



Projects and Procurement Sub-Committee

Date: MONDAY, 12 FEBRUARY 2024
Time: 1.45 pm
Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

Members:

Alderman Timothy Hailes (Chairman)	Deputy Charles Edward Lord Paul Martinelli
Deputy Shравan Joshi (Deputy Chairman)	Anett Rideg Tom Sleigh
Deputy Randall Anderson	Luis Felipe Tilleria
Deputy Keith Bottomley	Philip Woodhouse
Deputy Madush Gupta	
Caroline Haines	
Deputy Christopher Hayward	

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Ian Thomas CBE
Town Clerk and Chief Executive

AGENDA

NB: Certain items presented for information have been marked * and will be taken without discussion, unless the Committee Clerk has been informed that a Member has questions or comments prior to the start of the meeting. These for information items have been collated into a supplementary agenda pack and circulated separately

1. **APOLOGIES**

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

3. **MINUTES**

To approve the public minutes and the non-public summary of the meeting held on Monday, 15th January 2024.

For Decision
(Pages 7 - 10)

4. **PROPOSED APPROACH TO THE REVIEW OF PROCUREMENT AND CONTRACT MANAGEMENT**

Report of the Chamberlain.

For Decision
(Pages 11 - 30)

5. ***GW2: SALISBURY SQUARE DEVELOPMENT HIGHWAY AND PUBLIC REALM WORKS**

Report of the Interim Executive Director, Environment.

For Information

6. ***GW3,4,5: 1 LEADENHALL STREET SECTION 278 HIGHWAY WORKS**

Report of the Interim Executive Director, Environment.

For Information

7. ***GW4C: ST. PAUL'S GYRATORY TRANSFORMATION PROJECT – PHASE 1**

Report of the Interim Executive Director, Environment.

For Information

8. ***GW5: MOOR LANE ENVIRONMENTAL ENHANCEMENTS**

Report of the Interim Executive Director, Environment.

For Information

9. ***GW6: 2-6 CANNON STREET PUBLIC REALM IMPROVEMENTS**

Report of the Interim Executive Director, Environment.

For Information

10. ***GW6: CURSITOR STREET / BREAMS BUILDINGS PUBLIC REALM IMPROVEMENTS**

Report of the Interim Executive Director, Environment.

For Information

11. ***GW6: MARK LANE PUBLIC REALM AND TRANSPORTATION ENHANCEMENTS - PHASES 2 AND 3**

Report of the Interim Executive Director, Environment.

For Information

12. ***GW6: ST BARTHOLOMEW'S HOSPITAL ENVIRONMENTAL ENHANCEMENTS**

Report of the Interim Executive Director, Environment.

For Information

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

14. **ANY OTHER PUBLIC BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

15. **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 item(s) 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 1972.

For Decision

16. **NON-PUBLIC MINUTES**

To approve the non-public minutes of the meeting held on Monday, 15th January 2024.

For Decision
(Pages 31 - 34)

17. **PORTFOLIO OVERVIEW**

Report of the Chamberlain.

For Decision
(Pages 35 - 70)

18. **ENTERPRISE RESOURCE PLANNING (ERP) PROGRAMME SYSTEM INTEGRATOR (SI) – PROCUREMENT OPTIONS (STAGE 1) REPORT**

Report of the Chamberlain.

For Decision
(Pages 71 - 76)

19. **ARCHITECTURAL SERVICES FRAMEWORK - CONTRACT AWARD**

Report of the City Surveyor.

For Decision
(Pages 77 - 84)

20. **BARBICAN CENTRE PUBLIC CATERING SERVICES - PROCUREMENT STAGE 1 STRATEGY REPORT AND EXTENSION OF CURRENT CONTRACTS**

Report of the CEO, Barbican Centre.

For Decision
(Pages 85 - 98)

21. **EMERGENCY AND TEMPORARY ACCOMMODATION FRAMEWORK - PROCUREMENT STAGE 1 STRATEGY REPORT**

Report of the Executive Director, Department of Community and Children's Services.

For Decision
(Pages 99 - 106)

22. ***GW2: WALBROOK WHARF FEASIBILITY 2027 AND BEYOND**

Joint Report of the City Surveyor and the Interim Executive Director, Environment.

For Information

23. ***GW5: CITY FUND - REFURBISHMENT/EXTENSION OF 1-6 BROAD STREET PLACE AND 15-17 ELDON STREET**

Report of the City Surveyor.

For Information

24. ***PRE-GATEWAY 5 PROJECT CLOSURE: BILLINGSGATE FISH HANDLING UNIT**

Report of the Town Clerk.

For Information

25. ***PRE-GATEWAY 5 PROJECT CLOSURE: LONDON METROPOLITAN ARCHIVES (LMA) ACCOMMODATION**

Report of the Town Clerk.

For Information

26. ***PRE-GATEWAY 5 PROJECT CLOSURE: TEMPLE AREA TRAFFIC REVIEW**

Report of the Town Clerk.

