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MPA/MPS PROCUREMENT STRATEGY 2009-12

*“TO BE THE UK LEADER IN PUBLIC
SECTOR PROCUREMENT”*



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Foreword

Since its original publication in 2003 the Procurement Strategy has helped to professionalise procurement practice and raise awareness of the importance that effective procurement has on both cost and quality of service. This latest version of the Strategy takes account of the widening mission for procurement, recognising that in addition to having a robust approach to sourcing and attracting and developing the best available qualified professionals, there is a need to embrace supply chain management and improve controls through better procurement governance, in order to be considered the leading procurement organisation in the public sector.

The Metropolitan Police Authority (MPA) and the Metropolitan Police Service (MPS) recognise that delivery of professional procurement has a major role to play in keeping Londoners safe from harm and in supporting effective operational policing. Both the MPA and MPS are committed to the delivery of an effective procurement strategy and will continue to set high standards for procurement and require co-operation from all staff to ensure it is implemented successfully.

Delivery of the revised Strategy will ensure the organisation benefits from value for money, probity, responsible procurement, professional management of suppliers, strong customer focus and more modern and effective procurement.

Stephen O’Connell
Chair
Finance and Resources Committee
MPA

Anne McMeel
Director of Resources
MPS

Executive Summary

Purpose

The overall aim of the procurement strategy is to set a clear framework for all procurement activity, which reflects the MPA Corporate Priorities and the Corporate Objectives of the MPS. Alongside the MPA Standing Orders (which include Contract and Financial Regulations), the Strategy provides a context for how goods and services will be procured, whilst achieving value for money.

The strategy communicates clearly to all key stakeholders, both internal and external, the MPA and MPS vision for the way forward on procurement, ensuring progress on this is transparent and measurable.

Procurement Objectives

- Ensure that the procurement process is clear, transparent and focused in the first instance on the principles of competition and achieving value for money;
- Ensure that procurement options are chosen on the basis that they directly support the corporate priorities and objectives of the MPA and MPS;
- Align strategic procurement to the business planning process, particularly the medium term financial and capital strategies, to assist Business Groups deliver their efficiency targets;
- Maintain an appropriate balance between innovation and risk and cost and required service levels;
- Stimulate competition and build supplier capability where necessary;
- Collaborate and partner with other forces, GLA Group and other agencies, where appropriate, to obtain Best Value for the MPA and MPS;
- Conduct procurement in accordance with the aims of the MPA and MPS Responsible Procurement Policy;
- Optimise supplier numbers to improve supplier relationships and the ability to monitor and manage these relationships professionally;
- Improve compliance, accountability and control through more effective procurement governance.

Procurement Principles

In setting the Procurement Objectives, the following principles underpin the Authority and Service approach to procurement:

- Drive business benefit and competition;
- Regulatory compliance;
- Accountability and transparency;
- Effective governance;
- Capable, competent and adequate procurement resources;
- Effective engagement between central procurement and local business units;
- High standard of professionalism and consistent application of best practice procurement;
- Effective risk assessment and management;

- Continuous improvement;
- Using technology to achieve efficiencies in the procurement process and the purchase-to-pay cycle;
- Benchmarking to demonstrate value for money and achieve best in class outcomes.

Introduction

Metropolitan Police Authority (MPA)

The MPA (also called the Authority) is a statutory body that came into effect in July 2000. The MPA exists to make sure that the MPS are accountable for the services they provide to people in the capital, and gives Londoners a regime of local democratic accountability for policing. Members of the Authority scrutinise and support the work of the MPS.

MPA Corporate Priorities

The MPA's priorities are to: -

- Hold the Commissioner rigorously to account for improving the operational performance of the MPS;
- Transform community engagement to help Londoners secure more responsive policing;
- Work with the MPS to achieve cultural change throughout the service so that everyone in London can gain and retain confidence in policing;
- Drive the MPS to make the most effective, efficient and cost conscious use of all its resources;
- Deliver a fit for purpose, efficient and effective MPA.

Metropolitan Police Service (MPS)

The MPS is famed around the world and is the largest police service in England and Wales, having nearly a quarter of the total national number of officers and staff. It provides direct services for over seven and a half million Londoners, which is home to some of the wealthiest and the most deprived people in the country, living in an area of 620 square miles. London also has a thriving tourist and business community and a diverse resident and transient population.

