



Home Office

# **OBTAINING BETTER VALUE FOR MONEY FROM POLICE PROCUREMENT**

## **SUMMARY OF CONSULTATION: RESPONSES AND NEXT STEPS**





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# 1. INTRODUCTION

1.01 On 26 July 2010, the Government published its proposals for Regulations under Section 53, subject to Parliament, and Section 57 of the Police Act 1996 that would require police authorities to procure specified equipment and services through particular frameworks. For the specified equipment and services, these Regulations would replace the current arrangements through which forces procure goods and services individually. Respondents were given until 20 September 2010 to reply.

1.02 The consultation invited responses to five specific questions.

- Whether there were further categories of goods and services which should be mandated for procurement under specified frameworks?
- What the timescale for implementation for new frameworks should be?
- How police forces or authorities see the proposed Regulations operating in practice and whether they have any specific concerns?
- How businesses expected that the proposed Regulations would affect their ability to engage with the police service?
- Whether there were any particular implications for small and medium enterprises and what would help such businesses better engage with the police?

1.03 Overall, the Home Office received 79 responses. 12 were from police forces, including one jointly submitted by a force and police authority and one jointly submitted by four forces, six were from police authorities and 52 were from businesses. In addition, responses were received from the Association of Chief Police Officers (ACPO), the Association of Police Lawyers, the Audit Commission, the Business Services Association, the Federation of Small Businesses, the Police Authority Treasurers Society and three individuals. Comments from 16 police forces were

included in the overall response from ACPO, although seven of these forces had also responded direct to the Home Office.

1.04 After the consultation finished, it became apparent that the Sprint ii framework was a more appropriate contractual arrangement for the procurement of IT commoditised hardware and commercial off the shelf software than the Commoditised IT Hardware and Software frameworks mentioned in the draft Regulations that were included in the consultation document. The Home Office wrote to the original recipients of the consultation and the respondents on 19 October to invite additional comments or representations by 1 November and to Chief Constables and Chairs of police authorities on 25 October to invite additional comments or representations by 3 November. 22 additional responses were received, of which 14 were from police forces, one from a police authority and seven from businesses. 17 of the 22 respondents had first responded during the main consultation.

1.05 Annex A lists all organisations that responded to the consultation.

1.06 The rest of this document sets out the key points made during the consultation and the Government's next steps.

1.07 Following the completion of the consultation period and having considered the responses and reflected them in an Impact Assessment, the Government intends now to proceed to

- lay before Parliament Regulations under Section 53 of the Police Act 1996;

and, subject to further consideration of the implications for the National Forensic Framework of the changes to the Forensic Science Service announced on 14 December, to

- make Regulations under Section 57 of the Police Act 1996.

## 2. RESPONSE TO THE CONSULTATION

### OUR VISION

2.01 As the taxpayer rightly expects improvements in value for money, it is no longer defensible for goods and services for policing to be bought in up to 43 different ways across England and Wales. The police service spends £3.3 billion each year on goods and services, of which £2.8 billion is spent by police authorities, some of it already through contracts let nationally, but much through contracts let regionally or locally. As well as failing to provide the best deal for the taxpayer, this approach is wastefully bureaucratic, both in terms of the time and effort for police staff and officers in deciding specifications and going through procurement processes and for would-be suppliers.

2.02 The Government intends to require the police service to use prescribed contractual arrangements for procurement of equipment and services. Chapter 4 of *Policing in the 21st Century: Reconnecting police and the people*, which sets out the Government's proposals for police reform over the next five years, explains that the Government will legislate at an early opportunity to ensure a coherent basis for the Home Secretary to specify procurement arrangements to be used by the service. But, in the meantime, in order to ensure that savings are made as soon as possible to support deficit reduction, the Government plans to implement Regulations under existing legislation to specify certain contractual arrangements to be used by the service.

