



City of London Procurement Strategy 2015-2018

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Foreword - Modernising Procurement in the City

Our City Procurement service plays a vital part in changing how the City of London Corporation buys and pays for the goods, works and services it needs. It was set up to help the organisation achieve key policy targets and reduce budgetary pressures as much as possible. It has already helped deliver efficiency savings of £7.1m in 2014/15, helping to close the organisation's budget gap and protect critical front line services whilst offering business opportunities to London communities and beyond, impacting positively on SMEs and Social Enterprises.

The service is responsible for the full purchase (requisition) to pay (P2P) cycle and its 55-strong unit covers Category Management, Business Enablement, Accounts Payable, Procurement Policy, Compliance, Sourcing, Procurement Operations, Data Management and Supplier Performance monitoring. The team's ambition is to be recognised as a leader in innovative, sustainable and modern procurement practice in the public sector, while always looking for performance improvements to deliver excellent services and first class customer care across the whole organisation.

This Strategy sets out the need to modernise to achieve best value, efficient use of resources, use of technology, innovation and practices and procedures to ensure:

- all procurement by the City Corporation complies with the Public Contracts Regulations 2015 and our own Procurement Regulations 2014
- City Procurement helps us respond to financial pressures through commercialisation, income generation and full contract life-cycle management
- we encourage supplier innovation to meet new challenges
- we pay our suppliers accurately and promptly in line with our service targets and the Prompt Payment Code
- the introduction of electronic procurement and other new technology to increase efficiency and productivity and realise full potential by using appropriate solutions.

This Strategy is an ambitious programme of improvement, which sets high standards for Members, Senior Officers and all staff across the City of London Corporation. It is supported by a three-year improvement plan to drive further improvement in procurement performance and match not only our own aspirations but national good practice benchmarks.



Dr. Peter Kane
The Chamberlain
City of London Corporation

City Procurement Strategy 2015-2018

1. Introduction

Mission Statement

City Procurement strives to provide Best in Class Procurement provision to the City of London Corporation and

- To **Lead** the organisation to the forefront of procure-to-pay excellence
- To **Empower** City Procurement to drive innovation and change across the City Corporation
- To promote **Trust** with fair and transparent practices.

Our core values

- To provide the right services to our customers at the right price.
- To work in partnership wherever possible.
- To use innovative and cost effective purchasing techniques and encourage inclusive and sustainable procurement.

Overview

The Procurement Strategy aims to transform the existing procurement service to a high performing one during the next three years, ensuring the results are sustainable and deliver a quality service to all City Corporation departments. In the last two years the organisation has put in place the foundation stones for success, creating the City Procurement department, changing procurement regulations, introducing corporate governance and mandating that all spend over £2,000 is managed by the City Procurement service for the full purchase to pay cycle. To deliver sustainable high performance over the next three years the following targets have been set:

2015/2016 - achieve operational excellence

2016/2017 - optimise value for money

2017/2018 – embed technology and innovation principles

2015-2018 – corporate social responsibility established as a 'golden thread'



City Procurement has prioritised four strategic themes that will deliver its aspirations during the three year procurement strategy period. These are:

Operational
Excellence

Value for Money

Corporate,
Social
Responsibility

Technology and
Innovation

Operational Excellence - We want to establish procurement governance, clear processes, intelligent data analysis, standard documentation, category management principles, refreshed procurement regulations and appropriate guidance, training and communications to make sure we hit our performance indicators.

Introducing 'No Purchase Order No Pay' from 1 April 2015 is an early initiative to improve operational excellence. Developing our staff will be key in developing operational excellence as well regular consultation with departments and clear operational-level agreements. Our service has been completely restructured so it better fits the organisation's needs. This has achieved a greater balance of the required skills, ensuring all staff are fully or part qualified in procurement disciplines, thereby enhancing team's resilience. We plan to strengthen this further by increasing the number of our qualified staff, building an effective and flexible team, developing sustainable in-house training modules and creating a succession plan for critical roles. City Procurement staff will be working with all departments to allow experience and expertise in areas such as Health & Safety and Economic Development to be fully taken into account and integrated as a further step toward operational excellence.

