

Committee:	Date:
Finance Committee	21 February 17
Subject:	Public
City Procurement Quarterly Update – February 2017	For Information
Report of:	
The Chamberlain	
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.

Members are asked to:

- a) Note the progress report on key strategic improvement projects and performance:
 - i. Current 2016/17 cumulative savings of £6.30m achieved against cumulative target of £6.55m
 - ii. Projecting 2016/17 end of year savings of £8.27m against target of £7.90m
 - iii. PO Compliance averaging at 96% in 2016/17
 - iv. 97% of all supplier payments happening within 30 days whilst 85% of SME supplier payments happening within 10 days
 - v. 93% of invoices are received electronically

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** – We have recruited five posts out of seven with the new team members arriving mainly during the month of February. The draft framework and toolkit to support and embed better contract management within the organisation has had a first round of consultation with the final draft targeted for completion by the end of February. A detailed update is to be reported at Efficiency and Performance Sub-Committee this month.

- 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. A full report on P-Cards was reported at Finance Committee in January 2017.
- c) **Responsible Procurement Strategy** – The Corporation's first Responsible Procurement Strategy was published in July 2016. A range of interventions are ongoing across all our new contracts to ensure greater results from our purchasing activity. A report will be brought back to Committee in September 2017 with details of the impact of the strategy 12 months on.
- d) **Early Payment Discount Scheme** – There is a full paper at this Committee on this new initiative for City Procurement to obtain discounts from suppliers for prompt payments in advance of contracted 30 days terms and conditions. Estimates are projecting net income of £540k over a 5 year period.
- e) **Commercial Opportunities** – Although the new Commercial team does not “go live” until April 2017, there have been some early opportunities identified. There is a paper going to Strategic Resources Group on 8th February to seek approval for a new working group to review all aspects of fleet and plant purchasing, management and maintenance as the Commercial Director has identified this as potentially an area where efficiencies and savings could be achieved if managed differently from current practices. A report on early opportunities identified is scheduled to be presented at May 2017 Efficiency and Performance Sub-Committee.

Efficiency and Savings

- 3. City Procurement is set an annual savings target at the start of each year 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. The 2016/17 City Procurement target is £7.90m.

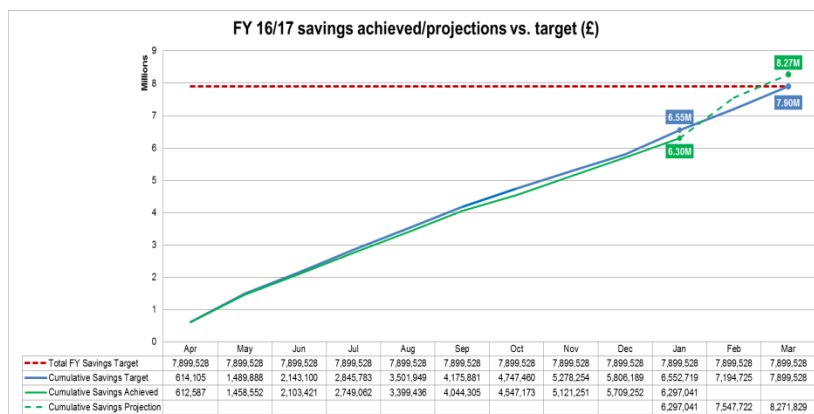
The Annual Savings Target elements

- 4. The 2016/17 annual savings target was set using two types of in-year savings:
 - 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 January 2017

- City Procurement has achieved £6.30m this year to date compared to the cumulative target of £6.55m for this period. In terms of the annual position City Procurement is projecting a positive end of year position of realised savings totalling £8.27m against the 2016/17 target of £7.90m as illustrated in the Figure A below. Of the projected £8.27m total savings, it is projected that £6.71m will be budget impact savings (£587k cashable in year) resulting in budget adjustments for any newly realised savings achieved within 2016/17.

