Title: The Police Act 1996 (Equipment)(Amendment) Regulations 2012 and the Police Act 1996 (Services) Regulations 2012 **IA No:** HO **Lead department or agency:** Home Office (Police Productivity Unit) **Other departments or agencies:**	**Impact Assessment (IA)** **Date:** 17/10/2011 **Stage:** Consultation **Source of intervention:** Domestic **Type of measure:** Secondary legislation **Contact for enquiries**: Michael Grimwood (020 7035 3085)

Summary: Intervention and Options

RPC Opinion: RPC Opinion Status

Cost of Preferred (or more likely) Option				
Total Net Present Value	**Business Net Present Value**	**Net cost to business per year** (EANCB on 2009 prices)	**In scope of One-In, One-Out?**	**Measure qualifies as**
£104m	£0m	£0m	No	NA

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

The Government has no choice but to deal with the deficit. The police can and must make their fair share of the savings needed. The cost of buying equipment and services can be reduced by changing the patchwork of separate procurement by police authorities. Surveys, most recently in 2009/10, have revealed the number of separate suppliers and contracts used by the police despite a strategy of voluntary collaborative procurement. The Government's policy is to specify the contractual arrangements to be used by the police service to procure equipment, goods and services. Secondary legislation is required to achieve this aim. The first such legislation came into force on 4 March 2011.

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. The intended effects are that procurement is aggregated, delivering savings; that duplicated procurement activity by police staff is reduced and that each kind of saving helps the police service to manage real cuts in funding. In addition, it will become easier for suppliers to engage with the police service.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Option 1: Do nothing, continue with present arrangements in which most police procurement is local, or collaborative only on a voluntary basis, with only four categories of equipment covered by nationally prescribed frameworks. This will not deliver the full potential savings. 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 to be made under Sections 53 and 57 of the Police Act 1996 would contribute to the delivery of the savings. The Regulations would be expected to come into force in early 2012. Section 53 Regulations are subject to the negative resolution parliamentary procedure, under which they would be laid before parliament and come into force unless objected to.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** 03/2014

Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	**Micro** No	**< 20** No	**Small** No	**Medium** No	**Large** No
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)			**Traded:** N/A	**Non-traded:** N/A	

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

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

Summary: Analysis & Evidence

Policy Option 1

Description: "Do nothing" option

FULL ECONOMIC ASSESSMENT

Price Base Year 2011	PV Base Year 2011	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: £0m	**High:** £0m	**Best Estimate:** £0m

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low				
High		0		
Best Estimate	£0m		£0m	**£0m**

Description and scale of key monetised costs by 'main affected groups'

There will be no additional costs arising from the baseline, "do nothing" option.

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

There will be no additional costs arising from the baseline, "do nothing" option.

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low				
High		0		
Best Estimate	£0m		£0m	**£0m**

Description and scale of key monetised benefits by 'main affected groups'

There will be no additional benefits arising from the baseline, "do nothing" option.

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

There will be no additional benefits arising from the baseline, "do nothing" option.

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

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: N/A	**Benefits:** N/A	**Net:** N/A	No	NA

Summary: Analysis & Evidence

Policy Option 2

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year **2011**	PV Base Year **2011**	**Time Period Years** 10	**Net Benefit (Present Value (PV)) (£m)**		
			Low: £41.1m	**High:** £340.7m	**Best Estimate:** £104.0m

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	£0.14m	2	£0.19m	**£1.78m**
High	£1.54m		£1.96m	**£18.34m**
Best Estimate	£0.39		£0.37	**£3.20m**

Description and scale of key monetised costs by 'main affected groups'

For the Police Procurement Hub. Best estimate: transition costs £0.19m of staff costs (0.6FTE*£35kpa*43 forces*20%) in 2011/12. In addition there are estimated transition costs of £0.1m in 11/12 and 12/13 in relation to mobile telephony (£0.33m*33%) for forces moving to Vodaphone from other suppliers. Annual ongoing costs from 12/13 are £0.37m pa for staff and subscription costs (£0.75mpa*20%, for 0.5 FTE pa per force plus £1.1m pa *20%) to provide Procurement Hub service to all 43 forces.

