

Committee(s): Procurement Sub Committee – for decision Finance Committee – for decision Policy & Resources Committee – for decision	Dated: 9 June 2021 15 June 2021 8 July 2021
Subject: TOM City of London School Pilot: Procurement empowerment and choice	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	9, 10, 12
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	£ N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: the Chamberlain	For Decision
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Summary

The Target Operating Model (TOM) provides an opportunity for the City of London Corporation to update and simplify, to enable us to be radical, more agile and proactive to withstand both internal and external challenges. Whilst the TOM is intended to revise the organisational structure and deliver significant financial savings to achieve a balanced Medium-Term Financial Plan, it also creates an opportunity to look at how all departments and institutions can benefit from working closely together and staying connected so that – as a whole - we can be greater than the sum of our parts. To help identify opportunities to reengineer processes and ways of working across the whole organisation, officers are proposing a pilot within the City of London School with the aim of removing barriers to collaboration, causes of friction, inertia and non-value adding activity, derived from the differing needs and drivers of the School and the wider City of London Corporation.

This report now provides a fleshed out pilot proposal for Member approval, increasing procurement empowerment to the School, as except for particular instances, identified later in the report, they are not subject to Public Procurement Regulations (PCR) (known previously as OJEU). The pilot also devolves the right to choose the method (i.e. in vs outsource) and provider of core school services - subject to demonstrating it is the best option for the School on grounds of cost, quality or fit with requirements. The intention of trialling an increase of empowerment to the School is to improve the alignment of service provision with the specific requirements of the School, reduce non-value adding time, reduce the cost of service provision and increase ownership and therefore quality in requirements definition by making CLS accountable for making the right choice. The proposals relate primarily to 'non-works', such as IT provision or school supplies. This is because the City of London Corporation owns much of the property and the processes for works have been refined Corporation-wide, over time.

Recommendations

Members of the Procurement Sub Committee are asked to:

- Consider and comment on the proposals that, as part of the Target Operating Model pilot with the City of London School:-
 - the authority to run non-works procurements up to £180k be devolved to the City of London School with the option of drawing on the central procurement team to advise and provide support to the procurement process where necessary;
 - Non-works procurements above £180k up to £300k, may also have more freedom over procurement process, depending on applicability of UK procurement regulation. Agreement on process and lead will be made between City Procurement and the School. The proposed procurement approach within the (£180-330K spend bracket)) will be considered in a short options report (PT3, which is set out in Appendix 1) by the Chair of the relevant Category Board.
- Consider and comment on the proposal that:-
 - In line with the City Surveyor's Integrated Facilities Management model, the School have greater voice in choosing the method (i.e. whether these should be delivered in-house or via external contracts) and provider of core school services (e.g. cleaning, facilities, swimming pool maintenance, etc), and that, where the School can demonstrate that its preferred option is the best option for the School on grounds of cost, quality and/or fit with requirements, that they decide the supplier, in consultation with the City Surveyor, for the service. As part of the assessment, the School should outline how they have engaged relevant CoL departments on 'collaborative benefits'.
- Note that if agreed, a new regular report be prepared to provide an annual update of procurements to the Board of Governors of the City of London School and the Procurement Sub Committee.

Members of the Finance Committee are asked to:

- Approve the above proposals, taking into consideration any views expressed by the Procurement Sub Committee.

Members of the Policy & Resources Committee are asked to:

- Note the above proposals;
- Approve that City Corporation procurement policies (such as Responsible Procurement, London Living Wage, Diversity, Climate Action) continue to be applied to the Schools' procurement processes despite its empowerment to choose the service and supplier.

Members of Procurement Sub Committee, Finance Committee and Policy & Resources Committee are asked to:

- Note that, if the above recommendations are agreed and the pilot is considered a success, a further request will be made in future to consider this process to all relevant institutions and departments.

