



Procurement Sub (Finance) Committee

Date: MONDAY, 2 DECEMBER 2019

Time: 1.45 pm

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

Members: Deputy Hugh Morris (Chairman)
Deputy Robert Merrett (Deputy Chairman)
Randall Anderson
John Fletcher
Michael Hudson
Deputy Jamie Ingham Clark
Alderman Gregory Jones QC
Jeremy Mayhew
Susan Pearson
William Pimlott

Enquiries: Antoinette Duhaney, 020 7332 1408,
antoinette.duhaney@cityoflondon.gov.uk

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. **PUBLIC MINUTES OF THE PREVIOUS MEETING**
To agree the public minutes of the meeting held on 29.10.19
For Decision
(Pages 1 - 2)
4. **PROCUREMENT SUB-COMMITTEE WORK PROGRAMME**
Report of the Town Clerk
For Information
(Pages 3 - 4)
5. **BREXIT UPDATE: PROCUREMENT AND SUPPLY CHAIN (ORAL REPORT)**
Report of the Chamberlain
For Information
6. **FINANCIAL APPRAISALS FOR PROCUREMENT**
Report of the Chamberlain
For Decision
(Pages 5 - 12)
7. **CITY PROCUREMENT RISK MANAGEMENT - QUARTERLY REPORT**
Report of the Chamberlain
For Decision
(Pages 13 - 24)
8. **PROCUREMENT OF VEHICLES**
Report of the Town Clerk
For Decision
(Pages 25 - 26)
9. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**
10. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
11. **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

12. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
To agree the non-public minutes of the meeting held on 29.10.19
For Decision
(Pages 27 - 30)
13. **POWER PURCHASE AGREEMENT (PPA) FOR OFFSITE RENEWABLE ELECTRICITY - PROCUREMENT STAGE 1A MID TENDER UPDATE**
Joint report of the Chamberlain and the City Surveyor
For Decision
(Pages 31 - 34)
14. **IT CONTRACT RENEWALS**
Report of the Chamberlain
For Information
(Pages 35 - 40)
15. **CONTRACT DISPUTE UPDATE (ORAL REPORT)**
Report of the Chamberlain
For Information
16. **ROUGH SLEEPING OUTREACH SERVICE PROCUREMENT STAGE 1 STRATEGY**
Report of the Chamberlain
For Decision
(Pages 41 - 46)
17. **ARCHITECT CONSULTANTS (FOR CONSTRUCTION) FRAMEWORK PROCUREMENT STAGE 1 STRATEGY**
Report of the Chamberlain
For Decision
(Pages 47 - 54)
18. **COMMERCIAL CONTRACT MANAGEMENT - CORPORATE SUPPLIER SCORECARD RESULTS**
Report of the Chamberlain
For Information
(Pages 55 - 72)
19. **TRANSPORTATION AND PUBLIC REALM CONSULTANCY FRAMEWORK**
Report of the Director of the Built Environment
For Decision
(Pages 73 - 76)
20. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**

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

Part 3 - Confidential Agenda

22. **CONFIDENTIAL MINUTES**
To agree the confidential minutes of the meeting held on 29.10.19

For Decision

PROCUREMENT SUB (FINANCE) COMMITTEE

Tuesday, 29 October 2019

Minutes of the meeting of the Procurement Sub (Finance) Committee held at the Guildhall EC2 at 1.45 pm

Present

Members:

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

Officers:

Alistair MacLellan	- Town Clerk's Department
Joanna Burnaby-Atkins	- Town Clerk's Department
Chris Bell	- Chamberlain's Department
Nicholas Richmond-Smith	- Chamberlain's Department
Matthew Jones	- Chamberlain's Department
Karen Moorhouse	- Chamberlain's Department
Leslie Ross	- Chamberlain's Department
Graeme Warrington-Page	- Chamberlain's Department

In Attendance (Item 12):

Tim Morel	- Kennedy Cater
-----------	-----------------

1. APOLOGIES

Apologies were received from John Fletcher.

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

There were no declarations.

3. PUBLIC MINUTES OF THE PREVIOUS MEETING

RESOLVED, that the public minutes and non-public summary of the meeting held on 24 September 2019 be approved.

4. PROCUREMENT SUB-COMMITTEE WORK PROGRAMME

Members considered a report of the Chamberlain regarding the Procurement Sub-Committee Work Programme.

RESOLVED, that the report be received.

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

There were no questions.

6. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There was no other business.