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

None

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	£0	0	£4.73m	**£42.89m**
High	£0		£39.59m	**£359.01m**
Best Estimate	£0		£12.80m	**£107.15m**

Description and scale of key monetised benefits by 'main affected groups'

Savings are realised from reduced unit prices or service prices obtained by using the specified frameworks instead of alternatives;and reduced procurement activity through reduced numbers of separate force procurements. Savings also occur from extension of the police procurement hub including a small reduction in stationery costs from adopting electronic processes, reduced procurement activity from better catalogue management, purchase to pay and request for quotation processes.

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

Private suppliers for categories covered by Regulations may benefit from there being a few large procurements by the police service, standardised requirements and a more straightforward route to engaging with the service, instead of responding to multiple small tendering exercises. 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 and to make use of the Police Procurement Hub.

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

Some savings would be realised by voluntary use of the specified contractual arrangements.
Small and medium-sized enterprises might find it more difficult to compete in a reduced supplier market.
Risk: Benefits are likely to be lower as forces reduce budgets to live within the spending review.

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			**In scope of OIOO?**	**Measure qualifies as**
Costs: N/A	**Benefits:** N/A	**Net:** N/A	No	NA

Evidence Base (for summary sheets)

A. Strategic Overview

A.1 Background

The police service currently procures much equipment and many services in up to 43 different ways at a total cost of £3.3bn across 43 forces and the National Policing Improvement Agency (NPIA) (2009/10 figures).

Chapter 4 of *Policing in the 21st Century: Reconnecting police and the people* explained that the Government would legislate at an early opportunity to ensure a coherent basis for the Home Secretary to specify procurement arrangements to be used by the service (this has been taken forward through the Police Reform and Social Responsibility Act). *Policing in the 21st Century* further explained that, in the meantime, in order to ensure that savings were made as soon as possible to support deficit reduction, the Government would take forward proposals for Regulations under existing legislation to specify certain contractual arrangements to be used by the Police Service.

As set out in the Spending Review on 20 October 2010 and in the allocations to individual police authorities the police service must manage real cuts over the years to 2014/15. The core challenge for the police is to reduce costs while maintaining and, indeed, improving public services. The primary responsibility for this is local but there is a national part for Government to play, in particular through a national approach to procurement, the focus of the second objective in the Strategy on Police Value for Money, described in the Minister of State for Policing and Criminal Justice's letter to the Police service of 19 April 2011.

In pursuit of these objectives the Government has already specified the contractual arrangements to be used by the police service to procure certain equipment. This was achieved by *The Police Act 1996 (Equipment) Regulations 2011*, that came in to force on 4 March 2011 following the consultation last year *Obtaining Better Value from Police Procurement*.

This impact assessment concerns an extension of the categories covered by Equipment Regulations, to be made under Sections 53 of the Police Act 1996, and the introduction of Services Regulations, to be made under Section 57 of the Police Act 1996.

Obtaining Better Value from Police Procurement proposed a number of possible categories of service to be covered by Regulations. In the Government's *Summary of Consultation Responses and Next Steps* it indicated that it intended to make regulations in relation to the framework agreement for the provision of Forensic Analysis Services, subject to further consideration of the implications for that Framework of the changes to the Forensic Science Service announced on 14 December 2010. As work is still in progress to determine the contractual arrangements for the future provision of forensic services, including development of a new national framework, the Government has decided not proceed at present with Regulations covering forensic analysis services. However, there are a number of other frameworks for the provision of services available for use by the police which can be brought within the scope of Regulations.

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 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.

The consultation and further consultation outlined above covered the implementation of the Government's overall approach to specifying contractual arrangements to be used by the police service, including some of the categories of equipment and services that might be covered by Regulations and sought views from those affected on the categories to be covered and on the terms and operation of the proposed Regulations. The consultation informed the development of the Impact Assessment for the *The Police Act 1996 (Equipment) Regulations 2011).* That Impact Assessment, along with the Government's Summary of Responses to the Consultation was published on the Home Office website in February 2011.

