

## West Midlands Police and Crime Panel

### Panel Scrutiny of the PCC's Development of the a Procurement Strategy

18<sup>th</sup> November 2013, 2pm, Solihull Council Chamber

#### A Introduction

A.1 The aim of the session is to consider:

Recommendations the Panel would like to make to the PCC regarding the development of his procurement strategy?

A.2 Key questions are:

- What are the components of an effective procurement strategy?
- What social values should be included and can legally be included?
- How is value for money best achieved?
- How compliance is best achieved?
- What tools and levers need to be in place to achieve this – e.g. appropriate technology, collaboration?

#### B Background

B.1 **Police and Crime Plan:** Extract from Section 3.5 is below

##### **3.5 Demonstrating the Force's commitment to social responsibility**

The Commissioner is committed to West Midlands Police, a respected local organisation comprising 12,000 people, playing its full role in the development of local communities.

There is a clear intention to significantly enhance the delivery of the outcomes in this plan by integrating social and environmental factors into the way the Force works. For example, the adoption of 'green' policies; closer engagement with the voluntary sector; supporting local employment and ensuring local suppliers are not disadvantaged. This will be underpinned by new ideas, innovation and drawing on best practice. The Commissioner will be conducting a public consultation on his approach to procurement to ensure that he contributes to the economic wellbeing of the area.

In addition, working with the public sector, third and private sector partners will be explored to see how they could assist the Force in meeting its ambitions. New opportunities for partnerships, for instance the Local Economic Partnerships and City Deal, may have a significant part to play in



helping the Force to achieve required outcomes. Similarly, innovative funding models such as Social Impact Bonds may present opportunities.

The changes will encompass every aspect of the Force, from the way resources are managed and allocated, the way it interacts with the community it serves, the way police officers and police staff are engaged and the way information is used to support new methods of working. The creation of an effective, fit for purpose ICT infrastructure underpins all of this.

Deliverables and Milestones for 2013-14:

- Introduce a fleet of 'green' cars that are efficient and are better for the environment
- Consult on the procurement strategy to influence the economic well-being of the area
- Increase the involvement and work with voluntary, third sector and community partnerships in priority areas helping to keep crime down.

## B.2 **Previous PCC decision:**

This paper was discussed at Strategic Policing and Crime Board on 3<sup>rd</sup> September

The minutes note:

### **Procurement and Consultation Strategy**

**059/13**

The Chief Finance Officer introduced the report which provided background information about Force procurement activity and recommended a consultation event prior to developing a new procurement strategy.

The Board considered the report and supported the Commissioner's intention to take to proposed procurement strategy to the Police and Crime Panel in November as a pre-decision scrutiny item.

The Board noted that:

The Force was currently doing some work with the Local Enterprise Partnerships (LEPs) and would work with the West Midlands Office for Policing and Crime in this regard.

**ACTION On a quarterly basis, future finance reports would include a list of contracts due to be renewed.**

**ACTION A separate report on the interpretation services contract would be submitted to the Board when that contract was due to be reviewed/renewed.**

*A note has been made on the work plan to include a report at the July 2014 meeting*

## B.3 **Other relevant information:**

An evidence pack of background information will be provided.

## **C Attendance**

### C.1 The following people have been invited:

- Margaret Corneby, Chief Executive Black Country Chamber of Commerce

- Henrietta Brealey, Policy Advisor Greater Birmingham Chamber of Commerce
- Nigel Kletz, Assistant Director of Procurement, Birmingham City Council
- Staffordshire and West Midlands Federation of Small Businesses (TBC)
- Mike Williams, Chief Finance Officer, Office for Policing and Crime
- Bob Jones, Police and Crime Commissioner
- Laura Gibb, Police Workforce and Efficiency Unit in the Home Office

## D Suggested Format

D.1 The following format is suggested for the debate – One hour has been allocated:

1. **Introductions:** Each witness asked to introduce themselves and identify one reason they consider PCC's procurement strategy is important.
2. **Questions:** To follow the Lines of Enquiry in section E, and other key issues for Panel Members.
3. **Conclusions and Recommendations:** Panel Chair and Members to sum up and decide if there is further work they wish to do on this topic; or if they wish to make any recommendations to the PCC.

