

# PROCUREMENT STRATEGY 2020-2025

## DELIVERING BETTER OUTCOMES AND A STRONG LOCAL ECONOMY

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## 1. CABINET MEMBER INTRODUCTION

As Cabinet Member for Procurement, I am pleased to introduce this Procurement Strategy covering the next five years. Whilst the Council's primary aim is to deliver services directly, there will be requirements for some of our services to be delivered through third party partners.

This strategy plays a pivotal role in ensuring we capture the key considerations in our procurement activity that align with and deliver our manifesto commitments, Borough Plan priorities, and our Community Wealth Building approach.

The Council faces significant budgetary, social, and economic 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 value for money, social value, and improving efficiency are at the forefront of our approach, whilst driving savings and ensuring the highest quality is being delivered through continuously reviewing our operating models and ways of working.

As part of our Community Wealth Building agenda we are committed to utilising procurement to increase good quality local jobs, support a thriving local economy and promote wider social value in our contracts and practices, as well as assisting our partners do the same.

We are also promoting growth within the local economy, through engagement with, and making it easier for small and medium enterprises (SMEs) and local businesses to access public procurement opportunities. The introduction of the Dynamic Purchasing Systems (DPS), of which, the Council now has the largest portfolio of DPS in local government, has been instrumental in enabling local business and SME's to access Council contracts, with 25% of our expenditure being spent with Haringey located businesses. 90% of the DPS expenditure (c£50m) in care related categories is placed with SMEs. The expansion of the DPS portfolio over the coming years will enable more of the Council's expenditure to be directed at local SMEs, this will include the construction sector, supporting not only the Council's commitment to build new Council homes, but local employment initiatives.

Social value is being driven through our continued commitment to being an accredited London Living Wage provider and ensuring the London Living Wage is adopted within our supply chain, we require the use of apprentices and local employment within larger contracts, encouraging providers to be located within the Borough and to provide services for our most vulnerable residents and providing community benefits where possible. For the first time, we have defined a range of 10%-25% of the scoring

methodology within our tenders to be dedicated to social value (in addition to other qualitative requirements within the tender). This exceeds that which is routinely used around other London Authorities (generally 10%) and demonstrates our commitment to recognising the importance of social value, establishing a new benchmark for other public sector organisations to follow.

Environmental policies are now at the forefront of our considerations when procuring goods and services. This ranges from the use of sustainable materials, retaining our World Wildlife Fund gold accreditation for sustainable timber (Haringey was the first local authority to achieve this), through increasing air quality for the residents by encouraging the use of low emission vehicles, dust and noise control measures in our contracts.

The procurement department has evolved considerably over the past two years as it migrated to a more strategic function, introducing a more forward thinking and commercially focused approach to how the Council procures its goods, works and services.

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. We will continue to strive to have local services delivered by local people.

Ultimately, an effective procurement service will enable the council to meet its Borough Plan commitments and provide a better quality of life for our residents, whilst making every penny count.

## **Cllr Gideon Bull**

Portfolio holder for Procurement.

## 2. INTRODUCTION

- 2.1. This updated Procurement Strategy has been deliberately kept short and straight forward to reflect the Council's drive to remove unnecessary complexity from processes and procedures and to retain only those that add value to the services we deliver.
- 2.2. The Borough Plan sets out the strategic priorities for the borough. These priorities are achieved by working with communities to understand their needs and assets, defining positive outcomes together and finding the right way to achieve those outcomes and best value for people in Haringey - this is delivered through our commissioning activity. It is the commissioning strategy that will consider the appropriate delivery options for the service, including inhouse delivery (in accordance with the Insourcing Policy), external delivery or a hybrid.
- 2.3. Procurement comes into effect when the best outcomes and value can be achieved through purchasing goods, works or services from another organisation. These may be procured from other public sector organisation, the voluntary and community sector, social enterprises, Small and Medium Size Enterprises (SMEs) or other private sector providers. It encompasses everything from personal care in a resident's home through to the construction of a new building. The council historically spends approximately £350-400 million a year through procurement. 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 the outcomes in the Borough Plan can be achieved within the budget available.
- 2.4. The Council has embarked on a significant housing and regeneration programmes (the latter focused on Wood Green and Tottenham) that will positively impact our communities and bring significant community wealth building opportunities. Work is also underway on an Economic Development Strategy. Strategic Procurement will work with our colleagues and partners to ensure we deliver value for money and the socio-economic benefits through our commissioning and procurement activity.
- 2.5. This strategy sets out the ambition for the Council's use of Procurement to positively impact on our economy and communities by recognising the commercial, social, economic and environmental benefits to be gained from taking a sophisticated and intelligent approach to our procurement activity. In the context

of this Strategy, Social Value incorporates social, economic and environmental values (referred to as Social Value in this Strategy) from improving health and well-being, supporting stronger communities, air quality and sustainability, to mention but a few. The strategy also recognises the policy and financial challenges faced by local authorities and the wider public sector. We continue to strive to achieve excellence in our procurement activity, this includes safeguarding the Council against litigation and providing value for money for both the Council and its residents, ensuring that the costs of delivering services are reasonable and proportionate.

