



CHESHIRE CONSTABULARY
PROCUREMENT STRATEGY

2009 – 2012

| | |
|----------------|-------------------------------------|
| VERSION: | 1.0 |
| DATE: | 20 January 2009 |
| PREPARED BY: | ANITA GIBBS |
| REVIEWED BY: | SENIOR OFFICERS POLICE AUTHORITY |
| CIRCULATED TO: | BRIAN SIMMONS ALLAN RAINFORD |
| AUTHORISED BY: | |

| | | | |
|-----|--|--|----|
| 1.0 | EXECUTIVE SUMMARY | | 4 |
| 2.0 | POLICING OBJECTIVES OF CHESHIRE CONSTABULARY | | 4 |
| 3.0 | APPRAISING THE EXTERNAL ENVIRONMENT | | 5 |
| | 3.1 | STEP analysis | 5 |
| | 3.1.1 | Sociological factors | 5 |
| | 3.1.2 | Technological factors | 5 |
| | 3.1.3 | Economic factors | 6 |
| | 3.1.4 | Political factors | 6 |
| | 3.1.5 | Opportunities | 7 |
| | 3.1.6 | Threats | 7 |
| 4.0 | APPRAISING THE INTERNAL ENVIRONMENT | | 8 |
| | 4.1 | Strengths | 8 |
| | 4.2 | Weaknesses | 9 |
| 5.0 | STRATEGIC OPTIONS | | 10 |
| | 5.1 | Routes to the strategic development of procurement. | 10 |
| | 5.2 | Internal development. | 10 |
| | 5.3 | Increased collaboration with the region. | 10 |
| | 5.4 | Moving into a Shared Service. | 10 |
| 6.0 | CONCLUSIONS AND RECOMMENDATIONS | | 11 |
| | 6.1 | Maximise the savings and productivity of Procurement. | 11 |
| | 6.1.1 | Establish performance management | 11 |
| | 6.1.2 | Increase the use and number of regional and national Contractual agreements. | 11 |
| | 6.2 | Reduce procurement processing costs. | 11 |
| | 6.2.1 | Extending the use of electronic ordering. | 11 |
| | 6.2.2 | Reduction in the number of invoices. | 12 |
| | 6.2.3 | Supplier base reduction. | 12 |
| | 6.3 | Satisfy our internal customers. | 12 |
| | 6.3.1 | Establish standard processes and procedures. | 12 |
| | 6.3.2 | Develop a supplier management system. | 13 |
| | 6.4 | Raise environmental awareness. | 13 |
| 7.0 | MANAGING STRATEGIC CHANGE. | | 14 |
| | 7.1 | Organisation and people. | 14 |
| | 7.2 | Key tasks. | 16 |

1.0 EXECUTIVE SUMMARY

This strategy document will show how the Strategic Procurement Unit (SPU) has responded to the demands of change over the last 3 years', and will demonstrate how it plans to respond to future changes in the environment over the next 3 years.

For instance, during the last 3 years the SPU has played an instrumental role in the development of electronic purchasing at Cheshire Constabulary, with the introduction of the E-bis purchase order system, Government Procurement Cards, and the Bluelight e-tendering system.

Through the introduction of a high quality workforce, it has actively managed its top suppliers, and has consistently delivered high levels of savings over the last 3 years'.

Results of a Customer Satisfaction Survey carried out in 2008 showed that the Strategic Procurement Unit's performance was considered 'Good' across the Force.

More recently, a Spikes Cavell study of our supplier database showed that our larger spends were under contract, but that there was further potential to leverage the spend, particularly at regional level, in order to gain further savings.

Finally, work has started on examining the feasibility of setting up a Shared Service in the North West region, which could leverage the regional spend further, and assist in the future development procurement expertise in the region.

2.0 POLICING OBJECTIVES OF CHESHIRE CONSTABULARY

The Policing Objectives of Cheshire Constabulary as outlined in its Policing Plan 2009-2012 can be summarised as follows:

Primary Objective

Objective 1 – Increase public confidence in policing.

Supporting Objectives

Objective 2 – Respond effectively to the public when in need.

Objective 3 – Work in partnership to create strong and vibrant communities.

Objective 4 – Prevent and investigate crime and disorder.

Objective 5 - Protect vulnerable people.

Objective 6 – Protect the public from serious and organised crime and terrorism.

