



## Efficiency and Performance Sub (Finance) Committee

**Date:** WEDNESDAY, 10 SEPTEMBER 2014

**Time:** 1.45 pm

**Venue:** COMMITTEE ROOM - 2ND FLOOR WEST WING, GUILDHALL

**Members:** Roger Chadwick (Chairman)  
Jeremy Mayhew (Deputy Chairman)  
Randall Anderson  
Nigel Challis  
Deputy Anthony Eskenzi  
John Fletcher  
Jamie Ingham Clark  
Ian Seaton  
Deputy John Tomlinson  
Philip Woodhouse  
Deputy Alastair King

**Enquiries:** Philippa Sewell  
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philippa.sewell@cityoflondon.gov.uk

Lunch will be served in the Guildhall Club at 1pm

**John Barradell**  
Town Clerk and Chief Executive

# AGENDA

## Part 1 - Public Agenda

1. **APOLOGIES**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **MINUTES OF THE PREVIOUS MEETING**  
To agree the public minutes and non-public summary of the meeting held on 2 July 2014.  

**For Decision**  
(Pages 1 - 6)
4. **OUTSTANDING ACTIONS**  
Report of the Town Clerk.  

**For Information**  
(Pages 7 - 10)
5. **OVERSIGHT OF CORPORATE PROGRAMMES**  
Joint report of the Chamberlain and Deputy Town Clerk.  

**For Decision**  
(Pages 11 - 16)
6. **COLLABORATIVE SERVICES (CITY OF LONDON CORPORATION AND CITY OF LONDON POLICE)**  
Report of the Deputy Town Clerk.  

**For Information**  
(Pages 17 - 24)
7. **CENTRAL SUPPORT SERVICE COSTS AND THEIR ALLOCATION OR APPORTIONMENT TO THE CITY'S ACTIVITIES**  
Report of the Chamberlain.  

**For Decision**  
(Pages 25 - 34)
8. **CITY OF LONDON ENERGY EFFICIENCY FUND**  
Joint report of the Town Clerk and City Surveyor.  

**For Decision**  
(Pages 35 - 48)
9. **CITY PROCUREMENT**  
Report of the Chamberlain.  

**For Information**  
(Pages 49 - 64)
10. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
11. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

12. **EXCLUSION OF THE PUBLIC**

MOTION - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Local Government Act.

**For Decision**

**Part 2 - Non-Public Agenda**

13. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

14. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

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## EFFICIENCY AND PERFORMANCE SUB (FINANCE) COMMITTEE

Wednesday, 2 July 2014

Minutes of the meeting of the Efficiency and Performance Sub (Finance) Committee held at Guildhall, EC2 on Wednesday, 2 July 2014 at 1.45 pm

### Present

#### Members:

Jeremy Mayhew (Deputy Chairman)  
Randall Anderson  
Nigel Challis  
Deputy Anthony Eskenzi  
John Fletcher  
Jamie Ingham Clark  
Ian Seaton  
Deputy John Tomlinson  
Philip Woodhouse

#### Officers:

|                         |                            |
|-------------------------|----------------------------|
| Susan Attard            | Deputy Town Clerk          |
| Neil Davies             | Town Clerk's Department    |
| Christopher Braithwaite | Town Clerk's Department    |
| Philippa Sewell         | Town Clerk's Department    |
| Paul Double             | City Remembrancer          |
| Caroline Al-Beyerty     | Chamberlain's Department   |
| Paul Nagle              | Chamberlain's Department   |
| Paul Kennedy            | City Surveyor's Department |

#### 1. APOLOGIES

Apologies were received from Roger Chadwick.

#### 2. MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA

There were no declarations.

#### 3. MINUTES OF THE PREVIOUS MEETING

**RESOLVED** - That the public minutes and non-public summary of the meeting held on 5 March 2014 be agreed as an accurate record.

#### 4. OUTSTANDING ACTIONS

The Sub Committee received an updated schedule of outstanding actions. Members noted that some would be taken off after this meeting and others would be discussed under items later in the agenda.

In response to a Member's query concerning the City of London Procurement Services (CLPS), officers reported that recruitment was ongoing for the Head of

CLPS vacancy and that, so far, savings of £1.62 million had been achieved which was on track for the year's target of £7 million.

Members discussed the Staff Suggestion Scheme mentioned under point 7.3, and the Deputy Town Clerk reported that around 140 suggestions had been received in response to an invitation to contribute to the Service Based Review process. These were currently being explored. Some of these mirrored existing proposals and some were new ideas to be considered.

**RESOLVED – That:**

- (a) The report be noted; and
- (b) Future Finance Committee reports on the City of London Procurement Service also be presented to Efficiency & Performance Sub Committee meetings.

**5. REVISED TERMS OF REFERENCE**

Members received a report of the Town Clerk setting out the ways in which the Sub Committee would be supported in delivering against the revised terms of reference. Members agreed that the current report focused on high level arrangements, and discussed the need, in September, for a detailed forward plan of work and that this would dictate the frequency of meetings.

Members discussed the role of the Efficiency and Performance Sub Committee in monitoring progress of the Service Based Review programme, provide strategic oversight, and consider the overview between funds. They also considered the need for Service Committees, in the first instance, to retain ownership of the delivery and implementation of any changes arising from the Service Based Reviews. The Deputy Town Clerk reported that arrangements were being made to develop a programme office at officer level to oversee and coordinate the delivery and implementation of the various work-streams together with a reporting mechanism to the Sub Committee.

**RESOLVED –** That a detailed paper be presented at the next Sub Committee meeting in September, including a recommendation for the cycle of meetings, and proposals for the process and mechanism for reporting on the Service based Review programme.

**6. SUPPLIES AND SERVICES AND THIRD PARTY PAYMENTS**

The Sub Committee received a report of the Chamberlain following a report considered in November 2013 concerning the findings of a corporate-wide review of Supplies and Services and Third Party Payments categories of expenditure. The Chairman asked Members to focus on the value for money aspects of the report. Members noted the focus of the report and that a large element of spend had been reviewed and that detailed analysis had been carried out to determine whether potential efficiency saving areas could be identified in other areas.

Members discussed the report, clarifying points regarding the aggregation of work to make contracts attractive for organisations, and highlighted some areas of duplication and a need for rationalisation of work. Members noted that internal audit identified several areas where spending had been incorrectly

coded; which was indirectly linked to value for money, and new training and reviewed code descriptions were being developed to address this.

**RESOLVED – That:**

- (a) A further report is provided to the Sub Committee following the completion of the internal audit VFM review of consultancy fees and the joint working planned between internal audit and City Procurement on Professional, Management and Consultancy Fees.
- (b) That a detailed review of the Police Forensic Services Framework and Open Spaces Winter works by City Procurement with the relevant Department be reported back to the Sub Committee via the outstanding actions report.

**7. CORPORATE EVENTS MANAGEMENT GROUP**

The Sub Committee received a report of the Remembrancer providing an update on the work of the Corporate Events Management Group, which was attended by officers from the Public Relations Office, the Economic Development Office, Mansion House, the Department of Culture, Heritage and Libraries, the Barbican, and the Museum of London.

Members noted that the electronic diary was available to all above departments, guests were being proposed jointly for events, and that the Barbican and Guildhall were aiming to promote both venues jointly as a destination for major events, in particular large conferences. A marketing strategy was being developed which, once launched, could be extended to allow all the City Corporation's venues to work more closely together to generate increased business opportunities.

Members discussed the report, highlighting a need to include links to City Schools and to publicise events more prominently on the website, particularly commemorative events for the First World War Centenary. Members also voiced their approval for priority to be given to develop the use of an electronic pro-forma for a greater range of events.

**RESOLVED – That the report be noted.**

**8. TRANSFORMATION AND EFFICIENCY BOARDS UPDATE**

The Sub Committee received an update on the above boards, noting that they had each met once since the last meeting. Members discussed the format and content of these updates, including the possibility that they were insufficiently focused on strategic issues, but noted that the Corporation was performing well as compared with London Local Authorities but that there was a need to make this performance more efficient.

**RESOLVED – That:**

- (a) The report be noted; and
- (b) Key issues for Members to discuss be highlighted in future updates.

9. **CARBON DESCENT PLAN 2009 - YEAR 5: END YEAR ENERGY TARGET REVIEW 2013/2014**

The Sub Committee received a report of the City Surveyor which summarised progress against the energy reduction targets set out in the Carbon Descent Plan 2009. Members noted that the City's total energy expenditure for 2013/14 was £15.1m, compared with £14.4m for 2012/13.

To forestall anticipated price rises, in June 2009 Chief Officers agreed to adopt an energy reduction target of 15% by 2015; rising energy costs remained a significant financial risk identified on the Medium Term Financial Plan, with a recent independent report indicating that the City could expect energy cost rises between 30 and 40% by 2017/18.

In response to Members' questions, officers reported that a 10% reduction over 4 years was achievable, but to do it in 1 year would be demanding in terms of staffing resource and capital investment. This option would be discussed by the Summit Group in Autumn 2014.

**RESOLVED** – That the following be recommended to Finance Committee:

- (a) A new overall revised energy reduction target of 10% be adopted for the period 2014/15 – 2017/18;
- (b) For future reporting, energy usage should be adjusted each year for weather;
- (c) Energy usage for the wholesale Markets should be reported for landlord controlled areas only and should exclude energy usage that is solely tenant controlled; and
- (d) The Energy Manager should be tasked with revising targets (annually) for individual Chief Officers based on their savings potential and, if appropriate, presenting options for "invest to save" schemes.

10. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

A Member asked for all acronyms to be clarified in future reports.

11. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

There was no other business.

12. **EXCLUSION OF THE PUBLIC**

**RESOLVED** - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

13. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**

**RESOLVED:** That the non-public minutes of the meeting held on 5 March 2014 be agreed as an accurate record.

14. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

There were no questions.



15. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

There was no other business.

**The meeting ended at 3.26 pm**

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Chairman

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EFFICIENCY AND PERFORMANCE SUB-COMMITTEE - Outstanding Actions (as at 27/8/2014)

| Item | Date            | Action  | Officer responsible | To be completed/ progressed to next stage | Progress Update   |
|------|-----------------|---|---------------------|---|---|
| 1.   | 30 January 2013 | <b>Staff Suggestion Scheme</b><br>Members requested that officers review and report back on the incentives offered to staff who suggest good ideas through the City Corporation's Staff Suggestion Scheme and also the level of uptake. | Deputy Town Clerk   | November 2014                             | <b>May 2013:</b> Members noted proposals for a full review of the Scheme, which were subsequently agreed by the Establishment Committee.<br><b>September 2013:</b> Proposals for a revised scheme to engage staff and encourage innovation were approved by the Performance and Strategy Summit Group.<br><b>July 2014:</b> An officer project team is leading on the re-launch of the general scheme, and reviewing ideas around technology and incentives to encourage participation from staff members. An appropriate software package has been identified, which will be tested before roll-out in the autumn.<br><b>September 2014:</b> A report to the Summit Group proposes a three-month pilot test of the new scheme, incorporating a revised reward element, and using an online platform to encourage more openness and collaboration. A further update will be provided in November. |
| 2.   | 6 November 2013 | <b>CIPFA Benchmarking: Legal Services</b><br>Next report on annual CIPFA benchmarking to show trend   | Chamberlain         | November 2014                             | The next report to be presented will report on the 2012/13 indicators – expected towards the end of 2014.   |

EFFICIENCY AND PERFORMANCE SUB-COMMITTEE - Outstanding Actions (as at 27/8/2014)

| Item | Date            | Action  | Officer responsible | To be completed/ progressed to next stage | Progress Update   |
|------|-----------------|---|---------------------|---|---|
|      |                 | data; and areas where fees for specialist external legal services were increasing.  |                     |   |   |
| 3.   | 6 November 2013 | <b>Apportionment of central support costs</b><br>Members queried the overall allocation of the central departments' recharges to service committees. The Financial Services Director noted that the Chief Accountant would be reviewing apportionments. The Sub Committee asked to see a report on the issue. | Chamberlain         | September 2014                            | <b>DISCHARGED:</b> Report presented to Efficiency and Performance Sub Committee in September 2014.  |
| 4.   | 5 March 2014    | <b>Shared Services and collaboration between the City Corporation and the City Police</b><br>Members noted that, following updates to the Sub Committee on individual elements of Shared Services with the City   | Deputy Town Clerk   | September 2014                            | The Sub Committee has previously received updates on elements of shared service, including Occupational Health, call handling and IS services.<br><br><b>DISCHARGED:</b> Report presented to Efficiency and Performance Sub |

