



National Audit Office

REPORT BY THE
COMPTROLLER AND
AUDITOR GENERAL

HC 1046
SESSION 2012-13

26 MARCH 2013

Home Office

Police procurement

Key facts

43

police forces in
England and Wales

25

number of forces with
joint procurement
functions working
across nine separate
force collaborations

£1.7bn

spend by all police
forces in England and
Wales on non-ICT goods
and services, 2010-11

£2.1 billion real-terms reduction in central government funding for the police service, 2010-11 to 2014-15

£474 million savings planned by forces from better procurement of all goods and services by 2014-15

£62 million savings on non-ICT goods and services in 2011-12 claimed by 27 police forces and two organisations, the National Policing Improvement Agency and the Collaborative Police Procurement Programme

£21 million police force spending through the national police procurement hub, as at February 2013

280 full-time equivalent procurement staff in the 42 police forces that gave us comparable data, at January 2013

68 per cent proportion of procurement staff in police forces that have professional procurement qualifications, at January 2013

Summary

1 The 43 police forces in England and Wales procure a wide variety of goods and services to support their work. These range from uniform and police cars to estate and facilities management services, such as cleaning. In 2010-11 police forces spent £1.7 billion on all goods and services (excluding ICT, which amounted to a further £633 million), representing around 13 per cent of total force expenditure.

2 Funding for the police service has grown significantly, increasing in real terms by 49 per cent between 1995-96 (when revenue data was first collected) and 2010-11. Under current pressures to reduce public sector spending, the Home Office (the Department) is reducing central government funding to police forces by £2.1 billion in real terms (£1.2 billion in cash terms) during the spending review period (2010 to 2015). In 2012 Her Majesty's Inspectorate of Constabulary (the Inspectorate) found that, to help protect frontline policing, forces were planning to achieve 24 per cent of these savings on procurement of goods and services (both ICT and non-ICT).

3 The Department oversees the police service. It has taken a role in providing leadership and support to help forces improve procurement, so that they can make the savings needed following the 2010 spending review. The Department is also responsible for putting in place a system of assurance for the value for money of police expenditure as set out in its Accountability System Statement for Policing and Crime Reduction. While the Inspectorate provides some national-level oversight, the Department has chosen to delegate responsibility for assuring value for money in individual forces to locally elected police and crime commissioners ('commissioners'). The commissioners replaced police authorities in November 2012 in holding individual chief constables to account. In this new system chief constables retain operational independence to direct their force.

4 This report examines how procurement is currently undertaken and whether the Department is effective in discharging its procurement responsibilities to the police service. This includes how the Department assures the taxpayer that police procurement is value for money.

5 Our January 2012 report *Mobile Technology in Policing* focused heavily on ICT procurement.¹ This report, therefore, looks at police procurement of non-ICT goods and services. We surveyed all forces about their procurement activities. We have not, however, evaluated the effectiveness of procurement functions for individual forces. Our methodology is set out in Appendices One and Two.

¹ Comptroller and Auditor General, *Mobile Technology in Policing*, Session 2010-12, HC 1765, National Audit Office, January 2012.

Key findings

The police procurement landscape

6 The £2.1 billion reduction in central government funding for the police service will affect forces differently, with some having to make much larger savings than others. Central government funding is determined by a formula that considers relative need, and is supplemented by funds raised through local taxation. The proportion of funding each force receives from central government varies significantly. The forces that rely more on central government funding will need to make greater cuts, regardless of their ability to make them and how far they have already made savings (paragraphs 1.3 to 1.7 and Figure 1).

7 Procurement activity at force level has grown organically, with forces historically procuring most goods and services independently. The Department is working with forces to address the inefficiency of this approach given the savings forces need to deliver. The Department wants to end the culture of police forces procuring goods and services in up to 43 different ways. Working with stakeholders, it has therefore decided to improve coordination of force procurement through a number of initiatives. In parallel, forces have been trying to improve value for money, for example by increasing collaboration with other police forces (paragraph 1.12).

Police procurement in practice

8 We found that there are 280 procurement staff across 42 forces. The majority – around two-thirds – hold professional procurement qualifications, but good overall levels of professionalism mask variations across forces. The level of professionalism is higher than the Cabinet Office estimate for the wider public sector of 58 per cent. The Department does not routinely collect data on force procurement capability. However, seven forces reported in our survey that they did not have sufficient staff and resources to undertake procurement activity effectively (paragraphs 2.4 and 2.5).