This procurement strategy will help the Force meet its objectives, as described in the Policing Plan 2009-2012 by:

- Better management of existing and new contracts.
- Better procurement of forensic services.

3.0 **APPRAISING THE EXTERNAL ENVIRONMENT**

It is now necessary to identify the four levels of environmental influences which effect Cheshire Constabulary and its Strategic Procurement Unit by carrying out a STEP analysis.

3.1 **STEP analysis**

3.1.1 **Sociological factors**

Population estimates for Cheshire by 2010 suggest a small decrease in the overall number of people in the County but a change to the profile. This will include a 9% decrease in the number of under 16's, and an 8% increase in the number of over 65's. These population estimates, however, do not include the effects of immigration on Cheshire. Since the expansion of the EU, the population of Cheshire is becoming increasingly diverse, for instance, since May 2003 more than 3,000 Polish people have become resident in the Crewe area.

The age demographic will also impact upon the Constabulary as an employer. For instance, with an ageing population, the Constabulary may need to recruit older members of staff. The ageing population will also mean that more members of staff are likely to have caring commitments outside of work, which could have an impact on work life balance.

3.1.2 **Technological factors**

Internet use is growing, and this provides both opportunities and threats for the Constabulary. More services will be available to the public over the internet, including the ability to track the progress of crimes through a simple web based tracking program. However, internet based crime will undoubtedly increase, proving intensive to

investigate. Additionally, mobile phone technology will be further exploited, and used for such things as electronic funds transfers.

Increasing accessibility to high value, personal technical products (mobile phones, I-Pods) creates new opportunities for criminals. Similarly, wi-fi technology use is growing, and offers opportunities in police communications as well as threats, such as criminals using Bluetooth and wi-fi to identify vehicles and homes containing high value goods.

3.1.3 Economic factors

The tougher financial settlement for the comprehensive spending review period requires both Police Authorities and the Forces to make the best use of resources, with a continuing commitment to achieve significant cashable improvements in efficiency and productivity. Resource management is a core responsibility for delivering sustainable improvement.

Part of the overall Comprehensive Spending Review settlement is an assumption that 3% cashable efficiency can be delivered to redirect resources to the front line. For the past 3 years the efficiency target has been 1.5 % cashable and 1.5 % non-cashable savings.

Since 2005, there has been a worsening financial scenario at the Constabulary, which resulted in budget cuts, particularly across HQ support departments. Moreover, in the coming financial years it is possible there could be a shortfalls up to £3m in the Authority's annual budgets.

3.1.4 Political factors

The structure of the Cheshire County Council area has now been reviewed, with the introduction of two unitary Authorities within Cheshire, which will require a degree of change within the Constabulary.

In addition, ACPO has published its 'National Procurement Strategy 2008-2011', the aim of which is to deliver 6 key principles:

- Increasing further police procurement capacity and capability;
- Securing further supplier competition and price leverage;
- Shaping requirements and specifications: influencing of end-user requirements and design specifications;
- Developing techniques and practices to reduce costs and risks;
- Reducing procurement overheads and the costs of acquisition;
- Promoting sustainability and supporting diversity in procurement.

In addition, the North West Regional ACPO Group has commissioned the North West Centre of Excellence to carry out a study to examine the feasibility of setting up a Shared Service for Police Procurement in the North West, the results of which have been recently published.

The final stage in the process of environmental analysis is the identification of important opportunities for, and threats to, the organisation.

3.1.5 Opportunities

- Procurement still has to increase its influence over the purchase of some high value services in areas such as FOD, Estates, and HR. Partnerships have been forged with the Finance Manager in FOD, and with the Contracts Manager in HR. Similarly, a strategy is being developed with Estates for a rolling programme for tendering for term contracts.
- The Spikes Cavell data analysis shows that Cheshire Constabulary shares 342 suppliers with other Forces, hence indicating some potential for a further leveraging of spend in the future.

The data also shows Cheshire Constabulary's top categories of spend are:

- Leasing Services;
 - Facilities Management;
 - Employment and Recruitment agencies;
 - Laboratories;
 - Computer Systems and Software;
 - Computer Consultants;
 - Vehicle Fleet Management Consultants;
 - Database services;
 - Computer Manufacturers;
 - Car Dealers.
-
- More satisfied customers as a result of the use of supplier management.
 - A Shared Service structure could give us access to specialist abilities and resources which are not possessed by any single force operating on its own.

