

Police and Crime Plan Priority: Supporting Economic Development

Title: Joint Procurement Strategy – Progress on Delivery

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PURPOSE OF PAPER

1. This report sets out to provide the SPCB with an update of the force's progress against the agreed Joint Procurement Strategy for the period 2017 to 2020 (a copy of which is appended to this report).
2. It is intended that this report shall inform a discussion at the SPCB regarding force commercial activity as a whole and how it aligns with progress against the Objectives and Priorities outlined in the Strategy.
3. With the period covered under the Strategy reaching its conclusion at the end of this performance year, it is hoped that the updates given within this report shall provide the Board with assurance that the force remains on course to achieve all targets and commitments made under the Strategy.

BACKGROUND

4. Given that the force (acting on behalf of the PCC) spends approximately £100m (£90m recurring, £10m+ on change initiatives), it is important that these public funds are spent in the most cost effective manner. Further, based on the PCC's expressed commercial priorities, ensuring that local businesses have the opportunity to bid for force contracts in order to help stimulate the economic development of the region is of particular importance.

5. In order to ensure that these key priorities are delivered upon, a Joint Procurement Strategy for the period 2017 – 2020 was created and agreed by the SPCB in September 2017.
6. As the PCC delegates commercial matters to the force by way of the Scheme of Delegation and Standing Orders, it is important that the PCC is still able to hold the force to account against this activity. Therefore, and as agreed in the Strategy, periodic updates on progress against delivering this Strategy will be provided to the SPCB. Accordingly, contained within this Report is the third progress update against the Strategy to the SPCB.
7. Subsequent to the progress update provided in this Report, it is intended that a fourth and final progress report will then be provided to the SPCB in 2021. At this point, a revised Procurement Strategy for 2021 – 2024 shall also be submitted for consideration and approval.
8. The agreed Strategy set out the following Strategic Procurement Objectives and Priorities:
 - Obtaining Value for Money
 - Supporting Economic Development of the West Midlands Including Social Value
 - Supporting force and Commissioner Priorities
 - Having an effective Strategic Commercial and Procurement Function
9. Each of these stated Objectives and Priorities are underpinned by the following Measures, from which progress and performance updates are provided:

Obtaining Value for Money

Measure: The savings delivered through the Commercial and Procurement Department

10. As part of the Commercial and Procurement Department’s restructure under the Next Generation Enabling Services (NGES) Programme, it was agreed that the annual procurement savings target would rise on a yearly basis as follows between 2016/17 and 2019/20:

Figure 1. Annual force procurement savings targets

| | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|-----------------------|------------|--------------|------------|--------------|
| Savings Target | £4m | £4.5m | £5m | £5.5m |

11. Against the savings target for the financial / performance year of 2019/20, the force achieved a total of £5.7m in procurement savings. Therefore, the force was able to exceed the procurement savings target set by circa £200k.
12. The 2019/20 savings / performance year covered the final year of procurement savings commitments made under the NGES Programme. Accordingly, a summary of the force's overall performance over the total period covered can now be made:

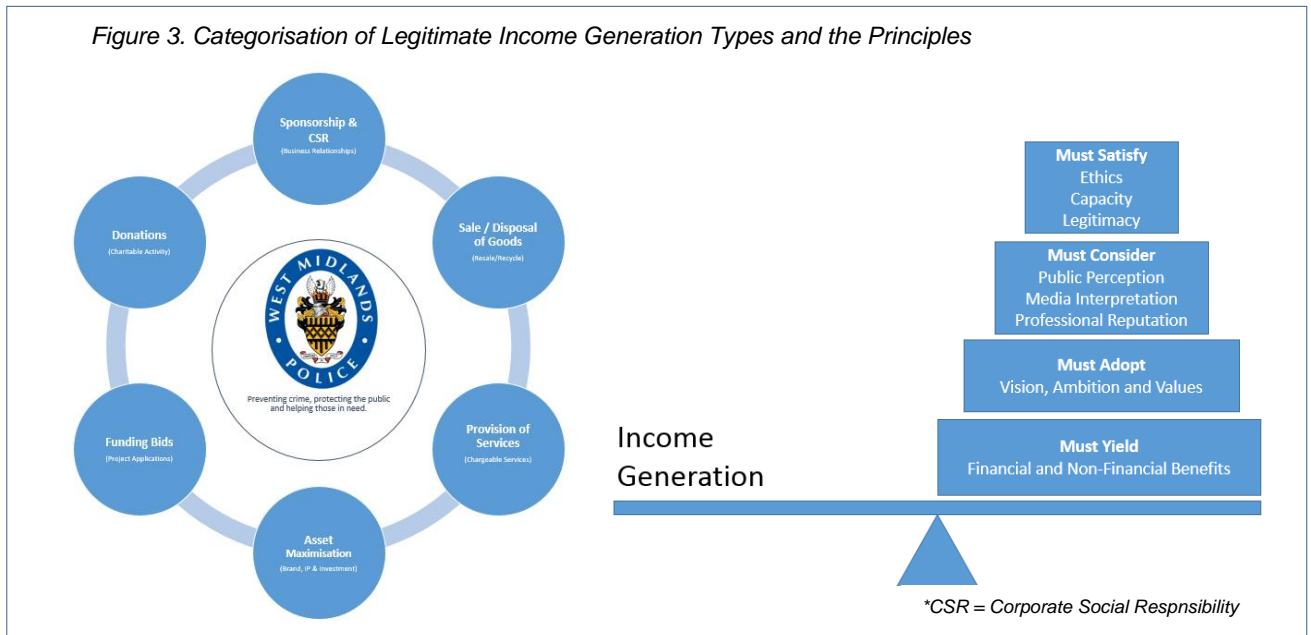
Figure 2. Procurement savings achieved

| | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---------------|----------------|----------------|----------------|
| Savings Target | £4m | £4.5m | £5m | £5.5m |
| Cumulative Savings Target | £4m | £8.5m | £13.5m | £19m |
| Actual Savings Realised | £4.1m | £4.75m | £5.2m | £5.7m |
| Difference in Actuals vs Target | +.£.1m | +.£.25m | +.£.2m | +.£.2m |
| Cumulative Difference in Actuals vs Target | +.£.1m | +.£.35m | +.£.55m | +.£.75m |

13. Over the four year period of procurement savings commitments under the NGES Programme, the force has been able to meet the target each performance year. Further, the force has cumulatively been able to secure circa £750k additional procurement savings over and above the total savings commitment of £19m over period.
14. By way of wider comparison, collectively, UK Policing achieved circa £40m procurement savings for the year 2019/20 against a target of £30m. This equates to circa 1.7% of UK Policing spend. Of this £40m, the force contributed £5.7m, equating to 14% of reported Policing procurement savings.
15. Based on the force spending circa £100m on the provision of external goods and services on an annual basis, the procurement savings generated last year equates to 5% of force total spend. Comparatively, the £40m total reported procurement savings achieved nationally represents circa 1.7% of total policing spend on the procuring goods and services.
16. With the four year cycle of procurement savings having now concluded, consideration was taken as to what an appropriate target for 2020/21 should be. The natural inclination would be to take the previous year's target and increase it by a certain percentage. However, in achieving the savings targets over the period covered by NGES, it is felt that the point of saturation against existing spend is close to being met. That is to say that continuing to drive a reduction in costs further may result in there being a detrimental impact on quality or be unsustainable for suppliers to deliver against.

17. In setting a target for 2020/21 procurement savings and wider commercial opportunities that future force procurement needs (such as the Officer Uplift Programme) were considered. In addition, it was recognised that a continued increasing in savings is not realistic to be sustained if overall value for money (including quality so as to not create a 'false economy') is to be achieved. Therefore, a savings target of £5m for the year was set. It is felt that this target remains ambitious given the current wider economic climate. Indeed, the target takes into account the previous successes in this area and reflects the fact that the increasing focus should be on maximising cost avoidance opportunities, rather than continuous year on year increases.
18. With setting this and future years procurement savings targets, taking a consistent approach with the wider public sector's approach to public procurement is key. To this end, the target for the current year is consistent with the national procurement savings approach being taken by the Collaborative Law Enforcement Procurement Programme (CLEP). Indeed, the CLEP target has also been reduced for this year in acknowledgement of the perceived nearing saturation of procurement savings to date.
19. For the current financial year to date, the force has realised procurement savings of £1m (with a further £2m having been secured and profiled for later in the year as and when the related contracts commence) against the annual target of £5m. Based on this progress to date, it is felt that the force is on course to meet this target.
20. In addition to the annual procurement savings target from which Department and force performance is measured against, an income generation target was established for the 2019/20 financial year. This target sought to increase the amount of income that the force generates by £300k. The main premise of this focus on increasing force income generation is to support protecting and helping to grow police funding in order to allow (re)investment to be made into front line, core operational policing. Against this target, a total exceeding £400k of additional income generation in year was able to be realised.
21. This focus on generating additional income for the force has been underpinned by a robust framework. The purpose of this framework is to ensure that all opportunities take due consideration of both the legalities of police / PCC generated income and that the initiative falls within a permitted income type. This approach also affords the opportunity to prioritise the work undertaken to ensure priority is given to those areas that best align to the force's aims and needs. This framework includes a thorough evaluation criteria which considers each income opportunity against risk along with the scale of the income opportunity:

Figure 3. Categorisation of Legitimate Income Generation Types and the Principles



22. Against the various strands of income generation covered by the framework, a number of identified opportunities have been explored further, developed or established over the course of the last year. Whilst ideas from all strands have been progressed, the Provision of Services has seen some of the more notable and tangible progressions. The funding of additional officers across NPUs has seen income generated through establishing new Agreements between the force and external parties. Existing Agreements have also been reviewed to identify and negotiate areas of growth or change with the potential for further funding. More opportunities with external parties have been developed to various stages of maturity from potential for the future to pending an Agreement being finalised. Some examples of arrangements pertaining to the Provision of Services are as follows:

