



## Finance Committee

**Date:** TUESDAY, 10 DECEMBER 2013  
**Time:** 1.45pm  
**Venue:** COMMITTEE ROOMS - WEST WING, GUILDHALL

**Members:**

Roger Chadwick (Chairman)	Wendy Hyde
George Abrahams	Clare James
Deputy John Barker	Sheriff & Alderman Sir Paul Judge
Randall Anderson	Deputy Alastair King
Alderman Sir Michael Bear	Jamie Ingham Clark
Nigel Challis	Oliver Lodge
Simon Duckworth	Jeremy Mayhew
Deputy Anthony Eskenzi	Robert Merrett
Deputy Robin Eve	Deputy Henry Pollard
Kevin Everett	Alderman Neil Redcliffe
John Fletcher	John Scott
Stuart Fraser	Ian Seaton
Lucy Frew	Sir Michael Snyder
Alderman John Garbutt	David Thompson
Brian Harris	Deputy John Tomlinson
Ann Holmes	Philip Woodhouse
Tom Hoffman	Mark Boleat (Ex-Officio Member)
Deputy Robert Howard	Deputy Michael Cassidy (Ex-Officio Member)

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Lunch will be served in Guildhall Club at 1PM

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. **MINUTES OF THE PREVIOUS MEETING**  
To agree the public minutes and non-public summary of the meeting held on 19 November 2013  

**For Decision**  
(Pages 1 - 6)
4. **MINUTES OF THE FINANCE GRANTS SUB-COMMITTEE**  
To receive the draft public minutes and summary of the meeting held on 19 November 2011  

**For Decision**  
(Pages 7 - 10)
5. **TO APPOINT A DEPUTY CHAIRMAN OF THE FINANCE COMMITTEE**  
In accordance with Standing Order No 30  

**For Decision**
6. **ANNUAL REVIEW OF THE FINANCE COMMITTEE'S TERMS OF REFERENCE**  
Report of the Town Clerk  

**For Decision**  
(Pages 11 - 14)
7. **REVENUE AND CAPITAL BUDGETS FOR FINANCE COMMITTEE OPERATIONAL SERVICES 2014-15 - TO FOLLOW**  
Report of the Chamberlain
8. **REVISIONS TO THE CITY OF LONDON'S PROCUREMENT REGULATIONS DECEMBER 2013**  
Report of the Chamberlain  

**For Decision**  
(Pages 15 - 62)
9. **AUTUMN TREASURY STATEMENT**  
Chamberlain to be heard
10. **SURPLUS ARISING FOR ON-STREET PARKING 2012/13 AND UTILISATION OF ACCRUED SURPLUS**  
Report of the Chamberlain  

**For Information**  
(Pages 63 - 66)

11. **OFF-STREET CAR PARKING MANAGEMENT TENDER**  
Report of the Director of the Built Environment  
**For Decision**  
(Pages 67 - 80)
12. **DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**  
The Town Clerk to be heard
13. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
14. **ANY OTHER 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 items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.  
**For Decision**

#### **Part 2 - Non-Public Agenda**

16. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**  
To agree the non-public minutes of the meeting held on 19 November 2013  
**For Decision**  
(Pages 81 - 84)
17. **NON-PUBLIC MINUTES OF THE FINANCE GRANTS SUB-COMMITTEE**  
To receive the non-public minutes of the meeting held on 19 November 2013  
**For Information**  
(Pages 85 - 86)
18. **TENDER EVALUATION REPORT : CITY OF LONDON CIVIL PARKING AND CASH COLLECTION CONTRACT**  
Report of the Director of the Built Environment and the Chamberlain  
**For Decision**  
(Pages 87 - 100)
19. **AUTHORITY TO START WORK - GUILDHALL ART GALLERY: HERITAGE GALLERY**  
Report of the City Surveyor and the Director of Culture, Heritage and Libraries  
**For Decision**  
(Pages 101 - 122)

20. **FORMER TENANTS RENT ETC ARREARS WRITE OFFS**  
Report of the Comptroller and City Solicitor

**For Decision**  
(Pages 123 - 130)

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

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

**Part 3 - Confidential Agenda**

23. **DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**  
Report of the Town Clerk

24. **ORACLE ENTERPRISE RESOURCE PLANNING (ERP) - AUTHORITY TO START WORK - GATEWAY 5**  
Report of the Chamberlain

# Agenda Item 3

## FINANCE COMMITTEE

Tuesday, 19 November 2013

Minutes of the meeting of the Finance Committee held at Committee Rooms - West Wing, Guildhall on Tuesday, 19 November 2013 at 1.45pm

### Present

#### Members:

Roger Chadwick (Chairman)	Tom Hoffman
Deputy John Barker	Deputy Robert Howard
Randall Anderson	Wendy Hyde
Alderman Sir Michael Bear	Clare James
Nigel Challis	Sheriff & Alderman Sir Paul Judge
Simon Duckworth	Deputy Alastair King
Deputy Anthony Eskenzi	Jamie Ingham Clark
Deputy Robin Eve	Oliver Lodge
Kevin Everett	Jeremy Mayhew
John Fletcher	Deputy Henry Pollard
Stuart Fraser	Alderman Neil Redcliffe
Lucy Frew	John Scott
Alderman John Garbutt	Ian Seaton
Brian Harris	Sir Michael Snyder
Ann Holmes	David Thompson

### In Attendance

#### Officers:

Julie Mayer	- Town Clerk's Department
Chris Bilisland	- Chamberlain
Caroline Al-Beyerty	- Chamberlain's Department
Suzanne Jones	- Chamberlain's Department
Nick Haslock	- Chamberlain's Department
Michael Cogher	- Comptroller and City Solicitor
Simon Murrells	- Assistant Town Clerk
Graham Bell	- Chief Information Officer
Peter Bennett	- City Surveyor
Chrissie Morgan	- Director of Human Resources
Steve Telling	- Chamberlain's Department

#### 1. APOLOGIES

Apologies were received from George Abrahams, John Fletcher, Robert Merrett and Philip Woodhouse.

## Resignation of the Deputy Chairman

The Chairman regretfully advised members that the Deputy Chairman, Mr Ray Catt, had tendered his resignation from the Court of Common Council, with immediate effect. Members paid tribute to Mr Catt's contribution to the Finance Committee over the past 2 years and were very sorry to hear of his imminent departure.

The Town Clerk advised that an election for a new Deputy Chairman would take place at the next meeting (10 December 2013) and all members of the Committee would be invited to stand.

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

The following members declared interests in respect of Item 11 - City's Cash Financial Statements (related party transactions):

- Wendy Hyde and Oliver Lodge – as Governors of King Edward's School, Whitley
- Alderman John Garbutt – as a Member of the Irish Society
- Deputy Henry Pollard – as a Governor of Christ's Hospital

### 3. **MINUTES OF THE PREVIOUS MEETING**

**RESOLVED** - That the public minutes and non-public summary of the meeting held on 22 October 2013 be approved as an accurate record.

### 4. **MINUTES OF THE CORPORATE ASSET SUB-COMMITTEE**

**RESOLVED** - That the public minutes and non-public summary of the Corporate Asset Sub Committee meeting held on 2 October 2013 be noted.

### 5. **MINUTES OF THE INFORMATION SYSTEMS SUB-COMMITTEE**

**RESOLVED** - That the public minutes and non-public summary of the Information Systems Sub Committee meeting held on 22 October 2013 be noted. The Committee noted that the Reference Sub Group for the Agilisys Contract had been convened.

### 6. **MINUTES OF THE EFFICIENCY AND PERFORMANCE SUB-COMMITTEE**

**RESOLVED** - That the public minutes and non-public summary of the Efficiency & Performance Sub Committee meeting held on 6 November 2013 be noted.

### 7. **TO NOMINATE A REPRESENTATIVE TO SERVE ON THE ESTABLISHMENT COMMITTEE**

Following a ballot of 2 members, Mr Jamie Ingham Clark was appointed as the Finance Committee's representative on the Establishment Committee

8. **REVENUE BUDGET MONITORING TO OCTOBER 2013**

The Committee received the Chamberlain's Monthly Budget Monitoring report to October 2013.

9. **PROCUREMENT AND PROCURE TO PAY (PP2P) UPDATE**

The Committee considered a report of the Chamberlain, following the decision of the Committee (in September) to bring the partnership with Accenture to an earlier close. The report set out progress on the internalisation of the service.

In response to queries about the timely payment of invoices, members noted that, prior to the MITIE contract, there was a much larger number of SME's. Officers advised that they were working both internally and externally to maintain a high standard of performance. Members noted that 87% of invoices were paid within 15 days (against the SME standard terms of 30 days).

**RESOLVED – that:**

1. The plan for internalising the services and the progress to date be noted.
2. The proposed approach to vary the existing contract with Accenture be noted - to reflect the accelerated end date and any additional support arising from the shortened arrangement.
3. The additional proposed support being sought from Accenture be noted.
4. A waiver be approved for the extension of the office stationery contract to December 2014.

10. **FINANCING OF CAPITAL AND SUPPLEMENTARY REVENUE PROJECTS 2012/13 - OUTTURN AND UPDATE**

The Committee received a report of the Chamberlain.

11. **CITY'S CASH FINANCIAL STATEMENTS 2012/13**

The Committee considered the City's Cash Financial Statements for the year ended 31 March 2013. The accounts had been prepared for the first time on the basis of United Kingdom Generally Accepted Accounting Practice (UKGAAP) and the format and content varied significantly from the previous basis of preparation (a modified version of the Charities Statement of Recommended Practice 2005). Members noted that the Audit and Risk Management Committee had recommended approval to the Finance Committee.

Members commended the Chamberlain's Department for the production of a complex set of accounts.

**RESOLVED – that:**

1. The contents of Deloitte's management letter be noted.
2. The City's Cash Financial Statements be approved.

**12. FUNCTIONS OF THE DISASTER EMERGENCY COMMITTEE (DEC)**

The Committee received a report of the Town Clerk which informed members as to how the Disasters Emergency Committee (DEC) performed its functions. Members noted that officers had met representatives of the DEC to hear more about the work of the organisation and explore the opportunities for working more closely with them in responding to humanitarian crises.

Whilst members commended the Red Cross for their prompt responses and hoped to continue working with them, it was recognised that the DEC might offer creative alternatives. The Chairman recommended that each appeal be judged on merit. The Committee asked for regular feedback from the DEC on the outcomes from donations.

**13. DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**

The Town Clerk advised members of a decision taken under delegated authority, which had been approved after the agenda for this meeting had gone to print. Members noted that, on 12 November 2013, the Disaster Emergency Committee (DEC) launched an emergency appeal to provide humanitarian aid to the areas in the Philippines hit by the recent Typhoon Haiyan. A donation of £50,000 had been made from the Finance Committee's City's Cash Contingency Fund for National and International Disasters.

**14. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

There were no questions.

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

There was no items of urgent business.

**16. EXCLUSION OF THE PUBLIC**

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

<b>Item No.</b>	<b>Paragraph(s) in Schedule 12A</b>
17 - 26	3
27 - 28	-
29	3

**17. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**

**RESOLVED** - That the non-public minutes of the meeting held on 22 October 2013 be approved as an accurate record.



18. **NON-PUBLIC MINUTES OF THE CORPORATE ASSET SUB-COMMITTEE**

**RESOLVED** - That the non-public minutes of the Corporate Asset Sub Committee meeting held on 2 October 2013 be noted, subject to a suggested amendment.

19. **NON-PUBLIC MINUTES OF THE INFORMATION SYSTEMS SUB-COMMITTEE**

**RESOLVED** - That the non-public minutes of the Information Systems Sub Committee meeting held on 22 October 2013 be noted.

20. **NON-PUBLIC MINUTES OF THE EFFICIENCY AND PERFORMANCE SUB-COMMITTEE**

**RESOLVED** - That the non-public minutes of the Efficiency & Performance Sub Committee meeting held on 6 November 2013 be noted.

21. **CITY'S CASH FINANCIAL STATEMENTS 2012/13 - KEY CHANGES FROM PREVIOUS ACCOUNTING TREATMENT**

The Committee received a report of the Chamberlain setting out the key changes between the old basis of preparing the City's Cash Financial Statements and the new basis (UKGAAP).

22. **53 NEW BROAD STREET - REFURBISHMENT OF VACANT OFFICE BUILDING - OUTLINE OPTIONS AND DETAILED OPTIONS APPRAISALS**

The Committee considered a report of the City Surveyor.

23. **GUILDHALL ART GALLERY - REPLACEMENT OF LIGHTING AND CONTROLS/DIMMING SYSTEM - OPTIONS APPRAISAL**

The Committee considered a report of the City Surveyor.

24. **2 FANN STREET, EC2 - DISPOSAL COMPLETION TO REDROW HOMES LTD**

The Committee received a report of the City Surveyor which provided an update on the above project, which was subject to planning permission.

25. **RECRUITMENT PROCESS FOR THE CHAMBERLAIN: UPDATE**

The Committee received a report of the Director of HR.

26. **NON-PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**

There were no non-public decisions taken under delegated authority or urgency procedures since the last meeting.

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

The Chief Accountant responded to a non-public question.

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

The City Surveyor was heard in respect of a request for delegated authority to carry out glazing repairs to Guildhall Yard East.

**29. FINANCIAL SYSTEMS UPGRADE - PROGRESS UPDATE**

The received a report of the Chamberlain.

**The meeting ended at 2.55pm**

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Chairman

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# Agenda Item 4

## FINANCE GRANTS SUB (FINANCE) COMMITTEE Tuesday, 19 November 2013

Minutes of the meeting of the Finance Grants Sub (Finance) Committee held at Committee Rooms, 2nd Floor, West Wing, Guildhall on Tuesday, 19 November 2013 at 12.00 pm

### Present

#### Members:

Deputy John Barker  
Nigel Challis  
Jamie Ingham Clark  
Tom Hoffman  
Ann Holmes  
Wendy Hyde  
John Scott

#### Officers:

Katie Odling	- Town Clerk's Department
Ignacio Falcon	- Policy Officer
Daniel Hooper	- Town Clerk's Department
Steven Reynolds	- Chamberlain's Department
David Pearson	- Director of Culture, Heritage and Libraries

### 1. APOLOGIES

An apology for absence was received from Deputy Billy Dove.

### 2. DECLARATIONS BY MEMBERS OF ANY PERSONAL AND PREJUDICIAL INTERESTS IN RESPECT OF ITEMS ON THIS AGENDA

Deputy John Barker and Jamie Ingham Clarke declared a non-pecuniary interest in respect of item 9 by virtue of being a Friend of St Lawrence Jewry.

Deputy John Barker declared a non-pecuniary interest in respect of item 11 by virtue of being a representative of Thames 21. He also declared an interest in respect Item 8 by virtue of association to Kind Edwards' School Whitley.

Wendy Hyde declared a non-pecuniary interest in respect item 8 by virtue of association to Kind Edwards' School Whitley. She also declared an interest as a Member of the Worshipful Company of World Traders.

John Scott declared a non-pecuniary interest in respect of item 8a by virtue of being a Justice of the Peace

The Chairman declared a disclosable pecuniary interest in respect of Item 9 by virtue of being the Treasurer of St Lawrence Jewry and advised that he would not take part in the discussion of Item and would hand over the Chair to Deputy John Barker, who was the most senior Member present.

### 3. MINUTES

RESOLVED – That the minutes of the meeting held on 21 May 2013 be approved.

4. **GUIDELINES FOR GRANTS**

The Sub Committee received the guidelines to be observed when considering grant applications.

5. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

There were no questions.

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

There was one item of urgent business –

**Display of Ship's Bell, HMS London** – A report of the Director of Culture, Heritage and Libraries relative to a grant of £7500 to cover the costs of displaying the bell, to be met by City's Cash Annual Grants budget.

RESOLVED – That a grant of £5000 be approved to cover the costs of displaying Ship's Bell, HMS London, to be met by City's Cash Annual Grants budget and that any further funding required be delegated to the Town Clerk in consultation with the Chairman and Deputy Chairman.

7. **EXCLUSION OF THE PUBLIC**

RESOLVED – That under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting of the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of schedule 12A of the Local Government Act.

8. **GRANT APPLICATIONS**

The Sub Committee considered a report of the Chamberlain outlining applications for Finance Committee assistance received since the last meeting.

During consideration of the report, the Sub Committee agreed that the Resources Allocation Sub Committee should be asked to note that the Finance Grants Sub Committee expected to see effective monitoring of all grants funded from the City's Cash Grants Budget, including King Edwards School Whitley's annual grants and that monitoring reports should be submitted to this or other Committees, as appropriate.

Discussion also took place concerning the available funds for distribution in City's Cash Grants Budget which had accrued since the beginning of the financial year. With a view to determining the best way to make use of them – which may include making a donation to the other charitable funds under the Committee's control – it was agreed to hold a special meeting of the Sub Committee in January 2014 to agree a way forward.

RESOLVED – That,

i) The following applications be agreed to and be funded from the City's Cash fund –

a) **The Sheriffs' and Recorder's Fund**

A grant of £10,000 per annum for 3 years towards the cost of supporting the rehabilitation of indigent ex-offenders into Greater London. The Sub Committee agreed that the release of the grant was to be subject to the receipt of signed accounts.

b) **The Golden Hinde Trust**

A one off grant of £5,000 towards the cost of training and equipment to extend the charity's archive, subject to match funding.

c) **Farms for City Children**

A one off grant of £20,000 towards the cost of 150 London children staying on a farm for a week.

ii) The following applications be not agreed to –

a) **Fiorentini Foundation**

That no contribution be awarded to meet the cost of formalising a Young Ambassadors group as this was not considered to be the most appropriate use of funds.

b) **The Engineering Development Trust**

That no contribution be awarded to meet the cost of two educational programme for London children and young people as this was not considered to be the most appropriate use of funds.

c) **Heritage of London Trust Limited**

That no contribution be awarded towards setting up an online directory of Faith Heritage buildings in London as this was not considered to be the most appropriate use of funds.

iii) the Resources Allocation Sub Committee be requested to note that the Finance Grants Sub Committee expected to see effective monitoring of all grants funded from the City's Cash Grants Budget, including King Edwards' School Whitley's annual grants and that monitoring reports should be submitted to this or other Committees as appropriate.

