

Committee: Standards Committee	Date: 16 February 2010	Classification: Unrestricted	Report No:	Agenda Item:
Report of: Corporate Director of Resources Originating officer(s) Richard Parsons Service Head Procurement & Corporate Programmes		Title: Ethical Governance Protocol for Corporate Contracts Wards Affected: All		

1. **SUMMARY**

- 1.1 Reports were submitted to the Standards Committee in October 2008 and July 2009, regarding adherence to the Council's Ethical Governance Protocol by suppliers. This report updates with further progress on the adoption of the protocol by suppliers.

2. **RECOMMENDATIONS**

Standards Committee is recommended to:-

- 2.1 Note the contents of this report.

3. BACKGROUND

3.1 The Council has adopted an Ethical Governance Protocol for Council Contracts, which it requires all suppliers to follow. Since Autumn 2008, the Procurement Service has been requiring adoption of the protocol in all Tenders, and has been monitoring adoption by suppliers of the protocol. More recently, the Council has introduced its Requisition-to-Pay (R2P) e-procurement system, and it is a requirement of suppliers, in order to be set up to do business with the Council, that they comply with the protocol.

4. ADOPTION OF PROTOCOL

4.1 To date, 484 suppliers have actively confirmed their adoption of the protocol, representing approximately £227m expenditure, or 60% of total annual spend. Whilst this represents six times as many suppliers as the 78 who had signed up in July 2009, it is only an additional £29m in value compared to the £198m reported at that time. However, it should be noted that most of the Council's large suppliers were included in the 78 who had responded by July, and subsequent activity has been addressed quantity of suppliers, rather than just expenditure.

4.2 The Council's R2P system requires suppliers to be approved before they are set up on the system, and therefore before they can do business with the Council. Implementation of the system is being developed alongside a supplier rationalisation process, which will reduce the number of suppliers from the current level of over 7,000, to a much lower figure. Through using this control, it should be possible over the next year to ensure that virtually 100% of suppliers will commit to the protocol. Full rollout of the system across the Council will be completed by the end of March, although the supplier adoption activity will continue beyond that date.

4.3 However, whilst R2P is a powerful tool for ensuring suppliers' commitment to the protocol, its implementation has meant that it has not been appropriate to approach all historic suppliers to the Council, to encourage their sign-up to the protocol. The fact that we may have done business with a supplier in the past does not necessarily mean that this will continue into the future under R2P, and so it is at the point that a supplier is invited to register on R2P, that they are also required to signal their acceptance of the protocol.

5. RECOMMENDATIONS

5.1 Standards Committee is recommended to:-

- Note the contents of this report.

6. COMMENTS OF THE CHIEF FINANCIAL OFFICER

6.1 There are no financial implications.

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

7.1 There are no legal implications of this report.

8. ONE TOWER HAMLETS CONSIDERATIONS

8.1 The adoption of a standard ethical governance protocol by key suppliers is important in achieving a consistent, ethical approach in service delivery. As many of the Council's essential services are delivered by external suppliers, it is imperative that the suppliers maintain the same high standards required of the Council. Monitoring of compliance will be an ongoing activity.

9. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

9.1 There are no specific sustainability implications.

10. RISK MANAGEMENT IMPLICATIONS

10.1 The main risk management implications are in relation to reputational risk, in the event that a key supplier's ethical standards are found to be unsatisfactory.

**Local Government Act, 1972 Section 100D (As amended)
List of "Background Papers" used in the preparation of this report**

None.