Figure 4. Highlights of Income Generation Initiatives

| Opportunity | Income to be Generated P.A | Length of Agreement |
|--|----------------------------|--|
| WMP-WKP Collaboration (Kennelling of Dogs) | £122,000 (+£183,000) | Initial 2 years (option to extend for 3 years thereafter). |
| Additional Funded Officers – BCU | £70,000 | Rolling 12 months. |
| Additional Funded Officers - UoB | £82,000 | Initial 12 months. |

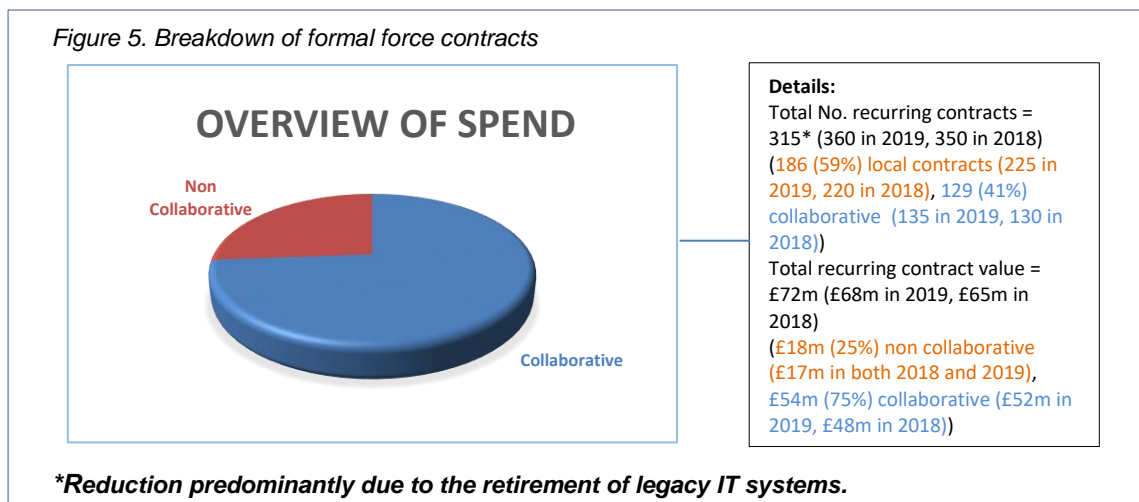
23. For this performance / financial year a target of generating an additional £300k in letting new income generation arrangements has been set. Based on the income generation related work planned (most notably the additional collaboration work with Warwickshire

Police on Forensics, IT Data Centre Hosting and Shared Services), it is felt that this target will be met in year.

24. Whilst it is felt that new income generation related arrangements can be established to meet this additional target, the lasting effects of Covid-19 is likely to have a longer term impact on force income generation as a whole. To this extent, with current football ground closures, reduced operations in airports etc., it is likely that overall force income generation for the year shall be reduced. Separate updates shall be provided to the PCC and / or the SPCB regarding these wider Covid-19 financial impacts at appropriate intervals, however.
25. Throughout the reporting period in question, the force has continued to let a significant amount of contracts to the degree outlined in the Strategy. From this work, there have been several notable examples of how Value for Money and financial savings have been achieved without compromising the quality of the goods and / or services that the force receives. These include contract awards for a variety of new IT systems, forensic services, Criminal Justice intervention services and construction services related to the Estates Programme.
26. In addition to setting out to improve how the force conducts its commercial matters in order to secure greater levels of Value for Money and realise savings (both cashable and non-cashable), effort is made to achieve greater, non-financial, benefits and help to improve force performance. A key recent example of this was how the force re-contracted for its mobility solution. The approach taken for this renewal ensured that whilst the overall cost of the mobile devices and data tariffs did not materially change, the functionality and access that the solution provides to officers and staff has improved. Amongst other benefits, this contracting approach has helped to extend the agile (non-tethered) capabilities available to the force.
27. In an effort to actively contribute towards the collaborative agenda, the force continues to play an active and leading part in both regional and national commercial collaborations. To this end, the force currently leads on those collaborative procurement areas previously outlined to the Board. Moving forward, with the formation of the national Bluelight Commercial Organisation, it is intended that the force will work closely with the Organisation in an effort to continue to contribute towards their collaborative procurement initiatives, either in a leading or supporting role.
28. The force continues to act as the commercial lead for the vast majority of regional collaborative procurement activities, with the most recent examples of this being the establishment of indemnity, insurance and broker services for the region. Leading on

these collaborative regional initiatives is something which the force does without charge in order to ensure that both value for money is secured against police spend for the region and so that the force continues to support the collaborative agenda.

29. Supplementing the collaborative commercial work outlined, and in keeping with the renewed focus on income generation initiatives, the force has recently reached an agreement with Warwickshire Police to provide them with various services (as indicated in paragraph 24 of this Report). The services to be provided, as recently approved by the PCC, include Forensics, IT Data Centre Hosting, Shared Services, along with continuing to provide Kennelling of Police Dogs services. The scheduled commencement date for the provision of these services to Warwickshire is April 2021.
30. As the following diagram illustrates, the majority of force spend remains to be by way of collaborative Agreements. In practice, this means Agreements that either the force has let on behalf of others, Agreements that are let by others on behalf of the force, or from an established national framework. Comparatively, the 'local contracts' represent Agreements that the force has solely tendered for. These local Agreements primarily relate to bespoke, specific requirements of the force, whereby collaborative procurement would not be possible:



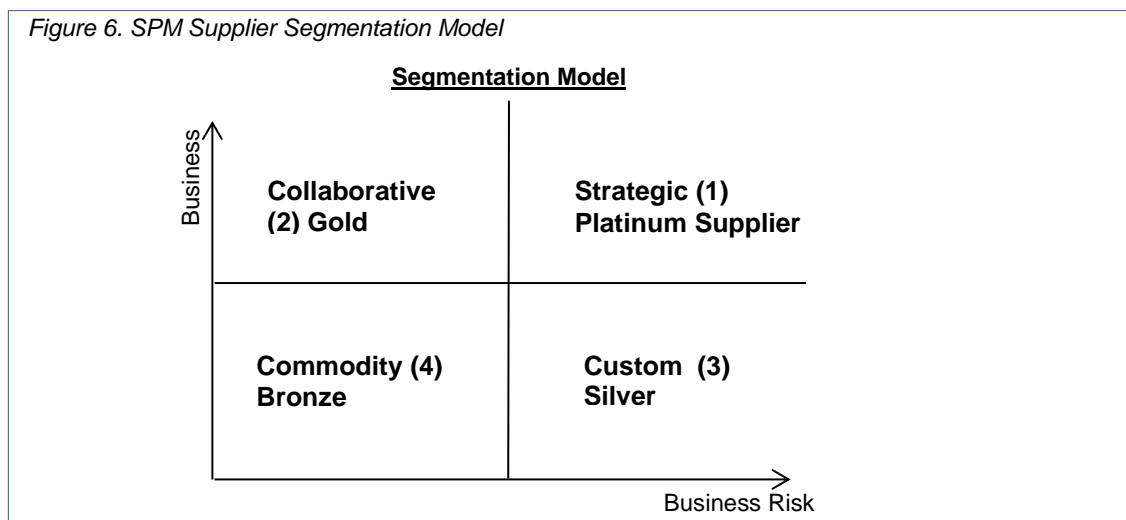
31. Over the course of the period covered by the Strategy to date, the force has been able to both decrease the number of corporate contracts held, whilst also increasing the amount of contracted spend. The reduction in the number of corporate contracts is considered to be consistent with best practice in terms of consolidating needs to let fewer contracts in order to derive greater 'economies of scale'. This has largely been achieved by reducing the number of disparate IT systems which the force contracts for and instead replacing them with fewer modern, fit for purpose replacements systems. Conversely, the amount of formally contracted spend has continued to increase over the period, meaning that

commercial risk to the force and PCC is reduced as more spend is placed in a compliant manner.

Measure: Assessing supplier and contract performance, post contract award

32. As outlined in the previous SPCB Report in this regard, the force has invested in its contract and supplier management capabilities over the period of the Strategy. This has ultimately resulted in the creation of a Supplier Performance Management (SPM) Strategy and accompanying framework.

33. At the time of the last Report, the force was in the midst of piloting this SPM approach across a range of suppliers. This pilot covered suppliers in all quadrants of the SPM Supplier Segmentation Model, which categorises force suppliers based on business risk and impact into one of four categories:

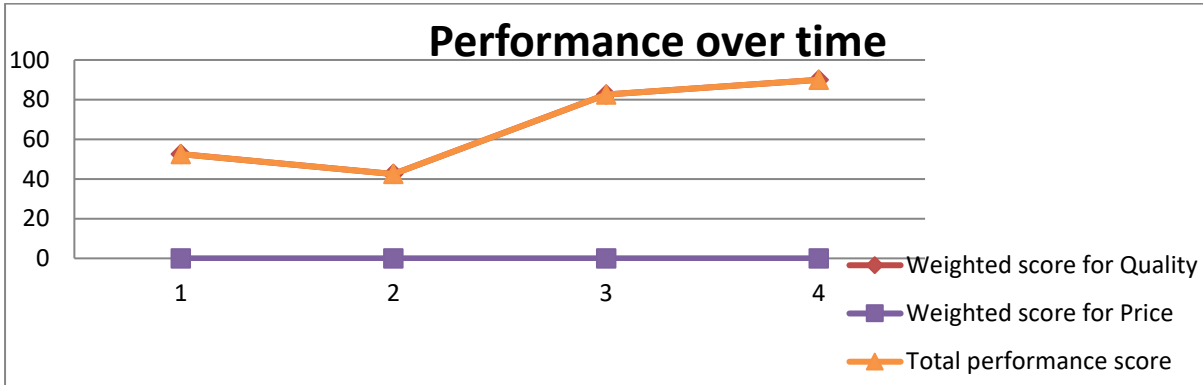


34. Overall, the results of the pilot (which were then subject to an audit via Internal Audit) demonstrated that this increased rigor, engagement, collaborative working and scrutiny of force suppliers and contracts resulted in improved supplier performance. In essence, the pilot affirmed that holding regular, structured reviews and assessments of supplier performance helped to both improve general performance and to mitigate against issues arising. A cumulative summary of the average results of the performance over the period of the pilot are illustrated in figure 7 overleaf.

