Home Office

THE POLICE ACT 1996 (EQUIPMENT) REGULATIONS 2011 AND THE POLICE ACT 1996 (SERVICES) REGULATIONS 2011

IMPACT ASSESSMENT

Title: **The Police Act 1996 (Equipment) Regulations 2011 and the Police Act 1996 (Services) Regulations 2011**	Impact Assessment (IA)
Lead department or agency:	**IA No:** HO 0039
Home Office (Police Productivity Unit)	**Date** 08/02/11
Other departments or agencies:	**Stage:** Final
National Policing Improvement Agency	**Source intervention:** Domestic
	Type of measure: Secondary legislation
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Summary: Intervention and Options

What is the problem under consideration? Why is Government intervention necessary?

In the Spending Review on 20 October, the Chancellor announced that Departments, including the Home Office, will face real cuts over the next four years. The police will have to contribute through substantial savings. Opportunities to make substantial savings in buying goods and services and in buying IT have been identified, but exploiting them depends on changing the patchwork of separate procurement by police authorities. Voluntary collaborative action has failed to deliver this. *Policing in the 21st Century: reconnecting police and the people,* explained that, as part of its plan for police reform, the Government intends to specify the contractual arrangements to be used by the police service to procure equipment and other goods and services. Secondary legislation is required to achieve this aim.

What are the policy objectives and the intended effects?

Objectives: reduce the cost to the police service of buying equipment, goods and services ensuring that savings identified in the Collaborative Police Procurement Programme are realised. For information technology - to ensure that equipment bought conforms to the Information Systems Improvement Strategy (ISIS), supporting the convergence of police IT.
The intended effects are that procurement is aggregated, delivering savings; that procurement savings help the police service to manage real cuts in funding. In addition, duplicated procurement effort by police service staff will be reduced, it will become easier for suppliers to engage with the police service and duplicated bidding activity by suppliers will be reduced.

What policy options have been considered? Please justify preferred option (further details in Evidence Base)

Option 1: Do nothing, continue with present arrangements – will not deliver the full potential savings or IT convergence. A voluntary approach has not been sufficient to ensure standardisation and aggregation of police procurement

Option 2: Use existing regulatory powers to drive aggregated procurement of specified equipment and services where appropriate contractual arrangements exist. Regulations would be made under Sections 53 and 57 of the Police Act 1996 will contribute to the delivery of the savings. The Regulations would be expected to come into force in March 2011. Section 53 Regulations are subject to the negative resolution parliamentary procedure, under which they would be laid before parliament and come into force unless prayed against.

Option 2 is preferred as it makes an immediate and guaranteed start on driving the delivery of savings.

When will the policy be reviewed to establish its impact and the extent to which the policy objectives have been achieved?	It will be reviewed March 2014
Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?	Yes

Ministerial Sign-off for final stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) the benefits justify the costs.

Signed by the responsible Minister:.. Date:.......................................

Summary: Analysis and Evidence — Policy Option 2

Description:

Price Base Year 10/11	PV Base Year 10/11	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: £40.9m	**High: £243.8m**	**Best Estimate: £136.9m**

COSTS	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	£ 0.1m	2010/11-2011/12	0	**£ 0.1m**
High	£ 0.7m		0	**£ 0.6m**
Best Estimate	£ 0.2m		0	**£0.2m**

Description and scale of key monetised costs by 'main affected groups' NPIA, in consultation with forces, has estimated maximum one-off transition cost of £15k per force moving to a different vehicle provider under the new framework. There are no transition costs for the other categories covered by the Regulations. Maximum cost = £0.7m (43 * £15k). 11 forces assumed to transition to the new framework in 2010/11 (£0.2m) and 32 in 2011/12 (£0.5m). "High" scenario attributes maximum cost to the Regulations. "Best estimate" scenario attributes 30% of the maximum to the Regulations (assuming this is the proportion of the service that would not move to the framework without compulsion (£0.7m * 30%). Low scenario attributes 10% of maximum costs to the Regulations (£0.7m *10%).

Other key non-monetised costs by 'main affected groups'

Standardisation across the police service supporting inter-operability between forces

BENEFITS	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	£7.8m	2010/11-2012/13	£5.9m	**£40.9m**
High	£47.6m		£36.1m	**£244.4m**
Best Estimate	£26.1m		£19.7m	**£137.1m**

Description and scale of key monetised benefits by 'main affected groups' Savings from reduced contract costs. High scenario £42.1m in the transition years (£0.8m from body armour, £13.8m from vehicles, £15m from Sprint II, £12.5m from forensics), continuing at £33.3m per year thereafter (£0.7m per year body armour, £11.4m per year vehicles, £13.0m per year Sprint II, £8.3m per year forensics). Plus savings from reduced procurement activity by forces across the 4 categories. High Scenario £5.5m in the transition years (111 fewer procurements per year * £25k per procurement * 2 years) continuing at £2.8m per year. "High" scenario attributes realisation of 100% of available savings to Regulations, "Best" scenario between 30% and 70% depending upon the procurement category, "Low" scenario 10% - 20%.

Other key non-monetised benefits by 'main affected groups'

Private Sector – suppliers for categories covered by 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.
In particular 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.

Key assumptions/sensitivities/risks — **Discount rate (%)** 3.5

- Assumption: Regulation is required to drive realisation of all the available savings
- Some savings would be realised by voluntary use of the specified contractual arrangements.
- Risk: convergence of IS/IT is deferred without Regulations to standardise and aggregate IS/IT procurement
- Small and medium-sized enterprises might find it more difficult to compete in a reduced supplier market.
- Risk: Benefits are likely to be lower if baseline budgets are reduced after the spending review.

Impact on admin burden (AB) (£m): 0			**Impact on policy cost savings (£m):**	**In scope**
New AB:	**AB savings:**	**Net:**	**Policy cost savings:**	Yes/No

Enforcement, Implementation and Wider Impacts — Policy Option 2

What is the geographic coverage of the policy/option?	England and Wales				
From what date will the policy be implemented?	1 March 2011				
Which organisation(s) will enforce the policy?	Police forces and authorities (Police and Crime Commissioners in due course), HMIC, Audit Commission				
What is the total annual cost (£m) of enforcement for these organisations?	No change				
Does enforcement comply with Hampton principles?	Yes				
Does implementation go beyond minimum EU requirements?	N/A				
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)	**Traded:** N/A	**Non-traded:** N/A			
Does the proposal have an impact on competition?	Yes				
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?	**Costs:** N/A	**Benefits:** N/A			
Annual cost (£m) per organisation (excl. Transition) (Constant Price)	**Micro** N/K	**< 20** N/K	**Small** N/K	**Medium** N/K	**Large** N/K
Are any of these organisations exempt?	No	No	No	No	No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on…	Impact	Page ref within IA
Statutory equality duties[1]? Equality and Human Rights Commission: General guidance	No	13
Economic impacts		
Competition? Competition Impact Assessment	No	
Small firms? Small Firms Impact Test	Yes	13
Environmental impacts		
Greenhouse gas assessment? http://www.defra.gov.uk/environment/index.htm	No	
Wider environmental issues? Guidance has been created on the Defra site	No	
Social impacts		
Health and well-being? Health: Health Impact Assessment	No	
Human rights? Ministry of Justice: Human Rights	No	
Justice?	No	
Rural proofing? Commission for Rural Communities	No	
Sustainability? Defra: Think sustainable	No	

[1] Race, disability and gender Impact assessments are statutory requirements for relevant policies. Equality statutory requirements will be expanded 2011, once the Equality Bill comes into force. Statutory equality duties part of the Equality Bill apply to GB only. The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Evidence Base (for summary sheets) – Notes

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

References

No.	Legislation or publication
1	Sections 53 and 57 of the Police Act 1996
2	High Level Working Group report on police value for money
3	Policing in the 21st Century: reconnecting police and the people
4	Obtaining Better Value for Money from Police Procurement
5	Sir Philip Green's Review, published 11/10/10
6	Sustaining Value for Money in the Police Service

+ Add another row

Include the links to relevant legislation and publications, such as public impact assessment of earlier stages (e.g. Consultation, Final, Implementation).

