

Corporate Committee 24 January 2019

Report title: Procurement Update

Wards: All

Portfolio: Cabinet Member for Finance: Councillor Andrew Wilson

Report Authorised by: Christina Thompson: Acting Strategic Director for Corporate Resources

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Report summary

This report provides assurance around the governance and processes which underpin Procurement. It also includes updates on developments in procurement during the last year.

Finance summary

There are no capital or revenue implications arising as a direct result of this report.

Recommendations

1. To note the governance and processes to support Procurement.
2. To note the updates on Procurement.

1. CONTEXT

- 1.1. The Council spent £588 million in 2017/18 through procurement activity, this compares with £608 million in 2016/17. This was spent with 3,691 commercial suppliers, a reduction of 6% from 3,716 in 2016/17. There are 253 contracts over £100,000 on the Contract Register.
- 1.2. The Lambeth Procurement Policy 2016-2019 covers all procurement and commercial activity including services, goods, works and concessions and was approved by Cabinet in November 2016. A review by the Commissioning and Contracts Sub-Group in November 2018 confirmed it remained aligned with national developments including Public Contract and Social Value legislation and the National Procurement Strategy and reflects the Council's current position. The Procurement Policy directly supports Lambeth's Community Plan; operates alongside Contract Standing Orders and is underpinned by guidance, templates and systems. A formal review of the policy will be brought to Cabinet in 2019.
- 1.3. Lambeth operates Category Management around four 'categories' with four category managers each leading a small team:
 - Housing and Property;
 - Community and Environment;
 - Energy and Corporate; and,
 - Care and Health.
- 1.4. This approach has strengthened relationships between commissioning, procurement and contract management and between services, encouraging shared knowledge and good practice. It supports a cross-functional understanding of the supply market, procurement and contractual mechanism and business needs developing expertise within the category team and leading to differentiated approach based upon the category. The Category teams are supported by a commercial team who manage supplier and contract data and systems; governance and policy, guidance and training.

2. PROPOSAL AND REASONS

Governance

- 2.1. Regular procurement updates are taken to the fortnightly briefing for the Cabinet Member for Finance. In the past year these have included the three year Procurement Plan and an update on Modern Slavery.
- 2.2. Reports to Management Board in the past year have covered contract management, responsible procurement, low value procurement and the draft annual report. In 2018 Management Board set up a series of sub-groups to oversee different aspects of corporate operations. These comprise Directors from each directorate and are chaired by a Strategic Director.
- 2.3. The Commissioning and Contracts Management Sub-Group (C&CM Sub-Group) oversees Commissioning, Procurement and Contract Management ensuring value for money and management of commercial risk. Its functions are to implement the vision and strategic direction of the Council and to develop plans to achieve this:
 - to develop oversight of commissioning practice;
 - to review strategic procurement issues and embed effective procurement discipline;
 - to developing mechanisms for contract management;
 - to agree performance expectations, monitor progress and approve and direct activity to improve performance where necessary;
 - to oversee the implementation of major programmes. To monitor progress and approve and direct activity to improve performance where necessary;

- to approve the establishment of any new programme boards or working groups under the remit of the management sub-group; and,
 - to escalate issues where appropriate to Management Board, in accordance with the operational guidelines.
- 2.4. During the first nine months C&CM Sub-Group has regularly reviewed the Procurement Plan and progress and Category Strategies; developed options for contract management and for responsible procurement and commissioning principles; received Performance monitoring of compliance with Contract Standing Orders and updates on supplier financial health and procurement and category board activity; and considered strategy for key procurements which cross categories and directorates.
- 2.5. All Procurement related key decisions are reviewed by Procurement Board at Procurement Strategy and Award. Category Boards which comprise the relevant Strategic Directors and Directors and the Procurement Category Manager, consider non-key decisions above £100,000. This enable those responsible for managing services within the Category to own the Category Plan and ensure procurements align with it.

Collaboration

- 2.6. Lambeth Procurement now provide procurement services for several partners:
- support for Lambeth Clinical Commissioning Group (CCG) to maximise integrated funding and services;
 - dedicated on-site provision for the London Borough of Lewisham; and,
 - *ad hoc* tendering for Lambeth Tenant Management Organisations.
- 2.7. This provides income and economies of scale as we share expertise and resources, enabling Lambeth to maintain Category teams and commercial support whilst reducing the financial impact on the Council. It also delivers development and collaboration opportunities.
- 2.8. The Head of Procurement is an active member of the London Procurement Network (previously London Heads of Procurement) which provides a valuable opportunity to share information, experience and expertise and to keep up to date on EU, national and London developments.

Contract Management

- 2.9. Effective Contract Management is recognised as essential to ensure that Lambeth's external contracts deliver the required outcomes and represent value for money. C&CM Sub-Group was tasked by Management Board to develop options for a corporate framework and a 'centre of excellence' and in December 2018 Management Board agreed to establish a small team alongside Procurement to develop and implement a framework from April 2019. The framework will provide:
- assurance for Lambeth that contracts are being managed to deliver:
 - value for money;
 - realisation of intended contract benefits;
 - contract performance compliance;
 - continuous improvement; and,
 - improved risk management;
 - corporate visibility on key contracts;
 - support, training and resources to develop and equip contract managers; and,
 - sharing learning and best practice within the Council.

