

# LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Cabinet

**Date:** 06/02/2023

**Subject:** Sourcing Strategy

**Report of:** Councillor Rowan Ree, Cabinet Member for Finance and Reform

**Report author:** Joanna McCormick, Assistant Director Procurement and Commercial

**Responsible Director:** Sukvinder Kalsi, Director of Finance

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## SUMMARY

This report sets out an overarching sourcing strategy for the council, in line with our constitutional requirements. Bringing it forward for decision meets an audit recommendation. The strategy will improve how we source goods, works and services so that we secure the best outcomes for residents; secure exceptional value for money and operate as an efficient, modern, and compliant organisation.

This strategy sits alongside the Council's operational governance arrangements including: the Constitution, Contract Standing Orders, the Financial Regulations, Code of Conduct Policies (for Officers & Members), the Anti-Bribery Policy, the Corporate Anti-Fraud and Corruption Strategy and the Gifts and Hospitality Policy.

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## RECOMMENDATIONS

1. To agree the sourcing strategy, attached at Appendix 1, for the council, to be implemented across all directorates and services.
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**Wards Affected:** All

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<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Values</b>
Building shared prosperity	The strategy sets out the overarching approach to buying including work to improve the outcomes and value for money secured through investment with businesses both local and further afield. The council investment will support improvements to the local economy and capture social or added value compliantly when buying
Creating a compassionate council	A large proportion of the investment

	made enables change to the borough for the residents we serve. The people category of contracts picks up services which support people directly.
Doing things with local residents, not to them	The commissioning activity which precedes procurement will require coproduction to ensure we work with residents to source the right things for them in line with our statutory requirements
Being ruthlessly financially efficient	The measures set out pick up ways in which the council will be even more efficient. The proposed use of category management and forward plans will assist in continuously improving value for money.
Taking pride in H&F	A large proportion of the investment made enables change to the borough as a place including works to buildings and grounds and highways
Rising to the challenge of the climate and ecological emergency	The sourcing strategy draws into the main procurement procedures a focus on environmental matters starting with the carbon reduction charter.

## Financial Impact

There are no directly attributable financial implications as a result of this sourcing strategy.

A sourcing strategy will improve the council's opportunity to seek efficiencies in the procurement process and ensure its ability to deliver a balanced budget in the medium term.

*Alex Pygram, Head of Finance – Corporate Services, 28<sup>th</sup> November 2022*

*Verified by Andre Mark, Head of Finance (Strategic Planning and Investment), 28<sup>th</sup> November 2022*

## Legal Implications

This report recommends approving a Sourcing Strategy for procurements. This will enable the Council to facilitate compliance with the Public Contracts Regulations 2015.

If adopted, the Council's approach to social value will change. Whereas currently Invitations to Tender state that 'Contractors are expected to...generate a minimum of 10% of the individual contract values in the social value delivered.', this wording will be removed from all ITTs as the requirement will no longer be mandatory or a non-compliance ground for excluding a tender.

*Angela Hogan, Chief Solicitor (Contracts and Procurement), 28th November 2022*

## Background Papers Used in Preparing This Report

None

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### DETAILED ANALYSIS

#### Proposals and Analysis of Options

1. The council is operating in a challenging context with multiple external factors affecting the sourcing of goods, works and services. Inflation is impacting markets and revised market rates are resulting in financial pressures. There is limited labour supply in key markets including care, food, and specialist areas of construction like surveying. There is also limited goods supply in some key markets including steel, food, water, energy, and medicines. Across markets there are a few instances of provider failure and an increased focus on risk mitigation by suppliers through company structure reorganisations and on occasion greater caution about tendering.
2. The sourcing strategy will improve how we source goods, works and services so that we secure the best outcomes for residents; secure exceptional value for money and operate as an efficient, modern, and compliant organisation. It sets out the planning of contracts and good contract management. Changes to procurement law are expected which will require more forward planning and transparency about contracts. These changes are expected to enhance the council's medium term financial strategy.

#### Resident outcomes

3. To secure the best outcomes for residents, the sourcing strategy has three aims:
  - To buy to support people in H&F including addressing the cost-of-living crisis, crime, education, health, and wellbeing
  - To buy to improve H&F as a place including investment in an economic hotspot, public realm, climate and ecology, housing
  - To buy to support the running of the Council including ensuring the council is a ruthlessly efficient modern organisation and we have a kinder, happier H&F
4. How the council sources goods, works and services will be improved through guidance on how we specify what we buy with clear outcome measures and alignment to council core values. The use of category management to segment spend will also enable better buying. Better communication with the market about what we intend to buy in the future will support more innovative, cost-effective solutions. We will also enhance our work with markets to anticipate risk and try to smooth market volatility strategically through contract management. We will be clear who are our strategic partners and how we manage both supply chains and local supply. We will continue to ensure our research and development both keeps pace and exceeds that in the sector.