7. **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 of business on the grounds they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Act.
8. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
RESOLVED, that the non-public minutes of the meeting held on 24 September 2019 be approved.
9. **DISPUTE STRATEGY UPDATE**
Members considered an update report of the Chamberlain regarding a Dispute Strategy.
10. **DISPUTE MEDIATION STRATEGY (TO FOLLOW)**
The Town Clerk noted that this item had been withdrawn.
11. **APPOINTMENT OF A LOCATION AGENCY TO MANAGE COMMERCIAL FILMING AT CITY OF LONDON CORPORATION'S BUILDINGS AND OPEN SPACES - PROCUREMENT STAGE 1 STRATEGY REPORT**
Members considered a report of the Chamberlain regarding the appointment of a location agency to manage commercial filming at City of London Corporation's buildings and open spaces – Procurement Stage 1 strategy.
12. **LONDON BOROUGH'S' LEGAL ALLIANCE (LBLA) BARRISTERS FRAMEWORK - STAGE 2 AWARD REPORT**
Members considered a report of the Chamberlain regarding the London Boroughs' Legal Alliance (LBLA) Barristers Framework – Stage 2 Award.
13. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**
There was one non-public question.
14. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE SUB-COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
There was no other business.
15. **IT MANAGED SERVICES - PROCUREMENT STAGE 2 AWARD REPORT**
Members considered a confidential report of the Chamberlain regarding IT Managed Services – Procurement Stage 2 Award.

The meeting closed at 2.55 pm

Chairman

Contact Officer: Alistair MacLellan / alistair.maclellan@cityoflondon.gov.uk

Procurement Sub-Committee – Work Programme 2019

Meeting:	02/12/19	08/01/20	06/02/20	09/03/20	09/04/20	
	Strategy, Policy, Continuous Improvements and Performance					
	* Procurement Strategy 2020-2024 * Changes to Procurement Code Part 1 * Financial Appraisals for Procurement * City Procurement Risk Register *Procurement of vehicles governance changes	* E-Invoicing and Automation *P-card Update Paper	* City Procurement KPI's (quarterly update)	*P-card Update Paper * * City Procurement Risk Register		
	Sourcing and Category Management					
	*Major Works Framework Architectural Services Stage 1 (Resubmission) * Power Purchase Agreement - Stage 1A Project cancellation note *Rough Sleeper Services Stage 1	*Action Fraud Consultancy Support Stage 1 *Major Works Framework Project Management Services Stage 2	*Location Agency Services (Filming) Stage 2 *Rough Sleeper Services Stage 2 *Digital Recording services, Lessons Learned	*Secure City Stage 1 *Hazardous Waste Collection Stage 2		
	Contract Management and Responsible Procurement					
	* Corporate Supplier Scorecard Results and Updates *: IT Software Contract Renewals * Contract Dispute – Verbal Update	* Corporate Supplier Scorecard Results and Updates * Contract Dispute – Verbal Update or report	* Corporate Supplier Scorecard Results and Updates	* Corporate Supplier Scorecard Results and Updates	* Corporate Supplier Scorecard Results and Updates	

This page is intentionally left blank

Committee:	Date:
Procurement Sub Committee	2 December 2019
Finance Committee	8 December 2019
Subject:	Public
Financial Appraisals for Procurement	
Report of:	For Decision
The Chamberlain	
Report author:	
Chris Bell, Commercial Director, Chamberlain's	

Summary

In 2015 Members resolved that the financial standing of companies bidding for all contracts over the Official Journal of the European Union (OJEU) services threshold (currently £181,302) and £400,000 for works should be undertaken to evaluate the risk of supplier failure during the term of a proposed contract. These assessments are undertaken by the Chamberlain's Corporate Treasury team within the Financial Services Division using a standard set of financial criteria.

The financial assessment has proved to be a blunt tool in addressing the risk of contract default; the main impact being to reduce the number of bidders and potentially therefore increase the price contracts are awarded at. Increasingly exceptions to the financial criteria are being made for low risk contracts where it is easy to change suppliers. Since 2015 the ability of the City Corporation to respond to supplier failure through the City Procurement team has increased significantly. Consequently, given this capacity, a change to the process was recommended as part of the Chamberlain's Fundamental Review Recommendations, reducing the level of financial assessment for low risk contracts. The change of process was considered and recommended for approval by the Resource Allocation Sub Committee's awayday and will be considered by Policy and Resources Committee in November 2019.

