



Sourcing Strategy

DELIVERING COUNCIL PRIORITIES 2022/3-2026/7



Aims & Objectives

H&F will improve how we source goods, works and services so that we:

1. **Secure the best outcomes for residents**
2. **Secure exceptional value for money**
3. **Operate as an efficient, modern, and compliant organisation**

Introduction

The Council spends approximately £900 million a year across revenue, capital, housing revenue account and pensions. When we invest approximately 70% of our funds in goods, works, services and property related contracts, we are also seeking in part to influence the 6th most competitive economy in the UK.¹ At the time of writing there are more than 4000 suppliers working for the authority.

As we deliver on our new business priorities, we will take a **strategic approach** to managing our risks and maximising our opportunities. We will need to focus, make **commercial choices**, and **prioritise** as we work within the available resources.

We will seek to continue to mobilise our anchor institutions and strategic innovation partners to both bolster the economy and improve our sourcing drawing on their expertise to:

- ✓ Make H&F the destination for businesses through our Industrial Strategy and Local Plan
- ✓ Develop our infrastructure, assets, and digital networks
- ✓ Buy goods, works and services that benefit residents and the borough
- ✓ Work with residents to develop policies or specifications
- ✓ Embed sustainable ethical buying practices

Figure 1: 10 largest business sectors in H&F:

1. Professional, scientific, and technical activities
2. Administrative and support service activities
3. Wholesale and retail trade; repair of motor vehicles and motorcycles
4. Information and communication
5. Accommodation and food service activities
6. Construction
7. Human health and social work activities
8. Real estate activities
9. other service activities
10. Arts, entertainment, and recreation

This document 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

¹ (<http://cforic.org/wp-content/uploads/2021/11/UKCI-2021.pdf>)

1. Secure the best outcomes for residents

- a) Buy to support people in H&F
- b) Buy to improve H&F as a place
- c) Buy to support the running of the Council

a) Buy to support people in H&F

We invest in a range of services to support people including care, accommodation, homecare and independent living support, community support, leisure, specialist mental health and learning disability services, public health, and early help. This investment is in line with our values of creating a compassionate council and working with residents rather than doing things to them and rise to the challenge of the climate and ecological emergency.

Figure 2a: The council's largest 'people' related spending categories:

<ul style="list-style-type: none">▪ All age accommodation-based care▪ Homecare and independent living▪ Early help▪ Community support▪ Disability support▪ Sexual health▪ Homelessness and rough sleeping▪ Children's assessments▪ All age day opportunities and respite

The sourcing priorities over the next four years include:

- Services that address the **cost of living (crisis)** – these could include food programmes, green programmes in schools, early help, and co-location hubs
- Services which **address crime** – these could include CCTV (Closed circuit television), early intervention for young people & families, Violence Against Women and Girls, mentoring programmes and tackling modern slavery
- Services in **education** – these could include school assets, Speech & Language Therapy, family hubs, fostering service, social supermarket & holiday food, care leavers, green projects in schools
- Services that **improve Health and Wellbeing** – these could include support at home, public health services, direct payments, jobs programmes which support inclusivity and accessibility, mental health gardens, wellbeing hubs, research in racism in healthcare, dementia services

b) Buy to improve H&F as a place

We invest in several areas including Development, repairs and maintenance, fixtures and fittings, demolition/asbestos, waste, highways, street lighting, transport, parking, water management, arboriculture services. This investment is in line with our council values to build shared prosperity, take pride in H&F, do things with residents rather than to them, and rise to the challenge of the climate and ecological emergency.

Figure 2b Highest place spending categories:

<ul style="list-style-type: none">▪ New development, enhancement, refurbishment▪ Repairs and maintenance▪ Waste▪ Professional fees▪ Highways
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- Security
- Utilities

The sourcing priorities over the next four years include:

- Sourcing Works and Services for H&F as an **economic hotspot** – apprenticeships, skills training programme, air quality, cultural programmes, A4 fly under, housing development, civic campus
- Sourcing Works & Services in the **Public Realm** – clean streets, waste collection, recycling, parks & recreation, community gardens, parking
- Sourcing works & services in line with our **climate and ecological strategy** – air quality, green civic campus, energy efficient new affordable homes, electrical charging points, cycle schemes, trees, Sustainable Draining Systems, biodiversity, climate education, forest school, retro fitting, library of things (shared resources)
- Sourcing works & services in **housing** – housing repairs, estates, CCTV, energy audits, major green improvements/works on council homes, cycle storage, green roofs, increased recycling programme

c) Buy to support the running of the council

We invest in several areas including human resources, digital services and telephony, facilities management, travel, hire of accommodation and facilities, finance, insurance, audit, licences and memberships, activities and events, catering, legal costs, debt management, customer services. This investment enables delivery of front-line services for residents in line with our council values.

