

Committee: Finance Committee	Date: 15 November 16
Subject: City Procurement Quarterly Update – November 2016	Public
Report of: The Chamberlain	For Information
Report Author: Chris Bell, Chamberlain's Department	

Summary

The report updates Members on the work of City Procurement and the key areas of progress since April 2016.

The key areas of progress are:

- a. Current 2016/17 cumulative savings of £4.61M achieved against cumulative target of £4.75M
- b. Projecting 2016/17 end of year savings of £8.01M against target of £7.90M
- c. PO Compliance averaging at 95% in 2016/17
- d. 97% of all supplier payments happening within 30 days
- e. 87% of SME supplier payments happening within 10 days

Recommendations

The Committee is asked to note the report.

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 2016.

City Procurement Strategy and Key Improvement Projects

2. The City Procurement 3 year strategy has 4 themes and in year 2 the focus is on increasing Value for Money. The key improvement projects supporting this strategy current are:
 - a) **Commercial Contract Management** – All committee approvals have now been obtained with budgets agreed to support the launch of the corporate contract management framework and the introduction of greater commercialism support. The new established team of 6 FTEs is currently being recruited to support a corporate launch date of April 17.
 - b) **Payment Card Management System** – The City has now launched a new self-service portal for spend management and budget owners of all payment card activities.

- c) **Responsible Procurement Strategy** – The Corporation’s first Responsible Procurement Strategy was published in July 2016. Sheriff Estlin and the Chamberlain are hosting a roundtable event on responsible business to investigate potential collaborative approaches to support our strategy with city businesses and other public sector organisations.
- d) **Corporate Contract Register (Online)** – City Procurement has been updating the new electronic corporate contract register from the historic information available via Comptrollers contract database as well as proactively sourcing contract information from departments and suppliers.
- e) **Procurement Compliance Reviews** - The Business Enablement team have developed a procurement compliance review process looking at procurement activities across the Corporation to ensure compliance with the Procurement Code. Projects are selected via spot checks; departmental requests and compliance/audit alerts. At the end of the year, reviews will be summarised in an end of year report with a risk assessment to all chief officers and to Finance Committee.
- f) **Procurement Category Board Strategies** – Each procurement category board has been tasked with completing a Category Board Strategy by February 2017 which looks at how they will drive savings and efficiencies corporately over the next 3 year period.

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 2016/2017 City Procurement target is £7.90M.

The Annual Savings Target elements

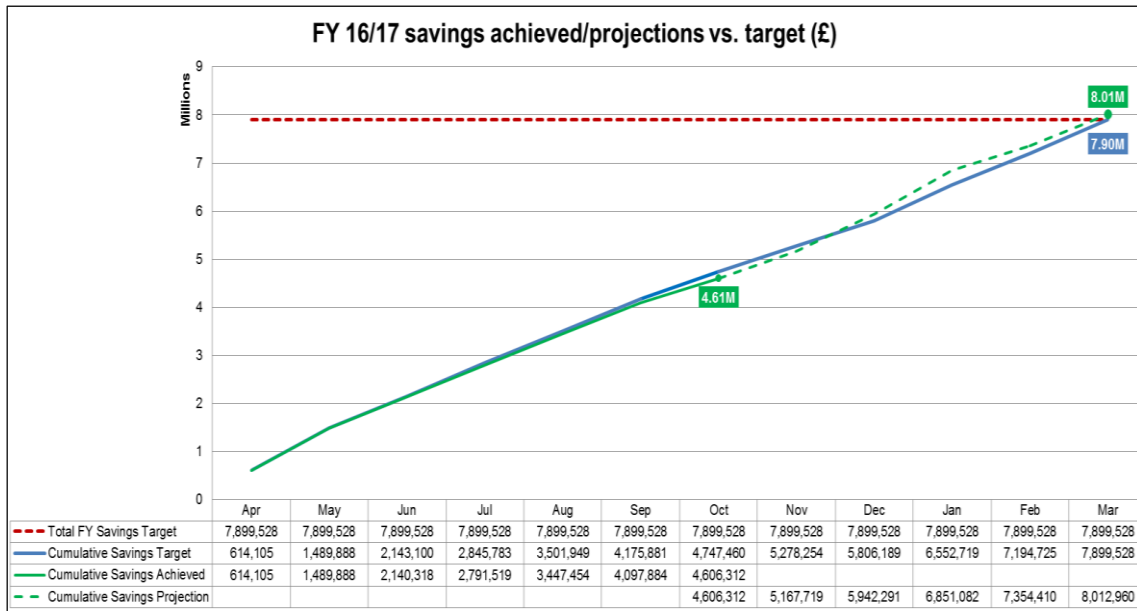
- 4. The 2016/2017 annual savings target is set using two types of in-year savings. Those are:
 - a. **Previously let contracts generating savings (known as run-rate)** – Savings already guaranteed for the current financial year from contracts let in previous years. This is for contracts that span different 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.

