

## **MPS-MOPAC JOINT AUDIT PANEL 3 October 2022**

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### **Update on Improving Commercial Capability Across the MPS**

Report by: The Director of Commercial Services

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#### **Report Summary**

##### **Overall Summary of the Purpose of the Report**

This report describes the ongoing improvements on Commercial Capability across the MPS.

##### **Key Considerations for the Panel**

- 1) The ongoing improvements in Commercial Capability being implemented across the MPS
- 2) The contributions Commercial Services are making to the MPS community engagement programmes and the Anchor Institution programme for the regeneration of London
- 3) The external challenges being posed by supply networks

##### **Interdependencies/Cross Cutting Issues**

Commercial Services is working with MO6 to highlight challenges to supply resilience which is being reported to the Risk and Assurance Board. This connection has been established since September 2021.

#### **Recommendations**

The Audit Panel is recommended to:

- a. Note the progress being made by Commercial Services

## 1. Supporting Information

### 1.1. Further development of the Commercial Function

Commercial Services continues in its efforts to implement and embed further improvements in the Commercial acumen across the MPS in line with the aspirations of its Functional Strategy.

Since our last update, the focus on addressing functional vacancies has been maintained in the face of a challenging recruitment marketplace. 34 employees have been hired into the function since April 2021. In terms of Commercial leadership positions, we have confirmed the following senior appointments:

- Director of Technology
- Head of Corporate
- Head of Professional Services
- Head of Operational
- Head of Change and Capability
- Head of Aviation

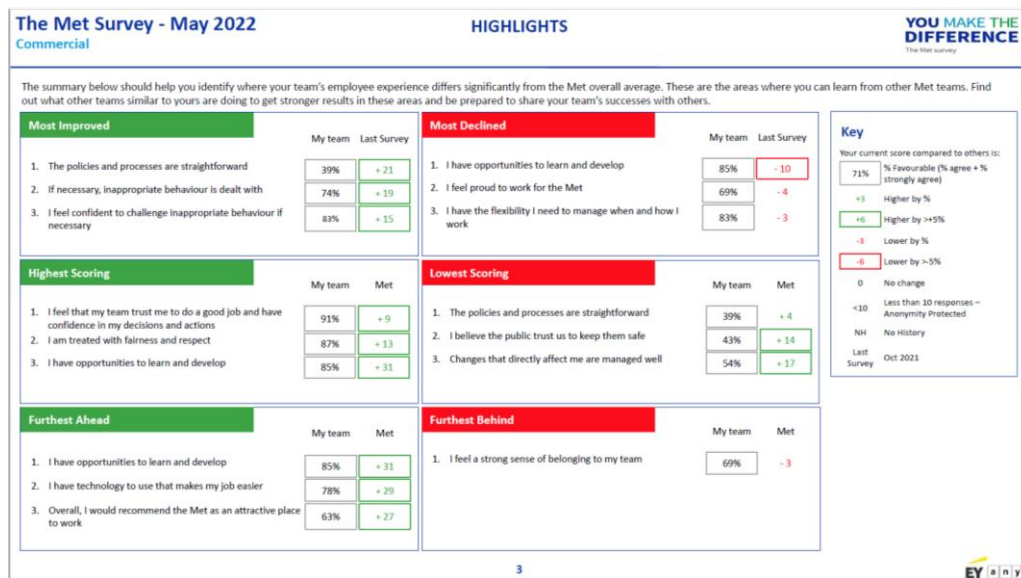
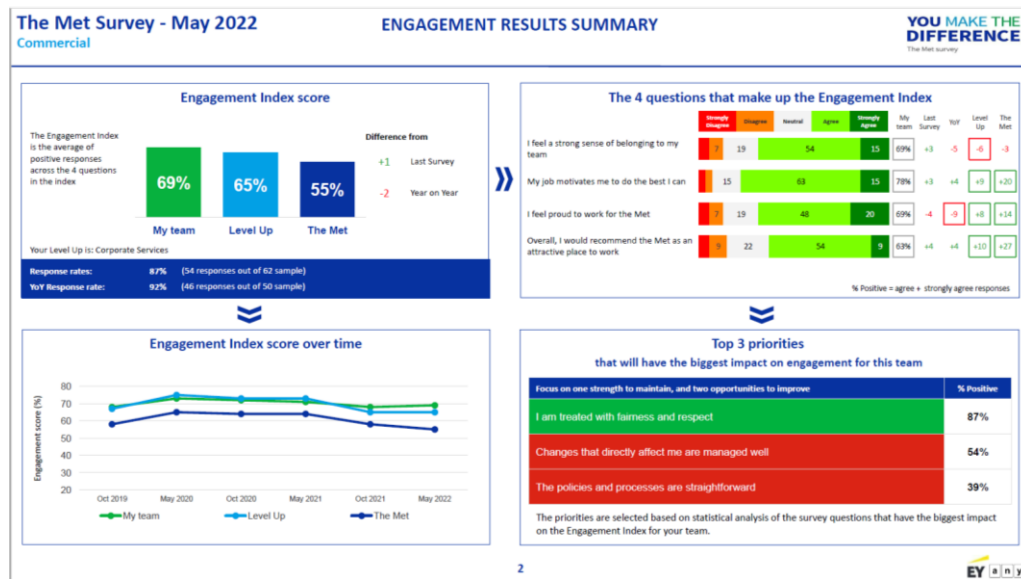
Further appointments are imminent as we aim to transition our operating model from an extended over reliance on interim resources to permanent employees. This is being supplemented by our ability to attract former placement students back to Commercial Services. 4 positions have been filled with former placement students from academic years 19/20 and 20/21 whilst 3 students from 21/22 have successfully passed interviews to return to the MPS following graduation in 2023.

