

Report – Finance Committee

Procurement Code Review

To be presented on Thursday, 9th January 2025

*To the Right Honourable The Lord Mayor, Aldermen and
Commons of the City of London in Common Council assembled.*

SUMMARY

The City of London Corporation's Procurement Code ('the Code') will require updating to reflect the implementation of the Procurement Act 2023 and the Procurement Regulations 2024, due to go live in February 2024. This represents an opportunity to overhaul the overall Procurement approach.

Your Finance Committee accordingly recommends that the Court approves the development of a new Procurement Policy. To assist in the transition process, your Committee also recommends that the Court should authorise officers to approve changes to the existing Code and an increase in the threshold for the approval of procurement options and contract awards.

RECOMMENDATION

That Members:

1. Approve the development of a new Procurement Policy and supporting framework to replace the existing Procurement Code.
2. Authorise the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Finance Committee, to approve changes to the Procurement Code and supporting framework to align with the new Procurement Act 2023.
3. Approve the temporary increase of the threshold for the approval of procurement options and contract awards by the Court of Common Council to £20m until 31 July 2025 whilst the new Procurement Policy is developed.

MAIN REPORT

Background

1. The Procurement Code ('the Code') sets out how the City of London Corporation expects its procurement activities to be conducted. The last major review of the Procurement Code was in 2015 to reflect the introduction of the Public Contracts Regulations 2015. Minor revisions and updates have taken place on a six-monthly basis since then to ensure the Code remains in alignment with organisational structural changes and updates to other related policies (such as the Financial Regulations).
2. Under Standing Order 51.2, significant changes to the Procurement Code require the approval of the Court of Common Council.

Current Position

3. The Code is currently presented in two parts: Part 1 sets out the rules, while Part 2 provides guidance to support practitioners in applying them. Both parts of the Code are felt to be unwieldy documents which are difficult to navigate. There are also inconsistencies between the two parts, and areas where the precise coverage and interpretation of a rule is difficult to determine. Feedback from stakeholders has indicated that there is a risk that the Corporation's procurement governance and system of internal control is not as robust or as efficient as intended.
4. The Code also needs updating to reflect the upcoming implementation of the Procurement Act 2023 and Procurement Regulations 2024, which will introduce a greater level of transparency in decision-making. These are due to go live in February 2025. The new procurement regulations introduce an even greater level of transparency around decision making and present an opportunity to overhaul the approach to the Procurement Code to further strengthen the organisation's governance framework.

Proposal

5. Your Finance Committee accordingly recommends that the Court approves the development of a new Procurement Policy ('the Policy'), supported by a refreshed governance framework. Under Standing Order 51.2, the revised version will be brought to the Court for approval. The high-level elements of the existing Code would form the basis of the Policy, retaining examples of best practice such as the current position on competition, transparency and responsible procurement. This would form a public document replacing the current Code's Part 1.
6. The remaining content from Part 1, and the entirety of Part 2, would become either documented, standardised processes, or supporting guidance. These would predominantly be hosted on the intranet with consideration given to ensuring accessibility by those outside of the main IT network. Wherever possible and practical, forms and approvals would become electronic versions which will make compliance, and the monitoring and reporting of such, easier for all concerned.
7. The overarching procurement policy document will cross refer to related public policies such as our Living Wage Policy and our Modern Slavery Statement, and to the need for compliance with relevant external regulation. This will present a transparent and holistic view to the public and suppliers. The new policy will make clear to what extent the various City Corporation functions are covered or exempt from both internal and external regulation.
8. In common with most policies, the majority of content will be static to be reviewed on a periodic basis in line with any City Corporation policy on such things. Details such as financial thresholds, or procedural information, which may be subject to change, will be either be included as appendices or by reference to standalone documents.
9. The process and procedural elements of both parts of the current Code will be produced individually for ease of access. This will enable them to be standardised and documented, making them clearer and more accessible to those who need

to use them and providing clarity around how the processes support the Policy. Contributors from around the City Corporation will be invited to take part in a review addressing the governance and management of procurement projects.

10. The processes, forms, templates and guidance will reflect the new requirements of the incoming legislation, and would be reviewed frequently during the first 6-12 months following the implementation of the new legislation.
11. To ensure that the existing Code remains compliant with the Procurement Act and Regulations while the new Policy is being developed, your Committee recommends that the Chamberlain be authorised, in consultation with the Chairman and Deputy Chairman of the Finance Committee, to approve the necessary changes to the Procurement Code so that it aligns with the legislation.
12. Your Finance Committee also recommends that the threshold for approval of procurement options and contract awards by the Court should be temporarily increased from £4m and above to £20m. This would result in an immediate streamlining of the approval process whilst retaining strong Member governance and oversight through both the Projects and Procurement sub-Committee and the Finance Committee. The temporary threshold of £20m would bring the City Corporation into alignment with other Local Authorities and would be in place until 31 July 2025.

Corporate & Strategic Implications

- **Strategic implications:** Having a clear Procurement Policy, and processes designed to support it, will enable the City Corporation to fulfil the need for compliance with external regulation on procurement and transparency.
- **Financial implications:** The proposals do not require any additional spending. The recommendation to temporarily increase procurement approval thresholds will align the City Corporation with other local authorities and provide a streamlining of the approval process under the oversight of your Finance Committee through its Projects and Procurement Sub-Committee.
- **Resource implications:** It is anticipated that there will be efficiency savings through increased clarity and improved access to supporting resources and guidance.
- **Legal implications:** There are no legal implications.
- **Risk implications:** It is anticipated that there will be a reduced risk of non-compliant spend resulting from increased clarity.
- **Equalities implications:** None
- **Climate implications:** None
- **Security implications:** None

Conclusion

13. The Procurement Code requires updating before February 2025, to comply with national legislation. Your Finance Committee recommends that this is used as an

opportunity to begin a full redevelopment, including the restructuring of documents, which will improve compliance, efficiency and the wider perception of the procurement function. The other recommended measures will assist in the implementation of the new legislation during the development process.

All of which we submit to the judgement of this Honourable Court.

DATED this 10th day of December 2024.

SIGNED on behalf of the Committee.

Deputy Henry Nicholas Almroth Colthurst
Chairman, Finance Committee