Figure 7. SPM Pilot Results

PERFORMANCE

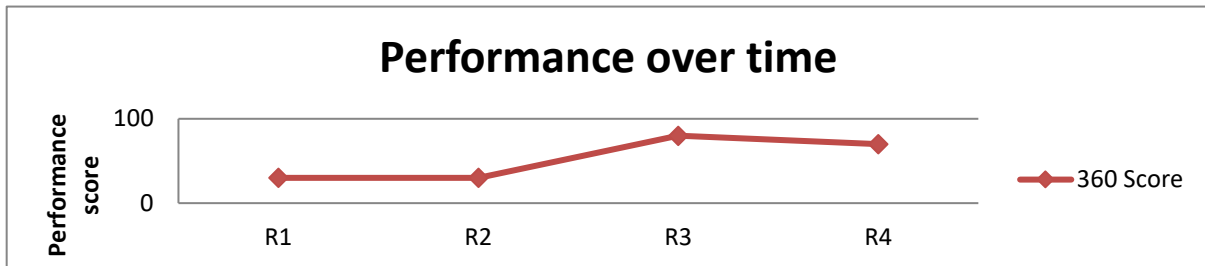
| | Maximum possible score: | R1 Oct 19 | R2 Nov 19 | R3 Dec 19 | R4 Jan 20 |
|----------------------------|-------------------------|-----------|------------|----------------|----------------|
| Weighted score for Quality | 100 | 52.5 | 42.5 | 82.5 | 90 |
| Weighted score for Price | 0 | 0 | 0 | 0 | 0 |
| Total performance score | 100 | 52.5 | 42.5 | 82.5 | 90 |
| Trend from previous period | | N/A | Consistent | Positive trend | Positive trend |



35. The average performance of suppliers from the initial pre-pilot review (R1) through to the conclusion of the pilot (R4) increased significantly. These scores were derived from the results of surveys completed by force contract leads, budget holders and assessments made against formal contractual commitments. The primary findings indicated that whilst the majority of the piloted suppliers were meeting their minimum contractual obligations, they had not been performing beyond this and providing the force with greater added value. However, upon beginning to have a more meaningful, proactive relationship with the force as part of the pilot process, performance noticeably improved.
36. In addition to reviewing supplier performance, the SPM framework also seeks to assess how the force is perceived as a customer. The intent behind this is that as a socially conscious public body, it is important that the force is fair, receptive and supportive to its suppliers. Further, by being seen to be a good customer, it is more likely that suppliers will wish to do business with the force in the future, which will create benefits to the force in turn.
37. In conducting the pilot, how suppliers view the force as a customer was also considered by way of a 360 degree feedback process. The results from this largely mirrored those from the supplier performance assessments, in terms of predominantly showing on average improvements throughout the period of the pilot, as illustrated in figure 8 overleaf.

Figure 8. SPM Force Performance (Customer) Pilot Results

| | Maximum possible score: | R1 | R2 | R3 | R4 |
|----------------------------|-------------------------|----------------|------------|----------------|----------------|
| 360 Score | 100 | 30 | 30 | 80 | 70 |
| Trend from previous period | | Negative trend | Consistent | Positive trend | Negative trend |



38. The pilot demonstrated that having this robust, structured approach to supplier management generated positive results. Accordingly, the intent was to take the findings from the pilot to finalise the SPM strategy and proceed with the full SPM rollout. To aid with this rollout, the force subscribed to the LeanLinking Supplier Performance Portal. The portal will allow for this rigor of supplier management on an industrial scale to be undertaken across all contracts. It also ensures that all supplier performance and spend data is held in a singular repository. Supplier performance and spend will then be able to be viewed at all levels from an overall force perspective, down to individual contracts. Thus, the portal coupled with the SPM methodologies will allow supplier performance to be continuously monitored against fixed KPI(s) and reported upon, and interventions made where necessary.
39. At the point that the full SPM rollout was scheduled to commence, the Covid-19 pandemic emerged. This resulted in the force having to temporarily suspend said full rollout in order to focus on protecting the supply of critical goods and services to the force and to help aid suppliers where appropriate. To expand upon this, at the advent of Covid-19, the force and PCC took the decision to temporarily suspend tendering for a period of three months to ensure that focus remained on protecting the force’s supply chain and the availability of critical goods and services. This decision and the associated successes achieved through taking this approach was detailed in full in the recent ‘Covid-19 Commercial Impacts to the Force’ PCC Decision Paper.
40. Having had the structure for supplier engagement in place as part of the SPM work, supplier liaison during the period of the Pandemic was made more readily possible. In particular the use of the LeanLinking Supplier Performance Portal allowed continuous contact to be made with suppliers over the period. This regular engagement focused on:
- whether the supplier was still trading;
 - whether the supplier was still able to provide

critically required goods and services to the force; c) understanding how the force can support the supplier (recognising the central governmental support that had been made available) to ensure that they are able to continue as a going concern post Covid-19. A detailed analysis of this supplier engagement was outlined in the recent Covid-19 'Commercial Impacts to the force' PCC Decision Paper. However, in summary, this approach ensured that the force was able to continue to source and secure all required goods and services during the Pandemic. Numerous suppliers also expressed their gratitude to the supportive approach that the force took with them during a particularly difficult time.

41. With the force now resuming 'business as usual' tendering following a three month suspension due to Covid-19, the full rollout of SPM has now commenced and is expected to be completed over the remainder of the year.
42. It is therefore hoped that future updates to the SPCB will be able to provide more quantitative updates on supplier performance, based on the rollout of SPM across all contracts. This will initially be in the form of baseline data for the first SPM reviews with each contract and then monitoring of continued progress thereafter.

Supporting Economic Development of the West Midlands Including Social Value

43. One of the key priorities of the PCC when developing the Strategy was to focus on how the force's commercial dealings helps to support and develop the economy of the West Midlands and, particularly, how social value achieved from the supply chain can be maximised.
44. Previous SPCB updates in regards to social value have proven to be challenging as social value considerations did not historically form a part of the tender evaluations. However, with the support of the PCC's Office, this position changed in 2019 via the implementation of a new social value evaluation tool / capability provided by an organisation known as the Social Value Portal.
45. Not all force contracts have been subject to social value being part of the tender evaluation process as of yet, however. This is due to the fact that force contracts tend to be let in three to five year cycles, meaning that only those appropriate contracts that have been renewed since the Portal began to be utilised have been subject to this evaluation. This has been somewhat compounded by the recent suspension of force tendering due to Covid-19. Accordingly, the update against this measure includes an overview of both the social value that has been obtained from contracts let via the Portal process, and the social value that has been organically obtained from existing contracts. This split reporting

will, unfortunately, need to continue until all relevant contracts have been retendered to include social value as a formal evaluation criteria.

46. Those contracts let over the course of the last year that exceeded £100k in total value (and where appropriate) have had a minimum of 10% of the core evaluation criteria attributed to a tenderers social value offering (in addition to the traditional price and quality considerations). These offerings have continued to be assessed against the national set of social value Themes, Outcomes and Measures (known as TOMS) as outlined in the previous SPCB Report. These national TOMS have been slightly adapted to ensure that the relative weightings for each criteria take consideration of specific force and PCC priorities.
47. Having this tool allows progress against suppliers social value commitments to be monitored and tracked more accurately. This position will only increase and improve as more contracts are let via the Portal process. Further, progress against commitments made at the point of tender for social value will be monitored as part of the SPM process. This will ensure that social value continues to remain as a key area of focus and that commitments in this regard are delivered upon.
48. It remains notable that the force plays a leading role in UK policing in driving forward the importance of social value in commercial matters. The force continues to actively encourage other forces to adopt this approach to social value in their commercial activities. The force also lobbies the various national framework providers such as Crown Commercial Services to insist that they consider social value when establishing their frameworks. In lobbying to these bodies, the force notes that whether social value has been considered will play a role in the force determining whether to proceed with utilising their frameworks as routes to market. In addition, the force regularly engages with the Social Value Portal and contributes towards the continued development and refinements to the TOMs and wider social value.
49. Naturally, in focusing on social value, it is important that the force monitors that these Measures do not have a detrimental impact on the Value for Money obtained in force procurement. However, it should be noted that, positively, there have no signs that there has been any negative impact on the force's ability to secure best value in those contracts let via the Social Value Portal to date.

Measure: The portion of procurement spend that is placed in the West Midlands

50. As follows is a breakdown of force contracted spend that is made within the West Midlands. It should be noted, however, that this information only includes spend against formally contracted areas. Accordingly, lower value, sub threshold expenditure (which is largely obtained from local suppliers given the nature of the requirements) is not featured.

51. Per the national reporting standards, local expenditure is defined as where the suppliers head offices are located within the conurbation and / or where their services are delivered from within the West Midlands.

Figure 9. Breakdown of force contracted expenditure and the percentage of spend made locally

| Category Area | Total Contracted Spend | Total Spend Within WMP Area | % Spend Within WMP Area |
|-----------------------|------------------------|---|--|
| Crime | £ 7,414,775 | £ 5,138,612 | 69% |
| Security & Operations | £ 4,261,595 | £ 641,537 | 15% |
| Fleet | £ 7,884,476 | £ 6,334,101 | 80% |
| POD | £ 9,304,083 | £ 3,063,350 | 33% |
| Property & Facilities | £ 12,865,817 | £ 6,410,051 | 50% |
| IT&D | £ 29,887,296 | £ 25,239,493 | 84% |
| TOTALS | £ 71,618,042 | £ 46,827,144 (£39m in 2019) (£35m in 2018) | 65% (58% in 2019) (54% in 2018) |

52. Significant year on year improvements have been made in this regard, in comparison with the first several years of the Strategy. It is considered that the success achieved with this target is due to the concerted effort taken to encourage local companies to bid for force business, coupled with a number of contracts being awarded over the course of the last year which necessitate services to be delivered locally.