A cornerstone of the improvements being made to the Commercial Function has been the focus on raising levels of commercial acumen, both within the 4 walls of the Commercial Function as well as across the wider MPS stakeholder community. Over £300k was invested in the last performance year on learning and development with major initiatives around professional accreditation for eligible staff and negotiation skills. The focus on improved negotiations has also extended across our SRO community with a combination of workshops and 121 coaching being deployed. Further emphasis will continue on ensuring as many appropriate employees are accrediting themselves on Contract Management foundations, a free course provided via the Government Commercial College. Additional SRO sessions are now being planned to further develop capabilities, particularly when considering what opportunities might emerge due to the Procurement Reform Bill, which will require considerable effort to equip employees on the new legislation.

A focus on commercial was also a major theme in the Senior Leaders Training Programme which was run in conjunction with Deloitte and Said Business School.

Our efforts in driving improvements in commercial acumen have been rewarded by an injection of funds from a Crown Commercial initiative where organisations were asked to submit applications for funding for organisational development. A further £173k has been obtained to improve individual development and contract management skills.

Commercial Services has made considerable changes over the last 2 years. Feedback from the May 2022 staff survey indicates employee sentiment remains positive. as we progress. The latest results are summarised below:



Whilst employee feedback is largely positive, the focus for the current performance year is to ensure the foundations built over the previous 2 years are strongly embedded for further success whilst minimising employee fatigue from the adaptation to the new and expected ways of working. To reinforce this approach, our Functional Strategy has been revised to ensure the current financial year focuses on strengthening the foundations established since 2020.

This focus on strengthening our foundations is further supported by improvements in our latest cycle of functional benchmarking against the Government Commercial Function Operating Standards. Figures 2 & 3 illustrate the improvements across the majority of standards since the initial benchmark conducted in 2019.

