

## **Committee: General Purposes**

**Date: 12 March 2014**

Wards:

**Subject: Procurement: Report of the Chair of the Procurement Board**

Lead officer: Simon Williams

Lead member: Chair of General Purposes Committee

Contact officer: Peter Stone: Head of Commercial Services

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### **Recommendations:**

A. The Committee is asked to consider and note the contents of this report

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## **1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1. This report provides General Purposes Committee with details of progress in addressing and completing the key recommendations from the audit on corporate procurement, which were reported to General Purposes in March 2013.
- 1.2. The two major recommendations were the development and implementation of a Council Procurement Strategy to form the basis for future activities and secondly, redefinition of the roles of the Procurement Board, to ensure that it plays a more strategic role, central and devolved teams.
- 1.3. This report also highlights the major strategic priorities for the service moving forward.

## **2. DETAILS**

- 2.1 Procurement is defined in the National Procurement Strategy as “The process of acquiring goods, works and services, covering both acquisition from third parties and from in house providers. The process spans the whole cycle from identification of need, through to the end of a service contract or the useful life of an asset. It involves options appraisal and the critical “make or buy” decision which may result in the provision of services in house in appropriate circumstances.” In short, procurement is not simply about obtaining the lowest price, it is a strategic tool to ensure that we receive best value. Procurement in Merton is governed by EU law, UK law and the Council’s own Standing Orders.
- 2.2 Procurement at Merton takes place across all departments and is undertaken through what is known as a “devolved” model. This means that responsible officers in the departments undertake operational procurement for their service areas, while the central team provides strategic support, including specific advice on commercial and EU issues, benchmarking, participation in high profile commercial/procurement exercises as agreed, spend analysis and training. Significant work has taken place over the last

twelve months to ensure that these relationships are clear and work together. This includes robust departmental plans, enhanced contracts register and specific training.

**2.3 The first area identified by the audit was the need for a Council Procurement Strategy.**

2.4 The Procurement Strategy document, which was in draft form at the time of the audit, has been considered and approved by the Procurement Board, which comprises senior representatives from each Department, all of whom were consulted and provided input into the document. It recognises the role which strategic procurement can play in helping to reshape how services are delivered, focusing on outcomes and best value. A copy of the document is appended to this report.

2.5 The Strategy identifies eight major themes, each of which has underpinning objectives, which will provide the framework for future procurement activity. The themes focus on three basic areas, namely value for money, processes and people and examples from each of these areas are discussed briefly in sections 2.6 to 2.9 below.

2.6 Value for money is all the more important in the unprecedented economic climate we now face. Every pound spent must deliver true value, which can be achieved in many ways, such as proactive spend analysis, contract and market management, all of which are covered in more detail in the Strategy document. Through innovative contracting and collaboration, we will continue to seek sustainable cashable savings.

2.7 Another example of how we will drive value for money and efficiencies is via category management. Grouping together products and services according to their function (eg care, construction, transport and professional services) will help us understand the market in depth, maximise our buying power, and achieve greater economies of scale. We will continue the initiative in the areas described above, with the aim of rolling out the approach across the Council.

2.8 Processes. Continued use of the e-tendering system and contracts register has also improved visibility of spend and has streamlined processes. The register has now been uploaded onto the London Tenders Portal and, together with our spend data, provides valuable and critical information to inform our procurement decisions. This too is reflected in the Strategy and will be developed by the increased use of e-tendering and rolling three year procurement plans.

2.9 People. Implementation and enhancement of the Strategy is dependent to a large extent upon the skills of the officers who undertake procurement and contract management. The Strategy recognises this dependency and a number of initiatives have already been put in place. These include a regular Procurement Forum for all Merton responsible officers, both departmental and corporate, training sessions and toolkits. The forum is accountable to the Procurement Board, with recommendations and updates fed bilaterally.