9 To improve value for money in procurement, some forces have entered into voluntary collaborative arrangements with other organisations. Collaborative working offers potential for forces to improve buying power, negotiate lower prices, and make savings by combining back-office functions and reducing administration costs. Twenty-five forces are involved in nine collaborations, which have merged procurement teams. Many forces also work with local authorities and the private sector to make savings (paragraphs 2.8 and 2.9, and Figure 4).

10 As well as organisational collaboration, all forces use collective buying approaches for particular goods and services put in place by other forces.

These national frameworks mean that each force does not have to carry out individual EU-compliant tender processes, and so saves money. Instead a lead force agrees terms and conditions for making specific purchases with suppliers, which other forces can then use. Forces have also used national frameworks set up outside of the police service, such as those for police vehicles and forensics set up by the Department, and for generic items such as office equipment and utilities offered by the Government Procurement Service. The Department is aiming for at least 80 per cent of police spending on non-ICT procurement to go through regional or national frameworks and contracts by 2014-15 (paragraphs 2.10 to 2.13, 3.14, and Figure 3).

11 Forces have not agreed common specifications for many types of goods and services, which reduces their ability to make savings by delaying or preventing collaborative purchasing arrangements being established.

We found a minimum of nine separate specifications for each of five common items of equipment used by police officers. Forces have also found it particularly hard to agree common specifications for uniform, which they spent almost £8 million on in 2010-11. If forces could replicate cost reductions achieved through standardising uniforms in the prison service they could save around £2.6 million a year (paragraphs 2.14 and 2.15, and Figure 5).

12 We estimate that forces could save around £1.6 million per year, across five types of common equipment, assuming they paid the average of the five lowest prices paid.

We examined police forces' procurement of five categories of goods, such as body armour and riot shields. For each category we found they procure a wide range of different specifications. Even for identical goods we found substantial variation in the prices paid. Given these savings relate to expenditure of just £6.6 million in 2011-12, if such price variation existed elsewhere this would indicate scope for considerable savings through better procurement (paragraphs 2.16 to 2.18, and Figure 6).

Effectiveness of the Department's support and oversight

13 The Department has teams that work with forces to support their procurement activity, but its efforts have so far been met with mixed reactions.

Nineteen forces were complimentary about the support they received from the Department's regional managers. However, an equal number expressed concerns about the timeliness, quality and general quantity of wider support they received from the Department (paragraphs 1.12, 3.13, and Figure 3).

14 There is a tension between the Department's centrally directed strategies to increase collaboration and national procurement, and its reforms to increase local autonomy and accountability for police forces. The Department has made a policy decision to implement a light-touch oversight regime of assurance over value for money of police procurement. It has introduced commissioners to increase local decision-making and accountability. It has also implemented initiatives, such as enforcing national procurement of certain items, to improve value for money. With devolved delivery, central interventions need to have compelling evidence to maximise local buy-in. As we have found previously, where this evidence is lacking it can be difficult to achieve economies of scale and may be poor value for money. This type of oversight regime limits the amount of information available to the Department to direct their interventions and weakens the levers available to enforce the Department's initiatives. The Department is in the process of revising the system statement to clarify the accountability arrangements established by the Police Reform and Social Responsibility Act 2011 (paragraphs 1.9 to 1.11 and 3.27 to 3.29).

15 The Department has a strategy to improve procurement in police forces, but the effectiveness of its support is reduced by the complexity of the landscape in which it operates. The Department is working with multiple stakeholders, including the Association of Chief Police Officers, to improve police procurement and simplify governance structures. Blurred lines of accountability and the complex landscape have, however, contributed to delays in implementing wider procurement initiatives. Furthermore, many significant changes have been made to both governance and support arrangements, such as creating commissioners. This has introduced uncertainty for forces about committing to longer-term procurement arrangements (paragraphs 3.11 and 3.12, and Figure 7).

16 The Department intervened more directly in 2011 with legislation requiring forces to procure certain items, including vehicles and body armour, through national frameworks. Evidence of the value for money achieved through these approaches is, however, weak. While 24 forces we surveyed were positive overall about these frameworks, ten criticised the Department's consultation process, and 11 forces (25 per cent) told us they had incurred additional costs (financial or otherwise) from using them. This may create tension for forces and commissioners between their duties to achieve value for money and to collaborate, for example, through the use of national frameworks. It is difficult for the Department to show forces that its frameworks are beneficial as it does not have comparative baseline data. Furthermore, it is unclear how the Department can enforce these legal directives, and this has not yet been tested (paragraphs 3.14 to 3.19, 3.27 to 3.29).

