

Budget and Performance Committee – 1 July 2015**Transcript of Agenda Item 5 - Police Outsourcing**

John Biggs AM (Chairman): Thank you very much for coming. We have Lynda McMullan from the Metropolitan Police Service (MPS), Lee Tribe from the MPS, and from the Mayor's Office for Policing and Crime (MOPAC) Helen [Bailey] and Annabel [Cowell].

We will start by inviting Tom Copley, who is welcome as a substitute to this meeting, to ask a bit about the MPS's commercial programme.

Tom Copley AM: Lynda, why is the MPS developing a commercial programme and what do you want to achieve?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): There are probably a number of reasons why the commercial strategy was kicked off a number of years ago and certainly before my time. It was a combination of factors. We had a number of large contracts coming to an end. The organisation recognised that rather than looking at some of these contracts on an individual basis we needed to pull that together. We have heard a little bit from the National Audit Office (NAO) about how these things are managed collectively and making sure that we have organised what commercial resources we have so that we get best value. In terms of looking at the challenges facing the organisation and the savings challenges facing it and where some of those challenges could be achieved, the commercial strategy was borne out of a number of those issues.

Tom Copley AM: It is about making savings?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): Partially about savings.

Tom Copley AM: Also about income generation as well?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): What we sent to you last week was our draft commercial strategy. We all know we are in a period of austerity. There will be further challenges financially for the organisation. We did not just want to look at a simple 'cut programme'. We wanted to look at how could we do things more productively and efficiently, how could we look at income generation as part of that programme as well and really pool all of that together into quite a cohesive commercial strategy. Also - as Louise [Bladen] and Joshua [Reddaway] were talking about - how does that complement and support the overall objectives of the organisation and how does that feed into some of the design principles as part of what we call the 'One Met Model'. It is about how all of that fits together.

Tom Copley AM: What sort of things are you looking at in terms of income generation? Are you looking at the use of the estate and property and things like that?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): Part of it is early days. If we look at the organisation at the moment, we do make substantially more income than most other forces simply because of being within London. That is not about saying we are special, unique and all the rest of it. We do have relationships, for example, with Transport for London, around some provision of officers and

Police Community Support Officers (PCSOs). There is quite a substantial income generation stream that we have at the moment. Part of the strategy is to look at that, to make sure we are making as much as we can from that and to make sure we are recovering costs as far as we possibly can, and looking and discussing with the Home Office some areas where we do not think we are recovering full costs. For example, with firearms licensing, there is probably more that we need to do in conjunction with the Home Office to look at some of the regulations around that.

Beyond that, there is also an opportunity to look at where the MPS can make further income from things that we do not currently do. While we have not committed to anything at the moment, due to savings they are having to make, other forces around the country are unable to, for example, run some of the training courses that we still do. There are opportunities for us to move into that sort of area and provide services to other forces, for example. We are looking at all of those opportunities at the moment, but I would want you to understand there is quite a lot of income generation at the moment.

Tom Copley AM: In terms of your commercial principles here, what processes did you go through in terms of establishing those?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): There was quite a lot of discussion. Again - hearing from Joshua [Reddaway] and Louise [Bladen] - it is not possible, feasible or likely to be successful if they are developed in complete isolation from the rest of the business. I was not at the MPS during the period of developing those but it was quite a cohesive process of discussing with MOPAC - when I was in a previous role - about what those principles should be and also how that sat with the culture of the MPS as well. Lee could probably give a little bit more detail about exactly how the process worked as I was not there for that.

Tom Copley AM: Yes.

Lee Tribe (Director of Procurement Services, Metropolitan Police Service): It builds upon the earlier conversation in terms of it is important to link commercial strategy with the business strategy. It is right that we are there to sort the operational side of the MPS. What we wanted was a number of programmes, not to go off in isolation. As Lynda said, we had a number of very important contracts to renew; the Synergis Management contract and a significant number of IT contracts. We wanted to make sure there was some consistency across them. What we developed was a number of commercial principles that would underpin all those deals. We took that to the management board for it to agree the principles and the sub-questions that allowed us to test whether those principles had been applied or not. That was the logic: agreement from top and then we would roll them down to each of the deals we are now contemplating.

John Biggs AM (Chairman): Can I ask who owns your commercial programme? This flows from my interpretation of what the NAO has said. Is it simply the Commissioner says, "Lynda, make some savings"?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): No. The commercial strategy is owned by the management board and the Commissioner personally gets very involved.

John Biggs AM (Chairman): The second part of my question, then. Tom asked you the question about why the MPS is developing a commercial programme, and if I was being cheeky the answer would be because Helen [Bailey] and Annabel [Cowell] told us to because MOPAC will set the overall budget and requirements from it.

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): It is fair to say that the Deputy Mayor for Policing and Crime has been a huge advocate of looking at commercial opportunities and pushing the MPS - quite rightly - quite hard about some of those and the potential improvements - both of service and savings - that can be achieved while retaining that frontline delivery. It is absolutely fair to say the Deputy Mayor has absolutely been in that space, very strongly pushing us on that.

Lee Tribe (Director of Procurement Services, Metropolitan Police Service): If I can just build on that, we get a series of inputs. That is clearly one input we have received. We are also open to conversations with the market. We worked with the City Forum to engage a dialogue between ourselves and the market. That led to a market test that we did a couple of years ago when the market thought it could do certain activities to us.

We are fully onside with the earlier conversation. We do talk to other forces. I am responsible for liaison with the Home Office about a collaborative procurement across all the police forces in England and Wales.

We have a number of inputs that come together to help shape our thinking. It is not just one activity, whether it is MOPAC, the market or other forces. We bring it all together and crystallise what we think is the right strategy for the MPS. We then take to the board a number of ideas and then agree the way forward from there.

John Biggs AM (Chairman): I interrupted you but Helen was going to butt in at some stage.