- 2.6. Our aim is to build the Council's reputation as leaders in procurement, securing innovation, agility, value for money and quality of services from our supply base. We will develop a culture where efficiency and continuous improvement are at the heart of how we do business. To achieve this, we have adopted the Delivery Framework stated throughout this Strategy.
- 2.7. In order for this Strategy to achieve its ambitions for improved performance, financial benefits and contribution to the Council's corporate social and environmental agenda, we will all need to embrace a change to our existing ways of working, and crucially develop a more strategic approach with internal stakeholders to our procurement and commissioning functions. Working in partnership and collaboratively with internal stakeholders and other public sector organisations we can achieve our vision.
- 2.8. This strategy is aligned with the [National Procurement Strategy for Local Government in England 2018](#) and sets out the key priorities for Strategic Procurement over the next three years, namely:
  - Community wealth building
  - Promotion of social value
  - Value for money
  - Commercialisation
  - Contract and performance management
  - Measuring our success
- 2.9. These will be achieved through a 'Delivery Framework' outlined in the relevant sections below, which aligns to the National Procurement Strategy and enables us to measure our maturity levels against our aspirations stated in Section 9 below (Key Outcomes and Measuring Success).

### 3. COMMISSIONING APPROACH

- 3.1. The Borough Plan sets out the strategic priorities for the borough. These priorities are achieved by working with communities to understand their needs and assets, defining positive outcomes together and finding the right way to achieve those outcomes and best value for people in Haringey - this is called commissioning. Procurement comes in when the best outcomes and value can be achieved through purchasing goods, services or works from another organisation.
- 3.2. For us commissioning means:
- achieving the right outcomes by working closely with partners and stakeholders to agree needs and outcomes and to shape how services should be delivered;
  - apply a rigorous assessment process to ensure the service is delivered by the provider demonstrating best value that could be in-house provision, private or third sector organisation, another public body or a shared service with another Council; and
  - ensuring we have appropriate resources with the right skills to achieve the above
- 3.3. As part of the commissioning approach, decisions on whether to deliver individual services in-house or not will be taken using the criteria defined in our commissioning framework.
- 3.4. Commissioning and procurement are two sides of the same 'value' coin: both are fundamentally about generating value for Council residents. Our commissioning is all about securing the outcomes we need to deliver our services. The technical process of procuring goods, works and services that can follow, brings the question of value for money to the table, ensuring that we secure the right price for everything we buy whilst trying to integrate other Social Value elements.
- 3.5. The Strategic Procurement team will support Council commissioning staff to ensure that commissioning intentions are translated into efficient service delivery models that provide value for money services to the residents of Haringey.

## 4. VALUE FOR MONEY

- 4.1. The Council has a legal obligation to ensure it obtains value for money when spending public money and it is paramount the Council ensures it can afford to deliver services within its budgetary constraints. Procurement plays a pivotal role in ensuring we achieve this. Obtaining the balance of risk vs reward within an appropriate commercial envelope is essential; however, this can often lead to conflicts in priorities (i.e. some of our social value aspirations may push us outside of the available commercial envelope), we therefore need to be prepared to compromise at times around which of our prioritise need to take precedence in our decision making process.
- 4.2. Value for money is about getting the maximum benefit from goods, works and services within the resources available. It is not just about cost reduction, but at the same time saving opportunities cannot be ignored.
- 4.3. In assessing value for money, we will consider whole of life costs to deliver services and social value impact on the local economy and residents, through considering tools like the local economic multiplier, which indicates the impact on the local economy dependent upon where and how we spend our money.

### **Delivery Framework**

- Continue to have the highest level of governance and oversight on key strategic procurements through the Commercial Board and Corporate Governance Structure.
- Continue to improve our systems and use of technology to reduce unnecessary cost in the procurement process.
- Introduce technology that enables us to quantify the social value being delivered through our procurement and commissioning activity.
- Continuously challenge business units on the need for the services and whether the approach is the optimum to obtain best value.
- Monitor continuous improvement through contract and performance management.
- Be flexible on routes to market to support innovation to drive value for money over the longer term.



