



Organisational Support Update

1. Purpose

To provide an update on the Organisational Support work stream of the Strategic Alliance.

2. Background

The Police Authorities and Chief Constables of Bedfordshire, Cambridgeshire and Hertfordshire agree to form a Strategic Alliance that focused on the collaboration of three specific workstreams, these being:

- Protective Services;
- Operational Support (commonly referred to as middle office); and
- Organisational Support (commonly referred to as Back Office)

The key deliverables for the Alliance are set out as follows:

- Cashable savings of £20m annual savings by the end of 2015/16.
- Equal or improved effectiveness for forces.
- Improved efficiencies in forces, realising non cashable saving for re-investment.
- A service structure and operating methods which are 'fit for purpose', taking account of new and emerging developments and which will meet future, foreseeable demands for the next 3 – 10 years.
- Plans which close the gaps identified within the respective Protective Services Improvement Plans.
- Methods of operating which are equally viable under any force or governance structure.
- Improved and enhanced customer service across the three counties.

3. Ways of Working

The three Chief Constables, with their Chief Officer teams, have agreed a set of Principles which determine the way the three Forces will work to ensure the aims of the Strategic Alliance Agreement will be delivered and are listed below, with the key principles in relation to Organisational Support highlighted.

- All three Forces will retain their own local policing identity and the Alliance will support and enable this.
- The Alliance will be cognisant of the need to deliver against Local Policing Plans and the Strategic Policing Requirement.
- Policy will be standardised across the Alliance partners.
- Service Delivery within collaborative units will be standardised across the Alliance partners unless there is a need to meet a local circumstance/ demand/pressure.
- Implementation of the Alliance will be aligned to the changes within the three Forces to be as streamlined and least disruptive as possible.
- **Remain cognisant of the staff and officer impact through fundamental change.**
- The Alliance will enable the delivery of all Protective Services, Operational Support and Organisational Support functions for the three Forces. These will be implemented in a prioritised manner that best allows the three Forces to maintain Local Policing (incl Public Protection).
 - **Organisational Support will be the strategic priority as it will give the greatest financial gains with the least impact on operational service delivery.**
 - Operational Support will focus on the middle office functions including those systems that will enable standardisation across the three Forces.
 - Protective Services will be progressed so as to realise early efficiencies and improvements in resilience, capacity and capability, thereby reducing threat, risk and harm.
- **The pace and priorities will seek to take account of the generic critical success factors for the Alliance, these being: Affordability, Deliverables and Transformation.**

These principles provide a clear direction of travel as well as agreeing the priorities for collaborative work across the three Authorities and Forces and enable any departing issues to be fully discussed.

The fulfilment of these principles and the Strategic Alliance Agreement will result in over 50% of our *current* business being undertaken by collaborative units. As savings are driven out as a result of collaboration it is expected that a higher proportion of the three Forces budgets will be aligned to local policing, thus improving the ability to deliver high level local policing to the communities we serve, at a time when resources available to the three Authorities are being cut. The overall outcome by 2015/16 will therefore be a three force structure whereby local policing is locally owned under the direction of control of the appointed Chief Constable, but with all other services delivered jointly by the Chief Constables of the three Forces.

4. Organisational Support

4.1 Scoping

A scoping and options appraisal was undertaken relating to the following Organisational Support functions:

- Finance;
- Human Resources;
- Learning & Development;
- Corporate Communication;
- ICT;
- Estates & Facilities;
- Corporate Services;
- Business Support;
- Resource Management
- Legal Services;
- Fleet; and
- Procurement

The objective of the work was to recommend the best way of delivering Organisational Support to the Strategic Alliance forces by:

- Delivering significant savings and thereby minimising the impact on the frontline (cost)
- Providing effective support services to collaborative, local policing and corporate users to achieve planned outcomes
- Acting as catalyst to transform processes across the three forces

This work consisted of 3 elements:

Reviewing the baseline and current way of delivering Organisational Support services. This highlighted the following points:

- Organisational Support accounts for 17% of total budget (£73m) and staff (approx 1,000 staff). Just over half the budget relates to staffing costs.
- Review work suggests that between £40m - £55m of the budget is 'accessible' for savings to be found in the short/ medium-term.
- Police service and external benchmarking suggest that there is scope to achieve significant further efficiencies with low economies of scale and duplication of specialist functions across the three forces building in cost.
- Complexity of the existing IT infrastructures means that none of the forces possess the platform to undertake a lead force role.
- None of the forces have a track record or the capacity/capability to implement a shared service model for support services.
- Initial assessment suggests there is scope to achieve savings of approx 25% of accessible savings - between £9.2m - £12.5m .