There has been engagement between Home Office Commercial Directorate and the NPIA and a number of major suppliers to the police services. These have confirmed that the fragmented nature of the business relationships between suppliers and the service makes it more difficult and costly for suppliers to do business with the Service – costs that are ultimately reflected in the prices the Service has to pay for equipment and services.

This Impact Assessment is produced at the consultation stage of proposals for further Regulations. As part of the consultation the views of consultees are invited on the Impact Assessment, in particular on:

- The assumptions made about savings;
- The assumptions about levels of impact of the Regulations, including the extent to which the frameworks to be covered by the Regulations might be voluntarily adopted by the police service;
- The assumptions made about, and consideration given to, the impact on Small and Medium Enterprises;
- Any impact of the proposed Regulations on the market for the categories of equipment and services within scope of the proposed 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 e.g. 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.

Survey data from 2009/10 provides an indication of the continuing fragmentation of police procurement at that time. A more up to date picture will be available shortly; following a further survey of 2010/11 procurement and information from that survey will inform later iteration(s) of this Impact Assessment

There is an urgent need to deliver savings on police expenditure in response to budget deficit and consequent reductions in core Government funding.

This necessitates Government action as set out in *Policing in the 21st Century: Reconnecting police and the people*. The Government has introduced changes through the Police Reform and Social Responsibility Act to ensure a coherent basis for the Home Secretary to specify procurement arrangements to be used by the service.

In the meantime, in order to ensure that savings are made as soon as possible to support deficit reduction, the Government has taken forward proposals for Regulations under existing legislation to specify certain contractual arrangements to be used by the police service.

In July 2010 the Home Office consulted police forces and private suppliers on the Governments proposals to regulate certain contractual arrangements to be used by the police service. The Response document to Obtaining Better Value from Police Procurement was published in February 2011 and at the same time the Police Act 1996 (Equipment) Regulations were made and laid before Parliament. Having considered the responses the Government remained convinced of the benefits of aggregation of police procurement through centrally negotiated contractual arrangements. A Small Firms Impact Test was conducted and from this it was concluded that the Regulations would not impose a specific burden or financial obligation on SMEs.

The Police Act 1996 (Equipment) Regulations 2011, came in to force on 4 March 2011 and there is already evidence that savings are being delivered in line with the assumptions made in the Impact Assessment. The Sprint ii framework for certain IT hardware and software is delivering savings of around 4% and initial procurements under the vehicles framework have achieved savings over and above the basic prices available through the framework.

This Impact Assessment has been prepared to: assist consultation on further regulations, that would extend the categories of equipment and services for which particular frameworks are specified for police use; to assess the effect of implementing such Regulations; and to generate views from consultees about that effect.

C. Objectives

Contribute to:

- the realisation of substantial recurring annual savings on procurement;
- a better co-ordinated approach to the purchase of equipment and services by the police service.

In particular by ensuring that the equipment and services specified in the Regulations are bought through national framework arrangements, also specified in the Regulations, so that all forces benefit from the prices obtainable through those frameworks and the aggregation of spending enables additional value to be driven out of those frameworks:

- Total contract savings in these categories are realised worth £11.6 m per year by 2014/15 (£0.03 m from vehicle light bars, £0.26 m from Digital Interviewing, £ 2.19m from mobile telephony, £4.40m from translators and interpreters, £0.18m from utilities, £0.003m from local customer surveying, £1.36m from training services, £3.16m from consultancy, £0.01m from police procurement hub); together with
- Savings on procurement activity worth £2.53m per year by 2014/15 (£0.2 m from vehicle light bars, £0.03 m from Digital Interviewing, £0.12m from mobile telephony, £0.3m from translators and interpreters, £0.10m from utilities, £0.23m from local customer surveying, £0.40m from training services, £0.20m from consultancy, £0.96m from police procurement hub).

