



## Procurement Sub-Committee

**Date:** WEDNESDAY, 7 NOVEMBER 2018  
**Time:** 3.00 pm  
**Venue:** COMMITTEE ROOMS - 2ND FLOOR WEST WING, GUILDHALL

**Members:** Hugh Morris (Chairman)  
Deputy Robert Merrett (Deputy Chairman)  
Randall Anderson  
John Fletcher  
Michael Hudson  
Deputy Clare James  
Susan Pearson  
Deputy Jamie Ingham Clark  
Jeremy Mayhew

**Enquiries:** John Cater  
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**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. **DECLARATIONS BY MEMBERS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **MINUTES**  
To agree the public minutes of the meeting held on 24 July 2018.  
  
**For Decision**  
(Pages 1 - 6)
4. **PRESENTATION - PROCUREMENT SAVINGS AND EFFICIENCY PROCESS AND PERFORMANCE**  
  
**For Information**
5. **CITY PROCUREMENT QUARTERLY PROGRESS REPORT**  
Report of the Chamberlain  
  
**For Information**  
(Pages 7 - 10)
6. **ACTION PLAN TO IMPROVE 10-DAY PAYMENT PERFORMANCE**  
Report of the Chamberlain  
  
**For Information**  
(Pages 11 - 14)
7. **LIVING WAGE ACCREDITATION - POTENTIAL ENHANCEMENTS**  
Report of the Chamberlain.  
  
**For Information**  
(Pages 15 - 22)
8. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**
9. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
10. **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**

11. **NON-PUBLIC MINUTES**

To agree the non-public minutes of the meeting held on 24<sup>th</sup> July 2018.

**For Decision**  
(Pages 23 - 26)

12. **PROJECT MANAGEMENT CONSULTANTS (FOR CONSTRUCTION)  
FRAMEWORK PROCUREMENT STAGE 1 STRATEGY REPORT**

Report of the Chamberlain

**For Decision**  
(Pages 27 - 34)

13. **WASTE COLLECTION, STREET CLEANSING AND ANCILLARY SERVICES -  
CONTRACT AWARD**

Joint Report of the Chamberlain and the Director of the Built Environment

**For Decision**  
(Pages 35 - 56)

14. **HOUSING RESPONSIVE REPAIRS, MAINTENANCE AND VOIDS SERVICE -  
PROCUREMENT STAGE 2 AWARD REPORT**

Joint Report of the Chamberlain and the Director of Community and Children's  
Services

**For Decision**  
(Pages 57 - 60)

15. **REVISIONS TO THE COMPETITIVE PROCUREMENT EXEMPTIONS POLICY**

Report of the Chamberlain

**For Decision**  
(Pages 61 - 72)

16. **DEPARTMENTAL RESPONSE TO LATEST CHIEF OFFICERS PURCHASE CARD  
REPORT**

Report of the Chamberlain

**For Information**  
(Pages 73 - 78)

17. **SUMMARY REPORT ON NON-COMPLIANT WAIVERS OVER £50K FROM JULY  
2018 - SEPTEMBER 2018**

Report of the Chamberlain

**For Information**  
(Pages 79 - 82)

18. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**
19. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

## **PROCUREMENT SUB-COMMITTEE**

**Tuesday, 24 July 2018**

**Minutes of the meeting of the Procurement Sub-Committee held at the Guildhall EC2 at 11.30 am**

### **Present**

#### **Members:**

Hugh Morris (Chairman)	Michael Hudson
Deputy Robert Merrett (Deputy Chairman)	Susan Pearson
Randall Anderson	Deputy Jamie Ingham Clark
John Fletcher	Jeremy Mayhew

#### **Officers:**

Chris Bell	- Commercial Director, Chamberlain's Department
Peter Kane	- The Chamberlain
James Carter	- Chamberlain's Department
Philip Walter	- City Surveyor's Department
Daria Faeti	- City Surveyor's Department
Jade Marjorum	- Chamberlain's Department
Kerry Chon	- Chamberlain's Department
David Scott	- Chamberlain's Department
Phil Black	- Chamberlain's Department
Devika Persaud	- Town Clerk's Department
Emma Cunnington	- Town Clerk's Department

#### **1. APOLOGIES FOR ABSENCE**

Apologies were received from Deputy Clare James.

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

There were no declarations.

#### **3. TERMS OF REFERENCE**

The Sub-Committee received their terms of reference. The Chairman underlined to the Sub-Committee that its remit comprised of value for money and the procurement process rather than the specifications of the service delivered.

Additionally, Members noted that the relevant officers from the Procurement Team within the Chamberlain's Department would be presenting at this Sub-Committee, and that the pattern of meetings for this Sub Committee would take place one week before the meeting of the Grand Committee.

**RESOLVED**, that:

- The terms of reference of the Procurement Sub-Committee be noted and that the delegation of procurement decisions below £4m now sit with the Procurement Sub Committee

4. **RESOLUTION FROM PORT HEALTH AND ENVIRONMENTAL SERVICES COMMITTEE**

The resolution from Port Health and Environmental Services Committee was considered in non-public session as it was exempt by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

5. **PRESENTATION - CITY PROCUREMENT OVERVIEW STRATEGY AND GOVERNANCE**

The Sub-Committee received a presentation from the Commercial Director, outlining the Procurement Team's strategy and governance.

It was agreed that the presentation would be circulated to the Sub-Committee which outlined: the aims of City Procurement, an overview of the services that City Procurement provides, the City Procurement Strategy 2015-2018, a roadmap of continuous improvement, the emerging strategic themes for 2019 onwards, the Procurement governance structure, and the structure of the City Procurement team.