Such a diverse and dynamic city presents a wide range of challenges, so inevitably the MPS has a wide range of functions, including local policing to keep London's boroughs safe, through to specialist protective services that operate across the city, to keeping much of London's transport network safe, as well as policing Heathrow and City Airports. On top of these there are vital national and international operations conducted around the world, including diplomatic and royalty protection and the crucial lead in UK counter terrorism work.

MPS Corporate Objectives

Corporate objectives are reviewed on an annual basis by MPS Management Board and approved by the MPA as part of the business and policing plan process. The objectives are:

	Strategic Outcomes	Corporate Objectives
Building Safety and Confidence	CONFIDENCE	
	Convince communities we are on their side	Make our service more accessible and improve people's experience of their contact with us, especially victims and witnesses
	SAFETY	
	Reduce crime and catch criminals	Make our neighbourhoods safer through local and city-wide problem-solving and partnership working to reduce crime, ASB and road casualties
		Disrupt more networks and reduce the harm caused by drugs
	Be intolerant of violence	Reduce serious violence and protect young people
	Delivery security of our streets	Enhance our counter-terrorism capability and capacity
		Plan for and effectively police major events in London and prepare for the 2012 Olympics
	CONTINUOUS IMPROVEMENT	
	The right service at the right price	Lead and manage our Service to ensure the most efficient, effective and economic use of all the resources entrusted to us
PRESENCE, PERFORMANCE, PRODUCTIVITY, PROFESSIONALISM, PRIDE		

Roles and Responsibilities

Whilst the MPA is the legal contracting party for all contracts, the day-to-day management of the procurement process and the central procurement function resides within the MPS. In summary:

MPA - The MPA is the contracting organisation:

- Sets the strategic direction for procuring goods and services in consultation with the MPS;
- Approves the MPA Contract Regulations and governing procurement action;
- Scrutinises procurement activity within the MPS;
- Monitors progress in delivering the approved procurement strategy;
- Delegates day-to-day management of the procurement process to the Commissioner via an agreed scheme of delegation;
- Approves procurement activity prior to commencement and at contract award, including extensions or variations, in accordance with MPA Contract Regulations.

MPS - Procurement Services – The central procurement function in the MPS:

- Conducts all tendering activity for contracts above OJEU limits;
- Provides professional procurement expertise and advice to MPA and MPS colleagues, including the procurement method for all contracts in excess of Business Groups delegated authority;
- Takes the lead responsibility for day-to-day management of the procurement process, including maintaining a contracts database;
- Awards and signs contracts up to agreed delegated limits;
- Takes the lead on professionally managing the MPA and MPS supply base;
- Develops Strategic Procurement Plans (SPP's) with the Business Groups to assist them reducing costs, delivering efficiency savings and agreeing a prioritised set of requirements, which require professional procurement support;
- Provides commercial expertise in support of wider corporate initiatives such as bidding for funds or where the MPA is a supplier of services;
- Promotes the Responsible Procurement aims of the organisation;
- Seeks to leverage the potential benefits of collaborative procurement.

MPS - Business Groups

- Conduct procurement activity in accordance with MPS scheme of delegation, agreed routes-to-purchase and MPA Contract Regulations.
- Ensure only people with the relevant skills/training undertake delegated procurement activity;
- Plan future procurement activity ensuring Procurement Services are involved at the earliest opportunity and always in sufficient time to allow a tender exercise to be conducted, where this is required;

- Specify requirements in accordance with business needs, taking into account that non-essential requirements normally results in greater costs;
- Manage their portfolio of suppliers in accordance with the requirements specified in MPA Contracts Regulations;
- Develop a Strategic Procurement Plan (SPP), in conjunction with Procurement Services, to agree where professional procurement support is required.

What is Procurement?

“Procurement is the process of acquiring goods, works and services, covering both acquisition from third parties and from in-house providers. The process spans the whole-life cycle from identification of needs, through to the end of a services contract or the end of the useful life of an asset. It involves option appraisal and the critical “make or buy” decision, which may result in the provision of services in-house in appropriate circumstances.”

National Procurement Strategy

Effective procurement in the MPA/MPS is an essential tool used to achieve operational efficiency and service improvement.

