



Meeting of the

CABINET

Wednesday, 9 January 2013 at 5.30 p.m.

SUPPLEMENTAL AGENDA – SECTION ONE

VENUE

Committee Room, 1st Floor, Town Hall, Mulberry Place, 5 Clove Crescent, London, E14 2BG

Members:

Mayor Lutfur Rahman	– (Mayor)
Councillor Ohid Ahmed	– (Deputy Mayor)
Councillor Rofique U Ahmed	– (Cabinet Member for Regeneration)
Councillor Shahed Ali	– (Cabinet Member for Environment)
Councillor Abdul Asad	– (Cabinet Member for Health and Wellbeing)
Councillor Alibor Choudhury	– (Cabinet Member for Resources)
Councillor Shafiqul Haque	– (Cabinet Member for Jobs and Skills)
Councillor Rabina Khan	– (Cabinet Member for Housing)
Councillor Rania Khan	– (Cabinet Member for Culture)
Councillor Oliur Rahman	– (Cabinet Member for Children's Services)

[Note: The quorum for this body is 3 Members].

If you require any further information relating to this meeting, would like to request a large print, Braille or audio version of this document, or would like to discuss access arrangements or any other special requirements, please contact:

Matthew Mannion, Democratic Services,

Tel: 020 7364 4651, E-mail: matthew.mannion@towerhamlets.gov.uk



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LONDON BOROUGH OF TOWER HAMLETS

CABINET

WEDNESDAY, 9 JANUARY 2013

5.30 p.m.

- 10 .1 Housing Revenue Account First Budget and Rent Setting Report - 2013/14 (Pages 1 - 16)**
- 10 .5 Contracts Forward Plan Q3 (Pages 17 - 30)**
- 10 .6 Procurement Plan – (Additional Item) (Pages 31 - 50)**

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Equality Analysis (EA)

Section 1 – General Information

Name of the proposal including aims, objectives and purpose:

2013/14 Rent Review

An average increase of £4.39 in Council rents is being proposed from 1st April 2013. This equates to 4.47%.

In the current economic environment any rent increase can be considered to have an adverse effect on social tenants, however, the proposed amount is in line with the government's policy that all social landlords (local authorities and housing associations) should offer similar rents for similar properties, whilst maintaining substantial discounts to market rents.

The proposed rent increase is at a level that will sustain the Council's obligations under the HRA self-financial regulations and meets the requirements of rent convergence by 2015/16.

Even with a 4.47% increase, the social rents charged by the Council for its housing stock will still be the lowest in Tower Hamlets.

The rent increase is required in order to adhere to the assumptions contained within the Self-Financing Final Determination, published in February 2012. This valued Tower Hamlets' HRA business over 30 years, and assumed that the Authority will continue with rent restructuring with the aim of achieving rent convergence in 2015/16.

With the dismantling of the national Housing Subsidy system and its replacement with HRA Self-Financing, the Council will be responsible for financing all council housing expenditure from its HRA income streams. The proposed rent increase is needed to fund the expenditure necessary to manage, maintain and improve the Council's housing stock, including the capital investment programme that will bring the Council's stock up to the Decent Homes standard and maintain that standard over a 30-year period.

Rent is the major component of HRA income, a lower increase would also be problematic as regards the self-financing settlement as this assumed rent income at the government set guideline level, and any shortfall is embedded in the calculation of the debt settlement. This would mean a higher level of debt to be financed with a lower level of rental income in future years.

This would also require an equivalent level of savings in order to ensure that the HRA remains in balance, as legally it must do. This could mean reductions to the provision of HRA services and/or to the capital investment programme. This could severely impact on our ability to achieve decent homes as well as services supporting vulnerable residents.

Notes:

Under **HRA Self Financing**, there has been a substantial change in the way in which Tower Hamlets' HRA is financed. The annual HRA subsidy system has been abolished, and the Council now retains all HEA income but is responsible for financing all HRA expenditure. Therefore, implementation of a 2013/14 rent increase consistent with that assumed in the Self-Financing Draft Determination is crucial in contributing to the long-term viability of the HRA.

Rent Convergence Under the original proposals announced in 2000, similar properties would be charged similar rents by 2012 (the date has been subsequently moved to 2015), regardless of whether

the property was owned by the local authority or a social housing provider; this is known as rent convergence. Under the HRA Subsidy system each year, the Department of Communities and Local Government issued a “guideline” rent level to which councils should move their present rents in order to help them reach rent convergence in 2015/16. The HRA Self-Financing Final Settlement assumed that Authorities will continue with rent restructuring.

The formula for calculating rent increases in order to follow rent restructuring for local authorities is RPI + 0.5% plus £2 per week. The reference point for RPI is the September in the year preceding the start of the financial year to 31 March.

Who is expected to benefit from the proposal?

The rent increase will directly benefit all those affected (i.e. council tenants), as all rental income is used to fund housing management services and the Housing Capital Programme. The Housing Capital Programme is the means by which the housing stock is bought up to, and maintained at a Decent Homes standard.

The rental income is “ring-fenced” to the Housing Revenue Account, ensuring that it is used for no other purpose.

Is this a policy or function? Policy Function

Is this a new or existing policy or function? New Existing

Is the policy or function strategic, developmental or operational/functional?

Strategic Developmental Operational/Functional

Date when the original policy/function was initiated: Council housing, for which tenants paid a lower market rent, was developed as early as 1919 when council homes were built to meet general needs.

Date on which the policy/function is to be reviewed: Rent levels are reviewed on an annual basis. The last rent review was approved by Cabinet in February 2012.

Names and roles of the people carrying out the Equality Analysis:

Dyana Browne – Project Lead
 James Caspell – Customer Insight Officer, Diversity, Tower Hamlets Homes
 Katherine Ball – Senior Accountant
 Aman Berhanu – Resources and Business Support Analyst, Tower Hamlets Homes
 Beverley Greenidge – Head of Rents, Tower Hamlets Homes
 Chris Smith – Head of ICT, Risk & Contract Governance, Tower Hamlets Homes

Section 2 – Evidence

Key Findings

Profile of Council tenants is set out in Annex A to this document.

The average rent increase proposed is £4.39 per week, equating to 4.47%. This increase is below last

year's increase of 7.5%.

The rent increase is applied to all Council dwellings and will therefore affect all Council tenants. The rent increase does not target or disproportionately affect any group of people based any of the protected characteristics.

Households on lower incomes will feel the impact of the increase more than families on higher incomes. In 2012 the median gross income of Tower Hamlets residents was £29,550. (Source: Median household income CACI Paycheck data).

The actual amount of increase as a proportion on current rent will vary across property sizes. Smaller properties tend to have a greater rent increase than larger units e.g. (studio and one bed units). (See Table 1 – Average Increase per dwelling - by bedsize).

As with any rent increase there is the risk that it may result in some tenants not paying some or all of their rent increase, causing them to fall into arrears, which will lead to recovery action and possibly eviction. Where Housing Benefit has often covered a rent increase for many tenants in the past who were on low income or not working, the Welfare Reform Act 2012 will introduce additional changes to the welfare system in April 2013, which will have the effect of reducing the amount of housing benefit for a number of tenants.

Housing Benefit

Currently approx.. 71% of Council tenants are in receipt of Housing Benefit. Housing Benefit covers 90 - 99% of rent for 48% of Council tenants. From April 2013 a "Benefits Cap" will be introduced. The effect will be that where the total amount of benefits awarded to a household is more than the maximum "cap" amount the Housing Benefit element will be cut.

To date higher take up of HB receipt tends to correlate with lower arrears. It is not possible to accurately estimate the likely effect of the Welfare Reform changes, however, it is anticipated that there is a high probability that this will lead to a greater rise in rent arrears.

Based on current rent levels, DWP (Department of Work and Pension) figures show that approximately 160 (1%) of households (in Tower Hamlets? THH tenants?) will be immediately affected by the benefits cap.

Older People

Approximately 22% of tenants are over 60, some of whom are retired and are on state pensions without any other source of income (Table 2 shows the age profile of the Council Tenants). The basic state pension will increase by 2.5% to £110.15 per week from April 2013. Pensioners are expected to see a £2.70 increase in their basic state pension, which the government states is in line with both average earnings and inflation.

Younger People

Those most impacted by rent increase are likely to be younger single people, on lower incomes that do not qualify for Housing Benefit. THH has identified that early intervention is particularly effective with this group when they are guided on money and debt management or directed to money advice agencies.

Women

Since women constitute 55% of tenancy holders, there will be a greater proportion of women impacted by the increase.

