

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD1467

### Title: Approval to Establish the Pan-GLA Group Collaborative Procurement Function

#### Executive Summary:

In May 2014 the Chief Finance Officers from each of the Greater London Authority (GLA) and the four functional bodies convened representatives from the procurement functions of each functional body and the Metropolitan Police Service (MPS) to lead a review of the potential to achieve greater collaboration and savings across their procurement activities.

The steering group recommended the creation of a team to provide a pan-GLA group collaborative procurement function to lead and manage categories of spend common amongst the members of the group, co-ordinated by a joint board of the participating group organisations.

In January 2015 the Mayor consulted the GLA Oversight Committee on this proposal. This Mayoral Decision paper reports the Committee's views and makes recommendations for the creation of collaborative procurement mechanisms under section 401A of the Greater London Authority Act 1999.

#### Decision:

The Mayor approves the formation of a pan-GLA group collaborative procurement function and the entering into of arrangements with TfL and the other functional bodies under section 401A of the Greater London Authority Act 1999 (GLA Act) for the following purposes:

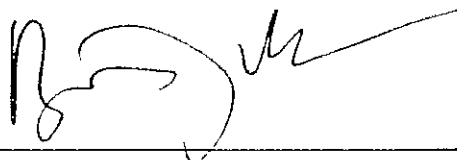
- (1) the establishment of the GLA Group Collaborative Procurement Board ("the Board") and the participation of the GLA as a member of that Board;
- (2) the appointment of the Chief of Staff as the GLA's representative, who is to chair the Board;
- (3) the delegation of the GLA's procurement and contracting functions generally to TfL and / or to the Board, including power to determine in a binding manner on the GLA's behalf, all matters considered necessary or expedient concerning the entering into of contracts and other arrangements with suppliers (including as to specification, value / price, volume and other terms and conditions), which will be more particularly set out in the relevant documentation;
- (4) the provision of funding to TfL to establish and host the collaborative procurement team;
- (5) to provide a secretariat function to the Board and the collaborative procurement team; and
- (6) to enter into the necessary agreements with other participating group bodies (Joint Arrangements Agreement and any others considered necessary or expedient) to establish the Board, TfL- hosted collaborative procurement team and above arrangements as determined by the Executive Director of Resources (acting under the General Delegation).

#### Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

30.3.2015

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1 Following the recommendations of the steering group that was set up by the GLA group Chief Finance Officers, led by TfL and supported by PriceWaterhouseCoopers (PwC) the Mayor is requested to endorse the creation of a pan-GLA group collaborative procurement function that will be hosted by TfL and use existing TfL processes and office space, and the establishment of a board representing the group bodies to coordinate activity. The Mayor is asked to authorise the GLA's participation in these structures. The evaluation carried out by the steering group indicated that once established such a procurement team could deliver £5.6 million of cost reductions annually in relation to procurement from third parties (£5.5 million after deducting additional annual operational costs) and a more efficient, streamlined operation.
- 1.2 Implementation of the pan-GLA group collaborative procurement team to be hosted by TfL is forecast to cost £576,000 in year one based on the cost of professional services; HR costs; other set-up costs such as equipment purchase; and 20 per cent optimism bias. The GLA will provide this funding to TfL and recover its investment in year two once the full identified benefits are being realised; year two savings will therefore be reduced by £576,000.

#### **2. Objectives and expected outcomes**

##### Scope of the collaborative procurement function

- 2.1 By analysing total expenditure the steering group estimated the scope of common category spend on collaborative procurement to be in the range of £0.6 billion to £1.7 billion, representing 9-25 per cent of the total third party spend across the GLA group. The low end of this range represents 'common and low complexity' categories of spend with the high end covering increasing complexity and specific requirements among the bodies involved.
- 2.2 Following the steering group's recommendations the Mayor is requested to endorse the creation of the collaborative team within TfL and a joint coordinating and decision-making board to manage this 'common and low complexity' spend. Detailed analysis outlined that at present there are too many risks across the complex categories, for example in facilities management and IT Managed Services, for collaboration across the GLA group to function effectively at this time. In the future, once the collaborative team is well established and delivering procurement services to the group bodies there may be scope to deliver an extension of the procurement activity undertaken by the team to include these more complex categories. It is therefore recommended that the scope of the collaborative function is confined to 'common and low complexity' expenditure initially, and that the co-ordinating board, described below under 2.12 to 2.18, will assume responsibility for reviewing the situation and recommending when such a scope extension is appropriate.
- 2.3 The TfL-hosted team will manage the common and low complexity procurement expenditure for the GLA and each of the functional bodies and the MPS. The categories that will be managed by the team on its establishment are professional services; recruitment, marketing; utilities; office supplies and equipment; travel; print; uniform; fuel; and postal services.

