



Annual Procurement Report 2017-2018

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A SNAPSHOT OF 2017-18

98%

of all applicable contracts include London Living Wage



47%

of all contracts have secured Employment and Community Benefits for our residents



First UK Local Authority to affiliate with

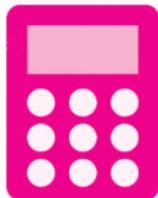
Electronics Watch



to continue our commitment to ensure ethical practices within our Supply Chain

£325m

of spend with third party contracts



2,669

suppliers used in 2017/18



£264m

spend with SME's (81% of total spend)



492

staff trained to develop procurement knowledge, skills and strengthen compliance



92%

of spend on contract



Tower Hamlets Procurement practises is accredited by Chartered Institute of Purchasing and Supply (CIPS)

CIPS



1. INTRODUCTION

This report provides a summary of the council's addressable procurement spend in 2017-18 on supplies and services and a baseline for identifying future savings opportunities and areas for operational performance improvement.

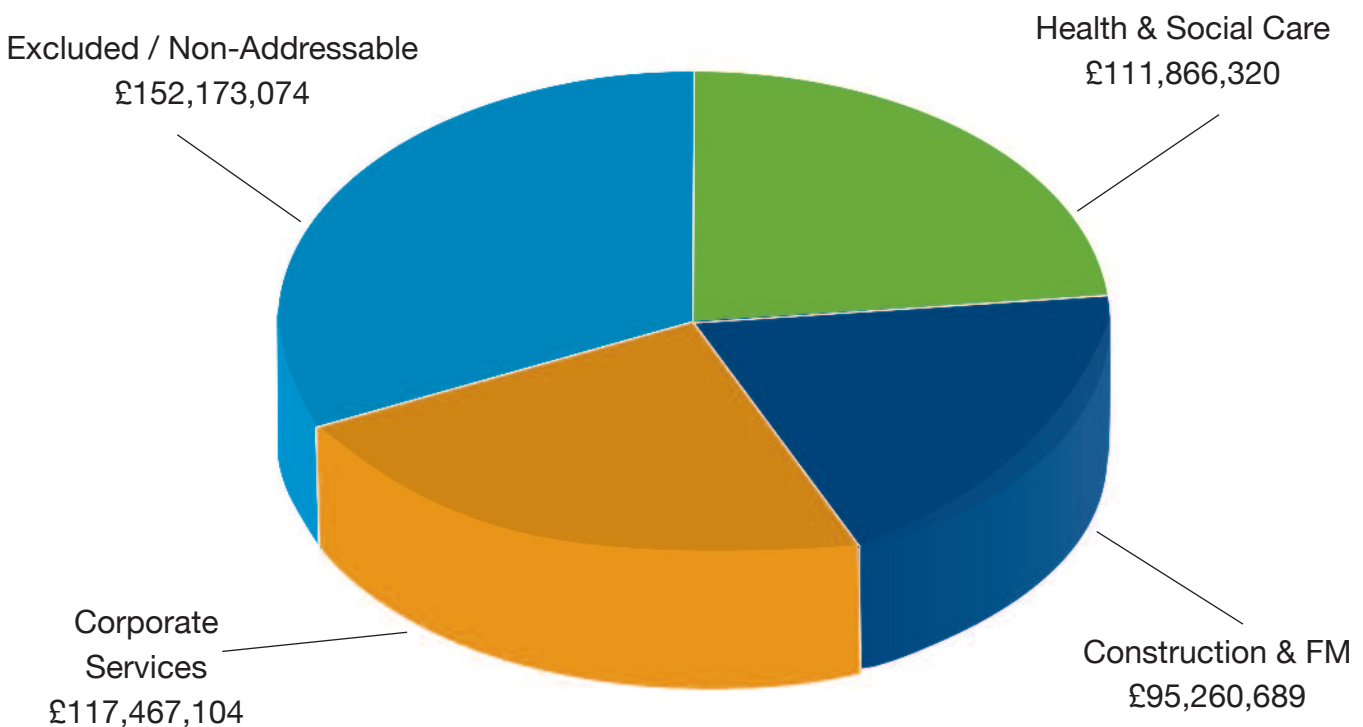
The total addressable procurement expenditure was £325m. A further £152.1m was spent with non-council payees but this spend could not be influenced by procurement activity (e.g. social care direct payments, staff expenses, foster carer payments)*.

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

The chart below provides a breakdown of the addressable spend into key procurement categories of expenditure.

A breakdown of our third party spend across key procurement categories is included in Appendix A.