Figure 1: MPS 2019 Standards Assessment

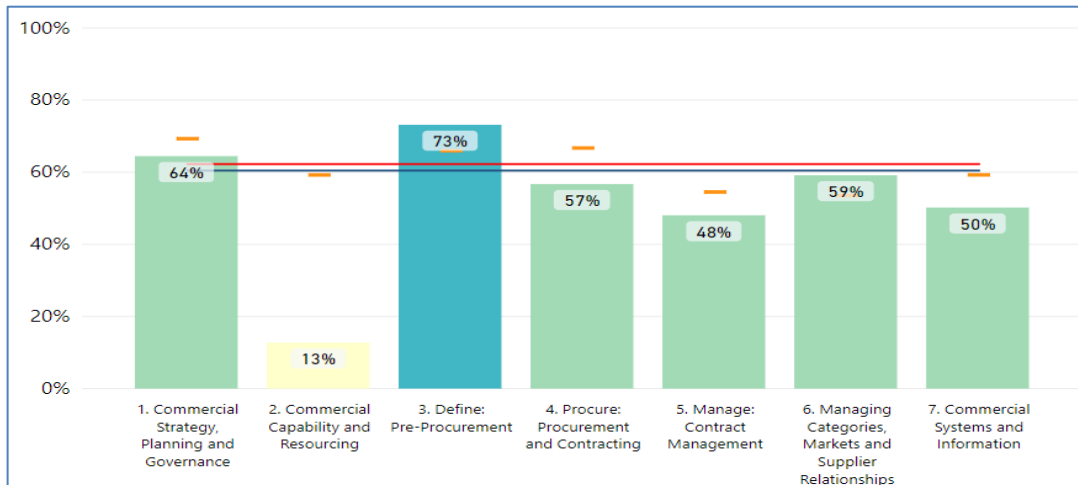


Figure 2: MPS 2021 Standards Assessment

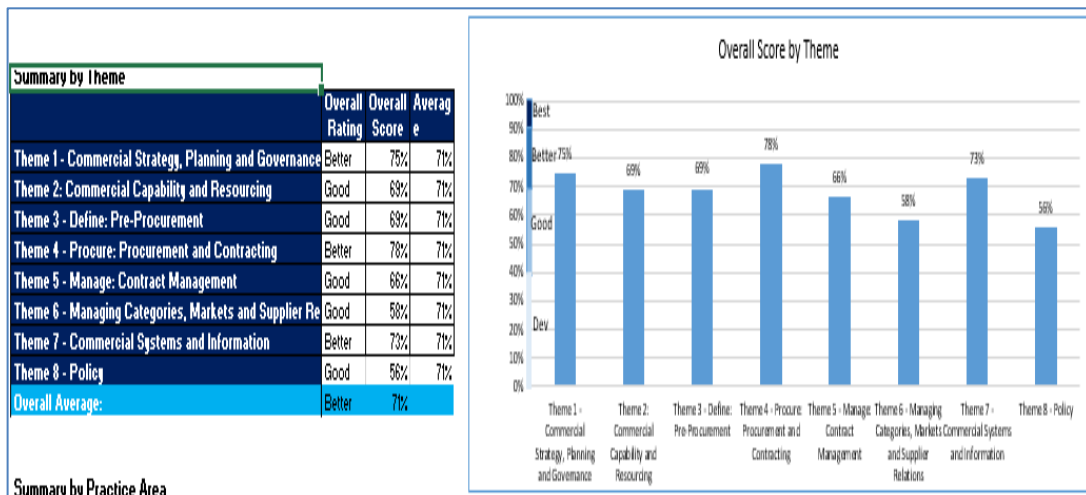
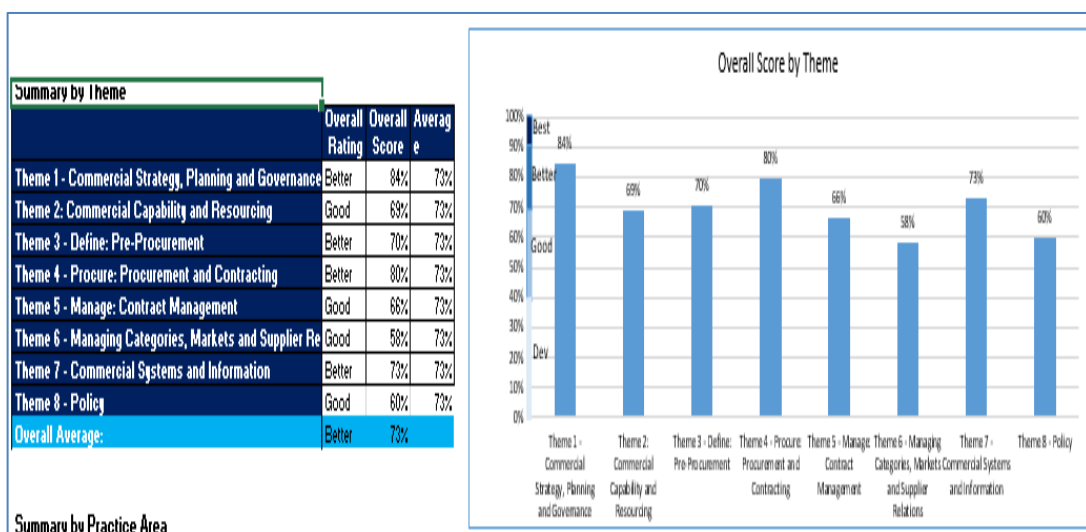