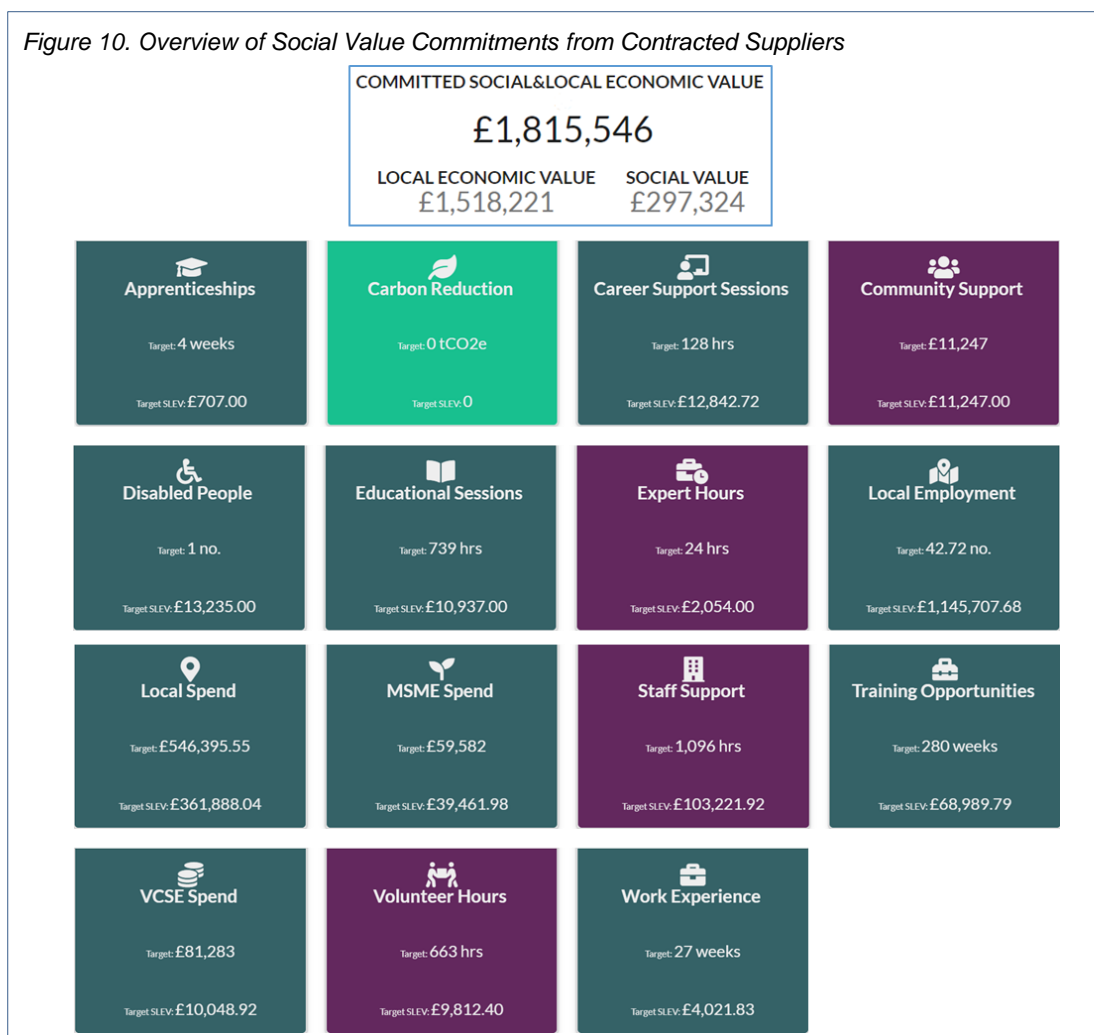
53. In order to encourage local suppliers to bid for force contracts so as to attempt to maintain (and grow) this level of local spend, 'Meet the Buyer' type events for relevant contracts and categories continue to be held. A recent, pre-Covid-19 example of this saw an event held regarding the Dog Section's procurement needs, which was well attended and received. Given the current social distancing measures, provisions are being made to hold virtual 'Meet the Buyer' events now that force tendering has resumed.

Measures: The number of apprenticeships created through the organisation's suppliers, and Local employment created and secured through procurement

54. As indicated in paragraph 46 above, a number of force contracts let over the course of this reporting period have included social value as a core evaluation criteria. Based on this, and the reporting mechanisms provided by the Social Value Portal, more granular social value related information can be provided for these contracts.

55. The social value evaluation process attributes a financial value to each type of social value offer that a prospective supplier provides as part of their tender response. Based on this offer, the successful supplier is then formally committed to delivering upon these social value offers as part of their contractual obligations. Accordingly, future reporting in this regard shall focus on the monetary value of social value derived, along with more granular breakdowns of commitments against each social value theme.

56. Based on the contracts let via this social value evaluation process to date, a total of £1.8m worth of local economic and social value has been committed by force suppliers as a result of winning force business. This is illustrated and broken down into the commitments against each social value theme in figure 10.



57. As indicated, the social value evaluation process has only occurred to this point with those relevant contract areas that have been subject to retender. However, the force continues to drive the social value agenda with existing suppliers, despite these not being firm contractual commitments at this stage. Therefore, based on these new formally contracted commitments, coupled with that provided by existing suppliers, it is confirmed that a total of 145 apprenticeships within the West Midlands have been created over the last 12 months. This again represents a sizeable year on year increase compared with 2019 (85) and 2018 (31) respectively. The reason for the increase is largely due to the reporting standards in this regard having improved / matured throughout the period of the Strategy, meaning that such information would previously have gone unreported. Further, suppliers have indicated that the force communicating the importance it now places on social value in its procurement activity has helped to drive their social value offers. Finally, the nature of contract awards over the period (such as the Estates Programme) has skewed towards creating apprenticeship and local employment opportunities, which the force has then maximised.
58. In regards to local employment generation, force suppliers have confirmed that 1087 jobs have been created or maintained over the last year within the region as a result of contracts that the force have awarded (either directly or indirectly). This continues to compare favourably compared with 2019 (982) and 2018 (407). It is felt that the reasons for this growth over the period of the Strategy mirror those of the increase in apprenticeships as outlined above.
59. When considering the local employment and apprenticeships achieved by both the force's existing contracts and the opportunities created via the new Social Value Portal process, it is considered that significant improvements have been made against these measures over the course of the Strategy to date.

Supporting force and Commissioner Priorities

Measure: Confirmation that all suppliers who fall under the Living Wage Foundation's criteria are paying their staff in accordance with the Living Wage

60. Since becoming a Living Wage Employer in 2016, it has been a continued requirement that force suppliers that fall within the Living Wage Foundation's criteria (i.e. providing dedicated, onsite services) confirm that their staff involved in delivering said services are paid in accordance with the Living Wage.

61. On this basis, confirmation can again be provided to the SPCB that all force suppliers who fall under this criteria do, indeed, pay their staff associated with delivering these services to the force in accordance with the Living Wage and that this is remains a formal obligation to do so.

Measure: Supplier invoices shall be paid within the time limits set out in central Government's prompt payment policy. For the force, this means that invoices should be paid within 30 days of receipt of a correct invoice

62. In order to ensure that the force is perceived as being a 'good customer' and one that suppliers wish to deal with, ensuring prompt payment of invoices is critical. Further, when dealing with smaller companies who are more reliant on force business, any delays to payment could well have a significant impact on their ability to continue to operate.

63. All force transactional purchasing activity (i.e. raising of orders and payment of invoices) continues to be led by the Shared Service Centre.

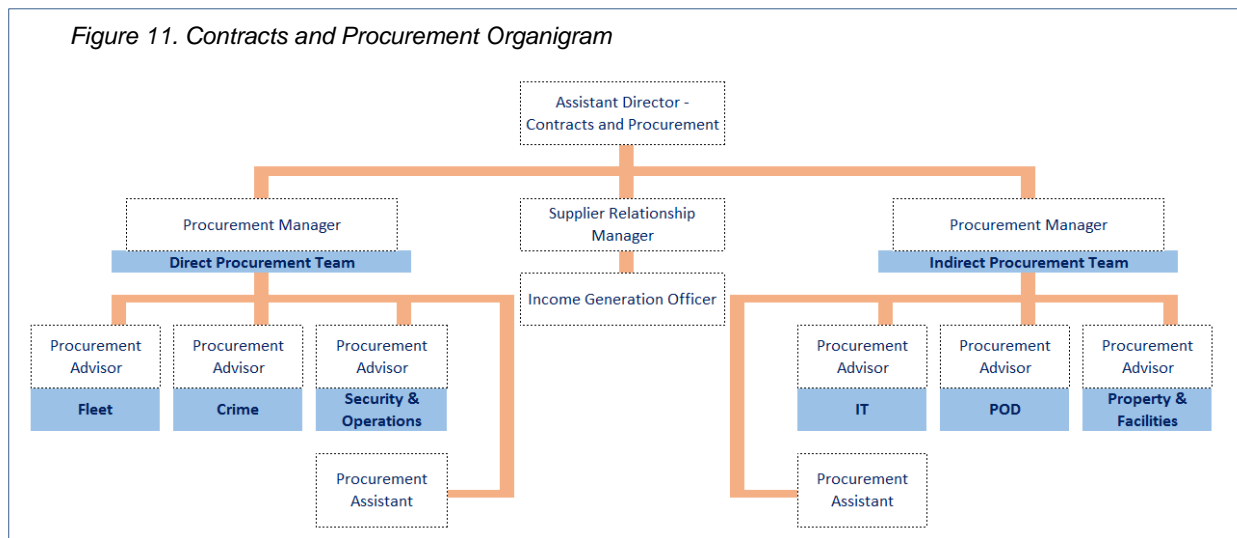
64. Shared Services have confirmed that over the course of the last year, 91% of invoices received have been paid within the timescales stipulated by the Central Government Prompt Payment Policy (with between 75% to 80% being paid within 30 days). Shared Services have advised that the primary reason for any invoices not being paid within the specified period is due to budget holders failing to confirm that they have actually received the goods and / or services (known as 'receipting') to allow the associated invoice(s) to be paid. This is an important process in ensuring that payment is only released when the force has received the items or services it has ordered. The other main cause of delayed payments are when invoices / invoice values are in dispute.

