



‘SIMPLY SMARTER SOURCING’

**The Metropolitan Police
Procurement Strategy**

November 2003

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1. INTRODUCTION

The purpose of this document is to outline the new Procurement Strategy for the Metropolitan Police Authority (MPA) and the Metropolitan Police Service (MPS). The Strategy provides the framework for how the procurement of all goods, services and works will be managed in the future.

From a strategic, corporate perspective, procurement is the process of reducing the total costs of externally purchased materials, goods and services while maintaining and improving levels of quality, service and technology. Procurement is an important link to the achievement of operational efficiency and business process improvement by:

- underpinning the MPA and MPS strategies and corporate objectives (including continuous improvement in service delivery);
- managing the effective sourcing¹ of all high value, complex, and/or innovative goods and services; and
- meeting operational and business requirements by optimising the provision of goods and services to ensure the right quality, in the right quantity, at the right time, is procured from the right supplier and at the right price.

This Procurement Strategy has also been designed to address the requirements of Best Value principles and legislation.

It is important to recognise that all formal agreements are enacted on behalf of the MPA, the contracting authority. There are detailed procedures to be followed by all MPA and MPS employees when letting MPA contracts and these are set out in the MPA Standing Orders and Regulations Policies in conjunction with the Purchasing Policy and EC Directives Manual.

The Strategy addresses the procurement and management of all third party expenditure. However, the acquisition, management and disposal of land and buildings (along with related services) is a highly complex area of Procurement and *Procurement Services* and *Property Services* will continue to work hand-in-hand to ensure the relevant strategic objectives are met.

¹ 'Sourcing' is core to the delivery of Best Value, enabling Procurement to achieve and sustain a reduction in the total costs of externally purchased goods and services while maintaining and improving levels of quality and service.

2. BACKGROUND

The Metropolitan Police Service (MPS) is a major, corporate business with an annual budget of more than £2.3 billion - more than 25% of the total police budget for England and Wales. It employs some 42,000 staff in 600 buildings in over 300 locations, which includes 29,000 police officers. The MPS has set itself challenging performance targets and in a period of almost continuous change it must maintain a constant review of how the service is delivered to London and Londoners.

From the perspective of it managing procurement – at both the strategic and operational levels - the MPS is complex and dynamic. The range of goods and services purchased is diverse and varied; from *helicopters* to *horses*, and from *power boats* to *police batons*. The annual addressable spend is now in the region of £400 million per year, which includes outsourced contracts costing in excess of £150 million.

The importance and value that effective procurement can bring to the delivery of operational policing, and the fact that it would make a significant contribution to the achievement of strategic corporate objectives, has been recognised by both the MPA and the MPS at Management Board level.

In December 2001, however, an Efficiency and Effectiveness (E&E) review undertaken of all operational functions highlighted that *Procurement Services*, the MPS' central purchasing department, was under-performing. On only two key metrics out of fourteen was performance rated better than “five out of ten”. A national police benchmarking exercise also highlighted a poor level of staffing, few of which were qualified to a relevant, professional standard.

As a result of the E&E review, a Business Process Improvement (BPI) initiative was launched which would focus on the design and implementation of an overall improvement programme. This not only incorporated an initial review of commodity strategy and the design of a collaborative approach to procurement but, more importantly, the creation of a more effective Procurement Strategy for the Metropolitan Police.

The new Strategy would need to radically transform procurement throughout the MPS to significantly improve it's overall effectiveness and align *Procurement Services* to directly support corporate and strategic objectives and also operational initiatives.

The Strategy would also need to continue effectively supporting devolvement – its aim to improve local operational policing - while maintaining a focus on all key, major initiatives initiated by, and managed from, the ‘centre’.

3. MPS PROCUREMENT SERVICES

Procurement Services is the core, central procurement function of the Metropolitan Police and as such, is the custodian of procurement policy and practice while protecting the MPA's interests as contracting authority.

The overall governance for all procurement is set out in the MPA Contract Regulations, the "Purchasing Policies and EC Directives Manual" and relevant sections of the "Financial Memorandum and Finance Code". These documents define roles, responsibilities and authority levels as between the MPA, MPS Procurement Services, all other central operational functions, and devolved budget holders.

The key principles upon which the overall approach is based are:

- a separation of authorities between those who hold budgets and those who are empowered to commit the organisation to contracts with external suppliers;
- a recognition that *Procurement Services* should be an effective "enabler" in that it should establish and manage an efficient procurement infrastructure that facilitates the purchasing of goods and services and allows its internal customers to focus on operational delivery.