Helen Bailey (Chief Operating Officer, Mayor's Office for Policing and Crime): When Lynda said the strategy was owned by the Commissioner and by the management board, it is right. It is also owned by the Deputy Mayor and MOPAC. The Deputy Mayor and the Commissioner come together at our oversight board. That sets the parameters that that strategy exists within because we are obliged to sign off the contracts and we are obliged to sign off the spending - and hopefully also the savings - that it will generate. It is very much a collaborative thing. It is very much owned by - as Lynda has said - the Deputy Mayor as well as the Commissioner and his team.

We are seeking to get the best deal for policing to deliver the best service for London; taking into account the perspective from MOPAC, and also the operational perspective and the professional perspective that the MPS bring to it. That is right. It is in line with the other advice you have been given which is that any kind of commercial strategy has got to be about delivering the business of the organisation. That business is policing in which the Commissioner is the supreme expert, but other people can contribute to the organisation about the commercialisation.

Tom Copley AM: Is there any blurring of the line between back office and frontline in terms of this?

Helen Bailey (Chief Operating Officer, Mayor's Office for Policing and Crime): How do you mean 'blurring'?

Tom Copley AM: Is it always easy to distinguish between what things are frontline and what things are 'back office' or is there a spectrum?

Helen Bailey (Chief Operating Officer, Mayor's Office for Policing and Crime): I would say in general terms there are some things that are obviously back office. The processing of invoices, for instance, is a back-office function. There are some things that are obviously front-of-house, clearly, patrolling the streets in our context. There is a range of things.

I saw some very interesting analysis a long time ago in a different context that said there is a large amount of the work that the public service does that is perhaps less clear. You have to be really clear when you are doing your thinking about outsourcing or commercialisation as to where it is you choose to draw the line. Clearly you can choose to draw that line in a number of different places.

Tom Copley AM: In terms of your engagement with the MPS, how are you engaging with the rest of the Greater London Authority (GLA), other police forces and public bodies as you develop your commercial programme?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): There is quite a lot of interaction with other police forces and with the GLA. I will get Lee [Tribe] to pick up a little bit on the discussion around the GLA. We do look, obviously, at what other police forces are doing and what other public sector organisations are doing. It was mentioned before that local government is probably slightly ahead of the curve of central Government, which is probably slightly ahead of the curve of the police in some of this. There is quite a lot for us to go out and look at.

To assure you, one of the organisations we are spending quite a lot of time talking to at the moment is West Midlands. Quite interestingly, it is very well developed in looking at some of the front-office potential in terms of savings and doing things more productively. It is very interested to learn from us around some of the back-office opportunities.

Tom Copley AM: By 'front office', do you mean 'frontline'?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): Yes. That is where it has concentrated a lot of its effort. We have concentrated a lot of our effort in that back-office space. It is a really complementary conversation for us to have and to mutually learn quite quickly.

Tom Copley AM: You are interested in what they are doing in terms of the frontline?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): The front office is very interesting for us because that is not where we have put a lot of energy to date. It gets back to some of that conversation about what productivity looks like for police officers. All forces are really quite concerned not to reinvent wheels all around the country. What we need is one definition of 'productivity' and what that could look like. Louise [Bladen] talked about a particular basket of indicators. If there was something that we could all rely on and use in a common way, it would be really helpful for us all.

Tom Copley AM: You are saying that potentially the MPS, based on what the West Midlands is doing, could be looking at some of this with frontline services as well?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): Not necessarily.

Tom Copley AM: You will be looking at it, potentially?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): We are looking at what it is doing in terms of driving productivity. We have a commercial strategy. I know you want to particularly talk about outsourcing. We would not necessarily be outsourcing the frontline. That would not be where the MPS is at the moment at all. Some of the opportunities it is thinking about are about how you drive better ways of doing things at the frontline. That is where we have not done as much as it in that space.

Tom Copley AM: That sounds to me like outsourcing frontline policing?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): No, not at all.

Lee Tribe (Director of Procurement Services, Metropolitan Police Service): I will give you four examples. At West Midlands on Friday for the first time ever we agreed a common specification for a police car. It is quite iconic. Twenty-six forces have come together and we are collectively buying over 2,000 cars together. That has been led by West Midlands. The MPS does not profess to be experts in everything, nor are we doing everything ourselves. The group I lead - the Commercial Law Enforcement Programme, which is sponsored by the Home Office - looks at procurement across the United Kingdom. We have agreed on eight areas of high expenditure. The total expenditure across all of those areas is £1.1 billion. We are now putting operational leadership in place to agree common specification. If we have a common specification or at least a greater standardisation, then I can go out and do better deals with people. It will be led in the appropriate area. David Wilkin, the Assistant Chief Constable of West Midlands, is leading on cars for me.

To go back to the question, we have had dialogue with the GLA. When we started to look at the back office, we sent a team of people over to the Canary Wharf area to look at their back-office service and what they were doing and how they were doing it, as well as talking to the market on that. I am also talking to the lead on Shared Services for Policing, a chap called Mark Gilmartin, [Director of Support Services, Kent Police and Essex Police]. Mark is based out of Kent. We share all those stories. As and when we evolve our strategy, we go away and test it with people. We are not doing it in isolation. In fact, we are doing it in collaboration with all the other forces and making them aware of it.

What we did not touch upon earlier on was that with any deals we do from the MPS - given the MPS's volume and the impact the MPS will have on the market - we are making those deals available to other forces. Increasingly, you will see that.

What we are quite clear on is that we will focus on police-specific activity. I agree with the last speakers and your comment, Chair, which is that I do not buy pens and paper; I leverage the Crown Commercial Service (CCS) deal for that. I do not buy electricity as such; I leverage the deal. Where there are generic items that are applicable across all of government, whether central, local or police forces, we leverage those deals. We only get involved and apply our limited expertise where there is police-specific activity or where we feel we can add value.