2016/2017 Efficiencies and Savings progress as at 31 October 16

- 6. City Procurement has achieved £4.61M to date compared to the cumulative target of £4.75M for this period. In terms of the annual position City Procurement

is projecting a positive end of year position of realised savings totalling £8.01M against the 2016/2017 target of £7.90M as illustrated in the Figure A below. Of the projected £8.01M total savings, it is projected that £6.71M will be budget impact savings (£578k cashable in year) resulting in budget adjustments for any newly realised savings achieved within 2016/2017.

Figure A – Actual Vs. Target Savings (Target £7.90M)

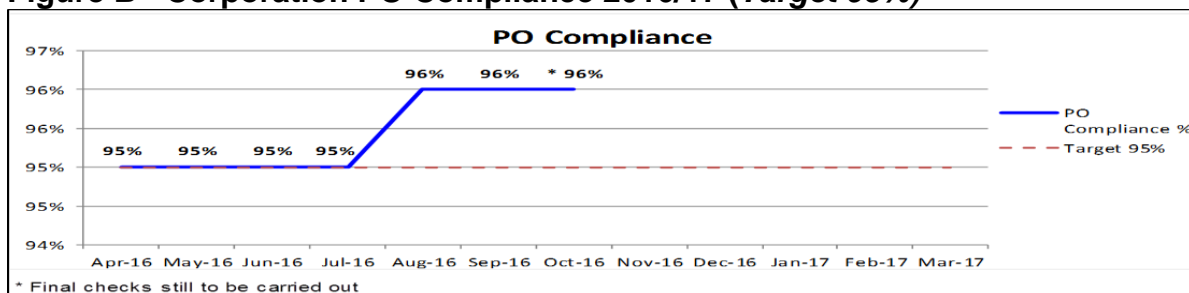


The Cumulative Savings Projections as shown in Figure A above refer to the projects listed in Appendix 1.

Accounts Payable Performance - PO Compliance/No PO No Pay

7. The corporation’s No PO No Policy is now fully embedded and we continue to achieve high levels of compliance with every month so far achieving or beating our target of 95% compliance. Figure B illustrates the performance this year.

Figure B - Corporation PO Compliance 2016/17 (Target 95%)



Payment Performance

8. As at the end of October 2016, the Corporation’s 30 days invoice paid on time performance is 97% (target 97%), we have only fallen below this target in July which was mainly due to annual leave within our own function and associated staff across the Corporation. This season trend will be considered for next year’s target setting exercise. Our 10 day SME invoice paid on time is averaging at 87% (Target 88%), the target was raised from 80% last year therefore we believe

although not being consistently met we are on track to stabilise at 88% by year end. The following figures show performance trends for both metrics during 2016/2017 to date.

