


<b>Cabinet</b>  10 <sup>th</sup> July 2024	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Julie Lorraine, Corporate Director of Resources	<b>Classification:</b> Unrestricted
<b>Procurement Transformation</b>	

<b>Lead Member</b>	<b>Councillor Saied Ahmed, Cabinet Member for Resources, and the Cost of Living</b>
<b>Originating Officer(s)</b>	Abdulrazak Kassim, Director of Finance Andy Grant, Interim Programme Director of Procurement (Lumensol) Liz Adebayo, Transformation Project Manager Onyekachi Ajisafe, Assistant Transformation Project Manager
<b>Wards affected</b>	All
<b>Key Decision?</b>	No
<b>Reason for Key Decision</b>	This report has been reviewed as not meeting the decision criteria.
<b>Forward Plan Notice Published</b>	04/07/2024
<b>Exempt information</b>	None
<b>Strategic Plan Priority / Outcome</b>	<b>All 8 Strategic Priorities:</b> Priority One: Tackling the Cost of Living Priority Two: Homes for the Future Priority Three: Accelerate Education Priority Four: Boost Culture, Business, Jobs, and Leisure Priority Five: Invest in Public Services Priority Six: Empower Communities and Fight Crime Priority Seven: A Clean and Green Future Priority Eight: A Council that Listens and Works for Everyone

### Reasons for urgency

This report was published after the statutory publication deadline due to delays with internal consultation. It is important that this report is considered at this Cabinet meeting due to keeping with the Mayors commitment to sound competitive

processes providing opportunities for local and small business to trade with the council.

## **Executive Summary**

This report provides a progress update on the Procurement Transformation Programme. The proposed changes respond to significant procurement failures and historical challenges that have left the Council exposed to undue risk and service failure and ensures full and exemplary compliance with the new Procurement Act 2023 that comes into force in October 2024, and the NHS Provider Selection Regime (PSR) which came into effect in January 2024. The proposed transformation programme includes an accelerated delivery plan for the upcoming changes. Those changes will ensure the Mayoral commitment to sound competitive processes providing opportunities for local and small business to trade with the council are realised quickly. This is aligned to the underlying principles of the new Procurement Act 2023.

Work completed to date has revealed there are too many routes to market involving several inefficient systems and processes, as well as a lack of training, thus resulting in misalignment with the Council's target operating model. These proposed changes will result in new policies, procedures, and an overarching procurement strategy that will secure the council's exemplar status in procurement practices ensuring we consistently deliver value for money through one of the strongest supply chains in London.

## **Recommendation**

The Mayor in Cabinet is recommended to:

1. Note the high-level changes to procurement regulations as derived from the Procurement Act 2023, outlined in section 3.15.
2. Note the changes to procurement regulations for Health and Social Care contracts as derived from the Provider Selection Regime (PSR) which came into effect in January 2024, outlined in section 3.10.
3. Support the transformation plan to redefine the Procurement function across the Council; to be an exemplary model of best practice and better enable compliance with the new government legislations.
4. Support the proposed hub-and-spoke structure for managing procurement, to align with the Council's draft Target Operating Model. This restructuring aims to enhance efficiency and effectiveness, whilst maximising value for the Council.

## **1 REASONS FOR THE DECISIONS**

- 1.1 The new Procurement Act 2023 comes into force in October 2024 and the NHS Provider Selection Regime (PSR) came into effect of the 1 January 2024.