- 2.4 It is proposed that a GLA Group Collaborative Procurement Board (the Board) will be formed by the GLA and the functional bodies. The Board will be formed relying on the participants' powers under section 401A of the GLA Act 1999 to create a joint committee that can provide administrative professional and technical services to its members and to discharge functions of that nature on their behalf, and where delegated the powers to do so, to take decisions regarding the award of contracts following a procurement process undertaken by the collaborative procurement team.
- 2.5 The Board will hold the strategic approval for the overarching strategy and approach of the procurement activity but will allow the collaborative procurement team to define the most optimal category strategy and sourcing approach.
- 2.6 Full terms of reference supporting this Board are currently being drafted and will be set out in an agreement (a Joint Arrangements Agreement / "JAA") which will set out the extent and terms of the collaborative arrangement between the group bodies, including the Board's delegated authority; its terms of reference, decision-making and meeting procedures; and related terms and conditions. It will also include funding mechanisms and provisions concerning liability. In order to participate under the terms of the proposed agreement, the Mayor is therefore asked to provide in principle approval to the following under his powers under sections 34(1) and 401A of the GLA Act 1999:
- the establishment of the GLA Group Collaborative Procurement Board and the participation of the GLA as a member of that Board;
  - the appointment of the Chief of Staff as the GLA's representative, who is to chair the Board;
  - the delegation of the GLA's procurement and contracting functions generally to TfL and / or to the Board, including power to determine in a binding manner on the GLA's behalf, all matters considered necessary or expedient concerning the entering into of contracts and other arrangements with suppliers (including as to specification, value / price, volume and other terms and conditions), which will be more particularly set out in the relevant documentation; and
  - to enter into the necessary agreements with other participating group bodies (the JAA and any others considered necessary or expedient) to establish the Board, TfL- hosted collaborative procurement team and above arrangements. The Executive Director of Resources will approve the final documentation (acting under the General Delegation).
- 2.7 In summary, the functions that are to be delegated are:
- *Strategy and planning of procurement activities*, which involves the design of the overarching procurement strategy in each category including setting the overall business case and ongoing delivery plan;
  - *Sourcing* the development of the requirements specification through the full procurement process to framework award and contract development;
  - *Commercial contract management*; ensuring the frameworks and other arrangements comply with all regulatory and policy requirements whilst setting commercially astute performance measures for suppliers including financial recompense for poor performance;
  - *Supplier performance management*. This will ensure full supplier relationship management is in place including auditing, risk management and issue resolution and dispute management;
  - *Procurement performance management*; the controls required to allow for the monitoring of the performance and benefits management of the business;
  - *Procurement reporting, insight and knowledge*; any research, benchmarking, data collation and analysis required for intelligent reporting to the Board; and

- *Customer relationship management*; this includes all the tools required to enable the team to manage the needs of all the parties serviced by the collaborative team such as a helpdesk, demand and customer reporting and management of the procurement portal facilitating electronic exchange throughout the procurement process.

2.8 In addition there will be delegation of powers of staff management and HR responsibilities for those staff that will be seconded or on attachment to the collaborative procurement team.

#### Structure of the pan-GLA group collaborative procurement team within TfL

- 2.9 The collaborative procurement team, which will consist of 27 FTEs (26 team members and one head of the collaborative procurement function), is forecast to cost £576,000 in year one based on the cost of professional services; HR costs; other set-up costs such as equipment purchase; and an additional 20 per cent optimism bias. The GLA will provide this funding to TfL and recover its investment in year two once the full identified benefits are being realised; year two savings will therefore be reduced by £576,000.
- 2.10 The collaborative team will be hosted by TfL and will use existing TfL processes and TfL office space. Fewer secondment volunteers are required if TfL is the host body because 22 FTEs of the total number of 26 required to establish the collaborative team currently reside in TfL; this reduces the implementation costs and simplifies the change management and so reduces the risks to the project. The remaining four FTEs will be seconded or on attachment from MPS.
- 2.11 Each organisation will continue to use their own current and differing IT systems. Processes are being developed in order to have the analytical, management and business information which will be needed to run and manage this activity effectively. A third party organisation will be engaged to provide this information and data.

#### Governance: GLA Group Collaborative Procurement Board

- 2.12 As set out above under 2.5, the GLA Group Collaborative Procurement Board will hold the strategic approval for the overarching strategy and approach of the procurement activity but will allow the collaborative procurement team to define the most optimal category strategy and sourcing approach.
- 2.13 The Board will also hold a much broader and more strategic responsibility for the oversight of 'common and low complexity' expenditure. It will be a proactive force in the management of collaborative procurement activities and it will lead the exploration of an increased scope to more complex categories of spend to increase the benefits deliverable by the collaborative procurement team. In summary the board will:
- agree overarching procurement strategies and the collaborative category and sourcing approach;
  - influence decisions that affect demand within each of the GLA group bodies to reduce overall spend;
  - operate under a formal mandate to drive greater collaboration with a particular focus on areas of common and high complexity spend; and
  - lead the drive for additional benefits and savings for the wider public sector.
- 2.14 The detailed powers to award contracts and powers of oversight and governance to be exercised by the Board in relation to each participating member will be set out in terms of reference that will form part of the JAA.