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

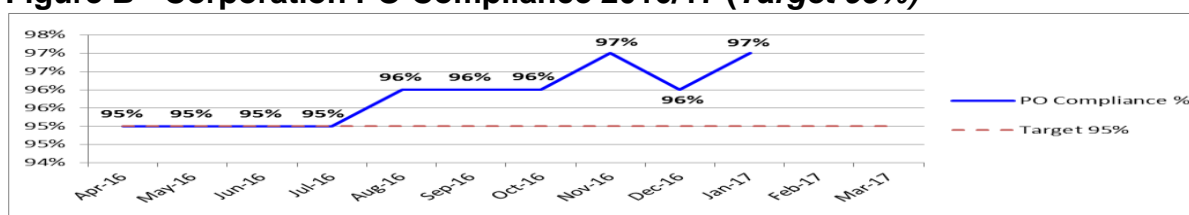


The Cumulative Savings Projections as shown in Figure A above refer to the projects listed in Appendix 1.

Accounts Payable Performance - PO Compliance/No PO No Pay

- The Corporation's No PO No Pay 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

- As at the end of January 2017, the Corporation's 30 days invoice paid on time performance for the month is 95% (target 97%) with the average for the year so far achieving 97%. We have only fallen below this target twice this year: the first in July, which was mentioned in November's quarterly update, and the second being in January 2017, which is due to staff resource issues (we have had 2 vacant posts to fill) which are being addressed.
- Our 10 day SME invoice payment performance is averaging at 85% this year (target 88%). Unfortunately the resource issue mentioned above has affected the 10 day average the most and will make it very difficult to hit the target for the current financial year. However we hope to reach the 10 day figure achieved in

2015/16 which was 86%. The following figures show performance trends for both metrics during 2016/17 to date.

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

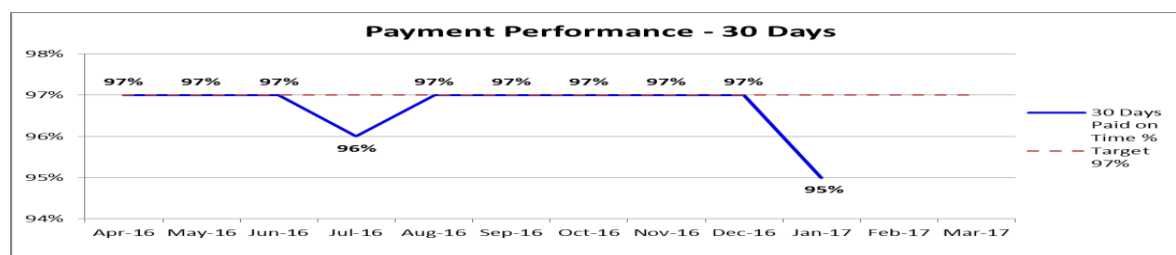
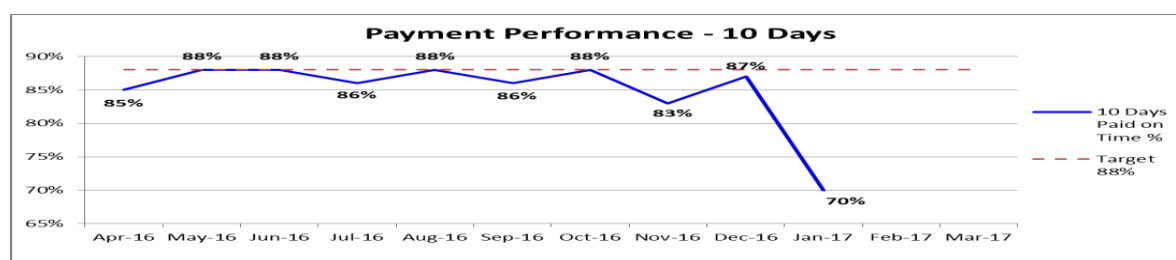


Figure D – 10 Day SME Payment Performance trend report (Target 88%)