The following points were made during the presentation:

- Whilst most procurement services included only category management and strategic sourcing, City Procurement's services spanned a much larger area of services;
- The Accounts Payable team sat within City Procurement;
- Corporate, social responsibility was a core strand within the strategic themes of City Procurement and would continue to be in the new strategy;
- A paper on the roadmap would be submitted to a future meeting of the Sub-Committee;
- Category boards included representatives from every relevant department;
- Category boards were all chaired by a Chief Officer or a Director of a department, not a City Procurement resource.

One Member highlighted to the Sub Committee of the Commercial Director's achievement of winning the Chartered Institute of Procurement & Supply's *Procurement and Supply Chain Management Professional of the Year* award.

**RESOLVED**, that:

- The presentation be circulated to the Sub-Committee electronically.

6. **CITY PROCUREMENT SERVICES GUIDE**

The Sub-Committee received a report of the Chamberlain outlining the range of functional responsibilities to deliver corporate services to the City Corporation, to assist the Members of the Procurement Sub-Committee in familiarising themselves on the responsibilities of the committee.

Members discussed how improvements needed to be made to the Commercial Contract Management function of City Procurement, as there currently seemed to be a lack of effective management of contracts corporately. The Commercial Director acknowledged that more work is needed to be done and advised that the Commercial Contract Management function supported the wider business, and that, as many existing contracts were fairly historic, some had not been declared to City Procurement, and their focus was on tackling the higher risk contracts first.

Another Member questioned the wording in the terms of reference concerning “consider[ing] approvals of £50k+ waivers” and was concerned that this Sub Committee may become an impediment to approval by the Finance Committee and, if necessary, Court of Common Council. The Chairman assured the Member that it had already been discussed how the timing of the Procurement Sub Committee would fit into the cycle of Finance Committee meetings, so decisions should not be delayed.

Following questions, the Commercial Director confirmed that, whilst a central register of contracts and their expiry dates existed, there were some historic contracts that still needed to be “unpicked” and the central register, therefore, contained gaps. In addition, the Director advised Members that the Procurement team worked closely with the Finance Directors within departments in an attempt to avoid overlooking any existing contracts in the annual sourcing plan exercise.

Another Member asked the Commercial Director about lessons learnt following recent delays to maintenance of the Barbican estates, which caused distress to residents. The Commercial Director reported that ways of working between the Procurement team and the Community and Children’s Services department had significantly improved. The Member asked for a joint paper to be reported back to this Sub-Committee with plans on how to overcome delays in this area in future.

Members also discussed how they could help the Procurement team, directly and by influencing other Members, by not approving revised budgets mid-term from service departments when reported to the Finance Committee.

**RESOLVED**, that:

- The report be noted.
- A future report from the Commercial Director and Director of Children and Community Services on the work being delivered to improve Housing procurement initiatives to come back to committee.

**7. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**

There were no questions.

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

There was no other business.

9. **EXCLUSION OF THE PUBLIC**

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

Item	Paragraph
10	3
11	3
12	3, 4
13	1, 2, 3
14	3
16	3

10. **CONTRACT FOR THE PROVISION OF THE CITY REVENUES CAPITA ONE REVENUES BILLING SYSTEM WAIVER REPORT**

The Sub-Committee considered a report of the Chamberlain concerning the contract for the provision of the City Revenues Capita One Revenues Billing System.

11. **CORPORATE SECURITY SERVICES - PROCUREMENT STAGE 1**

The Sub-Committee considered a report of the Chamberlain concerning the selection of the preferred supplier for a Corporate Security solution for the City Corporation.

12. **CORPORATE LIFT MAINTENANCE SERVICES - PROCUREMENT STAGE 1**

The Sub-Committee considered a report of the City Surveyor, the Director of Community and Children's Services and the Chamberlain concerning the procurement strategy and evaluation criteria to be used in the selection of the preferred supplier(s).

13. **NON-COMPLIANT WAIVER REPORT FOR APRIL - JUNE 2018**

Members received an update report of the Chamberlain concerning non-compliant waivers valued over £50,000, which have been approved by the relevant Spending Committee or under urgency in accordance with the Waiver Approval Process contained in Rule 25 of the City of London Corporation's Procurement Code for the period of April 2018 – June 2018.

14. **CONTRACT MANAGEMENT CORPORATE SUPPLIER PERFORMANCE SCORECARD RESULTS FY 2017/18**

The Sub-Committee received a report of the Chamberlain informing Members of the Corporate Supplier Performance Scorecard, which had been developed in line with the strategy to improve the Commercial and Contract Management performance of the organisation.

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

There were no questions.



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

One item of urgent business was discussed concerning a resolution from the Port Health and Environmental Services Committee, regarding the procurement of a Waste Collection, Street Cleansing and Ancillary Services provider.

The Chairman advised Members that the Commercial Director would draft a response to the Committee.

**The meeting closed at 12.50 pm**

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Chairman

**Contact Officer: Emma Cunnington**  
**[emma.cunnington@cityoflondon.gov.uk](mailto:emma.cunnington@cityoflondon.gov.uk)**

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<b>Committee(s)</b>	<b>Dated:</b>
Procurement Sub Committee	7 November 2018
<b>Subject:</b> City Procurement Quarterly Progress Report (November 2018)	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Chris Bell, Commercial Director, Chamberlain's	

## Summary

The report updates Members on the work of City Procurement, key performance indicators and areas of progress as at the end September 2018.