Ultimately, the primary role of *Procurement Services* is to serve the needs of operational policing by:-

- ensuring that the MPS acquires the goods and services it needs in the right quantities, at the right time, at the appropriate quality and at prices which demonstrably represent best value; and
- optimising the purchasing leverage of the MPS to achieve 'best' deals.

Notably, *Procurement Services* also protects the MPA's interests as contracting authority by:

- carrying out procurement activity professionally, to high ethical standards and in full compliance with all relevant rules and legislation;
- awarding contracts to fit and proper companies under terms and conditions which provide legal and commercial protection for the MPA;

With respect to property and construction, *Property Services* ensures that the investment in assets, both new and existing, meets the wider and longer term investment criteria of the MPA

Procurement, at a strategic level, fully exploits the advantages of economies of scale resulting in more efficient service delivery and cost effectiveness. However, a consistent and common approach to procurement at an operational level is also required to achieve this.

Within the MPS, an optimal approach can only be achieved by aligning all major procurement activities to support strategic goals while directly underpinning operational delivery. This will enable local management to concentrate their resources more on policing, and less on how they procure goods and services.

Procurement Services, as the core, central procurement function, is a prime catalyst to achieving optimisation of the MPS' supply chain. However, to be an effective enabler, *Procurement Services* must establish and maintain effective relationships with all of its major, key customers, which is also a prerequisite to maximising the level of achievable business benefit.

4. PROCUREMENT STRATEGY

This Procurement Strategy incorporates new, strategic imperatives to ensure it is effectively aligned to the core MPA/MPS corporate objectives and the MPS 5-year strategic plan. These imperatives are to:

- directly support operational delivery;
- meet MPA and MPS strategic objectives;
- realise and sustain significant benefits and efficiencies;
- ensure legislative compliance and deliver best value;
- deliver real cash savings with the value to be quantified by April 2004.

Clear objectives will guide the delivery and implementation of the Strategy which will be managed to a large extent through *Procurement Services* as the key enabler. The objectives are to:

- implement an optimal procurement organisation and structure;
- professionalise the management and measurement of the whole end-to-end procurement process;
- invest in procurement staff by re-skilling and up-skilling;
- establish new, Met-specific, strategic sourcing methodologies.

The Procurement Strategy, in order to meet and deliver these imperatives and objectives must be radical, ambitious and, above all, representative of a fundamental departure from how the MPS had previously attempted to improve and develop its management of procurement and permanently lay down the cornerstones to sustainability.

Implementation of the Strategy comprises seven key strands that are based upon a best practice approach to procurement transformation. Within the MPS, the approach and its key deliverables will all be branded '**Simply Smarter Sourcing**'.

(i) Organisation and People

The new organisational structure that will provide the platform to enable the radical improvement has been based upon a best practice procurement model called *Category Management*.

Category Management is the name given to the structured approach to the procurement of goods and services which seeks to radically improve the achievable benefits by applying best practice tools and techniques in the integration of MPA and MPS corporate strategies and goals.

As a catalyst, *Procurement Services* will be re-structured to comprise three, core 'category' teams responsible for the strategic sourcing of key categories of expenditure and groups of commodities, and, by extension, directly supporting all relevant OCUs. In doing so the new organisational structure will:

- directly support the strategic direction and imperatives of the MPA/MPS;
- align *Procurement Services* operationally to all OCUs, improving responsiveness and service delivery;
- align *Procurement Services* operationally to other major support functions (such as DOI, PSD etc) facilitating proactive, collaborative working, especially on major projects and initiatives;
- deliver 'category' teams that focus upon all our key commodities;
- provide deep commodity procurement/market expertise to key stakeholders;
- deliver access to key supplier information and spend data, and promote the use of related performance metrics;
- ensure that, in conjunction with *Property Services*, real estate investment / spend meets the joint imperatives of addressing policing needs and provides a sustainable and affordable provision in the longer term.

The **Operational Services** category team will source the requirements for all goods and services (excluding IT) that directly support all police officers on active operational duty, such as forensics, uniforms, firearms, equipment, vehicles etc.

The **ICT Services** category team will source the requirements for all computer hardware and software, infrastructure, telecommunications and all related major IT projects etc.

The **Corporate Services** category team will source the requirements for all goods and services related to general infrastructure (aside from the procurement of the physical building themselves) such as office services, catering, cleaning, travel, legal services, consultants, temporary staff, recruitment services etc.

