

<b>Committee</b>	<b>Dated:</b>
Procurement Sub Committee	9 September 2020
<b>Subject:</b> City Procurement Risk Management – Quarterly Report	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>
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### **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 six service-level risks on its risk register. There is currently one RED risk and six AMBER.

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 by 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 six service-level risks on its risk register attached as Appendix 1. There is currently one RED risk and six AMBER. In order of risk rating, City Procurement's risk register includes:

### **CHB CP012 – City Procurement Budget Pressure 2020/21 (Current Risk: Red)**

6. The response required for COVID-19 and the disruption of normal working practices has impacted City Procurement's budget. This year's budget included a provision for income generation as part of the Fundamental Review which has not been possible in the current working climate. In addition, unexpected IT equipment, office furniture, and overtime pay were required at the start of this financial year.
7. The Commercial Director submitted a report detailing the projected end of year budget position and income generation to the Chamberlain in June 2020. The projection currently sits at £118,000 overspend as of the end of period four. This is reduced from a projected overspend of £183,000 at the end of period three. These figures sit below initial projections due to vacancy freezes, ending two temporary contracts, and a royalty payment. The Commercial Director continues to monitor the budget for potential savings. A review of total opportunities and reduction in budget expenditure is scheduled for October looking at the second half of the year.

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

8. Uptake of the City Accelerate offering continues to be low. Our commercial partner has not been proactive in providing the plans to engage more of our tier one contractors. The Commercial Contract Management (CCM) Team drafting a report for SMT to review the outputs of this contract. Additional information has been requested by SMT for the September 2020 meeting.

### **CHB CP011 – City Procurement Resource Pressure (Current Risk: Amber)**

9. A reduction in City Procurement resource due to year-on-year savings requirement and the existing moratorium on filling vacancies has left little-to-no capacity to respond to emerging/unplanned projects without impacting service KPIs. This has been highlighted during the recent response to the COVID-19 pandemic. There are other emerging priorities to the business which will require additional resource that City Procurement does not have. If this risk is not managed there is an increased likelihood that KPIs for the core services such as savings and payment targets will suffer.
10. Immediate measures after the initial lockdown were deployed to handle this risk in the short-term including overtime, redeployment of staff, and de-prioritisation of work. For the medium-to-long term, SMT are reviewing the governance and operational set up of the Category Management and CCM teams. This is to fit with the objectives of City Procurement Strategy 2020 and the impending Target Operating Model. Additionally, unplanned activities will be reviewed on an individual basis to see if funding is required and available to provide additional resource.

### **CHB CP013 – Failure to Reach Savings Target (Current Risk: Amber)**

11. The response required for the COVID-19 pandemic has disrupted normal working practices delaying procurements. In addition, supply markets may change due to loss of companies. The savings that would have been delivered by these procurements may be missed.
12. The Category Management teams are reviewing the Sourcing Plan and the category strategies. The savings target will be brought back to committee for review after the summer break and after it has been brought in line with the redrafted category strategies as a response to the COVID-19 situation.

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

13. The CCM team identified a weakness with our current Enterprise Resource Planning (ERP) system to set up and track contract level expenditure. The Assistant Director of the CCM team, working closely with the Chamberlain's Oracle team, identified a systems-based solution that will allow contract managers and City Procurement to track contract spend accurately reducing the process to a single point failure at requisitioner level. The development order will be issued in October 2020 and a target implementation date will be available once the development starts.
14. CCM have completed a categorisation review of their portfolio which has resulted in an additional weighting to the categorisation process. The portfolio will be reviewed in September using the updated criteria. Once completed, that will inform the review of Change Control Notices coming through City Procurement.

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

15. City Procurement have been working closely with the City Corporation's Brexit Planning Group. As part of the communications plan, signed off by the Brexit Planning Group, letters were 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. Of the suppliers contacted, 64% responded. The Commercial Contract Management team have analysed the responses and will report to the Brexit Planning Group. No significant risks were identified in the initial sift. Some suppliers have highlighted that there will be some cost pressures post transition, but these are considered low risk.
16. During the transition period there are no identified supply or cost pressures.

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

17. 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.

18. The requirement to import VAT data has been included as a KPI in the new P-card contract which commenced in June 2020. The supplier has been given a deadline of November 2020 to report back on how this KPI will be met. As this is the only open action on this risk, City Procurement will move reporting on its progress to the quarterly P-card report unless any further actions are suggested by committee.

## **Conclusion**

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

## **Appendices**

- Appendix 1 - City Procurement Risk Register Aug 2020

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