### PROCUREMENT STRATEGY \_ JANUARY 2023

### INTRODUCTION

The National Procurement Strategy defines Procurement as:

“*The process of acquiring goods, works and services, covering both acquisitions 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 end of the useful life cycle 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”*

This refresh is launched at a time of countless opportunities and pressures on Merton procurement. Challenges such as inflation, supply chain shortages, war, and climate change. Opportunities include new procurement legislation and the National Procurement Policy Statement.

Merton is committed to investing in and using its Commercial Services Team more effectively. Procurement and commissioning are to be at the heart of the authority’s thinking because procurement is not solely about compliance - although it is required. More importantly, procurement is about delivering both economic and social value to our communities and for levelling up within and between our places. The role of procurement at Merton remains pivotal in maximising these opportunities through our supply chains and managing the challenges faced by our sector and our communities.

Third-party spend is increasing, as is the reliance on procured goods and services, with local government remaining a significant commissioner and purchaser at both a place and aggregate level across all key spend categories. The current operating context sees increased pressures on councils facing further restrictions on revenue and capital finances. In addition, increased volume and complexity of demand and market pressures on services, particularly social care, creates further challenges.

Increased costs due to high inflation, exponentially higher energy costs, the climate change emergency, disruptions in the supply chains, and the war in Ukraine are all material to the way in which Merton approaches procurement. The new procurement rules are expected to move the winning bidder test from ‘most economically advantageous tender’ (MEAT) to ‘most advantageous tender' (MAT), and this change will help Merton to focus on value in its broader sense beyond economic value. This, along with the ability to implement competitive flexible procurements, will help Merton to increase innovation and social responsibility.

This document sets out the Council’s strategic approach to procurement. It is not intended to be a procurement manual; however, the principles should be applied to all procurement and commissioning.

Consideration of this strategy is not optional, and it is to be read in conjunction with the Council’s Contract Standing Orders (CSO’s).

### ‘RECIPE FOR SUCCESS’ FOR MERTON PROCUREMENT

This strategy provides a corporate focus for procurement. It embraces the Council’s commitment to strategic procurement and sets out the Council’s aspirations. More detail on procurement processes and procedures will be found within the Contract Standing Orders, the Procurement Toolkit, and the Social Value Toolkit (all of which can be found on the procurement and Commercial Services team pages of the intranet).

This strategy will contribute to delivering Merton’s long-term goals of:

* + Nurturing Civic Pride
  + Sustainable Future
  + Borough of Sport

through the promotion of:

* adding value
* creating new jobs and new skills
* improving supplier diversity, innovation, and resilience
* tackling climate change and reducing waste
* building even greater connections and partnerships locally, across the public sector, with suppliers and the voluntary sector
* exploiting data and technology
* effective contract, supplier relationship and supply chain management
* embracing public procurement transformation and innovation including making procurement easier for bidders.

### OBJECTIVES AND BENEFITS

The overarching objectives of this strategy are:

* Showing Leadership
* Behaving Commercially
* Achieving Community Benefit

In taking this strategy forward, the Council expects to realise the following benefits:

* Delivering better results across procurement and commercial activity through greater Councillor engagement
* Demonstrating better results from early engagement with Commercial Services, Legal and Finance
* Making best use of limited resources, to deliver innovative solutions, by designing and implementing solutions through a cross-council approach
* Improved strategic supplier management
* A clearer understanding of the ways in which new revenue generation opportunities can be created across the commercial cycle
* Proactive contract and relationship management
* Developing relationships between the Council, the business community and the broader voluntary sector which create mutually advantageous, flexible and long-term relations
* Improved economic, social, and environmental wellbeing from Merton’s contracts, through embedded Social Value
* Better risk management
* Strategic procurement planning
* Reductions in challenges to our procurements

Our vision for procurement is to provide a first-class service for our residents whilst we build on best practice to ensure value for money in all our procurement exercises.

### OVERVIEW

The London Borough of Merton spends approximately £200m each year on goods and services on behalf of Merton’s residents. Of that £200m, the Council is able to influence approximately £120m.

The range of goods and services is varied but includes services for schools; waste collection; care services for children and adults; maintaining the highways, parks and services; encouraging business growth; and major construction works.

