

### FAIRER FUTURE PROCUREMENT STRATEGY

#### Foreword by Cllr Colley, Cabinet Member for Finance, Modernisation and Performance

Our council's vision is to create a fairer future for all in Southwark. We have promised to deliver value for money, high quality services in our borough and naturally this is central to our strategy for procurement of supplies, services and works. However, we believe there is an opportunity for our procurement and contracts to deliver so much more than this.

This strategy sets out how we will use procurement to promote enhanced employment rights, to ensure fair pay and terms and conditions, to reduce inequality and to encourage ethical corporate behaviour. It continues our commitment for all contractors to pay the London Living Wage and introduces a new requirement asking that they sign up to the Southwark Diversity Standard, that covers key issues such as offering guaranteed hours contracts. It makes clear that companies that engage in illegal blacklisting of union members and activists can expect to have their contracts terminated.

The strategy also ensures that key strategic contracts have early and timely political input when assessing options and before a decision is taken about the external procurement of the services. Gateway zero decisions will include challenging whether services should be procured externally at all or if we could achieve better outcomes with an in-house service as we have done with our in-sourcing of customer services and the revenue and benefit service.

Our contracts also present an opportunity for added social value, when our contractors are able to provide additional benefits, at little or no additional cost. Whilst we are flexible and open to bidder's proposals of what added value they can offer, we are of course particularly seeking social value offers that help us to achieve our fairer future promises and commitments such as local employment and apprenticeship opportunities. In the coming months we will be piloting a new tool that we hope will assist us in assessing the value of these proposals in relation to our fairer future priorities and to better monitor the delivery of social value within contracts.

I'd like to thank all the members of overview and scrutiny committee whose 2015 report was the genesis of this Strategy and many of the new commitments within it. I hope that it will live up to their ambitions and help deliver our shared ambition of a Fairer Future for All in Southwark.

#### Our Fairer Future Promises

1. Value for money: We will continue to keep council tax low by ensuring that all our high quality services offer value for money.
2. Access to health for all: We will provide free swimming and gyms for all residents. We'll double the number of NHS health checks. And we'll extend bike hire across the borough.
3. Quality affordable homes: We will improve housing standards and build more homes of every kind, including 11,000 council homes - with 1,500 built by 2018. We will make all council homes warm, dry and safe. And we will start rolling out our kitchen and bathroom quality guarantee.
4. More and better schools: We will meet demand for primary and secondary school places. We will drive up standards across our schools, so that 70 per cent of students at every secondary school get five good GCSEs.

5. More and better nurseries and childcare: We will help parents to balance work and family life, by opening two new community nurseries and investing in our children's centres.
6. A greener borough: We will protect our environment by diverting more than 95 per cent of waste away from landfill, doubling the number of estates receiving green energy and investing in parks and open spaces.
7. Safer communities: We will make Southwark safer with more CCTV, estate security doors and a Women's Safety Charter. We will have zero tolerance for noisy neighbours.
8. More education, employment and training: We will guarantee education, employment or training for every school leaver. And we will create 2,000 new apprenticeships and 5,000 more jobs for local people.
9. Revitalised neighbourhoods: We will make our neighbourhoods places that we can all be proud to live in, transforming areas such as Elephant and Castle, Aylesbury and the Old Kent Road.
10. An age-friendly borough: We want you to get the best out of Southwark whatever your age so we will become an age friendly borough including the delivery of an Ethical Care Charter and an older people's centre of excellence.

## **Introduction**

1. The Fairer Future Procurement Strategy sets out how the council's Fairer Future commitments are at the centre of both what and how the spend under contracts can get maximum benefit to our local area, economy and our residents. Specifically the Fairer Future Promise to deliver value for money across all our high quality services, as well as some of our values including "being open, honest and accountable" and "spending money as if it were from our own pocket" are directly part of undertaking procurement projects.
2. The aim of the Fairer Future Procurement Strategy is to provide context and a framework to ensure that the council takes the right steps when:
  - Identifying service needs and options for the ways in which these may be best delivered.
  - Procuring the supplies, services and works where contracting is the preferred option.
  - Managing and monitoring contracts that have been awarded.
3. The Fairer Future Procurement Strategy must be read in conjunction with the council's contract standing orders and procurement guidelines.
4. The council's promise to deliver value for money across all our high quality services underpins all procurement projects and runs throughout the Fairer Future Procurement Strategy. The strategy also covers the following Fairer Future values:
  - Spending money as if it were coming from our own pockets
  - Being open, honest and accountable
  - Making Southwark a place to be proud of