- 1.2 The legislative changes revolutionise how the public sector spends money introducing new requirements for all local authorities to adhere to. The ambition is to introduce greater flexibility, less bureaucracy and make procurement processes quicker, simpler, and more commercially viable.
- 1.3 The implementation of these legislations will change the way we procure goods and services within Tower Hamlet's Council. For example, focusing on smaller businesses, implementing direct awards first, or having a commercial contract management system. As a local government body, with circa £440million annual third-party contracts, we need to prepare for this change and work to transform our culture, systems, structure and processes to greater value and compliance.
- 1.4 The Council's Constitution and Standing Orders present creative and innovative opportunities to secure the best service at the best price in a considered, timely and collectively responsible manner. Several parts of this equation, to varying degrees, have exposed historical risks of non-compliance, non-delivery, and/or reputational and financial damage. To address this, the Council is undergoing a programme of transformation to the way it delivers procurement, realising value and compliance as set out in this report.
- 1.5 The Council has recently drafted a new Target Operating Model for the organisation which shifts enabling functions to the business and empowers directorates. The proposed hub-and-spokes model and proposed changes for procurement function, set out in this report, will align with the Council's draft Target Operating Model.
- 1.6 The proposed changes will also empower senior management in four key areas:
  - Risk management and contract management
  - Accurate financial and performance reporting
  - KPI tracking and contract management
  - Control and accountability
- 1.7 The creation of a Corporate Procurement Strategy for the Council will ensure we are best placed to; procure goods and services for the best value, and economic and social benefit for people who live, work, and do business in Tower Hamlets.

## **2 ALTERNATIVE OPTIONS**

This paper provides an early indication of the required changes to be implemented in response to national government legislations, and an early overview of the wider transformation of culture, processes, thresholds, systems, and structure of procurement function.

It is, however, imperative to note alternative approaches for the Mayor in Cabinet:

- 2.1 Do nothing - if the Council does not support or implement changes proposed to be compliant with the regulations of the Procurement Act 2023 or PSR, this will impact the Council's ability to comply with its statutory duties set out in the Act. Doing nothing would also lead to an increased risk of significant delays and failures on large, complex procurements resulting to costly and reputational damage for the Council. This would produce a lack of confidence in the market and a reduction in the number of suppliers who are willing to do business with the Council. Limitations to the number of suppliers would not provide best value for the Council or support its equalities and diversity aspirations.
- 2.2 Partial implementation - Accept statutory changes *without* transformation of the procurement function (strategy, structure, processes, systems) – This is not recommended as the current procurement function model has not delivered best value for the Council to the best standard and is inundated with complaints. If we do not deliver a redefined procurement service model, it would pose as a risk of non-compliance, and non-delivery and/or reputational and financial damage to the Council.
- 2.3 Make amendments - The Mayor in Cabinet may choose to further amend the proposed changes to the procurement function. This would require further consideration on any impact to the medium-term financial plan and may potentially delay the Council's procurement improvement process and alignment with the Council's new draft Target Operating Model.

### **3 DETAILS OF THE REPORT**

#### **3.1 Background**

The Procurement function is critical to support the Council's efficient, effective, and economic delivery of both Statutory and Non-Statutory services contracted through third parties. Effective procurement is critical to demonstrating value for money to our stakeholders. Procurement mitigates a range of legal and reputational risks to the Council. Its primary function is as an "enabler to the business" and as such it should always prioritise customer focused solutions, whilst complying with the Procurement Regulations, the Council's Constitution and Standing Orders. Our supply chain must become one of our strongest assets and we will strive to secure the best supply chain in London.

- 3.2 The functions associated with contemporary best practice in procurement go beyond a compliance role and is actively adding value to the Council throughout the life cycle of a contract. An effective, productive supply chain is an asset; the ideal ambition is to become the local authority all suppliers seek to do business with.
- 3.3 To achieve this, we must employ creative and innovative ways to secure the best service at the best price in a considered, timely and collectively responsible manner. It has been challenging for the Council to deliver to this

standard and there is an increased risk of non-compliance, non-delivery, and/or reputational and financial damage.

3.4 Key limitations of current ways of working:

- The service is isolated from business needs.
- The service is not agile to the needs of the operational businesses.
- There is no clear accountability between the central team and the operational services, with the associated risks of no accountability.
- There is little end to end planning in the execution of complex procurements.
- Underpinning systems and processes are disjointed and cause repetition and delay.
- The service is a mixture of administrative functions, gatekeeping, policing enabling, creating competing and conflicting priorities for staff.