EFFICIENCY AND PERFORMANCE SUB-COMMITTEE - Outstanding Actions (as at 27/8/2014)

| Item | Date        | Action  | Officer responsible               | To be completed/ progressed to next stage | Progress Update   |
|------|-------------|---|-----------------------------------|---|---|
|      |             | Police, a report would be prepared on the full range of collaborative/shared services.  |                                   |   | Committee in September 2014.  |
| 5.   | 2 July 2014 | <b>City Procurement service</b><br>Members requested that future Finance Committee reports on the City Procurement service also be presented to the Sub Committee.  | Chamberlain                       | September 2014                            | <b>DISCHARGED:</b> Report presented to Efficiency and Performance Sub Committee in September 2014.  |
| 6.   | 2 July 2014 | <b>Committee Terms of Reference</b><br>Members requested that a report be presented to the Sub Committee in September 2014 including proposals for a process and mechanism for reporting on the Service Based Review programme. | Chamberlain and Deputy Town Clerk | September 2014                            | <b>DISCHARGED:</b> Report presented to Efficiency and Performance Sub Committee in September 2014.  |
| 7.   | 2 July 2014 | <b>Supplies &amp; Services/Third Party Payments</b><br>Members requested a further report to the Sub Committee following completion of the  | Chamberlain                       | February 2015                             | <b>September 2014:</b> Work has been scheduled within the internal audit programme for later in the financial year with a target of providing a report to the |

EFFICIENCY AND PERFORMANCE SUB-COMMITTEE - Outstanding Actions (as at 27/8/2014)

| Item | Date        | Action   | Officer responsible | To be completed/ progressed to next stage | Progress Update  |
|------|-------------|--|---------------------|---|--|
|      |             | Internal Audit VFM review of consultancy fees and the joint work planned between internal audit and City Procurement on Professional, Management and Consultancy Fees.   |                     |   | Sub Committee in February 2015. A full audit investigation analysis will be undertaken working with the City Procurement service.  |
| 8.   | 2 July 2014 | <b>Supplies &amp; Services/Third Party Payments</b><br>Members requested that the result of the detailed review of the Police Forensic Service Framework and Open Spaces Winter works by City Procurement with the relevant departments be reported back to the Sub Committee via this outstanding actions report. | Chamberlain         | November 2014                             | <b>September 2014:</b> Both these areas of spend will be added to the sourcing plans for the relevant City Procurement Category Boards for allocation of priority for review. An update will be provided at the next Sub Committee through the outstanding actions list. |

|  |                     |
|--|---------------------|
| <b>Committee:</b>                        | <b>Date:</b>        |
| Efficiency and Performance Sub Committee | 10 September 2014   |
| <b>Subject:</b>                          | <b>Public</b>       |
| Oversight of Corporate Programmes        |                     |
| <b>Report of:</b>                        | <b>For Decision</b> |
| Chamberlain and Deputy Town Clerk        |                     |

### Summary

The Efficiency and Performance Sub Committee is responsible for overseeing and monitoring the agreed programme of work arising from the Service Based Review, and other corporate savings and efficiency projects. The Service Based Review recommendations to Policy and Resources Committee on 4<sup>th</sup> September encompass proposals for departmental budget reductions and for cross-departmental efficiency and income generation reviews.

The departmental budget reductions will be monitored through the normal budgetary monitoring reports to Service Committees, although it is proposed that a quarterly report be produced for this Sub Committee.

A formal project management 'gateway' process will be used to monitor both cross-departmental reviews arising from the Service Based Review, and other corporate projects affecting the wider organisation. As part of this process, reports requiring Member approval will be presented to the Sub Committee

To support and co-ordinate the management, monitoring and reporting of these corporate programmes and projects, a Corporate Programme Delivery Unit is being established, reporting to the Deputy Town Clerk. This will be separate from, but co-ordinated with, the Corporate Programme Governance Unit (for capital and supplementary revenue projects).

This new Unit will be reporting monthly to the Summit Group of Chief Officers, which will subsume the former responsibilities of the Transformation and Efficiency Boards. It is proposed that the Sub Committee also receives reports at every meeting showing progress on all of the reviews and clearly highlighting any issues requiring specific Member decision.

This report also notes that the Sub Committee will continue to receive quarterly performance reports; six-monthly reports on energy consumption; and annual reports on CIPFA benchmarking and Combined Heat and Power.

### Recommendation(s)

Members are asked to:

- Note the creation of a Corporate Programme Delivery Unit;
- Approve proposals for the reporting of the agreed programme of work arising from the Service Based Review, and other corporate savings and efficiency projects; and
- Agree the frequency of Sub Committee meetings for 2015.

## Main Report

### Background

1. The revised terms of reference of the Sub Committee, agreed in March 2014, include: *“To be responsible for overseeing and monitoring the agreed programme of work arising from the Service Based Review programme and other saving and efficiency programmes ensuring the achievement of savings, and suggesting further areas for examination as appropriate.”*
2. Following a discussion at the meeting in July, Members requested that a report be presented to this meeting, including proposals for a process and mechanism for reporting on the Service Based Review programme, and a forward plan of work.

### Service Based Review proposals

3. At its meeting on 4<sup>th</sup> September, the Policy and Resources Committee considered a detailed report on the outcomes of the Chief Officer challenge meetings, held between February and early June 2014. At these challenge meetings, a panel led by the Chamberlain and the Deputy Town Clerk discussed with the individual Chief Officers options for budget reductions from a combination of efficiency savings, income generation and doing things differently. Members of the Resource Allocation Sub Committee then gave detailed consideration to the full set of options at their informal meeting in June.
4. The Policy and Resources Committee was asked to:
  - i agree a total of expenditure reductions/income increases for each Chief Officer, which will be included within the Chief Officer’s local risk budgets for 2015/16 (and subsequent years);
  - ii approve proposals for cross-departmental efficiency reviews, of: grant giving; the effectiveness of hospitality; operational assets; contract management; and asset, facilities and project management;
  - iii approve proposals for cross-departmental income generation reviews of: car parking in the City; filming; conference and business events; advertising; and the marketing of visitor attractions, and
  - iv approve further research on three areas identified for possible funding through Bridge House Estates.
5. If approved, the reviews under (i), (ii), and (iii) will form a programme of work for the next phase of the Service Based Review. An update on the decisions of the Policy and Resources Committee can be reported orally at this meeting, and a report detailing the impact of the decisions on departmental budgets, and all of the other items agreed will be presented to the next meeting of the Sub Committee.



## Delivery of Corporate Programmes

6. The proposed addition of the new cross-departmental reviews listed above to existing projects which affect more than one part of the organisation, particularly those being led by Corporate HR and the IS Division, has provided an opportunity to review the management, monitoring and reporting of corporate work programmes.
7. The aim is to have a single clear and co-ordinated view of programme delivery, to:
  - make sure that resources are prioritised, managed and delivered effectively;
  - capitalise on opportunities to collaborate within and outside of the organisation;
  - encourage innovation and give proper support to teams who are undertaking programmes, and
  - develop “Business Intelligence” to support better decision making.
8. To provide this single view, a Corporate Programme Delivery Unit will be established, reporting to the Deputy Town Clerk. This will provide a clearer understanding of how we will work together in Departments, across the City Corporation, and with partners, to manage dependencies, risk, strategic alignment and resources, and to make sure that agreed project objectives are delivered.
9. The unit will be resourced with internal staff with appropriate skills working virtually or being seconded in. It will balance the need for overall co-ordination with Departmental freedom to act and take decisions. The processes adopted will be separate from, but coordinated with, the Corporate Programme Governance Unit (for capital and supplementary revenue projects) which reports to the Projects Sub Committee, and will also use the Project Vision system to track programmes through an appropriate ‘gateway’ process.
10. This new unit will report monthly to the Summit Group of Chief Officers, which will subsume the majority of the responsibilities of the Transformation Board and the Efficiency Board. The Efficiency Board will continue to meet periodically to support the work of this Sub Committee.
11. The Summit Group will ensure that resources are prioritised and managed effectively and will assess and approve which programmes will stop, start or continue. Task-and-finish sub groups of the Summit Group, which will include the relevant Chief Officers across the Corporation, will be created for specific programmes. Examples would be the Oracle Steering Group which is already in existence for the Oracle Programme chaired by the Chamberlain; a new Police IS Group to oversee the IS Services being delivered on behalf of the City Police, and review groups for the new cross-departmental reviews.

## Reporting to the Efficiency and Performance Sub Committee

12. The approved departmental expenditure reductions and increased income will be included within the relevant Chief Officers' local risk budgets from 2015/16 onwards. These will, therefore, be monitored through the usual local risk monitoring reports – at Chief Officer level to every meeting of the Finance Committee, and more detailed reports quarterly to every Service Committee. It is proposed that the Sub Committee receives quarterly budget monitoring reports, with assurances from Chief Officers regarding the delivery of Service Based Review budget reductions.
13. As noted at the last meeting, Members may wish to consider an appropriate escalation process if the Sub Committee, in monitoring the Service Based Review budget reductions, established that they were not being fully delivered or there were significant risks around delivery. This could include, for example, reporting to the Finance and Service Committees, and/or inviting the responsible Chief Officer to set out what steps were being taken to get the savings and overall budget back on track.
14. As noted in the Service Based Review report to the Policy and Resources Committee, the proposals for additional income generation carry an inherently higher risk to successful delivery than those relating to straightforward cost reduction. Additionally, the quantum of savings to be made will be greater, in both absolute and percentage terms, for some departments than others. In determining whether to review progress with individual Chief Officers, Members may, therefore, wish to consider factors such as: the scale and timing of savings; the risk to the organisation; an individual Chief Officer's track record in implementing budget reductions; and Members' previous concerns over the delivery of savings.
15. The agreed cross-departmental reviews will be managed through a formal project management 'gateway' process. A Chief Officer lead will be nominated for each review, and will be responsible for producing reports at the appropriate stages. These reports will be presented to the Summit Group, and thereafter to this Sub Committee for decision. In this way, this Sub Committee will complement the role of the Projects Sub Committee in respect of capital and supplementary revenue projects.
16. A monthly delivery update report, covering all projects and programmes reporting to the Summit Group, will be produced by the Delivery Unit for the Summit Group, and can also be circulated to all Members of the Sub Committee who wish to receive it.
17. It is proposed that a delivery update report be produced for each meeting of the Sub Committee, showing the work plan for each separate project or review, progress against the agreed programme, actions to address any problems identified, and key milestones. Any risks to the successful delivery of the projects, and any issues requiring specific Member decision will be clearly highlighted.

## Frequency of Meetings

18. In addition to the reports noted above, the Sub Committee will continue to receive the following periodic reports:
  - Quarterly: Performance reports, including the London Councils performance dashboard (LAPS) and relevant performance “triggers”.
  - Six-monthly: energy consumption performance reports
  - Annually: Combined Heat and Power end of year report; CIPFA Benchmarking results
19. The Sub Committee will also be receiving regular reports on the City Procurement Service (as agreed at the last meeting), and periodically on other specific aspects of the performance of the Chamberlain’s Department. This is to allow the Sub Committee to fulfil another of its terms of reference: *“To review and to monitor performance against the Chamberlain’s Departmental Business Plan and related corporate initiatives in order to promote efficiency and value for money”*.
20. At the last meeting, Members expressed a preference for meetings to be scheduled every two months during 2015. Under this arrangement, the periodic reports would be scheduled at the earliest opportunity after the end of the relevant period. A detailed forward plan will be presented to the next meeting, once dates for 2015 have been set.

**Appendices:** None

### **Background Papers:**

Report to Efficiency and Performance Sub Committee on 2<sup>nd</sup> July 2014: Revised Terms of Reference

### **Neil Davies**

Head of Corporate Performance and Development

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| <b>Committee(s):</b>   | <b>Date(s):</b>                        |
| Efficiency and Performance Sub (Finance) Committee<br>Performance and Resource Management Sub (Police) Committee   | 10 September 2014<br>26 September 2014 |
| <b>Subject:</b><br>Collaborative Services (City of London Corporation and City of London Police)   | <b>Public</b>                          |
| <b>Report of:</b><br>Deputy Town Clerk   | <b>For Information</b>                 |
| <b>Summary</b>   |  |
| <p>Work has been ongoing between the City of London Corporation and the City of London Police to develop further shared service activities. This builds on the back on a number of successful existing collaboration undertakings. This report provides Members with an update of established agreements, emerging projects and some more speculative, longer term items. The City of London Police also engages in a number of shared service activities with other forces and a brief overview of this is also provided.</p> |  |
| <b>Recommendation(s)</b>   |  |
| <p>Members are asked to:</p> <ul style="list-style-type: none"> <li>• Note the content of this report, and</li> <li>• Note that a follow up report tracking progress and savings will be produced in six months and reported to the Sub Committee</li> </ul>   |  |

## Main Report

### **Background**

1. The City of London Police and the City of London Corporation have been engaging in a number of collaborative activities over a considerable period of time.
2. The majority of these services have been 'provided' by the Corporation, and the Police recharged in accordance with the Service Reporting Code of Practice for Local Authorities. These services are provided at a cost which could not be achieved independently, and can also access the expertise afforded through a larger, collaborative, provision. They include:
  - Internal Audit
  - Payroll
  - Legal

- Financial Services
3. Increased financial pressures within both the City Corporation and the City of London Police have made shared services imperative – indeed failure to generate savings from shared services and collaboration will make it increasingly difficult for the City Police, in particular, to balance their budget. Sharing has also been driven by the desire to share best practice, provide a more consistent service, and improve effectiveness, professionalism and customer satisfaction. Recent activity, such as the City First Programme has, therefore, placed greater emphasis on collaboration, both with the Corporation and other police forces.
  4. This report provides Members with an update on emerging collaborative projects, and some more speculative/longer term items. Also included in this report is a brief overview of shared service activity between the City of London Police and other forces.
  5. Major projects are managed in accordance with the Corporate Project Procedure. These projects follow a prescribed ‘gateway’ process and detailed reports are regularly provided to the Project Sub Committee.