Evidence Base

Ensure that the information in this section provides clear evidence of the information provided in the summary pages of this form (recommended maximum of 30 pages). Complete the **Annual profile of monetised costs and benefits** (transition and recurring) below over the life of the policy (use the spreadsheet attached if the period is longer than 10 years).

The spreadsheet also contains an emission changes table that you will need to fill in if your measure has an impact on greenhouse gas emissions.

Annual profile of monetised costs and benefits* - (£m) constant prices – Option 2 (Best Estimate)

	Y_0	Y_1	Y_2	Y_3	Y_4	Y_5	Y_6	Y_7	Y_8	Y_9
Transition costs	0.1	0.1	0	0	0	0	0	0	0	0
Annual recurring cost	0	0	0	0	0	0	0	0	0	0
Total annual costs	0.1	0.1	0	0	0	0	0	0	0	0
Transition benefits	2.5	9.2	14.4	0	0	0	0	0	0	0
Annual recurring benefits	0	0	0	19.7	19.7	19.7	19.7	19.7	19.7	19.7
Total annual benefits	2.5	9.2	14.4	19.7	19.7	19.7	19.7	19.7	19.7	19.7

* For non-monetised benefits please see summary pages and main evidence base section

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EVIDENCE BASE (FOR SUMMARY SHEETS)

A. STRATEGIC OVERVIEW

A.1 BACKGROUND

The police service currently procures equipment and services, including Information Systems/Information Technology, in up to 43 different ways at a total cost of £3.3bn across 43 forces and the National Policing Improvement Agency (NPIA).

As set out in the Spending Review on 20 October the police service will face real cuts over the next four years. Proposals for the amount allocated to individual police forces will be made by the end of the year. Government and the police service need to work together even harder to ensure that value for money is at the heart of everything the police do.

The Government therefore intends to specify the contractual arrangements to be used by the police service to procure equipment and other goods and services. Similarly, a national approach (Information Systems Improvement Strategy) is required to ensure that the IT systems in all 43 forces can come together and 'talk to each other' and, in support of this, that there are national arrangements for buying commoditised hardware and commercial off the shelf software.

Chapter 4 of *Policing in the 21st Century: Reconnecting police and the people* 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, and to drive the convergence of IT systems. Clause 94 of the Police Reform and Social Responsibility Bill amends Section 53 of the Police Act 1996 by extending the power of the Secretary of State to make Regulations as to police equipment so that Regulations can make provision for arrangements by which equipment must or may be procured. In the meantime, in order to ensure that savings are made as soon as possible to support deficit reduction, the Government will take forward proposals for Regulations under existing legislation to specify certain contractual arrangements to be used by the Police Service. This Impact Assessment concerns those proposed Regulations, to be made under Sections 53 and 57 of the Police Act 1996.

A.2 GROUPS AFFECTED

Police Authorities and forces, NPIA and, indirectly, businesses that contract with the police service to provide equipment and services.

A.3 CONSULTATION

Within Government

On the overall approach set out in *Policing in the 21st Century: reconnecting police* and the people, HM Treasury, Cabinet Office and the Department for Communities and Local Government.

Public Consultation

Between 26 July and 20 September 2010 there was a consultation on the document Obtaining Better Value for Money from Police Procurement. Specific consultees were:

- Police Service (via Association of Chief Police Officers (ACPO), Superintendents Association and Police Federation)
- Police Authorities (via Association of Police Authorities (APA) and the Police Authority Treasurers Society)
- Confederation of British Industry
- British Chambers of Commerce
- Federation of Small Businesses
- UNISON

In addition, through the NPIA the consultation was drawn to the attention of suppliers to the police service.

79 responses were received, 12 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, 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.

Further consultation was undertaken between 19 October and 3 November 2010 on proposals to change the framework specified in Regulations for IT commoditised hardware and commercial off the shelf software procurement. 22 responses were received: 14 from police forces, one from a police authority and seven from businesses.

This Impact Assessment is produced at the consultation response stage and to accompany the laying/making of Regulations

B. RATIONALE

Voluntarily collaborative approaches to aggregating police procurement have been in place since 2000, but they have failed to deliver a transformation in way the police service buys equipment, goods and services. Complete data is not available, but examples of goods and services being bought collaboratively involve ad hoc groups of forces working together on a particular procurement for a specific category of equipment or service eg several forces using a contract for police uniform shirts negotiated by one force. Where national frameworks have been put in place, all forces have not committed to use them. As well as perpetuating duplication of effort within the police service, this has meant that suppliers have had no certainty about the volume of police business that will go through national frameworks.

There is now an urgent need to deliver savings in response to the Spending Review announcement.

This necessitates Government action as set out in *Policing in the 21st Century: reconnecting police and the people.* The Government will use opportunities in the Police Reform and Social Responsibility Bill to ensure a coherent basis for the Home Secretary to specify procurement arrangements to be used by the service, and to drive the convergence of IT systems. In the meantime, in order to ensure that savings are made as soon as possible to support deficit reduction, the Government will take forward proposals for Regulations under existing legislation to specify certain contractual arrangements to be used by the police service. Consultation has been carried out on the draft Regulations and this Impact Assessment has been prepared to assess the effect of implementing them

C. OBJECTIVES

Contribute to:

- the realisation of substantial recurring annual savings on non IT procurement and on IT procurement
- a better co-ordinated approach to the purchase of equipment and services by the police service and the convergence of police IT (including by enabling further savings in the way IT infrastructure and support is provided)

In particular by ensuring that the equipment and services specified in the Regulations are bought through national contractual arrangements, also specified in the Regulations, so that:

- Total contract savings in these categories are realised worth £33.3m per year by 2013/14 (£0.7m per year body armour, £11.4m per year vehicles, £13m per year IT commoditised hardware and commercial off the shelf software and £8.3m per year forensics); together with

- Savings on procurement activity worth £2.8m per year by 2013/14 (£0.4m per year body armour, £1.0m per year vehicles, £1.0m per year IT commoditised hardware and commercial off the shelf software and £0.4m per year forensics).

D. OPTIONS

Option 1: Do nothing, continue with present arrangements – will not deliver all the savings available and the degree of IT convergence will fall short of what is possible as IT commoditised hardware and commercial off the shelf software will continue to be purchased from a range of sources through many separate procurements. Reliance on a voluntary approach has failed to deliver sufficient aggregation and standardisation of procurement.

Option 2: Use regulatory powers to drive aggregated procurement, using Regulations under Sections 53 and 57 of the Police Act 1996 - will contribute to the delivery of the savings.

E. APPRAISAL (COSTS AND BENEFITS)

GENERAL ASSUMPTIONS AND DATA

- Assumption: That the value of savings can be estimated for a 10 year period on the basis that, when the specified contractual arrangements expire, they will be replaced with similar ones, offering similar value

- Assumption: Some forces already use the specified contractual arrangements voluntarily, or would choose to do so – the impact of the Regulations is the extent to which they are required, in order to ensure all forces use the specified contractual arrangements.