Non-dependants

Approx. £2.1m of annual income has been identified as being at risk following the non-dependant deductions in 12/13 due to further increases in non-dependant deductions.

Evidence Base

What initial evidence do we have which may help us to think about the impacts or likely impacts on service users?

Data and information has been used from the following:

- § Tower Hamlets Homes Tenancy Profile
- § DWP Benefits Analysis
- § THH Rent Arrears analysis
- § CACI Paycheck Data 2012

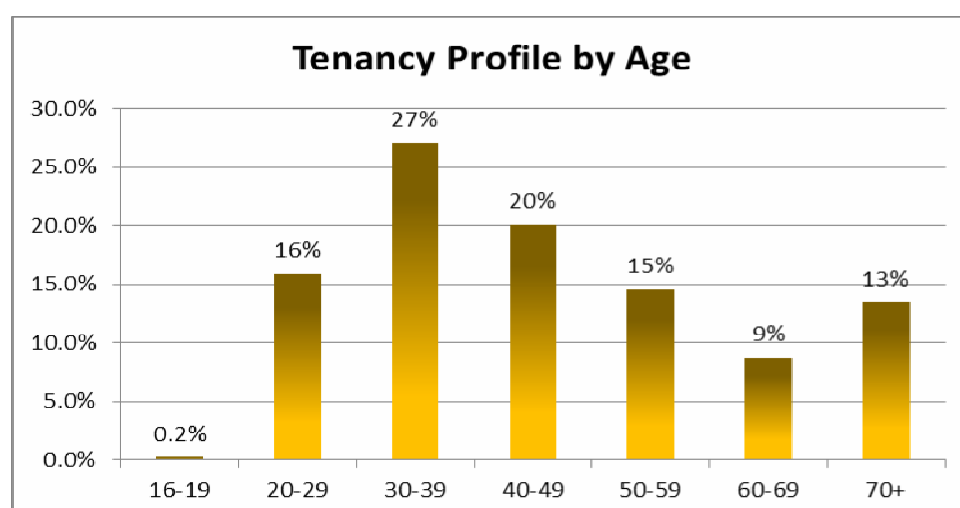
Stock Profile

Tower Hamlets currently owns 12,498¹ Council Homes, which are managed by Tower Hamlets Homes; the Council's ALMO (Arm's Length Management Organisation).

Table 1- Average Increase per dwelling - by bedsize

Bedsize	Average of Actual Rent 2012-13	Average of RENT CHARGE 13/14	Difference	Increase 13-14
0	75.36	79.11	£ 3.75	4.98%
1	87.98	92.09	£ 4.10	4.67%
2	100.03	104.36	£ 4.34	4.34%
3	112.38	117.21	£ 4.83	4.30%
4	126.38	131.63	£ 5.26	4.16%
5	140.63	146.47	£ 5.84	4.15%
6	143.40	149.49	£ 6.09	4.25%
7	150.52	156.15	£ 5.63	3.74%
8	180.83	184.44	£ 3.61	1.99%

Table 2 - Age Profile of Tenants



¹ SX3 Integrated Housing System Dec 2013)

**Table 3 - Average Weekly Rent by Bedsize
(2013-14)**

	Bedsit	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	6 Bed	7 Bed	8 Bed
Average LBTH	79.11	92.09	104.36	117.21	131.63	146.47	149.49	156.15	184.44
Target Rent	79.41	92.35	104.71	117.64	132.21	147.50	150.88	157.15	180.70

Socio – Economic – Median Gross Income

We know that 29% of Council tenants are not in receipt of any kind of benefit.

The median gross income in Tower Hamlets of £28,199

Housing Benefit

71% of Council tenants claim housing benefit. Housing Benefit covers 90-99% of rent for 48% of council tenants in receipt of Housing Benefit.

**Section 3 – Consideration of data and research
Identifying Differential / Adverse Impacts**

Target Groups What impact will the 'new' or 'significantly' amended policy or function have on specific groups of service users?	Impact – Positive or Adverse	Reason(s) <ul style="list-style-type: none"> • Please add a narrative to justify your claims around impacts and, • Please describe the analysis and interpretation of evidence to support your conclusion as this will inform members decision making • Can the negative impact be justified on the grounds of promoting equality?
Race Page 6	A	<p>At 52.3% people of Asian heritage make up over half of Council tenants. People describing their ethnicity as White are the next largest group, making up 27.6% of tenants. White British people make up 19.2% of tenants.</p> <p>Whilst all households are affected. Those in smaller properties 0-1 bed sized properties are likely to face a slightly larger increase. Families of Bangladeshi descent tend to occupy larger family sized accommodation where the percentage increase is likely to be lower than for studios & one bedroom properties.</p> <p>As Somali tenants were twice as likely to be in arrears compared to White British tenants; and had a disproportionately lower take up of Housing Benefit; outreach and other advice services have been put in place to support this group. These initiatives will continue.</p>
Disability		<p>18.5% of Council tenants have some kind of disability. Currently a Disability Living Allowance or an attendance allowance may be claimed.</p> <p>This group will not suffer disproportionately from the proposed rent increase.</p>
Gender	A	<p>Females make up 55% of Council tenants. The rent increase does not disproportionately impact this group, however, since they make up more than half of the Council tenants, they will form a greater proportion of those impacted by the welfare reform non-dependant deductions which are being increased in 2013.</p>
Gender		<p>Whilst data collection with regards to this characteristic is in place a large proportion (41.6%) of people prefer not to</p>

Reassignment		say. However, because the increase charge is not of a personal nature, it is not considered to disproportionately disadvantage people with this protected characteristic.
Sexual Orientation		A significant proportion (38%) of people prefer not to indicate their sexual orientation on monitoring forms, however because the increase charge is not of a personal nature the proposed rent increase is not considered to disproportionately disadvantage people with this protected characteristic.
Religion or Belief		The rent increase does not have disproportionately negatively impact on tenants due to their Religion or Belief.
Age	A	Over 77% of Council tenants are of working age and therefore and are likely to meet the Welfare Reform work requirements if they find themselves subject to the benefits cap. Tower Hamlets Homes, rents arrears analysis shows that age appeared to be the most indicative factor of a tenant's ability to pay/afford their rent. Tenants between 20-29 were three times more likely to experience difficulty in paying their rent and in turn had a higher level of rent arrears than those over 70. Older people on state pensions are not expected to be disproportionately disadvantaged as those on state pensions will receive pension increases above the average pay increases in 2011.
Socio-economic		Social Housing is generally the preferred option for people on lower incomes. The Government's "rent convergence" requires the rents on similar sized social housing in the same area should be equivalent, whether owned by a local authority, RSL or other provider. Rent practices proactively encourage the early take-up of HB to help tenants meet their rent payments. The take up of HB is currently high with 71% of THH tenants in receipt of Housing Benefit.
Marriage and Civil Partnerships.		Improved data collection over the past year enables better identification and classification of people in this area. The rent increase being applied to property rather than households does not disproportionately disadvantage people with this protected characteristic.
Pregnancy and		Based on data identifying people with this protected characteristic, the proposed rent increase being applied to property rather than households or individuals does not disproportionately disadvantage people with this protected

Maternity		characteristic.
Other		Tower Hamlets Homes, the ALMO (Arms Length Management Company) that manages the Council's homes has very effective system for collecting, recording and using information about their residents to ensure that the best use is made of contact with tenants, this includes tenants' communication preferences and other needs, including disability and vulnerability.

Section 4 – Conclusions and Recommendations

From the analysis and interpretation of evidence in Section 2 and 3 – Is there any evidence of or view that suggests that different equality or other target groups have a disproportionately high/low take up of the service/function?

Yes?

No?

