

DMPC Decision – PCD 560**Title: BSS Programme: Delivery of Business Support Services****Executive Summary:**

In October 2015 - under the BSS Transformation Programme - the MPS outsourced its transactional HR, Finance and Procurement services to Shared Services Connected Limited (SSCL) at a total contract value of £234.5m over 10 years (7+3). This was a complex Programme involving both the implementation of a new ERP system (PSOP) and the roll out of a transformed service offer across the MPS in support of the delivery of net savings of £101.4m over the contract term. Linked work undertaken in parallel on the separate outsourcing of Occupational Health services and the implementation of new IT systems for both Fleet and Health & Safety added further complexity.

The new PSOP (Police Standard Operating Platform) system and enabled service went live across the MPS on 5 February 2018, in what has been recognised as a commendably smooth Go Live for a Programme of this complexity and scale. The SSCL service model is now operating successfully for the majority of the transactional service lines with new ways of working embedded across the MPS and the full transition from Programme to 'business as usual' predominantly complete.

However, spend against the contract has been faster than profiled in the original Business Case. In the main, this is attributable to the changes in the MPS budget position following Spending Review 2015 (compared to the forecasts in the Business Case) resulting in higher demand for recruitment and promotion services than forecast, changes to the original timetable for programme implementation, and new work arising from wider transformation and the management of operational risk.

The contract spend forecast has now been re-profiled using our most up to date demand projections. The current paper seeks approval to increase the contract value in order to align it with the remaining contract term. This increase is within procurement and commercial regulation limits. The contract term remains unchanged and there is no request to activate the optional extension period. MPS are requesting approval to commence work to assess our options for managing these services from 1 October 2022.

Simultaneously, the MPS are requesting the necessary mandate to enter into a commercial settlement with SSCL in order to resolve a number of wider items and to enable a reset of the contract in key areas in order to deliver enhanced value to the MPS over the remaining contract term.

Recommendation:

The Deputy Mayor for Policing and Crime is recommended to approve:

1. An uplift the value of the existing contract with Shared Services Connected Limited by £89m within existing procurement and commercial limits.

2. That the MPS enter into a commercial settlement with SSCL in resolution of all historic dispute points and to enable a reset of the contract to deliver better value to MPS.
3. That the MPS commence work on appraising options for delivery of its transactional Business Support Service from 1 October 2022 with associated costs of up to £800,000.

Deputy Mayor for Policing and Crime

I confirm I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct. Any such interests are recorded below.

The above request has my approval.

Signature

Spivey Under

Date

07/06/19.

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE DMPC

1. Introduction and background

- 1.1. In October 2015 - under the BSS Transformation Programme - the MPS outsourced its transactional HR, Finance and Procurement services to Shared Services Connected Limited (SSCL) at a total contract value of £234.5m over 10 years (7+3). This was a complex Programme involving both the implementation of a new ERP system (PSOP) and the roll out of a transformed service offer across the MPS in support of the delivery of net savings of £101.4m over the contract term. Linked work undertaken in parallel on the separate outsourcing of Occupational Health services and the implementation of new IT systems for both Fleet and Health & Safety added further complexity.

2. Issues for consideration

- 2.1. Under the volumetric model, the service charges payable by MPS will go up and down depending on the level of demand made on SSCL in relation to the specific drivers. Whilst the majority of the modelling has held up well, the overall size of the Met is larger than forecast in the business case as at that time (due to concerns linked to austerity) the Met were modelling the need to operate with a much-reduced workforce. Following the Spending Review, whilst the budget position has remained very challenging and significant reductions have been made in police officer and police staff numbers, the even steeper declines in the MPS workforce that had been modelled pre-SR have not materialised, and we therefore need to extend the value of the contract by £89m. It should be noted that the risk register attached to the FBC specified the risk of inaccuracies in the volume forecast over such a period, which, if manifested, would lead to higher service costs than provisioned for under both the contract and budget.
- 2.2. The improved (albeit still challenging) budget position following SR15, and the subsequent announcement of additional funding from the Home Office and the Mayor, has driven significant additional demand across recruitment, promotion and work-based assessment and an arising pressure in terms of the service charges payable by the MPS in relation to the volumetric drivers of 'number of posts filled' and 'total employee headcount'.
- 2.3. The recommended commercial settlement with SSCL will introduce new contractual arrangements between MPS and SSCL. This will ensure that the contract is aligned to the prevailing operational requirements, and will deliver notable value for the MPS over the remaining term through lowering total operating costs for resourcing activity, securing additional investment from SSCL in the police officer recruitment process, lowering costs for the management of any requests for new work and SSCL absorbing new activity on workforce deployment within the existing service charges.