Effective procurement and commissioning is about managing the whole life cycle of the goods and services we procure, and ensuring that specifications are right and fit for purpose with clear outcomes and purposes.

The Council operates a Procurement Governance and Gateway process. This comprises of four key elements: the Corporate Procurement Board; the Procurement Gateways; Departmental Procurement Groups (DPGs); and the Risk Assessment Tool. These four elements are designed to work together to enable the Corporate Procurement Board to exercise effective oversight, control and to provide direction to procurement activity Council wide.

### KEY THEMES

##### Value for Money (VFM)

As ever, the Council will need to make substantial year on year savings for the ongoing future. Every pound spent must deliver true value to the community, whether that is by better management of our existing contracts, proactive spend analysis, being more commercially astute, or through reviewing current services and potential delivery models.

##### Category Management

By grouping together products and services according to their function (e.g. care, construction, transport, professional services etc.) the Council can better manage the overall spend, whilst maximising our buying power and achieving economies of scale.

A ‘Category’ is an area of spend determined by known market boundaries separating different products or services. Category Management recognises that suppliers within a certain market are likely to have similarities that enable a tailored approach to procurement.

We continue to develop our capacity and capability in Category Management to support the major commercial decisions the Council is facing. We will add value to projects we support, bringing commercial insight and support throughout the commissioning lifecycle. Recognising this challenge, we will also develop our staff through a revised professional training programme. It will also enhance their relationship and partnership building skills. This means they will spend less time involved in the administrative task of running tenders and spend more time with customers, commissioners and our major suppliers.

##### *c.* Contract Management

We will manage our major contracts more actively to drive continuous improvement in performance and efficiency and further develop contract management across the Council. We will provide greater visibility of the performance of our top contracts to help to improve the management of major suppliers and ensure they are delivering against the agreed performance standards.

By reviewing strategic contracts and adopting a more commercial approach to the management of our key contracts, we will ensure that improvements and efficiencies are delivered.

We will also work with operational contract managers in departments to build on best practice and provide training in contract management techniques.

The outcome of this change will be measured by the monitoring of contract performance and by the identification of improvements in performance levels and additional efficiencies during the life of a contract. Furthermore, as we develop stronger relationships with our key suppliers, we will be recognised as their ‘customer of choice’ that may lead to increased market intelligence and therefore improve our opportunities for innovation in the marketplace.

Through a clear commercially led approach to contract management, we will ensure a greater focus is directed towards obtaining the required outcomes. This will include increased monitoring, management of supplier performance through robust SLA’s and KPI’s (including the delivery of community benefits), and where performance is not being achieved, an action and improvement plan will be implemented.

##### Partnering and Collaboration

Partnering means the creation of sustainable, collaborative relationships with suppliers in the public, private, social enterprise and voluntary sectors to deliver services; carry out major projects; or acquire supplies and equipment.

Partnerships can be beneficial and integrated in service delivery, but it needs to be recognised that this is not necessarily an easier contract style - indeed, partnering agreements are likely to be more challenging than traditional contracts. A partnership agreement will therefore require careful preparation and procurement. Partnering should be considered when engaging in best value reviews of services as a potential alternative to established methods of service delivery.

When formulating our procurement strategies, we will ensure that we take account of potential opportunities afforded by partnering and collaborating. We will also look at existing framework agreements when considering any future options for procurement and where appropriate the use of any national, regional or pan London procurement arrangements that fit with the Council’s strategy.

Collaboration describes the various ways in which councils and other public bodies come together to combine their buying power, to procure or commission goods, works or services jointly or to create shared services.

Collaboration is a form of public partnership; its major benefits are economies of scale and accelerated learning.

We will ensure that contractors and partners have priorities that align with those of the Council. We will also ensure that they understand how these contribute to the Council’s performance.

The Council will actively participate with other authorities and organisations where appropriate and feasible, to seek economies through joint procurement, joint commissioning, framework agreements and shared services.