Members are now asked to consider the implementation of that recommendation. Specifically, Members are being asked to approve that the financial assessment procedure used for suppliers bidding for "low risk" contracts, above the OJEU services and the City Corporation's £400,000 works thresholds, is replaced by sole reliance on credit reference agencies.

For all other procurements, not classified as low risk, the City Corporation's standard financial criteria and assessment methodology will continue to apply.

Recommendations

Members are asked to:

- Note the informal recommendation by Resource Allocation Sub Committee of the Chamberlain's Fundamental Review recommendation for the use of a credit agency to provide financial checks for suppliers rather than in house- appraisal; and to receive a verbal update on whether the proposal has been ratified by Policy and Resources Committee.
- Approve from 1 January 2020 that the financial assessment criteria used for suppliers bidding for "low risk" procurements above the OJEU services and the City's £400,000 works thresholds is replaced by credit rating agency checks.

- Approve change to Part 2 of the Procurement Code and the Financial Appraisal Procedure Guide to include distinction between 'low risk' and 'not low risk'.

Main Report

Background

1. Public sector procurement is regulated by the Public Contracts Regulations 2015 (PCR 2015). In respect of the financial assessment of potential suppliers, Regulation 58 (7-8) of PCR 2015 states that 'with regard to economic and financial standing, contracting authorities may impose requirements ensuring that economic operators possess the necessary economic and financial capacity to perform the contract.'
2. PCR 2015 does not require a financial assessment to be undertaken and does not specify how an assessment should be conducted. It does state that organisations must be transparent when using ratios and the criteria should also be 'objective and non-discriminatory'.
3. In response to the requirements of PCR 2015, Finance Committee Members in July 2015, presented a report to the City Corporation's Finance Committee, approved a recommended methodology for assessing the risk to the City Corporation of supplier failure. This is the methodology used today.
4. Rule 35 of the City of London's Procurement Code 2015 requires all contracts over the Official Journal of the European Union (OJEU) services threshold (currently £181,302) and £400,000 for works should be undertaken to evaluate the risk of supplier failure during the term of a proposed contract
5. The current methodology allows the City Corporation to adjust 'pass thresholds' within certain financial ratios based on risk, the same level of scrutiny is applied irrespective of the impact of supplier failure on the City Corporation.

Current Position

6. The risk to the City Corporation of supplier financial failure has been managed through the current financial appraisal approach. However, the organisational resilience and the capacity to respond to such events has increased since 2015, as the City Procurement function has evolved.
7. In recognition of the ability of the City Procurement team to mobilise, at short notice, alternative suppliers of low risk goods and services with minimal business interruption, officers have identified an opportunity to amend the current financial appraisal methodology and seeks to place sole reliance on credit reference agency checks. This is to ensure that the level of financial scrutiny of potential suppliers is proportionate to the risk to the City Corporation given the mitigations available to manage the risk of supplier failure.
8. A variety of approaches to the economic and financial assessment of suppliers are used in other public bodies. There appear to be some commonalities of process, however, with the majority of those contacted making use of a credit

reference agency score at some point in the financial appraisal process. The results of the benchmarking are detailed in the appendix.

Possible Risks of Using Credit Reference Agency Checks

9. The use of credit reference agency (CRA) checks has been debated widely in public sector. Crown Commercial Service, for example, advise that they should not be used in place of an independent financial assessment. Several issues for consideration include:
 - CRA scores can be volatile as they are based in part on market speculation and reaction to internal and external events.
 - CRA checks as they can be unduly influenced by a small number of payment experiences which may not be representative of the business.
 - The algorithms used by credit agencies are proprietary and therefore it is not possible independently validate their conclusions.
 - Scores may differ based on the credit agency used to perform these checks.

Mitigation for Risks associated with CRAs

10. City Procurement believe that the benefits of open competition outweigh the risks outlined above and the City Procurement team will work closely with Category Boards, Members and the Financial Services Division to mitigate these where possible.
11. In practice this approach will only be adopted for low risk procurements and the use of CRAs does not appear inconsistent with the findings identified from the benchmarking exercise carried out in relation to other public sector procurement practice. CRAs would be used as an indication of financial suitability in the place of a full financial assessment.

Benefits of the use of CRAs

12. Where used, CRAs would allow for an easy and transparent way for bidders to 'self-certify' whether they have a suitable credit score. The expected result is an increased number of bidders benefitting the City Corporation commercially.
13. The use of CRAs would reduce pressure on both the Corporate Treasury Team and City Procurement streamlining the process and reducing the amount of clarifications needed during evaluation.

