

## Benefits Realisation

# Metropolitan Police Authority

### INSIDE THIS REPORT

#### PAGE 2

##### Summary Report

- Introduction
- Background
- Scope
- Audit approach
- Main Conclusions

#### PAGE 4

##### Detailed Report

- Transport Services
- Forensic Services
- Management of Overtime
- The way forward

#### PAGE 10

##### Appendix 1

- Action Plan

##### Appendix 2

- Presentation to Efficiency & Effectiveness Board

##### Appendix 3

- Accenture Recommendations for Overtime Management requiring Legislative or Regulation change

<b>Reference:</b>	MPS Benefits Realisation (FINAL)
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<b>Date:</b>	April 2004



## Introduction

In February 2001 the Mayor agreed with the Metropolitan Police Authority and Metropolitan Police Service to undertake a three year Efficiency and Effectiveness Review programme at an annual cost of £1m a year for each of the three years. To oversee the work a combined project board was created.

Organisations spend millions of pounds on projects that never get implemented – not because the deliverable isn't good quality but because there is not the time, energy or enthusiasm to ensure it gets adopted and embedded in the organisation.

To gain benefits you must have change. Changing the way people think, work and manage is no easy task. Not least in the MPS, which is a large organisation facing numerous new and competing priorities on a daily basis.

The joint MPA, Mayor and MPS Efficiency and Effectiveness Project Board requested that the Audit Commission carry out a benefits realisation review of a number of the efficiency and effectiveness reviews completed during tranche/year one of the programme. This work was carried out under Section 35 of the Audit Commission Act 1998, as study work designed to improve economy, efficiency and effectiveness of the management or operations of the audited body, outside of the main Code of Practice audit

## Background

The Metropolitan Police Authority has completed a number of efficiency and effectiveness reviews in an effort to improve efficiency and effectiveness across the service and ultimately release additional resources for front line policing. This work has been completed by external consultants with project implementation being delivered in-house. The Project Board now require independent assurance that the identified benefits from work completed have been realised by the organisation. These benefits are both:

- Financial, this is where identified cash savings have been made by the MPS and
- Efficiency, where improved efficiency has resulted in an increase in productivity without associated cost increases.

## Scope

The completed benefits realisation review has be evaluated in terms of whether:

- the desired objectives and benefits were achieved
- unexpected benefits and problems have been found.

The review will also:

- identify areas for improvement, and
- report any high level risks that still need to be addressed.

The review will focus on three projects from tranche one of the completed work which were agreed by the Project Board between October 2001 and February 2002. These are:

- Management of Overtime
- Forensic Science Services, and
- Transport Services.

## Audit approach

Our approach comprised two strands:

- interviewing key staff involved in the projects, and
- a review of relevant documentation.

## Main conclusions

The MPS “can do” culture appears to work against it in its resource management; requests for action are usually swiftly undertaken, however analysis of the cost versus benefit (including opportunity cost and associated risk) of decision are rarely undertaken.

It is clear from this work that both Transport and Forensic Services are working towards creating a more efficient and effective service and that the original reports have acted as a catalyst for change with most recommendations being implemented.

Distribution of a document titled “Guidelines for Managing Police Overtime Effectively” has acted as the method of implementation for the majority of recommendations within the Accenture Efficiency and Effectiveness report. However, implementation has not been consistent throughout the MPS.

## Transport Services

Three key issues were identified within the Accenture report:

1. Vehicle Utilisation – scope for improvement in the utilisation of core vehicles which would reduce the need for hire vehicles. This was also linked to low utilisation of some short term hire vehicles.
2. Management Control – Transport Services management needed to change from an administrative focus to a more challenging and supporting regime which should ensure OCUs achieve value for money from transport.
3. Mismatch between Fleet & Need – there was an identified mismatch between the needs of OCUs and the allocation of their core fleet vehicles.

The report was supported by 14 recommendations which if implemented by the MPS offered both potential short term gains and long term strategic change. For example, the removal of Computercab with a saving of £40,000 p.a. was a quick win for the MPS. However a change to OCUs monitoring and maximising vehicle utilisation to ensure long term efficient and economical use has not been realised.

