

Committee(s)	Dated:
Procurement Sub Committee Finance Committee	11 February 2021 16 February 2021
Subject: City Procurement Quarterly Progress Report (February 2021)	Public
Report of: The Chamberlain	For Information
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Summary

The report updates Members on the work of City Procurement, key performance indicators and areas of progress.

Performance for Q1 – Q3 of 2020/21 financial year is summarised below:

- Procurement savings at end of December 2020 of £4.8m, made up of £1.3m Commercial Contract Management savings and £3.5m Sourcing & Category Management savings. We are expecting to meet and exceed FY target.
- Purchase order compliance was 98% (target of 97%).
- 93% of all supplier invoices were paid within 30 days (target of 97%).
- 87% of SME invoices were paid within 10 working days (target of 88%).
- Non-compliant waivers over £50k:
 - 5 Non-compliant waivers recorded for FY 20/21 so far.
 - A total of 3 Procurement Breach waivers have been recorded in FY 20/21 with a total value of £248k.

Recommendations

- Members are asked to note the report.

Main Report

Background

1. City Procurement has four main functions: Category Management/Sourcing, Commercial Contract Management, Accounts Payable, and Policy & Compliance. This report provides an update on the progress and current performance against the service KPIs set out in the Chamberlain's Business Plan in April 2020.

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. Contracts are reviewed by Category and savings set using industry benchmarks. The 2020/21 City Procurement savings target is £6.1m.

2020/21 Efficiencies and savings as at 31 December 2020

3. Sourcing & Category Management achieved procurement savings of £3.5m at the end of Q3 FY 20/21. Additionally, Commercial Contract Management has achieved efficiencies and savings to the value of £1.3m, giving total savings for Q1 – Q3 of £4.8m.
4. These savings have been achieved despite the loss of some tendering during the COVID due supporting the services COVID response, and a depleted market in some categories.

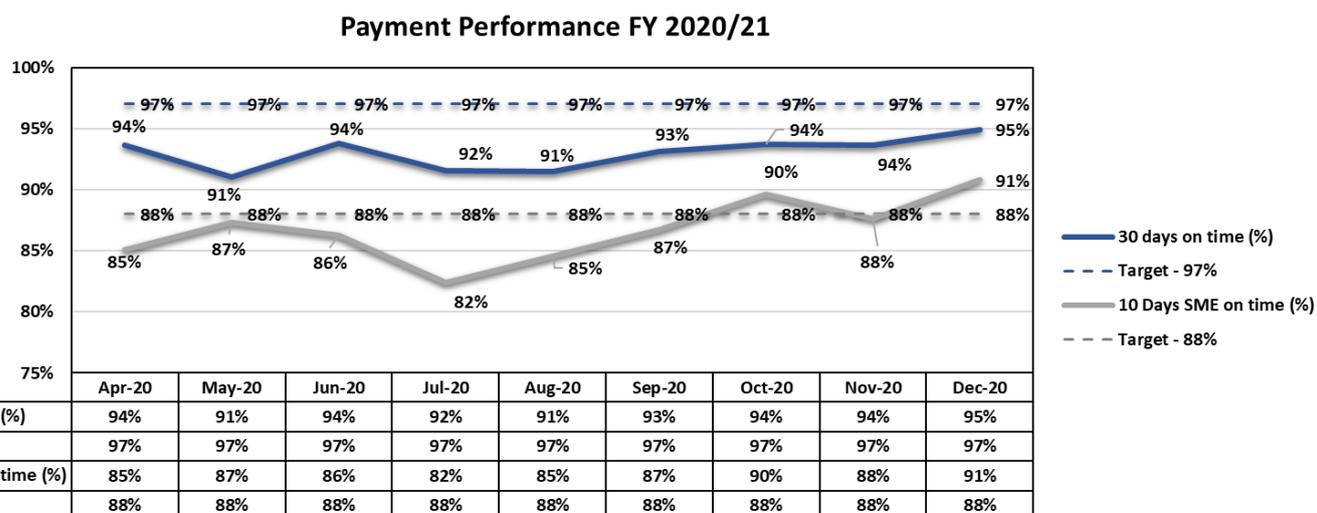
Accounts Payable Performance – Compliance with No PO No Pay Policy

5. We continue to achieve high levels of compliance with 98% PO compliance for Period Q1 – Q3 FY 20/21, therefore exceeding our target of 97%.