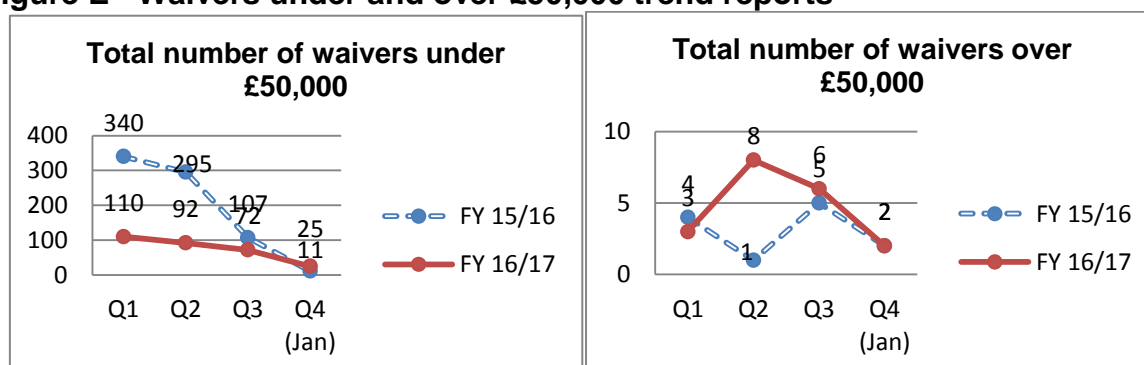
Electronic Invoices Received

10. As at the end of December 2016, the number of electronic invoices being received is 93% and sees us regular hitting this figure over the last quarter. The 10% increase since April 2016 when this initiative was launched is particularly positive.

Current Waiver performance

11. 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 2015/16 to Jan 2016 and Q1 2016/17 to Jan 17. Appendix 2 sets out a summary of the total number, value and the reasons for the waivers. Waivers under £50,000 require a 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



12. The number of under £50k waivers in the first 3 quarters of 2016/17 drastically decreased in comparison to the same period of 2015/16 showing a growing awareness of regulatory requirements within the Corporation. There has however been a slight increase in the number of over £50k waivers in comparison.

Conclusion

13. City Procurement continues to enhance its service levels whilst achieving improving performance, attaining consistently the majority of its KPIs which have been raised in this financial year. The strategy of developing operational excellence and value for money levels during 2016/17 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.

Report Author

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Appendix 1 – Summary of savings projections for FY 16/17 as at end of Jan 17 which are pending approval

Project	FY 16/17 Savings Projection value (£)
Property Insurance	400,000
Freemen's School Swimming Pool	263,710
Comensura rebate (Q1+Q2 FY16/17 forecast)	144,427
Telephone lines and ISDN	56,055
End user devices	55,121
Fire safety services	39,850
COLP Record storage and retrieval service	7,642
Total	966,804

Appendix 2 - 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 - December)	72	1,339,182	18,600
Q4 (January)	25	565,556	22,622
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 - December)	107	1,293,733	12,091
Q4 (January)	11	249,320	22,665

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

2016/17	Number	Value (£)	Average Value(£)
Q1 (April – June)	3	245,450	84,817
Q2 (July – September)	8	1,246,212	155,777
Q3 (October - December)	6	911,235	151,873
Q4 (January)	2	362,400	181,200
2015/16	Number	Value (£)	Average Value(£)
Q1 (April – June)	4	680,985	170,246
Q2 (July – September)	1	154,000	154,000
Q3 (October - December)	5	482,980	96,596
Q4 (January)	2	110,000	55,000

Table 3 – Analysis of reasons provided for need for waivers (Under £50k)

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 Q3		16/17 Q4 (Jan)	
Retrospective Waiver	58	Retrospective Waiver	20
Sole Supplier (not advertised)	9	Extension of Contract	3
Outside Corporate Contract	3	Sole Supplier (not advertised)	2
Extension of Contract	2	Outside Corporate Contract	0
Total	72	Total	25

Table 4 – Retrospective Waivers (Under £50,000 – FY 2016/2017 to Jan 17)

4 - Retrospective Waiver (A purchase where previous authority has not been obtained)	Number of Waivers	Total Value £
Barbican	40	£742,276
Town Clerks	18	£341,398
Community and Children's Services	14	£287,797
Built Environment	10	£272,675
Chamberlain's	13	£190,798
COL School	10	£181,612
City of London Police	9	£167,000
Open Spaces	7	£156,916
Freemen's School	8	£141,006
Remembrancer's	5	£124,756
GSMD	6	£123,370
Culture, Heritage & Libraries	4	£75,209
City Surveyors	4	£69,509
Mansion House	3	£47,608
City Bridge Trust	2	£22,600
Markets & Consumer Protection	2	£22,201
COL School for Girls	2	£22,042
Central Criminal Courts	1	£15,800
Total	158	£3,004,573

Table 5 – Retrospective Waivers (Over £50,000 – FY 2016/2017 to Jan 17)

4 - Retrospective Waiver (A purchase where previous authority has not been obtained)	Number of Waivers	Total Value £
Built Environment	2	£157,402
City of London Police	1	£96,875
Barbican	1	£62,400
Total	4	£316,677