

<b>Committee:</b> Finance Committee	<b>Date:</b> 19 January 2016
<b>Subject:</b> City Procurement Quarterly Update	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>

### **Summary**

The report updates Members on the work of City Procurement and key areas of progress between October and December 2015.

Members are asked to note the progress report on key strategic improvement projects and performance:

- a. Current 2015/16 cumulative savings of £6.95M achieved against cumulative target of £6.99M
- b. Projecting 2015/16 end of year savings of £8.65M against target of £8.27M
- c. PO Compliance averaging at 95% in 2015/16
- d. 97% of all supplier payments happening within 30 days
- e. 87% of SME supplier payments happening within 10 days
- f. 45% of current spend with SME suppliers (Value of £125M)

### **Main Report**

#### **Background**

1. City Procurement has three main functions, Category Management/Sourcing, Accounts Payable and Policy and Compliance. The service has a number of key improvement projects that support the objectives of the Procurement Strategy 2015-2018 presented to Finance Committee in June 2015. This report updates on progress of the key projects and current performance of delivery against the service KPIs set in April 2015.

#### **City Procurement Strategy and Key Improvement Projects**

2. The City Procurement 3 year strategy has 4 themes and in year 1 the focus is on achieving Operational Excellence. The key improvement projects supporting this strategy current are:
  - a) **Contract Management Review** – A service based review group sponsored by the Comptroller and City Solicitor was established to review the City's existing contract management regime and capabilities. The

review led by the Head of City Procurement has now concluded its findings. A final report and recommendations will be submitted to Summit Group in January 16 followed by a report to Efficiency and Performance Sub-Committee in February.

- b) **City Procurement Code 2015** – The City's new Procurement Code (formerly known as Regulations) were approved by Summit Group, Finance Committee and Court of Common Council and came into effect on 1 November 2015. *Project complete.*
- c) **Implementation of eSourcing** – The City has now fully transitioned to full eSourcing capability with the launch of the CapitalE sourcing platform at 1<sup>st</sup> May 2015. All existing suppliers have now transitioned to the new portal. *Project Complete.*
- d) **Payment Card Policy** – The City's new Payment Card Policy was approved by Finance Committee in September 15 and came into effect from 1 October 2015. *Project Complete.*
- e) **Payment Card Management System** – The City will launch a new self-service portal for spend management of all payment card activities effective from 18<sup>th</sup> January 2016. User testing is complete as is the mandatory training module to be completed by all card users and managers.
- f) **Responsible Procurement Strategy** – This strategy is being drafted as a sub-set of the City Procurement Strategy with a focus on the City's key objectives in social, sustainability, small business, living wage and equality deliverables that could be achieved through supplier contracts. This Strategy is being developed in conjunction with Economic Development, Town Clerks and other key service departments and will be brought to Finance Committee in March 2016.
- g) **Efficiency and Savings Process Manual** - A corporate efficiency and savings process manual has been developed and approved by Procurement Steering Group and members of all category boards. This now means that there is a transparent and documented way of calculating project baselines and savings on all future projects. *Project Complete.*

### **Efficiency and Savings**

3. 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 2015/2016 City Procurement target is £8.27M.