3. Financial Comments

- 3.1. The proposed uplift in the contract value of £89m allows headroom for the Service Directors to make further requests for service changes above those currently planned, should business need arise. The budgetary impact does not reflect the full £89m of the contract uplift as the budget assumptions include provision for currently planned service

changes only. Any future requests for service changes will be subject to the approval of business cases including identified funding to support.

Table 1 Comparison of Total Projected Cost to Budget for 2019/20 - 2022/23

	19/20	20/21	21/22	22/23	Total
	£m	£m	£m	£m	£m
Total Existing Budget	39	31	31	16	117
Total Projected Cost	43	38	38	20	139
Total Budget Pressure	+4	+7	+7	+4	+22

- 3.2. Table 1 shows the budget pressures against total projected costs. The budget pressure for 2019/20 will be met from additional one-off funding. The budget pressures in future years will be added to the medium term financial plan, to be managed through the budget process.

4. Legal Comments

- 4.1. Paragraph 4.13 of the MOPAC Scheme of Delegation provides that the Deputy Mayor of Policing and Crime (DMPC) has delegated authority to approve all unforeseen variations and extensions to contracts with an original values of £500,000 or above, when the variation of extension is greater than 10% of the original value and / or is for a period of more than 12 months. The proposed uplift of £89m is within the procurement limits of 50% increase in the original contract value.
- 4.2. Paragraph 4.8 of the MOPAC Scheme of Delegation and Consent provides that the Deputy Mayor for Policing and Crime has delegated authority to approve business cases for revenue or capital expenditure of £500,000 or above.

5. GDPR and Data Privacy

- 5.1. The MPS is subject to the requirements and conditions placed on it as a 'State' body to comply with the European Convention of Human Rights and the Data Protection Act (DPA) 2018. Both legislative requirements place an obligation on the MPS to process personal data fairly and lawfully in order to safeguard the rights and freedoms of individuals.
- 5.2. Under Article 35 of the General Data Protection Regulation (GDPR) and Section 57 of the DPA 2018, Data Protection Impact Assessments (DPA) become mandatory for organisations with technologies and processes that are likely to result in a high risk to the rights of the data subjects.
- 5.3. The Information Assurance and Information Rights units will be consulted at all stages of the work arising from the current paper to ensure that all compliance requirements in respect of GDPR and Privacy are met.

6. Equality Comments

- 6.1. A full Equality Impact Assessment was undertaken at the start of the BSS Programme. The uplift to the contract value and reset of commercial terms does not change this EIA. The options appraisal for the delivery of transactional business support services from 1 October 2022 will be subject to a further EIA.

7. Background/supporting papers

- 7.1. MPS Paper

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOIA) and will be made available on the MOPAC website following approval.

If immediate publication risks compromising the implementation of the decision it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? NO

If yes, for what reason:

Until what date:

Part 2 Confidentiality: Only the facts or advice considered as likely to be exempt from disclosure under the FOIA should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a **Part 2** form – YES