- Some transition costs will arise for forces from the adoption of the specified framework for vehicles (estimated at a maximum of £15k per force, based on consultation with forces by NPIA)

OPTION 2

Use existing regulatory powers – starts to deliver savings. Draft Section 53 Regulations will mandate procurement from the frameworks for body armour, police vehicles and IT commoditised hardware and commercial off the shelf software while draft Section 57 Regulations will mandate procurement from the framework for forensic services. Further contracts may be brought within the scope of Regulations in future, subject to further consultation.

The following sets out the approach used to calculate benefits and costs, fuller detail is in the spreadsheet at Annex A.

METHOD AND DATA

The total scope for savings is:

- **Contract savings** (savings from reduced contract prices available to forces that use the specified frameworks) + **Procurement activity savings** (the savings from reduced procurement activity ie fewer separate procurements) – **Transition costs** (costs of moving to the new frameworks)

The contract savings have been estimated by NPIA based on the adoption by all forces of the specified frameworks, taking account of force spend data collected in summer 2010. These estimates have been endorsed by the Collaborative Police Procurement Programme Board, or the ISIS Business Design Authority in the case of IT equipment contracts.

The procurement activity savings reflect an estimated saving per procurement avoided of £25k based on guidance from the NPIA, taking account of the views of the Office of Government Commerce (OGC).

Transition costs have been estimated by NPIA, in consultation with forces, at a maximum one-off transition cost of £15k per force moving to a different vehicle provider under the new framework. There are no transition costs for the other categories covered by the Regulations.

SCENARIOS

The impact of the proposed Regulations will be the extent to which they are responsible for ensuring that all police forces use the specified contractual arrangements to purchase the specified equipment and services. Some forces already use some of the specified frameworks and others would adopt them voluntarily. Three scenarios have therefore been used to set out “High”, “Middle” and “Low” alternatives in which varying proportions of the total available savings are realised as a consequence of the Regulations.

The “High” scenario attributes realisation of 100% of the available savings, both contract price saving and reduced procurement activity (and all the transition costs) to the Regulations. As indicated above this would overstate the role of Regulations in delivering savings, because some forces would use the frameworks voluntarily.

The “Middle” scenario attributes to the Regulations the realisation of 50% of body armour savings, 30% of vehicle savings, 70% of IT commoditised hardware and commercial off the shelf software savings and 65% of forensic services savings (the same percentages are used to attribute transition costs). These percentages reflect the best judgement of the NPIA professional procurement experts about the extent to which the specified frameworks would be adopted by the police without the compulsion of Regulations. This scenario has been adopted as the Best Estimate for the purposes of this Impact Assessment.

The “Low” scenario attributes the realisation of between 10% and 20% of the available savings (and transition costs) to the Regulations. This goes well below the NPIA expert view on the extent to which Regulations will drive use of the frameworks, but demonstrates that there would still be a valuable impact, with significant savings.

TRANSITION

As full adoption of the specified frameworks will take place force by force over time, the years 2010/11 to 2012/13 are treated as transitional years. Full benefits are achieved in 2013/14 after which they continue at a constant annual value compared to the baseline year.

The only costs are transition costs and these have been treated as falling entirely in the first and second years.

CONTRACT SAVINGS

In the “High” scenario:

- In the three year transition period the estimated contract savings total £42.1m across all the specified frameworks (£0.8m from body armour, £13.8m from vehicles, £15m from IT commoditised hardware and commercial off the shelf software and £12.5m from forensic services).

- There are continuing savings of £33.3m per year (£0.7m from body armour, £11.4m from vehicles, £13m from IT commoditised hardware and commercial off the shelf software and £8.3m from forensic services).

In the "Middle" scenario:

- In the three year transition period the estimated contract savings total £23.2m across all the specified frameworks (£0.4m from body armour, £4.1m from vehicles, £10.5m from IT commoditised hardware and commercial off the shelf software and £8.2m from forensic services).
- There are continuing savings of £18.2m per year (£0.3m from body armour, £3.4m from vehicles, £9.1m from IT commoditised hardware and commercial off the shelf software and £5.4m from forensic services).

In the "Low" scenario:

- In the three year transition period the estimated contract savings total £6.9m across all the specified frameworks (£0.1m from body armour, £1.4m from vehicles, £3.0m from IT commoditised hardware and commercial off the shelf software and £2.5m from forensic services).
- There are continuing savings of £5.5m per year (£0.1m from body armour, £1.1m from vehicles, £2.6m from IT commoditised hardware and commercial off the shelf software and £1.7m from forensic services).

PROCUREMENT ACTIVITY SAVINGS

In addition to savings on contract prices, further savings will flow from a reduced volume of procurement activity by forces, because they will use the prescribed frameworks rather than undertaking their own procurement exercises. The estimated savings from reduced procurement activity are:

Saving = (number of separate procurements avoided) * (cost per procurement)

The number of procurements avoided has been estimated on the basis of the best judgement of the NPIA professional procurement experts. Not all forces would procure in each category each year. For body armour and forensic services, forces would be likely each to have a single contract of at least three year duration, so it is unlikely that there would be more than 14 procurements per year. For vehicles and IT, it has been the case that forces have undertaken separate procurements for a range of items in these categories, so it is estimated that up to 40 vehicle procurements and up to 43 IT procurements would be avoided per year.

The reduced number of procurements starts in 2011/12 and continues at the same number per year thereafter. For 2011/12 and 2012/13 these savings are counted as part of the transition savings.

The estimated cost per procurement of £25K is based on guidance available from the OGC and represents the cost to the buying organisation (including the cost of staff time) of undertaking a full procurement process, - identifying and specifying the requirement, inviting tenders (including through the EU process), assessing tenders and awarding contracts.

In the High Scenario:

- In the three year transition period the estimated procurement activity savings are £5.5m across all the specified frameworks (£0.7m from body armour, £2.0m from vehicles, £2.2m from IT commoditised hardware and commercial off the shelf software and £0.7m from forensic services).
- There are continuing savings of £2.8m per year (£0.35m from body armour, £1.0m from vehicles, £1.0m from IT commoditised hardware and commercial off the shelf software and £0.35m from forensic services).

In the Middle Scenario:

- In the three year transition period the estimated procurement activity savings are £2.9m across all the specified frameworks (£0.4m from body armour, £0.6m from vehicles, £1.5m from IT commoditised hardware and commercial off the shelf software and £0.5m from forensic services).
- There are continuing savings of £1.5m per year (£0.2m from body armour, £0.3m from vehicles, £0.8m from IT commoditised hardware and commercial off the shelf software and £0.2m from forensic services).

In the Low Scenario:

- In the three year transition period the estimated procurement activity savings are £0.8m across all the specified frameworks (£0.1m from body armour, £0.2m from vehicles, £0.4m from IT commoditised hardware and commercial off the shelf software and £0.1m from forensic services).
- There are continuing savings of £0.4m per year (£0.1m from vehicles, £0.2m from IT commoditised hardware and commercial off the shelf software and £0.1m from forensic services).

