HARINGEY COUNCIL

Procurement

Strategy

2006 - 2009

Author: Dionne Knight – Senior Procurement Manager
Draft for Consultation   Version 2.5

EXECUTIVE SUMMARY

Author: Dionne Knight – Senior Procurement Manager
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'Procurement' is the process by which the Council obtains the goods, works, and services it requires in support of service delivery to the community of Haringey. The process is all encompassing, ranging from the acquisition of stationery to the design, build and management of schools. In 2004/5 Haringey procurement spend was approximately £264 million.

Purpose

The Haringey Procurement Strategy is primarily concerned with detailing how procurement will support the attainment of the **Haringey Vision** as contained in the **Community Strategy[1].**

Haringey Vision

> **'To measurably improve the quality of life for everyone in the borough – putting people first, being bold in dealing with issues for the benefit of all.'**

The Haringey vision translates into five overarching **priorities**:

- **Achieving Excellent Services**
- **Building Safer and Stronger Communities**
- **Better Haringey**
- **Raise Educational Achievement**
- **Putting People First**

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[1] Haringey's Community Strategy 2003 -2007

Procurement Vision

As a fundamental local authority function, with an associated spend equating to approximately 62 % of the Haringey budget, procurement is a powerful tool by which to achieve the vision and drive improvement. Officers and Members at Haringey acknowledge this importance, as is expressed below in the Procurement vision.

> *"To ensure a Procurement Service that contributes to the attainment of priorities contained in local and national strategies. The Haringey Procurement Service will deliver procurement excellence, value for money and give full consideration to Haringey's diverse community.*

Haringey will achieve the vision for procurement by focusing on areas instrumental to delivering an effective procurement service. The Haringey vision translates into five key procurement objectives that each relate to our corporate priorities:

ACHIEVING EXCELLENT SERVICES
OBJECTIVES: Deliver Value for Money, Collaborative Procurement
Aims
- Council suppliers will be selected on the basis that they have demonstrated an in-depth understanding of and ability to meet community needs.
- In specifying service requirements, the Council will apply the principles of **whole-life costing** and '**paying the necessary cost to secure the best possible outcome'** for the local community.
- Support services in identifying areas in which improvements vis-à-vis procurement can be made.
- Support services to become intelligent clients by increasing and maintaining market knowledge.
- Adopt a joined-up approach to service delivery so that where opportunities for **aggregation** exist these are taken.
- Innovative procurement solutions will be used to develop those areas of the Borough in most need of regeneration.
- Support the local economy by engaging with the voluntary community sector and the small business community of Haringey to work together to deliver services across the Borough.

BUILDING STRONGER AND SAFER COMMUNITIES
OBJECTIVE: Improve construction procurement

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Aims

- Develop and train officers to understand construction best practice principles in order to ensure that all construction procurements are optimised in terms of best value for money for the whole life of the facility.
- Ensure that all construction projects are designed to deliver sustainable facilities that will enrich Haringey's built environment.
- Ensure that consultation with all community stakeholders forms part of the procurement process.
- To evaluate all suppliers appropriately to ensure they understand and are able to deliver the Council's Community Strategy.

BETTER HARINGEY

OBJECTIVE: Develop and embed sustainable procurement practices

Aims

- Ensure that 'Sustainability' is an express feature of all procurement be it by way of our contractors ability to demonstrate sustainable working practices or by way of community benefit via the delivery of services in Haringey.
- Ensure that waste disposal methods and associated costs are express elements of our suppliers' proposals to deliver goods and services to the Council.
- Monitor our use of non-renewable sources of energy with a view to seeking alternate methods of supply.
- Ensure e-procurement is deployed to reduce the use of paper in the purchase to pay process.

RAISE ACHIEVEMENT IN EDUCATION AND CREATE OPPORTNUITIES FOR LIFELONG LEARNING

OBJECTIVE: Use procurement as a tool to achieve social and economic benefits.

Aims

- Encourage our contractors' (where it is reasonable to do so) to provide training and development opportunities that support education and learning in Haringey.
- Support The Children's Services in the procurement of school buildings, goods and services to ensure an educational environment that is fit for purpose and of the required quality standard.
- Use the procurement process itself as a tool for encouraging market appreciation that may develop into career opportunities.

PUTTING PEOPLE FIRST

OBJECTIVE: Capacity building

Aims

- Ensure robust and transparent procurement
- Develop and embed training and development.
- Implement e-procurement solutions

Collectively, this Procurement Strategy, the Corporate Procurement Unit's Business Plan (available from Haringey's Best Value Performance Plan) and associated strategies represent the route-map for achieving our aims and objectives.

This executive summary is one of three documents that make up the Procurement Strategy Pack. It is accompanied by a detailed document entitled 'Strategy Context', which provides additional detail as to how the Council is seeking to achieve its aims and objectives for procurement. It specifies the necessary actions required to deliver the strategy. The 'Action Plan' is the third and final document within the pack.

For further information on this strategy or supplying the Council please refer to our 'Selling to the Council' web pages at www.haringey.gov.uk/business/sellingtothecouncil.htm or contact Dionne Knight in the Corporate Procurement Unit on 020 8489 2178.

Procurement Strategy

2006 - 2009

STRATEGY CONTEXT

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1 Overview

1.1 Overview

The 'Procurement Strategy Executive Summary' provides the strategic framework within which the Council will pursue procurement excellence. This document is a companion to the strategy and seeks to provide additional detail on how the Council intends to meet the aims and objectives for procurement. It expresses:

- The development of areas underpinning procurement within the Authority.
- The Authority's mid-long term approach to procurement.
- Key actions for delivering the Procurement Strategy with named roles and responsibilities.
- Measures for monitoring performance against the deliverables in this and associated strategies.

The strategy expresses the role of procurement in supporting delivery of Haringey's corporate priorities and refers to the position of dependent plans in detailing our approach. Figure 1 illustrates the interdependencies. The first action of the strategy is to ensure delivery of its action plan.

Action – Delivery of the Haringey Procurement Strategy
1.1   Monitor delivery of this Strategy.
1.2   Report progress to PSB[2] and CEMB[3] annually

Figure 1 Strategic position of Procurement Strategy

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| e-Procurement | Construction Strategy | Sustainability Strategy | Developing Markets | Contracting Strategy |
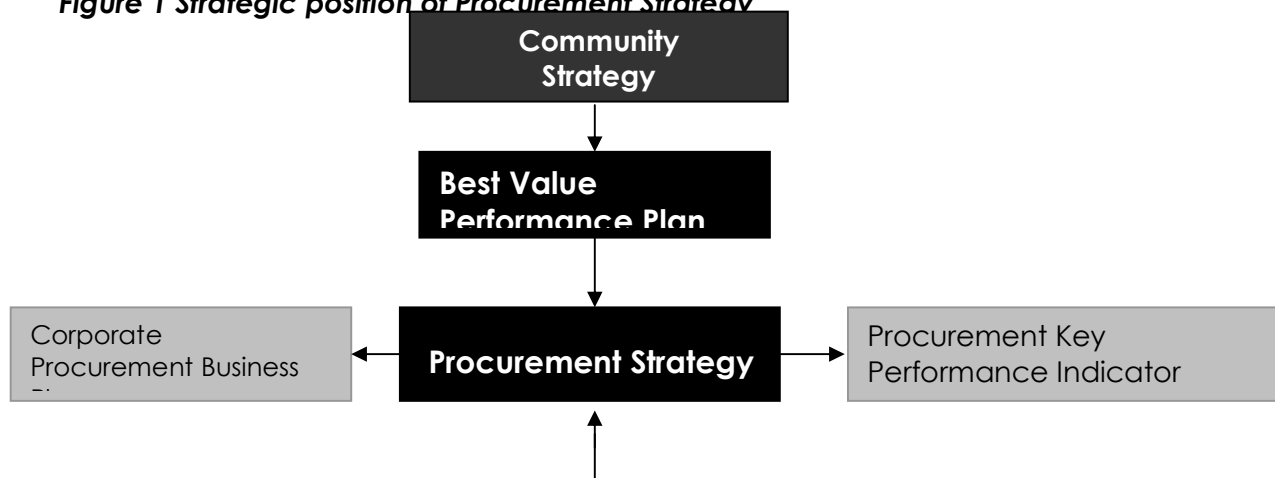
1.1.1 Document Structure

The remainder of this section focuses on the Haringey procurement context, giving careful consideration to some of the key drivers influencing local authority procurement. It then considers some of the specific areas where procurement is supporting and will continue to support outward service delivery in Haringey.