**Deputy John Barker as the most senior Member present took the Chair for this item**

9. **ST LAWRENCE JEWRY GRANT FUNDING**

A report of the Town Clerk was considered relative to grant funding to St Lawrence Jewry.

**Chairman in the Chair**

10. **REPORTS FROM RECIPIENTS OF GRANTS**

A report of the Town Clerk was received which provided Members with information on those grant organisations that had been awarded grants by the Finance Grants Sub Committee.

11. **BENEFITS OF GRANTS IN KIND**

A report of the Chamberlain was considered which informed Members of the current recipients of benefits and grants in kind.

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

There were no questions.

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

There were no items of urgent business.

**The meeting ended at 1.10 pm**

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Chairman

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**[katie.odling@cityoflondon.gov.uk](mailto:katie.odling@cityoflondon.gov.uk)**

<b>Committee:</b> Finance Committee	<b>Date:</b> 10 December 2013
<b>Subject:</b> Terms of Reference of the Finance Committee	Public
<b>Report of:</b> Town Clerk	For Decision

## Summary

As part of the post-implementation review of the changes made to the governance arrangements in 2011, it was agreed that all committees should review their terms of reference annually. This will enable any proposed changes to be considered in time for the reappointment of committees by the Court of Common Council.

The Terms of Reference of the Finance Committee are attached as an appendix to this report for your consideration.

Members might want to consider adding the following:

*“The effective and sustainable management of the City of London’s operational assets, to help deliver strategic priorities and service needs”* This would reflect the role of the Corporate Asset Sub Committee, which fell within the remit of the Policy and Resources Committee, until it moved to the Finance Committee earlier this year.

## Recommendation – that:

1. Subject to any comments and agreement, the Terms of Reference of the Finance Committee be approved for submission to the Court, as set out in the appendix.
2. The committee consider adding and additional term of reference, in order to reflect the role of the Corporate Asset Sub Committee. *‘The effective and sustainable management of the City of London’s operational assets, to help deliver strategic priorities and service needs’*.
3. Any further changes required in the lead up to the appointment of committees be delegated to the Town Clerk in consultation with the Chairman and Deputy Chairman.

## **Contact:**

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## FINANCE COMMITTEE

1. **Constitution**  
A Ward Committee consisting of,
  - four Aldermen nominated by the Court of Aldermen
  - up to 30 Commoners representing each Ward (two representatives for the Wards with six or more Members regardless of whether the Ward has sides) or Side of Ward
  - the Chairman and Deputy Chairman of the Policy & Resources Committee (ex-officio)
  - the Chairman and Deputy Chairman of the Investment Committee (ex-officio)
2. **Quorum**  
The quorum consists of any nine Members.
3. **Terms of Reference**  
To be responsible for:-
  - (a) **Finance**  
Ensuring effective arrangements are made for the proper administration of the City Corporation's financial affairs;  
  
considering the annual budget of the several committees, to ascertain that they are within the resources allocated, are applied to the policies for which those resources were allocated and represent value for money in the achievement of those policies;
  - (b) determining annually with the Resource Allocation Sub-Committee, the appropriate performance return bench marks for the City's and Bridge House Estates;
  - (c) obtaining value for money in all aspects of the City of London Corporation's activities;
  - (d) monitoring performance against individual Departmental Business Plans and bringing about improvements in performance;
  - (e) overseeing the City of London Corporation's approved list of contractors and consultants;
  - (f) dealing with requests for grants for charitable purposes from funds under the Committee's control, including the City of London Corporation Combined Relief of Poverty Charity (registered charity no. 1073660) and the City Educational Trust (registered charity no. 290840), allowances, expenses, insurance, business travel, treasure trove and Trophy Tax;
  - (g) making recommendations to the Court of Common Council in respect of:-
    - (i) the audited accounts, the Annual Budget and to recommend the non-domestic rate and Council Tax to be levied and to present the capital programme and make recommendations as to its financing;
    - (ii) the appointment of the Chamberlain;
  - (h) strategies and initiatives in relation to energy;
  - (i) **Information Systems**  
developing and implementing IS strategies to support the business needs of the City of London Corporation;
  - (j) **Sub-Committees**  
appointing such Sub-Committees as are considered necessary for the better performance of its duties including the following areas:-
    - Efficiency & Performance
    - Finance Grants
    - Information Systems
    - Corporate Assets
  - (k)



<b>Committee(s):</b>	<b>Date(s):</b>
Finance	10 December 2013
<b>Subject:</b> Revisions to the City of London's Procurement Regulations December 2013	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Decision</b>
<p><b>Summary</b></p> <p>Since the latest edition of the City's Procurement Regulations were approved by members in July 2012, there have been significant changes in the way in which the City organises its procurement, most notably the launch of the new City of London Procurement Service (CLPS) on 2<sup>nd</sup> April 2013.</p> <p>There have also been several important legislative and policy developments which have impacted on significant areas of the City's procurement. These include the City's policies on London Living Wage (LLW), Fraud Awareness and the Employee Code of Conduct, as well the implementation of the Public Services (Social Value) Act 2012.</p> <p>All of these developments require significant revisions to some of the existing Regulations and together with the introduction of some new ones. The Revisions and new Regulations are more than minor technical updates and therefore after consideration and endorsement by this Committee they will need to be approved by the Court of Common Council.</p> <p>In terms of revisions to existing Regulations there are several but the most significant are proposals for adjustments to the approvals thresholds in the following Regulations;</p> <p><b>Regulation 15 – Waivers Approvals</b></p> <p>The new Regulations (section 9) proposes that the Chamberlain be granted delegated authority to waive the provisions of the Procurement Regulations for non-project related procurements from £50,000 to £2m. The existing authority for Chief Officers to waive the provisions of the Regulations for procurements below £50,000 will remain in place. Waivers for high value contracts above £2m will still need to be obtained from Spending Committee, (Projects Sub where appropriate), Finance Committee and Court of Common Council.</p>	

## **Regulation 20 – Contracts Letting Approvals**

The new Regulation propose that revisions are made to the contracts lettings thresholds (section 10) to delegate authority for the Chamberlain to approve the award of non-project related contracts above the EU thresholds in total but up to £2m p.a. Contracts valued above between £2m to and £4m per annum must continue to be reported to Spending and Finance Committees. Very high value contracts above £4m and above must continue to be reported to the relevant Spending Committee, and Finance Committee and the Court of Common Council. The section also makes the point that there are going to be major changes arising from a new EU Procurement Directive which will necessitate major revisions to the City's own thresholds and a further report to Committee in 2014

## **Regulations 42 and 43 – Public Advertising Thresholds for Supplies, Services and Consultancy Contracts**

The new Regulations (sections 16, 17 and 18) contains several revisions to the thresholds for seeking quotations and advertising tenders. The most significant is the proposal that the advertising thresholds for Supplies and Services and Professional Consultancy contracts are increased from the current £50,000 to £100,000. It is felt that the City's advertising threshold for Works contracts should remain unchanged at £400,000. This is still higher than the London borough average but strikes the right balance for the City in terms of transparency and its unique profile in terms of works and construction related expenditure.

In addition to the three key changes to the existing Regulations there are also several new Regulations The proposed new Regulations are designed to address several key organisational, policy and legislative changes since July 2012.

The new regulations include:

- Procurement Codes of Conduct and Conflicts of Interest;
- Use of external consultants and advisors for procurement;
- Roles and responsibilities of officers in the CLPS;
- Improved clarity and terms of reference for the use of framework agreements;
- Governance and the use E-Sourcing and tender management;
- Terms of engagement for the new CLPS Contracts Register;
- London Living Wage; and
- Public Services (Social Value Act) 2012.

## **Recommendation (s)**

Members are asked to:

- Receive and endorse the revised Procurement Regulations for approval by the Court of Common Council

## **Main Report**

### **Background**

1. The City of London's Procurement Regulations in their current format were first introduced in alongside revisions to Standing Orders and approved by the Court of Common Council on 6 October 2011 with "any minor technical adjustments in future being subject to the approval of the Finance Committee". Since then there have been several technical adjustments approved by the Finance Committee with the most recent in July 2012.
2. When the Procurement Regulations were first introduced it was always intended that they be reviewed and revised annually to take account of new developments.

### **Current Position**

3. Since the latest edition of the City's Procurement Regulations were approved in July 2012, there have been significant changes to the way in which the City organises its procurement, most notably the creation and launch of the new City of London Procurement Service (CLPS) on 2<sup>nd</sup> April 2013.
4. There have also been several important legislative and policy developments which directly impact on significant areas of the City's procurement including the implementation of the Public Services (Social Value) Act 2012 in March 2013 which imposes statutory requirements on the purchase of services above the European Union (EU) procurement thresholds.
5. The City has also introduced a new policy relating to London Living Wage (LLW) in March 2012 which has necessitated important procedural changes to the way in which some services contracts are procured.
6. The current Regulations need to be updated to take account of the changes and make them relevant for the way we work with a centralised procurement service and the delivery of more collaborative, intelligence led procurement strategies such as Category Management.
7. The opportunity has also been taken to review and amend some existing Regulations to ensure they reflect best procurement practice and incorporate suggestions from colleagues in the City regarding operational issues that have arisen since the publication of the current Regulations.

## **Rationale for the revisions to the Regulations**

8. This section of the report outlines the rationale and benefits for the additions and revisions to the Regulations in the order in which they appear in the new draft.
9. A short 2 page summary tabulated version of the rationale for the changes outlined in this report is set out in Appendix 1 to aid ease of reference
10. A clean copy of the proposed new Regulations is provided in Appendix 2 and a copy of the existing Regulations is provided in Appendix 3. The number of changes means that presenting a tracked change version of the regulations would be confusing.

### **Section 1 Overview**

11. The Overview section is largely the same as the current Regulations with the addition of Regulation 1.10 which simply states the Regulations constitute the rules that must be followed when procurement is undertaken in the City. The CLPS will produce further detailed guidance to underpin these Regulations and assist officers in their application which will be published on the City Buyer pages of the City's intranet.

### **Section 2 Codes of Conduct and Conflicts of Interest**

12. These are entirely new Regulations reiterating that the City expects all officers and elected members involved in procurement to behave with the highest levels of probity and integrity.
13. It refers to the appropriate sections of the City's Employee Code of Conduct and Fraud Awareness policy together with the consequences of failing to comply with them and with the Procurement Regulations.
14. There is also a new Regulation which states that any conflict of interest in procurement must be declared to the Chamberlain.
15. The addition of this section will complement the new City policies and assist with mitigating risks associated with the provisions of the Bribery Act 2010.

### **Section 3 Use of external consultants and advisors in procurement**

16. This section consists of some new Regulations designed to set out some clear and consistent ground rules regarding the use of external consultants and advisors in procurement projects.
17. The new Regulations propose that the CLPS is consulted on all procurement consultancy appointments to ensure that best value is being achieved and they are governed by appropriate contract terms.
18. The coordination of such appointments by CLPS will provide greater transparency regarding the use of procurement consultants and will also help to ensure that any potential conflicts of interest that may exist are dealt with in a timely and consistent manner.

### **Sections 4 to 7 Role of the CLPS and its key teams**

19. These new Regulations provide a brief overview and explanation of the key roles and responsibilities of the CLPS and the various key teams within it.

20. Where appropriate the Regulations provide guidance on when officers must engage with the various CLPS teams.

### **Section 8 – Key Aspects of Procurement**

21. Apart from a small number of minor revisions and one new Regulation this section remains substantially the same as the current Regulations.
22. Regulation 8.7 is a new and important addition and confirms the requirement for officers to follow the City's **No PO (Purchase Order) No Pay policy** which requires with some exceptions e.g. utilities, rents and rates that purchase orders must be raised at the point when goods, services and works are ordered.
23. The CLPS has notified all of the City's departments and registered suppliers of the introduction of this policy.
24. The new Regulation will improve procurement compliance and financial discipline within the City, as well as reducing the potential for procurement fraud. It also delivers potential to improve the efficiency and effectiveness of the City's invoice matching and payments processes, speed up payments to suppliers and reduce the resources currently deployed in raising retrospective orders.

### **Section 9 - Waivers**

25. The waivers section in the current Regulations for procurements is designed for the City's old devolved procurement structure and obliges officers who wish to be granted waivers for procurements from £50,000 to £2m to obtain authorisation from their spending committee and Projects Sub-Committee for contracts let as part of projects.
26. The new section retains the existing waivers thresholds but proposes that the Chamberlain be granted delegated authority to waive the provisions of the Procurement Regulations for non-project related procurements from £50,000 to £2m.
27. Authority for projects related waivers between these thresholds will continue to reside with the Projects Sub-Committee.
28. The existing authority for Chief Officers to waive the provisions of the Regulations for procurements below £50,000 will remain in place. However, officers instructing CLPS to undertake procurements which rely on a Chief Officers waiver will be expected to provide written evidence that the waiver has been granted.
29. It is recognised that waivers must only be sought and authorised in exceptional circumstances, where sound operational and commercial reasons exist. For that reason the new Regulations oblige the Chamberlain to provide a retrospective report for the Finance Committee summarising all waivers sought and granted in the previous quarter.
30. Waivers for high value contracts above £2m will still need to be obtained from Spending Committee, (Projects Sub where appropriate), Finance Committee and Court of Common Council.

31. These adjustments will reduce the number of committee reports being presented to members for waivers for relatively low risk low value procurements which constitute the greater number of such reports.
32. The Chamberlain will also be provided with greater authority to utilise the capacity and expertise of the CLPS to scrutinise, reject, or approve waiver applications and be in a better position to provide a corporate overview of waivers to members to facilitate more strategic analysis and decision making.
33. The new Regulations make clear that it is unlawful for officers or members to waive the provisions of the EU procurement directives for procurements carried out in the City's capacity as a local or Police authority.

#### **Section 10 - Contracts Letting**

34. The format of this section is largely the same as the existing Regulations. There are some proposed adjustments to the thresholds intended to provide a greater level of delegated authority to the Chamberlain and to reduce the number of committee reports presented to members for relatively low value low risk contracts.
35. In accordance with the existing Regulations, there is no requirement to report to committee for contracts below EU thresholds, currently £174,000 for Supplies and Services contracts.
36. As with the waivers thresholds, it is proposed that revisions are made to the contracts lettings thresholds to delegate authority for the Chamberlain to approve the award of non-project related contracts above the EU thresholds in total but up to £2m p.a.
37. It should be noted that some of the approval thresholds in the Regulations are tied to the prevailing EU thresholds, The current EU threshold for Supplies and Services contracts is £173,934 (at 1 November 2013). Historically, the thresholds have been adjusted by the EU in January every two years and the adjustments were relatively modest as they were based on the prevailing Pound Euro exchange rate for €200,000. However, a new EU Procurement Directive has been agreed in October 2013 and will be implemented into UK law in 2014. At the time of writing the date of implementation has yet to be decided. This will increase the current EU thresholds significantly to as much as £700,000 and consequently the City's own procurement thresholds will also need to be revised when the new directive is implemented. These revisions will necessitate further Committee approval during 2014.
38. Contracts valued between £2m and £4m per annum must continue to be reported to Spending and Finance Committees.
39. Very high value contracts above £4m and above must continue to be reported to the relevant Spending Committee, Finance Committee and the Court of Common Council.
40. Officers requiring contracts awards to be approved by the Chamberlain will still be obliged to submit a formal report via the Chairman of the most appropriate CLPS Category Board and the Chamberlain will be obliged to submit a summary report of all contract awards to the Finance Committee in the previous quarter.



41. When exercising delegated authority, the Chamberlain may, in exceptional circumstances, refer decisions to the Finance Committee. This may include but not be limited to sensitive issues such as conflicts of interest, significant alternation to front line service provision, staffing matters, London Living Wage or other such matters arising from procurement strategies or contracts awards.
42. In addition to reducing the number of committee reports, it is anticipated that the new thresholds will reduce the time taken by CLPS officers to award lower value contracts and increase the capacity of senior officers and members to concentrate on more complex procurements.

### **Section 11 – Increases in Contract Value**

43. There are no revisions to this section which remains the same as the current Regulations

### **Sections 12 to 14 – Framework Agreements, Access Agreements and Due Diligence**

44. These sections are a mixture of old and new Regulations and are designed to explain the importance and benefits of framework agreements to the delivery of the City's procurement strategy.
45. The creation and usage of legally compliant frameworks particularly when the City collaborates with and uses frameworks awarded by other public bodies, is complex and requires high levels of technical and commercial expertise to mitigate risk and ensure best value. Consequently, the Regulations now place a mandatory obligation on officers to consult with both the CLPS and Comptroller and City Solicitor's (C&CS) at appropriate stages before frameworks can be used.
46. To ensure that officers consider and address all potential issues new Regulations are proposed to ensure that a formal due diligence procedure, designed by the CLPS and C&CS, is undertaken.

### **Sections 15 to 18 Procurement Thresholds for Supplies and Services, Professional Consultancy and Works contracts**

48. This section contains several revisions to the procurement thresholds.
49. Perhaps the most significant is the proposal that the advertising thresholds for Supplies and Services and Professional Consultancy contracts are increased from the current £50,000 to £100,000.
50. There are several reasons for this proposal, the first and most obvious is that the current threshold was first introduced in 2009 and consequently is due to be refreshed.
51. A benchmark review of the Procurement Regulations of 10 neighbouring London boroughs the information from which was utilised to inform this report indicates that the majority had an advertising threshold at or in excess of £100,000.

