

<b>Committee</b>	<b>Date</b>
Finance	18th June 2013
<b>Subject:</b> City of London Procurement Service and Procurement and Procure to Pay (PP2P) Update	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For information</b>

### Summary

This report provides an update on the end of the PP2P partnership arrangement with Accenture, the performance of the City of London Procurement Service (CLPS) and an update on the proposed service restructure.

Performance has improved across a number of key metrics and the savings target of £4.82m for 2013/14 was exceeded (actual £5.03m). 91% of invoices are being paid within 30 days against a target of 98%. Having said this there are still performance improvements that can be made especially in reducing the number of invoices which have to be put on hold awaiting action in departments to receipt the relevant purchase order or in some case to raise a retrospective purchase order.

The Procurement Regulations provide for waivers to be agreed by Chief Officers and the Chamberlain up to certain values. In agreeing those regulations, this Committee requested an update on those waivers which is included in this report.

At this stage of the PP2P programme, it was always envisaged that there would be a restructuring of the service and a reduction in resources. This is in progress following approval from Establishment Committee in May to commence professional consultation. This ended on 30<sup>th</sup> June and personal consultations will take place during June and July.

There are a number of initiatives in progress as a result of the review carried out when the Head of CLPS was appointed (although that role is currently being recruited to on a permanent basis). These relate to the further automation of processes and are coupled with implementation of Oracle R12. In order to deliver the real benefits of these, there is a need to work with departments to increase compliance with certain business processes.

#### **Recommendation:**

Members are asked to note the progress made by the service during the partnership with Accenture and ongoing challenges which the service is currently addressing.

## **Main Report**

### **Purpose of Report**

1. This report provides Members with an update and current financial information relating to the progress to the end of the PP2P programme and the stabilisation of the full City of London Procurement Service (CLPS).

### **End of PP2P partnership**

2. The formal partnership with Accenture and the PP2P programme ended on 31<sup>st</sup> March 2014. The following are highlights of the overall PP2P achievements during the 3 years of the partnership:

- Full P2P central procurement function in operation (the CLPS)
- £23.5m savings over 5 years and £35m contracted savings over 7 years attributable to the PP2P programme
- 91% of all invoices paid within 30 days (average result for the 6 months to April 2014)
- Spend under management raised from 20% (~£36m) to 85% (~£153m)
- 7 Category Boards created
- Supplier performance management put in place for the Top 20 suppliers (based on value)
- Creation of the UK's first Social Value Consultation Panel
- Increased the level of compliance with the agreed procurement processes across the City
- Pipeline of 135 sourcing projects created for 2014/15

3. The CLPS will retain 5 Accenture resources until 30<sup>th</sup> September 2014 to fulfil key functional roles on an interim basis until the planned restructure is complete.

### **Sourcing Savings for 2013/14**

4. The target for sourcing savings for 2013/14 was £4.82m against which savings of £5.03m were delivered. There were a total of 31 strategic sourcing projects completed across 6 categories. The most significant projects being:

- On-Street Parking Services, Contracted savings over 5 years of £3.15m (£630k per annum);
- Corporate Catering (5 Lots), Contract savings over 5 years of £768k (£153k per annum); and
- Temporary Labour Services, Contracted savings over 3 years of £661k (£220k per annum)

### **CLPS Performance metrics – Quarter 1 of 2013/14**

5. The current service performance is stable with the following KPIs which have been split between the Category Management and Sourcing activities and the Accounts Payable function.

### **Category Management & Sourcing**

- Procurement projects – 135 projects across 7 categories (Originally estimated to be 57 in 2014/15) – Appendix 1 sets out more detail of the projects;
- Annual target is £7.04m with £1.62m savings achieved as at end of June (23% achieved to date); and
- Deactivated 46,000 vendors from the database where they have not been used for the last 18 months with just 26 requests for reinstatement.

### **Accounts Payable**

- Payments made within 10 days – Target 75% - Q1(Apr to June) actual 77%;
- Payments made within 30 days – Target 95% - Q1(Apr to June) actual 96%;
- 38% of all invoices during June have no Purchase Order; and
- As at end of June 2014, 2063 invoices were on hold, 1816 (88%) due to lack of purchase order, receipting of goods not completed by the department concerned or budget coding errors.

6. These KPIs indicate that there has been progress in the CLPs performance however there is still further work to be done with the rest of the organisation to increase the compliance with business practices such as raising purchase orders and receipting purchases to allow invoices to be paid without being held up. The restructure of the service has taken this into account by including dedicated resource to support departments and provide ongoing training in procurement processes.