### **Members are asked to:**

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

- i. Procurement savings at end of September 18 of £3.21m achieved against cumulative target of £3.12m.
- ii. Projecting year-end procurement savings of £6.77m against target of £6.52m.
- iii. Additionally, achieved Commercial Contract Management savings to date of £616k.
- iv. Purchase Order Compliance is at 97% for FY18/19 to date.
- v. For the first half of FY 18/19, 95% of all supplier payments are happening within 30 days whilst 80% of SME supplier payments are happening within 10 days. An action plan to improve and stabilise our 10-day payment performance has been devised.
- vi. Finally, 72% of invoices are currently received in True PDF format which is the compatible format required in preparation for a new e-invoicing system that should be in place by the end of FY 2018/19.
- vii. Waiver trends:
  - a) Number of waivers has reduced by 50% this year to date.
  - b) Non-compliant waivers have decreased by 78%.
  - c) 22 Procurement breaches in total recorded to date this year.

## Main Report

### **Background**

1. City Procurement has four main functions, Category Management/Sourcing, Commercial Contract Management, Accounts Payable and Policy and Compliance. This report updates on progress and current performance of delivery against the service KPIs set in the Chamberlain's Business Plan in April 2018.

### **Efficiency and Savings**

2. City Procurement is set an annual savings target at the start of each year based on the contracts to be let during the financial year that have the potential to make

efficiency or cost savings and contracts let in previous years that are generating guaranteed savings in the current year. Each contract is reviewed by the relevant Category Board to set the targets: each contract target considers historic spend, scope changes, complexity, risk and industry benchmarks. The 2018/19 City Procurement target is £6.52m as approved at Finance Committee in June 2018.

### **The Annual Savings Target elements**

3. The 2018/19 annual savings target was set using two types of in-year savings:
  - a. **Previously let contracts generating savings (known as run-rate)** – Savings already guaranteed for the current financial year from contracts let in previous years. This is for contracts that span different financial years and is typically for service contracts that are let for a 2-7 year period when the savings are spread across the contract life.
  - b. **New contracts let generating savings** – Savings targeted to be generated from new contracts let during the current financial year.
4. The savings targets are for competitive price savings and are not inclusive of scope changes/service downgrades or other operational decisions which are treated as local department savings.

### **Commercial Contract Management savings target**

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

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

6. City Procurement to date has achieved £3.21m compared to the cumulative target of £3.12m for this period. In terms of the annual position, City Procurement is projecting a positive end of year position of realised savings totalling £6.77m against the target of £6.52m. Of the projected £6.77m total savings, £6.04m will be budget impact savings. (£780k new cashable this year).
7. Additionally, Commercial Contract Management efficiencies and savings have already been achieved this year. As a result, a total savings of £616k have contributed to the 2018/19 target of £1.27m. A regular update on Commercial Contract Management efficiencies and savings initiatives are to be reported at Procurement Sub-Committee.

### **Accounts Payable Performance – Compliance with No PO No Pay Policy**

8. The Corporation's No Purchase Order (PO) No Pay Policy is now fully embedded, and we continue to achieve high levels of compliance. We achieved 97% compliance on average against our target for FY18/19 of 97% as at the end of September 2018.

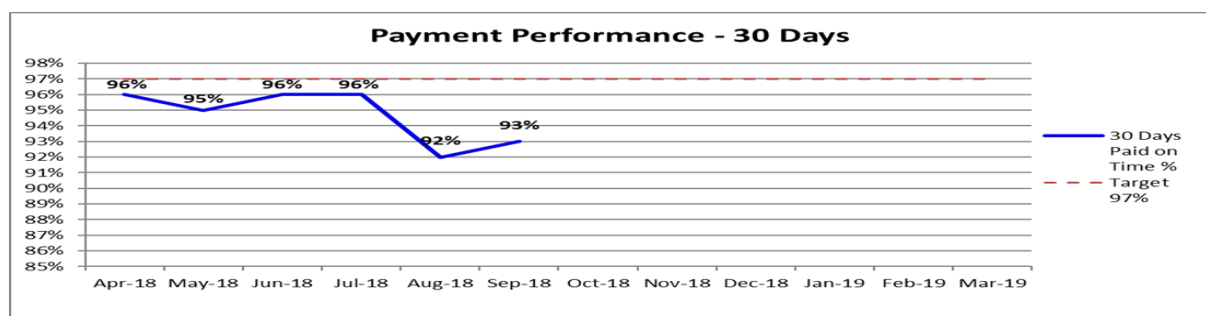
### **Payment Performance**

9. The Corporation's 30-day invoice paid-on-time performance is currently 95% (target 97%) for the period April – September 2018 inclusive.

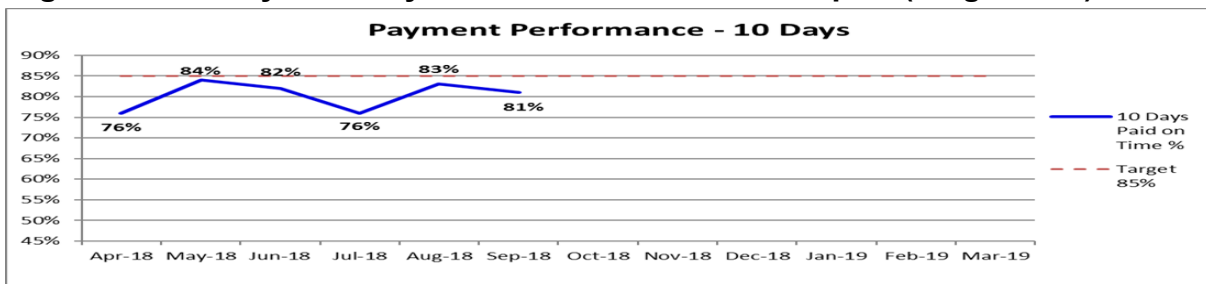
10. Our 10-day SME invoice payment performance is 80% (target 85%) as at the end of September 2018. Unfortunately, the 10-day paid-on-time figure is falling short of the target, however we have exceeded 80% in 4 out of the first 6 months of FY 18/19, with a high of 84% in May, and we are taking measures to ensure further improvement. An action plan has been drawn up to seek to achieve the target (*subject of a separate paper on Procurement Sub November 2018 agenda*), and is as follows:

- a. Set up rules in Accounts Payable mailbox to prioritise SME invoices, to give them the best possible chance of being paid within 10 days. This was set up in September and we are intending to expand the scope of the rules.
- b. Add the SME flag on a supplier to the Expected Receipts report to help departments prioritise the receipting of SME purchase orders (POs).
- c. Give priority to SME invoices when chasing invoices on hold.
- d. Send an email to all staff who receive confirm receipt notifications, reminding them of the importance of receipting POs in a timely manner.
- e. Target low performing departments and analyse their invoices to identify the cause of their late payments and take preventative action.