- 2.15 Group bodies may delegate to the Board power to determine and approve the award of individual, call-off or framework contracts, including their terms and conditions. The Board's decisions will be binding on those bodies that have given it power to award contracts on their behalf. For those bodies that do not delegate decision-making powers the Board will provide a strategic, coordination and best practice forum.
- 2.16 Membership of the Board will be made up of the Mayor's Chief of Staff (who will act as the Board's Chairperson and the GLA's Board representative); the Deputy Mayor for Policing and Crime; the Chief Finance Officer of LFEPA; the Chief Executive of LLDC; the TfL Director of Commercial; and in due course the Chief Finance Officer of Old Oak Common and Park Royal Development Corporation (OPDC - see 4.14). It is proposed that the Board be given the ability to appoint non-voting co-opted members as appropriate and it is proposed that the Board appoints such a member who is a partner from an appropriate consultancy and who will work on a pro bono basis. Membership of the Board will be kept under review.
- 2.17 In the first six months of operation the Board will meet on a monthly basis to ensure that any early operational matters can be dealt with quickly and efficiently. Thereafter it is envisaged that the Board will not need to meet as frequently although this position will be kept under review.
- 2.18 There will be a secretariat function aligned to the Board to ensure the operational governance cycle is maintained and that the requirements of each functional body are met. It has been agreed that the GLA will deliver this function on behalf of the collaborative procurement team and that additional collaborative team costs will not be incurred by the functional bodies as a result of this arrangement.

Forecast benefits to be achieved: cashable savings

- 2.19 The total value of in-scope 'common and low complexity' spend has been agreed to be £565 million with savings achievable of £5.6 million and potentially up to £11.7 million. This is based on savings being achievable for the following third party expenditure areas:

| Expenditure Area              | Total<br>Expenditure<br>to be<br>Managed | Savings Potential |             |
|-------------------------------|------------------------------------------|-------------------|-------------|
|                               |                                          | Low               | High        |
|                               | £m                                       | £m                | £m          |
| Professional Services         | 181.1                                    | 2.3               | 4.6         |
| Recruitment                   | 152.6                                    | 1.2               | 2.1         |
| Marketing                     | 29.8                                     | 0.6               | 1.9         |
| Utilities                     | 147.0                                    | 0.4               | 0.9         |
| Office Supplies and Equipment | 15.7                                     | 0.4               | 0.7         |
| Travel                        | 11.3                                     | 0.3               | 0.6         |
| Print                         | 6.0                                      | 0.2               | 0.3         |
| Uniform                       | 1.7                                      | 0.1               | 0.2         |
| Fuel                          | 16.9                                     | 0.1               | 0.2         |
| Post                          | 2.5                                      | 0.1               | 0.2         |
| <b>Total</b>                  | <b>564.6</b>                             | <b>5.6</b>        | <b>11.7</b> |

- 2.20 It is likely to take 12 to 15 months for optimum saving delivery to be achieved; the full savings potential is expected to be realised by quarter two of 2016 at which point the collaborative procurement team is forecast to save the GLA group £1.4 million per quarter. However, it is forecast that the charge for the annual operational costs of the collaborative procurement team for some of the functional bodies will be more than their current operational and staffing costs for common and low complexity third party expenditure; this will reduce the cashable savings achieved by these bodies.

- 2.21 The forecast shares of these additional costs and savings per functional body are set out in the table below.

| Functional Body                     | 2015-16 Third Party Expenditure Savings | (Increase) / Decrease in Annual Operational Costs <sup>2</sup> | 2015-16 Cashable Savings | 2016-17 Third Party Expenditure Savings <sup>3</sup> | (Increase) / Decrease in Annual Operational Costs | 2016-17 Cashable Savings |
|-------------------------------------|-----------------------------------------|----------------------------------------------------------------|--------------------------|------------------------------------------------------|---------------------------------------------------|--------------------------|
|                                     | £'000                                   | £'000                                                          | £'000                    | £'000                                                | £'000                                             | £'000                    |
| TfL <sup>1</sup>                    | 1,158                                   | -104                                                           | 1,054                    | 3,976                                                | -104                                              | 3,872                    |
| MOPAC                               | 636                                     | -88                                                            | 548                      | 1,116                                                | -88                                               | 1,028                    |
| LFEPa                               | 70                                      | 16                                                             | 86                       | 204                                                  | 16                                                | 220                      |
| LLDC                                | 21                                      | 50                                                             | 71                       | 284                                                  | 50                                                | 334                      |
| <b>Subtotal</b>                     | <b>1,885</b>                            | <b>-126</b>                                                    | <b>1,759</b>             | <b>5,580</b>                                         | <b>-126</b>                                       | <b>5,454</b>             |
| <b>One-Off Implementation Costs</b> |                                         |                                                                |                          |                                                      |                                                   | <b>-576</b>              |
| <b>Grand Total</b>                  |                                         |                                                                |                          |                                                      |                                                   | <b>4,878</b>             |