### **Recent Collaborations**

#### **Procurement and Procure to Pay (PP2P)**

6. The PP2P project was designed to introduce world class procurement practices to both the City of London Corporation and the City of London Police. The project has delivered improved ways of working such as smarter procuring, category boards and achieving better deals on goods and services bought. This has achieved positive value for money outcomes for both the City Corporation and the Police. Two recent examples of joint procurement include the new Police Uniforms and the Police Accommodation Design tender. Two members of staff from the City of London Police who were transferred to the merged City Procurement service.

#### **Occupational Health**

7. The merger of the City of London Corporation and City of London Police Occupational Health Services was considered under two areas: the Force’s City First programme and the Central Government sharing service agenda. The project was delivered in two phases.
8. Phase one required the Police to bring their contracted service in-house as it was previously contracted out. This involved the transfer of undertakings (TUPE) transfer of some members of staff and the re-tendering of three external contract providers with reduction in costs (Cognitive Behavioural Therapy, Physiotherapy and Occupational Health Physician (OHP)). This phase included a two year plan for a reduction of resources.
9. Phase two involved the merging of the separate Occupational Health Services with some further reduction in resources.

10. A total of £197,000 was realised through these two phases. This was achieved through the reduction of hours for Police staff from 40 hours to 35 hours, and removing the need for holiday / sickness cover as this was to be absorbed by the merging of the units. A reduction in Police OHP time from three days to one day over two years and a reduction in Corporation OHP time from two days to one over one year was achieved. All the contracts were retendered with savings and efficiencies delivered through changed ways of working. These reductions were made on a set of assumptions including no Police recruitment and no immediate projects. Since then Police are back up to full recruitment and Job Related Fitness testing has been introduced requiring significant Occupational Health Service input and time.
11. Benefits have included:
- Shared expertise
  - Shift of emphasis to a nurse led service (cost benefit)
  - Holiday and sickness cover
  - Availability for initial appointments
  - Effective use of skill mix (cost benefit)
  - Streamlining of processes (reduction in reviews, failed appointments, statutory health surveillance)
  - Economies relating to shared contracted services for physiotherapy and mental health practitioners
  - Potential savings in independent ill health retirement assessments with two in-house OHP's
  - IT software maintenance and support savings
  - Other contracts amalgamated e.g. clinical waste removal contract
  - Rationalise equipment and maintenance costs
  - Potential longer term accommodation savings
12. There are some barriers to realising the full potential of the collaborative arrangement. These include separate IT and financial management systems. Both of these increase administration and management time. The IT Modernisation work (see below) will help in reducing these barriers.

### **Public Relations**

13. A joint Public Relations post was created in June 2014 with the objective of improving communication and collaboration between teams in both organisations. This will promote the use of best practice communications and public relations activities, including more pro-active delivery of content. At the

moment the post is heavily involved in the development of the Economic Crime Communications Strategy. Benefits from this new shared provision are geared towards service improvement rather than direct cashable savings. However in the longer term, there will be scope to reduce cost through a rationalisation of providers and similar efficiencies.

#### IT Modernisation

14. The City of London Police undertook a review of their IT service in order to address a number of on-going weaknesses in their IT provision and to deliver a more flexible and responsive service with enhanced business engagement. Improved strategic and operational management across an increasing number of IT projects were also required outcomes. The review was focussed on ensuring that requirements to support specific Police Service technology were retained.
15. The review process looked at a number of possibilities and determined that the preferred option was a fully integrated model between the Corporation and the City of London Police. This was to include a managed service element to provide support, and assume responsibility, for a defined set of applications. Agilisys is the City Corporation's managed service provider.
16. The integrated model has now been established, with a single IT department. Agilisys has submitted proposals to the Police to also become their managed service provider. These are currently being assessed.
17. Overall project benefits have been focussed on service improvement, with efficiency savings targeted over the next two years in line with budget challenges.
18. Key outcomes are summarised as:
  - Effective delivery of core IS services and a stable and robust infrastructure
  - Provide resilience for key roles within the department, thereby minimising the risk of 'single points' of failure
  - Deliver projects and programmes to a higher standard
  - Better meet business needs and to keep abreast of new technology that supports these needs
19. The model will be reviewed following a period of stabilisation. It is envisaged that savings will be achieved by using the existing technology to do more, rationalising some elements where they are now duplicated or redundant, and through cost avoidance and economies of scale.
20. The Mobile Working Solutions programme is another IS project which is enabling the sharing of experience and expertise to deliver a more efficient service. In this instance it is the Department of the Built Environment who are working with the Police, each sharing their expertise and knowledge.



## **Accommodation**

21. The Accommodation Programme is designed to modernise and reduce the overall City of London Police estate to 150,000 sq. ft. This equates to a reduction of 100,000 sq. ft. across the current Police estate. This plan will provide an improved modern estate for the Force whilst also enhancing its presence and public engagement facilities. Upon completion the proposal is to dispose subsequently of inefficient corporate assets to fund the majority of the costs of the programme. Ultimately the programme is designed to improve the working environment, enabling the Police to work flexibly and effectively whilst consolidating the number of locations. The programme is supported by both Police and Corporation officers through a number of sub groups and separate work streams.
22. Guildhall Yard East is currently being refurbished and it is projected that Force personnel will commence moving into the site from January 2015. This is an example of the joint working between the Police and the City Surveyors department, supported by IS.

## **Contact Centre**

23. For the last two years the handling of non-emergency calls to the Police Switchboard has come under a shared service arrangement between the Police and the Corporation. The pilot, which has now been extended, has enabled the Force to improve allocation of their resources. Instead of police officers answering calls these are handled by Customer Service Operators, where the appropriate signposting is undertaken. Police officers are then able to dedicate their time to tasking and resolution of issues. Customer experience has been improved by the handling of calls by dedicated customer service operators. Performance has also improved with the number of calls answered outside of thirty seconds significantly dropping. The Force have also benefitted from better performance monitoring and reporting due to the technology used in the Contact Centre.

## **Future Possibilities**

### **Community Safety Hub**

24. Across both the City of London Corporation and the City of London Police, there is, at present, a lack of joint strategic direction and consistency in process in the area of community safety.
25. Reviews of formal partnerships (for example Safer City Partnership, Road Danger Reduction Partnership) and existing functions across the two organisations have identified that collaboration at a strategic and operational level needs to be strengthened in order to achieve improved community safety.
26. The City of London Corporation and the City of London Police propose the set-up of a Community Safety Hub partnership to integrate the City of London

community safety strategy and service delivery (which includes co-location, where appropriate).

27. The Hub is designed to reduce gaps in service provision and remove duplication, thereby both improving effectiveness, and enhancing efficiency. Information sharing and collaboration to identify early intervention and prevention opportunities will be an emphasis of the Hub. Improved accessibility of and accountability for community safety services through a single point of contact (a Joint Contact and Control Room (JCCR)) and a wider use of communications methods should flow from successful implementation. Customers should experience a more comprehensive and joined-up response to their service requests.
28. The project team, involving officers from both the Corporation and the City of London Police, is currently identifying services, or functions of services, which could be included in the plans. Areas under consideration include Community Intelligence, Casualty Reduction and Road Safety, Crime Prevention, Emergency Planning and Business Continuity, Markets and Public Protection (pollution control, street trading, financial fraud, food fraud) and fatal/major workplace health and safety investigations.
29. A project outline is due to be tabled at Chief Officers' Group in October, before a Gateway Two report is tabled at Project Sub Committee. The plan will build upon a range of collaborations across a number of service areas, including memorandums of understanding. As the plan is developed, the complete range of benefits will be articulated. This will include improved information sharing, responsiveness, and customer services satisfaction. By improving customer experience, this should reduce the risk exposure to the 'community trigger' provision under the Anti-social Behaviour, Crime and Policing Act. Finally, as with all activity which delivers more efficient and effective services, cashable savings should be derived.

### **Joint Contact and Control Room**

30. A Gateway Two proposal was tabled at Project Sub Committee on 17 June 2014. The ambition of the programme is to implement a fully integrated contact, control and command facility that can be used by either the Police or the City of London Corporation, jointly or independently. At the June 17 meeting it was agreed to progress to the next Gateway.
31. The benefits of this project include a number of cashable and non-cashable efficiencies. These include
  - Joined up approach to the management of events
  - Protection of reputation through a reduction to risk
  - Improved information sharing
  - Opportunity for cashable savings in terms of accommodation requirement, staff and equipment

32. At the Gateway Two stage, the scale of benefits is not yet fully articulated. Future reports will seek further clarity pertaining to the scale of these savings.
33. The project builds on integration activity between the organisations such as the Ring of Steel / CCTV Upgrade programme from which both the City Corporation and the Police will be able to benefit.
34. This project follows on from a pilot which was successful in both reducing the volume of calls received into the Police Control Room and in making significant improvement to the percentage of non-emergency calls answered within thirty seconds.

### **Facilities Management**

35. Following the delivery of the accommodation project, it is anticipated that there will be further scope for increased collaboration in the area of facilities management.

### **Activity with other Forces**

36. Members will be aware that a number of collaborations exist between the City of London Police and other police forces or partner agencies. This section of the report highlights some of the key areas of collaboration, some of which will be better known than others. It should be noted that this is not an exhaustive list. In total there are some 42 arrangements, from informal agreements to signed protocols and arrangements that bring with them significant levels of funding (especially with respect to Economic Crime and National Lead Force activities). Areas covered are diverse and include responding to Chemical, Biological, Radioactive and Nuclear incidents, terrorist related shootings and intelligence gathering to provision of medical services in custody suites and disaster victim identification.
37. The Force currently has 17 separate collaborative arrangements with the Metropolitan Police Service (MPS), some of which include other forces. The longest running collaboration is known as “Benbow”, which is a signed protocol with the MPS and the British Transport Police to provide cross border mutual aid. It has been in place since 1999 and establishes a single command structure for incidents that impact London as a whole or more widely. In addition to training being available (which would otherwise cost in excess of £500,000), the arrangement brings significant benefits to the capacity of all three forces to deal with large-scale public order incidents. Other collaborations of note with the MPS include Armed Response Vehicle Support, a signed arrangement that supports firearms cross border mutual support and means the Force does not have to maintain two armed response vehicles, thereby saving the Force some £200,000. Signed protocols exist for many operational areas covering aspects of policing that are either rare or non-existent in the City (such as suicide killings or kidnaps/extortions) which means the City of London Police can maintain a capability in very specialist areas but without the significant costs attached to maintaining such units.

38. Of particular interest to the City of London Corporation will be the signed agreement with Transport for London which, in addition to providing additional resources to prevent crime and anti-social behaviour also allows resources to be allocated to promoting road safety, supporting the City's target to reduce Killed and Serious Injury incidents on the City's roads.
39. The Force's collaborative arrangements enhance operational delivery, support capacity and capability in specialist areas and often bring with them substantial savings to the Force.

### **Conclusion**

40. The City of London Police and the City of London Corporation have been engaging in a number of collaborative activities over a considerable period of time. This report has provided an overview of activity recently undertaken and has provided an insight into those items which are currently the focus of investigation.
41. There are a number of positive outcomes for closer working: sharing best practice; cost reductions; and better delivery to customer expectations.
42. A follow up report tracking progress and savings will be produced in six months and reported to the Sub Committee.

### **Background Papers:**

Detailed updates are provided for major projects through to Project Sub Committee.

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|   |                     |
|---|---------------------|
| <b>Committee:</b>   | <b>Date:</b>        |
| Efficiency and Performance Sub Committee  | 10 September 2014   |
| <b>Subject:</b><br>Central Support Service Costs and their Allocation or Apportionment to the City's Activities | <b>Public</b>       |
| <b>Report of:</b><br>The Chamberlain  | <b>For Decision</b> |

### Summary

The pressure for cost reductions is visited on central departments in the same way as front line services with the application of budget reductions and efficiency programmes. For example, making the same 12.5% budget reductions as front line services - phased over the years 2011/12 to 2013/14, and most recently preparing proposals for budget reductions/increased incomes as part of the Service Based Review.

As well as this general budget pressure being applied to improve value for money (VFM), Members have received a number of specific reports in relation to the VFM of central services, namely;

- comparisons with CIPFA VFM indicators;
- staff costs charged to projects; and
- demand management of the Comptroller and City Solicitor's services.

These reports have led to a request from Members for information on how, and why, central support service costs are 'recovered' from the City's various activities. This report addresses this request by outlining how central support service costs, totalling some £64.7m in 2013/14, are recovered from the City's various activities in accordance with proper accounting practice through apportionments or allocations.