Section 5 – Action Plan and Monitoring Systems

Recommendation	Key activity	Progress milestones including target dates for either completion or progress	Officer responsible	Progress
<p>Proactively identify and engage households likely to be affected by benefits to minimise the impact</p> <p>Identifying case that needs Employment support and referring them to partner organisations for Advice on alternative housing options.</p>	<p>Identify cases likely to experience shortfall of £100+ bedroom tax impacted households</p> <p>Work with (44) high risk households identified as likely to be affected by benefit cap. Carrying out visits to all tenants affected by Benefits Cap/Bedroom Tax & Non-dependant deductions</p> <p>Hold 'rent surgeries' twice a week.</p> <p>Book appointments with tenants for the most convenient day and time they want to be seen.</p> <p>Works with household to encourage non-dependants to contribute where possible</p>	<p>All impacted and affected households for both Bedroom Tax and Benefit Cap to have been seen by end of February 2013.</p>	<p>Beverley Greenidge - THH</p>	

APPENDIX 1

Recommendation	Key activity	Progress milestones including target dates for either completion or progress	Officer responsible	Progress
Provide guidance & advice sessions to 'high risk households'	Assist tenants to apply for Discretionary Housing Payments where applicable.			
Provide advice to tenants on benefits on potential impact on entitlements.	Implements a series of daytime and evening rent surgeries from September 2013 through to May 2013	All identified vulnerable household invited to surgeries by Dec 2012	THH Rent Teams	
Provide advice to non-dependants on the impact the changes will have on their entitlement.	Arrange Daytime evenings and weekend surgeries since	April 2012 to May 2013.		
Proactively identify and engage households likely to be affected by benefits to minimise the impact Identifying case that needs Employment support and referring them to partner	Identify cases likely to experience shortfall of £100+ bedroom tax impacted households Work with (44) high risk households identified as likely to be affected by benefit cap. Carrying out visits to all tenants affected by Benefits Cap/Bedroom Tax & Non-dependant deductions Hold 'rent surgeries' twice a week.	All impacted and affected households for both Bedroom Tax and Benefit Cap to have been seen by end of February 2013.	Beverley Greenidge - THH	

APPENDIX 1

Recommendation	Key activity	Progress milestones including target dates for either completion or progress	Officer responsible	Progress
organisations for Advice on alternative housing options. Provide guidance & advice sessions to 'high risk households'	Book appointments with tenants for the most convenient day and time they want to be seen. Works with household to encourage non-dependants to contribute where possible Assist tenants to apply for Discretionary Housing Payments where applicable.			
Provide advice to tenants on benefits on potential impact on entitlements.	Implements a series of daytime and evening rent surgeries from September 2013 through to May 2013	All identified vulnerable household invited to surgeries by Dec 2012	THH Rent Teams	

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Have monitoring systems been put in place to check the implementation of the policy/function and recommendations?

Yes? No?

How will the monitoring systems further assess the impact on the equality target groups?

The above activities will be reviewed alongside measures that are in place to monitor the effectiveness of the rents pilot and impact on target groups.

Section 6 – Sign off and Publication

Name: (signed off by)	
Position:	
Date signed off: (approved)	

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Section 7 Appendix – FOR OFFICE USE ONLY

Policy Hyperlink :

Equality Strand	Evidence
Race	
Disability	
Gender	
Sexual Orientation	
Religion and Belief	

APPENDIX 1

Age	
Socio-Economic	
Other	

Link to original EQIA	Link to original EQIA
EQIAID (Team/Service/Year)	

Annex A : Tenant Profile by Protected Characteristics

Table 1 - Tenant profile by Ethnicity

Ethnicity	% of tenants
White:British	19.22%
White:English	0.10%
White:Irish	1.29%
White: Any Other White Background	4.39%
White:Unknown	2.65%
Black Or Black British:African	2.72%
Black Or Black British:Caribbean	2.70%
Black Or Black British:Unknown	0.22%
Black Or Black British:Other Black	1.30%
Black Or Black British:Somali	3.40%
Black Or Black British:Other African	0.51%
Asian Or Asian British:Pakistani	0.52%
Asian Or Asian British:Bangladeshi	46.09%
Asian Or Asian British:Indian	0.74%
Asian Or Asian British:Vietnamese	0.65%
Asian Or Asian British:Chinese	0.57%
Asian Or Asian British:Other Asian	1.40%
Asian Or Asian British:Unknown	2.39%
Dual:Black African & White	0.56%
Dual:Black Caribbean & White	0.33%
Dual:Other	0.26%
Dual:Asian & White	0.15%
Any Other Ethnic Group	0.68%
Refused	6.92%
Unknown:Unknown	0.11%

100%

Table 2 - Tenant profile by Gender

Gender	% of tenants
Female	54.98%
Male	44.91%
Unknown	0.11%

100%

Table 3 - Tenant profile by Age

Age band	% of tenants
16-19	0.2%
20-29	16%
30-39	27%
40-49	20%
50-59	15%
60-69	9%
70+	13%

100%

Table 4 - Tenant profile by Disability

Disability	% of tenants
Not disabled	81.51%
Disabled	18.49%
100%	

Table 5 - Tenant profile by Faith

Religion or belief	% of tenants
MUSLIM	48.51%
Prefer not to say	25.63%
CHRISTIAN	17.39%
NORELIGION	6.73%
JEWISH	0.60%
BUDDHIST	0.40%
OTHER	0.38%
HINDU	0.20%
SIKH	0.16%
100%	

Table 6 - Tenant profile by Orientation

Sexual orientation	% of tenants
HETEROSEX	61.02%
Prefer not to say	38.17%
BISEXUAL	0.40%
GAY	0.36%
LESBIAN	0.06%
100%	

Table 7 - Tenant profile by Gender Re-assignment

Gender reassignment	% of tenants
Gender as assigned at birth	58.10%
Prefer not to say	41.67%
Gender reassigned	0.23%
100%	

Table 8 - Tenant profile by Marriage /Civil Partnership

Marriage and civil partnership	% of tenants
Married	86.95%
Single	9.71%
Separated Marriage/Civil Partnership	1.79%
Widowed	0.55%
Divorced	0.51%
Co-Habiting	0.46%
Refused	0.04%
100%	

Table 9 - Pregnancy & Maternity

Pregnancy and maternity	42 households with expected babies
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Agenda Item 10.5

Committee/Meeting: CABINET	Date: 09 January 2013	Classification: Unrestricted	Report No: CAB 69/123
Report of: Corporate Director: Resources Originating officer(s) Hugh Sharkey, Service Head Procurement and Corporate Programmes Resources Ext 4608		Title: Contracts Forward Plan Wards Affected: All	

Lead Member	Resources
Community Plan Theme	One Tower Hamlets
Strategic Priority	Resources

1. **SUMMARY**

- 1.1 The Council's Procurement Procedures require a quarterly report to be submitted to Cabinet, laying down a forward plan of supplies and services contracts over £250,000 in value, or capital works contracts over £5 million. This provides Cabinet with the visibility of all high value contracting activity, and the opportunity to request further information regarding any of the contracts identified. This report provides the information for period Q3 of the Financial Year, covering October, November and December.
- 1.2 Only contracts which have not previously been reported are included in this report.
- 1.3 The HR service for recruitment of temporary workers will rely on the London Councils' MSTAR (managed service to temporary agency resources) collaboration framework. The framework will be accessed for the new in-house temporary worker recruitment service which will go live in April 2013. The contract spend will be approx. £15,000,000 annually and the contract will have a 36 month duration.

2. **DECISION REQUIRED:**

The Mayor in Cabinet is recommended to:-

1. consider the contract summary at Appendix 1, and identify those contracts about which specific reports – relating either to contracting

strategy or to contract award – should be brought before Cabinet prior to contract award by the appropriate Chief Officer for the service area;

2. authorise the relevant Corporate Director who holds the budget for the service area to award the contract or contracts following consultation with the Assistant Chief Executive (Legal Services) on the relevant terms and conditions of contract; and
3. authorise the Assistant Chief Executive (Legal Services) to execute all necessary contract documents in respect of the awards of contracts referred to at recommendation 2 above.

3. REASONS FOR THE DECISIONS

- 3.1 The Council's Procurement Procedures require submission of a quarterly forward plan of contracts for Cabinet consideration, and it is a requirement of the Constitution that "The contracting strategy and/or award of any contract for goods or services with an estimated value exceeding £250,000, and any contract for capital works with an estimated value exceeding £5,000,000, shall be approved by the Cabinet in accordance with the Procurement Procedures". This report fulfils these requirements for contracts to be let during the period Q4 of the Financial Year and beyond.

4. ALTERNATIVE OPTIONS

- 4.1 As bringing a consolidated report on contracting activity is considered the most efficient way of meeting the requirement in the Constitution, whilst providing full visibility of contracting activity, no alternative proposals are being made.

5. BACKGROUND

- 5.1 This report provides the forward plan for the period Q4 of the Financial Year and beyond in Appendix 1, and gives Cabinet Members the opportunity to select contracts about which they would wish to receive further information, through subsequent specific reports.

6. FORWARD PLAN OF CONTRACTS

- 6.1 Appendix 1 details the new contracts which are planned during the period Q4 of the Financial Year and beyond. This plan lists all of the new contracts which have been registered with the Procurement Service, and which are scheduled for action during the reporting period.