Main Report

Background

1. The City Corporation is changing with the implementation of a Target Operating Model (TOM). Simply put, the Target Operating Model (TOM) provides an opportunity for the City of London Corporation to update and simplify, to enable us to be radical, more agile and proactive to withstand both internal and external challenges. We need to make the best use of our resources to deliver our mission: “to create a vibrant and thriving City, supporting a diverse and sustainable London within a globally successful UK”. We will do this through aligning activity, resources and building competence and capability to achieve our Corporate Plan outcomes in a way that is effective, efficient and sustainable, whilst also driving competitiveness in the sectors we operate in.
2. The success of the TOM cannot be achieved by changing the structure alone. For long-lasting change to be effective and positive for all, the capabilities of leadership, talent and collaboration need to be embedded within the organisation for the long term. Whilst the new Target Operating Model is intended to revise the organisational structure and deliver significant financial savings to achieve a balanced Medium-Term Financial Plan, it also creates an opportunity to look at how all departments and institutions can benefit from working closely together and staying connected so that – as a whole - we can be greater than the sum of our parts.
3. As new structures are designed and implemented, it is vital that institutions, service departments and the corporate centre benefit from working together, and that all sides value the service and contribution they receive from each other. It is recognised that some changes need to be made to current processes and ways of working to achieve this vision.
4. To help identify opportunities to reengineer processes and ways of working across the whole organisation, officers have been carrying out a pilot within the City of London School with the aim of removing barriers to collaboration, causes of friction, inertia and non-value adding activity, derived from the differing needs and drivers of the School and the wider City of London Corporation. Having piloted, iterated and proved out these proposals with the City of London School, the intention would be to adapt and roll them out to the other Independent Schools. Whilst some elements can be considered for other institutions, it is important to note that the application of procurement legislation is likely to be different.
5. The Board of Governors for the City of London School, the Establishment Committee and this Sub-Committee considered a confidential report of the Head of the City of London School at its respective meetings in March 2021, and approved ‘in principle’ the areas identified to explore further to improve ways of working between the School and the corporate centre.

6. This report now provides a fleshed out pilot proposal for this Sub-Committee's approval concerning increasing procurement empowerment to the School on the premise that the UK procurement regulations, do not apply to the School in many instances. This gives the ability to devolve the right to choose the method (i.e. in vs outsource) and provider of core school services - subject to demonstrating it is the best option for the School on grounds of cost, quality or fit with requirements.

Current Position

7. The City of London School currently follow the same processes as under the UK Procurement Regulations, as these are underpinned by sound principles of openness, transparency and non-discrimination. These rules are applied in full above government defined levels.
8. The City of London Corporation also apply policies agreed by Members, such as the London Living Wage, Diversity and Responsible Procurement.

Proposal

9. It is now proposed that a devolved process be trialled to allow:-
 - a. The authority to run procurements up to £180k be devolved to the City of London School with the option of drawing on the central procurement team to advise and provide support to the procurement process where necessary;
 - b. Procurements above £180k up to £300k may also have more freedom over procurement process, depending on applicability of UK procurement regulation. Agreement on process and lead will be made between City Procurement and the City of London School. The proposed procurement approach within the (£180-330K spend bracket)) will be considered in a short options report (PT3, which is set out in Appendix 1) by the Chair of the relevant Category Board.
10. It is also proposed that:-
 - a. In line with the City Surveyor's Integrated Facilities Management model, the School have greater voice in choosing the method (i.e. whether these should be delivered in-house or via external contracts) and provider of core school services (e.g. cleaning, facilities, swimming pool maintenance, etc), and that, where the School can demonstrate that its preferred option is the best option for the School on grounds of cost, quality and/or fit with requirements, that they decide the supplier for the service, in consultation with the City Surveyor. As part of the assessment, the School should outline how they have engaged relevant CoL departments on 'collaborative benefits'.
11. Please note that the intention would not be for the City of London School to exit existing Corporation contracts early, but rather investigate options alongside scheduled contract renewals with the aim of being ready with options for comparison. The School's needs will actively be fed into the requirements for corporate contracts and agreed at Category Board. If the School feel that their

requirements are not being listened to, this would be escalated to the Board of Governors of City of London School and the Procurement Sub Committee.

12. It is also proposed that City Corporation procurement policies (such as London Living Wage, Diversity, Responsible Procurement) continue to be applied to the Schools' procurement processes despite its empowerment to choose the service and supplier. The School would work with the Responsible Procurement Manager to put processes in place (e.g. training, checklist) to ensure compliance of these policies during the pilot. IT policies would also be adhered to for relevant Digital and IT procurements.
13. If the above proposal is agreed, it is also proposed that a new regular report be prepared to provide an annual update of procurements to the Board of Governors of the City of London School and the Procurement Sub Committee.
14. As within current practices, it will be important for the City Corporation to maintain 'good governance' of procurements. Within this proposal, the School would use the Procurement Authorisation Report for all tenders up to £300k which will allow for City Procurement to keep records, and the School will also ensure they keep records of bids and decisions.
15. It is intended that this proposal be piloted for six months (until December 2021) before assessing whether this new way of working is successful. The key measures of success will include:
 - a. An improvement of speed of delivery (see suggested measured benefits in next section of report)
 - b. Maintained value for money on contracts
 - c. Any legal or risk implications continue to be mitigated.