For Information

27. **NON-PUBLIC QUESTIONS RELATING TO THE WORK OF THE SUB COMMITTEE**

28. **ANY OTHER PUBLIC BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

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PROJECTS AND PROCUREMENT SUB-COMMITTEE Monday, 15 January 2024

Minutes of the meeting of the Projects and Procurement Sub-Committee held at Committee Rooms, 2nd Floor, West Wing, Guildhall on Monday, 15 January 2024 at 1.45 pm

Present

Members:

Deputy Shравan Joshi (Deputy Chairman)
Deputy Randall Anderson
Caroline Haines
Deputy Charles Edward Lord
Anett Rideg
Philip Woodhouse

Officers:

Polly Dunn	- Assistant Town Clerk and Executive Director of Governance and Member Services
Sonia Virdee	- Chamberlain's Department
Genine Whitehorne	- Chamberlain's Department
Sarah Baker	- Chamberlain's Department
Emma Claridge	- Chamberlain's Department
Aga Watt	- Chamberlain's Department
Mitchell Walker	- Chamberlain's Department
Daria Faeti	- Chamberlain's Department
Janet Baker	- Chamberlain's Department
Tara Crombie	- Chamberlain's Department
Samantha Kay	- Chamberlain's Department
William Roberts	- Chamberlain's Department
Graeme Low	- City Surveyor's Department
Brendan Crowley	- City Surveyor's Department
Lyall Archer	- City Surveyor's Department
Gillian Howard	- Environment Department
Ben Jeffries	- Barbican Centre
Drea Lee	- City Bridge Foundation

1. APOLOGIES

Apologies were received from Deputy Keith Bottomley, Deputy Madush Gupta, Paul Martinelli Alderman Timothy Hailes, and Deputy Christopher Hayward.

Paul Martinelli and Deputy Madush Gupta observed the meeting virtually.

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

There were no declarations.

3. **MINUTES**

RESOLVED, that – the public minutes of the meeting held on 4 December 2023 be approved as an accurate record.

4. **MANAGED PRINT SERVICE PROCUREMENT**

The Sub-Committee considered a report from the Chamberlain, regarding the managed print service procurement.

Members were assured that the contract would be flexible and could be scaled down as well as up.

Officers advised that soft market testing had been undertaken in October 2023 as it had been seven years since this service had been procured. During this process, suppliers had advised that there had not been significant innovation in that time, so a similar provision would be recommended. Current arrangements were costed on a 'per click' basis. Members asked what that cost was, and officers committed to providing this information after the meeting. Currently there was no fee for the leasing, this was all factored into the price module.

Proposals included the larger printing units used by the in-house print service team.

RESOLVED, that Members:-

1. Approve the recommended Procurement Strategy to undertake a Find a Tender Service Open Procedure, compliant to the Public Contracts Regulations 2015, and the City of London Procurement Code, Rule 16, Contracts Letting;
2. Approve the proposed seven years contract duration, comprising five years initial contract term, with the option to extend by up to a further two years, therefore, at a total contract value of £3.5M.

5. ***GW2 - DAUNTSEY HOUSE, FREDERICKS PLACE - PUBLIC REALM IMPROVEMENTS**

The Sub Committee received a report of the Executive Director, Environment.

RESOLVED – that the report be noted.

6. ***GW345 - BEMS PHASE 1 STAGE 3**

The Sub Committee received a report of the City Surveyor.

RESOLVED – that the report be noted.

7. ***GW5 - BANK JUNCTION IMPROVEMENTS: ALL CHANGE AT BANK**
The Sub Committee received a report of the Executive Director, Environment.
- RESOLVED** – that the report be noted.
8. ***GW6: BARBICAN CENTRE- NEW RETAIL UNIT**
The Sub Committee received a report of the Chief Executive Officer, Barbican Centre.
- RESOLVED** – that the report be noted.
9. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB COMMITTEE**
There was one question.
- A Member asked why contract renewals appeared to be considered at the last minute. They asked that some action be sought from Officers to act on this.
- In response, Members were advised that the same challenge had been raised at the Court of Common Council by the Finance Committee Chairman, and that the Chamberlain was leading on improvements.
10. **ANY URGENT BUSINESS**
There were no items.
11. **EXCLUSION OF THE PUBLIC AND PRESS**
RESOLVED, that – under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part I of Schedule 12A of the Local Government Act.
12. **NON-PUBLIC MINUTES**
RESOLVED, that – the non-public minutes of the meeting held on 4 December 2023 be approved.
13. **MEDIA PLANNING AND BUYING SERVICES PROCUREMENT STAGE 1-2 STRATEGY AND AWARD REPORT**
The Sub Committee considered a joint report of the Chamberlain, Managing Director of the City Bridge Foundation, and Chief Executive Officer of the Barbican Centre – concerning the Media Planning and Buying Services Procurement Stage 1-2 Strategy and Award.
14. **PORTFOLIO OVERVIEW**
The Sub Committee received a report of the Chamberlain regarding a Portfolio Overview of all City Corporation projects.
15. ***GW1-2: FREEMEN'S SCHOOL DINING HALL INTERNAL REFURBISHMENT**
The Sub Committee received a report of the City Surveyor.

16. ***GW1-4: RADIO SYSTEM INFRASTRUCTURE REPLACEMENT (BARBICAN AND GSMD)**
The Sub Committee received a joint report of the Chief Executive Officer, Barbican Centre and the Principal of the Guildhall School of Music and Drama.
17. ***GW1-4: CITY OF LONDON SCHOOL REVENUE WORKS 2024/25 (SUMMER WORKS 2024)**
The Sub Committee received a report of the City Surveyor.
18. ***GW3-4: CITY OF LONDON SCHOOL MASTERPLAN - CATERING PROJECT**
The Sub Committee received a report of the City Surveyor.
19. ***GW34: WILLIAM BLAKE ESTATE WINDOW REPLACEMENT AND COMMON PARTS REDECORATIONS**
The Sub Committee received a report of the Executive Director of Community and Children's Services.
20. ***GW4: HR, PAYROLL, FINANCE SOLUTION, ERP (ENTERPRISE RESOURCE PLANNING)**
The Sub Committee received a report of the Chamberlain.
21. ***GW5 ISSUES: CITY OF LONDON PRIMARY ACADEMY ISLINGTON**
The Sub Committee received a report of the City Surveyor.
22. ***GW5 - EARLY CLOSURE: CITY FUND - REFURBISHMENT/EXTENSION OF 1-6 BROAD STREET PLACE AND 15-17 ELDON STREET**
The Sub Committee received a report of the City Surveyor.
23. **NON-PUBLIC QUESTIONS RELATING TO THE WORK OF THE SUB COMMITTEE**
There were no questions.
24. **NON-PUBLIC ANY URGENT BUSINESS**
There was one item of urgent business raised in relation to DITS Corporate Licence & Cloud Service Provider Procurement.