3.5 These limitations are further supported by the Value for Money (VFM) findings for the 2018/19 and 2019/20 annual accounts, which were audited by Deloitte and received a qualified opinion. The VFM report especially points out the following:

- The Council did not have proper arrangements in place for reliable and timely financial reporting that supports the delivery of strategic priorities to support informed decision making.
- The Council did not have proper arrangements in place to manage risks effectively and maintain a sound system of internal control.
- Within the Annual Governance Statement, the Council has reported on significant governance issues identified from its annual review of effectiveness.
- The Council did not have proper arrangements in place throughout the full year to understand and use appropriate and reliable performance information to support informed decision making and performance management; manage risks effectively and maintain a sound system of internal control; and work with third parties effectively to deliver strategic priorities.
- In addition, there were instances where recommendations in reports by external parties had not been actioned as implementation had not been tracked.

3.6 All of this, over an elongated period has led to increased levels of dissatisfaction from service users. This translates into lengthy, costly, and unwieldy procurements, a substantial number of contract extensions outside of the regulations and an elevated level of complaints. This damages the reputation of the Council and reduces our ability to attract a wide pool of suppliers which could limit the financial advantages generated by healthy competition.

3.7 The Council's annual expenditure on third party services is complex and significant. Annual values are circa £440million across multiple services, with contracts spanning multiple years, in various forms.

- 3.8 There is a significant amount of both business-as-usual and transformation work to complete within the Procurement function as well as a need to support wider transformation across the organisation. This includes training, roll-out and embedding of the new Procurement Act 2023, which comes into force in October 2024. This new legislation impacts the culture of procurement in Local Government and requires significantly higher levels of scrutiny, contract management and reporting, than is currently in place.
- 3.9 There is also greater emphasis on the “business running the business” in a compliant way and being accountable for effective management and performance reporting of third-party contracts. Greater commercial awareness is required across the Council to always achieve and maintain the highest levels of best value and added social value and sustainable solutions through all procurement touchpoints.

### **Government Legislations - Provider Selection Regime**

- 3.10 The Health and Care Act 2022 introduced a new procurement regime for selecting providers of healthcare services in England: The Provider Selection Regime (PSR). The PSR came into force on 1 January 2024 and replaced:
- Public Contracts Regulations 2015 when arranging health care services.
  - National Health Service (Procurement, Patient Choice, and Competition) Regulations 2013.
- 3.11 The relevant authorities (RAs) required to follow the PSR when procuring health care services, irrespective of whether the providers they are considering are from the NHS, the independent, or the voluntary sector are:
- NHS England
  - Integrated Care Boards (ICBs)
  - NHS trusts and NHS foundation trusts
  - Local authorities or combined authorities
- 3.12 The PSR introduced a different pathway for procuring health services whereby it is mandatory to do direct awards at the first instance, followed by the most suitable provider process, before launching a competitive process. These processes are currently being worked up and implemented in collaboration with Public Health Services.
- 3.13 As part of the Procurement Transformation Programme one of the key deliverables, would be implementation of changes to be compliant with the PSR. See **Appendix A** for more information on the PSR.

### **Government Legislations - Procurement Act 2023**

- 3.14 The new Procurement Act 2023 comes into force this October 2024, the paragraphs below have been provided by Trowers, specialist legal counsel for the procurement transformation programme.