3.1.6 Threats

- A number of procurement personnel could feel disillusioned and undermined by the current fragmented structure of Procurement and Contract Management activities at Cheshire Constabulary.
- Staff could feel threatened by the emergence of North West Shared Procurement Service.

- There is a danger that the force may not be able to meet the National Procurement Strategy's performance expectations.

4.0 **APPRAISING THE INTERNAL ENVIRONMENT**

Internal appraisal will provide a clear view of the organisation's capacity to develop its potential. Subsequent progress will depend on an efficient and competent exploitation of these sources of advantage. Internal appraisal not only indicates what resources the force has, but also how well it has been used. The internal appraisal should identify both the strengths on which the force can grow, and the weaknesses which may threaten the organisation's future development.

4.1 **Strengths**

Over the last 3 years, there have been a number of significant developments within the SPU. These include:

- The appointment of two new Procurement Managers and a Contracts Officer. This high quality procurement team is dedicated to providing a quality service, wishing to meet the needs of their users by providing advice and support on procurement initiatives, and by leading tender exercises. Recent results of a customer satisfaction survey have shown that the service provided by the Procurement and Supplies team is perceived by the Force as good to satisfactory.
- A new Force uniform was introduced in 2008, spearheaded by the Chief Constable, and its implementation was successfully led by the Supplies Manager based within the SPU.
- Government Procurement Cards were introduced in February 2007 for the purchase of stationery and computer cartridges. This was the speediest implementation of GPCs that had ever been reported within the public sector. The use of the cards has subsequently been extended to travel and hire cars.
- The E-bis electronic purchasing system was introduced in 2005. This system allows the Force to see how much it spends, with whom, by whom, and when.
- The introduction of the Bluelight e-tendering system has cut down on paperwork, and has streamlined the tendering process.
- The SPU has achieved considerable savings over the past 3 years, which can be documented as follows:

2005-2006 - £370,038
 2006-2007 - £372,560
 2007-2008 - £445,205

- The Strategic Procurement Unit plays an active role within the North West Procurement Group, with its members acting as the North West regional leads on the procurement of Forensic Services and Travel, on the Bluelight Procurement Database Steering Group, and on the Uniform Group.
- Of the Force's top 10 suppliers (listed below), 7 are contract managed.

| Supplier | Description | Value p.a. | Contract Managed |
|--|-------------------------------|------------|------------------|
| Cheshire SPV Ltd | HQ PFI | £7,428,659 | Yes |
| National Police Improvement Agency | Police agency services | £2,048,704 | No |
| Arval PHH Business Solutions Ltd | Fuel cards | £1,758,469 | No |
| LGC Ltd | Forensic services | £1,515,921 | Yes |
| Northgate Information Solutions UK Ltd | Hardware support and software | £1,470,657 | Yes |
| Affiniti | ANPR | £1,319,094 | No |
| Reed Specialist | Temporary recruitment | £1,002,760 | Yes |
| Forensic Science Service | Forensic services | £921,525 | Yes |
| Sunguard Vivista Ltd | Command and Control | £920,988 | Yes |

.4.2 Weaknesses

- We currently have 2611 suppliers on the E-bis system (this figure was reduced from 5000 in 2005).
- A high number of purchase orders and invoices are still being processed.
- Organisational systems could be developed further.
- More work should be done on supplier consolidation in order to make more effective use of time to source goods and services.
- More work needs to be done to increase the percentage of contractualised spend in order to assist the effective outcome of the Transforming Business Services project.
- There still appears to be a cultural barrier in some parts of the Force to include Procurement in their work teams.
- Procurement could do more to market itself more effectively.

- The reasons for the occasional breach of financial regulations and EU procurement rules needs to be better understood.

5.0 **STRATEGIC OPTIONS**

The choices now open to Cheshire Constabulary have arisen because financial and political conditions are changing. Consequently, the Force needs to make further developments. The emphasis, therefore, is on the further development of Procurement to meet the needs of its customers.

5.1 **Routes to strategic development of procurement**

- (a) Internal development.
- (b) Increased collaboration with the region/nationally.
- (c) Moving into a Shared Service.

