Appendix 1

MPA/MPS Capital Strategy

Index

Capital Strategy

Introduction

1. The purpose of the capital strategy is to provide a clear picture of the Authority's procedures for acquiring and managing its capital assets. This document sets out the Authority's belief that capital investment should support core policing services and the achievement of key objectives.

2. The capital strategy focuses on processes to take forward a strategically led, priority driven, capital programme. Intensive stewardship of the programme is deemed essential in ensuring that the asset needs of the Authority are delivered on time and within budget. To enable efficient and effective planning of investment requirements it is recognised that the programme will need to be enlarged in scope to cover at least a seven-year period. This will enable better consideration to be given to affordability, capacity and timing issues. It will also assist in securing strong links between capital investment and associated revenue costs. The effectiveness of the capital strategy will be reviewed annually in the light of changing needs and priorities. Ongoing reconsideration of the strategy will ensure that it is effective and reflects developments in the Authority's strategic aims and best asset management.

3. Slippage in project delivery and a lack of capacity to deliver key schemes as required are areas that the strategy will address. Various measures have already been put in place to alleviate problems experienced in the past. Other measures are being developed to ensure that greater flexibility in the build of the capital programme exists. The ability to 'substitute' schemes for those where delivery is delayed, the possibility of holding projects in abeyance and the opportunities for being creative in terms of the level of funding that can be made available are all areas that are being explored. These will be carried forward to complement measures examining capacity issues.

4. The strategy will adhere to the requirements of the Prudential Code, ensuring that concepts such as affordability and sustainability are central to future plans. The strategy will also dovetail with other extant strategies within the organisation to enable priority issues relating to staffing, best use of resources, and modernisation to be tackled.

5. There is a need for the capital strategy to enable the organisation to deal effectively with environmental issues and concerns. All projects should contribute to the achievement of sustainable development, or at least not compromise the ability to deliver sustainability. The development of the capital programme must be balanced against economic, social and environmental considerations. Once prepared the programme will be reviewed to assess how

equality, diversity, environmental and other sustainability issues have been incorporated.

MPA/MPS Strategic Priorities

6. The strategy will inform how far and how quickly we can deliver the priorities and objectives that are published in the annual policing plan. However, the plan will in turn give detailed direction to the range of projects/schemes that support the capital strategy. In addition, the longer-term direction set by the strategy will help to prioritise the allocation of resources; including the need for new capital investment.

7. The current proposals for the strategic priorities are:

- Citizen Focus;
- Counter Terrorism;
- Making Neighbourhoods Safer;
- Criminal Networks;
- Capital City Policing;
- Violent Crime;
- Information Quality;
- Together.

8. The priorities will enable us to achieve four strategic outcomes:

- Increased confidence and satisfaction;
- Improved security and reassurance;
- Crime, disorder and harm prevention and reduction;
- More offenders brought to justice.

9. The strategy will be supported by an integrated corporate planning framework, which focuses on developing and maintaining an organisation in which the needs of Londoners are central. The strategy will recognise and welcome the involvement of key stakeholders. In particular, the involvement of stakeholders external to the MPA and the MPS is encouraged. To achieve this the organisation will seek to build better partnerships with other bodies within the GLA Group, London boroughs, key businesses and other influential bodies.

10. The strategy should always reflect work in progress. The ultimate goal is to demonstrate that the Authority’s capital objectives, priorities and spending plans are directly linked to, and consistent with, the priorities of the Mayor, and are consistent with the aspirations of the Home Secretary’s National Policing Plan. The strategy will be supported by detailed procedures and guidelines, together with an overall process map, to ensure that those operating under its aegis are aware of what needs to be done, by whom, and by when.

11. The strategy is seen to extend beyond the aspiration and planning stage. Underlying procedures and guidelines will give clear direction to governance arrangements once the capital programme has been determined. Effective programme management will ensure that early warning of any problems regarding project delivery is available and that remedial action can be taken. By developing an enlarged programme over at least a seven-year 'window' it will be possible to have greater flexibility regarding the delivery of schemes and take full heed of capacity and timing factors. This will be aided by the continuing annual review of the programme content and detailed monitoring of project spends against budget.

12. The strategy will also examine areas of major concern to ensure that the capital programme can make best use of available resources. Therefore, the damaging aspects of slippage in project delivery and inability to deliver schemes due to capacity issues will be a key focus.