### **Waivers of the Procurement Regulations and awards of contracts**

7. The Procurement Regulations provide for a waiver of the need to secure quotes for goods or services in certain circumstances. They can be approved by Chief Officers between £2,000 and £50,000 under regulation 9.1 and by the Chamberlain for and above £50,000 where there is an urgent need to proceed. This Committee requested that these be reported on a regular basis. In this first instance the report covers the period from 1st January to 30th June 2014 but in future will be reported on a quarterly basis.
8. Regulation 10.4 provides for the Chamberlain to agree the award of contracts where they are not project related and again these are to be reported on a regular basis. Appendix 2 contains the detail of the waivers and the awards.
9. In summary, the main reason for the waiver was on grounds of urgency because the department had identified a supplier they wanted to use. These will be monitored on an ongoing basis and as the capacity of the CLPS changes following the restructure, more education and training will be done to reduce the volume of waivers.

### **Restructuring of the City of London Procurement service (CLPS)**

10. The PP2P programme envisaged that there would be a reduction in the headcount in the CLPS in year 4 (2014/15) which has not been changed by the early end to the partnership project. Approval was given by Establishment Committee on 15<sup>th</sup> May 2014 to commence professional consultation on the revised structure.
11. The proposed restructure will reduce headcount by 10 posts whilst also moving resource into areas where the greatest impact can be achieved on cost saving,

customer service and risk reduction through improved compliance. Annual savings in employment costs in the region of £265,000 per annum are expected to be achieved.

12. As part of the restructure and to signify that the service is going to be provided totally in house from later this calendar year, the service will be rebranded as City Procurement which makes it clear what the function of the team is rather than relying on the use of an acronym.
13. There are a number of assumptions that underpin the structure which has been put together for the professional consultation. The most important one being that the role of the CLPS in providing a consolidated and fully integrated procurement and purchase to pay function will remain unchanged. Other key assumptions include that the CLPS will continue to be responsible for all procurement in excess of £2,000; use of P-Cards will be expanded to automate more transactions; further development of the eMarketplace \* will be a key area of focus for the next four years in order to improve the buying experience for internal stakeholders and to pave the way for e-invoicing; and the CLPS helpdesk will be absorbed into the Corporation's main contact centre.

*\* The eMarketplace is a portal that allows goods and services to be ordered from electronic catalogues and allows suppliers to submit electronic invoices (eInvoices) that can be paid without manual intervention.*

### **Proposed Structure**

14. The proposed structure on which professional consultation has been based is set out in Appendix 3. The proposed structure comprises of 54 posts across 7 teams (compared with the current structure which has 62 posts across 9 teams) and is based on current assessments of future workload. Further structural changes may be possible as system efficiencies increase and a more mature procurement and purchase to pay function develops.
15. The size of the Accounts Payable processing team can be reduced by better performance and the proposed increase in the use of Payment Cards and invoicing which reduces the need for manual processing.
16. The Strategic Sourcing team will be re-focussed around the three key categories of spend; Construction, Facilities Management and ICT/Corporate Resources. A dedicated team of four people will be responsible for each category and each team member will also work in a business partner capacity with a nominated department.
17. All posts within the Transactional Buying Team will be deleted, and this team will be merged with the Sourcing Support Team to form the Procurement Operations team which will undertake mid to low level buying, manage the P-Card programme and provide support to strategic sourcing activities. This will provide the more junior procurement officers with a wide range of experience that will assist in their future professional development.
18. A Business Enablement function will be created by expanding the remit of the current Policy and Compliance team to focus on Business Process and Reporting, Responsible Procurement and Training and Business Engagement as well as Policy and Compliance.

19. The activities of the CLPS Helpdesk will be absorbed into the Contact Centre as there is no longer a reason to have a separate resource in the service.

### **90 Day review initiatives update**

20. The 90 day review identified a number of areas where improvements could be made in order to lead the CLPS and the Corporation to achieve best in class performance. In the review itself no immediate deadlines were specified, but with the announcement of the restructuring of the CLPS and the proposed re-launching as the City Procurement department, a number of process efficiencies were identified. Combined with the planned Oracle Release 12 upgrade, it is vital that the leadership team is in place and deals with the challenges posed to the department must be addressed if we are to avoid degradation to the services provided by the CLPS to the rest of the organisation.
21. The key areas for improvement include ensuring that the staff processing invoices increase their productivity, reducing the number of invoices that need to be handled manually by increasing the use of eCatalogues, Payment Cards and the implementation of Oracle Release 12 which allows for further streamlining of processes by following standard system processes which will require changes in behaviour across the organisation.
22. Further training and education across the departments will be supported by a dedicated team in the CLPS assigned to deliver the essential support to develop training materials and engage across departments. Performance during the restructuring and the introduction of revised processes will be closely monitored to reduce the risk of performance deteriorating.