Figure 2c Highest council wide spending categories:

- Human resources
- Digital services and telephony
- Facilities management
- Consultancy
- Travel/Transport (including SEND (Special Educational Needs and Disabilities))
- Furniture and equipment
- Hire of accommodation and facilities
- Insurance
- Activities and events

The sourcing priorities over the next four years include:

- **Ruthlessly Efficient Modern Organisation** - council tax support scheme, work with debt advice services, staff training, business intelligence, leadership programmes, agency worker spend, digital services,
- **Kinder happier H&F** – community events, diversity events, partnerships with the voluntary sector, rough sleeping, digital exclusion.

The technical changes that will enable this are:

- The application of category management which enables the Council to segment their spend into areas that contain similar or related products and focus on opportunities for consolidation and efficiency
- Providing a clear indication to the market for what we intend to buy in the future
- Guidance for specifying needs in the specific goods, services, and works we buy
- Inclusion of core requirements in contract terms and the wider procurement process as applicable e.g., data security and accessibility, equality, health, and safety etc.
- Alignment with commissioning and/or commercial development strategy

2. Secure exceptional value for money

- a) Ensure best value for what we buy
- b) Adopt a commercial approach to investment and develop a commercial revenue strategy
- c) Secure added value when we buy, ensuring ethical, sustainable, and inclusive investment

a) Ensure best value for what we buy

The council must secure continuous improvement having regard to economy, efficiency, and effectiveness. Under the **duty of best value** councils must consider overall value, including economic, environmental, and social value, when reviewing service provision including any updated approaches to this anticipated as procurement regulations change.² Councils also have a statutory duty to consider social value for services above specified procurement thresholds.³ Under our Constitution Executive Members roles include leading the community planning process and searching for best value. Under our Members Code of Conduct, elected members work to achieve the best value for our residents.

We will:

- Be compliant in seeking competition when we buy goods, works and services
- Make proper assessment of saving or efficiency options at procurement strategy and award
- Balance how we address inflation within our budget envelope across our contract portfolios
- Check policies including those for added value do not have unforeseen consequences for cost

b) Adopt a commercial approach to investment and develop a commercial revenue strategy

In addition to sourcing, the Council invests in a range of commercial activities which secure income and additional benefits for the borough. Currently these activities include digital advertising, commercial waste, planning, property, network management, garage rent, private sector housing, cemeteries, building control, events and lettings, sports bookings, registrars.

We will develop an expanded commercial revenue strategy to sit alongside the sourcing strategy. Within our expanded commercial revenue strategy there we are also able to explore our approach to sponsorship, corporate social responsibility, and use of assets. We will draw on learning from our commercial activities. We will also ensure an understanding of any recommendations raised in external auditor public interest reports about commercial activities which have not been successful in other boroughs when considering our own approach.

In business-as-usual sourcing, we will also apply commercial skill and expertise. Our approach to managing markets and engaging with providers is critical to secure good deals for our residents. We will assess where strategic partnerships and a segmentation of markets will assist in securing better outcomes when we buy goods, works or services. We will translate the commercially agreed benefits from tendering processes into effective contracts.

We will apply a fresh, commercially astute approach through:

- commercial challenge to our sourcing decisions as part of our business as usual
- the use of business intelligence to inform more efficient service models

² Section 3 Local Government Act 1999 and associated guidance

³ Social Value Act

- growing and building our workforce to ensure stronger commercial decision making.

c) **Secure added value for residents**

In addition to the goods, works or services we pay for in our contracts, the council seeks added value for residents and the borough. To date this has been through our social value policy, we will enhance this policy to further deliver the Council's priorities.

We will:

- Change "Social Value" to "Added Value," comprising three elements, which will be assessed by category:
 - Inclusive Economy – including employment, training, London Living Wage, small and medium enterprises
 - Happier Kinder H&F – including health & wellbeing, co-production, modern slavery, equalities
 - Climate and Ecological Emergency – including net carbon neutral, sustainability, and environment
- Refresh the social value matrix and rename it the added value matrix
- Include within the matrix a wider range themes such as **climate change, sustainability, modern slavery, and co-production**
- Make a range of technical changes to enable swift but compliant delivery of social value outcomes.

The technical changes that will enable this are:

- Delivery of changes to procurement to strengthen compliance set out in section 3
- A separate strategy and training programme to support commercial activity
- Amend both the Invitation to Tender and Pre-Qualification Questionnaire procedures to include any mandatory and discretionary requirements around added value
- Add a new schedule in the new model contract to include specific commitments in relation to added value
- Apply a market-by-market approach to the application of the added value in procurement
- Refresh the measures applied to enable a fair proxy for the added value we secure
- Make the evaluation and scoring of Tenders in relation to added deliverable benefits as per Appendix 1 – and ensure any procurement evaluation activities are held in house
- Ensure a robust process for managing any added value commitments relating to supporting voluntary organisations

The technical changes proposed build on the learnings from our Social Value Policy and build an adaptive, agile, and effective means to deliver, market by market.

3. Operate as an efficient, modern, and compliant organisation

- 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**
- a) **Plan for what we buy with residents, understanding the markets, local business, public and voluntary sector context**

We are working to address the pressures and challenges in individual markets and market supply arising from inflation in the global economy.

