

Cabinet 28 November 2016

Lambeth Procurement Policy

Wards: All

Report Authorised by: Strategic Director for Corporate Resources: Jackie Belton

Portfolio: Deputy Leader of the Council (Investment and Partnerships), Councillor Paul McGlone

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Report summary

Lambeth's Procurement Policy is out of date. This report sets out a new Procurement Policy to reflect the Council's current position, respond to the National Procurement Strategy for Local Government and provide policy direction for future procurement and commercial activity.

Finance summary

This is an information only report and there are no financial implications arising from the recommendations.

Recommendations

- (1) To note the significant achievement that 97% of applicable Lambeth contracts over £100,000 now pay London Living Wage (see paragraphs 2.12 – 2.14).
- (2) To approve the Procurement Policy set out in Appendix 1 which is intended to cover all procurement and commercial activity including services, goods, works and concessions. It builds on and supersedes previous Lambeth procurement strategies.

1. Context

- 1.1 The Council spent £550 million in 2015/16 with 3,716 commercial suppliers. 698 suppliers are local organisations covering 25% of spend. There are 317 contracts over £100,000 on the Contract Register.
- 1.2 Since the last Procurement Policy was agreed in 2010, there have been a number of significant developments in procurement including:
- a new Lambeth procurement framework to streamline procurement processes and governance and be more effective in terms of managing risk and compliance;
 - consolidation of the existing devolved procurement teams into a central Lambeth team around a Category Management approach;
 - a new Local Government National Procurement Strategy; and
 - new European and UK Procurement Regulations extending competition requirements to health, care and education.

2. Proposal and Reasons

- 2.1 As an organisation we are committed to providing high quality services and ensuring we can meet our vision of ambition and fairness for all. This means we must make appropriate decisions about how we spend our money, choose our priorities and ensure we have met our commitments to our residents. These principles underpin our approach to all our procurement and with this revised policy we feel better able to oversee an approach that benefits all of Lambeth.
- 2.2 A new Procurement Policy (attached as Appendix 1) has been developed to cover all procurement and commercial activity including services, goods, works and concessions. It builds on the previous Lambeth procurement strategy; responds to the developments in 1.2 and reflects the Council's current position.
- 2.3 The Procurement Policy directly supports Lambeth's Borough Plan and the Social Value Policy being considered elsewhere on this agenda. It operates alongside Contract Standing Orders and is underpinned by guidance, templates and systems.
- 2.4 The Policy outlines a series of commitments as an authority that will be achieved through this revised policy. They act as guidance and recognise the values that govern our approach across the organisation. We will use procurement as an essential part of achieving the outcomes set out in the Borough Plan.

Category Management

- 2.5 A key principle in the new Policy is the development of a Category Management approach. This a concept in which the range of products and services purchased by an organisation is broken down into discrete groups of similar or related products or services; these groups are known as Categories. Category Management is a cross-functional and team based approach which will involve those commissioning, procuring and managing contracts as well as those responsible for service delivery and other support teams.
- 2.6 Overall Category Management is strategic rather than transactional, providing commercial input across life cycle rather than just tendering and effective governance through category strategies and operational plans.
- For commissioning it provides better understanding of supplier dynamics and spend/supplier data and may contribute to improvement of specifications.

- For procurement, lower costs through: aggregating spend to increase leverage; increased focus on the customers and outcomes; better cost understanding.
- For contract management, reduced price variations and off contract spend; robust supplier relationship management; negotiation support and reduced risk through the standard processes.

2.7 The category team will develop a deep understanding of the category, supply market and business needs leading to differentiated approach based upon the category and the supply market. Category strategies could inform strategic commissioning decisions, identify opportunities for savings or efficiencies through tendering activity or contract negotiations. Lambeth Procurement is structured around Categories and we are working with colleagues across the Council to develop our understanding and approach.

Evaluation Criteria

2.8 Given the Council's reducing budget within the wider public sector climate of austerity, there is a need to drive value for money through our external spend. Where procurement involves tendering there will usually be evaluation criteria to determine the award. The Council's base position will be that the required quality should be specified with clear performance measures and minimum thresholds to pass evaluation. Quality would then comprise 30% of the available marks with cost the remaining 70%. Thus quality above the required minimum could only be acceptable where there was no or little impact on cost. A robust justification will be required for a different evaluation split evidencing how it will achieve value for money.

Social Value

2.9 Social value means maximising the additional benefit that can be generated when commissioning and procuring services, beyond merely the services themselves. Lambeth's priorities and outcomes are set out in the Borough Plan and social value should be considered in relation to these outcomes and measures.

