

Committee(s)	Dated:
Procurement Sub Committee Finance Committee	9 September 2020 22 September 2020
Subject: City Procurement Quarterly Progress Report (September 2020)	Public
Report of: The Chamberlain	For Information
Report author: Chris Bell, Commercial Director	

Summary

The report updates Members on the work of City Procurement, key performance indicators and areas of progress.

Performance for Q1 of 2020/21 financial year is summarised below:

- Procurement savings at end of June 2020 of £1.3m, made up of £290k Commercial Contract Management savings and £1.01m Sourcing & Category Management savings.
- Purchase order compliance of 98% (target of 97%).
- 93% of all supplier invoices were paid within 30 days (target of 97%)
- 86% of SME invoices were paid within 10 working days (target of 88%).
- Non-compliant Waiver over £50k trends:
 - Non-compliant waivers decreased by 71% compared to the previous financial year.
 - A total of 2 Procurement Breach waivers have been recorded in FY 20/21 with a total value of £183k.

Recommendations

- Members are asked to note the report.

Main Report

Background

1. City Procurement has four main functions: Category Management/Sourcing, Commercial Contract Management, Accounts Payable, and Policy & Compliance. This report provides an update on the progress and current performance against the service KPIs set out in the Chamberlain's Business Plan in April 2020.

Efficiency and Savings

2. City Procurement is set an annual savings target at the start of each year based on the contracts to be let during the financial year that have the potential to make efficiency or cost savings and contracts let in previous years that are generating guaranteed savings in the current year. Each contract is reviewed by the relevant Category Board to set the targets and each contract target considers historic spend, scope changes, complexity, risk and industry benchmarks. The 2020/21 City Procurement savings target has not yet been set as it is still being reviewed due to Covid-19 and the need for revised category strategies to be developed.

2020/21 Efficiencies and savings as at 30 June 2020

- Sourcing & Category Management achieved procurement savings of £1.01m at the end of Q1 FY 20/21. Additionally, Commercial Contract Management has achieved efficiencies and savings to the value of £290k, giving total savings for Q1 of £1.3m.

Key Procurement Projects 2020/21

- There is a very challenging sourcing plan for this year, added to by the urgent Covid-19 and a range of recovery requirements that has procurement implications. Some of the key procurement projects this year are summarised at Appendix A.

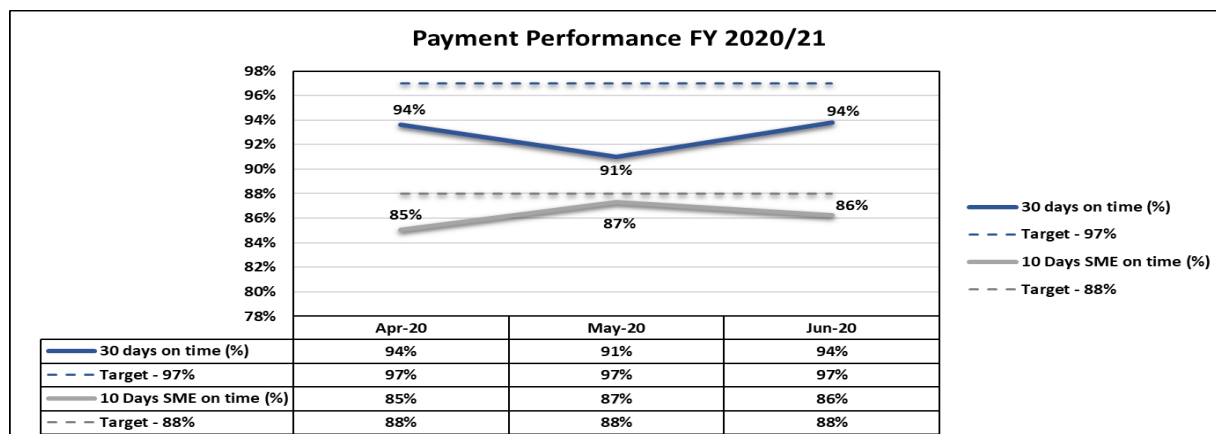
Accounts Payable Performance – Compliance with No PO No Pay Policy

- We continue to achieve high levels of compliance with 98% PO compliance for Q1 FY 20/21, therefore exceeding our target of 97%.

Payment Performance

- The Corporation's 30-day invoices paid-on-time performance for Q1 FY 20/21 is 93%, slightly below the target of 97%. Our 10-day SME invoice payment performance for Q1 FY 20/21 is 86%, falling just short of the 88% target. There have been a number of factors impacting results this year including carrying vacancies to balance budget, increased work for Accounts Payable assisting other parts of the organisation (including all Covid-19 relief payments) and some periods of down time in IT access to the payments systems.

Figure A – 30- and 10-Day Payment Performance trend charts



Electronic Invoices Received

- Of all the invoices received from suppliers in Q1 FY 19/20, 94% were in the desired True PDF format, exceeding our target of 75%.
- All Accounts Payable staff continue to work from home due to the COVID-19 pandemic, so the necessity for invoices to be submitted electronically remains.

