

WARWICKSHIRE POLICE AUTHORITY – 22 FEBRUARY 2010

Procurement Review – Temporary changes to Contract Standing Orders

Joint Report of the Chief Constable, Treasurer to the Authority and Chief Executive of the Authority

Summary

This report sets out proposals and seeks Authority approval to a temporary amendment of Contract Standing Orders necessary in order to allow a new business and organisational model, developed in response to issues raised by the Procurement Review and agreed by the Financial Management Arrangements Steering Group (FMASG), to be piloted.

Recommendations

The Police Authority is asked to agree:

- a) In accordance with the requirements of contract standing orders, the proposed temporary changes in the levels of delegation and process of authorisation as set out in section 6 below.
- b) That responsibility is delegated to FMASG to determine, based on ongoing review of the pilot, the duration of such temporary arrangements and the need to seek authority for any permanent change to CSO's in due course.

1. Background

- 1.1 Earlier in the year PMMS consultancy undertook a review of procurement and presented their findings to FMASG.
- 1.2 Following discussions with PMMS, the key issues and proposed actions have been distilled and an action plan and new approach to procurement agreed by the Steering Group.
- 1.3 The action plan and agreed new approach is reflected in the comments below.

2. Action Plan

- 2.1 In developing the action plan, it was recognised that there are shorter-term improvements that can be made, i.e. generally within the next three months and longer-term improvements that could be in place by the end of the financial year.

2.2 However, if we are to make progress in implementing these improvements we need to create capacity within the procurement team. The action plan therefore identified a number of potential immediate and potentially short-term changes that would reduce the existing workload of the team.

Immediate Actions

2.3 The PMMS report proposes that the focus of the central procurement team needs to shift from day to day transactional to a greater focus on strategic procurement. If we can remove some of the transactional activity in the short term, it will release resources to help drive through the longer term improvements.

2.4 The proposed changes relevant to this report are listed below and considered in more detail later in this report:

- Role of Procurement
- Temporary Transactional Changes

Short Term Actions

2.5 If the central team are to refocus on strategic procurement, we need to explore options for reducing the level of transactional activity currently being undertaken by the team. Key to this will be to increase the delegated authority of Cost Centre Managers to approve orders and, for lower value items, to address their own procurement needs. This is likely to involve a change in the role of Requisitioners and requiring them to have a greater knowledge of procurement.

2.6 One of the first actions in the short term will therefore be to review the role, number and location of requisitioners and develop a professional link to the procurement team. Part of this review will need to consider the scope for delegating low value procurement activity to cost centre managers.

2.7 It is essential that the central team is appropriately skilled and resourced and the short term action plan therefore includes determining and implementing an appropriate organisational structure for the procurement function and addressing as necessary any skills or competency gaps.

2.8 For the Central team to focus on strategic procurement in an effective way we need to implement a strategic sourcing methodology.

2.9 It is clear that the overarching requirement of procurement is to ensure that we can demonstrate value for money in our procurement activity. Currently there is little appropriate performance information available and one of the key short-term actions is therefore to define and agree functional measures of performance.

Longer Term Actions

2.10 Implementation of the above changes is likely to result in changes to the controls we currently have in place and therefore we will need to update our procurement policy, contract standing orders, schemes of delegation and systems and process documentation.

2.11 PMMS have suggested that there is scope to improve our supplier management arrangements and suggested that this can be achieved through the development and implementation of a supplier performance and relationship management tool kit together with appropriate supplier performance measures.