COSTS

The only costs identified are transition costs that may arise if forces move to a different vehicle provider when procuring through the specified vehicle framework. The maximum estimate for these costs is a one-off £15k per force. For the purposes of this impact assessment it is assumed that this cost will arise for all forces moving to the new framework

In the High Scenario:

- In the three year transition period the estimated costs are £0.7m
- There are no continuing costs

In the Middle Scenario:

- In the three year transition period the estimated costs are £0.2m
- There are no continuing costs

In the Low Scenario:

- In the three year transition period the estimated costs are £0.1m
- There are no continuing costs

In this section, all the values of benefits and costs have been set out at 2010/11 prices. For the middle case example the following section sets out the Net Present Value (3.5% discount rate) for the transition costs, transition benefits (the years up to 2013/14), annual recurring benefits, total benefits and Net benefits over 10 years.

POLICY COSTS

The policy of mandating procurement from frameworks may impose some transition costs for those police forces that move to a new vehicle supplier in adopting the vehicle framework. A maximum value for this has been included in the calculation of costs above and, in the middle case scenario, amount to £0.2m spread over two transition years 2010/11 and 2011/12. These costs are attributable to the Regulations in proportion to the extent that the Regulations are required to ensure forces use the specified frameworks, and this has been taken into account in arriving at the middle scenario.

ADMINISTRATIVE BURDENS

Because the only effect will be on with whom they can place procurement contracts, the police will not have to complete any additional forms or processes. They will need to undertake fewer full procurement exercises.

POLICY BENEFITS

Savings on the price of equipment and services bought by the police and on the cost of the processes through which they are bought. These savings will help the police service to manage the reductions in funding set out in the Spending Review. As set out above, over 10 years the Net Present Value of savings attributable to the Regulations would be £136.9m

When forces contract individually to buy goods and services they all need – whether desk top computers or police vehicles, body armour or forensic services - it is both wastefully bureaucratic and poor value for money. Aggregated procurement will reduce the duplication of efforts and improve buying power enabling the service to buy at better prices through less costly processes.

Suppliers have indicated they find the police market very difficult to work with as they have multiple engagement points which are expensive and time consuming for them. These costs for successful suppliers are of course passed on to the service in contract prices. In addition suppliers complain that under the current fragmented arrangement there is no single police view on specification / innovation which makes it difficult to invest in development or sell to the Service.

ADMINISTRATIVE SAVINGS

Public Sector

NPIA has estimated that if all forces use the contractual arrangements specified in the draft Regulations this will reduce the number of procurement exercises carried out by the police service for the categories of equipment and services specified. The number of procurements saved is estimated to be up to 111 per year. NPIA, with advice from the OGC has also estimated that the cost of each procurement exercise is £25k. The estimate of total savings available that can be made by multiplying the number of procurements avoided by the cost per procurement must be adjusted to take account of forces that would voluntarily use the specified contractual arrangements. In the middle case estimate used for this Impact Assessment, an adjustment has been made by reducing procurement activity savings on the same basis as the reduction in contract savings.

Private Sector

Over time it will become more straightforward for suppliers to engage with the police service as the service buys more equipment and services by acting together, rather than in a fragmented way. However, the frameworks for purchasing equipment and services covered by these Regulations have already been awarded through competition, and no monetised estimate for the value of this benefit is included in this Impact Assessment.

TOTAL BENEFITS

The total benefits are the sum of the contract savings and administrative savings, less the policy costs. A mid range estimate of the impact of the Regulations has been made in order to recognise that some forces will voluntarily move to the contractual arrangements to be specified in the Regulations. Over the next 10 years the benefits have a net present value of £136.9m.

Net Present Value (NPV)

Based on the Middle ("Best Estimate") scenario, at constant prices and in £m, costs and benefits over 10 years would be as set out above in the Annual Profile of Monetised Costs and Benefits.

Using a discount rate of 3.5%,

- Transition costs of £0.2m (£0.1m falling in 2010/11 and £0.1m falling in 2011/12) have a PV of £0.2m.
- Transition benefits (both contract savings and procurement activity savings) of £26.1m (£2.5m falling in 2010/11, £9.2m falling in 2011/12 and £14.4m falling in 2012/13) have a PV of £24.8m.
- Annual recurring benefits of £19.7m from 2013/14 to 2019/20 would have a PV of £112.3m.

Total NPV is therefore £112.3m + £24.8m - £0.2m = £136.9m.

F. RISKS

OPTION 2

An outcome of mandation will be a reduction in the supplier base across the police service. The challenge will be to ensure that, in the longer term, the police market remains attractive and competitive with a sufficient number and range of potential suppliers. This will require careful planning of approaches to market. This is demonstrated in the contractual arrangements included in the proposed Regulations

- Body Armour – the prime contractor is expected to sub-contract to a number of smaller suppliers
- Vehicles - the vehicle framework retains an appropriate range of suppliers for the categories of vehicles included
- IT - The Sprint ii Framework involves the contractor sourcing from a range of suppliers
- Forensics - the National Forensic Framework includes an appropriate range of suppliers

Failure to analyse the market thoroughly might result in a reduced market, potentially shutting out small and medium enterprises (SMEs). Letting the market know of what we are proposing to do and giving suppliers time to form consortia between themselves or with a national provider to meet the national requirement can mitigate this. As noted above, it is expected that the body armour framework will provide opportunities for SMEs as do Sprint ii and the National Forensic Framework.

Some of the benefits could have been realised, even without the Regulations. This has been taken into account in adopting a middle estimate of the impact of Regulations.

Some police forces might be able to obtain better individual deals from particular suppliers for particular items. There will always be offers to undercut particular deals, but the overall benefit of increased aggregation of demand and savings on procurement activity is considered to outweigh this risk.

G. ENFORCEMENT

Policy will be enforced by Police Forces/ Authorities as part of their arrangements for ensuring compliance with procurement policies. They are subject to external audit, but no additional audit activity is required, and to inspection by HM Inspectorate of Constabulary (HMIC), but no new inspection activity is required.

H. SUMMARY AND RECOMMENDATIONS

The table below outlines the costs and benefits of the proposed changes.

Table H.1 Costs and Benefits		
Option	Costs	Benefits
2	£0.2m	£137.1m
	Cost to: police service Minimal integration and re-training costs.	Benefits to : police service savings on the cost of equipment and service and on the processes required to purchase them
Source: NPIA		

Preferred Option: Option 2 is preferred because the need to tackle the deficit is urgent and the police service needs to maximise savings to make the most of the Spending Review settlement. These Regulations will help the service to do this. The police service has pursued voluntary collaboration since 2000, with limited success and the full potential savings will not be realised without a central approach.

I. IMPLEMENTATION

The Government plans to implement these changes by laying the Section 53 Regulations before Parliament and by making Regulations as proposed under Section 57 of the Police Act 1996.

J. MONITORING AND EVALUATION

The effectiveness of the new regime would be monitored by savings against the police procurement spend baseline in 2009/10 and also by the usage of the specified contractual arrangements.

K. SPECIFIC IMPACT TESTS

A Statutory Equality Impact Assessment has been prepared.

A Small Firms Impact Test has been prepared, informed by responses to the consultation carried out between 26 July and 20 September 2010.

ANNEXES

Annex 1 should be used to set out the Post Implementation Review Plan as detailed below. Further annexes may be added to provide further information about non-monetary costs and benefits from Specific Impact Tests, if relevant to an overall understanding of policy options.