Notes on the scope of the various contractual arrangements referred to above:

- **Vehicle light bars** – An NPIA and police Fleet Manager led framework to supply and fit Vehicle Light Bars and Associated Public Warning Equipment to provide emergency service (police) signalling. The framework offers four standardised categories of lightbar. Each category or Lot has three suppliers to allow for further competitions to achieve the best value for money.
- **Digital Interviewing** – An NPIA led framework for equipment for recording digitally police interviews and storing the interview records. The effect of Regulations would be to constrain forces that have decided to purchase digital interview equipment to use the national framework. Regulations would not require forces to switch from analogue to digital recording.
- **Mobile telephony** – supply of mobile telephone services, a framework for police use on which the MPS acted as lead force.
- **Translators and Interpreters –** A framework led by Ministry of Justice which provides the services of translators and interpreters. It covers the following services face to face (including provision for the deaf and blind), text translation, telephone translation. A single prime contractor co-ordinates provision of services from many individual translators/interpreters.
- **Utilities** (electrical power consumption) – Existing pan Government frameworks available for police use
- **Customer surveys** – Thames Valley Police led National User Satisfaction Survey framework to provide a surveying services used by all forces to include all types of surveys conducted by police forces.
- **Training Services** – limited range of specialist training. Existing public sector wide frameworks. Off-the-shelf eLearning content covering areas including Business Skills, Leadership Skills, IT Technical and IT Desktop
- **Consultancy** – Existing public sector wide frameworks for the provision of Organisational & Change Management consultancy and Business Change consultancy together with HO led framework for consultancy to support the application of process improvement work in the police service.
- **Police Procurement Hub** – a managed procurement service providing electronic access to catalogues, purchase to pay processing and other facilities, together with a means of aggregating data on police procurement to support more effective engagement with the market and with suppliers.

D. Options

Option 1 Do nothing, continue with present arrangements – will not deliver all the savings available from better procurement of vehicle light bars, digital interviewing, mobile telephony, translators and interpreters, utilities, local customer surveying, training services, consultancy and the police procurement hub. Reliance on a voluntary approach has failed to deliver sufficient aggregation and standardisation of procurement.

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

E. Appraisal (Costs and Benefits)

GENERAL ASSUMPTIONS & DATA

- All costs and benefits considered in this section are additional in comparison with the baseline, “do nothing” option.

- 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

- The cost of procurement activity will reduce because fewer separate tendering exercises will be conducted by the police. Although the value of transactions through the specified frameworks will be larger than through any previous force level contracts, the administration and management will be more straightforward as the same terms will apply to all.

- 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. The extent to which Regulation is required to compel adoption of the frameworks has been estimated by the professional procurement teams in the NPIA based on their experience of working with the service and their knowledge of the particular procurement categories to which the proposed regulations refer.

- Some transition costs will arise for forces from the adoption of some of the specified frameworks. In particular:

- Adoption of the Police Procurement Hub will involve a transition process in 2011/12 requiring each of the 43 forces to put in place a transition team of 2.5 people for 3 months (equivalent to 0.6 FTE pa, at say £35kpa for full time pay costs = £22k per force). This estimate is derived from the Full Business Case for the procurement hub.

- Moving to the mobile telephony framework over two years will involve transition costs for up to 15 forces in each year related to the change of mobile telephony supplier. The cost is estimated by NPIA, taking into account discussion with forces, at £20k per force.

<u>OPTION 2</u>

Use existing regulatory powers – to deliver further savings (in addition to those flowing from The Police Act 1996 (Equipment) Regulations 2011. Draft Section 53 Regulations will mandate procurement from the frameworks for digital interview equipment and vehicle light bars while draft Section 57 Regulations will mandate procurement from frameworks for mobile telephony, translators and interpreters, utilities, local customer surveying, training services, consultancy and from the police procurement hub. Further frameworks or contracts may be brought within the scope of further Regulations in future, subject to the prescribed consultation requirements for making such Regulations.

