

Committee(s): Projects and Procurement sub-Committee Finance Committee	Dated: 15/04/2024 04/06/2024
Subject: Proposed approach to the review of Procurement and Contract Management	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	All
Does this proposal require extra revenue and/or capital spending?	Y
If so, how much?	c. £150,000
What is the source of Funding?	Finance Committee contingency fund
Has this Funding Source been agreed with the Chamberlain's Department?	Y
Report of: Caroline Al-Beyerty, The Chamberlain	For Decision
Report author: Genine Whitehorne, Director Commercial, Change and Portfolio Delivery, Chamberlain's Department	

Summary

This paper provides an update on the proposed scope for the review of strategic procurement and contract management activity and seeks approval of the required budget to take the review forward. Following feedback received at your Committee's February meeting, the intention is commission an external supplier to carry out the review and soft market testing has refined the likely budget requirements for the work.

The City Corporation spends roughly £151m a year purchased goods and services. In addition, construction works spend stands at approximately £292m a year. The City of London contract portfolio totals £2.24bn. These contracts cover the breadth of services delivered across the Corporation and its institutions. Therefore, the proposed review will be comprehensive and will involve not only an assessment of governance arrangements but will also consider current practice, spend behaviours, roles and responsibilities across the organisation. This review aims to evaluate the efficiency, effectiveness, and compliance with current processes and identify areas for improvement.

The review will be undertaken in phases with recommendations agreed at the end of each phase to address the most significant risks. Due to the recent examples of poor contract management, it is proposed to review the contract management phase of the strategic procurement lifecycle during phase one. It is anticipated that the entire review will be undertaken over a period of six months.

Recommendations

The Projects and Procurement sub-Committee is asked to:

- Approve the revised scope of the strategic procurement and contract management review.
- Note the proposed reporting arrangements.

The Finance Committee is asked to:

- Approve the allocation of £150,000 from the Finance Committee contingency fund to deliver this review

Main Report

Background

1. A proposal setting out the approach to a review of strategic procurement and contract management activity was brought to the Projects and Procurement sub-Committee on 12 February 2024. It was proposed to take a hybrid approach to delivering this review, securing external expertise to deliver the highest risk areas (i.e. contract management review), engaging a peer review to support broader assessment of COL capabilities and, to use the corporate transformation team to develop a comprehensive improvement plan. This proposal was rejected by the sub-Committee on the basis that Members were not assured that sufficient internal capacity exists to take forward the review at pace. Since then, officers have revised the scope of the review and carried out informal market engagement in order to determine the likely required budget.
2. Informal market engagement has taken place with the market including specialist SMEs and Big 4 consultancies. This engagement has led to a potential broadening of the scope of the review as set out in paragraph 3 below.

Current Position

3. The original scope of the review remains, including:
 - Focussed review and risk assessment of COL contract management model and arrangements
 - Assessment of the effectiveness of existing governance (excluding Member governance); including officer levels of delegation and officer-led forums (such as Category Boards)
 - Review of compliance and accountability considering culture, behaviours and relationships
 - Review of current roles and responsibilities involved in commercial and procurement activity with the development of a clear RACI model
 - Assessment of internal capabilities (across the Corporation and within the Commercial Service)

- Review of existing COL policy and procedures (and preparedness for implementation of the new Procurement Act)
 - Strategic procurement baselining and maturity assessment
 - Light-touch review of responsible procurement practice
4. Following discussions with the market, three additional areas of focus are now proposed for inclusion in the review:
- a. **Contract savings review** – identification of tactical savings opportunities from review of the Corporation’s top contracts (by value)
 - b. **Assessment of commercial opportunities presented by COL legal entities** – development of a risk-based strategy to take a more commercial approach to procurement and contracting taking into account the opportunities presented by the different COL funding pots and legal entities
 - c. **Knowledge transfer to internal COL Commercial Service** – support for the internal development of the Corporation’s internal function
5. Initial market engagement has suggested:
- There is significant interest in delivering this programme of work
 - The initial programme of work (focussed on contract management improvement, compliance, and identification of potential contract savings) is likely to take circa 12 weeks
 - Subsequent phases of activity would be delivered over a period of up to a further 24 weeks
6. The review will require a budget of approximately £150k (officers will explore the potential for risk and reward model for the contracts savings review). This is in addition to the already approved transformation funding referenced in the previous report that will be used to meet the costs of the vital required system updates.