Tom Copley AM: I just have my last question, which is about what lessons you have learnt from previous examples of contracting by other police forces and public bodies.

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): The organisation has learnt from areas that have gone well. We have recently contracted out facilities management. We have what we think is a good contract and a good relationship with an external provider, and that is working well for us. We have had other instances in the past where we have had contracts that have not operated quite so well. Again, it is about some of the things that were rehearsed in the previous session. It is not just about contract management. It is probably about relationship management as well and how, once you have signed that deal, it is kept fresh and how that relationship continues throughout the lifetime of the contract. That is a really important thing that we have learnt, probably sometimes the hard way.

Tom Copley AM: Sorry, that is as to length of contracts and renewals and things like that?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): It is just that once you have signed that contract, it is not that somebody somewhere else provides that particular service: you would need to spend as much time managing that, as a senior member of the organisation, as if it was being delivered internally. It is really investing that time and effort to make it right. It is not signing the contract, forgetting about it --

Tom Copley AM: And leaving. Yes, I am with you.

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): -- and complaining bitterly about it if it is not working. It feels a bit like a marriage, actually. A lot of work needs to continually go into this over the life of it.

John Biggs AM (Chairman): There has been repeated mention of collaborative procurement. Our scrutiny is into outsourcing but clearly this is something that keeps you all awake at night and it might make sense, outside the meeting, for us to quiz you a bit about that so that we can get some sense of the scope and the savings. The second part of that, then, is that the impression I get from your answers is that the collaborative procurement is between forces rather than across the GLA family to a greater extent.

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): No.

John Biggs AM (Chairman): No?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): Lee was trying to explain that there is a lot of the non-specific police procurement that we do through the GLA.

John Biggs AM (Chairman): OK. Pens and paper and stuff? OK, yes.

Lee Tribe (Director of Procurement Services, Metropolitan Police Service): Yes. From 1 April this year, we have gone into a collaborative GLA arrangement for common goods and items. My challenge to that group would be: why do we not use the CCS deals? Pens and paper are already bought well by CCS and utilities are already bought well. What is the extra value they can add? However, we are part of that group and about £100 million of our spend is planned to go through that.

John Biggs AM (Chairman): OK. The other question - I was tempted to heckle earlier on - was about an elephant in the room and that elephant is called Boris Johnson [MP, Mayor of London] on this occasion. What Boris says in essence - he is a sort of high-level guy - is, "I do not care what you do as long as you keep police numbers at the right level". You are nodding dangerously in agreement with that comment and it is a very noble objective to have, but what that pushes you towards is saying that the main purpose of outsourcing or indeed collaboration is to save money rather than to improve services. This is digging into Tom's question from a slightly different angle. It is for Helen Bailey to defend the valour of the Mayor, I think.

Helen Bailey (Chief Operating Officer, Mayor's Office for Policing and Crime): The police officer numbers point is a shared commitment between the Mayor, the Deputy Mayor for Policing and Crime and the Commissioner. Where they would absolutely share the ambition is that the money that we spend on policing should, as far as possible, be keeping London safe and that where we can make savings in back-office services to keep focused on that, we absolutely should. I do not think anybody has said - and I as an official would be nervous if they did - "Do dangerous things to back-office services in order to keep police numbers high". That would not be right.

John Biggs AM (Chairman): I do not think even I said that.

Helen Bailey (Chief Operating Officer, Mayor's Office for Policing and Crime): No, indeed, and I would not accuse you of doing so, Chair. The point is that here the challenge - and you are right that there is a challenge from the Mayor and from the Deputy Mayor - is how we spend the money we spend on policing on the front line and on people who keep London safe. That is the question we are seeking to answer, but it does not drive us into doing things that would not be good practice.

John Biggs AM (Chairman): OK. We can record that and replay it. Thank you. That is very helpful.

Shall I move on then to my question, which is about skills and expertise? We could deal with this very quickly. Do MOPAC and the MPS currently have the skills and expertise to manage large contracts effectively and deliver value for money? Let us start with the MPS, then.

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): We do not necessarily have all of those skills in-house. We certainly have access to them. For some of the work that we are doing at the moment, we are calling on expertise from a number of different consultancies to help. The challenges we have are about both capacity and capability and bringing in some capacity around programme and project management is often difficult for us. At specific times, we bring in expertise to help us with specific markets. Each market, as previously discussed, is at a different level of maturity and we need to understand those things. We bring in expertise around that and we have brought in some specific expertise in terms of specific negotiations as well.

Personally, while we are building up Lee's team to do more particularly around ongoing contract management and we are comfortable about that, we are also comfortable that we can draw in those specialist skills as and when we need them. That would be my take on it.

John Biggs AM (Chairman): The point we examined with the NAO about having a strong client and effective project management would obviously require you to have the skills to manage the contract as well.

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): Absolutely.

John Biggs AM (Chairman): Obviously you are alive to that and you acknowledge that. Are you tooled up for that?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): Are we tooled up? We are getting tooled up.

John Biggs AM (Chairman): If you have a long-term contract, it probably makes more sense - unless it very specialist - to have the people in-house rather than forever having Accenture coming in to tell you whether it is working OK.

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): Absolutely. One of the things you will see in our draft commercial strategy is that we are very clear we need to have that central commercial expertise - which is something that would sit within Lee's team - that we would draw upon. In terms of contracts, when they are let we would also - and this is working well with some of the facilities management - develop the intelligent client function. They need to be strong and they need to continue to be strong throughout the lifetime of the contract. That is what we are costing into all of those business cases

when we are looking at potentially outsourcing or not. That is a really important part and we do not underestimate the importance of that by any means.