## 5. COMMUNITY WEALTH BUILDING

5.1. Community Wealth Building (CWB) is at the heart of this strategy. Over the past decade or so, CWB has received increasing recognition as a potentially powerful tool for shaping local economic development and achieving a wider set of social and environmental aims. As an approach, it seeks to: give local communities a greater stake in their economies; maximise the impact of public expenditure; ensure that wealth is more widely held and circulated; and, increase resilience and opportunity for all. CWB approaches often have at their core the aim of increasing fairness, and good health and wellbeing for the residents and communities in the areas in which it is pursued.

5.2. This translates into the procurement strategy by:

- Making sure that every public pound spent delivers maximum benefit to the public and our communities;
- Ensuring our procurement activity encompasses the promotion and use of local labour, supply chains, payment of London Living Wage to staff and employment opportunities are available to our residents
- Supporting local and smaller providers - which are more likely to spend money locally and employ a local workforce.
- Embedding Social Value – to achieve relevant outcomes across Borough Plan priorities with every procurement.
- Working with our partners and supply chain to embed a community wealth building approach across the Borough to achieve shared objectives;
- Working with anchor organisations to encourage them to spend locally and enhance social value.

5.3. The Council's housing and regeneration programme as outlined in the Borough Plan (Housing Priority and Economy Priority respectively), provide an excellent opportunity to deliver significant community wealth building benefits. Ensuring we have the right infrastructure in place in relation to resources, skills and contracts is essential to maximising this opportunity, and as work on the Economic Development Strategy continues it will be important to ensure alignment to this strategy.

## SUPPORTING LOCAL AND SMALLER PROVIDERS

- 5.4. We will make it easier for local businesses, SMEs, social enterprises (including community interest companies) and the Voluntary and Community Sector Companies (VCS) to access our procurement opportunities. Over 25% (£110m) of the Council's contract expenditure in 2018/19 was with businesses located within a Haringey postcode, and the Borough Plan sets a target to increase this further to 30% (£130m) of our contractual expenditure. We aim to be an innovator and leader in engaging local SMEs not just in Haringey but across the Capital.
- 5.5. We will explore ways we can work more closely with the VCS to encourage their access to procurement opportunities as well as supporting them to access inward investment opportunities.
- 5.6. The Council already has the largest portfolio of Dynamic Purchasing System (DPS) categories in local government. The use of a DPS is a meaningful tool to assist SME's in accessing Council contracts. The DPS enables companies to join an approved list of suppliers (subject to completing the accreditation and enrolment criteria) at any time; once enrolled suppliers can bid for contracts within their category. These contracts are generally for the provision of services that are commissioned frequently (i.e. daily/weekly). This has enabled the Council to significantly increase the use of SME's in its supply chain. In some categories 90% of contracts awarded are with SME's.
- 5.7. The Council was the 2019 winner of the 'Best Small Business Friendly Procurement to Support Local Business'. We will build upon this success and continue to provide opportunities for local companies.

**Delivery Framework:**

- Break down contracts into small values where feasible to assist smaller local companies and VCS to access these opportunities.
- Where contracts cannot be broken down, encourage the use and fair treatment of smaller local providers within supply chains.
- Increase awareness and publicise procurement opportunities to local business and SMEs.
- Increase the use of Dynamic Purchasing Systems (DPS) and dedicated Haringey only procurement portal, enabling SME's and local business to bid for contracts according to their capability and capacity.
- Adapting some of our processes to make contract opportunities more accessible to small and local enterprises.
- Ensuring the Council and its supply chain adhere to fair payment requirements and pay invoices within 30 days.

- Being flexible and agile in our approach to different market sectors to create opportunities for small and local enterprises.

## WORKING WITH ANCHOR ORGANISATIONS

5.8. Community Wealth Building is a partnership approach, embedding social value and supporting local organisations and SMEs to access procurement opportunities will help to achieve the Council's objectives, but it can also help other anchor organisations to achieve their objectives.

5.9. Anchor organisations are organisations like Homes for Haringey, hospitals and universities, which, alongside their main function, also play a significant and recognised role in the local area by making a strategic contribution to the local economy. Haringey currently has relatively few public sector anchor organisations located within the Borough. It is therefore proposed that our anchor organisations may also include some private sector organisations (primarily those who are unlikely to move out of the borough).