#### Best value

5. The strategy has three best value aims:

- Ensure best value for what we buy
  - Adopt a commercial approach to investment and develop a commercial revenue strategy
  - Secure added value when we buy, ensuring ethical, sustainable, and inclusive investment
6. The strategy will ensure clear buying decisions and provide training to enhance knowledge about procurement regulations, particularly as they change nationally. Improved standard procurement documentation and a model contract will be developed. A separate strategy for commercial activities will be developed. The council's policy commitments inform contract specifications and additional social value is secured through procurement – this can include jobs, apprenticeships, training, and use of local supply chain. This strategy will enhance the council's social value policy by incorporating the full range of other policies also agreed by cabinet into the procurement process to create a suite of 'added value' when the council buys.
  7. These added value requirements will include commitments relating to modern slavery, carbon reduction, sustainability, digital technology, information governance, and equalities as applicable to each tender. A compliant operational assessment process will be applied for all tenders. The matrix of measures against which suppliers can tender and the council can contract manage, will be refreshed. Market by market application of measures will be applied to ensure the most suitable requirements are applied to each contract with the removal of the mandatory pass/fail on the 10% of the contract price requirement. The mandatory pass/fail requirement for 10% of our quality evaluation for contracts over £100k will remain, moving to 20% of our quality evaluation from April 2023.

### **Efficient, modern, compliant organisation**

8. To be an efficient, modern, and compliant organisation, the council has four aims:
  - Plan for what we buy with residents, understanding the markets, local business, and voluntary sector context
  - Implement the new regulations and change the way we buy things
  - Ensure responsible transparent spending
  - Manage risks around working in a high inflation economy
9. To get the best deals for residents, the council will publish a procurement forward plan with the budget each year. This will give notice of intended types and markets for investment. The council will also begin to build strategic market engagement over and above day to day contract management. This will secure the best innovation possible in the goods, works and services the council buys. This will include work with voluntary sector and small business sectors.
10. To ensure transparency around spending, the council publishes contracts and spending related to them. Work is underway to refresh the contract register to support this reporting. An enhanced conflict of interest process is also being put in place to ensure continued probity in relation to public spending.

11. To manage in an inflation context, clear priorities for spending will inform commissioning and procurement. Amended technical guidance for financial assessment of small businesses that tender will be issued to support local businesses better. Category management will support any efficiencies which can be secured through joint buying across departments. Clear risk assessment and focus on the overall budget and MTFS will underpin the forward plan for procuring.

### **Achieving Success**

12. The strategy will improve how we source goods, works and services so that we secure the best outcomes for residents; secure exceptional value for money and operate as an efficient, modern, and compliant organisation. Success will be evidenced through:
  - outline specifications for goods, works or services are coproduced with residents
  - providers want to do business with H&F
  - transparency in what we spend
  - H&F are easy to do business with
  - strategic partners and contractors know who their main council contact is
  - H&F contract manage on a risk basis – robustly ensuring the best deals
  - H&F secure the anticipated high-quality goods, works or service
  - H&F secure value for money through contract management of performance
  - H&F secure appropriate added value through our sourcing processes

### **Reasons for Decision**

13. The council currently does not have a sourcing strategy. The strategy is a required document for audit and will support officers to operate within a sourcing framework, underpinning how the council buys goods, works and services effectively. The strategy sets out plans for buying to both deliver on council priorities and meet best value requirements as required in law.

### **Equality Implications**

14. The strategy seeks to ensure operational processes and documentation incorporate relevant equalities requirements when the council procures. The strategy will result in updated procurement documentation and contract terms to comply with equality requirements. This will build on the delivery of equality priorities in the council's equality plan, which will feature in commissioning plans and specifications for goods, works of services we procure. Equality Impact Assessments will continue to accompany key decisions to provide a mechanism for verifying consideration of the main issues concerned. The strategy will have a positive impact on people with protected characteristics benefitting from this enhanced delivery of priorities through procurement.

### **Risk Management Implications**

15. The report proposes an overarching sourcing strategy to improve how the Council sources goods, works and services to secure the best outcomes for residents and value for money by operating as an efficient, modern, and compliant organisation. The report sets out how risks relating to economic factors affecting contracts, supply chain volatility and awarded contracts will be managed.

*David Hughes, Director of Audit, Fraud, Risk and Insurance, 06/12/2022*

### **Climate and Ecological Emergency Implications**

16. The strategy seeks to mainstream the requirements for carbon reduction and wider sustainability asks through the added value proposals. This will be achieved through updated procurement processes, updated procurement documentation and contract terms. These will support delivery of agreed policy and enhance mechanisms for securing best value from related contracts.

*Hinesh Mehta, Head of Climate Change, 28/11/2022*

### **Local Economy and Social Value**

17. The strategy focuses on an enhanced approach to social value, building on our learning and experiences in this arena to date, further enriching our added value commitment through our sourcing and procurement. Securing added value against all our contracts over £100k remains a commitment in our sourcing strategy in line with council priority and policy. The recommended change to one aspect of operational delivery of the policy is covered in the legal comments.

*Andrew Munk, Assistant Director Economic Development, 22/12/22*

### **Consultation**

18. The strategy focuses on legal requirements when sourcing. It states how matters of policy agreed upon through coproduction and following consultation with residents are translated into delivery when buying goods, works and services. It anticipates procurement being progressed on the basis of coproduction of headline specifications with residents as appropriate.

## **Appendix**

Appendix 1: Sourcing Strategy