ANNEX 1: POST IMPLEMENTATION REVIEW (PIR) PLAN

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. A PIR should examine the extent to which the implemented Regulations have achieved their objectives, assess their actual costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

Basis of the review: Review impact on police service spend and IT convergence
Review objective: Check delivery of savings by the police service since 2010. This would be a proportionate check that the Regulations are operating as expected
Review approach and rationale: Review monitoring data on police service spend on goods and services and scan stakeholder views
Baseline: 2009/10 spend on goods and services by the police service. Consider what the impact of taking no action would be.
Monitoring information arrangements: CIPFA police statistics, records of spending through the specified contractual arrangements
Reasons for not planning a PIR: [If there is no plan to do a PIR please provide reasons here]

ANNEX 2: SPECIFIC IMPACT TESTS

STATUTORY EQUALITY DUTIES

Equality Impact Assessment (EIA)

We have 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. The full EIA is at Annex B.

Insofar as the Regulations have an impact on business, particularly small firms, there might be an impact on members of diverse groups (women, black and minority ethnic (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.

ECONOMIC IMPACTS

Small Firms Impact Test

The Regulations will not impose any specific burden or financial obligation on businesses generally or on small and medium enterprises (SMEs) in particular. The full Small Firms Impact Test is at Annex C. 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.

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.

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.

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.

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.

ANNEX A

CONTRACT SAVINGS

					2010/11	2011/12	2012/13	2013/14	2014/15
Contract Savings Available cf 09/10 (10/11 prices)					£m	£m	£m	£m	£m
Equipment Regulations	Body Armour				0.04	0.25	0.46	0.67	0.67
	Police Vehicles				1.20	4.60	8.00	11.40	11.40
	Sprint II				1.00	5.00	9.00	13.00	13.00
Services Regulations	Forensic Services				2.11	4.19	6.24	8.26	8.26
Total					4.35	14.04	23.70	33.33	33.33

High Impact of Regulations				**% of savings**	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**Transition**
Cumulative Savings cf 09/10 (10/11 prices)				**dependent on Regs**	**£m**	**£m**	**£m**	**£m**	**£m**	**10/11-12/13**
Equipment Regulations	Body Armour			100%	0.04	0.25	0.46	0.67	0.67	0.75
	Police Vehicles			100%	1.20	4.60	8.00	11.40	11.40	13.80
	Sprint II			100%	1.00	5.00	9.00	13.00	13.00	15.00
Services Regulations	Forensic Services			100%	2.11	4.19	6.24	8.26	8.26	12.54
Total					4.35	14.04	23.70	33.33	33.33	42.09

Middle Impact of Regulations				% of savings	2010/11	2011/12	2012/13	2013/14	2014/15	Transition
Cumulative Savings cf 09/10 (10/11 prices)				dependent on Regs	£m	£m	£m	£m	£m	10/11-12/13
Equipment Regulations	Body Armour			50%	0.02	0.13	0.23	0.34	0.34	0.38
	Police Vehicles			30%	0.36	1.38	2.40	3.42	3.42	4.14
	Sprint II			70%	0.70	3.50	6.30	9.10	9.10	10.50
Services Regulations	Forensic Services			65%	1.37	2.72	4.06	5.37	5.37	8.15
Total					2.45	7.73	12.99	18.22	18.22	23.17

Low Impact of Regulations				% of savings	2010/11	2011/12	2012/13	2013/14	2014/15	Transition
Cumulative Savings cf 09/10 (10/11 prices)				dependent on Regs	£m	£m	£m	£m	£m	10/11-12/13
Equipment Regulations	Body Armour			10%	0.00	0.03	0.05	0.07	0.07	0.08
	Police Vehicles			10%	0.12	0.46	0.80	1.14	1.14	1.38
	Sprint II			20%	0.20	1.00	1.80	2.60	2.60	3.00
Services Regulations	Forensic Services			20%	0.42	0.84	1.25	1.65	1.65	2.51
Total					0.75	2.32	3.89	5.46	5.46	6.96

PROCUREMENT ACTIVITY SAVINGS

					2010/11	2011/12	2012/13	2013/14	2014/15	Transition
Procurement Activity Savings Available cf 09/10 (10/11 prices)					**£m**	**£m**	**£m**	**£m**	**£m**	**10/11-12/13**
Equipment Regulations	Body Armour	14	0.03		0.00	0.35	0.35	0.35	0.35	0.70
	Police Vehicles	40	0.03		0.00	1.00	1.00	1.00	1.00	2.00
	Sprint II	43	0.03		0.00	1.08	1.08	1.08	1.08	2.15
										0.00
Services Regulations	Forensic Services	14	0.03		0.00	0.35	0.35	0.35	0.35	0.70
Total		111			0.00	2.78	2.78	2.78	2.78	5.55

High Impact of Regulations				**% of savings**	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**Transition**
Cumulative Savings cf 09/10 (10/11 prices)				**dependent on Regs**	**£m**	**£m**	**£m**	**£m**	**£m**	**10/11-12/13**
Equipment Regulations	Body Armour			100%	0.00	0.35	0.35	0.35	0.35	0.70
	Police Vehicles			100%	0.00	1.00	1.00	1.00	1.00	2.00
	Sprint II			100%	0.00	1.08	1.08	1.08	1.08	2.15
										0.00
Services Regulations	Forensic Services			100%	0.00	0.35	0.35	0.35	0.35	0.70
Total					0.00	2.78	2.78	2.78	2.78	5.55

Middle Impact of Regulations				% of savings	2010/11	2011/12	2012/13	2013/14	2014/15	Transition
Cumulative Savings cf 09/10 (10/11 prices)				dependent on Regs	£m	£m	£m	£m	£m	10/11-12/13
Equipment Regulations	Body Armour			50%	0.00	0.18	0.18	0.18	0.18	0.35
	Police Vehicles			30%	0.00	0.30	0.30	0.30	0.30	0.60
	Sprint II			70%	0.00	0.75	0.75	0.75	0.75	1.51
										0.00
Services Regulations	Forensic Services			65%	0.00	0.23	0.23	0.23	0.23	0.46
Total					0.00	1.46	1.46	1.46	1.46	2.91

Low Impact of Regulations				% of savings	2010/11	2011/12	2012/13	2013/14	2014/15	Transition
Cumulative Savings cf 09/10 (10/11 prices)				dependent on Regs	£m	£m	£m	£m	£m	10/11-12/13
Equipment Regulations	Body Armour			10%	0.00	0.04	0.04	0.04	0.04	0.07
	Police Vehicles			10%	0.00	0.10	0.10	0.10	0.10	0.20
	Sprint II			20%	0.00	0.22	0.22	0.22	0.22	0.43
										0.00
Services Regulations	Forensic Services			20%	0.00	0.07	0.07	0.07	0.07	0.14
Total					0.00	0.42	0.42	0.42	0.42	0.84

Contract Savings plus Procurement Activity Savings					2010/11	2011/12	2012/13	2013/14	2014/15	Transition	Av Annual
					£m	£m	£m	£m	£m	10/11-12/13	£m
Cumulative Savings Available					4.4	16.8	26.5	36.1	36.1	47.6	36.1
High Impact of Regulations					4.4	16.8	26.5	36.1	36.1	47.6	36.1
Middle Impact of Regulations					2.5	9.2	14.4	19.7	19.7	26.1	19.7
Low Impact of Regulations					0.7	2.7	4.3	5.9	5.9	7.8	5.9

