

Committee: Finance Committee	Date: 7 June 2016
Subject: City Procurement Efficiency and Savings Target 2016/17	Public
Report of: The Chamberlain	For Information
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Summary

The report advises Members of the Efficiency and Savings target set for City Procurement for the financial year 2016/17 of £7.9 million. This target figure includes a target of £792k of in-year new savings to be generated within this financial year. The target represents a 12.2% average savings overall for this year's procurement programme.

The target is based on the contracts that are to be let and implemented during the financial that have scope to make efficiencies or cost savings and to reflect savings already generated from procurement activity in previous years that guarantee savings within the existing financial year.

The process in setting the annual target looks at the contracts due for renewal in the target year, the baseline spend, the complexity and risk of the contract and which month the new contract will commence. This is then considered against an industry benchmark using the Corporation's Category experience database which shows indices of savings generated across public and private sector over the last 10 years for all sub-categories of spend. These targets are then reviewed and signed off by the Procurement Category Boards.

The monetary target is lower than last year (2015/16 Target was £8.27m) but the average percentage target has increased slightly, as it was 11.4% in 2015/16. The lower monetary target is mainly due to the value and number of contracts that are to be let this year being lower and one of the major contracts we are working on - Building Repairs and Maintenance not being contractually finalised until 2017/18.

Recommendation

Members are asked to note the Procurement Efficiency and Savings target of £7.9million for the financial year 2016/17.

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 Procurement Category Board to set the

targets. Every contract target considers historic spend, scope changes, contract complexity, risk and industry savings benchmarks before setting a target.

- The 2015/2016 City Procurement target was £8.27M. Targets can fluctuate up and down per annum as it is based on the number and value of contracts to be procured within each year.

The Annual Savings Target elements

- The annual savings target is set using two types of in-year savings. Those are:
 - 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.
 - New contracts let generating savings* – Savings targeted to be generated from new contracts let during the financial year.
- The procurement savings target is for competitive price savings and efficiencies generated by procurement interventions only and it's not inclusive of scope changes/service downgrades or other operation decisions which are treated as local department savings.

Summary of Projects making up the 2016/17 target

- The target of £7.9 million is derived from savings previously generated of £7.1 million and £791k in year savings from the 132 procurement exercises planned to happen this year and represents an average savings of 12.2%.
- Our savings targets have all been benchmarked using our Category experience database which collates industry savings data for each sub-category of spend over a 10 year period. Additionally we have also put a 2% savings target on business as usual procurements to ensure all projects are considered fully in terms of efficiencies and savings.

Category	Number of projects	Total FY 16/17 Savings Target £
Property Services	66	314,595
Procurement Operations	6	270,314
Facilities Services	17	97,646
IT	20	47,747
Business Support	3	22,302
Corporate Services	11	19,402
Dept. Child & Community Services (DCCS)	4	15,867
Marketing	2	3,500
Land Management	3	0
Subtotal In Year (New FY 16/17 Projects)	132	791,372
On going savings (from projects sourced in previous years)	26	7,108,156
Grand Total	158	7,899,528

7. The new targeted in-year savings, although only realising £791k within the current financial year, would generate a total of £9.74 million in savings up to 2020 as savings are spread across the contract life e.g. 3-5 years.

Cumulative Target

8. The £7.89 million target will be cumulative and will be targeted to achieve the following milestones throughout the year to ensure we are on target to achieve the total, these are:
 - End of Quarter 1 (30th June 2016) - £2.14 million
 - End of Quarter 2 (30th September 2016) - £4.17 million
 - End of Quarter 3 (31st December 2016) - £5.81 million
 - End of Year Target (31st March 2017) - £7.9 million

Conclusion

9. City Procurement has finalised its Sourcing Plan for 2016/17 and had all projects reviewed and a target set that has been ratified by the Procurement Category Board responsible for the oversight of each project. The Target set is £7.9 million.

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