

Cumbria Police Authority

Audit and Performance Committee

3 November 2005
Agenda item No

Annual Procurement report 2004-05 **A report by the Chief Constable**

1. Summary

- 1.1 This is the second annual report to this Committee setting out the work of the Procurement function within the Constabulary. It sets out in some detail the work of the procurement unit, including the contribution made to regional procurement activities.
- 1.2 The report also highlights the evolving national organisations that have a responsibility for procurement, as the profile of the procurement function increases in the context of the efficiency regime in general and the expectations for police procurement as set out in the Gershon report.
- 1.3 Finally, the report emphasises, in particular, the diverse areas of work which the procurement team have been involved in and the relevance of that work in supporting policing operations. Special mention is given to the work of the procurement team in the aftermath of the storm damage in Carlisle in January 2005, which the Chief Constable has recently formally commended.

2. Recommendations

- 2.1 Members are asked to note the contents of the report

3. Details

- 3.1 The details are set out in the attached report.

Michael Baxter
Chief Constable

Attachments

Appendix 1 Annual Procurement report 2004-05



Annual Report on **Procurement Activities 2004-5**

Report to the Audit and
Performance Committee

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1. Introduction

- 1.1 In November 2004, the first annual Procurement report was presented to members which sought to:-
- Describe what procurement is and does
 - Report on the history of Police procurement
 - Detail the structure of Police procurement including the North West Region
 - Report on what has been achieved so far
- 1.2 This report aims to bring members up to date with recent procurement activities and developments that have taken place since then, both internally and externally.

It has been an interesting and challenging year. No one could have anticipated the events of January 2005 and the effect they would have on the work of the procurement team. Indeed, these efforts were recognised by the Chief Constable at the special commendation event several weeks ago, attended by a number of Police Authority members

2 The Re-Structure of Supplies and Procurement

- 2.1 Towards the end of 2004, a Best Value Review of Procurement recommended changes affecting the Procurement and Supplies Units (encompassing HQ Procurement, Stores and Printing). The review explored other potential ways of providing a stores service, including outsourcing to a commercial provider and interestingly, with recent developments in mind, provision of the service from an adjacent force. It concluded that currently, the most economically advantageous means of providing this service is in-house and by retaining the service, customer relationships and local knowledge can be maintained.
- 2.2 It also made some recommendations, which would remove some confusion between the roles of procurement, supplies and stores. The review also identified some efficiency gains, some of which, with approval, have been reinvested so as to strengthen the procurement team, to allow it to take on a fuller role and, in particular, to enable it to strive to provide a better procurement service, for the benefit of the wider force, at a time that it faces continued financial pressures.
- 2.3 The change was planned in early 2005 and implemented on 1 April, creating a Procurement Unit, comprising three distinct teams – Procurement, Stores and Printing.
- 2.4 From the Constabulary's point of view, the advantages of this are as follows:-
- Only minimal new investment by the Police Authority was required.
 - With the new support for Procurement, there will be no need to buy in expensive consultancy to tender and monitor outsourced services. For example, the last time the Estates and Facilities Contract was tendered for, consultancy was bought in to assist with the exercise at a cost of £18,000.
 - Confusion within the Constabulary about who does what has been eliminated and all functions are now properly aligned.

3 January 2005 and the Carlisle Recovery

- 3.1 Although the structure did not change formally until April 2005, the department worked as one from January. On 8th January staff arrived at Headquarters to assist with flood prevention at the HQ site. However, it soon became evident that a catastrophe was occurring in Carlisle and there was a need to re-equip officers in that area, some of whom had lost all items of uniform and equipment.
- 3.2 It is perhaps sufficient to say that three members of staff received commendations, not just for their work over that weekend but for sustained effort over a long period of time. During the weeks that followed everyone in the Unit was called on to give maximum effort to the Carlisle Recovery. It is difficult to adequately describe the impact of delivering what was in effect a major project while still maintaining a service to the rest of the Constabulary.
- 3.3 A wide variety of goods and services were sourced and delivered during this period, including some outside the scope of normal business. It has been recognised that the Unit is able to deliver to front line policing in the most unique and testing times. HMIC has recently reported positively on this aspect of the team's work.
- 3.4 The knock-on effect of the Carlisle Recovery has been to delay progress on some of the development work intended for this year. However, priority must always be given to the requirements of operational policing.

