

## CORPORATE COMMITTEE 27 JANUARY 2022

**Report title:** Annual Procurement Update

**Wards:** All

**Portfolio:** Cabinet Member for Finance and Performance: Councillor Andrew Wilson

**Report Authorised by:** Fiona McDermott: Strategic Director for Finance and Investment

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### REPORT SUMMARY

This report provides updates on developments in procurement during the last year.

### FINANCE SUMMARY

There are no direct financial implications arising from this report.

### RECOMMENDATIONS

1. To note the updates on Procurement.

## **1. CONTEXT**

- 1.1. The Council spent £552 million in 2020/21 through procurement activity. This was spent with 2,788 commercial suppliers including 513 based in Lambeth representing 21% of total procurement spend. 66% of suppliers are Small or Medium sized Enterprises (SMEs) representing 38% of spend. There are 300 contracts over £100,000 on the Contract Register.
- 1.2. The Lambeth Procurement Policy covers all procurement and commercial activity including services, goods, works and concessions and was approved by Cabinet in November 2016. The policy sits alongside with the Responsible Procurement Policy. The policy was updated and approved by the Cabinet 13 December 2021. An update to the current procurement policy will take place next year, once the central government sets new requirements for the public contracts procurement (following a consultation process in connection with the 'Transforming public procurement' Green Paper).
- 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. There is also a Contract Management unit. This approach ensures strong 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. A commercial team manage supplier and contract data and systems, governance and policy, guidance, and training.

## **2. PROPOSAL AND REASONS**

### **Governance**

- 2.1 Strategic Directors receive regular data on procurement activity within their directorates.
- 2.2 All Procurement related key decisions are reviewed by Procurement Board at the Procurement Strategy and Award stages. Category Boards which comprise the relevant Strategic Directors and Directors and the Procurement Category Manager, consider non-key decisions above £100,000. This enables those responsible for managing services within the Category to own the Category Plan and ensure procurements align with it.

### **Collaboration**

- 2.3 Lambeth Procurement provide procurement services for key partners:
  - support for Lambeth Clinical Commissioning Group (CCG) to maximise integrated funding and services; and
  - access to corporate contracts for schools and community groups

### **Covid-19**

- 2.4 In July last year, the Council published 'New Beginning's: Building Lambeth's Recovery'. This paper sets out the priorities for the borough's recovery and establishes partnership and collaboration as central the council's approach. Recovery will require the council to work differently with its communities and to invest in community infrastructure and assets that enable recovery to take place. This ambitious plan will need to be underpinned by strong and effective commissioning, procurement and contract management practice that enables services to not only deliver but also to innovate.

### **Contract Management**

- 2.5 Robust contract management is essential to deliver contract outcomes; value for money, performance compliance and risk management and to encourage continuous improvement. To ensure a consistent approach to the way contracts are managed and to provide assurance and visibility to senior management, the council has established a contract management model including guidance, training, tools, templates, opportunities to share learning and best practice and a new contract management system, eCMS, to hold data on all contracts.
- 1.6 A small centre of excellence was established in April 2020. The role of the team is to establish the framework and tools necessary to ensure contract managers from across the council can confidently do their job. The corporate team is responsible for strengthening internal capability and capacity and providing support, tools, and guidance to managers responsible for contracts in order to ensure consistency of approach across the organisation, facilitating the sharing of best practice, shared learning, and peer support. The team continues to support users and to train new contract managers on the system.
- 2.7 eCMS is now nearing the end of the implementation phase. This phase has focussed on migrating all contracts on to the new system, ensuring contract managers and suppliers have access to the system and are confident in using it, ensuring all KPIs, including responsible procurement, are set up and, contract management processes are in place. The next phase to start in January 2022 will focus on developing a community of practice around contract management to support continuous improvement and developing reporting functionality to support monitoring of the Responsible Procurement contractual requirements and impact-based decision making.

