

8 December 2014

**To:** Brian Taylor  
**cc:** Robin Wilkinson  
Linda Kelly

Dear Brian

## **MPS Commercial Strategy – Business Support Services Prospect comments on Outline Business Case (OBC)**

1. Prospect union has over the past four months actively engaged in the MPS consultation process leading to the preparation of an Outline Business Case (OBC) for the future delivery model for Business Support Services (Finance; Procurement; HR Services) in the MPS. The way in which these business support services are delivered impacts directly on our members, particularly in relation to HR Shared Services, as well as impacting directly on members that we have in the relevant areas in Scope of this review.
2. The consultation process has helped us understand the context of the review within the strategic approach of the MPS delivering cohesive and integrated services that underpin operational policing so that they “better support the organisation to prioritise investment and business change”. It is also clear from the consultation that a key driver for change is the political requirement to deliver substantial savings in operational costs whilst at the same time, delivering a substantial increase (in excess of £200 million) in capital expenditure on buildings, IT infrastructure, and vehicles. The estimated funding gap for 2016/17 of £260 million illustrates the funding pressure that the MPS is under.
3. However, it is also clear that the additional political requirement of ensuring a minimum of 32,000 police officers, irrespective of how those officers are deployed, means that a disproportionate amount of that funding gap will inevitably impact on civilian employees in the MPS. The implication therefore is that the pressure to reduce costs in the short term whilst maintaining an artificial target of police officers is that operational police officers will increasingly have to be deployed to MPS staff tasks thereby adding to costs and inefficiencies.
4. The stated objectives of the enabling strategy for commercial services “are to deliver the most significant sustainable operational expenditure savings within the shortest possible timeframe”. This is the fundamental driver for the proposed outsourcing of Business Support Services within a commercial framework contract, as recommended in the OBC. This also appears to be the driver for the stated target of support services accounting for “approximately 15% of the gross MPS budget” by 2020. It is not clear from the OBC how

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this 15% target had been identified, yet “the objective for this OBC is to reduce costs rapidly.....working towards the 15% target”. If that target is based on external benchmarking then it is not clear whether reasonable comparisons have been made, taking account of the exceptional requirements of business support for operational policing, as opposed to a commercial manufacturing or consultancy company.

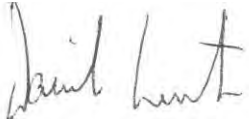
5. Much of the financial detail around the 15% target and the cost reduction requirements have been redacted from the OBC, on grounds of commercial sensitivity. This has made it difficult to comment or challenge on any of the assumptions that have been used to arrive at those targets and identify cost reductions. The trade unions were offered the opportunity to see more of the commercially sensitive financial information by signing a ‘non-disclosure agreement’ which we declined in August, primarily because it would put us in a difficult position of accountability with our members. However, Prospect does feel that relevant financial information particularly relating to financial target setting and cost comparisons between in-house options and outsourcing options should be part of formal consultation so that we can be clear on the assumptions and basis of such costings and comparisons.
6. The OBC states (para 2.7) that “the primary objective of the Business Support Services project is to maximise cost-savings rather than transform service delivery”. This underlines the fact that the OBC is driven by urgent requirement to cut costs rather than address the strategic issues of what needs to be done, and what can be done, within the cost base. The inherent risk therefore is that responsibility for determining what needs to be done in those support services and how it is to be delivered would be transferred to a contractor (Shared Services Connected Ltd) thereby transferring responsibility and control as well as risk.
7. In our consultation discussions the trade unions were told that MPS would still maintain control of what is delivered in an outsourced model by maintaining the ‘Intelligent Customer Function’. However it has not been defined how that Intelligent Customer Function will be delivered, and to what extent that would enable changes to be made in the future in the way that services are delivered. Certainly the experience of many MPS staff in the ICT area is that previous outsourcing of services has led to complex management control structures within the MPS and far from transferring the risk to the contractor, the MPS has had to accept ‘as is’ technology continuing as any change to the requirements would involve substantial additional costs which would have to be met by the MPS rather than the contractor.
8. A key assumption in the OBC that puts more weight on the outsourcing option is that the contractor will utilise their own ‘vanilla processes’ to streamline service delivery. This assumes that the MPS requirements for the services delivered by the contractor are within the ‘vanilla services’ that they currently provide. The reality is that there will be a need for flexibility and choice so that the likelihood of customisation of the services being sought by the MPS or offered by the contractor with substantial additional costs has not been identified as a risk factor in the OBC or had any mitigating actions identified in the risk register.
9. The OBC refers to an assumption of 25% ‘compulsory redundancies’, the costs of which, we are told, would be likely to be picked up by the MPS within the measures identified in the TUPE process. This will cause understandable alarm amongst the 880 staff in Scope and does not appear to have reflected the requirements of the Staff Surplus Procedures