ORIGINATING OFFICER DECLARATION	Tick to confirm statement (✓)
Financial Advice The Strategic Finance and Resource Management Team has been consulted on this proposal.	✓
Legal Advice The MPS legal team has been consulted on the proposal.	✓
Equalities Advice: Equality and diversity issues are covered in the body of the report. AND/OR The Workforce Development Officer has been consulted on the equalities and diversity issues within this report.	✓
Public Health Approach Due diligence has been given to determine whether the programme sits within the Violence Reduction Unit's public approach to reducing violence. This has been reviewed and supported by a senior manager within the VRU.	N/A
Commercial Issues Commercial issues are not applicable OR The Contract Management Team has been consulted on the commercial issues within this report. The proposal is in keeping with the GLA Group Responsible Procurement Policy.	N/A
GDPR/Data Privacy <ul style="list-style-type: none"> GDPR compliance issues are covered in the body of the report 	✓
Director/Head of Service The CFO has reviewed the request and is satisfied it is correct and consistent with the MOPAC's plans and priorities.	✓

Chief Executive Officer

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Deputy Mayor for Policing and Crime.

Signature

R. Lawrence

Date 07/06/19

BSS PROGRAMME: DELIVERY OF BUSINESS SUPPORT SERVICES**Investment Advisory and Monitoring (IAM), 23rd May 2019****Report by Alex Walsh, Director BSS Transformation, on behalf of the Chief of Corporate Services****Part 1: This section of the report will be published by MOPAC. It is classified as OFFICIAL - PUBLIC****EXECUTIVE SUMMARY**

In October 2015 - under the BSS Transformation Programme - the MPS outsourced its transactional HR, Finance and Procurement services to Shared Services Connected Limited (SSCL) at a total contract value of £234.5m over 10 years (7+3). This was a complex Programme involving both the implementation of a new ERP system (PSOP) and the roll out of a transformed service offer across the MPS in support of the delivery of net savings of £101.4m over the contract term. Linked work undertaken in parallel on the separate outsourcing of Occupational Health services and the implementation of new IT systems for both Fleet and Health & Safety added further complexity.

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However, spend against the contract has been faster than profiled in the original Business Case. In the main, this is attributable to the changes in the Met's budget position following Spending Review 2015 (compared to the forecasts in the Business Case) resulting in higher demand for recruitment and promotion services than forecast, changes to the original timetable for programme implementation, and new work arising from wider transformation and the management of operational risk.

The contract spend forecast has now been re-profiled using our most up to date demand projections. The current paper seeks approval to increase the contract value in order to align it with the remaining contract term. This increase is within procurement and commercial regulation limits. The contract term remains unchanged and there is no request to activate the optional extension period. MPS are requesting approval to commence work to assess our options for managing these services from 1 October 2022. Simultaneously, the MPS are requesting the necessary mandate to enter into a commercial settlement with SSCL in order to resolve a number of wider items and to enable a reset of the contract in key areas in order to deliver enhanced value to the MPS over the remaining contract term.

RECOMMENDATIONS

The Deputy Mayor for Policing and Crime, via the Investment Advisory Meeting (IAM), is asked to approve;

- 1. An uplift the value of the existing contract with Shared Services Connected Limited by £89m within existing procurement and commercial limits**
- 2. That the MPS enter into a commercial settlement with SSCL in resolution of all historic dispute points and to enable a reset of the contract to deliver better value to MPS**
- 3. That the MPS commence work on appraising options for delivery of its transactional Business Support Service from 1 October 2022 with associated costs of up to £800,000**

The Deputy Mayor for Policing and Crime, via the Investment Advisory Meeting (IAM), is asked to note;

- 4. There is a total budget pressure of £22m over the remaining three and a half years of the contract term to 30 September 2022. The budget pressure of £4m for 2019/20 will be met from additional one-off funding received in 2019/20. The budget pressure of £18m for future years will be added to the Medium Term Financial Plan, to be managed through the budget process over the summer.**