Figure 3: MPS 2022 Standards Assessment



An important area of focus as we strengthen our foundations remains the rigour of our ways of working. Quarterly updates to the Commercial Handbook continue to ensure the function possesses a single source of reference for both Commercial and wider MPS employees.

Commercial Services has continued to exert its influence across the organisation in ensuring all areas of spend have the appropriate commercial expertise applied. Commercial Services has also taken ownership by establishing a Gold Group to monitor and prepare for the uncertainty around UK Cloud, a UK based hosting organisations which provides services indirectly to the MPS. A number of services have already transitioned to new hosting provision whilst contingency plans for those remaining continue to progress.

**1.2. MPS Commercial Services’ contribution to Community Engagement and the Anchor Institute Charter**

Commercial Services launched its Commercial Conscience initiative in the first quarter of 2021 to embrace its supply base in identifying sustainability and social value solutions with the aim of increasing the volume of business it could direct to London-based organisations.

Since August 2021, Commercial Services has been participating in the Procurement Working Group of the London Recovery Board alongside other Anchor institutions. The MPS now leads the Procurement Working Group. This work has focused on identifying opportunities to increase Anchor Institutions with London-based organisations, specifically SME and VCSE’s. The commitments made are detailed below

		<i>Spend Analysis - Actual % of Addressable Spend (April – November 2021)</i>	<b>Stretch Ambition 2022/23 Based on annual spend of £840m)</b>	<b>Stretch Ambition 2023/24 Based on annual spend of £840m)</b>	<b>Stretch Ambition 2024/25 Based on annual spend of £840m)</b>
1.	Purchases from local micro, small, diverse and VCSE businesses based in London	10%*	10% (c.£84m)	15% (c.£126m)	20% (c.£168m)
2.	Purchases from any type of supplier based in London	35%*	35% (c.£294m)	40% (c.£336m)	40% (c.£336m)
3.	Purchases from local micro, small, diverse and VCSE businesses not exclusively in London	20%*	20% (c.£168m)	25% (c.£210m)	30% (c.£252m)

*\*Allows a tolerance for accuracy and categorisation of the data*

We are very committed to doing all we can to achieve these ambitions through our engagement with London’s supply base and in thinking more creatively about how we package our tenders and how we enable smaller businesses to engage through less red tape. This is, however, subject of course to the caveat that we must continue to achieve value for money on a case by case basis, and

while complying with procurement regulations that do not the easily support the active identification of London-based businesses as potential beneficiaries of MPS contracts.

November 8<sup>th</sup> 2021 saw the first Commercial Services Supplier Conference held for Strategic and Category 2 suppliers at the Oval. The focus of the conference was to reveal the Commercial Conscience Initiative which explains our commitment to explore and leverage opportunities for Sustainability and Social Value through our supply base for the benefit of Londoners. The 2022 conference scheduled for September 26<sup>th</sup> has been postponed due to proposed attendees and participants being unable to travel due to industrial action planned by Train unions.