5.2 Internal development

Whatever the longer term outcomes, the Strategic Procurement Unit needs to develop further. Firstly, there is the short to medium term development of the Transforming Business Services project. With this scenario, the operational Stores function would split from the SPU in order to merge with an internal Shared Service function. The various Contract Management functions in IT, Estates, and HR would then merge with the SPU in order to form a joint Procurement and Contract Management function.

5.3 Increased collaboration with the region

The SPU would be seeking increased collaboration with the North West region even if the Region decided not to form a Shared Service.

5.4 Moving into a Shared Service

The North West Centre of Excellence has recently carried out a study to identify the feasibility of setting up a North West Shared Service for Police Procurement. Potential participants would be Greater Manchester Police, Merseyside Police, Lancashire Constabulary, Cheshire Constabulary, North Wales Police, and Cumbria Police.

Such a structure would provide greater procurement resilience for the region, and could potentially offer the benefits of a category management structure whereby purchasing professionals would develop specialisms within specific spend categories which could then be utilised for the greater good of the region.

6.0 **CONCLUSIONS AND RECOMMENDATIONS**

The objective of strategic selection is to arrive at a solution which will generate sustainable value for money solutions for Cheshire Constabulary. The emphasis is on sustainable advantage in contrast to advantages which are purely transient.

6.1 **Maximise the savings and productivity of Procurement**

6.1.1 Develop performance management

The SPU has already developed a Performance Management Framework that monitors the effectiveness of procurement; however these performance indicators are now in need of review. The performance measures do demonstrate that value for money is increasing. Performance measurement also allows senior management the opportunity to monitor the effectiveness of the procurement function by registering savings levels.

Savings will be defined in line with the latest Home Office guidelines, and will be validated by the Principal Management Accountant. Efficiency gains are usually counted from the time of implementation. Savings targets comprising are included in the Policing Plan for 09/10 (£350k) and 2010/11 (£300k) which encompasses both directly cashable savings and service delivery benefits that cannot be directly translated to budget reductions but none the less have a monetary value. The target is subject to in year monitoring and is challenging due to the level of savings previously delivered.

6.1.2 Increase the use and number of regional and national Contractual agreements

The SPU has already carried out considerable work to extend the use of regional, national, and bespoke contracts to increase purchasing leverage, reduce processing costs, and reduce maverick spend. A list of some of these contracts has been made available on the Procurement intranet site; however, further work needs to be carried out developing this site in order to make it more user friendly.

6.2 **Reduce procurement processing costs**

6.2.1 Extending the use of electronic ordering

The SPU has been successful in achieving efficiency savings through the introduction of Government Procurement Cards for the purchase of stationery and toner cartridges. It is now seeking to extend these

savings further through the extension of the use of purchasing cards to the procurement of travel, hire cars, and desktops/laptops.

In addition, the SPU has extended the use of e-procurement by utilising the Bluelight e-tendering system in order to tender electronically. Bluelight can be further extended to carry out contract management administration in the future.

6.2.2 Reduction in the number of invoices

The reduction in the number of invoices will be linked to the extension of the use of procurement cards to suppliers with a high volume of invoices. It can also be linked to:

- (a) Reducing the number of suppliers;
- (b) Requesting that suppliers provide consolidated invoices on a monthly basis where appropriate.

6.2.3 Supplier base reduction

It is necessary for Cheshire Constabulary to reduce its procurement processing costs by reducing the number of its suppliers'. The original aim of the Force was to reduce the number of suppliers from the current level of 3000 to 1000 by 2008, however so far this target has not been achieved.

Nevertheless, work has recently commenced to carry out a spend analysis using recently obtained financial data. Further development work can then be carried out to examine the smaller spends, consolidate them via tender exercises, and put them on corporate contracts. This will enable efficiency savings to be realised through reducing the supplier database and will increase the percentage of the Force's contractualised spend.

6.3 **Satisfy our internal customers**

6.3.1 Establish standard processes and procedures

The SPU will further develop its standard operating procedures and documents, together with 'buyers' and 'suppliers' guides that will reduce time, and risk. As mentioned previously, the contract guide on the intranet will be developed further, and a 'Suppliers' guide' will be placed on the internet. More work should be done to assist in opening up the market place to SME suppliers, and the SPU should attend 'Meet the Buyer' events where necessary.