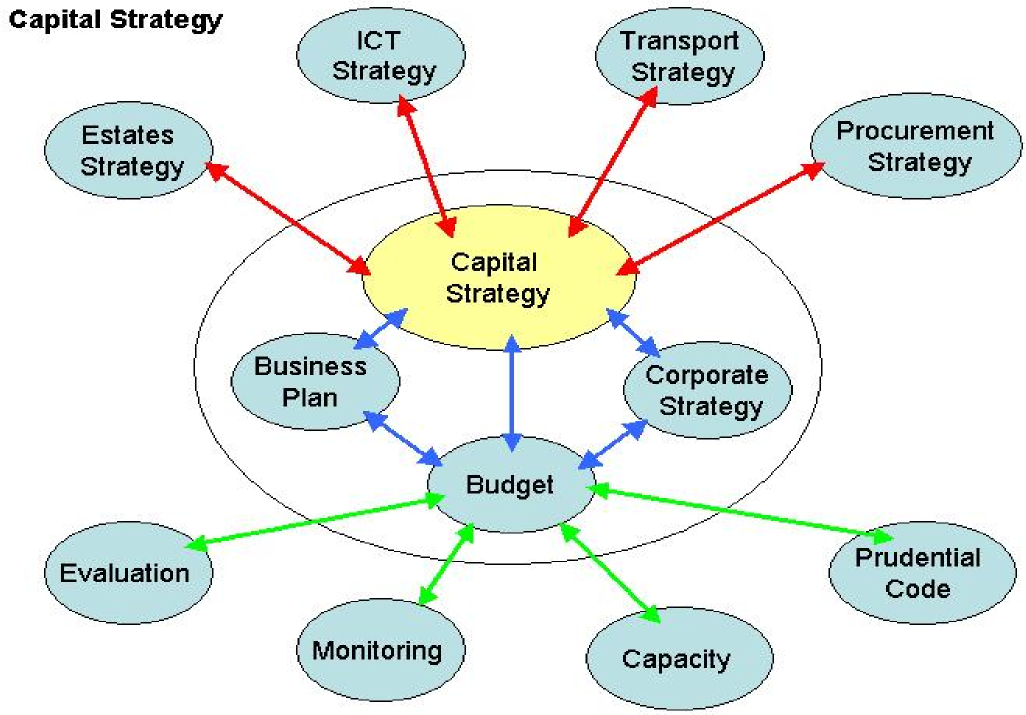

Table: Scope of the Capital Strategy

The above table shows the various internal planning procedures and disciplines that impact upon the capital strategy. It also recognises key underlying strategies that operate within support departments and inform the Capital Strategy. The Capital Strategy should in turn influence these strategies. Brief summaries of the underlying strategies are given below.

Estates Strategy – This examines operational properties with a view to determining their suitability in meeting the needs of a modern police force. 'Building Towards A Safer City' was designed to make the operational estate 'fit for purpose' whilst operating within (a) the available funding envelopes - both capital and revenue; (b) providing faster delivery of new/improved premises; and (c) giving medium term location flexibility. To achieve best value the concept was to adopt a high level of standardisation in terms of facilities provided.

ICT Strategy – This strategy defines the approach used to use and exploit information, communication and technology. It includes a description of the portfolio of projects, programmes and services that will be delivered by the Directorate of Information. It supports the development of a long-term vision as well as short–term initiatives designed to achieve MPS policing goals.

Transport Strategy – The Transport Strategy defines the way in which Transport Services contributes to the business of the MPS through the provision of first class, customer focused support services. The strategy sets out four key outputs and one supporting function. These are (a) to provide vehicles; (b) manage the fleet; (c) provide dispatch and distribution services; (d) provide a driver service; and (e) support Transport Services' business.

Procurement Strategy – Procurement Services aims to be acknowledged as the best procurement function in the police forces of England and Wales. It provides a customer focused service, delivering best value to the MPS/MPA. The future vision is to be regarded as a best in class procurement organisation across both the public and private sectors.