Options

7. No additional options are being presented in this report.

Proposals

8. It is proposed to initiate a strategic procurement review through the development of a blended project team making use of specialist external expertise supported by internal resources. The scope of the review will include all procurement and contract management activity across the Corporation. The objective of the review will be to consider COL practice and assess against a recognised industry standard, including:
- Procurement planning
 - Sourcing (tactical and strategic)
 - Contract mobilisation/transition

- Contract management and Supplier Relationship Management
- Contract review

9. The potential outputs of the review include:

- A risk assessed compliance audit
- A comprehensive improvement plan for procurement and contract management across COL
- Contracts savings plan
- Maturity assessment/diagnostic
- COL case studies identifying existing best practice
- A commercial assurance framework setting out future data and reporting requirements
- Corporate capability assessment and proposed training plan
- Commercial Service catalogue and draft Service Level Agreement
- Refreshed Procurement Code
- Proposals for refreshed officer level governance (i.e. Category Boards)
- Framework for a new Commercial strategy

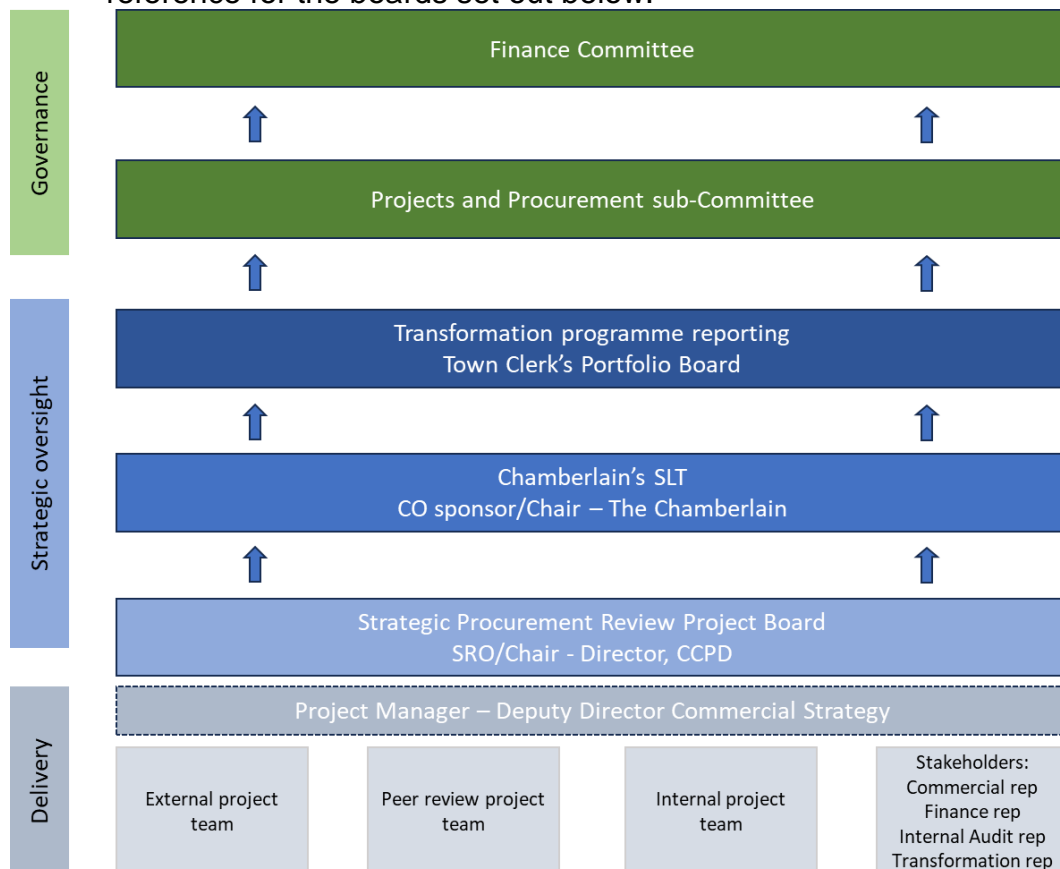
Timescales

10. The scope set out in this paper is comprehensive and will need to be delivered in a phased way. Taking a risk-based approach, the first stage of the review will be a review and risk assessment of existing contract management approach. At the end of each phase a summary report with clear recommendations and delivery plan will be reported to the relevant committee and implementation will begin immediately and be delivered concurrently with subsequent phases of the review being undertaken. An indicative timeline for delivery is set out below however specific timeframes will be dependent on the proposals received from potential providers.

Review area of focus	Likely duration	Target date
Phase 1 - Contract management review and risk assessment	Circa 12 weeks	July 2024 (report to Finance Committee)
Phase 1 – contracts savings review		
Peer review of Procurement Act preparation	tbd	No later than September 2024 (report to PPsC)
Review of procurement practice and governance	tbd	tbd
Training needs assessment	tbd	tbd
Design of future operating model with key recommendations	tbd	tbd
Approval of overall improvement plan	tbd	tbd

Governance

11. The diagram below sets out the proposed governance arrangements. If the proposals set out in this report are approved, a full Project Initiation Document (PID) will be developed that will provide greater detail regarding the terms of reference for the boards set out below.



Interdependencies

- Commercial, Change and Portfolio Delivery reorganisation
- Portfolio Management implementation
- Resources and Priorities Refresh programme: commercial workstream delivery

Key Data

12. The City Corporation spends roughly £440m per year through contracted services. The Corporation procurement categories and their total contract values are set out below:

Spend categories	No. of contracts	Total contract value £m	Invoiced spend £m 01/01/23 – 31/12/23
Property & Major Projects	224	998	292.5