- 3.15 In December 2020, the UK Government set out proposals for the transformation of the UK public procurement regime in its Green Paper on Transforming Public Procurement (the Green Paper). These proposals marked a departure from the European based regulations, with the intention of moving towards a single consolidated set of procurement rules (encompassing those rules set out previously in the Public Contracts Regulations 2015, the Concession Contracts Regulations 2016, the Utilities Contracts Regulations 2016 and the Defence and Security Public Contracts Regulations 2011).
- 3.16 Following an extensive period of consultation, the Procurement Act 2023 (the Act) was passed by Parliament in October 2023 and will come fully into force on 28th October 2024. The Act will be underpinned by secondary legislation to set out more detail on the various notices required under the new regime (the Procurement Regulations 2024 (the Regulations)), along with 48 Guidance Notes to be published by the Government. At the time of preparing this report, 17 of those Guidance Notes have been published and we await the publication of the remaining guidance. In addition, the new procurement landscape will include the Provider Selection Regime (brought forward under the Health Care Services Regulations 2023, and this has been in force since 1st January 2024). We are providing further details on the Provider Selection Regime in a separate report.
- 3.17 In the Ministerial Foreword to the original Green Paper, the Government identified that the significant spending power of the public purse meant that a key driver for procurement reform was to ensure that public contract opportunities were opened up to more small businesses and social enterprises to innovate in public service delivery, and to meet the UK's net-zero carbon target by 2050. The Act addresses this objective by placing a requirement on contracting authorities to consider the barriers that an SME may face in accessing opportunities, and to consider what can be done to overcome them. Notwithstanding the references to the UK's net-zero carbon targets, the Act remains notably silent on environmental matters, and these are instead (currently) addressed via the National Procurement Policy Statement (which all contracting authorities must have regard to).
- 3.18 A further key objective was to ensure a move away from bureaucratic and process-driven procedures, with the aim of abandoning the previous rules and unleashing the potential of public procurement so that commercial teams can tailor their procedures to meet the needs of the market. To an extent, this has been achieved in the Act through the introduction of the Competitive Flexible Procedure (a flexible approach for contracting authorities to design their own procurement processes, incorporating dialogue / negotiation / interviews etc. into the procurement process, and replacing the existing restricted procedure, competitive dialogue, competitive procedure with negotiation and the innovation partnership procedure). However, with increased flexibility comes enhanced transparency, and contracting authorities will need to get to grips with a myriad of new notices under the new rules.

- 3.19 There are many changes in the legislative landscape which the Council would need to adopt. See **Appendix B** RACI Matrix which sets out key actions and next steps the Council should undertake in preparing for the Go Live date of 28<sup>th</sup> October 2024.

### **Quick Wins & Streamlining processes and systems**

- 3.20 Over the last few months, we have undertaken a review and mapping of the procurement pathways, processes, and systems. The review has highlighted the current bottlenecks, customer pain points and risks. There are eight pathways to procuring goods and services within the Council:
- Full Tender
  - Request for Quote (RFQ)
  - Dynamic Purchasing System (DPS)
  - Frameworks
  - Recorded Corporate Director's Actions (RCDA)
  - Purchase Cards
  - Individual Mayoral Decisions (IMD)
  - Exceptions
- 3.21 Amongst the eight routes to procurement, each pathway has sub-processes and a total of five identified systems involved. Most of these systems are not connected, meaning a manual process is required to transfer data from one system to another increasing the risk of error, manipulation, and non-compliance. **Appendix C** illustrates a high-level map of the key pathways and the systems. The next step is to design new re-engineered, streamlined processes for customers and staff, which is dependent on the new procurement thresholds and regulations.
- 3.22 Work is currently underway to review the procurement financial thresholds to align with the new regulations and make procurement processes more effective and efficient. These proposals will be included in the next report.

### **Quick Wins**

- 3.23 We have identified some short-term wins which involves making configurations and enhancements to the current RFQ system. These quick improvements include:
- Introduction of "Quick Quote" a reduced process/steps to create a RFQ for the low/risk/value engagements.
  - Streamlined process involving less steps and information to get a supplier added, verified, and approved on our Finance and Procurement systems.
- 3.24 These changes will produce a significant reduction in lead times when adding a supplier to our systems and the time taken to create a quote, review and awarding of the contract.
- 3.25 There have also been improvements made to the system which include officer notifications (system was failing to inform Procurement of supplier activity),



intensive officer training and development of a super user group to facilitate support and feedback to the systems manager.

- 3.26 A contract management module will also be activated, that will allow a central repository of all contracts, those included in the RFQ thresholds (below 100k), and those full tender related contracts will be added (above 100k).