Recommendation

14. City Procurement propose a revision to the risk-based approach to categorise procurements into one of two categories: low risk and not low risk.

The proposed Enhanced Risk Assessment Framework:

Risk	Assessment
Low	Turnover Check and Credit Reference Agency Score Only
Not Low	Turnover Check and Credit Score Only, or; Full Standard Financial Appraisal Assessment as per the Financial Appraisal Procedure Guidance

15. The 'Low Risk' / 'Not Low Risk' rating would allow flexibility for Category Boards to choose the most appropriate due diligence which is proportionate to what is being purchased taking into consideration market factors and prior lessons learned. The City Corporation, however, will always have recourse to conduct a full financial appraisal if considered necessary. Guidance for setting the risk rating as 'low' or 'not low' is included in the appendix.
16. The risk rating and assessment would be included as part of the PT3/Stage 1 report that is signed off by Category Board/Members after recommendation by City Procurement and the stakeholder department.
17. This report, therefore, recommends an increase in the risk tolerance of the City Corporation to remove a full financial assessment on procurements deemed to be low risk and replace this with a credit reference agency score and turnover check. This report is not recommending a specific supplier or rating agency. The selection of a provider will be reviewed periodically by the Commercial Director in liaison with the City's Corporate Treasurer.
18. Lastly, it is recommended where the City Corporation contracts directly for goods or services with: other local authorities, the Police, Crown Prosecution Service, Greater London Authority, Clinical Commissioning Groups, National Health Service, Her Majesty's Prison Service, Fire Brigade or other public sector bodies no credit checks or financial appraisals are required. Such organisations are not currently subject to detailed financial scrutiny as they are underwritten by Central Government(s) and thus are deemed financially viable.
19. A proposal to use a credit agency to provide financial checks for suppliers rather than the in-house appraisal was submitted as part of the Chamberlain's Fundamental Review recommendations, considered and recommended by Resources Allocation Sub Committee, and ratified at Policy and Resources Committee in November 2019.

Conclusion

20. It is anticipated that removing the financial appraisal requirement from low risk procurement exercises will reduce pressure on both the Corporate Treasury Team and City Procurement, thereby streamlining lower risk procurements and increasing competition in tender exercises. As such, a recommendation to use credit agency checks in place of the in-house financial appraisal was submitted as part of the Chamberlain's Fundamental Review proposal. This paper seeks approval to change the process and enact the recommendation.

Appendix

- Additional Guidance for Financial Appraisals in Procurement

Background Papers

- Chamberlain's Financial Appraisals of Third-Party Entities, 21 July 2015

Chris Bell,

Commercial Director for City Procurement, Chamberlain's Department

This page is intentionally left blank

Appendix to Financial Appraisals for Procurement

Financial Appraisal Benchmarking Exercise

In regard to the use of a credit agency checks, of the 18 public sector bodies with information or partial information:

- 13 use a credit agency checks as part of the process
- 1 was identified not to use credit agency checks
- 4 were marked as unsure – the tender documentation was obtained but the wording was ambiguous

Of the 13 public sector bodies that use credit reference agencies:

- 5 appear to use it as the sole means of assessment
- 4 use it as an indication of a passing, but failure on a credit score leads to an in-house assessment
- 3 use it as part of the assessment
- 1 indicated a lack of clarity as to how the credit score fits into the process

Guidance for setting the risk rating with the new approach

Guidance for setting the risk rating would include:

Low:

- Low value and/or the goods/services could be transferred to another supplier with ease or within a short timescale; many alternative suppliers in the market. Impact of failure would cause minimal operational or reputational risk.

Not Low:

- High risk goods/services could be transferred to another supplier with medium difficulty due to a range of supplier in the market
- The goods or services are very complex and could not easily be transferred to another supplier either due to complexity. There are minimum/limited alternative suppliers in the market and would result in a very high cost implication or a loss of critical core services to the City.
- Impact of failure could cause operational or reputational damage.

Prior to implementation of the new system, the Procurement Policy and Compliance Team will work with the Corporate Risk Advisor to develop a risk presentation and matrix to present to Category Boards. This will provide each Category Board with a consistent framework to assess the risk to the organisation of supplier failure in the context of the specific procurement under consideration. The exercise would also help develop category specific risk ratings which could be used as a point of reference when determining the evaluation criteria for other similar procurements.