2.10 Social value through procurement may be delivered in various ways including:

- The London Living Wage (Living Wage outside London) will be expected in all contracts.
- Social value can be encouraged or required during the commissioning or planning phase. For example breaking the opportunity up to encourage smaller providers or specifying supported employment opportunities where there is a suitable local market.
- Where some providers may be able to offer additional social value or direct their corporate social responsibility towards Lambeth, there will be an option to allocate part of the 30% quality evaluation to differentiate bids. Such social value to be in line with the Council's priority outcomes and at no extra cost.

2.11 A Social Value Policy for Lambeth and accompanying guidance will be developed as part of the action plan for the Lambeth Borough Plan.

London Living Wage

2.12 Nearly all Lambeth contracts now pay the (London) Living Wage. This is a huge step forward from October 2012 when Cabinet resolved to work towards being a Living Wage employer. At that time the newly awarded Total Facilities Management Contract was the only contract which definitely paid the Living Wage. For clarity, this

is not the government living wage of £7.20, but the higher London Living Wage (LLW) or Living Wage (LW) for staff based outside London (currently £9.40 and £8.25 respectively with an increase to £9.75 and £8.45 to be paid by 1 May 2017).

- 2.13 Accreditation from the Living Wage Foundation was granted in November 2012 with the Council pledging to work towards a position where “*staff employed on behalf of contractors are paid the Living Wage*”. Over the last few years the Council has identified suppliers with commitment to pay the Living Wage and worked with those who were not often through procurement or contract extension reviews. The Contracts Register shows that for applicable contracts over £100,000, 97% (251) are LLW or LW. This represents around £340 million spend each year much of it paying local people who work on behalf of Lambeth.
- 2.14 Only eight contracts on the Register are not compliant. The remainder are not applicable within the Living Wage definitions, usually because they are for goods, ICT or short term. Of those which are not yet compliant significant budget provision has been made in 2016/17 to address street cleansing & refuse collection and community care including domiciliary care, extra care and supported housing. Other contracts will be renewed for 2017 and Living Wage achieved as part of the extension or reprocurement. The council is committed to provide care for clients in their own home and to move away from residential placements, and we spot contract many of our placements which would mean that the LLW threshold does not apply. Therefore at this stage there are no immediate plans to roll out the LLW to residential and nursing homes. Nevertheless the council is committed to ensuring that the LLW applies to contracts where possible, taking into account our financial challenges.

3. Finance

- 3.1 Robust procurement and contract management is essential to ensure providers maximise outcomes for residents whilst minimising costs. There are no financial implications arising directly from this report.

4. Legal and Democracy

- 4.1 Effective procurement is required to ensure that services and works provided externally are secured through appropriate competitive processes in line with the relevant UK and European legislation and best practice. Also that the required outcomes are covered by robust contracts which represent a fair apportionment of risk with adequate contract management.
- 4.2 This proposed key decision was entered in the Forward Plan on 15 July 2016 and the necessary 28 clear days’ notice has been given. The report will be published for five clear days before the decision is approved by Cabinet. A further period of five clear days - the call-in period – must then elapse before the decision is enacted. If the decision is called-in during this period, it cannot be enacted until the call-in has been considered and resolved.

5. Consultation and co-production

- 5.1 This policy and the principles associated with it has been discussed widely within the Council and is guided by the National Procurement Strategy for Local Government which was widely consulted on.

6. Risk management

- 6.1 The key risks for Lambeth associated with procurement are failure to secure agreed outcomes or value for money and failure to comply with relevant legislation. Specific procurements will have additional risks around, say, health and safety or protection of vulnerable people. Lambeth recognises the importance of effective procurement including contract management and wants to continue to strengthen and improve procurement to minimise those risks.

7. Equalities impact assessment

- 7.1 A full EIA has been completed for the Procurement Policy and impact assessed as low. The potential equality impacts of the Policy 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.
- 7.2 Category Management is being introduced with a change in the governance process and we will ensure that both the procurement Category Managers and the new Category Boards are briefed on equalities matters and the need to ensure that procurement projects take sufficient consideration of equalities impacts.
- 7.3 Where it supports better outcomes or value for money the Council will consider procuring jointly with other public sector bodies or utilising existing frameworks. In such cases the equalities impact may be conducted by another body and we will need to verify that sufficient account has been taken of equalities impacts.
- 7.4 The Lambeth Borough Plan set out the community outcomes or benefits we will seek to achieve through our procurement activity. This also incorporate the equalities objectives we have as a local authority. Therefore, where possible we will use our procurement to achieve our equalities objectives.
- 7.5 Specific procurements can have an impact on those who might work in delivering the contract and those who receive the goods, works or services procured. 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.

- 7.1 A full EIA was also completed as part of the procurement staff restructure Business Case.