### **Responsible Procurement Policy**

- 2.8 The Lambeth Responsible Procurement Policy seeks wider societal, economic, and environmental benefits through procurement. The policy that was adopted in 2019 was refreshed and updated and approved by the Cabinet on 13 December 2021.
- 2.9 The updated policy includes following amendments and additions
- Adoption of the societal impact framework criteria (in place of the previous responsible procurement priorities)
  - Introduction of 10% mandatory minimum social value evaluation criteria for all procurements with a total contract value of £500k or more
  - Endorsement of the 'Changing Lives' social value programme including the community benefit contribution
  - Greater emphasis on and commitment to shaping local supply markets and ensuring procurement processes are inclusive
  - A focus on contract management and developing the capability to measure the impact of responsible procurement
  - Commitment to reporting progress on an annual basis
- 2.10 The six previous key priorities were revised in line with the council's Societal Impact Framework.
- **Jobs, Earnings & Businesses**  
Key impact areas: supporting financial inclusion, encouraging good employment, creating a thriving local economy, advancing financial equality
  - **Education & Learning**  
Key impact areas: supporting educational attainment, increasing lifelong learning and skills development, creating opportunities and aspirations and advancing equality in education.
  - **Environment & Climate Emergency**

Key impact areas: lowering carbon emissions, reducing production, consumption and waste, supporting ecosystems, biodiversity and green space, ensuring air and water quality, providing resilience and adaptive capacity

- **Community & Participation**

Key impact areas: tackling the digital divide, improving digital literacy, enabling service user involvement in service design and management

- **Safety & Justice**

Key impact areas: helping people to feel safe at home and in their local area, awareness of their human rights and how to access justice and freedom from abuse and slavery

- **Relationships & Family**

Key impact areas: reducing loneliness and isolation and build strong networks and relationships. Improving the home environment and support early child health and development. Building parent/carer capacity.

- **Housing & Infrastructure**

Key impact areas: improving the suitability and availability of housing as well as improving accessibility and transportation

2.11 The new policy requirements are listed in Appendix 1 and will be considered in every procurement above £100,000.

2.12 The procurement guidance and templates and tender documentation; the Council's terms and conditions; the corporate template for all decisions will be updated to reflect the amendments.

### **European Union Exit**

2.13 The initial impact has been the requirement to advertise all above threshold procurement activity using the government's Find a Tender Service instead of the Official Journal of the European Union.

2.14 The thresholds for the advertising requirement are:

Works Contracts	<b>£4,733,252</b>
Supply and Service Contracts	<b>£189,330</b>
Light Touch Regime for health/social services	<b>£663,540</b>

2.15 The major implications from EU exit on the UK Public Contracts Procurement are not yet fully understood and the government's proposals detailed in the Transforming Public Procurement Green Paper <https://www.gov.uk/government/consultations/green-paper-transforming-public-procurement> were subject to consultation. Consultation closed in March 2021 and the new legislation is not likely to come into force before 2023. The government will give purchasing authorities a six-months notice.

2.16 Officers are continuing to monitor the impact of EU exit on existing contracts and on different market sectors. The Procurement team are supporting risk assessment and business continuity planning around contracts. Potential impacts identified include:

- shortage of staff in key areas. The availability of HGV drivers is currently being monitored and mitigation plans put in place for services that may be affected by a shortage
- 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;
- uncertainty for businesses and public services that have previously operated in EU regulatory frameworks, such as financial services and pharmaceuticals; and,

- Business Continuity arrangements have of course been severely tested through the Covid-19 epidemic and the combination of the two situations is likely to increase these risks.

### **Procurement Refresh and harnessing digital technologies**

2.17 Lambeth was the first public sector body in the UK to implement Oracle Cloud (from April 2018) and now act as a reference site providing advice and support to other organisations. The updated web-based user interface has improved user experience. As part of the continued transformation of finance, a programme of improvements to procurement governance and practice is being developed. At the heart of this programme is the harnessing of digital technologies to further improve compliance with internal governance requirements and to enable the use of spend analytics to drive continuous improvement.

### **Contract Register and Procurement Plan**

2.18 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.

### **Local Government Transparency Code 2015**

2.19 The Council is fully compliant with this Code. Two data sets 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 publishes tenders, above £100,000 on [EU Supply](#) and quotes below £100,000 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. Details of these contracts including rent agreements and payments to other public sector bodies, that are held centrally, are published on the Contract Register on the Council's website.

## **3. FINANCE**

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

## **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 Not required for this report.

## **6. RISK MANAGEMENT**

6.1 There are no risks relating to this specific report. Risks relating to procurement and contract management are managed through the council's risk management processes both overall and for specific projects.