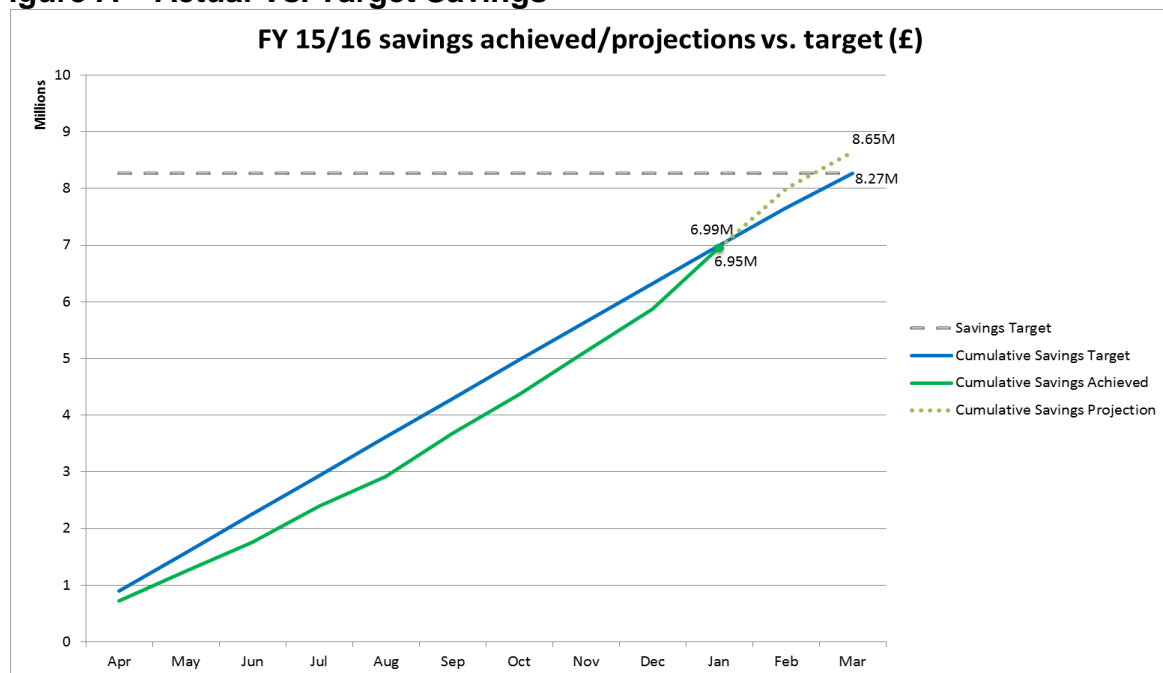
## The Annual Savings Target elements

4. The 2015/2016 annual savings target is set using two types of 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.
  - 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 operation decisions which are treated as local department savings.

## 2015/2016 Efficiencies and Savings progress as at January 16

6. City Procurement has achieved £6.95M in January 16 compared to the target of £6.99M for this period. In terms of the annual position City Procurement is projecting a positive end of year position of realised savings totally £8.65M against the 2015/2016 target of £8.27M as illustrated in the Figure A below. Of the projected £8.65M total savings, it is projected that £6.88M will be budget impact savings resulting in budget adjustments for any newly realised savings achieved within 2015/2016. This projected position is reconciled on a monthly basis.

**Figure A – Actual Vs. Target Savings**



## Category Management and Sourcing Project Performance

7. The Category Management and Sourcing team has been managing 320 procurement projects during this year with 58% of them now completed. There are 134 projects still currently live and progressing towards conclusion in the remainder of 2015/2016 or early in 2016/2017. The workload has almost doubled this year from the initial planned sourcing activity and highlights the need for greater planning across the City with all potential procurement activity being flagged as early as possible. City Procurement is working proactively with Category Boards and Chief Officers to gather all planned procurement projects for 2016/2017.

**Figure B – Procurement Project volumes by category 2015/2016**

Spend Category	Completed Projects	Live Projects
IT	26	26
Facilities	22	12
Land Management	4	3
Social Care	2	5
Corporate	34	41
Construction	91	45
Marketing	7	2
<b>Total (320 Projects)</b>	<b>186 (58%)</b>	<b>134 (42%)</b>

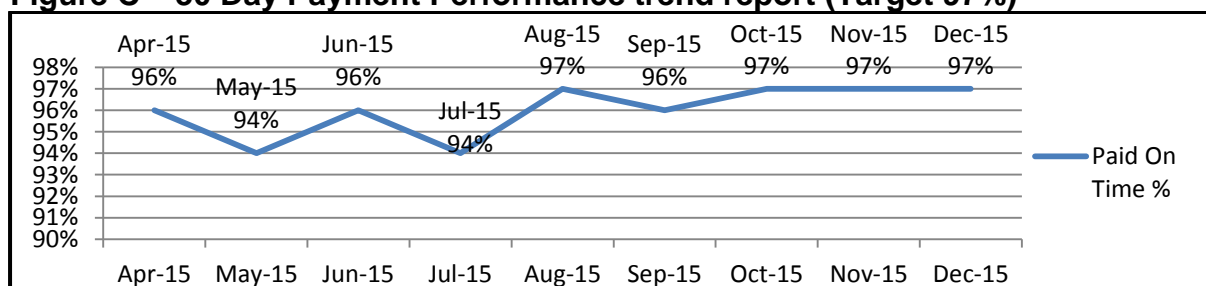
## Accounts Payable Performance - PO Compliance/No PO No Pay