The meeting ended at 2.32 pm

Chairman

Contact Officer: Polly Dunn
Polly.Dunn@cityoflondon.gov.uk

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Committee(s): Projects and Procurement sub-Committee	Dated: 12/02/2024
Subject: Proposed approach to the review of Procurement and Contract Management	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	All
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	c. £100,000
What is the source of Funding?	Existing transformation funding
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: Caroline Al-Beyerty, The Chamberlain	For Decision
Report author: Genine Whitehorne, Director Commercial, Change and Portfolio Delivery, Chamberlain's Department	

Summary

Strategic procurement is the process for managing the full procurement lifecycle including the identification of business needs, sourcing and supplier management, market development and contract management. Effective strategic procurement plays a pivotal role in shaping the efficiency, transparency, and sustainability of business operations and service delivery. As the City Corporation navigates through current and future challenges, the need for a strategic approach to procurement becomes increasingly important. The City Corporation spends roughly £151m a year purchased goods and services. In addition, construction works spend stands at approximately £292m a year. The City of London contract portfolio totals £2.24bn. These contracts cover the breadth of services delivered across the Corporation and its institutions.

The City Corporation's procurement and contract management is governed by the City's Procurement Code which forms part of the City's Constitution (contract standing orders). The professional leadership of procurement and contract management activity is the responsibility of the Commercial Service, led by the Director of Commercial, Change and Portfolio Delivery. Since the implementation of the TOM in 2022, procurement activity below £100k in total value has been devolved to services. The corporate team focusses on managing strategic procurement activity through a category management approach¹. In terms of contract management, the role of the corporate team was refocussed in 2021, with the dedicated Commercial Contract Management team disbanded in favour of establishing commercial leads providing end to end support through framework setting and targeted intervention by exception. This change was based on the

¹ Please refer to Appendix 3 for detail regarding COL contract management approach

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principle that accountability for effective contract management sits with the relevant service departments and, as such, contract management responsibilities should take place out in the business.

Over the past two years, the following limitations of the current approach have been identified:

- Underutilisation of data and insight to drive decision making
- Lack of investment in procurement systems resulting in limited reporting capability
- Poor planning caused by capacity issues both within services and in the corporate Commercial Service resulting in limited procurement options being presented to Members
- Lack of assigned owners for some of the Corporation's older contracts
- Lack of confidence in contract management capabilities with recent examples of the service and financial implications of poor contract management
- Reduced corporate capacity to develop contract management approach and internal capability
- Lack of accountability for poor spend behaviour
- Lack of an embedded responsible procurement approach

Therefore, the proposed review will be comprehensive and will involve not only an assessment of governance arrangements but will also consider current practice, spend behaviours, roles and responsibilities across the organisation. This review aims to evaluate the efficiency, effectiveness, and compliance with current processes and identify areas for improvement. The review will be undertaken in phases with recommendations agreed at the end of each phase to address the most significant risks. Due to the recent examples of poor contract management, it is proposed to review this part of the strategic procurement lifecycle during phase one. It is anticipated that the entire review will be undertaken over a period of six months, utilising a combination of internal resources and specialist external consultancy support.

Alongside the challenges highlighted above, the following opportunities have also been identified:

- Creation of the new Commercial, Change and Portfolio Delivery division provides the opportunity to reassess the corporate Commercial Service structure and service offer.
- New Procurement Act due to come into effect in October 2024 will require the refresh of existing procurement governance supported by a comprehensive learning and engagement strategy across the Corporation.

Recommendations

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Members are asked to:

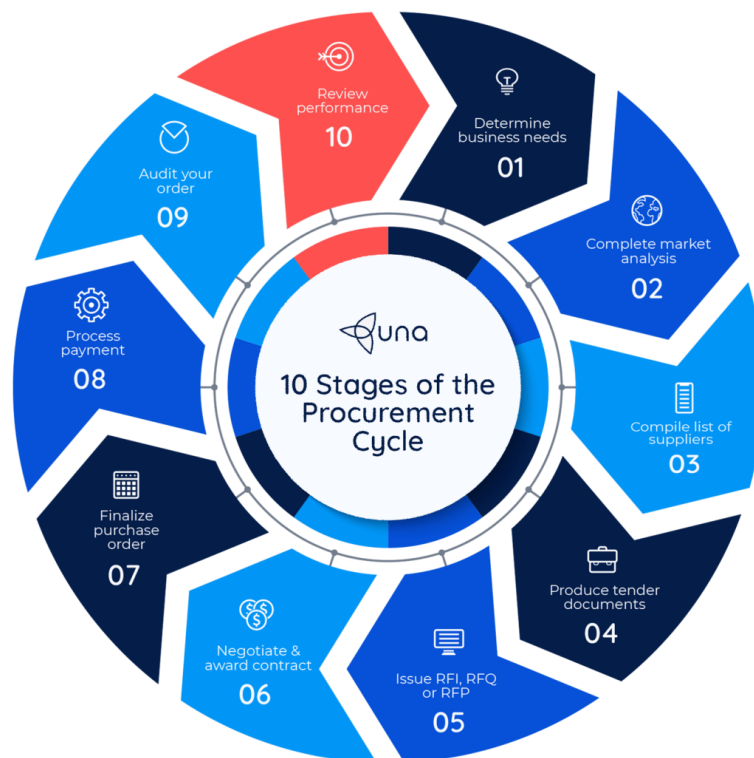
- Approve the proposed scope of the procurement and contract management review.
- Note the proposed reporting arrangements.