Overall we found a progressive service which was moving forward and had embraced change, as far as it was able. Transport Services are developing and delivering new methods and ideas, beyond those within the original Accenture report, in an attempt to improve the overall efficiency and effectiveness of Transport Services, for example, the work completed on vehicle residual value.

The implementation of the recommendations contained within original Accenture report has been achieved in all but one area. The recommendation that is not in place is:

*"OCUs be required to monitor core-fleet and hire vehicle utilisation and report periodically to Transport Services."*

A solution to the above recommendation was proposed by Transport Services this was rejected by the finance committee as it would be too expensive to implement. The introduction in 2005 of Project Link, replacement of MetFin (MPS Financial Management System), will improve data collection and reporting information and should therefore help improve the monitoring of vehicle utilisation.

The Transport Services manage the contract for core fleet and hire vehicles, which has recently been re-negotiated under open competition. This has resulted in an 8% (circa £500,000 p.a.) reduction in the overall contract cost.

Corporate hire now has a core of fifty mini buses on a long-term loan which is proving to be more cost effective approach than the previous system based on short-term hire.

Transport Services now encourage OCUs to return their hire vehicles where there are protracted holidays, for example the Christmas period. This system resulted in a reduction of costs of £70,000 in December 2003.

The Computercab facility has now ceased in all but the most serious of contingencies. The facility is still in place in the event it is needed as an emergency measure. However, all Computercab cards have been withdrawn from all but senior management; these cards are retained in the event of an emergency. Historic data suggests that this facility incurred an average spend of circa £ 40,000 p.a.

The introduction of the Vehicle Allocation Formula has resulted in a small reduction in the number of vehicles being used across Territorial Policing, from 1224 to 1173 for 2004

onwards. This process is also facilitating an improved fit between individual OCU requirement and the vehicle allocation. Transport Services have a quality assurance role within this process to ensure that the most appropriate vehicles are allocated and that their expertise is fully used within this process.

The MPS Internal Inspectorate is currently looking at processes and controls which are in place for OCUs booking hire vehicles, for this reason we have not explored this area further.

## Key Issues Outstanding

The outstanding issue for the MPS is to consider the best method of analysing and assessing vehicle utilisation across OCUs. This may be as simple as developing a small local system which could be used to support OCUs and devolved financial and resource management or a more comprehensive system which requires investment in a centrally supported system. This data could then be used to support the effective and efficient use of vehicles across the MPS.

### Recommendation

R1 The MPS needs to consider a method of collecting and analysing vehicle usage across all OCUs, so that improvements can be made to ensure effective and efficient use of all vehicles.

## Forensic Services

There were three key issues identified within the Accenture report for Forensic Services:

1. Financial Control – at the time of the original report expenditure was £9m in excess of the budget (2001-02).
2. Contract Management – there were a number of issues concerning the contract with the Forensic Science Service (FSS), the Mets principal supplier. These issues included timeliness, cost and the provision of robust management information.
3. Effectiveness – there was a varied level of effectiveness from the use of forensics.

These were supported by 10 recommendations which if implemented would offer a range of benefits. The view from within Forensic Services is that the Accenture report was seen as “sowing seeds on fertile ground”. The report has acted as a catalyst for change. We found a service that is moving forward, and is considering new ways of working to improve efficiency and effectiveness of Forensic Services.

The implementation of the recommendations contained in the Accenture report has been achieved in all areas.

The Accenture report highlighted that the MPS was not achieving a good value service from FSS and a change in the relationship between purchaser and supplier was required. A commercially based contract was placed for tender in 2003, which received interest from three forensic providers including FSS. This process was supported by a paper to the MPA Finance Committee in June 2003, which outlined the new Forensic Services commercial strategy. This tendering process has resulted in work being placed with three providers and FSS retaining a large proportion of work.

There are still some outstanding issues to be resolved within the FSS contract and these are being progressed by the MPS.

The current position is that FSS will remove the existing backlog of work for the MPS, which is due for completion in April 2004. At this stage it is expected that FSS should be able to complete work within 7 days as opposed to 120 days which was the position when the Accenture report was completed.