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

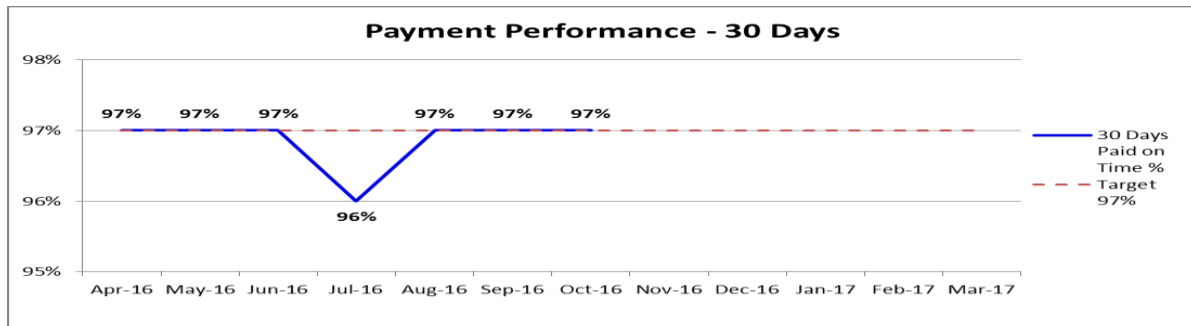
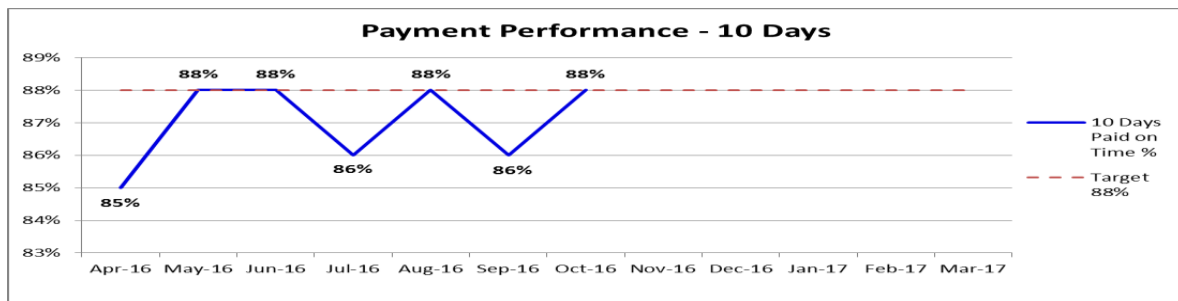


Figure D – 10 Day SME Payment Performance trend report (Target 88%)



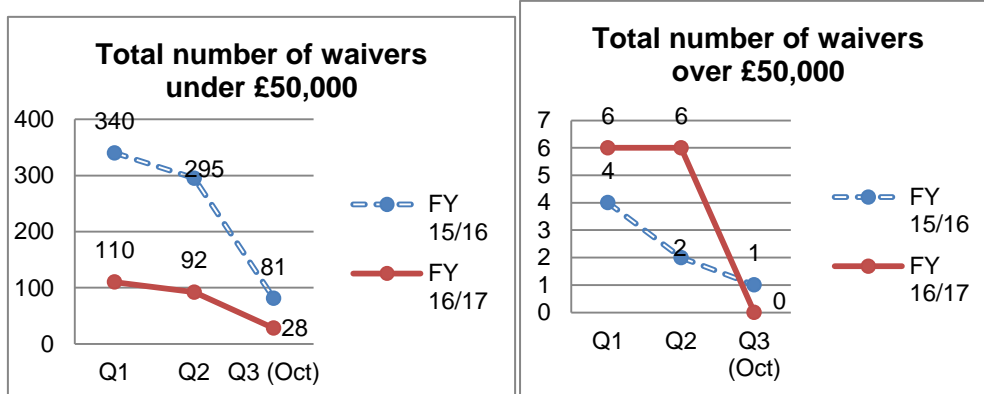
Electronic Invoices Received

9. This new initiative was launched this year by City Procurement to try and dramatically reduce the number of paper invoices received to the Corporation and to improve service efficiency whilst increasing our pay on time performance. In April 16 the number of electronic invoices being received was 83% of the total volume. During the first 7 months that has been increased to 91-93% due to the campaign with an aggressive target set for year end of 97%.