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



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

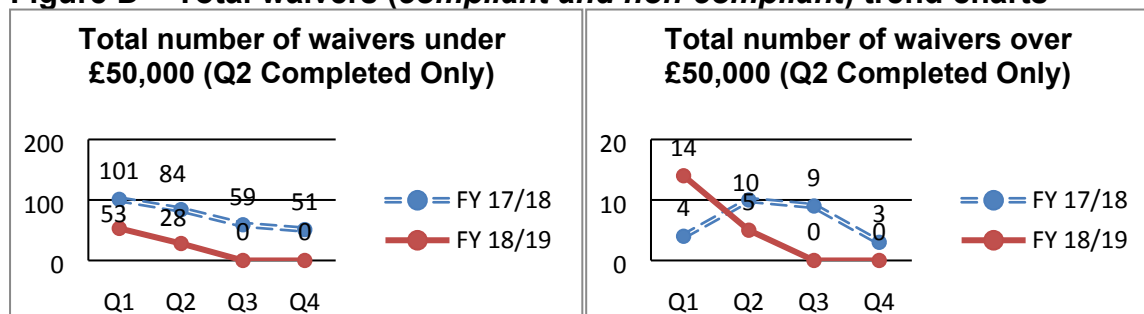


11. **True PDF Invoices Received** Starting from FY 18/19 City Procurement have been monitoring the number of invoices received in 'True PDF' format, which is the machine-readable format required for the new electronic invoicing system that is due to be introduced during FY 18/19. Of all invoices received from suppliers from April to September 2018 inclusive 72% were in the desired True PDF format. The figure for September alone is 74%, so we are trending upwards and are aiming to reach 80% by April 2019. The new e-invoicing technology should increase process efficiency whilst reducing error rates, as it eradicates the need for manual keying.

## Current Waiver performance

12. This part of the report sets out the quarterly trend update on the approval of waivers. The following graphs compare the trend for the number of waivers from Q2 2017/18 and Q2 2018/19. Waivers for procurements valued under £50k require Chief Officer approval, while those above £50k require the approval of the appropriate spend Committee.

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



13. The total number of waivers completed between April and September 2018 inclusive is **100** (compared to 199 for same period in 2017/18), which breaks down as follows:

- a. Compliant Waivers **67** – (value £6.00m)
- b. Non-Compliant Waivers **33** – (value £1.45m)
  - i. Procurement Breaches (subset of Non-compliant total) **22** (£994k)

### 14. Trends:

- a. There were half as many waivers in the first two quarters of the current year as there were in the first two quarters of last year.
- b. Comparing the same two periods, the total number of non-compliant waivers has decreased by 78%.
- c. Non-compliant waivers make up 33% of all waivers completed during the first half of the current financial year.

## Freedom of Information Requests

15. City Procurement have responded to 16 FOI requests during the period of April to September 18 totalling 25 hours of officer time.

## Conclusion

16. City Procurement continues to achieve consistent performance, attaining the majority of its KPIs for the first half of the current financial year. The 10-day payment target remains challenging and our reliance on the business to goods receipt promptly adds to the challenge, but we are implementing measures to improve performance in this area. Aside from the 10-day payment performance, we are on track to achieve our service KPIs and over-achieve on Procurement Savings.

## Report Author

Christopher Bell, Commercial Director, Chamberlain's Department

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<b>Committee(s)</b>	<b>Dated:</b>
Procurement Sub Committee	7 November 2018
<b>Subject:</b> Action Plan to Improve 10-Day Payment Performance	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Andrew Lenihan, Head of Accounts Payable, City Procurement, Chamberlain's	

## Summary

The report informs Members of City Procurement's plan to improve 10-day payment performance, which mainly relates to the payment of invoices from small to medium enterprises (SMEs). This is due to sustained period of non-achievement against our Key Performance Indicators, to date we have been paying on average 80% of invoices within 10 days against a target of 85%.

The Action Plan details the following interventions:

- a. Establish new rules in AP mailbox to prioritise SME invoices.
- b. Add the SME flag on a supplier to the Expected Receipts report to help departments prioritise the receipting of SME purchase orders (POs).
- c. Give priority to SME invoices when chasing invoices on hold.
- d. Send an email to all staff who receive confirm receipt notifications, reminding them of the importance of receipting POs in a timely manner.
- e. Send an email to all departmental business managers reminding them of the importance of getting suppliers to email invoices directly to AP.
- f. Continue working to eradicate paper invoices.
- g. Target low performing departments and analyse their invoices to identify the cause of their late payments and take preventative action.

This report provides more detail on the action plan interventions and updates on the implementation of the action plan as well as any initial impact of the new interventions.

### **Members are asked to:**

- Note the paper and the action plan.

## Main Report

### **Background**

1. The Accounts Payable (AP) function within City Procurement has a target to pay 85% of invoices from SMEs within 10 calendar days of receiving an invoice. The target was reduced to 85% from 88% at the start of the current financial year, as the 88% target had proved unattainable over previous years, due to a number of challenges. However, we have subsequently not been able to meet the 85% target this financial year.