### **Proposed Way Forward – New Structure**

- 3.27 The current centralised procurement staffing model was put in place three years ago arising from the Enabling Functions review. This change has led to levels of disfunction within the team itself and between the central team and the business areas in need of support.
- 3.28 Currently, the preferred best practice in large and complex organisations is to move away from central enabling functions and towards a devolved “category based” model. The benefit of this approach includes better connection with the service areas, improved relationships with line managers, the ability to influence outcomes early to avoid issues further down the line and greater local accountability. The main risk in this approach is a loss of consistency, compliance, and overall workforce reporting; all of which can be mitigated by strong controls, a clear accountability framework and by harnessing the benefits of technology to ensure real time oversight of both spend and performance.
- 3.29 As well as reflecting contemporary best practice, changing the current operating model presents an opportunity to re-set the reputation of the service and build better relationships with line managers. The proposal below would create two small centralised professional functions. One based within our legal services, taking the lead on professional practice, compliance, and policy. The second based within our finance service focusing on financial and performance reporting, data insight, price benchmarking and major commercial negotiations. Internal audit will have a strengthened assurance role. All other delivery and administrative elements would be embedded into local operational directorates. The model will align category expertise and market understanding and boost effective contract and supply chain risk mitigation.
- 3.30 The overall transformation plan requires momentous change which needs to be executed in phases to, with the initial focus on securing immediate improvement to business as usual and preparing for the adoption of the New Procurement Act 2023. At a high level, the functions would split as follows (see **Appendix D** for the New Procurement Operating Model):

Central teams Support	<p>Support provided from Legal, Finance &amp; Audit on:</p> <ul style="list-style-type: none"> <li>▪ Procurement strategy, including new regulations</li> <li>▪ Compliance and commercial auditing and support to the directorate areas</li> <li>▪ Council advice and public reporting</li> <li>▪ Policy – all areas plus procedures, templates, and guidance for use by directorate teams</li> <li>▪ Escalation (e.g., complex casework, specialist procurements, collective bargaining)</li> <li>▪ Procurement analytics</li> <li>▪ Regular ‘audits’ to ensure consistency</li> </ul>
Directorate teams responsible to Director or Service Head)	<p>Embedded within each directorate to deliver the procurement function resourced to meet the specific needs of the services within the directorates.</p> <ul style="list-style-type: none"> <li>▪ Running procurements for directorate end-to-end within the directorate teams</li> <li>▪ Ensuring effective contract management</li> <li>▪ Ensuring accurate and timely collection, monitoring and reporting of KPI’s internally and externally</li> <li>▪ Management of supply chain</li> </ul>
Supporting efficiency and compliance	<p>This change will require a notable change management Programme to research, which will require dedicated resource alongside the BAU. If this is change is not delivered effectively with strong operational service input, not resourced separately, the Council could face significant delays and reputational damage resulting from failed procurements while the changes are being implemented. The new regulations require more transparency and more competitiveness in procurement, we must ensure we are meeting these requirements while we are implementing changes, not afterwards.</p>

3.31 The benefits to this proposed hub-and-spokes model are as follows:

- Local teams are more accountable, feel more empowered and can manage stakeholders’ issues at the earliest opportunity.
- Facilitates early input to help shape future plans.
- Delivers more efficient working practices and therefore reduces delays.
- Removes divisions between ‘corporate’ services and front-line delivery.
- Allows the central team to spend the time required supporting strategy, ensuring policy reflects best practice and dealing with complex cross Council procurement exercises, securing commercially sound financially advantageous “umbrella” contract arrangements where a single supplier delivers multiple services.
- Drives engagement which in turn drives performance
- Provides clear role definitions and outcome base performance measures.