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

<u>Method and data</u>

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 i.e. fewer separate procurements) **– Transition costs** (costs of moving to the new frameworks) **– Continuing Costs** (the subscription and staff costs for the police procurement hub)

The contract savings have been estimated by NPIA based on the adoption by all forces of specified frameworks, taking account of force spend data collected in summer 2010. Except for the police procurement hub these savings flow from reduced unit prices for equipment or reduced service prices obtained by using the specified frameworks instead of alternatives, together with the effect of aggregating police service spend through the specified frameworks, to achieve further price reductions. The savings for each framework are set out in the Best Estimate breakdown of costs and savings below. These estimates have been endorsed by:

- the Collaborative Police Procurement Programme Board, which brings together procurement professionals and business area representatives from the police service with NPIA colleagues and Home Office representatives to agree the overall procurement programme for the police service

The procurement activity savings reflect an estimated saving per procurement avoided of £25k based on guidance from the NPIA on the numbers of procurements likely to be avoided, taking account also of the views of the Government Procurement Service (GPS) on costs per procurement. The number of procurements avoided is set out where Procurement activity savings are considered in the Benefits section below.

Transition costs have been estimated by NPIA, in consultation with forces, at a maximum one-off transition cost of £20k per force moving to a different mobile telephony provider under the new framework and £22k per force for transition to use of the Police Procurement Hub (this is the cost of a small implementation team and is based on the full business case for the procurement hub. There are no transition costs for the other categories covered by the Regulations.

Continuing costs are the annual subscription for the Police Procurement hub (£1.08m pa total for 43 forces) and the staffing cost to operate the hub (0.5 Full Time Equivalent posts per force at £35k per FTE pa = £0.75m pa).

<u>Scenarios</u>

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 and continuing 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 40% of vehicle light bar savings, 10% of digital interview equipment savings, 33% of mobile telephony savings, 40% of translators and interpreters savings, 20% of utilities savings, 30% of local customer surveying savings, 40% of training services savings, 40% of consultancy savings, 20% of police procurement hub savings (the same percentages are used to attribute transition and continuing 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 5% and 20% of the available savings (and transition and continuing 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.

<u>Transition</u>

Transition costs arise only for mobile telephony and the Police Procurement Hub. These costs are itemised below.

There are no one-off transition benefits. Although the full adoption of the specified frameworks by police authorities and forces will take place over several years, so that the full benefits of using the new frameworks will build up over time, this represents the build up of continuing benefits to a steady state, rather than transitional benefits that occur only once.

COSTS

The costs identified are:

Transition costs that may arise in relation to the mobile telephony framework if forces move to a different telephony provider when procuring through the specified framework. NPIA advise that the maximum estimate for these costs is a one-off £20k per force. For the purposes of this impact assessment it is assumed that this cost will arise for up to 30 forces moving to the new framework, up to 15 in each transition year (15*£20k = £300k).

Transition costs in relation to the Police Procurement Hub, for which all forces will need to put in place a transition team for 3 months equivalent to 2.5 full time posts (average cost estimated at £35k per FTE). This cost will fall wholly in 2011/12 (2.5 posts * £35k *0.25 years * 43 forces = £0.94m).

Continuing Costs arise only in relation to the Police procurement hub for which there is an annual service charge per force (£25k) and annual cost per force for staff equivalent to 0.5 FTE per force (that is (£25k*43 forces) + (0.5 staff * £35k * 43 forces) = £1.83m)

The proportion of both the transition costs and continuing costs attributable to the Regulations is treated as 100% in the High Impact scenario. In the Low and Middle scenarios the same percentages are used to attribute costs as are used for the attribution of benefits in these scenarios

In the High Scenario

- In the transition period the estimated costs are £1.54m
- The continuing costs are £1.83m pa from 2012/13

In the Middle Scenario

- In the transition period the estimated costs are £0.39m
- The continuing costs are £0.37m pa

In the Low Scenario

- In the transition period the estimated costs are £0.14m
- The continuing costs are £0.18m pa

In this section, all the values of benefits and costs have been set out at 2011/12 prices.

Policy Costs

The policy of mandating procurement from specified frameworks will impose some transition costs on those police forces that, as a result of mandation, move to a new supplier in adopting the mobile telephony framework or adopt the Police procurement hub. A maximum value for this has been included in the calculation of costs above and, in the middle case scenario, amount to £0.39m spread over 2 transition years (2011/12 and 12/13) and continuing costs of £0.37m pa. 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.