This page is intentionally left blank

Committee	Dated:
Procurement Sub Committee	2 December 2019
Subject: City Procurement Risk Management – Quarterly Report	Public
Report of: Chamberlain	For Information
Report author: Lisa Moore, City Procurement, Chamberlain's	

Summary

This report has been produced to provide Procurement Sub Committee with an overview of the management of risks faced by City Procurement. Risk is reviewed regularly by the Senior Management Team within City Procurement as part of the ongoing management of the service.

The City Procurement team currently has one department-level risk and five service-level risks on its risk register. There are currently no RED risks. All AMBER and GREEN risks are summarised in the report below.

The Senior Management Team continues to monitor closely the progress being made to mitigate these risks.

Recommendation

Members are asked to note the report and the actions taken in the City Procurement team to monitor and manage risks arising from our operations.

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. Departmental risks from City Procurement are included in a quarterly report to Finance Committee.
2. This paper is a summary of all risks identified by City Procurement including service level risks that are not typically reported to Finance Committee as part of the required departmental risk report.

3. City Procurement's risk management is reviewed on a monthly basis at Senior Management Team (SMT) meetings. Consideration is also given as to whether there are any emerging risks for inclusion in the risk register within each section within City Procurement and updates on key issues from each of the Assistant Directors, ensuring that adequate consideration is given to each risk.
4. Risk and control owners are regularly consulted regarding the risks for which they are responsible, with updates captured accordingly.

Summary of Risks

5. City Procurement currently has one department-level risk and five service-level risks on its risk register, attached as Appendix 1 to this report, assessed as 5 AMBER risks and 1 GREEN risk. There are currently no RED risks as the Brexit risk was downgraded to AMBER earlier this year. These are:

CHB CP001 – Brexit risk to City Corporation procurement and supply chains (Departmental Level - Current Risk: Amber)

6. City Procurement have been working closely with the City Corporation's Brexit Planning Group. A communications plan for our key suppliers was drafted by the Commercial Contract Management team and signed off by the Brexit Planning Group. As part of this communications plan, a letter was sent to all key suppliers requesting information about their Brexit planning including both the supply and cost risks, to their organisation/business and their supply chain and how they plan to mitigate the risk to our contract if any risk exists. The deadline for responses was set at 15 November 2019. The Commercial Contract Management team will collate responses and report to the Brexit Planning Group end of November/beginning of December.

CHB CP004 – City accelerate delays and impact on income levels (Current Risk: Amber)

7. The way City Accelerate is evaluated as part of the procurement process was updated in June 2019. Since then uptake of the scheme has increased. Our partner supplier has assigned a dedicated account manager to work closely with the City Corporation's Commercial Contract Management team. A campaign to approach suppliers with spend under £1 million will be launched shortly. In addition to the proactive work of the contract managers, a recommendation to review to 10-day payment terms for SMEs was included in the Chamberlain's Fundamental Review recommendations. This recommendation was not one of the recommendations reviewed for November's Policy & Resources committee. The Chamberlain's Senior Leadership Team will revisit this policy before taking a paper to January Finance Committee on how Fundamental Review recommendations and business plans will be facilitated over the next year.

CHB CP009 – Monitoring Corporate Contract Spend (Current Risk: Amber)

8. The Commercial Contract Management team have identified a weakness with our current Enterprise Resource Planning (ERP) system to set up and track contract level expenditure. We are currently able to track spend by supplier but not individual contracts. The risk is being reviewed and managed by the Assistant Director of Commercial Contract Management with the assistance of the Procurement Operations Manager and Chamberlain's Oracle Team. City Procurement's SMT will also review the functionality of the Corporate Contract Register to see what improvements can be made to mitigate this risk.

CHB CP003 – VAT loss through use of Purchase Cards (Current Risk: Amber)

9. City Procurement have long monitored VAT recovery as part of our duties administering purchase cards (P-cards). It is also part of each Chief Officer's quarterly P-card report of which results are reported to Procurement Sub Committee. Previous reporting showed a number of VAT being lost each quarter. City Procurement, along with Lloyds Bank (our P-card supplier), are reviewing potential to import data for Level 2 and Level 3 suppliers which would negate the need for a VAT receipt. The requirement to import this data will be included in the specification for the new P-card contract which will be procured at the start of 2020. A working group has been set up by the Head of Accounts Payable to review VAT elements of the P-card contract.