## **Spending Money as if it were coming from our own pocket**

5. The council delivers a wide range of services to all residents, workers and visitors to Southwark.

6. When reviewing service delivery and procuring the council will address the following points:
  - Addressing the need to balance price and quality, and to be explicit about the relative importance of both.
  - To challenge procurement arrangements and seek opportunities to reduce price, improve quality and maximise efficiency.
  - To complete a whole life analysis of options and assessment of risks.
  - To continue joint procurement of services with other councils where such arrangements deliver value for money and improved outcomes.
  - To reduce the costs of procurement process and the time it takes by taking a planned and co-ordinated approach that is efficient, effective and streamlined, avoiding duplication and waste.
  - To ensure existing contracts, frameworks and internal and external procurement options or collaboration opportunities are utilised where appropriate to reduce procurement costs.
  - To deliver value for money across all our service delivery and contracts.
7. The council seeks to operate a mixed economy of service provision with in-house service delivery and ready access to a diverse, competitive range of suppliers providing quality services (including small firms, social enterprises, minority businesses, and voluntary and community sector groups), and wherever possible encourage local sourcing and local employment.
8. Critically assessing our business needs, from a make or buy decision, to challenging the specified levels of service or identifying possible process efficiencies are precursors to the procurement planning process and ensuring that any possible contract delivers best value. It is important that projects give enough attention and time to plan, in order to take up opportunities that are available to ensure best value is secured.
9. As part of the “make or buy” option, genuine consideration of in-house service delivery is part of the planning process and explicit consideration of whether the works, goods or services could be provided in-house must be included when developing the procurement strategy.
10. The council has a good record of bringing previously outsourced services in-house as in-house provision will not always secure service improvements or value for money for operational, statutory or business reasons and in such cases it will be necessary to contract with suppliers. Where contracting with external suppliers is selected for providing services, the procurement strategy (gateway one report) must demonstrate how this will be successful in meeting defined service objectives and the commitments of the council plan, and how it will achieve long term value for money.
11. In accordance with our Fairer Future values, the council will seek to exercise good governance in the procurement process. This will include:
  - Ensuring all procurement practices are legal, ethical and transparent, conforming to procurement legislation and regulation and robust enough to meet the challenge of external scrutiny.
  - Applying appropriate governance arrangements to meet the principles of openness and accountability, and to manage risk.
  - Having clear, unambiguous and sufficiently flexible operational arrangements that respond to service needs, reduce red tape and protect statutory and regulatory responsibilities of the council.
  - Promoting the commitment of suppliers to the prevention and detection of fraud and corruption in their processes.

## **Strategic Assessment**

12. This Fairer Future Procurement Strategy introduces a new strategic assessment (gateway zero) for services above £10m in value (excluding capital investment works). This assessment will be for cabinet members (IDM) decision making and will ensure that key strategic contracts have early and timely political input when assessing all options and before a decision about the external procurement of the services.
13. The strategic assessment by the service head will address the relevant factors in a timely manner to allow a full strategic options assessment. The timing of the review will be influenced by factors including: decisions to in-source, new outsourcing decisions, services provided to vulnerable people, the nature of the organisation to be awarded work, and the length or conditions of the contract.
14. The review by the service head should explore all options and makes the case for the preferred mode of delivery (e.g. in-house, private sector, voluntary or community sector, shared service), as well as considering the broad methods by which a service is to be delivered (e.g. single provider/framework of providers etc.) as well as possible social value.
15. The strategic assessment decisions will be included on the forward plan and cabinet members will attend pre-scrutiny sessions on request from OSC. A strategic assessment may also be requested for other contracts by the relevant cabinet member.

## **Being Open, Honest and Accountable**

### **Protecting the workforce**

16. Where the council renews contracts or outsources services to the private or voluntary sector the following workforce issues must be considered and applied on a case by case basis as allowed by EU procurement, local government and other relevant legislation and as provided by relevant council policy, including:
  - Pension provision
  - The transfer and treatment of staff under TUPE
  - Terms and conditions including sick pay, training and provision of equipment
  - Consideration of trade union recognition
  - Early consultation with trades unions before possible outsourcing of services
  - Gender pay gap and payment differential
  - Southwark Ethical Care Charter (in relation to care contracts)

### **Equalities and Community Impact**

17. The council must have due regard to equality issues and community impact under its Public Sector Equality Duty. The council's Approach to Equality policy sets out how equality and human rights considerations will be embedded into our policies on procurement and commissioning. All Gateway zero strategic assessments and Gateway 1 reports setting out the procurement strategy must show that all relevant equality issues and obligations are taken into account and planned throughout both the procurement process and in the delivery of those functions on behalf of the council.