Reviewing commercial sector approach to the Police Organisational Support market. This work entailed 'soft market' testing with 4 suppliers and work with Home Office to better understand how commercial sector view the police market. This work highlighted the following points:

- Commercial sector is seeking to become a large-scale provider of organisational and operational support functions to the police service, through providing technology, business process improvement and service delivery.
- They consider there is significant scope for transformative approaches, generating efficiencies in excess of the 25% indicative savings referred to above.
- Commercial sector incur significant bid, infrastructure and transformation costs requiring long-term commitment/contract to achieve return on investment.
- The combined scale of the Strategic Alliance forces presents an attractive partner to the commercial sector.

Assessing the main options. This highlighted the following points:

- The merits of a Shared Service approach to delivery support services as a means of achieving efficiencies
- The significant level of investment and transformation capacity required to achieve the move to this approach
- The relative advantages and disadvantages of in-house (arms-length organisations) and partnering (joint venture and outsourced) arrangements.
- The greater viability of a partnering approach in terms of:
 - Providing greater level of confidence in achieving efficiency savings by 2013/14.
 - Potential benefits of working with a partner with proven experience of managing scale and complexity.
 - The significant increase in change capacity, and capability to integrate change across technology and processes.
 - The scope to apply advisory / transformative capacity across a wider range of processes and activities in the three forces.

The Police Authorities' Joint Working Group (JWG) considered the scoping and options appraisal on 26 October 2011 and agreed that a business case should be developed for a 'partnering' approach with a commercial provider for the delivery of Organisational Support services within our three forces.

4.2 Strategic Outline Case

Following this initial work and In order to decide on the best model for delivering Organisational Support Services, it was decided that the HM Treasury Five Case Model would be used.

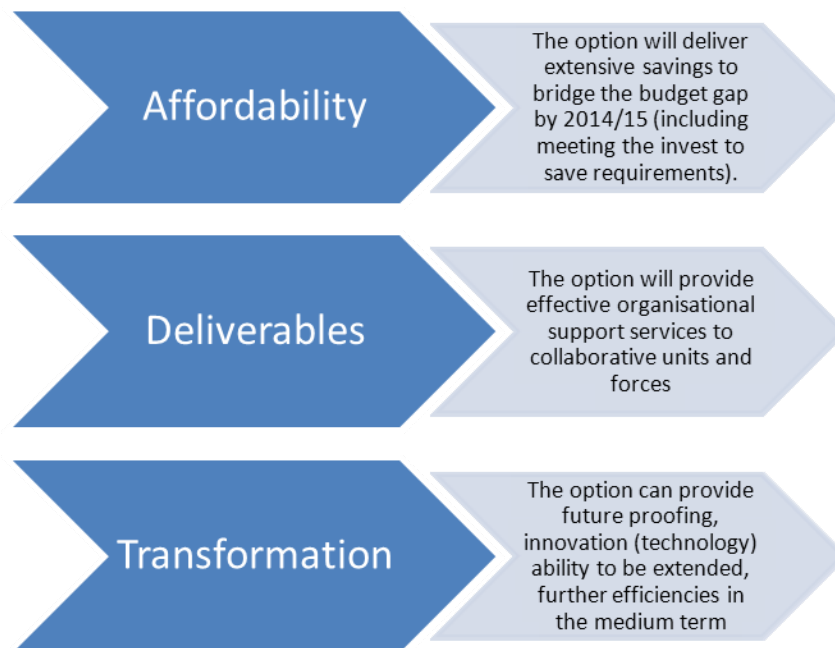
The Strategic Outline Case was prepared to consider in more detail the available options, and determine a shortlist to be considered in more detail at

Outline Business Case (OBC) stage, for the Alliance in the delivery of Organisational Support Services, and to determine the Strategic Requirements and Critical Success Factors.