Commercial Services has worked with Bloomberg and the GLA to form a relationship with MSDUK, an organisation that will provide data and insight on businesses owned by Black, Asian or Multiple Ethnic communities. We have agreed to pilot this for the Anchor Institutions to understand how these insights can better enable us to attract interest from - and direct more spend to - the appropriate businesses in London.

Commercial Services has recently completed its second annual Modern Slavery statement for the MPS. In support of the publication of our first Modern Slavery statement, Commercial Services was asked to support community engagement activities with presentations made at the Deputy Commissioners External Reference Group, the Race and LGBT+ IAG meetings and the Attraction Community Group. Commercial Services is now working with our CPIE team on community engagements, the first of which will be presence at Black Business Week where we will participate in an ally workshop explaining how we are seeking opportunities to engage with diverse suppliers. We are also planning further 'Meet the Buyer' opportunities and looking to work with the LCCI to review our commercial documentation to simplify content for small businesses.

These efforts are in parallel to the work already underway to support London-based communities through our social value impact initiative, where we are able to divert value from our Contracts to identified beneficiaries whose aims mirror those of the MPS. Commercial Services is working with CPIE to identify the next round of potential beneficiaries. Efforts to date have recently exceeded £1m for investment and were recognised by the former Cabinet Office Minister, Lord Agnew, in a letter written in January 2022.

### **1.3. DARA Engagement**

Commercial Services welcomed DARA back in February 2022 to assess progress against the initial review conducted 12 months previously and its latest findings are being discussed in the July 2022 Audit Panel. As has been described in section 1.1 of this paper and unlike any of its GLA peers, MPS Commercial Services regularly takes part in functional benchmarking to measure its own performance and progress. Commercial Services has also shown a continued commitment to resolving historic issues and ensure policies and guidance has been implemented that will support the organisation.

Commercial Services will now work with DARA on the outstanding actions as we demonstrate further evidence which will allow us to finally close them.

#### **1.4. Supply Vulnerabilities**

The continuity of supply has been a focus area for Commercial Services since the emergence of COVID. Commercial Services provide updates to:

- i. Risk and Assurance Board via the Supply Chain Resilience Committee
- ii. PIB
- iii. IAM

Commercial Services continues to engage and monitor its suppliers for any potential shortages in the provision of goods and services to the MPS. This work has intensified following the escalation of events in the Ukraine. As a result, we have increased our company insights capabilities to understand company ownership and possible exposure to Russian or Belorussian ownership. We are also working with Finance to assess our exposure to inflation with an analysis underway to determine which MPS contracts have inflationary clauses and how this applies to the various sector pressures which are emerging. The most noticeable challenges to date include Property, Uniforms, Technology and Vehicles. Appendix 1 is a paper presented to PIB and IAM during the summer on Supply Vulnerabilities with a further update planned for November 2022.

#### **2. Equality and Diversity Impact**

Commercial Services is committed to driving equality, diversity and inclusiveness across the Function, the MPS, its supply networks and working practices. The efforts describing its Commercial Conscience initiative highlight work already underway in increasing sustainability and social value activities within the MPS and for the benefits of Londoners.

#### **3. Financial Implications**

Management Board have approved further investment to enhance capacity in Commercial Services, with the expectation that these costs will be met in future years from savings delivered by stronger commercial activity. This is in conjunction with Finance. As has been stated in the update, inflationary challenges are emerging due to Global supply networks and we are engaging with our stakeholders at the earliest opportunity.

#### **4. Legal Implications**

There are no direct Legal Implications. However, we continue to drive awareness and acumen on Contract Management through accredited programmes for all commercial and wider MPS employees.

**5. Risk Implications**

Risk across the MPS supply networks have intensified since the start of decade with COVID, adverse weather, the Suez Canal, the Ukrainian conflict and Taiwan Straits tensions all building uncertainty into markets. Commercial Services is regularly monitoring and reporting on potential threats in order to apply appropriate contingencies.

**6. Contact Details**

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**7. Appendices and Background Papers**

**Appendix 1** – PIB Briefing note on Supply Network Vulnerabilities and the implications for the MPS June 2022 – Official Sensitive