## E Suggested Lines of Enquiry

E.1 Witnesses asked to make some introductory statements (suggested timings in brackets) and then Q & A for each group following suggested lines of enquiry and other questions from Panel Members.

### 1 **Bob Jones, Police and Crime Commissioner**

**Mike Williams, Chief Finance Officer, Office for Policing and Crime (5 minutes)**

- Why is the issue important?
- What is proposed in the procurement strategy?
- What difference does this make to the current approach?
- Are there specific challenges the PCC would like the Panel to address?
- How do you propose to consult on the strategy?
- What opportunities will the national Strategic Police Procurement Board bring and what are the potential challenges?

### 2 **Margaret Corneby, Chief Executive Black Country Chamber of Commerce Henrietta Brealey, Policy Advisor Greater Birmingham Chamber of Commerce Staffordshire and West Midlands Federation of Small Businesses (TBC) (3 minutes each)**



- From your perspective and that of your members, what are the elements of an effective procurement strategy and what are common obstacles faced?
- To what extent is IT a key tool for effective procurement and how geared up are local businesses?
- What advice would you give regarding achieving social value through procurement?
- What would you and your Members wish to see in a procurement strategy?
- How can you support the consultation process

**3 Nigel Kletz, Assistant Director of Procurement, Birmingham City Council (5 mins)**

- What are the lessons from the approach taken by Birmingham City Council, including the development of the Business Charter for Social Responsibility?
- What have you found are the key constraints (including EU / UK law) in achieving the city's procurement objectives?
- How does IT support this agenda?
- What tools have been most effective at improving compliance with the strategy?

**4 Laura Gibb, Police Workforce and Efficiency Unit in the Home Office**

- What good practice is being developed at a national level and what good practice exists elsewhere?
- How is a balance best struck between value for money and social value decisions?
- What opportunities will the national Strategic Police Procurement Board bring and what are the potential challenges?

**4 All:**

- In the light of the discussion what single piece of advice would you give to the PCC to aid his development of the procurement strategy

## **F Key Dates**

It is understood that the intention is for the PCC to approve his Procurement Strategy in July 2014.



**WMPCP West Midlands Police and Crime Panel**

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west midlands  
police and crime  
commissioner

Police and Crime Panel  
18 November 2013

## **PROCUREMENT CONSULTATION AND STRATEGY**

### **Report to the West Midlands Police and Crime Panel**

Report of West Midlands Police and Crime Commissioner

#### **Purpose**

1. The purpose of this report is to set out background information about West Midlands Police procurement activity to assist the Panel in the development of advice to the Commissioner regarding a new procurement strategy.

#### **Background**

2. The Force currently incurs about £74m of non-pay expenditure, through just under 1300 suppliers.
3. Procurement activity is governed by EU Procurement Directives (which in summary require that any procurement exceeding £174,000 should be supported by a formal tender exercise, including issuing an OJEU Notice) and Standing Orders and Force Financial Instructions which require:
  - Any non-pay procurement above £25,000 to be undertaken by the Force Contracts and Procurement Unit;
  - Any non-pay procurement below £25,000 to be subject to verbal or written quotations (depending on the amounts) to be undertaken by the nominated responsible officer;
  - Any non-pay procurement of between £25,000 and £100,000 to be subject to sealed quotations;
  - Any non-pay procurement above £100,000 to be subject to a formal written tender.

4. The attached paper sets out details of the current arrangements for non-pay procurement. Whilst the current procurement arrangements are based on best practice and deliver good value money, the development of a new Procurement Strategy will provide an opportunity to clarify and codify the Commissioner's stated Procurement Objectives and targets.

## West Midlands Police and Crime Commissioner

### Procurement Activity

#### Introduction

1. The data used to produce this note has been taken from the Force Contracts Register, which is maintained by the Contracts and Procurement Unit (CPU) and the Home Office National Spend Analysis Review of Police Non Pay expenditure, which is provided by Spikes Cavell. Whilst the data from the Force Contracts Register is up to date, the most recent data from Spikes Cavell relates to the financial year 2011/12.