Scope of the Capital Strategy

13. This capital strategy covers all aspects of capital investment and the need to take account of the revenue implications of that investment. The strategy identifies the development and implementation of processes for the:

- Generation of business cases for appraisal of capital project proposals;
- Prioritisation of capital projects – informing choices concerning the allocation of additional capital investment;
- Processes for decision making, particularly timing of decisions for approval of new schemes;
- Approval of the capital strategy/capital programme and the priority allocation criteria;
- Monitoring, evaluation and management of ongoing/completed projects;
- Corporate review of existing property, asset and service needs by exploring the opportunities for more efficient and effective use of property/assets and to release resources through managed disposal programmes;
- Rectifying areas of under investment;
- Replacement of existing, life expired assets essential to service delivery e.g. the transport fleet.
- Prudent use of capital receipts secured from the disposal of redundant or obsolete land/property/equipment;

- Governance of the arrangements; principally through the Capital Programme Review Board (CPRB), Investment Board, and the MPA Finance Committee; and
- Further development of Asset Management Plans – in respect of assets managed by Property Services, Transport Services and the Directorate of Information.

14. The Authority's medium term financial projections highlight the need to consider revenue expenditure and capital investment together. The revenue costs of capital investment must be considered alongside other revenue spending pressures in the Authority's budget planning process. The revenue implications of individual projects are required to be considered as part of the business case to be prepared in respect of all capital bids. There is a need to ensure that capital financing charges and revenue costs resulting from investment are affordable, and do not restrict future options. Revenue costs embrace implementation fees, decant and removal costs, etc. as well as ongoing running costs once a scheme reaches fruition.

Capital Programme – Prioritisation, Appraisal, Management, Monitoring and Review

Prioritisation and Appraisal

15. Investment Board is chaired by the Deputy Commissioner and is fundamental to the prioritisation and approval process. Each operational business group is represented at ACPO level, with the Directors of Finance Services and Property Services also in attendance. The board prioritises capital resources in line with strategic priorities and will draw upon the business planning process where business needs, (aligned to strategic priorities), are identified by business groups and the provisioning departments. These plans will form the basis for identifying capital investment requirements in conjunction with the Asset Management Plans and specific investment strategies e.g. the estates strategy, IT strategy, etc. External funding requirements (where appropriate) will also be identified and proposals related to relevant strategic priorities and available performance measures.

16. The Investment Board's terms of reference and responsibilities include:

- To consider and prioritise submissions for capital investment against the strategic priorities and integrate these into the Authority's key processes;
- To recommend a prioritised capital programme to Management Board each financial year, commensurate with the recommended investment level, including submission as part of the overall budget plan to the MPA;

- To review and monitor the capital programme performance against key milestones;
- To inform and influence the performance management framework and the strategic management framework; and
- To consider the content of the capital strategy and review it on an annual basis for approval by Management Board and the MPA.

17. The CPRB will support the Investment Board in the tasks listed above and will undertake much of the detailed investigative work itself. This will allow Investment Board to perform an approval and overview role; being more directional and governing in its role.

Management, Monitoring and Review

18. The CPRB will assist Investment Board in many of the management, monitoring and review tasks it performs. It will exert a governance role providing a suitable forum for discussion of capital expenditure matters. The delivery of schemes will be closely monitored to ensure that any emerging underspends are quickly identified. A ‘reserve’ list of projects will be prepared which could be implemented should slippage in the programme occurs. The development of these improved governance arrangements will be undertaken in conjunction with business groups and provisioning departments.

19. The MPA oversight groups will also feed into this process. Groups presently exist for IS/IT, property and HR. They are chaired by lead Authority members and act as regulatory for making certain that matters are progressed in an efficient and economic manner whilst ensuring the best interests of internal and external stakeholders are being considered. Many aspects relating to governance of the capital programme fall within their remit e.g. monitoring of capital projects and capital receipts.

User/Provider Relationship

20. The capital programme should reflect business groups’ operational needs. Historically, the capital programme has been built up by securing bids from provisioning departments once liaison with business groups regarding operational needs has taken place. Also, the programme has been presented on the basis that provisioning departments have responsibility for delivering each project to budget and within a prescribed timeframe. This emphasis will change. The ‘provider’ and the ‘user’ must be equal partners within the delivery of each capital investment scheme.

21. In securing bids to populate the capital investment programme it will be a requirement that it can be clearly evidenced that there is an operational need for the investment to take place. This need will have been identified by the user and will have been fully discussed with the provider(s) who will have given necessary

technical advice on how the requirement can be delivered and appropriate costings, etc. Relevant business support accountants will assist in the latter area.

