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## Foreword



Our Council spends over £340 million a year with about 3,500 suppliers. Much of this expenditure is on key services to our residents that make a difference to people's lives in many ways, ranging from social care and education to housing and the environment.

We are aware that we are spending public money. So it is important to ensure that all our spending decisions secure value for money in the services we deliver to our local community in an open and fair way.

We continue to face another tough few years with our budgets, so we need to plan our acquisitions carefully to achieve the outcomes we want.

Alongside cost control, the Council wants to deliver social value. This is to ensure that what is commissioned has a direct benefit to the local community. This includes such things as the use of local and small businesses, the voluntary sector and the creation of local apprenticeships.

The Council's vision for the way it will spend and account for our expenditure in the coming years is clear. We will organise our procurement and commissioning resources and skills to achieve value for money whilst stimulating local markets and securing community benefits.

The new Procurement Strategy sets out in broad terms:

- How the Council intends to realise its vision for procurement and commissioning in Tower Hamlets
- The themes that will ensure it happens
- How it will make sure expenditure is well managed, fully transparent and delivers social value

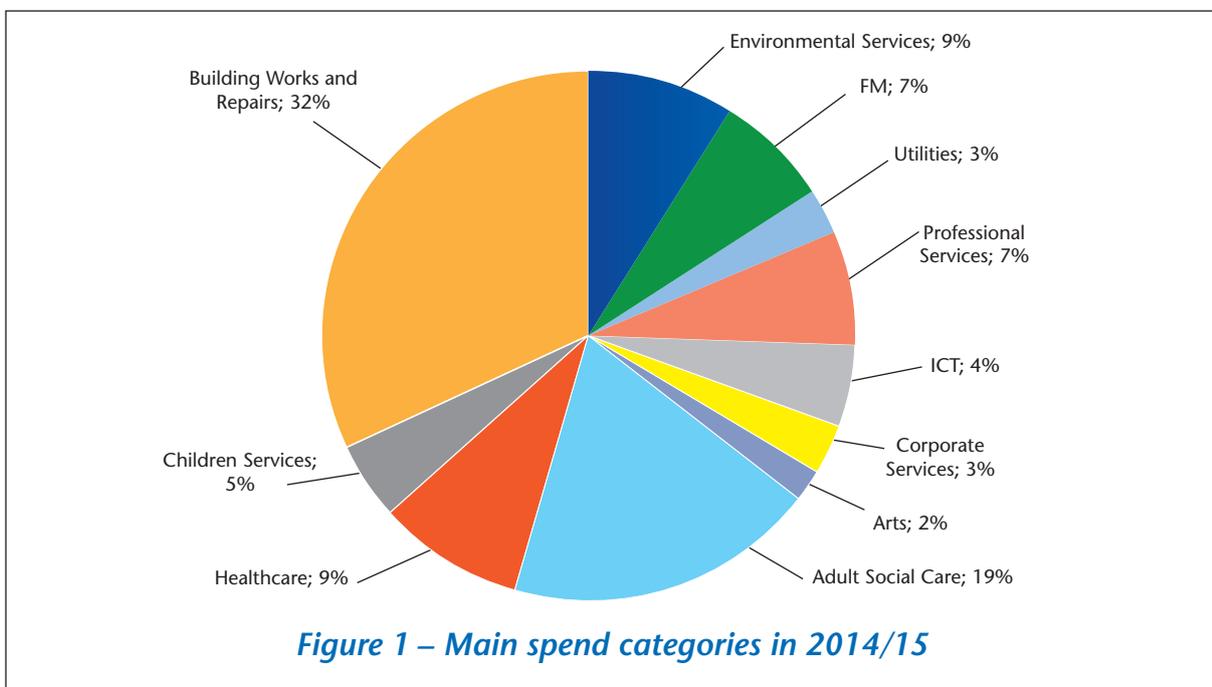
I strongly encourage everyone to spend a few minutes to read the document and actively embrace it. Making it a reality will benefit everyone: council staff, local businesses, but above all the people in our diverse community.