### KEY COMMENTS FROM THE CONSULTATION

#### ADDITIONAL CATEGORIES OF GOODS AND SERVICES TO BE MANDATED

2.03 Over 60 different categories of goods and services were recommended for mandation. Some, such as stationery and catering, were not specific to the police service, while there were several categories which overlapped, for example, energy and utilities. The categories of goods and services which were suggested most frequently and ranked in order were:-

#### **Goods**

- Uniforms
- Personal protection equipment (including batons, handcuffs, incapacitants and Tasers)
- Fuel
- Surveillance equipment
- Firearms

#### **Services**

- Utilities and energy
- Insurance
- Air Support
- Consultancy
- Temporary and agency staff
- Training
- Local confidence surveys

2.04 The timetable recommended for implementation was variable and ranged from immediately to two years. Several respondents said implementation should be 'as soon as practicable' or 'on expiry of existing contracts'.

### IMPACT OF THE REGULATIONS ON THE POLICE SERVICE

2.05 The responses from police forces and authorities focused mainly on general concerns about how Regulations would work and the wider context in which they would operate, rather than specific concerns about the equipment and services to be covered in the proposed Regulations. These concerns would be relevant to any future Regulations to mandate additional categories of equipment and services.

2.06 ACPO and many of the forces which responded were generally supportive of the Regulations. However, some respondents commented that national frameworks and economies of scale did not always offer best value for money. They suggested that mandating particular contractual arrangements might overlook local suppliers that could, in some cases, offer better value for money and argued that a national approach to police procurement should be sufficiently flexible to allow for procurement outside specified frameworks when there were cost benefits. Some police authorities noted that their forces obtained services from local

authorities. They were concerned that future additions to the categories of services included in the Services Regulations might prevent such arrangements continuing and offer poorer value for money.

2.07 Some of the forces and police authorities which responded highlighted the need for effective supplier, demand and contract management to support the effect of the Regulations. It was also recognised that procurement skills and contract management experience were in short supply in the police service, and a couple of suggestions were made for a central organisation to be given responsibility for tendering, contract management, ensuring compliance and evaluating outcomes.

2.08 A few forces said it was important for the police service to be involved in designing product and service specifications for specified contractual arrangements.

2.09 One response noted that some substantial categories of equipment and services were already bought largely through collaborative contracts, which would limit the scope for additional efficiency gains.

### **IMPACT OF THE REGULATIONS ON SUPPLIERS**

2.10 Of the 52 businesses which responded, 21 focused on equipment and services specified in the draft Regulations. 17 of the respondents focused on categories of equipment and services which were not specified in the draft Regulations, with insurance and legal services being the most frequently mentioned. A further 12 responses did not specifically comment on the proposed Regulations – most of these responses were either enquiries about bidding to join frameworks or expressions of interest about supplying equipment or services to the police.

2.11 Some suppliers recognised the benefits to business of mandating procurement in terms of reduced cost of preparing bids and improved ability to engage with the police service. These appeared to be mainly large, nationally-known enterprises.

2.12 Like the police service, several suppliers considered that national frameworks and economies of scale did not always offer best value for money. A number of suppliers also gave examples of where they considered they could offer goods and services at a lower price than under established framework arrangements.

2.13 Several respondents also commented that the cost of preparing bids for police business was high (a cost of £1,000 was quoted as an example of the cost to businesses of preparing a bid for a £20,000 tender). As well as the cost, there was reference to the amount of bureaucracy associated with preparing tenders. It was considered to be a deterrent to potential suppliers from participating in the police equipment and services market.

2.14 Concern was also raised that the consequence of there being fewer suppliers might be a supplier monopoly or the dominance of the market by a small number of large suppliers, which would be detrimental to competition and innovation.

### **IMPACT OF REGULATIONS ON SMALL AND MEDIUM ENTERPRISES**

2.15 The Department for Business, Innovation and Skills' definition of a 'small or medium enterprise' is a business with fewer than 250 employees. The development of the small and medium enterprise sector is a key priority for BIS so, in addition to evaluating the impact of the Regulations on business as a whole, we have also evaluated the impact of the Regulations on small and medium enterprises.

2.16 The impact of the Regulations on small and medium enterprises generated the greatest proportion of the comment from suppliers. The greatest concern was that the aggregation of the police procurement market would make it harder for small and medium enterprises to access it, because of the larger volume requirements to be met which might be beyond the capacity of small and medium enterprises. Suppliers of niche products or services, in particular, felt that mandating procurement from large frameworks would restrict their ability to access the market.