65. In an effort to improve the force's performance against this Measure moving forward, a two way receipting process for low value, high volume orders has recently been implemented. This allows automatic receipting and payment for invoices that fall under this criteria, which should improve performance against this Measure.

Having an effective Strategic Commercial and Procurement Function

Measure: Successfully conclude the restructure of the Commercial and Procurement Department as part of the NGES Programme

66. As indicated in the body of this Report, the restructure of the force's Commercial and Procurement Department as part of the NGES Programme has now concluded. This has ultimately resulted in the Department being 13 FTE strong, with the structure in figure 11.



67. In regards to a return on investment against the running costs of the force's Commercial and Procurement Department, the Department helped to generate circa £5.7m worth of procurement savings over 2019/20 (as outlined earlier in this Report). This represents circa ten times the running cost of the Department. Based on benchmarking and market research, such a return is considered to be a particularly high yield against cost, with a 'leading commercial function' being expected to obtain between five to ten times its running costs'. It is felt that this further demonstrates the efficiency and effectiveness of the Department.

68. The Department and wider force has, therefore, continued to deliver upon its commitments under the Strategy and generate year on year improvements in regards to delivering Value for Money. With that said, in delivering the final year of the current Strategy and beyond, the Department will continue to need to develop and adapt to meet the force's changing needs. For example, with the recent launch of the new force Strategy, an increased approach to commercialisation and collaboration shall need to be developed and implemented moving forward. Equally, with the creation of the national Blue Light Commercial Organisation, the force will need to work alongside this new Organisation to understand how its work will align with and support force commercial activity.

69. It is considered that the force continues to have a lean, efficient commercial capability. This is evidenced when comparing the size of the Department (as requested by the Board) with that of other forces throughout the country.

Figure 12. Overview of Procurement / Commercial Departments

| Organisation | Number of Staff |
|---|-----------------|
| Metropolitan Police | 48 |
| Devon & Cornwall Police | 36 |
| South Yorkshire Police | 33 |
| Thames Valley Police | 33 |
| West Yorkshire Police | 32 |
| Hampshire Constabulary | 28 |
| Cheshire Constabulary | 23 |
| Kent Police | 22 |
| Nottinghamshire Police | 20 |
| Cumbria Constabulary | 18 |
| Sussex Police | 17 |
| Avon and Somerset Constabulary | 15 |
| Dorset Police (inc. Transforming Forensics) | 14 |
| Norfolk Constabulary | 14 |
| Staffordshire Police (inc. Staffordshire Fire & Rescue Service) | 14 |
| West Mercia Police | 14 |
| Essex Police | 13 |
| Greater Manchester Police | 13 |
| Northumbria Police | 13 |
| Surrey Police | 13 |
| West Midlands Police | 13 |
| British Transport Police (BTP) | 11 |
| Cambridgeshire Constabulary | 11 |
| North Yorkshire Police | 10 |
| Northamptonshire Police | 10 |
| Durham Constabulary | 9 |
| Merseyside Police | 9 |
| Lancashire Police | 8 |
| Derbyshire Constabulary | 7 |
| Leicestershire Police | 7 |
| Warwickshire Police | 7 |
| Hertfordshire Constabulary | 6 |
| Suffolk Constabulary | 6 |
| Cleveland Police | 5 |
| Gwent Police | 5 |
| Gloucestershire Constabulary | 4 |
| Humberside Police | 4 |
| Bedfordshire Police | 3 |
| Lincolnshire Police | 3 |

*Establishment data taken from nation Bluelight Procurement Databased (www.blpd.gov.uk)

70. As the above Report outlines, to date, it is considered that all commitments made under the Strategy have been achieved and that the force remains on target to deliver upon the remaining targets covered by the Strategy through to its conclusion.

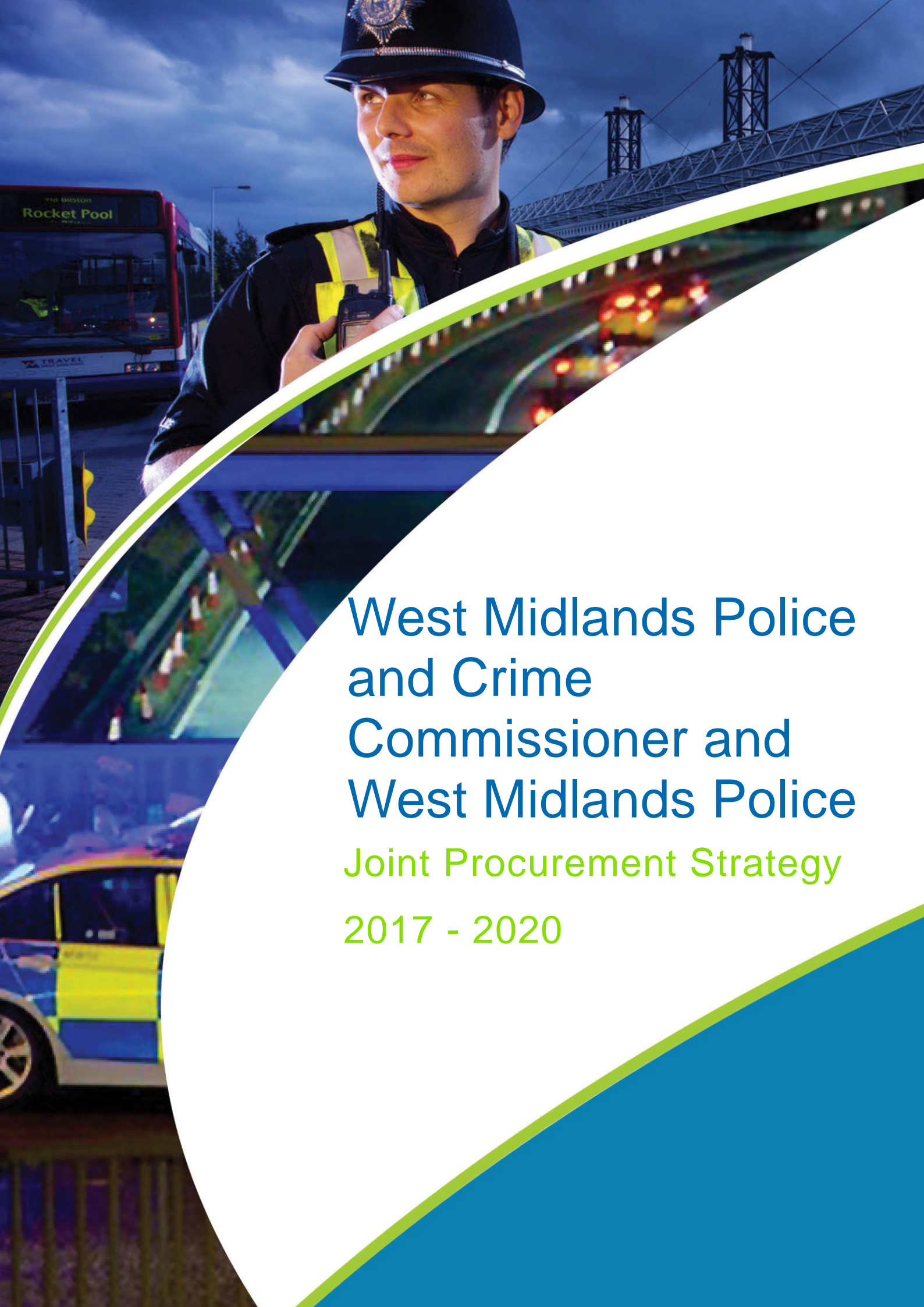
NEXT STEPS

71. The board is asked to consider the update provided regarding progress against the Joint Procurement Strategy and to comment as necessary.

Authors: Neil Chamberlain, Director of Commercial Services; and Leigh Jones, Assistant Director – Contracts and Procurement

Appended Documents

Appendix 1 – Joint Procurement Strategy 2017 to 2020



West Midlands Police
and Crime
Commissioner and
West Midlands Police
Joint Procurement Strategy
2017 - 2020

Table of Contents

| | |
|--|----|
| 1. Vision | 22 |
| 2. Forward | 22 |
| 3. Introduction and Background | 26 |
| 4. Strategic Procurement Objectives and Priorities | 27 |
| 5. Guiding Principles | 32 |
| 6. Commercial and Procurement Structure | 34 |
| 7. Maintaining and Delivering the Strategy | 36 |



1. Vision

The Police and Crime Plan 2016-2020 sets out how policing in the West Midlands plays a vital role in the economic development of the region. This includes continuing to operate procurement practices and processes to support the local economy and encouraging local businesses to bid for West Midlands Police contracts.

Our vision for procurement is therefore to: ***“To deliver a high quality and cost effective service which assists in the performance of the force, whilst delivering value for the people of the West Midlands and that assists in the economic development in the region.”***

2. Forward

West Midlands Police (WMP) currently spends approximately £90m per annum recurring externally on procuring goods, works and services in the delivery of its service. In addition, a further £5m to £20m per annum is currently spent supporting the WMP 2020 Change Programme with our partner, Accenture (UK) Limited. This expenditure covers a wide range of goods, works and services for both operational and non-operational force needs (see figure 1 for a breakdown of this spend).

With such significant sums of public money being spent on the provision of goods and services, it is our responsibility to ensure that this expenditure is made in the most cost effective and efficient way possible. Therefore, an effective and efficient approach to commercial and procurement activity will directly contribute towards the successful running of the organisation (both in terms of monies saved and ensuring the right equipment and tools are in place to enable operational policing). It is also important wherever possible the procurement spend is used to deliver economic benefits to the region. This is through a number of methods including encouraging local suppliers to bid for policing contracts to assist in the significant amount of money spent on police procurement to stay in the West Midlands.

In addition this strategy places an increased focus on encouraging suppliers to deliver against their corporate social responsibilities.

As the force changes how it operates overall between now and 2020 as part of its WMP 2020 Change Programme, it is important that force procurement also adapts, develops, improves and is dynamic in doing so in order to support these emerging needs.