Transition costs Potential											
		Forces Affected	Forces Affected		2010/11	2011/12	2012/13	2013/14	2014/15	Transition	
Transition costs each year (10/11 prices)		2010/11	2011/12	Cost per force (£m)	£m	£m	£m	£m	£m	10/11-12/13	
Equipment Regulations	Body Armour	11	32	0.00	0.00	0.00	0.00	0.00		0.00	
	Police Vehicles	11	32	0.02	0.17	0.48	0.00	0.00		0.65	
	Sprint II	11	32	0.00	0.00	0.00	0.00	0.00		0.00	
										0.00	
										0.00	
Services Regulations	Forensic Services	11	32	0.00	0.00	0.00	0.00	0.00		0.00	
										0.00	
Total					0.17	0.48	0.00	0.00		0.65	

High Impact of Regulations				**% of costs**	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**Transition**
Transition costs each year (10/11 prices)				**dependent on Regs**	**£m**	**£m**	**£m**	**£m**	**£m**	**10/11-12/13**
Equipment Regulations	Body Armour			100%	0.00	0.00	0.00	0.00	0.00	0.00
	Police Vehicles			100%	0.17	0.48	0.00	0.00	0.00	0.65
	Sprint II			100%	0.00	0.00	0.00	0.00	0.00	0.00
										0.00
										0.00
Services Regulations	Forensic Services			100%	0.00	0.00	0.00	0.00	0.00	0.00
										0.00
Total					0.17	0.48	0.00	0.00	0.00	0.65

Middle Impact of Regulations				**% of costs**	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**Transition**
Transition costs each year (10/11 prices)				**dependent on Regs**	**£m**	**£m**	**£m**	**£m**	**£m**	**10/11-12/13**
Equipment Regulations	Body Armour			50%	0.00	0.00	0.00	0.00	0.00	0.00
	Police Vehicles			30%	0.05	0.14	0.00	0.00	0.00	0.19
	Sprint II			70%	0.00	0.00	0.00	0.00	0.00	0.00
										0.00
										0.00
Services Regulations	Forensic Services			65%	0.00	0.00	0.00	0.00	0.00	0.00
										0.00
Total					0.05	0.14	0.00	0.00	0.00	0.19

Low Impact of Regulations				% of costs	2010/11	2011/12	2012/13	2013/14	2014/15	Transition
Transition costs each year (10/11 prices)				dependent on Regs	£m	£m	£m	£m	£m	10/11-12/13
Equipment Regulations	Body Armour			10%	0.00	0.00	0.00	0.00	0.00	0.00
	Police Vehicles			10%	0.02	0.05	0.00	0.00	0.00	0.06
	Sprint II			20%	0.00	0.00	0.00	0.00	0.00	0.00
										0.00
										0.00
Services Regulations	Forensic Services			20%	0.00	0.00	0.00	0.00	0.00	0.00
										0.00
Total					0.02	0.05	0.00	0.00	0.00	0.06

Transition Costs Summary					2010/11	2011/12	2012/13	2013/14	2014/15	Total
					£m	£m	£m	£m	£m	
Potential total Transition costs					0.17	0.48	0.00	0.00	0.00	0.65
High Impact of Regulations					0.17	0.48	0.00	0.00	0.00	0.65
Middle Impact of Regulations					0.05	0.14	0.00	0.00	0.00	0.19
Low Impact of Regulations					0.02	0.05	0.00	0.00	0.00	0.06

ANNEX B

THE EQUALITY IMPACT ASSESSMENT REPORT OBTAINING BETTER VALUE FOR MONEY FROM POLICE PROCUREMENT: THE POLICE ACT 1996 (EQUIPMENT) REGULATIONS 2011 AND THE POLICE ACT 1996 (SERVICES) REGULATIONS 2011

BACKGROUND

The **Obtaining Better Value for Money from Police Procurement: The Police Act 1996 (Equipment) Regulations 2010 and the Police Act 1996 (Services) Regulations 2010** Consultation Document sets out the Government's proposals to aggregate procurement in the police service by introducing Regulations

- under Section 53 of the Police Act 1996 to specify equipment to be bought through specified contractual arrangements. Section 53 Regulations are subject to the negative resolution parliamentary procedure, under which they would be laid before Parliament and come into force unless prayed against. ; and

- under Section 57 of the Police Act 1996 to specify services to be bought through specified contractual arrangements.

In the Spending Review on 20 October 2010, the Chancellor announced that Departments including the Home Office – will face real cuts over the next four years. The police will have to contribute through substantial savings. Opportunities for substantial savings have been identified in relation to both general and IT procurement. The police service currently procures equipment and services, including Information Systems/Information Technology in up to 43 different ways at a total cost of £3.3bn across 43 forces and the National Policing Improvement Agency (NPIA). As the taxpayer expects improvements in value for money, it is no longer defensible to continue to buy goods and services in up to 43 different ways. Such an approach is wastefully bureaucratic, both in terms of the time and effort for police officers and staff tied up in deciding specifications and going through procurement processes and for would-be suppliers.

AIMS AND OBJECTIVES

The Government therefore intends to require the 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* 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 police service and to drive the convergence of IT systems. But in the meantime, in order that savings are made as soon as possible to support deficit reduction, the Government is taking forward proposals for Regulations under Sections 53 and 57 of the Police Act 1996 to specify certain contractual arrangements to be used by the service. These Regulations will replace the current arrangements through which the service buys goods and services.

The Regulations specify that the service should use the following contractual arrangements:

Equipment Services

Body armour
Police vehicles
IT commoditised hardware
IT commercial off the shelf software

Services

Forensic services

Whenever it is proposed to specify further equipment or services to be brought within the scope of the Regulations, a further consultation will be held before amended Regulations are laid before Parliament (Section 53) or made (Section 57).

OUTCOMES

The Regulations seeks to provide the following outcomes:

For the police service
To reduce the cost of buying specified equipment and services through the aggregation of procurement, to support the convergence of police IT and to contribute to reducing duplication of effort in procurement activity.

For suppliers
For engagement with the police service to be more straightforward through there being fewer separate procurement exercises by individual forces or small groups of forces.

We have canvassed views from anyone who has an interest in policing and community safety.

Home Office guidance on Equality Impact Assessments highlights the following Acts as those which need to be considered:

- Race Relations (Amendment) Act 2000
- Disability Discrimination Act 2005
- Equality Act 2006
- Equality Act 2010

The Equality Impact Assessment Process is designed to ensure that, as polices are developed and changed, they do not have a discriminatory or negative impact on diverse groups.

This report broadly summarises the potential impacts identified within the **Obtaining Better Value for Money from Police Procurement: The Police Act 1996 (Equipment) Regulations 2010 and the Police Act 1996 (Services) Regulations 2010** Consultation Document on diverse groups.

STAKEHOLDER ENGAGEMENT

We took the view that a wide consultation was not necessary because the impact of the Regulations, apart from on the police service and its suppliers, would be limited. We therefore targeted the consultation at the following stakeholders:

Police forces

- Police authorities
- Police force finance directors
- Police authority treasurers
- Association of Chief Police Officers
- Association of Police Authorities
- Police Federation
- Police Superintendents' Association
- Chief Police Officers' Staff Association
- UNISON
- Confederation of British Industry
- British Chambers of Commerce
- Federation of Small Businesses

Consultation on the Regulations was administered primarily on-line. As it was being targeted at the police service and suppliers, it was not anticipated that there would be groups who did not have access to on-line facilities in order to access the consultation document and respond. 79 responses were received, 12 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, 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.

Further consultation was undertaken between 19 October and 3 November 2010 on proposals to change the framework to specified in Regulations for IT commoditised hardware and commercial off the shelf software procurement. 22 responses were received: 14 from police forces, one from a police authority and seven from businesses.