Background

In recognition of the importance of having a procurement strategy, the MPA approved the original strategy back in 2003 and this was updated in 2007. A number of key achievements and benefits have been delivered since 2007 including: -

- The delivery of £35m in savings, for redirection into front line policing; Implementation of a leading-edge Category Management procurement methodology to provide a more structured approach to sourcing; Engagement in a number of collaborative procurements to maximise savings for the organisation; Creation of a Supply Chain Management team to start to manage the complex supply base more professionally;
- Implementation of Purchase-to-Pay to improve procurement governance and channel more spend to agreed routes-to-purchase;
- Introducing e-tendering to maximise procurement productivity and reduce tendering costs for suppliers; Implementation of the London Living Wage for the Facilities Management Service contracts to make the MPS a more attractive organisation to work for.

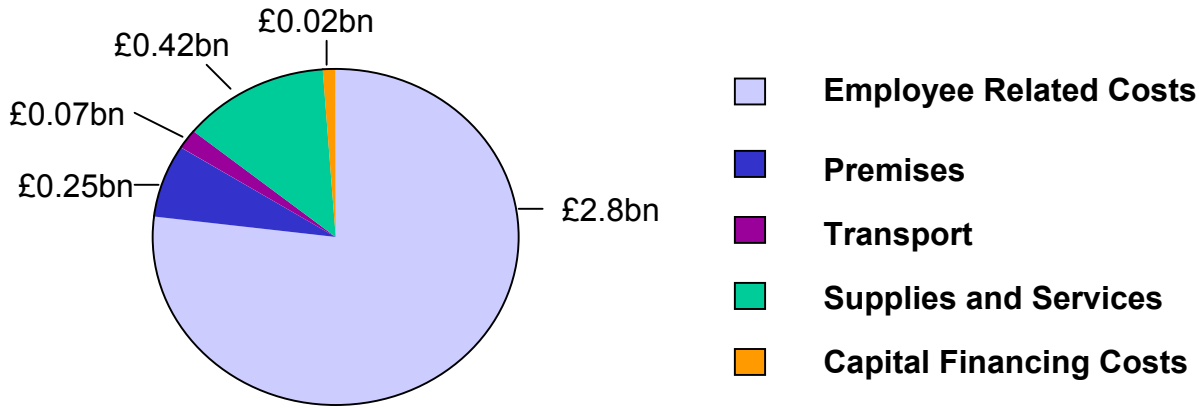
Context

Expenditure Summary

The MPS has over 53,000 staff and is accountable to the MPA for the management, under an agreed scheme of delegation, of resources totalling some £3.6bn per annum, of which some £850m relates to the procurement of goods and services.

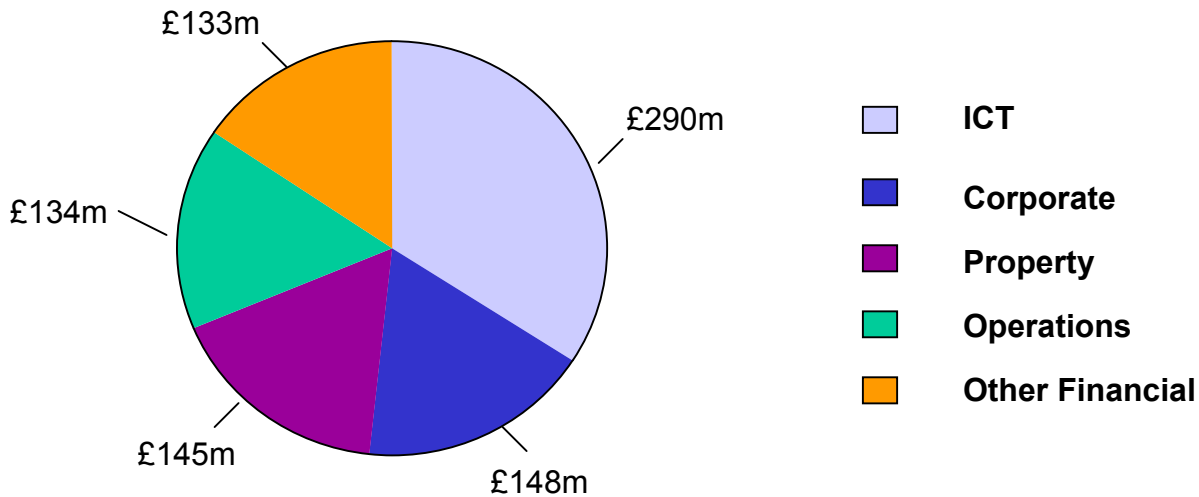
Budget Breakdown

The MPS functions are staff intensive so not surprisingly employee related costs in 2009/10 accounts for the majority (78%) of gross expenditure (£3.563bn). Supplies and services costs account for 12%, premises costs 7%, transport costs 2% and capital financing costs 1%.