1. The TfL savings data includes savings for the GLA because TfL delivers the GLA's procurement function.
2. These costs are the difference between the current estimated £1.8 million FTE costs of common and low complexity expenditure and the forecast total annual operational costs of the collaborative procurement team of £1.9 million. See 2.26.
3. The 2016-17 savings figures are cumulative rather than incremental i.e. the additional savings made in 2016-17 over and above those achieved in 2015-16 are forecast to be £3.695 million (£5.454 million less £1.759 million).

#### Forecast benefits to be achieved: non-cashable efficiencies

- 2.22 In addition to the cashable savings set out above, total non-cashable efficiency savings of £569,000 - or up to 12.5 FTEs - have been identified. This was calculated by comparing the estimated £1.7 million FTE costs of currently managing 'common and low complexity' third party expenditure with the expected £1.2 million cost of FTE resources to be seconded to the collaborative procurement team; as fewer officers will transfer to the new team to manage the expenditure, these resources will be available within the respective functional bodies to be deployed on other areas of procurement and commercial activity. The table below sets out the non-cashable efficiency savings per functional body.

| Organisation | Current FTEs Deployed on Common and Low Complexity Expenditure | FTEs to be Seconded to Collaborative Procurement Team | Current Total FTE Cost of Common and Low Complexity Expenditure | Total Cost of FTEs Seconded to Collaborative Procurement Team | Operational Efficiencies |            |
|--------------|----------------------------------------------------------------|-------------------------------------------------------|-----------------------------------------------------------------|---------------------------------------------------------------|--------------------------|------------|
|              | No.                                                            | No.                                                   | £'000                                                           | £'000                                                         | No.                      | £'000      |
| LFEPa        | 1.0                                                            | 0.0                                                   | 42                                                              | 0                                                             | 1.0                      | 42         |
| LLDC         | 1.0                                                            | 0.0                                                   | 46                                                              | 0                                                             | 1.0                      | 46         |
| MPs          | 9.0                                                            | 4.0                                                   | 423                                                             | 188                                                           | 5.0                      | 235        |
| TfL          | 27.5                                                           | 22.0                                                  | 1,233                                                           | 986                                                           | 5.5                      | 247        |
| <b>Total</b> | <b>38.5</b>                                                    | <b>26.0</b>                                           | <b>1,744</b>                                                    | <b>1,174</b>                                                  | <b>12.5</b>              | <b>569</b> |

### Forecast benefits to be achieved: summary

- 2.23 Based on the cashable and non-cashable savings set out above and the annual operational costs set out under 2.26, by the point at which peak savings are being achieved the collaborative team is forecast to achieve total cashable and non-cashable benefits of £6.0 million per annum for the GLA group (this does not include the effect of the implementation costs that will reduce the cashable savings achieved in year two – see 2.25). This is summarised in the table below:

|                                                     | <b>Third Party<br/>Expenditure<br/>Savings</b> | <b>Additional<br/>Annual<br/>Operational<br/>costs</b> | <b>Net<br/>Cashable<br/>Savings</b> | <b>Non-<br/>Cashable<br/>Efficiencies</b> | <b>Total<br/>Cashable<br/>and Non-<br/>Cashable<br/>Benefits</b> |
|-----------------------------------------------------|------------------------------------------------|--------------------------------------------------------|-------------------------------------|-------------------------------------------|------------------------------------------------------------------|
|                                                     | <b>£'000</b>                                   | <b>£'000</b>                                           | <b>£'000</b>                        | <b>£'000</b>                              | <b>£'000</b>                                                     |
| GLA Group Annual Cashable and Non-Cashable Benefits | 5,580                                          | -126                                                   | 5,454                               | 569                                       | 6,023                                                            |

- 2.24 In addition to these cost reductions and efficiency savings the possibility of achieving other benefits from this collaboration were identified; these opportunities will be evaluated by the proposed coordination board (see 2.12 - 2.18 below). Some examples include:

- whether more common and complex categories of spend can be procured by the collaborative team;
- supply chain effectiveness and distribution and logistics improvement which could deliver fewer vehicles and lower emissions on London's roads; and
- expansion into the wider public sector to offer enhanced commercial deals for others.