(eg redeployment and other options). Moreover, the immediate issue from those 880 staff in Scope for outsourcing would be why they are not being given the opportunity to demonstrate what can be delivered to a transformational in-house option that would retain MPS control and accountability. The option of in-house transformation is dismissed on the argument that “the burden of risk remains with the MPS under the in-house transformation”, but has been included at this stage “as a public sector comparator”. Similarly the “do nothing” option has only been brought in “as the baseline comparator” and yet in that comparison does not score at all on “accountability” and effective controls in governance”. Surely even that “as is” option must score on accountability, controls and governance?

10. Prospect believes that the overriding budgetary consideration have excluded any meaningful consideration of the option for retaining the current Business Support Services in-house and assess against clear criteria of what the MPS requires to be done in finance; HR Services; and Procurement. The risks of in-house options appear exaggerated and dismissed, whereas the obvious risks of future cost challenges through outsourcing, particularly when flexibility and change controls are required, are not regarded as undue risk.
11. There is a lot of external experience to draw on from other organisations who have sought to achieve quick savings on shared support services. A recent report by the National Audit Office (published in October 2011) was very critical of a project that involved outsourcing of shared support services with the company, Fujitsu. The report highlights that there had been a 65% overspend on the project and that the projected savings were “significantly less than expected” mainly “not properly budgeting for items in Scope or and inefficiencies”. Yet the MPS are in danger of making exactly the same mistakes as the publicly funded research councils. This is not an argument for “no change”. It is an argument for properly assessing the risks of outsourcing important business support services without having properly identified what precisely is required within the scope of those services and how best that could be delivered using the experience and commitment of the existing MPS staff and processes.
12. There is also an important wider concern about the particular contractor that is recommended in the OBC – Shared Services Connected Ltd (SSCL). We have highlighted during our consultation that SSCL have a reputation for delivering their services off-shore, presumably for cheaper labour costs. During the consultation we were told that this was not an immediate option for SSCL in relation to MPS services, but it could be considered in the future. Prospect believes that this would be a significant reputational risk for the MPS in proceeding with a contract with SSCL. We accept that it would be for the MPS to determine whether or not the services are delivered off-shore rather than in the UK, but nevertheless it is clear that much of the Company’s infrastructure and capabilities is managed overseas and this does have direct implications for the security of sensitive financial and HR personal data.
13. In summary Prospect believe that the outline business case has not given sufficient consideration to a transformational in-house option based around identifying the clear requirements for the service to be delivered, utilising the skills, knowledge and commitment of existing MPS staff. We also consider that the perceived financial benefits of 21% against the baseline option, translating into £15.5 million per year savings are likely to be exaggerated, notwithstanding the sensitivity analysis that has been undertaken on those assumptions. External experience suggests that the perceived

advantages of outsourcing are overstated, and will reduce the scope for flexibility, choice, and effective governance of those business support services.

Yours sincerely

A handwritten signature in black ink, appearing to read "David Luxton". The signature is written in a cursive style with some loops and flourishes.

**David Luxton**  
National Secretary – Prospect  
(on behalf of Prospect MPS Branch)