4 Procurement “Core business”

- 4.1 There is great emphasis from HMIC on procurement development work and it is considered of great value to have this opportunity to report on what the Procurement Manager describes as the “Day Job” or those things that must go on to deliver the service. These include: -
 - Planning and development of procurement strategy
 - Implementing policy and practice on procurement
 - Determining the best use of procurement expertise from available resources
 - Giving procurement advice to individuals and project teams
 - Identifying standards and control mechanisms
 - Researching markets and developments
 - Providing a point of contact for suppliers wishing to do business
 - Researches corporate and user needs
 - Identifying potential for efficiency gains
 - Planning procurement effort to ensure value for money
 - Participating in collaboration with partners to aggregate and rationalise
 - Challenging specifications and ensuring they are performance based wherever possible
 - Assisting with the definition of requirements to agree specifications
 - Managing tendering and evaluation
 - Negotiating improvements where allowable
 - Managing or assisting with contract management
 - Directly purchasing goods and services for centrally held budgets or where it makes practical sense to do so
 - Working on the procurement aspects of specific projects

4.2 Major Procurement Projects in 2005

Major procurement work is part of the "Day Job". In addition to delivering on unexpected events such as those arising from the storm damage in January, the Procurement Unit is required to deliver the procurement requirements of major projects. Such demands are outside the Unit's control and require priorities to be re-arranged. The following major projects required specific procurement input in 2005.

4.2.1 G8 - To ensure Cumbrian officers supporting the G8 conference were properly equipped, a significant amount of technical equipment was required. Some of this was required within a very short timescale and there was also some emergency equipment required during the course of the conference.

4.2.2 Replacement Telephony System - The scope of this project is to replace the Constabulary's current telephony system, to enable convergence to a countywide VoIP (Voice over internet protocol) network. It includes voice mail and other associated services and the implementation and configuration of equipment, with an option for a 24/7 maintenance contract. The contractor will be required to provide and implement an O₂ accredited interface to Airwave Telephony Gateway(s).

Work on this project began by assisting the project team to determine the appropriate procurement route and it was agreed a full European Procurement Regulations tender exercise was required. Although the essential feature of any procurement is the production of a robust and appropriately described specification, project teams are encouraged to define evaluation criteria at an early stage, as these now need to be included in the Official Journal of the European Union (OJEU) advertisement.

A new procurement tool being used nationally with great success is the Electronic Auction. Whereas in traditional tendering every attempt is made to guard the price being offered by competing companies, the E-Auction makes bidding on price completely transparent to all competing parties. It was intended we would use an E-Auction in the final stages of this procurement and funding for this is obtainable from the Office of Government Commerce. A third party has to be used to facilitate the auction and the cost of this has to be balanced against the anticipated savings.

However, as members are now aware, this project has been deferred because of financial pressures to deliver other projects. However, assuming it will go ahead at some point, it will be interesting to see how the E-Auction delivers in such a complex project, where price is only one of the evaluation criteria.

4.2.3 RMS (Records Management System) - With high priority being given to criminal intelligence, the Records Management System will change the way information is managed and accessed in the Constabulary. A full EU tendering exercise may not be the best procurement route for all projects regardless of cost. The cost of making the procurement i.e. the resources needed to deliver all aspects, including the specification and evaluation has to be taken into consideration, along with the requirement to comply with Police Authority Standing Orders and European Procurement Regulations. It is also not the case that good procurement is only about compliance and to be effective, business benefits must be delivered and business objectives met.

The challenge for procurement of the Records Management System was to determine a route that could deliver: -

- Compliance
- Governance
- The benefits of competition
- The right business solution
- A short timescale (i.e. shorter than would be required in a full EU tendering exercise)

The route that could deliver this was to run a mini tender exercise within the Office of Government Commerce Gcat Framework Agreements. Gcat is a catalogue based framework agreement for Information Technology procurement, capable of delivering everything from a single piece of equipment to a major IT solution. Other forces who have bought RMS have divided their procurement into separate lots for hardware and software. The requirement in Cumbria was determined as delivery of a fully integrated solution inclusive of hardware, software and maintenance and support.