Procurement Expenditure

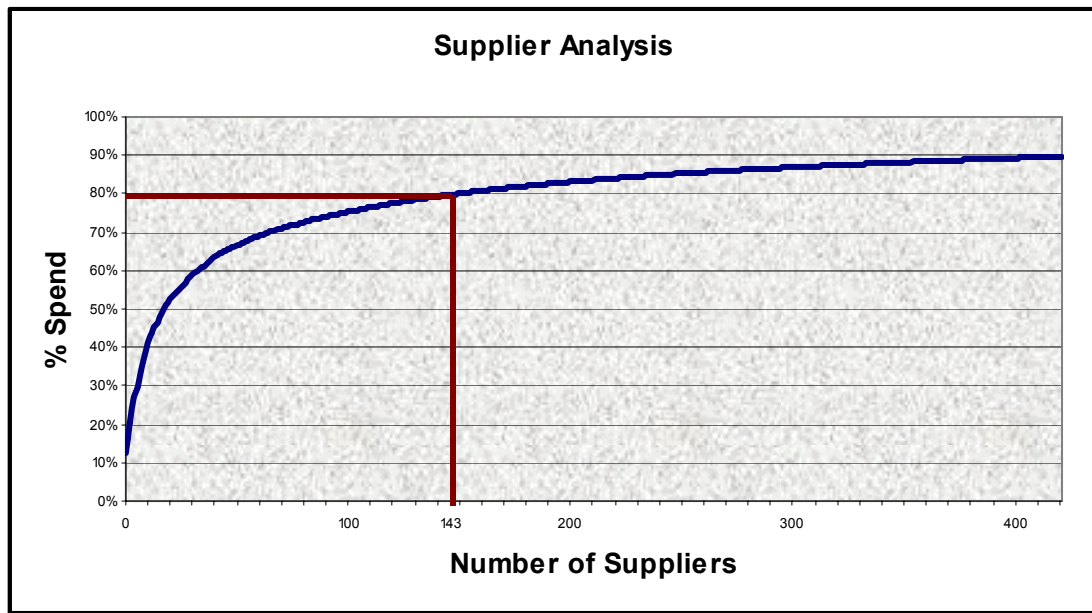
The £850m of annual expenditure that relates to the procurement of goods and services is broken down as follows: -



Supplier Numbers

The MPS procurement expenditure incorporates approximately 15,000 suppliers, of which c. 140 accounts for 80% of the annual spend (see figure 1). The MPA/MPS recognises the significant challenge associated with managing such a large supply base; therefore supplier rationalisation, professional supplier management and whole-life cycle cost management are key components of the procurement strategy.

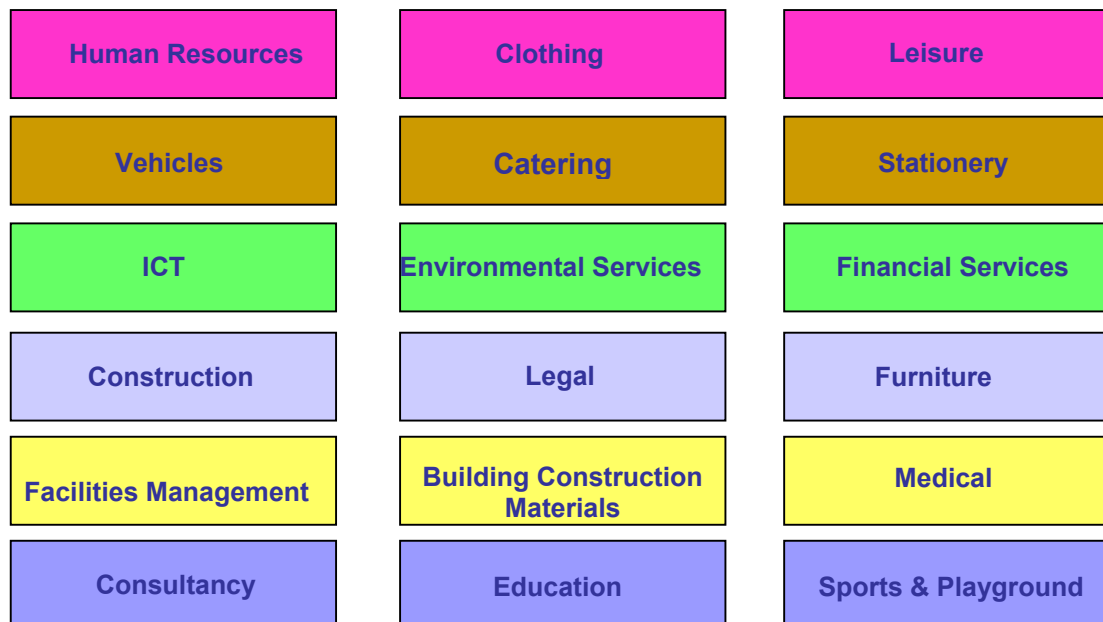
Figure 1.