It is on this basis that a revised Procurement Strategy has been developed for the years 2017 – 2020. It is a Strategy that is centred on a category management approach to procurement as well as giving consideration to a ‘whole life’ commercial approach and wherever possible supporting the economic development of the West Midlands. The Strategy also sets out clear responsibilities and accountabilities, along with an intent for openness and transparency.

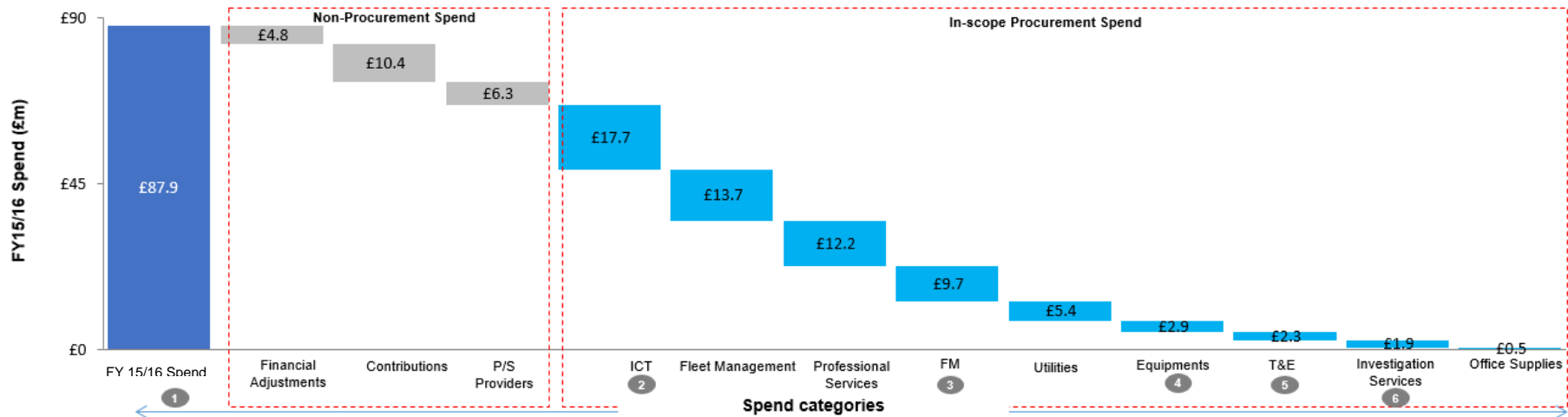
This strategy and the Objectives and Principles will underpin all force commercial and procurement activity moving forward and reflects our ambition of delivering a recognised leading commercial and procurement service across UK policing and the wider public sector. As such, we will ensure these Objectives and Principles are effectively delivered upon to benefit the performance of the force and the public in which we serve.

David Jamieson
West Midlands Police and Crime Commissioner

David Thompson
Chief Constable, West Midlands Police

Figure 1. Breakdown of the force's yearly revenue expenditure for the 2015/16 financial year.

Total spend is £87.9m. Of this spend, only £60m is addressable by Procurement considering £21.5m spend is non-supplier type payments. A further £5m-£20m spend is procured for per annum on an ad-hoc basis (e.g. for force change initiatives).



- For spend classification, WMP account descriptions have been mapped to standard Level 1 spend categories (e.g. ICT, Utilities) applicable to WMP.
- Non-Procurement spend of £21.5m consist of financial adjustments, contributions and spend with public sector providers.
- Financial adjustments includes spend such as Tax, Income, Payment adjustments.
- Contributions includes payments such as donations, subsidy, contributions to Police associations, employment and police tribunals.
- Invoice payment to Public Sector (P/S) providers (e.g. County councils, other Police forces, PCCs, NHS, Home office) have been assumed as out of scope from sourcing/procurement perspective.

Note

- 1 FY15/16 invoices are assumed to include all non-pay spend
- 2 ICT is acronym for information, communication and technology.
- 3 FM stands for Facilities management
- 4 Equipment include both Capex purchases and equipment rental/hires
- 5 Travel & Expenses include the spend on meetings, venues and conferences
- 6 Investigation services include forensic and DNA service used for crime investigation.

3. Introduction and Background

Context

This new Procurement Strategy replaces the previous Corporate Procurement and Commissioning Strategy which was last updated in 2013. It is designed to remove unnecessary complexity from commercial processes and procedures and to retain only those that add value to the services that are delivered.

Since the last Strategy was updated, there have been a number of significant changes in both the strategic and legislative environments in which the public sector operates. The National Procurement Strategy for Local Government sets out a vision for local government procurement and commercial activity and encourages all authorities to engage with the delivery of outcomes in four key areas:-

1. Making savings
2. Supporting local economies
3. Leadership
4. Modernising procurement

As such, this Strategy is consistent with the themes outlined within the National Procurement Strategy.

The purpose of this Strategy is to set out the force's and the Commissioner's position regarding its strategic procurement and overall commercial activity, outlining what it sees as the main Strategic Objectives, Guiding Principles and challenges will be for the three year period covered by this Strategy and to demonstrate how these will be achieved. It supports the force's vision of **"Preventing crime, protecting the public and helping those in need"** and directly aligns to the objectives outlined in the Commissioner's Policing and Crime Plan.

Definition of Procurement and Commercial

Procurement is a strategic process of acquiring goods, works and services, covering acquisition from both third parties and in-house providers. The process spans the whole life cycle from identification of needs, through to the end of a works or services contract or the end of the useful life of an asset. It involves options appraisal and the critical 'make or buy' decision.

Procurement ensures we seek value for money (the best whole life cost and quality ratio to fulfil the stated requirements) in how we deliver commissioning plans. Procurement is supply market facing - the customer is internal within WMP.

Commercial activity, however, is the proactive management of post contract award expenditure and the associated performance of suppliers to ensure the full procurement cycle is maintained.

4. Strategic Procurement Objectives and Priorities

The Strategic Objectives that will be delivered by this Strategy are outlined as follows and are predicated upon ensuring that force commercial activity supports the force's vision and the Police and Crime Commissioner's Police and Crime Plan to deliver economic benefits to the region. :-

Value for Money

This objective covers the commitment to ensure that Value for Money is obtained for all commercial activity. In practical terms, this will require the following factors to be considered:-

- objectives of the Force and the Police and Crime Commissioner
- policing operational requirements
- legal compliancy (Procurement Law and force level policies and procedures)
- best value in terms of price and quality
- efficiency and expediency
- collaboration opportunities (particularly on leading on these opportunities)

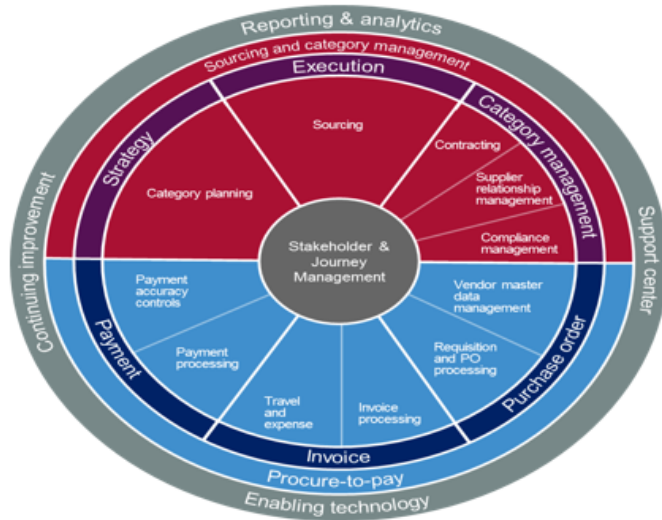
These considerations will then determine the most appropriate approach to be taken.

To enable the delivery of this objective, a category management approach to procurement will be maintained, whereby the procurement of similar commodity areas is grouped together in order to take advantage of potential economies of scale and to allow better intelligence of the various supply markets from which the force procures to be obtained. In addition, through the adoption and implementation of a comprehensive supplier and contract management framework, a whole life cycle approach will be delivered. This approach will allow value for money and quality outcomes to continue to be monitored and achieved post the conclusion of the procurement process and into the contract management phase.

A key factor in delivering value for money will be for both cashable and non-cashable (efficiency savings) targets to be set and monitored for both individual procurement processes and force commercial and procurement work as a whole. These savings targets should be directly linked to force budgets and adjustments should be made as and when benefits and savings are realised.

In support of this objective, the force shall ensure that it is open and transparent regarding its procurements, with this being an important pillar in ensuring confidence is maintained in how public monies are spent.

Figure 2. Value for Money cycle and expected outcomes

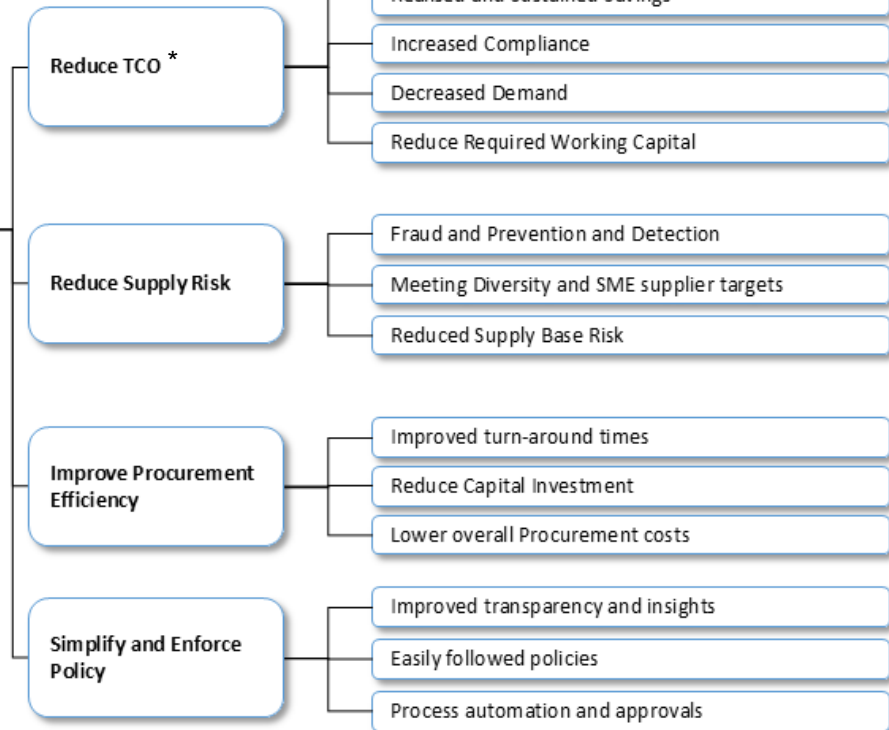


Deliver integrated and End to End Procurement service.