8. Extensive communication was undertaken with City Corporation departments and suppliers in the final months of 2014/15 in preparation of the launch of the City's No PO No Pay policy. Results in the first 9 months of 2015/16 indicate that Our PO Compliance is currently averaging at 95%, improving vastly from 70% prior to implementation of the policy in late 2014. A summary of PO Compliance by Department is at Appendix 1.

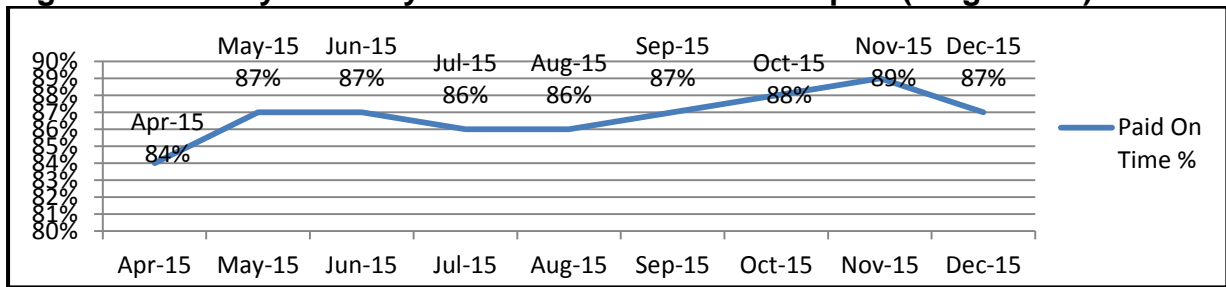
## Payment Performance

9. As at the end of Dec 15, The City's 30 days invoice paid on time performance is 97% (Target 97%) with our mean average payment days being 13 days and our 10 day SME invoice paid on time is 87% (Target 80%) with our mean average payment days being 8 days. The following figures show performance trends for both metrics during 2015/2016 to date.

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



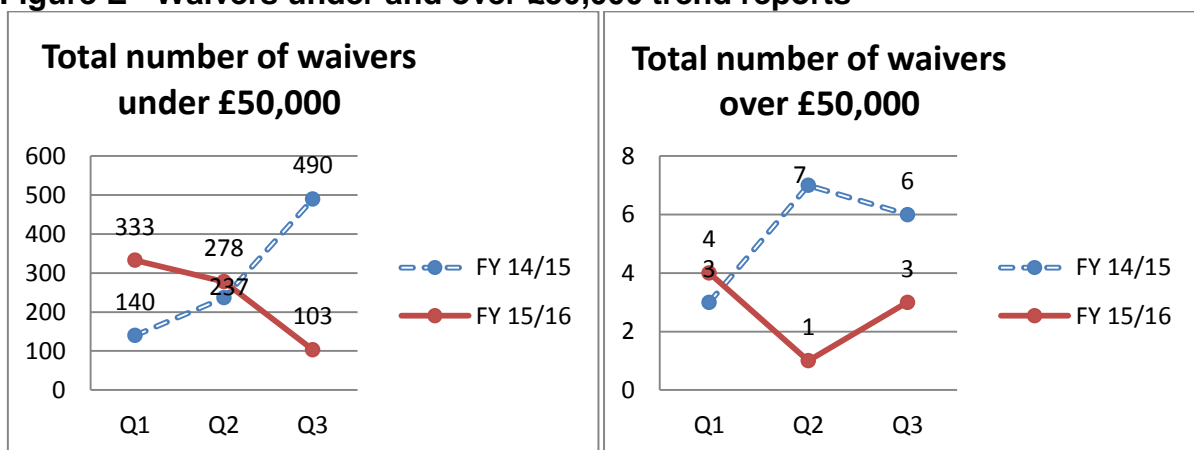
**Figure D – 10 Day SME Payment Performance trend report (Target 80%)**