Breakdown of Suppliers by Category

With such a large, diverse supply base the MPA/MPS recognises that all spend types cannot be treated in the same way. Therefore a key component of the strategy is Category Management, which breaks spend into similar groups according to value and supply market characteristics. Figure 2 shows the MPA/MPS primary spend categories.

Figure 2.



Procurement Strategy

The Procurement Strategy sets out how the MPA/MPS intends to move forward and improve procurement over the next 3-years. It outlines a vision for procurement in the organisation; sets objectives and the principles, which underpin the overall procurement approach.

However to deliver this Strategy, commitment is required from all levels within the MPA and MPS ranging from Members and Management Board through to Business Groups.

MPA and MPS Vision

To work proactively together with customers and the supply market to support effective operational policing and keep Londoners safe from harm by delivering professional and value for money procurement solutions.

Procurement Objectives

To deliver the Procurement Strategy the MPA and the MPS have set the following objectives: -

- Ensure that the procurement process is clear, transparent and focused in the first instance on the principles of competition and achieving value for money;
- Ensure that procurement options are chosen on the basis that they directly support the corporate priorities and objectives of the MPA and MPS;
- Align strategic procurement to the business planning process, particularly the medium term financial and capital strategies to assist Business Groups deliver their efficiency targets;
- Maintain an appropriate balance between innovation and risk and cost and required service levels;
- Stimulate competition and build supplier capability where necessary;
- Collaborate and partner with other forces, GLA Group and other agencies, where appropriate, to obtain Best Value for the MPS;
- Conduct procurement in accordance with aims of the MPA and MPS Responsible Procurement Policy;
- Optimise the number of suppliers to improve supplier relationships and the ability to monitor and manage them professionally;
- Improve compliance, accountability and control through more effective procurement governance.

Procurement Principles

In setting the Procurement Objectives, the following principles underpin the MPA and MPS approach to procurement: -

Drive business benefit and competition.

Identifying and capturing cashable savings / efficiencies through a variety of procurement methods, including challenging the cost effectiveness of the

current service; questioning current and future demand requirements and developing more efficient procurement processes.

Regulatory compliance.

Ensuring that procurement processes, procedures and systems comply with all appropriate UK, EU Procurement and other relevant regulatory legislation.

Accountability and Transparency

Demonstrating accountability and transparency in the procurement process by ensuring suppliers are clear on the procurement process and ensuring procurement decisions and actions are clearly recorded, with individuals held accountable for these.

Effective governance.

Undertaking procurement activity within a governance structure that clearly defines the procurement approach, roles and responsibilities, legal/regulatory environment and policies and procedures.

Capable, competent and adequate resources.

Focus on the development and training of all officers and staff involved in procurement to ensure that they have the capability and competency to undertake procurement to the expected standards.

Use of technology to minimise the cost and complexity of procurement processes.

Investing in appropriate e-procurement technology to automate procurement processes where practicable, such as Purchase-to-Pay and e-tendering.

Early and effective engagement between central procurement and local business units.

Developing an effective communication strategy to support understanding and compliance with the Procurement Strategy. Comprising of access to information through the appropriate use of internal and external media (e.g. intranet and internet) supported by a programme of training.

High standard of professionalism and application of best practice procurement.