Contracts which have previously been reported are not included in this report. Whilst every effort has been made to include all contracts which are likely to arise, it is possible that other, urgent requirements may emerge. Such cases will need to be reported separately to Cabinet as individual contract reports.

- 6.2 Cabinet is asked to review the forward plan of contracts, confirm its agreement to the proposed programme, and identify any individual contracts about which separate reports (relating either to contracting strategy or to contract award) will be required before proceeding.
- 6.3 Equalities and diversity implications and other One Tower Hamlets issues are addressed through the Council's Tollgate process which provides an independent assessment of all high value contracts, and ensures that contracting proposals adequately and proportionately address both social considerations and financial ones (such as savings targets). The work of the Competition Board and the Procurement Service ensures a joined-up approach to procurement.
- 6.4 The Tollgate process is a procurement project assurance methodology, which is designed to assist in achieving successful outcomes from the Council's high value contracting activities (over £250,000 for revenue contracts, and £5,000,000 for capital works contracts). All Tollgate reviews are reported to Competition Board, and when appropriate contract owners are interviewed by the Board; contracts require approval of the Board before proceeding.

7. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 7.1 This report describes the quarterly procurement report of the forward plan for Q4 of the Financial Year and beyond to be presented to Cabinet for revenue contracts over £250,000 in value and capital contracts over £5 million.
- 7.2 Approximately £ 45,000,000 of goods and services will be procured from external suppliers over the period Q4 of the Financial Year and beyond.

Consideration of the plan by Cabinet operates as an internal control and also provides the opportunity for the Mayor to comment on specific procurements at an early stage.

8. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE(LEGAL SERVICES)

- 8.1 The Council has adopted financial procedures for the proper administration of its financial affairs pursuant to section 151 of the Local Government Act 1972. These generally require Cabinet approval for expenditure over £250,000. In November 2009, Cabinet approved the procurement procedures, which are designed to help the Council discharge its duty as a best value authority under the Local Government Act 1999 and comply with the requirements of the Public Contract Regulations 2006. The procurement procedures contain the arrangements specified in the report under which Cabinet is presented with forward plans of proposed contracts that exceed the thresholds in paragraph 3.1 of this report. The arrangements are consistent with the proper administration of the Council's financial affairs.

9. ONE TOWER HAMLETS CONSIDERATIONS

9.1 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.

10. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

10.1 Contracts are required to address sustainability issues in their planning, procurement and management. This is assured through the Tollgate process, and supported through the Procurement Service’s corporate social responsibility work stream.

11. RISK MANAGEMENT IMPLICATIONS

11.1 Risk management is addressed in each individual contracting project, and assessed through the Tollgate process.

12. CRIME AND DISORDER REDUCTION IMPLICATIONS

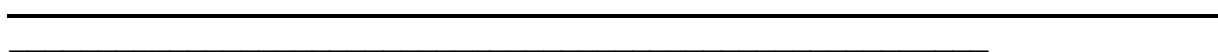
12.1 There are no specific crime and disorder reduction implications.

13. EFFICIENCY STATEMENT

13.1 Contract owners are required to demonstrate how they will achieve cashable savings and other efficiencies through individual contracting proposals. These are then monitored throughout implementation.

14. APPENDICES

Appendix 1 – New Contracts Planned :Q4 of the Financial Year and beyond.



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

List of “Background Papers” used in the preparation of this report

Brief description of “background papers” Name and telephone number of holder and address where open to inspection.

None

N/A

Appendix one – new contracts planned : Q4of the Financial Year and beyond

All contract values are estimated.

This presents information by directorate and by time.

This reflects the decisions of the Mayor regarding durations of contracts.

<i>Directorate and contract</i>	<i>Contract value</i>	<i>Scope of contract</i>	<i>Duration of new contract, or * contract extension</i>	<i>Funding</i>	<i>Planned date for Invitation to Tender or * contract signature or **contract notice</i>	<i>Category</i>
Resources R4414	<i>£250,000 annually</i> <i>£500,000 total</i>	Various insurances for : <ul style="list-style-type: none"> • Terrorism • Fidelity Guarantee • Motor • Engineering Insurance & Inspection • Commercial Property • School Journey . 	24 months	Revenue	** December 2012	Corporate Services and Soft FM

<i>Directorate and contract</i>	<i>Contract value</i>	<i>Scope of contract</i>	<i>Duration of new contract, or * contract extension</i>	<i>Funding</i>	<i>Planned date for Invitation to Tender or * contract signature or **contract notice</i>	<i>Category</i>
		<p>These policies are to be procured through the ILC. Tower Hamlets is a member of ILC.</p> <p>The ILC is a formal body set up under an S101 Agreement with Croydon as the Accountable Body. Croydon will undertake the tender competition on behalf of the ILC members.</p>				
Resources R4357	<i>£3,500,000, total</i>	<p>Leaseholder insurance :</p> <p>These policies are to be procured through the ILC. Tower Hamlets is a member of ILC.</p>	24 months + option to extend for 12 months	revenue	* February 2013	Corporate Services and Soft FM

<i>Directorate and contract</i>	<i>Contract value</i>	<i>Scope of contract</i>	<i>Duration of new contract, or * contract extension</i>	<i>Funding</i>	<i>Planned date for Invitation to Tender or * contract signature or **contract notice</i>	<i>Category</i>
		<p>This insurance relates to those properties that have been sold to tenants on a 'right to buy' basis. It is a condition of the leases that the Council arranges insurance to ensure that if there is any damage funds are available to restore the properties– this insurance excludes contents and tenanted properties.</p> <p>The insurance ensures that the Council is not exposed to uninsured risks, includes 'common parts' such as stairwells and hallways and alleviates any administrative issues around leaseholders arranging their own insurance (i.e. seeing proof of cover).</p>				

<i>Directorate and contract</i>	<i>Contract value</i>	<i>Scope of contract</i>	<i>Duration of new contract, or * contract extension</i>	<i>Funding</i>	<i>Planned date for Invitation to Tender or * contract signature or **contract notice</i>	<i>Category</i>
		The award of this contract is subject to a Section 20 consultation procedure with Leaseholders				
Chief Executive CE3878	<i>£1,300,000 annually</i> <i>£3,900,000 total</i>	<u>Print and design framework</u> This is a new contract intended to bring together all council print and design work into one place to leverage savings, to ensure that procurement best practice is followed and to ensure an integrated approach to communications assets.	24 months + option to extend for 12 months	Revenue	* April 2013	Corporate Services and Soft FM

<i>Directorate and contract</i>	<i>Contract value</i>	<i>Scope of contract</i>	<i>Duration of new contract, or * contract extension</i>	<i>Funding</i>	<i>Planned date for Invitation to Tender or * contract signature or **contract notice</i>	<i>Category</i>
		<p>The contract is to provide opportunities to local suppliers in Tower Hamlets borough and across the ELS sub-region.</p> <p>Up to ten suppliers, including local organisations will be admitted to the print and design framework to meet Tower Hamlets' needs.</p> <p>The contract will rely on mini-competitions between these 10 companies in exchange for exclusive access to all council business over a fixed term and will be managed through separate but specific software facilitating instant time for time pricing</p>				

<i>Directorate and contract</i>	<i>Contract value</i>	<i>Scope of contract</i>	<i>Duration of new contract, or * contract extension</i>	<i>Funding</i>	<i>Planned date for Invitation to Tender or * contract signature or **contract notice</i>	<i>Category</i>
Chief Executive CE4364	<i>£350,000 annually</i> <i>£1,400,000 total</i> <i>(LBTH spend only)</i>	<p>Contract for the inter-borough council publications print contract which covers the print of EEL.</p> <p>The current contract will expire in March 2013.</p> <p>The contract has four boroughs collaborating together Hackney, Greenwich, Waltham Forest and Tower Hamlets. We are leading the procurement .</p> <p>The framework will be tendered on</p>	48 months	revenue	* April 2013	Corporate Services and Soft FM

<i>Directorate and contract</i>	<i>Contract value</i>	<i>Scope of contract</i>	<i>Duration of new contract, or * contract extension</i>	<i>Funding</i>	<i>Planned date for Invitation to Tender or * contract signature or **contract notice</i>	<i>Category</i>
		<p>the basis that other boroughs can join later up to a maximum tender sum.</p> <p>The contract will covers the print of papers and magazines.</p>				
Communities Localities & Culture CLC 4383	<p><i>£600,000 annually</i></p> <p><i>£1,800,000 total</i></p>	<p>Community Alcohol service</p> <p>Main alcohol service commissioned to provide a range of tier 2 and 3 services to alcohol users including key working, counselling and access to community and inpatient</p>	36 months	NHS ELC Mainstream	*1-04-2013	Care & Commissioning

