



## Finance Committee

**Date:** TUESDAY, 7 JUNE 2016  
**Time:** 1.45 pm  
**Venue:** COMMITTEE ROOM - 2ND FLOOR WEST WING, GUILDHALL

**Members:**

Jeremy Mayhew (Chairman)	Wendy Hyde
Deputy Roger Chadwick (Deputy Chairman)	Deputy Jamie Ingham Clark
Randall Anderson	Clare James
Deputy John Barker	Deputy Alastair King
Nicholas Bensted-Smith	Gregory Lawrence
Chris Boden	Alderman Professor Michael Mainelli
Nigel Challis	Deputy Robert Merrett
Dominic Christian	Deputy Henry Pollard
Simon Duckworth	Adam Richardson
Deputy Anthony Eskenzi	Alderman William Russell
Alderman Peter Estlin	James de Sausmarez
Sophie Anne Fernandes	Ian Seaton
John Fletcher	Deputy Dr Giles Shilson
Lucy Frew	Sir Michael Snyder
Alderman Timothy Hailes	David Thompson
Deputy Brian Harris	Deputy John Tomlinson
Christopher Hayward	Philip Woodhouse
Tom Hoffman	

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**Lunch will be served in Guildhall Club at 1PM**  
**NB: Part of this meeting could be the subject of audio or video recording**

**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 10 May 2016.  

**For Decision**  
(Pages 1 - 10)
4. **OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS**  
Report of the Town Clerk.  

**For Information**  
(Pages 11 - 12)
5. **RESOLUTION FROM THE POLICY AND RESOURCES COMMITTEE - CHAIRMAN'S DISCRETIONARY FUND**  
To receive a resolution from the meeting of the Policy and Resources Committee which was held on 19 May 2016.  

**For Decision**  
(Pages 13 - 14)
6. **PROVISIONAL OUTTURN - 2015/16**  
Report of the Chamberlain. (To follow)  

**For Decision**  
(To follow)
7. **FINANCIAL SERVICES DEPARTMENT - QUARTERLY UPDATE**  
Report of the Chamberlain.  

**For Information**  
(Pages 15 - 20)
8. **RISK MANAGEMENT - MONTHLY REPORT**  
Report of the Chamberlain.  

**For Information**  
(Pages 21 - 22)
9. **RESPONSIBLE PROCUREMENT STRATEGY 2016-2019**  
Report of the Chamberlain. This report will also be considered for information by the Port Health and Environmental Services Committee on 19 July 2016.  

**For Decision**  
(Pages 23 - 54)

10. **REVISIONS TO CITY OF LONDON PROCUREMENT CODE 2015 AND COMPETITIVE PROCUREMENT EXEMPTIONS POLICY**  
Report of the Chamberlain.  

**For Decision**  
(Pages 55 - 68)
11. **CITY PROCUREMENT EFFICIENCY AND SAVINGS TARGET 2016/17**  
Report of the Chamberlain.  

**For Information**  
(Pages 69 - 72)
12. **REVISIONS TO PURCHASE ORDER EXEMPTIONS POLICY**  
Report of the Chamberlain.  

**For Information**  
(Pages 73 - 76)
13. **ANNUAL REVISIONS TO THE CORPORATE PURCHASE CARD POLICY**  
Report of the Chamberlain.  

**For Information**  
(Pages 77 - 80)
14. **CITY OF LONDON FESTIVAL - THE FUTURE**  
Report of the Director of Culture, Heritage and Libraries. This report was considered and approved by the Culture, Heritage and Libraries Committee on 23 May 2016.  

**For Decision**  
(Pages 81 - 88)
15. **CHARITIES POOL RISK REGISTER 2015-16**  
Report of the Chamberlain.  

**For Decision**  
(Pages 89 - 94)
16. **CENTRAL CONTINGENCIES**  
Report of the Chamberlain.  

**For Information**  
(Pages 95 - 100)
17. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
18. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
19. **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

20. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**  
To agree the non-public minutes of the meeting held on 10 May 2016.  
**For Decision**  
(Pages 101 - 102)
21. **CORPORATE SECURITY SERVICES (MANNED GUARDING) - CONTRACT AWARD REPORT**  
Report of the Chamberlain. This report will also be considered by the Court of Common Council on 23 June 2016.  
**For Decision**  
(Pages 103 - 106)
22. **REVIEW OF CASH BALANCES**  
Report of the Chamberlain. This report was noted by the Investment Committee on 25 May 2016.  
**For Information**  
(Pages 107 - 114)
23. **CITY FUND - CROSSRAIL PROPERTY - OUTTURN REPORT**  
Joint report of the Chamberlain and City Surveyor. This report was noted by the Property Investment Board on 25 May 2016.  
**For Information**  
(Pages 115 - 122)
24. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
25. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

## FINANCE COMMITTEE

Tuesday, 10 May 2016

**Minutes of the meeting of the Finance Committee held at the Guildhall EC2 at 1.45 pm**

### **Present**

#### **Members:**

Randall Anderson	Deputy Jamie Ingham Clark
Deputy John Barker	Clare James
Deputy Roger Chadwick	Deputy Alastair King
Nigel Challis	Gregory Lawrence
Dominic Christian	Alderman Professor Michael Mainelli
Simon Duckworth	Jeremy Mayhew
Deputy Anthony Eskenzi	Deputy Robert Merrett
Alderman Peter Estlin	Deputy Henry Pollard
Sophie Anne Fernandes	Adam Richardson
John Fletcher	Alderman William Russell
Lucy Frew	James de Sausmarez
Alderman Timothy Hailes	Deputy Dr Giles Shilson
Deputy Brian Harris	Sir Michael Snyder
Christopher Hayward	Deputy John Tomlinson
Tom Hoffman	Philip Woodhouse
Wendy Hyde	

#### **In attendance:**

Keith Bottomley  
Edward Lord  
Deputy Joyce Nash

#### **Officers:**

Susan Attard	- Deputy Town Clerk
Peter Lisley	- Assistant Town Clerk
Christopher Braithwaite	- Town Clerk's Department
Bob Roberts	- Director of Communications
Peter Kane	- Chamberlain
Caroline Al-Beyerty	- Chamberlain's Department
Christopher Bell	- Chamberlain's Department
Simon Woods	- Chamberlain's Department
Anne Pietsch	- Comptroller and City Solicitor's Department
Peter Bennett	- City Surveyor

Deputy Anthony Eskenzi moved, and the Committee agreed, that Alderman William Russell take the Chair until a Chairman was elected.

**Alderman William Russell in the Chair**

1. **APOLOGIES**

Apologies for absence were received from Nicholas Bensted-Smith, Ian Seaton and David Thompson.

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

There were no declarations of interest.

3. **ORDER OF THE COURT OF COMMON COUNCIL**

The Committee considered the Order of the Court of Common Council of 21 April 2016 appointing the Committee and approving its terms of reference.

**RESOLVED** – That the Order of the Court of Common Council of 21 April 2016 be noted.

4. **ELECTION OF CHAIRMAN**

The Committee proceeded to elect a Chairman in accordance with Standing Order No. 29. A list of Members eligible to stand was read and Jeremy Mayhew and Deputy John Tomlinson indicated willingness to serve.

A ballot was taken and votes were cast as follows:-

Jeremy Mayhew	-	18 votes
Deputy John Tomlinson	-	13 votes

**RESOLVED** – That Jeremy Mayhew be elected Chairman in accordance with Standing Order 29 for the year ensuing.

**Jeremy Mayhew in the Chair**

The Chairman thanked the Committee, stating that he was both honoured and flattered by the Committee's decision.

5. **ELECTION OF DEPUTY CHAIRMAN**

The Committee proceeded to elect a Deputy Chairman pursuant to Standing Order No. 30. Deputy Roger Chadwick, as the immediate past Chairman, in Common Council and willing to serve, was accordingly declared as the Deputy Chairman for the ensuing year.

The Chairman took the opportunity to welcome Alderman Peter Estlin, Alderman Timothy Hailes, Alderman William Russell, Dominic Christian and Sophie Fernandes as new Members of the Committee, and Deputy Dr Giles Shilson as a returning Member of the Committee.

**Vote of Thanks to the Past Chairman**

Deputy Anthony Eskenzi moved a voted of thanks to Deputy Roger Chadwick, the immediate past Chairman.

**RESOLVED UNANIMOUSLY:** That the Members of the Finance Committee express their sincere thanks to:

DEPUTY ROGER ARTHUR HOLDEN CHADWICK

for the extremely able, caring and courteous manner in which he has presided over their deliberations and the detailed attention and interest he has shown in all aspects of the work of the Finance Committee for the past five years.

Roger has overseen a challenging time for the Corporation's finances with reductions in Government funding and uncertain times for the British Economy, and has ably overseen the £20m savings programme of the Service Based Review.

Roger has ensured that the Corporation has continued to be a forward-looking organisation, well set for the future. In addition to the appointment of a new Chamberlain, Roger has overseen the re-launching of City Procurement, the restructuring of the finance team to strengthen strategic capability and links with the business, the signing and implementation of the IT contract with Agilisys and the delivery of a very challenging Oracle upgrade.

Despite the challenging economic circumstances, Roger has kept the Committee working with a positive attitude to benefit London and beyond. He has overseen the Corporation's decision to award London Living Wage for all Corporation contracts, made donations totalling £380,000 to assist in disaster relief across the world and overseen grants of over £1m to charitable organisations, including enhancing the Corporation's historic links to Londonderry through the Honourable Irish Society.

AND SO in taking leave of Deputy Roger Chadwick as their Chairman, Members of this Finance Committee wish to thank him for his service and excellent leadership of the Corporation's financial affairs during this challenging period. The Committee gives to him their best wishes for his future health and happiness.

**6. MINUTES OF THE PREVIOUS MEETING**

**RESOLVED** – That the public minutes and summary of the meeting held on 12 April 2016 be approved as an accurate record.

**7. OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS**

The Committee considered a report of the Town Clerk which set out actions outstanding from previous meetings of the Committee.

**RESOLVED** – That the Committee notes the report.

**8. APPOINTMENT OF SUB-COMMITTEES AND REPRESENTATIVES ON OTHER COMMITTEES**

The Committee considered a report of the Town Clerk regarding the composition and Terms of Reference of the Committee's Sub-Committees for

2016/17, the appointment of Members to those Sub-Committees and the appointment of representatives to a number of other City Corporation positions.

The Chairman commented that he would seek to review the operation of the Sub-Committees to ensure that they were as effective as possible.

**RESOLVED** – That the Committee:

- a) Agrees the amendment of the constitution of the Corporate Asset Sub-Committee such that the Policy and Resources Committee and Property Investment Board are invited to appoint any three of their Members, rather than their Chairman, Deputy Chairman and one other Member;
- b) Agrees the amendment of the Information Technology Sub-Committee Terms of Reference to add the following:
  - To hold informal workshop meetings to provide an opportunity to give in-depth scrutiny to projects;
  - To receive a report, at least annually, on the status, performance and plans associated with each and any major IT outsourcing arrangements which the corporation has contracted to third parties;
- c) agrees the composition and terms of reference of the Committee's Sub-Committees, notes that the Chairman and Deputy Chairman are appointed as Chairman and Deputy Chairman of each of the Sub-Committees, and agrees the appointment of the following Members to the Sub-Committees:

Efficiency and Performance Sub-Committee

Randall Anderson  
Nigel Challis  
Deputy Anthony Eskenzi  
Alderman Peter Estlin  
Deputy Jamie Ingham Clark  
Deputy Alastair King  
Ian Seaton  
Deputy John Tomlinson  
Philip Woodhouse

Finance Grants Sub-Committee

Randall Anderson  
Deputy John Barker  
Nicholas Bensted-Smith  
Nigel Challis  
Simon Duckworth  
Deputy Jamie Ingham Clark  
Gregory Lawrence  
Alderman Professor Michael Mainelli  
Alderman William Russell  
Philip Woodhouse



Information Technology Sub-Committee

Randall Anderson  
Nigel Challis  
Deputy John Chapman  
Deputy Jamie Ingham Clark  
Hugh Morris  
Sylvia Moys  
Graham Packham  
Chris Punter  
Deputy John Tomlinson  
James Tumbridge

Corporate Asset Sub-Committee (The Committee agreed to increase the number of Finance Committee representatives by one Member for 2016/17)

Randall Anderson  
Deputy Brian Harris  
Deputy John Tomlinson

- d) agree the appointments of the following representatives to Committees and Sub-Committees:

Establishment Committee

Deputy Jamie Ingham Clark

Barbican Centre Board

Lucy Frew

Projects Sub (Policy & Resources) Committee

Deputy Roger Chadwick  
Deputy John Tomlinson

Streets and Walkways Sub (Planning & Transportation) Committee

Deputy John Barker

- e) agrees the appointments of Jeremy Mayhew, Deputy Roger Chadwick and Deputy Anthony Eskenzi as representatives for informal consultation with the Court of Aldermen and the Policy and Resources Committee on Mayoralty and Shrievalty Allowances.
- f) notes that the Chairman and Deputy Chairman will be Members of the Resource Allocation Sub (Policy and Resources) Committee.
- g) notes that the Chairman and Deputy Chairman will be ex-officio Members of the following Committees:
- Policy & Resources Committee
  - Investment Committee
  - Audit and Risk Management Committee
  - Hospitality Working Party (Policy and Resources)

- h) notes that the Chairman (or his nominee) will be an ex-officio Member of the following Committees:
- Social Investment Board
  - Public Relations and Economic Development Sub (Policy and Resources) Committee
- i) agrees that the Committee should continue to meet “every fourth week on Tuesdays” with the exception of recess periods.

**9. CITY PROCUREMENT QUARTERLY UPDATE (END OF YEAR REPORT)**

The Committee considered a report of the Chamberlain which updated Members on the work of City Procurement and its performance for the year April 2015 to March 2016.

The report highlighted the following achievements over the previous year:

- Annual savings of £8.48M achieved against 2015/16 target of £8.27M
- PO Compliance average of 94% for 2015/16
- 12 month average of 96% supplier payments happened within 30 days during 2015/16
- 12 month average of 86% of SME supplier payments happened within 10 days during 2015/16
- 24% of 2015/16 annual spend was with SME suppliers (Value of £116M)
- 13 Continuous Improvement projects under the strategic theme of Operational Excellence delivered with the 2015/16 period.

A Member asked whether there were more detailed data management metrics which supported the statistics set out within the report. The Chamberlain confirmed that there were such metrics, and agreed that information of performance within these metrics could be brought to the Efficiency and Performance Sub-Committee over the next year.

**RESOLVED** – That the Committee notes report.

**10. LONDON LIVING WAGE - UPDATE**

The Committee considered a report of the Chamberlain which set out progress to achieve the target of implementing the London Living Wage across all eligible contracts by 1 April 2016 and the current overall position with regards the Living Wage across our contract portfolio. The report confirmed that the Corporation had now fully implemented London Living Wage across all services with the exception of a 12 residential care home services contracts (due to legal and operational complexities in transitioning to London Living Wage) and one grazing contract (due to wider performance issues in the contract).

The Chamberlain confirmed that the report referred to the London Living Wage, which was in excess of the Living Wage announced by the Chancellor of the Exchequer in the March 2016 Budget.

**RESOLVED** – That the Committee notes the report.

11. **CENTRAL CRIMINAL COURT - REPORTING LINES**

The Committee considered a report of the Deputy Town Clerk which provided Members with an opportunity to review the Committee reporting arrangements for the Central Criminal Court (CCC). The report advised that the CCC currently reported to the Corporate Asset Sub (Finance) Committee (CASC). The report explained that the CCC did not currently fit naturally within the existing workload of CASC or any other existing Committee, and therefore proposed that a new Committee be created to oversee all aspects of the CCC, for a period of five years. The report advised that this was a particularly important time for the CCC and would, therefore, be an area that would benefit from greater coordination and dedicated attention in terms of Member support and oversight.

The Chairman commented that he agreed that CASC was not appropriate as the main Service Committee for the CCC, and commented that he agreed that there was not currently an entirely relevant Committee to oversee the operations of the CCC. The Committee agreed that this was the case.

The Chairman commented that CASC would continue to have a role in relation to the CCC in scrutinising repairs and maintenance projects, similar to that which CASC currently played for departments such as the Barbican Centre, Guildhall School of Music and Drama and the City of London Police.

The Chairman also commented that he believed that it was not appropriate for the new Committee to be a Grand Committee, and that it would be more appropriately formed as a Sub-Committee of the Policy and Resources Committee or the Finance Committee. Members agreed that this would be an appropriate approach, and agreed that this should be suggested to the Policy and Resources Committee.

**RESOLVED** – That the Committee:

- a) Notes the report;
- b) Endorses the proposal for the establishment of a new stand-alone Committee for a period of five years, with the composition set out within the report, and asks the Policy Committee to consider whether this Committee should be a Sub-Committee of either Policy and Resources Committee or Finance Committee.

12. **RISK MANAGEMENT - TOP RISKS**

The Committee considered a report of the Chamberlain which provided updates regarding the top risks within the Departmental Risk Register.

**RESOLVED** – That the Committee notes the report.

13. **CENTRAL CONTINGENCIES**

Consideration was given to a report of the Chamberlain which provided the Committee with information regarding the current balance of the Finance Committee Contingency Funds for the current year.

**RESOLVED** – That the Committee notes the report.

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

There were no questions.

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

There were no urgent items.

16. **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 Schedule 12A of the Local Government Act.

**Item No.**

**Paragraphs in Schedule 12A**

17-22

3

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

The non-public minutes of the meeting held on 12 April 2016 were approved as an accurate record.

18. **MINOR WORKS INTERIM CONTRACT**

The Committee considered and approved a report of the Chamberlain which sought the Committee's approval for the recommended procurement strategy and evaluation criteria to be used in the selection of preferred supplier(s) for the Minor Works Interim contract.

19. **SALISBURY HOUSE, 150-186 LONDON WALL, EC2 - HEAD LEASE EXTENSION IN EXCHANGE FOR PREMIUM PAYMENT**

The Committee considered and approved a report of the City Surveyor which proposed the extension of the Head Lease at Salisbury House, 150-186 London Wall EC2 in exchange for a premium payment.

20. **CENTRAL CRIMINAL COURT - PLANT REPLACEMENT PROJECT - PHASE 2 - GATEWAY 4C DETAILED OPTIONS APPRAISAL**

The Committee noted a report of the City Surveyor regarding phase 2 of the Central Criminal Court Plant Replacement project.

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

There were no non-public questions relating to the work of the Committee.

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

There were no items of urgent business.

**The meeting closed at 2.30 pm**

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Chairman

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## Finance Committee – Outstanding Actions

Item	Date	Item and Action	Officer responsible	To be completed/ progressed to next stage	Progress Update
1.	10 May 2016, Item 9	<u>City Procurement Performance Metrics</u> The Chamberlain to provide updates on City Procurement's detailed procurement performance metrics to the Efficiency and Performance Sub-Committee.	Head of City Procurement	July 2017	A report providing details of the performance metrics used by City Procurement will be presented Efficiency and Performance Sub-Committee in either July or October 2017.
2.	10 May 2016. Item 11	<u>Central Criminal Court – Reporting Lines</u> A resolution from this Committee to be submitted to the Policy and Resources Committee suggesting that the new Committee could be constituted as a Sub-Committee of Policy and Resources, rather than as a Grand Committee.	Town Clerk	May 2016	Resolution was submitted to Policy and Resources Committee on 19 May 2016. That Committee agreed that the new Committee should be a Sub-Committee of Policy and Resources.
3.	12 April 2016, Item 6	<u>Chairman's Discretionary Fund</u> The Committee requested that the Policy and Resources Committee provide the Finance Committee with further information regarding why the decision had been taken to remove the Finance Committee's Chairman's Discretionary Relief Fund.	Town Clerk	May 2016	A resolution was submitted to Policy and Resources Committee in May 2016. A resolution from Policy and Resources Committee is included within this agenda.
4.	12 April 2016, Item 13	<u>Land Value Tax</u> A Member asked the Chamberlain to comment on the suggestion from the Greater London Authority that it may consider implementing Land Value Tax.	Chamberlain	July 2016	The City Surveyor and Chamberlain are developing a report to advise the Committee of the issues in relation to this.

Item	Date	Item and Action	Officer responsible	To be completed/ progressed to next stage	Progress Update
5.	22 September 2015, Item 9	<u>Purchasing Card Policy</u> The Purchasing Card Policy to be reviewed on an annual basis.	Head of City Procurement	September 2016	A report to review the Purchasing Card Policy is included within this agenda.



