



Efficiency and Effectiveness Review Programme
Tranche 1: Supplies and Services

Summary Report
April 2002



Metropolitan Police Authority

Summary Report

The MPS has contracts for supplies and services with a total annual value of £153m, sourced from over 400 suppliers. The Efficiency and Effectiveness Project Board (12 February 2002) agreed that this review should focus on uniforms and stationery (office supplies and equipment).

This report provides a summary of the full Accenture report which examines the key challenges and improvement opportunities in this area.

Background

Supplies purchased under these budgets are important to the operational effectiveness of the MPS. Uniformed officers need to replace clothing and equipment damaged in the course of their duty, new recruits need to be kitted out when they arrive at Hendon for training, officer safety equipment such as Metvest overt covers need to be issued efficiently and effectively. Although stationery may be of less strategic value, the MPS relies on the supplies being available. For example, the current paper-based custody system is dependent on standard forms, and a station that runs out of paper will rapidly become a frustrating place to work for officers and civilian staff alike.

Neither budget is a source of significant overspend. MPS is forecast to spend £6.2m on officer uniforms in 01\02, against a budget of £6.4m (MetFIN forecast January 2002). The combined office supplies and equipment budgets are forecast to outturn at £5.7m this financial year, against a budget of £6m.

Key Issues

This report focuses on the management of these budgets at OCU level. However we have also reviewed the cost base of, and stock values held by, Uniform Services Branch (there is no office supplies equivalent). This report focuses on the main efficiency and effectiveness issues in these areas, namely:

- **Variations in spend on both uniforms and stationery between OCUs** when adjusted for officer numbers (stationery figures also adjust for civilian staff which are excluded from uniforms analysis given the small amount involved)
- **High stock value and running costs of Uniform Services Branch**, which has an operating cost of around 26%, holds nearly £2m in central stores (the equivalent of nearly 4 months supply overall), and has gaps in the data it needs to manage performance (for example against 6 day Service Level Agreement for supplying OCUs with item from stock)
- **Issues with availability and distribution of some uniform items**, such as those for new recruits, items being provided by new suppliers, and new issue items such as Metvest overt covers

These problems stem from:

- **Varying practice for managing demand at OCU level.** The introduction of devolved budgets was not supported by corporate guidance on best practice with the result that each OCU developed its own approach (some more effective than others)
- **Historic high cost base and inefficient stock management,** resulting from historic practice of 'just in case' stock levels at Uniform Services Branch (which has been greatly improved but has scope to go further)
- **Limited forward planning across MPS as a whole** for provision of uniforms to new recruits, the introduction of new suppliers, and the issue of newly introduced uniform items

Recommended Actions

The full Accenture report sets out a series of practical recommendations aimed at supporting operational effectiveness. This is not an area in crisis, either in terms of the quality of services provided or the cost. In recognition of this, and the potential risks resulting from disruption of supply Accenture have adopted a cautious approach to change. For example, the targets we are recommending are prudent.

However, there is a high cost of running for uniforms, inefficiencies in stock management and service delivery issues for both uniforms and stationery. This report therefore acknowledges the benefits that outsourcing could offer, both in service and cost terms. In light of this we recommend this be considered in the wider review of MPS Procurement strategy planned for in Tranche 3. This allows an extended period over which the in-house service can look to build on its existing programme of work and deliver the recommended improvements.

The key actions required to tackle the current problems and deliver the required improvements include:

- **implementation of existing best practice to manage uniform and stationery demand at OCU level,** with support provided to OCUs to implement process improvements and sustain delivery of efficiencies from which OCUs can benefit directly
- **quick-win for Uniform Services by reducing stock levels, along with consideration in the longer-term of outsourcing as part of Tranche 3 of these reviews** (given this is a possible route to improved efficiency and effectiveness. Particularly, for example, if recommended improvements are not implemented successfully and running costs continue to be high)
- **greater advance planning across MPS as a whole,** with improvement to the kitting out of new recruits, for moving to new suppliers and rolling out new issue equipment (such as overt covers for Metvest body armour)

Once implemented, our recommendations for improvements could realise savings of up to £1.9m. This comprises a one-off saving in the value of uniform stock held of up to £900k (based on a snapshot as of January 2002) and up to £280k from achieving lower quartile spend on uniforms for Boroughs. It also includes up to a further £680k on office supplies\equipment, £300k of which is drawn from Boroughs (for which we have a representative sample). The remainder could be generated only if similar efficiency gains could be applied to other OCUs.