Section II – Haringey Procurement - Delivering Policy Objectives
This section sets out next steps and the position of Haringey Procurement in relation to:

- The authority's last Best Value inspection
- Progress against the implementation of the milestones contained in the National Procurement Strategy
- The role of procurement in delivering efficiency
- Comprehensive Performance Assessment (CPA).

Section III – The Haringey Procurement Framework
Section three summarises the procurement framework and reviews it in relation to supporting the delivery of an effective and compliant procurement service.

Section IV – Achieving the Vision
This is the most detailed in that it presents key actions for developing the Authorities existing approach to procurement. Maximising the Authority's potential as an organisation with huge purchasing power is essential if the Council is to become an authority excellent at delivering **value for money**, quality services with positive outcomes and an intelligent client into the markets it procures from. Accordingly actions required to develop the capacity of officers to intelligently procure within a market economy are detailed here. The section also considers the output of internal reviews, particularly those focused on construction and sustainability and details the activities required to take each of these areas forward. Following the work of the Trade Local and SME Procurement Pilot projects, and the lateral contribution made to achieving the objectives of

the **Haringey City Growth Strategy**, this section of the strategy also sets out the ongoing development necessary to support the local economy, social enterprises and voluntary community sector within the Borough.

Document Summary
Each section will identify key actions for maturing the Procurement Service. For ease of reference these actions are numbered and presented in grey shaded text boxes. (An action plan summarising all actions is available as a separate document.) Due to the cross-cutting nature of some of the work programmes discussed, readers of this document may find that reference to a particular area is made several times.

1.2 Key Drivers

Local authority procurement is big business as every day it facilitates the delivery of services to the community. Councils do not have the resources, capacity and in some cases, skills to provide all these services directly, hence the requirement to purchase from third party providers. This creates a competitive climate where councils are under pressure and reliant on others to deliver timely, quality services that are affordable and meet the needs of customers.

The **Byatt Review**[4] highlighted the poor state of local government procurement and also brought to the fore the significance of procurement in contributing toward improved community services. The review has been the basis on which local government procurement has undergone a significant transformation. Since the publication of Byatt, Haringey has developed and established an effective procurement service that drives strategic direction, operational practice and Member/Officer involvement. The launch of **The National**

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[4] DTLR, 'Delivering Better Services for Citizens', Sir Ian Byatt, June 2001

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Procurement Strategy[5], and the emergence of **'Gershon Efficiency',[6]**along with the greater than ever before focus on procurement within the **Comprehensive Performance Assessment (CPA)** serve to demonstrate the evolving nature of public procurement. Haringey is in a prime position to embrace the pace of change and our Procurement Strategy is a tool by which the Service will meet the expectations of stakeholders.

The local government community is one that promotes the notion of development and improvement from within. The recent establishment of nine regional Centres of Excellence, serves to support the improvement process and also to disseminate emerging best practice. In specifying actions for improving the Procurement Service at Haringey this document also briefly summarises the areas where the Service has and continues to support the Council's overall improvement journey. The Procurement Strategy and related documents are expressions of continuous improvement and it is therefore important that in delivering this strategy the Procurement Service shares and embraces the lessons learned during the life span of the strategy.

Action – Dissemination and sharing best practice
1.3   Establish and maintain relationship with London Centre of Excellence and other bodies supporting improved procurement within local government.

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[5] ODPM/LGA, 'The National Procurement Strategy for local government', Oct 2003
[6] HM Treasury, 'Releasing resources to the front Line',

2
Haringey Procurement Delivering Policy Objectives

2.1 Best Value – Haringey Procurement Service

Haringey's last Best Value Inspection[7], concluded that the Haringey Procurement Service was a 'good service that had excellent prospects for improvement.' The finding was reflected in the award of a two-star rated service. The review specifically covered the acquisition of goods and services by the Council from third parties. The review panel identified many areas of strength in the Haringey Procurement Service, but also identified areas for potential development. Areas within the latter category are addressed below.

2.1.1 Forward Planning with explicit links to Business and Financial Planning

Haringey's annual pre-business and business planning process is effective at capturing council-wide information on planned procurements exceeding £250,000. This exercise dovetails into that of financial planning. The Corporate Procurement Unit (CPU) currently uses data from business plans to prepare and publish an annual procurement plan with a view to prioritising resources required to support services. In order that the authority may achieve greater procurement value from business plan submissions the annual exercise should be proceeded by a related activity of developing Directorate/Service procurement plans based on analysis indicating new opportunities for achieving value for money and procurement efficiencies.

Action – Integrated Business and Financial Planning

2.1   The CPU is to make co-ordinated use of procurement and savings information submitted during the business planning process and informed by strategic spend data to recommend cross-cutting strategies for achieving:

Strategic

- Collaboration across services.
- Economies of scale.
- Aggregation in the supply chain.
- Reductions in the duplication of effort.

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[7] Audit Commission, Haringey Procurement, January 2003. The Council must show that Challenge, Comparison, Competition and Consultation have been applied in the delivery of the inspected service.

> **Service Specific**
> - The provision of advice to services on packaging work programmes so as to achieve value for money and sector-specific efficiency targets.
> - Map savings and embed within Directorate/Service procurement strategies.
> - Review progress as part of PBPR

2.1.2 Performance Management

In April 2005, Haringey, led by the CPU, developed a framework of performance indicators (PIs) to assist with monitoring the Council's progress against national and sector specific procurement objectives/standards. The PIs are taken from a range of sources and include locally developed indicators. The framework will serve as an important means for improving the Haringey Procurement Service and is therefore a tool central for measuring progress of the deliverables within this strategy. Other benefits include:

- Assistance with measuring progress towards achieving corporate objectives and targets.
- The promotion of Haringey accountability to the public and other stakeholders.
- The comparison of Haringey performance with that of other authorities.
- Promotion of service improvement by publicising performance levels.

> **Action – Performance Management**
>
> 2.2 The Corporate Procurement Unit is to monitor performance against PIs within the agreed framework and will report performance on a quarterly basis to the Procurement Stream Board, Chief Officers and the lead Member for Resources.
>
> 2.3 Share information on a regional basis via the London Centre of Excellence.