Payment Performance

6. The Corporation's 30-day invoices paid-on-time performance for Q1 – Q3 FY 20/21 is 93%, below the target of 97%. Our 10-day SME invoice payment performance for Q1 – Q3 FY 20/21 is 87%, falling just short of the 88% target. There have been a number of factors impacting results this year including increased work for Accounts Payable assisting other parts of the organisation (including all Covid-19 relief payments) and carrying vacancies to balance budget.
7. We are pleased to report that payment performance is steadily increasing and we are now achieving figures of 94% or 95% on a monthly basis, increasing our overall figure for FY 20/21, so the target of 97% for the year is still a possibility. The same can be said for the 10-day target for SME invoices, as we have achieved or exceeded the goal of 88% in the last few months.
8. Furthermore, a comparison of Q3 FY 19/20 and Q3 of the current year shows that our 10-day payment performance is actually better in the latter quarter, when we exceeded the 88% target in both October (90%) and December (91%), achieving 89% for quarter, 3 percentage points higher than Q3 FY 19/20, despite the challenges of additional work, reduced resources and a more testing working environment. This improvement can at least partly be attributed to our focus on protecting SME cashflows during the pandemic.

Figure A: 30-Day and 10-Day Payment Performance trend charts



Electronic Invoices Received

9. Of all the invoices received from suppliers in Q1 – Q3 FY 20/21, 95% were in the desired True PDF format, far exceeding the target of 75%.
10. All Accounts Payable staff continue to work from home due to the COVID-19 pandemic, so the necessity for invoices to be submitted electronically remains.

Non-compliant Waivers

11. No additional non-compliant waivers were issued in quarter three.
12. In total for FY 20/21 so far, we have recorded five non-compliant waivers (four have been approved/noted) as per the table below.

Waiver Reason	Total Number	Total Value (£)
Poor Operational Planning	2	175,000
Procurement Code Breach	3	248,670
Grand Total	5	423,670

13. Of the five waivers, the three Procurement Code Breaches were issued in the previous financial year. The breach values will be noted in this financial year as the reports go to the relevant spend committee, but effectively no new breaches have occurred.

Freedom of Information (FOI) Requests

14. City Procurement received 17 FOI requests between October and December 2020 totalling 22 hours of officer time. It was a busy quarter for FOI requests with almost the same number of requests received as in the two previous quarters added together.

15. Analysing the make-up of FOIs for this period gives the following categorisation:

Nature of FOI Query	Instances
Understanding our expenditure	6
Contract Specific	5
Policy queries	4
Seeking sales opportunities	2
Grand Total	17

16. City Procurement received a total of 35 FOI requests, amounting to 65 hours of officer time, during Q1 – Q3 FY 20/21.

Conclusion

17. City Procurement continues to achieve a high level of performance during an extremely challenging period. We are on track to achieve and exceed the savings target of £6.1m for the current financial year, having achieved savings of £4.8m in the first three quarters. The payment performance figures are falling short of their respective targets; however, the figures have improved over the last few months, e.g. the target of paying 88% of SME invoices within 10 working days was exceeded for Q3 as a whole. PO compliance remains high and we have seen a significant increase in the proportion of invoices received in the desired True PDF format, which made up 95% of all invoices received up to the end of Q3, well above the 75% target. Throughout this period, the impact of Covid-19 has created significant additional work, such as emergency procurement of PPE in a highly competitive environment, payment of grants to businesses affected by the pandemic, and compliance with a series of new government policy notices.

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