CHB CP010 Corporate Contract for Cash Collections (Current Risk: Amber)

10. There have been a number of local contracts put in place by departments to collect, store, and bank cash transactions. There has never been a corporate contract meaning no appropriate service level agreements, KPIs, or performance monitoring put in place. Recommendations of an Internal Audit on Cash Collections drafted in December 2018 highlighted that there was a lack of management and controls on cash collection services provided. The report recommended there should be a corporate contract manager to ensure performance management moving forward. In October 2019 the Corporate Treasurer appointed a contract manager within the Corporate Treasury Team. Unfortunately, the Category Manager assigned to this procurement left at the same time. The Assistant Director of Sourcing and Category Management to appoint a new Category Manager to work on this procurement. City Procurement SMT will continue to monitor progress.

CHB CP008 Duplicate Payments paid to our suppliers (Current Risk: Green)

11. While City Procurement feel they have a robust process in place to identify instances where, either through human error or system faults, the same invoice is being paid more than once, it has been almost three years since our last duplicate payment audit. In addition, the City Surveyor's department are keen to review the utilities payments. A specification is being drafted by the Head of Accounts Payable and a quote process will be completed in November/December 2019 to bring in a third party to complete the audit.

Conclusion

12. Members are asked to note the actions taken to manage risks in relation to the operations of City Procurement.

Appendices

- Appendix 1 City Procurement Service Detailed Risk Register Dec 2019

Lisa Moore

Procurement Policy & Compliance Officer

Chamberlain's Department

T: 020 7332 3272

E: lisa.moore@cityoflondon.gov.uk

CHB CP City Procurement Detailed risk register EXCLUDING completed actions

Report Author: Lisa Moore

Generated on: 14 November 2019



Rows are sorted by Risk Score

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
P001 CHB CP001 Brexit risk to City Corporation procurement and supply chains 12-Nov-2018 Christopher Bell	<p>Cause: The UK leaving the EU (Brexit) with no trading deals in place.</p> <p>Event: The result of the Brexit negotiations could have a negative impact on the Corporation's supply chain, both with direct tier 1 suppliers and their sub-contractor network.</p> <p>Effect: Brexit could effect changes to our direct suppliers and their supply chain, impacting negatively on the Corporation. A range of potential impacts are:</p> <ul style="list-style-type: none"> • Regulatory / Legal requirements -existing supply contracts may be impacted by changes in regulation, or legal requirements. • Assurance of Supply - risk that a complete failure in supply of the goods / service (e.g. Carillion) from key suppliers could be felt. • Quality- quality of the goods / service impact due to changes in our Supply Chain. • Service- Service levels be impacted negatively by any changes in the Supply Chain or access to workers, particularly in low skilled categories. • Financial risk -Are any supply changes likely to drive up 	 Impact	12	<p>Communications approach - draft letter, list of key suppliers, and comms timetable - signed off by Brexit Planning Group. The letters were sent Friday 25 November with a return deadline of 15 November. Feedback to Brexit Planning Group is scheduled for w/c 25 November.</p> <p>14 Nov 2019</p>	 Impact	8	31-Dec-2019	Constant

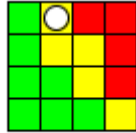
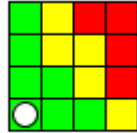
	<p><i>costs of the Goods / Services/Works in the short/medium/long term.</i></p> <ul style="list-style-type: none"> • Sustainability- <i>risk that will change the level of innovation or sustainability of the goods / service/work against expectations?</i> • Workload- <i>Will changes in the Supply Chain cause significant workload to the Procurement/Commercial/Legal teams due to change controls/re-negotiation of terms?</i> 						
--	---	--	--	--	--	--	--

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB CP001d	Draft a communications plan based on the three likely Brexit scenarios - no deal, extended deal, and deal.	Communications approach - draft letter, list of key suppliers, and comms timetable - signed off by Brexit Planning Group. The letters were sent Friday 25 November with a return deadline of 15 November. Feedback to Brexit Planning Group is scheduled for w/c 25 November.	Christopher Bell	14-Nov-2019	31-Dec-2019


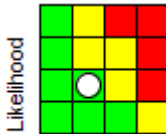

3

Lenihan							
---------	--	--	--	--	--	--	--

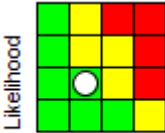
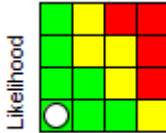