Main Report

Background

1. Going beyond the traditional notion of simply acquiring goods and services, strategic procurement involves a systematic and forward-thinking process that aligns with the specific needs of the business. Through the adoption of a strategic approach, effective procurement should ensure best value, foster innovation, ensure financial control and effective stewardship of public resources. Effective procurement is a core part of achieving brilliant basics and enabling the delivery of the outcomes set out in the Corporation's new Corporate Plan.
2. The end-to-end strategic procurement lifecycle includes important pre- and post- tender activities such as the identification of business needs, market engagement and effective contract management. In the context of increasing financial challenges, it is increasingly important to ensure effective financial control, proactively manage commercial risks and, to deliver best value through effective contract and supplier management.

Fig 1 – the strategic procurement lifecycle



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3. The City's procurement approach is governed by the Procurement Code which is the policy that underpins all procurement and purchasing activity across the City Corporation and the institutional departments. Part one of the Procurement Code is the framework of overarching rules to be followed by any officer when purchasing goods, services or works and has been developed in line with UK Public Contracts Regulations 2015. Part two of the Procurement Code is the guidance document which provides context, processes, and further information relevant to compliance with the rules outlined in Part one.
4. The Procurement Code not only aims to ensure compliance with relevant legislation, but also identifies best practice for internal governance and finance control. As such, the Procurement Code must be read in conjunction with the Finance Regulations.
5. The Procurement Code is updated annually. On review, and in comparison, with the contract standing orders of other public sector bodies, no significant issues have been identified with the Corporation's Code. However, whilst procurement activity remains technically compliant there is concern regarding capacity issues, poor planning, lack of procurement maturity, lack of accountability and ineffective use of data.

Current Position

6. Upon the creation of the former Operations department, a maturity assessment of the Commercial service was undertaken. This identified the service as level three (out of five). This presented a sound foundation for developing a more strategic and value adding service offering. However, due to loss of key staff, ongoing significant capacity issues, the integration of the project governance division and a subsequent focus on the project governance review, service development progress has been slow.
7. The Corporation's approach to strategic procurement is broken down into four key functional areas supported by the P2P process provided by the Financial Shared Service. The functional areas are strategic procurement, responsible procurement, contract management, commercial operations. A brief assessment of the current status of each area is provided below.
8. **Strategic procurement** – Strategic procurement includes all purchasing activity over £100k in total value. Anything below this value is devolved to services under Chief Officer delegated authority. The key thresholds for procurement activity are set out in Appendix 1.
9. Strategic procurement is managed through a category management approach which aggregates common areas of spend into categories in order to better manage and engage with the market and to benefit from potential economies of scale. See paragraph 36 for further information.

10. Each category is overseen by an officer Category Board. In addition, there is a dedicated City of London Police category board. The role of these Boards is to approve procurement options and contract awards under £2m and to act as an effective gateway for procurement options and contract awards requiring Member approval. The efficacy of the Category Boards varies, and it is proposed that a review of officer-level governance is included in the scope of this review.
11. The basis of effective strategic procurement is robust data and effective planning. These are areas that have been identified as current weaknesses for the Corporation. The historic lack of investment in procurement systems coupled with significant levels of staff turnover in recent years has hindered our ability to quickly access reliable and timely spend data in order to develop sourcing strategies and ensure a comprehensive corporate sourcing plan is in place. Urgent system upgrades have already been identified in order to address this particular issue and form part of the tactical improvement steps set out in paragraph 27 of this report.
12. Levels of compliance – there were two procurement breach waivers issued in the financial year 22/23. So far for 23/24 seven procurement breach waivers have either been approved or are currently subject to decision. The low issuance of procurement breach waivers in 22/23 is likely due to the raising of the Procurement Authorisation Report (PAR) threshold to £100k in January 2023.
13. Reviewing the implications of the increased PAR threshold is proposed as in scope of this review. Whilst this activity is technically compliant (under Chief Officer financial scheme of delegation), there are concerns that activity below this level does not represent best value and that best practice competition and transparency requirements (such as the publication of opportunities over £30k and the update of the contract register) are not being completed.
14. **Responsible procurement (RP)** – The Corporation has an ambitious RP policy that defines responsible procurement as having three main pillars: social value, environmental sustainability and ethical sourcing. A summary of RP policy commitments has been provided as Appendix 2.
15. An independent review by Action Sustainability carried out in 2023 scored the City Corporation 2.73 out of 5 against the Sustainable Procurement standard (ISO 20400). A score of 2.1 and above is considered good for a first-time assessment. The initial assessment concluded that the Corporation has a robust approach to responsible procurement in policy and strategy, but that these are not fully embedded with understanding and implementation reducing the further removed an officer is from the central responsible procurement team. The report recommended COL rollout the existing documents and upskill contract managers. Further improvement would be achieved by allocating owners for contract management where not yet in place and training to manage contracts for responsible procurement KPIs.
16. Given that an independent review has only recently been undertaken it is not

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proposed to include RP in the scope of the review but to combine the recommendations into a single comprehensive improvement plan.