# Summary

Our expenditure with 3,500 suppliers was over £340 million in 2014/15 of which 20% are local. It covers:

- **Key infrastructure for Tower Hamlets**, such as all buildings, roads, schools, social housing and communications
- **Community services**, such as elderly care provision, street cleansing, waste disposal, libraries, and leisure facilities
- **Supporting equipment and services**, such as translation services, technology, books and equipment and materials to maintain our infrastructure
- **Utilities**, such as electricity, gas and water

Figure 1 shows our major expenditure categories from third parties



## We do this in an environment of major change:

- **Budget reduction** – we have already saved £85 million since 2011/12. However, we still need to find another £63 million by the end of 2018/19
- **Demographic changes** – people are living longer, population is rising which means more demand for our services
- **Rising expectations** – growing demand from people to be able to interact and access council services through new digital technology

The outcomes that we achieve will have a major impact on the quality/cost of our services and our reputation in the eyes of our residents.

<sup>1</sup> Defined as E1, E2 E3 and E14 postcodes

It is important to note that we operate in a regulated sector. This means that we have to comply with laws and regulations lay down by both the UK Government and the European Union.

**We will be undertaking detailed stakeholder engagement and an assessment of our requirements during 2016 to produce an overarching Commissioning and Procurement Strategy supported by detailed Commissioning and Procurement plans. These will be in place by the end of the financial year (16/17).**

## What this Strategy Covers

Whatever we acquire goes through a cycle of activities that is common to organisations in all sectors. This cycle is known as the commercial cycle, see Figure 2.



**Figure 2– Main activities in the Commercial Cycle**

Although, the activities in this cycle are inter-dependent, they are often carried out by different people in the Council. The identification of need is the responsibility of the commissioner. The sourcing and tendering is the responsibility of procurement. Making sure that the contract is delivered to time, budget, specification is the responsibility of the contract and relationship manager.

The difference between all the things that we acquire is how much time and effort we put into each activity in the commercial cycle. For most routine or low value services and products, it is usually a case of obtaining the right requirement at the best price with the minimum of administration. For complex, or high value services or products, we do a lot more to ensure that we get the right outcomes while minimising our costs.

We also understand the consequences of the decisions that we take as they can have a clear impact on our

- Local community and the lives of people
- Suppliers and the associated markets
- Legal obligations nationally and internationally (e.g. the European Union)
- Reputation as a Council

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Only by managing the commercial cycle activities in a unified and proportionate way can we be sure that we will:

- get the right outcomes from our contracts
- control our costs
- provide support and opportunities for local businesses and communities (where legally permissible)
- ensure our contracts are legally compliant and effectively managed
- make the most of the opportunities provided by digital technology

By doing this, we can make the best use of our resources to meet local community needs.

This strategy sets out how we intend to manage the expenditure that goes through the whole commercial cycle each year so that we deliver the right financial and social outcomes in line with our Strategic Plan (2015/15).

## Why Commissioning and Procurement is important

Our third party expenditure is crucial to the way we deliver our core services and the outcomes that we achieve.

How we deliver our core services has a direct impact on the ways in which our performance and client satisfaction is ultimately measured. These include:

- **Service outcomes** – the quality and frequency of what is delivered to local people set against increasing demand in many areas and changing demographics
- **Use of financial resources** – the funding of services delivered by suppliers/ providers from within smaller budgets while maintaining and improving standards wherever possible
- **Local economy** – the amount of money we spend with suppliers and service providers in the local economy through a coordinated and consistent approach to local businesses and the third sector (voluntary groups and charities etc.)
- **Social value** – the added benefits that we achieve in our contracts for the community (e.g. new facilities, or apprenticeships)
- **Sustainability** – the way in which our suppliers use scarce natural resources and their impact on the environment and the health and well-being of people

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## Why we need this strategy

We have to comply with laws and regulations laid down by both the European Union and the UK Government. This means that there are strict rules governing how we source our suppliers and award contracts. Achieving the right outcomes in this work involves a lot of people in the Council as well as our suppliers and partners. Our requirements and contracts can often be complex. This strategy has been prepared to:

- Give a clear direction for fulfilling our vision and goals for procurement and commissioning
- Contribute to our financial health by delivering sustainable savings
- Help us to achieve social value in our contracts, for example by encouraging economic regeneration and job creation through apprenticeships
- Set out our policies for delivering outcome improvements and the achievement of Value for Money
- Show how we intend to work with all of our partner organisations.