# Agenda Item 5

TO: **FINANCE COMMITTEE**

Tuesday, 7 June 2016

FROM: **POLICY AND RESOURCES COMMITTEE**

Thursday 19 May 2016

## **CHAIRMAN OF FINANCE COMMITTEE'S DISCRETIONARY FUND**

The Committee considered a resolution of the Finance Committee which sought further information from the Committee on its decision to withdraw the Finance Committee's Chairman's Discretionary Fund.

Members were reminded that the decision to dispense with the Fund followed a recommendation of the Resource Allocation Sub-Committee. It felt that given the City Corporation's new grant giving regime and that, going forward, the Finance Committee would have an oversight role only, the fund was no longer necessary. A Member also recalled that the appropriateness of having a fund that was dispensed by one person was also questioned.

Reference was made to the need for a mechanism to be established for capturing grant giving to worthy causes which might fall outside the agreed grant themes.

**RESOLVED** – That Finance Committee's attention be drawn to the reasons for dispensing with the Chairman's Discretionary Fund as set out above.

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<b>Committee:</b> Finance Committee	<b>Date:</b> 7 June 2016
<b>Subject:</b> Financial Services Division – Quarterly Update	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Caroline Al-Beyerty	

## Summary

Over the last quarter the key areas of work have been:

- Formulation of proposals for the Efficiency Plan to be discussed with members at the Resource Allocation Sub Away Day;
- Closedown of accounts;
- Commissioning the review of the operating model for Guildhall School; and
- Oracle project, delivering the upgrade and improvement to our financial system.

On the division's key performance indicators, there is one amber indicator. The number of freedoms in the Jan-March quarter 2016 represents a decrease of 23 applicants on the same period from 2015. The slight drop in numbers is likely to be due to reduced resources between February and March while a new Court Assistant was recruited.

## Recommendation

Members are asked to note the report.

## Main Report

### Background

1. There are six main areas of work in Financial Service Division which are set out in Appendix 1.
2. We are currently recruiting to two new senior positions- the Head of Charity and Social Investment Finance and Head of Exchequer Services. The first recruitment round was unsuccessful for both positions, but having gained approval for market forces, we have re-advertised the Head of Charity and Social Investment Finance at a higher salary banding and the response looks promising.

### Key performance indicators

3. The key performance indicators in the Chamberlain's business plan for the financial service division relevant for the last quarter (Jan-March) are:

## FSD KPI's Balanced Scorecard 2015-/16

				Quarterly update			
	Measure	2014/15 performance	2015/16 target	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Business Rates collection	% collected (cumulative)	99.09%	99.75%	31.62%	58.10%	87.16%	100%
Council Tax Collection	% collected (cumulative)	99.13%	97.5%	28.19%	53.17%	81.73%	99.63%
Implementation of 2015/16 FSD SBR savings				<b>Status:</b>			Complete
Publication of City Fund Accounts within Statutory Deadline				<b>Status:</b>			Complete
Delivery of a balanced budget and Medium Term Financial Plan for City Fund, approved by Court of Common Council by 31 March				<b>Status:</b>			Complete
PO Compliant Invoices	Percentage	-	>88%	93%	94%	95%	95%
Income from Chamberlains Court : Freedoms	Number of freedoms/period compared to same period in previous years (cumulative)	n/a	>1	-19	-6	+5	-20
Professionally qualified accountancy staff as a % of total finance staff undertaking reporting, controls and decision support processes (measured annually)	CIPFA Indicator FS1	22.8%	24%				25.7
Provide a high quality service to our customers (measured annually)	Annual customer survey	Average lowest score 7.0	Average lowest score 7.5				7.61
Increased staff engagement (measured annually)	Percentage of positive responses to Staff Survey Q5: "I understand how my work helps the Chamberlain's Department to achieve its objectives"	88%	92%				93%

### Current Position

- A few key areas to draw out from the division's work over the last quarter, addressing firstly the amber indicator in the table above:

5. **Chamberlain's Court:** Between January and March 2016 a total of 477 people were admitted to the freedom, a decrease of 23 applicants on the same period from 2015 (500). The slight drop in numbers is likely to be due to reduced resources between February and March while a new Court Assistant was recruited.
6. Freedom orientated merchandise continues to sell well. Florrie the Freedom Sheep ("a sheep you can take across London Bridge without Police approval") arrived in March and has proved to be a popular addition to our range. Frames continue to sell extremely well and have been a success for our procurement team who located a new supplier with a lower base cost per frame thereby enhancing our profit margin.
7. **Business Rates and Council Tax Collection,** Business Rates and Council Tax Collection, the 100% achieved for business rate collection includes debts for all years and debits and credits carried forward from previous years taking write offs and collectables into account. There has been a trend for more to be paid in February and March following ratepayers being able to choose to pay by 12 monthly instalments (instead of 10).
8. On the **Service Based Review Cross Departmental Workstreams,** implementing the operational property review continues to be a main focus, including applying the new Cyclical Works Programme prioritisation mechanism and taking individual property opportunities through service committees. Our work on developing an effective operating model for facilities management has focused on supporting the pilot of the new agreed operating model at the Central Criminal Court through detailed data analysis.
9. We have been working on an **Efficiency Plan** that will be discussed initially at Resource Allocation Sub Committee Away Day on 24/25 June 2016. The four year funding settlement (2016/17 to 2019/20) is on the proviso of the publication of an efficiency plan by 14 October 2016. Proposals to be discussed include:
  - Annual savings target across all departments.
  - Cross cutting theme reviews.
  - Making a step change from making cost savings to transformation. How can members best support officers in making genuine transformation?
  - What is the best way for Members to be engaged and steer decision making?
10. Separate discussions are taking place with the Commissioner on efficiency planning within the City of London Police. The financial position for Police poses a challenge both for 2016/17 and subsequent years. There was a greater draw on reserves than anticipated for 2015/16 and by 2018/19 a deficit of £4.8m is forecast.
11. Production of the 2015/16 **financial statements** is on track.
12. Although we have received very welcome news that the **Guildhall School's** application for specialist institution funding from HEFCE has been successful,

there is still work to ensure that the operating model is as efficient and effective as possible. We have commissioned PA Consulting to carry out a fundamental review of the operating model; we expect a report on their findings in the summer.

13. Finance has been supporting the **Education Board** throughout the year, especially the four current Academy Capital Project Boards. On the Islington (former Richard Cloudesley) site, the bid to the Education Funding Agency which we supported has been successful, with confirmation of over £6m of funding.
14. On the **Oracle project**, we have commenced the review of the operation of the system to identify and implement benefits from new functionality and expect to report in August. Work also continues on automation in profiling and forecasting the year-end position on service committee budgets and project spend on individual projects. Full implementation of the profiling and forecasting functionality is expected in October.
15. Finance Committee agreed the strategies for procuring insurance for both the June and December **insurance renewals**. Tender document for the June renewal have been issued and the responses are currently being evaluated.
16. We are in the process of transitioning the **UK equity funds** held by one of our former fund managers.
17. In **Supporting and developing our people**, we continue with the programme of lunchtime learning and secondments throughout the divisions to improve learning and expand the skills base. Recently, we have held sessions on Housing & the HRA, update on new procurement regulations and VAT and the new profiling and forecasting procedures. In the coming months, we have a CIPFA technical update and a Public Speaking session planned. The Director of Financial Services has also led an insight lunch on 'realising your full potential' for the Women's Inclusive Network.

## Conclusion

18. The division is delivering all its core objectives and contributing to the transformation agenda of the Corporation, whilst also supporting the development of staff. The key challenges over the next quarter will be the production of the financial statements, developing the reporting from the Oracle system, reviewing the operating model at Guildhall School and developing arrangements for the pension fund pooling.

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## Appendix 1

There are six main areas of work in Financial Service Division:

- Corporate Finance, providing a range of financial and management services including: stewardship of the City's finances and assets, budget setting, forecasting and monitoring; strategic financial advice to members, departments and the Corporation as a whole;
- City Revenues; responsible for the collection of most income due to the City of London Corporation: Council Tax, Business Rates, Commercial Rents, Residential Service Charges and Sundry Debts;
- Payments and Support Services, covering pensions administration, payroll, supporting our financial system- Oracle and administrative support to the department;
- Corporate Treasury, covering a range of services from investment securities portfolios and treasury management of cash balances to tax advice, financial appraisals, insurance and research;
- Service Department facing Finance Units, promoting stewardship of the City's finances and assets as well as being active business partners, providing strategic financial advice and supporting departments as an integral part of their management teams; and
- Chamberlain's Court, which carries out the ceremonial duties of the Chamberlain.

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<b>Committee:</b> Finance Committee	<b>Date:</b> 7 June 2016
<b>Subject:</b> Risk Management – Monthly Report	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>
<b>Report author:</b> Joy Ahwieh, Chamberlain's Department	

## Summary

This report has been produced to provide Finance Committee with an update on the most significant risks faced by the Chamberlain's Department.

There are currently no RED risks on the departmental risk register and one RED risk on the Corporate Risk Register:

- **CR19 - IT Service Provision**

This risk remains RED but this will be reviewed following completion of the Police server migration to the Infrastructure as a Service (IaaS). Progress against the transition plan is measured regularly to ensure the risk continues to reduce towards the target status of GREEN by 31 December 2016.

## Recommendation

Members are asked to note the report.

## Main Report

### Background

1. The Risk Management Framework of the City of London Corporation requires each Chief Officer to report regularly to Committee the key risks faced in their department. Finance Committee has determined that it will receive the Chamberlain's risk register on a quarterly basis with update reports on RED rated risks at the intervening Committee meetings.

### Current Position

2. This report provides an update on the current RED risks that exist in relation to the operations of the Chamberlain's department and, therefore, Finance Committee.
3. There is currently one RED risk on the Corporate Risk Register for which the Chamberlain's Department is responsible and no RED risks on the departmental Risk Register:

### **CR19 - IT Service Provision (Current Status: RED – no change)**

The Police server migration to the Infrastructure as a Service (IaaS) is in progress and is expected to be fully complete by the end of the summer. The risk status will then be reviewed and a timeline for transitioning to Amber agreed, as a step towards the target status of Green by 31 Dec 2016.

Allocation of new IT equipment under the Joint End User Device Renewal Project is now underway, with 50 issued to date. This will result in a decrease in the number of urgent IT service calls relating to old PCs and laptops failing unexpectedly and contribute towards increased operational stability across City Corporation.

### **Conclusion**

4. Members are asked to note the actions taken to manage these significant risks in relation to the operations of the Chamberlain's Department and the overall reducing level of current risk.

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<b>Committee:</b> Finance Committee – <i>For decision</i> Port Health and Environmental Services Committee – <i>for information</i>	<b>Date:</b> 7 June 2016 19 July 2016
<b>Subject:</b> Responsible Procurement Strategy 2016-2019	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Decision</b>
<b>Report Authors:</b> Chris Bell, Head of City Procurement Natalie Evans, Responsible Procurement Manager	

## Summary

City Procurement aims to help the Corporation use its buying power and collaborative business relationships to drive fundamental changes in how contractors deliver goods, services and works. The team recognises the significance of the procurement decisions we make and the huge potential to act as a catalyst for positive change. The Responsible Procurement Strategy seeks to achieve this transformation and to maximise the benefits that can be gained for our local community, the environment and everyone associated with our supply chains.

The Responsible Procurement Strategy underpins the City Procurement Strategy 2015 – 2018 in that it details how corporate responsibility will be embedded as part of the overall approach to achieving operational excellence, ensuring value for money and leveraging technology and innovation in all our future contracts. In parallel, the Responsible Procurement Strategy supports 24 existing City of London policies, strategies and frameworks and ensures compliance with ten key areas of national and international legislation. Thorough consultation with key stakeholders and collaborative planning with Category Board representatives has ensured a viable, well-targeted and proportionate approach, underpinned by value for money. The strategy has been approved at Procurement Steering Group and Summit Group.

The Procurement Policy to support the Corporation’s published Air Quality Strategy is a separate document. This is due to the fact that air pollution has been classified as a Corporate “Red” risk. The procurement policy is designed, using specific actions, to support the Corporate Air Quality Strategy governed by another department and approved at Port Health and Environment Services committee in July 2015.

A copy of the full Responsible Procurement Strategy can be found in Appendix 1, a summary table of Corporate Responsible Procurement Requirements according to Spend Threshold in Appendix 2 and the Procurement Policy to support the City of London’s Air Quality Strategy can be found in Appendix 3.

## Recommendations

The **Finance Committee** is asked to:

- a) Approve the City of London Responsible Procurement Strategy (Appendix 1)

b) Approve the Procurement Policy to support the Air Quality Strategy (Appendix 3).

The **Port health and Environmental Services Committee** is asked to note the Procurement Policy to support the Air Quality Strategy (Appendix 3).

## **Background**

1. Committing to responsible procurement not only has the potential to benefit the Corporation, but also those suppliers that we are helping to influence. It provides opportunities for innovation, allowing organisations to future proof their activities ahead of compliance. Being receptive to community needs and behaving in a sustainable and ethical manner mitigates risk, helps to optimise resource use and improves the lives of those involved in the Corporation's supply chains.
2. Responsible Procurement is the 'golden thread' running through the City Procurement Strategy 2015 - 2018. It recognises City Procurement's responsibility to help the organisation procure value for money goods, services and works, whilst maximising social value, minimising environmental impacts and ensuring the ethical treatment of people. Anticipated outcomes include helping to mitigate global issues such as climate change, driving national markets for innovative products such as low emission vehicles and addressing local priorities such as creating work-related opportunities.
3. The Responsible Procurement Strategy sets out in greater detail:
  - How City Procurement intends to meet the corporate responsibility objectives set out in the overarching City Procurement Strategy
  - Which aspects will be targeted in terms of social value, environmental sustainability and ethical sourcing
  - Which regulations and corporate policies and strategies it supports
  - How, in broad terms, responsible procurement will be implemented and governed over the next three years
4. This Strategy is supported by a series of category-specific implementation plans, developed by working groups representing different areas of spend within each Category Board. The implementation plans consist of:
  - A list of policy areas relevant to the risks/ potential of the spend category in question
  - Specific actions related to each objective under these policy commitments
  - The type of contract that the proposed action refers to
  - Which year of the 3-year strategy this aspect of the plan will be focussed on
  - Measures of success that can be used
5. Consultation has taken place with the seven Category Boards and the Procurement Steering Group. Finally, it was consulted throughout the Corporation with all of the key stakeholders as a final exercise which concluded on 20<sup>th</sup> May 2016.

## Strategy Overview

6. Taking a strategic, cross-cutting and collaborative approach, the Responsible Procurement Strategy (see Appendix 1) aims to transform the existing pockets of good practice in this area into a well-planned, managed and monitored approach, delivering goods services and works in line with the Corporation's core principles and with best practice amongst our counterparts.
7. City Procurement has prioritised four strategic themes of responsible procurement:
  - Social Value
  - Environmental Sustainability
  - Ethical Sourcing
  - Value for Money
8. The three policy areas within each of the three pillars will be pursued concurrently over the lifetime of the strategy; applying the principle of achieving value for money throughout (see page 6 of the Responsible Procurement Strategy -Appendix 1- listing pillars, policy areas and objectives).
9. The additional Procurement Policy to support the Corporation's published Air Quality Strategy is a separate document due to the fact that air pollution has been classified as a Corporate "Red" risk and because the policy is designed, using specific actions, to support a separate Strategy governed by another department and committee.

## Strategic Themes

10. The responsible procurement strategic themes that will deliver our aspirations during the three years are:
11. **Social Value** – we will leverage contracts to protect and enhance the health and wellbeing of local people and the local environment; engaging to a greater extent with the local community, embedding equalities principles and promoting social inclusion through targeted skills and employment opportunities; we will support local economic regeneration by paying the London Living Wage and levelling the playing field for Small and Medium sized Enterprises (SMEs), Social Enterprises (SEs) and Voluntary and Community Sector Organisations (VCSOs).
12. **Environmental Sustainability** – we will reduce our environmental impact by sourcing sustainable food, timber and other goods and by optimising environmental management practices; we will maximise resource efficiency through demand management, waste reduction and applying total cost of ownership principles; and we will minimise greenhouse gas emissions through energy efficiency and the use of renewable and other innovative technologies.
13. **Ethical Sourcing** – we will ensure that human and labour rights are protected throughout the Corporation's supply chains through compliance with international conventions and by avoiding conflict minerals; we will ensure legal and fair employment practices by collaborating to a greater extent with our supply chain

partners; and we will encourage responsible business practices amongst our contractors through good communication of our own commitments.

14. **Value for Money** – we will achieve value for money through the implementation of the Responsible Procurement Strategy by seeking the best price for the quality we require. Important quality criteria include durable, efficient, appropriately produced goods and the delivery of safe, considerate, equitable services and works projects.

## **Our Approach**

15. In order to ensure that risk, compliance, ambition and value for money are appropriately balanced against process complexity, market maturity and lowest possible price each procurement activity is dealt with on a case by case basis, according to the following:
- Entity – The Strategy will be applied to spend in the Corporation’s capacity as local/ police authority. It will also be applied to other areas of spend including City’s Cash and Bridge House Estates unless there are individual circumstances that dictate that the policy should not be applied. There is a process in place to govern such instances and the associated decisions.
  - Spend – The extent of responsible procurement interventions become more significant, the higher the contract value. See Appendix 2 - Corporate Responsible Procurement Requirements according to Spend Threshold
  - Category – Risks and opportunities vary widely across categories of spend. A series of category-specific implementation plans are being developed in order to ensure viable, well-targeted approaches.
  - Contract – the following are always taken into account to maximise responsible procurement outcomes whilst mitigating supply risk and cost implications; market maturity and availability of sustainable ethical products, relative levels of competition in the market and previous tender experiences and those of peer organisations.

## **Conclusion**

16. City Procurement has developed a Responsible Procurement Strategy for the next 3 years that translates the corporate responsibility aspirations set out in the City Procurement Strategy into a workable yet ambitious series of actions, which are supported by departments across the Corporation.

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**Appendix 1** Responsible Procurement Strategy 2016-2019

**Appendix 2** Corporate Responsible Procurement Requirements according to Spend

**Appendix 3** Procurement Policy to support the Air Quality Strategy 2015-2018



# [City of London Corporation - Responsible Procurement Strategy]

## Foreword – Driving Responsible Procurement in the City

The City of London Corporation (“the City Corporation”) is committed to responsible procurement with a golden thread running through our [City Procurement Strategy 2015 – 2018](#).

In line with other public sector organisations, our mission is to achieve value for money through the delivery of services. Value for money means seeking the best price for the quality we require. Important quality criteria include efficiency, longevity, production methods and added social value.

Responsible business is good business. Those organisations with a strong commitment to corporate responsibility benefit from improved reputations, setting them apart from their competitors. Demonstrating corporate values i.e. ‘walking the talk’ through responsible business practices creates trust amongst service users, partner organisations and customers.

Embracing responsible procurement not only benefits the City Corporation, but also those suppliers that we are helping to influence. It provides opportunities for innovation, allowing organisations to future proof their activities ahead of compliance. Being receptive to community needs and behaving in a sustainable and ethical manner mitigates risk, helps to optimise resource use and improves the lives of those involved in supply chains. Employees working for organisations that take these issues seriously tend to be more motivated individuals.

We recognise the significance of the procurement decisions we make and the huge potential to act as a catalyst for positive change; to help combat global issues such as climate change using ambition and efficiency, drive national markets for innovative products, including low emission vehicles and to address local priorities such as the social exclusion of people from deprived areas.

We aim to use our buying power and collaborative business relationships to drive fundamental changes in how contractors deliver goods, services and works. The City Corporation plans to maximise the benefits that can be gained for our local community, the environment and everyone associated with our supply chains.

It is increasingly accepted that responsible procurement is becoming standard practice. Fulfilling the objectives set out in this strategy allows us to keep up with our business partners and contemporaries and by continuously improving our approach, will allow us to maintain our position as a leading, best practice organisation.

Collaboration with our peer boroughs is strengthened through our work with the London Responsible Procurement Network (LRPN) and with supply chain partners, including small and medium enterprises, local businesses, social enterprises, and voluntary and community sector organisations; through clear and effective procurement procedures, dialogue and tailored events.

In line with the City Corporation’s core values and in the spirit of the ‘four Rs’, this Strategy aims to ensure every item, service and works project procured leads to **reliable** outputs and **responsible** outcomes. It has been made **relevant** to international, national, regional and organisational policies and regulations, and is **radical** in terms of the extent of positive change it intends to drive.

The Chamberlain’s Department welcomes collaboration and feedback from other departments and stakeholders on improving our intended approach to responsible procurement.