17. **Contract management** – Contract management is an area of particular concern. A summary of the COL contract management framework is set out in Appendix 3.
18. As a result of the TOM, the dedicated Commercial Contract Management team was disbanded in favour of establishing commercial leads providing end to end support through framework setting and provision of support for category A (high value and high risk) contracts. This change was based on the principle that accountability for effective contract management sits with the relevant service departments and as such contract management responsibilities should take place out in the business. In this model, corporate support is largely focussed on Category A contracts though (following the changes to organisational structure in 2021), there have been significant capacity issues that have impacted the ability of the Commercial service to proactively support these contracts and have instead provided targeted intervention by exception.
19. Outside of the Commercial Service, there are circa seven hundred colleagues named on the contracts register as having contract management responsibilities across the circa eight hundred live contracts. However, there are also key contracts that have suffered from a historic lack of ownership.
20. Contract management is an area of particular concern for the Corporation. An internal audit carried out in 2021 identified three main issues: 1) Commercial Service officers named as contract managers on the contract register rather than service leads; 2) corporate training on contract management has not been delivered and, 3) the Commercial Contract Management toolkit is not regularly updated. Some progress has been made in response to these issues, but due to a lack of capacity in the Commercial service, they remain areas of concern.
21. There have been recent examples of the consequences of poor contract management set out in procurement reports that have been put before Members for decision in recent months. These examples are a result of the historic erosion of contract management capacity across the Corporation, an underinvestment in training and development for contract managers, a lack of an effective assurance framework and illustrate the limitations of the current model that limits corporate support to firefighting rather than proactive and strategic management.
22. A review of contract management arrangements will be the priority of this review.
23. **Commercial Operations** – the operations function supports tactical buying and acts as a check and balance ensuring compliance with the Procurement Code and Financial Regulations before spending can occur. The raising of

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the PAR threshold was intended to reduce the volume of activity, allow for more support for activity above £100k but below the FTS threshold and for greater capacity to support the continued improvement of the Corporation's approach to strategic procurement with a particular focus on knowledge management. However, this has not occurred due to the level of support still required by services to effectively manage tactical buying and due to significant resourcing issues in the corporate team.

24. This lack of capacity has hindered the development of the Commercial Service offer however a new Commercial Academy was launched in January 2023 providing bite-sized eLearning for Corporation officers.

25. To summarise, several issues have been identified with the Corporation's existing approach to strategic procurement:

- a. Underutilisation of data and insight to drive decision making
- b. Lack of investment in procurement systems resulting in limited reporting capability
- c. Poor planning caused by capacity issues both within services and in the corporate Commercial Service resulting in limited procurement options being presented to Members
- d. Lack of ownership of some contracts
- e. Lack of confidence in contract management capabilities with recent examples of the service and financial implications of poor contract management
- f. Reduced corporate capacity to develop contract management approach and internal capability -
- g. Lack of accountability for poor spend behaviour
- h. Lack of embedded responsible procurement approach

Options

26. It is proposed to undertake a review of procurement and contract management across the Corporation. The review will provide a comprehensive improvement plan and form the basis for the development of a new Commercial strategy.

27. Whilst the review is being carried out a number of important actions will be taken as part of a tactical improvement plan to ensure an immediate focus on the known issues and to increase capacity to support the review and take forward recommendations. Key steps of this tactical plan include:

- The creation of a Deputy Director Commercial Strategy post as part of the new Commercial, Change and Portfolio Delivery division. This post was agreed by Court of Common Council in December 2023 and will provide greater senior strategic capacity in the division and, enable greater focus on developing commercial acumen across the Corporation and project manage the review process.

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- The repurposing of an existing vacancy in the Commercial Service to introduce a Strategic Contract Management Lead post to support the first phase of the review and to own implementation of the phase 1 recommendations.
- Undertaking of urgent system upgrades to allow for more effective reporting and increased data integrity to ensure inputs to the review are timely and accurate. This will be funded from existing transformation funding.

28. Projects and Procurement sub-Committee will receive regular updates on these tactical steps alongside project reporting for the main review.

29. The aim of the review will be to achieve a future state with the following characteristics:

- COL contracts are proactively managed ensuring value for money and proactively managing potential service and commercial risks
- Procurement decisions are robust and informed by reliable data and market insight
- All COL people understand their role and how it contributes to procurement success
- COL has well developed procurement and contract management internal capabilities
- The Commercial Service has a well developed service offer with a clear value proposition and evidenced return on investment
- Elected Members/residents/auditors are confident effective financial controls are in place
- Responsible procurement is at the heart of all strategic procurement activity
- COL is considered a buyer of choice by suppliers
- The Corporation is innovative and commercially savvy making the most of alternative service delivery models.