Responsible Procurement

2.10. Another name for sustainable procurement, the principles of Responsible Procurement require officers to consider the economic, environmental and social aspects of the purchases they make and the contracts they place. Other commonly used terms have included “corporate social responsibility” and the “green supply chain”. Under the Social Value Act 2012 there is also a duty at the pre-procurement stage to consider how proposed service procurements may improve the social, environmental and economic wellbeing of the relevant area. Responsible procurement for Lambeth is about creating a better quality of life for all areas of the Borough – for both now and in the future. It is underpinned by three key themes in the Borough Plan and the respective five year outcomes. A new Responsible Procurement Policy has been drafted for consideration by Cabinet early in 2019 to combine the social, economic and environmental areas which procurement can realistically achieve or influence with the priorities from Future Lambeth. This recognises the need for both a generic approach across all procurement and a targeted approach, for example identifying a few forthcoming procurements with high vehicle usage or significant potential for supported employment. The policy will be underpinned by templates to help officers identify which areas to address through their procurements.

European Union Exit

2.11. Given the details of the UK’s exit from the European Union remain unclear it is difficult to anticipate and mitigate the impacts on council procurement and contracts. In the short-term there is unlikely to be a significant impact in the legislation and processes surrounding procurement and an alternative advertising portal is being developed by the Crown Commercial Services for use in the event a deal is not reached. There is potential for impact on existing contracts, particularly in the event of a no deal exit. Procurement are part of the corporate Brexit working group and supporting risk assessment and business continuity planning around contracts. Potential impacts identified include:

- shortage of staff in key areas such as construction and social care and for the wider borough, the service and hospitality sector;
- currency and interest rate fluctuations impacting investments, borrowing, consumer spending and contract pricing;
- restriction, delay or cost importing goods such as medicines, ICT equipment and building materials;
- community safety and law and disorder disruption; and,
- uncertainty for businesses and public services that have previously operated in EU regulatory frameworks, such as financial services and pharmaceuticals.

Oracle Cloud

2.12. Lambeth are the first public sector body in the UK to implement Oracle Cloud (from April 2018) and have received multiple requests for advice and support. Some income has been derived from this to reflect the cost of office time. Whilst supplier payment functionality is broadly the same, the user interface is significantly updated with web based access and purchase order activity has been rationalised to fewer users plus some Business Support. Procurement have increased supplier management with more robust due diligence and supplier self-service is already available to new suppliers and will be rolled out to existing suppliers. Following a programme of communication and training, the new system is settling down, with the most significant issues encountered with payroll. However effective workarounds are in place and Oracle are working on system improvements. The internal support team is being strengthened, bringing together support for the different modules to improve service for customers and to reduce dependency on external support, particularly for the routine quarterly upgrades by Oracle to fix issues and add functionality.

Contract Register and Procurement Plan

2.13. The Lambeth Contract Register and three year Procurement Plan are published on the [Lambeth website](#). This plan details what the Council buys, dates for existing contracts and what we know about new procurements we are planning. Procurement planning supports a joined up approach across the directorates that is strategic and planned and supports the Council's commitment to public transparency. Cabinet portfolios are being added to the Procurement Plan to facilitate regular review of forthcoming projects by the responsible Cabinet Members.

Local Government Transparency Code 2015

2.14. Two datasets under this code relate to procurement.

- Details of every invitation to tender for contracts to provide goods and/or services with a value that exceeds £5,000 – the Council is compliant: tenders, usually above £100,000 are published on [EU Supply](#) and quotes, below £100,000 are published on [Contracts Finder](#).
- Details of any contract, commissioned activity, purchase order, framework agreement and any other legally enforceable agreement with a value that exceeds £5,000 – the Council is partially compliant. Details of contracts over £100,000 sealed by Legal Services are published on the Contract Register as set out in 2.13. This will be strengthened to include rent agreements and payments to other public bodies from the next publication. At present the Contract Register does not include care placements nor some agreements below £100,000 although both these areas these are included in the expenditure over £500.

Annual Report

2.15. A report summarising the procurement activity in 2017/18 including spend analysis and high spend categories and suppliers has been published on the [Lambeth website](#).

3. FINANCE

- 3.1. There are no direct capital or revenue implications arising as a direct result of this report. However, streamlining of procurement processes has delivered efficiencies, budget savings and enabled better use of officer time on high-value high-risk procurements.
- 3.2. Budget holders need to ensure that there are robust processes in place within their business to ensure accountability in line with the Scheme of Delegation.

4. LEGAL AND DEMOCRACY

- 4.1. There are no specific legal comments arising from this report. Legal advice will be provided as requested on individual procurements and projects.
- 4.2. There were no additional comments from Democratic Services.

5. CONSULTATION AND CO-PRODUCTION

- 5.1. There was wide consultation on the Responsible Procurement policy. Individual procurements include consultation and coproduction as appropriate.