Current Waiver performance

10. This part of the report sets out the quarterly trend update on the approval of waivers. The following graphs compare the trend of number of waivers from Q1 to Oct 2015/2016 and Q1 to Oct 2016/2017. 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. Due to a change in waiver approval reasons in April 2016 there is no comparison with the previous financial year. 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 in the first 2 quarters of FY 2016/2017 drastically decreased compared to the same period of FY 2015/2016. 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.

Conclusion

12. City Procurement continues to enhance its service levels whilst achieving improving performance, attaining consistently its KPIs which have been raised in this financial year. The strategy of developing operational excellence and value for money levels during 2016/2017 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 savings projections for FY 16/17 as at end of Oct 2016 which are pending approval

Project	FY 16/17 Savings Projection value (£)
Insurance	400,000
Comensura rebate (Q4 15/16 + Q1+Q2 FY16/17 forecast)	208,319
Greenham's rebate	109,484
Telephone lines and ISDN	56,055
End user devices	55,121
Barbican theatre furniture	41,409
Fire safety services	39,850
Orchard housing management system	15,319
Office depot furniture rebate	11,774
X-Ray cabinet	7,445
Internal audit services	5,600
Replace of theatre dimmers	5,505
Learning management system	4,550
Office Depot furniture rebate (period from Jun 14 to May 15)	4,075
Insurance (Personal accident and travel insurance Lot 3)	771
CoL Customer Satisfaction Survey licence	699
Themis Achilles licence	688
Total	966,664

Summary of overall waivers performance

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

2016/17	Number	Value (£)	Average Value(£)
Q1 (April – June)	110	2,430,762	22,098
Q2 (July – September)	92	1,682,215	18,285
Q3 (October)	28	516,018	18,429
2015/16	Number	Value (£)	Average Value(£)
Q1 (April – June)	340	2,620,613	7,753
Q2 (July – September)	295	2,431,485	8,299
Q3 (October)	81	789,529	9,747

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

2016/17	Number	Value (£)	Average Value(£)
Q1 (April – June)	6	600,840	100,140
Q2 (July – September)	6	1,085,810	180,968
Q3 (October)	0	0	0
2015/16	Number	Value (£)	Average Value(£)
Q1 (April – June)	4	680,985	170,246
Q2 (July – September)	2	317,000	158,500
Q3 (October)	1	91,980	91,980

Table 3 – Analysis of reasons provided for need for waivers

	16/17 Q1		16/17 Q2
Sole Supplier (not advertised)	66	Retrospective Waiver	61
Retrospective Waiver	19	Sole Supplier (not advertised)	22
Outside Corporate Contract	18	Extension of Contract	7
Extension of Contract	7	Outside Corporate Contract	2
Total	110	Total	92
	16/17 Oct 16		
Retrospective Waiver	22		
Sole Supplier (not advertised)	5		
Outside Corporate Contract	1		
Extension of Contract	0		
Total	28		

Table 4 – Retrospective Waivers (Under £50,000)

Retrospective Waiver (A purchase where previous authority has not been obtained)	Number of Waivers (FY 16/17)	Total Value £
Barbican	28	£531,285
Town Clerks	12	£206,148
Community and Children's Services	7	£158,704
COL School	7	£139,588
City of London Police	7	£125,433
Built Environment	5	£124,750
Freemen's School	7	£115,926
Open Spaces	5	£113,856
Remembrancer's	4	£84,756
Chamberlain's	6	£79,494
City Surveyors	3	£58,692
GSMD	3	£54,523
Mansion House	2	£30,764
Culture, Heritage & Libraries	2	£26,618
COL School for Girls	2	£22,042
Central Criminal Courts	1	£15,800
Markets & Consumer Protection	1	£12,456
Total	102	£1,900,834

Table 5 – Retrospective Waivers (Over £50,000)

Retrospective Waiver (A purchase where previous authority has not been obtained)	Number of Waivers (FY 16/17)	Total Value £
Built Environment	1	£70,402
Total	1	£70,402