22. Each project put forward for consideration will be seen to be ‘owned’ by the user and provider. Both will have a responsibility for ensuring delivery of the scheme. This shared accountability will be reflected by a revised style of presentation for the capital programme - showing user and provider – and by both parties being answerable for delivery of the benefits highlighted within the relevant business case.

23. Responsibility for project delivery will fall to a nominated project manager. This person will be from either the relevant business group or provisioning department. The selection will depend upon the person deemed best placed, and most suitably qualified, to ensure that key milestones will be achieved and the project can reach fruition and deliver benefits within budget. The project manager will have an obligation to report to both the user and the provider on progress achieved. This information will also be made available corporately to allow accurate monitoring of the capital programme.

Priority Allocation Criteria

24. Investment Board will review bids from business groups for capital investment. Each bid will be assessed using agreed criteria for prioritisation. Development of this process is at an early stage but the intention is that it is based on a sound rationale that reflects MPA/MPS strategic priorities and business group objectives. The following key prioritisation considerations are the present basis of selecting new schemes:

- Impact on delivery of MPS strategic priorities;
- Impact on delivery of Met Modernisation Programme (MMP);
- Mandatory legal requirement to provide a service or asset;
- Continuation or completion of capital project where there is a contractual commitment;
- Continuation or completion of a project where significant expenditure has already been incurred and unjustifiable wastage of resources would result;
- Where significant revenue savings would result which could be reallocated elsewhere within the business;
- Business benefits of the project – with particular emphasis on direct performance; and
- Effect on corporate risk levels (including performance, loss of life and limb, reputation, finance and diversity).

25. Investment Board has developed a detailed scoring system based around these priority criteria to ensure a transparent, simple but robust approach will operate. The process will be reviewed each year in the light of lessons learnt.

This appraisal process will prioritise projects for inclusion in the capital programme. It is intended that schemes that are not included are prioritised for further consideration in future years, or, in the event that slippage occurs, are available for potential inclusion as a rapid replacement for the capital project that has slipped. Opportunities will be explored during these processes for combining business groups' capital proposals and joint working/cross cutting opportunities.

26. Investment proposals will be brought to CPRB/Investment Board and the relative merits of each proposal will be established by analysis of the prepared business case. This will explore available options, suitably costed, including key benefits delivered and where possible measured against strategic priorities. Comparative scores against the predetermined priority allocation criteria will then be applied and a priority list established (see **Annexes** In addition to providing clear links to approved service plans, evidence will have to be provided that sources of finance have been explored.

How the Process Works

Preparation of the capital strategy

27. The MPA Finance Committee will approve the capital strategy annually at its June meeting, after approval by Management Board. This will 'trigger' the start of a new capital budget round, and provide the strategic context and framework for the development and implementation of the capital programme for agreement by the Authority and inclusion in the Mayor's annual budget submission.

Commencement of capital programme planning

28. At the start of each cycle CPRB/Investment Board will review the committed capital programme and consider available capital resources for the next year. This will include an assessment of the additional borrowing that can be regarded as sustainable and affordable in accordance with the flexibilities provided by the Prudential Code. The capital receipts target, available capital grant and possible other funding sources will also be assessed.

Guidelines

29. The CPRB/Investment Board will circulate guidelines to business groups for the preparation of capital proposals. These guidelines, which are designed to ensure consistency of approach, will include a requirement to:

- Address how each project will support the delivery of the MPA/MPS strategic priorities;
- Provide an assessment of how each proposal aligns with the priorities outlined in the capital strategy;
- Provide critical planning information required to support the proposal –

budgets, specific project objectives, benefits, targets, milestones and indicators;

- Indicate whether the project is a new initiative or part of a programme of works for the replacement of existing, life expired assets e.g. the vehicle replacement programme;
- Confirm the extent to which projects have undergone consultation with partners and other stakeholders; and
- Give a thorough option appraisal and assessment of funding opportunities available.

30. Business Groups will, at the appropriate time, use this information to prepare business cases for new schemes, or refine existing ones, where appropriate. Assistance will be available in terms of specialist advice from provisioning departments, Procurement Services, SM&PD and Finance Services.