### **Delivery Framework:**

- Through the preparation of an Economic Development Strategy, work with anchor organisations to understand how we can increase expenditure within the Borough and local area, whilst increasing social value considerations within their procurement activity.
- Work with organisations to encourage them to be located within Borough and bring employment opportunities.

## EMBEDDING SOCIAL VALUE

5.10. We are committed to using the Public Service (Social Value) Act 2012 in our procurement and commissioning functions to deliver broader social value to our residents, the local economy and our environment, prioritising outcomes relating to: early help and prevention; local employment; healthy life expectancy; equity and social inclusion; building strong communities; and creating a sustainable environment.

5.11. Social Value is already a key consideration within our procurement activity and is a requirement of legislation to be considered in our procurements. As previously mentioned in this Strategy, social value incorporates a wide range of considerations cutting across economic (e.g. payment of London Living Wage,

employment and training opportunities etc.), social (e.g. promoting physical activity etc.), and environmental (e.g. improving air quality, carbon reduction etc.) initiatives. Obtaining the right balance between social value benefits and the cost of incorporating social value in our procurement is essential to ensure we continue to obtain value for money and our demands do not disproportionately increase the cost of provision. Obtaining the right balance can bring forward huge benefits to our communities and directly reduce pressures and demands on other supporting services provided by the Council or other statutory partners (e.g. providing employment opportunities can reduce demands on housing and the need for financial support, increasing air quality and reducing carbon foot print can reduce health related support, increasing sustainability and reducing use of plastics reduces the waste we produce and increases longevity of our resources across the planet).

5.12. We intend to build upon the current foundation and migrate to an agile social value model that introduces a range of between 10% and 25% of our evaluation criteria dedicated to social economic and environment values (social value). This enables procurement activity to flex according to the evolving priorities of the Council and our communities, whilst addressing areas that we are unable to contractually mandate due to restrictions in legislation. We will introduce a mechanism that enables us to effectively monitor the social value outcomes and ensure we are achieving our objectives.

### **Delivery Framework**

- All tendered contracts will include 10%-25% of the scoring methodology dedicated to social value, which is in addition to other qualitative requirements within the tender.
- Strategic Procurement will lead and evaluate on social value requirements in tender opportunities to ensure the consistency and proportionality is applied.
- Create a concise list of priority Social Value considerations, directly linking to the Borough Plan;
- Develop guidance for staff on implementing Social Value;
- At a minimum, contracts valued over £1m will require at least one of the following:
  - One employment opportunity
  - One apprentice
  - Use of local labour
  - Enhanced modern slavery checks
  - Use of local supply chain

- Additional considerations will be incorporated into our procurements depending upon value and nature of works, goods and services. In addition to employment related requirements, we will include considerations around environmental sustainability, air quality, fair working practices, broader community benefits etc.
- Develop solutions for recording social value delivered in our contracts, so that our performance can be benchmarked, and outcomes monitored over time.
- Work with suppliers to establish working partnerships with local agencies (including Haringey Works) to support employment opportunities for those residents who have difficulties in securing employment.

5.13. Not all social value elements will be equally relevant for all contracts, therefore consideration will be given at pre-market stage to determine which aspects are the most appropriate for the specific contract. The amount of social value contributions will also be proportionate to the size and nature of the contract. For some larger contracts, certain social value contributions (i.e. apprenticeships) will be mandatory.

5.14. In construction related contracts, the Council will seek to apply the above to per million pound of contract value. This is beyond the requirements of the Public Service (Social Value) Act 2012 and demonstrates the Council's commitment to become a leader in this field.

## **6. SUSTAINABILITY AND ENVIRONMENTAL INITIATIVES**

6.1. The Council is already an accredited World Wildlife Fund (WWF) gold award organisation for use of sustainable timber, the first local authority to achieve this. We will continue to ensure this accreditation is maintained.

6.2. Air quality is high on the Council's environmental agenda and is committed to improving air quality through its Air Quality Action Plan. Strategic Procurement can plan a significant part in achieving this and will seek to introduce initiatives through the procurement function that incentivise the supply chain to improve air quality (i.e. through the adoption of lower emission or electric vehicles, building design, efficient transportation mechanisms etc.).

6.3. Reducing carbon footprint across the supply chain will continue to be supported through the procurement process and our evaluation methodology.