A number of the methodologies for the recovery of costs have been identified for review and updating to improve the appropriateness of distributions, in particular IS Services, City Procurement and the Town Clerk's Department. However, it is important to ensure that any changes to the methods of recovery do not turn what is already a complex and time-consuming process into a bureaucracy whose costs outweigh any benefits achieved. The target is for the reviews to be completed within 12 months.

It should also be recognised that changing the methods of recovery will, of themselves, only redistribute costs – not further reduce them.

### Recommendations

Members are requested to note:

- the bases of apportionment and allocations used to 'recover' central support service costs;
- that a number of the methodologies for the recovery of costs will be

reviewed and updated to improve the appropriateness of distributions - in particular IS Services, City Procurement and the Town Clerk's Department. The target is for the reviews to be completed within 12 months; and

- that pressures are being applied to reduce budgets/increase value for money of central departments which in turn will decrease the costs to be recovered.

## **Main Report**

### **Background**

1. The pressure for cost reductions is visited on central departments in the same way as front line services with the application of budget reductions and efficiency programmes. For example, by making the same 12.5% budget reductions as the front line services - phased over the years 2011/12 to 2013/14, and most recently by preparing proposals for budget reductions/increased incomes as part of the Service Based Review. The total savings proposals relating to central support services (Chamberlain, Town Clerk, Comptroller and City Solicitor, and City Surveyor) as part of the Service Based Review are £4.5m, representing 20% of the total proposals. In addition, these Chief Officers have put forward savings proposals totalling £2.7m (12% of total proposals) in relation to their activities which do not form part of central support services.
2. As well as this general budget pressure being applied to improve value for money (VFM), Members have received a number of specific reports in relation to the VFM of central services as outlined below.
3. A report on comparisons with CIPFA VFM indicators suggested that costs are relatively high compared to the local authorities in the comparator group due to the nature of the City's corporate structure, the mix of its activities/services, and the strategic prioritisation of activities at other local authorities. The measures being taken by each Chief Officer to improve VFM were also set out in the report.
4. Staff costs charged to projects was the subject of two reports which considered the reasonableness of costs in comparison with the nature and size of schemes, whether officer time/resource is being used to best effect, and that all legitimate costs are being charged to externally funded schemes. The reports generally concluded satisfactorily on each point.
5. The Comptroller and City Solicitor has reported on proposals to manage demand for his department's services. He has introduced a Professional Services Protocol with the aim of ensuring that legal resources are deployed in the most efficient and cost effective manner possible. The protocol includes sections on client care standards, indicative timescales for major areas of work, the roles and responsibilities of the Comptroller and City Solicitor's Department and client departments, charging, performance monitoring, and the storage of

papers and documents. In support of the protocol, departments are being provided with quarterly workflow reports, and the Comptroller and City Solicitor is attending other Chief Officers' Departmental Management teams on an annual basis.

6. These reports have led to a request by Members for information on how, and why, central support service costs are 'recovered' from the City's various activities and this is outlined in the following sections.

### **What are Central Support Service Costs and why are they important?**

7. Central support service costs are additional to the direct costs of running front line services. They include, for example, financial support from the Chamberlain's Department, legal support from the Comptroller and City Solicitor's Department, and office accommodation provided for both front line services and central departments. Central support service costs have to be included as part of the total costs of front line services or as part of the 'Corporate and Democratic Core' – which is explained in paragraphs 18 to 20.
8. The costs of central support services are initially held within 'Guildhall Administration' before being wholly recovered through apportionments or allocations. Changes to the methods of recovery would, of themselves, only redistribute costs – not further reduce them.
9. In the budgets of most recipients, the costs of central support services are generally treated as central risk so that departmental services are not directly affected by the expenditure – i.e. the costs do not count against recipient Chief Officers' cash limited local risk budgets. However for ring-fenced accounts, such as the Police and the Housing Revenue Account, the costs are a direct charge against available resources. In committee budgets, the costs are usually labelled as 'central recharges' or 'support services'.
10. The following table summarises the 2013/14 central support service charges from Guildhall Administration to City Fund, City's Cash and Bridge House Estates. The charges relate to a broad range of services including financial, legal, human resources, property, policy analysis and advice, committee administration, public relations, accommodation and insurances.

|  | <b>City Fund</b> | <b>City's Cash</b> | <b>BHE</b> | <b>Total</b> |
|--|------------------|--------------------|------------|--------------|
|  | £m               | £m                 | £m         | £m           |
| Town Clerks Dept. - General  | 4.8              | 3.1                | 0.3        | <b>8.2</b>   |
| Town Clerk's Dept. - Public Relations                                  | 1.0              | 0.6                | 0.1        | <b>1.7</b>   |
| Comptroller and City Solicitor   | 2.1              | 0.9                | 0.2        | <b>3.2</b>   |
| Chamberlain's Dept. - General  | 5.1              | 2.8                | 0.6        | <b>8.5</b>   |
| Chamberlain's Dept. - City Procurement                                 | 1.0              | 0.7                | 0.2        | <b>1.9</b>   |
| Chamberlain's Dept. - Insurances *                                     | 7.6              | 3.6                | 1.6        | <b>12.8</b>  |
| Chamberlain's Dept. - IS   | 6.1              | 3.1                | 0.4        | <b>9.6</b>   |
| City Surveyor - Guildhall Complex including Walbrook Wharf offices     | 5.6              | 6.4                | 0.4        | <b>12.4</b>  |
| City Surveyor - Management of repairs and maintenance works programmes | 1.3              | 1.4                | 0.3        | <b>3.0</b>   |
| City Surveyor - Corporate Property Advice etc.                         | 1.0              | 1.1                | 0.4        | <b>2.5</b>   |
| City Records Office  | 0.6              | 0.3                | 0.0        | <b>0.9</b>   |
|  | <b>36.2</b>      | <b>24.0</b>        | <b>4.5</b> | <b>64.7</b>  |

\* Approximately £10m of the insurance premiums relate to investment or operational properties of which some 75% is recoverable through service charges (depending on occupancy levels).

11. The £67.4m can also be analysed by type of expenditure/income as follows:

|  | 2013/14      |
|--|--------------|
|  | £m           |
| <b>Expenditure</b>                           |              |
| Employees                                    | 37.9         |
| Premises (excluding insurance)               | 11.0         |
| Premises insurance                           | 10.0         |
| Supplies and services (excluding insurances) | 10.2         |
| Liability/other insurances                   | 2.8          |
| <b>Total Expenditure</b>                     | <b>71.9</b>  |
|  |              |
| <b>Income from fees and charges</b>          | <b>(7.2)</b> |
|  |              |
| <b>Net Expenditure</b>                       | <b>64.7</b>  |

12. These support costs are included as part of the total costs of a service or activity to ensure all of the expenditure associated with delivering a service/activity is reflected. In this way, reporting is on a consistent basis throughout the City. It provides a clearer basis on which to benchmark costs with other organisations and on which to assess value for money in service delivery (e.g. CIPFA VFM indicators).



13. The principle of Total Cost is particularly important in the development of activity based costing for commercial operations, such as the Barbican Arts Centre, where charges should cover both direct and indirect costs (provided market factors and/or Government regulations allow), and where costs are recovered from third parties, for example, lessees' service charges (subject to the provisions of the leases). Also, when considering alternative service delivery models, the City needs to ensure that all its own relevant costs are taken into account.
14. A further example of where the City needs to understand total cost is in respect of discretionary income. It is important to understand the relationship between total cost and the contribution generated from discretionary fees and charges, for example, car parking. This informs decisions on policy, ensures transparency and enables more effective financial management of the discretionary services themselves.

**How does each service include an appropriate share of all Central Support Service Costs?**

15. A number of expressions are used for the different ways in which Support Services and other overhead costs are distributed:

**Allocation** – where the expenditure can be directly and specifically related to an activity, for example, certain insurance premiums relate to specific services but are initially coded centrally to monitor and control total insurance costs.

**Apportionment** – where the total expenditure to be borne by a group of services is a matter of fact, but the separate amount to be borne by each individual service is not. For example, for the cost of Support Services where the charges passed on are based on the actual time spent supporting the individual service. In addition, the distribution needs to recognise the differing extents to which the various services contribute to the need for the support or benefit from it, for example, the apportionment of Internal Audit costs.

**Charging** – where payments or transfers are made under contracts, service level agreements or trading agreements.

16. The 'Service Reporting Code of Practice for Local Authorities' issued by the Chartered Institute of Public Finance and Accountancy forms part of proper accounting practice. This code indicates that support services should be allocated, apportioned or charged to users in accordance with the following seven general principles.

|    |                                  |   |
|----|----------------------------------|---|
| 1. | Complete recharging of overheads | All overheads not defined as Non Distributed Costs or Corporate and Democratic Core should be fully recharged to service expenditure headings. Note that Corporate and Democratic Core costs should receive an appropriate allocation of overheads. |
|----|----------------------------------|---|

|    |                          |   |
|----|--------------------------|---|
| 2. | Correct recipients       | The system used must correctly identify who should receive overhead charges.  |
| 3. | Transparency             | Recipients must be clear what each recharge covers and be provided with sufficient information to enable them to challenge the approach being followed.   |
| 4. | Flexibility              | The recharging arrangements must be sufficiently flexible to allow recharges to be made regularly enough and to the level of detail appropriate to meeting both users' and providers' needs.              |
| 5. | Reality                  | Recharging arrangements should result in the distribution of actual costs which are based on fact. Even if the link cannot be direct, reality should be the main aim.                                     |
| 6. | Predictability/Stability | Recharges should be as predictable as possible, although there will be practical limitations to this.   |
| 7. | Materiality              | It is unlikely that a simple system will be adequate to meet all of the requirements noted above. However, due regard should be made to materiality to minimise the costs involved in running the system. |

**How are the City's Central Support Service Costs apportioned or allocated?**

17. The following table outlines the method of cost recovery for each of the City's central support services.

| <b>Support Service</b>                | <b>Method of Recovery</b>  | <b>Comments</b>   |
|---------------------------------------|--|---|
| Town Clerk's Dept. - General          | Estimated time spent.  | Reviewed annually for new services and restructures but underlying percentages are somewhat dated. Would also benefit from greater granularity, e.g. committee services, human resources, and contact centre. |
| Town Clerk's Dept. – Public Relations | Based on Public Relations workplan. Allocated direct to services where possible with only the corporate elements routed through central support services. Corporate element apportioned in proportion to the total of central support service charges. | Updated annually.   |
| Comptroller and City Solicitor        | Timesheets   | By definition, the use of timesheets should ensure that the distribution of charges remains relevant.   |

|  |   |   |
|--|---|---|
| Chamberlain's Dept.<br>– General                                   | Five Finance Units – estimated time spent; Capital Team – project numbers; Corporate Treasury – value of investments; Internal Audit – workplan; Pay Office – headcount; Pensions – majority allocated to City of London Pension Scheme with apportionments for Police and Teachers schemes based on estimated time spent; CBIS Team – general ledger transactions; Income Allocation – transaction numbers; Revenue Collection – number of invoices; Support Services – overhead on remainder of department. | A major review was undertaken for the 2013/14 outturn and the new methodology will be updated annually.   |
| Chamberlain's Dept.<br>– City Procurement                          | Based on budgets transferred from departments at inception of service   | Now that the City Procurement service has become established, a more representative methodology for the apportionment of costs will be developed.   |
| Chamberlain's Dept.<br>– Insurances                                | Premises – allocated; Liability insurances – headcount; Engineering – allocated; Motor – vehicle numbers; staff costs – an overhead on the overall Chamberlain's Department charges.  | Updated annually.   |
| Chamberlain's Dept.<br>– IS  | Usage of corporate systems; numbers of PCs; and local systems.  | The apportionments are largely based on data from before the transformation of IS Services as the interim period has been a moving target. As the service enters a period of relative stability, the methods of apportionment will be reviewed and updated. |
| City Surveyor - Guildhall Complex including Walbrook Wharf offices | Areas occupied with some weightings applied to differentiate areas with higher or lower running costs (e.g. ceremonial, plant and equipment).   | Updated annually with the 2013/14 outturn having taken account of the vacation of Guildhall Yard East and the consequent movements within the Guildhall North and West Wings.   |

|   |                                    |  |
|---|------------------------------------|--|
| City Surveyor – Management of repairs and maintenance works programmes  | Timesheets                         | By definition, the use of timesheets should ensure that the distribution of charges remains relevant.  |
| City Surveyor - Corporate property advice; advice on repairs, maintenance and improvement programmes, historic buildings, and energy conservation | Timesheets                         | By definition, the use of timesheets should ensure that the distribution of charges remains relevant.  |
| City Records Office (CRO)   | Overhead on Town Clerk’s - General | The CRO is now integrated with the London Metropolitan Archives (LMA). However, whilst the LMA is wholly a City Fund cost, the City Records Office is apportioned between the funds. As the CRO was originally part of the Town Clerk’s Department, the apportionment of the CRO costs continues to follow that route. |

**Corporate and Democratic Core**

- 18. Part of central support service costs relate to the Corporate and Democratic Core (CDC) which is defined as comprising two divisions of service: Democratic Representation and Management (DRM) and Corporate Management (CM).
- 19. DRM concerns corporate policy-making and all other Member-based activities. CM concerns those activities and costs that relate to the general running of the City.
- 20. These costs relate to the infrastructure that allows services to be provided, whether by the City or not, and the information required for public accountability. To reflect their corporate purpose, the costs of CDC are not generally distributed across individual services but are met from the Finance Committee’s budgets for each fund.