Chamberlain,  
City of London Corporation



## Contents

<b>Introduction .....</b>	<b>4-5</b>
<b>The Three Pillars of Responsible Procurement .....</b>	<b>6</b>
<b>Approach to implementation .....</b>	<b>7-8</b>
<b><u>Pillar 1: Social Value</u> .....</b>	<b>9</b>
<b>Policy A: Protecting People and the Local Environment.....</b>	<b>9</b>
Health & safety and road safety .....	9
Air and noise pollution.....	10
Land & water pollution and nature & biodiversity .....	11
<b>Policy B: Promoting Social Inclusion, Equality &amp; Community Benefit .....</b>	<b>12</b>
Social inclusion, SEs & VCSOs and equalities.....	12
The Social Value Panel and further community input .....	13
<b>Policy C: Supporting local economic regeneration .....</b>	<b>13</b>
The Living wage.....	13
SMEs and organisations with an environmental or social mission.....	14
Implementation timeline for Pillar 1: Social Value .....	15
<b><u>Pillar 2: Environmental Sustainability</u>.....</b>	<b>15</b>
<b>Policy D: Sourcing lower impact materials and methods .....</b>	<b>15</b>
Sustainable food, farming & animal welfare .....	15
Green products & services, sustainable timber and environmental management.....	16
<b>Policy E: Maximising resource efficiency .....</b>	<b>17</b>
Demand management, reducing waste, total cost of ownership and the circular economy .....	17
<b>Policy F: Minimising Greenhouse Gas (GHG) Emissions .....</b>	<b>18</b>
Energy efficiency, renewable energy and innovation to reduce energy use .....	18
Implementation timeline for Pillar 2: Environmental Sustainability .....	19
<b><u>Pillar 3: Ethical Sourcing</u>.....</b>	<b>20</b>
<b>Policy G: Ensuring human- and labour rights .....</b>	<b>20</b>
ILO Conventions and conflict minerals .....	20
Conflict minerals .....	20
<b>Policy H: Ensuring legal and fair employment practice .....</b>	<b>20</b>
Modern slavery and human trafficking .....	20
Illegal workers and fair remuneration .....	21
<b>Policy I: Contracting with responsible businesses .....</b>	<b>22</b>
Bribery, corruption & tax evasion and Responsible, green & social investment .....	22
Implementation timeline for Pillar 3: Ethical Sourcing .....	22

# Responsible Procurement Strategy 2016-2019

## 1. Introduction

Despite being the most prosperous City in Europe by GDP, ten of London's boroughs are considered amongst the 10% most deprived areas in the UK. This is based on indices relating to income, employment, education, health, crime, barriers to housing and services and the living environment.

The City Corporation has a strong commitment to economic and social regeneration in London, with a particular focus on the City and our neighbouring boroughs. Working in partnership with businesses, local authorities and social sector organisations, the City Corporation champions and enables responsible business practice, both through its own internal policies and externally leveraging its networks. In addition, the City Bridge Trust makes grants of c. £20 million each year to improve opportunities for Londoners and the City Corporation also manages a Social Investment Fund of £20 million.

For hundreds of years, the City Corporation has been committed to the protection and conservation of open spaces for the benefit of people and the natural environment, providing London with 11,000 acres of green space. As part of the City Corporation's town planning strategy, City developers including the City Corporation's own City Surveyors are encouraged to incorporate green walls and roofs, sustainable drainage systems and sustainable infrastructure into their design, amongst other reasons to enhance urban biodiversity.

Due to intense levels of human activity in central London, City workers, residents and the visiting public are exposed to high levels of air pollution. The City Corporation works with the City's businesses and workers through its City Air programme to help improve air quality in the Square Mile. It has enacted other policies aimed at reducing air pollution and public exposure to it, like targeted action on idling engines, introducing a 20mph zone, creating a 'CityAir' app and various procurement mechanisms to reduce air pollution related to vehicles and construction works.

In terms of the City Corporation's efforts to improve efficiency and mitigate climate change, a reduction of 16% in overall energy use was achieved in 2013-14 from 2008-09 levels. Challenging energy reduction targets were adopted in 2014 as part of the City Corporation's overall strategy to reduce energy usage by 40% by 2025 from 2008 levels. It is therefore vital that the City Corporation is even more proactive in managing its energy in future years, whilst encouraging our supply chain partners to share in this commitment.

### Responsible Procurement

Responsible procurement is not a new concept for the City Corporation. Many actions have already been taken such as requesting at least one out of three quotes from local businesses/ small and medium sized businesses\* (SMEs)/ social enterprises as standard, using simpler terms for low value tenders to level the playing field for SMEs, establishing the Social Value Panel and investing in renewable energy installations.

*\*SMEs are defined as having less than 250 staff and a turnover equal to or less than €50m.*

Much of what has been achieved to date has been as a result of collaboration and effective communication with supply chain partners. Continuing to undertake such partnership working will be key to achieving the objectives set out in this Responsible Procurement Strategy.

The **Responsible Procurement (RP) Strategy** sets out how the City Corporation’s wide-ranging yet concrete aspirations will be achieved by March 2019 as part of a harmonised and comprehensive approach. It aims to support the following City Corporation policies and strategies:

City of London Corporate Plan 2015 - 2019	Responsible Business Strategy 2016 (EDO)	City of London Climate Change Adaptation Strategy 2010
Chamberlain’s Business Plan 2015 - 2016	City Bridge Trust Strategy 2013 – 2017	City of London Air Quality Strategy 2015 - 2020
City Procurement Strategy 2015 - 2018	City of London Sustainability Policy	City of London Noise Strategy 2012 - 2016
Employability Framework (EDO) 2016	City of London AECOM ( Strategic Energy Review) (targets 2015 – 2018)	City of London Biodiversity Action Plan 2016 - 2020
Enterprise framework (EDO) 2016	City of London Climate Change Mitigation Strategy (to 2020)	City of London Transport Policy
Local Plan – City of London (Planning)	City of London Considerate Contractor Scheme (DBE)	Construction and Street works Codes of Practice
City of London Cultural Strategy 2012 - 2017	City of London Education Strategy 2016 - 2019	City of London Visitor Strategy 2013 – 2017
Contaminated Land Strategy 2015 - 2020	Road Danger Reduction Plan and Programme 2016/17 (DBE)	Section 106 Policy and Guidance

*Table 1. Internal City Corporation Policy, Strategies and Frameworks that underpin the RP Strategy*

Responsible Procurement is the ‘golden thread’ running through the City Procurement Strategy. It recognises City Procurement’s responsibility to help the organisation procure value for money goods, services and works, whilst maximising social value, minimising environmental impacts and ensuring the ethical treatment of people throughout its supply chains.

The RP Strategy details how City Procurement intends to help the City Corporation strengthen its pursuit of these goals, grouped into three key pillars of Responsible Procurement, with the golden thread of value for money applying throughout.

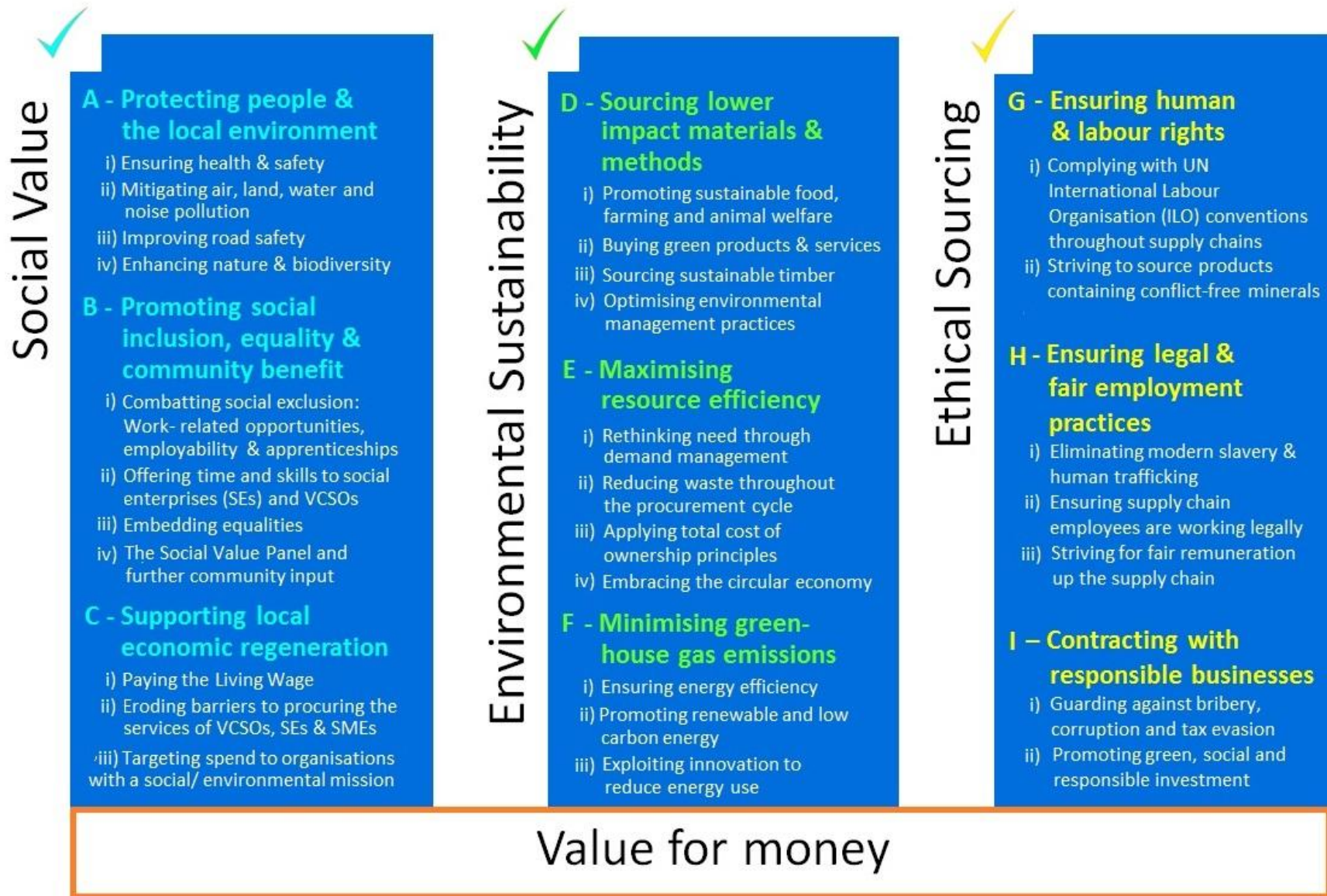
1. **Social Value** – Leveraging service and works contracts to protect and enhance the health and wellbeing of local people and the local environment, providing skills and employment opportunities and promoting the local economy.
2. **Environmental sustainability** – Minimising environmental impacts, promoting animal welfare and improving efficiency throughout the supply chains of all goods, services and works procured by the City Corporation.
3. **Ethical Sourcing** – Ensuring that human rights and employment rights are protected throughout the City’s supply chains and encouraging responsible business practices.

As set out overleaf on page 6, the responsible procurement pillars are broken down into three policy areas, each with a number of specific objectives. Every objective has been expanded upon within the RP Strategy in terms of a brief background to the issue, followed by relevant international/ national or Corporate regulations and policy, finalised with a concrete commitment as to the action(s) to be taken in order to effectively implement the RP Strategy between now and March 2019.

*Table 2. Pillars, policies and objectives underpinning the City of London Corporation’s Responsible Procurement Strategy (overleaf)*

# The pillars of City of London Responsible Procurement:

Overarching policies and key objectives



## **2. Approach to implementation**

This Responsible Procurement (RP) Strategy is wide reaching in terms of the issues it aims to tackle, the opportunities it aims to fulfil, the corporate policies it draws together and supports and the supply markets and contractors it will impact upon. The implementation of the Strategy will be led by City Procurement but will require the efforts of staff from all departments in terms of collaboration, input and feedback.

In order to ensure that this RP Strategy is viable as well as meaningful, supporting both value for money and operational effectiveness; implementation is being undertaken according to spend threshold, category risk/opportunity and the market maturity of the contract in question.

### **According to entity**

This Responsible Procurement Strategy describes the City Corporation's approach to implementing the 'golden thread' of the City Procurement Strategy 2015 - 2018, of which the Procurement Code 2015 is a fundamental component. As with the Procurement Code, which ensures risks are minimised and procurement complies with the Public Contracts Regulations (PCR) 2015, this RP Strategy should be applied to all procurement activities carried out in the City Corporation's capacity as a local or police authority and to all externally funded or collaborative projects where it is the contracting authority conducting the procurement and signing the contract e.g. the Lottery Heritage Fund. When acting in a capacity other than as a local or police authority e.g. Bridge House Estates, the RP Strategy will be considered as applicable, unless Chris Bell, Head of Procurement is advised in writing to the contrary – in this case, due to the application of the RP Strategy acting against the best interests of the Trust.

### **According to spend**

There are certain requirements that will automatically apply, depending on spend threshold, as they are interventions that support Corporate Policy, strategies, or wider London Regulations. Table 3 (Appendix 2) sets out each fundamental requirement under the RP Strategy. These requirements will be the basis for guidance and training on responsible procurement throughout the organisation.

The extent of each intervention is more significant, the higher the contract value. This is not only due to the fact that higher value contracts warrant a taking a more strategic approach and imply higher business and reputational risks and opportunities, but the higher the spend, the better placed the City Corporation is to drive any particular market towards more responsible outcomes.

### **According to category**

Different risks and opportunities present themselves depending on the category of goods, services or works being procured. For example, categories that rely on materials sourced from countries with less rigorously enforced labour rights pose a higher risk in terms of ensuring ethical sourcing. These include construction materials, electronic equipment, textiles, commodities etc. Some sectors are well developed in terms of offering added social value in the form of work-related opportunities such as apprenticeships as standard, including the construction and IT industries.

Sitting under the Responsible Procurement Strategy are a series of implementation plans for each of the seven existing category boards. Some category boards with very diverse areas of spend (e.g. FM

cleaning, catering, BRM) will have more than one implementation plan. These plans are being developed by a working group of departmental stakeholders and procurement staff.

These implementation plans consist of:

- List of policy areas relevant to the risks/ potential of the spend category in question
- Specific actions related to each objective under these policy commitments
- The type of contract that the proposed action refers to
- Which year of the 3-year strategy this aspect of the plan will be focussed on
- Measures of success that can be used

Each of the seven category boards is responsible for approving and monitoring the progress of these responsible procurement implementation plans between April 2016 and March 2019. Each commitment will be measured differently as they are so diverse but they will be quantitative where possible. Progress will be presented quarterly by City Procurement as part of highlight reports to Procurement Steering Group.

### **According to contract**

When supporting departments with tactical or strategic procurement exercises (those over the OJEU threshold), potential responsible procurement interventions are assessed by City Procurement on a case-by-case basis. The department contact(s), category manager and responsible procurement manager generate ideas according to the category of spend, but will take into account the following in order to mitigate against supply risk and cost implications:

- Current market maturity/sensitivity and availability of sustainable/ethical products or methods and/or prevalence of social value offerings.
- Previous tender exercises and other past experience, in order to determine what is reasonable to either specify or incentivise, taking into account relative levels of competition in the market.
- Similar projects undertaken by peer organisations, using their experiences to gather information on potential risks. This knowledge sharing is facilitated by the City Corporation's position as co-Chair of the London Responsible Procurement Network (LRPN).
- When considering two different actions to support RP, which may counteract one another, the following will be taken into account in turn: level of risk → market availability → potential opportunities. For example, not imposing strict air quality requirements within a contract involving substantial use of vehicles/ plant/ machinery/ construction equipment poses a significant risk to the Corporation, City residents, workers and visitors. In this instance, improving air quality would be prioritised over creating opportunities for SMEs.

Responsible procurement requirements/ supplier evaluation criteria would be relatively basic in underdeveloped markets, but where there is tight competition they can be used to separate the field and help the City Corporation maximise social value and minimise environmental damage.

### **Value for money**



Public sector organisations are required to adhere to Local Government Act 1999, Public Services (Social Value) Act 2012 and the PCR 2015. The City Corporation's aim, in line with its counterparts, is to achieve value for money through our procurement activities. Best value for money is defined by the Government as the most advantageous combination of cost, quality and sustainability to meet customer requirements.

A summary is provided as part of Table 3 (Appendix 2), which constitutes a breakdown, according to cost threshold, of responsible procurement requirements.

# Responsible Procurement Strategy: The detail

The City Corporation's three pillars of responsible procurement are social value, environmental sustainability and ethical sourcing. Value for money is the golden thread running through all three aspects. As set out in Table 2 on page 6, there are three policy areas within each pillar. Every one of these nine policy areas has between two and four objectives, the achievement of which represents successful implementation of the Responsible Procurement (RP) strategy.

The remainder of this document goes into more detail on these objectives in terms of the issue at hand i.e. why these aspects are being targeted, followed by any related City Corporation policies or wider UK regulations and a specific commitment to ensure that all relevant procurement practices support the objective in question.

Commitments denoted with a  symbol are 'must do' requirements, whereas those with a  symbol are aspirational commitments. The former are based on City Corporation Policy, approved strategies/ frameworks or UK legislation, whereas the latter constitute industry or public sector best practice.

## Pillar 1: Social Value

### Policy A: Protecting People and the Environment

#### Safeguarding Health and Safety

**Issue:** Whilst many employees in the City will not face significant hazards as part of their day to day work, there remain a number of high risk activities such as window cleaning or engineering work that go on around us all the time.

**Regulations /City Corporation Policy:** The basis of health and safety law is the [Health and Safety at Work Act 1974](#). The [Management of Health and Safety at Work Regulations 1999](#) make these duties more explicit. City Corporation has its own [Health & Safety Statement and Policy](#).

**Commitment:** The City Corporation will make health and safety an inherent part of the procurement process; using principles for effective management of health and safety risk to ensure that the City Corporation's contractors have appropriate governance in place. For strategic/ high risk contracts, this will involve support from the Health & Safety teams within Town Clerk's and/ or City Surveyor's departments. For other projects, IOSH's [Public Service Procurement: Health and Safety Checklist](#) provides useful guidance.

#### Improving Road Safety

**Issue:** The number of people killed or seriously injured (KSI) on London's roads in 2014 was 2,167, down from 2,324 in 2013. This is the lowest annual number since records began, but the Mayor of London and TfL have set a target of a 50% per cent reduction in KSIs by 2020.

**Regulations /City Corporation Policy:** The Built Environment Department has established the Corporation's most recent [Road Danger Reduction Programme and Plan 2016/17](#) and is currently developing a "Road Danger Reduction Policy", which will contain such requirements as registration with CLOCS and attainment of at least bronze level in the Fleet Operator Recognition Scheme (FORS). Other relevant road safety [initiatives](#) include the Construction Logistics and Cyclist Safety

(CLOCS), TfL's Work Related Road Risk (WRRR) requirements, along with the Mayor of London's Safer Lorry Scheme.

**Commitment:** The City Corporation will use procurement and contractual mechanisms to ensure that all relevant contractors register with the Fleet Operator Recognition Scheme (FORS). They will also be encouraged to achieve Bronze accreditation before progressing to Silver and Gold accreditation status. City Procurement will work with the City Corporation's Road Safety team to ensure that relevant initiatives are being supported through all procurement activities.

### Mitigating Air Pollution

**Issue:** Levels of nitrogen dioxide (NO<sub>2</sub>) and fine particles (PM<sub>10</sub>) in the City persistently exceed EU health based targets. Nearly 9,500 people die early each year in London due to exposure to such air pollutants. London and several other British cities have been in breach of EU safety limits on NO<sub>2</sub> for five years, prompting legal action by NGO ClientEarth through the Supreme Court, which ordered the UK Government to clean up the air 'as soon as possible'. The EC has also instigated infraction proceedings against the UK for its failure to cut excessive levels of NO<sub>2</sub>.

**Regulations /City Corporation Policy:** [The City of London Air Quality Strategy 2015 – 2020](#) is a statutory document. The City Corporation has officially classified air quality as a corporate risk. Also of relevance is the City Corporation's Transport Policy and accompanying guidance, the [Mayor of London's Air Quality Strategy](#) and associated documents, including supplementary guidance on implementing the Low Emission Zone (LEZ) and upcoming Ultra-Low Emission Zone (ULEZ).

**Commitment:** A number of commitments are detailed in the Appended "Procurement Policies to support the City of London Air Quality Strategy". This document lists actions to comply with the Air Quality Strategy, the City Corporation's Transport Policy, or both including disallowing the purchase of diesel vehicles, requiring investigation into alternative fuel vehicles, setting emissions requirements for non-road mobile machinery (NRMM) and committing to the use of petrol-hybrid taxis as a minimum within corporate contracts and agreements.

