

Committee(s)	Dated:
Finance Committee	18 September 2018
Subject: City Procurement Quarterly Progress Report (September 2018)	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 May 2018.

Members are asked to:

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

- i. Procurement savings at end of July 18 of £2.12m achieved against cumulative target of £2.04m.
- ii. Projecting year-end procurement savings of £6.79m against target of £6.52m.
- iii. Additionally, achieved Commercial Contract Management savings to date of £231k.
- iv. Purchase Order Compliance is at 97% for FY18/19 to date
- v. For the first 4 months of FY 18/19, 96% of all supplier payments are happening within 30 days whilst 80% of SME supplier payments are happening within 10 days. An action plan to improve and stabilise our 10-day payment performance has been devised.
- vi. Finally, 72% of invoices are currently received in True PDF format which is the compatible format required in preparation for a new e-invoicing system that should be in place by the end of FY 2018/19.
- vii. Waiver trends:
 - a) Number of waivers has reduced by 62% this year to date.
 - b) Non-compliant waivers have decreased by 64%.
 - c) 18 Procurement breaches recorded to date this year.

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 2018.

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 2018/19 City Procurement target is £6.52m as approved at Finance Committee in June 2018.

The Annual Savings Target elements

3. The 2018/19 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 operational decisions which are treated as local department savings.

Commercial Contract Management savings target

5. In addition to the City Procurement annual target, an additional savings target for Commercial Contract Management has been introduced. This relates to efficiencies and savings delivered within the duration of a contract. The 2018/19 Commercial Contract Management target is £1.27m.

2018/2019 Efficiencies and savings progress as at 31 July 2018

6. City Procurement to date has achieved £2.12m compared to the cumulative target of £2.04m for this period. In terms of the annual position, City Procurement is projecting a positive end of year position of realised savings totalling £6.79m against the target of £6.52m. Of the projected £6.79m total savings, £6.09m will be budget impact savings. (£829k new cashable this year).
7. Additionally, Commercial Contract Management efficiencies and savings have already been achieved this year. As a result, a total savings of £231k have contributed to the 2018/19 target of £1.27m. A regular update on Commercial Contract Management efficiencies and savings initiatives are to be reported at Procurement Sub-Committee.

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. We achieved 97% compliance on average against our target for FY18/19 of 97% compliance as at end of July 2018.

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 is 80% (target 85%) as at end of July 2018. Unfortunately, the 10-day paid on time figure is just falling short of the target due to the backlog of invoices in the first 4 months of the year. An action plan is now being put in place to seek to achieve the target. This will be presented at Procurement Sub-Committee in November 2018.
11. It should be noted that the 10-day SME target is a corporation aim and not a contractual obligation or government target, and that our average days for all payments in 16 days, so SMEs are still being paid well in advance in most cases of the contractual 30 days terms. Therefore, although it is disappointing we are not consistently hitting this target, performance still outstrips industry standards and there are no contractual or penalties associated.

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

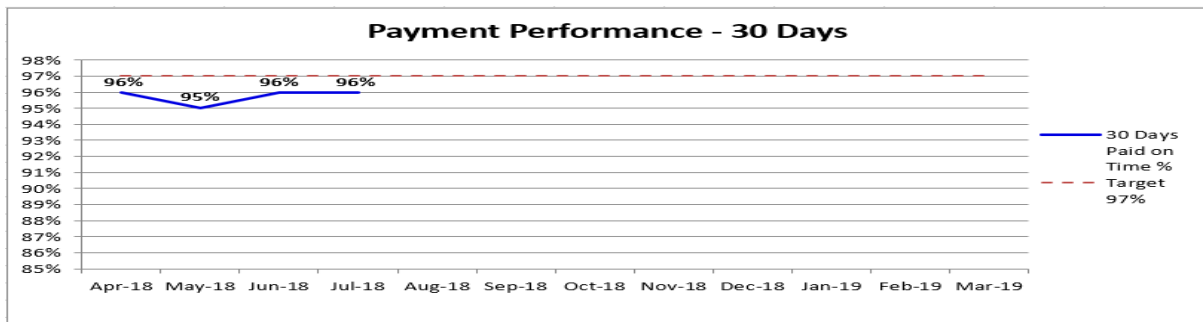
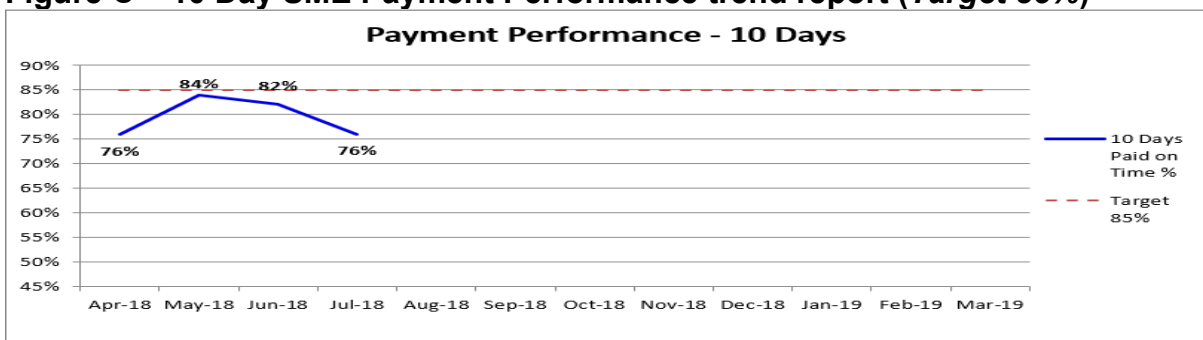