John Biggs AM (Chairman): OK. You have already told us - and it is tabulated in our briefing note - the savings you are expecting from some of these outsourcings including the fantastic 42% on business process outsourcing. How did you establish those if you did not quite have the skill set in place to find out whether they worked?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): Some of this work was supported by external consultancy at the start of the process. As we have gone through time and these have been outsourced, we have replaced the draft figures with figures we have actually landed. This is our best expectation at this point in time.

John Biggs AM (Chairman): Overall in your commercial programme, how big a role are external consultants playing?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): Hopefully it will become a diminishing role as we build up that internal expertise.

John Biggs AM (Chairman): OK. That implies that it has been of a significant size up until now and that you are planning that it should become smaller.

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): It has been different on different contracts. Maybe get Lee to comment in more detail. A lot of the work done in the facilities management was done by Lee and his team.

Lee Tribe (Director of Procurement Services, Metropolitan Police Service): The facilities management contracts were done by the client. It was client-led and it was done exclusively with in-house staff. In the estates world, we have a really good handle on what is going on. We know the baselines; we have expertise. Those experts who did the deal migrated through to manage the contracts so that you have the continuity of teams through the early part and the later part of the contracts. What the client, Jane Bond [Director of Property Services, MPS], would say if she were here is that the difficulty she now has is retaining highly capable staff given the market. Certainly the construction market in picking up. There is that challenge longer-term: how do you retain good people? We are training them and developing them and they are doing a very good job for us, but it is the retention of skills.

In other activities, we have had support from PricewaterhouseCoopers (PwC) on project management and they have helped us construct our baselines. That support is diminishing and the intention is for us to build an intelligent client function ourselves internally and the people doing the deal, who are ostensibly MPS staff, would go ahead and manage the deal and form part of that intelligent client function.

John Biggs AM (Chairman): A point was made by the NAO witnesses about understanding your business and understanding the marketplace. How are you ensuring that that is entrenched? I do not know what this music is but it is a bit --

Lee Tribe (Director of Procurement Services, Metropolitan Police Service): Heavenly music, yes. Just to continue with --

John Biggs AM (Chairman): Let us leave it on. It is nice. It is a distraction from all the answers.

Lee Tribe (Director of Procurement Services, Metropolitan Police Service): As I say, this is business-led. It is client-led. The project team supports the client in delivering the business. We have that bedrock in place. In terms of the market information, yes, that is why we go through a process to test what is available and that is done quite extensively. We have not rushed at this. We have been at this for a couple of years, finessing the options as we go through to establish what the market price is. We are relatively lucky in terms of business processing because - the example Helen [Bailey] quoted on about earlier on was about paying an invoice - we pay about 275,000 invoices a year. We know the price of each invoice and therefore we can work out roughly what it is. It is not a particularly difficult world in terms of some of the back-office activity.

John Biggs AM (Chairman): It sounds like there is an episode of Game of Thrones upstairs or something. I was distracted by that, actually. In terms of having the capabilities, let us ask MOPAC. Do you have the skill set or does it not matter?

Helen Bailey (Chief Operating Officer, Mayor's Office for Policing and Crime): We need a different skill set, do we not? We need enough of a skill set to be able to know whether or not what our friends in the MPS are doing is broadly on track and has a chance of delivering the kinds of savings we expect of them. We have some of that experience in-house and we have some available to us through advisers.

Our expectation around advisers is that there are certain key points where you would need more skills and expertise than most people can manage to afford to keep in-house and therefore it is sensible to have injections of that external advice. If you are using it all the time then there is clearly a problem, but if you never engage outside advisers you are probably over-tooled up the rest of the time. We have access to the same contracts and the same advisers that the MPS do and seek to draw our own advice and conclusions from those when we feel that is necessary.

John Biggs AM (Chairman): Basically, you trust the MPS?

Helen Bailey (Chief Operating Officer, Mayor's Office for Policing and Crime): I did not say that.

John Biggs AM (Chairman): No, I know you did not. I am just trying to provoke a debate.

Helen Bailey (Chief Operating Officer, Mayor's Office for Policing and Crime): Neither did I say the alternative, just for the record.

John Biggs AM (Chairman): OK. A final question, then, to the MPS, unless Members have any supplementary questions.. The commercial programme is going to be disruptive. How are you managing change across the organisation effectively? Disgruntled employees could delete all the personnel records or whatever. I do not think that is the right example. How are you managing the disruption of the commercial programme within the organisation?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): There has been a lot of consultation around this. As Lee has said, this has not been a quick process. It is always difficult. The main thing we are doing is just making sure that people are aware of what is going on and involving them in all of that throughout the process. I am not quite sure what else.

Lee Tribe (Director of Procurement Services, Metropolitan Police Service): We have consulted very widely and everyone has been involved. There are regular updates on what is going on and it is running

alongside an internal change process. This is not the only tool we have in our toolbox; we are going through quite extensive change internally inside the MPS.

Helen Bailey (Chief Operating Officer, Mayor's Office for Policing and Crime): Chair, disruptive change is both positive and negative. It is in creating that interference with business as normal that you get some change and some re-evaluation of the way of doing things, which is completely positive.

John Biggs AM (Chairman): That is a somewhat academic answer, is it not?

Helen Bailey (Chief Operating Officer, Mayor's Office for Policing and Crime): I appreciate that, but I am conscious that it was part of the evidence that you were given at your previous meeting by Mr [John] Tizard [independent strategic adviser and commentator] and Mr [Stephen] Hughes [former Chief Executive, Birmingham City Council]. It is important because one of the things that I have certainly seen at local government, as well as in the MPS, is when you come to a function that has been delivered in a certain way for a long period of time, changing the way in which you deliver it is as important as changing the mechanism by which you deliver it because only by doing that do people think about what they are doing and why they are doing it.