**Non Distributed Costs**

- 21. A limited number of costs are excluded from allocation or apportionment to services. The two main exclusions are unused and unusable shares of assets and certain retirement benefits (e.g. past service costs and gains or losses on settlements). Again, any such costs would be included in the Finance Committee’s budgets for each fund.

**Conclusion**

- 22. Whilst the arrangements for recovery of central support service costs broadly achieve the seven general principles at paragraph 16, there are three services

in particular where the appropriateness of the distributions requires review and updating. These relate to IS Services, City Procurement and the Town Clerk's Department. However, it is important to ensure that any changes to the methods of recovery do not turn what is already a complex and time-consuming process into a bureaucracy whose costs outweigh any benefits achieved.

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# Agenda Item 8

|   |   |
|---|---|
| <b>Committee(s):</b>  | <b>Date(s):</b>                                     |
| Strategy and Performance Summit Group<br>Efficiency Board<br>Efficiency and Performance Sub Committee | 29 July 2014<br>27 August 2014<br>10 September 2014 |
| <b>Subject:</b>   | <b>Public</b>                                       |
| City of London ENERGY EFFICIENCY FUND (CS/235/14)   |   |
| <b>Report of:</b>   | <b>For Decision</b>                                 |
| The Town Clerk and City Surveyor  |   |

## SUMMARY

This report proposes the establishment of an Energy Efficiency Fund (EEF) which will enable the City of London Corporation to make energy efficient investments in its operational properties in order to reduce energy consumption and hence counter the impact of rising energy prices.

The EEF is a pilot scheme which will be reviewed formally after 2 years and the report provides a broad outline of concept. The EEF has the support of Summit Group but the finer detail of the scheme would be drawn up in consultation with service departments to provide clarity from the outset; including the full criteria, the expectations of each business case and how these would be judged.

The EEF would operate as a ring fenced fund and in the form of an internal, interest free loan which is recycled back into the EEF therefore becoming available again for reinvestment, hence creating a self-sustaining fund. Once the project loan has been repaid to the EEF, the project host department will continue to benefit from the ongoing energy savings.

The report details the parameters, eligibility and criteria for the EEF which would be managed by the City Surveyor's Department with financial support from the Chamberlain's Department and proposes an initial five year pilot programme followed by a review.

The proposed EEF would be capped at £0.5m a year and for an initial five year period commencing 2014/15, equating to a maximum commitment of £2.5m. The EEF would be split between City Fund, City's Cash and Bridge House Estates as appropriate to reflect the services to which the projects relate. The initial finance would be provided from the general reserves of the respective funds.

As the EEF would be replenished by repayments funded from energy savings, the total outstanding on the EEF will, consequently, be somewhat less than the implied £2.5m – an example of this is set out within the report. The actual outstanding balance at any point in time will depend on the number of projects, the value of projects and the repayment periods.

## RECOMMENDATION

Members are asked to:

- Support the establishment of an Energy Efficiency Fund, funded from general

reserves in accordance with the criteria laid out in this report;

- Agree that the progress of the fund and projects be reviewed annually with a formal review as to its future (fitness for purpose) after 2 years;
- Note that the Energy Manager will report on progress to the Summit Group and the Efficiency and Performance Sub-Committee.

## **Main Report**

### **Background**

1. In May 2013, the City of London commissioned external consultants to carry out a strategic review of the City's operational estate. The main driver for the review was to mitigate the projected increases in the City's energy costs over the next five years which are predicted to increase 34% by 2017/18, increasing energy expenditure from £15.1m (2013/14) to £20.2m in 2017/18.
2. The report resulting from the review detailed the cost and benefit of a range of potential technical and administrative improvements. Amongst the recommendations it contained were:
  - Financing options/mechanisms for implementing energy reduction measures;
  - Property prioritisation, and rationalisation and space planning;
  - Changes to operational procedures (in relation to repairs and maintenance, security, cleaning, out-of-hours working, etc.) and behavioural issues.
3. With respect to the first of these the report recommended the City of London establish an internal Energy Efficiency Fund (EEF) to act as a catalyst to deliver energy conservation projects that could be used to assist in funding the capital costs and enabling work that would be necessary to deliver the further and substantive energy reduction targets to meet the challenges of increasing energy costs.
4. The basis for establishing the EEF would be "spend to save" as the measures it would fund would typically pay for themselves in 3-8 years. It is considered that a programme of works totalling £0.5m a year would be manageable but should sufficient projects be identified consideration would be given to engaging additional resources should this be supported by a robust business case and all eligibility criteria is met.
5. The volatility and unpredictability of wholesale energy costs together with anticipated rises in mandated energy costs provides an imperative for such 'invest to save' opportunities. The principle focus of the EEF would be on buildings and opportunities that bring the maximum savings direct to the City itself through the City Fund, City's Cash or City Bridge Trust. The Strategic Energy Review highlighted a funding gap for such investment opportunities. The aim of EEF is therefore to plug that funding gap. As energy costs rise the incentive for departments is to limit long term price rises and meet internal energy reduction targets by investing in energy reduction measures sooner rather than later.
6. The EEF should not compete with, or be seen to be competing with the capital required for the Additional Works Programme.



## Criteria

7. The aim of the EEF is to increase capital investment in energy efficiency measures for the City, thus reducing energy costs in line with the objectives contained in the Strategic Energy Review. The EEF will be independent of the Building Repairs and Maintenance (BRM) and Additional Works Programme (AWP) budgets and projects that have been identified with an energy saving element under the BRM and AWP would continue to be funded through these routes. The EEF will not be used to divert, replace or subsidise other budgets.
8. The EEF will be managed through the City Surveyor's Department, with financial support from the Chamberlain's Department. This will allow the shortest organisational path between the key stakeholders who will all play a part in identifying energy reduction projects as well as approving and implementing them. These stakeholders include:
  - The Energy Management Team;
  - Departmental Energy Wardens (departmental facilities representatives);
  - Departmental Energy Co-ordinators (senior departmental representatives with responsibility for energy);
  - BRM and Lift contractor;
  - The Projects and Operational Divisions of City Surveyors Department;
  - The Property Facilities Managers & Asset Managers; and Operational departments.
9. The EEF would be split between City Fund, City's Cash and Bridge House Estates as appropriate to reflect the services to which the projects relate. The initial finance would be provided from the general reserves of the respective funds. Funding would not be offered for projects where an alternative (external/third party) source of funds has been sought to support the project costs. The proposed EEF would be capped at £0.5m a year over the five year period. The EEF would be called upon to finance investment on a 'spend to save' basis where investment opportunities arise and where funding had not been identified.
10. As the EEF would be replenished by repayments funded from energy savings, the total outstanding on the EEF will, consequently, be somewhat less than the implied £2.5m. For illustrative purposes a simple example is set out in the following table.

|                 | 2014/15    | 2015/16    | 2016/17      | 2017/18      | 2018/19      |
|-----------------|------------|------------|--------------|--------------|--------------|
|                 | £000       | £000       | £000         | £000         | £000         |
| EEF Balance b/f | 0          | 500        | 900          | 1,200        | 1,400        |
| Loans           | 500        | 500        | 500          | 500          | 500          |
| Repayments      | 0          | (100)      | (200)        | (300)        | (400)        |
| EEF Balance c/f | <u>500</u> | <u>900</u> | <u>1,200</u> | <u>1,400</u> | <u>1,500</u> |

### Assumptions for Illustrative Purposes

Loans are made up to the full cap of £500,000 each year.

The loan repayment period for all loans is 5 years. In practice, the appropriate loan periods will be assessed for each project.

The first repayment starts the year after the works are complete.

11. The actual outstanding balance at any point in time will depend on the number of projects, the value of projects and the repayment periods.
12. A typical payback of approximately 3-5 years is anticipated to be the norm. In exceptional cases payback of up to 8 years would be considered, however it is anticipated that the number of projects with this payback period is likely to be low. Interest free loans would be paid back over an agreed period from existing revenue budgets. Payback would commence in the financial year following the commissioning of the works. In this way, departments would immediately see benefits from their investments in advance of commencing payback of the funds.
13. The EEF would be reviewed each year and would be set up to run for an initial period of 5 years, subject to formal review and assessment after two years, and at the end of the initial period. Officers would continue to explore and exploit external funding options such as from Government or the EU should these prove fiscally advantageous.
14. Straight payback would generally be used to shortlist projects but other assessments such as Net Present Value and Whole Life Costing<sup>1</sup> (including on-going maintenance) will also be considered where appropriate and to ensure full evaluation and consideration of projects that do not appear to be immediately viable.
15. It is proposed that the EEF is only used for projects that would not have otherwise happened or projects where additional funding is required to enhance specification of equipment being installed during more routine maintenance.
16. All departments with operational properties will be eligible to seek funds. Eligibility for funding will also be dependent on the completion of an appropriate Business Case Application, and the application of proven technologies (the EEF will not be available for experimental or speculative technologies).
17. Where the City Surveyor's Department identifies measures that meet all criteria these shall be prioritised and implemented as appropriate. Other suggestions would be a combination of client driven, operational needs and individual initiative based on maximising the efficiency of the property portfolio

### **Buildings in Scope**

18. The EEF would be open to all operational properties except the City's investment portfolio and residential estates. The EEF would be used to finance energy saving projects throughout the City's operational estate.
19. It is recommended that the initial main focus of any energy efficiency activities should be on the largest energy consuming sites and those with the greater return to the City of London; this would include Guildhall complex and the Barbican Centre. These two buildings together consume around 32% of the total energy for the operational estate and represent 51% of the total energy use to the City that cannot be recharged to tenants.

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<sup>1</sup> Net Present Value Net Present Value (NPV) is a formula used to determine the present value of an investment by the discounted sum of all cash flows received from the project. Whole Life Costing takes account of the cost of a product over its life, it includes the costs of maintaining and operating the product as well as its outright purchase together with the cost of consumables, utilities, training; and the cost of disposal at the end of its life.

20. Responsibility for energy reduction at the Guildhall complex would be with the City Surveyor rather than individual department heads resident within the Guildhall complex.

### **Types of work**

21. The EEF would be used for four key types of investment:

- measures identified as part of the Strategic Energy Review once robust investment payback assessments have been undertaken;
- measures identified by our BRM and Lifts contractor;
- the marginal cost increase of installing the most energy efficient equipment in cyclical replacements carried out as part of routine maintenance;
- ad hoc energy efficiency projects brought forward across the operational estate.

22. The Energy Efficiency Fund will assist the City in meeting its long term and publicly stated Climate Change Mitigation Strategy targets. That said, priority will be given to energy cost savings that lead to financial savings rather than pure CO<sub>2</sub> savings. All energy reduction will in turn reduce CO<sub>2</sub> emissions. Only proven technologies will be considered, the fund would not be used for experimental or test cases of equipment material or methods only. Funding would not be offered for projects where an alternative (external/third party) source of funds has been sought to support the project costs.

23. Improvement projects related to reducing water usage will also be allowable if the technology has an energy saving element, e.g. reducing the amount of hot water wasted.

24. The City's Energy Manager and Energy Team within the City Surveyor's department have a well-established network of officers throughout the City departments with varying responsibilities for energy and energy reduction and with whom they liaise regularly. Energy Wardens are departmental representatives at the 'coalface' who act as the 'eyes and ears' of the Energy Team. More senior departmental representation is provided by Energy Co-ordinators. Energy Co-ordinators are responsible for putting together Departmental Energy Action Plans that are revised annually and provide a local delivery plan for meeting departmental energy reductions. In turn departments are aided technically by the Energy Team and technical professionals within the City Surveyors team responsible for building repairs and maintenance and projects.

25. The EEF would provide positive benefit to both Energy Wardens and Energy Co-ordinators with funding opportunity in support of their identified short term and long term energy saving measures.