The timescale for procurement is shortened by choosing companies from the framework, known to be capable of delivering the solution and going straight to the tender stage. Thereafter the timescale is dictated by whatever time is realistic to allow companies to respond, and then how long it takes to carry out the evaluation and approval.

However, most recently, in light of the current debate about future structures, work is now ongoing to assess whether this system will complement systems used by other forces. No further commitments will be entered into until this position becomes clearer. Members will be advised accordingly.

- 4.2.4 Modular Custody Facility - Members will already be aware of most of the issues surrounding the requirement for a Modular Custody Facility. Due to the urgency and importance of this requirement, the Procurement Manager has, by necessity, become closely involved in this project, working alongside the project team and the estates manager, to deliver a detailed and comprehensive tender document.

As the market for this project was an unknown quantity, to comply with EU Procurement Regulations and to drive competition, an unusual procurement route was selected called the Accelerated Restricted Procedure. In simple terms this means a two stage process with very shortened timescales. Normally the EU Commissioner is very reluctant to agree to this procedure however it was not difficult to argue the case for urgency.

In response to the OJEU Notice, ten companies submitted pre-qualification questionnaires. Five companies were eliminated because they did not have the capacity or necessary experience to deliver the project. In addition, one of the companies selected to pass to the tendering stage withdrew, as they did not feel able to deliver a product with the lifespan required.

This project is unique in that no other force has previously gone to market for a complete modular custody facility, although several major schemes have been delivered in HM Prison Service. A number of other forces have been working on similar projects including West Mercia and Norfolk Constabularies. As the Cumbria project is now first to market, it is high profile and links have been established with other project and procurement managers to share information.

It was re-assuring to receive positive feedback from tenderers on the procurement process and the quality of the tender document. At the time of finalising this report, evaluation of the tenders has begun and a week of intensive evaluation involving factory visits and presentations, to assess each company's capability and suggested product has been planned.

- 4.2.5 Forensic Science - Currently most of Cumbria's forensic science is bought from the Forensic Science Service (FSS). During 2005 the FSS began its transition to becoming a GovCo (Government owned company). This transition means that it is no longer a branch of the Home Office and as such has to compete in an open market for business. Consequently it has been necessary to prepare a strategy for forensic science procurement for the future. The Chief Constable, has played a significant role as chair of the North West Region Forensic Sciences Group, in developing close working relationships among scientific support managers and the regional procurement group.

£25million is spent on forensic science across the region and this presents a real opportunity to effect savings, as professional procurement and competitive tendering has not been applied to this service in the North West Region before. Complicating the issue, there has been a project working within the Home Office to determine how this significant area of expenditure is to be taken to market. Within forces there is also a concern that the Home Office has a divided interest in this matter. On the one hand it needs to drive value for money and efficiency but on the other it needs to protect the position of the FSS and its investment in it.

Initially, and by simply by forming a revised regional collaborative agreement with the FSS based on commitment to volumes, it is estimated that £75k of initial savings have been delivered regionally. Further work in this area is currently ongoing, both regionally and nationally.

- 4.2.6 FME (Forensic Medical Examiner) Services - In 2004 the Procurement Manager worked with the Project Co-ordinator for FME Services on an improved way of buying in services. Due to the risk of losing doctors working on the existing arrangements, the Constabulary rejected the engagement of a managing agent to provide these services, as has been introduced in some other forces. Significant efficiency gains were made however by reducing the number of payments made to FMEs and improved formal contracts were put in place.

During 2005 it became apparent that the service to custody in Kendal was not delivering and, in addition, the group practice in West Cumbria gave notification of their intention to withdraw the out of hours service. To address this urgent situation, it was decided that the use of a managing agent should be re-visited. Expressions of interest were invited from four established providers and three expressed interest in providing the service. Forces that have introduced the use of managing agents have generally not achieved cost reduction and the main drivers have been quality improvements, efficiency gains and timeliness of provision.

In evaluating the responses, the risk of service failure was still evident from some of the providers and the Procurement Manager recommended a pilot with the Lancastergate Medical Practice, whose Medical Director is currently our lead FME and known to provide high quality services. The proviso in this pilot is that the use of nurse practitioners is explored, to ensure continuity of service and potentially some cost reductions. Although some of the work is evidential, around 80% of it is routine management of detainees, which does not require highly skilled medical input. This approach has now been accepted and a formal contract is in preparation at a rate lower than the original estimate.