52. There are significant benefits to increasing the thresholds, the main one being that it provides officers with greater flexibility in the creation of tender and quotations lists particularly with regard to meeting the City's policy of inviting local suppliers, SME's and social enterprises, or new and innovative entrants to the marketplace.
53. It is felt that the City's advertising threshold for Works contracts should remain unchanged at £400,000. This is still higher than the London borough average but strikes the right balance for the City in terms of transparency and its unique requirements; however the opportunity has been taken to propose that some of the Works thresholds for minor purchases below £400,000 be increased to provide officers with slightly more flexibility. Similar revisions have been made to some of the minor thresholds for Supplies and Services contracts.
54. The other revision worthy of note is the inclusion at all below advertising thresholds of the obligation for officers to invite at least one of either a local supplier, SME or Social Enterprise. Thus bringing the Regulations into line with the City's Responsible Procurement Strategy.

### **Section 19 – E-sourcing**

55. This is a new section of the Regulations proposed to explain and clarify the key regulatory ground rules to be followed by officers for the operation of Pro Contract the City's e-sourcing application. It is used to conduct the City's Invitations to Tender (ITT's) and Requests for Quotations (RFQ's) especially those above City's and EU advertising thresholds.
56. The Regulations confirm that the system is managed and operated by the CLPS Sourcing Support team including the opening of tenders, systems development and the management of system users.
57. The new Regulations also propose mandatory rules for the management and opening of tenders which are designed to implement the key recommendations of a recent Internal Audit Report on Contract Tendering and Due Diligence published in June 2013.

### **Section 20 – Contracts Register**

58. These are proposed new Regulations confirming that the CLPS now maintains a Contracts Register on behalf of the City. The Contracts Register includes key details of all contracts awarded by the City including award and expiry dates, contract title, values, renewal dates and responsible officers.
59. The Regulations confirm that the Contracts Register is maintained by CLPS and that all officers including departmental contracts managers are obliged to register every contract award and provide CLPS with updates of any substantive changes.
60. The Contracts Register will become an increasingly important tool in improving the City's procurement and contracts management, facilitating improved planning, arrangements for contracts renewals, internal and external collaboration, auditing and in meeting the City's transparency obligations.

## **Sections 21 to 25 – Responsible Procurement, Local Procurement Directive, Community Benefits, Public Services (Social Value) Act 2012 and London Living Wage**

61. Procuring responsibly in ways which positively impact the environment and social wellbeing of the City and its neighbours is a crucial measure of the effectiveness of not just the City's procurement but the organisation as a whole.
62. These sections are a mixture of existing and new Regulations designed to ensure that officers comply with and implement the City's various policies with regard to responsible procurement as well as the statutory obligation to comply with the provisions of the Public Services (Social Value) Act 2012.
63. The Responsible Procurement Section 21 has been expanded with the proposed addition of two new Regulations.
64. The first requires officers to insert a section in all contracts lettings reports outlining the responsible procurement benefits of the recommended contract award and how these contribute to the City's strategic objectives and how progress on delivery will be reported.
65. The second addition confirms the formal role of responsible procurement experts from the City's Economic Development Office (EDO) and Town Clerks Policy teams who work closely with CLPS and senior departmental officers as members of the various Category Boards in shaping procurement strategies to ensure that opportunities are taken to implement the City's policy in every major procurement project.
66. The sections on Local Procurement and Community Benefits clauses remain unchanged as they are both successful well established policies.
67. The most significant additions to the Responsible Procurement sections include new Regulations Section 24 on the Public Services (Social Value) Act 2012 which requires the City to formally consider social value for all services contracts above the EU tender thresholds.
68. There is also a new Section 25 on London Living Wage (LLW) explaining and obliging officers to comply with the City's LLW's policy approved by Court of Common Council in March 2012.
69. The new Regulations acknowledge that implementing the Public Services (Social Value) Act 2012 and LLW in procurement is complex and requires specialist expertise and consequently they both oblige officers to consult with and, in most cases, provide that the CLPS will undertake all procurements with Social Value or LLW implications.

## **Section 26 – Contracts procured by third parties**

70. This section makes clear that the Procurement Regulations shall not apply to those contracts procured by a third party and then assigned to the City following the acquisition by the City of long leasehold interests. Such contracts will be handled directly by the City Surveyor who shall ensure in consultation with the Comptroller and City Solicitor that the required due

diligence on the contracts is undertaken on any contracts which are to be assigned or novated to the City following the completion of the commercial transaction.

### **Corporate and Strategic Implications**

71. It is envisaged that there will be no additional costs to the City in adopting and implementing the new Regulations which can be accommodated within the existing resources of the Chamberlain's department.
72. The new Regulations will have a positive impact on the delivery of key strategic objectives and themes in both the City's Corporate Plan 2013-17 and The City Together Strategy 2008 - 2014.
73. In terms of the Corporate Plan the new Regulations will support key policy priorities KPP2 "*Maintaining the quality of our public services whilst reducing our expenditure and improving our efficiency a key part of which is the establishment of the CLPS.*"
74. The new Regulations in emphasising the importance of Responsible Procurement and in particular the City's support for the London Living Wage and Public Services (Social Value) Act 2012 will support KPP4 "*Maximising opportunities and benefits afforded by our role in supporting London's communities.*"
75. The policy priorities in KPP4 particularly with regard to environmental wellbeing are Corporate Responsibility and are key themes in the City Together Strategy 2008 – 2014. The new Regulations are designed to improve the performance of the City's procurement in that regard.

### **Conclusions**

76. The creation of the CLPS and the implementation of a new approach to procurement is one of the most significant organisational transformation projects undertaken by the City in recent years. The transformation has introduced a new service and new ways of working and enhanced levels of collaboration across the City that are required to help maintain the quality of services at the same time as reducing expenditure.
77. As the profile of procurement has risen it is also expected to make a significant contribution to achievement of the City's wider strategic objectives particularly in relation to sustainability and corporate responsibility and this is has been reflected in the City's own policy initiatives in areas such as London Living Wage and legislation such as the Public Services (Social Value) Act 2012.
78. All of these themes are reflected in the new Procurement Regulations. There has been extensive consultation on the proposed changes (including a Chief and Senior Officers Masterclass on 11 November 2013) which are designed to facilitate improved and efficient services, as well as greater collaboration both within the City and with our suppliers and neighbouring communities

### **Appendices**

79. The revisions to the existing Regulations are significant and are summarised in the following Appendices to this report;

Appendix 1 – New Draft Regulations January 2014

Appendix 2 – Current Regulations July 2012

Appendix 3 – Summary Rationale for additions and revisions to the Regulations

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**DRAFT**  
**CITY OF LONDON**  
**PROCUREMENT REGULATIONS**

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**JANUARY 2014**



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## 1. Overview

- 1.1 Procuring goods and services in the right way is essential to ensure value for money is achieved.
- 1.2 Any future changes to these Procurement Regulations require the authorisation of the Finance Committee for minor technical revisions such as reformatting or updates to CLPS structure and the Court of Common Council for more substantive changes such as those arising from new legislation, changes to the City's policies or changes to approval thresholds.
- 1.3 The Procurement Regulations apply to all procurement undertaken by any City department.
- 1.4 The Procurement Regulations also apply to the City for externally funded projects where it is the contracting authority conducting the procurement and signing the contract e.g. the Lottery Heritage Fund. In all such cases the CLPS must be consulted even if the external funding is contingent on the City procuring in a certain way. Such contingencies may necessitate officers obtaining a waivers approval in accordance with the waivers regulations in Section 9.
- 1.5 The City of London Procurement Service (CLPS) must be consulted in all opportunities and proposals for letting or extending contracts, and will consult with the Comptroller and City Solicitor (C&CS) when advice upon the legal aspects of contracts are required.
- 1.6 The C&CS maintain standard templates of conditions of contract for certain contracts. These can be found in the Supporting Guidelines pages on the City Buyer portal. In the absence of a template, the CLPS in cases that are complex or novel will advise on appropriate terms. The C&CS must vet all terms and conditions for proposals involving non City standard templates.
- 1.7 There may be occasions when it is appropriate to collaborate with other authorities, where value can be added or costs can be reduced.
- 1.8 The City will always endeavour to procure responsibly, purchasing products and services which have a positive impact on our environment and our surrounding communities.
- 1.9 Procurement activity undertaken as part of a project will also be subject to the approval process set out in the Project Approval Procedure.
- 1.10 Where corporate contracts are in place they must be used. Off-contract spend will be monitored and reported as appropriate.
- 1.11 The Regulations constitute the rules that must be followed when procurement is undertaken in the City. The CLPS is in addition producing further detailed guidance and templates to underpin the regulations and assist officers with undertaking procurement; these can be found on the City Buyer pages of the City's intranet.**

## 2. Codes of Conduct and Conflicts of Interest

- 2.1 The City of London expects all officers and elected members involved in procurement to behave with the highest levels of probity and integrity in accordance with statute law, such as the Bribery Act 2010 and the City's Procurement Regulations, Employee Code of Conduct and Fraud Awareness Policy which are all available on the City's intranet. Failure to adhere to these conditions will result in disciplinary action and in the most serious cases criminal investigation and prosecution

2.2 Any personal conflict of interest arising out of a procurement exercise must be declared immediately to the Head of CLPS who will determine the action required to address the conflict.

### 3. External Consultants and Advisors in Procurement

3.1 It is sometimes necessary for the City to engage specialist consultants, technical experts and advisors to assist with major procurements or projects, where the City does not have the necessary capacity or specialist expertise.

3.2 Such experts cover a wide range of disciplines including planning and project management, commercial, legal and financial, technical, public and private policy, and specialist procurement advice.

3.3 Officers wishing to appoint external consultants to assist with procurement projects must consult the CLPS before all such appointments are made and in addition C&CS in the case of **ALL** external legal Counsel and services including solicitors.

3.4 Any resulting appointment must comply either with the City's Procurement Regulations in respect of appointing consultants via a procurement or via the HR Recruitment and Selection policy in respect of short term contracts of employment or the appointment of temporary staff. It should be noted that the appointment of external legal counsel including solicitors is subject to C&CS procedures.

3.5 Officers may be able to seek advice or guidance from suppliers, or external bodies on a free of charge no obligations basis. Whilst such assistance can be beneficial, officers must take care to manage these arrangements in an appropriate manner. As is the case with the appointment of commercial service providers, the CLPS **must** be consulted before any such advice is sought.

3.6 All external consultants and companies appointed by the City to assist with procurements must be advised of their obligation to declare conflicts of interest. **This is particularly important in respect of those consultants or firms who wish to subsequently tender for the procurement on which they are advising.**

3.7 The CLPS and C&CS have expertise and clear procedures for dealing with these appointments. This is to ensure that the interests of the City, the consultants, and ultimately the companies, who tender for the contract, are protected and the integrity of the procurement competition is not compromised.

3.8 The CLPS and C&CS will ensure that all appointments are covered by appropriate contract terms which clearly state the City's expectations in terms of important issues such as conflicts of interest, rules of engagement, intellectual property rights, confidentiality, Codes of Conduct and disclosure of information.

### 4. The role of the City of London Procurement Service (CLPS)

4.1 The CLPS was created and launched in 2013 to provide a fully integrated procurement service for the entire City of London Corporation. The CLPS is part of the Chamberlains department and is managed by the Head of the CLPS.

4.2 The CLPS has three distinct teams with responsibilities as outlined in sections 5, 6 and 7.

4.3 Guidance on the appropriate communication channels for officers engaging with the various CLPS teams are set out in City Buyer on the City's intranet.

## **5. Sourcing and Category Management (including Category Boards)**

- 5.1 The Sourcing and Category Management team includes a team of professionally qualified Category Managers who manage the operational procurement for a range of related expenditure categories such as Works, Facilities Management, Information and Communications Technology, Human Resources and Community Care. Each Category Manager has responsibility for one or more expenditure categories and their work on sourcing projects is governed by senior officer led Category Boards.
- 5.2 The Category Boards in conjunction with the CLPS category managers are responsible for developing sourcing and savings strategies based on an annual work plan in their respective categories. These are then combined to form the CLPS Sourcing Plan.
- 5.3 Each Category Board will be led by a Chairman and Deputy Chairman who will normally be Chief Officers or second tier directors from the department (s) responsible for the largest proportion of the City's expenditure in a given category.
- 5.4 Category Board Chairman may be assigned delegated authority by the Chamberlain, to approve contract awards in accordance with the thresholds set out in section- 10 of these Regulations.
- 5.3 Each Category Manager also has responsibility for maintaining and building relationships with a discrete group of departments.
- 5.4 Officers are to consult and engage with the Category Management team directly or via Category Boards on all major procurement projects.
- 5.5 The Sourcing and Category Management team also includes a Sourcing Support team which provides operational support including data analysis, the management of the City's Contracts Register and the City's e-sourcing system.
- 5.6 Officers undertaking procurement must engage with CLPS unless they have delegated authority approved by the Chamberlain to undertake procurements outside of the CLPS.
- 5.7 Where officers are undertaking procurements governed by the Projects Regulations they must consult the CLPS regarding the envisaged procurement options during the preparation of all their Gateway reports.
- 5.8 Planning and undertaking major procurements is complex and requires the management of resources across the City. Chief Officers must therefore provide the Head of CLPS with an annual forecast by the end of February every year of all the procurements above £100,000 for supplies and Services and £400,000 for Works, they wish the CLPS to undertake or assist with in the following financial year.
- 5.9 In addition to better planning, this will also benefit the City in terms of the reduced tendering timescales arising from the timely publication of Prior Indicative Notices (PIN's) in the Official Journal of the European Union (OJEU).
- 5.10 Sourcing and Category management also includes a team of Transactional Buyers, who are generally responsible for undertaking all CLPS sourcing for procurements below the City's advertising thresholds which are currently £100,000 for supplies, services and consultancy and £400,000 for works. The Transactional Buyers work closely with the Category Managers.

## **6. Requisition to Pay (RTP)**

- 6.1 The RTP team offers the City a fully integrated service which includes Accounts Payable, invoice matching processing and payments, the management of the City's financial systems relating to procurement, supplier registration, RTP policies and procedures, performance monitoring, systems analysis and development, relationship management, expenditure coding and training.
- 6.2 The RTP team also manages the CLPS Helpdesk which deals with all of the City's internal and external enquiries and requests for assistance.
- 6.3 The RTP team work closely with the Heads of Finance for each department and as with the Category Management team, senior members of the team have each been assigned responsibility for maintaining and building relationships with assigned departments

## **7. Procurement Policy and Compliance (PP&C)**

- 7.1 The PP&C team is responsible for assisting the Head of CLPS with the development and maintenance of procurement policy, regulations and strategy. The team is also responsible for assisting with compliance and service performance monitoring and development and for reporting this internally and externally,
- 7.2 The PP&C team provide CLPS and the City with a range of procurement advisory and research services and act as a link with a range of departmental specialists in C&CS, Town Clerk's, Chamberlains, and City Surveyors who provide vital legal, HR, accounting, policy and technical support services to CLPS
- 7.3 In addition to advice on discrete procurement projects, officers may also contact the PP&C team for advice on any aspect of the City's Procurement Regulations, Procurement Guidelines, templates, wider policy and legislative matters pertaining to procurement and also regarding the regulatory and compliance aspects of procurement related committee reports.
- 7.4 When formal CLPS and C&CS comments or advice on Committee reporting is sought officers must endeavour to do so in good time and ideally two weeks before a final draft is required to be submitted.

## **8. Key Aspects of Procurement**

- 8.1 In cases where it is a legal requirement that the work has to be undertaken by a specific statutory undertaker it will only be necessary for the Chief Officer to agree terms with that statutory undertaker who will carry out the work.
- 8.2 The Officers having responsibility for the procurement of contracts shall ensure that:-
  - (a) all European Union (EU) Directives and other statutory requirements relative to the contract are complied with;
  - (b) all directives issued by the Town Clerk or Chamberlain, in order to secure the efficiency and effectiveness of the City's procurement arrangements, are complied with unless the Town Clerk or Chamberlain agrees that it is in the interests of the City not to do so in a particular case;
  - (c) the financial standing of the main contractor has been appraised by the Chamberlain for all contracts with an estimated value over £150,000 and financial security is obtained where necessary against default on the part of any nominated or named sub-contractors or suppliers employed on the contract. Officers shall liaise with the Chamberlain when arriving at the level and form of the security thought necessary, and regard shall be given to the costs and risks involved. Consideration should be given to the following:

- the sufficiency of the main contractor's obligations to the City in respect of the financial consequences of such defaults
- obtaining collateral warranties from the nominated sub-contractors or suppliers where necessary, and in the case where the main contract is being entered into with a company that is part of a larger group, a parent company guarantee from the ultimate holding company may be required. Draft forms of collateral warranties and / or parent company guarantees are available from the Comptroller & City Solicitor and, when deemed to be required, should form part of the tender documentation.
- whether it may be necessary to require a deed of vesting or bond to cover materials or goods purchased in advance of entering into the main contract. If needed C&CS can advise.
- assessment of potential risks and the views of the Insurance Officer must be sought to determine those Insurances and limits which should be maintained, and whether a limitation on liability is to apply to the contract or contracts being procured.
- agreed strategy to address and agree contract payment and price management terms, including but not limited to, pricing schedules, deposits, performance milestones, payment approvals, price adjustments and any other terms deemed necessary to safeguard the City's operational and commercial interests

**8.3** Legislation applying the EU Procurement Directive, (enshrined in the Public Contracts Regulations 2006) to the City of London Corporation only does so in its capacities as a local or police authority. The City has, however, decided to apply the Directive across all its funds except in cases where there is a satisfactory business case, inclusive of risk assessment, not to do so. Such action must be authorised by the Chamberlain who, before exercising this power, shall seek and obtain the comments of the Chairman and Deputy Chairman of the relevant committee or, failing either of them, their nominees together with any other Members he deems appropriate. If the proposal involves a recharge to the City Fund the advice of the Comptroller & City Solicitor must also be sought.