*TCO denotes Total Cost of Ownership

2020 Strategy Components

Expected Business Outcomes



Supporting Economic Development of the West Midlands Including Social Value

Whilst not to the detriment of ensuring that Value for Money is obtained, it is important the force supports economic development of the West Midlands wherever possible. This includes its corporate and social responsibilities in regards to how it procures goods and services and, therefore, expects its suppliers to demonstrate their commitment to this.

To support economic development the procurement strategy will:-

- Encourage local businesses to bid for police contracts and wherever possible support local employment and training
- Ensure that the Living Wage applies to all service contract suppliers whose staff are wholly employed in delivering services to the force
- Provided the procurement is lawful and non-discriminatory, ensure we buy local when local knowledge and expertise is important for the particular service
- Where possible contractors have procedures and policies in place to ensure any requirement around the mental health of employees are fully met. This includes having regard to the Public Health England mental health toolkit for employers
- Introduce an approach to assess social value when evaluating contracts to ensure social value is a priority where necessary

This objective requires the force to ensure that where appropriate, local businesses are able to bid for force requirements. In ensuring that the best placed provider is identified for each procurement and contracting process, this shall be inclusive of opportunities for local and small and medium sized enterprises (SMEs) and third sector providers where appropriate. To assist with the above, a mechanism for assessing local spend against the totality of force non-pay expenditure will be established. This is included in the measures of this strategy and how performance will be monitored against.

Key points as to how suppliers will be evaluated in regards to their commitment to social value shall include where appropriate:-

- Suppliers equality and diversity proposals
- Requirements relating to employment and skills opportunities
- Paying the Living Wage
- Apprenticeship schemes
- Maintaining and increasing local employment

The Living Wage requirement applies to service contract suppliers whose staff are wholly employed in delivering services to the force to be Living Wage Employers. Whilst this objective only extends to suppliers whose staff are wholly employed at this stage, the force will continue to encourage its other suppliers to also pay their staff in line with the Living Wage as and where it is appropriate to do so.

Force and Commissioner Priorities

It is important that cognisance is maintained to force priorities for all commercial activities. Indeed, all commercial work and requirements should be driven by an operational need or so as to ultimately improve operational performance.

To support this approach, the implementation of this Strategy will look to support the wider force vision and priorities and in specific the implementation of WMP 2020, paying regard to its four principles of being: geared to prevent crime, prepared to respond at pace, designed to listen and reassure, and ready to learn and adapt.

The delivery of an efficient and effective Commercial and Procurement service shall help to support and enable operational policing. One of the key facets of this will be to ensure that the sourcing of force transport requirements facilitates the stated desire for the force to act as a leader in the adoption of new transport technologies.

A current key force priority is to explore opportunities for innovation in order to improve the way in which the force operates. Therefore, the force will encourage innovation, whilst still maintaining compliance, with its supply chain during both the procurement phase (e.g. utilising outcome specifications rather than being overly prescriptive) and thereafter in how contracts and suppliers are managed and opportunities for continuous improvement are addressed.

Strategic Commercial and Procurement Function

As noted in this Strategy, the procurement of goods and services forms a significant part of the force's expenditure. In order to ensure that this expenditure is optimised, a centralised approach to force commercial and procurement activity via the Commercial and Procurement Department is crucial. Against the prescribed force and Police and Crime Commissioner commercial governance structure, there will be demonstrable ownership and accountability from the Department for force commercial and procurement work, with clear, timely and auditable decision making processes in place.

The centralised Department should act as a professionalised centre of excellence for the force in delivering:-

- A category management based approach to commissioning and procurement activity
- A framework for effective supplier and contract management via the Supplier Relationship Manager (SRM) role and the category teams
- Engage with service users to help shape their service requirements prior to a procurement process commencing
- Compliancy and best value procurement processes. The Department shall directly lead on procurement for all force cumulative expenditure exceeding £25k. Ensuring off-contract spend for expenditure above this value is kept to an absolute minimum
- Effective stakeholder engagement and building relationships with the client Departments
- Understanding the impact that any forthcoming legislative changes are likely to have on force commercial activity (for example, the Country's pending withdrawal from the European Union)
- Accessing and maximising upon collaborative procurement opportunities as and when they arise
- Supply chain management
- Effective supplier engagement
- A central source of expertise, advice and support, providing check and challenge as appropriate

Figure 3. Supplier Relationship Management (SRM) overview



| Innovation area | Recommendation | Benefits |
|---|--|--|
| Spend Analytics | Proactively identify areas of cost reduction | <ul style="list-style-type: none"> • Supports identification of data backed procurement strategy • Helps identify cost reduction targets • Ensures buy-in from force • Helps category managers target key areas of spend |
| Supplier Relationship Management | Regular engagement with suppliers to identify ways of improving supplier and force performance | <ul style="list-style-type: none"> • Continuous engagement with suppliers to capture innovative ideas • Service credits for poor performance • Utilises all of suppliers' capabilities • Identifies areas for improved service • Improve performance and return on investment |

In order to ensure that the delivery of these areas is possible, investment and continuous development in the Commercial and Procurement Department and its staff as the force's centre of excellence is required. Such investment shall occur as part of the restructure of the function and will continue thereafter as appropriate throughout the remainder of the period covered by this Strategy. The investment and development will focus on the skills and capacity of our people, with an ultimate view of ensuring that our vision is met and our ambitions are achieved.

The centre of excellence will be expected to continually work with the rest of the force in order to educate on commercial best practice and to provide support and challenge to these areas.

5. Guiding Principles

In support of these Strategic Objectives and Priorities the following Guiding Principles shall be adopted:-

Value for Money

- Be proactive and plan ahead
- Take a long term, strategic view of procurement and commercial requirements and look for areas for potential innovation
- Prior to embarking on any new procurement process, conduct an evaluation of the need and assess whether a tender is the best option (e.g. demand management, cessation of activity)
- Ensure that the most appropriate and effective procurement route is utilised for all requirements (e.g. consider the use of regional and national framework agreements)
- Aim to increase value for money garnered from all procurement and commercial work streams and reduce processing costs
- Be clear on the outcomes and desired objectives that the procurement is looking to achieve
- In selecting contractors the force will generally evaluate offers received on the basis of Most Economically Advantageous Tender (MEAT)
- Comply with all relevant legislations, policies and procedures
- Be open and transparent in procurement activities
- Exploit economies of scale opportunities in order to drive greater value
- Deliver savings associated with procurement through initiatives such as demand management, partnership working and contract management
- Embed continuous improvement in procurement and contract and supplier management processes

Economic Development Including Social Value

- Implement an assessment criteria to evaluate each bidders proposal in delivering social value to ensure it is considered alongside cost and quality
- Meet the requirements of the Public Services (Social Value) Act 2012
- Be accessible and easy to sell to
- Where appropriate, consider sourcing locally and, in turn, supporting the local economy
- Where appropriate, ensure that force service suppliers are a Living Wage Employer

- Understand and consider Social Value obligations in all procurement activity
- Ensure that appropriate and proportionate equality and diversity considerations are taken
- Procure ethical goods wherever possible
- Encourage innovative proposals relevant to services that help address problems often linked to areas subject to deprivation in the West Midlands
- Novel ways of delivering services that have wider indirect benefits, such as a positive impact on the local environment and sustainability
- The option to ask bidders to propose what appropriate social measures they have in place, where relevant to a particular procurement
- Other forms of social value that are specific to any particular service being procured that provides broader benefits consistent with the Police and Crime Plan
- Ensure bidders have good working and health & Safety practices

Force and Commissioner Priorities

- An understanding of operational and business need shall be maintained and be at the heart of all procurement and commercial work
- Support and align to the WMP 2020 Change Programme
- Deliver upon any associated actions from the Police and Crime Plan
- Ensure that anticipated benefits required to support the optimum running of the force are realised
- Enable and consider innovation opportunities from bidders by expressing requirements in terms of outcome and performance
- Enable and consider innovation opportunities from suppliers and contracts via effective contract management
- Assess the risk associated with each procurement, so as to achieve a balance between operational need and the desired commercial outcomes

Strategic and Commercial and Procurement Function

- The force will act as a 'good customer' and will honour its contractual commitments
- To collaborate and ideally lead on a local, regional and national level where possible and sensible to do so
- Look to build partnership approaches with our supply chain and avoid adversarial relationships with our suppliers as a result of instilling a robust supplier and contract management structure
- Engage with our suppliers to understand their needs and to improve access for SMEs and social enterprises
- Reduce the bureaucracy associated with procurement processes and increase transparency
- Provide training both internally and for our suppliers on procurement systems and review processes to improve clarity
- Standardise procurement documentation wherever possible to reduce the administrative burden on suppliers and officers
- Ensure that the highest standards of honesty, integrity, impartiality and objectivity are preserved in all strategic commercial and procurement activity
- To act as a consultative function, communicating, consulting and engaging as appropriate with key internal and external stakeholders