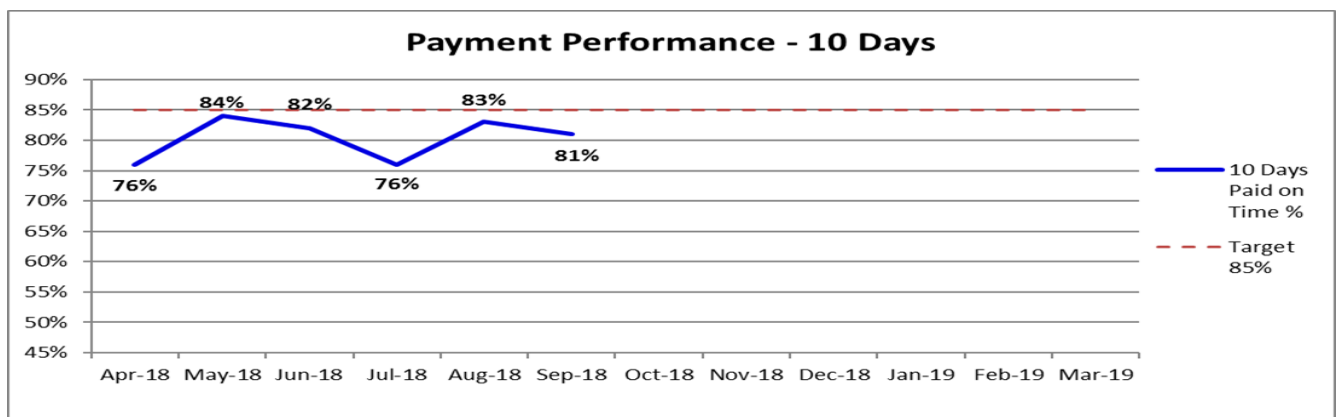
## Main contributory factors of failure to achieve target

2. Firstly, the performance is measured by calendar days, which means that if an invoice is received from an SME on a Friday, we only have 6 working days to make the payment, due to the 2 weekends, and if any Bank Holidays fall within the 10-day period, working days are obviously reduced further.
3. Secondly, to meet the 10-day target, we have set ourselves the goal of inputting invoices to the Oracle system within 2 working days of an invoice arriving (this has to be working days, because we are not here to input on weekends and Bank Holidays). Heavy inflows of invoices at certain times of the month and temporary reductions in AP staff resource due to leave or illness can delay the time it takes to input invoices to the Oracle system. The average time to input for Q1 and Q2 of the current financial year was 3.3 working days.
4. Thirdly, invoices submitted by suppliers to departments before being forwarded to AP, instead of being emailed by suppliers directly to AP immediately cause a delay.
5. Furthermore, paper invoices that need to be scanned before they can be input increase our likelihood of not hitting a 10-day turnaround.
6. Lastly, and perhaps most importantly, we are reliant on internal stakeholders in departments to receipt purchase orders (POs) and approve PO-exempt invoices and price variances in a timely manner, which would ideally be within 3 working days if we are to meet our 10-day target. Even though the relevant internal stakeholder is sent an automatic confirm receipt or approval email, from which he/she can take the appropriate action without logging into the system, we have found that the greatest single reason for invoices being paid late is due to inaction or delayed action on the part of these officers.

## Performance this year to date

7. Our 10-day SME invoice payment performance for the first six months of the current financial year was 80%, compared to the target of 85%, and we have not managed to hit the target in any single month during Q1 and Q2. However, we have exceeded 80% in 4 out of those 6 months, with a high of 84% in May.

**Figure A – 10-Day SME Payment Performance Trend (Target 85%)**





## Action plan to improve payment performance

8. An action plan has been drawn up to mitigate some of the issues and aim to improve our performance in a sustained manner in the coming months. The planned interventions are as follows:
9. Establish new rules in AP mailbox to prioritise SME invoices.
  - **Actions taken to date:** New rules set up in AP mailbox to prioritise SME invoices, to give them the best possible chance of being paid within 10 days. This was set up in September for the top 30 SMEs by invoice volume and top 30 SMEs by late payments to trial it, and we are intending to expand the scope of the rules beyond these 60 suppliers by the end of December.
  - **Impact to date (or projected):** Looking at the volumes for these 60 suppliers and their payment performance for April to August 2018, this action could potentially improve the overall performance by approximately 3%.
10. Add the SME flag on a supplier to the Expected Receipts report to help departments prioritise the receipting of SME purchase orders (POs).
  - **Actions taken to date:** We are working with the Oracle Team to see if we can add the SME flag.
  - **Impact to date (or projected):** If Departments run the report regularly and review SME orders as a priority, ensuring receipts are actioned promptly, this action could potentially increase the overall figure by approximately 5%.
11. Give priority to SME invoices when chasing invoices on hold.
  - **Actions taken to date:** We currently chase invoices on hold, but do not prioritise invoices from SMEs, because we do not yet have an SME indicator on the Invoices on Hold report, so are working with the Oracle Team to see if we can add one.
  - **Impact to date (or projected):** If the SME flag can be added to the Invoices on Hold report and we issue it weekly and appropriate action is taken by the Departments, we expect to see a positive impact, but it is difficult to estimate the potential improvement. We should have a good idea of the projected impact by the end of January 2019.
12. Send an email to all staff who receive confirm receipt notifications, reminding them of the importance of receipting POs in a timely manner.
  - **Actions taken to date:** None – email to be issued in October.
  - **Impact to date (or projected):** In concert with point 10, this action could potentially increase the overall figure by approximately 5%.
13. Send an email to all departmental business managers reminding them of the importance of getting suppliers to email invoices directly to AP.
  - **Actions taken to date:** None – email to be issued in October.
  - **Impact to date (or projected):** About 20% of SME invoices currently go directly to Departments. If we can eradicate this practice, these invoices would be input much sooner, increasing the chance that they will be paid

on time, but this is still dependent on Departments taking other action promptly, e.g. PO receipting.