This report sets out the key steps we believe are necessary to ensure the effective implementation of these recommendations and the subsequent realisation of the benefits over a sustained period of time.

Recommendations

The following section outlines the recommendations made in the report. The recommendation number indicates the order in which they appear in the report, and they are ordered here in terms of short-term, medium term and longer term.

Rec No.	Short-term Recommendations	Priority H\M \L	Suggested MPS lead	Indicative Savings	Potential Costs	MPS Response
	<u>Uniforms</u>					
1	<p><i>Support OCUs in realising efficiencies in uniform budgets by implementing existing best practice, including:</i></p> <ul style="list-style-type: none"> • <i>electronic order form, 1 for 1 exchange and purchasing history checks</i> • <i>reducing wastage and improve the accuracy of demand data by requiring all uniform items not issued to be returned by OCUs to USB within 30 days</i> • <i>incentivising OCUs to realise savings</i> 	M	Director of Resources,	Up to £280k in Boroughs	130 staff days (also includes effort for recs 3 and 4)	Accepted, subject to resource implications. Returning higher volumes of stock will have an undetermined impact on warehouse and quality control staff in Uniform Services. Any increase in handling costs must be offset against indicative savings.
2	<p><i>Issue awareness 'postcards' via OTIS to ensure OCU Finance Managers know how to access officer uniform purchasing history and provide SLOs with 'display only' view of purchasing history in MetFIN</i></p>	L	Director of Resources,		Cost of MetFIN access not identified	Accepted. Uniform Services has prompted a shift in emphasis within this recommendation to provide enhanced information and communication at the 'point of sale'.

	<u>Stationery\Office Supplies</u>					
3	<p>Support OCUs in realising efficiencies in stationery\office supplies budgets by:</p> <ul style="list-style-type: none"> implementing existing best practice incentivising OCUs to realise savings 	M	TP	Up to £300k – Boroughs only	Included in Rec 1	Accepted in principle. The review timescale has not allowed for wide consultation with OCUs, and there may be operational reasons why best practice cannot be extended to all units.
4	<p>Reduce stock levels and wastage at OCU levels by:</p> <ul style="list-style-type: none"> adopting best practice guide of 12 days maximum local stock, based on 6 day delivery frequency for high demand items, 18 for strategic running down current stock levels through local one-off stock take for office supplies and imposing a moratorium on orders for high stock items ensuring each OCU has no more than 1 stock location 	M	TP	Supports Rec 1	Included in Rec 1	Accepted
	<u>Uniforms</u>					
8	<p>Adopt an aggregate stock level target for USB of 2 months supply, thus realising one-off saving in the value of stock held of up to £900k (subject to the factors outlined in the full report)</p>	H	Director Of Resources,	Up to £900k in reduced stock value	85 staff days	<p>Accepted with reservation.</p> <p>Accenture acknowledge that the predicted saving of £900k is a high level calculation, and cannot be realised unless the displaced stock is used, which will not be in this financial year.</p> <p>Uniform Services has carried out a snapshot commodity-based analysis which, based on stock levels for 2 and 3 months, would yield one-off write off values of only</p>

						<p>500k and 190k respectively. The analysis does not include the Public Order store where stock availability matches higher operational readiness.</p> <p>The consolidation process should be staged:</p> <ul style="list-style-type: none"> • By July 2002: An in-depth commodity analysis to determine reductions to 3 months' stockholding by isolating legacy and any obsolete stock. [Some dead stock remains from a previous reduction.]. This stage could be implemented by July 2002. • By end 2003: Controlled run down to two months' stockholding to maintain availability of fast-moving items, meet recruit levels, and ensure compliance with service levels.
9	<p>Reduce current stock value by:</p> <ul style="list-style-type: none"> • <i>analysing demand by item and size (including planning for new recruits)</i> • <i>implement daily review of stock levels for fast moving items (if possible supported by a MetFIN-generated report)</i> • <i>moratorium on reordering surplus items based on demand analysis</i> • <i>not holding stock of items which are issued monthly or less frequently, including low demand sizes of standard items</i> • <i>undertaking a one-off 'stock return' exercise for uniforms, with OCUs sending back non-</i> 	H	Director of Resources	Supports Rec 8	Included in Rec 8	<p>Accepted.</p> <p>Accepted for fast moving ranges.</p> <p>This is current practice.</p> <p>Uniform Services holds minimal stock on slow moving items. From July 2002, zero stock will be implemented for items not issued for 3 months, subject to lead times and contractual obligations.</p> <p>Uniform Services can assist with promoting the objective in OCUs.</p>