- 2.10 **The second area identified by the audit was redefining the roles of the Procurement Board, with the aim of the Board operating more strategically, plus the roles of central and devolved teams.**
- 2.11 To recap, the Procurement Board is the primary strategic vehicle through which procurement activity is governed and is chaired by the Director of Communities and Housing. Its main functions are to ensure that procurement is managed competently and legally, to ensure that best value is obtained and maintained and further, to ensure that staff engaged in procurement have the required skills and support.
- 2.12 Over the last twelve months, a number of steps have been taken to ensure that the Procurement Board does operate more strategically and, to focus our thoughts and plans, we ran a workshop last year. This was attended by a cross section of directors and procurement officers and was a valuable exercise, which resulted in a number of positive outcomes.
- 2.13 The first of these is that the level at which procurement activities now come to the Board has been increased to £3m, annual value is greater than £750k, or three or more risk triggers are assessed as amber. These triggers include political or reputational risk and volatility of the market. We now use the Gateway system differently, with the Board spending more time on Gateway 1, to enable us to shape the procurement route being taken and thus operate more strategically.
- 2.14 Planning. We have developed and now have in place detailed strategic procurement plans for each department, encompassing all major procurement exercises. These extend at least three years into the future and allow for enhanced planning, improved risk management and aid category management and identification of efficiency savings. The plans are overseen by the Procurement Board and the oversight includes “deep dives” into individual plans to an agreed agenda, twice yearly. These sessions have already begun.
- 2.15 We now obtain spend analysis routinely and the contracts register is in the public domain. We have worked with Legal and have a set of legally approved terms and conditions as a basis from which to work. We also recognise the need for pro active contract management post contract award and are looking to put in place a set of guidelines for officers involved in this important field.
- 2.16 Operational Procurement Groups have been reinvigorated. These groups are the operational arm of the Procurement Board and one such group exists for each department. Each group is championed by a senior manager who sits on the Procurement Board and who will for example be responsible for presenting the departmental procurement plan at the appropriate “deep dive” session.
- 2.17 **Focus for the next twelve months.**
- 2.18 Continue to build on the work which has already been carried out with departments and centrally to establish a proactive and effective vehicle to identify and capture savings and mitigate commercial risk to the Council. This will include embedding the departmental procurement plans and working with colleagues to develop their Target Operating Models.

- 2.19 Continue to roll out category and contract management across the Council, as mentioned earlier in this Report. Two examples have been given (Transportation and the recently retendered Agency contract). On the latter, the contract has only recently been awarded and we are hoping for savings of around £500,000.
- 2.20 Produce a set of guidelines and advice for colleagues engaged in contract management.
- 2.21 Support and training for procurement staff.
- 2.22 Support colleagues in relation to key cross cutting procurement exercises, such as Social Care Information System, Customer Contact and Domiciliary Care. In parallel, work with neighbouring boroughs to seek out further opportunities for joint and collaborative procurement, together with dissemination of best practice.

### **3.0 ALTERNATIVE OPTIONS**

- 3.1 Nothing specific for this report, although as departmental TOMs continue to be produced, the Procurement Board recognises the need for the structure of Commercial Services to flex to reflect the future shape of the Council.

### **4.0 CONSULTATION UNDERTAKEN OR PROPOSED**

- 4.1 Procurement across the Council is overseen by the Procurement Board. Senior officers were consulted regarding the Procurement Strategy and through working with colleagues across South London and beyond, the Head of Commercial Services is appraised of and can share latest developments and best practice.

### **5.0 TIMETABLE**

Not Applicable.

### **6.0 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

- 6.1 Nothing specific to this report, although if there are any issues, eg proposed recruitment, then a business case will be produced and considered by the Procurement Board and Director of Corporate Services.

### **7.0 LEGAL AND STATUTORY IMPLICATIONS**

- 7.1 These are detailed in section 2.1 of the report.

### **8.0 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

8.1 Nothing specific to this report.

**9.0 CRIME AND DISORDER IMPLICATIONS**

Not Applicable.

**10.0 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

10.1 Nothing specific to this report.

**11.0 APPENDICES. THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT**

11.1 Procurement Strategy

**12.0 BACKGROUND PAPERS**

12.1 Internal Audit Papers

12.2 Procurement Plans

12.3 Departmental Target Operating Models.

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