### **Diversity Standard**

18. Where the council does renew contracts or outsource services, prospective suppliers must sign up to the council's Diversity Standard. It sets out the policies and expectations for ways of working when delivering contracts that protect the workforce delivering on behalf of Southwark Council. These include:

- Requirement for an offer of guaranteed hours (zero hour contracts)
- Payment of London Living Wage (where appropriate).

## **Blacklisting**

19. Blacklisting is where employers and recruiters discriminate against individuals based upon trade union membership or activity. This is prohibited by law. All relevant tenders shall include relevant questions relating to any prior blacklisting activity and shall exclude any organisation that cannot satisfy the council's commitment to only doing business with suppliers who meet minimum statutory and ethical standards, in line with best procurement practice. Contracts for public works will include provisions to provide for the termination of the contract if the provider is proved to engage in blacklisting activities during the course of that contract.

## **Governance**

20. The council has an established gateway process as part of governance process set out in Contract Standing Orders:
- Gateway one report – Procurement Strategy  
This assesses the options for delivery of needs and makes a recommendation for the best route to market to deliver the contract
  - Gateway two report – Contract Award Recommendation  
This sets out the recommended supplier/s to award of contracts to who have been assessed as offering best value for money from the procurement process following the evaluation process.
21. This approach will be continued using the e-procurement system to deliver our procurement projects and the system will also enhance the ability to record contract management and monitoring.

## **Engagement**

22. The cabinet were asked to further enhance engagement with members in respect of contracts or purchases with an estimated value of £100,000 or more through the introduction of a requirement to consult with the relevant cabinet member before a procurement strategy is implemented. This will be formalised through inclusion in contract standing orders

## **Making Southwark a place to be proud of**

### **Social Value**

23. A key opportunity for the council as part of its commitment to getting the most of its spend with external organisations through contracts is to focus on the possible additional value linked to the contractual spend that benefits the local area, economy and health and wellbeing of residents. This has been termed "social value".
24. The council has an obligation under the Public Services (Social Value) Act 2012 to consider what social value could be obtained during a procurement process for all service contracts that are subject to the Public Contract Regulations 2015. The Act offers an important opportunity to achieve more from the council's spending on services. Southwark Council will go beyond the narrow focus of the legislation and consider what social value can be delivered during the development of all procurement strategies (gateway one reports).

25. When considering the additional benefits and social value to be delivered, this must support the social, economic or environmental well-being of Southwark and its residents and specifically support the delivery of the council's Fairer Future commitments and policies. Key areas of social value commitments include:
- Apprenticeships
  - Job creation
  - Work placement opportunities
  - Payment of London Living Wage where appropriate
  - Environmental and sustainability considerations
  - Health and wellbeing considerations
  - Requiring suppliers to comply with the council's Safer Lorries, Safer Cycling Pledge including the Fleet Operator's Recognition Scheme at Gold standard where appropriate
26. The tender process should set out clearly the methodology for evaluating social value during the procurement process and directly link this to the Fairer Future commitments. The evaluation methodology for each tender should be assessed on a case by case basis and the weightings should reflect the relative importance of the social value element to the subject matter of the contract and be proportional to this.
27. The achievement of social value commitments from proposed successful tenderers should be set out in the contract award recommendation (gateway two report). These commitments should form part of the contract's key performance indicators and be monitored and reported on as part of best practice contract management, as well as in performance reports to departmental and corporate contract review boards as required.

#### **Developing staff**

28. The council will continue to develop the skills of staff, including:
- promoting staff competencies in procurement, commissioning and contract management
  - ensuring that all procurement activity is undertaken by informed managers supported by professional procurement staff, providing specialist support and advice.
  - utilising e-procurement facilities to deliver process and procurement savings.
  - providing high quality guidance, support, documentation and awareness sessions for service managers and their staff engaged in procurement processes.
  - improving contract management by continuously improving and learning from experience of 'relationship management'.

***Document ends***