6.2 Internal Audit continue to provide assurance to senior management and Members on procurement and contract management within the Continuous Auditing programme and 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 impact/s were considered to ensure the Council is able to fulfil its Public Sector Equalities Duty. This included review of the Equality and Human Rights Commission guide for public authorities. A full EIA was completed for the new Responsible Procurement Policy and presented and approved at the EIA panel on 23 November 2021.
- 7.2 Equality and Diversity policies are embedded in the procurement and contract management processes and an 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 the Government's [ContractsFinder](#) website, which is linked 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 and vehicle emissions are considered for each procurement and incorporated in the Responsible Procurement guidance. The Procurement team meet regularly with colleagues from Sustainability identify forthcoming procurements with significant environmental implications to facilitate early engagement and influence. The Procurement Board ensures that clearance from the Sustainability team has been sought for key decisions.

### **Health**

- 9.2 Health implications including approach to employee welfare and ensuring any food provision includes sustainable and healthy options and conforms to government guidance and apprenticeships are considered for each procurement and incorporated in the Responsible Procurement guidance.

### **Corporate Parenting**

- 9.3 Care Leavers are one of the priority groups identified to benefit through the Responsible procurement Policy.

### **Staffing and accommodation**

- 9.4 Implications for staff (usually contractor staff) including pay rates, modern slavery provisions; freedom to join union. And opportunities for supported employment and apprenticeships are considered for each procurement and incorporated in the Responsible Procurement guidance.

### **Responsible Procurement**

#### *Good Quality Jobs with Fair Pay and Decent Working Conditions*

- 9.5 This is a priority in the new Responsible Procurement Policy (see paragraphs 2.16 – 2.17); procuring officers are encouraged to consider how it can be encouraged through their procurement and contract.

*Quality Apprenticeships, targeted Employment for Lambeth residents and Lambeth Priority Group*

9.6 This is a priority in the new Responsible Procurement Policy and procuring officers are encouraged to consider how it can be encouraged through their procurement and contract.

*Reduce Emissions: Lambeth Council has a commitment to being Zero Carbon by 2030*

9.7 This is a priority in the new Responsible Procurement Policy and procuring officers are encouraged to consider how it can be encouraged through their procurement and contract.

*Single Use Plastics*

9.8 This is a priority in the new Responsible Procurement Policy and procuring officers are encouraged to consider how it can be encouraged through their procurement and contract.

*Positive Health and Wellbeing*

9.9 This is a priority in the new Responsible Procurement Policy and procuring officers are encouraged to consider how it can be encouraged through their procurement and contract.

*Other Offers (Innovation)*

9.10 This is a priority in the new Responsible Procurement Policy and procuring officers are encouraged to consider how it can be encouraged through their procurement and contract. Contributions from Corporate Social Responsibility budgets are encouraged including those through the Residents Services' Social Value Fund.

## **10. TIMETABLE FOR IMPLEMENTATION**

10.1 The table below details the stages and deadlines for implementing the recommendations:

<b>Activity</b>	<b>Proposed Date</b>
Respond to legislative and process changes arising from Brexit	Ongoing
Respond to requirements arising from Covid-19	Ongoing
Contract Management Roll out of framework, awareness and training	Ongoing
Review of Procurement policy framework	2022

## AUDIT TRAIL

Name and Position/Title	Lambeth Directorate	Date Sent	Date Received	Comments in paragraph:
Councillor Andrew Wilson	Cabinet Member for Finance and Performance	12/01/21	13/01/22	
Christina Thompson, Director of Finance and Property	Finance and Investment	20/08/21	23/08/21	
Sian Hedger, Finance	Finance and Investment	24/12/21	24/12/21	
Michael O'Hora, Legal Services	Legal and Governance	24/12/21	24/12/21	
Chloe Morris, Democratic Services	Legal and Governance	24/12/21	05/01/21	

## REPORT HISTORY

<b>Original discussion with Cabinet Member</b>	
<b>Report deadline</b>	14/01/2022
<b>Date final report sent</b>	14/01/2022
<b>Part II Exempt from Disclosure/confidential accompanying report?</b>	No
<b>Key decision report</b>	No
<b>Date first appeared on forward plan</b>	N/A
<b>Key decision reasons</b>	Not applicable.
<b>Background information</b>	<a href="#">Responsible Procurement Policy</a> <a href="#">Modern Slavery Act 2015</a>
<b>Appendices</b>	Appendix A – Responsible Checklist