26. A comprehensive list of technology options suitable for implementation is included in the Appendices and would include;

- Boiler and controls and building energy management systems
- Computer, IT and office equipment solutions;
- Lighting types and control;
- Heating and cooling replacement, modifications and controls;
- Hot water distribution, provision and controls;
- Insulation, draught proofing and fabric improvements;
- Motor replacement and control systems;
- Ventilation and occupancy detection;

## **Process (method for applying)**

27. A comprehensive list of identified energy conservation measures (Appendix A) would provide a starting point for implementation for eligible sites through various stakeholders (see para 8). The EEF could be used to cover the marginal cost of enhancing routine maintenance such that more energy efficient options can be included under certain circumstances such as the provision of controls for lighting upgrades. (see Appendix A for details of potential project areas).
28. The City Surveyor's Energy Manager would oversee the fund management and project prioritisation with financial control provided by the Chamberlain. However energy conservation is a shared responsibility and the Energy Manager would look to draw on a broader 'church' of professions such as the Energy Wardens and Energy Co-ordinators, technical professionals and staff to identify potential projects. The EEF compliments a number of other projects arising from the Strategic Energy Review including revised targets and parallel organisational behaviour change programmes.
29. The minimum value for a project to be eligible would be £5k. However, encouragement would be given for smaller projects to be bundled together (providing they are the same technology) where possible to minimise the administrative burden. As this is a ring fenced fund any project with a value larger than £250k will be subject to approval, where appropriate, by Members in accordance with the Project Procedure. All applications would need to be accompanied with a business case using a compliance checking tool.
30. Proposals may be submitted for energy saving measures in new build or major refurbishment schemes, when funding is no longer available within the original budget. However, the Fund support will only be available where such measures were included in the original specification, but have since been cancelled and the proposals go beyond existing relevant buildings regulations. Supporting evidence will be required.
31. A simple loan agreement would then be drawn up between the Fund Manager (Energy Manager) and the loan recipient in advance of project implementation for all loans. This agreement must include a summary of the project details together with the agreed loan repayment schedule and would include a modest administration fee. The final decision making on a project 'go-ahead' will be determined by the City Surveyor's Department.
32. Investment cannot be made in projects that do not prove energy savings will be achieved. If an investment were to be made under an ongoing maintenance programme' legal requirement or wider building project the fund can only support the additional investment to select a higher energy saving option. Projects need to prove 'additionality' to mandatory or existing schemes.
33. The method for determining the payback period for projects is a simple calculation based on revenue savings. Where there is a known increase in energy unit cost due within the payback period, this increase can be factored into the revenue savings analysis. All associated costs should be factored-in when determining the payback period, e.g. capital costs, project management, forward maintenance and administration costs.
34. There must be a project file for each implemented project which contains as a minimum the following information:

- project proposal;
- project description and outline implementation proposals;
- derivation of expected energy, revenue and CO<sub>2</sub> savings;
- costing details such as contractor quotations or tender returns and subsequent tender analysis and reason for recommended quotation;
- feasibility study in appropriate situations; and
- signed internal loan agreement and repayment schedule.

35. For each project approved for funding, an internal loan agreement would be completed and signed off by an appropriate and authorised budget holder prior to the commencement of the project.

36. The loan repayment schedule should be agreed at the time the advance is agreed and repayments should be based on the forecast revenue savings of the project at that time. It is recommended that a common repayment date is established for all projects, with April and October being typical choices. This will simplify the Fund's performance, improve monitoring and reduce administration time.

37. As part of the project scrutiny and due diligence, mechanisms will be put in place to ensure that the EEF is not seen as an additional fund that project managers can draw on to cover overspends on existing projects. The Business Case Application would include:

- Client Details: Organisation; Project overview; Location; Date etc.
- Project Details: Background; Description of Works; Benefits; Type of technology
- Supporting documentation: Surveys undertaken; Quotations; Technical assessments
- Costs: Overall; Equipment; Installation; Operation and Maintenance; Other; Anticipated Return on Investment

38. The EEF would be used to finance energy efficiency and renewable energy projects that meet certain performance criteria on an invest-to-save basis. Once the project loan has been repaid to the EEF the project host will continue to benefit from the ongoing energy savings. As repayments are recycled back into the EEF they become available for reinvestment, hence creating a self-sustaining fund

### **Corporate and Strategic Implications**

39. The Carbon Descent Plan (CDP) 2009 is the first phase of the delivery mechanism to achieve the climate change mitigation strategy targets contained within the City's Climate Change Mitigation Strategy (CCMS). The CCMS set CO<sub>2</sub> emission reduction targets, in line with those adopted by the UK Government - 15% by 2015 and 34% by 2020 and 80% by 2050.

40. The CDP-15's focus is the reduction of energy resources which in turn will lead to offset savings in energy costs. The CDP-09 is therefore in accord with the second and third objectives of the City's Corporate Plan strategic aims:

- *To provide . . . **efficient** and high quality local service . . . with a view to delivering **sustainable** outcomes'; and*
- *To provide **valued** services to London.*

41. Reducing energy usage and carbon emissions allies with the City's core value:

- *The right services at the right price.*

42. In addition its primary focus is in keeping with Key Policy Priority 2 of the Corporate Plan

- *Maintaining the quality of our public services whilst reducing our expenditure and improving our efficiency;*

43. Investment to save energy will not only deliver financial savings but also associated carbon emission savings through payment of the Carbon Reduction Commitment allowance payment scheme.

## **Conclusion**

44. This report recommends the creation of an Energy Efficiency Fund as proposed in the Strategic Energy Review. The EEF will be used to target energy conservation projects in order to accelerate energy reductions and revenue savings. This in turn will support the targets contained within the City's Climate Change Mitigation Strategy.

45. Significant savings have already been achieved by the City and accelerating energy reduction measure investment through an 'invest to save' approach will bring further savings.

## **Appendices:**

Appendix A - Technology Options (Not exhaustive)

## **Background Papers:**

Report to Efficiency and Performance Sub Committee on 2<sup>nd</sup> July 2014: *Carbon Descent Plan 2009 – Year 5: End Year Energy Target Review 2013/2014*

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Operations Group  
City Surveyor's Department  
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## **Appendix A – Technology Options (Not exhaustive)**

### **Boilers**

control systems  
replacement condensing  
replacement combination  
replacement modular  
burner management  
retrofit economiser

### **Building Energy Management Systems**

BEMS - bureau remotely managed  
BEMS - not remotely managed  
BEMS - remotely managed

### **Combined Heat & Power**

Gas, Diesel, gasoil engine CHP  
Biomass CHP  
Gas Turbine

### **Compressors**

Compressed Air: air compressor upgrade

### **Computers & IT solutions**

Network PC power management  
CRT to flat screen LCD  
Virtualisation  
Thin computers  
Uninterruptible Power Supplies  
Free Cooling for ICT  
Evaporative cooling for ICT  
Energy Efficient File Storage Replacement  
LED monitors instead of LCD (cost difference)  
CRT to LED monitors  
Hot aisle/cold aisle containment  
Multi-Functional Devices  
Energy Efficient Server Replacement

**Cooling** - plant replacement/upgrade

Free cooling

Replacement of air conditioning with evaporative cooling

### **Hand Dryers**

replacement to more efficient type

### **Energy from Waste**

Anaerobic digestion

Incineration

### **Heating**

Electric to Gas - heating using CHP

Electric to Gas - heating using condensing boilers

Electric to Gas - tumble driers

Heat recovery

Heating - direct fired system

Heating - discrete controls

Heating – distribution pipework improvements

Oil to Gas - boiler fuel switching

Replace steam calorifier with plate heat exchanger

Thermal Stores

Heating - TRVs

Heating - zone control valves

Steam trap replacements

**Hot water** - distribution improvements

point of use heaters

chlorine dioxide dosing and biocide treatment

### **Industrial kitchen equipment**

Steriliser to dishwasher replacement

### **Insulation**

building fabric

Cavity wall insulation

Dry wall lining

Loft insulation

Retrofit single glazing units



Roof insulation  
Secondary glazing

### **Draught proofing**

pipework insulation (internal)  
pipework insulation (external)  
Radiator reflective foil (external walls)  
Automatic/revolving doors  
Automatic speed doors  
Draught Lobby (internal)  
Draught Lobby (external)  
Air Curtains - heated  
Air Curtains - ambient

### **Laboratory Upgrades**

Diode pumped solid state lasers  
Fume Cupboards - VAV Controls + Inverter Drives  
Fume Cupboards - Auto Sash Closing + PIR  
Energy Efficient Fume Cupboards  
Heat Recovery on Extract System

### **Lighting controls**

discrete controls  
system centralised

### **Lighting upgrades**

Electronic ballast with dimming control  
Replace halogen with HID metal halide  
HP Sodium including new fitting  
Compact Fluorescent including changing the fitting  
Compact Fluorescent using same fitting  
Induction Fluorescent including changing the fitting  
T5 lighting including changing the fitting  
T5 lighting retrofit using adaptors  
T8 lighting including changing the fitting  
T8 lighting retrofit using adaptors  
T12/T8/T5 to CCFL including new fitting  
T12/T8/T5 to CCFL using same fitting

## **LED lighting**

Halogen to LED including changing the fitting

Halogen to LED using same fitting

Flood lighting to LED including changing the fitting

Compact Fluorescent to LED including new fitting

Compact Fluorescent to LED using same fitting

Incandescent to LED including new fitting

Incandescent to LED using same fitting

T12/T8 to LED including new fitting

T12/T8 to LED using same fitting

## **Street lighting**

Replace fitting, controls with electronic ballasts

Replace fitting with LED

Replace controls including electronic ballasts

Replace controls but not ballasts

Fit centralised controls with electronic ballasts

Fit centralised controls but not ballasts

Solar powered bollards

Non-illuminated bollards

## **Traffic lights**

Replace with LED including new fitting

Replace with LED using same fitting

## **Motor controls**

Fixed speed motor controls

Variable speed drives

Motors - flat belt drives

## **Motor replacement**

Motors - high efficiency

## **Office equipment**

Office equipment improvements for non-ICT

## **Renewable energy**

Biomass boilers

Heat Pump (Air Source)

### **Swimming pools**

Swimming pool covers - liquid

Swimming pool covers - manual

Swimming pool covers - motorised

### **Time switches**

Time control and switches

### **Transformers**

Low loss (cost difference)

Low loss

Low loss + voltage management (cost difference)

Low loss + voltage management

Transformer tapping change

### **Ventilation**

Ventilation - distribution

Fans - air handling unit

Fans - high efficiency

Ventilation - presence controls

High efficiency filters

Filter maintenance regimes

### **Voltage management**

Voltage management - fixed ratio

Voltage management - variable ratio

### **Occupancy**

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# Agenda Item 9

|  |                        |
|--|------------------------|
| <b>Committee(s):</b>                     | <b>Date(s):</b>        |
| Efficiency and Performance Sub Committee | 10 September 2014      |
| Finance Committee                        | 23 September 2014      |
| <b>Subject:</b><br>City Procurement      | <b>Public</b>          |
| <b>Report of:</b><br>The Chamberlain     | <b>For Information</b> |

## Summary

As requested by Finance Committee on 22 July, this report sets out a more detailed situation report about City Procurement now that the partnership with Accenture has been concluded.

It highlights savings and performance levels that have been achieved, proposed changes to procurement governance, including the relationship with the Projects Sub-Committee and potential future developments, including steps to incentivise further savings and ensure appropriate use of frameworks:

- £5.03m savings in 2013/14 against a target of £4.82m (adjusted to discount impact of any change to service standards); the target savings for 2014/15 will be in excess of £7m, with construction savings still to be finalised;
- payment of invoices to suppliers 84% in 10 days (target 75%) and 95% in 30 days (target 95%) for July 2014;
- New Procurement Steering Group to be established to oversee work of Category Boards and ensure effective corporate approach;
- Increased support from City Procurement to Projects Sub, with a review of how to manage risk element;
- Examination of incentives, including sharing of savings, and use of frameworks to ensure only used when offer best value for money; and
- New leadership of City Procurement – including appointment of Chris Bell – to support next phase of work.

## Recommendation

Members are asked to note this report.

## **Main Report**

### **Background**

1. This report follows the comments raised by Members at the last meeting of the Finance Committee on July 22<sup>nd</sup> 2014 regarding the performance of City Procurement and the level of savings achieved over 2013/14.
2. City Procurement is now a consolidated service based in the Chamberlain's department which was set up as part of the Procurement and Procure to Pay Programme which started in February 2011. Accenture were engaged as our partner to assist us in transforming the way in which procurement was delivered at the Corporation so that savings could be achieved.
3. Members decided in September 2013 that the partnership should come to a close in March 2014 with a residual input from Accenture up to the end of September 2014 to allow for the recruitment to the posts which had been staffed by Accenture.
4. Up to March 2014, Accenture received an element of their fees as a result of the level of savings generated by the procurement initiatives. These savings had to be validated by the Financial Services Director in order for relevant budget adjustments to be made.
5. Historically the full value of savings made by the procurement initiatives was taken centrally in order to cover the cost of having Accenture as our partner. This approach did lead to some reluctance to fully engage with procurement activities in order that departmental budgets were not reduced. This was not the intention of the programme; the savings were intended to bring a corporate benefit.

### **Savings Achieved for 2013/14**

6. As reported in July 2014, the target for sourcing savings for 2013/14 was £4.82m against which savings of £5.03m were delivered. There were a total of 31 strategic sourcing projects completed across 6 categories. The most significant projects being:
  - On-Street Parking Services, Contracted savings over 5 years of £3.15m (£630k per annum);
  - Corporate Catering (5 Lots), Contract savings over 5 years of £768k (£153k per annum); and
  - Temporary Labour Services, Contracted savings over 3 years of £661k (£220k per annum)
7. The detailed list of the projects completed in 2013/14 is included at Appendix 2 of this report. City Procurement works with the relevant departments to agree the procurement approach, to run the procurement activity, advise on the prevailing market conditions and to ensure that the Corporation complies with any statutory and regulatory requirements as well as its own procurement regulations.