Non-compliant Waivers

9. Compliant waivers are now considered as part of the Options Report when undertaking a procurement exercise. A separate report is no longer required for compliant waivers and under £50,000 purchases have been devolved to departments. The figures below include over £50,000 non-compliant waivers only.
- a) Trends for Non-compliant Waivers over £50,000:
- Non-compliant waivers decreased by 71% compared to the previous financial year.
 - A total of 2 Procurement Breach waivers have been recorded in FY 20/21 so far with a value of £183k.

Freedom of Information (FOI) Requests

10. City Procurement has responded to 8 FOI requests between April – June 2020, amounting to 18 hours of officer time. Analysing the make-up of FOIs for this period gives the following categorisation:

Nature of FOI Query	Instances
Understanding our expenditure	5
Compliance queries	2
Seeking sales opportunities	1
	8

Covid-19 Response and actions for City Procurement

11. Like much of the organisation, there has been a significant impact of the Covid-19 crisis on City Procurement.

Supporting Urgent Department requirements

12. The main element of support to City Services, has been sourcing PPE and other urgent commodities or services for the organisation and the Covid-19 Strategic Coordination Group for London. We have been able to meet urgent demands consistently in a very difficult marketplace and have quickly built up a panel of suppliers to meet needs arising. This included large urgent orders for DCCS to support crucial services and suppliers. Both then and now, ensuring that services identify needs early is critical to ensure supply. It is expected that demand will remain high across London.

Impact on live and soon to commence procurement exercises

13. The impact of Covid-19 has been very different across the range of goods, services and works contracts we are currently working on. Due to this, the Commercial Director has requested revised Category Strategies to reflect this. These draft strategies will be completed by the end of August 2020 and then presented and discussed at the various Category Boards before being approved. These strategies will consider whether to pause/defer certain procurements, extend existing arrangements, challenge the need or scope of procurement exercises and also take advantage of short-term market conditions that would be positive to the organisation. We will bring back the outcome of those exercises at October committee. This also has an impact on our targets for 2020/21, therefore we will present our target figures at this same committee.

Conclusion

14. City Procurement continues to achieve a high level of performance during an extremely challenging period. The savings target has not been set yet due to Covid-19; however, it is being reviewed and we continue to make savings with £1.3m achieved so far for Q1. The payment performance figures are falling just short of their respective targets, but a few adverse factors have been identified and further investigation will be carried out with the aim of introducing measures to counteract these. We continue to achieve high levels of PO Compliance and we have seen a significant increase in True PDF invoice taking us above the 90% mark. Latterly, the impact of Covid-19 has created significant new additional work in terms of responding to the situation and new government policy notices. The current environment also has impacted our sourcing plan and ability to procure as normal, thus revised category strategies are being worked on with a revised plan and targets being presented for 2020-21 at the September Procurement Sub-Committee.

Report Author

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Appendix A – Key Projects for Category Management and Sourcing in 2020-2021.

Some of the key procurement projects this year are summarised below:

- a) **Power Purchase Agreement:** This sees the Corporation looking to procure a Power Purchase Agreement that will provide significant commercial benefits for our energy consumption over our corporate asset portfolio. This is due to expected tariff savings and fixed cost assurance over a 15-year period as well as see us invest in new Renewable Energy production in the UK, in line with our Responsible Strategy. This is a £40m (approximately) project which has spanned last year and this and is currently at the award recommendation stage under delegated authority.
- b) **Electricity/Gas Supplies:** This project sees the Corporation looking to procure several long-term flexible contracts for supply of electricity and gas to the City's residential and commercial assets. As commodity costs fluctuate, the aim is to ensure the City can purchase in advance and – in conjunction with the proposed Power Purchase Agreement - limit our exposure to high commodity costs. The total contract value over a 4-year proposed contract period is estimated at £62m. City Procurement intend to present the procurement strategy to Finance Committee for approval in October 2020.
- c) **National Fraud and Cyber-Crime Reporting and Analysis Service -** Procurement of a next generation National Fraud and Cyber-Crime Reporting and Analysis Service, comprising two main elements; the National Fraud Intelligence Bureau, and Action Fraud (i.e. Contact Centre and Victim Care). A newly shaped service will be developed and subsequently provide a central resource for counter-fraud policing activity, with an overall objective to deliver consistency and coordination to fraud investigations. Currently at the pre-market engagement phase, the estimated whole life costs for a next-generation service comprising all elements is c£60m based on up to five years (including build and run). The Procurement Strategy Stage 1 is expected to come to Procurement Sub Committee in October 2020.
- d) **Property Professional Services, Architects Framework -** The City is currently tendering for a Corporate Architects framework, covering four lots. Lot 1 - Architect/Designer for works projects for construction up to £6M, Lot 2 - Architect/Designer for works projects for construction value over £6M, Lot 3 - Architect/Designer for works projects of a heritage/listed construction projects and Lot 4 - Architect/Designer for works projects specially for interiors. The estimated spend is £34M. Evaluation and Award of this framework is expected in the Autumn of 2020.
- e) **Fleet Street Estate – Procurement Strategy – Construction -** The Procurement Strategy is currently being developed jointly with the appointed design team for the Fleet Street Estate Project, which is looking to secure a first class, technically strong Main Contractor (MC) and supply chain to deliver three high quality buildings

in the heart of the legal district whilst achieving a high level of cost and programme certainty aligned with the budget and programme. The procurement strategy includes the following requirements: Demolition, Main Contractor and Employers agent services approximately £340m for the total duration of the contract. The final recommendation will be presented at the Capital Building's Committee in November 2020, with a view of issuing the first package of work, Demolition tender in December 2020.