Views from the on-line consultation will be considered and a Response Document published before the Regulations are implemented.

DESK RESEARCH

The Regulations have been developed following input from the following Government publications:

- **The Report of the High Level Working Group on Police Value for Money,** published on 2 February 2010, which set out the ambition for better value for money in policing, including £200 million of savings by aggregating procurement through national arrangements and £200 million through converging police information systems, including aggregating IT procurement.

- The report, **Sustaining Value for Money in the Police Service,** published by the Audit Commission, HM Inspectorate of Constabulary and the Wales Audit Office on 20 July 2010, which suggested that better procurement could save £100 million.

ASSESSMENT AND ANALYSIS

Although the most significant impact of the Regulations will be felt by forces and authorities who will be required to use specified contractual arrangements, there may be further possible impacts on suppliers providing goods and services to the service. Although suppliers are expected to benefit from there being fewer separate procurement exercises, there is a risk that some small and medium enterprises may find it more difficult to tender for larger volume police procurements. This has a potential equality impact if it is found that small and medium enterprises are more likely to be led by people from minority groups.

In developing or changing any policy an assessment of the potential impacts on diverse groups must be undertaken, in particular having due regard for issues of race, gender, disability, and age. The main potential equality impact has been identified and set out below.

<u>Will the Regulations have significantly higher impact on a particular group, community, individual, certain police service ‘personnel’ or suppliers?</u>

The Department of Business, Innovation and Skills (BIS) estimates that 7% of small and medium enterprises (SMEs) in the United Kingdom are led by members of BME groups, that 12% of SMEs in the United Kingdom are majority female-led and that 8% of SMEs in the United Kingdom are led by partners or directors with long-standing illnesses or disability. Even though these figures are low, and may be even lower in the police supplier community, we believe these may be higher than equivalent figures for larger enterprises. We will therefore need to be aware that, if the result of the consolidation of the supplier market is that small and medium enterprises find it harder to meet the requirements of higher volume procurements, there may be some impact on women, BME groups and disabled people, even though this may be limited.

However, the experience of the consolidation of procurement in the Fire and Rescue Service suggests that the impact of this change may impact less on certain groups than might be feared. The numbers of suppliers contracted to provide equipment and services to the Fire and Rescue Service increased from 33 to 123 after consolidation of procurement, even though the numbers of contracts decreased from 48 to 20. Furthermore, the numbers of SMEs contracted to supply increased from 27% of all suppliers to 52%.

DATA GAPS

There are no figures for England and Wales on the proportion of SMEs that are led by women, BME people or disabled people, nor do we have data for diversity representation in SMEs in the police service supplier community. None of the responses to the consultation on Obtaining Better Value for Money from Police Procurement raised issues relating to equality and diversity.

CONCLUSIONS AND RECOMMENDATIONS

The **Obtaining Better Value for Money from Police Procurement: Police Act 1996 (Equipment) Regulations 2010 and the Police Act 1996 (Services) Regulations 2010** Consultation Document will not introduce any discriminatory practices.

We have ensured this as far as possible by engaging with a wider range of stakeholder groups through the consultation phase such as the National Black Police Association (NBPA), British Association for Women in Policing (BAWP), Gay Police Association (GPA), National Association of Muslim Police (NAMP). None of the police diversity organisations consulted chose to respond to the consultation.

We have already identified strategies to mitigate the risk of the adverse impact on small and medium enterprises by suggesting that adequate notice should be given of proposed procurements to give smaller suppliers the opportunity to negotiate joint bids with either other SMEs or with larger enterprises that stand a greater chance of being accepted under competitive bids to join contractual frameworks, or to negotiate sub-contracting arrangements with larger enterprises if they are unable to meet the volume requirements of specified contracts.

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.

Overall, taking into account the savings to be realised, the concerns identified by respondents to the consultation and the strategies to mitigate risks, the Government believes that the proposed Regulations strike a fair balance between on the one hand the public interest in saving public money, and on the other hand, the interests of those who may be adversely affected by the proposal.

ACTION PLAN

Recommendation	Responsibility	Actions Required	Success Indicators	Target Date	Progress?
Consultation	HO	Stakeholders invited to comment on consultation document and on further consultation on change of proposed IT framework.	Good level of stakeholder responses	Consultation period ended 20/09/2010. Further consultation period ended 01/11/2010 and 03/11/2010.	79 responses to initial consultation and 22 responses to further consultation have been assessed.
Consultation	HO	Acknowledgement of responses to consultation	Stakeholders have an understanding of how their views have been taken into account	February 2011	Consultation Response published February 2011
Policy	HO	Ensure equality impact assessment on Regulations is reviewed periodically.	Regulations do not have an adverse impact on particular groups	Ongoing	

ANNEX C

THE SMALL FIRMS IMPACT TEST REPORT OBTAINING BETTER VALUE FOR MONEY FROM POLICE PROCUREMENT: THE POLICE ACT 1996 (EQUIPMENT) REGULATIONS 2011 AND THE POLICE ACT 1996 (SERVICES) REGULATIONS 2011

BACKGROUND

The **Obtaining Better Value for Money from Police Procurement: The Police Act 1996 (Equipment) Regulations 2010 and the Police Act 1996 (Services) Regulations 2010** Consultation Document set out the Government's proposals to aggregate procurement in the police service by introducing Regulations

- under Section 53 of the Police Act 1996 to specify equipment to be bought through specified contractual arrangements. Section 53 Regulations are subject to the negative resolution parliamentary procedure, under which they would be laid before Parliament and come into force unless prayed against. ; and
- under Section 57 of the Police Act 1996 to specify services to be bought through specified contractual arrangements.

In the Spending Review on 20 October, the Chancellor announced that Departments including the Home Office – will face real cuts over the next four years. The police will have to contribute through substantial savings. Opportunities for substantial savings have been identified in relation to both general and IT procurement. The police service currently procures equipment and services, including Information Systems/Information Technology in up to 43 different ways at a total cost of £3.3bn across 43 forces and the National Policing Improvement Agency (NPIA). As the taxpayer expects improvements in value for money, it is no longer defensible to continue to buy goods and services in up to 43 different ways. Such an approach is wastefully bureaucratic, both in terms of the time and effort for police officers and staff tied up in deciding specifications and going through procurement processes and for would-be suppliers.

AIMS AND OBJECTIVES

The Government therefore intends to require the 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 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 police service and to drive the convergence of IT systems. But in the meantime, in order to ensure savings are made as soon as possible to support deficit reduction, the Government is taking forward proposals for Regulations under Sections 53 and 57 of the Police Act 1996 to specify certain contractual arrangements to be used by the service. These Regulations will replace the current arrangements through which the service buys goods and services.

The Regulations specify that the service should use the following contractual arrangements:

Equipment Services

Body armour
Police vehicles
IT commoditised hardware
IT commercial off the shelf software

Services

Forensic services

Whenever it is proposed to specify further equipment or services to be brought within the scope of the Regulations, a further consultation will be held before amended Regulations are laid before Parliament (Section 53) or made (Section 57).

OUTCOMES

The Regulations seek to provide the following outcome:

- To reduce the cost to the police service of buying specified equipment and services through the aggregation of procurement and to contribute to reducing duplication of effort in procurement activity.

As a consequence we expect to make engagement with the police service more straightforward for suppliers through there being fewer separate procurement exercises by individual forces or small groups of forces.

We have canvassed views from the police service and the police supplier community.