The category management teams will be populated with key procurement specialists that will:

- be category and commodity experts;
- have a deep understanding of all relevant supply markets;
- develop long-term sourcing strategies for each category and commodity in full partnership with the relevant operational functions and business units;
- work pro-actively with all key customer groups to ensure greater value for money;
- ensure that all sourcing strategies focus on and support the delivery of OCU objectives.

Procurement Services will continue to play a significant, active role in formal Best Value service reviews and take the lead on procurement issues arising from them. The new structure will maintain the delivery of specific, on-going procurement initiatives:

- maximising standardisation which will optimise the number of suppliers and thereby the overhead associated with the supply chain;
- delivering 'economy of scale' benefits by optimizing leverage with key suppliers; grouping activities to reflect prospective market competencies;
- negotiating rigorously and basing requirements on output specifications (such as functionality, applicability and usability) to allow for, and encourage, innovative methods of provision;

- adopting appropriate procurement plans on a case-by-case basis, by packaging work appropriate to the market and by being clear about intentions towards suppliers;
- co-operating in procurement matters with other police bodies and Forces under the auspices of the ACPO Procurement Sub-Committee and such bodies as the ODPM and the Office of Government Commerce to the extent that this is of demonstrable benefit to the MPS;
- developing an understanding of potential sources of supply;
- increasing knowledge of existing markets and ensuring fairness, openness and transparency in all procurement actions and opening up potential markets, partnering and working with new suppliers;
- reviewing longer-term contracts to ensure they provide best value and re-negotiate with suppliers if required to ensure the provisions for incentives and innovation deliver best value.
- maintaining and leveraging strengths, developing opportunities, improving weaknesses and managing threats, as an integral part of the process
- ensuring a proper balance is struck between innovation in supply methodology and the cost certainty budget envelopes set for all property and construction projects

All the above initiatives will be delivered with full input and in partnership with operational functions and business units. The emphasis will be on multi-disciplinary teams delivering the “procurement” space.

The development of existing staff coupled with the recruitment of experienced procurement professionals will provide the MPS with a platform to move toward a best-in-class procurement function.

The existing team members will need to be re-skilled with additional core competencies to enable them to adopt new ways of working and make best use of strategic sourcing methodologies.

To support the new Category Management structure, embed new strategic sourcing processes and to facilitate technical and behavioural development on an individual and team basis, a new, leading-edge learning programme will be implemented based upon ‘self-managed learning’ techniques and ‘just-in-time coaching’ as opposed to traditional classroom training.

The key learning areas will be:

- Project planning and programme management;
- Stakeholder communications and management;
- Supply market analysis and understanding;
- New MPS strategic sourcing toolkit (based upon Category Management)
- Risk Management methodologies
- Supplier Management² (and performance measurement);

Every team member will undertake the learning programme. New competency frameworks will be created that we will be aligned to new strategic sourcing methodologies that will be created as key outputs of the programme.

The team will also be undertaking the CIPS Corporate Partnership (CPP) certification programme in conjunction with numerous team members individually achieving the formal MCIPS professional qualification.

(ii) Processes

Key to the effectiveness of the Category Management structure and to operationally align the proposed category teams will be the development of a new strategic sourcing methodology, specifically for the MPS.

The methodology, in the form of a sourcing 'toolkit', will be based upon project management and therefore, will interlock with many of existing key processes (Prince2 for example) already deployed throughout the MPS including risk management. The toolkit will also align key sourcing strategies and supplier capabilities to MPA and MPS corporate objectives.

The sourcing methodology will be collaborative, conducive to team working, and will facilitate the involvement of procurement early in the sourcing cycle. This will result in an exponential increase in the level of value-add provided by *Procurement Services* and therefore, the achievable benefits for the MPS.

² Supplier Management is described by Gartner as 'the practice needed to establish the business rules and understanding required for interacting with suppliers of products and services...'

It will also improve transparency throughout the sourcing cycle and actively encourage knowledge sharing amongst *Procurement Services* team members.

(iii) Systems

A strategic approach to the implementation and development of procurement management systems is required to achieve an effective, sustainable infrastructure. There will be a focus on the following key areas:

- management information (data capture and mining);
- integration of requisitioning, ordering and payment;
- automation of the procurement cycle;
- strategic procurement e-tools (such as e-auctioning);
- supplier performance and contract management;
- performance measurement;
- knowledge management;
- project and finance management integration;
- research (market and supplier analysis);
- risk management;
- Government Procurement Card (GPC).

