



**STRATEGIC POLICING AND CRIME BOARD**  
3<sup>rd</sup> September 2013

**PROCUREMENT CONSULTATION AND  
STRATEGY**

**PURPOSE OF REPORT**

1. The purpose of this report is to set out background information about force procurement activity and to recommend a consultation event with existing and potential suppliers of goods and services, prior to developing 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.
5. The Police and Crime Panel has asked for a report on Procurement Strategy for its November meeting.

## **RECOMMENDATIONS**

6. The Board is asked to comment on the contents of this report and the attached paper and support a Consultation Event with existing and potential suppliers of goods and services prior to the development of a new Procurement Strategy.

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## 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;

	£m	No
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:

Size of Supplier	Value		Suppliers	
	£m	%	No	%
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. As board Members will know, 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

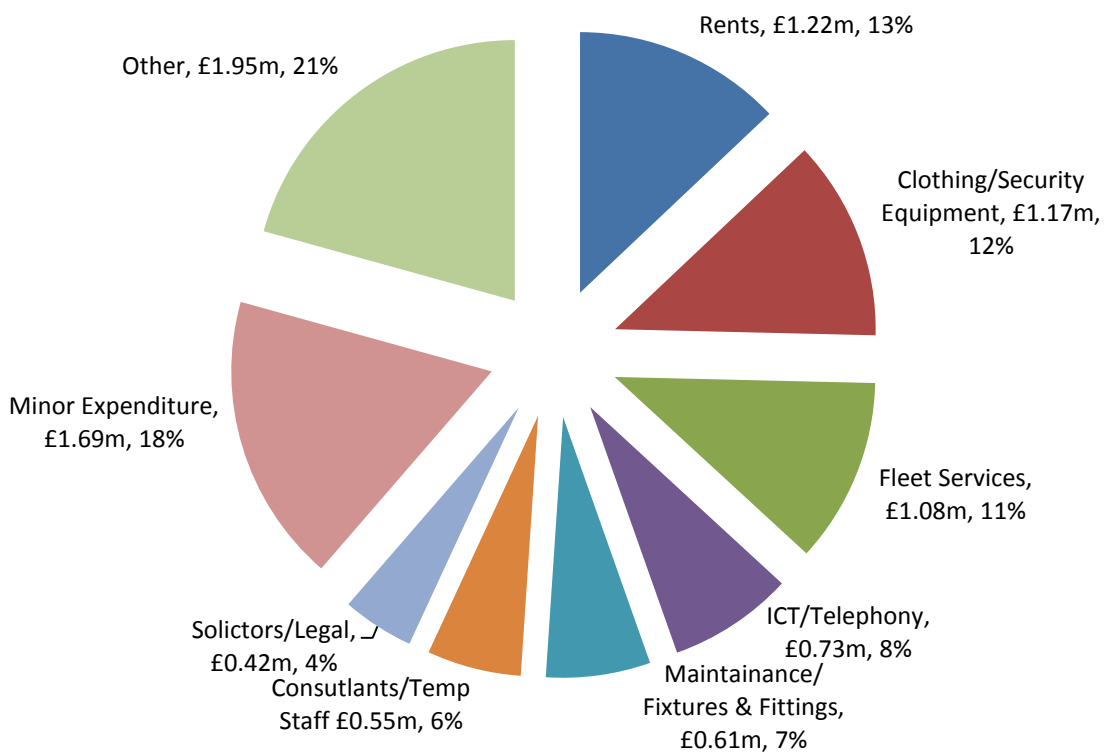
Procured via the NPIA National Framework Agreement. Representations have previously been made about this mandate, because local use of certain vehicles is inconsistent with national specifications. New national vehicle specifications are currently being prepared and officers from West Midlands are involved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