People Incl. Pan London	80	416	20
Environment and facilities	155	672	41
Corporate	196	120	70
IT & Digital	133	43	20
TOTAL	788	2,249	443.5

13. In addition, there are circa eight hundred contracts on the Corporation's contract register.

Corporate & Strategic Implications –

Strategic implications – effective strategic procurement plays an important role in delivering against strategic priorities and objectives. Responsible procurement in particular, can ensure that the Corporation delivers added value through its third party spend with tangible and measurable benefits.

Financial implications – funding of £150,000 is requested from the Finance Committee contingency to meet the costs of the third party partner. The recommendations of the review may require further additional investment however these will be presented to relevant committees for decision. The implications of the review will have a significant impact on internal financial assurance and control. Effective sourcing and robust contract management will ensure Corporation contracts represent best value and the that cost assurance is provided thorough the lifetime of individual contracts.

Resource implications – there are no immediate resource implications. However, the assessment of COL roles, responsibilities and capability are in scope of this review. The findings will have direct implications on organisational structure and learning and development. In addition, any changes to policy, procedures and systems will have a significant impact on officers across the Corporation and its institutions. As such all changes will be managed in accordance with change management best practice and include a comprehensive stakeholder and engagement plan.

Legal implications – the review is intended to ensure compliance with relevant legislative and regulatory frameworks. An assessment of the Corporation's preparedness for the new Procurement Act, 2023, forms an important part of these proposals.

Risk implications – the proposals set out in this report, directly address risks identified as part of the Chamberlain's local risk register. In addition, the review will also address unresolved internal audit findings. Effective risk management is an important part of any robust contract management framework and as such this will be a particular focus of the design of any new guidance materials.

Equalities implications – there are no direct equalities implications of this report. Any recommended changes to policy, procedures or practice as a result of this review will be subject to equality impact assessments.

Climate implications – none as a direct result of this report.

Security implications – none as a direct result of this report.

Conclusion

14. Strategic procurement is an important enabling activity that can support the City to achieve the priorities set out in the Corporate Plan whilst ensuring best value and effective use of scarce resources. This review will provide a common vision for COL best practice and a comprehensive improvement plan setting out the necessary steps for achieving that vision over the next 'fantastic five years' and beyond.

Appendices

- None

Background

[Strategic procurement and contract management review – PPsC 12 February 2024](#)

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