Value for Money - We will further enhance the organisation's capability to make savings, increase efficiency and access market innovation for contracted goods, works and services. With this in mind, City Procurement will introduce different approaches to procurement such as cost avoidance, total costs of ownership, full lifecycle costing, aggregation and collaboration.

Corporate Social Responsibility - We will develop contracts that not only deliver value for money but that also help deliver our aim of wider benefits to the community we serve through local procurement initiatives, better access to opportunities for Small, Medium Enterprises and Social Enterprises, diversity initiatives, sustainable procurement and safety. All procurement activities will be carried out in a fair and transparent manner that maximises competition.

Technology and Innovation - We will investigate available technology to enhance our efficiency across our sourcing, category management, online catalogues, electronic auctions, spend and payment data analysis, e-Invoicing and accounts payable functions. We also want to work in a more innovative fashion to gain increased outputs from activities such as greater partnership/collaborative working, enhanced commercial and contract management, extending the procurement

service to external organisations and developing a supplier performance management framework.

City Procurement has developed internal Action Plans for each of the themes identified to support the achievement of outcomes as part of the three year improvement plan.

2. Operational Excellence

To deliver the very best solutions for our customers and the City Corporation as a whole, we must understand fully what they need. We work with multiple stakeholders so we must align to the needs of the organisation, Members, individual departments, and our own department as well as external customers. By focussing on the effectiveness of operations, we plan to deliver the best possible service, ensuring legal compliance and to minimise risk at the appropriate cost. This cannot be achieved without our people. City Procurement makes considerable investment in technical skills development to ensure that our staff can thrive in an environment of greater change and to support our partners to deliver innovative and effective services.

Our main Operational Excellence strategic aims:

Performance and Process development

We will continue to review, test, develop and put in place new performance measures and processes to improve efficiencies across sourcing, category management, contract management and accounts payable. These will be developed after consulting departments to agreed operational level agreements and clearly defined roles and responsibilities in the procurement cycle. This is with a particular focus on developing:

- a more seamless integration of the requisition to pay process
- standard procurement processes across the organisation, with exceptions by agreement only
- accounts receivable and payment process efficiencies to minimise process times and give greater assurance the City Corporation will meet payment targets
- future years sourcing plans with subsequent projected efficiency and savings targets as well as income generation plans
- Terms and Conditions that are flexible enough to allow for changes in technology, processes, and delivery methods during the life of a contract and that are suitable compared to the size and complexity of different procurements and suppliers
- a reduction in overhead costs, the costs to serve our procurement requirements.

We will commit to further develop and enhance the organisation's Category Management approach to all future commissioning and procurements ensuring all contracted spend, where appropriate, is strategically managed through its Category Board by 2018. Category Management will continue to change as we gain greater insight to that contracted spend through improved data, a firmer understanding of departments' requirements, increased accountability of Chief Officers to deliver against priorities and policies and guidelines that underpin our Procurement Strategy and Procurement Regulations.

To support the Strategy's aims and to increase the City Procurement team's ability, there is a need to have a concise, clear, consistent and quality data set available. Development of master data would allow category management techniques like spend analysis, supplier categorisation and the identity of potential sourcing opportunities to be achieved with greater efficiency.

Contract Management

Our aim is to undertake take a strategic and holistic review of how we currently manage contracts and identify areas where we can improve across the full procurement and contract management lifecycle. This will help to identify where improvements could be made to:

- getting better value from contracts

- providing greater control over contract performance
- embedding the appropriate amount of governance and reduce our risk and that of our customers
- improving relationships with our suppliers and building on strategic partnerships
- attracting the best talent to implement and manage our Contract Management

Compliance, Policies, Risk Assurance and Health and Safety

We have a responsibility to ensure that all procurement is carried out in accordance with local, national and European Union regulations. This needs to be balanced carefully to achieve best value and mitigate risks such as health and safety breaches, loss of business continuity, service failure and reputational damage. Our strategy is to delivery Operational Excellence by:

