

Committee(s):	Date:
Procurement Sub Committee	7 th October 2020
Subject: City Procurement Efficiency and Savings Target 2020/21	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 2020/21 of £6,080,432

This is derived from three elements

- £942,932 of new sourcing savings to be generated within this financial year.
- £3,800,000 from savings from previous procurement activity that delivers savings in this financial year
- £1,337,500 from Commercial Contract Management

Recommendation(s)

Members are asked to:

- Note the Procurement Efficiency and Savings target of £6,080,432 for the financial year 2020/21

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 and savings from commercial contract management.
2. This year's target is £6,080,432 million.

Method for Target Calculation

3. The process in setting the annual target includes:
The annual savings from Sourcing activity 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.
- *Commercial Contract Management Savings*: The savings target for Commercial Contract Management is derived from a return of 2.5:1 on salary costs.

With the impact of COVID-19, significant resources were refocused by departments and City Procurement. This particularly effected quarter one, when lockdown was introduced. This has led to a number of projects being rescheduled. However, since that time, Senior Category Managers have worked with Category Boards to reshape the programme of work. In addition, given the financial impact of COVID-19, Category Mangers are working with Category Boards to provide greater challenge to delivering savings.

It is to be noted that the set target has excluded projects that have been identified in departmental annual efficiency programme; income generation; major works contracts and projects where teams are yet to define the baseline.

Conclusion

City Procurement has finalised its Sourcing Plan for 2020/21 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 £6,080,432

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