently received in True PDF format (target of 75%)
- vi. Waiver trends:
 - a) Total number of waivers has reduced by 11% compared to same period during the previous financial year.
 - b) Non-compliant waivers have decreased by 33% comparing the same period during the last financial year.
 - c) A total of 8 Procurement Breach waivers have been recorded in Q1 2019/20 with a value of £272k.

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 2019.

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 2019/20 City Procurement target set is £6.1m.

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 2019/20 Commercial Contract Management target is £1.18m.

The Annual Savings Target elements explained

4. The 2019/20 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.

2019/20 Efficiencies and savings progress as at 30 June 2019

6. Sourcing & Category Management achieved savings of £1.69m in Q1 compared to the cumulative target of £1.53m for this period.
7. Additionally, Commercial Contract Management achieved total efficiencies and savings of £235k compared to the cumulative target of £294k for this period.

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 98% PO compliance for Q1 FY 19/20, therefore hitting our target of 97%.

Payment Performance

9. The Corporation's 30-day invoices paid-on-time performance for Q1 FY 19/20 is 95%, slightly below the target of 97%.
10. Our 10-day SME invoice payment performance for Q1 FY 19/20 is 86%, falling just short of the 88% target. Further investigation will take place to identify reasons for late payment.

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

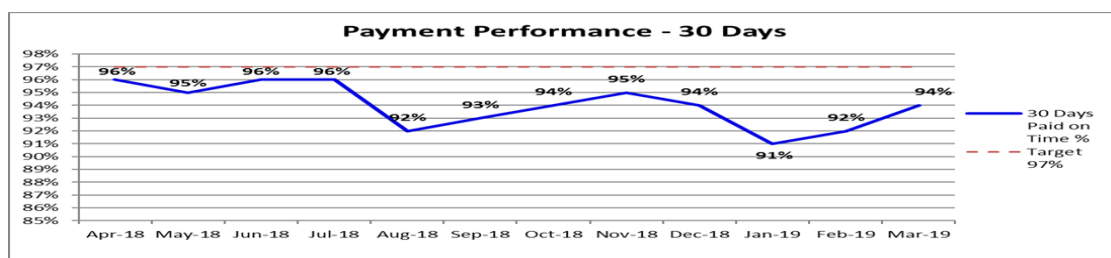
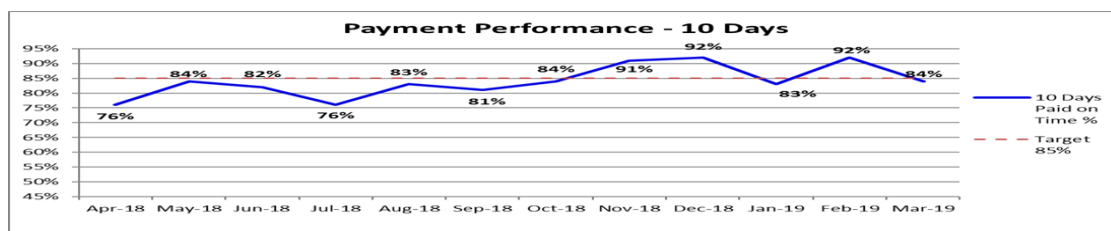


Figure B – 10 Day SME Payment Performance trend report (Target 85%)



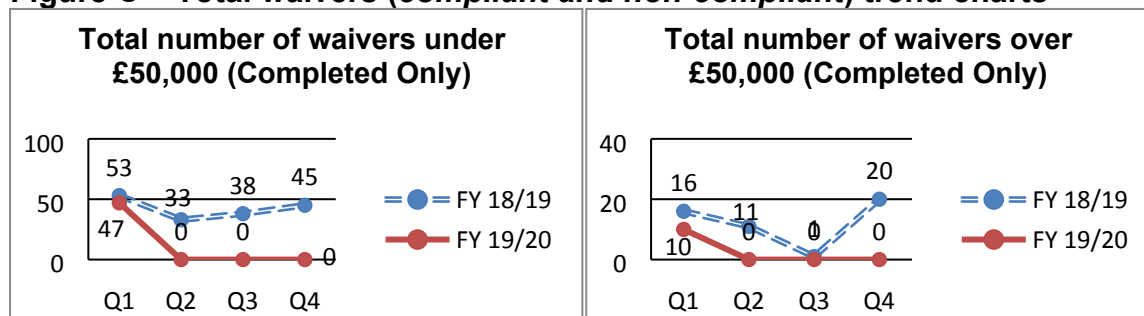
True PDF Invoices Received

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. Suppliers already submitting True PDF invoices containing product item numbers have been prioritised and invited to invoice us via the new e-invoicing route. We have made some progress with the onboarding of suppliers and the first invoices via this new system are expected in August/September 2019. We will continue to liaise with identified suppliers to continue the onboarding process.
12. Of all the invoices received from suppliers in Q1 FY 19/20, 80% were in the desired True PDF format. 82%, our highest figure to date, was achieved in May 2019 and shows that we are moving in the right direction and exceeding the 75% target set for the year.
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 Q1 FY 18/19 and FY 19/20. 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 Q1 FY 18/19 is **57** (compared to 69 in Q1 2018/19), which breaks down as follows:
 - a. Compliant Waivers **39** – (value £3.56m)
 - b. Non-Compliant Waivers **18** – (value £586k)
 - i. Procurement Breaches (subset of Non-compliant total) **8** (£272k)

16. Waiver Trends:

- a. There has been a reduction in the number of waivers completed in Q1 FY 19/20 in comparison to the previous financial year (11% decrease), however there is a 4% increase in the total value, from £3.9m to £4.1m.
- b. Comparing Q1 FY 19/20 to the same period last financial year, the total number of non-compliant waivers has decreased by 10%, with the value of non-compliant waivers decreasing by 58%.
- c. Non-compliant waivers make up 23% of all waivers completed during Q1 FY 19/20, and 14% of the total value.

Commercial and Contract Management

17. The Commercial Contract Management team have been working on a range of initiatives including:

- a. **Contract disputes** – There are two major contract dispute procedures live at present being managed by the commercial function, one in IT/Policing and the other in horticultural services. The first dispute is subject to a separate update paper and the latter has concluded with the Corporation recovering circa £200k in costs. The team supports a range of more business as usual contract negotiations and change requests on a day to day basis.
- b. **Income Generation** – We are currently supporting business cases, pilots and live projects across the corporation in respect of retail opportunities, events, training, collaborative trading, international policing, film locations, consolidated logistics, public conveniences and enhanced service provision.
- c. **Supplier Performance** – The team consistently review key supplier performance against our Corporate Supplier Scorecard and work with departments and suppliers to put mitigation plans or service enhancement plans in place where needed. These are reported regularly at Procurement Sub-Committee

Freedom of Information Requests

18. City Procurement has responded to 13 FOI requests in Q1 FY 19/20, amounting to 43 hours of officer time.

Conclusion

19. City Procurement continues to achieve a high level of performance, meeting or surpassing most of its KPIs for Q1 FY 19/20. The two main savings targets were exceeded by a total of £101k. The payment performance figures are falling just short of their respective targets, but a few adverse factors have been identified and further investigation will be carried out with the aim of introducing measures to counteract these.

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