The strategic requirements were agreed as follows:

- The preferred option should deliver savings in the region of £8m per annum with the majority of the savings being delivered in 2014/15
- Deliver effective Organisational Support Services across the SPA. Enable more effective resource utilisation across the SPA and support the delivery of first class operational policing services.
- Provide scope to promote innovation, future proofing and future efficiencies in the medium-term. Enable step change in use of technology to improve cost effectiveness.
- That any changes should not inhibit any alignment to other regional and national policing developments and requirements.

The Critical Success Factors (CSFs) agreed to ensure these requirements were met and against which all options were assessed, were as follows:



Based upon the Strategic Requirements and CSFs above 9 options were assessed, to determine a shortlist for OBC, the outcome of the assessment, as shown below, was that further work needed to be undertaken, through an OBC, on 4 options, these being:

- Transformational Collaboration with partner(s) for implementation (option 3b)
- Partnering Approach using a Joint Venture (JV) (option 4)
- Partnering Approach through outsourcing (option 5)
- External Collaboration with partner outside the Police Service (option 6)

The outcome of the full evaluation was as follows:

Option	Affordability CSF Assessment	Deliverables CSF Assessment	Transformation CSF Assessment
Option 1 – ‘Do Nothing’	Red	Red	Red
Option 2a – Functional Collaboration	Red	Red	Red
Option 2b – Functional Collaboration using a Lead Force	Red	Red	Red
Option 2c – Functional Collaboration with underlying ERP	Red	Amber	Red
Option 3a – Transformational Collaboration	Amber	Amber	Red
Option 3b – Transformational Collaboration with partner(s) for implementation	Green	Green	Green
Option 4 – Partnering Approach using a Joint Venture (JV)	Green	Green	Green
Option 5 – Partnering Approach through outsourcing	Green	Green	Green
Option 6 – External Collaboration with partner outside the Police Service	Amber	Amber	Amber

4.3 Independent Review

To obtain some independent assurance that the level of savings, the Alliance had agreed as part of the Strategic Requirements, were accessible, KPMG were asked to assess the scope for savings of the 6 largest areas of Organisational Support, these being:

- Finance;
- Human Resources;
- Learning & Development;
- ICT;
- Estates and Facilities; and
- Procurement.

KPMG identified, through a number of workshops that the Organisational Support Services of the three Forces were, in the main, at a low level of commercial maturity, that a number of different systems were being used

across the three Forces and, whilst there were pockets of good practice, there was relatively low levels of standardisation and automation.

Recognising this context it was concluded, by KPMG, that significant savings could be achieved through collaboration. The table below outlines the potential cashable savings which can be achieved through collaboration and, unless otherwise stated, will be used as the baseline for each of the options.

Functional area	Description/features of scenario	Lower Savings range (£m)	Upper Savings range (£m)
Estates and Facilities	<ul style="list-style-type: none"> A single estates function across the three forces to leverage the skills and experience delivered internally/externally A single 'projects' organisation for estates e.g. single team of building surveyors and migration managers 	0.4 2%	0.7 4%
Finance	<ul style="list-style-type: none"> Single and centralised function with standardised finance processes and polices enabled by a single instance ERP system, automation tools and self service capabilities Small single retained function (Director of Resources) for the three forces mainly to provide strategic / advisory function 	0.9 30%	1.5 50%
HR	<ul style="list-style-type: none"> Single and centralised HR function with common and simple HR policies and procedures enabled by either an existing system scaled to meet collaborated requirements or a single instance ERP system Common terms and conditions for police staff and officers where appropriate 	1.7 24%	2.2 32%
ICT	<ul style="list-style-type: none"> Single ICT function - Standardised and consolidated ICT related business processes, resources, applications, technical assets and services Reduction of ICT processes, assets, resources and services Optimised management of supply and demand of ICT resources Alternative sourcing strategies 	3.3 16%	4.3 22%
L&D	<ul style="list-style-type: none"> Single L&D function – centralised delivery and management of training Standardisation / simplification of training courses as appropriate Optimised use of all training facilities 	1.5 17%	1.5 17%
Procurement	<ul style="list-style-type: none"> Centralised procurement function for all non-transactional procurement activity enabled by standard processes, systems and policies Significantly increase the amount of spend/number of categories handled by the collaborative procurement team, including significant spend areas within Estates and Corporate Services not currently impacted by procurement 	1.5 *	2.4*
Total		9.3	12.6

* No percentages have been assigned to procurement savings as the savings come out of non-staff costs sitting in other areas e.g., ICT, facilities, etc

These savings were based upon £57M of current budget associated with the 6 Organisational Support Services and were used as a benchmark for the OBC.