6.3.2 Develop the supplier management system

Cheshire Constabulary currently has 40% of its suppliers' in value terms under supplier management, with a history being kept of supplier performance to enable the Force to assess whether a particular supplier is consistently providing a good or poor service. However, the supplier management system should now be extended to the top 50% of suppliers.

6.4 Raise environmental awareness

6.4.1 In support of the Authority's Environment strategy, the SPU will promote good standards of commercial practice by adopting the four objectives of sustainable development as recommended by the UK Government. These include:

- Social progress which recognises the needs of everyone;
- Effective protection of the environment;
- Prudent use of natural resources;
- Maintenance of high and stable levels of economic growth and employment.

As a result, the SPU will pursue the following strategic objectives:

- To integrate environmental and social considerations into its procurement strategy, purchasing procedures, and, in accordance with UK and EC guidelines, into its procurement process in general.
- To continually improve its environmental and social purchasing and supply performance through the setting and annual review of relevant agreed assessed objectives and targets.
- To specify and exercise a preference for environmentally preferable products that offer demonstrable value for money.
- To take account of whole-life costs in the evaluation of tenders, wherever practical.
- To maintain an environmental supply-chain programme that engages suppliers in a programme to improve:
 - their environmental awareness;
 - the environmental performance of their activities and products;
 - promote social issues where appropriate.
- To reduce the environmental impact of purchasing and supply activities by:

- reducing paper flow through the procurement process;
 - avoiding replication;
 - minimising the administrative burden on suppliers.
- To work in partnership with other public sector purchasing organisations and service providers.
 - To ensure that the SPU's purchasing and supply activities contribute positively to the Constabulary's overarching environmental and social policies.
 - To communicate the SPU's policies widely to suppliers, employees, and other key stakeholders.

6.4.1 The Strategic Procurement Unit will support the Constabulary in its aim to develop an Environmental Management System to manage and minimise environmental impacts.

Most specifically, it will:

- Work with suppliers and contractors to improve environmental performance in the supply chain through a purchasing policy founded on stewardship, and maximise the purchase of sustainable materials.
- Explore the use of green energy as the sole source of electricity supply.
- Work with Property Services to promote the use of recycled materials in maintenance, refurbishment, site development, and construction activities.

The SPU will regularly review its policies and procedures in the area of sustainability in order to successfully support the Constabulary in the development of its Environmental Management System.