The budgets for forensic services are due to be devolved in April 2004, with local Forensic Managers taking responsibility for budget management and quality of forensic processes.

Forensic Services are now exploring methods of increasing efficiency and effectiveness beyond that within the original report. For example, reviewing the impact of forensic work and case outcomes. This is supported by the current work being completed to move the MPS towards a "cost per case" system as opposed to the "cost per test" system, which is currently in place. It is envisaged that these changes will improve both the quality and the overall use of forensics and thus ultimately efficiency and effectiveness of the service.

Anecdotal evidence suggests that costs have risen marginally across the service, whilst activity has risen substantially. To date we have been unable to verify this factually.

## Key Issues Outstanding

The MPS needs to consider ways of building on the current contract with FSS particularly in the improved provision of management information, which is essential for the MPS to manage the quality, performance and costs of the service.

### Recommendation

R2 The MPS needs to build on the relationship with FSS to ensure that an effective customer/client relationship is created. This will allow the MPS to continue with the improvements that have been achieved through tendering the contract.

## Management of Overtime

The structure and responsive nature of the MPS are such that overtime is essential to meeting the policing demands of London. When well managed, overtime can be both an efficient and effective method of resourcing in an environment where demand comes in peaks and troughs.

There were four key issues identified within the original report completed by Accenture:

1. Poor control – a general view within the original Accenture report and within several other reports, (Audit Commission, Internal Audit & MPS Inspectorate) that the MPS knows how to manage overtime, it just isn't done consistently.
2. Management accountability – those OCUs where overtime is managed well demonstrate similar characteristics: holding officers and other managers to account for overtime spend, overtime authorised according to a strict policy of acceptable use, and close supervision of the recording of overtime.
3. The need for overtime – it is accepted that there is a need for overtime and there are several benefits to the MPS from using overtime in an efficient, effective and economical manner.
4. Management Information – at the centre of any well managed process or business function is good information. The MPS needed to improve in this area; this was evident in both the Accenture report and work completed by the Audit Commission both in the management of overtime and several other areas of service.

There were 35 recommendations in relation to overtime in the original report. A number of these required legislative or regulation change and represented a significant amount of potential savings (see Appendix 3), but because the required legislative change has not taken place the MPS cannot implement them and as a result we have not explored these recommendations. We have focused on the generic recommendations which cover control, cost and the overall management of overtime.

In response to the Accenture report the overtime budget was reduced and overtime budgets have been amended to reflect identified savings. However, the overtime budget has been consistently overspent. The forecast overspend (2003-04) on police overtime is in excess of £9m as at January 2004, against a budget of £112m. This is compared with an overspend of £3.8m in 2002-03 and £22.2m in 2001-02. The current average spend per eligible officer has increased by £670 per officer since 2001-02. This suggests that control of overtime has not improved. It is therefore difficult to determine the extent of overtime savings or if these savings have been achieved.

As a direct result of work completed by both the Audit Commission and Accenture the MPS established a project to address the issues of poor management of overtime. In March 2003 a document titled "*Guidelines for Managing Police Overtime Effectively*" was distributed across the MPS. This document incorporates a number of recommendations from the reports by Accenture and Audit Commission. If this guidance were implemented it would at worst introduce a consistent and robust management practice around overtime, and at best would reduce spend on overtime. Compliance with the guidance would give reassurance that overtime is being managed efficiently and effectively and would facilitate a better understanding of the drivers behind the overspent budgets.

Unfortunately the guidance has not been universally implemented across the MPS. We have found a number of individuals who have responsibility for the management of overtime and the associated budgets who apparently have not even seen the guidance and hence are not complying with its recommendations.

One of the common themes that we identified during this piece of work is that the budget setting process across the MPS is top down rather than bottom up. Some managers feel that their allocated overtime budget is not sufficient to cope with demand and they therefore overspend to deliver their workload. The level of excess expenditure on overtime is not consistent across the whole of the MPS. There are a number of possible reasons for this, for example: inappropriate budget allocation, inconsistent management control, differing workloads between areas, differing vacancy rates etc. As some OCUs are devolved budget sites, it is the bottom line they are concerned with and not levels of overtime overspend as this can be balanced with underspends elsewhere within their total budget.