##### Market Management

The Council will continue to work with a diverse group of providers. The Council will make full use of a variety of different delivery models - including joint ventures, public, private and VCFS options. Through procurement, we will support the growth of local businesses and other organisations by encouraging the use of local suppliers. Whilst staying within the legal constraints of public sector procurement, the Council will encourage local suppliers to work with us, recognising and exploiting the ability to create a positive climate for firms based in Merton. The Council will endeavour to support a thriving local business sector, providing opportunities for suppliers to develop the capacity to win future contracts from the Council and other public sector partners. As a Living Wage Accredited Employer, Merton is committed to working with it’s suppliers, as well as the wider Merton Business Community, to champion the payment of the Living Wage.

This approach recognises that by encouraging sustainable high quality local employment, the Council is reducing the demand and thus cost of other public services. The Council will seek to encourage innovation, improve skill levels in Merton, create jobs and retain money in the local economy.

##### Supplier Relationship Management

The Council will build strong, long term, positive relationships with suppliers across all sectors, not just when actively procuring goods and services but also when considering alternative delivery models e.g. social enterprises.

The Council will establish strategic relationships with suppliers to ensure that both parties are delivering against the commitments within the contract and build upon mutual experience and knowledge to embed continuous improvement practices throughout the contracted period. Effective engagement with suppliers will also inform future specifications. This will ensure that the Council is approaching the marketplace with requirements that meet clearly defined needs and are commercially attractive to potential bidders.

The Council commits to making all procurement activity fair and transparent as well as encouraging a diverse range of potential bidders to participate.

A suite of standardised documents and contracts will be developed for use across the Council to ensure consistency and to make the procurement process more accessible to suppliers.

##### Developing People and Improving Skills

Procurement is a key activity in sourcing the skills, services and supplies required by the Council to deliver community outcomes. The officers who undertake procurement and contract management activity are vital to the successful delivery of the Councils strategic procurement objectives. The required capacity and skills will continue to be developed in departments with support and guidance from Commercial Services.

Commercial Services will develop other ideas to encourage officer participation. These will include the offering of regular ‘drop-in’ sessions, which will allow any topic of interest to be discussed informally. In addition, specific targeted training will be developed and made available to officers/teams and divisions as required.

Regular procurement forums for all Merton responsible officers will continue to be offered. Active participation will be encouraged by the use of focus and working groups on specific topics of interest such as: toolkits, market engagement and benchmarking.

The forums will:

* + Bring together all professionals across the Council working on procurement activity into a single forum
  + Provide a platform for evidence sharing and best practice (both internal and external)
  + Introduce and embed a co-ordinated and consistent Merton approach to procurement
  + Identify savings and efficiencies opportunities

##### Systems and Processes

Continued use of the e-Tendering system has improved compliance and at the same time, it has streamlined the tendering processes.

The contracts register is part of the e-Tendering suite that is in the public domain so that any interested parties may view it. This has led to greater visibility of Council spend which will be fed into procurement and resource planning and should lead to greater opportunities for efficiency savings. It will also make it easier for members of the public to have their requests under the Freedom of Information Act 2000 (FoI’s) answered quickly and efficiently.

##### Sustainable and Ethical Procurement

Sustainability is an important consideration when making procurement decisions. It ensures that we consider impact of environmental, economic and social factors of procurement decisions along with price and quality.

Merton is committed to making its spending decisions in a way that delivers both value for money on a whole life cycle basis, and achieving wider economic, social and environmental benefits. It is important to be aware of, and look for signs of unacceptable practices, such as modern slavery, fraud and corruption, in the supply chain

The Council has set targets, for its operations, of aiming to become carbon neutral by 2030, including procured services. Merton will actively consider how services are provided that are in keeping with the targets we have committed to, working with companies who are willing to take an active role in reducing the carbon footprint of their activities in Merton and for their company as a whole.

### GOVERNANCE FRAMEWORK

Merton’s procurement is governed both by UK Law and by Merton’s Contract Standing Orders. These are mandatory for officers of Merton to follow.

##### The Corporate Management Team

The Corporate Management Team (CMT) will continue to initiate and lead all procurement activity and endorse and support adherence to the procurement strategy across the Council. CMT will set the strategic direction of the Council, empower officers and hold officers to account in the delivery of the strategy.

##### Contract Standing Orders

The Council will comply with the wide range of legislation, regulation and guidance, which governs procurement. The Council’s Contract Standing Orders were updated in 2021 to take into account the impact of the UK leaving the EU, lessons learnt over the past years as well as emerging best practice principles.