#### Procurement Activity

2. The £74M of non-pay expenditure can be analysed as follows:

	£m	%
Corporate Contracts let through CPU	59	80
Construction*	5.5	7
Non Centrally Contracted	9.5	13
<b>TOTAL</b>	<b>74</b>	<b>100</b>

\*Construction contracts are now managed through the CPU

3. Corporate contracts can be defined as either:
  - Local, where the force procures for itself;
  - Regional, where goods and services are procured on behalf of the Midlands Goods and Services Consortium, which comprises 11 member forces;
  - National, where goods and services are procured in collaboration with other Forces (nationally), NPIA, Office of Government Commerce Buying Solutions, other public sector organisations etc.

4. The following table analyses the current corporate contracts by type;

	<b>£m</b>	<b>No</b>
Local	26	115
Regional	3	17
National	30	72
<b>Total</b>	<b>59</b>	<b>204</b>

5. Some £33m of spend (89 contracts) or 56% of total non-pay expenditure can therefore be described as collaborative.

#### **Analysis of Supplier Base**

6. Spikes Cavell provides an analysis of spend over the following categories:

- Local – identified by supplier postcode matched to postcodes in the Force area;
- Small – less than 50 employees, or turnover less than £5.6m, if the number of employees is unknown;
- Medium – between 50 and 249 employees, or a turnover of between £5.6m and £22.8m;
- Large – more than 249 employees or a turnover greater than £22.8m.

7. Using these definitions, total non-pay spend can be analysed by size of supplier and location as the following tables show:

<b>Size of Supplier</b>	<b>Value</b>		<b>Suppliers</b>	
	<b>£m</b>	<b>%</b>	<b>No</b>	<b>%</b>
SMEs*	32.4	44	1019	80
Large Suppliers	41.6	56	249	20
<b>Total</b>	<b>74</b>	<b>100</b>	<b>1268</b>	<b>100</b>

\*Of the £32.4M spent with SMEs £16m is spent with 504 West Midlands based businesses

Location of Supplier	Value		Suppliers	
	£m	%	No	%
West Midlands	27	36	584	46
Non West Mids	47	64	684	54
<b>Total</b>	<b>74</b>	<b>100</b>	<b>1268</b>	<b>100</b>

8. £47m of all non-pay expenditure appears to be procured from outside the West Midlands, but it is likely that local business benefits from a proportion of this spend through sub-contracting arrangements, for example in the vehicles and construction areas. Other contracts will be administered from local offices, although the Head Office of the supplier may be outside the West Midlands. Spend on ICT and Utilities and Energy accounts for just over £26m of this expenditure. If this is excluded from the table above the total percentage of spend in the West Midlands increases to 56%.

### **Mandated Procurement**

9. Some procurement is centrally mandated by the Home Office, of which the main areas are:

#### Body Armour

Procured via the Metropolitan Police Framework agreement. Revised contractual arrangements have been introduced relatively recently and it is felt that the arrangements offer good value for money, although a more flexible arrangement going forward may allow greater benefits.

