

Committee(s):	Date:
Finance Committee Procurement Sub-Committee	19 February 2019 13 March 2019
Subject: EU exit readiness: Category insight report	Public
Report of: The Chamberlain	For Information
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Summary

Due to the ongoing uncertain nature of the EU exit deal, the Commercial Director as the owner of the corporate risk on Brexit Supply Chain commissioned an external consultancy firm (Efficio Consulting) to work with us to produce Category level risk cards. The categories that the report focuses on were selected based on internal knowledge, spend data and of the areas that would be most impacted by Brexit.

The category cards have been produced in the main through desk top research, industry insights and stakeholder knowledge have been developed to allow us at this stage to identify the main risks in these categories.

Each Category is structured as follows:

- Category overview
- Common contracting methods in this category
- The City of London context
- Brexit risks
- Potential mitigations

The full EU Exit Readiness Category Insight Report can be found at Appendix 1.

Recommendations

Members of the committee are recommended:

- To note the content of this report and the full EU Exit Readiness Category Insight Report.

Main Report

Background

1. Due to the ongoing uncertain nature of the EU exit deal, the Commercial Director as the owner of the corporate risk on Brexit Supply Chain commissioned an external consultancy firm (Efficio Consulting) to work with us to produce Category level risk cards. The categories that the report

focuses on were selected based on internal knowledge, spend data and of the areas that would be most impacted by Brexit.

2. The category cards have been produced in the main through desk top research, industry insights and stakeholder knowledge have been developed to allow us at this stage to identify the main risks in these categories.
3. Each Category is structured as follows:
 - i. Category overview
 - ii. Common contracting methods in this category
 - iii. The City of London context
 - iv. Brexit risks
 - v. Potential mitigations
4. The full EU Exit Readiness Category Insight Report can be found at Appendix 1.

Key Points from the Category Insight report to date

5. Construction is our highest risk category, this is due to the pressure on the industry to supply the required skilled tradesmen should there be a no deal Brexit. Costs are rated as medium but given the nature of our busy capital programme and the need to procure new contractors regularly, the velocity factor means that costs for construction at an increased level are likely to affect us sooner than other services which have security of longer term contracts already in place.
6. Highways maintenance and Food services are the next categories that offer the highest risk, mainly around the ability to supply the services due to reliance on overseas and EU workers in the London marketplace.
7. All categories will have challenges in the main on key workers. Therefore, there could be intermittent service issues in the medium term or cost pressures as suppliers must pay more to attract workers, this will see pressure on rates and likely requests for contract price uplifts. Although we have the security of contracts, it is likely to become prevalent within 3-6 months from the date of exit and requests for contract change controls will need to be managed carefully.
8. Commodities are likely to increase in some areas dependent on the origin of the goods, but our assessment covers the larger areas of spend and we have no red risks highlighted to date with materials being sourced or available from alternative origin countries as mitigation.
9. Finally, although we have the security in the main with existing contracts, we are likely to see price increases for newly procured works and services post Brexit, therefore careful consideration of upcoming new contracts or tenders will be taken in baseline budgeting and service scoping if we seek as a policy to remain cost neutral or drive savings as a default.

Next Steps

10. The mitigation considerations will be used to finalise a supplier engagement strategy, tailoring our requests to key suppliers to focus on the areas we feel are the greatest risk to our organisation.
11. Our intelligence to date from our peers advises us not to commence with full requests to our key suppliers, as until the terms of the EU exit is known we are unlikely to receive much meaningful engagement. Therefore, the timing of supplier outreach must be considered to gain maximum engagement with realistic and insightful mitigation plans produced from the suppliers.
12. The engagement approach is something we will bring to Members of Procurement Sub-Committee once the terms of the deal are known, utilising templates and approaches currently being developed by the Home Office. Given we will be required to use this format for City of London Police, for consistency it is our intentions to utilise these for our corporate engagement. In the meantime, at a local department level if engagement with suppliers has started we would recommend they continue whilst we work up the corporate approach.

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Appendices

Appendix 1 – EU Exit Readiness Category Insight Report – Efficio Consulting