**8.4** Officers shall take such action as is reasonable to satisfy themselves that the City will receive value for money in procurement, in accordance with best value principles<sup>1</sup> and in compliance with the requirements of both English and EU law. This will normally involve the seeking of competitive tenders or quotations in accordance with EU Directives, these Procurement Regulations, and the City's advertising and other thresholds set out in this document.

**8.5** Only in a very limited number of instances is it not necessary to seek a competitive tender or quotations:-

- (a)** for certain types of procurement contracts such as single supplier framework agreements<sup>2</sup>;
- (b)** when appointing Counsel;

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<sup>1</sup> Best Value principles are set out in the Supporting Guidelines on the City's Intranet.

<sup>2</sup> It should be noted that the majority of framework agreements have more than one supplier and these require a mini-competition to be carried out

(c) where the estimated contract price for works, supplies and/or services (excluding schedule of rates contracts and professional consultants) is below £400,000 and the Chief Officer wishes to reappoint a contractor using rates previously shown to represent value for money in prior competition on earlier phases: provided always that any additional phases had been previously identified to all tenderers at the initial tender advertisement and invitation stage; and such action is in compliance with the public procurement regulations

(d) <sup>3</sup> when there is only one supplier that can be used, for example in acquiring necessarily compatible Information and Communications Technology (ICT) equipment, and/or a supplier or framework has been mandated by Act of Parliament, Statutory Instrument, a central government department or a similarly nationally recognised body for any area of expenditure: provided always that:-

- approved funding provisions have been made;
- where expenditure is on behalf of the Police Committee, the Commissioner of Police has ensured that the intended purchase is satisfactory in meeting the requirements of the Force, and that there are no practical alternatives available;
- where expenditure is not on behalf of the Police Committee, the Chamberlain's IS Director has been consulted and is satisfied that it conforms to the City's IS strategy, and that the choice of supplier is reasonable.

(e) <sup>4</sup> for offers of employment and other contracts of employment including the appointment of performers and members of their entourages by the Barbican Centre and Guildhall School of Music and Drama.

8.6 Employees are required to follow correct buying and payment processes. The City has adopted a **No PO (purchase order) No Pay** policy which requires, with some exceptions (e.g. utilities, rents and rates); departments to raise CBIS<sup>5</sup> purchase orders at the point when goods, services and works are ordered.

## 9. Waivers

9.1 In special or exceptional circumstances, the requirements of the Procurement Regulations to the seeking of tenders or quotations may be waived provided one of the following authorisations has been received:

Estimated Contract Cost	Approval Required by
Up to £50,000	Chief Officer must be in writing
Over £50,000 and up to £2,000,000	Chamberlain (and Projects Sub-Committee for contracts let as part of projects)
Over £2,000,000	Spending Committee, Finance Committee (and Projects Sub-Committee for contracts let as part of projects) and Court of Common Council

<sup>3</sup> Compatible ICT equipment is only one possible example, others may include upgrades to existing plant or capital equipment

<sup>4</sup> Officers should consult the City's Corporate HR Service for guidance

<sup>5</sup> There are some exceptions where purchase orders are raised in local systems such as Orchard Housing Repairs. In these instances subsequent invoices are received electronically in CBIS already matched.

- 9.2 Officers relying on a waiver from their Chief Officer for procurements up to £50,000 must present a signed **waiver form** available from City Buyer and the CLPS Sourcing team. Chief Officers may delegate authority for senior officers in their department to sign waivers on their behalf but any such lists of authorised officers must be provided to CLPS. Chief Officers will still be accountable for any waivers signed on their behalf.
- 9.3 Waivers can either be granted on a single order or contract basis or be applied to an aggregated group of purchases for a particular period up to the approvals thresholds.
- 9.4 Officers seeking a waiver from the Chamberlain for contracts over £50,000 and up to £2,000,000 must complete a formal report with a template available from City Buyer portal.
- 9.5 All approvals for waivers, from the Chamberlain or Committee, must be reported to the CLPS PP&C team who maintain a Procurement Waivers log for the City.
- 9.6 The Chamberlain shall produce a retrospective report for the Finance Committee on all the waivers they and Chief Officers have granted in the previous quarter.
- 9.7 **It is not lawful for officers or members to waive compliance with the EU Procurement Directives.**
- 9.8 In the event of an emergency, officers are authorised to depart from the requirements of these Procurement Regulations to meet the exigencies of the situation. Any such action taken is to be reported in writing at the earliest opportunity to the appropriate Committee and the Chamberlain and a formal record of the actions taken must be made.

## 10. Contract Letting

- 10.1 Approvals for contracts to be let as part of projects will be sought via the City's approved Project Approval Procedure.
- 10.2 For all contracts to be let, Officers should refer to the Procurement Thresholds section of these Regulations.
- 10.3 Depending on estimated values and on whether they are project related or not, Members will need to be involved at appropriate stages.
- 10.4 For non-project related contracts, depending on the estimated contract value and the per annum contract value, there may be 3 stages of committee involvement:-
- Stage (1)** the relevant Spending Committee(s) agrees the high level evaluation criteria to be applied in the selection process;
  - Stage (2)** the relevant Spending Committee(s) receives a 'for information' update following supplier short-listing;
  - Stage (3)** The Chamberlain, Category Board as delegated by the Chamberlain, or relevant Spending Committee(s) receives the final recommendation on contract award, and depending on the estimated per annum contract value also the Finance Committee and Court of Common Council as shown in the table below

Estimated Contract Cost	Approval Required by	Stages
<sup>6</sup> Less than EU Threshold	There is no general requirement to report to committee but rules should be followed as set out in the Procurement Thresholds Section of these Regulations	
Estimated Contract Cost (per annum)	Stage (3) Approval Required by	
Above EU Threshold in total but less than £2m pa	Chamberlain or CLPS Category Board as delegated by the Chamberlain	3
Above £2m pa to £4m pa	Spending Committee and Finance Committee	1,2 and 3
£4,000,000 and above pa	Spending Committee, Finance Committee and Court of Common Council	1,2 and 3

- 10.5** Corporate collaborative contracts (which would otherwise need to be reported to multiple committees and for this purpose multiple means more than two) may be reported to Finance Committee. In these instances, the appropriate CLPS Category Manager will facilitate consultation with the chairmen of the other relevant committees and a statement to that effect included in the report.
- 10.6** If the recommended sourcing approach is to join a framework<sup>7</sup> then in accordance with the thresholds in the above table, there may still be a need for the spending committee to agree the selection criteria weightings prior to the call for competition and for the outcome of the mini-competition to be reported. However, the stage 2 short-listing report will not be applicable. The Chamberlain and Chief Officers should satisfy themselves that any contracts to be let that would not otherwise need to be reported because they do not fall within the thresholds above for committee reporting purposes, do not have a sensitivity that would require them to be reported.
- 10.7** In accordance with Regulation 10.4 above, where the Chamberlain has delegated authority to approve the lettings of non-projects related contracts above the EU thresholds but less than £2 million per annum, officers must present the Chamberlain with a formal report from the Chairman of the relevant procurement Category Board. The Chamberlain will produce a retrospective summary report of all approved contracts lettings for the Finance Committee in the previous quarter.
- 10.8** When exercising delegated authority in accordance with these Regulations, the Chamberlain may, in exceptional circumstances, refer decisions to the Finance or appropriate spending Committee. Exceptional circumstances may include sensitive issues such as conflicts of interest, significant alteration to front line service provision, staffing matters, changes to City policies, London Living Wage or other such matters arising from procurement strategies or contracts awards.
- 10.9** All contracts let for works above £400,000 and above £250,000 for Supplies and Services contracts must be sealed by the City and executed as a deed unless the C&CS advise otherwise. The effect of having a

<sup>6</sup> The current EU Threshold for Supplies and Services is £173,934 (at 1 November 2013). A new EU Procurement Directive has been agreed in October 2013 and will be implemented into UK law in 2014 date of implementation to be advised. This will increase the current EU thresholds significantly and consequently the City's own thresholds will also need to be revised when the new directive is implemented.

<sup>7</sup> Further information on the use of Framework Agreements can be found in section 12 of these Regulations and the separate Supporting Guidelines



deed in place creates an extended period of limitation of 12 years during which the City can enforce its contractual rights and may be preferable in respect of other contracts, even if their value falls under the financial threshold mentioned in this paragraph e.g. where problems may not surface for some years and / or involve structural considerations. If in doubt officers must contact the Comptroller & City Solicitor for advice before seeking tenders.

## 11. Increases in Contract Value

11.1 For all contracts where specific provision has been previously approved and expenditure will exceed<sup>8</sup> the approved provision (after allowing for inflation) by more than 20% or £400,000, whichever is the lowest, expenditure shall only be incurred when the following authorisations have been obtained:-

Expenditure	Approval by
Less than £500,000	Spending Committee and the Committee(s) which considered the Detailed Options Appraisal or Tender Evaluation Report
£500,000 and above	Spending Committee, the Committee(s) which considered the Detailed Options Appraisal or Tender Evaluation Report and the Court of Common Council

11.2 The alteration of the terms and conditions or the suspension or abrogation of the proper performance of any contract, or part or parts thereof, to which the City of London Corporation is a party, shall be subject to the approval of the relevant Spending Committee.

## 12. Framework Agreements

12.1 The City Corporation is increasingly making use of Frameworks. This includes frameworks established directly by and for the City, such as the framework for Minor Works and Refurbishment, including Mechanical and Electrical Services for works valued between £3,000 and £150,000. It also includes frameworks established by other public bodies and which are available to the City Corporation and which are approved by the Chamberlain or Committee in accordance with the Contracts Lettings thresholds in Regulation 10.4 a use, such as the iESE Contractors framework for project works over £1m. The number of frameworks in use is likely to increase.

12.2 Frameworks provide the City Corporation with options and alternatives. They provide a pre-competed route to market and hence reduce the administrative burden of running a full procurement procedure each time so it is envisaged that where a framework is available it will be used. Framework agreements can be held with a single supplier or they may include several suppliers. However, they do not give contractors any exclusive rights to undertake work or supply goods and services to the City, and the City is not obliged to procure through the frameworks.

12.3 If officers decide to create a City framework a formal procurement process must be undertaken in accordance with the City' tendering thresholds.

<sup>8</sup> If a contract includes flexibility for increases/decreases in revenue spend with a supplier because of the anticipation of additions/subtractions to scope, e.g., new properties coming in to scope for a corporate cleaning services contract, and the increase/decrease in budgetary provision essentially forms part of a separate report (such as for a building acquisition) this regulation would NOT apply.

- 12.4 Approval for the award of a framework agreement will be subject to the City's contracts letting thresholds in Regulation 10.4. Officers must calculate the threshold based on the estimated value of the City's potential expenditure via the framework over the period that usage is required.
- 12.5 The City may also decide to access and utilise frameworks awarded by other public bodies as an alternative to open tendering.
- 12.6 The use of call offs from approved external frameworks is also subject to the contract lettings approval thresholds in Regulations 10.4.

### **13. Access Agreements**

- 13.1 In the search for Best Value and more collaborative methods of procurement many Local Authorities, and other public bodies which are Contracting Authorities for the purposes of the Public Contracts Regulations 2006, are establishing Framework Contracts. Such contracts create a pool of contractors, consultants or suppliers procured by competitive and EU compliant tender procedures which are available for engagement by other Local Authorities without the need for an extended tender period.
- 13.2 The ability to access externally procured Frameworks is sometimes governed by a formal Access agreement. The Lead Authority for the Framework will often, for reasons of confidentiality, require that any other parties wishing to access the Framework sign an Access Agreement before releasing full details of the terms of the Framework. Without the full details officers are not in a position to report to Members about the potential benefits of accessing any such Framework.
- 13.3 Aside from confidentiality obligations such agreements often contain a requirement for the party wishing to access the Framework to give indemnities to the Lead Authority to protect the Lead Authority from claims. The form of such indemnities vary so it is not possible to be specific as to what types of indemnity may be required, although breaches of confidentiality and Data Protection breaches would not be uncommon subjects.
- 13.4 To avoid the need for separate reports to be considered each time the existence of a potential Framework contract becomes known to officers a resolution has been passed by Finance Committee authorising the Comptroller & City Solicitor to sign such agreements on the City's behalf following approval of the terms by the Chamberlain, including any indemnity.
- 13.5 It is a requirement that the signing of any access agreement should subsequently be reported to the relevant Spending Committee for information.

### **14. Due diligence**

- 14.1 Officers wishing to utilise external frameworks for procurements in excess of the EU tender thresholds must also undertake a formal due diligence process. A due diligence checklist has been prepared for this purpose in conjunction with C&CS and is published on the City Buyer section of COLNET.
- 14.2 The use of frameworks must be based on best value principles; they must not be used automatically without officers first having a sound business case demonstrating why the use of a framework would deliver better value than a request for quotation or an open tender.
- 14.3 Because of the legal and commercial complexities inherent in the creation and utilisation of framework agreements, the CLPS, must manage both the procurement of the City's own framework agreements and access to external frameworks.

- 14.4 The CLPS must consult with C&CS at appropriate stages of the due diligence process and in relation to the signing of access agreements in accordance with Regulation 13.1 – 13.5.
- 14.5 After a framework agreement has been approved for use by the Chamberlain or Committee in accordance with the Contracts Lettings thresholds in Regulation 10.4 and the call off thresholds in Regulation 12.4, officers can make subsequent procurements via the framework in accordance with its scope and estimated value thresholds. Each framework must be used in accordance with its underlying rules, such as any requirement to run mini competitions.
- 14.6 The due diligence process may be waived in writing by the Head of CLPS on a case by case basis, when an external framework agreement is to be used for low risk low value purchases of supplies below the EU tendering thresholds.

## 15. Procurement Thresholds

- 15.1 The following section outlines the City Corporation's procurement thresholds for **requesting quotations and inviting tenders**.
- 15.2 Thresholds should be calculated on the basis of the whole estimated contract value over the life of a contract and not the annual value.
- 15.3 When calculating thresholds for procurements or contracts lettings approvals, officers must also factor into the estimated contract value, provision for subsequent phases of a project and appropriate contract extension clauses, if they wish to retain the possibility of continuing the next phase of the project or contract with the original contractor. Failure to do this may result in officers having to conduct a fresh tender or seek a formal waiver of these regulations.
- 15.4 All contracts over £100k for Supplies & Services and Professional Consultancy, and above £400,000 for Works, must be advertised.
- 15.5 The thresholds cover three main service areas: (1) Supplies and Services (2) Professional Consultancy, and (3) Works. These thresholds are intended to provide comprehensive guidance to officers and departments undertaking procurements, but all procurements are unique and in any cases of doubt, officers should contact the CLPS in the first instance to clarify their requirements.

## 16. Supplies and Services (excluding Professional Consultancy)

- 16.1 Supplies (or goods), are defined as physical, tangible products, capable of being delivered to a purchaser and involves the transfer of ownership from seller to buyer (e.g. a computer, vehicle). Services are the action of helping or doing work for somebody rather than simply supplying goods e.g. accountancy, transportation, research, cleaning and security services etc. COL defines consultancy as a special kind of service for which separate procurement rules apply.

Type of Procurement	Threshold	Basis and Guidance
Purchases	£0 – £2,000	Low value purchases can be undertaken at officers' discretion <sup>9</sup> , providing Best Value Principles are observed.
Minor Procurement	£2,001 – £20,000	A minimum of three firms to be asked to quote one of which should be: local, a small or medium sized enterprise (SME) or a Social Enterprise.
RFQ	£20,001 – £100,000	Request for Quote (RFQ) – a minimum of three firms to be invited to submit written quotations including: one local firm, a small or medium sized enterprise (SME) or a Social Enterprise.
Advertise	£100,001 – <sup>10</sup> EU threshold	Written RFQ or Tender – a minimum of three firms to be invited to submit written quotations or tenders, which must be advertised via Pro Contract ( <a href="http://www.londontenders.org">www.londontenders.org</a> )
OJEU	Above EU threshold	<b>Part A</b> services must be advertised in the Official Journal of the European Union ( <a href="http://ted.europa.eu">http://ted.europa.eu</a> ) via ProContract (contact CLPS Sourcing Support Team). <b>Part B</b> services should be advertised on Pro Contract / London Tenders Portal and tendered accordingly. A minimum of <b>five</b> tenders should be sought.

## 17. Professional Consultancy

**17.1** The City of London Corporation uses consultants to provide specialist advice which is not available within COL or which officers cannot undertake due to other commitments.

Type of Procurement	Threshold	Basis and Guidance
Minor Consultancy	£0 – £50,000	Officers' discretion, providing Best Value and Local Procurement principles are observed.
RFQ	£50,001 – £100,000	Written Request for Quote (RFQ) or tender a minimum of three firms to be invited to submit written quotations or tenders one of which should be local, a small or medium sized enterprise (SME) or Social Enterprise
Advertise	£100,001 – EU threshold	Written RFQ or Tender – a minimum of three consultants to be invited to submit written quotations or tenders, which must be advertised using Pro Contract ( <a href="http://www.londontenders.org">www.londontenders.org</a> )
OJEU	Above EU threshold	Tenders must be advertised in the Official Journal of the European Union ( <a href="http://ted.europa.eu">http://ted.europa.eu</a> ) via ProContract (contact CLPS Sourcing Support Team). A minimum of <b>five</b> tenders should be sought.