The MPS as a whole and individual OCUs have substantial historic activity and cost data which is not being used as part of the budget setting process.

OCUs that are controlling overtime effectively use methods similar/the same as those identified within the issued guidance. The keys to good control are an increased level of intrusive management linked with tighter budget controls and clear outcomes assigned to the use of overtime.

There is wide variation in expenditure on overtime across Territorial Policing. The range is between a forecast 11% underspend to a forecast 60% overspend for 2003-04. It is unclear why these variations exist. However, where we have spoken to BCUs that are in budget it is clear that their processes for managing overtime are robust with strong control mechanisms in place.

A key recommendation from the last report was to establish the CARM system within all operational OCUs and for it to be used as a method of monitoring and controlling overtime.



This system has now been established across all areas. However, a review of data held on the CARM system reveals a number of entries incorrectly completed where payment has been authorised.

Another area of significant growth is the use of Aid which has increased since the Accenture report was written, for example the number of constable notional days (8 hours) allocated for Counter Terrorism has risen from 145,599 in 2001 to 159,209 in 2003. Whilst the processes for abstracting Aid have improved, for example the notice periods given to BCUs for abstraction is improving, which subsequently allows BCUs to call upon the most cost effective personnel to provide Aid. This improved process for abstracting Aid is supported by a centralised budget for Aid which is now in place. This is influencing the way BCUs allocate officers for Aid, the BCU is repaid a nominal rate for officers allocated, and this is determined by CO11 depending on the notice periods given the BCUs. If this process is managed well the BCU should not lose out in financial terms over the course of the year.

Whilst POSMIS (Public Order Management Information System) which is used to manage Aid is considered adequate for the planning and management of Aid an upgrade to this system would reduce the need for double entry of data and improve the efficiency and quality of management information available to CO11 and BCUs. This would facilitate an increased planning ability at a local level and ultimately allow Aid to be managed more efficiently and effectively.

There are a number of events which require a significant commitment by the MPS, this is often met by the use of Aid. A recommendation within the Accenture report was that the MPS should increase the recovery of costs associated with events. This has not happened.

The use of SO16 armed hospital guards was considered in the original report. The demands within SO16 have changed since the Accenture report. Whilst the overall cost of armed hospital guards has reduced slightly since the Accenture report, the demand for other services is increasing. For example, demand for additional officers for Operation CALM and additional posts associated with the conflict in Iraq have had a significant impact on overtime expenditure, as most of these additional posts are met with officers working overtime.

Throughout this work a consistent message has emerged: operational demand has risen since the Accenture report was written and the environment in which the MPS operates has changed significantly. It is assumed that this is having a significant impact on the use of overtime within some OCUs. For example there has been an increase in demand for SO19 (Specialist Firearms Officers) operations over the last twelve months, partly as a result of increased demand for specific services for increased security related work. This type of work was not prevalent when the original report was commissioned. Another example is the number of SFO pre-planned incidents which have increased by 30% in twelve months whilst the overall SO19 BWT has increased by 17%.

The MPS routinely monitors the highest earners of overtime in monetary terms but does not monitor total hours worked by officers. As a consequence the MPS is at risk of failing to identify issues arising from excessive hours being worked. This is an issue right through the organisation and is not just specific to Constables and Sergeants.

## Key Issues Outstanding

The budget setting process for overtime is a top down process as opposed to a bottom up process. Considering the amount and quality of activity and cost data which exist across the MPS, we consider this a missed opportunity to align overtime budget allocation to predicted activity in an accurate way.

Guidelines for managing police overtime have been produced and issued to all OCUs. However a number of managers with responsibility for managing overtime have not seen this

guidance. Consequently, there is still no robust unified process for managing overtime within the MPS.

Demand management is still a major issue for the MPS, they are now faced with a number of new demands which require the provision of additional resources currently met through the use of overtime. This increases demand on OCU's without the required BWT increases, which has a result of increased overtime use.