- 14.** Continue working to eradicate paper invoices. Most, if not all, SMEs and even sole-traders should have the ability nowadays to email invoices to us. Readily available software packages and smartphone apps like QuickBooks, Quicken and FreshBooks provide this capability as standard.
- **Actions taken to date:** We have reduced incoming paper invoices from 23% in April 2015 to just 4% in September 2018 through targeted communications with suppliers.
  - **Impact to date (or projected):** If we can completely eradicate paper invoices from SMEs, invoices would be input much sooner, due to the removal of postal delivery and scanning, increasing the chance that they will be paid on time, but this is still dependent on Departments taking other action promptly, e.g. PO receipting.
- 15.** Target low performing departments and analyse their invoices to identify the cause of their late payments and take preventative action.
- **Actions taken to date:** This is an extremely labour-intensive task, as we will have to manually investigate each late transaction and decide on the factor(s) that caused the invoice to be paid late.
  - **Impact to date (or projected):** Looking at the figures for September, if we could improve two of the worst performing Departments to the point where they are meeting the target, the overall figure would improve by 3%.

## Conclusion

- 16.** As the first step in the plan (setting up rules in the AP mailbox) was only taken part way through September, it is too early at the time of writing to determine whether it has been effective. However, the cumulative impact of the plan that we are implementing, along with technological advancements that we are working on, like e-invoicing and AP file uploads, could potentially see us exceeding the 10-day payment performance target of 85% before the end of the current financial year.

## Report Author

Andrew Lenihan, Head of Accounts Payable, City Procurement  
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<b>Committee:</b>	<b>Date:</b>
Policy and Resources Committee – For Decision	4 October 2018
Establishment Committee – For Information	22 October 2018
Procurement Sub-Committee – For Information	7 November 2018
Finance Committee – For Information	13 November 2018
<b>Subject:</b>	<b>Public</b>
Living Wage Accreditation – Potential enhancements	
<b>Report of:</b>	<b>For Decision</b>
The Chamberlain	
<b>Report Author</b>	
Chris Bell, Commercial Director, Chamberlain's	

## Summary

The City Corporation has been committed to the principle of Living Wage since 2012 and is an accredited member of the Living Wage Foundation since 2014. From April 2016 we have been fully compliant in line with the license for direct staff, temporary workers, contractors and supplier staff. The accreditation covers three main strands of committed support:

1. Commitment to pay our own staff and apprentices in line with the London Living Wage.
2. Commitment to pay suppliers' staff in line with the Living Wage Foundation accreditation terms and conditions.
3. Promote the adoption of the Living Wage accreditation by City Businesses.

We have a well established and strong working relationship with the Living Wage Foundation as an early adopter of the standard and this has been illustrated by the Living Wage Awards being held at Guildhall earlier this year and the Barbican Centre being the location for the live announcement of the new rate this coming November.

There is now an opportunity to explore whether steps could be taken to build on this already strong commitment, including in those areas, such as the use of contract workers, where the existing Living Wage Foundation licence conditions could be further strengthened.

This report considers the possible enhancements below: *detailed in paragraph 9 of the main report*):

- An enhanced Commitment to current Live Wage Policy** – *Mandate the Living Wage to be paid to all workers delivering two or more hours work.*
- Potential for an advanced Live Wage Accreditation being obtained** – *Consult with the Living Wage Foundation to develop a higher level of accreditation and be an exemplar of a Living Wage organisation.*
- Backdating Living Wage payments** - *Explore budgetary and operational implications regarding the potential to backdate Living Wage Payments to supplier employees to when the new rate is announced in November each*

- year (currently get their salary uplifted on 1st April each year but not backdated).*
- iv. **Auditing Compliance for Low Value Contracts** - *To introduce an audit of low value contracts below £10k to ensure compliance with the proposed revised Living Wage policy after twelve months and thereafter as a regular part of the audit cycle.*
  - v. **Funding and Promotion of the Living Wage** - *Consider sponsorship of the Living Wage Foundation or add to our existing level of support to them via other channels within the City Corporation. This strand is also the subject of a more detailed paper being presented by EDO at this committee.*

As well as these possible enhancements the report considers other items related to audit and risk, the financial treatment related to the policy and lastly, our current and future commitment to the Living Wage Foundation.

The findings in each of these areas are presented after consultation with the Living Wage Foundation, Economic Development, Communications team, Comptrollers, Finance, Audit and Human Resources as well as Members that have expressed an interest in the policy. There are recommendations to enhance our commitments beyond the Living Wage accreditation requirements which we already meet.

### **Recommendations**

Members of **Policy and Resources** are asked to:

1. Agree to enhance our commitment through the mandating of payment of the Living Wage to all contracted supplier staff delivering two hours or more work for the City Corporation.
2. Give the go ahead to commence discussions with the Living Wage Foundation on the Corporation being an early adopter of their 'in-development' enhanced accreditation standard.
3. Decide which option the Corporation should take with regards the backdating of Living Wage payments from:
  - a. Continue to uplift Living Wage payments at 1<sup>st</sup> April each year in line with our existing policy and the Living Wage Foundation license.
  - OR
  - b. Approve a change to our existing policy and mandate the back dating of the payments of Living Wage to affected staff to the date of the announcement each year (*typically November*) from Financial year 2019/2020 onwards:
    - i. For our own staff and apprentices with £150k additional costs per annum.
    - ii. For both our own staff and suppliers' staff with £400k additional costs per annum (*£250k suppliers, £150k direct staff*).
4. If Policy and Resources approve resolution 3b in part or whole, then the committee must decide how to deliver the backdating of Living Wage payments from the options below:

- a. At the start of each new financial year, provide a back payment of Living Wage to the staff and suppliers in lieu of monies owed for an uplift effective from the date of the annual announcement.