Some part of that is really positive; some part of that is quite difficult for the staff concerned. As both Lynda and Lee have said, there have been considerable discussions already - and we have also been party to some of those in MOPAC - with staff, with trade unions and with others about the level of change that the MPS is going to have to go through over the next few years.

John Biggs AM (Chairman): Is there an overlying narrative, if you like, which says, "We are doing this because Boris [Johnson MP, Mayor of London] wants to keep police numbers up and save money", or, alternatively, says, "We are doing this because it is a good way to get an outward-looking organisation to work effectively"?

Helen Bailey (Chief Operating Officer, Mayor's Office for Policing and Crime): We are saying something which is probably a combination of the sentiment behind those two things, which is that we are in a time where, like all public services, the MPS is under pressure. We are all under pressure, here in this building as well. We need to be seen to be delivering the best possible services we can for the money we have available. Policing has perhaps - and maybe it is slightly controversial to say this - been a little more protected than some other services to date. People are coming at this within the MPS from a position not of having years and years of having to think as carefully, maybe, as other services have had to about the money they spend and the savings they make. Thus it feels more disruptive, perhaps, to some people there than it has in other areas of public service, but this is part of the landscape we are all inhabiting and the question is how we make the best possible choices in that context.

John Biggs AM (Chairman): Are you doing corporate thinking about what the next Mayor, whoever it is, will have to do with this?

Helen Bailey (Chief Operating Officer, Mayor's Office for Policing and Crime): Our job, both in the MPS and in MOPAC, is to set a strategy that will deliver those savings over the lifetime of the Police and Crime Plan we have, the one we anticipate having, but also the next Corporate Social Responsibility (CSR) Strategy. We have to look at governmental timetables as well as mayoral timetables and these things are going to be a challenge. With any plan there will be choices and different mayors may make different choices.

John Biggs AM (Chairman): OK. That is a superb answer. We will send it off for analysis later.

Richard Tracey AM: Yes. Thank you, Chair. We have a chart in front of us from HMIC that shows that the MPS spends a smaller than average proportion of your budget on finance, HR and training, unlike your spending on estates and information, communications and technology (ICT). Having looked at that, my question to you is how you rate the efficiency of the MPS's back-office processes as they stand, finance, procurement and HR? Who is going to answer that one?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): I can kick off. Certainly that was one of the things that we looked at using some of the external consultancy at the start of the process of looking at back office. We did review the quality of the services that we are getting. That was, at best, average and in some areas well below average in terms of quality. Equally, we know from the HMIC data that you have just quoted from that we are at the expensive end in terms of our back office as well. That is something that we have taken on board as part of the strategy. What we want to do coming out of our process is to make sure that we have services that are both good - we have resilience - and much cheaper in terms of what we are providing.

Richard Tracey AM: You are saying that, as it stands, they are not as efficient as you would like them to be?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): They are not. Not at this moment in time, no.

Richard Tracey AM: Really, the follow-up question: we did talk quite a bit in our previous session with our witnesses about whether, indeed, the organisation could produce much better services than it has without outsourcing. Can you assure us that you have produced robust costings for the current services?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): We did. We used the Treasury Green Book process. At our outline business case stage, which we looked at in December last year, we looked at those internal transformation options as against the options to go outside for back-office support services and the conclusion really was quite clear: the investment we would need to put into internal transformation as opposed to an outsourced option would be significant, plus we would not generate the same level of savings.

Richard Tracey AM: Do you feel you have demonstrated that external providers could do a lot better?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): Yes.

Richard Tracey AM: You have? What is the MOPAC take on this? How do you feel about what they are saying?

Helen Bailey (Chief Operating Officer, Mayor's Office for Policing and Crime): I do not think there is a lot of difference between us in the analysis of this. Sorry, I am just thinking about how to answer your question appropriately.

Richard Tracey AM: I mean just that. You are --

John Biggs AM (Chairman): Why not answer inappropriately?

Richard Tracey AM: They are giving me their answers from the MPS; I am just interested in whether MOPAC are satisfied with what they are telling us and what they are telling you about --

Helen Bailey (Chief Operating Officer, Mayor's Office for Policing and Crime): Our analysis is that we think there could be more efficient processing of these services. We are keen to see what the market can deliver. We are very much supporting them in going to the market and looking at that. We have been very clear with them that we expect these things to be done on a commercial basis, not necessarily outsourced, "Can you justify to us the money that you are spending on these back-office services? Are you spending in line with the highest quality benchmarks? Are you achieving what we would expect? If we are thinking ahead over the next four to five years, are you in a place where you are going to carry on being alongside or possibly ahead of the market?"

John Biggs AM (Chairman): Regarding these services, you have ruled out an in-house bid?

Helen Bailey (Chief Operating Officer, Mayor's Office for Policing and Crime): We have not ruled out an in-house bid.

John Biggs AM (Chairman): They have?

Helen Bailey (Chief Operating Officer, Mayor's Office for Policing and Crime): If I may say so, Chair - and this echoes the previous advice that you were given - these are really difficult things and if you thought that an in-house bid could genuinely give you the level of savings you had in the marketplace, the question would be why you would be thinking of going to the market. You have to take your thinking through extraordinarily logically. That was the advice you were given as a Committee previously and I very much agree with it. It is absolutely right not to rule out an in-house bid in principle but if you get to the point where it seems incredible that it would succeed, you are at risk of misleading and disappointing your staff as well as wasting your own time and money.

John Biggs AM (Chairman): OK. I appreciate that you are here today but that is not quite the evidence we received at a previous session.

Helen Bailey (Chief Operating Officer, Mayor's Office for Policing and Crime): OK. Sorry.

John Biggs AM (Chairman): It was stated very clearly that an in-house bid for a number of services had been ruled out. There may have been exactly the same intellectual foundations but it did not come across to me as being that foundation.

