

Committee:	Date:
Police Committee	12 April 2013
Subject: Police Procurement – Study by the National Audit Office (NAO)	Public
Report of: Town Clerk	For Information
<p>Summary</p> <p>The purpose of this report is to outline the key findings of a study by the National Audit Office (NAO) on how police procurement is currently undertaken nationally and whether the Home Office was effective in discharging its responsibility to support forces in this area.</p> <p>The study, published on 26 March 2013, concludes that there are tensions between the Home Office’s strategies to increase collaboration and centralised procurement, and the Government’s aim to increase local autonomy and accountability for police forces.</p> <p>The study is significant because its conclusions echo some of the concerns held by a number of local policing bodies, including ourselves, about the way ‘aggregated procurement’ is being developed in the police service. In particular, it scrutinised the use of mandated framework agreements for the procurement of non-police specific equipment and services and tested how this and other policies are helping to ensure that police expenditure provides value for money.</p> <p>Your officers have been active in ensuring that national procurement policies give sufficient flexibility to forces to achieve the best value for money.</p> <p>The full report is available on www.nao.org.uk/report/police-procurement/</p> <p>Recommendation</p> <p>That the report be received and its contents noted.</p>	

Main Report

Background

1. Following the general election in 2010, the Government set out its vision for police reform in the White Paper entitled *Policing in the 21st Century: Reconnecting Police and the People*. Many of the proposed reforms concerned governance arrangements – the introduction of PCCs, or the creation of the National Crime Agency, for example – but, importantly, the

report also set out ways to address what it identified as the urgent need for the police service to make savings and be more efficient.

2. One of the areas which it looked at was Police Procurement. Looking at 2010/11 figures, police forces had spent an estimated £1.7b in non-IT expenditure, that is, on items like vehicles, facilities management, utilities, etc. The Government paid particular attention to the large portion of contracts let regionally or locally, and felt that it was unsustainable to continue with a culture where 43 forces procured for goods and services in 43 different ways. It underlined the benefit of collective bargaining and the opportunities which nationally let contracts provided for the setting specifications and standards across all forces.
3. The Government's response in this area was twofold. It firstly moved to create a Police ICT (Information and Communication Technology) company to lead on the improvement of ICT procurement and the converging of different ICT systems. Secondly, the Government sought to promote aggregated procurement in the police service by asking the Home Office to support police forces in their procurement activities. It was this specific Home Office function which the National Audit Office (NAO) examined in a study published on 26 March 2013 (the subject of this report). The underlying aim of the study was to test how well the Home Office policies are helping to ensure that police expenditure provides value for money.
4. Officers from the Town Clerk's, Remembrancer's and the Strategic Procurement Unit engaged with the NAO Audit Managers conducting this study in the summer of 2012, by developing a dialogue with the NAO and providing data on our procurement activity. The City also set out its position in respect of the evolving national policies in relation to police procurement.

The National Picture

5. The context of the NAO's study is the pressure on forces to deliver savings of some £2.1 billion over the CSR period – approximately 20 per cent reduction in budgets nationwide. Police forces are making considerable efforts to ensure that some £474m of these savings arise from expenditure on good and services. This would mean that proportionate reductions in staff costs would not need to be as large.
6. There is evidence that a collaborative approach to procurement generates savings and many forces have reported significant savings by buying in bulk with other forces. A common mechanism is the use of joint framework agreements, which allow forces to procure for equipment and services in accordance with defined specifications and from specific suppliers. In broad terms, framework agreements provide forces with standard pre-negotiated contracts, thus eliminating the need to conduct often lengthy and complex tendering processes.

7. The NAO also found that forces are achieving value for money by delivering some non-frontline or back-office functions jointly with local authorities or other emergency services.
8. However, the study revealed a considerable variation in the level of reductions which each force has to make thus sometimes creating a disincentive to further collaboration. Other barriers to achieving better value for money include the failure by forces to agree on common standards, conflicting commitments or the costs associated with changing suppliers.
9. In reviewing some of the initiatives led by the Home Office to support the goal of achieving better value for money in procurement, the NAO scrutinised the approach to make procurement approaches for forces mandatory through legislation. So far, Regulations that came in force in 2011 oblige forces to purchase police-specific equipment such as body armour in accordance with the terms of national frameworks. The Government intends to broaden the scope of Regulations to cover services and more 'general' items of police expenditure, including utilities and property services. The study reports that the Home Office expects that some 80 per cent of non-IT expenditure will be through regional or national frameworks by 2014/15, although there is no indication that this will be achieved solely by imposing mandatory framework agreements.

Concerns over mandated framework agreements

10. The Home Office proposal to legislate in order to make certain procurement approaches for forces mandatory was set out in two rounds of consultations in 2010 and 2012. The NAO highlights that a number of police forces and authorities had expressed reservations about these proposals.
11. For the most recent consultation exercise, your officers took part in the preparation of a joint response by the Association of Police Authority Chief Executives (APACE) and the Police Authority Treasurers' Society (PATS). Our response acknowledged that standardising the nature of equipment or services to be procured, and even dictating the suppliers of choice, may be critical if the purpose is to ensure interoperability between forces in certain areas of policing. This was particularly true for equipment and services which required a high level of specificity, such as police radio communication or forensics services, etc. However, we felt that the case for expanding the use of mandated framework agreement into more general items of expenditure was less persuasive.
12. Our key observation was that dictating the way police forces should procure equated to greater, not less, centralisation, and was therefore contrary to the Government's commitment to localism and local accountability. We also pointed out that framework agreements might restrict competition and that handing very large contracts to a single supplier could create resilience risks should contractors face problems in supply chains.
13. However, our fundamental concern with the proposal was that mandating how police forces should buy equipment or services could compromise informal arrangements between police forces and local councils or other public bodies.

This was particularly relevant for us, since the City Police benefits from close arrangements with the City Corporation to obtain legal services, transactional finance services, etc. Our response evidenced that, in many cases, obliging forces to buy from specific suppliers could prohibit police forces from benefitting from cheaper or better deals “down the road”. Our submission was that where forces could demonstrate that it was able to obtain a price better than the ‘national’ price it should be permitted to do so.

14. The NAO reports that the evidence that mandated agreements have reduced spending is fragmented, a problem which could be down to the Home Office’s inability to collect accurate data on forces’ procurement activity. The NAO supports our suggestion that the Home Office should prioritise agreeing national specifications for common equipment and consumables with forces, over mandating supply routes.
15. Finally, the NAO examined how the Home Office policies will reconcile with the changing policing landscape and the Government’s renewed emphasis on local autonomy. It found that many forces and authorities anticipated PCCs taking more control over procurement expenditure, for example, by integrating functions with other local services. Significantly, many respondents also felt that PCCs might shift their emphasis towards more localised procurement.

Conclusion

16. The NAO has identified tensions between the Home Office’s strategies to increase collaboration and centralised procurement, and the Government’s aim to increase local autonomy and accountability for police forces. The study’s conclusions echo some of the concerns held by a number of local policing bodies, including ourselves, about the way ‘aggregated procurement’ is being developed in the police service. The City has engaged in a sustained dialogue with the Government and other partners to ensure that national procurement policies give sufficient flexibility to local policing bodies and forces to achieve the best value for money. Your officers will continue to monitor developments and report further as necessary.

Consultees

17. The Parliamentary Affairs Counsel in the Remembrancer’s Department has been consulted in the preparation of this report.

Appendices - None

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