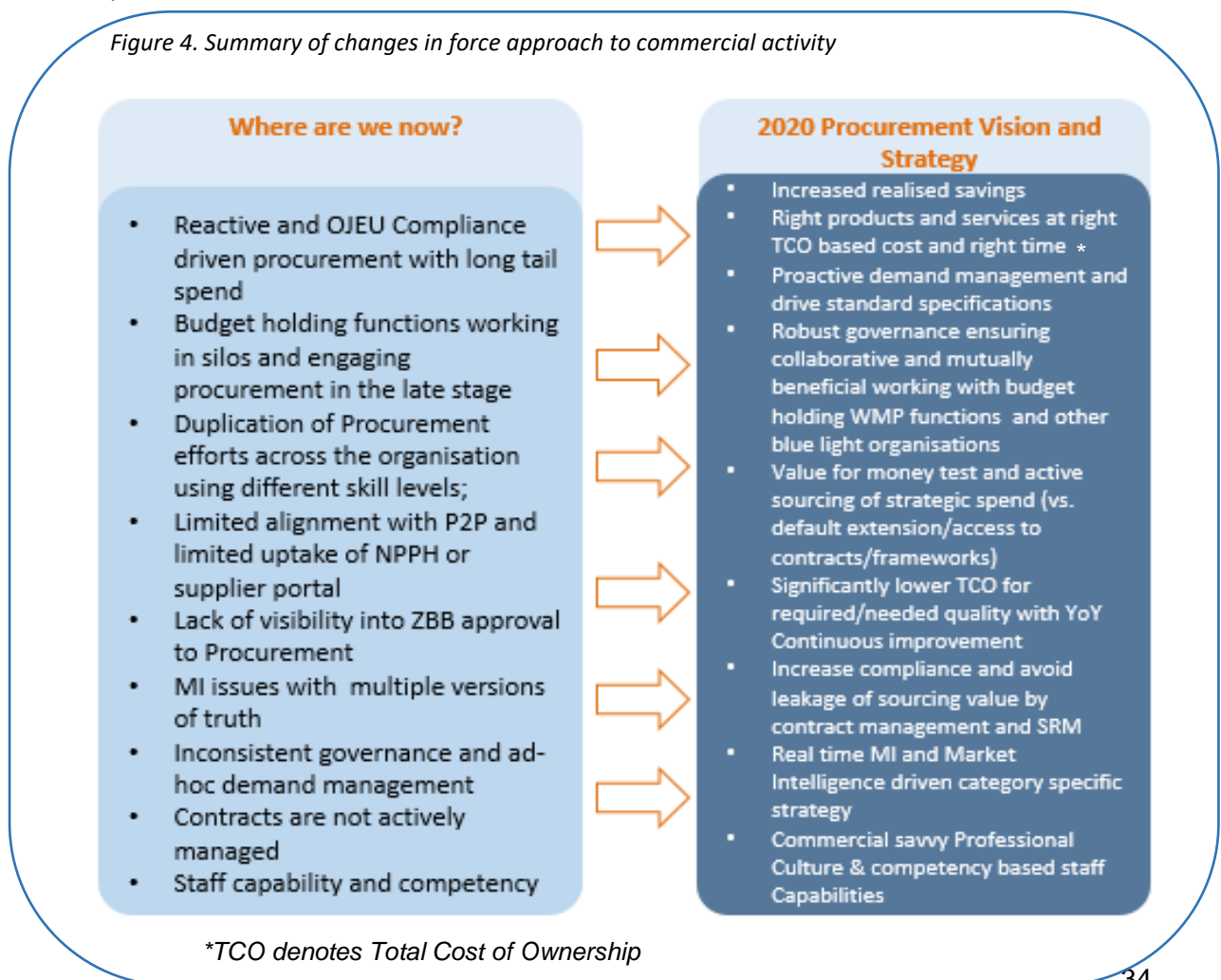
- Ensure that procurement processes and documentation reflect the force’s Equalities and Diversity Policy
- Ensure that procurement processes comply with the force’s Sustainability Strategy and promote awareness of this within tender activities and ongoing contract management
- Act as a centre of excellence, providing guidance and support so as to ensure that the right balance is struck between meeting operational demands and obtaining Value for Money for the citizens that we serve. In doing so, don’t over complicate matters
- Consider innovative procurement processes such as co-design or innovation partnerships

6. Commercial and Procurement Structure

In reviewing the services provided by the current Contracts and Procurement function within the force as part of the WMP 2020 programme, it has been acknowledged that the function and the wider force could realise additional benefits in its commercial activities if a more commercially astute approach were to be adopted.

For this reason, and so as to ensure that the Strategic Objectives and Priorities and Guiding Principles outlined in this Strategy can be accomplished, over the course of 2017 the Contracts and Procurement function will transition to Commercial and Procurement. This transition will see the implementation of a new structure and with it, an approach which is driven towards ensuring value for money in all force procurement activity and full life-cycle supplier and contract management, which will be undertaken in conjunction with force service departments.

Figure 4. Summary of changes in force approach to commercial activity



This revised structure and approach is a removal from the previous predominantly compliancy driven outlook that the force has taken in its commercial activity and is geared towards enabling the Objectives of this Strategy to be realised. This shall include delivering against the Commissioner’s Economic Strategy including supporting the local economy wherever possible including encouraging local suppliers to bid for work.

The Department, which is outlined as follows, will be led by the Head of Commercial and Procurement, supported by two Procurement Managers, a Supplier Relationship Manager and a team of eight support staff. The portfolios of contracts associated with each Procurement Manager and Procurement Advisor are categorised to ensure that economies of scale from combined requirements can be realised wherever possible:-

Figure 5. Revised Commercial and Procurement Department structure.

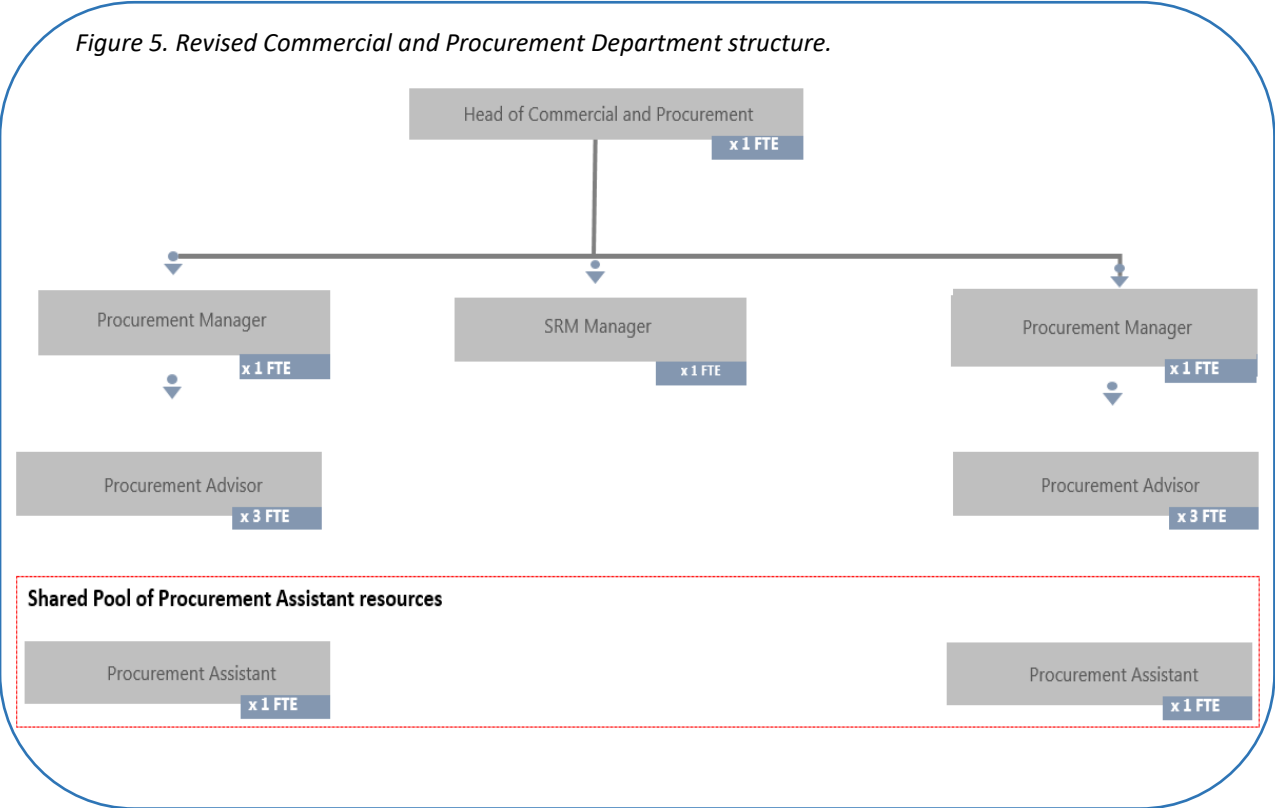


Figure 6. Overview of split between strategic force procurement activity and transactional purchasing.



7. Maintaining and Delivering the Strategy

This Strategy shall be owned by the Head of Commercial and Procurement, Leigh Jones and will be subject to an annual review or as and when force priorities change, so as to ensure that they remain aligned. In addition, with the vote in June 2016 for the Country to leave the European Union, it is likely that there will be changes to the legislative environment in which the public sector operates under. It will therefore be necessary to review this Strategy with a degree of frequency to ensure that any changes brought about by the Country's exit from the European Union are reflected as well.

The delivery of this Strategy shall be made via the creation and implementation of an action plan aligned to the Strategic Objectives and Priorities outlined in this Strategy. There will be a period of transition from current practice to new practice and it is anticipated that it will take circa two years to fully implement this Strategy across all force commercial and procurement activity.

The action plan will include the measurement of the following areas:-

- The proportion of spend and amount that is spent in the West Midlands
- The savings delivered through the Commercial and Procurement Department
- The number of apprenticeships created through the organisations suppliers
- Confirmation that all suppliers who fall under the Living Wage Foundation's criteria are paying their staff in accordance with the Living Wage
- Assessing supplier and contract performance, post contract award
- Local employment created and secured and characteristics of those employed

Baselines are currently being developed for the above measures. Once these are developed they will be reported on accordingly.

In regards to accountability, performance of the Strategy overall shall be reported upon in the appropriate methods (for example, forward plans of decisions) to the governance forums that hold force commercial and procurement activity to account: The Police and Crime Commissioner, the Strategic Police and Crime Board, the Contracts Review and Approval Board (CRAB) and the Joint Audit Committee (JAC).

Figure 7. Force Commercial and Procurement governance structure