8. There is an agreed methodology for agreeing the savings levels which is set out in Appendix 1 of this report. This methodology has been used to establish the levels of savings achieved by each project and budget adjustments were made to reflect these. Accenture received fees based on three elements, one of which was a percentage of the savings achieved.
9. The methodology document will be updated now to reflect the end of the partnership and will continue to be used to determine the savings achieved by procurement projects. This is an important metric which can be used going forward to benchmark the performance of procurement.

### **Sourcing plan for 2014/15**

10. The 2014 sourcing plan has increased significantly since April where the planned projects list totals 57 Projects, with target savings of £7.04m. Since then due to demand, tighter compliance and the bringing into scope of the Construction category the number of sourcing projects has steadily risen to 153 with increased challenges on resource capacity. The savings target will be re-adjusted once the savings methodology is agreed at the Construction Category board. The main focus is on delivering business as usual service for the many service contracts required but ensuring best value at all times. There will continue to be strategic savings projects addressed where there are efficiency or contractual savings available through a variety of sourcing strategies all approved by the Category. There is more detail in Appendix 3 of this report.

### **Future development of procurement**

11. Now that the service is operated by the City without a partner, it is timely to review the way budgets are adjusted for the savings achieved. This does not suggest that the rigour of establishing that savings have been made should be removed. Given the financial pressures that are on the horizon and the service based review programme in response to these pressures, rigour in identifying procurement savings remains very important to the organisation.
12. Recognising that some savings will be made from reducing the scope or quality of the service or goods that are procured, the current arrangement with departments is that savings relating to a change in service specification are counted as departmental savings i.e. the department retain the budget (and these savings then feature in the department 's service based review proposals). Savings relating to securing services at a lower price are recognised as a corporate saving and reduce the overall forecast deficit and therefore the saving target for all departments. However, the process of agreeing such a split on an on-going basis is time consuming and further thought is needed to establish an appropriate incentive for swift resolution.
13. In updating the savings methodology document to reflect the end of the partnership further consideration will be given to incorporating a general gain share arrangement to encourage increased collaboration and engagement by departments with City Procurement.

## **Future Governance of procurement projects**

14. Whilst the partnership arrangements have concluded, there is still a need to ensure that there is effective governance around procurement. Procurement itself should be an enabler that supports the achievement of business objectives. It is however important that there is a resource prioritisation, coherent strategy and a sharing of good practice. Appendix 4 sets out the aims of the City Procurement Service which will be launched in October 2014.
15. Category Boards which are chaired by an officer who is not a member of City Procurement will continue to operate to ensure that there is sensible packaging of contracts and departments engage with procurements to influence specifications and supplier selection to ensure that contracts deliver their business requirements. This will include reviewing the way in which sourcing activities are carried out so that appropriate use of framework arrangements is made, there is effective forward planning and risk is suitably managed.
16. Framework arrangements have their place in procurement however if they have not be the result of direct negotiations by ourselves they may not exactly deliver our requirements or represent the best value for money. With better forward planning, the appropriate time to run tenders can be built in so that there is very regular market testing.
17. City Procurement will be represented at all Project Sub-committee meetings to assist with the management of risk in procurement and engagement with suppliers.
18. The Category Boards will be drawn together by a Procurement Steering Group (PSG) which will report through to the Summit Group. The role of the PSG is set out in Appendix 5. The Boards will be accountable for the way in which they are operating their category and City Procurement will be accountable for its performance including delivery of sourcing projects and payment of supplier. Underneath this there is the operational management structure. This tiered arrangement is set out in Appendix 6.

## **Savings and fees**

19. Members asked for details of the fees that had been paid to Accenture and the savings that had been made. There is also the issue of the value of the savings which had been passed through to third parties.
20. At the end of the partnership with Accenture in March 2014 the signed off gross cumulative savings figure was £20.047m. The Finance Leadership Group has concluded that £13.884m is attributable to the Corporation and £6.163m to third parties. After fees of £10.175m this gives a net position for the City Corporation as follows.



|   | £m             | £m                  |
|---|----------------|---------------------|
| Gross signed off savings  |                | 20.047              |
| Less: attributable to third parties                               |                | (6.163)             |
| Signed off savings attributable to Corporation <sup>1</sup>       |                | <u>13.884</u>       |
| Less: fees paid (savings related)                                 | (3.823)        |                     |
| Add: recovery of procurement costs from third parties/departments | <u>0.914</u>   |                     |
|   |                | <u>(2.909)</u>      |
|   |                | 10.975              |
| Less: fixed fees paid to date                                     | (5.393)        |                     |
| milestones fees paid to date                                      | <u>(0.959)</u> |                     |
|   |                | <u>(6.352)</u>      |
| <b>Net saving to Corporation over the 5-year PP2P programme</b>   |                | <u><u>4.623</u></u> |

<sup>1</sup>£9.909m to corporate centre and £3.975m to departmental budgets

21. If the target savings for the remaining two years are achieved the gross cumulative savings figure at the end of 2015/16 is estimated to be £23.452m (. Based on an initial review of the planned projects it is anticipated that the most of the £3.405m will accrue to the Corporation, increasing the net saving from £4.623m to an estimated £8.028m.

### Performance indicators for procurement activity

22. Performance is measured across City Procurement to ensure that the volume of work is being covered with the required levels of quality. Whilst the metrics are measured by the service, some of them (e.g. days to pay an invoice) are not just a measure of the performance in the team, they are a measure of a process which involves departments as well.

23. Key metrics

#### Category Management & Sourcing

- 153 live procurement projects spanning 7 categories (Originally estimated to be 57 in 2014/15 showing increasing demand)
- As at end of July 2014 £2.11m savings achieved against annual target of £7.04m (29.9%)
- As off 1<sup>st</sup> September, all suppliers where there is no formal contract will no longer have purchase order automatically created ensuring compliant purchasing is enforced.

#### Accounts Payable

- Payments made within 10 days – Target 75% - July actual 84%
- Payments made within 30 days – Target 95% - July actual 95%
- 38% of all invoices during July have no Purchase Order
- As at end of July, 2,271 invoices were on hold; 2,220 (98%) with departments. 3 main reasons (No PO, goods not receipted, budget coding error)

### Progress on internalising the service and restructuring

24. Members will be aware that recruitment was in progress to appoint a new Head of City Procurement. Chris Bell, who has been the Service Delivery

Lead from Accenture for the past year, was successful in the competitive process and will be taking up the role formally on 13<sup>th</sup> October 2014.

25. Others key leadership posts in the service have also been filled with just the Head of Accounts Payable role going through the recruitment process at the time of writing.
26. Personal consultations with staff members affected by the restructuring have been taking place during August. It is anticipated that staff will know the final outcomes by early September which may include some staff being displaced or being made redundant.

## **Conclusion**

27. Given the end of the partnership with Accenture the focus now needs to turn to ensuring that the Procurement Service is embedded into the organisation and assists in delivery of business objectives which must now include efficiency savings. With a change of governance, it is also opportune to consider how savings could be shared with departments.

## **Appendices**

- Appendix 1 – Extract from report to May 2012 Finance Committee
- Appendix 2 – Savings achieved in 2013/14
- Appendix 3 – Sourcing Plan for 2014/15
- Appendix 4 – The aims of City Procurement
- Appendix 5 – The role of the Procurement Steering Group
- Appendix 6 – Procurement Governance arrangements

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## Scrutiny of Savings and its application to the programme so far

1. Savings arising from the PP2P programme are subject to scrutiny from a range of stakeholders which is enshrined in the programme governance. Four stages of review are involved:
  - Category Boards
  - Finance Leadership Group
  - Savings Realisation Forum
  - PP2P Joint Review Board
2. Category Boards are responsible for developing and tracking delivery of Category Plans, setting out the portfolio of sourcing projects the board intends to progress and savings they expect to deliver. There are six Category Boards, each of which is chaired by a City officer and includes a Head of Finance as a Member. The Category Board reviews:

**The proposed baseline;** this is the cost of supplies and services sourced using current procurement arrangements. It is based on actual spend by each supplier considered within scope of the PP2P procurement arrangements. The baseline is calculated by the procurement team based on actual spend ascertained from invoices and cross checked to each suppliers own records. The baseline is then verified by the Category Board. The Head of Finance leads on the analysis; verifying what is in scope and the level of spend.

**The savings calculation/ methodology;** this sets out the expected type of savings to be achieved i.e. expected procurements savings on the supplies and services, but also any savings associated with changing the procurement process or obtaining supplies and services more swiftly. Savings are analysed as to whether they are retained by the City Of London, ring fenced to Police or the Housing Revenue Account or whether they accrue to third parties. The methodology is initially set out by the procurement team and then challenged by the Category Board. The Head of Finance leads on analysing savings as to whether they are retained by the City Of London, ring fenced to Police or the Housing Revenue Account or whether they accrue to third parties.

3. The Finance Leadership Group (FLG) is the main forum for the Corporation's senior finance officers to consider and direct significant strategic finance priorities. The FLG is chaired by the Chamberlain and its

members include the Financial Services Director and the Heads of Finance. In relation to PP2P the role of the FLG and its members includes:

- providing advice and support to the Category Board Chairmen in assessing the robustness of the baseline data and reviewing the proposed methodology for calculating savings;
  - reviewing proposed savings calculations before they are ratified by the Savings Realisation Forum;
  - verifying whether savings are cashable or non-cashable such as notional efficiency savings that cannot be realised in budget reductions;
  - agreeing the appropriate basis for allocating budget reductions;
  - ensuring feedback is sought from Chief Officers on proposed budget reductions; and
  - following approval of savings by the PP2P Joint Review Board ensuring budget reductions are implemented.
4. The Savings Realisation Forum (SRF) provides consistent challenge across categories on savings calculations, ratifies calculations and resolves related queries prior to submission to the Joint Review Board for approval. The following officers attend the SRF:
- PP2P Programme Manager
  - Head of Procurement
  - CLPS Finance Manager
  - Category Board Chairmen – as required
  - Heads of Finance – as required
5. The PP2P Joint Review Board provides the overall direction for PP2P, signs off savings as they are delivered and decides what counts towards the PP2P gross savings target.

### **PP2P Contract Year one savings (Quick Wins)**

6. Year one savings relate to the quick wins and have been verified through the four stage approach. The full year impact of those savings related to the Corporate Centre have been verified, during May 2012, as £476,000 for 2012/13 which are analysed in the table below.

## Savings summary as at 17<sup>th</sup> May 2012

| Project                           | Year 1 (2011/12) |             |             |                      | Year 2 (2012/13) |             |             |                      |
|-----------------------------------|------------------|-------------|-------------|----------------------|------------------|-------------|-------------|----------------------|
|                                   | Corporate Centre | Ring Fenced | Third Party | Total Year 1 Savings | Corporate Centre | Ring Fenced | Third Party | Total Year 2 Savings |
| <u>Annual Savings</u>             | £000             | £000        | £000        | £000                 | £000             | £000        | £000        | £000                 |
| Cleaning Materials                | 29               | 2           | 13          | 44                   | 61               | 4           | 24          | 89                   |
| Office Supplies                   | 22               | 10          | 2           | 34                   | 56               | 24          | 3           | 83                   |
| Thames Water Tariff               | 1                | -           | 2           | 3                    | 1                | -           | 2           | 3                    |
| Postal Services                   | 7                | -           | -           | 7                    | 22               | -           | 1           | 23                   |
| Temporary Labour (Overtime)       | 4                | -           | 6           | 10                   | 13               | -           | 19          | 32                   |
| Mobile Telephony                  | 17               | 17          | 1           | 35                   | 63               | 59          | 5           | 127                  |
| Print Services (MFDs)             | -                | -           | -           | -                    | 57               | 6           | -           | 63                   |
| Recruitment Advertising           | 9                | 1           | 1           | 11                   | 57               | 8           | 4           | 69                   |
| Fixed Telecoms                    | -                | 1           | 1           | 2                    | 17               | 5           | 8           | 30                   |
| Toner Cartridges                  | 11               | 10          | -           | 21                   | 43               | 41          | 1           | 85                   |
| Temporary Labour (Compliance)     | 15               | 7           | 1           | 23                   | -                | -           | -           | -                    |
| Office Furniture                  | 1                | 1           | -           | 2                    | 13               | 7           | 1           | 21                   |
| Custody Medical Services          | -                | -           | -           | -                    | -                | 87          | -           | 87                   |
| <b>Total Annual Savings</b>       | <b>116</b>       | <b>49</b>   | <b>27</b>   | <b>192</b>           | <b>403</b>       | <b>241</b>  | <b>68</b>   | <b>712</b>           |
| <u>Cash One-Off Savings</u>       |                  |             |             |                      |                  |             |             |                      |
| MFD Rebate                        | 49               | -           | -           | 49                   |                  |             |             | -                    |
| Thames Water Credit               | -                | -           | 9           | 9                    | 2                |             |             | 2                    |
| Building Maintenance Services     | -                | -           | 2           | 2                    |                  |             |             | -                    |
| Highway Maintenance Rebate        | 43               | -           | -           | 43                   |                  |             |             | -                    |
| Temporary Labour Rebate           | -                | -           | -           | -                    | 71               |             |             | 71                   |
| <b>Total Cash One-Off Savings</b> | <b>92</b>        | <b>-</b>    | <b>11</b>   | <b>103</b>           | <b>73</b>        | <b>-</b>    | <b>-</b>    | <b>73</b>            |
| <b>Total Savings</b>              | <b>208</b>       | <b>49</b>   | <b>38</b>   | <b>295</b>           | <b>476</b>       | <b>241</b>  | <b>68</b>   | <b>785</b>           |

### Year two savings

7. The Category Boards and Finance Leadership Group are in the process of verifying the baselines and savings methodologies for the various schemes as shown in Appendix B of this paper. These amount to a target of £3,258,833 in total as reported to the Committee on 1<sup>st</sup> May 2012.