### Implementation costs and annual operational costs

- 2.25 The creation of the collaborative procurement team to be hosted by TfL is forecast to cost £576,000 in year one based on the cost of professional services; HR costs; other set-up costs such as equipment purchase; and an additional 20 per cent optimism bias. The GLA will provide this funding and recover its investment in year two once the full identified benefits are being realised; total year two savings will therefore be reduced by £576,000 to recover these year one, one-off costs.
- 2.26 The annual 27 FTE costs of the collaborative procurement team are forecast to be £1.2 million and in addition to this cost there are forecast annual overheads of £382,000 (33 per cent of the FTE costs). Other operational costs are forecast to total £295,000 based on IT and HR costs and 20 per cent optimism bias. In total, therefore, the collaborative procurement team is forecast to have an annual operational cost of £1.9 million per year, which is £0.1 million greater than the current cost of the resources deployed by the functional bodies on common and low complexity third party expenditure. A summary of the total forecast annual operational costs by functional body is set out below:

| <b>Functional<br/>Body</b> | <b>Employee<br/>Costs</b> | <b>Overheads</b> | <b>Other<br/>Operational<br/>Costs</b> | <b>Total</b> |
|----------------------------|---------------------------|------------------|----------------------------------------|--------------|
|                            | <b>£'000</b>              | <b>£'000</b>     | <b>£'000</b>                           | <b>£'000</b> |
| TfL <sup>1</sup>           | 879                       | 286              | 221                                    | 1,386        |
| MOPAC                      | 211                       | 69               | 53                                     | 332          |
| LFEPA                      | 24                        | 8                | 6                                      | 38           |
| LLDC                       | 60                        | 20               | 15                                     | 95           |
| <b>Total</b>               | <b>1,174</b>              | <b>382</b>       | <b>295</b>                             | <b>1,851</b> |

1. The forecast TfL costs include costs for the GLA because TfL delivers the GLA's procurement function.

### 3. Equality comments

- 3.1 As public bodies, the GLA and the functional bodies must comply with section 149 of the Equality Act 2010, which provides for the “public sector equality duty”. This duty requires each body to have due regard to the need to eliminate unlawful discrimination, harassment and victimisation; to advance equality of opportunity; and to foster good relations between people who share a protected characteristic and those who do not. The protected characteristics covered by section 149 are: age; disability; gender reassignment; pregnancy and maternity; race; sex; religion or belief; and sexual orientation. Observance of the duty may involve, in particular, removing or minimising any disadvantage suffered by those who share a relevant protected characteristic, taking steps to meet the needs of such people and encouraging them to participate in public life or in any other activity where their participation is disproportionately low, including tackling prejudice and promoting understanding. In limited circumstances this may involve treating people with a protected characteristic more favourably than those without the characteristic.
- 3.2 How procurement decisions made by the pan-GLA group collaborative procurement function will impact on specific persons who share a protected characteristic will be dependent on the specific decisions of the function and the Board. In exercising its procurement functions, including when making policy and spending decisions, as it is being hosted by TfL, the collaborative team will be required to comply with the public sector equality duty. Compliance is necessarily iterative and on-going. It includes carrying out a process to identify and actively consider potential detrimental impacts - if any - that may arise for individual protected groups and what mitigations - if any - could be implemented to address them at a level proportionate to the decision being taken. The collaborative procurement function itself, and the individual GLA and functional bodies through the Board, will continue to carry out this process in the implementation of the function’s procurement decisions and in consideration of any expansion plans in the future.

### 4. Other considerations

#### Summary of savings and efficiencies

- 4.1 It is estimated that it will take approximately 15 months to achieve peak savings levels at which point approximately £1.4 million per quarter will be realised as cashable savings for the GLA group. Once the collaborative team is fully operational the potential benefit to the GLA group is estimated to be net cashable savings of £5.5 million per annum (this figure will be reduced in year two by the one-off £576,000 implementation costs incurred in year one – see 2.25). There is scope in the future to increase the level of savings achievable once the collaborative team is established and has been proven to be operating effectively; evaluation will be carried out by the Board.
- 4.2 A summary of the annual benefits per functional body, both cashable and non-cashable, at the point at which peak savings levels are achieved, is set out below.

| Functional Body  | Cashable Third Party Expenditure Savings <sup>1</sup> | Non Cashable Efficiency Savings | Total Cashable and Non-Cashable Benefits |
|------------------|-------------------------------------------------------|---------------------------------|------------------------------------------|
|                  | £'000                                                 | £'000                           | £'000                                    |
| TfL <sup>2</sup> | 3,872                                                 | 247                             | 4,119                                    |
| MOPAC            | 1,028                                                 | 235                             | 1,263                                    |
| LFEPA            | 220                                                   | 42                              | 262                                      |
| LLDC             | 334                                                   | 46                              | 380                                      |
| <b>Total</b>     | <b>5,454</b>                                          | <b>569</b>                      | <b>6,023</b>                             |

1. These figures are net of the total additional annual operational costs of £0.1 million.

2. The TfL data includes savings and efficiencies for the GLA because TfL delivers the GLA’s procurement function.



### Charging of operational costs

- 4.3 Each body's costs will be allocated according to the proportion of its expenditure managed by the collaborative procurement team. Full contractual details regarding any payment flows, cost reimbursements and recharges will be set out in the final Joint Arrangements Agreement that will be signed by each functional body.