Further intended actions to support the above include exploring the use of consolidation centres for our own deliveries and those of works contractors, incentivising relevant suppliers to use zero emission capable vehicles, and a longer term commitment to geo-fence the Square Mile; requiring taxis used corporately to automatically switch to electric mode by GPS.

### Mitigating Noise Pollution

**Issue:** Noise pollution can have detrimental effects on human health, amenity, productivity and the natural environment. Eliminating or reducing excessive noise is a legal responsibility and helps to limit the disturbance of residents and businesses, caused by the City's activities and operations.

**City Corporation Policy and Commitments:** Relevant contractors will be made aware of and will be required to adhere to the City Corporation's [Noise strategy and policy](#) during the procurement and contract management process. This includes ensuring that the requirement to comply with the City Corporation's Codes of Practice for [Deconstruction and Construction Sites](#) and for the [Minimisation of the Environmental Impact of Street works](#).

[Guidance on noise minimisation](#) relating to construction/ demolition, street works, deliveries, machinery, equipment and vehicles has been provided by the [Pollution Control Team](#).



## Mitigating Land and Water Pollution

**Issue:** Works contracts and services involving deliveries are the two key areas of procurement that can lead to the contamination of land and water courses. Construction works can cause soil contamination and a loss of biodiversity through habitat degradation. Street works, and road transport deliveries of construction materials and other goods can lead to damaging rainwater run-off arising from road surface treatments, tyre abrasion, fuels and lubricants.

**Regulations /City Corporation Policy:** The City Corporation has a Code of Practice for [Deconstruction and Construction Sites](#), which includes aspects such as waste and materials handling and storage, contaminated land, water, light pollution and sustainability and preservation. The City Corporation also has its own [Contaminated Land Strategy](#) 2015 - 2020. The [City of London Considerate Contractor \(Street works\) Scheme](#), and associated [Code of Good Practice](#) is also of relevance.

**Commitment:** The City Corporation will use procurement and contractual mechanisms to ensure that building and civil engineering contractors adhere to the relevant Codes of Practice. Contractors will also be required to sign up to the City of London Considerate Contractor Scheme (CCS) where relevant.



Supplier evaluation criteria may be used to incentivise construction contractors to achieve the highest possible level of attainment of the City of London Considerate Contractor's Scheme.

## Enhancing nature and biodiversity

**Issue:** Land use conversion to accommodate growing human populations, along with associated pollution, climate change and introductions of invasive species have an adverse impact on native wildlife and biological diversity. The RSPB's 2013 State of Nature Report found that 60% of UK species including invertebrates, plants and vertebrates, have decreased in abundance and distribution, with 31% having strongly decreased, over the last 50 years.

**Regulations /City Corporation Policy:** The 'UK Post-2010 Biodiversity Framework' (2012) was developed in response to the Convention on Biological Diversity's (CBD's) [Strategic Plan for Biodiversity 2011-2020](#) and the [EU Biodiversity Strategy \(EUBS\)](#) (2011). The City of London Biodiversity Action Plan (BAP) is a document produced every five years by City Gardens, the most recent Plan being 2016-2020, in response to the Natural Environment & Rural Communities (NERC) Act (2006) and as a requirement of the National Planning Policy Framework (NPPF).

**Commitment:** The current City of London BAP identifies current target species as being House Sparrows, Black Redstarts, Swifts, Peregrine Falcons, Bats, Bumblebees and Stag Beetles. Departments responsible for works contracts and maintaining green spaces will ensure that contractors delivering new developments, refurbishments or service contracts do not impact the existing habitats of these species without including adequate mitigation. The same applies to satellite sites, especially Open Spaces recognised as internal, national or regionally important habitats. City Procurement will work with City Surveyors, Built Environment and Open Spaces to



enhance biodiversity as part of relevant procurement projects by creating target habitats for target species where feasible both within the Square Mile and within other Corporation assets.

Guidance such as the [GRO Green Roof Code of Best Practice \(2014\)](#) and the [City's Green Roofs Research Advice Note](#) will be made available.

## Policy B: Promoting Social Inclusion, Equality & Community Benefit

### Combatting social exclusion: Work-related opportunities, employability & apprenticeships

**Issue:** Ten of London's boroughs are amongst the 10% most deprived areas in the UK. Work is the most important [route out of poverty](#) and is largely a sustainable outcome when individuals are supported to access work that offers progression and training opportunities.

**Regulations /City Corporation Policy:** EDO's Employability Framework and Public Services (Social Value) Act 2012 and the City Corporation's Section 106 Policy and Guidance.

**Commitment:** City Procurement and service departments will support the City Corporation's Employability Framework and will require and/or incentive work-related opportunities including job starts, placements, apprenticeships and training opportunities within contracts relevant to entry-level roles. Opportunities will be targeted at London's most deprived communities (or those surrounding satellite sites where relevant) and socially excluded groups (e.g. people in long-term unemployment) within contracts. City Academies will be targeted where appropriate. City procurement will also work with Planning and EDO to harmonise City Procurement's approach with the City Corporation's Section 106 Policy and Guidance.



### Offering time and skills to Social Enterprises (SEs) and Voluntary and Community Sector Organisations (VCSOs)

**Issue:** There are c. 70,000 SEs in the UK and their growth by turnover (38%) is outstripping that of SMEs (29%). 29% of all UK SEs are three years or younger. The public sector often commissions VCSOs to undertake services on their behalf as they are better placed to understand the needs of services users and communities. Such sectors need support to thrive in order to build a sustainable pipeline of businesses able to deliver procurement needs and social/environmental impact.

**Regulations /City Corporation Policy:** The City Corporation, through the work of the Economic Development Office's Corporate Responsibility team, aims to up-skill VCSOs and SEs so that they are able to grow their impact sustainably. The City Bridge Trust grants c. £20 million annually to charitable projects working to provide benefits and opportunities to the inhabitants of Greater London and manages a social investment fund, which provides loan finance to SEs and VCSOs.

**Commitment:** City Procurement will work with service departments to incentivise contractors to commit to sharing time and skills with SEs and VCSOs as part of their offer of added social value. Suggestions will include training, mentoring and other voluntary forms of assistance. Offers will be channelled through existing relationships established by the Economic Development Office, particularly [City Action](#) and City Bridge Trust grantees. Actions taken by City Procurement will also reflect the City Corporation's upcoming Responsible Business Strategy.



### Embedding equalities considerations

**Issue:** Discrimination is still an issue in the UK. The 2012 Labour Force Survey found that disabled people remain significantly less likely to be in employment than non-disabled people. According to the Office for National Statistics, the overall trend shows that employment rates between 2001 and 2014 are lower for broad ethnic minority groups than the 'White' ethnic group and in 2015 the gender pay gap remained static at 19.2%. The protected characteristics under the [Public Sector Equality Duty](#) are age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership, and pregnancy and maternity.

**Regulations /City Corporation Policy:** The [Equality Act 2010](#) streamlined all existing UK Equalities legislation. The [Public Sector Equality Duty](#) requires public authorities to have due regard to and demonstrate compliance with the three Equality Aims in the procurement process; to eliminate discrimination, harassment and victimisation; advance equality of opportunity and foster good relations. Public authorities cannot delegate their obligations under the general duty to any contractors. The City Corporation also has its own [Equal Opportunities Policy & Statement](#).



**Commitment:** City Procurement will work with HR and service delivery leads from the Equality and Inclusion Board to ensure the due regard to the public sector Equality Duty. The City Corporation will work with external support organisations, such as Stonewall, to help achieve this.

**Guidance** set out by the Equality & Human Rights Commission in 2013 will be used to address this issue at each stage of the procurement process and strive to go beyond the Duty to ensure that contractors take a comprehensive approach to equality, diversity and inclusion.



### The Social Value Panel and further community input

**Issue:** The City Corporation established a Social Value Panel in 2014, made up of representatives from local business, community and environmental sectors to undertake consultations on the economic, social and environmental impacts of relevant contracts. However, there is still far more than can be done to require and monitor added social value in procurement activities, and to continuously improve transparency and levels of engagement with the local community, including the visiting public.

**Regulations /City Corporation Policy:** The Public Service ([Social Value](#)) [Act 2012](#) requires public authorities to consult with relevant stakeholders on how social value may be leveraged within service contracts. All such contracts over OJEU are brought to the Social Value Panel to seek input and feedback.

**Commitment:** The City Corporation will continue to use the Social Value Panel to maximise social value from our contracts, ensuring that: all relevant stakeholders are represented; governance, including internal communication procedures, are optimised; as many recommendations as possible are integrated and monitoring and reporting on the social value aspects of service contracts becomes more transparent and robust.



The City Corporation intends to increase the breadth and scope of the Social Value Panel by including high value works contracts and gradually reducing service contract thresholds, especially sensitive contracts with a significant impact on communities. Another commitment is to engage to a greater extent with the general public and with local communities so they can effectively input into the delivery of services and construction projects.



## Policy C: Supporting local economic regeneration

### Paying the Living Wage

**Issue:** The UK is the world's sixth largest economy, yet 1 in 5 of the UK population live below our official poverty line, meaning that they experience life as a daily struggle. Ten of London's boroughs are amongst the 10% most socially deprived areas in the UK.

**Regulations /City Corporation Policy:** The City Corporation became a [Living Wage Accredited Employer](#) in 2014. Under the Living Wage Policy, the Corporation is committed to paying all staff and contractors the London and UK Living Wage rates, including annual uplifts.

**Commitment:** The City Corporation will continue to fulfil its commitment as a Living Wage Employer and will work with peer boroughs to strive to successfully implement the payment of the Living Wage across the most complex, cross border services.



Supported by service departments, it will produce case studies to justify the continued payment of the Living Wage.

### **Eroding barriers to procuring the services of VCSOs, SEs and SMEs**

**Issue:** Small and Medium Enterprises (SMEs), scale-ups, VCSOs and SEs are often based in the most disadvantaged communities, are more likely to recruit locally and diversely, and to spend resources locally. Purchasing from these organisations thus has a multiplier effect of bringing economic regeneration to communities. As smaller organisations, they are often able to provide a better customer experience e.g. by being flexible, developing relationships and reducing carbon emissions.

**Regulations /City Corporation Policy:** Central government has committed 1/3 of its spend to SMEs, setting the tone for others to follow. The Public Services (Social Value) Act requires public sector bodies to consider how a procurement project might improve the economic, social and environmental well-being of the relevant area, as part of the pre-procurement process. The City Corporation is committed to economic regeneration in London and supporting neighbouring boroughs, which is a Core part of the Corporate Plan and is central to EDO's business plan in particular.

**Commitment:** City Procurement will continue to work with EDO and service departments to ensure that supply chain opportunities are accessible to SMEs, SEs and VCSOs. The City Corporation will continuously improve its approach by ensuring that procurement processes, contract types and sizes, and standard terms and conditions support this outcome. EDO's Enterprise Strategy (to be published in 2016) will provide a framework to facilitate this work. City Procurement will work with Capital E Sourcing to improve monitoring, ensure continuous improvement and facilitate reporting in this area.



**+** Supplier engagement events targeting these and other organisations will also be used to a greater extent in future to learn from the market and create further opportunities

### **Targeting relevant categories towards organisations with an environmental/social mission**

**Issue:** Procuring from organisations that have a positive social or environmental impact, and that mitigate against negative social or environmental impacts, enables the City Corporation to generate additional positive outcomes within its purchasing decisions. This is particularly important at a time when all sectors are under budgetary pressures. For example, this enables the City Corporation to increase its impact without additional cost. It also enables the organisations the City Corporation buys from to secure business and grow their impact.

#### **Regulations /City Corporation Policy:**

Social enterprises and VCSOs are well placed to deliver positive social and environmental impact, as this is core to their mission. The Economic Development Office has played a key role in building the demand for the products and services of social sector organisations.

**Commitment:** Alongside various relevant services commissioned by DCCS, City Procurement will initially target three categories of spend; Waste streams (e.g. disposal of IT equipment), event catering and print & design. Various procurement mechanisms will be used to facilitate the inclusion of social enterprises in the print and design framework contract. When catering for events, service departments will be encouraged to seek more than one quote from organisations with an

environmental or social mission. The [Buy Social Directory](#) provides a list of social enterprises within these sectors to enable service departments to go out for quotes.

When disposing of equipment with a relatively low residual value, such as end-of-life IT equipment or white goods with relatively high repair costs, City Procurement will leverage maximum social value by disposing of it through the most appropriate SE/ VCSO. The City Corporation will also incentivise contractors to use organisations with a social or environmental mission in their own supply chains.



Policy	Specific Objective	Year 1	Year 2	Year 3
A: Protecting people and the local environment	Ensuring health and safety			
	Mitigating air and noise pollution			
	Mitigating land and water pollution			
	Improving road safety			
	Enhancing nature and biodiversity			
B: Promoting social inclusion, equality and community benefit	Combatting social exclusion through targeted employment			
	Offering time, skills and support to social enterprises and VCSOs			
	Encouraging community input			
C: Supporting local economic regeneration	Paying the living wage to staff and contractors			
	Eroding barriers to working with VCSOs, SEs & SMEs			
	Targeting relevant categories of spend towards organisations with an environmental/social mission			

*Implementation timeline – main areas of focus over the three years, Pillar 1: Social Value*

## Pillar 2: Environmental Sustainability

### Policy D: Sourcing lower impact materials and methods

#### Promoting sustainable food, farming and animal welfare

**Issue:** There are a diverse range of environmental and ethical impacts associated with exploiting land and animals for human consumption including; soil degradation, contamination of water courses, overfishing and the unnecessary suffering of farm animals. Animal testing for cosmetic and commercial (as opposed to medical) purposes can also be constituted as avoidable animal suffering.

**Regulations /City Corporation Policy:** The City Corporation is a signatory to the [Sustainable Fish Cities](#) Pledge and has a stand-alone policy on the welfare of egg laying hens. The [Alliance for Better Food and Farming](#) work with leading organisations that drive sustainable food sourcing including the Marine Stewardship Council (MSC) and Compassion in World Farming to encourage and benchmark London Boroughs on sustainable food sourcing. The UK’s [Government Buying Standards](#) (GBS), which the City Corporation is committed to using as part of the Procurement Code 2015, also have a set of criteria for [Food and Catering](#).



**Commitment:** The City Corporation is committed to using the UK Government Buying Standards for Food & Catering in relevant specifications, award criteria and contract clauses.



Using the indices set out in the [Good Food for London Report](#) as a framework, City Procurement will go beyond these foundations and in collaboration with the service

departments' Catering Group will encourage departments to specify and incentivise sustainable food and catering services, fresh food of a high nutritional value produced through low environmental impact farming methods and high standards of animal welfare. A list of criteria and specification recommendations for all catering contracts will be produced, based on these indices and the GBS.

### Buying green products and services

**Issue:** Products purchased, or those provided as part of works or service contracts, can have a wide range of environmental impacts including the generation of waste, the use of hazardous materials, local air pollution, use of finite resources and greenhouse gas (GHG) emissions.

**Regulations /City Corporation Policy:** The City Corporation is committed to using the UK [Government Buying Standards](#) (GBS) criteria, as part of the Procurement Code 2015. The [Greening Government Commitments](#) (2011) detail the targets set out by the government to reduce the nation's environmental impact.

**Commitment:** Officers must use the [Government Buying Standards](#) (GBS) 'Mandatory' criteria for all relevant product categories, City Procurement will train service departments on the use of GBS and the inclusion of environmental criteria when procuring goods, services or works.



### Sourcing sustainable timber

**Issue:** An estimated 13 million hectares of forests were lost each year between 2000 and 2010 due to deforestation. In tropical rainforests particularly, deforestation is an urgent environmental issue that jeopardizes communities and livelihoods, threatens species, and intensifies climate change.

**Regulations /City Corporation Policy:** The [EU Forest Law Enforcement Governance and Trade \(FLEGT\) Action Plan \(2003\)](#) was designed to prevent the trade in illegal wood, to improve the supply of legal timber and to encourage demand for wood from sustainably managed forests. FLEGT gave rise to the [European Union Timber Regulation \(EUTR\) 2013](#) and the Timber and Timber Products Regulation (2013) was its transposition into British statute. The UK also established a [Government Timber Procurement Policy](#).

**Commitment:** There are Government buying Standards for both [paper](#) and [sustainable wood products](#). The City Corporation will use procurement and contractual mechanisms to ensure that all timber-based products procured directly, or as part of works and service contracts, are sustainably sourced. This will be aligned with the UK Timber Procurement Policy.



### Optimising environmental management practices

**Issue:** Commercial activity of almost any sort has an impact on the environment, the severity of which varies between industries and individual organisations. Areas include local noise pollution, local and global air pollution, land and water contamination throughout the supply chain, land use change and the loss of biodiversity, waste generation and the depletion of natural resources.

**Regulations /City Corporation Policy:** The [City of London Sustainability Policy](#) sets out key areas of focus, including specific environmental commitments designed to respect the limits of the environment, resources and biodiversity. When buying goods, services and works, the City Corporation expects its contractors to share these commitments in the undertaking of their work.



**Commitment:** City Procurement will work with service departments to ensure that contractors have robust environmental management systems in place, proportionate to the

size and nature of the contract, by using pre-qualification criteria. Optimal environmental management undertaken as part of specific contracts will be incentivised through the use of supplier evaluation criteria.

## Policy E: Maximising resource efficiency

**Issue:** In the UK food sector alone, 12 million tonnes of waste was generated in 2013; 75% of which could have been avoided. This had a value of over £19 billion a year, and was associated with at least 20 million tonnes of greenhouse gas (GHG) emissions. The unsustainable generation of waste applies to all areas below, as does the depletion of finite resources such as metal ores and fossil fuels.

### Rethinking need through demand management

**Additional benefit:** Reducing unnecessary consumption by re-thinking the way in which need may be satisfied often present more efficient solutions, which usually represent better value for money.

**Commitment:** All departments should aim to minimise the use of raw materials such as food, paper, water and fuel as part of their everyday work. To this end, service departments will be encouraged to a) spend extra time considering alternative solutions during the pre-procurement process and b) use output-based specifications.



### Reducing waste throughout the procurement cycle

**Regulations /City Corporation Policy:** The [City of London Waste Strategy 2013 – 2020](#) sets out the way in which the City Corporation will abide by and go beyond all UK waste regulations and targets.

**Additional benefit:** As well as operating more efficiently and reducing waste generation, there are significant financial savings to be made by avoiding [landfill tax](#) and other penalties.

**Commitment:** City Procurement will work with service departments and Built Environment to implement the principles of the City of London Waste Strategy within procurement activities. Dedicated organisations such as [WRAP](#) and the [London Waste and Recycling Board](#) will be consulted on the design of procurement procedures in order to ensure waste minimisation, throughout the life cycle of the product, service or works, is considered effectively as early as possible.



### Applying total cost of ownership principles

**Additional benefit:** As part of the City Procurement Strategy, total cost of ownership will be used to ensure that the City Corporation is achieving best value for money throughout the whole lifetime of products or buildings.

**Commitment:** With support from City Procurement where required lifecycle costing exercises will be undertaken by all service departments before purchasing all vehicles, items of energy-using equipment and during the design phase of all major construction or refurbishment projects.



### Embracing the circular economy

A circular economy is one that is restorative and regenerative by design, and which aims to keep products, components and materials at their highest utility and value at all times, distinguishing between technical and biological cycles.

**Regulations /City Corporation Policy:** [Towards a circular economy: A zero waste programme for Europe](#) was published in 2015. It has set waste reduction requirements for EU Member States.

**Additional benefit:** The City Corporation has the possibility to operate more efficiently, reduce costs and help to create jobs by applying circular economy principles.

**Commitment:** City Procurement will use practical guidance such as that on [Employment and the Circular Economy](#) and work with organisations such as [WRAP](#), the [London Waste and Recycling Board](#) and [Green Deal](#) forerunners in Europe to set circular economy targets.



## Policy F: Mitigating and Adapting to Climate Change

**Issue:** Climate change, driven by the release of greenhouse gas emissions (GHGs) is causing a range of adverse impacts across the globe including the loss of polar ice sheets and accelerated sea level rise. In some regions extreme weather events, rainfall and flooding are becoming more common while others are experiencing more extreme heat waves and droughts. These complex impacts are described in full in the [Intergovernmental Panel on Climate Change \(IPCC\)'s Fifth Assessment Report](#).

**Regulations /City Corporation Policy:** There are a range of incentives and legislation designed to drive down the release of GHGs, on international, UK, London and organisational level. These have informed the objectives and commitments below. The most recent UN Framework Convention on Climate Change conference in [Paris, COP21](#) has set the tone for active, positive change to drastically reduce the emission of GHGs worldwide. It was agreed that action would be taken to ensure that the global average temperature increase remains below 2C relative to pre-industrial levels.