Although the cost of this service is higher than the EU threshold of £153k such services are classified as "Part B" services and do not have to be competitively tendered under the Goods and Services Regulations. The only requirement is to publish an award notice. Competitive tendering is not just about compliance it is a tool to be used intelligently to deliver value for money and performance improvement. With this in mind it is intended to take FME services to full competitive tender when the current contracts end in 2007.

- 4.2.7 Vehicle recovery - In the last annual report a commitment was given to provide feedback on improvements to the Vehicle Recovery Contract. It is good to be able to report that the contract, now in its final year, is working better than ever. This has been brought about by improved contract management which includes making some improvements in the way the Constabulary works. A policy has also now been introduced.

The Procurement Manager is now an integral part of the Vehicle Recovery Working Group and the contract has also been extended to provide services to Carlisle City Council. The City's Car Clear scheme aims to rid the streets of dangerous, uninsured, untaxed vehicles, often used in crime and dispose of these vehicles before they become a crime. Although vehicle recovery operators continue to offer challenges for contract management, they do provide an essential service.

At the end of the current contract Cumbria will be joining a collaborative procurement with Lancashire, North Wales and Possibly Cheshire. Some savings may result from this but the cost of the procurement exercise at least has been realised.

5 The National Structure for Procurement

- 5.1 Last year it was reported that Regional Centers of Excellence had been set up, to bring about improvements in procurement performance in Local Government. The North West Center of Excellence is based in Tameside and so far most of its activity has been about gathering information and setting up workstreams to begin the developments. More recently, the Procurement Excellence in the Police Service (PEPS) unit has now been established based in West Yorkshire, in response to the requirement to deliver £180m of procurement savings in policing as required from Gershon.

The newly appointed director of PEPS has recognised the extent of procurement collaboration and has made the statement below in a recent press article: -

"I have also been struck by how much procurement collaboration has already taken place across the 43 independent Police Forces in England and Wales. Great progress is evident in the development of regional and national contracts, sharing good practice, and developing shared databases and approaches; work praised recently by OGC and the Home Office. This is particularly impressive given that until now there hasn't been any 'central' resource to push this –the co-operation has been driven by committed individuals who see the benefit to their own Forces and the wider network."

PEPS is viewed positively in Cumbria and perceived as a catalyst for change and improvement. It is viewed that they can look at best practice in other organisations and promote this without being inhibited by normal day to day activity. The "day job" particularly on major projects by necessity has to be the constabulary team's main focus.

With the development of the regional centres and PEPS a question mark now hangs over whether some of the existing national police groups will continue in their present form.

6 Regional Developments in Procurement

- 6.1 Within the **North West Region** the structure of procurement remains as follows:-

Regional Strategic Procurement Group
Representatives from all 6 forces: Cumbria, Cheshire, Lancashire, Greater Manchester, Merseyside and North Wales consisting of:-

Directors of Finance and Resources, or
Heads of Procurement / Procurement Managers

Regional Procurement Group
Representatives from all 6 forces: Cumbria, Cheshire, Lancashire, Greater Manchester, Merseyside and North Wales consisting of:-

Heads of Procurement / Procurement Managers
Federation Representatives
Superintendents Association Representative

- 6.2 The Strategic Group has only met three times during the year, whereas the Procurement Group has met formally 6 times and as required to evaluate specific regional tenders. From the early days of dealing with uniform purchasing, the North West Region Procurement Group has had considerable success in joint procurement initiatives. Covering a wide range of goods and services the group now have over 25 contracts in place, ranging from uniform to paper to photocopiers to scientific support consumables. The group also makes use of some of the national contracts.

During 2004/05 the group also agreed a standardised set of tender documents and a memorandum of understanding, binding all forces together for procurement collaboration. Cumbria delivered the final draft of this document. The regional groups are currently working to produce: -

- ♦ CCTV contract
- ♦ Forensic science contract
- ♦ Renewal of the body armour contract
- ♦ Photocopier contract
- ♦ Vehicle recovery contract.