<sup>9</sup> Officer's discretion means that officers have the choice of either obtaining more than one quotation, or obtaining a quotation from a single supplier. Officers' discretion does not apply if a corporate contract is available, when it should normally be used.

<sup>10</sup> The current EU Threshold for Supplies and Services is £173,934 (at 1 November 2013). A new EU Procurement Directive has been agreed in October 2013 and will be implemented into UK law in 2014 date of implementation to be advised. This will increase the current EU thresholds significantly and consequently the City's own procurement thresholds will also need to be revised when the new directive is implemented.

## 18. Works

18.1 “Construction Work” means the carrying out of any building, civil engineering or engineering construction work. The City’s procurement thresholds below should be used in conjunction with the Standing Orders.

Type of Procurement	Threshold	Basis and Guidance
Purchases	£0 – £2,000	Low value purchases can be undertaken at officers’ discretion, providing Best Value Principles are observed
Minor Procurement	£2,001 – £50,000	A minimum of three firms to be asked to quote one of which should be local, a small or medium sized enterprise (SME) or a Social Enterprise.
Works RFQ or ITT	£50,001 – £400,000	Request for Quote (RFQ) or Invitation to Tender (ITT) – a minimum of three firms to be invited to submit written quotations or formal tenders including one: local firm, SME or Social Enterprise. ProContract must be used.
Works Advertise	£401,000 – EU threshold	A minimum of three firms Invited to Tender, and the opportunity must be advertised via Pro Contract ( <a href="http://www.londontenders.org">www.londontenders.org</a> ).
Works OJEU	above EU threshold	Tenders must be advertised in the Official Journal of the European Union ( <a href="http://ted.europa.eu">http://ted.europa.eu</a> ) via ProContract (contact CLPS Sourcing Support Team). A minimum of <b>five</b> tenders should be sought.

18.2 For procurements below the City’s advertising thresholds, officers are expected to make every effort to comply with the requirement to invite at least one local, SME or Social Enterprise supplier. Although it is not possible to maintain a comprehensive list of all local, SME or Social Enterprise suppliers for everything the City may purchase, CLPS can assist with the identification of suitable local, SME and Social Enterprise suppliers utilising close links with various business development agencies such as Supply Cross River and other agencies accredited by the City’s Economic Development Office.

## 19. E-sourcing

19.1 The City has implemented an eSourcing system (ProContract) managed by the Sourcing Support team in CLPS.

19.2 Pro Contract automates much of the procurement processes required to invite tenders and quotations. The system automates correspondence, timescales and tender submissions, and maintains a robust audit trail. As shown in the tables above, where the type of procurement is described as ‘Advertise’ and for the OJEU thresholds above those levels, ProContract should be used.

19.3 The Sourcing Support team manage officer registrations, role allocations, systems updates, training and tender administration.

19.4 Departments must notify the Sourcing Support team when officers with procurement duties requiring access to Pro Contract join the City, transfer to another department, change jobs or leave the City so that the system can be updated accordingly.

19.5 Officers may not conduct RFQ’s or tenders without authorisation and guidance from the Sourcing Support team.

- 19.6 Tenders may only be opened on Pro Contract by authorised verifiers either in the Sourcing Support team or by officers authorised to act as verifiers by that team.
- 19.7 Verifiers are responsible for opening the electronic tender seal after the tender return date has expired, checking the tender documents for compliance and releasing compliant tenders to members of the procurement project team to undertake the tender evaluation process.
- 19.8 Verifiers must not be part of the procurement team and a member of a procurement team must not open the tenders for the project to which they have been assigned.
- 19.9 Late tenders must not be accepted. If a bidder subsequently appeals against the City's decision to reject their tender, the Sourcing Support team will conduct an immediate investigation.
- 19.10 Unless it can be proven by the bidder, that a Pro Contract failure or some other exceptional circumstance wholly outside of the bidders control, capable of independent verification, prevented submission of the tender, and that such failure occurred before the designated tender submission deadline, the City's decision will be upheld. Issues within the bidders' control such as the failure of their IT system would not normally be acceptable.
- 19.11 In very exceptional circumstances the Head of CLPS may delegate authority for Chief Officers to conduct specialist tenders on Pro Contract independently of CLPS. The only such exception currently is City Surveyors Department (CSD) which has a trained contracts unit which is authorised to conduct tenders for selected works contracts. Such arrangements will be regularly reviewed by the Head of CLPS and may be amended in light of organisational changes.
- 19.12 Officers may not use any alternative means of inviting or receiving tenders other than Pro Contract unless authorised in writing to do so by the Head of CLPS.

## **20. Contracts Register**

- 20.1 The CLPS is responsible for maintaining and updating a Contracts Register for the City.
- 20.2 Operational responsibility for maintaining and updating the system resides with the Sourcing Support team.
- 20.3 Officers who award contracts for the City must notify the Sourcing Support team as soon as a new contract is awarded or provide the information to the team when requested.
- 20.4 Officers who manage contracts must notify the Sourcing Support team when the status of existing contracts change e.g. when they are extended, completed, terminated or extended or provide the information to the team when requested.

## **21. Responsible Procurement**

- 21.1 The City of London recognises that, as an organisation spending money on goods and services, we have a duty to investigate environmentally and socially acceptable alternatives and whenever practicable, purchase products and services which have a positive impact on our environment and surrounding communities. As a result, the City of London encourages its employees involved in procurement to consider three key areas:

- Equalities

- Economic Regeneration
- Environmental Sustainability

**21.2** For contracts at or above £250k, officers are required to embed responsible procurement into the core of the contract (where relevant to the contract or contained in existing policy) and weighted at least 10% of the technical contract evaluation criteria. A matrix is provided to assist with the assessment of material issues. Further information to assist with the assessment of material issues can be found in the Responsible Procurement<sup>11</sup> pages on the City Buyer portal.

**21.3** All contracts lettings reports must include a section on the responsible procurement outcomes and benefits of the recommended contract award and how those benefits are to be monitored and reported for the duration of the contract.

**21.4** The CLPS collaborate closely with technical experts in Responsible Procurement from the Economic Development Office (EDO) and the Town Clerks Policy Division. Senior representatives from these units are members of the various CLPS Category Boards and assist with developing and implementing sourcing strategies for the City's major procurement projects to ensure that the City's responsible procurement policy is delivered and monitored appropriately.

## **22. Local, SME and Social Enterprise Procurement Directive**

**22.1** Except where there is a contract already in place, the Local, SME and Social Enterprise Procurement Directive requires officers to invite either a UK based SME or Social Enterprise, or a local supplier from one of the Local Procurement target boroughs to quote for all supplies and services contracts valued between £2,000 and £100,000, works contracts valued between £2,000 and £400,000, and consultancy contracts between £50,000 and £100,000 where possible. This is an auditable requirement.

**22.2** In addition to the **City of London**, the Local Procurement target boroughs selected due to the high levels of deprivation are: **Tower Hamlets; Hackney; Islington; Camden; Lambeth; Southwark; Newham; Greenwich; Haringey; Lewisham; Barking and Dagenham; Waltham Forest.**

**22.3** In order to be awarded the contract, the local business, Social Enterprise, or Small and Medium Sized supplier will have to provide a competitive quote or tender, which offers the best value for money to the City. Officers should continue to procure items/services through contracts set up centrally. Details of corporate contracts are on the City Buyer portal.

**22.4** The CLPS Sourcing team will work in partnership with officers and appropriate external organisations such as Supply Cross River and Social Enterprise UK to source suitable SME, Social Enterprise or local suppliers.

## **23. Community Benefits Schedule**

**23.1** For contracts above EU threshold the potential of community benefits should be assessed in co-operation with the CLPS<sup>12</sup>. This scheme encourages suppliers to enter into voluntary agreements to employ, sub-contract and procure in areas defined as 'most deprived' in the English Index of Deprivation, to the value of 10% to 20% of the contract value.

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<sup>11</sup> <http://colnet/Departments/Chamberlains/City%20Buyer/Pages/Policy/Responsible-Procurement.aspx>

## 24. Public Services (Social Value) Act 2012

- 24.1 The Public Services (Social Value) Act 2012 requires the City to consider how a procurement project might improve the economic, social and environmental well-being of the relevant area when procuring **Public Services Contracts** above the EU threshold. . The Act does not apply to Supplies or Works contracts.
- 24.2 Undertaking legally compliant procurement projects which meet the City’s obligations under the Act requires expert knowledge and clear procedures. For that reason the CLPS must be consulted or manage all procurements with Social Value Act considerations.
- 24.3 When planning procurement for a contract that is subject to the Act, the City must determine what internal or external consultation should be undertaken regarding matters that need to be considered under the Act.
- 24.4 Those matters to be considered must be relevant to the service that is to be procured and what is proportionate in all circumstances to take those matters into account.
- 24.5 The CLPS will ensure that formal records are made of all Social Value Act and other Responsible Procurement considerations as the City will be expected to demonstrate compliance with the statute.
- 24.6 Once the planning phase has been completed the procurement must be conducted in accordance with the EU regulations.
- 24.7 The Best Value duty still applies and must be considered throughout the procurement process and the Public Services (Social Value) Act 2012 does not remove this duty

## 25. London Living Wage

- 25.1 The London Living Wage (LLW) Campaign was launched in 2001 by London Citizens, a broadly-based organisation including faith groups, trade union branches, schools and community organisations. The LLW is an annual hourly wage level calculation characterised as a wage rate that if earned would place working households in London above “the threshold of poverty, even after benefits and tax credits are taken into account” The LLW is adjusted every year in October and implemented between then and the following April and is currently <sup>13</sup>£8.80 per hour.
- 25.1 Unlike the national Minimum Wage (<sup>14</sup>currently £6.31 for workers over 21) which is a statutory obligation, the LLW has no standing in law and its implementation by employers is entirely voluntary.
- 25.2 The Court of Common Council resolved on 8<sup>th</sup> March 2012, “to support the principle of LLW, commit to continuing to pay City Corporation directly-employed staff at or above the LLW; and promote the LLW for the City Corporation’s contractors, taking account, like other organisations adopting the LLW, of the legal, financial and operational circumstances that apply when considering contracts on a case-by case basis”
- 25.3 The City has embraced the LLW in the interests of wellbeing because there is an inherent benefit to service delivery where better pay will attract and retain a higher calibre of staff. The City also recognises the LLW as a positive policy initiative that aims to lift people out of poverty, and it is particularly relevant to London given large income inequalities and high living costs.

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<sup>13</sup> At 1 November 2013

<sup>14</sup> At 1 October 2013



- 25.4 The LLW only applies to contracts where contractors involved in service delivery are situated in the Greater London Area as defined by the Greater London Authority (GLA). The LLW does not usually apply to supplies contracts.
- 25.5 Procedures to apply the City's LLW policy for the City's staff, contracts and procurement were approved by Policy and Resources, Establishment and Finance Committees in July 2012.
- 25.6 The City's policy recognises that consideration of LLW in contracts must be undertaken on a case by case basis and that it is not lawful to adopt a blanket policy to compel employers to adopt a voluntary wage rate.
- 25.7 This means that LLW considerations are best addressed during the procurement process every time new contracts are created.
- 25.8 Undertaking legally compliant procurement projects at the same time as successfully delivering the City's LLW policy, from initial planning to contract award, requires expert knowledge and clear procedures. For that reason the CLPS must manage all procurements which have LLW considerations.
- 26. Contracts procured by third parties, subsequently assigned to the City**
- 26.1 For the avoidance of doubt, the consultation with CLPS as required by Regulation 1.4 on all opportunities and proposals for letting of contracts, and the provisions of Regulation 1.3 providing that the Procurement Regulations apply to all procurements undertaken by any City department, shall not apply to those contracts which have been procured by a third party and then assigned to the City following the acquisition by, or reversion to, the City of long leasehold interests or the acquisition of freehold interests.
- 26.2 These contracts will be handled directly by the City Surveyor who shall ensure in consultation with the Comptroller and City Solicitor that the required due diligence on the contracts is undertaken on any contracts which are to be assigned or novated to the City following the completion of the commercial transaction.

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## Appendix 2

## Draft Procurement Regulations January 2014 - Provisional New Regulations

### Procurement Regulations Sections

#### 1. Overview

#### Update Description

The overview has been revised to replace reference to the old SPU with the new CLPS

#### Rationale

The new Regulations now reflect the creation of CLPS launched on 2 April 13

#### 2. Codes of Conduct and Conflicts of Interest

A new Regulation setting out a code of conduct for the City's staff in procurement and the consequences for non compliance with the Regulations. The new regulation references the City's New Employee Code of Conduct and Fraud Awareness Policy.

Addresses a weakness in the current Regulations and links directly to the new City Policies

#### 3. External Procurement Consultants and Advisors

New Regulations setting out rules of engagement for the appointment of external consultants to advise on procurement projects. The regulations set out the need for officers to establish a clear business case and consult the CLPS and Comptroller and City Solicitor's before any such appointments are made

The new Regulations will provide greater transparency and ensure that such appointments are in accordance with appropriate contract terms to safeguard the City's interests

#### 4. The Role of the CLPS

A set of new Regulations in sections 4 to 7 setting out the structure of the CLPS and the roles and responsibilities of its main teams and the Category Boards

Provides clarity on the roles and responsibilities of the various CLPS teams and the Category Boards

#### 5. Sourcing and Category Management

See explanation and rationale in 4 above

See explanation in 4 above

#### 6. Requisition to Pay

See explanation and rationale in 4 above

See explanation in 4 above

#### 7. Procurement Policy & Compliance

See explanation and rationale in 4 above

See explanation in 4 above

#### 8. Key Aspects of Procurement

This section sets out the main regulatory conditions applying to procurement and the assessment of financial risk. The section also includes an important new Regulation namely 8.7 which requires officers to follow correct buying and payment processes and reminds them of the City's No Purchase Order (PO) No Pay policy.

The new No PO No Pay policy will improve procurement compliance financial discipline within the City, as well as reducing the potential for procurement fraud. It also delivers potential to improve the efficiency and effectiveness of the City's invoice matching and payments processes, speed up payments to suppliers and reduce the resources currently deployed in raising retrospective orders.

<b>9. Waivers</b>	The new section retains the existing waivers thresholds but proposes that the Chamberlain be granted delegated authority to waive the provisions of the Procurement Regulations for non-project related procurements from £50,000 to £2m. The existing authority for Chief Officers to waive the provisions of the Regulations for procurements below £50,000 will remain in place. Waivers for high value contracts above £2m will still need to be obtained from Spending Committee, (Projects Sub where appropriate), Finance Committee and Court of Common Council.	These adjustments will reduce the number of committee reports being presented to members for waivers for relatively low risk low value procurements which constitute the greater number of such reports. It is recognised that waivers must only be sought and authorised in exceptional circumstances, where sound operational and commercial reasons exist. For that reason the new Regulations oblige the Chamberlain to provide a retrospective report for the Finance Committee summarising all waivers sought and granted in the previous quarter.
<b>10. Contracts Letting</b>	As with the waivers thresholds, it is proposed that revisions are made to the contracts lettings thresholds to delegate authority for the Chamberlain to approve the award of non-project related contracts above the EU thresholds in total but up to £2m p.a. Contracts valued above between £2m to and £4m per annum must continue to be reported to Spending and Finance Committees. Very high value contracts above £4m and above must continue to be reported to the relevant Spending Committee, and Finance Committee and the Court of Common Council. The section also makes the point that there are going to be major changes arising from a new EU Procurement Directive which will necessitate major revisions to the City's own thresholds and a further report to Committee in 2014	In addition to reducing the number of committee reports, the new thresholds will reduce the time taken by CLPS officers to award lower value contracts and increase the capacity of senior officers and members to concentrate on more complex procurements. When exercising delegated authority, the Chamberlain may, in exceptional circumstances, refer decisions to the Finance Committee. This may include but not be limited to issues such as conflicts of interest, significant alternation to front line service provision, staffing matters, London Living Wage or any other such matters arising from procurement strategies or contracts awards.
<b>11. Increases in contract value</b>	There are no revisions to this section which remains the same as the current Regulations	N/A
<b>12. Framework Agreements</b>	A revised set of Regulations 12 to 14 setting out the City's procedures for accessing, awarding and utilising framework agreements. The creation and usage of legally compliant frameworks, is complex and requires high levels of technical expertise to mitigate risk and ensure best value. The proposed revisions now place a mandatory obligation on officers to consult with both the CLPS and Comptroller and City Solicitor's (C&CS) at appropriate stages before frameworks can be used.	These sections provide a framework for the City to access the benefits and opportunities of frameworks at the same time as mitigating the associated legal risks.
<b>13. Access Agreements</b>	See explanation and rationale in 12 above	N/A

<b>14. Due Diligence</b>	See explanation and rationale in 12 above	N/A
<b>15. Procurement Thresholds</b>	The procurement thresholds sections 15 to 18 contains several revisions to the procurement thresholds. The most significant is the proposal that the advertising thresholds for Supplies and Services and Professional Consultancy contracts are increased from the current £50,000 to £100,000. There are several reasons, the first and most obvious is that the current threshold was first introduced in 2009 and is due to be refreshed. A benchmark review of the Procurement Regulations of 10 neighbouring London boroughs the information from which was utilised to inform this report indicates that the majority had an advertising threshold at or in excess of £100,000 It is felt that the City's advertising threshold for Works contracts should remain unchanged at £400,000. This is still higher than the London borough average but strikes the right balance for the City in terms of transparency and its unique requirement	There are significant benefits to increasing the thresholds, the main one being that it provides officers with greater flexibility in the creation of tender and quotations lists particularly with regard to meeting the City's policy of inviting local suppliers, SME's and social enterprises, or new and innovative entrants to the marketplace.
<b>16. Supplies and Services</b>	See explanation and rationale in 15 above	N/A
<b>17. Professional Consultancy</b>	See explanation and rationale in 15 above	N/A
<b>18. Works</b>	See explanation and rationale in 15 above	N/A
<b>19. E-Sourcing</b>	This is a new section of the Regulations proposed to explain and clarify the key regulatory ground rules to be followed by officers for the operation of Pro Contract the City's e-sourcing application. It is used to conduct the City's Invitations to Tender (ITT's) and Requests for Quotations (RFQ's) especially those above City's and EU advertising thresholds.	The new Regulations set out the essential rules for the City in advertising and managing tenders and clarify the CLPS's responsibility in this area.
<b>20. Contracts Register</b>	These are proposed new Regulations confirming that the CLPS now maintains a Contracts Register on behalf of the City. The Contracts Register includes key details of all contracts awarded by the City including award and expiry dates, contract title, values, renewal dates and responsible officers.	The Contracts Register will become an increasingly important tool in improving the City's procurement and contracts management, facilitating improved planning, arrangements for contracts renewals, internal and external collaboration, auditing and in meeting the City's transparency obligations.