Employing and retaining professional procurement staff with the core skills required to deliver best practice procurement and implementing leading-edge category management and supply chain management methodologies. Also recognising there is a need to remain competitive within the market and offer competency based career progression.

Effective risk assessment and management.

Identifying, assessing and effectively managing key procurement risks at both a corporate and local level, particularly for all major procurement activity.

Continuous improvement.

Striving for continuous improvement in the supply base (which is over and above suppliers delivering on their contractual promise) to achieve

incremental added value and maximise supplier performance by reducing inefficiencies in the process.

Benchmarking to demonstrate value for money.

Conducting benchmarking to evaluate procurement performance with current best practice, developing and implementing improvement plans where this is appropriate.

Minimising our environmental impact

Promoting greater environmental sustainability through our procurement processes.

Ethical sourcing practices and a diverse base of suppliers

Encouraging ethical sourcing practices among our suppliers and reviewing our procurement processes to promote the MPA/MPS to a wide supplier community.

Approaches to Procurement

The key to effective procurement is early engagement with the central Procurement team (Procurement Services) by the Business Groups to determine the most appropriate route to market. The adoption of the category management methodology and the development of the Strategic Procurement Plans with the Business Groups will ensure Procurement Services are engaged at a sufficiently early stage to appraise the procurement options and develop appropriate category strategies. Where appropriate, the MPA will be involved at the development and planning stage, to inform discussions on the procurement approach and required outcomes.

Category Management

Category Management is a proven and disciplined process that is widely used in industry and can be applied to all categories of expenditure. It is a structured approach to sourcing, which focuses on three key components:

- Total Costs - not just about price, as it includes quality, service and delivery over the total lifetime of the product/service;
- Analytical Rigour – fact-based and involves extensive research, spend analysis and market investigation in determining the optimum way forward;
- Wide Input – an inclusive process, as it facilitates a cross-functional way of working, ensuring there is a broad-based input.

The MPA/MPS will continue to utilise Category Management as the preferred sourcing methodology, integrated with management and measurement to:

- Deliver product and service excellence;
- Maximise purchasing power and demonstrate ongoing financial benefits;
- Minimise financial, commercial and operational risk;
- Develop appropriate category strategies;

- Prioritise scarce procurement resources to assist the Business Groups reduce costs and deliver their corporate efficiency targets.

Collaboration

As part of the Category Management approach and where appropriate, the MPA/MPS will seek to source collaboratively with other police forces, the GLA Group and other partners / government organisations, to maximise the opportunities from aggregation of buying power and/or share knowledge and resources.

Supply Chain Management

Effective Supply Chain Management (SCM) is key to retaining the negotiated value and unlocking additional value for the MPA/MPS. A robust methodology will be developed and implemented, that is proportionate to the value and risk of each supplier, and fully integrated with Category Management. The SCM methodology will be focused on:

- Ensuring that contracted goods and services are delivered;
- Providing metrics on supplier performance;
- Proactively managing the supplier relationships of existing and new contracts in a more dynamic and consistent way;
- Accessing and driving innovative, continuous improvement and competitive ideas to secure best value for money;
- Meeting complex and differing business needs through increased operational flexibility and risk management;
- Identifying and promoting best practice.

Responsible Procurement

The GLA Group has defined responsible procurement as the purchase of goods, works and services in a socially and environmentally responsible way that delivers value for money and benefits to the contracting authority and to London. The MPA/MPS is committed to Responsible Procurement and the aims of the GLA Group statement across the following areas: -

- Diversity of ownership and employees within the supply base;
- Employment conditions within the suppliers workforce;
- Ethical sourcing;
- Environmentally sustainable procurement.

There is a commitment to deliver on the GLA Group 4-year plan, which aims to: -

- Improve standards of living and promote opportunities for sustained employment for Londoners;
- Open up opportunities for London's businesses and to promote equal life chances for all to the business community;
- Promote greater environmental sustainability and make London a better place to live and work.