- ensuring our procurement regulations are reviewed and refreshed regularly so they reflect the latest national and EU regulations as well as our own requirements and objectives
- introducing new policies and guidance that deliver the Procurement Strategy aims, such as the new No PO No Pay policy, the Payment Card policy, the London Living Wage policy and the How to Buy at the City Guidance.
- supporting fair and transparent procurement
- making safety an inherent part of the procurement process by using basic principles for effective management of health and safety risk in the commissioning and procurement process, underpinned by a proportionate approach to risk management.
- developing full end to end procurement training materials for the City Procurement team and the whole organisation
- enhancing compliance performance by:
 - improving visibility of procurement responsibilities, arrangements and forward planning
 - monitoring purchasing behaviours, reporting on non-compliance, using procurement waivers and other indicators and highlighting compliance risks.
 - taking action to mitigate and enforce internal compliance to 'on contract spend'
 - developing standard procedures, templates, and processes for contracts, ensuring that risk is robustly assessed with clear mitigation measures in place.

Effective and engaged resourcing

We are committed to building better procurement competencies across the organisation by ensuring staff have the knowledge, training, qualifications and practical skills needed to get maximum benefit from our procurement practices. This 'best in class' can only be achieved by having:

- clear leadership, roles and responsibilities and performance management arrangements
- engaged staff who consult and develop solutions for departments
- appropriately qualified and trained staff, with particular focus on MCIPS, AAT and CIPFA
- a focus on high standards of customer service whilst acting as ambassadors for the City Procurement service
- invested in commercial and contract management capabilities
- a team that is flexible, effective and resilient to a fast changing environment
- staff that are motivated and committed due to suitable rewards, recognition, identifiable career paths and succession being available at all levels.

Communications

Developing these can only work in delivering operational excellence if coupled with a clear and targeted communications plan. This plan, developed during 2015, will ensure all audiences - procurement staff, officers, Members or suppliers - are kept up to date with the range of improvements we plan to deliver during the next five years. This will be developed to consider our audiences, the pace of change, the accountability to the customer and the appropriate method of communication and will dovetail into the developing suite of training material which is being coordinated and delivered by our Training and Engagement Manager. The training package will maximise the benefits of the changes being put in place whilst minimising their impact. It will also draw on the expertise of colleagues from other relevant departments, in particular the Public Relations Office, to ensure that our Strategy is effectively tied in with the organisation's Corporate Plan. The hub of all our communications and training will be the City Procurement site on ColNet and on our external website.

3. Value for Money

The City of London Corporation has a requirement to reduce costs whilst continuing to deliver quality services to the community it serves, just like a local authority. City Procurement's work help ensure that the organisation gets value for money on all current and future contracted goods, works and services whilst delivering costs savings and efficiencies on an annual basis during the period of this strategy (2015-2018). To achieve we will:

- develop a City of London Savings and Efficiency Handbook
- engage with departments to understand their business needs and tailor strategies accordingly
- target savings and efficiencies on our contracted goods, works and services
- target reductions in procurement cost to serve and process costs passing back such efficiency gains to frontline services.

- establish a consistent Category Management system to ensure all operational, administrative and commercial aspects of contracts are maximised
- further extend partnership and collaboration with other public bodies and like-minded organisations
- implement, develop and track Total Cost of Ownership principles in all sourcing activities to ensure sustainable value for money
- develop contract clauses to ensure our prime contractors and suppliers deliver our objectives throughout the supply chain.

City Procurement plans to have all the above savings and efficiencies tracked and monitored regularly to ensure targets are met or exceeded and that future years' savings are projected.

4. Corporate Social Responsibility

City Procurement will support the need to maximise the economic, social and environmental benefits to London from every pound that is spent on goods, works or services. We have a vital role in furthering sustainable development, as contract award decisions have a major socio-economic and environmental implications, both locally and globally, now and for future generations. Our CSR procurement commitments support these aims and all tendered contracts have, by standard, a 10% evaluation weighting within them. We will work with suppliers to have robust policies, measures and plans in place to help us meet such objectives. An initial commitment to Responsible and Sustainable procurement was creating the new role of Responsible Procurement, responsible for design and delivery of the Strategy, future policy development and processes/guidelines to raise awareness and results achieved.