To make use of the police procurement hub and realise the potential benefits linked to its use forces will need to subscribe to the service (£25k pa) and allocate staff time to using it (equivalent to 0.5 FTE pa per force, £17.5k pa per force).

BENEFITS

Contract savings

Contract savings start in 2011/12 or 2012/13, depending on the framework. As the effect of Regulations will be felt for, at most, 3 months of 2011/12 only a quarter of the estimated annual value of savings is counted for 2011/12.

In the “High” scenario:

- Continuing savings start in 2011/12 at £2.86m and rise to £32.62m per year by 2016/17 when savings in all categories have reached a steady state (the trajectory is £2.86m, £20.52m, £26.93m, £32.54m,£32.57m, £32.62m).

- The steady state savings for each category and the year in which savings reach that steady state are - £0.08m from vehicle light bars from 2014/15, £2.55 m from Digital Interviewing from 2012/13, £ 6.64m from mobile telephony from 2014/15, £11.0m from translators and interpreters, from 2014/15; £0.9m from utilities from 2012/13, £0.01m from local customer surveying from 2012/13, £3.4m from training services from 2013/14, £7.9m from consultancy from 2014/15, £0.14m from police procurement hub from 2016/17.

In the “Middle” scenario:

- Continuing savings start in 2011/12 at £0.6m and rise to £11.61m per year by 2016/17 when savings in all categories have reached a steady state (the trajectory is £0.96m, £6.89m, £9.39m, £11.59m, £11.60m, £11.61m).

- The steady state savings for each category in this scenario are as follows (the years in which savings reach that steady state are as set out in the ”High” scenario) - £0.03 m from vehicle light bars, £0.26m from Digital Interviewing, £2.19m from mobile telephony, £4.40m from translators and interpreters, £0.18m from utilities, £0.003m from local customer surveying, £1.36m from training services, £3.16m from consultancy, £0.03m from police procurement hub.

In the “Low” scenario:

- Continuing savings start in 2011/12 at £0.28m per year and rise to £4.04m per year by 2016/17 when savings in all categories have reached a steady state (the trajectory is £0.28m, £2.23m, 3.17m, 4.04m, £4.04m, £4.04m)

- The steady state savings for each category in this scenario are as follows (the years in which savings reach that steady state are as set out in the ”High” scenario) - £.02m from vehicle light bars, £0.13m from Digital Interviewing, £0.46m from mobile telephony, £2.2m from translators and interpreters, £0.09m from utilities, £0.002m from local customer surveying, £0.34m from training services, £0.79m from consultancy, £0.01m from police procurement hub.

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. For all categories except the Police Procurement Hub 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. So the number of procurements avoided varies by category. The maximum, in the high scenario is: 20 for light bars, 10 for digital interview equipment, 15 for mobile telephony, 30 for translators and interpreters, 20 for utilities 30 for customer surveys, 40 for training services, and 20 for consultancy.

The reduced number of procurements starts in 2011/12. As the effect of Regulations will be felt for, at most, 3 months of 2011/12 only a quarter of the estimated annual number of procurements are counted as avoided and this is counted as a transitional saving. From 2012/13 a constant annual number of procurements per category are assumed to be avoided as not all forces will be involved in procurements in each category each year. It is assumed that the number of renewal procurements avoided will remain constant each year. The associated savings from the procurements avoided are treated as continuing benefits.

The estimated cost per procurement of £25K is based on guidance available from the GPS 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 case of the police procurement hub, the procurement activity savings are derived from the business case for the hub and flow from increased electronic purchase to pay transactions, improved processes for requesting quotations from suppliers via the hub and the improved catalogue management that the hub will enable. These savings are transitional until they reach a steady state in 2016/17.

In the High Scenario

- Continuing savings start in 2011/12 at £1.3m and rise to £16.09m by 2016/17 when savings in all categories have reached a steady state (the trajectory is £1.3m, £6.54m, £7.49m, £9.4m, £12.27m, £16.09m).