For H&F to be the best to do business with, we will:

- Deliver on council priorities by establishing a **Forward Plan of buying**.
- Publish our buying intentions so markets know and prepare ahead of time.
- Draw on policy coproduced with residents to inform procurement strategy
- Analyse specific areas of spend to **secure good value contracts**.
- Better understand local business sectors and reserve some contracts to them.
- Expand the programmes to **support small businesses to tender** and join supply chains.

b) Implement new regulations and change the way we buy things

New regulations are anticipated to be implemented in 2023, this will mean **greater transparency** through the publication of contracts, it will also mean new technical buying processes which allow **greater flexibility** when buying. Where a supplier does not deliver contractual outcomes, we anticipate having the ability to report them on a central register.

We will:

- Review all our documents and processes to reflect the new regulations
- Deliver officer training and provide member advice
- Review our E-procurement platform to support our processes

c) Ensure responsible transparent spending

There is a legal duty to publish how public funds are spent in our borough, with details of contracts and suppliers included. The council tracks the outcomes and performance against contracts.

We will:

- Ensure a complete and accurate contracts register is in place
- Enhance our conflicts of interest processes
- Track our spending on contracts to inform our commissioning requirements.
- Review and enhance the contract management standards to ensure consistency and provide associated training

d) Manage risks around working in a high inflation economy

The council is tracking the impact of high inflation through our risk management and our annual process to address any required contractual price changes and uplifts.

Hammersmith and Fulham is a London Living Wage (LLW) Authority, as contracts end, replacements will need to incorporate the LLW if they do not already. This will create a further financial pressure as we seek to balance the budget.

When buying, we need to operate in a timely manner to limit our exposure to escalating prices and be alert to shortages in key supplies. This is where planning is vitally important as part of our business continuity.

The technical changes that will enable this are:

- Enhancing our strategic engagement with markets
- Ensuring consistency in our approach to contractual price changes and uplifts
- Have clear business continuity plans for any provider failure
- Amend technical guidance for financial assessment of small businesses that tender

4. Implementing the Sourcing Strategy

- a) Assurance
- b) Success
- c) Management information

a) Assurance

As part of our business-as-usual governance, Cabinet set out what the priorities are. Our internal officer governance brings forward options and recommendations for decision. Where the council seeks to buy goods works or services, a compliant procurement process follows, or a commercial arrangement is set up.

The Sourcing Strategy will result in:

- Early sight for elected members of upcoming opportunities with an annual list of very high-level contracts included with the budget report annually
- Basis from which departments can develop proposals and business cases for services, works or goods with residents and elected members; that inform the resultant procurement strategies
- Governance and procurement processes which are compliant with procurement regulations.
- A commercial approach to business decisions
- An improved contract register, forward plan, and payment transparency to ensure the public know how we spend public money.
- Named responsible senior officers, compliance with managing contracts, training, measurement of performance and appropriate community involvement in shaping future contract specifications.
- Contracts which are managed well, with regular intervention where performance is below that expected

b) What does success look like?

- ✓ Goods works or service specifications 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 for residents
- ✓ H&F secure the anticipated high-quality goods, works or services invested in
- ✓ H&F secure value for money through contract management of performance
- ✓ H&F secure appropriate added value through our sourcing processes

c) What management information will we track?

- ✓ Assurance on compliance
- ✓ Level of third party spend
- ✓ Contract management and supplier relationship skills
- ✓ Appropriate commercial model sought for market
- ✓ Level and assessment of added value
- ✓ Market management and development plans
- ✓ Capital programmes and Section 106

- ✓ Medium-term financial strategy and budget planning
- ✓ Contractual uplifts

5. Appendix

Appendix 1 – Updated Added Value Matrix Overview

Updated Added Value Matrix Overview

H&F Vision/Manifesto	Theme/objective	Deliverables	Measures (draft)
Inclusive smart economy	Building shared prosperity, Innovation	Social Value Ethical investment Employment Skills training SMEs (Small, Medium or Micro Enterprise) & VCSEs (Voluntary Community or Social Enterprises)* London Living Wage* Volunteering & Donations benefitting residents	Set of measures developed for Section 106 agreements as per our development contracts to date Set in matrix as now for wider inclusive smart economy contracts Any additional from the national set if helpful Charters Construction charter sign up within process
Kinder happier H&F	Pride in H&F Doing things with residents not to them Compassionate Council	Equality and diversity* Tackling modern slavery* Ethical care charter* Race at work charter* Homelessness Public Health Training in EDI (Equality, Diversity, and Inclusion) Crime initiatives Children's charter Social innovation to support wider projects	Set of measures in the matrix now Any additional from the national set if helpful – including tackling modern slavery Training in EDI, Inclusive recruitment, and menopause pledge Charters Ethical care charter* Race at work charter* Children's charter (when ready) Hate crime – hate crime pledge Women safety at night charter
Climate & ecological emergency	Climate Change	Environmental value Carbon net neutral* Sustainable*	WLA (West London Alliance) options on measures as applicable Existing matrix measures Any additional from the national set if helpful Charters Low Carbon Charter