Future measures we plan to introduce or enhance to meet these targets include

Sustainable and responsible procurement

The City of London Corporation recognises that it has a duty to use every opportunity to support wider social, economic and environmental objectives, in ways that offer real long-term benefits and reduce negative impacts on environmental or social well being.

Sustainable procurement is one of the most tangible, visible and simple ways in which the City Corporation can have a positive influence and work towards its vision as outlined in the Sustainability Policy and the Climate Change Mitigation Strategy.

The following sustainability-related matters will be considered in all future procurements at the appropriate stage(s):

- CO2 emissions / energy and water consumption
- resource efficiency, waste reduction and recycling
- impact of transport in the City
- biodiversity, nature conservation and greening
- noise, land, air and water pollution.

The City Corporation will continue to show its commitment to embedding sustainable development considerations into procurement and investment decisions. This means minimising the negative impacts of the supply chain and the product/service, maximising social benefits and buying resource-efficient products. Furthermore, the City Corporation recognises that, as an organisation spending money on goods, works and services, it has a duty to investigate environmentally acceptable alternatives and whenever practicable, purchase products and services that have a minimal impact on the environment.

The Procurement Service will continue to adopt mechanisms and indicators for improving, monitoring and reviewing the environmental performance related to procurement.

We will introduce processes to ensure the organisation considers responsible procurement at the start of all strategic sourcing events. Where appropriate each event will include specifications, award criteria and/or contract clauses related to:

- potential social value and community impacts/benefits
- ethical issues, including those covered by the ILO Fundamental Conventions, London living wage, zero hours contracts and ethical trade throughout the supply chain.

The City of London Corporation has incorporated social value into its internal Procurement Regulations. Recognising that, as an organisation spending money on goods and services, we have a duty to investigate environmentally and socially acceptable alternatives and whenever practicable, purchase products and services which have a positive impact on our environment and surrounding communities.

Social Value Panel

We have far exceeded the requirements of the Social Value Act to deliver its true spirit and show leadership amongst local authorities. In June 2014 the City Corporation launched this Panel to improve the social value of OJEU service contracts.

This enables us to consult our communities as the Panel is made up of 18 organisations representing all aspects of social value in the design of contracts before they are tendered. This ensures that social value is defined by them and incorporated into our specifications and evaluation criteria. Our aim is to further enhance this model, track its achievements and review its scope in regular intervals during 2015-2018.

Living Wage

In October 2014, the City Corporation received its Living Wage Accreditation Licence. It is undertaking a phased implementation of the Living Wage for contractors and sub-contractors in accordance with agreed milestones. This means that it will be introduced on a rolling basis as contracts come up for renewal. The City Corporation must ensure, to the extent permitted by law, that any of its contractors or sub-contractors pay London Living Wage to those employees based in Greater London and pay UK Living Wage to those employees based outside Greater London, via Living Wage clauses contained in service contracts.

SME, Social Enterprise and local business engagement

City Procurement recognises the importance of small and medium enterprises to its own supplier base and the wider British economy and the difficulties many face accessing contract opportunities within public sector. Measures taken to support this sector include signing an SME concordat to set out clear fair and consistent rules of engagement and reduce payment terms to 10 days. We aim to ensure the City of London website makes it clear where possible which procurement process will be followed for future opportunities and which portals are being used to advertise and manage tender opportunities. We will also revise procurement and contractual documentation to remove barriers for SME participation in tender exercises.

Social Enterprise

A key part of the City Corporation's approach to responsible procurement is positive engagement with the Social Enterprise sector, the charity and voluntary sectors and community-based organisations. The organisation has shown enormous commitment to building the market for Social Enterprises. The creation of the Buy Social Directory - a product that enables buyers who previously struggled to identify relevant social enterprises to now search and find social enterprises suppliers with great ease. This is a free service to buyers and suppliers, and enables social enterprises to promote themselves to buyers and will be used as a standard part of the supplier identification process on all lower value contracts managed by City Procurement. We aim to ensure Social Enterprises have access to and the ability to compete for future procurement opportunities.