2.17 A number of suggestions were made to make it easier for small and medium enterprises to access the police goods and services market. These included: sub-contracting all or part of the main contract; holding 'buyer days' where prospective suppliers can meet the police service and find out more about meeting the market's requirements; giving adequate notice of tenders so that small and medium enterprises have sufficient time to arrange consortia or to arrange to sub-contract for a larger supplier; requiring prompt payments to be made to suppliers (which will benefit small and medium enterprises which have smaller cash flows); standardising application forms and terms and conditions for contracts, and; providing training and guidance for small and medium enterprises.

### KEY COMMENTS FROM THE FURTHER CONSULTATION

2.18 There was some concern from both forces and suppliers about the impact of the replacement of the Commoditised IT Hardware and Software (CITHS) framework with the Sprint ii framework. Seven forces, one police authority and two suppliers were concerned about the mandation of a single supplier framework and the lack of competition that could result in a lack of incentive for the supplier to provide an effective service or to keep costs down. Two forces and a supplier also made the point about the need to ensure that the use of a single supplier framework complied with EU competition law. A large force was concerned that, because OGC guidance indicated that Sprint ii was suited to the procurement of 'non-complex software', this would create uncertainty about what should be bought through it and increase the possibility of forces facing legal challenge. Further suggestions were made for additional frameworks and categories to be added to the Regulations. This would require separate consultation and may be considered in any proposals for further Regulations.

### OTHER ISSUES RAISED

2.19 Several forces and authorities considered that EU competition law was a barrier to inter-force collaboration and there was a suggestion that OJEU rules should be reviewed. This was outside the scope of the consultation.

2.20 There were views about the practicality of centrally procuring some specialist services, such as insurance and legal services, because of the way the markets were structured. However, neither of these services are being covered by the Regulations now proposed and so the concerns can be further considered should potentially suitable contractual arrangements be considered for inclusion in future Regulations.

2.21 A significant UK manufacturer took the view that frameworks should be sufficiently flexible to keep pace with market changes, such as the introduction of new models or variants, and to include in frameworks suppliers who meet price and performance criteria but cannot supply all the variants specified.

2.22 Some suppliers of very specialised equipment were of the view that such equipment should be exempted from mandation. They were concerned that the level of transparency required by contractual frameworks could reveal classified trade secrets to competitors or to compromise the capacity of the police and security services to fight crime and terrorism by allowing adversaries to find out their operational capacity and limitations. Such equipment does not fall within the scope of the Regulations now proposed.



## 3. THE GOVERNMENT'S RESPONSE AND NEXT STEPS

3.01 The Efficiency Review by Sir Philip Green on Government spending, published on 11 October 2010, has highlighted the scope for making efficiency savings across Government through more effective procurement of goods and services. The proposed Regulations requiring the police service to procure goods and services under specified contractual arrangements would be in line with Sir Philip's views about the benefits of aggregating procurement.

3.02 Having considered the responses to the consultation document, the Government remains convinced that the aggregation of police procurement through centrally negotiated contractual arrangements is an important step toward improving the value for money obtained from police expenditure on equipment and services. The Government therefore intends to proceed to make Regulations under Section 53 of the Police Act 1996 and lay them before Parliament and, subject to further consideration of the implications for the National Forensic Framework of the changes to the Forensic Science Service announced on 14 December, to make Regulations under Section 57 of the Police Act 1996.

3.03 The Impact Assessment estimates that, by 2013/14, annual recurring savings of over £19 million should be realised through the effect of the proposed Regulations, requiring the service to purchase its IT hardware and software, vehicles, body armour and forensics under specified contractual arrangements.

3.04 A Small Firms Impact Test has been conducted. The Regulations will not impose any specific burden or financial obligation on businesses generally or on Small and Medium Enterprises (SMEs) in particular. The Regulations require the police service to use contractual arrangements that have already been awarded following appropriate competition. Suppliers for contractual arrangements covered by the Regulations may benefit from there being fewer, but larger, procurements by the police service, from standardised requirements and from a more straightforward route to engaging with the service, instead of having to respond to multiple small

tendering exercises by the service. Small and medium suppliers may find it more straightforward to engage with prime contractors to the service than with up to 43 individual forces directly.