This assessment broadly summarises the potential impacts on small firms identified within the **Obtaining Better Value for Money from Police Procurement: The Police Act 1996 (Equipment) Regulations 2010 and the Police Act 1996 (Services) Regulations 2010** Consultation Document and in the responses received from consultees.

Guidance from the Department for Business, Innovation and Skills (BIS) states that a Small Firms Impact Test needs to be carried out on any proposal that either imposes or reduces a cost on business. Although the Regulations do not apply to the business sector, they may have implications for small and medium enterprises (firms with less than 250 employees) in terms of their ability to access business opportunities with the police service. A Small Firms Impact Test has therefore been carried out.

STAKEHOLDER ENGAGEMENT

Taking into account that the impact of the Regulations, apart from on the police service and its suppliers, would be limited, the consultation was targeted at the following stakeholders:

- Police forces
- Police authorities
- Police force finance directors
- Police authority treasurers
- Association of Chief Police Officers
- Association of Police Authorities
- Police Federation
- Police Superintendents' Association
- Chief Police Officers' Staff Association
- UNISON
- Confederation of British Industry
- British Chambers of Commerce
- Federation of Small Businesses

Consultation on the Regulations was administered primarily on-line. As it was being targeted at the police service and suppliers, it was not anticipated that there would be groups who did not have access to on-line facilities in order to access the consultation document and respond. 79 responses were received, 12 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, 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.

Further consultation was undertaken between 19 October and 3 November 2010 on proposals to change the framework to be specified in Regulations for IT commoditised hardware and commercial off the shelf software procurement. 22 responses were received: 14 from police forces, one from a police authority and seven from businesses.

Views from the on-line consultation have been considered and a Response Document published before the Regulations are implemented.

DESK RESEARCH

The Regulations have been developed following input from the following Government publications:

- The **Report of the High Level Working Group on Police Value for Money,** published on 2 February 2010, which set out the ambition for better value for money in policing, including £200 million of savings by aggregating procurement through national arrangements and £200 million through converging police information systems, including aggregating IT procurement.
- The report, **Sustaining Value for Money in the Police Service,** published by the Audit Commission, HM Inspectorate of Constabulary and the Wales Audit Office on 20 July 2010, which suggested that better procurement could save £100 million.

CARRYING OUT THE TEST

The Home Office did not consider that all the processes described in the guidance from BIS were necessary. The Regulations would not constitute an imposition or charge upon small firms and any effect would only impact on those small firms that either contract with the police service or have aspirations to. There is limited evidence for the proportion of small firms which are suppliers to the police service and this is considered below.

The consultation on *Obtaining Better Value for Money from Police Procurement* has been targeted at the police service supplier community through the Confederation for British Industry, the British Chambers of Commerce and the Federation of Small Businesses and through the National Policing Improvement Agency which drew the consultation to the attention of suppliers to the police, so small firms within the supplier community and their representative bodies have been given an opportunity to respond to the proposed Regulations. Section 5 of the consultation focuses specifically on the impact of the Regulations on the supplier community and on small and medium enterprises (SMEs), and has asked for responses to outline the impact on SMEs and to set out what can be done to help SMEs engage more effectively with the police service when the Regulations come into effect.

The Home Office considers that the consultation has been sufficiently targeted at small firms in the police service supplier market and that the wider impact of the Regulations on small firms is unlikely to be great. It did not therefore consider that the pre-consultation stage was justified.

ASSESSMENT AND ANALYSIS

The greatest potential for the Regulations to impact on small firms is through the aggregation of procurement, which will arise from requiring police forces to buy goods and services through specified contractual arrangements. This means that there will be fewer but higher value procurements by the service. On the one hand this may make it more difficult for small firms to sustain the cost of preparing bids or to meet the volumes of goods services required. On the other hand, for small firms as for larger ones, it will be more straightforward to engage with a much less fragmented police market. A few responses to the consultation on *Obtaining Better Value for Money from Police Procurement* have said that manufacturers of niche products or services find it difficult to access frameworks. It is important to recognise that the Regulations, which are the subject of the consultation, cover a limited range of goods and services and that, for each of these categories the framework arrangements specified in the Regulations, have already been awarded after appropriate competition and were already open to the police service, or wider public sector.

We have recognised that small firms may increase their chances of meeting the aggregated demands of framework agreements by forming consortia, either with other small firms or with larger enterprises, whether as partners or on a sub-contract basis. But forming partnerships takes time and failure to give adequate notice of procurements makes it more difficult for small firms to prepare themselves for bids.

However, the experience of the consolidation of procurement in the Fire and Rescue Service suggests that the impact of this change may impact less on certain groups than might be feared. The numbers of suppliers contracted to provide equipment and services to the Fire and Rescue Service increased from 33 to 123 after consolidation of procurement, even though the numbers of contracts decreased from 48 to 20. Furthermore, the numbers of SMEs contracted to supply increased from 27% of all suppliers to 52%.

The national procurement agency for the Fire & Rescue Service ensured that SMEs had an opportunity to access the fire services market by their policy of letting multiple supplier frameworks and by adopting a less stringent PQQ financial evaluation to the level of risk associated with the commodity for low value/low risk items.

We do not expect that aggregation of vehicle procurement will have much of an impact on SMEs. Historically, suppliers of vehicles have been large firms. However, IT procurement is framework-based and SMEs can bid for IT contracts through such frameworks. We expect that SMEs will be able to benefit from subcontracting on body armour contracts and SMEs are already suppliers for forensic services.

DATA GAPS

NPIA estimates that 16% of the police service supplier spend on goods and services in 2009 was with small firms, with a further 19% with medium-sized enterprises. BIS has data on the numbers of enterprises, employment and turnover in the private sector at the start of 2008, broken down by size of enterprise and industry section for England and Wales. However, there is no data for the number of small firms that contract with the police service or for this as a percentage of the overall number of small firms.

CONCLUSIONS AND RECOMMENDATIONS

The impact of the **Obtaining Better Value for Money from Police Procurement: Police Act 1996 (Equipment) Regulations 2010 and the Police Act 1996 (Services) Regulations 2010** Consultation Document on small firms can be mitigated by ensuring that adequate notice is given when inviting bids for nationally-agreed contracts, which will give small firms the opportunity to build their capacity to meet the requirements of contracts by either forming partnerships or consortia with other small firms or with larger enterprises, or by agreeing sub-contract arrangements with other firms bidding for such contracts.

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.

Overall, taking into account the savings to be realised, the concerns identified by respondents to the consultation and the strategies to mitigate risks, the Government believes that the proposed Regulations strike a fair balance between on the one hand the public interest in saving public money, and on the other hand, the interests of those who may be adversely affected by the proposal

ACTION PLAN

Recommendation	Responsibility	Actions Required	Success Indicators	Target Date	Progress?
Consultation	HO	Stakeholders invited to comment on consultation document and on further consultation on change of proposed IT framework.	Good level of stakeholder responses	Consultation period ended 20/09/2010. Further consultation period ended 01/11/2010 and 03/11/2010.	79 responses to initial consultation and 22 responses to further consultation have been assessed.
Consultation	HO	Acknowledgement of responses to consultation	Stakeholders have an understanding of how their views have been taken into account	February 2011	Consultation Response published February 2011
Consultation	HO	To give adequate notice of invitations to bid for nationally-agreed contracts	Small firms are given the opportunity to prepare bids in partnership with other suppliers or as parts of consortia.	Ongoing	

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