Draft capital programme

31. Information on all current and new bids will be collated and submitted to the CPRB/Investment Board, which will prioritise schemes and integrate them into a draft capital programme. Resourcing implications will be taken into account. It is also imperative that revenue costs – implementation, ongoing and capital financing charges - are considered at this time. The ability of the revenue budget to absorb such additional expenditure will be important in agreeing the timing for capital investment to proceed. Management Board will then agree the draft capital programme and submit it to the MPA Finance Committee for approval at its September meeting as part of the annual review of the capital programme. It will then go forward as part of the budget submission to the Mayor of London. This earlier opportunity to see the draft capital programme will also allow integration with the emerging revenue budget to ensure consistency between capital plans and their revenue effects.

32. The output from this process will be a draft capital programme, which allows members to scrutinise and formally agree new opportunities for additions to the capital programme, whilst being assured that the existing committed programme has undergone thorough examination. MPA members will be able to verify that a process has been followed to assess bids against agreed priorities. It will also allow opportunities for any additional capital investment spend at other times in the financial year to be considered against an existing priority list of schemes.

33. In January/February each year the MPA will receive an updated forward capital programme. This will reflect any further changes to programme assumptions e.g. revised capital grant support advised through the capital settlement. Such changes will be incorporated within the constraints of the revenue budget.

Setting the capital programme

34. This analysis will identify key service areas in support of the MPA/MPS strategic priorities, capital strategy and asset management plans.

Areas for Development

35. It is recognised that the capital strategy is an evolving document that requires regular review and must take account of organisational, technical, statutory and environmental developments. It is also important to have key areas of focus that allow the strategy to grow. Issues presently being examined are:-

- System development to ensure compatibility and integration issues between SAP/MetFIN and other networks, which hold financial data, are addressed. This will facilitate better monitoring of capital investment and enhance the budget build ability.
- Affordability issues in terms of improved monitoring of cash flow and the need for external borrowing;
- Capacity issues in terms of ensuring the capital programme can be delivered and providing early warning of areas of potential slippage;
- A review of the setting of the overall annual capital allocation to provide reassurance on affordability considerations, with particular emphasis on revenue implications; and
- Better profiling of receipts secured from the disposal of redundant or obsolete assets and debate on how these receipts should be used to aid capital investment to best effect i.e. held for future development purposes or utilised as received.
- Expansion of the programme to cover at least a seven-year period.

36. The level of slippage within the capital programme has become an increasing area of concern over recent years. It reflects badly on the Authority that well prepared budget plans have not reached fruition and means that the organisation is late in delivering key investment projects. The slippage also creates capacity issues if a large amount of expenditure is carried forward to the following year’s agreed capital programme. This invariably means that from the outset the delivery of all listed schemes is subject to considerable pressure. Methods of overcoming these problems are being investigated and the CPRB has been tasked with finding ways of reviewing the size of the capital programme to ensure that key projects are delivered on time (and to budget). This problem is to be solved by a group of measures including over programming and the identification of quick start schemes that require little preparation/forward planning.

Benefits Realisation

37. It has been recognised that insufficient effort has been made to ensure that the benefits identified within each business case as justification for a scheme to proceed have actually been delivered. The post implementation review is a prime responsibility of the project team/manager, and will so remain. However, there will also be a requirement for a return to be submitted to the CPRB to monitor progress on achievement of business benefits. This return will identify those benefits that have been delivered and a timescale for those that are still awaited. For those schemes where delivery has not been secured, and/or is not expected to be secured, proposals are to be made on a range of measures to make business groups/provisioning departments more accountable. Suggested repercussions could be the withdrawal of budget pending certain guarantees and closer monitoring of future schemes. These measures would be seen to improve the quality of future budget bids and business case submissions

Asset Management Plans

38. The MPS will further development asset management plans covering property, information and transport services. These plans will be co-ordinated by the CPRB/Investment Board to ensure that they are fully supportive of each other. Asset management plans will be driven by MPA/MPS strategic objectives but will also inform the development of future strategy.

39. The MPA has supported the MPS in its creation of distinct organisational structures for the management of property, IT and transport. This approach enables the optimisation of these resources in terms of service delivery and financial return, and the maximisation of the benefits to be gained from innovation and continuous improvement within a professionalised service. The Authority will also operate a continuous review over asset use and approve the disposal of surplus assets when and where appropriate.

40. It will be necessary to ensure that other organisational strategies, such as those relating to Estates and Information, work in harmony with the capital strategy to enable the creation of a cohesive and achievable statement of intent.

41. The MPS is committed to ensuring that London receives a lasting positive legacy following the 2012 Olympics. The organisation must be conscious of the need to maintain awareness of forthcoming major projects, such as the development of the Thames Gateway, so that plans can be amended or developed appropriately to meet changing circumstances and needs.