<b>21. Responsible Procurement</b>	Regulations 21 to 25 are a mixture of existing and new Regulations designed to oblige ensure that officers to comply with and implement the City's various policies with regard to responsible procurement as well as the statutory obligation to comply with the provisions of the Public Services (Social Value) Act 2012 and the City's policy on London Living Wage (LLW).	The new Regulations acknowledge, the importance of procurement in enabling the City to meet its wider strategic objectives and that CLPS must work in close partnership with key teams in the Economic Development Unit and Town Clerks Policy Unit and ensure that the delivery of responsible procurement outcomes and targets is formally monitored and reported. The new Regulations also acknowledge the complexities of delivering these objectives in compliance with the wider legislative framework. N/A
<b>22. Local Procurement Directive</b>	See explanation and rationale in 21 above	N/A
<b>23. Community Benefits Scheme</b>	See explanation and rationale in 21 above	N/A
<b>24. Public Services (Social Value) Act 2012</b>	See explanation and rationale in 21 above	N/A
<b>25. London Living Wage</b>	See explanation and rationale in 21 above	N/A
<b>26. Contracts Procured by third parties</b>	A new section clarifying that contracts procured by third parties and assigned to the City following property acquisitions are exempt from the Procurement Regulations such contracts will be dealt with by the City Surveyor in conjunction with the Comptroller	Clarifies a long standing issue and confirms that the assignment of third party contracts to the City sit outside the Procurement Regulations and are dealt with by the City Surveyor and Comptroller

# City of London Procurement Regulations

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July 2012<sup>1</sup>

## Overview

1. Procuring goods and services in the right way is essential to ensure value for money is achieved
2. Any future changes to these Procurement Regulations requires the authorisation of the Finance Committee
3. These procurement regulations apply to all procurement undertaken by any City department.
4. The Strategic Procurement Unit (SPU) must be consulted in all opportunities and proposals for letting or extending contracts, and will consult with the Comptroller and City Solicitor (C&CS) when advice upon the legal aspects of contracts are required.
5. The C&CS maintain standard templates of conditions of contract for certain contracts. (These can be found in the Supporting Guidelines pages on the City Buyer portal. In the absence of a template, the SPU, or the C&CS in cases that are complex or novel, will advise on appropriate terms.
6. There may be occasions when it is appropriate to collaborate with other authorities, where value can be added or costs can be reduced.
7. The City will always endeavour to procure responsibly, purchasing products and services which have a positive impact on our environment and our surrounding communities. The Public Services (Social Value) Act 2012 also requires public bodies by law to consider how the services they commission and procure might improve the economic, social and environmental wellbeing of an area.
8. Procurement activity undertaken as part of a project will be subject to the separately published approval process set out in the Project Approval Procedure.
9. Where corporate contracts are in place they must be used. Off-contract spend will be monitored and reported as appropriate.

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<sup>1</sup> Incorporating latest amendments approved under delegation by the Chairman and Deputy Chairman of Finance Committee 2<sup>nd</sup> August 2012

## **Procurement**

10. In cases where it is a legal requirement that the work has to be undertaken by a specific statutory undertaker it will only be necessary for the Chief Officer to agree terms with the statutory undertaker who will carry out the work.
11. The Officer or Consultant having responsibility for the procurement of contracts shall ensure that:-
- (a) all European Union (EU) Directives and other statutory requirements relative to the contract are complied with;
  - (b) all directives issued by the Town Clerk or Chamberlain, in order to secure the efficiency and effectiveness of the City's procurement arrangements, are complied with unless the Town Clerk or Chamberlain agrees that it is in the interests of the City not to do so in a particular case;
  - (c) the financial standing of the main contractor has been appraised by the Chamberlain for contracts with an estimated value over £150,000, and financial security is obtained where necessary against default on the part of any sub-contractors or suppliers employed on the contract. Officers shall liaise with the Chamberlain when arriving at the level and form of the security thought necessary, and regard shall be given to the costs and risks involved. Consideration should be given to the following:
    - the sufficiency of the main contractor's obligations to the City in respect of the financial consequences of such defaults
    - obtaining collateral warranties from the sub-contractors or suppliers where necessary, and in the case where the main contract is being entered into with a company that is part of a larger group, a parent company guarantee from the ultimate holding company may be required
    - whether it may be necessary to require a deed of vesting or bond to cover materials or goods purchased in advance of entering into the main contract.
    - assessment of potential risks, and the views of the Insurance Officer sought when assessing risk to determine those Insurances and limits which should be maintained, and whether a limitation on liability is to apply to the contract or contracts being procured.
12. Legislation applying the EU Procurement Directive to the City of London Corporation only does so in its capacities as a local or police authority. The City has, however, decided to apply the Directive across all its funds except in cases where there is a satisfactory business case, inclusive of risk assessment, not to do so. Such action must be authorised by the Town Clerk who, before exercising this power, shall seek and obtain the comments of the Chairman and Deputy Chairman of the relevant committee or, failing either of them, their nominees together with any other Members he deems appropriate. If the proposal involves a recharge to the City Fund the advice of the Comptroller & City Solicitor must also be sought.



13. The Finance Committee shall be responsible for the approval of the City's approved lists of contractors and consultants<sup>2</sup>.

14. Officers shall take such action as is reasonable to satisfy themselves that the City will receive value for money in procurement, in accordance with best value principles<sup>3</sup> and in compliance with the requirements of both English and EU law. This will normally involve the seeking of competitive tenders or quotations in accordance with EU Directives, these Procurement Regulations, and the City's advertising and other thresholds set out in this document.

Only in a very limited number of instances is it not necessary to seek a competitive tender or quotations:-

(a) for certain types of procurement contracts such as single supplier framework agreements<sup>4</sup>;

(b) when appointing Counsel;

(c) where the estimated contract price for works, supplies and/or services (excluding schedule of rates contracts and professional consultants) is below £400,000 and the Chief Officer wishes to reappoint a contractor using rates previously shown to represent value for money in prior competition on earlier phases: provided always that any additional phases had been previously identified to all tenderers at the initial tender advertisement and invitation stage;

(d) when there is only one supplier that can be used, for example in acquiring necessarily compatible Information and Communications Technology (ICT) equipment, and/or a supplier or framework has been mandated by the National Policing Improvement Agency (NPIA)<sup>5</sup> or a similarly nationally recognised body for any area of expenditure: provided always that:-

- approved funding provisions have been made;
- where expenditure is on behalf of the Police Committee, the Commissioner of Police has ensured that the intended purchase is satisfactory in meeting the requirements of the Force, and that there are no practical alternatives available;
- where expenditure is not on behalf of the Police Committee, the Chamberlain's IS Director has been consulted and is satisfied that it conforms to the City's IS strategy, and that the choice of supplier is reasonable;

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<sup>2</sup> As PP2P Repairs & Maintenance initiatives come on stream this paragraph can be removed as these lists will be discontinued.

<sup>3</sup> Best Value principles are set out in the Guidelines

<sup>4</sup> It should be noted that the majority of framework agreements have more than one supplier and these require a mini-competition to be carried out

<sup>5</sup> This reference pertains to Police Act 1996 (Equipment) Regulations 2011

15. In special or exceptional circumstances, the requirements of the Procurement Regulations to the seeking of tenders or quotations may be waived provided one of the following authorisations has been received:

<b>Estimated Contract Cost</b>	<b>Approval Required by</b>
Up to £50,000	Chief Officer
Over £50,000 and up to £2,000,000	Spending Committee (and Projects Sub-Committee for contracts let as part of projects)
Over £2,000,000	Spending Committee, Finance Committee (and Projects Sub-Committee for contracts let as part of projects) and Court of Common Council

16. In the event of an emergency, officers are authorised to depart from the requirements of these Procurement Regulations to meet the exigencies of the situation. Any such action taken is to be reported at the earliest opportunity to the appropriate Committee.

## **Contract Letting**

17. Approvals for contracts to be let as part of projects will be sought via the City's approved Project Approval Procedure.
18. For all contracts to be let, Officers should refer to the Procurement Thresholds section of these Regulations.
19. Depending on estimated values and on whether they are project related or not, Members will need to be involved at appropriate stages.
20. For non-project related contracts, depending on the estimated contract value and the per annum contract value, there may be 3 stages of committee involvement:-

Stage (1) The relevant Spending Committee(s) agrees the high level evaluation criteria to be applied in the selection process;

Stage (2) The relevant Spending Committee(s) receives a 'for information' update following supplier short-listing;

Stage (3) The relevant Spending Committee(s) receives the final recommendation on contract award, and depending on the estimated per annum contract value also the Finance Committee and Court of Common Council as shown in the table below

<b>Estimated Contract Cost</b>	<b>Approval Required by</b>	<b>Stages</b>
Less than EU Threshold	There is no general requirement to report to committee but rules should be followed as set out in the Procurement Thresholds Section of these Regs	
<b>Estimated Contract Cost (per annum)</b>	<b>Stage (3) Approval Required by</b>	
Above EU threshold in total but less than £250,000 pa	Spending Committee	3
£250,000 to £2m pa	Spending Committee and Finance Committee	2 and 3
£2,000,000 and above pa	Spending Committee, Finance Committee and Court of Common Council	1,2 and 3

21. Corporate collaborative contracts (which would otherwise need to be reported to multiple committees and for this purpose multiple means more than two) may be reported to Finance Committee. In these instances, consultation must take place with the chairmen of the other relevant committees and a statement to that effect included in the report.
22. If the recommended sourcing approach is to join a framework<sup>6</sup> then in accordance with the thresholds in the above table, there may still be a need for the spending committee to agree the

<sup>6</sup> Further information on the use of Framework Agreements can be found in paras 27 – 31 of these Regulations and the separate Supporting Guidelines

selection criteria weightings prior to the call for competition and for the outcome of the mini-competition to be reported. However, the stage 2 short-listing report will not be applicable.

23. Chief Officers should satisfy themselves that any contracts to be let that would not otherwise need to be reported because they do not fall within the thresholds above for committee reporting purposes, do not have a sensitivity that would require them to be reported.
24. All contracts let for works above £400,000 and above £150,000 for services and supplies must be sealed unless the C&CS advise otherwise.

### **Increases in Contract Value**

25. For all contracts where specific provision has been previously approved and expenditure will exceed<sup>7</sup> the approved provision (after allowing for inflation) by more than 20% or £400,000, whichever is the lowest, expenditure shall only be incurred when the following authorisations have been obtained:-

<b>Expenditure</b>	<b>Approval by</b>
Less than £500,000	Spending Committee and the Committee(s) which considered the Detailed Options Appraisal or Tender Evaluation Report
£500,000 and above	Spending Committee, the Committee(s) which considered the Detailed Options Appraisal or Tender Evaluation Report and the Court of Common Council

26. The alteration of the terms and conditions or the suspension or abrogation of the proper performance of any contract, or part or parts thereof, to which the City of London Corporation is a party shall be subject to the approval of the relevant Spending Committee.

### **Frameworks**

#### **Access Agreements**

27. In the search for Best Value and more collaborative methods of procurement many Local Authorities, and other public bodies which are Contracting Authorities for the purposes of the Public Contracts Regulations 2006, are establishing Framework Contracts. Such contracts create a pool of contractors, consultants or suppliers procured by competitive and EU compliant tender procedures which are available for engagement by other Local Authorities without the need for an extended tender period.
28. The ability to access the Framework is generally governed by a formal Access Agreement. The Lead Authority for the Framework will often, for reasons of confidentiality, require that any other parties wishing to access the Framework sign an Access Agreement before releasing full details

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<sup>7</sup> If a contract includes flexibility for increases/decreases in revenue spend with a supplier because of the anticipation of additions/subtractions to scope, eg., new properties coming in to scope for a corporate cleaning services contract, and the increase/decrease in budgetary provision essentially forms part of a separate report (such as for a building acquisition) this regulation would NOT apply.

of the terms of the Framework. Without the full details officers are not in a position to report to Members about the potential benefits of accessing any such Framework.

29. Aside from confidentiality obligations such agreements often contain a requirement for the party wishing to access the Framework to give indemnities to the Lead Authority to protect the Lead Authority from claims. The form of such indemnities vary so it is not possible to be specific as to what types of indemnity may be required, although breaches of confidentiality and Data Protection breaches would not be uncommon subjects.
30. To avoid the need for separate reports to be considered each time the existence of a potential Framework contract becomes known to officers a resolution has been passed by Finance Committee authorising the Comptroller & City Solicitor to sign such agreements on the City's behalf following approval of the terms by the Chamberlain, including any indemnity.
31. It is a requirement that the signing of any access agreement should subsequently be reported to the relevant Spending Committee for information.

## **Use of Frameworks**

32. The City Corporation is increasingly making use of Frameworks. This includes frameworks established directly by and for the City, such as the framework for Minor Works and Refurbishment, including Mechanical and Electrical Services for works valued between £3,000 and £150,000. It also includes frameworks established by other public bodies and which are available to the City Corporation and which a Committee has approved for use, such as the iESE Contractors framework for project works over £1m. The number of frameworks in use is likely to increase. A due diligence procedure has been developed to assist officers who wish to consider accessing a new Framework.
33. Frameworks provide the City Corporation with options and alternatives. They provide a pre-competed route to market and hence reduce the administrative burden of running a full procurement procedure each time so it is envisaged that where a framework is available it will be used. However, they do not give contractors any exclusive rights to undertake work or supply goods and services to the City, and the City is not obliged to procure through the frameworks.
34. Once a framework has been approved for use officers have authority to undertake procurements via the framework, subject to Clause 22 of these Procurement Regulations. Each framework must be used in accordance with the underlying rules established by the individual framework, such as any requirement to run mini competitions. If a framework is used there is no need to conduct a separate tender exercise as would normally be required pursuant to these Procurement Regulations.

## **Procurement Thresholds**

35. The following section outlines the City Corporation's procurement thresholds **which apply unless an approved framework is used.**
- 36.
37. The thresholds should be used in conjunction with the City's Standing Orders and Procurement Regulations.
38. Thresholds should be calculated on the basis of the whole estimated contract value over the life of a contract , and not the annual value.
39. The City has implemented an eSourcing system (ProContract) which automates much of the procurement processes (e.g. to invite tenders and quotations, as well as to source goods and services), which uses templates based on the thresholds below. The system automates correspondence, timescales and tender submission, and maintains a robust audit trail of all procurements undertaken on the system. As shown in the tables which follow, where the type of procurement is described as 'Advertise' and for the OJEU thresholds<sup>8</sup> above those levels, ProContract should be used.
40. All contracts over £50k for Supplies & Services and Professional Consultancy, and above £400,000 for Works, must be advertised.
41. The thresholds cover three main service areas: (1) Supplies and Services (2) Professional Consultancy, and (3) Works. These thresholds are intended to provide comprehensive guidance to officers and departments undertaking procurements, but all procurements are unique and in any cases of doubt, officers should contact the SPU in the first instance to clarify their requirements.

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<sup>8</sup> EU Procurement Thresholds are revised every two years. The up to date values can be found in the supporting guidelines on the City Buyer portal.

## Supplies and Services (excluding Professional Consultancy)

42. Supplies (or goods), are defined as physical, tangible products, capable of being delivered to a purchaser and involves the transfer of ownership from seller to buyer (e.g. a computer, vehicle). Services are generally physically intangible, the non-ownership equivalent of supplies / goods (e.g. accountancy, transportation, research). COL defines consultancy as a special kind of service for which separate procurement rules apply.

Type of Procurement	Threshold	Basis and Guidance
Purchases	£0 – £500	Low value purchases can be undertaken at officers' discretion <sup>9</sup> , providing Best Value Principles are observed.
Minor Procurement	£501 – £20,000	Procurements can be undertaken at officers' discretion <sup>6</sup> providing Local and SME Procurement Policy and Best Value principles are observed. A minimum of two firms should be asked to quote one of which should either be local <sup>10</sup> or classified as a Small or Medium-Sized Enterprise (SME).
RFQ	£20,001 – £50,000	Request for Quote (RFQ) – a minimum of three firms to be invited to submit written quotations, including either one local firm or a Small or Medium-Sized Enterprise (SME).
Advertise	£50,001 – EU threshold*	Written RFQ or Tender – a minimum of three firms to be invited to submit written quotations or tenders, which must be advertised via Pro Contract ( <a href="http://www.londontenders.org">www.londontenders.org</a> )
OJEU	Above EU threshold	<b>Part A</b> services must be advertised in the Official Journal of the European Union ( <a href="http://ted.europa.eu">http://ted.europa.eu</a> ) via ProContract (contact SPU). <b>Part B</b> services must be advertised on Pro Contract / London Tenders Portal and tendered accordingly. A minimum of <b>five</b> tenders should be sought.

