

Committee	Dated:
Procurement Sub Committee	11 February 2021
Subject: City Procurement Risk Management – Quarterly Update Report	Public
Report of: Chamberlain	For Information
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Summary

This report provides Procurement Sub Committee with an overview of the management of risks faced by City Procurement. Risk is reviewed regularly by the Senior Management Team within City Procurement as part of the ongoing management of the service.

The City Procurement team currently has four service-level risks on its risk register. These risks are broken down under the RAG rating of one RED and three AMBER.

The Senior Management Team continues to monitor closely the progress being made to mitigate these risks.

Recommendation

Members are asked to note the report and the actions taken by the City Procurement team to monitor and manage risks arising from our operations.

Main Report

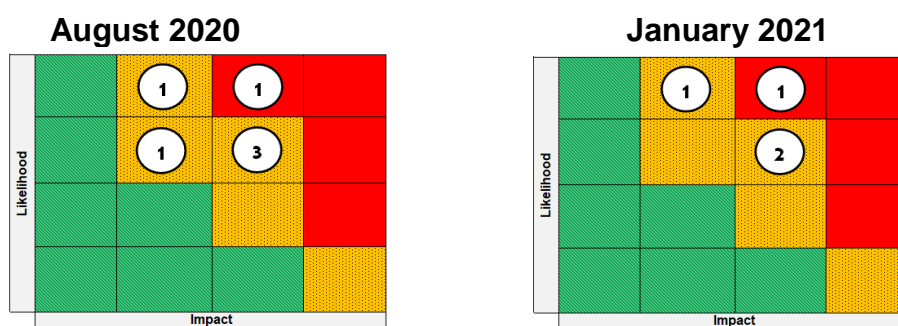
Background

1. The Risk Management Framework of the City of London Corporation requires each Chief Officer to report regularly to Committee the key risks faced in their department. Departmental risks from City Procurement are included in a quarterly report to Finance Committee.
2. This paper is a summary of all risks identified by City Procurement including service level risks that are not typically reported to Finance Committee as part of the required departmental risk report.
3. City Procurement's risk management is reviewed on a monthly basis at Senior Management Team (SMT) meetings. Consideration is also given as to whether there are any emerging risks for inclusion in the risk register within each section within City Procurement and updates on key issues from each of the Assistant Directors, ensuring that adequate consideration is given to each risk.
4. Risk and control owners are regularly consulted regarding the risks for which they are responsible, with updates captured accordingly.

5. Since the last update two risks have been closed from the risk register:

- **CHB CP001 Brexit risk to City Corporation procurement and supply chains** – this risk centred around the impact of a No Deal Brexit. A deal has been achieved and no significant risks to the City Corporation’s supply have been identified. City Procurement continue to keep a watching brief of regulatory changes. Additionally the AD, Commercial Contract Management will be contacting our top suppliers to assess any residual risks which will be reported to the Chamberlain.
- **CHB CP013 Failure to Reach Savings Target** – Procurement savings, as at the end of Q3, is on track to be achieved. This is monitored as part of ‘business as usual’ monitoring in the City Procurement Quarterly report.

6. City Procurement risks as depicted by heat maps:



Summary of Risks

7. City Procurement currently has four service-level risks on its risk register attached as Appendix 1. There is currently one RED and three AMBER. In order of risk rating, the City Procurement’s risk register includes:

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

8. The response required for COVID-19 and the disruption of normal working practices has impacted City Procurement’s budget. This year’s budget included a provision for income generation as part of the Fundamental Review which has not been possible in the current working climate. In addition, unexpected IT equipment, office furniture, and overtime pay were required at the start of this financial year.
9. Since the last report, the projection has decreased slightly from £118,000 to £106,000. Both figures sit below initial projections due to vacancy freezes including the Commercial Director, ending two temporary contracts, and a royalty payment. SMT continue to monitor the budget for potential savings.
10. The target date has been updated to March 2022 as the budget pressure is expected to last through the next financial year.

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

11. A reduction in City Procurement resources due to the year-on-year savings requirement and the existing moratorium on filling vacancies has left little-to-no capacity to respond to emerging/unplanned projects without impacting service KPIs. The Sourcing & Category Management teams are currently carrying three vacant or frozen positions, Accounts Payable three frozen positions and the Commercial Contract Management team has one vacant role which is due to be filled internally from City Procurement in February 2021. Sourcing and Category Management will look to cover some of the vacant or frozen roles following discussion with the Chamberlain.
12. There continue to be emerging priorities for the business which require additional resource that City Procurement does not have, for example, work to support Climate action consultancy. Whilst unplanned activities are reviewed on an individual basis for options to ease this pressure, resource cannot currently meet demand.
13. For the medium-to-long term, SMT has been reviewing the governance and operational set up of the Category Management and CCM teams. This is to fit with the objectives of City Procurement Strategy 2020 and will be aligned to the core principles of the Target Operating Model.
14. The target date has been updated to March 2022 as the resource pressure is expected to last through the next financial year.

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

15. City Accelerate uptake has not been as projected. The Assistant Director (AD), Commercial Contract Management, met with our commercial partner to discuss terms of a mutual exit. A mutual exit agreement has not been agreed upon, but the AD will be working to rebase the projected savings based solely on contracts that qualify i.e. non-grant/concession/income Services and Goods. A meeting will be held during February to agree expectations for the next financial year.

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

16. The CCM team are taking steps to mitigate the risks arising from incomplete data on contract expenditure. The Assistant Director of the CCM team, working closely with the Chamberlain's Oracle team, identified a systems-based solution that will allow contract managers and City Procurement to track contract spend accurately reducing the process to a single point failure at the requisitioner level. The development order will be issued in Q4 with a target to trial Category A contracts in the new financial year.

Conclusion

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

Appendices

- Appendix 1 - City Procurement Risk Register Jan 2021

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