Helen Bailey (Chief Operating Officer, Mayor's Office for Policing and Crime): OK. Fair enough. Sorry. That was my reading of the evidence I read.

Lee Tribe (Director of Procurement Services, Metropolitan Police Service): An observation: every market is different. Whilst I take the analysis of HMIC, we are comparing a force the size of the MPS with smaller forces and so you would expect it to do better in terms of that analysis. Our volumes are similar to central Government departments and that is the type of analysis and the benchmarking activity we have used to support that particular activity.

To answer the second question, every market is different. A couple of years ago, there was an issue in the forensics market. The forensics market led us to in-house certain activities. This is not a 'one size fits all' strategy: for every market and every project we do, we go through a thorough analysis and the options arrive from that. We explore the options and, as we get through the process, we finesse the options. We have not excluded an internal bid just out of dogma, etc. It is always one of the options we consider. The business case

approach that Lynda touched upon, the Green Book, we always have the baseline as the 'do nothing' type approach, 'leave things as-is'.

John Biggs AM (Chairman): OK. We may need to clarify this offline but in part of one of the answers the suggestion was that a service might be outsourced because it was in quite a mess. Our NAO people suggested that that would be the worst of all the possible things to do: you should sort out a service before you consider testing it in the marketplace.

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): Certainly with back office, organisationally, over the last couple of years, we have done a lot to sort it out. The issue for us is with where we go to next. It is the first time in my career I have come to an organisation with two enterprise resource planning (ERP) systems. We are at the stage of having to put some major investment into getting the technology right as well as getting the services right. That really has been quite a significant issue for us.

Richard Tracey AM: Yes. It sounds as though you have gone through the judgement of the processes. Can I ask you what kind of performance information will be important for you to collect when the finance, procurement and HR services are contracted out? What will you be looking for?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): We have set up probably about 16 - from memory - key performance indicators that we have identified and below that there are a number of additional indicators that we will be monitoring very closely. That is a mixture of quality and satisfaction and cost issues that we need to understand. That is something we can provide to the Committee afterwards if you are interesting in seeing it.

Richard Tracey AM: Yes, we would be. Yes, indeed. Have you already established a baseline for current performance in those particular areas we have talked about?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): We have, yes. Again, we are very happy to provide that baseline data if you are interested.

Richard Tracey AM: Yes. The final question from me: how do you think external providers will be able to run services for less than it is costing you at the moment?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): If we are looking specifically at back-office support, we do understand where those cost savings will come from. It is primarily around IT cost. We are very expensive in terms of our IT provision and investment. If you get those much broader economies of scale, more organisations sharing that, it is one driver of the savings. The other is a lot of these services do not have to be driven out of London, and another issue is organisations that provide these types of services are absolute experts in these processes and the process excellence additionally drives further savings. It is a combination of those three things that deliver those savings and that they can offer to us.

Richard Tracey AM: There is some evidence that does concern us that occasionally when services are outsourced, contracted out, the companies are either expecting their employees to work far longer hours or indeed to work for less than they would be in the public sector. How about that? How do you feel about that sort of situation?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): In terms of general contracts, that is something that we look to pick up, the GLA standards in terms of our contracting.

Where we may be contracting through an existing framework those are conversations that we would have with the company to look at what their policies are around those issues, because they become very important to us.

John Biggs AM (Chairman): OK. We have a couple of bits of house-keeping. First, at the end of the last question I forgot to say that we will write to you about consultancy support so that we get a sense of how much has been spent on that. The second bit, which is disappointing but in the end uplifting, is they are not doing Game of Thrones upstairs. It is the Music Scholars workshop in the London Living Room, which is where the music is coming from. We now move on to the sunny uplands and Roger Evans's question.

Roger Evans AM: Yes. It sounds like they are inventing a theme tune for the Committee. They seem to be repeating the same music over and over again.

John Biggs AM (Chairman): Yes, *Biggs: The Movie*.

Roger Evans AM: Can we talk a bit about selecting partners for large contracts? What values does the MPS look for when it enters into large contracts?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): We have our own values. We are looking for organisations that share those values. They do not have to have the same words on the piece of paper. Just to give a very current example in terms of potential partners for delivery of back-office support and exploring beyond the words on the piece of paper, the Management Board have had a particular company in twice so far to Management Board to really explore behind those words about what the values of the company absolutely are. The Commissioner has gone to different organisations to see how those values are being enacted by staff and how that is experienced by other customers, and is also taking the opportunity to see members of staff and again to test through how those words on the piece of paper actually feel to those members of staff working in the organisation. It is really important.

I go back to the fact that once we have signed the contract we do have to live and work very closely in partnership with these organisations and so it is really important to us that we understand that and end up in a relationship with somebody that we think we can work with.

Roger Evans AM: OK. What values are important? What do you actually insist on?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): I will forget the words. Integrity, professionalism --

Lee Tribe (Director of Procurement Services, Metropolitan Police Service): Courage and compassion.

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): -- courage and compassion. Courage and compassion are probably less relevant in terms of back-office space, potentially, but certainly integrity and professionalism is absolutely what we are looking for.

Roger Evans AM: They are all quite difficult things to measure empirically, are they not?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): This is why quite a lot of time has been invested in terms of spending time with both senior members of an organisation to understand what they mean by those words, and then testing it through by talking to existing customers and to staff to see what that looks and feels like in real life. You need to be able to touch and feel it and take that sort of view: is this something that we think fits with our culture and our values?

Roger Evans AM: Let us take integrity as an example because that is probably the easiest thing to measure. Perhaps the problem with integrity is you either have it or you have not.

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): Yes.