## Professional Consultancy

43. The City of London Corporation uses consultants to provide specialist advice which is not available within COL or which officers cannot undertake due to other commitments.

Type of Procurement	Threshold	Basis and Guidance
Minor Consultancy	£0 – £50,000	Officers' discretion, providing Best Value and Local Procurement principles are observed.
Advertise	£50,001 – EU threshold	Written RFQ or Tender – a minimum of three consultants to be invited to submit written quotations or tenders, which must be advertised using Pro Contract ( <a href="http://www.londontenders.org">www.londontenders.org</a> )
OJEU	Above EU threshold	Tenders must be advertised in the Official Journal of the European Union ( <a href="http://ted.europa.eu">http://ted.europa.eu</a> ) via ProContract (contact SPU). A minimum of <b>five</b> tenders should be sought.

<sup>9</sup> Officer's discretion does not apply if a corporate contract is available

<sup>10</sup> Refer to Clause 47 to see what is considered local

## Works

44. "Construction Work" means the carrying out of any building, civil engineering or engineering construction work.

Type of Procurement	Threshold	Basis and Guidance
Purchases	£0 – £500	Low value purchases can be undertaken at officers' discretion, providing Best Value Principles are observed
Minor Procurement	£501 – £20,000	Procurements can be undertaken at officers' discretion, providing Local and SME Procurement Policy and Best Value principles are observed. A minimum of two firms should be asked to quote one of which should be local or a Small or Medium-Sized Enterprise (SME).
Works RFQ or ITT	£20,001 – £400,000	Request for Quote (RFQ) or Invitation to Tender (ITT) – a minimum of three firms to be invited to submit written quotations or formal tenders including one local firm or a Small or Medium-Sized Enterprise (SME) ProContract may be used.
Works Advertise	£401,000 – EU threshold	A minimum of three firms Invited to Tender, and the opportunity must be advertised via Pro Contract ( <a href="http://www.londontenders.org">www.londontenders.org</a> ).
Works OJEU	above EU threshold	Tenders must either be advertised in the Official Journal of the European Union ( <a href="http://ted.europa.eu">http://ted.europa.eu</a> ) via ProContract (contact SPU). A minimum of <b>five</b> tenders should be sought.,



## **Responsible Procurement**

45. The City of London recognises that, as an organisation spending money on goods and services, we have a duty to investigate environmentally and socially acceptable alternatives and whenever practicable, purchase products and services which have a positive impact on our environment and surrounding communities. As a result, the City of London encourages its employees involved in procurement to consider three key areas:

- Equalities
- Economic Regeneration
- Environmental Sustainability

For contracts at or above £250k, officers are required to embed responsible procurement into the core of the contract (where relevant to the contract or contained in existing policy) and weighted at least 10% of the technical contract evaluation criteria. Further information, and a matrix to assist with the assessment of material issues can be found in the Responsible Procurement<sup>11</sup> pages on the City Buyer portal.

### **Local and SME Procurement Policy**

46. The Local Procurement Policy focuses on competitive procurement from businesses of any size within the target areas. There is now additionally a focus on competitive procurement from Small and Medium-Sized Enterprises generally and not just in our local boroughs.

47. Except where there is a contract already in place, officers should either invite a local supplier from one of the Local Procurement target boroughs to quote for all supplies, service and consultancy contracts valued between £500 and £50,000 and for works contracts valued between £500 and £400,000, or from a Small or Medium-Sized Enterprise where possible.

In addition to the City of London, the Local Procurement target boroughs selected due to the high levels of deprivation are: **Tower Hamlets, Hackney; Islington; Camden; Lambeth; Southwark; Newham; Greenwich; Haringey; Lewisham; Barking and Dagenham; Waltham Forest.**

48. In order to be awarded a contract, the local business, or Small and Medium Sized supplier will have to provide a competitive quote or tender, which offers the best value for money to the City. Officers should continue to procure items/services through contracts set up centrally. Details of corporate contracts are on the City Buyer portal.

### **Community Benefits Scheme**

49. For contracts above EU threshold the potential of community benefits should be assessed in co-operation with the Strategic Procurement Unit<sup>12</sup>. This scheme encourages suppliers to enter into voluntary agreements to employ, sub-contract and procure in areas defined as 'most deprived' in the English Index of Deprivation, to the value of 10% to 20% of the contract value.

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<sup>11</sup> <http://colnet/Departments/Chamberlains/City%20Buyer/Pages/Policy/Responsible-Procurement.aspx>

<sup>12</sup> CLPS in future

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Committee(s):	Date(s):	Item no.
Finance	10 <sup>th</sup> December 2013	
Planning & Transportation	14 <sup>th</sup> January 2014	
Court of Common Council	16 <sup>th</sup> January 2014	
<b>Subject:</b> Surplus Arising for On-Street Parking 2012/13 and Utilisation of Accrued Surplus		For Information
<b>Report of :</b> The Chamberlain		Public

### Summary

1. The City of London in common with other London authorities is required to report to the Mayor for London on action taken in respect of any deficit or surplus in its On-Street Parking Account for a particular financial year.
2. The purpose of this report is to inform Members that:
  - the surplus arising from on-street parking activities in 2012/13 was £4.227m;
  - a total of £4.164m, was applied in 2012/13 to fund approved projects; and
  - the surplus remaining on the On-Street Parking Reserve at 31st March 2013 was £14.500m, which is wholly allocated towards the funding of various highway improvements and other projects over the medium term.
3. It is recommended that Members note the contents of this report for their information before submission to the Mayor for London.

## MAIN REPORT

### Background

1. Section 55(3A) of the Road Traffic Regulation Act 1984 (as amended), requires the City of London in common with other London authorities (i.e. other London Borough Councils and Transport for London), to report to the Mayor for London on action taken in respect of any deficit or surplus in their On-Street Parking Account for a particular financial year.
2. Legislation provides that any surplus not applied in the financial year may be carried forward. If it is not to be carried forward, it may be applied by the City for one or more of the following purposes:

- a) making good to the City Fund any deficit charged to that Fund in the 4 years immediately preceding the financial year in question;
- b) meeting all or any part of the cost of the provision and maintenance by the City of off-street parking accommodation whether in the open or under cover;
- c) the making to other local authorities, or to other persons, of contributions towards the cost of the provision and maintenance by them, in the area of the local authority or elsewhere, of off-street parking accommodation whether in the open or under cover;
- d) if it appears to the City that the provision in the City of further off-street parking accommodation is for the time being unnecessary or undesirable, for the following purposes, namely:
  - meeting costs incurred, whether by the City or by some other person, in the provision or operation of, or of facilities for, public passenger transport services;
  - the purposes of a highway or road improvement project in the City;
  - meeting the costs incurred by the City in respect of the maintenance of roads at the public expense; and
  - for an “environmental improvement” in the City.
- e) meeting all or any part of the cost of the doing by the City in its area of anything which facilitates the implementation of the Mayor’s Transport Strategy, being specified in that strategy as a purpose for which a surplus can be applied; and
- f) making contributions to other authorities, i.e. the other London Borough Councils and Transport for London, towards the cost of their doing things upon which the City in its area could incur expenditure upon under (a)-(e) above.

### **2012/13 Outturn**

3. The overall financial position for the On-Street Parking Reserve in 2012/13 is summarised below:

	£m
Surplus Balance brought forward at 1st April 2012	(14.437)
Surplus arising during 2012/13	(4.227)
Expenditure financed during the year	4.164
<b>Funds remaining at 31<sup>st</sup> March 2013, wholly allocated towards the funding of future projects</b>	<b>(14.500)</b>

4. Total expenditure of £4.164m in 2012/13 was financed from the On-Street Parking Reserve, covering the following approved projects:

<b>Revenue Expenditure :</b>	<b>£000</b>
Highway Repairs and Maintenance	1,202
Off Street Parking Provision	551
Concessionary Fares and Taxi Card Scheme	501
Parking Enforcement Plan	80
Special Needs Transport	24
Planting Maintenance	17
Cheapside Stage 4A	5
New Roads and Transport	1
Bryer Court Pond Waterproofing	(54)
<b>Total Revenue Expenditure</b>	<b>2,327</b>
<b>Capital Expenditure :</b>	
Transport Improvements – Milton Court	700
Farringdon Street Bridge Repairs	601
Barbican Podium Waterproofing	493
St Giles Terrace	116
Pedestrian Way-Finding Signage	14
Silk Street	10
Queen Street Pilot Project	5
Carter Lane	5
Southwark Bridge Area	1
Barbican Area Strategy	1
Cheapside Strategy	(109)
<b>Total Capital Expenditure</b>	<b>1,837</b>
<b>Total Expenditure Funded in 2012/13</b>	<b>4,164</b>

5. The surplus on the On-Street Parking Reserve brought forward from 2011/12 was £14.437m. After expenditure of £4.164m funded in 2012/13, a balance of £63k was carried forward to future years to give a closing balance at 31st March 2013 of £14.500m.
6. Currently total expenditure of some £34.1m is planned over the medium term up to 31st March 2017, by which time it is anticipated that the existing surplus plus those estimated for future years will be fully utilised. This total includes expenditures of £7m, £8.2m, £9m and £9.9m planned from 2013/14 until 2016/17 respectively, which are anticipated to exceed significantly the surpluses arising in those years. The total programme covers a number of major schemes including funding towards the Barbican Podium Waterproofing, repairs to Farringdon Street Bridge and Snow Hill Bridge, Lime Street access works and various street scene projects (e.g. around Milton Court) as well as ongoing funding of highways and road maintenance projects. The progression of each individual scheme is, of course, subject to the City's normal evaluation criteria and Standing Orders.

7. A forecast summary of income and expenditure arising on the On-Street Parking Account and the corresponding contribution from or to the On Street Parking Surplus, over the medium term financial planning period, is shown below:

<b>On-Street Parking Account Reserve Projections 2012/13 to 2016/17</b>	<b>2012/13 Actual £m</b>	<b>2013/14 Forecast £m</b>	<b>2014/15 Forecast £m</b>	<b>2015/16 Forecast £m</b>	<b>2016/17 Forecast £m</b>	<b>Total £m</b>
Income	(8.8)	(9.0)	(8.9)	(8.9)	(8.9)	(44.5)
Expenditure ( <i>Note 1</i> )	4.6	3.9	4.0	4.1	4.1	20.7
<b>Net Surplus arising in year</b>	<b>(4.2)</b>	<b>(5.1)</b>	<b>(4.9)</b>	<b>(4.8)</b>	<b>(4.8)</b>	<b>(23.8)</b>
Capital, SRP and Revenue Commitments	4.1	7.0	8.2	9.0	9.9	38.2
<b>Net in year contribution from/(to) the surplus</b>	<b>(0.1)</b>	<b>1.9</b>	<b>3.3</b>	<b>4.2</b>	<b>5.1</b>	<b>14.4</b>
Deficit/(Surplus) carried forward at 1 <sup>st</sup> April	(14.4)	(14.5)	(12.6)	(9.3)	(5.1)	
<b>Deficit/(Surplus) carried forward at 31<sup>st</sup> March</b>	<b>(14.5)</b>	<b>(12.6)</b>	<b>(9.3)</b>	<b>(5.1)</b>	<b>0</b>	

*Note 1: On-Street operating expenditure relates to direct staffing costs, repair & maintenance of meters, VINCI contractor costs, fees & services (covering cash collection, pay by phone, postage & legal), IT software costs for enforcement systems, provision for bad debts for on-street income and central support recharges.*

8. Currently a tender evaluation report for the award of a combined service for 'Civil Parking & Traffic Enforcement, including the Cash Collection Contract' is being considered by Members, which if agreed, will provide on-going savings to the operating costs of the On-Street Parking Account.

### **Conclusion**

9. So that we can meet our requirements under the Road Traffic Regulation Act 1984 (as amended), we ask that the Court of Common Council notes the contents of this report, which would then be submitted to the Mayor of London.

### **Consultees**

10. The Comptroller & City Solicitor has been consulted in the preparation of this report and his comments have been included.

### **Background Papers**

11. Final Accounts 2009/10; Road Traffic Regulations Act 1984; Road Traffic Act 1991; GLA Act 1999 sect 282.
12. Final Accounts 2012/13

### **Contact Officer**

Chamberlain's Department – [simon.owen@cityoflondon.gov.uk](mailto:simon.owen@cityoflondon.gov.uk)

<b>Committee(s):</b>	<b>Date(s):</b>
Finance Court of Common Council	10 December 2013 TBC
<b>Subject:</b> Off-Street Car Park Management Tender	
<b>Report of:</b> Director of the Built Environment	<b>For Decision</b>

### Summary

Earlier this year, the Director of the Built Environment (DBE) began a cross-departmental review of the City's public car parks, the purpose of which was to consider the questions of viability, profitability, policy provision and long-term redevelopment of the car parks.

In parallel, Members agreed for the contracts with APCOA and OCS (DBE's and the Barbican Centre's respective car park management contractors) to be extended to 30 November 2014 to allow time for this review to be completed, and for a subsequent EU tender process to be undertaken.

The following report details a number of actions identified as a consequence of this review, which include:

- Awarding a flexible car park management contract with suitable break clauses for a new contractor to work with the City to place the car parks on a more cost efficient footing.
- Combining the management of DBE's, Smithfield and the Barbican Centre's car parks into one contract to gain economies of scale.
- To include in the tender an allowance for a mid-tender briefing to cover the replacement of the currently failing car park barrier equipment or alternative security/management measures
- Consideration of the business case with Members for moving to the London Living Wage.
- Closing Whites Row car park from April 2014.
- Establishing a detailed asset management plan for all the City's car parks (which will be the subject of a further report to Members early next year).

### Recommendation(s)

On behalf of the Planning & Transportation, Markets and Barbican Centre Committees, it is recommended that:

- The Finance Committee and the Court of Common Council approves the re-tendering of the City's car park management function with a start date of 1 December 2014, and agrees the evaluation criteria to be applied in the selection process of 60% Quality and 40% Price.

- The proposed new contract seeks to combine the management of the DBE, Smithfield and the Barbican Centre's car parks into one contract.
- Whites Row car park is deemed surplus to requirements, it transfers to the Property Investment Board and is closed to the public from April 2014.

## **Main Report**

### **Background**

1. The Department of the Built Environment (DBE) manages five public car parks, namely:
  - Baynard House, Queen Victoria Street
  - London Wall
  - Minories
  - Tower Hill coach and car park
  - Whites Row (in LB Tower Hamlets)
2. In addition, Smithfield car park is managed by DBE on behalf of the Markets' Department, and further City Corporation car parks are operated in the Square Mile by the Barbican Centre and Barbican Estate.
3. In respect of DBE's car parks, the City Surveyor is responsible for a number of other functions including:
  - Structural inspection & maintenance
  - Mechanical & electrical maintenance and general repairs (at Smithfield, in conjunction with the Superintendent).
  - Corporate property asset and facilities management, including strategic asset management planning, exploring redevelopment potential and other commercial use
4. The parking tariffs for DBE's car parks are set in accordance with the Planning and Transportation policy of discouraging private commuting by car, rather than maximising income or covering costs. The car parks also provide spaces for commercial, over-height vehicle and coach parking, and help deliver a number of City transport objectives, such as facilities for residents, motorcycles, pedal cycles and electric vehicles. These in turn reduce or eliminate the need for the provision of similar facilities on-street, and reflect the wider context of GLA and Government initiatives, including sustainability.
5. DBE and Barbican Centre have separate contractors managing their car parks, whose functions include the provision of car park attendants, customer care services and cash collection, counting and banking operations. Separate vehicle barrier control systems and payment machines are also operated by DBE and Barbican Centre. The Barbican Estate car parks are managed in-house by the Community & Children's Services Department.



6. The following table indicates the approximate annual value of these contracts, together with their current service provider.

<b>Contract</b>	<b>Provider</b>	<b>Contract Value</b>
Public car park management	APCOA	£1.578m
Public car park barriers	Zeag	£131k
Barbican Centre car park management	OCS	£206k
Barbican Centre car park barriers	APT Skidata	£15k

7. In April and May, Members of the Planning & Transportation, Markets, Barbican Centre and Finance Committees, as well as the Court of Common Council, approved the extension of both the APCOA and OCS contracts to 30 November 2014. At the time, it was noted that the additional time would be needed to enable the car park barrier equipment to be assessed, to facilitate a DBE review of its car park provision, and for the City Surveyor to consider closing Whites Row car park as part of the redevelopment of the London Fruit & Wool Exchange. Thereafter, a full EU tender process would also have to be conducted.
8. In addition, the PP2P Soft Facilities Management Category Board recommended that at the time of the next tender, officers should seek to bring together these car park management contracts in order to deliver savings through economies of scale.

### **Current Position**

9. Earlier this year, the Director of the Built Environment began his review of the City's public car parking functions. The purpose of this was to consider the questions of viability, profitability, policy provision and long-term redevelopment of the car parks, in the context of delivering the City's transport objectives in a changing financial and service environment.
10. This review sought to establish the City's long-term vision for its car parks, to gain the agreement of Members for that vision, and to set out the necessary steps to deliver that vision. At the same time, it was to inform the terms of the procurement of the new off-street parking contract for DBE and the Barbican Centre.
11. That review is coming to a conclusion, and a further report will be brought to Members early in the New Year to summarise its findings. However, in the context of the re-tender of the City's car park management contracts, a number of the review's findings need to be brought to Members now in order to allow that re-tender to proceed. These include:

- The original purpose of the City operating car parks was primarily for long-term daytime business car drivers. This has changed over time to reflect planning, congestion charging and government policy, with motorcycles, pedal cycles, residents, coaches and night-time visitors all now prevalent.
- The limited occupancy in the City's car parks would suggest that the City's well established policy of discouraging commuting by car has been successful. Commercial considerations have been seen as a secondary priority to fulfilling this policy, to the point where DBE's car parks now operate at an overall loss, and in order to break-even, they are funded by the Parking Meter Reserve.
- The car park equipment for both DBE and Barbican Centre are life expired, with excessive reactive maintenance costs, few spare parts available and on the verge of failing. They therefore either need to be urgently replaced, or alternative access and security arrangements introduced such as Automatic Number Plate Recognition (ANPR).
- With most staff currently paid at the minimum wage, moving to the London Living Wage could add up to £350k pa to the cost of the current contract.
- Whites Row car park forms part of the City's redevelopment plans for the London Fruit and Wool Exchange, and as such it is likely to close in the near future. It was also built 40+ years ago and has shown signs of structural issues that will need to be addressed soon if it were to remain open.