SUPPORTING INFORMATION

Business Case Overview

- 1. The Outline Business Case (OBC) regarding the transformation of the Met's Business Support Service (HR, Finance & Procurement) was presented to Management Board in January 2015. This highlighted a number of challenges with how the Met delivered its transactional Business Support Services when set against other comparable private and public organisations - challenges which were impacting upon the overall efficiency and effectiveness of these critical enabling services.**
- 2. Against the backdrop of reducing budgets and protecting spend available for frontline policing, the BSS OBC laid out a number of options for the future management of MPS Business Support Services. These centred on addressing the highlighted challenges and more closely aligning the Met to wider industry benchmarks through a move to more consistent and standardised services, maximising the use of automation and benefitting from the expertise of those who specialise in the delivery of 'back office' services.**
- 3. In January 2015, MOPAC approved the OBC recommendation that the MPS commence formal due diligence with the Independent Shared Service Connected 2 (ISSC2) Framework Provider - Shared Services Connected Limited (SSCL). With an overall contract value of £2bn, the ISSC2 Framework had already been subject to a full procurement process under OJEU allowing public bodies such as the MPS to 'call off' the contract without further procurement. Created in November 2013, SSCL is a joint venture between the Cabinet Office (25%) and Sopra Steria Ltd (75%). SSCL supports over 200,000 customers across 17 Government Departments including DWP and MoJ.**
- 4. Alongside the due diligence with SSCL, MOPAC approved that preparation for an alternative 'new procurement' based approach commence. The 'Do Nothing' and 'MPS In House Transformation' options were both discounted at this time.**

5. Management Board considered the BSS Full Business Case (FBC) in July 2015. Following careful consideration, Management Board took the decision that the preferred option for the future delivery of MPS Business Support Services was to outsource service provision to SSCL.
6. Based on the service demand projections identified within the BSS FBC, the business case identified the following key benefits to the MPS of contracting via the SSCL Framework at a service cost of £203m over 7 + 3 years:
 - A gross saving of £154m (£137m revenue / £17m capital) and a net saving of £101.4m (26%) over the life of the contract (7 + 3 years) through the MPS contracting with the SSCL Framework proposition.
 - The avoidance of capital and revenue costs linked to the implementation of a new internal single ERP (previous costs estimated at c£45m over 5 years plus ongoing maintenance).
 - Building a national back office model for Policing and a gain share arrangement for MPS linked to development of policing shared services policing market
 - A swift route to market and delivery of associated savings through the ability for the Met to call off an existing Framework
 - Service cost flexibility to reflect service demand levels (volumetric pricing)
 - Partnering with an established shared services provider whose core business is the delivery of transactional business support activities, giving linked access to wider benefits of market best practice and continuous improvement, and using a technology platform designed and tested specifically for Policing
7. In addition to the contracted service costs, the FBC requested an implementation budget of £53m for internal transition and decommissioning of legacy systems (£21.5m), redundancy costs (£14.5m) and milestone payments to SSCL linked to Programme Implementation (£17.5m).
8. MOPAC formally approved the BSS FBC and decision to outsource the MPS's HR, Finance and Procurement transactional services to SSCL on 29 July 2015. In approving the BSS FBC, MOPAC granted approval for the following payments to SSCL; £203m of Service Charges, £17.5m one off programme implementation costs and £14m of redundancy costs. This gives a **total SSCL contract value of £234.5m over the 7 + 3 year contract term.**
9. MPS transactional HR, Finance and Procurement services transferred to SSCL on 1 October 2015.

Programme Implementation

10. The original programme implementation timeline was set at 12 months, running from October 2015 to October 2016. Under the terms of the contract, SSCL were to deliver services 'as is' until the implementation of the new PSOP platform which would enable the delivery of the transformed services and a move from fixed to volumetric pricing.
11. The implementation timeline for the BSS Programme was deliberately ambitious in support of the early achievement of committed savings. It was accepted that the Programme was broader in scope than previous implementations that SSCL had worked on across Government, and involved the enhanced complexity of a SAP to Oracle transition. The FBC highlighted the associated risk that arose in relation to the programme timeline extending leading to the budgeted costs for implementation being

exceeded and a potential consequential impact on the delivery of savings. A key point of learning from the BSS Programme, one reflected in more recent business cases as the MPS's capability for landing major change has matured, is that the contingency provision in the BSS implementation budget was inadequate in relation to the risk and complexity profile of such a major IT implementation programme.