7 Local Procurement Development

- 7.1 As has been mentioned above, the pressures of the “Day-Job” demands have inhibited some of the development work. The appointment of a Procurement Development Officer in the structure was so named to ensure concentration of activities by this post on activities that will bring about procurement improvements. Specific areas of development are set out below:-
- 7.2 E-procurement - E-Procurement has been progressed by adopting the National Police Bluelight E-Tendering System. So far it has been used for the RMS and Custody tendering exercises. Without a fully integrated purchasing module, progress on e-ordering discussions has taken place with several companies who have offered e-ordering through their websites, specifically, Supplies Team, Arco, Banner and Enterprise. These companies supply computer consumables, personal protective clothing and equipment and workwear, stationery and vehicle hire. In addition, it is hoped to have a procurement section on the force website and this will be a future target.
- 7.3 Pilot on Procurement cards The payments profile for Cumbria Constabulary for the financial year ended 31 March 2005 is set out in the table below: -

Invoice Value	Invoice Volume	
	Number	%
< £100	11140	48.47%
£100 to £299	5741	24.98%
£300 to £499	1884	8.20%
£500 to £699	856	3.72%
£700 to £999	751	3.27%
£1000 to £1499	639	2.78%
£1500 to £2999	686	2.99%
£3000 to £4999	410	1.78%
> £5000	874	3.80%
Total	22981	100.00%

From the table it can be seen that just under half of our purchasing and payment activity is for transactions of less than £100. The process for paying for low value transactions is the same as for high value. Including purchasing activity the costs involved include for the following: -

- Staffing
- Requisitions, Orders, Goods Received Notes, Payment Slips
- Cheques, Remittance Advice Slips
- Paper Handling and Telephone Traffic
- Computer Processing Time and Associated Costs

Some UK studies estimate that the cost per transaction, irrespective of value, is in the region of £50. There is therefore a considerable incentive to:

- Reduce the number of small value transactions, and or
- Streamline the process for dealing with small value transactions

This can be achieved through re-engineering the procurement/ payment process and the introduction of Government Procurement Cards for low cost, high volume transactions is a way of doing this. There are efficiency gains to be realised if procedures can be streamlined. A pilot is underway, involving Fleet and Business Support units. Liaison is taking place with other forces to learn from their experiences.

7.4 Procurement performance - Much effort has gone into preparing a range of performance indicators for procurement. The results of this work are reflected in the current Finance and Resources departmental plan, which HMIC has referred to as good practice, particularly in relation to the emphasis on performance management. Future annual reports will encompass a range of relevant performance indicators.

7.5 RISC Model – This self assessment tool has been developed for assessing the capability of procurement organisations. The assessment covers the: -

- Role
- Influence
- Strategic Approach and
- Competences of procurement teams.

A first self assessment of the procurement function has been undertaken and the results will be taken forward, firstly by having an independent body scrutinise the assessment. Thereafter, the results will be reported internally, and a measurable improvement plan put in place.

7.6 Savings achieved in 2004-05 - As part of its contribution to the Regional savings, Cumbria has been able to report savings of just over £23,000 on regional collaborative arrangements. Locally the Purchasing Officer continues to strive to make savings on everyday purchases and the Stores Manager has recently offered some changes in specification for stock computer consumables that will save over £6,000 on 15 stock lines, working in collaboration with the IT department.

8 Current and Future work

8.1 A number of important developments are either ongoing or planned and will feature in future annual reports. These include the following: -

- A significant amount of work has been done on producing a contracts register as a single source of reference for all locally arranged contracts. This will be used to instigate a program of reviews and re-tendering and work needs to be finalised in this financial year.
- The Procurement Handbook needs to be updated to contain more procurement advice and include details of all contracts and framework agreements.
- A formal system of compliance with contracts will be set up to report any leakage.

- A formal system of user satisfaction with contracts and collaborative arrangements will be established.
- Some benchmarking has taken place but new proposals are to be offered by PEPS in 2006.
- Formal attempts at reducing the number of suppliers are planned for the future
- Work is currently being undertaken to assess the main subjective areas of spending in the Constabulary. This will help focus on main areas of procurement activity. This work sits well with national work being undertaken by PEPS, which seeks to achieve the same ends nationally.

9 Summary of the Year's Activities

- 9.1 Even with the changes in the structure that have been made, the Procurement Team is small and each member has specific responsibilities that are constantly demanding. This retrospect on the year has revealed a significant amount of work has been carried out and interestingly all the major projects have involved unique problems and been carried out using different procurement routes.