30. The following options have been considered for delivery of the review.

Option	Potential benefits	Potential disbenefits	Recommendation
Internal delivery – review process to be led by the Commercial Service with support from Internal Audit	<ul style="list-style-type: none">• Low cost• No duplication of other reviews or internal audit work	<ul style="list-style-type: none">• Lack of internal capacity would affect ability to carry out a comprehensive review at pace.• Missed opportunity to benefit from external challenge and best practice.• May not deliver honest reflection of status quo	Not recommended

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External delivery – a consultancy to be appointed to deliver the entire review	<ul style="list-style-type: none">• External challenge and validation of existing reviews and internal audit work• Ability to deliver at pace	<ul style="list-style-type: none">• High cost• Implementation plan may lack internal ownership.• Potential duplication of previous reviews• May cause misalignment with interdependent activities	Not recommended
Blended (hybrid) approach – review to be broken down into key phases and workstreams with a mix of external and internal leadership.	<ul style="list-style-type: none">• Managed costs• Benefit from external challenge and validation• Enable knowledge transfer and management• Support development of internal capabilities• Ability to flex resource and capacity in response to issues identified• Ensure alignment with other interdependent activities	<ul style="list-style-type: none">• More complex project governance required.	Recommended

Proposals

31. It is proposed to initiate a strategic procurement review through the development of a blended project team making use of specialist external expertise supported by internal resources. The scope of the review will include all procurement and contract management activity across the Corporation. The objective of the review will be to consider COL practice and assess against a recognised industry standard, including:

- Procurement planning
- Sourcing (tactical and strategic)
- Contract mobilisation/transition

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- Contract management and Supplier Relationship Management
- Contract review

32. The split between internal and external delivery is proposed to be as below. However, this will be reviewed throughout the delivery of the review and in conjunction with the external consultancy appointed.

Area of focus	Proposed delivery model	Rationale
Review of existing policy and procedures	Peer review	Policy and procedures are generally considered to be of a good standard. This is supported by internal audit findings and the recent RP ISO assessment. However, some external review would ensure external best practice is considered. In addition, a peer review by another public sector body would also provide assurance regarding COL preparedness for the new Procurement Act.
Assessment of the effectiveness of existing governance, excluding Member governance but including officer levels of delegation and officer governance forums i.e. category boards	Internal	To be led by the corporation transformation and improvement team who sit outside of procurement governance and as such can bring an objective lens to review of this area whilst benefitting from corporate knowledge. The team have key skills including change management and business process improvement.
Review of current roles and responsibilities, compliance and accountability considering the culture, behaviours and relationships	Internal	To be carried out internally through a multidisciplinary team across finance, commercial, transformation and HR.
Assessment of internal capability across the Corporation and within the corporate Commercial Service	External	A comprehensive training needs analysis will be commissioned to take this forward.

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Responsible procurement – further embedding	Internal	The recent ISO assessment provides a good basis for developing next steps of our RP approach and as such can be managed by the RP manager.
Focused review and risk assessment of existing Contract management arrangements and model	External	This is a priority area that needs to be taken forward at pace. External specialist support is required to provide assurance and to embed industry standards and best practice.
Review of the Commercial Service and relationship with organisation-wide procurement roles establishing a clear RACI model and VfM assessment	Internal	This will be carried out in light of the establishment of the new CCPD division and taking into account the output from the other areas of focus of this review.
Strategic procurement baselining and maturity assessment	Peer review	External view of current maturity.

33. The potential outputs of the review include:

- A risk assessed compliance audit
- A comprehensive improvement plan for procurement and contract management across COL
- Maturity assessment/diagnostic
- COL case studies identifying existing best practice
- A commercial assurance framework setting out future data and reporting requirements
- Corporate capability assessment and proposed training plan
- Commercial Service catalogue and draft Service Level Agreement
- Refreshed Procurement Code
- Proposals for refreshed officer level governance (i.e. Category Boards)
- Framework for a new Commercial strategy

Timescales

34 The scope set out in this paper is comprehensive and will need to be delivered in a phased way. Taking a risk-based approach, the first stage of the review will be to commission specialist external support to undertake a review and risk assessment of existing contract management approach. At the end of each phase a summary report with clear recommendations and