**Current Waiver performance**

10. This part of the report sets out the quarterly trend update on the approval of waivers. The following graphs show the trend of number of waivers from Q1 to Q3 2014/15 and 2015/16. The tables in Appendix 2 – “Summary of waivers performance” set out a summary of the total number and value for waivers for the same period and the reasons for the waivers. Waivers under £50,000 require Chief Officer approval, with those above requiring the approval of the Chamberlain (under urgency) or the appropriate spend Committee.

**Figure E - Waivers under and over £50,000 trend reports**



11. The number of waivers drastically decreased during quarter 3 of 2015/16. This coincides with the launch of the Procurement Code 2015 on 1 November 2015 and was an expected positive impact with only 23 waivers being processed after the new Code became effective. The increase of the procurement minimum threshold to £10k removed the vast majority of waivers thus reducing burdensome administration for City Procurement and City officers allowing City Procurement resource to be deployed to more value add activities.

**Spend with SME's**

12. For the period January 15 to Dec 15, 45% of the City's invoiced spend was with SMEs (inclusive of 8% Social Enterprises) to value of £125M. This figure remains positive and well in advance of the UK Government's public sector target of 25%.

## **Conclusion**

13. City Procurement continues to enhance its service levels whilst achieving improving performance, attaining consistently its KPIs. The strategy of developing to operational excellence levels during 2015/2016 has progressed significantly with a series of improvement programmes now completed whilst being managed at an implementation pace that has not impacted service delivery levels.

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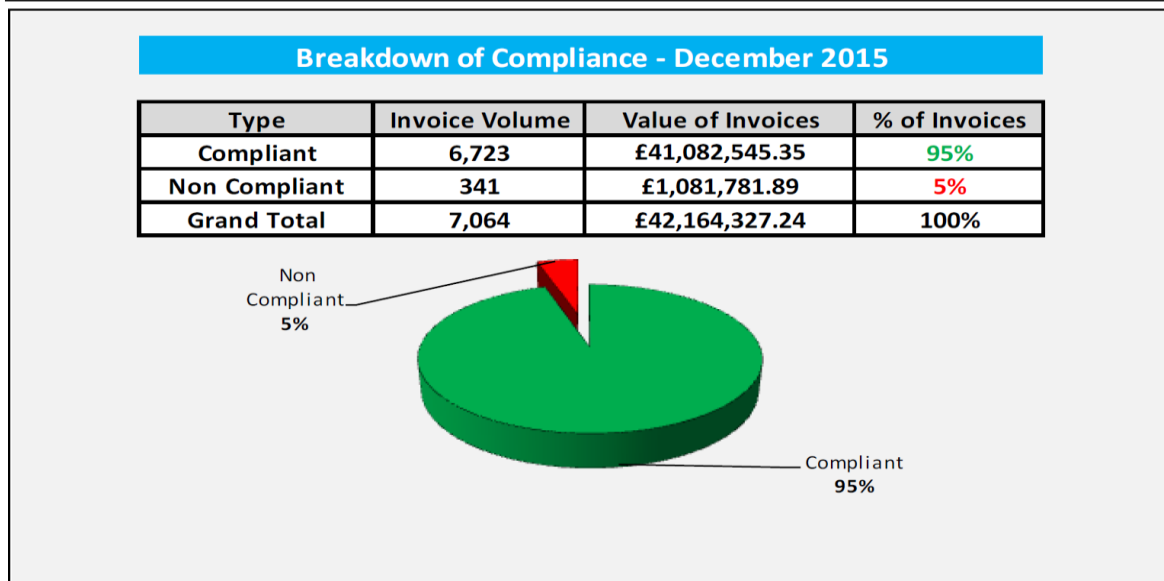
## Appendix 1 - Summary of PO Compliance by Department