### Consultation

- 4.4 Section 401A of the GLA Act requires the Mayor to consult with the London Assembly before entering into this arrangement. The consultee role was delegated to the Assembly's GLA Oversight Committee and the Mayor consulted that committee at its meeting of 27 January 2015. The Committee raised a number of points and these have been considered in formulating the plans for the collaborative function as set out in this paper. The individual points raised are addressed below under 4.5 to 4.12.

### Milestones and monitoring of benefits achieved

- 4.5 It is likely to take 12 to 15 months for optimum saving delivery to be achieved, at which point the GLA group is forecast to achieve cashable savings of £5.5 million. Quarterly profiles have been made of the forecast benefits to be achieved by each member of the group and these will be used by the Board in its review and monitoring capacity to ensure that savings delivery is on track and that the collaborative function is operating effectively; this will include monitoring of the operating costs of the function and the charges being applied to the functional bodies. As stated above in 2.11, management information and data will be provided by a third party. This will be available on a regular basis for the use of the function's management team and also the Board. The table below sets out some of the key milestones and activities against which the collaborative team will be monitored.

| Year | Quarter | Activity / Milestone                                                                                     |
|------|---------|----------------------------------------------------------------------------------------------------------|
| 1    | 1       | Establish the GLA Group Collaborative Procurement Board                                                  |
| 1    | 1       | Baseline the spend data across all categories of in-scope third party expenditure                        |
| 1    | 1       | Maintain operational procurement activity for each functional body                                       |
| 1    | 1       | Commence category alignment and commercial analysis of each category                                     |
| 1    | 1       | Agree benefits reporting methodology with the Board                                                      |
| 1    | 2       | Commence new commercial deals and routes to savings across the in-scope categories                       |
| 1    | 3       | First review with Assembly Members of spend and savings against targets                                  |
| 1    | 3       | Review opportunities for collaborative team to manage additional categories                              |
| 1    | 4       | Commence extension into additional categories                                                            |
| 1    | 4       | Year one performance overview - presented by collaborative procurement team lead                         |
| 2    | 1       | Re-baseline the spend data across all in-scope categories                                                |
| 2    | 1       | Deliver savings from professional services and recruitment categories                                    |
| 2    | 2       | Full delivery of cashable savings of approximately £1.4 million per quarter                              |
| 2    | 2       | Review the previous 12 months of demand to outline demand management strategies for each functional body |
| 2    | 4       | Successful migration of an additional category into the collaborative procurement team                   |
| 2    | 4       | Year two performance overview - presented by collaborative procurement team lead                         |

- 4.6 The collaborative procurement team will establish processes that will enable it to demonstrate that cashable savings are being achieved as a result of collaboration in procurement activities; however, it will remain the individual responsibility of each of the GLA and functional bodies to realise the cashable savings. The Mayor will look to facilitate this process by reflecting the anticipated amount of cashable savings to be achieved by the GLA and each of the functional bodies in his budget guidance for the 2016-17 budget setting process. This will be published in the summer of 2015.
- 4.7 Reports on progress and the operations of the collaborative function will be provided to the GLA Oversight Committee on a six-monthly basis. As well as providing an update to Assembly Members this will also provide Members with opportunity to comment on the future direction of the function; further savings and efficiencies to be achieved; and the possibility of increasing the scope of expenditure managed by the function. The first such update to the GLA Oversight Committee will take place in autumn 2015.

#### Scope for increase in cashable benefits to be achieved

- 4.8 The business case that was prepared by the steering group with the support of PwC found that current procurement practices across the functional bodies are relatively efficient albeit there is scope for significant savings to be achieved if the collaborative function is established. The forecast savings reported here are at the low end of the estimates of those achievable for common and low complexity procurement areas and, as set out in 2.19, the business case demonstrated that there is potential for annual savings of up to £11.7 million in this area.
- 4.9 The GLA Group Collaborative Procurement Board will have responsibility for investigating the potential for further areas of collaboration and for investigating the potential to increase the level of savings and efficiencies achievable for all of the functional bodies. Such considerations will be made regularly although the priority in the first 12 to 15 months of the function's operation will be to ensure that the benefits set out in this paper are being achieved and that the function is operating optimally.

#### Governance arrangements: membership of the GLA Group Collaborative Procurement Board and the functional bodies' responsibility for ensuring the success of the collaborative function

- 4.10 Membership of the Board is set out above in 2.16 and will be kept under review to determine whether or not further additions to its membership need to be made. The GLA and each of the functional bodies will have representation on the Board.