Local procurement

The City Corporation is committed to responsible procurement and City Procurement will take positive steps to use this as a way of benefiting disadvantaged local communities. We have therefore developed a Local Procurement Strategy for businesses in the City and in postcodes adjacent in the following boroughs - Tower Hamlets, Southwark, Hackney, Lambeth, Islington, Camden and Newham. We also work proactively with East London Business Place to identify suitable suppliers for lower value tenders whilst hosting and supporting a range of meet the buyer events across the Square Mile.

We will aim to improve our measurement of the amount of opportunities provided and spend with SMEs, Social Enterprise and local firms as a way of identifying and

reducing the barriers for smaller organisations in bidding for contracts. This will be a key responsibility of the Responsible Procurement Manager.

Equality and Diversity

Equality is one of the City of London Corporation's core values and we recognise the important role that procurement can play in promoting equalities and fighting discrimination. We will do this in accordance with our existing Equalities in Service Delivery Policy and in ways that are consistent with our value for money policy, the UK procurement regulations and EU Procurement Directives. We will also meet our obligations under The Equality Act 2010. As well as ensuring that future specifications include relevant equality requirements, some additional measures taken in all contracting events will be:

- at selection stage, ask suppliers for evidence of professional or technical ability (eg for services to ethnic minority communities, cultural awareness and language skills)
- the insertion of contract conditions to further improve equality outcomes
- reducing barriers to, and improving the opportunities for, diverse suppliers that wish to compete for our contracts.
- ensuring all City developers participate in the Local Procurement Charter, demonstrating their commitment to equal opportunities and ensure that they oppose all forms of unfair and unlawful discrimination.

Through procurement, the organisation has an opportunity to influence the equality agenda with suppliers. We will engage with the requirements of the Public Sector Equality Duty and are committed to ensuring that major suppliers and contractors share our equality and diversity vision and values, and will work to implement them.

Monitoring, measurement and result reporting

One of our priorities will be to enhance all data collection, measurements and result reporting for all aspects of Corporate Social Responsibility to continue to develop and achieve targeted outputs and comply with:

- all legislation relevant to sustainability and responsible procurement
- equality and diversity objectives and targets
- our sustainable procurement performance targets in line with nationally recognised frameworks.

5. Technology and Innovation

City Procurement aims to look into currently technology to enhance efficiency across sourcing, category management, online catalogues, electronic auctions, spend and payment data analysis, e-Invoicing and accounts payable functions. As well as better use of technology, we want to work in a more innovative way to gain greater outputs from activities such as the use of innovative procurement

techniques, greater partnership/collaborative working, enhanced commercial and contract management, extending the procurement service to external organisations and developing a supplier performance management framework.

Here are a few areas that we will target to improve efficiency, enhance our fairness and transparency or deliver best value in terms of service, cost reduction or income generation:

eProcurement - this would automate a wide range of procure to pay (P2P) applications, including requisitioning, ordering, invoice payment, competitive tendering, transactional buying, inventory management, contract management, on-line auctioning, tender evaluations, contract register and spend analytics functionality. Introducing a suitable system that delivers all of the above is a key priority.

eInvoicing – Currently less than 1% of our invoices are processed this way. This is a key area that we will concentrate on to increase efficiency, reduce payment errors and comply with the Prompt Payment Code.

Purchasing cards - using purchasing cards reduces transaction costs, particularly for low value or ad-hoc purchases. We will want to increase use of these cards, focusing on £2,000 or less spend, establishing a policy for users and an appropriate management information system to track, manage and audit all related activity to make sure it follows procurement regulations.

Accounts Payable Forensics – we want to introduce a forensics tool that supports the Accounts Payable to reduce payment errors, overpayments, detect fraud and protect the organisation's overall spend. It will allow constant monitoring and will integrate with our ERP system to cover accounts payable.

6. Our conduct

In all our dealings in the procurement process, City Procurement will preserve the highest standards of honesty, integrity, impartiality and objectivity and shall comply with the City of London Corporation's Codes of Conduct at all times. In selecting and awarding contractors we will generally evaluate bids or tenders received on the basis of the Most Economically Advantageous Tender (MEAT) and will take into account, where appropriate, whole-life costing, looking for an appropriate balance between quality, cost and corporate social responsibility outputs. In all procurement or purchasing events we will ensure that our approach to the market is consistent with these principles and our core values.



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