FY 2017-18 spend by procurement category



Total Spend : £476m

Addressable: £325m (68%)

Excluded / Not Addressable: £152m (32%)

*Excluded/non-addressable
£152,173,074 in the pie chart

2. PROCUREMENT PERFORMANCE

Procurement Strategy 2016-2019 approved in Cabinet July 2016 sets out in broad terms how the council intends to organise its Procurement and commissioning resources and skills to achieve value for money whilst stimulating local markets and securing community benefits.

The strategy is a statement to everyone about the outcomes we wish to achieve through integrated procurement, commissioning and contract management and how we intend to get there. We have set a new vision for our procurement:

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

Zamil Ahmed – Head of Procurement

We believe this vision is best achieved by striving towards the following strategic objectives:

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

We recognise the importance of identifying and managing the cultural changes that adopting this strategy will create both internally and externally and which will link to the Council's wider transformation programme.

The following sections of this report provide a summary of our performance in delivering the aspirations and objectives set out within our procurement strategy.

3. INNOVATION AND SMART PROCUREMENT

3.1 Enabling Innovation

In January 2018, Tower Hamlets led a collaborative procurement exercise to award its first Dynamic Purchasing System (DPS) for the commissioning of apprenticeship training programmes under the Apprenticeship Levy.

Changes to the Procurement Regulations have made the use of DPS much more versatile so that it has become a very useful tool for the council. Whilst making some of our own commissioning processes easier it opens procurement opportunities to a wider market, creates greater opportunity for suppliers to bid for contracts and is also proving to be a potential source of income for the Council.

Apart from the Apprenticeship Levy DPS, other DPSs are currently being developed with service leads across council departments.

Our Procurement innovation does not stop there. We are embarking on a series of pilot e-auctions, specifically designed to drive down costs of supplies and are establishing a new social value marketplace to match community benefits from procurements with key community based projects aligned to the council's strategic plan priorities.

3.2 Developing internal capacity and talent

To enhance procurement knowledge and skills of officers involved in commissioning, procurement and contract management across the organisation and ensure greater compliance, a series of targeted training

sessions on specification writing and tender evaluation was held to improve the quality of our contracts.

A total of 492 officers were trained to develop their procurement knowledge and skills and strengthen compliance across our procurement and commissioning activities.

As part of our continuous drive to streamline and smarten up our procurement practices we introduced a set of short and simple guidance notes on specific aspects of the procurement procedure. Designed to explain processes to non-procurement people, they are light-hearted in their approach: 13 'Bytes' (so far) cover everything from internal Governance to how the EU's Light Touch Regime works.

Well received, these Bytes' are made available on the council's Intranet page and the list of 13 will grow to meet the ever-changing needs of innovative procurement.

3.3 Peer Recognition

The capability of the LBTH Procurement Function has been recognised by PLACE (the Pan London Accommodation Collaborative Enterprise). PLACE is spearheading an innovative approach to meeting the capital's housing needs through the purchase and deployment of portable modular homes, set up as blocks of flats on vacant member-authority land.

Creating national and international interest, the need for innovative and reliable procurement practices is of paramount importance and the LBTH procurement function is providing this service.

4. PARTNERSHIP AND SOCIAL VALUE

4.1 Supporting Local Economies

Tower Hamlets Council is committed to delivering better outcomes for residents. There is a growing awareness that commissioning and procurement can contribute directly to the council's broader strategic objectives.

Beyond the requirement for Value for Money and cost control, the Procurement Strategy explicitly recognises the key role that social value in procurement and commissioning activities can play in achieving the priorities of the council.

As an early adopter of Social Value in our procurement, the council has successfully secured considerable employment and economic benefits for its local community. Currently, approximately 47% of all our contracts include employment and community benefits for our residents.

A working group of representatives across council departments and partner organisations including Tower Hamlets Homes, THCVS, TH CCG and an external consultancy (Social Enterprise UK) completed a review and benchmark of the council's current approach to

social value. The outcome of this review has resulted in the development of a new Social Value Framework agreed by Cabinet in July 2018. Through this framework, we will set out our intention to build on our existing Community Benefits approach, broadening the scope of how we interpret social value to include a wider range of key priorities for the council.

Alongside this framework, documents will be developed for key officers working in procurement and commissioning, as well as for potential suppliers, to help them understand how the council interprets social value and how they can tailor their bids to best fit the approach.

A selection of case studies demonstrating the employment and community benefits secured through our contracts is presented below.