Benefits

16. It is recommended that Members agree the proposal above for the reasons listed below.
17. If agreed, this new process would:
 - a. Increase the speed of procurements from an estimated 2-16 weeks to 1-4 weeks for 50% of procurements at City of London School
 - b. Reduce the operational risk by ensuring the School is able to respond with pace and agility to acquire basic products and services required to sustain normal operations on a timely basis
 - c. Reduce non-value adding time currently required to: (a) follow more complex procurement processes for straightforward, low risk procurements; (b) address gaps/issues caused by extended procurement timelines. (Estimated reduction 10+ hrs per month)
 - d. Reduce cost of service provision by agreeing contracts which align with the School's needs and timetables
 - e. Increase ownership in requirements definition by making the School accountable for making the right choice

- f. Improve the alignment of service provision with the Schools' requirements
- g. Allow Procurement to trial, iterate and build support for their future support service model for institutions on a small scale, before rolling out to any other relevant departments or institutions
- h. This would also provide an opportunity to apply and trial the principle of empowerment in the Target Operating Model.

Corporate & Strategic Implications

Strategic implications

18. This pilot is part of the wider Target Operating Model programme to assess the organisation's agility to removing barriers to collaboration, causes of friction, inertia and non-value adding activity. If this proposal is approved, it will be continually assessed and reviewed and, if successful, a further proposal will be reported to the relevant committees (including this Sub-Committee) to allow for a further rollout of the new process to other relevant institutions and departments.
19. This proposal meets the objectives of the City Corporation's Corporate Plan – in particular:-
- a. Objective 9 – 'we are digitally and physically well-connected and responsive.'
 - b. Objective 10 – 'we inspire enterprise, excellence, creativity and collaboration.'
 - c. Objective 12 – 'our spaces are secure, resilient and well-maintained.'

Financial implications

20. If these proposals are agreed, it is estimated that there would be reduced costs as contracts would be agreed which align with the School's needs and timetables.

Resource implications

21. If agreed, it is estimated that there would be a shift in resource required to manage the approvals process.

Legal implications

22. The initiative to empower the City of London School to allow greater flexibility in terms of procurement choices is one which will have procurement implications, with the emphasis shifting to the School itself and its governance arrangements. As far as the wider procurement arena is concerned, strategic choices will continue to be made in accordance with the framework of the School's governance and with the support, where required, of the City Procurement team. It is anticipated that certain areas of procurement spend (e.g. works procurement characterised as buildings repairs and maintenance and certain "hard" and "soft" FM services) will continue to be addressed on a corporative basis as is currently the case.

Risk implications

23. Without sufficient expertise, there is a risk that some contracts could be commercially disadvantageous, particularly in specialist areas such as IT.

Equalities implications

24. The proposals within this report do not have any impact (positive or negative) on people protected by the Public Sector Equality Duty 2010 – age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership and pregnancy and maternity.
25. The proposals ask that the agreed City Corporation procurement policies on diversity continue to be applied to procurements even though these are devolved.

Climate implications

26. The proposals ask that the agreed City Corporation procurement policies on carbon reporting and reduction continue to be applied to procurements even though these are devolved.

Security implications

27. None.

Conclusion

28. The Target Operating Model provides an opportunity for current ways of working to be assessed and re-engineered to allow for more efficient processes to be embedded across the organisation. The aim is for all institutions, service departments and the corporate centre to see the benefit from working together, and that all sides value the service and contribution they receive from each other. This proposal to devolve and empower procurements for the City of London School provides an opportunity for a process to be changed, monitored and assessed within a contained, high-performing, well-trusted and motivated part of the City Corporation.

Appendices

- Appendix 1 – PT3 Options Paper template for Category Board

Background Papers

TOM review, pilot project at the City of London School and associated benchmark reward changes across the Independent Schools
– Report of the Head of the City of London School – agreed by the Establishment Committee on 26 March 2021

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