42. The capital strategy will support the concept of sustainability and will work within the GLA Group in developing investment plans which are supportive of environmental/sustainability issues e.g. procurement initiatives, replacement of the transport fleet with ‘greener’ vehicles. Concepts such as the C40 initiative –

economies of scale achieved by a number of organisations committing to building energy efficiency projects in London – will be engaged where appropriate. A revolving capital fund to address the Climate Change Action Plan (CCAP) has been included within the capital programme. This will be regularly reassessed to ensure that policy and legal issues are being appropriately focused upon.

Procurement Strategy

43. The MPA agreed a revised corporate procurement strategy in July 2007. This reflects the challenges facing the MPA/MPS over the next three years and takes account of all relevant changes in associated legislation and regulation. An informal Procurement Oversight Group has been established to facilitate joint working and ensure progress is achieved in procurement matters. The Authority supports a centralised procurement department under the leadership of the Director of Procurement Services. The procurement department operates to co-ordinate major supply contracts. To achieve best value there is a clear focus on achieving the fundamental principles that underlie the procurement strategy, namely competition, transparency, accountability, legality and probity. This supports the Authority's strategy that the goods and services that are procured must be economic, efficient and effective.

44. The strategy identifies a number of high-level actions supported by detailed action plans with clear and measurable milestones. It also advocates the provision of an appropriate communication strategy to ensure all staff are aware of their respective responsibilities, particularly with regard to operating effective internal control. The identified high-level actions are:

- to increase collaboration with other appropriate bodies;
- to ensure that activities are informed by the need for sustainable development; and
- the management of suppliers

Performance Measurement and Monitoring

Indicators

45. Capital schemes will be designed to contribute to the seven strategic priorities within the 2006-2009 corporate strategy. The effectiveness of the Authority's capital schemes will be evaluated by the extent to which they have measurably achieved the Authority's four strategic outcomes. It is recognised that direct measurement of this effectiveness may prove difficult and 'value added' would need to take account of other, possibly unrelated, contributory factors.

46. Alongside this, the MPS will develop specific project performance indicators. These will focus on the management of overall costs, budgetary control and

achievement against milestones and targets, so that any problems can be highlighted at the earliest opportunity and resolved.

Procedures

47. Inclusion in the capital programme gives authority for schemes to proceed, subject to:-

- Investment Board and Management Board approval,
- MPA member review (where appropriate);
- MPA Committee approval (where appropriate)
- Approval of business case(s); and
- Compliance with procurement procedures.

Capital investment is controlled through the annual preparation of the capital programme and by regular monitoring of performance.

48. CPRB/Investment Board will monitor capital programme expenditure and resources on a monthly basis. It also exercises control at individual project scheme level and further business group/provisioning department reviews take place for specific schemes.

Risk Management

49. Typical risks to the capital programme involve overspending/underspending against agreed budgets. Regular expenditure monitoring meetings should be held by the project officers to identify problems at an early stage. Estimated funding from capital receipts is based on the approved assets disposal programme, which is to be subject to regular internal review.

50. Unforeseen factors may affect the future affordability of the capital programme, and the possibility of the Mayor not approving what the Authority may consider to be a prudent programme. These risks are mitigated by publication of detailed Mayoral budget guidance early in the budget cycle, and regular Mayoral budget meetings with the Authority.

Consultation

51. The main method used for consulting London residents is the Mayor's budget consultation process, which is arranged by the Mayor each year. Copies of the MPA budget submission, and the final agreed budget as approved by the Mayor, are readily available at www.mpa.gov.uk.

52. The planning process for agreeing the annual capital programme involves consultation with, and the involvement of business groups/provisioning departments and a wide range of internal and external stakeholders. Plans should be updated annually to coincide with the Authority's budget setting

process. The MPS Corporate Planning Group and Finance Services are jointly taking this work forward, although it is acknowledged that further development of procedures to align business and financial planning processes across the MPS is required.

53. The procedure for the submission of reports to Authority members makes it the responsibility of officers to ensure that all resource (staffing, property, IT and transport etc.) aspects of implications arising from a report are properly assessed and recorded in the report.