- The steady state savings for each category and the year in which savings reach that steady state are £0.5m from vehicle light bars from 2012/13, £0.25m from Digital Interviewing from 12/13, £0.38m from mobile telephony from 12/13, £0.75m from translators and interpreters from 12/13, £0.5m from utilities from 12/13, £0.75m from local customer surveying from 12/13, £1.0m from training services from 12/13, £0.5m from consultancy from 12/13, £11.46m from police procurement hub from 16/17.

In the Middle Scenario

- Continuing savings start in 2011/12 at £0.42m and rise to £3.87m by 2016/17 when savings in all categories have reached a steady state (the trajectory is £0.42m, £1.96m, £2.15m, £2.53m, £3.10m, £3.87m).

- The steady state savings for each category and the year in which savings reach that steady state are £0.2m from vehicle light bars from 2012/13, £0.03m from Digital Interviewing from 12/13, £0.12m from mobile telephony from 12/13, £0.3m from translators and interpreters from 12/13, £0.1m from utilities from 12/13, £0.23m from local customer surveying from 12/13, £0.4m from training services from 12/13, £0.2m from consultancy from 12/13, £2.29m from police procurement hub from 16/17.

In the Low Scenario

- Continuing savings start in 2011/12 at £0.17m and rise to £1.78m by 2016/17 when savings in all categories have reached a steady state (the trajectory is £0.17m, £0.83m, £0.93m, £1.12m, £1.4m, £1.78m).

- The steady state savings for each category and the year in which savings reach that steady state are £0.1m from vehicle light bars from 2012/13, £0.01m from Digital Interviewing from 12/13, £0.03m from mobile telephony from 12/13, £0.15m from translators and interpreters from 12/13, £0.05m from utilities from 12/13, £0.15m from local customer surveying from 12/13, £0.1m from training services from 12/13, £0.05m from consultancy from 12/13, £1.15m from police procurement hub from 16/17.

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 (and in detail at the end of this section), the annual average benefits generated by implementing the regulations would be £12.8m and over 10 years the present value of savings attributable to the Regulations would be £107m.

When forces contract individually to buy goods and services they all need – in any of the categories covered by proposed Regulations - 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 185 per year across 43 forces. NPIA, with advice from the GPS 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 £104m.

Table E.1 Summary of Costs and Benefits (best estimate)		
Year	**Costs (£m)**	**Benefits (£m)**
0	£0.00	£1.4
1	£0.37	£8.8
2	£0.37	£11.5
3	£0.37	£14.1
4	£0.37	£14.7
5	£0.37	£15.5
6	£0.37	£15.5
7	£0.37	£15.5
8	£0.37	£15.5
9	£0.37	£15.5
Annual average	**£0.37**	**£12.8**
Present value[1]	**£3.20**	**£107.15**

ONE-IN-ONE-OUT (OIOO)

N/A

There are no wider social or environmental, costs or benefits.

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

    - Digital Interviewing – the framework includes three suppliers, sufficient to maintain competition to supply.
    - Light bars - multiple supplier Frameworks which ensures long term competitiveness each of the four categories or Lots of light bars has three suppliers to allow for further competitions to achieve the best value for money.
    - Mobile Telephony - The Framework involves a single supplier, but the market is of such size that concentrating police spend will not have a significant impact on overall competition.
    - Translators and interpreters – The approach adopted by the lead Department (Ministry of Justice) was to tender for a managed service. There will be one overall supplier, but all qualified translators / interpreters can still provide their services as long as they sign up to the terms of the service provision.
    - Utilities – The frameworks it is proposed to mandate have multiple suppliers which ensures long term competitiveness; in addition these are pan-govt deals and the police service is a relatively small customer
    - Local customer surveying – Competitively tendered via OJEU the police are a relatively small customer in the overall market. There is a supplier panel of 6
    - Training services – in addition these are pan-govt deals and the police service is a relatively small customer within total Government and public sector business
    - Consultancy – The frameworks it is proposed to mandate have multiple suppliers which ensures long term competitiveness; in addition these are pan-govt deals and the police service is a relatively small customer
    - Police procurement hub – This is different in kind from the other categories. The service has been procured through a wider public sector agreement.