This strategy is a statement to everyone about the outcomes we wish to achieve through integrated procurement,

commissioning and contract and relationship management and how we intend to get there. Our vision for procurement:

**“We will pursue procurement excellence through deploying innovative and effective sourcing strategies to achieve value for money whilst stimulating local market and securing community benefits”.**

We believe this vision is best achieved by striving towards the following 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 in-house strategic commissioning and procurement capability

We recognise the importance of identifying and managing the cultural changes that adopting this strategy will create both internally and externally which will link to the Council’s wider transformation programme. Identifying what needs to happen to make these objectives a reality and managing these required changes forms the basis of our Procurement Implementation and Delivery Plan.

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# Implementation and Delivery Plan

## Making it happen

Our Implementation Plan is built around the strategic objectives outlined in our Procurement Strategy:

- **Integration** - of commissioning, procurement and contract management activity and commercial principles into our core business activities
- **Governance** – regarding transparency, accountability and probity with proportionality in our operational processes
- **Approach** – taking a unified approach to managing the activities in the commercial cycle and in engagement with markets and suppliers
- **Partnership** – working closely with our partners
- **Technology** – more effective use of digital technology
- **People** - making the most of our people, increasing capacity and skills and building an in-house strategic commissioning and procurement capability

The following table sets out where we are today, where we want to be in 2019 and how we plan to get there. It will be a dynamic document so will be reviewed and updated so that we can measure and report on changes.

The key crucial document to launch this implementation activity with is the Stakeholder Engagement Plan as this will allow us to:

- Ascertain business priorities matched against people's aspirations and concerns
- Target our messages and communications effectively
- Implement changes and take people with us
- Align this work to the Council's wider transformation programme

	Current status	Where we want to be in 2019	How we plan to get there	Initial Success Measures and target timescale
<p><b>Full Integration into our core business activities</b></p>	<p>Procurement, commissioning and contract management currently operate in silos.</p>	<p>Procurement, commissioning and contract management are better integrated business functions with direct links with Council's financial, customer, social and equalities goals. It has been difficult to achieve this as Councils tend to be organised on a vertical / departmental structure whereas commercial activities from commissioning to contract management are horizontal / cross cutting</p> <p>Early procurement engagement and closer working with business areas is fundamental to ensuring all options are examined in advance of the procurement phase.</p>	<p>Ensure future iterations of our business plan contain clear cross references to the Commissioning and Procurement Strategy.</p> <p>Undertake a detailed stakeholder consultation and develop suitable process and procedures so that plans can be prepared at least twelve months before any new commissioning activity or contract renewal</p> <p>Staff awareness programmes via a Stakeholder Engagement Plan</p>	<p>Stakeholder consultation - <b>October 2016</b></p> <p>New Commissioning and Procurement Strategy – <b>April 2017</b></p>
<p><b>Sound Governance and Proportionality</b></p>	<p>Organisations should be totally open in their dealings with all suppliers and providers. We do this by applying four basic principles to the way in which we undertake our procurement and commissioning activities:</p> <ul style="list-style-type: none"> <li>• Transparency</li> <li>• Accountability</li> <li>• Probity</li> <li>• Proportionality</li> </ul> <p>While we have implemented good procurement governance there is a requirement for further integration with core business functions.</p>	<p>Our governance regulations for commissioning and procurement underpin the need for strong control and also reflect proportionality based on expenditure profiles and transactional volumes</p> <p>All low value expenditure items to be fully automated wherever possible.</p> <p>The amounts of regulation required reflect the realities, maturity, risk and value of expenditure categories.</p> <p>Strategic Commissioning and Procurement Boards in place and accountable to CMT</p>	<p>Undertake a review of our Standing Orders and Procurement thresholds to maintain strong governance but appropriately reflect the realities of our procurement profile.</p> <p>Develop a Low Value Strategy for eliminating or automating low value transactions</p> <p>Review the use of procurement approval delegations, ensuring that they are linked to factors such as risk and presence of pre-approved contracts.</p> <p>Review and refresh the role of Strategic Competition Board and Competition Planning Forum and its alignment with CMT and other internal governance board.</p>	<p>Low Value Strategy in place and implemented by <b>March 2017</b></p> <p>New Commissioning and Procurement Board launched – <b>September 2017</b></p>