3. Role of Procurement

3.1 It is proposed that the central procurement team focus on strategic procurement. This would involve:

- Leading commercial aspects of all tendering and sourcing activity. Identification of possible new sources of supply to meet business needs and conducting market research.
- Leading supplier assessment and evaluation processes including negotiation and contract award.
- Overarching responsibility for the supplier performance and the relationship. Point of escalation in the event of non-performance.
- Authorising and managing contract changes
- Approval of all new suppliers and controlling set-up

3.2 This would also involve extending the role of Cost Centre Managers and their support staff to be responsible for:

- Identification of business needs and development of specifications. Supporting sourcing activity in a technical capacity.
- Supporting supplier assessment and evaluation activity in conjunction with Procurement
- Day-to-day management of the contract and supplier interaction.
- Placing purchase orders and expediting requirements subject to limits/controls. Dealing with minor changes to POs such as quantity and organising low value supplies

4. Temporary Transactional Changes

4.1 To reduce the amount of transactional activity within the central procurement team the FMASG agreed that the attached approach should be introduced for minor purchases, subject to Police Authority approval for amendment to Contract Standing Orders (CSOs).

4.2 The key issue is clearly the level of delegation with the FMASG recommended levels being as follows for order approval:

- **Catalogue Items**
Recommendation - No limit on value of orders to be approved by relevant "Approvers".

(**Note** - Currently Central Procurement team approval to orders over £10,000 is required)

- **Non Catalogue Items available through authorised supplier**
Recommendation - Orders less than £10,000 can be approved by relevant “Approver” provided it doesn’t relate to IT, Property, Transport or Human Resources (temporary staff). Any such procurement to be carried out in accordance with the revised arrangements set out below.
(**Note** - Currently Central Procurement team obtain all tender prices / quotations and approval to all orders)

- **Non Catalogue Items not available through authorised supplier**
Recommendation - Orders less than £2,500 can be approved by relevant “Approver” provided it doesn’t relate to IT, Property, Transport or Human Resources (temporary staff) and any such procurement is carried out in accordance with the revised arrangements set out below.
(**Note** - Currently Central Procurement team obtain all tender prices / quotations and approval to all orders)

4.3 Currently where a contract is not already on eProcurement the Central Procurement team must be contacted and will normally manage the procurement process. CSOs currently require Central Procurement to obtain quotations/tenders from at least three suppliers.

4.4 It is proposed that the following, more simplified, procurement process is introduced for small value purchases which will empower “approvers” to facilitate their own procurement. Clearly though a pre-requisite to all purchases will be a requirement to demonstrate value for money.

- Purchase value less than £500
One verbal quote (Note: there is a requirement to demonstrate value for money and one way of achieving this is to obtain more than one quotation)

- Purchase value between £500 and £2,500
One verbal quote confirmed in writing (Note: there is a requirement to demonstrate value for money and one way of achieving this is to obtain more than one quotation)

- Purchase value between £2,500 and £10,000
Two verbal quotes required confirmed in writing

- Purchase value greater than £10,000
Existing requirements will continue to apply
ie Central Procurement to determine the procurement process but a minimum of three tenders / quotations must be obtained.

4.5 Adherence to these new rules will be monitored on a daily basis and rigorously enforced. Support of senior management in taking action where these rules are not followed is essential.

Procurement Decision Tree – Minor Purchases

Step 1

Does the item relate to Property, IT, Transport or Human Resources?
(see definition)

Yes – Contact relevant section in Resources Directorate.

No - Go to Step 2

Step 2

Is the item available in the Catalogue?
(Note: Catalogue means the electronic catalogues held on the E Proc system)

Yes – place order through E Proc and obtain approval from relevant “Approver”

No - Go to Step 3

Step 3

Is the order value more than £10,000?

Yes – Contact Contracts and Purchasing.

No - Go to Step 4

Step 4

Is the order value less than £2,500?

Yes – obtain a verbal quotation from at least 1 Supplier (confirmed in writing if greater than £500) and place order through E Proc and obtain approval from relevant “Approver”.

(Note 1: if supplier is not a regular supplier then you will need to follow the arrangements to set up a temporary supplier)

(Note 2: you will need to be able to demonstrate value for money and one way of achieving this is to obtain more than one quotation)

No - Go to Step 5

Step 5

Is the item available from an “approved supplier”?
(see list of approved suppliers for specific categories)

Yes – obtain a verbal quotation from at least 2 Supplier and place order through E Proc and obtain approval from relevant “Approver”

No – Contact Contracts and Purchasing