There is still an outstanding recommendation concerning the recovery of costs for the provision of AID for certain events. The demand for AID associated with these events is increasing and the MPS should consider how best to fund this requirement.

Whilst the MPS consistently reviews the "Top Earners" for overtime, little consideration is given to the total hours worked by officers. This issue is applicable across the MPS and not just Constables and Sergeants.

Recommendation	
R3	Consider adjustments to the budget setting process so that the available activity and cost data is used effectively within the allocation overtime budgets across the MPS.
R4	Ensure that the guidance for managing overtime effectively is re-issued and implemented across the MPS. This needs to be supported by a process of periodic audit, particularly where there is high overspend to ensure that the OCU's are in line with the guidance and that robust reasons for overspend exist.
R5	Progress the work on the recovery of costs for providing officers for public events. For example football, concerts etc. This would relieve some of the financial pressure associated with the provision of Aid that the MPS face.
R6	Establish a system of monitoring total hours worked by all officers to ensure measures are in place to support the welfare issues that may occur.

## The way forward

The MPS has demonstrated a clear commitment to developing and delivering an efficient, effective and economical service through the implementation of a number of recommendations within the three reports completed by Accenture. There remain a number of recommendations to be implemented, primarily dealing with the effective and efficient management of overtime. We have attached an action plan which will assist the MPS in taking forward these remaining issues.

### Status of our reports to the Authority

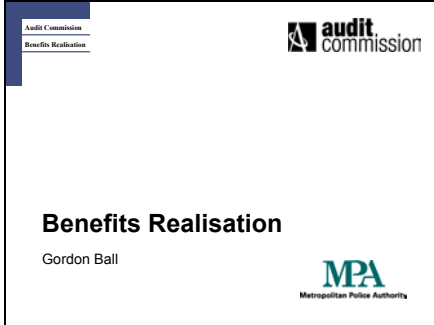
*Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to Members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Member or officer in their individual capacity, or to any third party.*

## Action Plan

Ref.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Authority's response	Officer responsible	Timescale
R1	The MPS need to consider a method of collecting and analysing vehicle usage across all OCUs, so that improvements can be made to ensure an effective and efficient use of all vehicles.	2			
R2	The MPS build on the relationship with FSS to ensure that an effective customer/client relationship is created. This will allow the MPS to continue with the improvements that have been achieved through tendering the contract.	2			
R3	Consider adjustments to the budget setting process so that use of the available activity and cost data is used effectively within the allocation overtime budgets across the MPS.	2			
R4	Ensure that the guidance for managing overtime effectively is re-issued and implemented across the MPS. This needs to be supported by a process of periodic audit, where there is high overspend to ensure that the OCUs are in line with the guidance and that robust reasons for overspend exist.	3			
R5	Progress the work on the recovery of costs for providing officers for public events. For example football, concerts etc. This would relieve some of the financial pressure associated with the provision of AID that the MPS faces.	3			
R6	Establish a system of monitoring total hours worked by all officers to ensure measures are in place to support the welfare issues that may occur.	3			

## Presentation to Efficiency & Effectiveness Board

Slide 1



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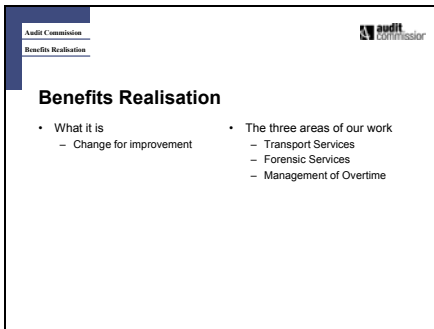
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Slide 2



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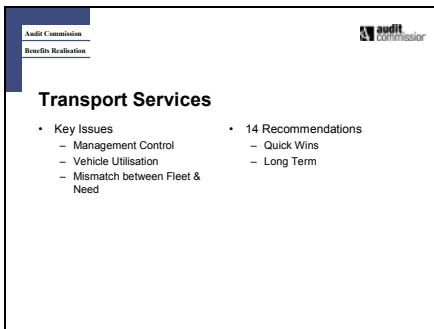
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Slide 3