<p><b>Unified Approach to Managing the Commercial Cycle</b></p>	<p>Activities within the cycle are not always managed in a unified way. Contracts can be renewed without proper planning and the focus is then on internal relationships and 'getting through the procurement hurdle'. Remedying this situation is key to transforming procurement and contributing to future savings targets and value for money.</p>	<p>A clear, well defined and managed process for ensuring that we have full visibility of the whole commercial cycle for all major acquisitions and are able to exercise maximum leverage and influence on markets and suppliers or service providers.</p> <p>Cascading delegations to free up resources, particularly to allow more focus of our scarce commercial resource capability onto higher value or higher risk acquisitions.</p> <p>Procurement to be able to contribute to future savings targets and value for money. Category plans in place setting out individual policies and plans for each major expenditure category</p>	<p>Create the necessary procedures to provide a 'cradle to grave' procurement guide for each major acquisition.</p> <p>Revise existing Gateway Process to oversee changes and ensure that all procurements of £250,000 or over are planned to deliver both financial and social value.</p> <p>Create Category Plans for each major expenditure</p>	<p>New procurement guide in place by <b>July 2017</b></p> <p>New Gateway Process in place by <b>September 2017</b></p> <p>Start the process of introducing Category Plans by <b>January 2017</b></p>
<p><b>Working with our partners</b></p>	<p>Our partners are both internal and external and can range from other councils and public sector bodies to key contractors and community groups. While this happens today it is not done on a common basis or standard and may be ad hoc in the way that it is done.</p>	<p>Full collaborative engagement for procurement and commissioning with appropriate organisations where it is advantageous to do so.</p> <p>Knowledge of, and access to, proven framework contracts.</p> <p>Regular programme of briefings for our suppliers and providers, including local business and VCS.</p> <p>To have strong relationship between our strategic partners and suppliers to help promote a positive image of the Council</p>	<p>Stakeholder Engagement Plans to ensure that we are clear who our partners are, why they are important to us and how we can make the most of the relationship.</p> <p>Investigate and introduce new Procurement Communication Channel to promote buyer/supplier relationship</p> <p>All significant procurements are assessed pre-procurement to identify the optimum route to market to help inform commissioning and procurement forward plans</p>	<p>Procurement presence on Web/Intranet refreshed – <b>September 2016</b></p> <p>Procurement Forward Plans published – <b>December 2016</b></p>

<p><b>Effective Use of Digital Technology</b></p>	<p>Through implementation of the Best Value Procurement Action Plan we are making an investment in technology that will ensure we are able to have full visibility of all procurement activity. This will help to streamline our procurement activities and facilitate better supplier engagement</p>	<p>Low value and routine transactions will be fully automated, with access to timely expenditure reports on all third party expenditure. The ability to plan ahead for our major purchases including contract renewals so that we can evaluate options, organise our resources and manage suppliers pro-actively. A modern 'self-service' approach to procurement, being able to access information on-line supported by procedures and rules which are written in plain language and directly proportionate to risk. Procurement guides and templates accessed via the intranet</p>	<p>Develop our finance and procurement systems to ensure that it is fully integrated. Update our central Contracts Register to help enable better forward planning of our commissioning activities Provide targeted procurement training and workshops for all officers and Members to strengthen procurement skills and awareness.</p>	<p>Implement new e-tendering and contract management system – <b>March 2017</b>  Undertake assessment of integration between R2P/e-tendering system – <b>March 2017</b></p>
<p><b>Making the most of our people and building increasing capacity</b></p>	<p>We have launched an internal procurement training programme to improve the knowledge and skills of our officers as a short term solution. However, there is a requirement across the organisation to upskill our staff in key areas such as commercial and contracts management</p>	<p>A programme of cultural change management to help individuals acquire the skills needed to manage the planning, procurement and fulfilment of all major acquisitions including writing sound specifications and commercial skills to support contract management. A clear hierarchy for who is responsible for delegated procurement policy and operational activity across the Council</p>	<p>Identify key posts and individuals that would benefit from up-skilling and which could form the basis for a future virtual hierarchy. Offer a rolling programme of in-house skills and knowledge transfer programmes, including change management events. Work with our HR colleagues to ensure that commissioning and procurement are covered in the Council's induction programme</p>	<p>Undertake skills gap analysis by <b>January 2016</b>  Programme on offer from <b>October 2017</b></p>