The UK [Climate Change Act \(2008\)](#) has set legally binding reduction targets. The City Corporation is implementing a [Climate Change Mitigation Strategy](#) (to 2020) and [Climate Change Adaptation Strategy 2010](#). A Strategic Energy Review was undertaken in 2013 with a view to achieve the 40% reduction by 2025 from 2008 levels. The latest [Carbon Descent Plan](#) is available upon request.

### Ensuring energy efficiency

Avoiding unnecessary energy use is always the first necessary step. This means not heating, cooling, lighting or powering buildings at times when it can be avoided and minimising usage at other times.

**Additional benefits:** The more efficiently energy is used, the greater the financial saving and the less dependent the City Corporation is on all forms of energy.

**Commitment:** In line with [EU Energy Efficiency Directive](#) principles, Government Buying Standards for [electrical goods](#) and [ICT equipment](#), the City Corporation will seek to procure the most energy efficient products, including vehicles (balanced with air pollution considerations). Using natural light and ventilation where possible and using lifecycle costing calculations during the design process, City Surveyor's will opt for the most energy efficient solutions as part of capital, additional and cyclical works, in line with practicality and best value principles. Another important corporate commitment is that the energy itself is generated in the most efficient way.



### Promoting renewable and low carbon energy

**Additional benefits:** Other benefits of supporting the UK renewable energy industry are improved energy security and a move away from investment in fossil fuels; associated with risks including the physical impacts of climate change, increasingly stringent regulation and policy and increased competition from alternatives and technological innovation.



**Commitment:** City Procurement will assist service departments ensuring that the energy used by the



City Corporation has the lowest possible associated carbon emissions, including help with exploring the optimum methods to procure renewable energy installations.



It will also seek to encourage the procurement of biomethane e.g. to fuel the Citigen CHP system, and renewable electricity through Corporate contracts, working in collaboration with energy providers and peer boroughs using the same frameworks in order to drive demand.

### Exploiting innovation to reduce energy use

**Additional benefit:** In recognition of the City Corporation’s prosperity and potential to inspire other public and private sector organisations, trialling and using innovative, low energy technologies could lead to a multiplier effect. The potential would be increased through collaboration.

**Commitment:** City Procurement will encourage service departments to use output based



specifications and other procurement techniques that facilitate innovative solutions. It will work with service departments to explore the potential of related UK and EU initiatives.

### Ensuring climate change resilience

**Additional benefit:** Ensuring climate change resilience means opting for sustainable, durable solutions in the face of changing temperatures and other weather patterns. It recognises the fact that we must evolve our approach in order to deal with problems created by these changes such as avoiding overheating, reducing flood risk and undertaking resilient landscaping and planting.

**Commitment:** City Procurement will use the climate resilience expertise within the Planning



Department to support service departments with effectively considering resilient solutions from the pre-procurement and design phase onwards.

Policy	Specific Objective	Year 1	Year 2	Year 3
D: Sourcing lower impact materials and methods	Promoting sustainable food and farming			
	Buying green products and services			
	Sourcing sustainable timber			
	Optimising environmental management practices			
E: Maximising resource efficiency	Using demand management			
	Applying the waste hierarchy to procurement			
	Using total cost of ownership			
	Embracing the circular economy			
F: Minimising GHG emissions	Ensuring energy efficiency			
	Promoting renewable energy			
	Exploiting innovation			
	Climate Change Resilience			

*Implementation timeline – main areas of focus over three years, Pillar 2: Environmental Sustainability*

## Pillar 3: Ethical Sourcing

**Overarching commitment:** Due to the contractual, financial and operational complexity of ethical sourcing throughout extended and global supply chains, an Ethical Sourcing Steering Group will be set up following the procedure set by CPDU. The outcome will be an established Ethical Sourcing Policy, accompanied by an action plan for each high risk procurement category, detailing which procurement or contractual mechanism will be used to set requirements and how good practice will be verified. This Ethical Sourcing Policy will cover the majority of objectives that form part of Pillar 3.

### Policy G: Ensuring human and labour rights

#### Complying with UN International Labour Organisation (ILO) conventions throughout supply chains

**Issue:** Due to the globalised and extended nature of supply chains involved in producing and distributing goods such as electronic equipment, textiles, agricultural commodities and construction materials, there is a high risk of the use of child labour and the contravention of other internationally recognised human and labour rights. Although child labour globally has declined by a third since 2000, there are still 168 million children working, more than half of which in hazardous conditions.

**Regulations /City Corporation Policy:** The ILO's Governing Body has identified [eight 'fundamental' conventions](#) covering principles and rights at work including: Forced Labour, Child Labour, Freedom of Association, Right to Organise & Collective Bargaining, Equal Remuneration and Discrimination. Procurement Policy Notes such as [Procuring steel in major projects](#), provide government guidance.

**Commitment:** The City Corporation will ensure that, throughout its supply chains, workers have their human and labour rights respected. Primarily, the focus will be on high risk, strategic and/or high spend contracts, and progress towards this aim will initially be achieved through collaboration with our supply chain partners. Other methods such as using contract clauses and piloting verification methods will be looked into, including exploring the use of independent audits for high risk categories, and affiliations with dedicated organisations.



#### Striving to source products containing conflict-free minerals

**Issue:** The mineral trade has funded violence and armed conflict for decades. Despite international legislation, conflict minerals including gold, tin, tantalum, and tungsten, often mined by children, enter global markets and end up in products such as computer equipment and vehicles.

**Commitment:** The City Corporation will establish a procedure to identify products purchased or provided as part of service or works that contain minerals at high risk of being sourced from conflict zones. A conflict-free resolution will then be developed, committing the City Corporation to ensuring



that all high risk products are procured ethically using appropriate procurement procedures and contract terms.

## Policy H: Ensuring legal and fair employment practices

### Eliminating modern slavery and human trafficking

**Issue:** Modern slavery is a global crime, with victims often being trafficked between source, transit and destination countries. The Global Slavery Index estimates there are 35.8 million victims of slavery, while in 2012 the ILO estimated that there were 21 million victims of forced labour alone.

**Regulations /City Corporation Policy:** The Public Procurement (Amendments, Repeals and Revocations) Regulations 2016 require offences under section 2 or 4 of the [Modern Slavery Act 2015](#) to be a mandatory exclusion criterion during pre-qualification.

**Commitment:** City Procurement will help to ensure appropriate contractual requirements are put in place and will encourage service departments to verify compliance. UK guidance on [Transparency in Supply Chains](#) and collaboration with other public sector bodies will be used to foment a robust approach to tackling this issue.



### Ensuring supply chain employees are working legally

**Issue:** The last estimate of the number of people living in the UK illegally was made in 2009, which gave a range of between 420,000 and 860,000. This has a negative impact on the remuneration, employment terms and job opportunities of those people that do have a legal right to work in the UK. Undocumented workers are at risk of exploitation, working in dangerous conditions and immigration-related threats.

**Regulations /City Corporation Policy:** it is illegal to work in the UK without the right to do so under EU law or the relevant official permission from the UK government.

**Commitment:** City Procurement will work with contract managers to ensure contractual provisions are in place to stop contractors and sub-contractors hiring illegal workers and spot checks are carried out where appropriate. [Government guidance](#) is available.



### Striving for fair remuneration up the supply chain

**Issue:** Within increasingly globalised supply chains, measures must be put in place by buyers to ensure that workers up the supply chain are paid a fair wage for their labours.

**Regulations /City Corporation Policy:** The City of London has been recognised as a Fair Trade Zone since 2007. The City Corporation passed an official [Fair Trade Resolution](#) to directly purchase Fairtrade products wherever possible and ensure catering and other relevant contractors share this commitment.

**Commitment:** Fair Trade products are included in City Procurement's list of criteria for the Catering Core Group, which will henceforth be written into catering contracts where practicable. Externally, City Procurement, the Corporate Responsibility team and Heart of the City will work with the City of London's Fair Trade Steering Group to ensure that City businesses are aware of the benefits of fair remuneration and are encouraged to source Fair Trade or equivalent products.



## Policy I: Contracting with responsible businesses

### Guarding against bribery, corruption and tax evasion

**Issue:** Bribery, corruption and tax evasion undermines the rule of law, distorts markets and confers unwarranted advantages. In 2014, 44% of companies reported an incidence of fraud. The cost of fraud to the UK in 2014 was £52 billion according to the National Fraud Authority.

**Regulations /City Corporation Policy:** The [Competition Act 1998](#), the [Enterprise Act 2002](#) and the [Bribery Act 2010](#) set out the regulatory framework in the UK. The City Corporation has a series of [policies and strategies](#) designed to tackle these issues. Tax evasion is also a criminal offence but new [UK sanctions](#) have been developed to fortify the UK's approach to combatting the issue.

**Commitment:** City Procurement will join forces with Finance and Internal Audit to continuously improve procurement procedures that reflect the City Corporation's own commitment to guarding against these issues. Service departments will be required to use the established approach.



### Promoting responsible, green and social investment

**Issue:** Certain industries have inherently negative impacts, such as the fossil fuel industry on the natural environment and the tobacco industry on public health. Consequently, the Environment Agency Pension Fund, other large public sector pension funds and hundreds of others have joined forces and [committed](#) to taking action such as divesting from coal assets and oil & gas stocks.

There are an increasing number of start-ups and profitable businesses that operate for environmental and/ or social benefit. Supporting such businesses through finance helps to raise the corporate responsibility aspirations of entire sectors.

**Regulations /City Policy:** The City of London Pension Fund's [Statement of Investment Principles](#) is also applied to the other Funds managed by the City Corporation. Section 8, covering Environmental, Social and Governance aspects, describes the expectations of companies in terms of social responsibility and minimising environmental impacts.

**Commitment:** City Procurement will support service departments to encourage supply chain partners to mirror the City Corporation's commitment to responsible, green and social investment.



Policy	Specific Objective	Year 1	Year 2	Year 3
G: Ensuring human- and labour rights	Requiring contractors to demonstrate compliance with the UN's ILO conventions throughout the supply chain			
	Working towards ridding the City Corporation's supply chains of conflict minerals			
H: Ensuring legal and fair working practices	Eliminating modern slavery and human trafficking			
	Ensuring supply chain employees are working legally			
	Striving for fair remuneration up the supply chain			
I: Contracting with responsible businesses	Guarding against bribery, corruption and tax evasion			
	Promoting responsible, green and social investment			

*Implementation timeline – main areas of focus over three years, Pillar 2: Ethical Sourcing*

## Corporate responsible procurement requirements according to threshold

Threshold	Policy	Requirement	Goods	Services	Works	Stage	Responsibility
All values	City of London Transport Policy	<ul style="list-style-type: none"> <li>Officers must not purchase or lease diesel vehicles unless there is an absolute operational necessity <i>i.e. vehicles with no current alternative fuel options such as tractors, some vans and 4WD pickups.</i></li> <li>Any individual procuring (including leasing or hiring) a vehicle on behalf of the City Corporation will be required to investigate alternative fuel options, especially full electric and petrol-hybrid.</li> </ul>	√			Pre-procurement	All individuals buying on behalf of the City Corporation, all departments.
	CoL <a href="#">Living Wage Procurement Policy 2015</a>	All contractors and sub-contractors providing services on our premises; on property occupied by the City Corporation; and on land which it is responsible for maintaining, must pay all staff who work 2 or more hours a day for 8 or more consecutive weeks a year the (London) Living Wage.		√		Tender	Chamberlain's
	<a href="#">SPG</a> for NRMM in LEZ	Any works involving non-road mobile machinery (NRMM) used for more than 30 days with net power between 37kW and 560kW is required to meet stage IIIB of EU Directive 97/68/EC (i.e. Euro IIIB).			√	PQQ/Ts & Cs	City Procurement/Comptroller's
< £10k	City of London (CoL) <a href="#">Procurement Code 2015</a>	Officers are encouraged to seek quotations from either a UK based SME, a social enterprise, or a local supplier based in the square mile, the City fringe, one of the 10% most deprived London boroughs or other deprived boroughs according to their proximity to the City's asset (relevant to satellite sites).	√	√	√	Quotation	All individuals buying on behalf of the Corporation, all departments.
> £10k	CoL Procurement Code 2015	Officers must use the <a href="#">Government Buying Standards</a> 'Mandatory' criteria for all relevant product categories, this includes <a href="#">sustainable wood products</a>	√	√	√	Specification	Individual responsible for writing the specification
	This RP Strategy	Officers must ensure that all contractors self-declare that they recognise the International Labour Organisation (ILO) <a href="#">fundamental conventions</a> and that they are working towards ensuring that their whole supply chain adheres to the principles set out in these conventions.	√	√	√	Contract Award	City Procurement/Comptrollers
£10k-£100k	City of London Procurement Code 2015	Officers must seek at least one quote from either a UK based SME, a social enterprise, or a local supplier based in the square mile, the City fringe, one of the 10% most deprived London boroughs or other deprived boroughs according to their proximity to the City's asset (relevant to satellite sites).	√	√		Quotation	Procurement Operations team
£10k-£400k					√		
> £100k	This RP Strategy	Officers must ensure that relevant suppliers have adhered to the requirements of the <a href="#">Modern Slavery Act 2015</a> including appropriate statements on their website.	√	√	√	Contract Award	City Procurement/Comptrollers
		When procuring cleaning and hygiene products, cosmetics, drugs, pesticides etc. action must be taken to identify products that have not been tested on animals.	√	√		Specification	Individual responsible for writing the specification.
> OJEU	City of London Procurement Code 2015	Officers should ensure that all public services contracts go to the Social Value Panel for consultation. Officers must factor in sufficient time into their procurement plans to undertake the consultation.		√		Pre-procurement	City Procurement
> £250k		A minimum of 10% of the weighting of technical (qualitative) element of the evaluation score, or a 5% flat rate where the percentage falls below 5% of the total score must be allocated to responsible procurement aspects in all tenders worth over £250k. Depending on the nature of the contract this may include questions related to objectives Bi, Bii, Ciii, or any within Policies E or F of this Strategy.	√	√	√	Supplier Evaluation	City Procurement/Department – collaboration
> £400k +all Corporate works contracts	A stand-alone DBE Policy	Contractors must register with the Fleet Operator Recognition Scheme (FORS) and will be encouraged to achieve Bronze accreditation before progressing to Silver and Gold accreditation status.		√	√	PQQ/Prelims/Ts & Cs	City Procurement/Comptroller's, advised on relevance by depts
	Port Health Committee Policy.	Relevant contractors will be made aware of and required to adhere to CoL's <a href="#">Noise Strategy and Policy</a>		√	√	PQQ/Prelims/Ts & Cs or Contract award	City Procurement/Comptroller's, advised on relevance by depts
		Contractors are required to comply with the City Corporation's <a href="#">Code of Practice for Demolition and Construction</a> and <a href="#">Code of Practice for the Minimisation of the Environmental Impact of Street works</a> .			√		
> £2m		Building and civil engineering contractors, and certain sub-contractors, will be required to join the City's <a href="#">Considerate Contractor Scheme</a> .			√		
	This RP Strategy	Officers should consider presenting high value works contracts to the Social Value Panel for consultation.			√	Pre-procurement	City Procurement/Department
> OJEU	CoL Biodiversity Action Plan	Procurement leads within departments must ensure that contractors do not degrade existing biodiversity, must consider interventions to create habitats for target species.			√	Specification	Departments with support from DBE & OS

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### Procurement Policy to support the City of London Air Quality Strategy 2015 - 2020

#### Introduction

- Air quality in the City does not meet health based targets, the problem pollutants are nitrogen dioxide (NO<sub>2</sub>) and fine particles (PM<sub>10</sub>). The main source is diesel vehicles
- The City of London Air Quality Strategy 2015 – 2020 was approved by PHES committee in July 2015. It is a statutory document. There is also a statutory duty to submit annual reports detailing progress with actions to both the GLA and Defra. This will include how we are encouraging the use of low and zero emission vehicles through our procurement policies
- There is increasing member interest in this issue, with a desire to implement something more substantial than has been happening to date. Improving air quality fits well with other corporate policies such as road danger reduction and increasing space for pedestrians
- Air quality has recently been escalated from a departmental risk to a Corporate Risk. The risk is both financial and health
- There is a lot of action underway to improve air quality, including proposals for an ultra-low emission zone in central London from 2020. However, more action is required to meet the targets in the Square Mile.
- Defra is consulting on a national air quality plan to be submitted to the European Commission following the instigation of infraction proceedings for non-compliance with air quality limits
- The City Corporation is taking a lead on air quality across London e.g. supporting research by Policy Exchange on further action required to meet air quality targets across London in shortest possible time
- Attached document details progress with air quality policies in the 2015 strategy

In line with Policy 7: Actions 43 and 44 of the City of London Air Quality Strategy:

- **From August 2015 the City of London commits to using petrol hybrid vehicles as part of any formal arrangement for taxi services.**
  - City procurement will specify that a significant proportion of the taxi fleet will be comprised of petrol hybrid vehicles (or better i.e. full electric) when forming any formal arrangement for taxi services.
    - The City of London currently have a formal arrangement with Addison Lee to provide some taxi services for the City already undertaken market research
    - Will formally re-evaluate the taxi service market every 12 months to assess whether or not conditions have become competitive enough to launch a tender exercise for a corporate taxi contract. City Procurement will look at whether the market has evolved enough in terms of the wider availability of vehicles that are capable of running in zero emission mode within the square mile.
  - Petrol hybrid taxis will be used by default by any established taxi service provider, providing that:
    - a hybrid vehicle is available within the required timing/ service level agreement - so that this policy will not affect service levels
    - a hybrid vehicle is available within a reasonable distance - so that this policy does not become self-defeating in terms of total air pollution
  - Staff requesting a vehicle that forms part of any formalised taxi service agreement will by default be provided a petrol hybrid vehicle, depending on availability, unless:
    - They have a specific, practical reason to request otherwise e.g. they need a 6-seater rather than a 4-seater vehicle
    - They have a written justification for specifying a different vehicle, signed off at Chief Officer level

- **The City of London's ultimate aim is to geo ring-fence the whole Square Mile**
  - From August 2015 hybrid taxis used under formal agreement with CoL were geo ring-fencing the areas of highest air pollution and/or sensitivity in the City
    - This means that all hybrid taxis will automatically switch from petrol to electric mode in these zones, provided that there is enough power in the battery.
    - As a pilot initiative, from August 1<sup>st</sup> 2015 this covers Cheapside (EC2), St. Pauls Churchyard and surrounding area (EC4M), Aldgate (EC3A) and St. Bart's Hospital (EC1A). the intention is to expand this depending on the success of the pilot.
  - We will continue to work with our contracted Courier service and use internal training and engagement to maximise the use of pedal bikes for courier services within the square mile.
  - The Corporation will explore the possibility of getting general deliveries into the City via electric vehicles where possible (see below).
- **Built Environment, supported by Environmental Health and City Procurement will explore opportunities for the consolidation of deliveries to CoL premises.**
- **In terms of construction, demolition and street works, from January 2016:**
  - All contracts that include street works should adhere to the requirements of the City of London [Code of practice](#) for minimising the environmental impact of street works
  - All contracts that include construction and or demolition should adhere to the requirements of the City of London [Code of Practice](#) for deconstruction and construction
  - All non-road mobile machinery (NRMM) used in the Square Mile for more than 30 days with net power between 37kW and 560kW is required to meet stage IIIB of EU Directive 97/68/EC (i.e. Euro IIIB). This is according to the Supplementary Planning Guidance ([SPG](#)) for NRMM Low Emission Zone.

In line with Policy 7: Action 46 of the City of London air Quality Strategy and with the City's Transport Policy, developed by the City of London's Transport Coordination Group (TGC):

- **From January 2016, any individual procuring (leasing or hiring) a vehicle on behalf of the City of London will be required to investigate alternative fuel options, especially full electric and petrol-hybrid.**
- **From January 2016 onwards, officers will not be able to purchase or lease diesel vehicles unless there is an absolute operational necessity** i.e. vehicles with no current alternative fuel options such as tractors, some vans and 4WD pickups.

## **Annex**

Policy 7 (of 10) of the City of London Air Quality Strategy 2015 - 2020



## Policy 7: Leading by example

The City Corporation will assess the impact of its activities on local levels of air pollution in the Square Mile and take steps to minimise it wherever possible.

Actions:

43. The City Corporation will continue to look for opportunities for reducing emissions from its buildings, fleet and contractors' fleet.