### Governance

8. As the Chamberlain is the Lead officer on PP2P as well as the Chief Financial Officer, safeguards have been built in on the savings calculation.
9. For each of the Category Boards, it is the Finance Leadership Group which will formally sign off the agreement of baseline and savings methodology in two stages, recording the:

#### Stage one

- initial baseline, final agreed baseline and summary of key movements between;
- agreed savings methodology and items discounted from originally proposed methodology; and
- split between cashable and non-cashable savings.

#### Stage two

- appropriate basis for budget allocation.

## SAVINGS ACHIEVED IN 2013/14

## APPENDIX 2

| Category     | Project   | Savings achieved<br>£ |
|--------------|---|-----------------------|
| Construction | BRM (Excluding NSR)                                       | 1,326,549             |
| Construction | Minor Projects & Refurbishments                           | 185,955               |
| Construction | BRM (variable NSR)  | 53,218                |
| Construction | Major Projects (IESE) - 1 Alie Street                     | 407                   |
| eMarketplace | eMarketplace Product Rationalisation (clothing)           | 7,007                 |
| Highways     | Highways  | 1,896,742             |
| HR           | Temporary labour  | 165,278               |
| HR           | R&PNA   | 69,580                |
| HR           | Comensura - forward overtime                              | 38,796                |
| HR           | Occupational Health                                       | 34,886                |
| HR           | Work and health conference                                | 26,500                |
| HR           | Clothing, Uniforms and Safety Apparel                     | 25,315                |
| HR           | Health and Safety training                                | 22,141                |
| HR           | General Skills training                                   | 11,169                |
| HR           | Phase 1 - Comensura Rebate Q2 2013                        | 10,995                |
| HR           | Eye Tests   | 10,033                |
| HR           | Phase 1 - Comensura Rebate Q1 2013                        | 9,760                 |
| HR           | Phase 1 - Comensura Rebate Q4 2012                        | 8,591                 |
| HR           | Total tax research  | 5,000                 |
| HR           | RMB Research  | 1,175                 |
| HR           | Force Medical Advisor                                     | 338                   |
| ICT          | Mobile Telephony  | 143,040               |
| ICT          | Print 1 (exc. Freeman's School)                           | 81,849                |
| ICT          | Print Phase two: Guildhall North Wing                     | 40,854                |
| ICT          | Fixed Telecoms - Daisy                                    | 30,420                |
| ICT          | Fixed Telecoms - Network and Telephony Maintenance        | 23,665                |
| ICT          | Fixed Telecoms - WAN                                      | 23,498                |
| ICT          | Print Phase two: Girls School                             | 17,340                |
| ICT          | CCTV & Automatic Number Plate Recognition                 | 16,964                |
| ICT          | Print Phase two: Guildhall West Wing                      | 6,289                 |
| ICT          | City of London School for Girls – Desktops and Laptops    | 5,880                 |
| ICT          | Print 1 (Freeman's School & CoL Boys School)              | 4,107                 |
| ICT          | Print Phase two: Guildhall School of Music and Drama      | 596                   |
| Other        | Transactional Buying (Aug/Dec 2013) + Barbican Projectors | 15,919                |
| Other        | Transactional Buying (Apr/Jul 2013) additional items      | 6,850                 |
| Other        | Transactional Buying (Apr/Jul 2013)                       | 266                   |
| Soft FM      | Car Park Vinci  | 142,127               |
| Soft FM      | Cleaning Materials  | 89,155                |
| Soft FM      | Custody Medical   | 84,465                |
| Soft FM      | Office supplies - paper & stationery                      | 83,355                |
| Soft FM      | Catering (Staff & Schools)                                | 76,854                |
| Soft FM      | Water Auditing (Phase 1)                                  | 37,790                |
| Soft FM      | Tree Survey   | 34,041                |
| Soft FM      | Postal Services   | 22,872                |
| Soft FM      | Furniture   | 21,552                |
| Soft FM      | Water Coolers   | 19,781                |
| Soft FM      | Electric and Gas – Liquid Fuels Walbrook Wharf            | 16,567                |
| Soft FM      | Barbican Theatre Lighting                                 | 13,363                |
| Soft FM      | Couriers  | 13,239                |
| Soft FM      | Car Park Barbican   | 8,218                 |
| Soft FM      | Water Auditing (Phase 2a)                                 | 7,095                 |
| Soft FM      | Electric and Gas - Liquid Fuels                           | 2,870                 |
| Soft FM      | Water On-Going  | 2,148                 |
| Soft FM      | Water On-Going 2 (Epping Forest)                          | 1,251                 |
| Soft FM      | Pest Control Phase 1                                      | 1,038                 |
| <b>Total</b> |   | <b>5,004,750</b>      |

## SOURCING PLAN for 2014/15

## APPENDIX 3

| Category  | # of Projects | Annual Addressable Spend | 2014/15 Savings Target |
|---|---------------|--------------------------|------------------------|
| ICT   | 28            | £10,365,750              | £107,755               |
| FM  | 23            | £21,731,382              | £464,389               |
| Land Management   | 5             | £386,285                 | £1,294                 |
| Dept. Child & Community Services                                | 2             | £944,297                 | £30,459                |
| Corporate Services  | 17            | £3,251,239               | £198,267               |
| Construction, Building Works and Property Professional Services | 71            | £210,462,206             | 0*                     |
| Marketing & PR  | 7             | £4,219,246               | £132,856               |
| Transactional Buying  | N/A           | £13,000,000              | £650,000               |
| eMarketplace  | N/A           | £436,800                 | £150,000               |
| Bank Savings from Years 1,2,3                                   | N/A           | N/A                      | £5,300,293             |
| <b>Totals</b>   | <b>153</b>    | <b>£264,797,206</b>      | <b>£7,035,314</b>      |

*\*Savings Methodology and Target to be agreed at Construction Category Board in September 2014*

## The aims of City Procurement

## Appendix 4

- To deliver best in class purchasing service to our client departments
- To Pay our suppliers in line with Government and City policies
- To deliver Best Value principle on all City spend
- To ensure the City's wider objectives are met through procurement activities
- To facilitate and efficient, legally compliant risk aware service
- To ensure annual procurement savings targets are met or exceeded in line with the overall City business plan
- To develop strategic contracting strategies in all future purchasing leveraging the buying power of cross departmental spend
- To bring industry knowledge, collaboration opportunities and peer learnings to each purchasing exercise
- To develop a supplier charter, driving the behaviours of all contracted 3<sup>rd</sup> party suppliers to work in a manner consistent with the City's policies and objectives



# The role of the Procurement Steering Group

## Appendix 5

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### Role & Rationale

- **Strategic decision** forums that assure strategic objectives of the City are met by all procurement activities including procurement strategy, evaluation criteria, award decisions and implementation
- Primary role is to **ensure City objectives are being met** by the Category Boards, the annual sourcing plan and the operational team
- To act as an **escalation point for disputes** relating to strategy, evaluation criteria, awards and savings attributed
- **Informs Finance Committee and Summit Group** of cross cutting procurement strategies

### Objectives

- To review and approve the Category Board annual sourcing plan
- To ensure Category Boards deliver targeted City Objectives, Outputs and Savings (efficiencies)
- Continually grow the Procurement maturity at City by reviewing performance, resource, strategy
- Ensure that City policies and objectives are achieved through procurement e.g. CSR, LLW

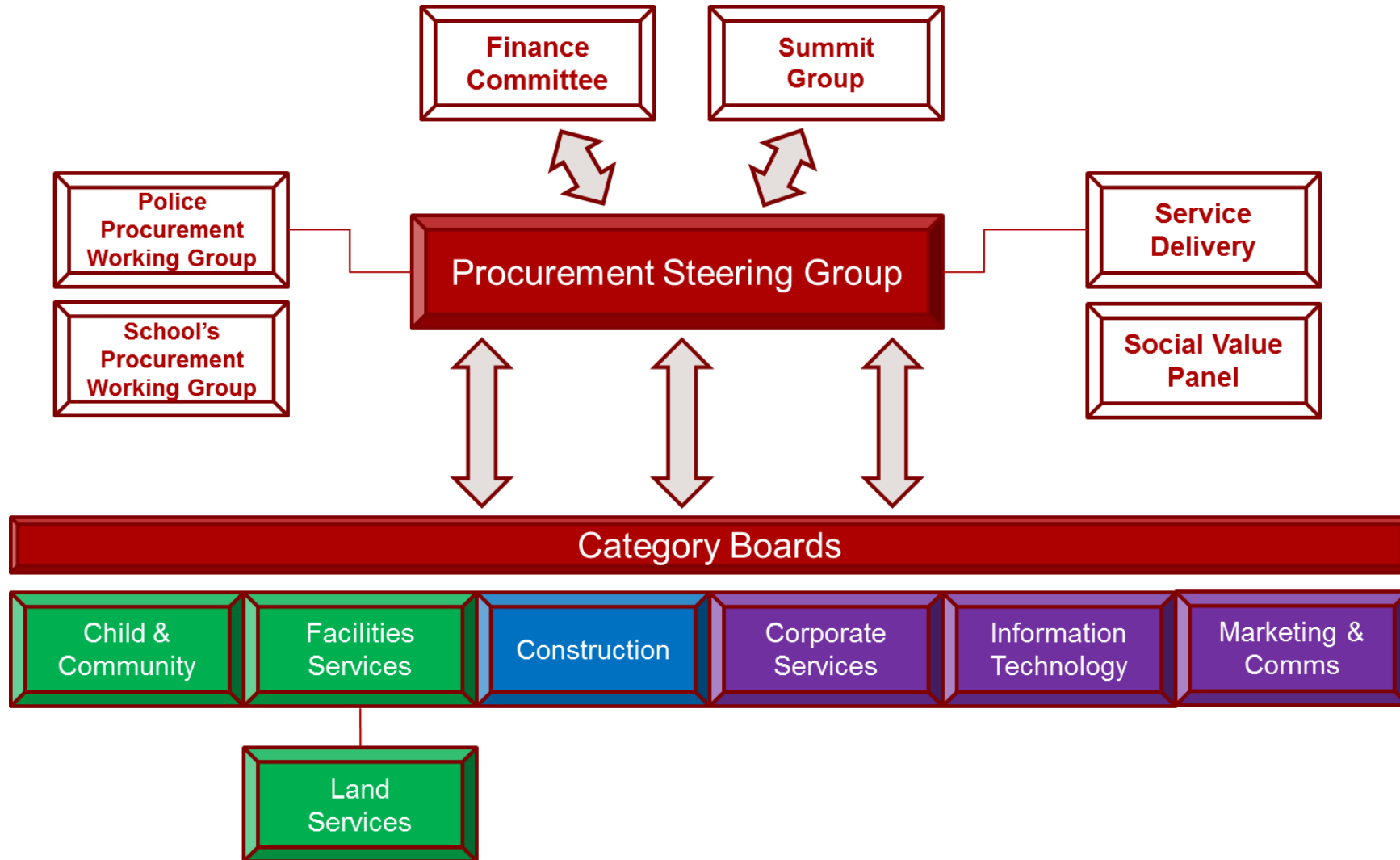
### Decisions

- **Strategy:** Approval of Category Board annual sourcing plans and project strategies that are cross City initiatives
- **Implementation:** Consulted on complex implementations and exceptions to management of change process
- **Sign-off:** Approve award decisions for procurement up to £2M that have been delegated to Category Boards

### Commitment of members

- 1x 2hr meeting every 8-12 weeks
- Board members to engage with Category Boards as required outside the meetings
- Chair to report decisions to Chief Officers/Members as required

Diagrammatical representation of the governance arrangements



## The tiered governance arrangements

## Appendix 6

### Procurement Steering Group

Leadership and Senior Officers board managing procurement strategy and policy.

### Category Boards

Sourcing boards with multi-department members. Key decision forums that assure approval and implementation of the strategy for categories and sourcing initiatives.

### Procurement Working Groups

Temporary working groups working on procurement projects or functional procurement matters. i.e. Police Procurement Working Group

### Service Delivery Meeting

City Procurement Management Operations and performance monitoring meeting, internal to Chamberlain's Department.

### Sourcing & Category Management teams

City Procurement Sourcing and Category Management teams responsible for day to day delivery of all sourcing and buying activities for the City of London.

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