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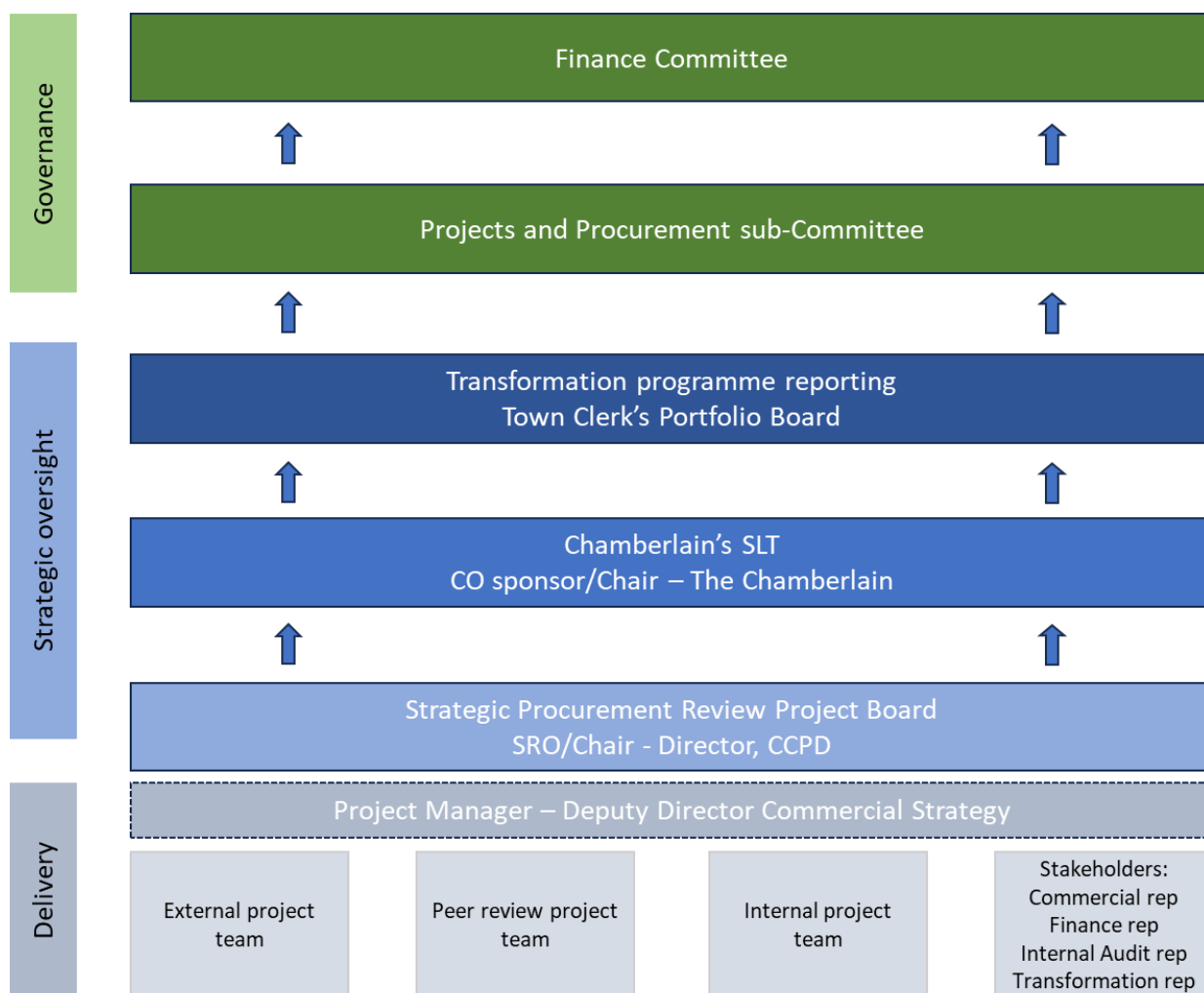
delivery plan will be reported to the relevant committee and implementation will begin immediately and be delivered concurrently with subsequent phases of the review being undertaken. An indicative timeline for delivery is set out below.

Review area of focus	Likely duration	Target date
Priority 1 - Contract management review and risk assessment	6-8 weeks	May 2024 (report to Finance Committee)
Peer review of Procurement Act preparation	2 weeks	June 2024 (report to PPsC)
Review of procurement practice and governance	6-8 weeks	July 2024
Training needs assessment	4 weeks	July 2024
Design of future operating model with key recommendations	6 weeks	August 2024
Approval of overall improvement plan	-	September 2024 (report to PPsC and Finance)

Governance

35 The diagram below sets out the proposed governance arrangements. If the proposals set out in this report are approved, a full Project Initiation Document (PID) will be developed that will provide greater detail regarding the terms of reference for the boards set out below.

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Interdependencies

- Commercial, Change and Portfolio Delivery reorganisation
- Portfolio Management implementation
- Resources and Priorities Refresh programme: commercial workstream delivery

Key Data

36 The City Corporation spends roughly £440m per year through contracted services. The Corporation procurement categories and their total contract values are set out below:

Spend categories	No. of contracts	Total contract value £m	Invoiced spend £m 01/01/23 – 31/12/23
Property & Major Projects	224	998	292.5
People Incl. Pan London	80	416	20
Environment and facilities	155	672	41

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Corporate	196	120	70
IT & Digital	133	43	20
TOTAL	788	2,249	443.5

37 In addition, there are circa eight hundred contracts on the Corporation's contract register.

Corporate & Strategic Implications –

Strategic implications – effective strategic procurement plays an important role in delivering against strategic priorities and objectives. Responsible procurement in particular, can ensure that the Corporation delivers added value through its third party spend with tangible and measurable benefits.

Financial implications – no additional funding is required as a result of this report as the recommendations set out can be funded from existing budgets. The recommendations of the review may require additional investment however these will be presented to relevant committees for decision. The implications of the review will have a significant impact on internal financial assurance and control. Effective sourcing and robust contract management will ensure Corporation contracts represent best value and the that cost assurance is provided thorough the lifetime of individual contracts.

Resource implications – there are no immediate resource implications. However, the assessment of COL roles, responsibilities and capability are in scope of this review. The findings will have direct implications on organisational structure and learning and development. In addition, any changes to policy, procedures and systems will have a significant impact on officers across the Corporation and its institutions. As such all changes will be managed in accordance with change management best practice and include a comprehensive stakeholder and engagement plan.

Legal implications – the review is intended to ensure compliance with relevant legislative and regulatory frameworks. An assessment of the Corporation's preparedness for the new Procurement Act, 2023, forms an important part of these proposals.

Risk implications – the proposals set out in this report, directly address risks identified as part of the Chamberlain's local risk register. In addition, the review will also address unresolved internal audit findings. Effective risk management is an important part of any robust contract management framework and as such this will be a particular focus of the design of any new guidance materials.

Equalities implications – there are no direct equalities implications of this report. Any recommended changes to policy, procedures or practice as a result of this review will be subject to equality impact assessments.

Climate implications – none as a direct result of this report.

Security implications – none as a direct result of this report.

Conclusion

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38 Strategic procurement is an important enabling activity that can support the City to achieve the priorities set out in the Corporate Plan whilst ensuring best value and effective use of scarce resources. This review will provide a common vision for COL best practice and a comprehensive improvement plan setting out the necessary steps for achieving that vision over the next 'fantastic five years' and beyond.