44. The City Corporation will ensure that major contracts include standards to reduce the impact on local air quality.

45. A pro forma air quality questionnaire will be developed for use in major policy reviews.

46. The City Corporation will move away from using diesel in its own fleet wherever practical.

### Details of Actions associated with Policy 7:

Action	Detail	Timeline	Outcome
43. The City Corporation will continue to look for opportunities for reducing emissions from its buildings, fleet and contractors' fleet.	Continue to provide advice on the best vehicle option for new fleet purchases. Use contracts to push for cleaner vehicles in contractor's fleet. Manage buildings to reduce emissions of air pollutants, alongside carbon.	2015 -2020	Reduced impact of City Corporation activities on local air pollution.
44. The City Corporation will ensure that major contracts include standards to reduce impact on air quality.	Continue to ensure that all contracts require air quality targets.  Integrate air quality into the new Responsible Procurement Strategy.	2015 - 2020	Reduced impact of City Corporation activities on local air pollution.
45. A pro forma air quality questionnaire will be developed for use in major policy reviews.	Develop the pro forma. Work with other departments to ensure it is embedded into their policies.	2016 - 2017	Corporate policies that assist in improving air quality and reducing exposure.
46. The City Corporation will move away from using diesel in its own fleet wherever practical.	All new purchases will be assessed and alternatives to diesel will be encouraged where available.	2015 - 2020	Reduced impact of City Corporation fleet on local air quality.

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<b>Committee:</b>	<b>Date:</b>
Finance Committee	7 June 2016
<b>Subject:</b> Revisions to City of London Procurement Code 2015 and Competitive Procurement Exemptions Policy	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Decision</b>
<b>Report Authors:</b> Chris Bell and Beth Forge, Chamberlain's Department	

## Summary

The report outlines the revisions to the Corporation's Procurement Code 2015 ('the Code') which was approved by the Court of Common Council in October 2015. The Code has been developed in line with UK Public Contracts Regulations 2015 and contains the overarching rules to be followed by any officer when purchasing goods, services or works.

In summary the following changes have been implemented in this annual revision:

1. **Contract letting thresholds** – Changes to make the code consistent the Corporation's Finance Regulations.
2. **Waivers** – changes made to further reduce the number of waivers, simply thresholds and streamline the waiver process.
3. **Competitive procurement exemptions** – Additions to the existing policy to clarify grants clearer and to allow urgent sheltered housing and residential care placements to be made.
4. **Increases in contract value** – change to allow changes under £50k to be authorized by Chief Officers in line with Finance Regulations.

More detailed explanations of the changes are set out in the report at paragraph 5. The full text of the changes to the Procurement Code which are proposed for amendment are set out at Appendix 1 and the full Procurement Code is available online at the following link:

<http://democracy.cityoflondon.gov.uk/documents/s65091/ProcurementCode.pdf>

The full text of the changes to the Competitive Exemptions Policy are set out at Appendix 2 and the full Competitive Exemptions Policy is available online at the following link:

<http://democracy.cityoflondon.gov.uk/documents/s65092/CodeExemptionPolicy.pdf>

Standing Order 51.2 states that the Finance Committee may authorise any technical adjustments to the Procurement Regulations. Significant changes to the Regulations require the approval of the Court of Common Council. I believe that the changes set out within this report are technical changes and therefore can be approved by Finance Committee solely.

## Recommendations

Members are asked to approve:

- a) The revised City of London Procurement Code 2015 (Part One) to be effective from 1 July 2016 (changes set out at Appendix 1).
- b) The revised Competitive Procurement Exemptions Policy to be effective from 1 July 2016 (changes set out at Appendix 2).

## Main Report

### Background

1. The Procurement Code contains the rules that underpin all procurement and purchasing activity across the City of London Corporation including the Barbican Centre and the City of London Police.
2. The revisions to the Procurement Code (Part One) have been developed as a result of feedback received from Category Boards and in consultation with the Comptroller and City Solicitor's department; Chief Officers; and the Procurement Steering Group.
3. The main revisions to the Procurement Code relate to the Contracts Lettings Thresholds (Rule 16); the Waivers Process (Rule 25); reference to the Competitive Procurement Exemptions Policy (Rule 26) and Increases in Contract Value Rule 31.
4. The Competitive Procurement Exemptions Policy referenced in the Procurement Code in Rule 26 establishes circumstances where the competitive procurement of works, services and supplies is not required. The objective is to support adherence to the Code and best practice in procurement in relation to the competitive procurement of opportunities with the Corporation. Following consultation with Department for Community and Children's Services and Town Clerk's Department, the Competitive Procurement Exemptions Policy has been updated. The threshold for sheltered accommodation/residential services has been amended and two new exemptions have been added to the Policy: "residential care or supported living" and "grants".

### Revisions to the City of London Procurement Code 2015 (Appendix 1)

5. A summary table of the changes to the relevant rules contained in Part One of the Procurement Code is provided below.

Rule	Changes
Contracts Lettings Thresholds - Rule 16  Appendix 1	c) The threshold table and stages of committee involvement have been amended. d) The table at 16.4 has been revised to reflect the Corporation's financial regulations on Chief Officer's Delegated Authority. e) EU thresholds have been removed and replaced with monetary values in the threshold table. For contract letting approvals it is the level of expenditure which is relevant rather than the EU thresholds.

Rule	Changes
Waivers - Rule 25  Appendix 1	<ul style="list-style-type: none"> <li>• The Waiver process has been clarified as follows:               <ul style="list-style-type: none"> <li>○ Reference has been made to exceptional circumstances for when a waiver will be granted. See Appendix 3 for reason codes that support a waiver application.</li> <li>○ Thresholds for approving waivers have been divided into supplies/services and works.</li> <li>○ Waivers below £50,000 can be approved by officers with delegated authority included on the delegated authority list (in addition to Chief Officers).</li> <li>○ Waivers over £50,000 require approval from the relevant Spending Committee for the department.</li> <li>○ It has been emphasised that procurements over the EU thresholds cannot be waived.</li> </ul> </li> <li>• The urgent waiver approval process has been divided into supplies/services thresholds and works thresholds.</li> </ul>
Procurement Exemptions - Rule 26  Appendix 1	<ul style="list-style-type: none"> <li>• A hyperlink has been added to the Competitive Procurement Exemptions Policy available on Colnet.</li> </ul>
Increases in Contract Value - Rule 31  Appendix 1	<ul style="list-style-type: none"> <li>• A new threshold has been added to the table at 31.1 for expenditure below £50,000 which may be approved by Chief Officers.</li> </ul>

#### 6. Revisions to the Competitive Procurement Exemptions Policy (Appendix 2)

Exemption	Changes
Sheltered accommodation/residential services (ECP015)  Appendix 2	<ul style="list-style-type: none"> <li>• The threshold for sheltered accommodation/residential services has been amended from £50,000 to “up to the OJEU threshold for services”.</li> </ul> <p>Due to the urgent nature of this type of service (typically being required immediately and out of hours), the threshold has been raised to ensure such placements in these rare circumstances, where the value will breach £50,000, is not compromised.</p>

Exemption	Changes
Residential care or supported living provision (ECP016)  Appendix 2	<ul style="list-style-type: none"> <li>This is a new exemption to allow exemptions for residential care or supported living provision for individual service users where those users or anyone acting on their behalf have a choice in the type of location of the provision to meet their needs under the Care Act 2014.</li> </ul>
Grants (ECP025)  Appendix 2	<ul style="list-style-type: none"> <li>This is a new exemption. Grants are not considered to be procurement activities and therefore were not initially included in the exemption policy. However for audit purposes and to ensure that the correct definition of a grant is applied, grants have been added to the list of exemptions at the request of the Grants team.</li> </ul>

## Conclusion

- City Procurement recommend approval and adoption of the revisions to the City of London Procurement Code 2015 and for it to be effective for use from 1 July 2016 in order to clarify the rules relating to contracts lettings thresholds; the waiver process; procurement exemptions; increases in contract value; and changes in the identity of suppliers.
- City Procurement recommend approval and adoption of the revisions to the Competitive Procurement Exemptions Policy and for it to be effective from 1 July 2016 in order to raise the threshold for sheltered accommodation/residential services and to add further exemptions for residential care or supported living provision and for grants.

## Appendices

**Appendix 1** - Rules that have been changed in Procurement Code Part 1

**Appendix 2** - Exemptions that have been changed in Competitive Exemptions Policy

**Appendix 3** - Extract from the City of London Procurement Code 2015 Part Two: Guidance on reasons for a waiver

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## Rules that have been changed in Procurement Code Part 1

### 16. Contracts Lettings Thresholds

- 16.1.** The contracts lettings thresholds set out the types and levels of approvals required by officers to proceed with the various phases of non-project related procurements and the award of contracts.
- 16.2.** Different approval processes and thresholds apply to the procurement phases of projects. The project approval thresholds can be found on the Project pages of COLNET<sup>1</sup>.
- 16.3.** For non-project related contracts, depending on the estimated contract value and the per annum contract value, there may be 4 stages of committee involvement:-
- **Stage 1:** Finance Committee agrees the high level evaluation criteria to be applied in the selection process.
  - **Stage 2:** Finance Committee receives a 'for information' update following supplier short- listing.
  - **Stage 3:** Spending Committee receive a 'for information' report upon award of a contract valued above £500,000.
  - **Stage 4:** Depending on the contract value, Finance Committee and Court of Common Council receives the final recommendation on contract award as shown in the table below.
- 16.4.** The following thresholds apply to the total contract value:

**Table 3 Contracts Lettings Thresholds**

Estimated Contract Cost	Approval Required by	Stages
Up to the limit of Chief Officer's Delegated Authority, but below £2,000,000 and excluding Corporate Contracts	Chief Officer (or an Officer with Delegated Authority from the Chief Officer)	3
Exceeding level of Chief Officer's Delegated authority, but below £2,000,000	Chamberlain or Category Board as delegated by the Chamberlain	3
£2,000,000 or more, but less than £4,000,000	Finance Committee	1 ,2, 3 and 4
£4,000,000 and above	Finance Committee and Court of Common Council	1 ,2, 3 and 4

## 25. Waivers

25.1 In special or exceptional circumstances identified in part 2 of the Code, the requirements of this Code may be waived provided one of the following authorisations has been received:

**Table 4 Waiver Approval Thresholds**

<b>Estimated Contract Cost: Supplies &amp; Services (including Consultancy Services)</b>	<b>Estimated Contract Cost: Works</b>	<b>Approval Required by</b>
<b>Less than £10,000</b>	<b>Less than £10,000</b>	No waiver necessary procurement can be undertaken at officer's discretion. With the exception of a decision not to use a Corporate Contract where a Chief Officer waiver is required. Unless there are sound commercial or operational reasons for not doing so approved by the Head of Sourcing.
<b>£10,000 or more, but less than £50,000</b>	<b>£10,000 or more, but less than £50,000</b>	Chief Officer (or an Officer with Delegated Authority from the Chief Officer)
<b>£50,000 or more but less than OJEU threshold for supplies &amp; services <sup>1</sup></b>	<b>£50,000 or more but less than £2,000,000</b>	Spend Committee for the department requesting the waiver (and Projects Sub-Committee for contracts let as part of projects). If waiting for the next Committee meeting to gain waiver approval has a detrimental effect to the business, then the urgent waiver process can be applied.
	<b>£2,000,000 or more but less than the OJEU thresholds for works<sup>2</sup></b>	Please refer to the <a href="#">CoL Project Gateway Approval Process</a> .

<sup>1</sup> [EU Threshold for supplies and services](#)

<sup>2</sup> [EU thresholds for works](#)



**25.2.** The following thresholds will apply to **urgent** waivers:

Table 5 Urgent Waiver Approval Process

Estimated Contract Cost: Supplies & Services (including Consultancy Services)	Estimated Contract Cost: Works	Approval Required by
£50,000 or more but less than OJEU threshold for Supplies & Services <sup>1</sup>	£50,000 or more but less than £500,000	The Chamberlain may authorise such waivers under urgency.
	£500,000 but less than the £2,000,000	Town Clerk in consultation with Finance Committee Chairman (or Deputy Chairman in the Chairman's absence) and the Projects - Sub Committee Chairman.

**25.3.** All waivers granted will be reported to the next Finance Committee and relevant spend committees.

**25.4.** The requirement to obtain waivers for not using Corporate Contracts applies to all procurement values including purchases below £10,000.

**25.5.** The statutory provisions of PCR 2015 will be applied to all procurements by the City. As a result, **procurements over the OJEU thresholds cannot legally be waived** when the City is acting in its capacity as a local authority or police authority. When acting in a capacity other than as a local authority, waivers for procurements over the OJEU thresholds will not be considered unless the C&CS has provided written advice in accordance with rule 2.1 above.

<sup>1</sup> [EU Threshold for supplies and services](#)

## 26. Procurement Exemptions

**26.1.** Only in a very limited number of instances is it not necessary to seek a competitive tender or quotations. The approved list of exemptions to procurement is included in [Competitive Procurement Exemptions Policy](#).

### 31. Increases in Contract Value

- 31.1 For all contracts where specific provision has been previously approved and expenditure will exceed the approved provision (after allowing for inflation) by more than 20% or £400,000, whichever is the lowest; expenditure shall only be incurred when the following authorisations have been obtained:

**Table 8 Increases in Contract Value Approval Thresholds**

<b>Expenditure</b>	<b>Approval by</b>
<b>Below £50,000</b>	Chief Officer
<b>£50,000 and over but less than £500,000</b>	Spending Committee and the Committee(s) which considered the Detailed Options Appraisal or Contracts Letting Report
<b>£500,000 and above</b>	Spending Committee, the Committee(s) which considered the Detailed Options Appraisal or Contracts Lettings Report and the Court of Common Council

- 31.2. Where increases in contract value would result in low value contracts exceeding EU thresholds, the City has no authority to approve such increases and a new tender would be required.

## Appendix 2

### Exemptions that have been changed in Competitive Exemptions Policy

General	Description	Threshold Limit	Exemption Code
Sheltered accommodation / residential services	Urgent and/or short term accommodation provided by the Department of Community and Children's Services.	Up to OJEU threshold for services	ECP015
Residential care or supported living provision	Residential care or supported living provision for individual service users where those users or anyone acting on their behalf have a choice in the type of location of the provision to meet their needs under the Care Act 2014.	Up to OJEU threshold for services	ECP016

Grants	Description	Threshold Limit	Exemption Code
Grants	<p>A grant must fall within the following definition:</p> <p>“A sum of money given voluntarily to a particular person for a particular purpose/s. A grant is usually made to another person or organisation to fund the organisation's normal activities. (This is in contrast to a procurement whereby the contracting party sets out the terms of reference for a project which it wants to be carried out by another party.) Grant beneficiaries will generally be non-profit-making. Grants are usually made in accordance with an established policy, and that policy provides a transparent framework for objective decision-making in awarding/allocating the grants (i.e. equal treatment of applications/recipients).”</p>	None	ECP025

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**Extract from the City of London Procurement Code - Part 2:**  
**Rule 25: Exceptional circumstances where a waiver may be granted**

<b>Rule 25 Waivers</b>	
<b>Rationale</b>	The waiver process is in place to allow for those circumstances where an exception to the requirements of the Code is required.
<b>Process</b>	<p>A waiver is a request to 'waive' the requirements of the Procurement Code, i.e. to grant an exception to the stated requirements. Where an item is exempt from competitive procurement a waiver will not be required, therefore please check whether an item is exempt in accordance with rule 26 before seeking a waiver.</p> <p>Waivers for procurements up to £50,000 can either be granted on a single order or contract basis or be applied to an aggregated group of purchases for a particular period up to the approvals thresholds.</p> <p>A waiver will only be permitted under the following circumstances only:</p> <ol style="list-style-type: none"> <li><b>1. Sole Supplier (not advertised)</b> <p>A waiver may be permitted where an officer can demonstrate that there is <b>only one supplier</b> in the market who can provide the required goods, services or supplies. It is therefore not deemed necessary to advertise the opportunity as this is the only supplier who would be able to meet the requirement.</p> <p>It is anticipated that this will apply to a very limited number of circumstances, for example whereby the parts required are only manufactured by one supplier.</p> </li> <li><b>2. Extension of contract beyond expiry term or approved extension term</b> <p>A waiver may be permitted to allow a short term extension to a contract or to allow an approved extension term. Where an unplanned extension is requested the officer must demonstrate that there is a risk to the City of London, e.g. potential gap in service provision; or greater value to the organisation in extending the contract, e.g. adding value by combining the contract with another upcoming opportunity.</p> <p>Extensions will only be granted where this does not result in the value of the contract exceeding EU thresholds.</p> </li> <li><b>3. Order outside of approved Corporate contract</b> <p>A waiver may be permitted to allow a purchase outside of the Corporate Contract where the officer can demonstrate the Corporate Contract supplier has been given an opportunity to review the requirements and the Corporate Contract cannot meet the requirements for the goods, suppliers or services due to their specialist nature.</p> </li> </ol>

**Retrospective Waivers (A purchase where previous authority has not been obtained).**

Under no circumstances should an officer proceed with a purchase with the intention of applying for a waiver retrospectively. City Procurement must be contacted prior to the placement of any order. Therefore a retrospective waiver will be noted and reported to Procurement Steering Group as a **non compliant purchase** in breach of the CoL Procurement Code. However it will allow the City to pay its contractual obligations.

**Officers should note that the statutory requirement to comply with the provisions of PCR 2015 cannot be waived.**

**Obtaining a waiver – Up to £50,000**

Waivers under £50,000 require approval by the Chief Officer. A Chief Officer may Delegate Authority to an officer within his department to authorise waivers for procurements up to £50,000 on behalf of the Chief Officer. A list of Chief Officers and Officers with Delegated Authority to approve waivers up to £50,000 is maintained by the Business Enablement team in City Procurement. Chief Officers should email [Business Enablement](#) confirmation of the names of officers who have been given delegated authority to sign waivers.

Waiver Forms (under £50k) should be issued by the City Procurement team with a unique identification number.

Where officers are aware that a waiver (up to £50,000) will be required they must indicate that a waiver will be required in the 'Notes to Buyer' field when raising a requisition.

If deemed appropriate, City Procurement will issue the waiver with a unique identification number and comments from the City Procurement officer after which the officer is required to complete all fields and and this can then be authorized by Chief Officer ( and the completed and authorized form should be returned to City Procurement

**Obtaining a waiver – Over £50,000**

Waivers at £50,000 and over and less than £2,000,000 require approval by the relevant spend Committee (and Projects Sub-Committee for contracts let as part of projects).

For waivers at £2,000,000 or above (but less than the OJEU thresholds for works) please refer to the Project Gateway Approval Process.

If waiting for a waiver to be granted by the relevant Spend Committee would have a detrimental effect to the business, the Chamberlain may authorise waivers at £50,000 and over and less than £500,000. For waivers at £500,000 and over but less than £2,000,000 approval can be sought from the Town Clerk. Prior to submission to the Town Clerk, officers must discuss the draft of the report with the Chamberlain.

For urgent and non-urgent waivers at £50,000 or over, Officers should complete a Committee Waiver Report and Cover Sheet. These templates should be issued by the City Procurement team with a committee report reference number.

	<p><b>Urgent Waivers</b></p> <p>For urgent waivers, the Chamberlain will receive Committee Waiver Reports on a weekly basis, submission on a Monday and decision by the following Monday.</p> <p>Officers seeking an urgent waiver must have exceptional reasons for doing so and would need to explain how long it would normally have taken to receive approval in their Committee Waiver Report. Officers should also state in their Committee Waiver Reports why an urgent waiver is required. Reasons for requesting an urgent waiver may include operational impact, financial impact or both.</p> <p>Even when approval for a waiver is sought from the Chamberlain, all Committee Waiver Reports will go up to the next Committee.</p> <p>Committee Waiver Reports should say how long the waiver will be in effect for and the time frame for subsequent compliant procurement to be undertaken.</p> <p>Officers drafting waiver reports or considering obtaining waivers must consult with the Head of Sourcing or the Head of City Procurement before drafting the waiver report. Officers should also undertake appropriate consultation with the key decision makers, Category Chairman, Comptrollers Department, Economic Development Office and Finance before drafting the report.</p>
<p><b>FAQ</b></p>	<p><b>At what point in the process should I seek a waiver?</b></p> <p>If you believe that you will require a waiver you should contact City Procurement at the earliest opportunity to ensure no delays are incurred. City Procurement will provide specialist advice and support.</p> <p><b>Can I apply for a waiver retrospectively?</b></p> <p>As highlighted above, under no circumstances should an officer proceed with a purchase with the intention of applying for a waiver retrospectively. City Procurement must be contacted prior to the placement of any order. A retrospective waiver will be noted and reported as a breach of the CoL Procurement Code and will not be approved. However it will allow the City to pay its contractual obligations.</p>
<p><b>Process Document Links</b></p>	<p>For a waiver form please contact <a href="mailto:CityProc.Operations@cityoflondon.gov.uk">CityProc.Operations@cityoflondon.gov.uk</a></p> <p>For the template committee report for non-urgent or urgent waivers over £50,000 please contact <a href="mailto:CityProc.Operations@cityoflondon.gov.uk">CityProc.Operations@cityoflondon.gov.uk</a></p>
<p><b>Further Information &amp; Policy and Legislation Links</b></p>	<p><a href="#">Competitive Procurement Exemption Policy</a></p> <p>City of London <a href="#">Project Procedure</a> (Gateway Approval Process)</p>

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<b>Committee:</b> Finance Committee	<b>Date:</b> 7 June 2016
<b>Subject:</b> City Procurement Efficiency and Savings Target 2016/17	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Chris Bell, Head of City Procurement	

## Summary

The report advises Members of the Efficiency and Savings target set for City Procurement for the financial year 2016/17 of £7.9 million. This target figure includes a target of £792k of in-year new savings to be generated within this financial year. The target represents a 12.2% average savings overall for this year's procurement programme.