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Slide 4

Audit Commission  
Benefits Realisation

**Transport Services**

- What we found
  - Reduction in contract cost
  - Improved VAF
  - Improved central management
  - New transport strategy is imminent
- Current Issues
  - Establish vehicle utilisation methodology

audit commissioner

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Slide 5

Audit Commission  
Benefits Realisation

**Forensic Services**

- Key Issues
  - Financial control
  - Contract management
  - Effectiveness
- 10 Recommendations
  - Fertile ground

audit commissioner

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Slide 6

Audit Commission  
Benefits Realisation

**Forensic Services**

- What we found
  - Improved commercial contracts in place
  - Local management responsibility
  - Devolved budgets April 2004
  - Legislative change for cannabis
  - Moving towards cost per case instead of per test
  - Starting to measure JDs as a consequence of forensics
- Current Issues
  - Build on gains made in contract with FSS

audit commissioner

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Slide 7

Audit Commission  
Benefits Realisation

**Management of Overtime**

- Key Issues
  - Poor control
  - Management accountability
  - Need for overtime
  - Management Information
- 35 Recommendations
  - Control
  - Cost effective
  - Intrusive management
  - Legislative & Regulation change

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Slide 8

Audit Commission  
Benefits Realisation

**Management of Overtime**

- Current cost
  - Budget grown by £45.5m (2001-04)
  - Increase in spend of £32.5m (2001-04)
  - Overspend of £22m (2001-02)
  - Forecast overspend £9.2m (2003-04)
- Current Issues
  - Budget setting is a top down process
  - Large amount of activity data which is not used for budget setting

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Slide 9

Audit Commission  
Benefits Realisation

**Management of Overtime**

- Overall Recommendations
  - Some good work taking forward recommendations
  - Guidance for the Management Overtime Produced and issued March 2003
  - Good document incorporating recommendations from Accenture report
- Current Issues
  - Not all budget managers we have met has seen it
  - Was only offered as guidance, as a result not in place throughout the organisation
  - Benefits lost

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Slide 10

Audit Commission  
Benefits Realisation

**Management of Overtime**

- Supply and Demand
  - SO19 - SFO Planned Operations increase by 30% approximately
  - Constables (notional days) abstracted from BCUs for Aid: 2001=145,599 2003=153,209
  - Demands in SO16 have changed and increased increasing spend on hospital guards, operation CALM and increases in CT work
  - Variations across BCUs Eg 60% overspend and 11% under spend forecast for 2003-04 within TP
- Current Issues
  - In some areas there is significant pressure on supply as demand is increasing
  - A move towards a more proactive service will have significant impact on overtime spend
  - Large variations in spend across TP are not purely due to supply and demand issues, variations in management practices exist
  - There is significant growth in demand for Aid

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Slide 11

Audit Commission  
Benefits Realisation

**Management of Overtime**

- Performance management
  - CARM is now in place across the whole organisation, however we have identified several instances where reasons for overtime are not given. Full completion of CARM is required if it is to be used as a robust system for managing overtime.
  - POSMIS is used by CO11 to manage Aid, however modifications could enhance system and remove the need for double entry of data
- Current Issues
  - Staff Welfare - true impact of the amount of overtime being worked is not known. The measure used is one of cost not time worked.
  - Compliance issues with completion and authorisation of overtime.

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Slide 12

Audit Commission  
Benefits Realisation

**Management of Overtime**

- Most (Met controlled) recommendations dealt with through the distribution of "Guidance for Managing Police Overtime Effectively", although implementation is inconsistent
- Common themes still present
  - Lack of Accountability
  - Variations in Performance Management
  - No enforced uniform policy

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Slide 13

Audit Commission  
Benefits Realisation

**Common Themes**

- Performance Management
- Control
- Management Information
- Demand and Supply



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## Accenture Recommendations for Overtime Management requiring Legislative or Regulation change

Terms & Conditions		
	Flat rate overtime payments at Time	£32m
	Public Holiday rate at Time	£7m
	Public Holiday Rate at Time & a half	£3.8m
	Change in notice periods	£11m
Total of Potential Savings:		<u>£53.8m</u>