#### Police Vehicles

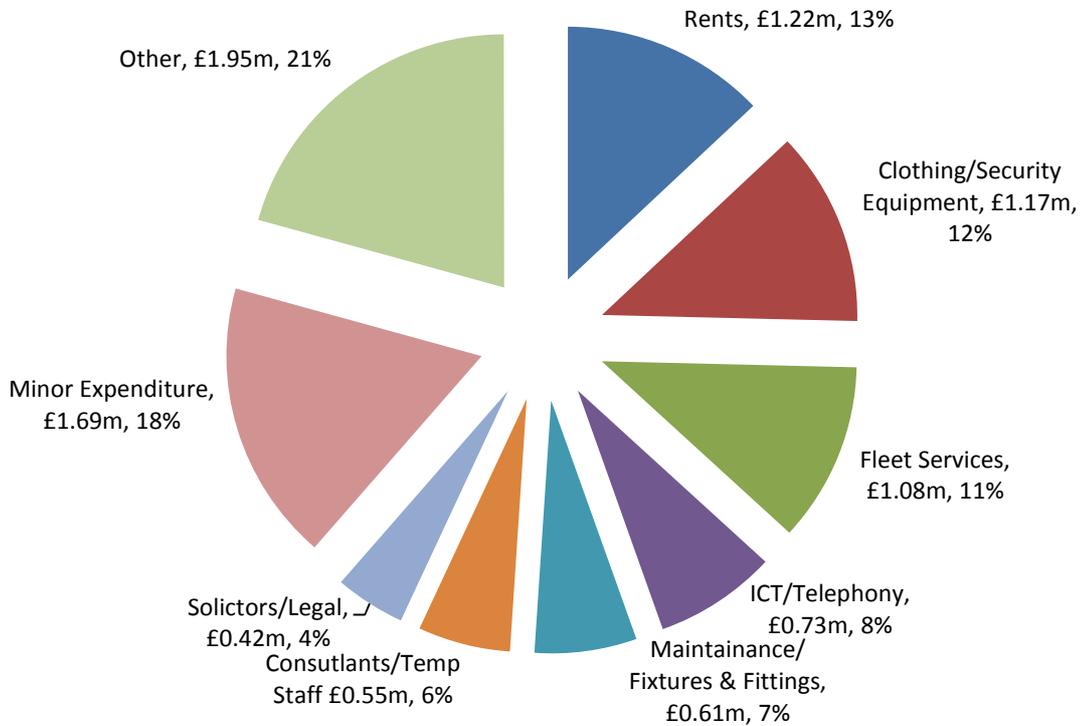
Procured via the NPIA National Framework Agreement. Representations have previously been made about this mandate, because local use of certain vehicles is inconsistent with national specifications. New national vehicle specifications are currently being prepared and officers from West Midlands are involved in this work.

#### IT Commoditised Hardware and Commercial Software

Procured via the Government Procurement Service Sprint II Framework Agreement. Although improvements have been made following complaints from West Midlands and other forces about value for money, the framework and the mandate are not scheduled to be renewed when the current arrangements expire in April 2014.

10. Non Contracted Expenditure includes a wide range of procurement, including services which are proprietary in nature, specialist or low value.

## Non-Contracted Expenditure 2011-12



### Foreword Procurement Plans

11. There are approximately 210 existing contracts/new procurements in the Forward Procurement Plan for the remainder of this financial year including:

Contract Title	Value (£)
Fuel - DERV (Diesel)	£11.9m
Health Care Service - Persons in Custody & Victims	£9.9m
Language Services (Interpreting)	£9.1m
Vehicle Recovery Scheme Operators	£6.7m
Health Care Service - Persons in Custody & Victims (Collaboration with Staffordshire Police)	£6.4m

## **Conclusions**

- Approximately 85% (or about £65m) of all non-pay expenditure is now procured by the Force Central Procurement Unit using Corporate Contracts, of which £33m is undertaken through collaborative contracts;
- £32m is spent with SMEs, of which about half is spent directly with West Midlands businesses;
- 36% (£27m) of all non-pay spend is directly with West Midlands based business, with more West Midlands suppliers benefitting from sub-contracting arrangements and West Midlands “branch offices” of regional or national suppliers also involved;
- Only low value spend is now not dealt with by the CPU;
- Future procurement requirements may provide the opportunity to increase West Midlands (including West Midlands SMEs) penetration.

## **New Procurement Strategy**

12. Whilst the current procurement arrangements are based on best practice and deliver good value money, the development of a new Procurement Strategy will provide an opportunity to clarify and codify the Commissioner’s stated Procurement Objectives and targets including:

- Supporting the local economy and local procurement partnerships;
- Increasing collaborative work with other metropolitan PCC areas;
- Continuing to achieve Best Value and operational efficiency;
- Maximising the benefits of E-Procurement and E-Business;
- Challenging existing centrally handled procurement arrangements;
- Wherever possible, applying ethical principles to procurement activity