Figure C – 10 Day SME Payment Performance trend report (Target 85%)



True PDF Invoices Received

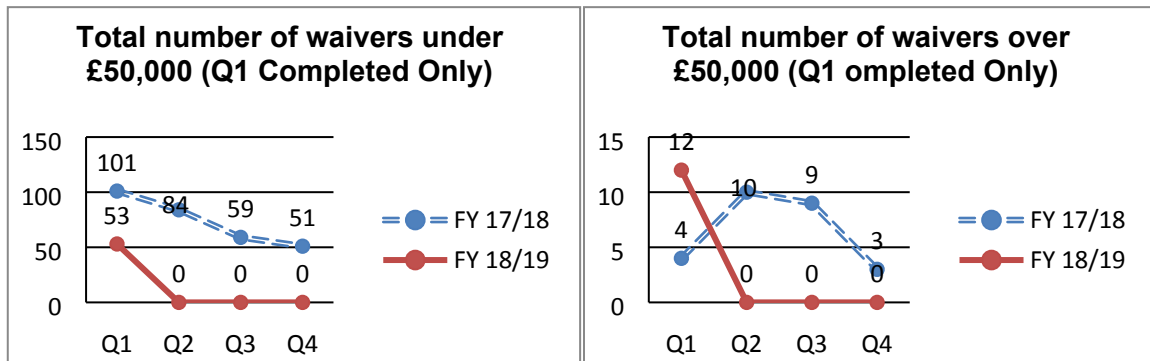
12. Starting from FY2018/19 City Procurement have been monitoring the number of invoices received in 'True PDF format' which is the machine readable compatible format required in preparation for a new e-invoicing system that should be in place during FY 2018/19. The percentage of True PDF invoices being received as at end of July 2018 is 72% on average against the FY 2018/19

target of 80%. This new technology should see increased processing rates whilst reducing error rates as it eradicates the need for manual keying.

Current Waiver performance

13. 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 2017/18 and Q1 2018/19. Waivers under £50k require a Chief Officer approval, with those above requiring the approval of the appropriate spend Committee.

Figure D – Total waivers (compliant and non-compliant) trend charts



14. The total number of waivers so far this year is **65** (compared to 105 for same period in 2017/18), break down as follows:

- a. Compliant Waivers **37** – (value £2.07m)
- b. Non-Compliant Waivers **28** - (value £1.20m)
 - i. Procurement Breaches (subset of Non-compliant total) **18** (£843k)

15. Trends:

- a. Total number of waivers has reduced by 62% this year to date.
- b. Total number of non-compliant waivers has decreased by 64% compared to the same period in FY 2017/18.
- c. Non-compliant waivers make up 43% of all waivers this year to date.

Freedom of Information Requests

16. City Procurement have responded to 11 FOI requests during the period of April to July 18 totalling 18 hours of officer time.

Conclusion

17. City Procurement continues to achieve consistent performance, attaining the majority of its KPIs for this financial year to date. The 10-day payment target remains challenging due to our low performance year to date 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.

Report Author

Christopher Bell, Commercial Director
T: 0207 332 3961
E: Christopher.bell@cityoflondon.gov.uk