Directorate and contract	Contract value	Scope of contract	Duration of new contract, or * contract extension	Funding	Planned date for Invitation to Tender or * contract signature or **contract notice	Category
		detox and residential rehabilitation				
Adults Health & Wellbeing AHWB 4396	<i>£6,104,000 annually</i> <i>£18,300,000 total</i>	Dom Care Framework : Domiciliary Care Preferred provider framework (seeking approximately 16 suppliers from whom services are to be spot purchased)	36 months + option to extend up to 12 months	Revenue	March 2013	Care & Commissioning
Development & Renewal DR4370	£450,000 annually £1,350,000 total	Office equipment : replacement of printers and MFDs. It is anticipated that this contract will be managed by our strategic partner (Agilisys). Should this not be possible it will be procured via a GPS framework using a mini-competition among the	Equipment and equipment support will be for 36 months	revenue	December 2012	Corporate Services and Soft FM

<i>Directorate and contract</i>	<i>Contract value</i>	<i>Scope of contract</i>	<i>Duration of new contract, or * contract extension</i>	<i>Funding</i>	<i>Planned date for Invitation to Tender or * contract signature or **contract notice</i>	<i>Category</i>
		<p>four framework suppliers.</p> <p>This will include replacing the current stock of MFDs and printers, located around the council's main sites and with our schools having the option to access the new contract.</p>				

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Agenda Item 10.6

Committee: Cabinet	Date: 9 th January 2013	Classification: Unrestricted	Report No: CAB 71/123	Agenda Item: 10.6
Report of: Corporate Director of Resources Originating officer(s): Alan Finch- Service Head, Financial Services, Risk and Accountability		Title: Procurement Policy Imperatives Wards Affected: ALL		

Lead Member	Cllr Alibor Choudhury (Cabinet Member for Resources)
Community Plan Theme	One Tower Hamlets
Strategic Priority	Ensuring Value for Money across the Council

1. SUMMARY

- 1.1. Tower Hamlets Council spends approximately £445m each year with a wide range of suppliers on a diverse range of works, goods and services. The way the Council sets about procuring these inputs is more than just a matter of compliance; it directly impacts the way the Council delivers and demonstrates value for money and can be a major lever in the way the authority delivers its policy priorities.
- 1.2. The attached Procurement Policy Imperatives document sets out the approaches the authority intends in the forthcoming period to ensure these benefits are delivered.

2. RECOMMENDATIONS

The Mayor in Cabinet is asked to note the Procurement Policy Priorities.

3. REASONS FOR THE DECISIONS

The way the Council sets about procuring works, goods and services is important to achieving compliance with legislation, delivering and demonstrating value for money and delivering its policy priorities.

4. ALTERNATIVE OPTIONS

The approach of public sector organisations to procurement is primarily governed by UK and EU law and the need to find substantial savings over the forthcoming period. Within that, the authority can set its own priorities in relation to the lawful objectives it sets out to achieve through its procurement processes.

5. BACKGROUND

The attached Procurement Policy Objectives document is the Council's plan for the procurement of works, goods and services for the financial years 2012-2015. The public sector and most importantly Tower Hamlets Council is operating in an economic climate that has, and will, continue to affect the provision of Council services.

Tower Hamlets is currently the third most deprived authority in England and the second most deprived in London and is faced with one of the largest savings targets in the country as a result of the Government's austerity measures.

The policy priorities set out to achieve seven objectives;

- **To deliver savings and provide value for money:** helping the Council meet the future financial pressures resulting from a reduction in central government grant.
- **To create local employment and training opportunities:** incorporating provisions in contracts for local workforce, training and apprenticeship opportunities and helping contractors to use local services.
- **To support local businesses, especially SME and alternative providers:** making processes more transparent and accessible.
- **To promote workforce diversity and equality of opportunity:** incorporating provisions around our 'Workforce to reflect the Community' policy in contracts, and providing support for BME businesses.
- **To promote Fair Employment Practices:** seeking to incorporate in our contracts the payment of Living Wage and promoting good workforce practices.
- **To promote ethical sourcing, including fair-trade products:** seeking to ensure procured products are produced ethically throughout the supply chain and in all Council services and buildings.

- **To promote environmental sustainability:** seeking to reduce waste and emissions and consider 'Whole Life Costs' of products when evaluating tenders.

The Procurement Policy Imperatives follow the procurement approach agreed previously as part of the Council's Procurement Strategy.

6. COMMENTS OF THE CHIEF FINANCIAL OFFICER

Procurement procedures are geared to enabling the Council to exercise best value in procuring works, goods and services, ensuring compliance with laws and best practice, preventing fraud and corruption in public service contracts and supporting the delivery of the Council's policy objectives. The Procurement Policy Imperatives will be implemented so that they deliver these objectives.

7. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL)

- 7.1. In November 2009, Cabinet approved the procurement procedures, which are designed to help the Council discharge its duty as a best value authority under the Local Government Act 1999 and comply with the requirements of the Public Contract Regulations 2006 (as amended). The procurement procedures detail the practical steps which ensure the Council's procurements remain within the legal constraints and are consistent with the proper administration of the Council's financial affairs.
- 7.2 The attached Procurement Policy Imperatives document sets out the approaches the authority intends to follow in the forthcoming period to ensure these benefits are delivered. It follows closely the new Public Services (Social Values) Act 2012 which is about to be implemented. Under this Act, the Council is required to consider how the services they commission and procure might improve the economic, social and environmental well-being of the area. It applies to all public services contracts and those public services contracts with only an element of goods or works. It doesn't apply to public work contracts or public supply (goods) contracts.
- 7.3 The Act requires the authority, at the start of a procurement, to consider if it should consult on the best way to achieve the improvement of the economic, social and environmental well-being of the area. It sits alongside other procurement laws but does not override them so care will need to be taken on the extent to which it can be adopted. Value for money remains the over-riding factor that should determine all public sector procurement decisions. However, there is a growing understanding of how value for money is calculated, and how "the whole-life cycle requirements" can include social and economic requirements. The new legislation reinforces the best practice of what can already take place.

7.4 The Council has a duty of Best Value under Section 3 of the Local Government Act 1999. By virtue of this duty it is required to ensure continuous improvement all its dealings. For local authorities, under their duty to achieve best value they must already consider social, economic and environmental value. The Best Value Statutory Guidance has been updated to take account of the Act.

8. **ONE TOWER HAMLETS CONSIDERATIONS**

The Procurement Policy Imperatives set out in detail how they will support One Tower Hamlets Considerations

9. **SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

The Procurement Policy Imperatives set out in detail how they will support environmental sustainability.

10. **RISK MANAGEMENT IMPLICATIONS**

A key objective of Council procurement procedures is to ensure that works, goods and services are procured in accordance with legislation and best practice and that controls are in place to manage risk.

11. **CRIME AND DISORDER REDUCTION IMPLICATIONS**

Council procurement processes include controls that discourage or limit the impact of fraud and corruption in the award of public contracts.

12. **EFFICIENCY STATEMENT**

A key objective of Council procurement procedures is to ensure that works, goods and services are procured in accordance with best value and the authority is thereby able to demonstrate value for money.

13. **APPENDICES**

Appendix 1 - Policy Procurement Initiatives

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

LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT

Brief description of "Background Paper"

None

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Procurement Policy Imperatives

2012-2015

London Borough of Tower
Hamlets

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A message from the Mayor of Tower Hamlets

This plan outlines the Council's priorities and approach for all future procurement activity. The Council currently spends around £445m annually with around 13,250 suppliers, which represent tremendous opportunities to realise benefits for this borough.

In view of the reduction in our central government funding and the difficult economic climate, it is vital that we seize on this opportunity to establish this Council as a leader in the field of ethical, sustainable and fair procurement; whilst securing value for money, and using our processes to stimulate the local economy and workforce.

To achieve this, the Procurement Plan will promote the following principles to be mainstreamed throughout the Council's procurement work:

To provide value for money: helping the Council meet the future financial pressures resulting from a reduction in our central government grant.

To support local businesses, especially SME and alternative providers including the third sector: making our processes more transparent and accessible. We will provide training on accessing our procurement processes for local SMEs and third sector organisations, and analyse contracts to ensure that, where practical, they are of a small enough size to allow these organisations to bid.

To support third sector organisations: We will work with the Tower Hamlets Council Voluntary Services to provide third sector organisations with training and support to access Council contracts.