3.05 Some SMEs might have tendered to supply forces through tendering exercises that will not now take place because forces migrate to the mandated frameworks, rather than conducting separate procurements. That will mean that some suppliers miss out on business that they might have won.

3.06 Extension of the aggregation of police procurement through requiring the police service to procure further goods and services through specified contractual arrangements will mean fewer but higher value procurements by the police service overall. This might make it harder for small firms to sustain the cost of preparing bids, or to meet the volumes of goods or services required. On the other hand, for small firms as for larger ones, it would be more straightforward to engage with a much less fragmented police market.

3.07 There is scope for SMEs to increase their capacity to deliver by forming consortia, either with other SMEs or with larger mainstream companies. Another route for SMEs to access the police goods and services market may be through the sub-contracting of equipment or service provision through the contracts, as is expected to happen with the body armour contract included in the police equipment Regulations. SMEs have highlighted the need for adequate notice to be given in tendering notices for contracts, for example to give them the time needed to negotiate consortium agreements with other suppliers or sub-contract arrangements with larger suppliers and improve their chances of accessing police procurement frameworks. The notice periods required for procurement in line with the EU procurement directives should be sufficient for this.

3.08 It is notable that the numbers of SMEs contracted to provide goods and services for the Fire and Rescue Service increased from 27% to 52% following the aggregation of procurement in 2006.

3.09 An Equalities Impact Assessment has been conducted. The Government has engaged with the police staff diversity associations to seek views on any impact on particular groups that they are able to identify. None of the diversity associations responded to the consultation.

3.10 Insofar as the Regulations have an impact on business, particularly small firms, there might be an impact on members of diverse groups (women, BME communities and disabled people) who work for, own, or are majority partners or stakeholders in SMEs. Data from the Department for Business, Innovation & Skills (BIS) suggests that 7% of all SMEs in the United Kingdom are led by members of BME groups, 12% are majority female-led and 8% are led by partners or directors with long-standing illnesses or disability. No suppliers responding to the consultation identified particular diversity issues.

3.11 The Government intends to add further categories of equipment and services to the Regulations as appropriate further contractual frameworks are identified or set up. Proposals for further Regulations about the procurement of goods or services for the police will be subject to appropriate consultation. That will enable concerns about particular categories of equipment or services, for example where services are presently supplied to the police by local authorities, to be considered.

3.12 There have been two changes to the frameworks to be specified in the Regulations. When the consultation on Obtaining Better Value for Money from Police Procurement was launched on 26 July, the Government proposed that the police service should be required to use the Commoditised IT Hardware and Software (CITHS) frameworks for (i) Desktop Hardware, (ii) IT Infrastructure Hardware and (iii) Specialist Channel Partners for Software. After the consultation finished, it became apparent that the Sprint ii framework was a more appropriate contractual arrangement for the procurement of IT commoditised hardware and commercial off the shelf software than the CITHS frameworks. In addition, the Microsoft Public Sector Agreement

will not appear in the final version of the Regulations because Microsoft licences can only be bought by the public sector at an agreed price, so regulation is unnecessary.

3.13 In respect of the inclusion of the Sprint ii framework in the Regulations, this framework has been subject to appropriate competition and is open to public sector organisations, including the police service. The Regulations will make clear that the requirement to use Sprint ii applies only to IT hardware and to commercial off the shelf software available through that framework. Commercial, off-the-shelf software is an industry term used to describe software that is ready-made and available for sale, lease or licence that can be used with little or no modification.

3.14 The Regulations apply to framework arrangements that are already in place and that have been subject to appropriate competition. The Government recognises there may be cases where individual suppliers offer lower prices for goods and services than those available under specified contractual arrangements. However, the criteria for framework arrangements goes wider than price – prospective suppliers must demonstrate they can satisfy the volume demands of the framework and both the standards and the range of models and variants specified. Allowing forces and authorities to procure equipment and services outside the specified framework arrangements for the categories covered by the Regulations would undermine the policy intention to aggregate police procurement, reduce the value to be obtained from the specified frameworks and lead to an increase in the numbers of small-scale procurement exercises and, consequently, in costs to the service.