7. MANAGING STRATEGIC CHANGE

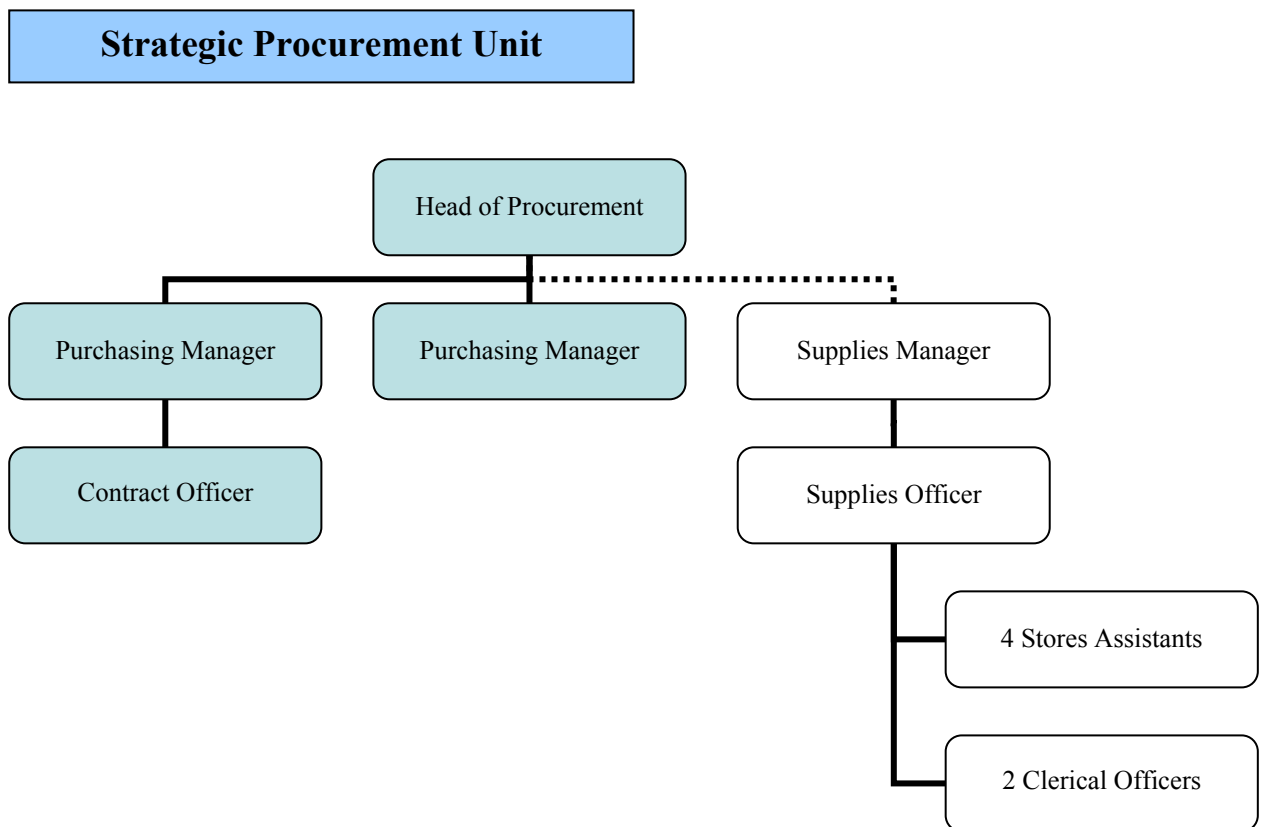
7.1 Organisation and people

The new Strategic Procurement Unit was established in October 2005, comprising a Head of Procurement and two Purchasing Managers. Whilst this team spends the majority of its time working on higher value spend, it was felt that further opportunities to reduce the supplier base were not being exploited, and that the smaller spends remained unconsolidated. In addition, the SPU did not have the time to carry out

diversity audits on its suppliers. As a result, a Contract Officer was appointed to carry out tender exercises in an effort to consolidate the smaller spends, and to assist in the Diversity audits and carry out some supplier management activities. This post was funded by reorganising the current resources.

The Stores function continues to operate alongside the Strategic Procurement Unit. However, this structure may change as a result of the Transforming Business Services project, with Stores being consolidated into the Cheshire Constabulary Shared Service, and all the diverse contract management functions situated in other departments across the Force being consolidated into the SPU.

In the future, the Strategic Procurement Unit structure may be amalgamated into a North West Regional Shared Service. Further work is being undertaken across the North West region to determine how to further improve the use of procurement resources that may lead to a regionally managed unit.



The SPU determines the use of all new and existing suppliers.

Any new organisational structure should:

- Allow the Force greater access to Procurement Specialists in a number of diverse spend categories;
- Provide the Force with greater Procurement resilience as a result of sickness, holidays, and natural wastage.
- Enhance procurement as a strategic function.

7.2 Key tasks

The next stage in the process is ensuring that the procurement strategy is translated from 'grand design' into operational reality, thus ensuring that the strategy is implemented. The key tasks on which the success of strategy implementation rest are outlined in the table below.

| DESCRIPTION OF TASK | IMPLEMENTATION DATE |
|---|---------------------|
| A review of the Performance Management framework. | March 2009 |
| The reduction in the number of suppliers on the supplier database. | Ongoing |
| The extension of the supplier management system. | Ongoing |
| An increase in the percentage of contractualised spend within the Force using regional, national, and local contracts. | Ongoing |
| The establishment of an electronic contract management log accessible to all staff involved in the procurement process, and extendible to the region. | September 2009. |
| A review of the central supplier database on the intranet accessible to requisitioners showing the nature of the group contracts. | Ongoing. |
| The production of a 'Suppliers Guide', to be maintained on the intranet, which gives suppliers' guidance on how to make contact with the force, and how to tender for business. | April 2009 |
| An update of standard tender documentation and terms and conditions. | Ongoing |
| An update of the procurement documentation to comply with the requirements of sustainable procurement. | May 2009 |
| The production of an Environmental Procurement Guide to be written in conjunction with the Estates Dept. | June 2009 |
| The production of a guide on how to write | |

| | |
|--|---------------|
| specifications. | June 2009 |
| The completion of Diversity audits on all suppliers. | December 2011 |
| The implementation of consolidated monthly invoicing for contract suppliers. | Ongoing |