The target is based on the contracts that are to be let and implemented during the financial that have scope to make efficiencies or cost savings and to reflect savings already generated from procurement activity in previous years that guarantee savings within the existing financial year.

The process in setting the annual target looks at the contracts due for renewal in the target year, the baseline spend, the complexity and risk of the contract and which month the new contract will commence. This is then considered against an industry benchmark using the Corporation's Category experience database which shows indices of savings generated across public and private sector over the last 10 years for all sub-categories of spend. These targets are then reviewed and signed off by the Procurement Category Boards.

The monetary target is lower than last year (2015/16 Target was £8.27m) but the average percentage target has increased slightly, as it was 11.4% in 2015/16. The lower monetary target is mainly due to the value and number of contracts that are to be let this year being lower and one of the major contracts we are working on - Building Repairs and Maintenance not being contractually finalised until 2017/18.

## Recommendation

Members are asked to note the Procurement Efficiency and Savings target of £7.9million for the financial year 2016/17.

## Main Report

### Background

1. City Procurement is set an annual savings target at the start of each year, this target is based on the contracts to be let during the financial year that have the potential to make efficiency or cost savings and contracts let in previous years that are generating guaranteed savings in the current year. Each contract is reviewed by the relevant Procurement Category Board to set the

targets. Every contract target considers historic spend, scope changes, contract complexity, risk and industry savings benchmarks before setting a target.

- The 2015/2016 City Procurement target was £8.27M. Targets can fluctuate up and down per annum as it is based on the number and value of contracts to be procured within each year.

### The Annual Savings Target elements

- The annual savings target is set using two types of in-year savings. Those are:
  - Previously let contracts generating savings (known as run-rate)* – Savings already guaranteed for the current financial year from contracts let in previous years. This is for contracts that span different financial years and is typically for service contracts that are let for a 2-7 year period when the savings are spread across the contract life.
  - New contracts let generating savings* – Savings targeted to be generated from new contracts let during the financial year.
- The procurement savings target is for competitive price savings and efficiencies generated by procurement interventions only and it's not inclusive of scope changes/service downgrades or other operation decisions which are treated as local department savings.

### Summary of Projects making up the 2016/17 target

- The target of £7.9 million is derived from savings previously generated of £7.1 million and £791k in year savings from the 132 procurement exercises planned to happen this year and represents an average savings of 12.2%.
- Our savings targets have all been benchmarked using our Category experience database which collates industry savings data for each sub-category of spend over a 10 year period. Additionally we have also put a 2% savings target on business as usual procurements to ensure all projects are considered fully in terms of efficiencies and savings.

Category	Number of projects	Total FY 16/17 Savings
		Target £
Property Services	66	314,595
Procurement Operations	6	270,314
Facilities Services	17	97,646
IT	20	47,747
Business Support	3	22,302
Corporate Services	11	19,402
Dept. Child & Community Services (DCCS)	4	15,867
Marketing	2	3,500
Land Management	3	0
<b>Subtotal In Year (New FY 16/17 Projects)</b>	<b>132</b>	<b>791,372</b>
On going savings (from projects sourced in previous years)	26	7,108,156
<b>Grand Total</b>	<b>158</b>	<b>7,899,528</b>

7. The new targeted in-year savings, although only realising £791k within the current financial year, would generate a total of £9.74 million in savings up to 2020 as savings are spread across the contract life e.g. 3-5 years.

### **Cumulative Target**

8. The £7.89 million target will be cumulative and will be targeted to achieve the following milestones throughout the year to ensure we are on target to achieve the total, these are:
  - End of Quarter 1 (30<sup>th</sup> June 2016) - £2.14 million
  - End of Quarter 2 (30<sup>th</sup> September 2016) - £4.17 million
  - End of Quarter 3 (31<sup>st</sup> December 2016) - £5.81 million
  - End of Year Target (31<sup>st</sup> March 2017) - £7.9 million

### **Conclusion**

9. City Procurement has finalised its Sourcing Plan for 2016/17 and had all projects reviewed and a target set that has been ratified by the Procurement Category Board responsible for the oversight of each project. The Target set is £7.9 million.

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<b>Committee:</b>	<b>Date:</b>
Finance Committee	7 June 2016
<b>Subject:</b>	<b>Public</b>
Revisions to Purchase Order Exemptions Policy	
<b>Report of:</b>	<b>For Information</b>
The Chamberlain	
<b>Report authors:</b>	
Chris Bell and Lisa Moore, Chamberlain's Department	

## Summary

The report gives details of the annual updates made to the Procurement Purchase Order (PO) Exemptions Policy which became effective April 2015. The Policy outlines those categories of expenditure that are exempt from the requirement to raise a purchase order in advance of ordering of goods, works or services on behalf of the City of London and City of London Police. The update made to this policy reflects an annual review process and operational changes to this policy through work led by City Procurement to reduce exemptions which are no longer relevant or necessary.

The annual review has led to the removal of three existing exemption codes (detailed in paragraph 11) from the policy due to fact that costs relating to these exemptions after further exploration can be estimated with reasonable accuracy by the purchasing department and therefore a Purchase Order can be raised for these services.

The full policy, review summary and revised list of exemption codes, and updates can be viewed via the following link:

<http://democracy.cityoflondon.gov.uk/documents/s65085/PurchaseOrderExemptionPolicy.pdf>

## Recommendation

Members are asked to:

- a) Note the report and the updates to the PO Exemptions Policy to become effective from 1 July 2016.
- b) Note the removal of the three current exemptions from this policy as a part of this revision due the costs relating to these exemptions being able to be estimated with reasonable accuracy and therefore in each case it should be possible to raise a PO in advance for these services:
  - EX007 – Copyright
  - EX021 – Escrow agreements for software licenses
  - EX024 – School examination fees

## Main Report

### Background

1. The City of London Corporation's No PO No Pay Policy took effect on 1st April 2015. This policy means that any invoice received from a supplier that does not have a valid purchase order number will be returned to the supplier unpaid as the purchase has not been through a compliant approval process.
2. To support this regime, City Procurement introduced a Purchase Order Exemptions Policy. This exemption policy identifies items or particular categories of expenditure that do not require a supporting purchase order due to nature of the spend and/or the inability to raise a purchase order in advance. This is to ensure that prompt payment targets to suppliers are met and to minimise non-compliance levels within the Corporation.
3. Purchase orders are vital to the operations of the City in ensuring that all financial commitments are correctly recorded within the finance system, enabling budgetary controls to be maintained by management. Whilst it is possible, and also best practice, to raise a purchase order for all requirements, there are certain situations in which a particular item or category of expenditure will be exempt from this process due to its complexity.
4. The Policy also advises on payments that will not be processed through City Procurement's Accounts Payable section, with details on how such payments should be processed.
5. Officers, when placing orders with suppliers for PO exempt goods/works and services, will provide the supplier with a valid exemption code (e.g. EX012) to quote on their invoice instead of a PO number.
6. If a valid purchase order or exemption code is not quoted on the invoice it will be returned to the supplier. An exception to this will be made where the invoice is for rent, rates or utilities where City Procurement's Accounts Payable section are aware that the supplier will not be able to quote a PO number or exemption code. The Accounts Payable team will verify that the exemption code is relevant to all spend on receipt of the invoice and will seek the department's approval to pay before processing.
7. The Policy and Exemption List were reviewed by City Procurement as part of the annual audit provisioned for at its inception.
8. The resulting recommendations were then presented to the Procurement Steering Group (PSG) in April 2016. PSG approved the amendments to the Policy and Exemption List. The full Policy and proposed amendments can be viewed online at the following link:

<http://democracy.cityoflondon.gov.uk/documents/s65085/PurchaseOrderExemptionPolicy.pdf>

## **Exemption Volumes 2015/16**

9. In the recent year 35% of our overall total payment transactions of 88,000 processed by the Accounts Payable function were exempt from having a Purchase Order. The vast majority of these exemptions relate to Utility Bills (27%), Rates and Council Tax refunds (23%) and a range of Grants, Donations, Payment Requests and Benefits (36%). Only 14% of exempt payments relate to the PO Exemption codes related to goods and services.

## **Revisions to the Exemption Codes**

10. The majority of exemptions were ratified during the review as they continue to support prompt payment targets and no alternative payment solutions added value/are available.
11. The exemptions marked to be removed or with further extensions were found to be areas where a PO is possible and the departments are in a better place to undertake this work, or a corporate contact is being put in place.
12. In summary there has been 3 exemptions removed from the policy, as a part of this revision due the costs relating to these exemptions being able to be estimated with reasonable accuracy and therefore in each case it should be possible to raise a PO in advance for these services, these are:
  - a) EX007 – Copyright
  - b) EX021 – Escrow agreements for software licenses
  - c) EX024 – School examination fees
13. City Procurement has identified those departments affected by these proposed changes and will work closely with them to make sure there is a smooth transition.

## **Conclusions**

14. The Purchase Order Exemption Policy was developed to support a smooth implementation of the City's No PO No Pay Policy. With few exceptions these exemptions continue to support prompt payment targets and minimise non-compliance levels.
15. All exemptions will continue to be reviewed annually; however review periods of six or 12 months have been allocated to exemptions where a corporate contract is being developed or there are improvements to support the creation of purchase orders in the future. Where this is successful these items will be removed from the exemption list in future Policy versions.

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<b>Committee:</b> Finance Committee	<b>Date:</b> 7 June 2016
<b>Subject:</b> Annual revisions to the Corporate Purchase Card Policy	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Chris Bell and Lisa Moore, Chamberlain's Department	

## Summary

The report outlines the annual revisions made to the City of London Purchase Card (P-card) Policy.

The P-card Policy went into effect on the 1<sup>st</sup> of October 2015. Since going live, City Procurement has received feedback from a number of departments. This feedback was discussed as part of the annual review and a number of amendments to the Policy were approved at Procurement Steering Group in April 2016, a summary of the amendments are:

- **Gift Vouchers** – The ability to purchase gift vouchers has been established where there is a legitimate business need, a process has been put in place to establish this.
- **Fines** – The ability to pay for fines has been established to ensure the Corporation meets payment deadlines to receive payment discounts.
- **Eligibility criteria** – Introduction of a process that allows officers on probation, temporary workers or contracts to have a purchasing card if the nature of their works requires it. An approval process in such circumstances has been established.
- **Overseas travel** – Guidance added on process for officers intending in using purchasing card overseas.
- **Loyalty points** – Guidance added on the collection of loyalty points by officers.

A more detailed explanation of each change and the reasoning is outlined within paragraph 4 of the main report. The full P-Card Policy is available online at the following link:

<http://democracy.cityoflondon.gov.uk/documents/s65087/PCardPolicy.pdf>

## Recommendation

Members are asked to note the revised Purchase Card Policy and the revisions outlined in this report that will be effective from 1<sup>st</sup> July 2016.

## Main Report

### Background

1. Centresuite, the pre-existing P-card management system, was replaced in January 2016 by CityCard, a new P-card management system implemented in partnership with Lloyds Bank. As part of the communication and training strategy a revised P-card Policy was developed to help implement best practice across the City of London Corporation for card users and managers in conjunction with the launch of the new CityCard management system.
2. There are currently more than 900 cardholders across the Corporation who between them spend approximately £1.5 million per annum with approximately 15,000 individual transactions with an average value of £100.
3. P-cards are often used for online goods or services which cannot be easily bought without a card such as business travel and subsistence, business hospitality, low value one-off purchases and other expenses.

### City of London Purchasing Card Policy

4. The amendments are as follows:

<b>Change</b>	<b>Reason for Change</b>
<b>'Gift vouchers'</b> have been included as items that can be purchased using a P-card	<p>Multiple departments flagged gift cards as a legitimate business requirement and requested they be moved from the list of spend that was not appropriate for P-cards; e.g. ASC food vouchers have been discontinued and the Department for Children and Community Services need to buy <i>'supermarket'</i> food only gift vouchers as an alternative in order to continue services at times where clients are awaiting benefits to come through and have no other monies.</p> <p>The change has been worded to establish a legitimate business need is required, justification for such need must be included in the description on CityCard, and if more than one gift card is purchased a local audit tracker must be made available for internal auditing purposes.</p>
<b>'Fines'</b> have been included as items that can be paid for using a P-card	<p>To assist the Corporation in paying minimum fines by prompt payment such as parking fines.</p> <p>It will be a local department decision whether to charge the fine back to the individual officer involved.</p>

<b>Change</b>	<b>Reason for Change</b>
<b>Eligibility</b> for a Purchase Card	To allow exemptions in extraordinary cases when a new employee in their probation period, contractor, consultant, or as a temporary worker is in need of a purchase card to carry out their duties.  'In special circumstances when an exception can be justified and a member of staff requires a P-card to carry out the nature of their work written approval from a chief officer or delegated authority can waive these rules.'
Cardholder's responsibilities section amended to include instructions around <b>Overseas Travel</b>	The P-card Administration Team identified a gap in the Policy and requested wording to be included so that cardholders must alert Lloyds when traveling overseas. There have been instances when cards are suspended due to suspicious activity because this step was not taken by the cardholder.
<b>Loyalty Points</b> added to description of personal use and 'What not to do with your purchase card'	The Finance Team within the Chamberlain's department queried P-card holders collecting loyalty points for personal use due to a business purchase. Although loyalty points are acceptable there has been a guide added for managers to ensure loyalty points do not influence purchasing decisions. i.e. Buying more expensive alternatives to collect loyalty points.
Standardise Language to <b>'Purchase Card'</b> and <b>'P-card'</b>	To keep the language around purchase cards consistent.

## **Conclusion**

5. City Procurement has implemented amendments to the existing City of London Purchase Card Policy as outlined in this report, the revised policy will become effective from 1<sup>st</sup> July 2016. City Procurement confirm that all the changes above include processes to manage and monitor these specific changes, but none of them have any substantive impact on our purchasing card policy, processes or risk.

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<b>Committee:</b>	<b>Date:</b>
Culture, Heritage & Libraries Finance Committee	23 May 2016 7 June 2016
<b>Subject:</b>	<b>Public</b>
City of London Festival – the future	
<b>Report of:</b>	<b>For Decision</b>
Director of Culture, Heritage & Libraries	

### Summary

Following the decision by the Culture, Heritage and Libraries Committee in March 2016 to turn down the additional funding proposals from the City Arts Trust, the Trust is winding itself up and will no longer run annual City of London Festivals. The current Festival allocation of £355,285 remains in the Culture, Heritage and Libraries Committee's budget and there is broad support for the principle of establishing a suitable successor event, which captures the distinctive strengths which the Festival used to bring to the City's cultural offer. An officer workshop held in April has suggested that a collaborative delivery model could be developed which would help to showcase the collective cultural strength of the City, and support the momentum for the Cultural Hub. Further work is needed to model the options in more detail.

The Finance Committee agreed on 12 April to the writing off of the £150,000 loan to the Trust for the Bowler Hat on condition that any remaining funds after the 2016 grant was applied to the Trust's winding-up costs be returned to the Corporation. It is now proposed that £20,000 of such remaining funds are used to model options for successor activities with the remainder - still to be determined but potentially in the region of £15,000 - being set against the costs of writing off the Bowler Hat loan

### Recommendations

It is recommended that the **Culture, Heritage and Libraries Committee:**

- a. Agrees in principle that the sum which is available within its budget from 2017 onwards, that was previously allocated to the Festival, be dedicated to a replacement activity which meets agreed criteria including the enlivening of the Square Mile, the opening up of spaces and buildings, and the broadening of audiences; and if so,
- b. Agrees that Finance Committee be asked to allocate a one-off sum of up to £20,000 from any balance which is returned to the Corporation after the City Arts Trust wind-up process is complete to the Director of Culture, Heritage & Libraries, to commission further work on modelling that replacement activity.

It is recommended that the **Finance Committee:**

- a. approves a one-off allocation of up to £20,000 from any balance returned to the Corporation from the City Arts Trust wind-up process, should the CHL Committee support this, with any remainder set against the costs of writing off the Bowler Hat loan.

## **Main Report**

### **Background**

1. In March 2016, the Culture, Heritage & Libraries Committee considered the financial position of the City Arts Trust, the separate charity which managed the City of London Festival, and its proposals for a future funding envelope to sustain the Festival. It decided against supporting those proposals, resolving instead that no further funding be awarded to the Trust, and that plans for a 2016 Festival be abandoned. It further resolved that the Finance Committee be recommended to write off the £150,000 loan to the Trust for the Bowler Hat, and that further consultation be undertaken around the options for the delivery of a festival from 2017 onwards, with a report brought to the May Committee.

### **Current Position**

2. The Finance Committee agreed on 12 April to the writing off of the loan, on condition that any remaining funds after the 2016 grant was applied to the Trust's winding-up costs be returned to the Corporation. The wind-up process is in train and it is anticipated that there will be a balance to be returned. Although the quantum is not yet clear, the sum could potentially be in the region of £35,000.
3. The sum which sits within the CHL Committee budget for the Festival is £355,285 p.a., and unless diverted elsewhere, this should be available from 2017 onwards for whatever replacement activity the Committee decides upon.
4. Since March, a number of conversations have taken place around the best way of filling the gap which the Festival will leave. There is wide recognition that it was successful in opening up spaces across the Square Mile for cultural events, that it provided a banner under which many partners could come together, and that it enlivened the City for a broad range of audiences in ways which no other cultural offer could match. These are all qualities which enriched the City's cultural landscape and which many would like to see retained.
5. There are other providers of festival-type events in and around the City, most obviously Spitalfields Music and the Totally Thames Festival, who might be invited to make proposals as to whether and how they could respond to a brief to deliver a suitable programme in the City, for the available budget. Alternatively, the Barbican Centre might be commissioned to undertake this, building on their programming experience and infrastructure.
6. There have been a number of successful collaborations in recent years across the City's cultural family, to stage various kinds of public events. Celebrate the City!, in summer 2012, part of the City's contribution to London's Olympic summer, was a weekend programme which included street markets, concerts, and various other entertainments; it involved many cultural providers as well as livery companies and churches, and was delivered

primarily as a partnership between the Barbican Centre and Culture, Heritage and Libraries, with a dedicated project manager. More recently, two well-received Son et Lumiere presentations have taken place in Guildhall Yard, a collaboration between CHL and Guildhall School of Music and Drama; the Shakespeare one, in April 2016, attracted ca.14,000 people over two nights.

7. These events have demonstrated models for delivery based on cross-Corporation collaboration, and at a time when this is particularly being fostered through the Cultural Hub planning, there is momentum around developing a framework like this as a permanent successor to the Festival, as an alternative to commissioning it out as suggested in para 6.
8. An externally-facilitated officer workshop was held on 15 April, with representation from CHL, the Barbican, GSMD, the Museum of London, Remembrancer's, Open Spaces, Mansion House and Town Clerk's; notes are attached as an appendix. Key points which were agreed included: the importance of creating something that is distinct and sustainable, and carries forward the Festival's key strengths; a wish to develop new and broader audiences; the practicality of focusing on a smaller window of time than the Festival's 2-3 weeks; and enthusiasm for delivering something collectively and collaboratively, to help showcase the City's many cultural strengths.