17 The Department manages an online marketplace, the national police procurement hub, which forces can use to procure goods and services. With the volume of transactions going through the hub in 2012 well below target, the Department plans to make it a legal requirement for forces to use it instead of alternative procurement services. All forces were due to be using the hub by June 2012, but by January 2013 only 43 per cent of forces were doing so. The levels of spending and savings recorded through the hub were below predicted levels. The Department has not set out what level or type of usage it will require from forces compelled to use the hub, or how it will monitor this and deal with non-compliance (paragraphs 3.20 to 3.26).

18 There is no comprehensive data on police procurement. The Department's attempts to collect data have met with limited success, reducing its ability to improve value for money nationally. The Department needs robust data to monitor the effectiveness of procurement expenditure and therefore target its support where most needed. The Department has taken over responsibility from the National Policing Improvement Agency for commissioning data collection, but these data are available too late, lack information on unit costs and are difficult to compare. The way the data are categorised can also produce errors. As of January 2013, data for procurement expenditure in 2011-12 had still not been collated. The Department had intended to obtain real-time data on force procurement expenditure from the hub, but with the present usage levels, very limited data are available (paragraphs 3.3 to 3.5, and 3.25).

19 The Department struggles to collect accurate information from forces about savings made. The Department collects quarterly savings data in line with Cabinet Office requirements, but 37 per cent of forces did not comply with this requirement in 2011-12. Furthermore, the Department undertakes only limited validation of the returns that it receives. The Department is not, therefore, well placed to identify and share good practice, or keep track of what savings police forces are making, and how they make them. The absence of good savings data, taken together with the problems with its own procurement expenditure data, means the Department has to draw on other available sources of data to help fill gaps in its datasets (paragraphs 3.6 to 3.10).

Conclusion on value for money

20 Forces need to make significant savings over the spending review period and procurement expenditure is an obvious target. Both forces and the Department are implementing initiatives to improve value for money and although savings have been made, there is clear evidence that many opportunities for savings remain unexploited. Given the scale of the challenge and the need to minimise the impact of cost reductions on frontline policing, the Department, forces and commissioners must work together more effectively to identify and make further savings.

21 The Department has decided to operate a light-touch approach both to supporting the delivery of savings in the sector and overseeing the value for money of police expenditure, including procurement. This approach, combined with a complicated landscape and the lack of good quality, timely information about police procurement activities available to the Department considerably limits its ability to support forces' efforts to improve value for money. When revising its accountability system statement the Department should consider carefully how to manage the risks implicit in operating a light-touch oversight regime; in particular the consequences on its ability to identify whether forces are complying with central requirements designed to drive savings at national level, and the levers available to the Department to enforce its directives. Under the current system the Department is not able to assure the taxpayer that the £1.7 billion the police service spends on non-ICT goods and services is value for money.

Recommendations

- a** The Department should review and map out the current governance structure for all police expenditure, including procurement. It should agree and document lines of accountability with all parties, and streamline current arrangements. The Department should consult with the Association of Chief Police Officers, the Inspectorate, the College of Policing and commissioners when revising its accountability system statement. It should set out clearly to all parties how the system of assurance will operate and the various parties' responsibilities.
- b** The Department should make a clear statement to forces and commissioners about what mandation of the national police procurement hub will mean, and how forces will be expected to use it. The Department should take advantage of forces' support for the hub by identifying the barriers to implementation and supporting forces to overcome these, showing where it is achieving benefits.
- c** The Department should improve and formalise how it collects data on police forces' procurement spending so it can support forces and obtain assurance effectively. In particular it needs to ensure that it makes data for 2011-12 available as soon as possible. The Department should agree with forces and commissioners a hierarchy of data requirements. It should communicate the rationale for collection, and consult widely on how data can be shared more effectively to assist forces.
- d** The Department should set out milestones for how it will meet its aim for forces to procure at least 80 per cent of expenditure on non-ICT goods and services through regional and national frameworks by 2014-15. It should prioritise agreeing specifications for common equipment and consumables with forces. This should help forces collectively make savings in procurement spending and back-office costs by reducing the local procurement activity required.
- e** The Department should prepare a contingency response for dealing with resistance to agreed national approaches from individual forces or commissioners. Commissioners are now responsible for ensuring they deliver value for money for their force, and may face difficult decisions if approaches that are nationally or regionally beneficial incur their forces extra costs. The Home Office will need to be prepared to deal with such circumstances as they arise to prevent further fragmentation.