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB CP004b	City Procurement management team will conduct review of supplier spend strategy and come up with an action plan.	A dedicated Service Manager has been assigned to the City Corporation account by our commercial partner. Their objective is to help speed up and co-ordinate the different strands of work between the commercial partner and the Commercial Contract Management team. For example, identifying recent spend with contractors to review whether City Corporation should regard them as SMEs.	Andrew Lenihan	14-Nov-2019	01-Jan-2020
CHB CP004e	Proposal submitted as part of the Fundamental Review to remove the 10 day payment target for SMEs which could potentially have a positive impact on the uptake of City Accelerate.	<p>The proposal to remove the 10 day payment requirement for SMEs was not considered in this round of the Fundamental Review. The Chamberlain plans to take a paper to Finance Committee in January on plan to facilitate approved Fundamental Review recommendations and business plans over the next year. This will be considered as part of that exercise.</p> <p>The proposed changes to the Procurement Code Part 1 removes 10-day payment for SMEs as a rule leaving 30 day payment in line with our standard contract terms. At this time, Accounts Payable continue to pay SMEs in advance of the 30 days as good practice.</p>	Andrew Lenihan	14-Nov-2019	01-Apr-2020

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CHB CP009 Monitoring Corporate Contract Spend 22 Oct-2019 Darran Reid	Cause – There is a weakness in reporting and monitoring of contractual spend data Event – CCM has identified that the current ERP system is set up to track supplier level expenditure and not contract level expenditure Effect. Any issues or inconsistencies with the contract are not identified or proactively mitigated	 Likelihood Impact	8	Can't easily reconcile what is in the contract and what is being spent in Oracle – weakness in reporting and monitoring of contractual spend data. AD for Commercial Contract Management and Procurement Operations Manager to work with the Oracle Team to explore options for a report and/or controls which might assist with this issue. City Procurement SMT to review processes and procedures in maintaining a Corporation Contract Register. 14 Nov 2019	 Likelihood Impact	1		Constant

Action no	Action description	Latest Note			Action owner	Latest Note Date	Due Date
CHB CP009a	AD for Commercial Contract Management and Procurement Operations Manager to work with the Oracle Team to explore options for a report and/or controls which might assist with this issue.	AD for Commercial Contract Management and Procurement Operations Manager to work with the Oracle Team to explore options for a report and/or controls which might assist with this issue.			Darran Reid	14-Nov-2019	31-Jan-2020
CHB CP009b	City Procurement SMT to review process and procedures for maintaining a Corporate Contracts Register.	City Procurement SMT to review process and procedures for maintaining a Corporate Contracts Register.			Darran Reid	14-Nov-2019	01-Apr-2020
CHB CP009c	Commercial Contract Management to assure appropriate change controls and spend for contracts is being tracked.	Commercial Contract Management to assure appropriate change controls and spend for contracts is being tracked.			Darran Reid	14-Nov-2019	01-Apr-2020

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CHB CP010 Corporate Contract for Cash Collections 22-Oct-2019 Nicholas Richmond-Smith	<p>Cause: There has been a number of local contracts put in place by departments to collect, store, and bank cash transactions. Due to this there has never been a corporate contract put in place with no appropriate service levels agreement, KPIs, or performance monitoring in place for this service.</p> <p>Event: Recommendations of an Internal Audit on Cash Collections published in December 2018 highlighted that there was a lack of management and controls on cash collection services provided and recommended there should be a corporate contract manager to ensure performance management moving forward.</p> <p>Effect: Internal audit has rated this risk as a moderate assurance with there being a present only an adequate control framework in place but there is weaknesses and/or a lack of compliance which may put some system objectives at risk.</p>	 <p>Likelihood</p> <p>Impact</p>	6	A Group Accountant in Chamberlain's department has been assigned as the departmental contract manager. Since creation of this risk the Category Manager assigned to the procurement has left the City Corporation. The Assistant Director of Sourcing & Category Management will assign a new category manager to take this forward the contract manager. 14 Nov 2019	 <p>Likelihood</p> <p>Impact</p>	4	31-Mar-2020	 Constant

Action no	Action description	Latest Note			Action owner	Latest Note Date	Due Date
CHB CP010a	The 'Income Collections and Banking' audit report to be signed off by the Chamberlain.	The 'Income Collections and Banking' audit report to be signed off by the Chamberlain.			Nicholas Richmond-Smith	14-Nov-2019	03-Feb-2020
CHB CP010c	Category Manager assigned to this procurement recently left the City Corporation. Assistant Director of Sourcing & Category Management to assign new category manager.	Category Manager assigned to this procurement recently left the City Corporation. Assistant Director of Sourcing & Category Management to assign new category manager.			Nicholas Richmond-Smith	14-Nov-2019	19-Dec-2019