Initially, this will commence with the upgrade of the existing SAP B2B to a more effective e-procurement solution, namely SAP's 'Enterprise Buyer Professional' (EBP).

The new EBP solution will provide the following benefits:

- improved speed of transacting and ease of use for OCUs;
- greater visibility at a business unit level of requisitioning, ordering and of spend committed;

- improved controls to manage demand and consumption;
- greater management information segmented on a category by category basis;
- requisitioning workflow which will enable online authorisation of all orders prior to commitment to suppliers;
- clear audit trail across all requisition to payment processes;
- measurable compliance to negotiated contracts

Initially, to support the investigation of the automation of procurement (e-tendering, including e-auctions) SRM (Supplier Relationship Management), a key module of SAP, will be fully evaluated.

SRM supports online tendering and online auctions, realising substantial process benefits, and will significantly improve management information in the sourcing cycle enabling greater transparency for audit purposes.

(iv) Performance

At the core of the Strategy, and the people development programme, a balanced scorecard will be implemented to support performance measurement and management. This will measure performance at the individual, team and department levels against SMART objectives which will include cost benefit realisation.

Improved management information will be used to baseline and measure financial performance, which will be linked to pro-active feedback mechanisms and stakeholder questionnaires enabling the measurement of the 'softer aspects' of the balanced scorecard.

(v) Supplier Management

Key to the delivery and *sustainability* of long-term benefits, both financial and operational, is exceptional management of MPS' suppliers.

Standards will be introduced throughout the MPS to govern how suppliers should be managed and measured. These will be incorporated within the relevant operating manuals.

Key Performance Indicators (KPI's) for all major contracts including outsourced agreements will initially be established, which will be determined with key stakeholder groups and relevant budget holders.

Suppliers will be performance monitored and reviewed at regular cross-functional contract management sessions. The nature and make-up of these sessions will be dependent on the operational criticality of the goods and/or services being provided.

As the new structure matures and customer relationships and new ways of working become embedded it is expected that procurement will provide a much greater value to Supplier Management than has previously been the case. This will see client departments focus on their core value-add competencies, supported by *Procurement Services* to ensure suppliers are managed in line with agreed policies, procedures, and contract compliance.

(vi) Equality and Diversity

The Metropolitan Police Authority (MPA) has adopted and published an equal opportunity statement which states the Authority's values to treat everyone fairly, be open and honest, to work in partnership and change to improve. The statement specifies the Authority's commitment that it will not seek to discriminate on the grounds of race, gender, disability, sexual orientation, religion or belief. In addition to its own objectives, the Authority supports the objectives set out in Metropolitan Police Service's Diversity Strategy and the MPS' work towards these. The Authority also has to comply with legislative duties, national and European, to act in a non-discriminatory way, and to promote equal opportunities and good community relations.

Procurement Services will, in supporting MPA strategy, aim to ensure its contract strategies, regulations, policy statements and processes shall:

- promote open and fair competition;
- ensure service delivery is accessible and responsive to the diversity of people living and working in or visiting London;
- encourages the provision of work, service and goods by businesses that support equal opportunity policies and help ensure the Authority complies with its statutory duties;

- enable London to become the safest world city, through taking account of the social, economic and environmental impacts of tenders, where relevant;

To achieve these objectives and fulfil its statutory duties with respect to equality matters, the *Procurement Services* will ensure MPS' suppliers:

- promote equal opportunities in its workplace and in the delivery of services;
- strive towards achieving a workforce that reflects the diverse population of London;
- value consultation as a means for delivering responsive services;
- have developed a complaints policy for dealing with complaints from members of the public in a timely and respectful way;
- work with the police and its partner agencies in tackling the causes of crime and social exclusion as well as promote good community relations between persons of different race, religion and beliefs;
- are prepared to maintain and supply employee-related data requested by the Authority in terms of, e.g. race and gender; and
- will promote accessibility in the workplace and for the Authority's service recipients.

(vii) Environment

Best practice in Business in the Environment can be defined as:

- purchasing to environmental specifications;
- consideration of alternative products and services;
- monitoring the commitment and performance of suppliers;
- working in partnership with suppliers and contractors for environmental improvement and cost-effectiveness, and
- undertaking environmental impact assessments.

The MPS is already achieving significant success in the implementation of its environmental purchasing policy. Currently, by having an Environmental Procurement Policy on recycled copier paper the MPS saves over 12,000 trees every year.