Roger Evans AM: If a partner you were going to contract with had a history of dishonest conduct, I assume you would not contract with them, but how dishonest would that conduct have to be? If it was just a case of one person misappropriating money from a different client in the past, would that register on your scale?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): We would be concerned with anything. Part of the test in that sort of conversation is how the company reacts to it. If there was an incident like what you are describing and the company did not really care, it would be quite concerning. If they reacted in the appropriate way, that would be much less concerning. As you say, it is not an easy area to get into and that is why we are so concerned to talk to other customers, just to test that in real life.

Roger Evans AM: You have to have some sort of benchmark, do you not? If you dismiss one contractor on the basis of it and you allow another one who has an element of it as well, you have to be able to demonstrate to those two bidders that there was some objectivity in the decision that you made.

Lee Tribe (Director of Procurement Services, Metropolitan Police Service): Correct.

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): Yes. Do you want to pick this up?

Lee Tribe (Director of Procurement Services, Metropolitan Police Service): It is a very hard test. This is a document. Apologies, I have just literally been into my bag; I hope you can see it there. This is going to be quite a difficult conversation, I would argue. That is the presentation we gave to the Professionalism Board, which is chaired by Assistant Commissioner Martin Hewitt, who leads for professionalism for the MPS, and we talk about ethics and integrity within that. It is quite a complex paper to try to describe here. Again, Chair, if you would like me to send a copy over, I am more than happy to share that with the group.

Roger Evans AM: I am sure we would love to have that.

John Biggs AM (Chairman): We collect paper here, yes, and we would love to see it, less flippantly. Can I ask, Roger? When someone comes to sell their services to you, they will send their A team. They will all be wearing dog collars; they have so much integrity it oozes out of them. Then when you put the contract onto them they will give you the C team to deliver it. Do you understand your firms and who they are putting into it in the development of relationships?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): Yes. Again, that is really important to the Management Board. They probably are less interested in the salespeople; they are really interested in named people who we will actually be working with. Who do we phone up and talk to if things do not go right? That relationship has to be right. That is the key issue for us.

John Biggs AM (Chairman): Does this apply to somebody who buys staplers for you?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): Not to the people who buy staplers, no.

John Biggs AM (Chairman): OK. You do not care if they have any integrity?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): We would not necessarily want to be phoning them up if our stapler was slightly late, no.

Roger Evans AM: I imagine they might get arrested if they did not have sufficient integrity, anyway. OK. The Social Value Act 2012 allows you to place limitations within contracts for social reasons. Is that a power that you make use of? For example, if the Mayor was to say, "All right, for warranted police officers we are only employing people from within the London boundary, or people who have lived in London for a certain amount of time, because they understand the culture of the city and they are more sensitive to the population than people from outside" - and that is something which has been mooted - is that something that you would find acceptable as an approach to contracting in work from providers as well?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): It gets back to understanding your business, and it is about is whether that is really important to delivering some of the service London wants. We need to understand why that is important, if it is. That might be a challenging thing, to be able to demonstrate that sort of relationship in some of the very back-office things. It gets back to what it is you are trying to achieve. That would be my view.

Roger Evans AM: That would be more of an instruction from MOPAC, I would have thought.

John Biggs AM (Chairman): Yes. They may have some comments.

Helen Bailey (Chief Operating Officer, Mayor's Office for Policing and Crime): Yes. If I may be helpful, we have already said that for police officers we are restricting recruitment to people who have lived in London for three out of the last six years at least.

Roger Evans AM: Yes, but you are not contracting those out.

Helen Bailey (Chief Operating Officer, Mayor's Office for Policing and Crime): We are not contracting those out and other legislation applies as well as the Social Value Act. In terms of the legislation around employment and fair treatment of employees, we have to have a genuine reason to restrict our recruitment. We believe we do and that that is about the skills you need and the understanding of a diverse city like London, as well as the availability of people who are actually living within the city.

To apply that to a contract, we could only expect a contractor to apply those kinds of rules if the service that they were supplying to us was similar in that it had those direct requirements of the people who did it. I am not sure at the moment that there is anything in the scope for which that is obviously the case.

The question we would be asking in MOPAC and the question we would be applying to our friends in the MPS here would be to say: are the things that they are laying upon contractors reasonable in terms of the discharge of the business? Is there additional cost from doing it in that way? What is the cost/benefit analysis? You are always looking at the benefits of any contract from seeking to apply constraints or restrictions of that sort. Then there is a conversation to be had, I think, both within the MPS and between the MPS and MOPAC.

Roger Evans AM: OK. What about paying the London Living Wage? Is that something that you would put into a contract?

Lee Tribe (Director of Procurement Services, Metropolitan Police Service): Yes, we do.

Roger Evans AM: You do that already?

John Biggs AM (Chairman): Even if they are contracting from Newcastle?

Lee Tribe (Director of Procurement Services, Metropolitan Police Service): It would not be the London Living Wage, would it, in Newcastle?

Roger Evans AM: OK.

Lee Tribe (Director of Procurement Services, Metropolitan Police Service): The mayoral priorities do figure in our invitation to tender (ITT) in terms of the tendering process and then they go into the formal contract. That is already in there. On the facilities management contract, which is where the cleaners come in, it is the type of market that the London Living Wage was originally for: 600 people lifted above the threshold for the work we did with Annabel [Cowell, Head of Strategic Finance and Resource Management, MOPAC] and the team a couple of years ago.

John Biggs AM (Chairman): Sorry, Roger. If you were stipulating a London Living Wage for a contractor in London, you might be incentivising a company to provide an outsourced service from Bolsover instead.

Lee Tribe (Director of Procurement Services, Metropolitan Police Service): They clean our buildings, Chair, and therefore they have to come into our buildings to clean them and so it is --

John Biggs AM (Chairman): We are talking about the general principle of outsourcing, I do not know, call centre staff or something. You have a firm and you outsource something to them. You stipulate the London Living Wage if they are providing the service from premises within Greater London, but if it is elsewhere they can pay whatever wage they like as long as it is lawful in that part of the country.