12. As a result of the manifestation of a number of the risks highlighted in the FBC, the BSS Programme did not achieve Go Live until February 2018. Whilst the Go Live was recognised as the most successful of any of the ISSC2 customers to date and was largely 'noiseless' across the MPS, the specifics regarding the timeline adjustments, drivers for them and associated costs, and insufficiently precise definitions of scope in the framework contract have resulted in a complex set of issues between MPS and SSCL where costs and contractual liabilities are not clearly defined. Both parties are fully committed and keen to resolve this position at the earliest opportunity in order to enable the full focus to be on working in partnership to deliver service excellence and achieve the growth in police officer numbers to the benefit of London.

Spend Against Contract to Date

13. Under the ISSC2 Framework, five key volumetric drivers determine the service charges payable. These drivers are as follows:
 - i. Number of posts filled
 - ii. Number of employees
 - iii. Number of cost centres
 - iv. 000's of revenue invoices
 - v. 000's of purchase invoices
14. Under the volumetric model, the service charges payable by MPS will go up and down depending on the level of demand made on SSCL in relation to the five drivers. The BSS FBC involved the modelling of each of these drivers over a 10-year period to align to the maximum length of the contract. This modelling took our most informed thinking as at May 2015 (that is, prior to the 2015 Comprehensive Spending Review) in relation to the period of October 2015 to October 2025.
15. Whilst the majority of the modelling has held up well, the overall size of the Met is larger than forecast in the business case as at that time (due to concerns linked to austerity) the Met were modelling the need to operate with a much reduced workforce. Following the Spending Review, whilst the budget position has remained very challenging and significant reductions have been made in police officer and police staff numbers, the even steeper declines in the MPS workforce that had been modelled pre-SR have not materialised, and we therefore need to extend the value of the contract by £89m. It should be noted that the risk register attached to the FBC specified the risk of inaccuracies in the volume forecast over such a period, which, if manifested, would lead to higher service costs than provisioned for under both the contract and budget.
16. The improved (albeit still challenging) budget position following SR15, and the subsequent announcement of additional funding from the Home Office and the Mayor, has driven significant additional demand across recruitment, promotion and work based assessment and an arising pressure in terms of the service charges payable by the MPS in relation to the volumetric drivers of 'number of posts filled' and 'total employee headcount'.
17. In parallel, whilst the BSS FBC correctly assumed that individual 'business cases' would manage the budget requirements for any requests to SSCL to undertake work outside

of the scope of the original contract, this was not adequately translated into contract value - a key point of learning. The demand for 'change' arising from the complex portfolio of change currently being delivered across the MPS (e.g. the implementation of the new BCU model, the implementation of new IT systems which require an interface with PSOP to enable full functionality) has put additional and unplanned pressure against the value of the contract. This position has been exacerbated by a difference in interpretation between MPS and SSCL regarding some of the provisions of the original contracted services. In order to protect critical service lines from disruption, this has resulted in MPS putting increased activity through the 'change' route pending further discussion and negotiation with SSCL.

18. The recommended commercial settlement with SSCL will introduce new contractual arrangements between MPS and SSCL. This will ensure that the contract is aligned to the prevailing operational requirements, and will deliver notable value for the MPS over the remaining term through lowering total operating costs for resourcing activity, securing additional investment from SSCL in the police officer recruitment process, lowering costs for the management of any requests for new work and SSCL absorbing new activity on workforce deployment within the existing service charges.

ORGANISATIONAL & COMMUNITY IMPLICATIONS

Equality and Diversity Impact

1. A full Equality Impact Assessment was undertaken at the start of the BSS Programme. The uplift to the contract value and reset of commercial terms does not change this EIA. The options appraisal for the delivery of transactional business support services from 1 October 2022 will be subject to a further EIA.

Financial Implications

1. The proposed uplift in the contract value of £89m allows headroom for the Service Directors to make further requests for service changes above those currently planned, should business need arise. The budgetary impact does not reflect the full £89m of the contract uplift as the budget assumptions outlined in the table below include provision for currently planned service changes only. Any future requests for service changes will be subject to the approval of business cases including identified funding to support.
2. The total projected cost for the remaining three and a half years of the contract from 1 April 2019 to 30 September 2022 is estimated to be £139m, which includes the annual volumetric-based service charges, the costs of oracle licences, projected on-off service changes and their associated ongoing costs of implementation. The existing revenue budget provision to support total projected cost is £117m, resulting in a total budget pressure of £22m over the remaining period of the contract. The budgetary implications are summarised in Table 1 below.