# City of London Compliance Report Overview December 2015

Compliance Ranking by Department - December 2015					
Department	Invoices* Received	Invoices Returned to Supplier	Value of Invoices Returned to Supplier	% of Invoices Returned to Supplier	Ranking
Central Criminal Court - (CCC)	38	0	£0.00	0%	1
Chamberlain's - (CHA)	762	8	£47,719.03	1%	2
Sir John Cass School - (CSJ)	85	1	£26.36	1%	2
Mansion House - (MAN)	67	1	£23.70	1%	2
Built Environment - (ENV)	378	8	£66,958.88	2%	3
Town Clerk's - (TCK)	376	8	£31,320.95	2%	3
Comptrollers & City Solicitor's - (SOL)	37	1	£2,310.00	3%	4
Guildhall School - (GSM)	477	15	£7,525.77	3%	4
Markets & Consumer Protection - (MKT)	296	13	£5,982.19	4%	5
Culture, Heritage & Libraries - (CHL)	325	15	£28,505.73	5%	6
Open Spaces - (OSD)	461	23	£42,954.79	5%	6
CoL School for Boys - (CLS)	177	10	£16,197.30	6%	7
Barbican Centre - (BBC)	1,026	58	£215,654.18	6%	7
Remembrancer's - (REM)	51	3	£549.10	6%	7
City Surveyor's - (SVY)	678	40	£359,400.93	6%	7
Community and Children's Services - (DCCS)	920	59	£142,559.67	6%	7
City of London Police - (POL)	512	42	£94,505.82	8%	8
CoL Freeman's School - (CLF)	254	22	£14,082.48	9%	9
CoL School for Girls - (CLG)	144	14	£5,505.01	10%	10
<b>Grand Total</b>	<b>7,064</b>	<b>341</b>	<b>£1,081,781.89</b>		

\* Invoices above includes Payment Request Forms and RCG Refunds

Invoices Returned to Supplier with No PO		
<b>341</b>	<b>5%</b>	<b>£1,081,781.89</b>



## Appendix 2 - Summary of overall waivers performance

Table 1- Waivers under £50,000 number and value comparator report

2015/16	Number	Value (£)	Average Value(£)
Q1 (April – June)	333	2,603,990	7,843
Q2 (July – September)	278	2,338,979	8,474
Q3 (October – December)	103	1,237,424	12,014
2014/15	Number	Value (£)	Average Value(£)
Q1 (April – June)	140	851,029	6,079
Q2 (July – September)	237	2,150,418	9,073
Q3 (October – December)	490	4,381,753	8,961

Table 2 - Waivers over £50,000 number and value comparator report

2015/16	Number	Value (£)	Average Value(£)
Q1 (April – June)	4	626,985	156,746
Q2 (July – September)	1	154,000	154,000
Q3 (October – December)	3	350,980	116,993
2014/15	Number	Value (£)	Average Value(£)
Q1 (April – June)	3	334,000	111,333
Q2 (July – September)	7	995,229	142,176
Q3 (October – December)	6	593,944	98,991

Table 3 – Analysis of reasons provided for need for waivers

	15/16 Q1	14/15 Q1		15/16 Q2	14/15 Q2
Officer's Chosen Supplier	196	68	Officer's Chosen Supplier	164	117
Single Source Supplier	94	44	Single Source Supplier	94	76
Not Stated / Other	29	23	Not Stated / Other	9	35
Outside Corporate Contract	7	5	Outside Corporate Contract	7	5
Extension of Contract	7	0	Extension of Contract	4	4
<b>Total</b>	<b>333</b>	<b>140</b>	<b>Total</b>	<b>278</b>	<b>237</b>
	15/16 Q3	14/15 Q3			
Officer's Chosen Supplier	82	243			
Single Source Supplier	19	165			
Not Stated / Other	0	63			
Outside Corporate Contract	1	15			
Extension of Contract	1	4			
<b>Total</b>	<b>103</b>	<b>490</b>			