2.1.3 Sector and Service Reviews

The Council operates in a broad range of markets that in turn enable the delivery of local services. The Best Value framework requires that Haringey, like all

local authorities, **challenge** existing approaches to service delivery and test the **competitiveness** of these approaches. Thus a key measure for assessing the effectiveness of Haringey's procurement is the extent to which the organisation understands what shapes a given market and the manner in which it responds to market changes. The Council has made steady progress toward improving market knowledge, which is evident by a series of sector specific reviews, namely Recruitment and Resourcing, Energy and Construction. Our experience informs us that markets are forever changing, and are quite often beyond the influence of the Council. It is therefore incumbent upon Haringey to ensure a knowledge base that is able to respond to market shifts and inform strategic decision-making.

Action – Sector Reviews.

2.4   The Corporate Procurement Unit is to lead a programme of specific reviews with a view to improving the Authority's market knowledge in the various sectors of which it is a client. Areas identified for review during the three-year period of this strategy are:

- Highways
- Health and Social Care
- Children's Service
- IT and Telecoms
- Retail and support services
- Facilities Management
- Housing in-house repairs service

*Completion of Energy and Utilities

2.1.4 Service Inspections

The Audit Commission regime of inspections and the Council's programme of Business Process Re-engineering reviews provide the framework within which to pursue service improvement. The recommendations arising from the above often

make evident the role procurement has in contributing toward service improvement. This is of significance vis-à-vis market knowledge and sector reviews (discussed in the preceding subsection) as the outputs of these inform service contracting strategies which influence the improvement process.

Action - Service Reviews

2.5   The CPU is to liaise with services on the outcomes of inspections and service reviews to inform action plans for service improvement.

2.2 'Gershon' Efficiency

Haringey has long recognised the importance of efficiency. Since the authority's corporate assessment in 2002, the Council has been working toward becoming a more 'efficient' organisation: placing greater emphasis on the methods used to achieve value for money and streamline business processes. This commitment was first expressed in the 2003 Best Value Performance Plan and has since then developed into a key theme for improving capacity to deliver services fit for purpose and of the requisite quality standard. It is in this respect that Haringey welcomes the recommendations of the Gershon review.

In contributing to the attainment of the Central Government efficiency target, the Authority has set about developing an approach that realises the 2.5% year on year saving required.

2.2.1 Haringey Efficiency Strategy

The approach is one that facilitates the delivery of the Council's aims and priorities as expressed in the Community Strategy, Local Public Service Agreement and Best Value Performance Plan. The strategy for securing the gains is in Haringey's **Annual Efficiency Statement (AES)** – Forward Look 2005, an excerpt of which is immediately below.

Our strategy for securing efficiency gains is managed through our annual business planning process. There are two elements to this:

1. *a detailed review of each business unit against a standard template setting out strategy objectives, performance expectations, investment requirements, and opportunities for efficiency savings. At officer level, this is subject to detailed specialist assessment and peer review. At Member level, this is subject to Overview and Scrutiny review and forms the basis for considering the Executive's budget package; and*

2. *a crosscutting efficiency programme covering asset management, corporate services, procurement, productive time, e-government, and process review. This programme is designed to deliver both front-line service improvement and cashable efficiency savings. At officer level, six work streams report to the Management Board meeting as a programme board. At Member level, the programme is defined and overseen by the Executive.*

Our strategy for efficiency is underpinned by investment in the capacity of our people to deliver this agenda. Our corporate approach involves a leadership programme for our managers and each business unit has a 'people plan' to ensure full participation. Our crosscutting efficiency programme is promoted within the organisation under the banner of 'Smart working' …

Haringey acknowledges the challenges presented by Gershon Efficiency, but also recognises the important role procurement has in ensuring the authority's annual savings target is achieved. The AES sets out a summary of those savings expected from procurement.

Action – Efficiency

2.6   Establish a clear methodology for all business areas to ensure that savings arising specifically from procurement are identified, logged and built into service procurement plans.

2.7   The CPU is to use information produced from spend analysis data to identify opportunities for efficiency savings. Develop and implement strategies for delivery of savings identified.

2.3 National Procurement Strategy

Launched in October 2003, the National Procurement Strategy is the joint response of the Office of the Deputy Prime Minister (ODPM) and the Local Government Association (LGA) to the Byatt review of Local Government Procurement. The Strategy, separated into four themes[8], contains 24[9] milestones to be achieved within the three-year period 03-06. The CPU has overall responsibility for ensuring the NPS milestones are achieved. The Authority's approach to ensuring the attainment of the milestones is to entrench actions for achieving them within the Procurement strategy, CPU Business Plan, and associated sub-strategies. The performance management framework is the means, *inter alia*, for monitoring progress against each deliverable and the NPS strategy as a whole. At an officer level this is subject to review via the performance framework of work plans, appraisals and one-2-ones. Haringey's overall position is summarised in Table 1.

Table 1 – National Procurement Strategy – Haringey Progress

Year	Red	Amber	Green	Total
2004	1	6	7	14
2005	0	2	6	8
2006	0	1	1	2
Total	1	9	14	24

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[8] NPS Themes: Providing Leadership and Building Capacity, Partnering and Collaboration, Doing Business Electronically and Stimulating Markets and achieving Community Benefits.
[9] This figure will vary according to authority type i.e. District or London Borough.

Action – Implementing the National Procurement Strategy
2.8   Appoint an officer responsible for the attainment and ongoing maintenance of each milestone.   Identify and agree actions for ensuring that any milestone with a status other than green are built into the appropriate programme areas, work plan objectives and is continually reviewed via the performance framework.   2.9   Report progress to Procurement Stream Board and London Centre of Excellence.

2.4 CPA

The framework revised in 2005 is a more rigorous test of local authority performance[10]. Combined, the Corporate Assessment and Use of Resources Judgement take a broad community perspective on the Council's performance. Both elements of the framework make explicit reference to procurement as an area contributing to Council improvement. In particular, the Value for Money self-assessment, specifically sets out the expected contribution procurement should have in delivering effective and efficient services to the community.

CPA is just one of a wider set of processes and initiatives designed to support continuous improvement, and quite clearly there is a consensus within and across government that procurement is key to shaping local authority improvement planning.

Action – Improvement Planning
2.10   The Corporate Procurement Unit is to liaise with Improvement & Performance to ensure an active role into the input of the Council's improvement planning process.   2.11   Conduct periodic assessment of the Procurement Service against CPA key lines of enquiry.

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[10] 'CPA The harder test', June 2005, Audit commission

2.12   Document positive progress.
2.13   Develop and agree actions for improving areas in need of development.

3
The Haringey Procurement Framework

Procurement Framework

The term 'Procurement Framework' is used to define the organisational infrastructure within which procurement activity is undertaken. The framework is a range of accessible resources, in people and tools, used to deliver effective and compliant procurement across the Council. It includes European and National legislation and the rules, processes and protocol developed and agreed locally.

3.1 Corporate Procurement Unit

The Corporate Procurement Unit (CPU), a service within the Finance Directorate, is the corporate centre and professional lead for procurement. The unit, established in 2001, pursuant to the recommendations of the Best Value inspection of Procurement in the same year, is a team of 47[11] officers whose overarching objective is to support delivery of the Community Strategy via procurement. At a strategic level this is best observed by the development of and input to corporate strategies aimed at improving the Haringey organisation. At a programme level, CPU input is discernible via the provision of advice to officers and members on complex-strategic, efficiency and routine procurement. Support at this level is complemented via a cross-functional team of officers, who provide professional advice on procurement matters with attached financial and legal issues. CPU officers also lead on developing and embedding the systems and processes required to deliver effective procurement. Figure 2 illustrates the CPU's division of work.

Since the establishment of the procurement central function in 2001, the business unit has undergone considerable change in terms of structure, staff and numbers. As a corporate function it is essential that Members and officers are aware of the services provided by the unit. The unit's business plan goes part way to defining customer service objectives but there are related tasks of better understanding: how the service can support other Council services, particularly

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[11] This figure includes officers from Construction Procurement Group and Accounts Payable which were subsumed into CPU in 2005.

those that are outward facing, ensuring the promotion of the service and ongoing customer engagement.

Figure 2 – CPU division of work
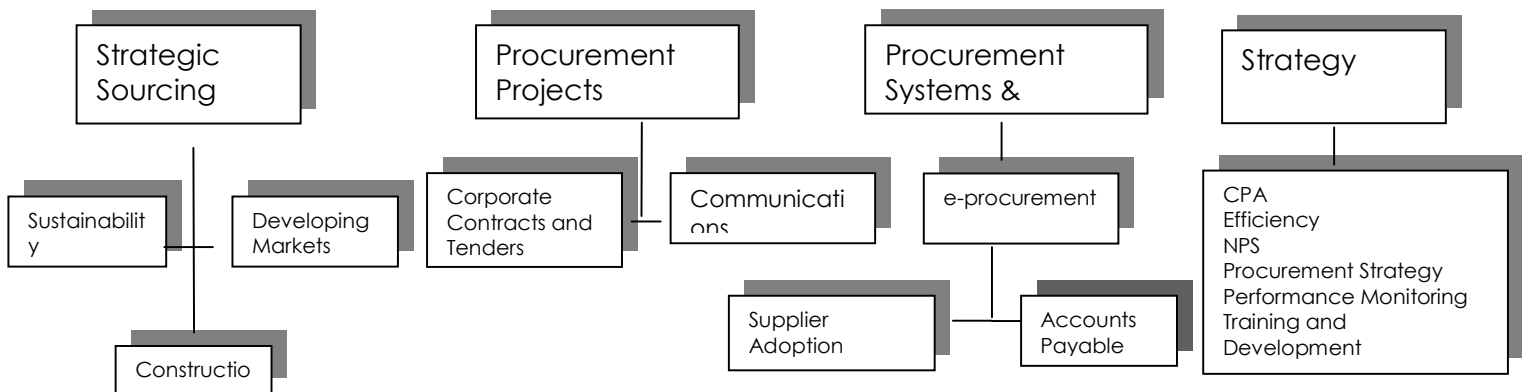
As previously stated, the Corporate Procurement Business Plan specifies objectives for the business unit along with the actions and measures required for delivering an effective service. The unit's Improvement Plan (contained within the Business Plan) sets out actions identified for achieving service improvement.

Actions - Delivering the Improvement Plan and raising customer focus

3.1   Ensure actions identified in the CPU Improvement Plan are incorporated into relevant programme streams and individual work plans.

3.2   Continually monitor progress via the performance management frameworks of performance appraisal and PIs.

3.3   Raise officer and Member awareness of procurement roles and responsibilities via Intranet and publications.

3.4   Define and publish service levels based on consultation with service users.

3.2 Directorate Procurement

With a network of contract managers and purchasers, the majority of procurement activity takes place in the business units of the Council's nine departments. One advantage of such devolved procurement is the ability of services to make responsive decisions based on customer feedback and specialist service knowledge. A clear disadvantage is weakened central co-ordination, which has sometimes resulted in the loss of efficiency, poor risk management and the duplication of effort. The Council has taken steps to

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overcome these weaknesses by focusing on skills development, introducing business processes and systems that produce management information and introduce corporate protocol and guidance.

3.2.1 Business Unit Lead Contract Officers (BULCO)

As the name suggests the BULCO network, established in 2003, is a group of departmental officers from across the Council that meet with a lead officer from the CPU on procurement matters of corporate significance. To date the BULCO network has been an effective means of managing operational change issues and creating synergy across services otherwise absent due to the devolved nat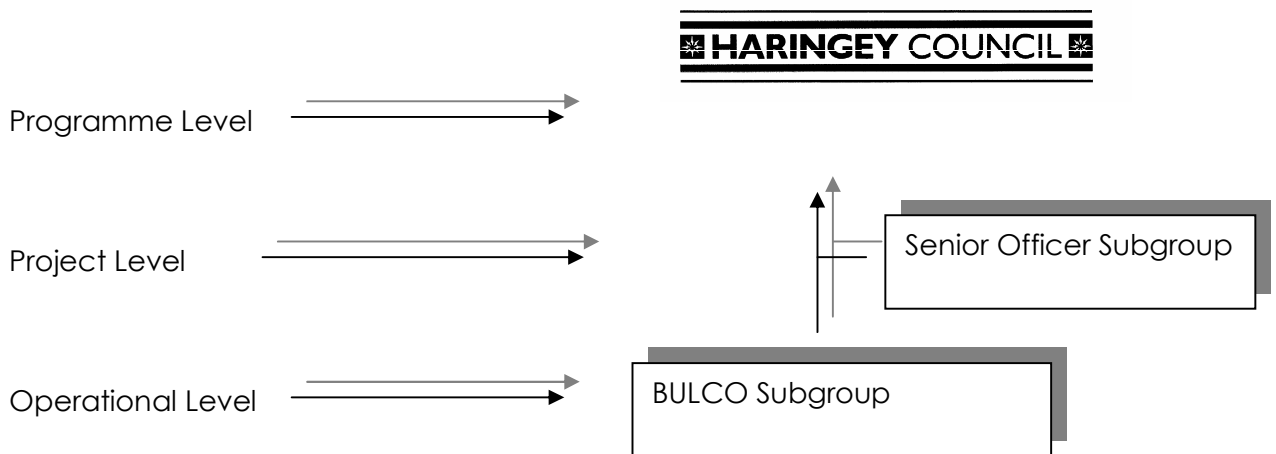ure of procurement. Because of the changing nature and scope of procurement, the role of the BULCO's has become somewhat immersed and less effective as a means for understanding departmental priorities and how procurement can help in realising these. As previously discussed, the Business Planning Framework is a proven systematic tool for capturing departmental procurement information, specifically that detailing procurements by value and spend. To exploit the full potential of information within business plans (ref action 2.1) the process ought to be supported by a systemic organisational method for ensuring the delivery of procurement that supports the micro objectives of service departments as well as realises corporate and community wide benefits. This is achievable by cross-functional team working via the alignment and introduction of a sub-group structure to the existing operation of influencing the strategic direction of procurement. The Council's Stream Board structure currently has the purpose of overseeing strategic direction and procurement is scrutinised and managed via Procurement Stream Board at the highest level and the BULCO network at the lowest. Figure 3 illustrates the proposed model.

Figure 3 – SMAR+ER Procurement Delivery

Strategic Level

Chief Executive's Management Board

Procurement Stream Board

Programme Level

Project Level

Senior Officer Subgroup

Operational Level
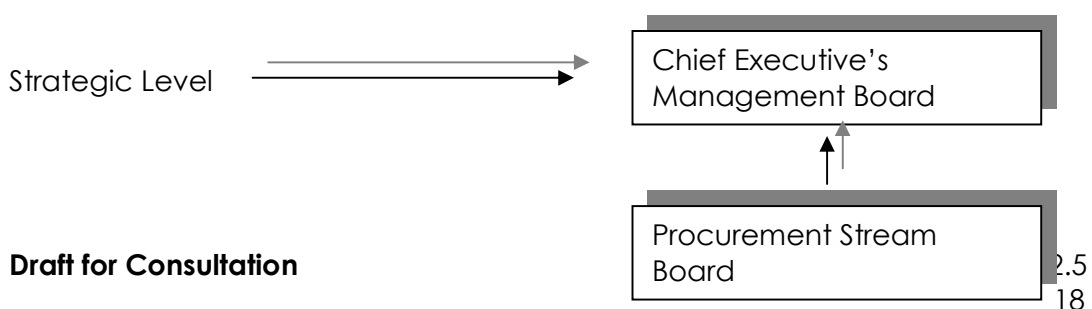
BULCO Subgroup

Action – SMAR+ER Procurement Delivery

3.5   Review the effectiveness of BULCO network with a view to revising Terms of Reference and establish the group as a sub-group of Procurement Stream Board.

3.6   Assess the effectiveness of introducing a subgroup structure to PSB.

3.3 Contract Standing Orders and Procurement Guidance

The regulatory framework within which procurement activity is undertaken is governed by a system of locally agreed rules and law established at a national and European level. The Authority's Contract Procedure Rules and Contract Standing Orders is an embodiment of all.[12] They continue to be fundamental components of a broader system that has the purpose of managing risk and ensuring compliance, probity and transparency in procurement decisions and subsequent activity. Since the drafting of the Authority's last Procurement Strategy the framework has changed to include the revision of European legislation and the introduction of a suite of 'equalities' and environmental legislation. Haringey must begin a process for ensuring that all officers are abreast of these changes and able to apply them in their daily procurement activity.

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[12] Section G3 of the Haringey Council Constitution

3.3.1 Procurement Protocol

The Council, via CPU, has recently strengthened the regulatory framework by publishing a procurement manual. The manual is a companion document to Contract Standing Orders and has the primary purpose of increasing officer confidence in managing the entire procurement cycle. Launched in July 2005, the manual is the first of its kind; observance of the guidance within must be supported by an action to ensure the manual becomes an intrinsic tool for delivering effective procurement.

3.4 Risk Management

Risk management is a major facet of effective corporate governance. The above subsections detail some of the control mechanisms in place for ensuring procurement at Haringey is delivered within a coherent framework. The task of risk management vis-à-vis procurement is to ensure the Council makes cost-effective decisions based on a risk process that has well-defined steps and will support better decision-making through a good understanding of procurement risks and their likely impact. The Council has a four-tiered approach to the management of risk and procurement controls exist at each level. Table 2 illustrates the specific controls and the level of each within the framework.

Table 2 – Risk Management Framework

Level of Risk	Ownership	Controls	Tools	Procurement Specific Controls
Strategic	CEMB	Chief Executive's Management Board. Executive Committee Overview and Scrutiny	Risk Management Policy, Business Planning Framework, Committee reports, Overview and Scrutiny, Statement of Internal Control	Procurement Committee
Programme	Appointed Chief Officer	Executive and Management Team Reports	Stream Board	Procurement Stream Board

Project	Project Sponsor	Project Board	Project Management Framework	Procurement Reports
Operational	Heads of Service. Budget Holders	Annual audit plan. SAP Authorised signatories	Procedural Rules, Manuals, Audit Inspection, Risk registers	Procurement audit plan SAP • SRM 4 • CMS Procurement Manual Contract Standing Orders

3.4.1 Strengthening Procurement Risk Management

Risk management in the context of procurement is particularly concerned with managing those issues that may adversely affect the outcome of the procurement. As the above table illustrates, Haringey is effective at managing issues arising internally but weaker at managing those influenced by external factors. The acquisition life cycle, illustrates the decision-making process in relation to procurement and the extent to which procurement decisions are influenced by external factors. When aligned with the risk framework it is apparent that procurement risk occurs largely at the project and programme levels. In order to minimise the degree of procurement risk the Council must strengthen the existing management of risk at these levels. This can be achieved by publishing the framework and the controls within along with increasing the skills levels of staff to better able them to identify and manage risk with rigour at each stage of the cycle.

3.5 Equalities

Haringey has invested dedicated resources to ensure compliance with the legislative framework safeguarding equalities. The investment has extended to that of developing national guidance on the subject matter. Haringey Council, via the in-house Equalities and Diversity Unit, has long been involved in the UK wide Equalities in Service Provision Group[13]. The group is responsible for the

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[13] A subgroup of the Commission for Racial Equality.

development of the 'Common Standard' – the National pre-qualification questionnaire for procurement equalities and CRE local government guidance.[14] The Corporate Procurement Unit has established a strong link with the Equalities and Diversity Unit to ensure equalities are considered at every stage in the procurement cycle. The 'Equalities and Procurement Training Pack' is a direct output of this relationship and contains information pertinent to ensuring compliance and adherence to corporate policy.

The legislative framework governing equalities has increased in scope and all such changes must be reflected in corporate policy and guidance issued in relation to procurement.

Action – Equalities

3.7   The Corporate Procurement and Equalities and Diversity Units are to undertake periodic assessments of the Equalities Framework against prescribed national and legislative standards to ensure compliance with statutory obligations.

3.8   Both units are to respond to changes by employing appropriate methods for revising / re-issuing guidance to Council officers

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3.6 Capacity Building

In summary section three has highlighted the continual need to ensure officers and Members at Haringey operate within and are aware of all that constitutes the Procurement Framework, as it underpins all procurement decisions and related activity. The required level of knowledge, understanding and skills of officers will vary according to their individual role in managing Council Procurement. The various tools such as the Procurement Manual and Haringey Project Management Framework assist in the development of procurement skills, but these must be used as part of a wider corporate approach for ensuring an

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[14] Commission for Racial Equality, 'Race Equality and Procurement in Local Government', July 2003

adequate skil/knowledge base for the effective management of procurement within the Authority.

Action - Building Capacity
3.9   Develop and deliver a tailored programme of procurement training and development.
Ensure fit within the SMAR+ Working framework.

4 Haringey Procurement Achieving the Vision

4.1 Freedoms and Flexibilities

Central government and LGA have developed a package of freedoms and flexibilities designed to remove the unnecessary controls that stifle local innovation and that may inhibit effective procurement models. The Local Government Act 2003 is the instrument for awarding increased flexibility to authorities and will assist greatly in moving the policy context for procurement forward. The freedoms and flexibilities introduced through the Act vary according to CPA rating. In relation to procurement they include:

- A prudential capital finance system, which will enable councils to borrow for capital investment without central government consent, as long as they can afford to service the debt.

- Power for the Government to authorise councils in the fair, good and excellent performance categories to trade in relation to any of their ordinary functions.

- New powers for all councils to charge for discretionary services.

4.1.1 Well-Being Powers

The use of the above freedoms ought to be considered in view of the Local Government Act 2000 'Well-Being Power'. This power enables local government to promote the economic, social and environmental well being of their areas. Section 2 of the act provides local authorities with the power to undertake activities that are considered to have a positive impact on the lived experiences of the people in their area. In exercising this power local authorities are authorised to incur expenditure, provide financial assistance, establish a range of co-operatives or facilitate relationships with organisations and individuals, and to provide benefits in kind, including staff, goods, services or accommodation.

4.1.2 New opportunities

Combined, these powers present new opportunities for Haringey, particularly where limited financial resource is a barrier to the development and implementation of innovative procurement solutions. Assessment of the use of these powers will identify the potential benefit use could offer Haringey. In the

procurement context, particular thought should be given to the specific power to form companies and other corporate bodies, provided that such bodies are likely to achieve the promotion or the improvement of the economic, social or environmental well-being of the Haringey area.

Action – Freedoms and Flexibilities

4.1   The Corporate Procurement Unit, Corporate Finance and Legal are to produce a joint feasibility paper on the benefits to be acquired by Haringey from the use of the well-being and freedom powers.

4.2 Contracting Strategies

Understanding the Council's spend profile in terms of; who supplies the Council and to what degree, i.e. regularity and the market categories spend is associated with is fundamental to any approach taken to achieve Gershon Efficiency. Information of this type is best acquired through periodic spend analysis[15]. Such analysis facilitates the review of contract priorities balanced by the need to address high-risk areas.

4.2.1 Haringey's Spend Profile

In July 2005, the CPU commenced a spend analysis of the Council's procurement spend covering the financial period 04/05. The analysis revealed the Councils procurement spend of £264m was spent amongst 6500 suppliers in 27 categories. These categories have been analysed and placed into a risk matrix (figure 4) in order to map potential savings.

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[15] Ideally spend analysis should be conducted every two-three years.

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Figure 4 – Category Positioning by risk

The position of each category in the risk profile is demonstrated below. The profile uses four levels for positioning each product/service area. Theses are as follows:

- **Strategic** - High Risk/High Value
- **Leverage** – Low Risk/High Value
- **Bottleneck** – High Risk/Low Value
- **Routine** – Low Risk/Low Value
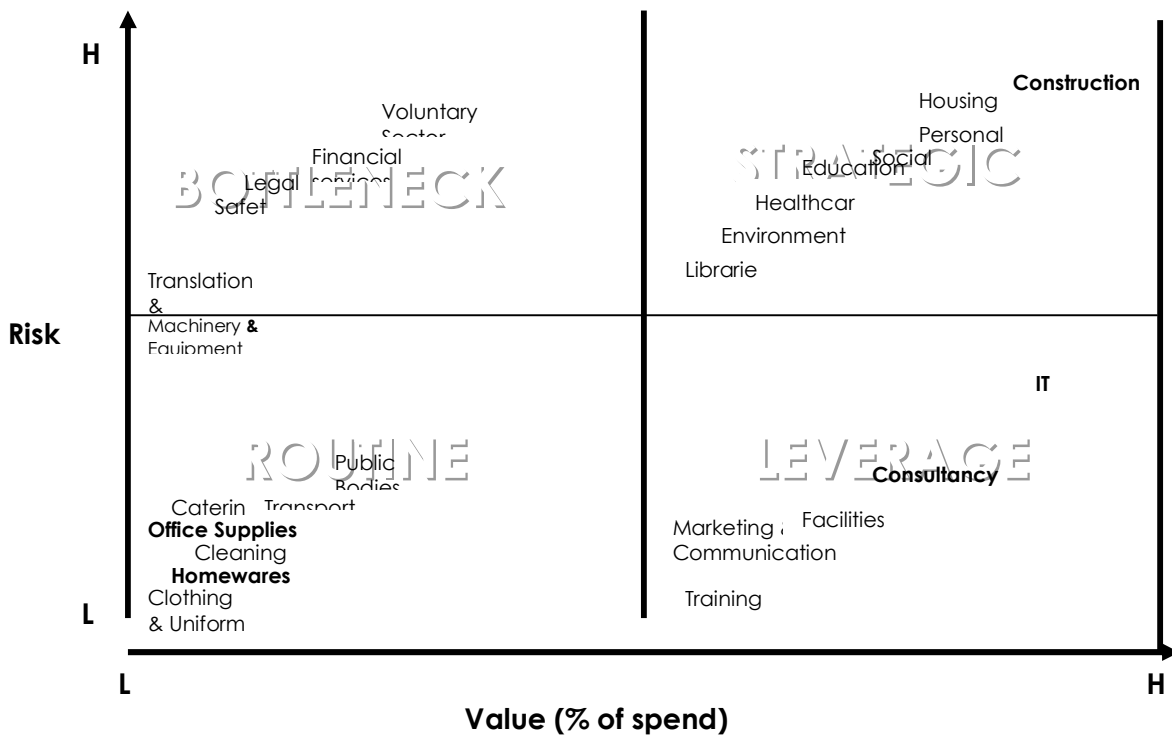
4.2.2 Strategy

The Council will determine each procurement route on a case by case basis to achieve Best Value by one of the following:

Consortia – procuring with other boroughs or making best use of consortia arrangements. These arrangements lend themselves particularly well to routine purchases such as stationery.

Partnerships – The Council has successfully used partnering as a mean of working with organisations towards achieving shared business aims so as to realise mutual benefits in the community. This is a model that has been effective at managing risk and achieving positive outcomes over the longer term. The Northgate IT Partnership, BSF and ALMO are examples of effective partnering arrangements.

Framework Agreements – Accessing and or set-up Framework Agreements.

4.3 Construction Procurement

The Borough has attracted a great deal of investment particularly in the area of Children's Service via the DfES[16] **Building Schools for the Future (BSF)** programme, which has granted £100 million to Haringey for the improvement of Secondary School buildings. In addition to this Haringey residents have voted in favour of an **Arm's Length Management Organisation** (ALMO) to manage local housing, to include the implementation of the Decent Homes standard valued at £250m over a five-year period. These multi-million pound investment programmes along with the existing programmes of regeneration projects are key to improving the Borough of Haringey. Effective **Construction Procurement** and **Capital Management** are key levers and integral elements of the improvement process.

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[16] Department for Education and Skills

4.3.1 Strategic Review of Construction

In April 2005 the CPU completed a '**Strategic Review of Construction**' that critically examined the position of Haringey as purchaser of construction related services, against the external factors driving the construction market.

The Council spends in excess of £100 million annually on construction and related services and is therefore a significant client of the sub-regional market. The review undertook a comparative analysis of the Council's existing approach to construction procurement and examined this against best-practice construction procurement methodologies with a view to identifying steps to achieving greater value for money, improve construction performance and attain greater efficiency.

Review Findings

The review highlights the fact that the Council operates within a sellers' market, and therefore needs to become a better client particularly when managing the tendering process. Good practice was evident but only in particular services which culminated in the loss of opportunities for savings via aggregation. The absence of project management skills amongst officers managing capital projects was cited as a problem contributing to poor project management and loss of efficiency. The review also identified the lost opportunities for supporting the local economy and sustainable development because of the absence of forward planning.

In June 05 Members and Chief Officers agreed to the recommendations set out in the Strategic Review of Construction and its accompanying plans. The recommendations amount to the adoption of a standard construction procurement methodology – 'Future Haringey Construction' - based on tried and tested best practice intended to provide a specific project management framework for construction procurements.

4.3.2 Whole Life Costing

A significant recommendation of the review and not just specific to construction, although very particular to it, is the adoption of whole life costing. Whole life cost procurement is pivotal to achieving value for money and benefits for the community of Haringey over the longer term. The Council has accepted the principle of whole life costing in that both officers and Members are agreed that all costs associated with procurement must reflect the costs associated with design right through to those apportioned to disposal of a given product, service or construction. There is evidence from within the Council that whole life cost methodologies are being applied to procurement projects but this is an area needing improvement so that the practice is one that becomes common place across all procurement projects regardless of nature and scope.

Action – Whole Life Costing
4.2   Establish Whole Life Costing methodology and incorporate into all protocol, guidance and regulatory rules and procedures.

4.3.3 Construction Strategy – the way forward

The Construction Strategy is a myriad of planned projects varying in nature. It includes the establishment of a construction framework agreement, regard to the Council's Asset Management Plan as well as the ALMO and BSF partnerships, and the provision of specialist construction advice from within CPU. The outputs of the strategic review influence to a large degree the extent to which each of these construction projects will deliver value for money and improved performance. It is therefore essential to this Procurement Strategy and to Haringey construction that the methodology becomes the way of managing all construction within the Council.

Action – Embedding 'Future Haringey Construction'
4.3   Project manage the Strategic Review of Construction's Construction Management Action Plan as a step integral to the adoption of 'Future Haringey Construction'.

> 4.4 Scope specialist training requirements and ensure incorporation within Procurement Training and Development Programme.

4.4 Developing Markets

Haringey by its very nature is a diverse borough representing over xxx ethnic groups. This is one amongst many reasons for which supporting the local economy is of paramount importance, to the Council, as SME's (a majority of which are BME businesses), represent **xxx** of all businesses in the borough. The Council also values greatly the contribution the voluntary sector and social enterprises make in supporting the needs of its diverse community. The Haringey City Growth Strategy articulates in part the Council's aims for supporting development in the local economy and acknowledges the role procurement plays in delivering support. The Trade Local and SME[17] Procurement Pilot Projects are evidence of the huge progress made by the Haringey procurement service in providing support to the local business community.

This work is set to continue as part of a broader scheme of national, regional and local projects Haringey is leading. The Council has received approval from the London **Regional Centre of Excellence**, to lead on two[18] of the work streams linked directly to the attainment of objectives within the National Procurement Strategy. As a maturing service, the Council objectives for this area extend beyond that of business support and include greater use of the voluntary sector to deliver community benefits, the adoption of fair trade practices and acceptance of the principle of fair pay amongst the staff of contractors.

4.4.1 Engaging the Voluntary Sector

To date the work of procurement has been focused on providing support to local businesses. This engagement with local business has allowed the service to acquire an in-depth insight into some of the specific barriers faced by small

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[17] Small to Medium sized Enterprises.

businesses when attempting to enter the local government market. Recently published reports and dialogue with HAVCO[19] confirmed similar experiences for community-based organisations. Toward the end of 2004, the Council set about developing a Local Compact between Haringey and the local voluntary sector to act as an instrument for removing the barriers that prevent community based and voluntary organisations the opportunities for delivering local services on the Council's behalf. The Compact currently under development will be an express commitment of the Council to working with the voluntary sector to deliver positive outcomes in the community.

The experience of the Corporate Procurement Unit in managing Trade Local[20] and the SME Procurement Pilot[21], is instrumental to the approach the procurement service has in supporting the Council's objectives for supporting the voluntary sector. The Corporate Procurement Unit has informed and continues to inform the approach of the Voluntary Sector Team in developing the Compact. By sharing the lessons learnt from the Trade Local and SME Procurement Pilot projects, the CPU is able to inform the development of the Compact and seek to address some of the procurement issues specific to this sector.

Action – Engaging the Voluntary Sector

4.5   Liaise with the Voluntary Sector Team to ensure continual input into the development of the Haringey Compact.

4.6   Assess the usefulness of 'Trade Local' style workbooks as a resource for supporting organisations in the sector.

4.7   Extend the operation of the Trade Local database to ensure Voluntary Sector organisations can appear as a category within their own right and ensure appropriate linkage to the Contract Management System.

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[18] Modernisation of Energy Procurement and SME/BME Exemplar Project
[19] Haringey's Association of Voluntary and Community based Organisations
[20] The supply side project instrumental in increasing SME capacity to enable them to become 'fit to compete' for tendering opportunities.
[21] The demand side project focused on increasing organisational awareness about the use of SMEs

4.8   Baseline and monitor use of VCOs and SMEs with a view to developing existing support to the local economy.

4.9   Implement the recommendations contained in the Haringey Compact.

4.5 E-Procurement

4.5.1 SAP Realisation of Benefits Programme

The SAP Realisation of Benefits Programme is being applied by Haringey Council to effect a transformation in the way the Council can achieve an improved and consistent use of the SAP system.

Corporate Procurement has held a series of Council-wide workshops with key users of SAP that resulted in a report that identified the main barriers to using SAP for effective procurement. Further analysis of these issues contributed to the blueprint stage of the new SAP procurement module SRM4 and the Quick Wins project.

4.5.2 Procurement Quick Wins

The Procurement Quick Wins project specifically aims to improve the purchase to pay process from end to end by improving the quality of supplier data held in SAP, introducing efficiencies in the ordering process and identifying how management information can be obtained from the current system in the absence of bespoke software. Implementation of the project will also facilitate the achievement of R9 of the ODPM e-government targets for 2005.[22]

Since the beginning of the project the following milestones have been achieved:

1. Implementation of SAP SRM4 (Supplier Relationship Management) which is a procurement focused module that allows for category management

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[22] Appropriate e-procurement solutions in place, including as a minimum paperless ordering, invoicing and payment.

2. As part of the ongoing improvements to procurement within SAP, changes have been made to the way that purchase orders are sent to suppliers, resulting in a paper-less ordering process.

The Council intends to build upon the above achievements by extending purchase order transmission using autofax and email ensuring that early supplier involvement will result in a preferred method of communication.

The Council already pays 50% of invoices to trade suppliers by BACS. The aim is to increase this figure to 70% in 2006/7 and over 80% in 2007/8.

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Action – Electronic invoicing

4.10 A Strategy for sending purchase orders and receiving supplier invoices electronically will be developed in 2006/7

4.5.3 Next Steps

Reporting

The implementation of BIW (Business Information Warehouse) will provide a robust management information-reporting tool, capable of extracting data held in procurement and producing reports for strategic procurement and performance indicators.

Purchasing cards
Assuming a successful trial of 7 government purchasing cards, GPC's will be rolled out in Q1 / 2006 to other users in the Council on a business needs basis and for low value occasional spend.

Market Place

Haringey Council will also evaluate and consider implementing a "Marketplace" solution in 2006/7. This will enable total business document interchange with initially at least 3 key suppliers in order to achieve process efficiencies.

Contract Management System

Once implemented the CMS will enable officers to conduct tendering, award, maintenance and management of all council contracts over £5000 and make these contracts visible and available to buyers across the council. Contract expiry dates will be flagged to officers well in advance thereby improving the renewal process.

4.6 Sustainable Procurement

The Authority is committed to improving the well-being of all those that live and work in, as well as visit the Borough. The aim of creating a '**sustainable**' Borough is not only expressed in the **Community Strategy** but is evidenced by the '**Be++er Haringey**' improvement programme. The Borough's commitment to developing sustainable communities transcends local boundaries and 'Haringey Procurement' plays a pivotal role in the process. The adoption of recommendations within the suite of 'Sustainability' strategies produced by the Greater London Authority is a key output for this strategy as this will contribute significantly to attainment of a sustainable Haringey.

A collective approach to sustainability is required if Haringey is to produce positive outcomes for the community. Sustainability, like equalities, must become a firm pillar in the foundation of procurement at the Council. To realise this aim actions are required that embed sustainability as a factor to be considered in developing Council processes and inform decision-making.