[1] Including transition costs

- Failure to analyse the market thoroughly might result in a reduced market, potentially shutting out small and medium enterprises (SMEs). The frameworks for Digital Interviewing and Translators and Interpreters provide opportunities for SMEs as does the already mandated Sprint ii framework. For future procurements that might become subject to mandation, 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.

- 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.

- Lack of flexibility to meet operational needs. The equipment and service frameworks selected for mandation in these Regulations have been considered by the Collaborative Police Procurement Programme Board, through which a police service wide view of requirements has been agreed, or have been considered as part of the ISIS programme (in the case of ICT). CPPPB is chaired by the Association of Chief Police Officers lead on Procurement. There is no reason why the frameworks should involve a lack of flexibility or responsiveness to meet operational requirements, though clearly they are intended to reduce unnecessary (and costly) variation. It is acknowledged that in certain cases some forces may have been able to obtain the proposed equipment or services at a lower unit cost than they will through using these frameworks, but the cost of contracting processes must also be taken onto account and the national approach offers considerable savings on these.

- Lack of compliance. The mandation of the frameworks proposed in this consultation by Regulations will require all forces to purchase the specified equipment and services through these frameworks. Equipment and services within the scope of the Regulations can only be lawfully used by the police if obtained in accordance with the Regulations. As a law enforcement body the police are expected to comply with the Regulations and Police Authorities which, at present, are responsible for procurement are expected to ensure that this is the case for their force.

A more detailed sensitivity analysis is not considered necessary.

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	£3.20m (PV over 10 years)	£107.15m (PV over 10 years)
	Cost to police service. Minimal integration costs and continuing cost of procurement hub service.	Benefits 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. The proposed 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 Regulations will be monitored and evaluated:

- Through the usage of the specified frameworks by the police service – monitored by the Home Office Commercial Directorate;
- Through the price reductions actually achieved by those frameworks – monitored by the Home Office Commercial Directorate, compared to the best estimate contract price savings trajectories by category set out in this Impact Assessment;
- By changes in the number of separate contractual arrangements used by forces for the specified categories of equipment and services– monitored by the Home Office Commercial Directorate using survey data collected in 2011 and thereafter data from the police procurement hub;
- Through overall changes in police service spending on equipment and services – monitored through the annually published CIPFA Police Service Statistics of actual spend.

K. Feedback

As this is a consultation stage Impact Assessment, the consultation is the means to seek feedback to refine the IA.

L. Specific Impact Tests

A Small Firms Impact Test has been prepared; this has been informed by responses to the consultation carried out between 26 July and 20 September 2010. A further test will be carried out taking into account the outcome of the consultation on the further Regulations now proposed and will inform the final Impact Assessment.

See Annex 1.

Annex 1. Specific Impact Tests

Statutory Equality Duties

Equality Impact Assessment

No separate EIA has been made for these proposed Regulations, but there has been due regard to the equality duty introduced by the Equality Act 2010.

The evidence for this includes:

- The EIA prepared as part of the impact assessment for the initial Regulations and included in the Impact Assessment for those Regulations. To produce that, as part of the 2010 consultation, the Home Office 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.

- Insofar as the Regulations now proposed 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 2010 consultation identified particular diversity issues.

- There is no reason to suppose that the Regulations now proposed will have a specific impact on any particular group to which a statutory equality duty applies. However, as part of the consultation views on the potential for such impacts to occur are being sought.

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. A Small Firms Impact Test was based on the test carried out for the Impact Assessment for *The Police Act 1996 (Equipment) Regulations 2011*. Views on this test are being sought as part of the consultation on the proposed Regulations covered by this Impact Assessment 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. The implementation of the Police Procurement Hub will make it more straightforward for SMEs to do business with the police service.

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 specified frameworks. In the case of Translators and Interpreters, although the framework is awarded to a single supplier, SME's, including individual translators and interpreters, can become suppliers to that single supplier. 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.