OR

- b. Immediately uplift payments effective the first month after the annual announcement (December).
5. Agree that an annual paper is received to the committee on the impact, progress and outcomes achieved by this enhanced policy.

Members of **Establishment** Committee are asked to:

- Note the report.

Members of **Procurement Sub** Committee are asked to:

- Note the report.

Members of **Finance** Committee are asked to:

- Note the report.

### **Main Report**

#### **Background**

1. Finance and Policy and Resources Committees in October 2014 approved that the City of London Corporation would become an accredited member of the Living Wage Foundation and commit to a phased implementation of paying all contracted supplier staff the Living Wage and London Living Wage where appropriate. This built on the decision at Court of Common Council in July 2012 to pay all direct and temporary staff the Living Wage as part of our pay and rewards policy.
2. At the same Committees in May 2015, this commitment was further strengthened with a decision to mandate the payment of Living Wage and London Living Wage to all existing and new external service providers in line with the Living Wage Foundation licence with immediate effect, making it a pass/fail criterion in our procurement selection procedures for all new contracts in line with the Living Wage Foundation's accreditation criteria.
3. The accreditation covers three main strands of committed support:
  1. Commitment to pay our own staff and apprentices in line with the London Living Wage.
  2. Commitment to pay suppliers' staff in line with the Living Wage Foundation accreditation terms and conditions.
  3. Promote the adoption of the Living Wage accreditation by City Businesses.

### **Current Position**

4. Since April 2016, the City Corporation has been compliant with the requirements of the Living Wage Foundation's accreditation and has contractual terms with all suppliers covered under the LWF Licence to pay the Living Wage salary levels including annual uplifts.
5. We have a well-established and strong working relationship with the Living Wage Foundation as an early adopter of the standard and this has been illustrated by the Living Wage Awards being held at Guildhall earlier this year and the Barbican Centre being the location for the live announcement of the new rate this coming November.
6. The only area that the Corporation has not yet been able to shift fully to be compliant is a small number of supported living contracts managed by DCCS, this is because the selection of care home is an individual carer's choice and the Corporation can only promote Living Wage Facilities with no powers to mandate it.

### **Recent Event**

7. A recent incident showed there were still occasions when low value contracts involving non-corporate contractors/suppliers can be hired for below London Living Wage levels without City Procurement, departments or Members being aware. This risk is specific to the existing Living Wage terms of only applying to contracts where suppliers employ contracted staff who work two or more hours in any given day in the week for eight or more consecutive weeks in a year on behalf of the City of London Corporation.
8. Incidents such as this do have a reputational risk to the City Corporation, despite our adherence to the terms of the Living Wage accreditation, which could lead to negative coverage in future if similar instances arise.

### **Review of Living Wage Accreditation**

9. The Chairman of Policy and Resources Committee and the Chamberlain commissioned the Commercial Director to review the existing terms and consider a range of enhancements that would strengthen the City Corporation's already strong commitment to the Living Wage, meet Member expectations and mitigate any potential reputational risks.
10. The Commercial Director has consulted in recent months with the Living Wage Foundation, Economic Development, Communications team, Comptrollers, Finance, Audit and Human Resources as well as with the Member who alerted us to the recent incident.
11. The existing Living Wage Foundation terms were developed with early adopters of the Living Wage and labelled as a practical level of intervention that was negotiated across industries. The aim of the Foundation is to ensure all 'regular workers' receive the wage, but the terms were put in place as firms could not control certain workers such as vending machine stockers, couriers, leaflet

droppers and other transactional workers that are called upon for one-off pieces of work.

12. The following measures have been considered as part of this review, with commentary on the findings and recommendations as follows:

- i. **An enhanced commitment to current Live Wage policy** – Strengthen our policy by paying Living Wage rates for any person contracted to deliver two hours or more work for the Corporation in any contract.
  - **Findings** – The Living Wage Foundation confirmed they are currently developing an enhanced Accreditation level and would welcome the Corporation working with them as an early adopter. This would also ensure we are not at risk of another situation arising like the recent case.
  - **Recommendation**  
The City Corporation approves the enhancement to our Living Wage Policy by making the Living Wage applicable to all contracted supplier staff delivering two or more hours work.
- ii. **Potential for an advanced Live Wage Accreditation being obtained** - Explore the City Corporation being the forerunner of a Living Wage Plus (or Gold standard accreditation).
  - **Findings** – The Living Wage Foundation are currently developing additional accreditation levels and are at present exploring ‘place’ based accreditations for Towns, Cities or Regions as well as an enhanced level for existing accreditation holders. They are positive about working with the City Corporation to be an early adopter for an enhanced standard.
  - **Recommendation**  
explore with the Living Wage Foundation the City Corporation being an early adopter of their ‘in-development’ enhanced accreditation standard.
- iii. **Backdating Living Wage payments** - Explore budgetary and operational implications regarding the potential to backdate Living Wage Payments to supplier employees and staff to when the new rate is announced in November each year. Currently affected staff get their salary uplifted on 1st April each year in line with the guidance on Living Wage accreditation, but not backdated. This also allows for the increase announced in November to be built into budget plans for the subsequent year.
  - **Findings** – The current policy of applying the increase announced in the autumn from the following April is consistent with the LWF guidance that “*the uplift should happen within six months of the annual announcement*”. Bringing forward the payment to the announcement date (either at that point or through a back payment) would nonetheless benefit recipients of the Living Wage. But in considering this proposal, Members should be aware that the City Corporation would not as a rule backdate payments or provide additional in-year budget resources in this way. The full year impact would be of the order of £400k. And it would in practice be difficult to establish that

relevant suppliers passed on the increase to their staff at the appropriate point and there would be a reliance on contracted suppliers being willing to negotiate and vary such new terms into existing contracts.