### **Interim Procurement Arrangements**

- 3.32 A particular area of risk for the Council at present is within the Health & Adult Social Care Directorate. This is partly due to the risk within the supply chain, historical serious failings, the quantum, the complexity of some contract requirements and the joint commissioning arrangements. These procurement processes secure services to some of our most vulnerable residents and as such must be handled effectively, efficiently, and most importantly, on time. This has not been the case for some years, and this has had a negative effect on both the services users and the Council's reputation. As such, to ease the strain on the Programme and due to the recent departure of officers, the current pipeline of Health & Adult Social Care procurements, planned to be delivered in the next 12 months, will be delivered via an interim external arrangement.
- 3.33 This would cause the least disruption and provide some immediate remedy and additional capacity, allowing time to implement the change agenda within Directorates. This is an essential step to mitigate risks identified as part of a major investigation currently underway. A full report of this matter was presented at Audit Committee on 23<sup>rd</sup> May. A supplementary report on the above investigation was presented to the Risk and Audit Committee on 27<sup>th</sup> June, with the outcome of the investigation. This report saw the proposed closing of the investigation and the proposal for the way forward to conclude the procurement in question.
- 3.34 At the time of drafting this paper there have been significant developments in the staffing of the Adult Health & Social Care and Children's Services Category and because of those changes in staffing, the decision was made to bring forward the temporary external support for these procurements. All live and upcoming procurements in this category will be managed by the external agency. This involves approximately 36 procurements with circa £33m of contract value.

### **Improving value for money**

- 3.35 The Council has an objective to generate value for money improvements on cost; delivering a 1% reduction in annual spend within the Council's budgets.
- 3.36 The Council has appointed a consultant to analyse the Council's spend data across both the general fund and HRA (Housing Revenue Account), along with reviewing existing contractual arrangements with third party providers.
- 3.37 The first phase of the project involved a desktop analysis of the Council's general fund spend data, using analytical techniques to flag where opportunities may exist. This includes, for example, triangulating spends patterns, spend increases, where spend exceeds budgeted levels, where contracts have ended, or where contracts are not on the Council's register.
- 3.38 This process is now extending to the Council's HRA spend.
- 3.39 Following the conclusion of the above, the consultant will complete more detailed investigations into the arrangements that have been flagged as

potentially opportune. The investigations will provide an understanding of the underlying cause and determine what the opportunity is for the Council to improve value for money. It should be noted that in several cases the reasons the further investigation will rule out a potentially opportunity. The review will identify opportunities to improve value for money through the renegotiation, bundling, re-procurement and evolving the design and specification of the works and services.

- 3.40 The review is applying analysis techniques to a wealth of spend and contract data held by the Council, and the Council will want to use those same techniques to monitor future spend, i.e. on an ongoing basis. Those techniques will then be hard-wired into reporting solutions to enable officers, both centrally and in the business, to monitor and to act on data and information in real time.
- 3.41 The consultant we are working with operate a reporting platform that hosts Power BI reports used by a range of housing providers across the UK. Those providers use the reports to manage and gain insight into the services they provide. The consultant's data analytics team will develop bespoke reports that apply the analysis techniques to live data held by the Council. Those reports, held within the platform, will be accessed by the Council's staff (under the new model) to monitor spend and address issues and opportunities much earlier in the future.
- 3.42 **Procurement Improvement Plan: June 2024 – Jan 2025**

#### **Phase 1: Stabilise and Prepare (By End July 2024)**

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- Initial meeting to baseline function / data collection / process mapping.
- Design and implement "Interim Staff structure" focusing on clearing backlog
- Brief Executive Team on Procurement Act 2023 - Trowers
- Agree temporary external support for all Adult Health & Social Care procurements for next 12 months.
- Engage Senior Stakeholders across business.
- Design & set up Programme Governance arrangements and secure resources to support (internal & external)
- Baseline Spend and identify resourcing requirements.
- Process mapping of current 'as is' pathways and systems

#### **Phase 2: Programme design (July – September 2024)**

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- Brief MAB / SRP / Cabinet - Trowers.
- Constitute Board and Launch Programme
- Ongoing Stakeholder engagement meetings in the Business areas
- Stakeholder engagement with corporate services (HR, IT, Finance, Legal etc)
- Team engagement workshop
- Implementation of Quick Wins