8. Community safety

- 8.1 None

9. Organisational implications

- 9.1 Environmental
Environmental implications such as waste minimisation, energy consumption are considered for each procurement and guided by Lambeth's various environment related policies.
- 9.2 Staffing and accommodation
The council's progress on paying the London Living Wage is set out in section 2.10-2.12.
- 9.3 Procurement

None.

9.4 Health
None.

10. Timetable for implementation

Action	Date
Corporate Management Team	May 2016
Directorate Management Teams	May 2016
Wider stakeholder engagement through Category workshops	May & June 2016
Cabinet	November 2016
Publish on Lambeth Internet	December 2016
Update guidance, templates and training	Dec 2016 – Jan 2017

Audit trail

Consultation				
Name/Position	Lambeth directorate/department or partner	Date Sent	Date Received	Comments in para:
Sean Harriss	Chief Executive	27.09.16	dd.mm.yy	Appendix 1
Helen Charlesworth May	Strategic Director for Children, Adults & Health	27.09.16	dd.mm.yy	Appendix 1
Sue Foster	Strategic Director for Neighbourhoods & Growth	27.09.16	dd.mm.yy	Appendix 1
Jackie Belton	Strategic Director for Corporate Resources	27.09.16	07.11.16	2, Appendix 1
Christina Thompson	Director of Finance	29.04.16	30.04/16	throughout
David Hughes	Corporate Resources: Internal Audit & Counter Fraud	29.04.16	dd.mm.yy	
Martin Crump	Corporate Resources: Finance Division	29.04.16	29.04.16	3
Andrew Pavlou	Corporate Resources: Legal Services	29.04.16	03.05.16	4
Hannah Jameson	Corporate Resources: Policy & Communication	14.07.16	11.08.16	7
Henry Langford	Corporate Resources: Democratic Services	29.04.16 21.10.16	07.11.16	4
Councillor Paul McGlone	Deputy Leader (Investment and Partnerships)	18.06.16	24.08.16 07.11.16 18.11.16	Rec 3, 2, Appendix 1
Internal Officer Board	Date of meeting			
Procurement Board	28.04.16 (policy only)			Appendix 1

Report history

Original discussion with Cabinet Member	27.04.16
Report deadline	N/A
Date final report sent	N/A
Report no.	N/A
Part II Exempt from Disclosure/confidential accompanying report?	No
Key decision report	Yes
Date first appeared on forward plan	15 July 2016
Key decision reasons Delete as appropriate or state N/A	Will amend Borough Plan Outcomes Framework or Budget and Policy Framework
Background information <u>MANDATORY</u>	National Procurement Strategy for Local Government Lambeth Borough Plan
Appendices	1. Lambeth Procurement Policy 2016-2020

Lambeth Procurement Policy 2016 - 2020

- 1) As an organisation we are committed to providing high quality services and ensuring we can meet our vision of ambition and fairness for all. This means we must make appropriate decisions about how we spend our money, choose our priorities and ensure we have met our commitments to our residents. These principles underpin our approach to all our procurement and with this revised policy we feel better able to oversee an approach that benefits all of Lambeth.
- 2) This policy is intended to cover all procurement and commercial activity including services, goods, works and concessions. It builds on and supersedes previous Lambeth procurement strategies.
- 3) The Procurement Policy directly supports Lambeth's Borough Plan. It operates alongside Contract Standing Orders and is underpinned by guidance, templates and systems.
- 4) We have outlined below our commitments as an authority that will be achieved through this revised policy. They guide us and recognise the values that govern our approach across the organisation. We will use procurement as an essential part of achieving the outcomes set out in the Borough Plan. Officers will be required to follow this policy and be accountable to senior management and Members.
 - a) We will use competition and commercial awareness to drive value for money and savings.
 - b) We will develop a Category Management approach which groups the goods, services and work we buy to give an overall understanding of what we need and the markets which could supply it.
 - c) We will collaborate with partners, including joint procurement and use of frameworks where it supports better outcomes or value for money.
 - d) We will consider social value supporting the outcomes and measures set out in the Borough Plan, particularly where it benefits the local economy and employment and can be achieved at no extra cost in the contract.
 - e) We will involve service users and residents.
 - f) We will plan for procurement well in advance.
 - g) We will encourage local and smaller organisations to work with us and advertise opportunities.
 - h) We will listen to suppliers and stimulate innovation, developing market capacity where necessary.
 - i) We will be clear and transparent, using standard documents where possible and publishing information on Lambeth's website.
 - j) We will use processes which are proportionate to the value and risk of the procurement.
 - k) We will be mindful of procurement legislation & best practice.
 - l) We will identify and manage commercial risk.
 - m) We will use robust contract management to drive performance improvement and savings.