

Cabinet 26 July 2016	 TOWER HAMLETS
Report of: Zena Cooke, Corporate Director, Resources	Classification: Unrestricted
Procurement Strategy 2016 - 2019	

Lead Member	Councillor David Edgar, Cabinet Member for Resources
Originating Officer(s)	Zamil Ahmed – Head of Procurement
Wards affected	All wards
Community Plan Theme	One Tower Hamlets
Key Decision	Yes

EXECUTIVE SUMMARY

The Council spends approximately £350 million every year on goods and services with a current supplier base of approximately 3,500 suppliers. With increasing financial constraints and the need to get more for less, improved procurement is high on the agenda, both for the Council and for local government nationally. Excellence in Procurement not only achieves significant savings and efficiencies, but also contributes to achievement of the Council's social objectives.

With the recent changes from the new EU procurement directive, launch of the National Procurement Strategy, financial challenge the focus on procurement and effective contract management is greater than ever. This now requires a re-focus of our historic approach to Commissioning, Procurement and Contract Management activities.

This report presents the new procurement strategy 2016 - 2019 and details planned activity to develop an overarching Commissioning and Procurement Strategy for 2017. The requirement for a new procurement strategy was agreed as part of the Best Value Procurement Action Plan.

Recommendations:

Mayor in Cabinet is recommended to:

1. Consider and agree the new Corporate Procurement Strategy 2016-19
2. To agree for the development of an overarching Commissioning and Procurement Strategy by the end of the current financial year.

1. REASONS FOR THE DECISION

- 1.1 Requirement for a new Procurement Strategy was identified and agreed as one of the key milestones within the Best Value Procurement Action Plan.

Successful implementation of the action plan has resulted in ensuring 92% of our procurement spend is under contract (FY14/15), 98% of all applicable contracts include London Living Wage and 49% of our contracts include employment and community benefits for our residents. The new strategy aims to build on the success of the Best Value Procurement Action Plan and includes commitments to develop a broader Commissioning and Procurement Strategy by end of the current financial year.

2. ALTERNATIVE OPTIONS

- 2.1 Extend current Procurement Policy Imperatives; this expired at end of 2015 and does not include the desired commitments to transform our procurement and commissioning activities.

Do nothing; this is not considered appropriate as the council would not be fulfilling its commitments under the Best Value Procurement Action Plan.

3. DETAILS OF REPORT

- 3.1 Procurement is a critical process within any public sector organisation as it has a direct impact on the quality of service provided to its citizens and communities. It is therefore essential that procurement is recognised as a strategic process and is undertaken in line with best practice, is continually improved and innovation is explored as part of the commissioning cycle.

- 3.2 The benefits of achieving best practice procurement include:

- The potential to achieve efficiency savings through consolidation and standardisation of contracts – removing unnecessary costs incurred through bureaucracy and duplication.
- The potential to continuously improve service in the face of tighter budgets
- The potential to maximise purchasing power through collaboration within the organisation and across the public sector and the reduction of maverick spend.
- The implementation of strong governance and risk reduction
- The development of stronger commercial awareness across the organisation

- 3.3 The new Procurement Strategy has been developed and aims to build on the improvements already implemented through the Best Value Procurement Action Plan through the following key strategic objectives:

- **Integration** - full integration of commissioning, procurement and contract management activity and commercial principles into our core business

activities

- **Governance** - sound governance, transparency, accountability and probity with proportionality in our operational processes
- **Approach** - unified approach to managing the activities in the commercial cycle and in engagement with markets and suppliers
- **Partnership** - working with our partners
- **Technology** - effective use of digital technology
- **People** - making the most of our people, increasing capacity and skills and building an best-in-class in-house strategic commissioning and procurement capability

3.4 A copy of the Procurement Strategy is appended with this report for Cabinet consideration and approval. Once the procurement strategy is adopted, work to develop a Commissioning and Procurement Strategy will commence to be in place from April 2017.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

4.1 There are no financial implications arising from the recommendations in this report.

5. LEGAL COMMENTS

5.1 On 17 December 2014, the Secretary of State made directions in relation to the Council pursuant to powers under section 15(5) and (6) of the Local Government Act 1999 ('2014 Directions'). Those directions are in place until 31 March 2017. The directions required that the Council agreed and implemented an action plan demonstrating the Council's continued compliance with its Best Value obligations in accordance with section 3 Local Government Act 1999. Amongst other things the Council was required to:

5.1.1 Produce a new procurement strategy

5.1.2 Detail the Council's achievements in respect of the Council's Procurement Policy Objectives

5.2 As a public body the Council is required to comply with various parts of different laws when spending its money. As a local authority (and notwithstanding the comment at 5.1) the Council is required to abide by section 3 Local Government Act 1999 which requires the Council to achieve "best value" from its expenditure having regard to economy efficiency and effectiveness.

5.3 Also, the Council as "an organ of the state" (and therefore, considered to be part of the government body of the UK) the Council is required to abide by the general treaty principles (detailed under the Treaty On The Operation Of The European Union) to submit its expenditure to a process which gives fairness

of opportunity, transparency and non-discrimination between organisations who may be interested in providing services for the reward on offer.

- 5.4 In certain circumstances (and generally where the spend is great enough and dependent on the variety of goods works or services required) the Council is also subject to both the Public Contracts Regulations 2015 and the Concession Contracts Regulations 2016. These also impose specific requirements on the Council relating to the manner of procurement carried out by the Council.
- 5.5 In any event, the Council achieves adherence to the above laws by subjecting its contracts to various levels of tendering. The processes are also reflected in the Council's Procurement procedures and therefore must also be adhered to as part of the Council's overall constitutional requirements.
- 5.6 It is notable that the procurement procedures themselves reflect different levels of tendering required dependent upon value. This is permissible where a specific European or Domestic Law does not apply to the procurement in accordance with another EU principle of Proportionality.
- 5.7 Pursuant to the Equality Act 2010 the Council has a duty to have due regard to the need to eliminate unlawful conduct, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who do not (the public sector equality duty). A proportionate level of equality analysis is required to discharge the duty and information relevant to this is contained in the One Tower Hamlets section of the report.

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1 Equalities and diversity implications – and other One Tower Hamlets issues – are addressed through the tollgate process, and all contracting proposals are required to demonstrate that both financial and social considerations are adequately and proportionately addressed. The work of the Competition Board and the Procurement Service ensures a joined-up approach to procurement.

7. BEST VALUE (BV) IMPLICATIONS

- 7.1 The Council is required to consider the value for money implications of its decisions and to secure best value in the provision of all its services. The Council procures annually some £350m of supplies and services with a current supplier base of approximately 3,500 suppliers. The governance arrangements undertaking such buying decisions are set out in the Council's Procurement Procedures, which form part of the Financial Regulations.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 8.1 There are no direct SAGE implications arising from this report.

9. RISK MANAGEMENT IMPLICATIONS

9.1 The main risks have been highlighted within the body of the report.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

10.1 There are no direct Crime and Disorder Reduction implications arising from this report.

11. SAFEGUARDING IMPLICATIONS

11.1 There are no direct Safeguarding implications arising from this report

Linked Reports, Appendices and Background Documents

Linked Report

- None

Appendices

- Procurement Strategy 2016 – 2019

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- None

Officer contact details for documents:

N/A