#### Benchmarking against other procurement functions

- 4.11 In supporting the preparation of the business case the consultants carried out benchmarking against a number of comparable public sector procurement functions and considered a number of different potential operating models for the collaborative function. Where it is available benchmarking data will be used by the Board to analyse and assess the performance of the collaborative function and explore new areas for collaboration.

#### Ethical and fair trade procurement

- 4.12 The GLA group has a responsible procurement policy (available at the following link: <https://www.london.gov.uk/priorities/business-economy/vision-and-strategy/focus-areas/responsible-procurement/responsible-procurement-policy>). The collaborative function will work in accordance with this policy and all new opportunities for collaboration that are explored will be done so within the framework of this policy. It is also expected that by collaborating in procurement and streamlining supply chain effectiveness the collaborative function will help to reduce transportation of supplies on London's roads and help to reduce emissions and congestion. Further expansion into the wider public sector by the collaborative function will be explored in the future and this may also help to further ethical and responsible procurement practices.

## Risks

4.13 The key risks and their impact and mitigation are set out below:

| Risk                                                                                       | Potential Impact                                                                                                                                                                                                       | Likelihood                                                 | Mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|--------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Forecast savings not achieved                                                              | <ul style="list-style-type: none"> <li>Savings achievable reduced</li> <li>Implementation costs and operational costs take longer to recover</li> </ul>                                                                | <ul style="list-style-type: none"> <li>Unlikely</li> </ul> | <ul style="list-style-type: none"> <li>Savings estimates are conservative</li> <li>Position will be closely monitored by collaborative function management and the Board. Corrective action will be taken where necessary</li> </ul>                                                                                                                                                                                                                                                                            |
| Operating costs greater than forecast                                                      | <ul style="list-style-type: none"> <li>Savings achievable reduced</li> </ul>                                                                                                                                           | <ul style="list-style-type: none"> <li>Possible</li> </ul> | <ul style="list-style-type: none"> <li>Forecast of annual operating costs includes 20 per cent optimism bias</li> <li>Position will be closely monitored by collaborative function management and the Board. Corrective action will be taken where necessary</li> </ul>                                                                                                                                                                                                                                         |
| Delays in establishment of function                                                        | <ul style="list-style-type: none"> <li>Optimal savings take longer to achieve.</li> <li>Implementation costs are greater than forecast</li> <li>Reputation of collaborative function is negatively affected</li> </ul> | <ul style="list-style-type: none"> <li>Possible</li> </ul> | <ul style="list-style-type: none"> <li>Progress of project to date indicates that on course for the collaborative function to be established by 1 April 2015</li> <li>Recruitment and set up is going as planned and is being regularly monitored by steering group.</li> <li>Unlike previous attempts at collaboration this model has support from highest level of each member of GLA group</li> </ul>                                                                                                        |
| Implementation costs greater than forecast                                                 | <ul style="list-style-type: none"> <li>Savings achievable reduced</li> <li>Takes longer than anticipated to recover implementation costs</li> </ul>                                                                    | <ul style="list-style-type: none"> <li>Unlikely</li> </ul> | <ul style="list-style-type: none"> <li>Forecast of implementation costs includes 20 per cent optimism bias</li> <li>Majority of implementation costs have already been incurred and are within budget</li> <li>FTEs needed for function will be seconded from existing functional body procurement functions</li> <li>Will be hosted by TfL and use existing TfL processes and office space which reduces risk of unexpected costs from new IT etc</li> </ul>                                                   |
| Ineffective relationship between functional bodies in regards to collaborative procurement | <ul style="list-style-type: none"> <li>Savings achievable reduced</li> <li>Reputation of collaborative function is negatively affected</li> </ul>                                                                      | <ul style="list-style-type: none"> <li>Possible</li> </ul> | <ul style="list-style-type: none"> <li>Unlike previous attempts at collaboration this model has support from highest level of each member of GLA group</li> <li>The Board will have representation from all members of GLA group and an independent member</li> <li>Work is underway to ensure branding of function is neutral to any particular functional body</li> <li>All members of the GLA group have been involved in process to date and all views and opinions have been taken into account</li> </ul> |

## Old Oak Common and Park Royal Development Corporation

- 4.14 Once it is established, it is expected that Old Oak Common and Park Royal Development Corporation (OPDC) will become a member of the collaborative procurement function with representation on the Board from its Chief Finance Officer.

### **5. Financial comments**

- 5.1 The one-off implementation costs of the pan-GLA Group collaborative procurement function are forecast to total £576,000. The GLA will provide this funding from its 2014-15 contingency budget and recover its investment in 2016-17, year two of operation of the collaborative procurement function. The repayment will be made through a charge to each functional body in 2016-17 in proportion to their level of procurement expenditure managed by the collaborative team.
- 5.2 Each functional body's annual operational costs of the collaborative function will be allocated according to the proportion of that functional body's expenditure managed by the collaborative procurement team.
- 5.3 Implementation of the pan-GLA group collaborative procurement function is expected to deliver savings for each member of the GLA group. The forecast amount of cashable savings and non-cashable efficiencies for the GLA and each of the functional bodies is set out in the body of the report. It is estimated to take 12 to 15 months for optimum saving delivery to be achieved; the full savings potential is expected to be realised by quarter two of 2016.