Appendices

- Appendix 1 – Procurement thresholds
- Appendix 2 – Responsible Procurement Policy summary
- Appendix 3 – Contract management framework summary

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Procurement Code thresholds

Table 1 – Procurement thresholds

Type of Procurement	Goods & Services	Works	Guidance
Operational Purchasing	Up to £100,000	Up to £100,000	Officers may seek quotations directly from suppliers in accordance with the process outlined in Part 2. Once a quotation has been obtained, a requisition must be created on iProcurement and submitted to the Commercial Service who will issue a Purchase Order to the selected supplier. Where a Corporate Contract exists, it must be used.
One-off Purchasing	-	More than £100,000 but less than £400,000	Request for Quotation must be undertaken by the Commercial Service through the eTendering portal. A minimum of three firms to be invited to submit written quotations one of which should be a local firm, SME, or a Social Enterprise.
Strategic Purchasing	More than £100,000	£400,000 or more	Options Appraisal must be undertaken by the Commercial Service. Any resulting procurement must go through the tendering portal.

Table 2 – contract letting thresholds

Value	Approval Process
£100,000 and below	Options appraisal – Chief Officer Contract Award - Relevant Chief Officer/or an Officer with Delegated Authority from the Chief Officer.
>£100,000 - less than £2,000,000	Options appraisal - Relevant Category Board

Appendix 1 - Thresholds

	Contract Award - Relevant Category Board
£2,000,000 or More - less than £4,000,000	<p>Options (Stage 1): Report for Relevant Category Board and Projects and Procurement sub-Committee, or Bridge House Estates Board for Bridge House Estates Procurement, for approval to proceed with a procurement and for the procurement strategy.</p> <p>Contract Award (Stage 2): Report for Relevant Category Board and Projects and Procurement Sub Committee, or Bridge House Estates Board for Bridge House Estates Procurement, which receives final recommendation on contract award.</p>
£4,000,000 and above	<p>Options (Stage 1): Report for Relevant Category Board, Operational Projects and Procurement Sub Committee and Finance Committee, or Bridge House Estates Board for Bridge House Estates Procurement, for approval to proceed with a procurement and for the procurement strategy.</p> <p>Contract Award (Stage 2): Report for Relevant Category Board, Projects and Procurement Sub Committee and Finance Committee, or Bridge House Estates Board for Bridge House Estates Procurement, and Court of Common Council which receives final recommendation on contract award.</p>

Defining Responsible Procurement as social value, sustainability and ethical sourcing:

- Social Value means protecting and enhancing the health and wellbeing of local people and the local environment, reducing inequalities, providing skills and employment opportunities, promoting the local economy and building resilience through diverse supply chains.
- Environmental sustainability means reducing negative environmental impacts by working towards net zero and supporting environmental protection and improvement including animal welfare.
- Ethical Sourcing means ensuring that human rights and employment rights are protected throughout the City Corporation's UK and global supply chains.

The Corporation's Responsible Procurement Policy identifies six key commitments set out below:

- Take **Climate Action** and minimise environmental impacts of procurement on our operations and throughout our supply chain
- Encourage and facilitate **Supplier Diversity** (Diverse Owned Enterprises and SMEs) through direct contracts, partnerships and active monitoring
- Embed **equity, diversity and inclusion** throughout the contract process and work with suppliers who have proven to take active steps within their own organisations, supply chain and industry
- Protect human rights in our supply chain by working with suppliers who undertake due diligence to guard against **modern slavery** and other human rights abuses
- Facilitate **meaningful work-related opportunities**, which are actively targeted to enable social mobility and inclusion
- Achieve **meaningful social value outcomes** according to organisational and stakeholder priorities through internal collaboration, community input and supplier engagement

Summary of COL contract management approach:

Benefits of Commercial Contract Management:

- Assurance of delivery of contractual obligations
- Improved performance in service quality and delivery
- Avoidance of service failure
- Better management of risk
- Better communication between the Corporation and its supply chain
- Early identification of problems and their resolutions
- Opportunities for innovation
- Making financial savings

The Corporation's commercial contract management framework sets out three main parts to Contract Management. These are:



- *Contract Administration* - concerned with the routine documentation and administrative tasks required of the contract. It is an important function for which the department and the supplier will rely on when issues need to be clarified, agreements are questioned, or the history of events needs to be investigated.
- *Service Delivery Performance Management* - involves the setup and continuous tracking of operational measures which have been agreed with the department's suppliers. Service levels are the standards that the supplier needs to perform to and are framed within a range that is acceptable to a department, set out in a Service Levels Agreement (SLA) of a contract.
- *Strategic and Commercial Management* - to establish a two-way, mutually beneficial relationship between the Corporation and the supplier. It consists of collaborative and relationship building activities targeted at the most strategic and critical supply partners that deliver added value to the Corporation, such as longer-term commercial benefits, innovation, joint risk management and potentially investment.

Appendix 3 – Contract Management Framework

The Corporation's contracts are tiered into three categories based on value and risk. These categories determine the level of contract management required.

Category	Definitions of Category
Category A Suppliers	(Contract value above £1m) High risk, business critical, reputational risk, legislative
Category B Suppliers	(Contract value spend between FTS threshold - £1M) Medium risk, business critical, reputational risk, legislative
Category C Suppliers	(Contract value spend between £50k - FTS threshold) Low risk, business critical, reputational risk, legislative

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