

Committee:	Date:
Efficiency and Performance Sub Committee	17 July 2015
Subject: Procurement Savings 2015-2016 progress report Quarter 1	Public
Report of: The Chamberlain	For Information
Summary	
<p>This report updates members on the savings realised at the end of quarter 1 (April – June 15) against the target and outlines the details of the overall target position for 2015-2016.</p> <p>City Procurement has achieved £2.03M at the end of June 15 compared to the target of £2.26M for this period but is at present projecting a positive end of year position of realised savings totally £8.75M against the 2015-2016 target of £8.25M.</p> <p>Members are asked to:-</p> <ul style="list-style-type: none"> • Note the report. 	

Main Report

Background

1. City Procurement is set an annual savings target at the start of each year, this target is 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 before setting a target. The annual City Procurement target is the total realised cashable savings in-year to be derived from all previously let and new in-year contracts signed off by the 7 operating Category Boards. The 2015-2016 City Procurement target is £8.25M.

The Annual Savings Target elements

2. The 2015-2016 annual savings target is set using two types of cashable in-year savings. Those are:
 - 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. This

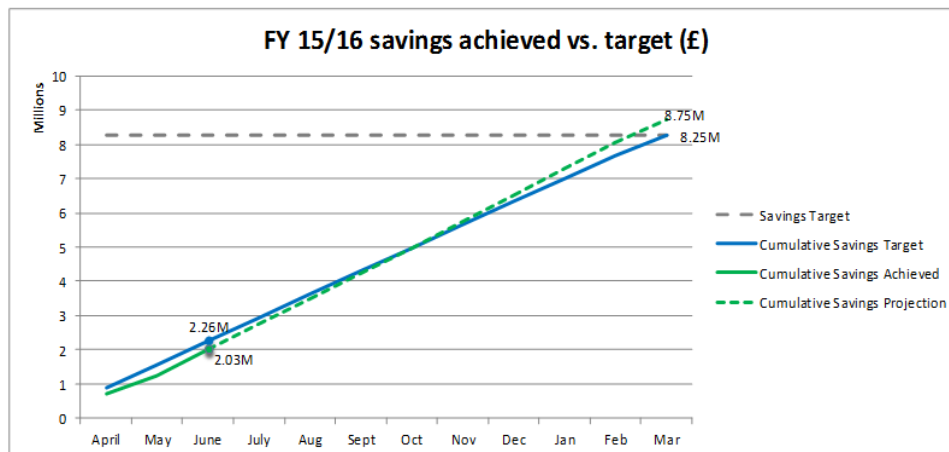
sustainable savings approach ensures savings are monitored and match the budgeted amounts.

- b. **New contracts let generating savings** – Savings targeted to be generated from new contracts let during the financial year, for note depending on when the contract is let, it may only generate a part years' saving, with a full annual saving not realised until the following financial year.
3. The savings targets are for competitive price savings and are not inclusive of scope changes/service downgrades or other operation decisions which are treated as local department savings.

2015-2016 Savings progress as end of Quarter 1 (June 15)

4. City Procurement has achieved £2.03M at the end of June 15 compared to the target of £2.26M for this period, the shortfall is due to savings certificates being outstanding for 5 procurement projects. In terms of the annual position City Procurement is projecting a positive end of year position of realised savings totally £8.75M against the 2015-2016 target of £8.25M as illustrated in the Figure A below. This projected position is reconciled on a monthly basis.

Figure A



Corporate & Strategic Implications

5. City Procurement is working closely with the Heads of Finance and Category Boards to develop an Efficiency and Savings Process Manual that will outline all the different types of savings (cashable and non-cashable) and how such savings will be reported and treated in financial budgetary terms. The manual will be presented at Finance Committee for information later this year and adopted effective in financial year 2016-2017.

Conclusion

6. City procurement is set an annual savings realised target at the start of each financial year, this targets has a due diligence process before sign-off and is derived from previously let contracts and new contracts to be let within the current financial year.

7. City procurement at the end of June 15 is £230k behind target in terms of savings realised but is projecting a positive end of year position of circa £500k above the annual savings target for 2015-2016 of £8.25M.

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