3.15 The design of specifications for frameworks for police-specific equipment and services is co-ordinated by the Collaborative Police Procurement Programme Board, which is chaired by NPIA and on which the police service is represented by both ACPO and the Association of Police Authorities (APA). NPIA has also established a Business Design Authority for the ISIS programme under which police IT systems are

being converged. This ensures that input from the service is taken into account when specifications for contractual frameworks are prepared.

3.16 The Government does not agree that suppliers should be able to join frameworks if they cannot provide the full range of variants specified in a framework. Specifications for frameworks are prepared to meet operational needs and it is essential that equipment and services purchased fully meet these demanding requirements. Potential suppliers must also demonstrate their financial viability at the time the contract is awarded.

3.17 The current timeline for preparing and submitting tenders for frameworks is between 6-9 months. This is considered to be sufficient time for small and medium enterprises (SMEs) to negotiate consortia or partnerships for submitting bids or sub-contracting arrangements with larger suppliers.

3.18 NPIA is rolling out a procurement toolkit for suppliers to help them with the application process, and contracts provide for continuous improvement of models or variants by suppliers. The Government cannot require suppliers to sub-contract part of their deliverables but it will insist upon fair treatment of SMEs in the light of its wider policy objective of placing 25% of procurement with SMEs.

3.19 NPIA already offers training in procurement skills and contract management to forces and authorities and holds buyer and supplier days. Guidance to prospective suppliers on satisfying the requirements of contractual frameworks can be found on the Office for Government Commerce website.

# ANNEX A - LIST OF RESPONDENTS

## NATIONAL ORGANISATIONS

Association of Chief Police Officers (ACPO)  
Association of Police Lawyers  
Audit Commission  
Business Services Association  
Federation of Small Businesses  
Police Authority Treasurers' Society

## POLICE FORCES

Avon & Somerset Constabulary  
Cambridgeshire Constabulary  
Cheshire Constabulary  
Derbyshire Constabulary (jointly with  
Derbyshire Police Authority)  
Dyfed-Powys Police (on behalf of Welsh  
forces)  
Greater Manchester Police  
Hampshire Constabulary  
Hertfordshire Constabulary  
Lancashire Constabulary  
Lincolnshire Police  
Metropolitan Police  
Norfolk Constabulary  
Northamptonshire Police  
North Yorkshire Police  
West Yorkshire Police  
Joint response on behalf of Hampshire  
Constabulary, Surrey Police, Sussex Police  
and Thames Valley Police

## POLICE AUTHORITIES

City of London Corporation  
Derbyshire Police Authority (jointly with  
Derbyshire Constabulary)  
Dorset Police Authority  
Greater Manchester Police Authority  
Hertfordshire Police Authority  
North Yorkshire Police Authority  
West Yorkshire Police Authority  
Wiltshire Police Authority

## BUSINESSES

ADS Group Ltd  
Aegis Ltd/Shieldtec plc  
Airwave Solutions Ltd  
Anson (UK) Ltd  
British Telecom

Buchanan Computing  
CACI Ltd  
Campbell Reith  
Capgemini  
CBF/Servicepoint  
Cedar HR  
Centerprise International Ltd  
Charter Office Equipment Ltd  
CLAS Co-operative Ltd  
Computacenter (UK) Ltd  
De Poel  
Detica  
DTEC International Ltd  
ECS Group  
W T Egan Ltd  
Elite Systems (GB) Ltd  
EMC Ltd  
Energys Group  
Forensic Telecommunications Ltd  
G4S  
Global Armour  
Hunter Apparel Solutions Ltd  
Intellect  
International Training Service Ltd  
Jaguar Cars Ltd and Land Rover  
Jubilee Design & Development  
LaTouche Management Services Ltd  
Logica UK Ltd  
MD5 Ltd  
Militec Ltd  
Millcam Ltd  
Millennium Business Systems  
Mot Juste Ltd  
Northgate Public Services  
Obsidian Telecom  
Orona Ltd  
QinetiQ  
Reed Consulting  
Risk Management Partners Ltd  
Screwfix Direct Ltd  
SDL  
Shredability Ltd  
Smith & Watson Productions  
Soutron Ltd  
Transputec Computers Ltd  
Veale Wasborough Vizards  
Wild One Tours

**INDIVIDUALS**

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