## **Options**

12. From the review, two key sets of options remain in relation to framing the new combined car park management contract. These are:
- which tender strategy to adopt;
  - whether any car parks should be closed at this time.

### **Options: Tender strategy**

13. Given the length of time necessary to undertake a full EU tender in time for November 2014, a decision needs to be made now as to the procurement strategy to be followed. A number of options are possible.

#### **Option 1: Traditional tender with no change to the basis of the current contracts**

14. This is effectively the 'Do Nothing' option and would involve:
- DBE and Barbican Centre both retendering their contracts on the current basis
  - The same number of car parks (with Whites Row being taken out as / when the associated development proceeds)
  - A traditional tender with a heavily defined specification
  - The contractor just managing the facilities with no commercial input.

15. This could be completed in time for the November 2014 deadline, but this effectively ignores the declining financial position of the car parks, it is unlikely to deliver any contractual savings over the current contract and it ignores the potential economies of scale of combining the DBE and Barbican Centre services.
16. As a result, this option is not recommended.

#### Option 2: Full competitive dialogue to include all possible contractual arrangements

17. At the other extreme, a competitive dialogue approach could be adopted, where the City seeks to identify through the market whether any of the following contractual approaches might deal with the underlying problems:
  - The current approach where the contractor is required to manage the service but has no control or influence over service levels, tariffs, marketing, promotion or building maintenance.
  - Allowing the contractor more influence in deciding levels of service, thereby allowing the car parks to function on a more commercial basis, and even possibly allowing the contractor to keep a percentage of the income as an incentive.
  - Passing full management control of the building and the service to the contractor, including long-term structural building maintenance, over a much longer period in return for an agreed income to the City.
18. A competitive dialogue approach would allow the City to fully test the market and establish what might be the most appropriate style of contract for it to take forward. However, this approach is extremely resource and time intensive, and even though the current contract ends in just under 12 months, the programme of dialogue meetings and committee dates would suggest there is already insufficient time to complete the process, and a contract extension would be needed.
19. Given the variables involved, it is also unlikely that a contractor working within a competitive dialogue approach would be any better placed to say with certainty what initiatives would be effective. Therefore it is questionable what additional benefit this approach would serve other than to establish what style of contract the market might support. This information could equally be found by a soft market testing exercise, so the time and resources involved in a competitive dialogue approach do not seem justified.
20. As a result, this option is not recommended.

#### Option 3: Medium-term review of car park operations with an incumbent contractor

21. In order to establish whether the City's car parks can be operated cost effectively, it would appear sensible to form a contract where this is the explicit objective, with the management contractor in place and actively participating in determining the services.

22. At an appropriate point, informed decisions could be taken for the longer term as to whether the car parks were economically viable, and if not, whether they should continue to be subsidised by the City, redeveloped, closed or sold off.
23. Such a contract could be established in one of two ways; either through a flexible contract with options and break clauses (Option 3a below) or an extension to the current contract (Option 3b).

#### Option 3a: Short duration contract with negotiated procedure for barrier equipment

24. Tendering a flexible contract of perhaps seven years would allow for a number of fundamental actions to be completed before the long-term car park strategy is set. It would allow for changes to be made during the life of the contract and if the long term strategy fundamentally changed the service, break clauses could be exercised with the costs of termination established as part of the tender exercise.
25. Here the views and knowledge of an experienced contractor delivering the services would be of significant value and input to the process, and they would be expected to contribute. These actions would include:
  - A period of 'intelligent contractor engagement' where the City would work with the incumbent contractor to fundamentally review and change any and all aspects of the car park operations, with the aim of setting them onto a more cost conscious basis.
  - Consider the business case with Members for moving to the London Living Wage.
  - Undertake a full tariff review, including residents parking rates, with the results being presented to Members for approval and implementation.
26. An open market tender would re-establish the market cost for delivering these services for the first time in 11 years, and it would allow for a combined DBE / Barbican Centre / Markets contract that could deliver economies of scale. Such an approach could be delivered in time for the end of the current contract, and could involve a mid-tender briefing to cover the inclusion, procurement and replacement of the currently failing car park barrier equipment or provision of alternative access and security arrangements such as ANPR. The briefing is intended to allow bidders to clarify the City's output specification and develop the best proposal.
27. This approach, with an intelligent contractor on board, is likely to better shape the City's long-term car park strategy, than would a lengthy up-front competitive dialogue process when neither party has a full understanding of the true service possibilities.
28. As a result, Option 3a is recommended.

#### Option 3b: Car park review under an extension to the current contracts

29. A similar review process to Option 3a described above could be undertaken with the existing contractors (APCOA for DBE; OCS for Barbican Centre) under a contract extension, but there are a number of factors against this approach, namely;

- The urgent need to replace the car park barrier equipment would not be addressed with an extension.
- The need to demonstrate best value and deliver potential savings by combining the DBE and Barbican Centre contracts would not be met.
- Further extensions to the current contracts would leave the City open to challenge as they would be continuing beyond their original term.

30. As a result, this option is not recommended.

### **Options: Car Park Closures**

31. Other than the tender strategy, the other key option to consider relates to whether any car parks should be closed at this time. Taking such a decision now (rather than deferring it) allows the re-tender to proceed on an accurate basis, rather than building in a distortion created by that uncertainty.
32. If the City Corporation decided not to operate any public car parks in the Square Mile, there would be considerable consequences in terms of the facilitating daily parking for City businesses, visitors, residents, motorcyclists, cyclists and coaches, with insufficient alternative on-street or commercial car parking available to fill the gap. Therefore, it is not currently proposed for the City to stop providing public car parks. However, car park provision must be assessed critically in terms of function and cost, and it is this assessment that will form much of the basis of the report next year. However, in the meantime, there appears to be a pressing case to close Whites Row car park now, prior to the contract re-tender.

### **Whites Row**

33. Whites Row car park is currently losing around £140k pa, its annual repairs have already been scaled back by the City Surveyors due to its likely closure as part of the Fruit and Wool Exchange redevelopment, and its long-term structural repairs have also been postponed.
34. Due to its location in LB Tower Hamlets, its benefits to the City Corporation's local transport policy are limited. Its regular customers are generally limited to around 200 motorcyclists, seven City resident season ticket holders and Petticoat Lane Market visitors.
35. The concept of closing Whites Row has already been approved by Members as part of the London Fruit and Wool Exchange development, and although a closure date of April 2014 is currently expected, this could be extended to 2015 dependent on the developer's plans. Season ticket holders are already on limited notice periods as a result.
36. Therefore, given the above position, it is recommended that Whites Row be deemed surplus to requirements and is transferred to the Property Investment Board. A firm date should be agreed for it to close to the public, which could be from as early as April 2014, regardless of the development position.
37. This would serve to reduce DBE's operating costs (although shared overheads in the region of £39,000 will have to be transferred to other car parks), and there would be a reduction in the current central funds subsidy transfer.

38. A detailed closure action plan would need to be developed between DBE and the City Surveyors, but there would be limited City stakeholder impact due to the car park's location outside the City, with parking likely to relocate to other facilities also outside the City. City residents would be relocated to their next nearest car park, but the City Surveyor has already asked DBE to place season ticket holders on notice that the closure is likely to happen, so this would not be unexpected.
39. The City Surveyor would also have to secure and maintain the building until such time as the proposed London Fruit & Wool Exchange redevelopment proceeds. This may involve a transfer of budgets to the City Surveyor, which will be detailed in the further report early next year.

### **Soft Market Testing**

40. In preparation for the re-tender process, officers from DBE and the CLPS undertook a soft market testing exercise with several suppliers in the car parking field to help understand the market's viewpoint. For Members' information, some of the common themes from these discussions included:
  - Market expectations suggest parking demand will continue to decline in the long-term.
  - If correctly incentivised (eg through revenue share or extension years), suppliers can help drive down costs or increase income through marketing and benchmarking.
  - Long-term contracts are more attractive to suppliers than short-term ones.
  - Tariff changes cannot be made with any certainty as to whether they will result in income going up or down. Flexibility to adapt to circumstances is needed.
  - Managing barriers within the car park management contract can typically generate benefits as the supplier can leverage efficiencies from barrier companies.
  - Barrier asset life plans need to be based on an 8-10 year profile, with a payback typically over the first four years being ideal.
  - Some suppliers considered the management of access and security by ANPR to be more cost effective and a real alternative to barriers.
  - Suppliers can actively market spare capacity in car parks for non-parking uses in order to help raise revenue for the client.
  - Suppliers prefer outcome-based specifications which allow them the flexibility to innovate (eg to include joint control rooms for CCTV monitoring), rather than constrained prescriptive contracts.
  - Adopting London Living Wage is likely to improve the type of person you attract into the market.
  - A competitive dialogue approach has its benefits, but it is resource intensive.

## Proposals

41. In summary, the City's car park review and PP2P tender evaluation process has reached a number of conclusions. These are:
- Under Option 3a above, award a flexible car park management contract with suitable break clauses for a new contractor to work with the City to place the car parks on a more cost efficient footing.
  - To combine the management of the DBE, Smithfield and Barbican Centre car parks into one contract to gain economies of scale
  - In line with the recent on-street parking contract tender, to recommend that the evaluation criteria applied in the tender process be 60% Quality and 40% Price.
  - To include in the tender an allowance for a mid-tender briefing to cover the replacement of the currently failing car park barrier equipment.
  - Consider the business case with Members for moving to the London Living Wage.
  - Close Whites Row car park from April 2014.
42. Finally, in order to ensure the effective progress of the actions outlined above, a cross-departmental car park management oversight group of senior officers would also be established. They would be tasked with developing the strategy, to drive and monitor this change in commercial emphasis, and to ensure the final review effectively meets its aims and objectives.

## Corporate & Strategic Implications

43. The proposed strategy is anticipated to deliver efficiency savings and provide long term value for the Corporation. It will also deliver a flexible contract that allows the City to adapt its contractual position to respond to its developing long-term parking strategy.

## Implications

44. In order for the tender to be completed by the current contract expiry date, approval from the Finance Committee is sought on behalf of the respective spending committees.

## Conclusion

45. Given the City's changing needs for car park provision, the approach outlined in this report seeks to deliver a more efficient, responsive and effective service.

## Appendices

- Car Park Location map
- Whites Row car park dashboard

Ian Hughes, Assistant Director (Highways)

**Department of the Built Environment**

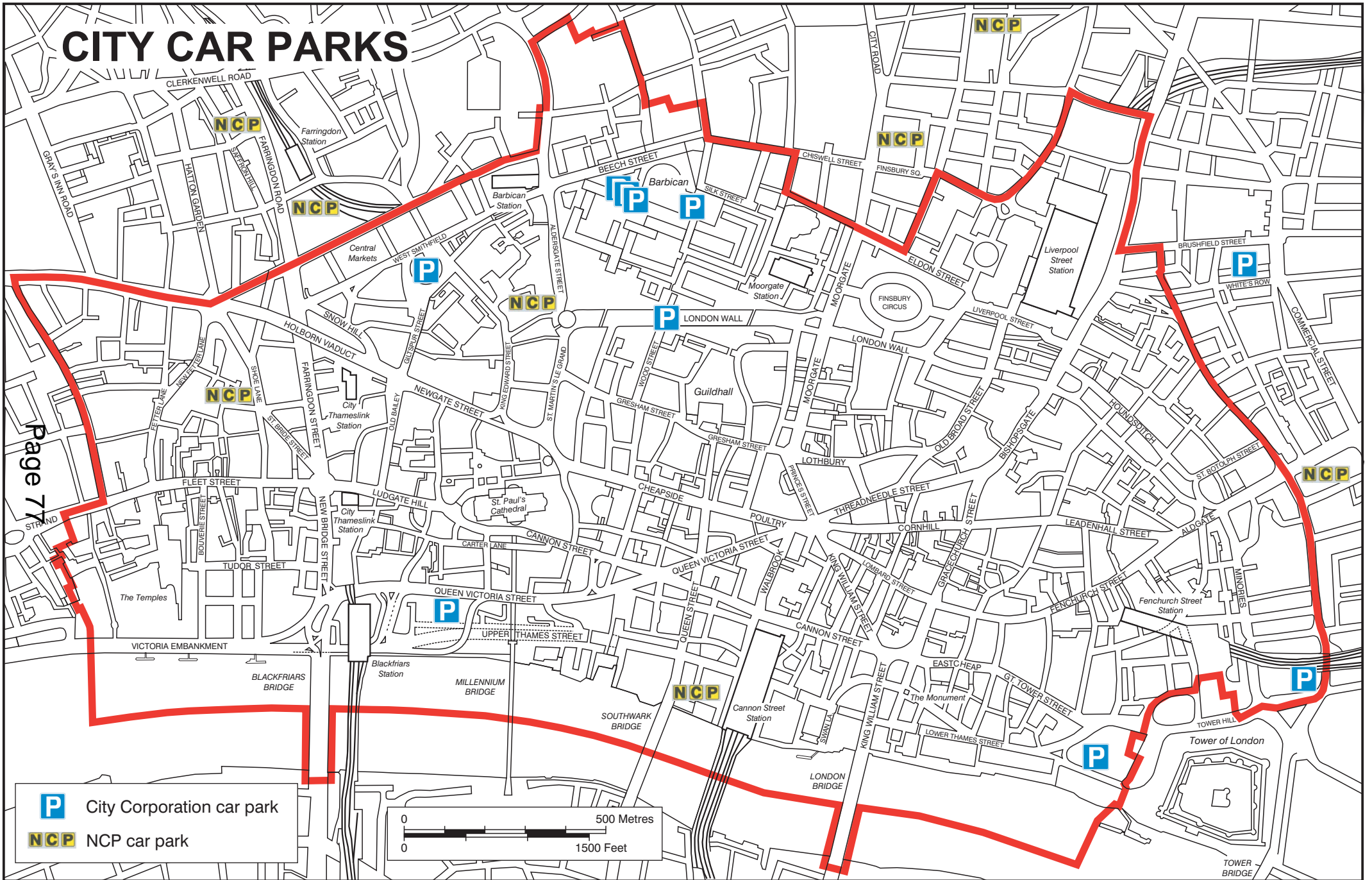
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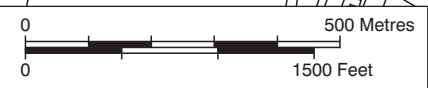


# CITY CAR PARKS



Page 77

**P** City Corporation car park  
**NCP** NCP car park



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# Dashboard Data: Whites Row Car Park

### Basic Info:

Tariff: £2 per hour  
Resident: £740 pa  
Commercial: £4264 pa

### Spaces

- Cars: 368
- Disabled: 6
- Electric: 10
- Bays for m/c: 45
- Bicycle racks: 0

Avg Weekly Paid Transactions: 900

### Season Tickets

Commercial	1
Disabled	0
Free / Pass Card	1
Resident	7
Staff	0
Traders	0
Total	9

## BUDGETS

### Local Risk Balance Sheet

Premises:	£97k
Supplies:	£7k
3rd Party:	£286k
<b>Total Expenditure:</b>	<b>£390k</b>
<b>Parking Income:</b>	<b>-£328k</b>
<b>Total Local Risk:</b>	<b>£62k</b>

### Central Risk Balance Sheet

Fund recharge:	-£129k
<b>Total Direct Cost:</b>	<b>-£67k</b>

### Shared General Cost

Local Risk:	£14k
Support Services:	£23k
Capital Charges:	£2k
<b>Shared Total Cost:</b>	<b>£39k</b>

**Parking Op. Cost: -£28k**

### Typical Occupancy

Avg. Weekday	3am	9am	3pm	9pm
Cars:	13	32	40	13
Commercial:	0	4	2	1
Motorbikes:	33	138	174	52
Bicycles:	25	21	27	18
Electric:	0	0	0	0
Saturday	3am	9am	3pm	9pm
Cars:	11	13	43	24
Commercial:	0	2	2	0
Motorbikes:	38	40	61	52
Bicycles:	19	20	19	19
Electric:	0	0	0	0
Sunday	3am	9am	3pm	9pm
Cars:	18	31	72	16
Commercial:	0	0	0	0
Motorbikes:	40	49	34	36
Bicycles:	14	21	21	20
Electric:	0	0	0	0

### City Surveyors

<b>Expenditure</b>	
20 Year Plan:	
Annual orders:	£37k
Next Year:	£3k

### Structural Works

Monitoring:	TBC
Repairs:	£0

### Annual Income

Nil

## NET OPERATING POSITION

**LOSS: £12k**  
**(Loss £141k without fund recharge)**

Insurance Value:  
£13.8m

Rateable Value:  
£124k



2011 CS Property Review Recommendation:

Retain short term (1-5 yrs)

2013 Car Park Review Recommendation:

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# Agenda Item 16

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# Agenda Item 17

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# Agenda Item 18

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# Agenda Item 19

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# Agenda Item 20

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