Adherence to the Contract Standing Orders will be enforced to ensure the highest standards of probity and compliance, one of Merton’s principles underpinning procurement activity.

##### The Corporate Procurement Board

The Corporate Procurement Board is the primary strategic agent through which procurement activity is governed. The Corporate Procurement Board is made up of senior management officers and procurement professionals and is chaired by the Chief Executive.

The main functions of the Corporate Procurement Board are:

* + Oversee the production and management of the procurement strategy
  + Assure that procurement is managed competently and legally
  + Ensure changes in legislation e.g. The Social Value Act (2012) and best practice are embedded in the Councils procurement practices
  + Assessing whether procurement is achieving best value for the Council
  + Ensuring that staff engaged in procurement have the required skills
  + To be responsible for the Operational Procurement Groups (OPG)

##### Procurement Gateway process

A risk-based approach uses a series of minimum criteria and risk triggers to determine which procurement activities will come to the Procurement Board.

Currently projects need to be brought to the Procurement Board for review where:

* the total value is over £2m (or annual value over £750k)
* or the decision to award the contract is to be made by Cabinet or
* three or more risk triggers are assessed at amber level or greater. These include political or reputational risk; impact of failure on service user; and maturity or volatility of the market.
* The contract is for a concession

##### Procurement Pipeline

The Procurement Pipeline identifies the required strategic procurement activities for a period extending 1-3 years into the future. The departmental procurement pipelines inform the Corporate Procurement Plan, which will encompass all major procurements due in the following 1-3 years. This will allow for enhanced planning and scheduling, improved visibility and improved risk management for the Council’s major procurement activities. The Procurement Board oversees the procurement pipeline.

##### The Contracts Register

The Contracts Register is a Council-wide record of all contracts that the Council has entered into above the value of £5,000.

The Contracts Register is currently part-hosted via the London Tenders Portal as part of the Council’s e-Tendering system. Responsible Officers must ensure that all contracts are entered onto it and that they are kept up to date.

The Contracts Register will continue to be a key component to co-ordinate and risk manage procurement activity at the corporate level and will assist with FoIs.

##### CONTACTING US

Please contact us if you have any questions, comments or feedback about the Procurement Strategy: E-mail: [commercial.services@merton.gov.uk](mailto:commercial.services@merton.gov.uk)

**Other useful links:**

* National Procurement Strategy <https://www.local.gov.uk/national-procurement-strategy>
* Local Government Transparency Code <https://www.gov.uk/government/publications/local-government-transparency-code-2015>
* Audit Commission [http://www.audit-commission.gov.uk](http://www.audit-commission.gov.uk/)
* Department for Communities and Local Government [http://www.communities.gov.uk](http://www.communities.gov.uk/)
* Local Government Association [http://www.lga.gov.uk](http://www.lga.gov.uk/)

##### CONTRACT ACTIVITY

List of tenders planned for calendar year 2023 include:

| Anticipated Commissioning Strategy | Division - Spend Category | Contract Title/ Description | Anticipated date of tender opportunity being advertised, or date of extension option exercised | Initial current contract start date | Initial or current contract end date | Estimated contract length (Months) | Extension options included in contract | Final extension option expiry date | Planned procurement Sourcing Route |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Re-Procurement | Libraries | Supply of library stock (Adults and Children’s books) | Quarter 1 (01 April 2023 - 30 June 2023) | 01/04/2020 | 31/03/2024 | 48 | Yes | 31/03/2025 | Open Tender |
| Re-Procurement | Public Health | Integrated Adult Substance Misuse | Quarter 1 (01 April 2023 - 30 June 2023) | 01/04/2018 | 31/03/2022 | 48 | Yes | 31/03/2024 | Strategies on re-procurement being discussed |
| Re-Procurement | Adult Social Care | Extra Care and Housing Related Support | Quarter 1 (01 April 2023 - 30 June 2023) | 01/05/2019 | 30/04/2022 | 36 | Yes | 30/04/2024 | Extensions taken until 2024; Open Tender |
| Re-Procurement | Infrastructure & Technology | Catering Services at Merton Civic Centre | Quarter 1 (01 April 2023 - 30 June 2023) | 01/04/2018 | 31/03/2024 | 72 | Yes | 31/03/2024 | Open Tender |
| Re-Procurement | Public Protection | Parking Systems - Cashless & Enforcement | Quarter 1 (01 April 2023 - 30 June 2023) | 30/07/2014 & 26/10/2019 | 04/07/2024 | 48 | Yes | 04/07/2024 | call-off from a Framework |
| Re-Procurement | Public Space | Waste & Street Cleansing | Quarter 1 (01 April 2023 - 30 June 2023) | 01/04/2017 | 31/03/2025 | 96 | Yes | 31/03/2041 | Competitive procedure with negotiation |
| Re-Procurement | Public Health | Healthy Lifestyles - delivering four specific components: 1. Outreach, engagement and community resilience 2. Universal digital offer and gateway 3. Stop smoking (specialist support, brief support and self care) 4. Front line training. | Quarter 2 - (01 July 2023 - 30 September 2023) | 01/04/2021 | 31/03/2023 | 24 | Yes | 31/03/2024 | Open Tender |
| Re-Procurement | Public Health | NHS Health Checks Service | Quarter 2 - (01 July 2023 - 30 September 2023) | 01/04/2021 | 31/03/2023 | 24 | Yes | 31/03/2024 | Open Tender |
| Re-Procurement | Schools | School Meals Catering | Quarter 2 - (01 July 2023 - 30 September 2023) | 02/08/2021 | 01/08/2024 | 36 | Yes | 01/08/2026 | Open Tender |
| Re-Procurement | Adult Education | ESOL with Digital Skills | Quarter 2 - (01 July 2023 - 30 September 2023) | 02/08/2021 | 01/08/2022 | 12 | Yes | 01/08/2024 | Open Tender |
| New Procurement | Infrastructure & Technology | Civic Centre Boiler Replacement - as part of Merton's Climate agenda we are reviewing options to replace the current boiler system in the Civic Centre | Quarter 2 - (01 July 2023 - 30 September 2023) | n/a | n/a | 24 | n/a | n/a | call-off from a Framework |
| Re-Procurement | Public Protection | Domestic Violence and Abuse Service | Quarter 2 - (01 July 2023 - 30 September 2023) | 01/07/2019 | 31/07/2024 | 60 | Yes | 31/07/2024 | Open Tender |
| Re-Procurement | Infrastructure & Technology | Environmental Asset and Street Works Management System | Quarter 2 - (01 July 2023 - 30 September 2023) | 16/10/2017 | 16/10/2024 | 60 | Yes | 16/10/2024 | call-off from a Framework |
| Re-Procurement | Adult Education | Merton Adult Learning Main Delivery Service - deliver adult learning opportunities via accredited and non-accredited training courses for Merton residents | Quarter 4 (01 January 2024 - 31 March 2024) | 01/08/2021 | 31/07/2024 | 36 | Yes | 31/07/2026 | Open Tender |
| Re-Procurement | Adult Social Care | Electronic Care Monitoring | Quarter 4 (01 January 2024 - 31 March 2024) | 01/09/2021 | 31/08/2024 | 36 | Yes | 31/08/2025 | call-off from a Framework |
| Re-Procurement | Infrastructure & Technology | Water, Wastewater & Ancillary Services | Quarter 4 (01 January 2024 - 31 March 2024) | 01/05/2022 | 26/10/2024 | 33 | No | 26/10/2024 | call-off from a Framework |
| Re-Procurement | Resources | Purchasing Cards | Quarter 4 (01 January 2024 - 31 March 2024) | 01/02/2022 | 03/02/2025 | 36 | Yes | 03/02/2026 | call-off from a Framework |
| Re-Procurement | Resources | Insurance Placement Services | Quarter 4 (01 January 2024 - 31 March 2024) | 01/09/2020 | 31/03/2024 | 42 | Yes | 31/03/2026 | call-off from a Framework |
| Re-Procurement | Infrastructure & Technology | SAN | Quarter 4 (01 January 2024 - 31 March 2024) | 26/05/2019 | 31/05/2024 | 61 | No | 31/05/2024 | call-off from a Framework |
| New procurement | Education | School capital maintenance construction works - various | Quarter 1 - (1 April 2023 - 30 June 2023) | n/a | n/a | 6 | n/a | n/a | Various works at Merton community schools |