	<p><i>issued items and USB adding to the overall stock levels</i></p> <ul style="list-style-type: none"> <i>• writing off obsolete items and seeking to realise scrap value under exiting arrangements</i> <i>• reducing stock value and rationalise storage by returning fitting room stock to main warehouse stock for running down</i> 					<p>in OCUs.</p> <p>This will be done during a stocktake, but there is minimal scrap value for police uniform and equipment.</p> <p>Plans to achieve this objective were drawn up by Uniform Services in 2000, but have again been deferred on cost grounds. Cheaper options are being considered and a business case will be drawn up by June 2002.</p>
14	<p><i>Improve roll-out of remaining overt covers by:</i></p> <ul style="list-style-type: none"> <i>• cross-matching existing stock of Metvest overt covers with outstanding issues and distribute</i> <i>• working with suppliers and CO11 to develop target dates for completion of roll-out and notify OCUs in advance of their delivery date</i> <i>• examining scope for direct delivery to remaining OCUs</i> 	M	TP			<p>Part accepted</p> <p>This is a one-off issue which will be completed by June 2002. The first two elements of this recommendation will be explored, but there is little to be gained from changing to direct delivery, which would increase the unit cost of the product. This will be considered as an option for issues of a similar nature and scope.</p>

Rec No.	Medium-term Recommendations	Priority H\M \L	Suggested MPS lead			
6	<p>Ensure the planned PSD warehousing review and Commercial Services review link up and take into account the recommended stock reduction programme</p>	L	Director Of Resources,			<p>Accepted. Plans to maximise use of the warehouse are being implemented. Opportunity cost/actual savings arising from the release of other storage facilities have not yet been collated.</p>
10	<p>Improve availability of 'right kit at the right time' for new recruits by:</p> <ul style="list-style-type: none"> • measuring recruits at the second interview • HR providing USB with roll-call of new recruits and their attendance date 	L	Director Of Resources,			<p>Accepted. With the continued increase in police recruiting, new methods of issuing uniform and equipment to recruits are being assessed for efficiency and cost. There are cost implications not identified, such as increased staffing for packing and distribution and new packaging costs.</p> <p>The Accenture recommendation will therefore be trialled for two intakes of recruits from July 2002.</p>

<p>11</p>	<p>MPS improve the transition to new suppliers, and therefore the service to OCUs, by:</p> <ul style="list-style-type: none"> • working with customer representatives • implementing an improved and clear procedure for handling backorders that is understood by customers, • updating customer catalogue on the B2B system to 'flag up' changes to items • making the supplier work for MPS 	<p>M</p>	<p>Director Of Resources,</p>			<p>Accepted</p> <p>Uniform Services will produce a customer strategy for implementation from July 2002.</p> <p>Updating the catalogue is an ongoing process.</p> <p>This is a Uniform Services business objective for 2002-03. Supplier performance data will be available by end May 2002, which will be used to enforce supplier delivery and order planning</p>
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No.	Long-term Recommendations	Priority H\M \L	Suggested MPS lead	Indicative Savings	Potential Costs	MPS Response
	<u>Stationery\Office Supplies</u>					
5	<i>Ensure the Procurement review in Tranche 3 considers the merit of a managed service approach to the stationery supply chain</i>	L	Director of Resources,			Accepted
	<u>Uniforms</u>					
7	<i>Ensure the Procurement review planned for Tranche 3 of E&E Programme considers outsourcing as part of purchasing strategy.</i>	L	Director of Resources,			Accepted
12	<i>Ensure the E&E review planned for Tranche 3 examines new supplier issues as they apply to procurement across MPS</i>	L	Director of Resources,			Accepted

<p>13</p>	<p><i>Improve future roll-out of new issues by ensuring that:</i></p> <ul style="list-style-type: none"> • <i>senior operational management set clear criteria</i> • <i>roll-out is supported by effective planning and communications</i> • <i>post-implementation review to identify lessons to be applied to future new issues</i> 	<p>L</p>	<p>Director of Resources,</p>		<p>Accepted. This recommendation would be more usefully linked to recommendation 14 which discusses the rollout of Metvest covers.</p>
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