Key Partners

54. The main statutory partners for the MPA/MPS are the Mayor/GLA and Home Office/Home Secretary. There are a plethora of relationships and governance arrangements, which ensure the aim of joined up working to the benefit of all partners, including the GLA Group. Additionally there is a close working relationship with borough commands and their respective Crime and Disorder Reduction Panels and local authority partners.

55. There have been a number of notable developments in co-location, in particular arrangements have been agreed with the Crown Prosecution Service, Transport for London, various local authorities and other public sector partners, which includes a sound agreement on funding issues and cost sharing.

The Impact of the Prudential Code

56. The Prudential Code requires sound strategic planning, and sound reporting systems to meet the demands of the new arrangements e.g. by setting out the affordability aspects of capital investment decisions. The flexibility provided by the Code allows consideration of more capital-intensive schemes that may produce immediate and substantial revenue benefits.

57. The MPA supports the use of the flexibilities and freedoms offered. The Authority has already undertaken ‘unsupported borrowing’ for advancement of the step change programme infrastructure costs and other projects. The extent of further unsupported borrowing will be determined by the Authority’s needs, affordability and sustainability issues, and the support of the Mayor.

Framework for Capital Programme Development

58. In terms of development of future capital programmes, much of the early work will focus on confirming existing projects earmarked for commencement in future years are still necessary. It will then be necessary to consider other emerging projects and determine the prioritisation that should be afforded to them. The flexibility of the Prudential Code, subject to affordability and sustainability, will be fully explored in agreeing an overall sum suitable for capital

investment purposes. Capacity and management issues will also be fully considered.

59. At the present time the capital programme spans three financial years. One of the main reasons for this is the limited forward indications given by central Government regarding police grant, supported borrowing, etc. The introduction of the Prudential Code means the MPA/MPS has greater freedom regarding how it funds its capital programme. With this in mind there is a general consensus that the capital investment programme should be broader in scope. Planning investment needs over a greater number of years will allow better use of available resources, will reduce potential slippage and allow more strategic development of Authority needs. Expansion of the programme to cover a seven-year timeframe is underway. The development of the capital programme to cover a period of at least seven years, together with detailed monitoring of expenditure once the programme has been set, will permit far greater flexibility in terms of project delivery. The programme will continue to be subject to regular annual review

External Funding

60. The Authority is committed to securing further external sources of finance to fund capital expenditure, including:

- Ad hoc capital grants
- Partnership investment
- Private Finance Initiatives and Public Private Partnerships (where appropriate and cost effective)
- Third party contributions

61. Bidding for and managing resources must be consistent with the principles established by this Strategy.

62. Other capital resources generated to support the capital investment requirements of the Authority, including planning gains (section 106 agreements), which are generally to be used for specified purposes, together with more specialized possibilities, such as innovative property funding approaches, may also be considered in line with this Strategy.

Annex A

Scoring Criteria for Capital Spend

Background

Investment Board members agreed the key criteria for the prioritisation of capital spend at their meeting on 20 December 2006 [Paper IB(06)119 refers]. The criteria themselves are shown in **Annex B**. This paper gives further detail concerning the scoring mechanism that can be applied to each criterion. Common application of the approach to scoring across all business groups will ensure consistency in the rankings achieved between various capital investments.

Scoring mechanism

Proposed capital investments are scored on a scale of 1 – 5 as to how far they meet each prioritisation criterion. **Annex C** gives further detail concerning the scoring range for each criterion. The approach builds on that used by DoI during the prioritisation of their capital funding to make the system generic for application to all business groups.

The scores have been structured so that – in each case - the higher the score received, the more favourable the investment will be viewed.

Scope

Application of the scoring mechanism agreed by Investment Board is an objective process to inform the debate regarding which investments should be agreed from the limited Capital funds available. It is recognised that the final decision made will also be informed by other factors e.g. political considerations, which have not been included in the scoring mechanism overleaf. Nevertheless, the product from the application of this process will be a ‘first pass’ ranking order of investments across all business groups, which can then be used to narrow the number of schemes subjected to further scrutiny.

Whilst publication of the scoring criteria will reduce the subjectivity of the scoring mechanism applied by different business groups, the Assessment Panel will undertake independent scrutiny of the scores before their submission to Investment Board. The Assessment Panel will be utilised to review the full Capital programme, including an assessment of business benefits, risks and links to strategic priorities.