The key aims in environmental purchasing are as shown below and the MPS will continue to work in partnership with suppliers and contractors towards the achievement of the aims having regard to English Law, EC requirements and commercial considerations, such as whole life costings and fitness for purpose:

- to encourage the conservation of energy, water, wood, paper and other resources particularly those which are scarce or nonrenewable, as appropriate whilst providing a safe and comfortable working environment;
- to encourage the reduction of waste through re-use and recycling and using recycled products and materials when available;
- to include environmental criteria within specifications thus encouraging manufacturers, suppliers and contractors to develop environmentally preferable goods and services at competitive prices;
- aim to improve environmental performance wherever practicable within contracts and in line with the achievement of value for money;
- encouraging contractors and suppliers to ensure that products derived from wildlife such as timber, plants and leather goods are from sustainable sources and comply with EC and International rules;

- meeting and where appropriate exceeding the current and foreseen statutory regulations and official codes of practice and encouraging contractors and suppliers to meet the same standards;
- encouraging contractors and suppliers to produce CFC free, lead and asbestos free goods;
- encouraging contractors and suppliers to monitor their discharges and emissions to land, air and water to reduce the risk of pollution;
- encouraging suppliers to consider the development or provision of alternative products and services to reduce environmental impact;
- enabling disposal of all obsolete and used equipment in ways that minimise environmental impact and progressively requiring suppliers to take responsibility for disposal in line with EC Directives;
- monitoring the environmental performance of contractors and suppliers.

5. CONTINUOUS IMPROVEMENT

A number of factors are integral to the success of the Procurement Strategy:

- implementation of a systematic approach to continuous improvement, shared with relevant stakeholders;
- ongoing reviews of existing supply arrangements to ensure that they are fit for purpose, deliver the right goods and services at prices which represent value for money;
- regular reviews and negotiation with suppliers to identify areas for improvement or innovation;
- use of benchmarking with other Forces, local authorities, public sector and appropriate private sector organisations to compare key processes and the costs of goods and services and assess the relative efficiency of the MPS purchasing activity;
- regular monitoring of performance against efficiency indicators which cover all aspects of the service, including access to the service, quality of delivery including customer satisfaction, total cost efficiency levels, risk management, effectiveness of management and strategic objectives for ensuring that the service meets the needs of the users;
- the provision of relevant and useful management information to key stakeholders and customers;
- regular reviews of internal processes to ensure correct ordering frequency, right quantities, optimum stockholdings, most efficient supply chains.
- in construction and related design, ensure innovation of design is fully promoted to reduce life cycle costs which has the potential to improve procurement more than just adjusting original procurement routes

To underpin the continuous improvement programme, *Procurement Services* will establish its own Procurement Development team which will have two distinct but related responsibilities.

Firstly, it will be the driver for strategic change and innovation within procurement, performing tasks such as:

- long-term planning and project programming;
- defining the strategic frameworks around which Category Management operates;
- setting the standards within which all procurement processes, tools and techniques deployed throughout the MPS should operate;
- risk management and measurement;
- measurement and tracking of benefits;
- market and supplier research tools and techniques;
- internal management and performance measurement;
- learning strategy and development programming.

Secondly, it will provide an efficient, operational procurement infrastructure by delivering key administration services and common facilities such as tender distribution, delivery and receipt, key process documentation, databases, staff development plans, and core procurement systems.

6. CONCLUSION

The Metropolitan Police Service (MPS) is now a major, corporate business and represents one of the largest organisations in both the public and private sectors.

With an annual budget of more than £2.3 billion, incorporating an annual addressable spend in the region of £400 million per year, the MPS needs to implement an ambitious procurement strategy that will lead to radical change and significant improvement. Notably, the Strategy will also deliver the long-term success of the MPS' outsourced contracts which represent in excess of £150 million per annum.

This Procurement Strategy aims to deliver:

- a procurement service that is designed, organised, structured and trained to support MPS operational initiatives;
- strategic and operational procurement processes that match the best in public and private sector;
- tangible efficiencies and benefits in the form of cost savings and significant business process improvements;
- flexibility and innovation in supply routes and enhanced asset investment criteria in property and construction in the short, medium and long term.
- the foundation stones for future sustainability, resilience and continuous improvement;

The importance and value that effective procurement could bring to the delivery of operational policing, and the fact that it would make a significant contribution to the achievement of strategic corporate objectives, highlight the need to implement permanent, sustainable change.

In summary, the Strategy would radically transform procurement throughout the MPS to significantly improve its overall effectiveness and efficiency and align *Procurement Services* to directly support corporate, strategic objectives and operational policing initiatives.