4.4 Outline Business Case (OBC)

The OBC highlighted that the total budget spent on Organisational Support Services across the three Forces totalled some £77M with approximately 1,100 FTEs, as shown below:

	£m	FTE
Bedfordshire	18.2	248
Cambridgeshire	23.2	321
Hertfordshire	35.5	535
Total	76.9	1,104

The OBC provided a detailed assessment of the 4 shortlisted options from the SOC. However, it was recognised that as part of the 'partnering approach through outsourcing' Lincolnshire had signed a contract with G4S on which the three Forces were named at therefore a contract that could be joined without going through a competitive process. The OBC therefore assessed 5 options with two variants of the outsourcing approach (option 5a being the Lincolnshire/G4S contract and 5b being a competitive tender approach). The outcome in relation to Economic Benefits, was as follows:

	Option 3b (i)	Option 3b (ii)	Option 4 *	Option 5a	Option 5b
Cumulative Net Forecast savings by 2014/15	L	M	L	-	-
Cumulative Net Contracted savings by 2014/15	-	-	-	H	M/H
Total Capital Investment Required	M/H	M	H	L	L
Total Severance costs directly payable by forces	M	M	M	-	-
Cumulative Net Annual Savings (10 years) Undiscounted	L/M	M	L	H	M/H
Cumulative Net Annual Savings (10 years) Discounted	L/M	M	L	H	M/H
Breakeven Year	2015/16	2014/15	2015/16	2013/14	2013/14

Along with the assessment of Economic Benefits an assessment was made against Qualitative aspects incorporated within the CSFs, this provided the following outcome:

Evaluation Results	Option 3b	Option 4	Option 5a	Option 5b	Option 6
Economic Appraisal	3	4	1	2	-
Qualitative Assessment	3	4	1	2	5
Overall Ranking	3	4	1	2	5

Based upon this assessment it was agreed, by the three Police Authorities in June 2012, that the option of outsourcing via the Lincolnshire/G4S contract should be taken forward to Full Business Case for the following reasons:

- It is the quickest option to realise savings in that full year savings are achievable from April 2013 and for a period of 9 years.
- Higher on-going annual savings in comparison to the other options
- Low set-up costs in comparison to the other options
- Savings would be contractually guaranteed

4.5 Post Outline Business Case

Work on developing a Full Business Case (FBC) commenced in July 2012, with numerous strands of work including:

- Defining baselines in terms of financials, employees and contracts in order that they were strong enough to base a contract on;
- Commercial negotiations;
- Development of Service Schedules;
- Relationship and Governance with Lincolnshire; and
- Due Diligence.

Based upon an early assessment of more detailed working with G4S, in the development of the FBC, and in the backdrop of the Olympic Games issues faced by G4S, it was determined that of the 12 services, highlighted at paragraph 4.1, 4 of them did not form part of the Lincolnshire/G4S contract and the development of contractual documentation for these would slow the production of a full business case and therefore: Corporate Communications, Legal Services, Corporate Services and Business Support, were excluded from the scope of the FBC.

Work has been undertaken with G4S to allow them to provide an updated offer to the one incorporated within OBC, through the development of service schedules, due diligence and defining the baseline of the 8 remaining services. This has been undertaken in parallel with an ongoing legal review of the contract, recognising the potential for contract changes by the Alliance compared to the Lincolnshire/G4S original contract.

G4S have now provided the Alliance with an updated proposal and work is now being undertaken to further assess this against the Critical Success Factors. It is anticipated that an interim report, based upon this evaluation, be considered by Chief Constables and the Police and Crime Commissioners (PCCs), prior to further work being undertaken in the development of a full business case.

5 Conclusion

The Organisational Support review has been developed over a period of some 18 months, with an outsourcing option, based upon the Lincolnshire/G4S contract, being the option on which a Full Business Case has been requested. Work has been undertaken with G4S to allow them to provide an updated proposal, to the one they provided in May 2012, based upon their due diligence work and a better understanding of the three Forces' service levels and costs.

The updated proposal is currently being evaluated and an interim update, prior to the development of a Full Business Case is expected in the new calendar year.