6. RISK MANAGEMENT

- 6.1. The key risks associated with procurement are that the Council does not get value for money from external spend or that it is challenged for non-compliance with its internal processes or with

legislation. Consistent processes, effective procurement planning, and focus of governance and procurement professional time on high-value high-risk projects provides mitigation against these.

- 6.2. A further risk, given the current economic climate and the impact of Brexit is that a supplier will fail. Indeed several public sector suppliers, most notably Carillon, have failed. All new suppliers are subject to Dunn & Bradstreet financial health checks and these are repeated on a quarterly basis with any risks highlighted to the relevant contract manager and Director. In addition, alerts are received if there are status changes or significant announcements in relation to any of Lambeth's suppliers and contract managers are prompted to ensure business continuity arrangements are in place for critical suppliers.
- 6.3. Internal Audit continue to provide assurance to senior management and Members on procurement controls and the assurances being obtained by management that the process is operating effectively the requirements are being complied with. Internal Audit continue to include procurement controls within the Continuous Auditing programme and reviews of procurement and contract management arrangements in the annual Internal Audit Plan. The outcome of the audits will be reported through the Audit and Investigations Update which is regularly presented to the Committee.

7. EQUALITIES IMPACT ASSESSMENT

- 7.1. In developing the proposals for Responsible Procurement the potential equality impacts and prompts have been considered to ensure the Council is able to fulfil its Public Sector Equalities Duty. This has included review of the Equality and Human Rights Commission guide for public authorities. A full EIA was completed for the new Procurement Policy.
- 7.2. Category Management changes the governance process and both the procurement Category Managers and the new Category Boards have been briefed on equalities matters and the need to ensure that procurement projects take sufficient consideration of equalities impacts.
- 7.3. Equality & Diversity policies are embedded in the procurement processes and Equality Impact Assessments (EIA) or a rationale for non-completion are required for all procurements over £100,000. Local Small and Medium Sized Enterprises and third sector organisations benefit from the higher tender threshold as they do not need to go through a pre-qualification questionnaire or tender process on low value procurements. In addition lower value opportunities are advertised on [ContractsFinder](#) the Government website with a link from the Council's website.

8. COMMUNITY SAFETY

- 8.1. No implications arising from this report.

9. ORGANISATIONAL IMPLICATIONS

Environmental

- 9.1. No implications arising from this report. Environmental implications such as waste minimisation, energy consumption are considered for each procurement and incorporated in the Responsible Procurement guide mention in section 2.9.

Staffing and accommodation

- 9.2. No implications arising from this report.

Procurement

9.3. This report does not relate to a specific procurement.

Health

9.4. No implications arising from this report.

10. TIMETABLE FOR IMPLEMENTATION

10.1. A range of procurement and contract management policy, strategy and governance activity is planned for the next year:

Activity	Responsibility	Approx date
Update three year Procurement Plan to include Cabinet portfolios and to reflect the new Organisational structure	Head of Procurement	Jan 2019
Publish Annual Report	Head of Procurement	Dec 2018
Review of low value procurement	Management Board	Dec 2018
Respond to legislative and process changes arising from Brexit	Head of Procurement	Ongoing
Review Commissioning and Contracts Management Sub-Group and Procurement Board membership to reflect the new organisational structure	Management Board	Jan 2019
Contract Management <ul style="list-style-type: none"> • Roll out of framework, awareness and training • Review 	C&CM Sub-Group Management Board	From 4/19 March 2020
Review of Contract Standing Orders	Director of Finance and Property	Jan 2019
Responsible Procurement <ul style="list-style-type: none"> • Agree Policy • Roll out framework, awareness and training 	Cabinet C&CM Sub-Group	Feb 2019
Review of Procurement Policy	Cabinet	Oct 2019

Audit Trail				
Consultation				
Name/Position	Lambeth directorates/department or partner	Date Sent	Date Received	Comments in para:
Councillor Andrew Wilson	Cabinet Member for Finance	07.01.19	09.01.19	
Councillor Ben Kind,	Deputy Cabinet Member for Schools	07.01.19		
Christina Thompson, Acting Strategic Director of Corporate Resources	Corporate Resources	09.01.19	14.01.19	All
Annie Hudson	Strategic Director for Children's Services	20.12.18		
Nisar Visram, Finance	Corporate Resources	20.12.18	08.01.19	
Andrew Pavlou, Legal Services	Corporate Resources	20.12.18	24.12.18	4
David Rose, Democratic Services	Corporate Resources	20.12.18	07.01.19	
Christine Webster	Interim Head of Internal Audit and Counter Fraud	20.12.18	15.01.19	

Report History	
Original discussion with Cabinet Member	10.01.19
Report deadline	11.01.19
Date final report sent	15.01.19
Part II Exempt from Disclosure/confidential accompanying report?	No
Key decision report	No
Date first appeared on forward plan	N/A
Key decision reasons	N/A
Background information	Lambeth Council Opportunities including Contract Register and 3 year Procurement Plan Procurement Annual Report Lambeth Procurement Policy Procurement Policy Equalities Impact Assessment
Appendices	None