### **Conclusion**

23. Whilst it is important to focus on the important areas that need to be further improved across the procurement function, there has been a great deal achieved in 3 years in terms of delivering savings and improving the visibility of our performance in raising purchase orders and paying suppliers in a timely manner.
24. By revising the structure, reviewing and streamlining processes there are efficiencies which can be made. This will require appropriate training and support from the service itself and departments.

### **Appendices**

1. 2014/15 Sourcing Plan summary
2. Summary of Waivers and Contract Awards
3. New CLPS Structure

### **Contact:**

**Suzanne Jones**

**0207 332 1280**

[suzanne.jones@cityoflondon.gov.uk](mailto:suzanne.jones@cityoflondon.gov.uk)

## **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, 18/09/12)

Restructuring of City of London Procurement Service (CLPS) (Establishment 15/05/2014)

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, 2/10/12, 6/11/12, 11/12/12, 22/01/13, 19/2/13, 1/5/13, 18/06/2013, 23/07/2013, 22/10/2013, 19/11/2013, 21/01/14)

## Appendix 1

### Sourcing Plan Summary for 2014/15

**Total 2014/15 In Year number of projects → 68**

**Total 2014/15 In Year Spend → £55,354,214**

Data based on current 2014/15 sourcing plan  
as at June 2014

<b>Category</b>	<b>Number of Projects</b>	<b>Addressable Spend £(000's)</b>	<b>Total Savings £(000's)</b>
<b>Facilities Management</b>	<b>25</b>	<b>22,862</b>	<b>496</b>
Facilities Management	20	21,731	464
Land Management	3	186	1
Dept. Child & Community Services	2	944	30
<b>Corporate Services</b>	<b>41</b>	<b>17,055</b>	<b>440</b>
ICT	21	10,060	108
Corporate Services	12	2,737	198
Marketing/Advertising	8	4,258	134
<b>Transactional Buying</b>	<b>1</b>	<b>13,000</b>	<b>650</b>
<b>Emarketplace</b>	<b>1</b>	<b>437</b>	<b>150</b>
<b>Subtotal (In Year)</b>	<b>68</b>	<b>53,354</b>	<b>1,736</b>
<b>Run Rate previous PP2P Year 1, 2 and 3</b>	<b>44</b>	<b>55,784</b>	<b>5,300</b>
<b>Total</b>	<b>112</b>	<b>109,138</b>	<b>7,036</b>

## Appendix 2

**Total Number of Waivers £2k - £50k by Department  
1 January 2014 – 30 June 2014**

Department	No. of Waivers	Value of Waivers
Barbican	73	£342,216.17
Built Environment	8	£113,363.84
Central Criminal Courts	3	£21,722.92
Chamberlain's	11	£36,580.36
City of London Police	81	£502,548.94
City Surveyors	11	£38,358.20
COL School	12	£46,993.00
COL School for Girls	4	£8,900.51
Community and Children's Services	22	£174,160.85
Culture, Heritage & Libraries	32	£198,278.36
Freeman's School	17	£72,385.64
GSMD	38	£159,016.71
Mansion House	5	£39,315.02
Markets	11	£34,648.13
Open Spaces	22	£96,145.28
Remembrancer's	4	£8,604.60
Town Clerks	16	£150,239.00
<b>Grand Total</b>	<b>370</b>	<b>£2,043,477.53</b>

**Total Number of Urgent Waivers over £50k by Department – approved by the Chamberlain in accordance with Waivers Procurement Regulation 9.2**

**1 January 2014 – 30 June 2014**

Department	No. of Waivers	Value of Waiver
COL Police	1	£162,000.00
DBE	1	£25,000.00
City of London	1	£90,000.00
<b>Grand Total</b>	<b>3</b>	<b>£277,000.00</b>

**Total Number of Contract Awards (Non-Project) (above EU thresholds £172.5k) approved by the Chamberlain in accordance with Contracts Letting Regulation 10.4**

**1 January 2014 – 30 June 2014**

Department / Contract Title	No. of Contract Awards	Value of Contract
<b>Culture, Heritage and Libraries</b>	<b>1</b>	<b>£1,811,088.00</b>
Tower Bridge Events Management		
<b>Economic Development</b>	<b>1</b>	<b>£280,000.00</b>
Ready to Supply the City		
<b>Risk and Insurance</b>	<b>1</b>	<b>£759,714.00</b>
Insurance and Insurance Services for combined liability (Employers and Public Liability)		
<b>Grand Total</b>	<b>3</b>	<b>£2,850,802.00</b>



# Appendix 3

## New CLPS Structure (as agreed at Establishment Committee 15 May 2014)