- f) **Markets Consolidation Programme – Procurement Strategy - Strategic Property Adviser and Professional Services** - This Procurement Strategy seeks to review both the existing scope of the appointed Strategic Property Adviser (SPA) contract and future professional services required for the next stage of the Market programme. The proposed strategy seeks to reduce the existing Advisers scope of services, retaining the strategic property related services, removing the technical professional services, with the ultimate purpose of re-tendering the set of requirements and developing the Delivery strategy. The commercial activity over the next coming months will focus on the existing SPA contractual extensions/variations and procurement activity/services required post November.
- g) **HR, Payroll and Finance, ERP Solution** - The procurement project has closed down its Discovery Phase and is finalising its Outline Business Case (OBC). As well as taking into account future costs (system and support), the OBC will outline its findings on whether it is possible to rationalise the current IT systems for its future HR, Payroll and Finance requirements into an ERP solution v's Best-In-Breed, and which option presents best value for money whilst highlighting their associated risks. It is expected that the procurement strategy and recommended Route to Market for procuring a new solution will be proposed Autumn 2020. The estimated total contract value is circa £7m based on implementation and establishment of new solution across a contract term of approximately 10 years.
- h) **Corporate Catering:** In November 2019, the incumbent supplier of corporate catering services served notice to terminate its contract with the City, despite there being over 3 years of the contract term remaining. The requirement covers corporate (staff/student) catering services for the Guildhall, Barbican, Guildhall School of Music and Drama (GSMD), and the City of London Police at Bishopsgate sites. At the start of the pandemic the decision was made (and approved by the Facilities Services Category Board) to continue with the competition and assess the viability of the contracts based on site occupancy towards the end of the competition. When it became clear that short-medium term occupancy levels at the Guildhall, Barbican and GSMD could not be predicted the decision was made by the Board not to re-open those services and consequently not to award those contracts. A further viability review will be undertaken in 3-6 months for those sites. Comptroller and City Solicitor are currently in the final stages of awarding a contract for the City of London Police at Bishopsgate, which retains high occupancy levels. The contract value for the Bishopsgate site will be £168k over three years. The supplier will partner with a social enterprise to provide opportunities to people with disabilities.
- i) **Finsbury Park Pavilion Design Competition** - To reinstate the oldest and largest public open space in the City of London. An OJEU design competition is being run

for the design of Finsbury Park Pavilion. Only 4 design competitions were run in the UK in 2018 and is the first run by the City.

- j) **Barking Power Station Remediation – Demolition** - This procurement project is for the Demolition works of Barking Power Station at the Dagenham Dock site with an estimated budget of £6.5m for the full duration of the contract. The tender is currently at the second stage of the OJEU restricted process, with 6 contractors selected to submit their ITT proposals. The tender is due to close on the 7th September 2020 with the aim of reaching a moderated outcome and contract award by the end of October which will come to Procurement Sub/Project Sub Committees in November 2020.
- k) **Brewery Road Refurbishment Works** - Refurbishment of Brewery Road building and externals for light industrial/office use. Maximising the marketability by refurbishing, reconfiguration, futureproofing and increasing the lettable office space available. The building is at the end of its economic design life and needs significant capital investment. The project was procured via the City's Major Works framework and all suppliers were keen to tender. Bidders were asked to provide a BAFO which they all did, saving the City £140k. The contract is in the process of being awarded with an estimated project value of 8.7m. The award should come to committee in October 2020.
- l) **Framework Agreement for an Art Transportation Service** - Undertaking a procurement process to establish a compliant multi-supplier framework agreement for an art transportation service to cover the Barbican's (and other City Corporation departments) requirements domestically and internationally up to a 4-year period. This will help the Barbican deliver its ambitious programme of visual arts exhibitions – with a dynamic mix of art, architecture, design, fashion and photography. Previously, the Barbican Art Gallery had been seeking quotes for this service on an ad-hoc basis and previous requisitions had been processed using the Artist Exemption. The estimated total value of the framework agreement is £3.8m and the process is currently at the tender evaluation phase. An award report is expected to Procurement Sub-committee in October 2020.
- m) **Hazardous Waste Collection and Disposal** - This sees the Corporation leading a procurement of Hazardous Waste Collection and Disposal services on behalf of 31 London Boroughs. The total contract value over 10 years (including 5-year extension) for all participating Boroughs will be approximately £9m, dependant on demand for the services. The allocation of costs to each Borough is calculated based on the number of residents, so cost to the City over the same period will be circa £20k. Approval was given by the Court of Common Council in May 2020 to proceed with contract award. Comptroller and City Solicitor are currently in the final stages of awarding the contract to the supplier and signing agreements with the 31 London Boroughs.

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