To create local employment and training opportunities: incorporating provisions in our contracts for local workforce, training and apprenticeship opportunities and helping our contractors to use council services, such as Skillsmatch and East End Life, to advertise and recruit job opportunities.

To promote diversity and equality of opportunity: incorporating provisions around our 'Workforce to reflect the Community' policy in contracts, and providing support for BME businesses.

To promote Fair Employment Practices: incorporating in our contracts the payment of Living Wage and promoting the unionisation of the workforce.

To promote ethical sourcing, including fair-trade products: ensuring procured products are produced in accordance with child labour, health and safety and working hour laws and promoting fair-trade products throughout the supply chain and in all Council services and buildings.

To promote environmental sustainability: We will seek to reduce waste and emissions, remain a signatory of the Mayor of London's Green procurement Code and consider 'Whole Life Costs' of products when evaluating tenders.

Whilst we are setting a high bar with these principles, I have high expectations of the Council and our partners' ability to deliver them.

Lutfur Rahman

1.0 Introduction

This document is the Council's plan for the procurement of works, goods and services for the financial years 2012-2015. The public sector and most importantly Tower Hamlets Council is operating in an economic climate that has, and will, continue to affect the provision of Council services.

Tower Hamlets is currently the third most deprived authority in England and the second most deprived in London. However our economy is estimated to be worth in excess of £6 billion annually and provides some 200,000 jobs, or 5% of London's total employment. In the last decade employment has grown by 60% in Tower Hamlets – four times more than the rate of London as a whole. There are now around 60,000 more jobs than there are residents of working age in the borough.

Over the next twenty years the employment level is expected to grow by at least 50,000. Despite this growth, less than 20% of jobs in the borough are taken by residents; the others are filled by people commuting in for work.

Unemployment in the borough is currently at 12.9%, almost 50% more than the London average of 8.9%. Less than 70% of our male residents are in work or are looking for work, and for female residents the figure is 55.8%. A quarter of borough residents – twice the London average – have no qualifications and over 40% of these are not in work.

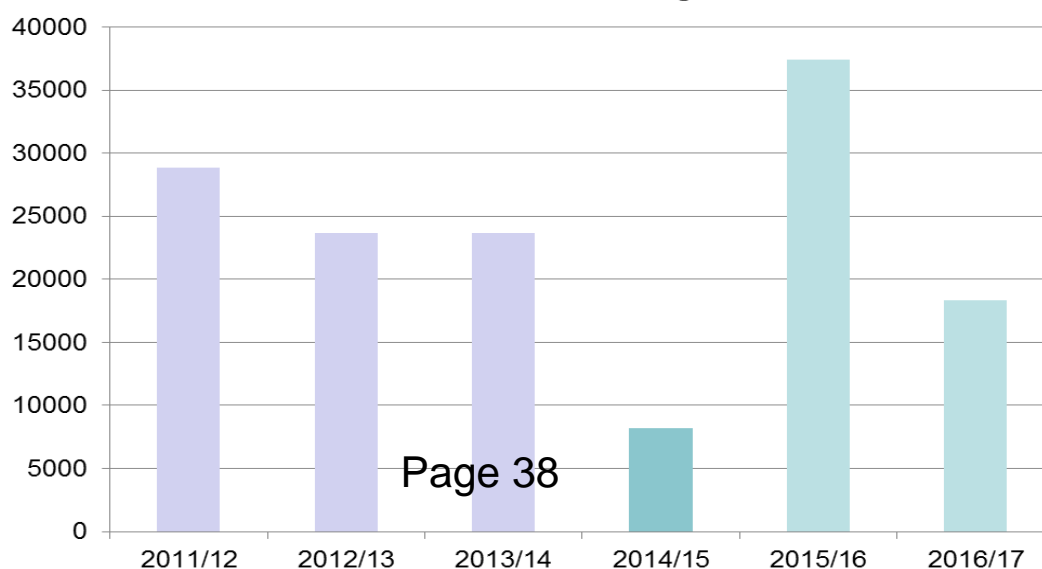
2.0 Policy Imperatives

This document sets out the policy priorities and operating framework to be taken into account by the organisation in procuring works, goods and services. It supports the Medium Term Financial Plan and will achieve better social, economic and environmental outcomes to the benefit of the Tower Hamlets Community.

Imperative number 1: delivering budget efficiencies and providing value for money

By the end of 2013/14, the Council will have delivered £88m in planned savings since the start of Government cuts in 2010 and we anticipate at least a further £57m will be required by the end of 2016-17. By the end of 2016-17 the Council's budget will have reduced in total by 45% in real terms.

LBTH- Annual Savings



Tower Hamlets spends approximately £445m annually with around 13,250 suppliers on a diverse range of goods, works and services. It is inevitable that much of the savings target will be driven through better procurement, and supporting the Council's main priority of maintaining a balanced budget and ensure sustainable services are provided by the organisation.

Most of the Council's procurement activities will be targeted towards savings, with additional activities to drive out additional value that will help release resources elsewhere. This will involve ensuring that existing contracts continue to offer value for money and are actively managed as well as ensuring that new procurements optimise value and, where appropriate, include commercial targets for cost savings and service improvement.

The approaches that will be taken will depend upon individual contracts that the Council is to procure and the outcomes to be achieved.

It is an imperative of this procurement approach to ensure that cost reductions are achieved through the procurement process and the Council achieves cashable savings. These will be achieved by enhancing the Category and Contracts Management role, to provide an enhanced combination of support and challenge to the Council's procurement practitioners.

Imperative number 2: Create local employment and training opportunities

Where legally appropriate, we will include Community Benefit clauses to encourage a more innovative approach to procurement across the organisation. Specifically, their inclusion will aim to lead to the permanent employment of formerly non-working people, as well as provide training and work placements for young people, especially graduates. This will lead to a positive cycle of experiences for these people, and in so doing helping to support the regeneration of deprived areas in the borough. In particular:

We will strive to incorporate provisions in contracts aimed at creating net new jobs and provide new training opportunities. By 2015 we aim to have created at least 300 net new jobs for borough residents.

We will help our contractors to use Council services, such as Skillsmatch and East End Life, to advertise job opportunities.

Case Study: ICT

During 2012 Tower Hamlets entered into ground-breaking, seven-year strategic partnership with ICT Firm Agilisys that will create 250 permanent jobs and more than 1,000 vocational training opportunities for Tower Hamlets residents. The deal will also help the council secure over £29 million in back office ICT cost savings over the next seven years in a partnership designed to protect frontline services and local public sector jobs. In addition the council and Agilisys will create a pioneering new Apprenticeships Institute to drive economic opportunities for young people. Based in the borough, the Institute will become a centre of excellence for the training, development and

work-placement of apprentices with public, private and third sector employers in Tower Hamlets and across London.

Agilisys, one of the UK's most innovative IT and business services providers, today announced it has been selected by Tower Hamlets for a ground-breaking, seven-year strategic partnership that will create 250 permanent jobs and more than 1,000 vocational training opportunities for Tower Hamlets residents.



The £70m partnership will also help to implement the council's new back office Finance and HR systems, as well as support their broader transformation programme.

Imperative number 3: Support local businesses, especially SME businesses and alternative providers

Our commitment to a more prosperous community means that it is essential to build on the important work we have already delivered in supporting local businesses and local employment through procurement. Opportunities for, and opportunities in, contracts must be found to develop trade with local firms, both as first-tier suppliers, and through the supply chains of our major contractors.

Spend with local suppliers was approximately £98,500,000 or 22 % of total contract spend in 2011-12. Our policy aims increase the amount of local spend to 40%, directly and indirectly through the supply chains of major contractors of the Council, by financial year 2014-2015. We will increase local spend by specifying the inclusion of local business content in our direct contracts and as part of the supply chain of major contractors.

This is a significant and difficult challenge. The majority of contracts in the council are with national organisations and they are focused on doing business with both national and local government. We must know more about the capacity of businesses in the borough and their suitability to deliver sustainable outcomes within the legal framework for public sector procurement. We will address this by creating a database of the industrial capacity in the borough, identifying local businesses and their ability to do work for the council and its major contractors. This database will become a key asset in supporting local businesses.

The database of our industrial capacity will assist greatly in stimulating our local economy, reducing the size and complexity of our contracts and assist in creating business opportunities for smaller local contractors to win.

Case Study: Decent Homes Contracts

Over the last two years the Council has embarked upon the procurement of its £133.9m. Decent Homes programme. This began in June 2011 with a mini-tendering exercise to deliver the first two years' programme.

