

Committee(s)	Dated:
Finance Committee	12 December 2017
Subject: City Procurement Quarterly Progress Report (December 2017)	Public
Report of: The Chamberlain	For Information
Report author: Chris Bell, Commercial Director, Chamberlain's	

Summary

The report updates Members on the work of City Procurement and the key areas of progress since our last report in July 2017.

Members are asked to:

Note the progress report on key strategic improvement projects and performance:

- i. Procurement savings at end of October 17 of £4.06m achieved against cumulative target of £3.97m.
- ii. Projecting year-end procurement savings of £6.89m against target of £6.47m.
- iii. Additionally, achieved Commercial Contract Management savings to date of £214k against the 2017/18 savings target of £550k.
- iv. Purchase Order Compliance is at 97% for FY17/18 to date
- v. During quarter two, 96% of all supplier payments are happening within 30 days whilst 84% of SME supplier payments are happening within 10 days
- vi. Finally, 92% of invoices are currently received electronically

Main Report

Background

1. City Procurement has four main functions, Category Management/Sourcing, Commercial Contract Management, Accounts Payable and Policy and Compliance. This report updates on progress and current performance of delivery against the service KPIs set in the Chamberlain's Business Plan in April 2017.

Efficiency and Savings

2. 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 2017/18 City Procurement target is £6.47m.

The Annual Savings Target elements

3. The 2017/18 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.
4. 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.

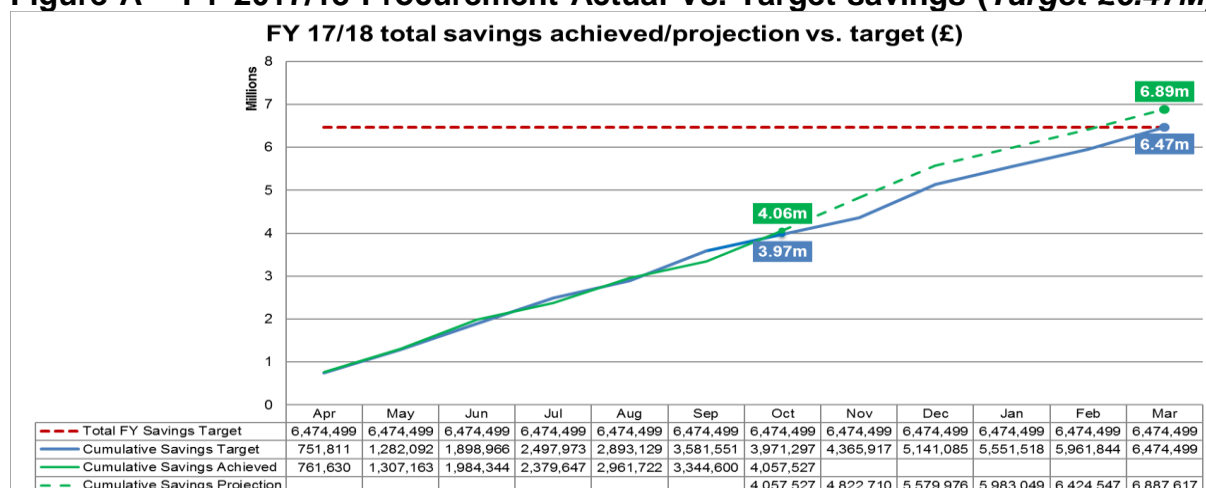
Commercial Contract Management savings target (NEW)

5. In addition to the City Procurement annual target, a savings target for the new Commercial Contract Management has been set for 2017/2018. This relates to efficiencies and savings delivered within the duration of a contract. The target for Commercial Contract Management is £550k which is a cost recovery figure set given this is a start-up area of business for City Procurement.

2017/2018 efficiencies and savings progress as at 31 October 2017

6. City Procurement to date has achieved £4.06m compared to the cumulative target of £3.97m for this period. In terms of the annual position, City Procurement is projecting a positive end of year position of realised savings totalling £6.89m against the target of £6.47m as illustrated in the Figure A below. Of the projected £6.89m total savings, it is projected that £6.02m will be budget impact savings (£1.15m cashable in year).
7. Additionally, Commercial Contract Management efficiencies and savings have already been achieved this year. As a result, a total savings of £214k have contributed to the 2017/18 target of £550k. A regular update on Commercial Contract Management efficiencies and savings initiatives are reported at Efficiency and Performance Sub-Committee.

Figure A – FY 2017/18 Procurement Actual Vs. Target savings (Target £6.47M)



Accounts Payable Performance - PO Compliance/No PO No Pay

8. 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 for FY17/18 of 96% compliance, achieving 97% compliance on average.

Payment Performance

9. The Corporation's 30-day invoice paid on time performance is currently 96% (target 97%).
10. Our 10-day SME invoice payment performance for Q2 2017/18 is 84% (target 88%). Unfortunately, the 10-day paid on time figure is just falling short of the target, however compared with the Q1 figure of 58% this is increased significantly and back where we want to be following the backlog of invoices in Q1. Due to this backlog it is highly unlikely that we will achieve the annual target set for FY 2017/18, however City Procurement will strive to achieve 88% each month.