### **6. Legal comments**

- 6.1 The new pan-GLA group collaborative procurement team will be brought into being by the use of existing legal powers. Section 401A of the GLA Act 1999 provides that the Mayor may, acting on behalf of the GLA, enter into arrangements with any functional body for provision of a service or the discharge, by the GLA or a functional body on behalf of one or more of the GLA or the functional bodies, of any functions of that other or those others which are of an administrative, professional or technical nature. The GLA and functional bodies are to form a joint committee for the purposes of providing services or discharging functions which are of an administrative, professional or technical nature (subsections (2) and (3)). The GLA's contracting and procurement functions falls within that definition. Section 401A also provides a legal power for the formation of the Board, and for the latter to discharge functions delegated to it by its member bodies, as a joint committee (subsection (4)). As a joint committee the Board may be delegated the power to take binding decisions on behalf of its member bodies (the Board is not, however, a joint committee to which the access to information provisions of Part VA of the Local Government Act 1972 as it is comprised of officers of the bodies concerned). Section 401A permits the GLA to delegate power to TfL to undertake those activities on its behalf, by means of the proposed collaborative procurement team that TfL will host and establish.
- 6.2 The Mayor must (under section 401A) consult with the London Assembly before entering into any such arrangement involving the GLA; this role has been delegated to the Assembly's GLA Oversight Committee and the Committee was consulted at its meeting of 27 January 2015. Comments on the points raised by the Committee as part of its consultation response are recorded in section 4.4 to 4.12.

- 6.3 The proposed Joint Arrangements Agreement will be based on standard shared services documentation will cover issues such as reimbursement of costs for the services to be provided; review and termination arrangements; and liabilities.
- 6.4 The existing and proposed arrangements will need to be constructed so as to be consistent with the GLA's obligations under EU procurement directives, the Public Contracts Regulations 2015 and relevant decisions of the European Court of Justice. Any procurement carried out by the proposed collaborative procurement team will itself have to comply with procurement law. Any proposed "expansion into the wider public sector" will require further legal consideration.
- 6.5 The proposed arrangements for staff entail no proposals for redundancies. The proposed collaborative procurement team will be hosted by TfL and most of the FTEs who will form the proposed team are employed by TfL. It is envisaged that there will also be some secondments from the MPS to the team. On that basis there will be no relevant transfer under the Transfer of Undertakings (Protection of Employment) Regulations 2006.

## **7. Investment and Performance Board**

- 7.1 The Investment and Performance Board oversees the implementation of the Mayor's shared services programme across the GLA Group and receives periodic strategic updates on the implementation of shared services across the group.

## **8. Planned delivery approach and next steps**

- 8.1 Set out below is the planned delivery approach and next steps in establishing the collaborative function.

| <b>Activity</b>                                            | <b>Timeline</b>   |
|------------------------------------------------------------|-------------------|
| Recruitment to positions within the collaborative function | Currently ongoing |
| Delivery Start Date                                        | 1 April 2015      |
| Report to GLA Oversight Committee on progress              | Autumn 2015       |

## **Appendices and supporting papers:**

Appendices: None

Supporting papers: Consultation on Pan-GLA Group Collaborative Procurement Function – considered by GLA Oversight Committee on 27 January 2015

**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

**Part 1 Deferral:**

**Is the publication of Part 1 of this approval to be deferred? NO**

If YES, for what reason:

Until what date: (a date is required if deferring)

**Part 2 Confidentiality:** Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

**Is there a part 2 form – NO**

**ORIGINATING OFFICER DECLARATION:**

Drafting officer to confirm the following (✓)

**Drafting officer:**

Matthew Beals – Financial Analyst - has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

(✓)

**Assistant Director/Head of Service:**

David Gallie – Assistant Director – Group Finance - has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

(✓)

**Sponsoring Director:**

Martin Clarke – Executive Director – Resources - has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

(✓)

**Mayoral Adviser:**

Edward Lister – Chief of Staff and Deputy Mayor for Planning - has been consulted about the proposal and agrees the recommendations.

(✓)

**Advice:**

The Finance and Legal teams have commented on this proposal.

(✓)

**EXECUTIVE DIRECTOR, RESOURCES:**

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

**Signature**

*M.D. Beals*

**Date**

*27.3.15*

**CHIEF OF STAFF:**

I am satisfied that this is an appropriate request to be submitted to the Mayor

**Signature**

*Edward Lister*

**Date**

*27.03.2015*