Case Study 1 School Health and Wellbeing Service



- Contract of £1.6m per annum over 5 years awarded to a local supplier
- Workforce within the new provider is currently 320 people, most of whom live, and all of whom work in Tower Hamlets.
- Will promote healthy workplace and actively seek to employ people with mental health problems, physical disabilities and learning disabilities, as well as helping unemployed people get back into work.
- Commitment to support 20 such people across the workforce over the lifetime of the contract.
- Commitment to employ 5 apprentices, 20 trainees, 50 graduates annually.

Case Study 2 Metal Works



- Contract of £700k per annum over 4 years awarded to a firm based in Dagenham
- 70% of the workforce are TH residents boosting local employment
- The use of local suppliers for materials
- Commitment to engage in local job fair and volunteering opportunities for locals.

Case Study 3 Learning and Disability Supported Accommodation



- Contract of £515,00 over 3 years awarded to a local East London provider
- Recruit 20 volunteers over the contract lifetime
- Provide 10 apprenticeship placements during 2018/2019
- 100% Local recruitment
- Ring-fence opportunities for 2 locally recruited apprentices
- Commitment to offer volunteer places for Tower Hamlets service users
- Employ 2 Tower Hamlets based service users over contract lifetime.

5. SUPPLY CHAIN AND ETHICAL STANDARDS

5.1 Supply Chain Code of Conduct

The Council is committed to ensuring that the working conditions in our supply chain are safe, that workers are treated with respect and dignity and that manufacturing processes are environmentally responsible.

As a follow up to our Supply Chain Ethical Code of Conduct, Tower Hamlets is the first council in the UK to join Electronics Watch, an independent monitoring organisation, to enforce a tough new code of conduct for its suppliers. As an extension, the Council recently signed up to the Co-operative Party's Charter on Modern Slavery.

As part of this commitment work has begun to ensure all members of the procurement team and contract managers are fully trained on Modern Slavery as well as broader ethical procurement commitments.

Over the coming months, we will work with our key partners and representatives from across council departments to develop a new Ethical and Sustainable Procurement Policy for the council.

5.2 Fair Trade, London Living Wage and Ethical Procurement

The Council received Fair Trade borough status in 2009 and since then has applied these principles to all appropriate contracts. A working group with representatives from Tower Hamlets Fair Trade steering group, Tower Hamlets Co-operative and council officers have been working in partnership to provide a peer challenge and help ensure Fair Trade, sustainable and ethical procurement are embedded across our procurement and supply chain activities.

Currently, 98% of all applicable contracts include London Living Wage.

5.3 Local Suppliers

The Council is committed to supporting local businesses, especially SME and alternative providers, including third sector organisations. We have refreshed our procurement thresholds to provide greater opportunity to engage local suppliers. The table below provides a breakdown of our supply base.

SUPPLY CHAIN ANALYSIS		
	No. of Suppliers	%
Local Suppliers	501	16%
Rest of London	1,450	46%
Rest of UK	1,188	38%

6. LEADERSHIP AND DELIVERING BEST VALUE

6.1 Delivering our vision

Effective procurement practice is becoming an increasingly important focus for Local Authorities across the UK. Local Authorities are working to improve their procurement performance to drive additional cost savings, increase probity and deliver better outcomes.

Our focus in the first two years of the procurement strategy has been to set the foundations through investment in our staff and technology to ensure that, as well as having full visibility of our procurement expenditure, our staff are equipped with professional training and skills to prepare robust contract specifications and secure the best contract deal for the council.

In July 2017, we engaged Chartered Institute of Purchasing and Supply to undertake an external assessment of the council's procurement function.

The CIPS external assessment involved an in-depth assessment and measure of the Council's procurement function against CIPS world class standards across five dimensions; Leadership, Strategy, People, Process and System, Performance Measurement and Management.

Having reviewed over 280 pieces of supporting evidence based around the five dimensions, in July 2018 CIPS awarded the council its Corporate Certification.

The CIPS certification programme has been a truly valuable exercise in benchmarking the council's procurement function. Achievement of the CIPS Corporate Certification demonstrates that the Council is progressive in an ever changing business environment.

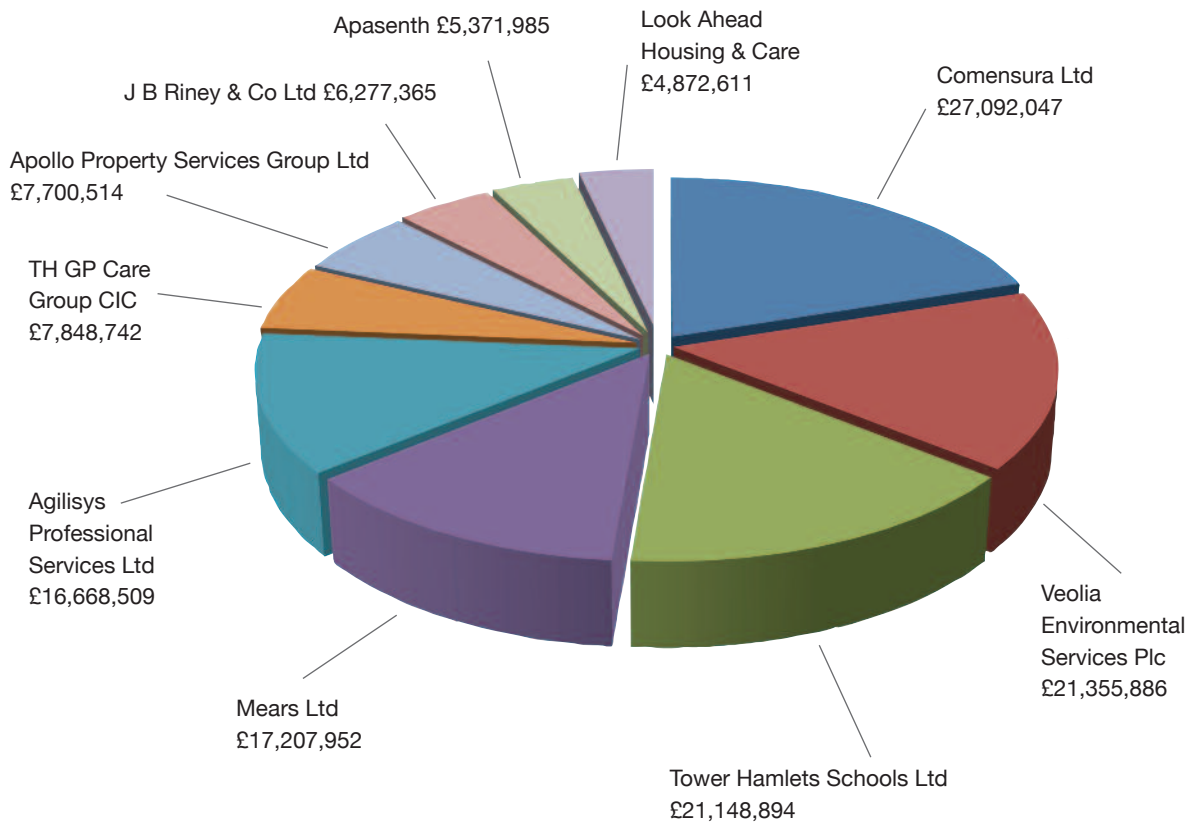
It also demonstrates and evidences that there are robust professional procurement practices and systems in place across the Council as well as areas for improvement.



7. CONTRACTUAL VIEW

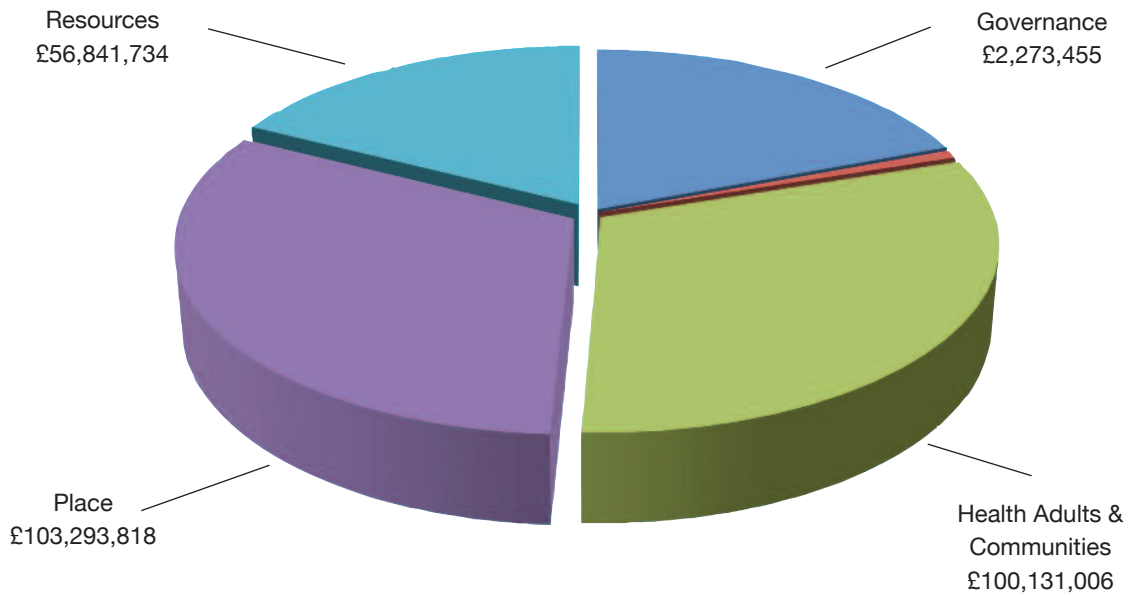
The following section provides an overview of our third party spend contracts and suppliers. A total addressable spend of £325m (17-18) was conducted with 2,669 suppliers and the chart below provides a further breakdown of the spend by key category.

FY 2017-18 Spend by Supplier - Top 10 (over £5m)

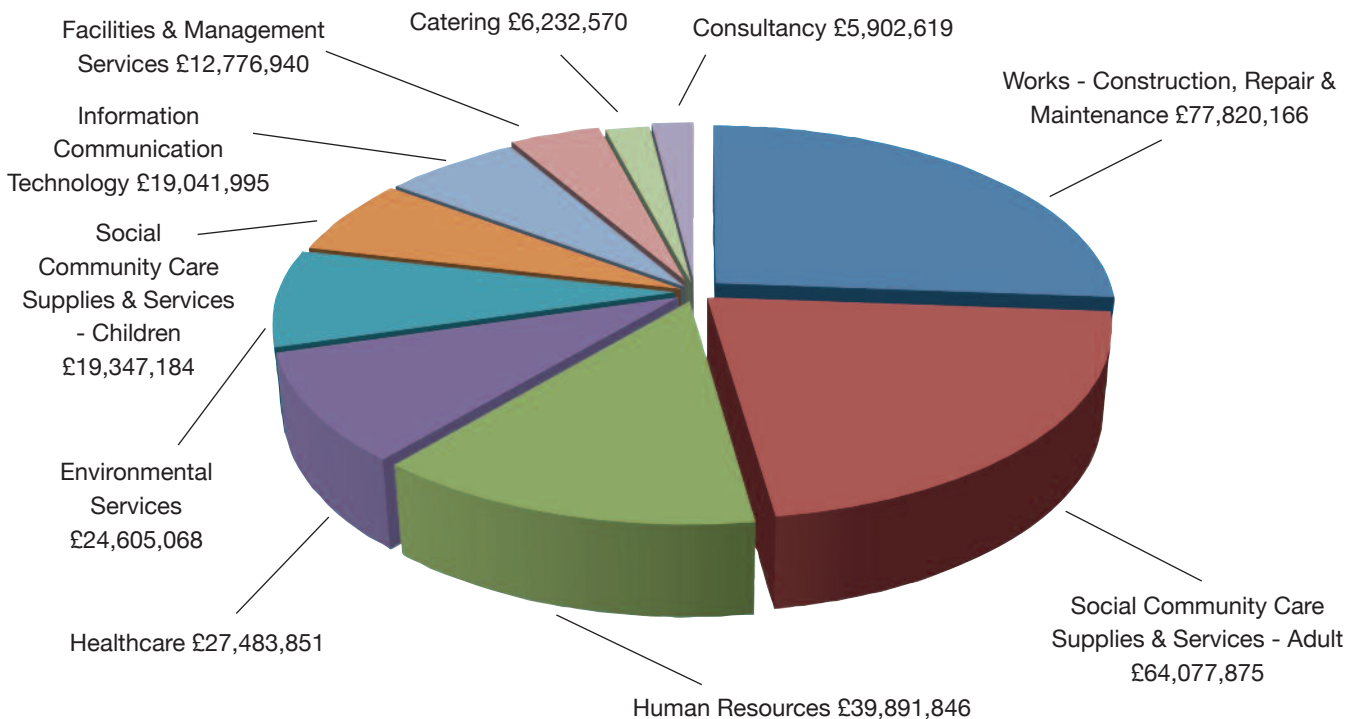


Total spend across 2,669 suppliers £325m (100%)
Top 10: £136m (42%)
Rest: £189m (58%)

FY 2017-2018 Spend by Directorate



FY 2017-2018 Spend by Sub Category (top 10)



Total Spend across 32 Sub Category: £325m (100%)

Top 10: £298m (92%)

Rest : £27m (8%)

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