## Options

9. One option, therefore, would be to invite one or more of the other existing festival organisers to propose what they might offer if the budget was made available to them. They would be given a brief based around key criteria which future events would need to satisfy, including being based in the City (we would not be suggesting that their current festivals are merely extended). The Barbican Centre could be asked to respond to a call like this also although concerns have been raised at previous Committee meetings around whether the Centre could be expected to have the capacity to take it on.
10. Alternatively, or additionally, the possibilities around developing a collaborative model such as was recommended from the workshop could be explored further.
11. Whichever route is preferred, more work needs to be done on developing fully costed models of future operations which could sustainably fill the gap which the Festival has left. It is therefore **recommended** that the **CHL Committee**:
  - a. Agrees in principle that the sum which is available within its budget from 2017 onwards, that was previously allocated to the Festival, be dedicated to a replacement activity which meets agreed criteria including the enlivening of the Square Mile, the opening up of spaces and buildings, and the broadening of audiences; and if so,
  - b. Agrees that it be recommended to Finance Committee that a one-off sum of up to £20,000 from any balance which is returned to the Corporation after the City Arts Trust wind-up process is complete be allocated to the Director of Culture, Heritage & Libraries, to commission further work on modelling that replacement activity.

12. It is further **recommended** that the **Finance Committee** approve a one-off allocation of up to £20,000 from any balance returned to the Corporation from the City Arts Trust wind-up process, should the CHL Committee support this, with the remainder set against the costs of writing off the Bowler Hat loan.
13. The figure in 12(b) is an estimate of the cost of an appropriate consultant who could be dedicated to this on a 3 day/week basis for 3 months, which ought to be sufficient to complete this work in sufficient detail to bring a fuller report to Committee in October 2016. 12(a) recognises the possibility that the existing budget figure may need to be revised in order to meet the departmental Service Based review targets.

### **Corporate & Strategic Implications**

14. The demise of the Festival in 2016 has generated a moderate amount of negative publicity for the Corporation, although its effect has been mitigated by well managed communications. There is inevitably some external perception that the Corporation has acted in a miserly way towards the Festival, without any understanding of the financial realities of the City Arts Trust's situation. Creating something new to take its place, which can help support the growing momentum for the Cultural Hub, will be a positive and proactive response to these criticisms. It would support the strategic aims of the City's Cultural and Visitor Strategies which in turn underpin the key policy priority to increase the outreach and impact of the City's cultural, heritage and leisure contribution to the life of London, as expressed in the Corporate Plan.

### **Conclusion**

15. There is considerable support from Members and Officers to develop an appropriate and sustainable annual event to fill the gap left by the City of London Festival. This would be unlikely to be as extensive an undertaking as the two-three week Festival used to be, but enough money should be available to create something which is distinctive, appealing, and contemporary.

### **Appendix**

Report from Caterina Loroggio, on the Workshop held at Guildhall on 15 April 2016.

### **Background Papers**

City Arts Trust/City of London – Culture, Heritage & Libraries Committee, 7 March 2016, Members Only item

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### **1. Purpose**

This paper outlines a suggested way forward for the Department of Culture, Heritage and Libraries to progress plans to repurpose funding previously allocated to the City of London Festival.

Recommendations within the paper follow a workshop meeting held at Guildhall Library on Friday 15 April 2016 for cultural organisations and facilitators working within the City.

### **2. Background**

The City of London Festival ran annually from 1962 to 2015, recently concentrated on a 2-3 week spell in summer, augmented by a weekly winter concert season. It was run by the City Arts Trust, an independent charity which received an annual grant from City of London (in recent years, ca. £350K p.a.). The Trust augmented this income with private and corporate sponsorship, and box office sales, to meet the annual costs of running the Festival, around £1.3M p.a. A vortex of increasing costs, and declining sponsorship, led to budget deficits and in early 2016 it became apparent that the model was no longer sustainable. It was decided in March that City of London funding to the Trust should cease.

At the present time, the £350K annual allocation remains an element in the Culture, Heritage and Libraries Committee budget. There is an aspiration within the City that this funding should be repurposed in order to continue, in some way, to provide the distinct celebratory cultural offer previously provided by the festival.

The City's main cultural partners (including the Barbican, Museum of London, Guildhall School of Music and Drama) were invited to a 2-hour workshop at Guildhall Library on Friday 15 April 2016 to discuss possible options for a way forward. Twelve participants attended the workshop (appendix one lists attendees) which was independently facilitated by Caterina Loriggio.

### **3. Workshop outcomes**

- 3.1 Participants agreed that they would like to work together to create a new cultural event to replace the City of London Festival. They agreed that one of the key benefits of the festival was that it had given them an opportunity to collaborate and work together.
- 3.2 It was agreed that this new model should not be a smaller-scale festival. It was felt that this was unsustainable and in the current cultural context, undistinguishable. Furthermore, the core music programme delivered within the festival is now delivered by other partners within the City.
- 3.3 The group did not support the idea of using the money to develop another pre-existing event such as the Spitalfields Festival. Likewise, the new model must not duplicate other events that take place in the centre of London. It was important to create an inspiring and unique offer, that added value to the City and to London as a whole.
- 3.4 There were a number of key features of the festival that partners would like to see carried over to the new model: opening up City spaces and buildings; developing sense of place; accessible to more diverse audiences; combination of pop-up and landmark events; animating the whole of the square mile.
- 3.5 The group had a preference for focussing activity into a long-weekend or a condensed 24-hours. Participants liked the idea of using both City roof tops and traffic-free roads as a platform for the event. Critically, the event must celebrate and tell the story of the City – its past, present and future.
- 3.6 It was agreed that the new event must have London-wide appeal. Within the City the group identified key audiences as: workers, residents, politicians and to a lesser extent, schools and visitors.

- 3.7 Participants stressed that it was important for this new model to attract a different kind of audience to the current offer. The event, on the most part, should be free to audiences but the group agreed that it could contain some ticketed elements.
- 3.8 The group felt that it was not feasible to seek sponsorship for a 2017 event. It was agreed that if this new model was funded solely by the City of London then it would have to more closely reflect the strategy and organisational policy of the Corporation.
- 3.9 It was agreed that the Department of Culture, Heritage and Libraries should lead the development, delivery and marketing of the new event. It was suggested that each year could have a new lead curator/artist-in-residence that could keep the event feeling continually refreshed and cutting-edge. It was acknowledged that there would need to also be a consistent role to hold partnerships together and retain knowledge.

#### **4. Recommended next steps**

- 4.1 The Department of Culture, Heritage and Libraries to allocate resource for a project manager (either internally or externally sourced). The project manager will build on the outcomes of the workshop and undertake further scoping to define a framework which exploits the assets of the City and develop a model for a new partnership-led event to replace the festival. The new model must encapsulate and showcase the spirit, spaces and the stories of the City, add value to its strong cultural reputation, and attract diverse audiences.
- 4.2 Establish a project board reflecting a similar grouping to the organisations present at the workshop. The board may also offer places to other interested parties such as businesses, especially those from Tech City who could assist with digital developments. A representative of the Corporation to Chair this board.
- 4.3 The board to work with the project manager in the scoping, development and delivery of the new model. Board members will be responsible for delivering key artistic and creative content; they will also work in wider partnership where appropriate.
- 4.4 Investigate and audit audience data in order to profile who is currently 'missing' from City audiences. Set and prioritise target audiences, create a framework and content suitable for such targets.
- 4.5 Consult the tourist survey and audit other London events in order to inform event development in terms of vision, timings and attracting visitor-rich audiences.
- 4.6 Explore further the desirability of a schools element within the model. School participation will greatly influence timing and content of the event. Consider alternative learning/education elements that could be included.
- 4.7 Allocate some investment now in order to make timely plans for 2017.
- 4.8 Align the development of the new model to a revised cultural strategy for the City, also due in 2017.
- 4.9 2017 to be viewed as a seed event which can develop year-on-year. Closely evaluate the 2017 event to inform any future development.

Caterina Loriggio  
19 April 2016

## **Appendix One**

### **Workshop participants**

#### **Culture, Heritage & Libraries department, City of London**

David Pearson, Director of Culture, Heritage & Libraries

Nick Bodger, Head of Culture and Visitor Development, Culture, Heritage & Libraries

Chris Earle, Head of Tower Bridge, Culture, Heritage & Libraries

#### **Mansion House, City of London**

William Chapman, Private Secretary, Mansion House

#### **Open Spaces department, City of London**

Paul Maskell, Leisure & Events Manager (Res), Open Spaces,

Louise Allen, City Garden Manager, Open Spaces

**Town Clerk's department, City of London**

Matthew Pitt, Policy & Projects Officer, Town Clerks

**Remembrancer's department, City of London**

Nigel Lefton, Director of Remembrancer's Affairs, Remembrancer's Office.

**Barbican Centre**

Nicholas Kenyon, Managing and Artistic Director

**Guildhall School of Music and Drama, City of London**

Ronan O'Hora, Head of Advanced Performance Studies and Keyboard Studies

Jonathan Vaughan, Director of Music

**Museum of London**

Sharon Ament, Director, Museum of London

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<b>Committee:</b> Finance Committee	<b>Date:</b> 7 June 2016
<b>Subject:</b> Charities Pool Risk Register 2015-16	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Decision</b>
<b>Report authors:</b> Kate Limna and Steven Reynolds, Chamberlain's Department.	

## Summary

This report provides a key risks register at Appendix 2 for the Corporation of London Charities Pool for review by Members, on behalf of the trustee (the City of London Corporation), to ensure that existing risks are reconsidered, any new risks are identified and that appropriate measures are in place to mitigate those risks.

Currently, the register contains three risks, of which two have an overall risk score of green (4) and one, relating to investment income potentially declining, is amber (12). This risk is mitigated through investments being managed by a professional fund manager, whose performance is monitored by the Chamberlain and Financial Investment Board.

## Recommendations

Members are asked to review the register to confirm that it satisfactorily sets out the risks facing the charity and appropriate measures are in place to mitigate those risks.

## Main Report

### Background

1. This report provides a key risks register for for the Corporation of London Charities Pool charity administered by the Finance Committee on behalf of the trustee (the City of London Corporation).
2. In accordance with the Charity Commission's Statement of Recommended Practice (SORP), Trustees are required to confirm in the charity's annual report that any major risks to which the charity is exposed have been identified and reviewed and that systems are established to mitigate those risks.
3. The Charities SORP requires that the register is reviewed annually to ensure that existing risks are reconsidered and any new risks are identified.

### Review of Risks

4. The method of assessing risk reflects the City of London's standard approach to risk assessment as set out in its Risk Management Strategy as approved by the Audit and Risk Management Committee. The City of London Corporation risk

matrix, which explains how risks are assessed and scored, is attached at Appendix 1 of this report.

5. The risk register to be reviewed by the Finance Committee is set out in Appendix 2. This contains three risks as summarised below:
  1. Income from investments may decline – overall risk score of amber (12);
  2. Conflict of interest – overall risk score of green (4); and
  3. Loss of staff – overall risk score of green (4).

Risk 1 is mitigated through investments being managed by a professional fund manager, whose performance is monitored by the Chamberlain and Financial Investment Board.

6. Each risk in the register has been considered by the responsible officer within the Corporation who is referred to as the 'Risk Owner' in the register.

## **Conclusion**

7. The various risks faced by the charity have been reviewed and Members are asked to confirm that the attached register satisfactorily sets out the key risks together with their potential impact and that appropriate measures are in place to mitigate the risks identified.

## **Appendices**

- Appendix 1 – City of London Corporation Risk Matrix
- Appendix 2 - Corporation of London Charities Pool Risk Register

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### City of London Corporation Risk Matrix (Black and white version)

Note: A risk score is calculated by assessing the risk in terms of likelihood and impact. By using the likelihood and impact criteria below (top left (A) and bottom right (B) respectively) it is possible to calculate a risk score. For example a risk assessed as Unlikely (2) and with an impact of Serious (2) can be plotted on the risk scoring grid, top right (C) to give an overall risk score of a green (4). Using the risk score definitions bottom right (D) below, a green risk is one that just requires actions to maintain that rating.

#### (A) Likelihood criteria

	Rare (1)	Unlikely (2)	Possible (3)	Likely (4)
Criteria	Less than 10%	10 – 40%	40 – 75%	More than 75%
Probability	Has happened rarely/never before	Unlikely to occur	Fairly likely to occur	More likely to occur than not
Time period	Unlikely to occur in a 10 year period	Likely to occur within a 10 year period	Likely to occur once within a one year period	Likely to occur once within three months
Numerical	Less than one chance in a hundred thousand (<10-5)	Less than one chance in ten thousand (<10-4)	Less than one chance in a thousand (<10-3)	Less than one chance in a hundred (<10-2)

Page 91

#### (B) Impact criteria

Impact title	Definitions
Minor (1)	<b>Service delivery/performance:</b> Minor impact on service, typically up to one day. <b>Financial:</b> financial loss up to 5% of budget. <b>Reputation:</b> Isolated service user/stakeholder complaints contained within business unit/division. <b>Legal/statutory:</b> Litigation claim or find less than £5000. <b>Safety/health:</b> Minor incident including injury to one or more individuals. <b>Objectives:</b> Failure to achieve team plan objectives.
Serious (2)	<b>Service delivery/performance:</b> Service disruption 2 to 5 days. <b>Financial:</b> Financial loss up to 10% of budget. <b>Reputation:</b> Adverse local media coverage/multiple service user/stakeholder complaints. <b>Legal/statutory:</b> Litigation claimable fine between £5000 and £50,000. <b>Safety/health:</b> Significant injury or illness causing short-term disability to one or more persons. <b>Objectives:</b> Failure to achieve one or more service plan objectives.
Major (4)	<b>Service delivery/performance:</b> Service disruption > 1 - 4 weeks. <b>Financial:</b> Financial loss up to 20% of budget. <b>Reputation:</b> Adverse national media coverage 1 to 3 days. <b>Legal/statutory:</b> Litigation claimable fine between £50,000 and £500,000. <b>Safety/health:</b> Major injury or illness/disease causing long-term disability to one or more people <b>Objectives:</b> Failure to achieve a strategic plan objective.
Extreme (8)	<b>Service delivery/performance:</b> Service disruption > 4 weeks. <b>Financial:</b> Financial loss up to 35% of budget. <b>Reputation:</b> National publicity more than three days. Possible resignation leading member or chief officer. <b>Legal/statutory:</b> Multiple civil or criminal suits. Litigation claim or find in excess of £500,000. <b>Safety/health:</b> Fatality or life-threatening illness/disease (e.g. mesothelioma) to one or more persons. <b>Objectives:</b> Failure to achieve a major corporate objective.

#### (C) Risk scoring grid

		Impact			
		Minor (1)	Serious (2)	Major (4)	Extreme (8)
Likelihood	X				
	Likely (4)	<b>4 Green</b>	<b>8 Amber</b>	<b>16 Red</b>	<b>32 Red</b>
	Possible (3)	<b>3 Green</b>	<b>6 Amber</b>	<b>12 Amber</b>	<b>24 Red</b>
	Unlikely (2)	<b>2 Green</b>	<b>4 Green</b>	<b>8 Amber</b>	<b>16 Red</b>
	Rare (1)	<b>1 Green</b>	<b>2 Green</b>	<b>4 Green</b>	<b>8 Amber</b>

#### (D) Risk score definitions

<b>RED</b>	Urgent action required to reduce rating
<b>AMBER</b>	Action required to maintain or reduce rating
<b>GREEN</b>	Action required to maintain rating

This is an extract from the City of London Corporate Risk Management Strategy, published in May 2014.

Contact the Corporate Risk Advisor for further information. Ext 1297

October 2015

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## City of London Charities Pool risks to be considered by the FINANCE COMMITTEE

Risk No.	Risk (Short description)	Risk Owner	Committee	Existing Controls	Current Risk				Planned Actions	Target Risk		
					Likelihood	Impact	Rating	Direction		Likelihood	Impact	Rating
1	The income from investments in the Charities Pool may decline	Chamberlain	Finance	Funds are managed by professional fund manager. Monitoring of fund manager's performance by Chamberlain/ Financial Investment Board.	Possible	Major	12	↔	Continue with current course of action.	Possible	Major	12
2	Conflicts of interest	Chamberlain	Finance	Understanding of trust law. Protocol for disclosure of potential conflict of interest.	Unlikely	Serious	4	↔	Continue with current course of action.	Unlikely	Serious	4
3	Loss of directly employed staff and/or support staff	Chamberlain	Finance	Documentation of systems, plans and projects. Training programmes.	Unlikely	Serious	4	↔	Continue with current course of action.	Unlikely	Serious	4

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<b>Committee:</b> Finance Committee	<b>Date:</b> 7 June 2016
<b>Subject:</b> Central Contingencies	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Stephen Telling, Chamberlain's Department	

1. Service Committee budgets are prepared within the resources allocated by the Policy and Resources Committee and, with the exception of the Policy and Resources Committee, such budgets do not include any significant contingencies. The budgets directly overseen by the Finance Committee therefore include central contingencies to meet unforeseen and/or exceptional items that may be identified across the City Corporation's range of activities. Requests for allocations from the contingencies should demonstrate why the costs cannot, or should not, be met from existing provisions.
2. In addition to the central contingencies, the Committee has a specific City's Cash contingency to support humanitarian disaster relief efforts both nationally and internationally. The available balance of £130,000 on this contingency includes funds brought forward from 2015/16.
3. The uncommitted balances that are currently available are set out in the table below. At the time of preparing this report, there were no further requests for use of the contingencies included on the agenda.

2016/17 Contingencies – Uncommitted Balances at 24 May 2016				
	City's Cash £'000	City Fund £'000	Bridge House Estates £'000	Total £'000
General Contingencies	950	800	50	1,800
National and International Disasters	130	0	0	130
<b>Uncommitted Balances</b>	<b>1,080</b>	<b>800</b>	<b>50</b>	<b>1,930</b>

4. The sums which the Committee has previously allocated from the 2016/17 contingencies are listed at Appendix 1.

### Recommendations

Members are asked to note the report.

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## Appendix 1 2016/17 Contingencies

### 2016/17 General Contingency – City's Cash

Committee Date	Description	Responsible Officer	Allocation £	Contingency Balance £
	2016/17 Provision			950,000
	2015/16 Provision brought forward to fund allocations agreed in previous years			310,000
	<b>Total Provision</b>			<b>1,260,000</b>
21 Oct 2014	Up to £98,500 in match funding (in partnership with the Mercers' Company) for a biography of Sir Thomas Gresham. Phased over 5 years - £33,500, £5,000, £5,000, £25,000 and £30,000 in 2014/15, 2015/16, 2016/17, 2017/18 and 2018/19 respectively.	TC	60,000	
17 Feb 2015	Grant funding for The Honourable The Irish Society (£25,000 p.a. for 2014/15 and 2015/16) with payment of the grant conditional upon the purchase of the land in question for development.	TC	50,000	
15 Dec 2015	£150,000 to fund emergency repair works to the glass panels of the Guildhall West wing staircase.	CS	150,000	
15 Dec 2015	£50,000 to the Police Arboretum Memorial Trust in support of its project to create a new national memorial to pay tribute to the UK's Police Service.	TC	50,000	
	<b>Total allocations agreed to date</b>			<b>310,000</b>
	<b>Balance remaining prior to any requests that may be made to this meeting</b>			<b>950,000</b>

## Appendix 1 2016/17 Contingencies

### 2016/17 General Contingency – City Fund

Committee Date	Description	Responsible Officer	Allocation £	Contingency Balance £
	2016/17 Provision			800,000
	2015/16 Provision brought forward to fund allocations agreed in previous years			118,000
	Total Provision			918,000
17 Feb 2015	£142,000 (£84,000 in 2014/15 and £58,000 in 2015/16) towards an appeal regarding Greater London Authority Roads. In 2015/16 £20,000 of the allocation was spent therefore the balance of £38,000 was brought forward into 2016/17.	C&CS/CS	38,000	
19 Jan 2016	£80,000 increase in the allocation towards the Greater London Authority Roads appeal.	C&CS/CS	80,000	
	Total allocations agreed to date			118,000
	Balance remaining prior to any requests that may be made to this meeting			800,000

### 2016/17 General Contingency – Bridge House Estates

Committee Date	Description	Responsible Officer	Allocation £	Contingency Balance £
	2016/17 Provision			50,000
	Total allocations agreed to date			0
	Balance remaining prior to any requests that may be made to this meeting			50,000

## Appendix 1 2016/17 Contingencies

### 2016/17 National & International Disasters Contingency – City’s Cash

Committee Date	Description	Responsible Officer	Allocation £	Contingency Balance £
	2016/17 Provision			100,000
	2015/16 Unspent provision brought forward			80,000
	Total Provision			180,000
12 Apr 2016	£50,000 grant to UK Community Foundations to benefit children who are refugees/seeking asylums	TC	50,000	
	Total allocations agreed to date			50,000
	Balance remaining prior to any requests that may be made to this meeting			130,000

#### Key to Responsible Officers

CS: City Surveyor

TC: Town Clerk

C&CS: Comptroller and City Solicitor

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