- Design initial Target Operating Model (TOM)
- Sign Off TOM
- New Procurement Act 2023 Training & Workshops
- Procurement Strategy (to set out new ways of procuring)

### **Phase 3: Approval (October 2024)**

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- Procurement Strategy & New Thresholds Sign off & Approval at Full Council
- New Job Descriptions, Job Matching
- Organisational Change Paper
- Feedback and revisions
- Final Sign off New Operating Model, Systems, Processes and Monitoring

### **Phase 4: Consultation & Implementation (November 2024 onwards)**

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- Formal staff consultation
- Continued training and Professional development
- KPI development and monitoring
- New Procurement Regulation Monitoring in place
- Communications to stakeholders
- Review and refine team goals and KPIs
- Embed new operating model and refine
- Go Live – New Structure Feb 2025
- Launch of permanent Post Recruitment (temporary backfill where necessary)

3.43 See **Appendix F** for the high-level timeline

## **4 EQUALITIES IMPLICATIONS**

4.1 Equality is at the heart of everything we do as a Council, from the money we spend, and the people we employ, to the services we provide. The borough's diversity is one of our greatest strengths. We are committed to the public sector equality duty under the Equality Act 2010.

4.2 No adverse consequences are foreseen and the development of individual programmes and proposals arising from the proposed changes to procurement and the transformation programme where required will be subject to an Equality Analysis.

## **5 OTHER STATUTORY IMPLICATIONS**

5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,

- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

## 5.2 **Best Value Implications**

The Procurement Transformation Programme is a crucial tool for the Council to fulfil the 'best value' requirement set out in Section 3 of the Local Government Act. The Act requires authorities, including the Council, to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness." The proposed restructuring will enhance services while reducing costs, significantly contributing to the Medium-Term Financial Strategy's (MTFS) savings on third-party expenditures and demonstrating value for money.

- 5.3 The proposed changes and timeline in this report also embeds commitments which set out how the Council will deliver its duties in relation to consultations.

## 6 **COMMENTS OF THE CHIEF FINANCE OFFICER**

- 6.1 This is a noting paper for the coming procurement changes. The cost of implementation is currently being costed. It is envisaged that there will be savings from the revised procurement thresholds.

## 7 **COMMENTS OF LEGAL SERVICES**

- 7.1 The Council has the legal power to undertake the activities referred to in this report.
- 7.2 The Provider Selection Regime applies only to those services that are defined in the regime. However, if the Council is procuring one of those sorts of services, then the Council has no discretion and is legally obliged to apply one of the relevant procurement routes detailed in the regime.
- 7.3 When the Procurement Act 2023 comes into force in October of this year the Council will be legally obliged to apply the Act whenever the circumstances as described in the act apply to a particular procurement.
- 7.4 The Council should ensure that its procedures are compliant with the prevailing law and amendments to the appropriate constitutional documents will be presented to the appropriate committee at the proper time.
- 7.5 Notwithstanding these changes to the procurement law the Council is also legally obliged to demonstrate Best Value in the delivery of its functions and of which the resultant contracts formed from the new procurement routes form part. However, particularly under the Provider Selection Regime a compliant procurement may not include competition in the traditional sense. The

inclusion of competition prior to the formation of a contract is the principal way in which the Council would demonstrate compliance with its Best Value duty in that the resultant contract is the best that the market would bear based on the pre-advertised evaluation criteria. Therefore, where compliance with the new procurement routes involves the absence of competition the Council will need to include other measures to demonstrate Best Value for example benchmarking with similar contracts to measure the value of a particular offer.

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## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- NONE

### **Appendices**

- Appendix A: PSR Process Summary
- Appendix B: Procurement Act Readiness RACI Matrix
- Appendix C: Procurement Pathways (high level)
- Appendix D: Procurement Target Operating Model
- Appendix E: Procurement Transformation High Level Timeline

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

- NONE

### **Officer contact details for documents:**

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