Table 1: Comparison of Total Projected Cost to Budget for 2019/20 - 2022/23

	19/20	20/21	21/22	22/23	Total
	£m	£m	£m	£m	£m
Total Existing Budget	39	31	31	16	117
Total Projected Cost	43	38	38	20	139
Total Budget Pressure	-4	-7	-7	-4	-22

3. Based on current workforce planning assumptions, the projected volumetric-based cost from 2019/20 onwards compared to budget is £12m of the £22m budget pressure. The balance of the budget pressure of £10m relates to the projected cost of the implementation of planned service changes.
4. The budget pressure of £4m for 2019/20 will be met from additional one-off funding received in 2019/20. The budget pressure of £18m for future years will be added to the Medium Term Financial Plan, to be managed through the budget process over the Summer.
5. The difference between the contract uplift and the budget increase required is due to additional spend in the first 3 years of the contract primarily driven by the increased resourcing costs as a result of the amended MPS workforce plan, the use of change procedures (including linked ongoing service charges) and changes to the original timetable for programme implementation. In budgetary terms, these costs have to date been managed across the MPS budget as a whole but have of course contributed to the total spend against the contract. In addition, some further budget was provided through the 2019/20 budget process. The end result is the budgetary pressure noted in the Table 1 above.

Legal Implications

1. Paragraph 4.13 of the MOPAC Scheme of Delegation provides that the Deputy Mayor of Policing and Crime (DMPC) has delegated authority to approve all unforeseen variations and extensions to contracts with an original values of £500,000 or above, when the variation or extension is greater than 10% of the original value and / or is for a period of more than 12 months. The proposed uplift of £89m is within the procurement limits of 50% increase in the original contract value.
2. Paragraph 4.8 of the MOPAC Scheme of Delegation and Consent provides that the Deputy Mayor for Policing and Crime has delegated authority to approve business cases for revenue or capital expenditure of £500,000 or above.
3. The Directorate of Legal Services have been fully engaged throughout this process. Details are provided in Part 2.

GDPR & Data Privacy

1. The MPS is subject to the requirements and conditions placed on it as a 'State' body to comply with the European Convention of Human Rights and the Data Protection Act (DPA) 2018. Both legislative requirements place an obligation on the MPS to process personal data fairly and lawfully in order to safeguard the rights and freedoms of individuals.
2. Under Article 35 of the General Data Protection Regulation (GDPR) and Section 57 of the DPA 2018, Data Protection Impact Assessments (DPIA) become mandatory for organisations with technologies and processes that are likely to result in a high risk to the rights of the data subjects.
3. The Information Assurance and Information Rights units will be consulted at all stages of the work arising from the current paper to ensure that all compliance requirements in respect of GDPR and Privacy are met.

Consultation undertaken

1. Consultation Grid:

Key stakeholder engagement (up to what level)	Supportive / Supportive with concerns / Not supportive / Not affected
Director of Legal Services	Supportive
Director of Commercial Services	Supportive
Chief Finance Officer	Supportive
Director of Human Resources	Supportive

Risk (including Health and Safety) Implications

1. There are no specific Health and Safety considerations linked to the current proposal.

Background Papers: None

Part 2: This section refers to the details of the business request that are NOT SUITABLE for MOPAC publication.

The Government Security Classification marking for Part 2 is: OFFICIAL SENSITIVE (COMMERCIAL).

Part 2 of the 'BSS Programme: Delivery of Business Support Services' is exempt from publication for the following reasons:

- Exempt under Article 2(2)(a) of the Elected Local Policing Bodies (Specified Information) Order 2011 (Data Protection Section 43 - Commercial Interests).

The paper will cease to be exempt until 7 years following the end of the contract, with the contract ending at the latest in September 2025.