Finally, any decision to backdate supplier payments would clearly need to be reflected in payments to our own staff. This would mainly affect, apprentices and staff engaged as casuals. The Living Wage is announced in November each year, without forewarning to employers of what the new rates will be. The advice provided to employers by the Foundation with regard to the implementation of new rates when they are announced (to the effect that the new rates should be paid to all employees by 1 May the following year, or some six months after their announcement) therefore reflects the way the National Minimum Wage (NMW) is managed by the Government. While the new NMW rates are effective from 1 April each year, they are announced some months in advance of this, which allows employers to build provision for them into their budgets. For Living Wage employers, this may be of some importance, as the Living Wage has in recent years increased in excess of inflation or wage increases, and the rate of increase has in itself been steadily increasing - in 2015 the London Living Wage increased by 2.73%, in 2016 by 3.72% and in 2017 by 4.62%. It is not expected that these rates of increase will diminish in the near future.

Given that there is no forewarning of the rate of increase of the Living Wage each year, it would be impossible to give a precise figure for costs to the City of London which would arise from any decision to backdate increases in Living Wage payments to the date of announcement of the new Living Wage, but in 2017/18 implementation of the new rates with effect from 1 November would have added approximately £150k (*this has been considered as part of the projected £400k p.a. costs*) to the direct staff pay bill, of which much the largest part would have been incurred in the casual payroll. **Recommendation** – for Members to decide if the Corporation policy should be revised with regards implementation date of the living wage payments.

- iv. **Auditing Compliance for Low Value Contracts** - Explore the implications of introducing an annual audit on a sample of the low value contracts to ensure the Living Wage payments have been paid actual employees, this was felt as the most appropriate intervention to support compliance and we agreed it was impractical to govern all small contracts from the corporate centre.
- **Findings** – Given the potential introduction of an enhanced level of Living Wage, low value contracts (below £10k in value) would need to include a commitment to pay supplier staff. This would create a risk on ensuring compliance as such procurements are not managed by City Procurement. The introduction of a regular audit to spot check 20% of the transactions of such a nature would be a proportionate intervention to support this initiative.



- **Recommendation** – To introduce an audit of low value contracts below £10k to ensure compliance with the proposed revised Living Wage policy after twelve months and thereafter as a regular part of the Corporate audit cycle. This will help to ensure staff involved receive the commensurate salary.
- v. **Funding and Promotion of the Living Wage** – Consider sponsorship of the Living Wage Foundation or support them via other channels within the City Corporation i.e. Economic Development.
- **Findings** – The Living Wage Foundation has several initiatives that City Bridge Trust, Economic Development and Chamberlain's are already partnering on. The City Bridge Trust is a Living Wage Friendly Funder and a Living Wage Friendly Funder Champion amongst its prospective and existing grantees. A member of the City Bridge Trust team sits on the National Steering Committee of Living Wage Friendly Funders, and regularly champions the benefits to external organisations.

Although it is not a requirement of the Living Wage Foundation accreditation, the City of London pays all its Interns, work experience placements over two weeks and Apprentices the London Living Wage as a minimum. This was recognised as an outstanding contribution in an independent responsible business review undertaken 2017.

The Economic Development Office has a strong portfolio of responsible business support for financial and professional services. As part of this work, the department is currently scoping the possibility of running a campaign to demonstrate the commercial and societal benefits of paying the London Living Wage with a proposal coming to Members later in the year. This would support the Living Wage Foundation to target a key sector and would improve the lives of those within the sector's reach. Finally, the Chamberlain's Department recently sponsored and hosted the Live Wage Champion Awards at Guildhall on the 6 June 2018.

- **Recommendation** – No further additional intervention required as relevant departments such as City Bridge Trust, Chamberlain's, Human Resources and Economic Development consider Living Wage as part of their annual business planning and regularly promote and sponsor Living Wage initiatives at present.

#### **Additional risk reviewed**

- 13.. The Commercial Director also reviewed potential current risks around third-party users of the Corporation's assets that are not directly contracted via City Procurement i.e. the banqueting list of contractors. Living Wage compliance is in fact part of their agreed terms in offering services within our assets when contracted externally. Monitoring of this compliance is managed directly by the lead department.

## Corporate and Strategic Implications

The proposed recommendations are aligned to the Corporate Plan theme of Supporting a Thriving Community, they deliver against the targeted outcome of '*Businesses are trusted and socially and environmentally responsible*'. Living Wage is a component part of the Corporation's Responsible Procurement Strategy and is consistent with the aims of the emerging Responsible Business Strategy.

## Conclusion

14. The City Corporation has been committed as an accredited member of the Living Wage Foundation since 2012 and from 2016 have been fully compliant in line with the license for direct staff, temporary workers, contractors and supplier staff. This report considers a range of opportunities to build on this already strong commitment, as part of the City Corporation's wider commitment to its Responsible Business Strategy.

## Background Papers

- ***Living Wage – Funding and Amendments to Procurement Policy*** – Policy and Resources and Finance Committees, May 15.
- ***Living Wage Employer Accreditation Licence*** – Policy and Resources Committee, October 14.
- ***London Living Wage*** – Policy and Resources, Establishment and Finance Committees, July 2012

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