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

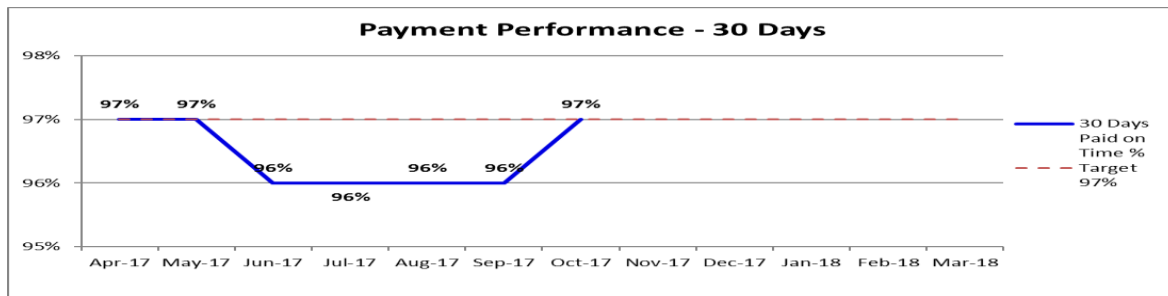
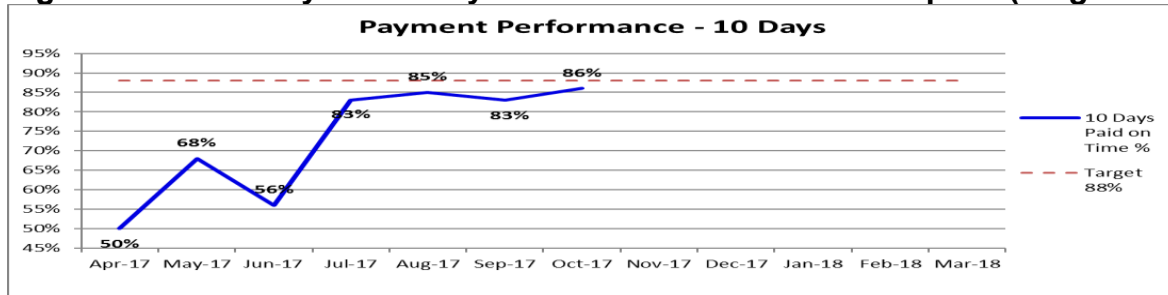


Figure C – 10 Day SME Payment Performance trend report (Target 88%)



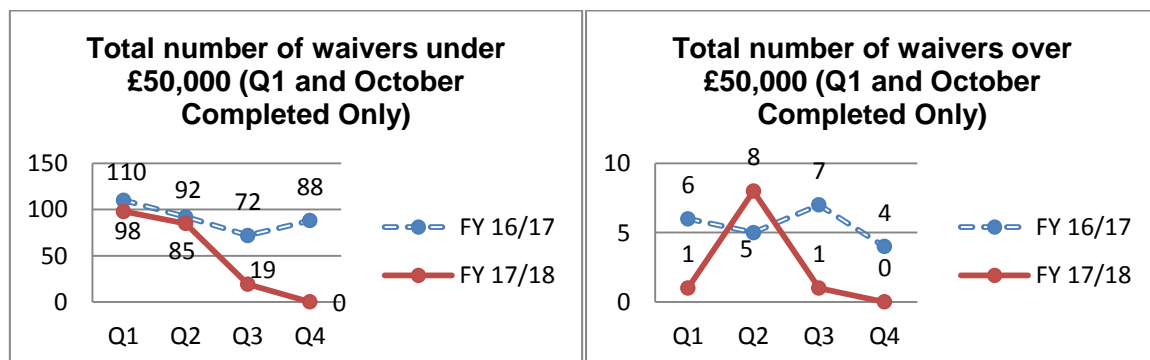
Electronic Invoices Received

11. The percentage of electronic invoices being received in Q2 2017/18 is 92%. There has been no movement in comparison to Q1 where 92% was also achieved.

Current Waiver performance

12. 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 2016/17 and Q1 2017/18 (and October). Waivers under £50k require a Chief Officer approval, with those above requiring the approval of the appropriate spend Committee.

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



13. The number of under £50k waivers in the first half of 2017/18 continues to show a declining trend. There has also been an overall decrease in the number of over £50k waivers in comparison to 16/17. However, despite the decline in the number of waivers overall, there has been a significant increase of £1.5m in the total value of waivers processed in comparison to last year with a total of £2.9m approved to date. The spike in waiver value is mainly attributed to the need to continue the legacy running costs of the Police Action Fraud service whilst the new service launch continues to be delayed.

Freedom of Information Requests

14. City Procurement have responded to 11 FOIs during the period of July to October 17 totalling 24 hours of officer time.

Conclusion

15. City Procurement continues to achieve consistent performance, attaining the majority of its KPIs so this financial year to date. The 10-day payment target remains challenging due to our low performance in quarter 1 and our reliance on the business to goods receipt promptly, otherwise we are on track to achieve our service KPI's and over-achieve on Procurement Savings.

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