In early 2012/13, the Council and Tower Hamlets Homes initiated an OJEU and leaseholder compliant framework for the third, fourth and fifth years of the programme. The framework was designed to maximise the community benefits from this large value contract. Firstly contract packages were split into smaller lots, allowing smaller local suppliers the opportunity to deliver some elements of the work. Secondly suppliers were asked to offer community benefits from the work, against set minimum standards.

Benefits include 240 apprenticeships, adult work experience places, meet the buyer events for smaller businesses, 20% of all contracted work to go to businesses in Tower Hamlets, and local labour commitments.

Imperative number 4: Promote workforce diversity and equality of opportunity

Where commercially possible, we will incorporate into our contracts provisions to ensure operational compliance with the Council's Workforce to Reflect the Community aspirations. During 2012/13 we will encourage existing suppliers to provide the Council with workforce equalities data to ensure our aspirations can be tracked and tested.

Imperative number 5: Promote fair employment practice including implementation of the London Living Wage.

Having been a signatory to the London Living Wage (LLW) campaign since 2008, the Council has paid all directly-employed staff and agency temps at a rate at or above the LLW since then and is recognised as one of the top five Local Authorities in adopting the London Living Wage.

In December 2011 the Council formally implemented its LLW policy. In 2011, 28 contracts, valued at approx. £77,000,000 included the LLW. Since this time we have added a further nine contracts bringing a total 37 contracts, valued at approx. £123,000,000 in calendar year 2012. The implementation of the LLW is a feature of all strategic contracts and will be considered on a case by case basis for inclusion in contracts. So far this case by case approach has reaped a 100% success rate in ensuring contractual compliance with the Living Wage.

Case Study: London Living Wage in Domestic Care Contracts

Our contractual arrangements for domiciliary care include 8 block contracts each with an annual volume of 60,000 and let for a three year period (2012 – 2015) combined with a Framework to which 16 suppliers were appointed and from which packages of care can be spot purchased. It is difficult to completely accurately predict demand for domiciliary care, but we expect to commission around 1million hours of care per annum in total, so around 520,000 hours via the Framework. The Framework has been set up for one year (2012 – 2013) so a further tender exercise will be undertaken in 2013.

The block contracts were let on a fixed-price basis for the three year duration (but see LLW arrangements below) and the average unit price achieved was £13.75 per hour. The average unit price achieved across the Framework was £13 per hour (the shorter duration to which the price will apply explains this differential), and the combined average is £13.35. Assuming 1million hours of care commissioned per annum that gives an annual value of c£13.35million.

The payment of LLW to all staff wholly or substantially engaged in the delivery of service under these contracts is a contractual requirement. Compliance with this requirement will be monitored in a variety of ways, with monitoring officers engaging directly with care staff, having access to payroll information, checking advertised pay rates and other similar methods. Any identified failure to pay LLW will be treated as a breach of contract and addressed accordingly. The successful suppliers across both the block and Framework contracts have, however, been largely positive about the requirement to pay LLW, and believe, as we do, that it will aid in the recruitment and retention of high quality local employees. Domiciliary care suppliers generally have starting salaries which reflect the National Minimum Wage, so in the case of these contracts it is clear that LLW has a positive impact for employees.

LLW is subject to annual review by the Mayor of London, and was recently (October 2012) increased from £8.30 per hour to £8.55 per hour. Contractual rates are therefore being adjusted to reflect this increase, and this creates a full-year pressure of c£250k.

Imperative number 6: Promote ethical sourcing, including fair-trade products

The Council is committed to the use of ethically sourced products and this plan will support their inclusion by including their use in contract requirements. Ethically sourced products will be considered as part of the evaluation criteria in the award of new contracts.

Imperative number 7: Promote environmentally sustainable products and businesses

A new EU Timber Regulation entered into force on 2 December 2010. On 3 March 2013, it will be illegal to market illegally harvested timber and timber products throughout the EU. The legislation requires that the supply chain keeps track of who timber, or timber products were bought from and where applicable, who they were sold to. To comply with the legislation all timber and wood-derived products must be from only :

- Independently verifiable legal and sustainable sources; or
- Forest Law Enforcement Governance and Trade [FLEGT] licensed timber or equivalent sources.

We will specify requirements for the supply and use of timber and wood-derived products in performing the contract to the effect that all timber and wood-derived products originate from either legal and sustainable sources, or FLEGT-licensed or equivalent sources. We may reject proposals that do not offer independent verification that timber and wood-derived products to be used in a contract meets this requirement.

The Council has achieved World Wildlife Foundation Bronze status for responsible timber procurement and in this plan will strive to achieve Silver status by 2015.

The Council is committed to achieving a zero waste borough. This means sustainable design, avoiding the unnecessary use of raw materials, waste prevention, high levels of recycling and composting and reducing the use of landfill to a minimum. This plan considers the impact of procurement on the environment and will support the reduction of greenhouse gas emissions in the borough.

In our new build programmes we will specify clear metrics and performance levels in their funding criteria and procurement requirements that commit to continual improvement towards zero waste in the borough.

We shall require the use and procurement of recycled commodities in our contracts and by our major contractor's supply chain in respect of paper and building products.

The cost of energy continues to rise and it has become an annual concern that our tenants cannot afford to pay for energy to heat their homes. In new Council buildings and homes we will include a mandatory requirement to introduce an energy efficiency action plan for these buildings and thereby reduce their cost of energy and their carbon footprint.

3.0 Delivering these imperatives

3.1 The Team

So that the Council can continue to influence, shape and achieve the Council’s objectives it is recognised that an effective and efficient procurement service will remain a key component of the Council’s ability to achieve its objectives.

The delivery of this plan requires three key constituents :

- Strong and visible Councillor support;
- Skilled, motivated and capable officers; and
- Access to simple, easy to use tools, processes and systems.

Our policies are member led and delivered by officers across the Council, supported by the Corporate Procurement Service.

Procurement in Tower Hamlets is performed through a devolved approach and a strategic approach. The ability to purchase has been devolved so that many officers of the Council buy low value and low risk commodities. Where commodities are strategic with higher value and higher risks then the Corporate Procurement Service provides resource to support these procurement activities.

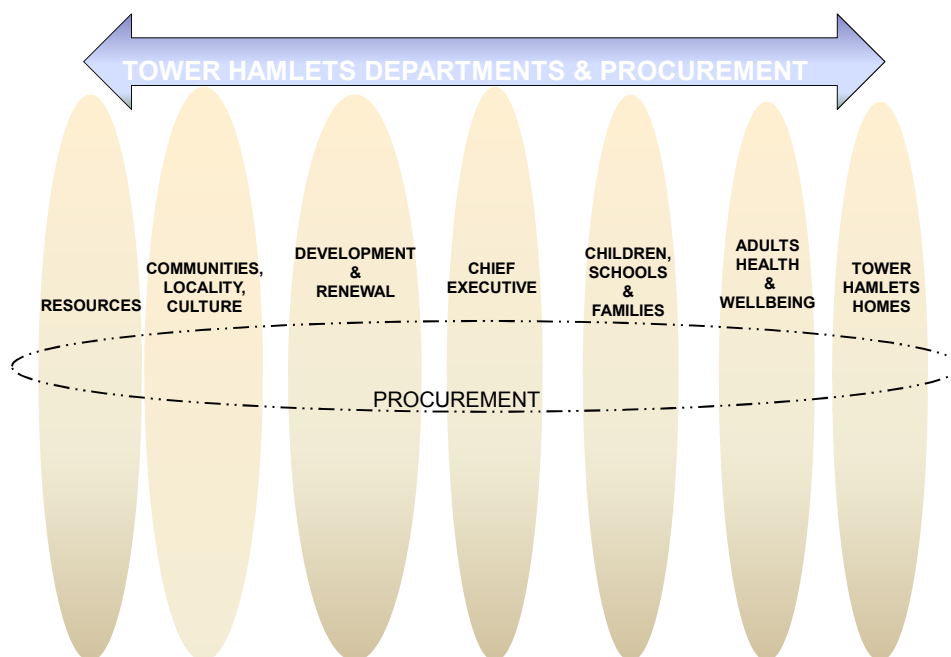


Figure 1

The Corporate Procurement Service provides the strategic and corporate leadership, policy, advice and support to the Council in its commissioning and procurement activities, overseeing the Council’s engagement with its external supply base.

3.2 Legislation : the Framework for Public Sector Procurement

The Treaty on the functioning of the European Union applies to all procurement activity regardless of value, including contracts below the thresholds at which advertising in the Official Journal of the European Union is required and including contracts which are exempt from application of the EU Procurement Directives.