Lee Tribe (Director of Procurement Services, Metropolitan Police Service): You have to diagnose it: does the service need to be provided from London? I go back to the example we quoted earlier on: I do not believe payment of an invoice, ie picking a piece of paper up, putting it into the system and pressing a button, needs to be done in London. I just want the most efficient process possible and the most important thing for me is that they do not make mistakes.

John Biggs AM (Chairman): OK, but you can understand the tension there?

Lee Tribe (Director of Procurement Services, Metropolitan Police Service): Yes.

John Biggs AM (Chairman): We are encouraging a London SME and we say, "You are very welcome to tender for this but you have to tender at the London Living Wage". Then you have a separate firm in Newcastle that will do the same piece of work for a lower wage and therefore cut their contract costs. Roger, back to you.

Roger Evans AM: That would be a clash with an objective for supporting London business, which you may have as well. What are the Mayor's objectives that are insisted on? MOPAC might be able to help us with this.

John Biggs AM (Chairman): We do not know yet. Which Mayor? Come on.

Roger Evans AM: Yes.

Helen Bailey (Chief Operating Officer, Mayor's Office for Policing and Crime): The Mayor of London, Chairman. We would insist on the London Living Wage for activities undertaken within London and a range of the other Mayor's objectives. This is the point about cost and price, is it not? This is the conversation we are having, the one that says: there are some things that need to be done in London, either because you have to do them here - Lee has given the example of cleaning buildings - or where, if you take the values, there needs to be communication and you need to be able to adapt what you do. There are some things where, if you provide them to the police, you need to do them in London because things might change quite quickly, people are operational, and every now and then you need to be able to sort out what you are doing and transform it.

There are other things - and the paying invoices one is the example we keep coming back to because it is just so neutral - that, in these days of automation, you can do absolutely anywhere. Frankly, if I was running a business paying invoices I would not seek to base myself in London even if a lot of my business was generated in London. We want to be an appropriate marketplace for the right kinds of businesses, but we have to remember our ultimate objective is to ensure that policing is provided to keep every business in London safe, not to support the employment of some. It is a difficult trade-off.

John Biggs AM (Chairman): OK. Are we happy that we have plumbed the depths of the consciences of the MPS and MOPAC on this point? Yes?

Roger Evans AM: Yes. I am happy for now.

John Biggs AM (Chairman): It is an interesting issue and we could take more questions offline on this. Shall we move on, then, to Val's question?

Valerie Shawcross CBE AM: Thank you. I am the wrap-up as well at this point, John.

John Biggs AM (Chairman): Yes. You have two minutes.

Valerie Shawcross CBE AM: Last week we had some expert advice in from the National Outsourcing Association and they made some very interesting comments. One of them in a way does sound a bit obvious now, which is that the performance of the outsource contract is only as good as the client-side management. What do you think the MPS needs to do to manage large contracts better than maybe it has done in the past and to make sure that you manage them well so that you get the best out of what we are paying for?

Lynda McMullan (Director of Commercial and Finance, Metropolitan Police Service): I will start. It is investing properly in managing them; it is not putting a lot of effort into signing the contract and then forgetting about it for the rest of the time. We have talked a bit about how we need to have the intelligent client function that exists throughout the lifetime. It is also not just about that contract management, it is as much about relationship management. Anything that is outsourced from my area of business, I am as keen to manage that performance as I am an internal member of staff. It is making sure that stays a very fresh and strong, mutually challenging relationship. That would be one of the things that are really quite important to me. Lee, do you want to pick up on anything else?

Lee Tribe (Director of Procurement Services, Metropolitan Police Service): You heard most of my answer. The historical issue we have had is that you go through quite an intensive procurement process, you sign a contract, you have a big sigh of relief - you have done it - and then you forget about it. That is the lesson learnt. I have gone into central Government and spoken to the commercial director at the MOJ who got

tied up in the G4S/Serco tagging example, and said, "What really went wrong?" His experience and what he shared with me is that you do need to intensively manage it.

First, you do need a dedicated team. Secondly, you need to get contract management right. You can only do relationship management, which is the buzzword at the moment, after you have the basics right. You need to continually invest in it. That needs to be on the client side and there needs to be a degree of independence. Whilst he had all the right terms in his contracts around open-book, etc, he said to me that it was only when he did a detailed forensic audit of the open book and used an independent third party to do that that he really got to the heart of the issue. It is really about, not saying be sceptical or rather disbelieving of the party on the other side, they are out for their objectives, we need to make sure that we look out for our objectives. Hopefully somewhere in between, you do get the right cultural fit there is a meeting of minds. Do not assume that, really actively manage the contract, put in a proper government structure, which has done the learning for us. That government structure does need to be led by the business and we do need to be clear about the hard measures which are often captured in the KPIs but also some of the softer measures. That was the debate we were having with Martyn about the values and beliefs because we think that is as important as some of the hard KPIs. It is about how the deliver it as well as what they deliver. It is about continued due diligence, continued spearheading, continued investment in time, over the time of the contract however long that is.

Valerie Shawcross CBE AM: Well, that is all great in theory, have you done that? Are you doing that?

Lee Tribe (Director of Procurement Services, Metropolitan Police Service): The example --

Valerie Shawcross CBE AM: Is that happening?

Lee Tribe (Director of Procurement Services, Metropolitan Police Service): -- we touched on the KBR example in estates. That is a year into the contract after a year of mobilisation it has delivered over 20% benefits. We have seen an improvement in service quality, so I would say "yes" on that. To be honest with you, I am managing the exit of our big IT prime contractor at the moment, and it is easy to say in hindsight that is one that we have not covered ourselves in glory with. We need to do better with any successive contract. So it is mixed, our experience at the minute.

[Meeting became inquorate; Appendix 3 contains the remainder of the discussion.]

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