Annex B – Prioritisation criteria for capital spend

Key factors

- Impact on delivery of MPS Strategic Priorities;
- Impact on delivery of Met Modernisation Programme (MMP);
- Mandatory legal requirement to provide a service or asset;
- Continuation or completion of capital project where there is a contractual commitment;
- Continuation or completion of a project where significant expenditure has already been incurred and unjustifiable wastage of resources would result;
- Where significant revenue savings would result which could be reallocated elsewhere within the business;
- Business benefits of the project – with particular emphasis on direct performance;
- Effect on corporate risk levels (including performance, loss of life and limb, reputation, finance and diversity).

[‘Effect on corporate risk levels’ was added as a key factor during the Investment Board debate on the proposals in paper IB(06)119].

Having prioritised the capital investments using the above criteria, the following factors will need to be applied to the whole capital programme to assess its overall feasibility:

1. Revenue costs of borrowing the capital sums required to determine overall affordability.
2. MPS’s capability and capacity to implement the proposed capital programme.

Annex C – Details of scoring range for each criterion

Priority criteria	**Score 1, 2, 3, 4 or 5**
Impact on delivery of MPS Strategic Priorities[1].	5 - Delivery of Strategic Priority relies on this capital investment. 3 – Capital investment facilitates an enabling activity not directly contributing to Strategic Priority but provides a degree of dependent support. 1 – Investment would provide little or no contribution to the delivery of a Strategic Priority.
Impact on delivery of Met Modernisation Programme (MMP)[2].	5 - Delivery of MMP is dependent upon this capital investment. 3 - Capital investment facilitates an enabling activity not directly contributing to MMP but provides a degree of dependent support. 1 - Investment would provide little or no contribution to delivery of the MMP.
Mandatory legal requirement to provide a service or asset.	5 – Investment is driven by a legal statutory requirement. 3 – Investment is driven by an external mandatory requirement (e.g. Bichard). 1 - Investment is not driven by a legal or mandatory requirement.
Continuation or completion of capital project where there is a contractual commitment.	5 – Withdrawing from the existing contract would involve significant (> than cost of completing project) cost to the MPS. 3 – Withdrawing from the existing contract would involve some cost (quote illustrative figure) to the MPS. 1 – Any contract relating to the investment has not yet been signed.

Continuation or completion of a project where significant expenditure has already been incurred and unjustifiable wastage of resources would result[3].	5 - Project is almost complete, with significant sunk cost. 3 - Project has not yet reached mid point in terms of project spend and delivery. 1 - New requirement or the project is at or just before its initiation stage.
Where significant revenue savings would result which could be reallocated elsewhere within the business.	5 - Significant revenue savings (e.g. greater than £3 million/year) will accrue from investment. 3 - Modest revenue savings (e.g. less than £1million/year) will accrue from investment. 1 - Will require revenue expenditure which does not lead to eventual revenue savings.
Business benefits of the project – with particular emphasis on direct performance.	5 – Investment will facilitate significant performance improvements to a corporate priority or PPAF target. 3 - Investment will facilitate significant performance improvements to a local or business group target or objective. 1 - Investment will facilitate some performance improvement to a local objective or priority.

Effect on Corporate risk levels: 1) Performance - impact on the MPS's performance if capital spend goes ahead. 2) Finance - financial impact on the MPS if capital spend goes ahead. 3) Diversity - impact on the diversity work of the MPS if capital spend goes ahead. 4) Life and Limb - impact on the risk of injury to Officers and Staff if capital spend goes ahead. 5) Reputation – likely impact on the MPS's reputation if capital spend goes ahead. POSITIVE/NONE/NEGATIVE	5 – 'Positive' response to 4 or more of the risk categories. 3 –'Positive' response to 2 of the risk categories. 1- 'Positive' response to none of the risk categories.

[1]MPS Strategic Priorities:

Criminal Networks
Capital City Policing
Counter Terrorism
Citizen Focus
Safer Neighbourhoods
Together Values and Behaviours
Information Quality
Violent Crime

[2]Met Modernisation Programme component parts:

C3i / CCC
Together
Safer neighbourhoods
Intelligence, Covert Policing and Tasking
CTC Implementation
Citizen Focus
Information Quality
Public Protection
Olympics
Custody
Workforce Modernisation
Modernising business support

[3]This does not imply that a project should continue just because expenditure has already been incurred – if a project review indicates that it is no longer on track to deliver useful benefits then it should be stopped. However, there may be occasions where continuing capital investment is appropriate following a consideration of other key criteria.