The fundamental principles flowing from the Treaty include:

- transparency - contract procedures must be transparent and contract opportunities should generally be publicised;
- equal treatment and non-discrimination - potential suppliers must be treated equally;
- proportionality - procurement procedures and decisions must be proportionate; and
- mutual recognition - giving equal validity to qualifications and standards from other Member States, where appropriate.

All of the Council's procurement activity takes place within this framework.

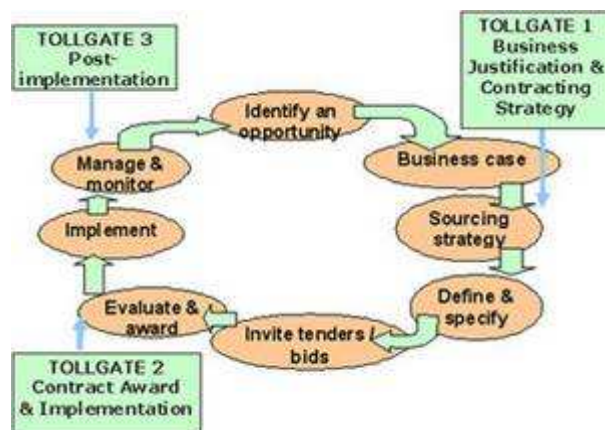
3.3 Governance

Effective and efficient procurement in Tower Hamlets relies on a coordinated approach involving commissioners, particularly in their knowledge in specifying outcomes required, the support of our legal services in the provision of contractual and legal advice and the provision of appropriate terms and conditions of contract and also the financial support from colleagues in financial services.

Cabinet Members advice is sought at the initial stage of designing the tender brief and document.

We use a Tollgate approach. See figure 1 below. The approach requires commissioning managers to consider all of the policy imperatives set out in this document. Governance is provided by the Council's competition board and competition working group to ensure all imperatives have been properly considered.

Figure 1: Tower Hamlets Tollgate Approach



In order to structure and record the decisions of the board and so that Commissioning managers can evidence their considerations, managers are required to complete checklists that can be reviewed at Toll Gate 1 and Tollgate 2. Copies of these can be found at Appendix A.

3.4 Member participation

Our policy imperatives will be delivered within the legislative framework for public sector procurement and our contracts are controlled through our Procurement Procedures, Tollgate process and the active participation of the Council's Elected Members.

This plan demonstrates how procurement will contribute to delivering these policy priorities, as stated by the Mayor.

Cabinet Members will also have a role in working with their directorates on designing the service specification for procured services, during the Toll Gate 1 process.

The procurement forward plan is presented to Cabinet quarterly and contains all supplies and services contracts over £0.25m and capital contracts over £5m.

3.5 Community Benefit Clauses

This plan has a range of imperatives that must be addressed in all procurement activities and by their inclusion the Council will make a difference to its community. There is potential for our procurement projects to impact on the quality of life, training, employment and investment in our local community and its longer-term regeneration.

It has become clear over recent years that there is scope within the legal framework which applies to public contracts, to use contracts to deliver wider social benefits. These opportunities are developed in this strategy to deliver a wide range of social benefits.

We shall use contractual requirements which deliver wider social benefits in addition to the prime purpose of the contract. In particular, these will be requirements in relation to targeted training and employment outcomes, that will provide apprenticeships and upskilling of workers . We will use these provisions, where legally appropriate, to insist upon payment of the London Living Wage

The application of community benefit clauses will be done on a case by cases basis. We shall ensure that community benefit clauses are mentioned in OJEU notice and throughout the procurement process. In order that they can be included in the technical assessment of tenders and in award of the contract, community benefit clauses must have a direct link to the core purpose of the contract.

To avoid any form of discrimination, including indirect discrimination, the wording of community benefit clauses must emphasise social inclusion characteristics and will not be aimed specifically at employing people from a certain locality, of a certain age or sex, etc . Indirect discrimination, to the disadvantage of non-local contractors, will not be permitted.

This plan will also provide opportunities for an enterprising third sector, by recognising the important role the third sector plays in both service delivery and in representing service users. When commissioning services we will ensure that service users and their representative groups from the

third sector are consulted in order that people-centred services will be designed for best outcomes and value for money.

We will also work with the third sector team, through the third sector strategy and with the CVS, to ensure that our third sector is helped to develop into organisations able to bid for and deliver Council contracts. We will also ensure that contracts are advertised in such a way that third sector organisations are aware of the opportunities, as we have set out for local businesses above.

We will maximise social benefit by including Community Benefit clauses in our contracts with the third sector for targeted recruitment and training as well as taking on board wider social issues such as equality and diversity.

We will improve our knowledge of and evaluations of the Social Return on Investment so that service commissioners understand better how social benefit will be maximised in a service delivery.

3.6 Working with Suppliers

3.6.1 Supplier Development

We will support supplier development of local enterprises to be ready for business. Where a new contract is to be awarded, we will provide targeted training on how to do business with the Council and how to do business with its major contractors.

For contracts with the Council, the training will be delivered directly by the Corporate Procurement service together with the contract commissioner. For contracts with a major contractor, the training will be delivered by its staff. The training to our local suppliers will be a contract requirement, to provide community benefits and thereby demonstrate fulfilling Corporate Social Responsibilities of major contractors in the borough.

Each development route will train a potential supplier on how to register for opportunities with the Council or a major contractor and be alerted for these, how to respond to selection and evaluation methods, and be aware of the approach needed to make a successful proposal.

Our supplier development will take account of the diversity of the borough taking account of its demographic profile and ensuring that BME suppliers are treated equally in being ready for business.

3.6.2 Advertising

We will advertise contract opportunities through a range of media that reaches out to all communities in the borough including local press, industry magazines, procurement portals, and our website. Our advertising will ensure that local businesses are treated fairly and that the BME organisations in the borough have an equal opportunity to be aware of potential business with, or for the council. These will be advertised as early as possible so that local businesses can contact the Council for information and to prepare for the contract opportunity.

3.7 Procurement Systems, supporting operations and capabilities

3.7.1 Payment Systems

A review of our purchase-to-pay processes in 2008 led to implementation of an e-procurement system, and this has made our payments system more efficient, consistent and improved our

payment performance. The introduction of the e-purchasing system, R2P allowed the Council to increase its efficiency in processing invoices for payment from 82% in 2008 to 95% in 2011-12. Our payment performance target is for 97% of invoices to be paid within the standard payment terms.

The organisation is transforming and in 2013-14 it will implement a new finance system. In 2014-15, as part of the new finance system, a new and easier to use Purchase – to – Pay system will replace the current R2P system and improve the efficiency of processing supplier invoices (approx. 85,000 in 2012-13).

Further improvements to how we procure our contracts will be delivered in 2013 when we implement new e-procurement systems for good management information to improve procurement functions. These will address our contract register, project management of strategic contracts, dynamic spend analysis, dynamic purchasing, e-tendering and catalogues for contract management and call off.

3.7.2 Category and Contract Management

We implemented category management processes in 2008 to deliver significantly increased savings, working with other services to contribute to a steadily increasing proportion of the Council's overall budget savings. Our categories are for Corporate Services & Soft Facilities Management, Construction and Hard Facilities Management and Care & Commissioning.

Further savings in the economic climate that the Council faces have been described above. These will be difficult to achieve without good management information and suitable management systems. Category management and spend analysis have made a substantive difference, and the introduction of contract management in December 2012 will bring further improvements in ensuring both the Council's policies are being implemented and value for money is demonstrated by Council providers.

3.7.3 Skilled, Motivated and Capable Officers

This plan relies on competent procurement practitioners, not just within the Corporate team but across the wider organisation. The Corporate Procurement service will provide training on procurement practice and legal framework for public sector procurement to Council staff and elected Members as requested. The training will include support from legal and finance services and address the key factors for success in completing the procurement journey.

The training course development will be complete by March 2013 and training sessions will begin in April 2013.

4.0 Summary

This Procurement Plan establishes a clear path for the organisation to use its procurement practices, to both contribute the overall savings targets and to bring social and economic benefits, over and above the services provided, to the residents of Tower Hamlets.

The Council is in the process of implementing many of the policy imperatives, with best practice being shared across the organisation. This plan will help to bring all elements of procurement up to the same high standards.

The impact of these policy imperatives and actions will be measured and monitored by the Corporate Procurement Team, with improvements made to enhance the delivery of the plans' imperatives.

