

Committee(s):	Date:
Finance Committee	5 June 2018
Subject: City Procurement Efficiency and Savings Target 2018/19	Public
Report of: The Chamberlain	For Information
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Summary

The report is to advise members of the Efficiency and Savings target set for City Procurement; for the financial year 2018/19 of £6.52 million. This target figure includes a target of £852k of new savings to be generated within this financial year. The target represents a 5.41% average savings overall for this year's procurement programme. This has been calculated as an average annual savings based on spend information received from departments.

The target is devised on the contracts that are to be let and implemented during the financial year 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 industry benchmarks 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. The target is defaulted to the highest savings target within the range for each project to ensure we are aiming at industry best practice levels.

It is to be noted that the set target has excluded projects that have been identified in departments annual efficiency programme; income generation; major works contracts and projects where teams are yet to define the baseline. A quarterly reconciliation report will to be presented and approved at this committee should the target need to be revised.

Recommendation(s)

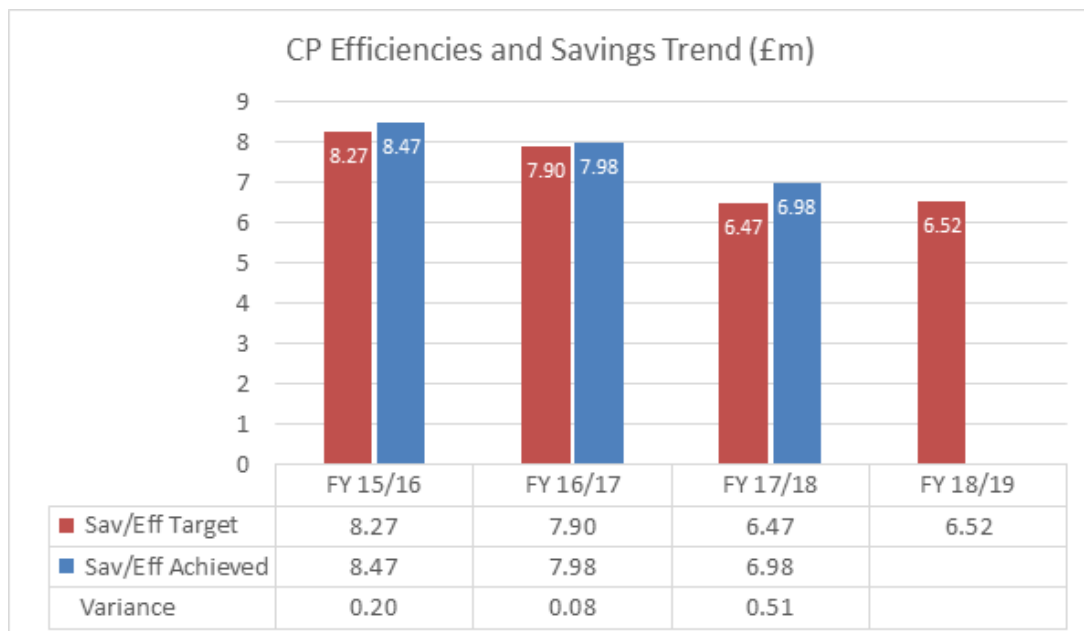
Members are asked to:

- Note the Procurement Efficiency and Savings target of £6.52 million for the financial year 2018/19.

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.
2. This year's target is £6.52 million. Targets fluctuate year by year as it's based on the number and value of contracts to be procured within each year. Below is a table of our recent years Procurement Targets and Results.



The Annual Savings Target elements

3. 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 life of the contract.
 - *New contracts let generating savings* – Savings targeted to be generated from new contracts let and commence during the financial year.
4. 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 operational decisions which are treated as local departmental savings.

Summary of Projects making up the 2018/19 target

5. The target of £6.52 million is derived from savings previously generated of £5.67 million and £852k in year savings from the 275+ procurement exercises planned to happen this year and represents an average savings of 5.41%.
6. 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 (where a saving was identified)	FY 18/19 Savings Target (£)
Facility Services	19	363,311
Procurement Operations	200+	299,200
IT	39	117,585
Corporate Services	15	63,797
Dept. Child & Community Services (DCCS)	2	8,313
Subtotal In-Year savings (New FY 18/19 projects)	275+	852,206
On-going savings (for projects sourced in previous years)	43	5,668,935
Grand Total	318+	6,521,141

7. The new targeted in-year savings although only realising £852k within the current financial year would generate a total of approximately £6.15m in the next 5 years. This is caveated by the fact that it will only achieve this if the projects run to original plan within scope and the baseline spend is verified by Finance.

Cumulative Target

8. The £6.52 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 2018) - £1.45 million
 - End of Quarter 2 (30th September 2018) - £3.12 million
 - End of Quarter 3 (31st December 2018) - £4.94 million
 - End of Year Target (31st March 2019) - £6.52 million

Conclusion

City Procurement has finalised its Sourcing Plan for 2018/19 by gathering information from all departments on potentially new tenders to be run, combined with the expiry of contracts from our corporate contract register. The target set is £6.52 million.

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