Procurement Models

The large and complex nature of the MPS inevitably means there are a variety of factors, which contribute to the type of business transactions that need to be undertaken. Given the various procurement routes and the range of contracts that can be awarded to suppliers (depending on the market factors; the level of expenditure, etc.), the procurement environment is no less complex. To ensure value for money and maximum procurement leverage is achieved the MPA/MPS has access to a variety of different procurement models (not exhaustive), which include: -

Strategic Partnership Agreements

Considered where the MPA/MPS wants to make a purchase in a high expenditure, high risk, strategically important and complex market, which lends itself to entering into more strategic partnership agreements, usually with a single supplier to deliver an end-to-end service. The supplier may even undertake some procurement on behalf of the organisation, where this represents better value for money. There will be elements of risk sharing and the supplier will require a longer contractual agreement to reflect the level of investment required to deliver the services. Usually such goods/services will be critical to the effective operation of the organisation e.g. major IT systems.

Long-Term Agreements

In certain circumstances it may be desirable to consider long-term or even perpetuity agreements. It is not uncommon for these agreements to be in excess of twenty-years and they could be considered where suppliers may be required to make substantial initial investments.

Collaborative Agreements

These agreements allow a number of organisations to make greater savings and service improvements by aggregating spend rather than contracting alone. They also enable an organisation to either take a lead role or allow others to do this, where they may have more appropriate expertise, greater leverage or availability of resources.

Framework Agreements

These are agreements with suppliers, the purpose of which is to establish the terms governing contracts to be awarded over a given period. The framework is advertised in OJEU so each call-off does not have to be advertised. Once the framework has been set up this can be a quick and compliant route to purchase.

Two-Stage Tendering

This method is most applicable to high value construction projects and seeks to bring together the design team and the main contractor, as early as practicable, to optimise the scheme (from the initial design) in terms of functionality, aesthetics and constructability.

Two-stage tendering involves tendering via a competitive exercise, where a preferred contractor is appointed early in the design and planning process and project programme (First Stage), on the basis of limited information, with the

objective of achieving cost and time-certain outcomes through further negotiation (Second Stage). Stage two involves negotiating the final costs, where the preferred contractor liaises with the design team to develop a final design and tenders packages of work to sub-contractors, with the purpose of concluding the projects final cost and optimising the associated timescales.

Competitive Dialogue

This is a flexible procedure, introduced in 2006, which should be considered in the award of particularly complex contracts (i.e. where the Authority is not able to objectively define the technical means capable of satisfying their needs or of assessing what the market can offer in the way of technical solutions and/or financial/legal solutions), where there is a need to discuss all aspects of the proposed contract with bidders. A good example would be an IT project where a variety of technical solutions may be possible.

Key Actions

A detailed action plan will be developed to support delivery of the Procurement Strategy, which will be monitored regularly by the Authority. The action plan will be reviewed annually and a detailed plan will be developed each year to reflect progress and priorities. A summary of the key actions is outlined below: -

- Develop and implement Strategic Procurement Plans (SPP's) to identify and deliver sustained efficiencies and target savings.
- Develop Members strategic role in ensuring there are quality outcomes from procurement decisions and actions.
- Continue to establish and maintain an adequately resourced, skilled and competent central procurement team, supported by appropriate local expertise throughout the Service. Undertake a skills audit of local procurement expertise followed by a programme of training and awareness.
- Utilising leading-edge category management methodology, to balance innovation and risk and cost savings and required levels of service, including consideration of collaboration where appropriate.
- Utilise leading-edge supply chain management methodology to professionally manage key supplier relationships.
- Develop and maintain a comprehensive database of approved contracts, which is linked to the e-tendering system, to facilitate visibility and contract compliance.
- Implement the responsible procurement 4-year plan.
- Develop an Olympics procurement strategy and implementation plan.
- Further develop and implement an effective performance management framework, including benchmarking and metrics on selected suppliers.
- Provide the MPS with the Purchase-to-Pay (P2P) tools and structure to improve compliance, financial control and accountability. Also to transition new spend areas into P2P and maximise spend through agreed routes-to-purchase.

How Success Will Be Evaluated

The MPA Resources Sub-Committee will monitor progress on implementation of the Strategy and supporting action plan. A range of indicators will be used to evaluate success, including: -

- Validation and delivery of target savings.
- Effectiveness of procurement controls and compliance.
- Feedback from customers on the quality of procurement service and supplier performance.
- Feedback from suppliers on the procurement process and ease of doing business.
- Feedback from Procurement employees on staff morale and satisfaction.
- Favourable measures of performance with comparable organisations.
- External validation of the quality of procurement processes / procedures.
- Continued professional development for procurement staff.

By 2012 the aim is for the MPS to be recognised as a leader in public sector procurement.