- 6.4. Maintain sustainable procurement practices that drive social and environmental benefits locally and nationally to support 'green' initiatives, reduce CO<sub>2</sub>, re-use and recycling of plastics and other materials, will feature heavily in our requirements where it is appropriate to do so.

**Delivery Framework:**

- Introduce requirements within our procurement that require and reward suppliers for using low emission and electric vehicles;
- Require our supply chain to demonstrate sustainability of materials within the goods and services provided;
- Probe into what suppliers are doing to reducing their carbon footprint and off- setting CO<sub>2</sub> emissions.

## 7. COMMERCIALISM

- 7.1. The current financial climate faced by the Council is very challenging. The funding for our services comes from Government grants and funding raised by the Council through collection of Council Tax and commercial activity.
- 7.2. The Council has recognised the need to become more commercially focused, developing strength and depth in our activity and creating commercial returns which underpin the delivery of crucial frontline services.
- 7.3. Commercialism in Haringey means adapting and applying commercial principles to all areas of our policies and strategies, whether generating income or simply becoming more efficient.
- 7.4. In order to get the most from the market, we need to understand how the market operates as a whole; how businesses make money; their likely reaction to changing requirements or routes to market; and how to structure and balance risk in a contract to achieve the best outcomes for residents.

**Commercial Vision**

*To develop a range of commercial activity that delivers both social and financial benefit by becoming a Council that uses its skills and assets to generate significant levels of new income or increased efficiencies to support the delivery of crucial front-line services.*

7.5. Commercialism has many meanings and may include the following considerations in the context of the Council operations:

- Making a profit, from trading and investments;
- Maximising value for money from contractual relationships;
- Making robust decisions on a consistent basis, supported by evidence and a sound business case;
- Balancing risk versus reward;
- Thinking about the return on investment for every pound we spend;
- Collaborating with partners and markets to develop alternative models for greater return;
- Considering new and innovative ways of generating income; and
- Maximising use of revenue, sources of capital, funding and assets.

### **Delivery Framework**

- Work with commissioners at an early stage to understand market dynamics relating to capability, capacity and affordability parameters to ensure we identify the best route to market.
- Continue to deliver procurement support through strategic category management, identifying areas of opportunity to secure better value and advise on commercial structures in our contracts.
- Identify revenue generating opportunities from our assets.
- Understand the dynamics of our markets, locally, regionally and nationally to adapt to emerging opportunities or challenges.
- Increase our commercial capacity and competency throughout the Council.
- Continue to enhance contract and performance management controls to ensure contracts deliver their intended outcomes.
- Work collaboratively with other Public Sector partners to leverage buying power and gain greater control over challenging markets.

## 8. CONTRACT AND PERFORMANCE MANAGEMENT

- 8.1. Improving contract and supplier performance management continues to be a key deliverable for the Council. Ensuring we are applying a robust contract and performance management framework is essential to monitoring if our services are being delivered in line with the expected outcomes of the contract. 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, or even termination of the contract where applicable.
- 8.2. 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. Low value or simple contracts (i.e. computer licenses) will require no or minimal contract and performance monitoring, compared to contracts such as waste collection, which require robust contract and performance monitoring.
- 8.3. We will encourage our contractors to be as transparent as possible (without infringing commercial confidentiality).
- 8.4. A contract management tool kit has recently been developed and will be rolled out across the Council. Introduction of new technology will enable the Council to record and analyse performance at contract and supplier level, this will enable the Council to consider whether we are achieving value for money and consider the data in our decision making and commissioning process, especially when considering whether to deliver services in-house.



## 9. KEY OUTCOMES AND MEASURING SUCCESS

9.1. How we measure the success of this strategy will focus on where we are in the maturity spectrum in each of the main areas of focus in this strategy.

9.2. The following table outlines our ambition of continuous improvement in each of the main focus areas for the next five years.

Focus Area	Year 1	Year 3	Year 5
<b>Community Benefits</b>			
<b>Social Value</b>	Developing	Mature	Leader
<b>Engaging Local SME's</b>	Mature	Innovator	Innovator
<b>Behaving Commercially</b>			
<b>Creating Commercial Opportunities</b>	Developing	Mature	Innovator
<b>Managing Contracts and Relationships</b>	Minimum	Developing	Mature
<b>Managing Strategic Risk</b>	Developing	Mature	Leader

9.3. We will measure our performance in accordance with Appendix 1 below and the guidelines stated in the [National Procurement Strategy 2018](#), in addition to the internal scrutiny and governance oversight within the Council

### Appendix 1



Haringey  
PS\_Appendix 1 Measu