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CHB CP008 Duplicate Payments paid to our suppliers 14-Jan-2019 Andrew Lenihan	Cause: Instances where the City pays the same invoice twice due to human input errors or system faults. Event: It's been 24 months since our last duplicate payment audit and City Surveyor's have asked us to consider it as they are keen to review utility payments. Effect: The risk that the City pays more than its contracted and budgeted amounts. In addition, there is resource implications due to the unplanned work to redeem credits from suppliers.	 Likelihood Impact	4	A specification is being drafted to appoint a third party to complete a one-off recovery audit. This will produce a report on the assurance of our procedures and recover any duplicate payments. We expect to complete a complete a quote process in November/December. 14 Nov 2019	 Likelihood Impact	1	01-Nov-2019	 Constant

Page 24

Action no	Action description	Latest Note			Action owner	Latest Note Date	Due Date
CHB CP008a	Procure a third party supplier to review our payment history and identify possible duplicate payments.	The specification is being written to appoint a third party to complete the recovery audit. We expect to complete a complete a quote process in November/December.			Andrew Lenihan	14-Nov-2019	31-Dec-2019
CHB CP008b	Recovery audit completed by appointed third party supplier	Progress on this action will commence when third party supplier is appointed.			Andrew Lenihan	14-Nov-2019	06-Feb-2020
CHB CP008c	Recover credits identified as part of the recovery audit.	Progress on this action will commence once the recovery audit has been completed.			Andrew Lenihan	14-Nov-2019	31-Mar-2020

Committee(s): Procurement Sub (Finance) Committee	Date(s): 2 nd December 2019
Subject: Procurement of Vehicles	Public
Report of: Town Clerk	For Decision
Report author: Rohit Paul	

Summary

This report proposes that the procurement of vehicles is removed from the Gateway Process and no longer considered a project. A range of thresholds are proposed to maintain an appropriate level of scrutiny. This includes a revised threshold of £2,000,000, for which any vehicles procured above this amount will report to Procurement Sub Committee, for Member oversight.

Recommendation(s)

Members are asked to:

- Agree that the procurement of vehicles is removed from the Gateway Process;
- Delegate authority to the Transport Co-ordination Group (officer board) to approve the procurement of vehicles up to £250,000;
- Delegate authority to the Strategic Resources Group (officer board chaired by the Chamberlain) to approve the procurement of vehicles in the range of £250,000 - £2,000,000;
- Agree that the procurement of vehicles to the cost of £2,000,000 or above requires approval from Procurement Sub Committee.

Main Report

Background

1. The Projects Procedure currently defines projects as activities that 'result in tangible, physical deliverables.' The current procedures also contain a threshold of £50,000 for capital acquisitions.
2. As this threshold is relatively low and captures all capital acquisitions above £50,000, basic procurement activities such as the purchase of vehicles are considered projects, which therefore mandates they formally enter the Gateway Process.
3. Consequently, officers are required to produce formal Gateway Reports and submit these to various Committees, which is a bureaucratic and inefficient way of processing procurement exercises.
4. Project Sub Committee has previously expressed a view that such activities should not be considered projects.

Proposals

5. The Corporate Programme Office has reviewed the thresholds and procedures in consultation with the Commercial Director. The following revisions are suggested to streamline the process:
 - Delegating authority to the Transport Co-ordination Group (officer group) to approve the procurement of vehicles up to £250,000;
 - Delegating authority to the Strategic Resources Group (officer group) to approve the procurement of vehicles in the range of £250,000 - £2,000,000;
 - Mandating that the procurement of vehicles to the cost of £2,000,000 or above require approval from Procurement Sub Committee;
 - Removing the procurement of vehicles from the Gateway Process henceforth.
6. These proposals will ensure Members still retain oversight over any procurement with significant costs attached, to consider issues such as VFM and whether to purchase or lease, however they will also remove some of the existing inefficiencies.
7. The figures proposed are consistent with existing thresholds. £250,000 is the threshold for projects with revenue/ring-fenced funding and £2,000,000 is the current level of delegation from Procurement Sub Committee.
8. The City's Projects Procedure will be revised in the future to reflect these changes.

Rohit Paul

Corporate Programme Manager, Town Clerk's.

T: 020 7332 1902

E: rohit.paul@cityoflondon.gov.uk

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank