

Report for: Cabinet, October 8th 2019

Title: Procurement Strategy 2020 - 2025

Report authorised by Stephen McDonnell, Director of Environment and Neighbourhoods

Lead Officer: Barry Phelps, Head of Procurement
(barry.phelps@haringey.gov.uk)

Ward(s) affected: All

**Report for Key/
Non-Key Decision:** Key Decision

1. Describe the issue under consideration

- 1.1. The Council does not currently have an up to date Procurement Strategy. This report sets out a refreshed Procurement Strategy for the Council, attached at Appendix 1; for the period 2020 – 2025.
- 1.2. The Procurement Strategy (Strategy) is included as a deliverable for the Economy Priority in the [Borough Plan Delivery Plan](#) 2019/20, approved by Cabinet in July 2019 and has been updated to reflect the priorities contained within the Borough Plan, as well as changes to legislation. In developing the Strategy, we have consulted with colleagues across the Council, members and the supply chain, whilst also considering the Council's Insourcing Policy, Community Wealth Building commitments, Commissioning Framework, Public Contracts Social Value Act, Public Contract Regulations and the National Procurement Strategy.
- 1.3. The Council's Insourcing Policy clearly states the Council's preference is to deliver services in-house where it is financially prudent and does not diminish quality. The Commissioning process determines who will deliver the services, where it is determined to use a third party, our preference is to have the services delivered by local organisations where possible provided the costs remain within the affordability envelope.
- 1.4. The primary aim of this Strategy is to focus on the following priorities:
 - 1.4.1. Value for Money
 - 1.4.2. Community Wealth Building

1.4.3. Promotion of Social Value

1.4.4. Commercialisation

1.4.5. Contract and performance management

1.4.6. Measuring our success

A Delivery Framework within the Strategy defines how we will deliver these priorities.

- 1.5. The Council has a legal obligation to ensure it obtains value for money when spending public money. In this era of ever-increasing cuts to funding and increasing demands on services, it is paramount the Council ensures it can afford to deliver services within its budgetary constraints. This can at times become a conflict between competing priorities (i.e. some of our social value aspirations may push us outside of the available commercial envelope), we therefore need to consider which of our priorities take precedence and be prepared to compromise during our decision-making process.
- 1.6. It is a legislative requirement through the Social Value Act (2012) that we consider social value in our procurement activity for contracts where we are required to undertake a tender process. Social value within the Strategy incorporates social, economic and environmental considerations that has a wider community or public benefit. Obtaining the right balance between social value, value for money and affordability is key in ensuring we can successfully deliver the Borough Plan and support our local business and communities within our budgets.
- 1.7. Supporting the Community Wealth Building agenda, promoting Social Value whilst continuing to deliver value for money is at the heart of this Strategy and is embedded throughout our Procurement Strategy. Strategic Procurement has already made significant progress over the past couple of years in embedding these principles into our procurement activity. We have set ourselves realistic performance targets that are measured in line with [National Procurement Strategy 2018](#).
- 1.8. The Council's commitment to supporting social value is reflected throughout the Strategy with a number of key themes highlighted, including:
 - Supporting local business – our preference is to enable local services to be delivered by local people:
 - Increasing our contract expenditure with local business from circa 25% (circa £110m) to 30% (circa £130m) p.a.

- Introducing quality weightings in our tender process of 10% - 25% for social value;
- Increasing local employment opportunities;
- Enhanced fair working practices that include better terms and conditions for employees, payment of London Living Wage and job security;
- Sustainability throughout our supply chain through use of green energy, reducing the amount of waste going to landfill, reduced use of plastics, re-use and recycling of materials etc.;
- Reducing carbon footprint, increasing air quality, use of green and renewable energy.

Through the introduction of a flexible framework that applies proportionate application of social value requirements, we expect to be able to support the Borough Plan and bring forward tangible benefits for our communities and the environment.

- 1.9. The Council's housing and regeneration programme provides an opportunity to deliver significant community benefits and social value for the Borough through its interface with procurement. Strategic Procurement will work with our colleagues and partners to ensure we can support the delivery of this programme and respective benefits through our commissioning and procurement activity.
- 1.10. With the Council facing ever growing challenges in respect of its finances and increasing demands on its services, it is essential we embed commercialism throughout the organisation. The Strategy outlines key considerations and how we can achieve this.
- 1.11. The Council will bring forward a refreshed contract management tool kit and new technology that will enable the Council to monitor and analyse performance levels of our supply chain. This is essential in understanding if our supply chain is delivering the outcomes stated in our contracts. Where there are contractual failings, we will ensure the supplier is held accountable for non-performance, this can be administered in a number of ways, from ensuring the services are delivered at no extra cost, to seeking compensation for the failings. The contract and performance management will vary from contract to contract and will be proportionate according to the type of contract, risk, value and strategic importance of the services.
- 1.12. It is equally important that the Council measures its own performance in relation to procurement activity and meeting our goals. This will align with measurements stated in the National Procurement Strategy with the returns submitted to central government and continued oversight and scrutiny from within the Council.

1.13. Strategic Procurement has a vision to be a self-funding, 'best in class' department; this Strategy provides a framework on which to achieve this ambition. Building upon our achievements to date and through investing in our staff and our services relating to the London Construction Programme and Dynamic Purchasing Systems team, we believe we can generate the revenue to achieve this and develop the team into a 'best in class' department the Council can be proud of.

2. Cabinet Member Introduction

2.1. The Council faces significant budgetary, social, economic and environmental challenges over the next few years. The Procurement Strategy will play a key part in addressing these challenges. We will do this through ensuring that community wealth building, value for money, social value, being more commercial and improving efficiency are at the forefront of our approach, whilst driving savings through continuously reviewing our operating models and ways of working.

2.2. Council policy is to deliver services in-house in preference to outsourcing, where it is financially prudent and does not diminish quality; however, we recognise that the Council is not always able or best placed to deliver a service. In these cases, responsible procurement can be the best option. The Strategy continues to support the ambition of local services being delivered by local people.

2.3. The Council typically spends between £350m - £400m a year on procuring works, goods and services. It encompasses everything from personal care in a resident's home through to the construction of a new building. With the likely continuation of reductions in financial support from central government and the ongoing increase in demand for a significant proportion of our services, it is critical that we get procurement right, so that the outcomes in the Borough Plan can be achieved within the budget available.

2.4. Our procurement activity already supports many of the Council's priorities through:

2.4.1. Supporting local businesses - 25% of our contract expenditure is already going to organisations based within a Haringey post code;

2.4.2. Having the largest portfolio of Dynamic Purchasing Systems (DPS) in local government that supports small and medium enterprises (SMEs) and local businesses to access public procurement opportunities. 90% of the DPS expenditure (c£50m) in care related categories is placed with SMEs.

- 2.4.3. Our Strategic Procurement department was the 2019 winner of the ‘Best Small Business Friendly Procurement to Support Local Business’.
 - 2.4.4. Ensuring payment of London Living Wage is adopted throughout our supply chain;
 - 2.4.5. Incorporating social value requirements in our tender activity;
 - 2.4.6. Encouraging suppliers to be located within the Borough.
- 2.5. This Procurement Strategy is clearly aligned with the Borough Plan and Council’s priorities that will undoubtedly bring benefit to our business community as well as our residents. I therefore fully support the adoption of this Strategy.

3. Recommendations

It is recommended that Cabinet:

- 3.1. Approves the 2020 – 2025 Procurement Strategy, as set out in Appendix 1;

It is further recommended Cabinet notes:

- 3.2. The progress made to date in relation to Strategic Procurement and its achievements in supporting Community Wealth Building, small businesses and promoting social value;
- 3.3. The links with the Council’s Commissioning framework, Insourcing Policy and Community Wealth Building approach;
- 3.4. Compliance with the Social Value Act, Public Contract Regulations and National Procurement Strategy.

4. Reasons for decision

- 4.1. The Council’s current outdated Procurement Strategy was established in 2010. Since then, the Public Contract Regulations have changed, we have seen the introduction of the Social Value Act, both of which have significantly altered the way in which we are able to procure works, goods and services. The emergence of the Borough Plan and the changes to the Council’s priorities have meant we need to adopt a new Procurement Strategy that reflects these changes.
- 4.2. A revised Procurement Strategy is a deliverable of the Borough Plan (outcome 13) and supports many of the priorities within the Borough Plan.

- 4.3. In 2018 a new National Procurement Strategy was released; the Strategy presented to Cabinet (Appendix 1) is aligned to the National Procurement Strategy, which the Council is required to submit returns to central government.
- 4.4. The Strategy provides a Delivery Framework and key considerations in how we structure our procurement activity. Applying this structure and consistency across our commissioning and procurement activity will assist deliver the Council's priorities.
- 4.5. This strategy sets out the ambition for the Council's use of Procurement to positively impact on our economy and communities in recognising the commercial, social, economic and environmental benefits to be gained from taking a sophisticated intelligent approach to our Procurement activity.
- 4.6. Adopting the Strategy will enable significant social, economic and environmental benefits to be delivered to our local businesses, residents, community groups.

5. Alternative options considered

- 5.1. **Do Nothing** - This is not a realistic option as the 2010 Procurement Strategy is not aligned to the current Regulations, Borough Plan, Council Priorities or National Procurement Strategy.

6. Background information

- 6.1. The 2010 Procurement Strategy was produced to reflect the legislation and Council priorities that were applicable at that time. Following extensive consultation with key stakeholders across the Council, members and the supply chain during the past 12 months, the 2020 - 2025 Procurement Strategy has been updated to reflect changes in Regulations and feedback from stakeholders.
- 6.2. Strategic Procurement has been delivering the key themes contained in the Strategy for the past 12 – 24 months and is now somewhat mature in delivering some of the outcomes. This Strategy seeks to put in place a framework that enables the Council to build on this experience and be more ambitious in its goals.
- 6.2. The Council typically spends £350m - £400 a year on procuring works, goods and services. Circa £100m of this expenditure falls within categories managed via the DPS. The remainder is procured via a dedicated Haringey procurement portal.

- 6.3. Strategic Procurement has increased the portfolio of DPS categories during the previous two years and in 2018 established a dedicated DPS team to support these categories. Haringey now has the largest portfolio of DPS categories in local government and is seen as a centre of excellence across London in this area. The increase of DPS categories has enabled small business both locally and regionally to benefit significantly from securing Council contracts. Through simplifying accreditation and enrolment criteria, smaller suppliers are able to access contract opportunities and compete with larger companies. Some of our DPS categories have seen the supply chain increase by 50% and up to 90% of contracts secured by smaller companies. This in turn has enabled the Council to secure services at much more competitive prices and increased local and regional expenditure with smaller companies. The Strategy seeks to build upon these foundations and expand the use of DPS within Haringey as well as offer other public sector organisations the ability to ‘piggyback’ on our DPS’s, thus providing further opportunities for small local business to benefit.
- 6.4. The Council currently spends 25% (circa £110m) of all expenditure on goods, works and services with local companies and has set a target to increase this to 30% (circa £130m) p.a. by 2023; this Strategy supports this ambition through the Delivery Framework and utilising contractual vehicles recently put in place by the London Construction Programme (LCP) and expanding our DPS portfolio.
- 6.4. The LCP is operated by the Council’s Strategic Procurement service. 2019 has seen a significant step forward in the LCP establishing a ‘one-stop-shop’ for construction related contractual vehicles that can be used by all public sector organisations in London and the Home Counties; having establish £10bn of contracts through a framework and DPS. These contract vehicles have been structured to provide support and opportunities for local SME’s across the region. In addition, the LCP generates revenue for the Council and has provisions within its contracts that lead the way in requiring demanding social, economic and environmental provisions of its supply chain.

7. Contribution to strategic outcomes

- 7.1. The proposal supports the delivery of first Economy priority outcome of the Borough Plan, “A growing economy and thriving local businesses, supported by a community wealth-building approach” and its first objective to “maximise the benefits of Council, other public sector funding and private investment for the local area.” The Procurement Strategy is included as a deliverable (Outcome 13) for the Economy priority in the [Borough Plan Delivery Plan](#) 2019/20, approved by Cabinet in July 2019.
- 7.2. Procurement activity provides a pivotal role in contributing to all the Council’s strategic outcomes, all of the priorities interface with procurement to some

degree and is therefore an enabler to support these ambitions, some of which are highlighted below:

- 7.2.1. Delivering 1,000 new Council homes at Council rents by 2022;
 - 7.2.2. Secure the delivery of supported housing that meets the needs of older, disabled and vulnerable people in the borough;
 - 7.2.3. Expand the range of supported housing for care leavers and vulnerable young people;
 - 7.2.4. Give residents access to better technology options that can help them to stay safe, independent and connected;
 - 7.2.5. Deliver a range of parks improvement projects across the borough,
 - 7.2.6. Improving air quality;
 - 7.2.7. Implementing A new Procurement Strategy;
 - 7.2.8. Regeneration with social and economic renewal at its heart, focused on Tottenham and Wood Green;
 - 7.2.9. We will be a council that uses its resources in a sustainable way to prioritise the needs of the most vulnerable residents;
 - 7.2.10. We will deliver value for money by acting creatively and innovatively to design and deliver services that are good value for residents and taxpayers
- 7.3. This updated Procurement Strategy reflects the Council's drive to remove unnecessary complexity from its processes and procedures and retains only those that add value to the services we deliver.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance

- 8.1. This report seeks Cabinet approval of the 2020 – 2025 Procurement Strategy.
- 8.2. The cost of developing this strategy is mainly staffing related and contained within existing budgets.
- 8.3. Any further costs that arise from the implementation of these strategies contained within this report will require financial consideration.
- 8.4. Future contractual awards will be considered on a case by case basis and funding identified in advance prior to their approval and will go through the normal governance process.

Strategic Procurement

- 8.5. Strategic Procurement fully supports the adoption of the Procurement Strategy as outlined in the report and Appendix 1.
- 8.6. The Insourcing Policy is a primary consideration both in the Procurement Strategy and builds upon the key themes of Community Wealth Building and delivering value for money. Whilst it could be conceived a Procurement Strategy and an Insourcing Policy can be ‘at odds with one another’, Strategic Procurement believe they can complement one another in ultimately delivering common goals (i.e. value for money, community wealth, social value, local people delivering local services etc.).

Legal

- 8.7. The Assistant Director of Corporate Governance has been consulted in the preparation of this report.
- 8.8. Where appropriate commissioners should seek advice from Legal Services when commissioning contracts to ensure compliance with legislation and the Council’s Contract Standing Orders.
- 8.9. The Assistant Director of Corporate Governance sees no legal reasons preventing the Cabinet from approving the recommendations in this report.

Equality

- 8.10. The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
 - Advance equality of opportunity between people who share those protected characteristics and people who do not
 - Foster good relations between people who share those characteristics and people who do not.
- 8.11. The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.
- 8.12. The decision is to approve a Procurement Strategy for the Council. The Strategy provides a framework for procurement activity and who provides

services for Haringey residents. Equalities considerations in this instance relate to the providers of services and the recipients, meaning Haringey residents.

- 8.13. Noting the demographic profile of the working-age population in Haringey, it is notable that a high proportion of frontline staff are likely to be from BAME communities regardless of whether they are employed by the Council or another service provider. The Procurement Strategy incorporates consideration of employment rights in order to prevent any discrimination against workers with protected characteristics.
- 8.14. It is likely that there will be a high proportion of individuals with protected characteristics among the recipients of any given service due to the nature of local authority services. The Procurement Strategy maintains a commitment to service quality so that no service users experience a preventable deterioration in the service they receive. Moreover, it is the Council's ambition to improve service quality and thereby help to advance equality of opportunity for residents with protected characteristics by better meeting their needs where these are different to the needs of others.
- 8.15. Screening for equality impacts will be undertaken as and when individual proposals to change delivery models are developed. If appropriate, detailed equality impact assessments will be completed for individual proposals.

9. Use of Appendices

Appendix 1 – Procurement Strategy

10. Local Government (Access to Information) Act 1985

None