4.6.1 Sustainability Audit

In the period January – March 2005 the CPU led a Council-wide sustainability audit to establish the Council's position in terms of sustainable development and

environmental management practice and standards. The review particularly assessed:

- officer and Member awareness
- the degree to which risk was managed in order to minimise pollution and breach of legal obligations
- the identification of environmental aspects and impacts when scoping business and service requirements
- procurement practice and contract specifications.

The audit revealed some good but disparate practice and is evidence of an organisational requirement to adopt a holistic approach to sustainable development wherein such development is driven from the corporate centre. Together recommendations arising from the audit and external drivers such as those contained in regional and national policy on Sustainability provide the lever to bring about the required step-change. The Corporate Procurement Unit in conjunction with the Environment Directorate has begun a tactical programme of work to ensure the Council is a sustainable organisation'.

4.6.2 Sustainability Strategy

The strategy for delivering sustainable development within the Council, in the community and the London region is to develop and embed actions required to make tangible improvements within strategic and operational policy. To achieve this the Council must:

1. Strengthen corporate capacity via skills development and increasing awareness amongst staff.
2. Align policy objectives with those at a community and regional level
3. Educate external stakeholders

4.6.3 Short-term Goals

In May 2005 a specific sub-group[23]of Procurement Stream Board was established to ensure achievement of the Council aims in this area. The

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[23] Sustainable Council Project Board

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Group has identified and agreed seven priority areas for bringing about an immediate change within the organisation.

1. Better Construction design with linkage to 'Future Haringey Construction'
2. Green travel
3. Energy efficiency
4. Compliance with legislative obligations
5. Improved recycling both internally and across the Borough
6. Sustainable procurement to include whole life costing with linkage to 'Future Haringey Construction'
7. Waste minimisation.

4.6.4 Medium to long term objectives

The Sustainable Council Project Board acknowledge that a long term approach to ensuring sustainable development is also required

Actions - Sustainability
4.11 Actions arising from the Sustainable Project Board are fed into this Procurement Strategy.
4.12 Benchmark Haringey sustainability practice against regional and national objectives with a view to developing Haringey's long-term approach to sustainable development.
4.13 Develop and embed policy for sustainable development,

Procurement

Strategy

2006 - 2009

Author: Dionne Knight – Senior Procurement Manager
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ACTION PLAN

Author: Dionne Knight – Senior Procurement Manager
Draft for Consultation
Version 2.4

Procurement Strategy Action Plan

Ref / Theme	Action	Responsible Officer	Status	Linkage
Delivery of the Haringey Procurement Strategy				
1.1	Monitor delivery of this Strategy.	Head of Procurement		
1.2	Report progress to PSB and CEMB.	Head of Procurement		
Dissemination and Sharing Best Practice				
1.3	Establish and maintain relationships with London Centre of Excellence and other bodies supporting improved procurement within local government	CPU Officers		
Integrated Business and Financial Planning				
2.1	The CPU to lead on the analytical use of procurement and savings information gathered as part of the annual Business-Planning exercise to develop cross-cutting strategies for achieving • Collaboration across services. • Economies of scale • Aggregation in the supply chain • Reductions in duplication of effort. • Efficient use of resources. • The provision of advice to services on packaging work programmes so as to achieve value for money and sector specific efficiency			

	targets.				
Performance Management					
2.2	The Corporate Procurement Unit to lead on monitoring procurement performance against PIs within the agreed framework and report performance on a quarterly basis to Chief Officers and Procurement Stream Board.				
2.3	Share performance information on a regional basis via the London Centre of Excellence.				
Improving Market Knowledge					
2.4	The Corporate Procurement Unit is to lead a programme of specific reviews with a view to improving the Authority's market knowledge of the various sectors of which it is a client. Areas identified for review during the three-year period of this strategy are: - Highways - Health and social care - Education - IT and Telecoms - Retail and support services. - Housing repairs and maintenance service.				
Responding to Service Reviews					
2.5	CPU to liaise with services on the outcomes of inspections and service to inform action plans for service				

	improvement.				
Efficiency					
2.6	Establish a clear methodology for all business areas to ensure that savings arising specifically from procurement are identified, logged and built into Service procurement plans.				
2.7	The CPU is to use information produced from spend analysis data to identify opportunities for efficiency savings. Implement strategies for delivery of savings identified.				
Implementing the National Procurement Strategy					
2.8	Appoint an officer responsible for the attainment and ongoing maintenance of each milestone. Identify and agree actions for ensuring that any milestones with a status other than green are built into the appropriate programme areas, work plan objectives and are continually reviewed via the performance framework.				
2.9	Report progress to Members, Stream Board and London Centre of Excellence.				
Improvement Planning and CPA					
2.10	The Corporate Procurement Unit is to liaise with Improvement & Performance to ensure an active role in to the input of the Council's				

	improvement planning process				
2.11	Conduct periodic assessment of the Procurement Service against CPA key lines of enquiry.				
2.12	Document positive progress				
2.13	Develop and agree actions for improving areas in need of development.				
Delivering the Improvement Plan and raising Customer Focus					
3.1	Ensure actions identified in the Corporate Procurement Unit improvement plan are incorporated into relevant programme streams and individual work plans.				
3.2	Continually monitor progress via the performance management frameworks of performance appraisal and PIs.				
3.3	Raise officer and Member awareness of procurement roles and responsibilities via Intranet and publications.				
3.4	Define and publish CPU service levels based on consultation with service users.				
SMAR+ER Procurement Change					
3.5	Review effectiveness of BULCO network with a view to revising terms of reference and establish the group as a subgroup of Procurement Stream Board				

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3.6	Assess the effectiveness of introducing sub-group structure to PSB.				
Equalities					
3.7	CPU and EDU are to jointly undertake periodic assessment of the Haringey Equalities Framework against prescribed national and legislative standards to ensure compliance with statutory obligations				
3.8	Both units are to respond to changes by employing appropriate methods for revising / re-issuing guidance to Council officers.				
Capacity Building					
3.9	Develop and deliver to a tailored programme of procurement training and development. Ensure fit with SMAR+ Working framework.				
Freedoms and Flexibilities					
4.1	CPU, Corporate Finance and Legal are to produce joint feasibility paper on the benefits to be acquired by Haringey from the use of the well-being and freedom powers.				
Construction Procurement					
4.2	Establish Whole Life Costing methodology and incorporate into all protocol, guidance and regulatory rules and procedures.				

4.3	Project manage the Strategic Review of Construction Management action plan as a step integral to the adoption pf 'Future Haringey Construction'.				
4.4	Scope specialist training requirements and ensure incorporation within Procurement Training and Development Programme.				
Developing Markets					
4.5	Liaise with the Voluntary Sector Team to ensure continual input into the development of the Haringey Compact				
4.6	Assess the usefulness of 'Trade Local' style workbooks as a resource for supporting organisations in the voluntary sector.				
4.7	Extend the operation of the Trade Local database to ensure voluntary sector organisations can appear as a category within database and ensure appropriate linkage to CMS.				
4.8	Baseline and monitor use of VCOs and SMEs with a view to developing existing support to the local economy.				
4.9	Implement the recommendations contained in the Haringey Compact.				
e-Procurement					

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4.10	Develop a strategy for sending purchase orders and receiving supplier invoices electronically				
Sustainable Procurement					
4.11	Actions arising from Sustainable Council Project Board are fed into this Procurement Strategy.				
4.12	Benchmark Haringey sustainability practice against regional and national objectives with a view to developing Haringey's long-term approach to sustainable development				
4.13	Develop, agree and embed policy for sustainable development.				