

MPA/MPS Capital Strategy
2005 – 2010

July 2004 Draft

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SECTION 1

Metropolitan Police Authority Context Sheet

General

London is the largest Metropolis in the European Union and one of the top five financial centres. With a population of 7.1 million it has a total workforce of 3.5 million with 1 million commuters. There is a further daily influx of 2 million visitors and tourists.

Capital and Revenue Budgets

The MPA revenue budget of £2.5 billion in 2004/05 is nearly 25% of the total cost of policing in England and Wales.

The number of police officers has increased from 25,430 in 2000-01 to 30,265 at the end of March 2004. The new Police Community Support Officer workforce now stands at 1,431. At March 2004 police staff totalled 12,093.

The present capital programme and resourcing is as follows:

Medium Term Capital Plan 2004/05 to 2007/08				
Expenditure	2004/05	2005/06	2006/07	2007/08
	£000	£000	£000	£000
Property Services	40,854	25,796	24,231	24,231
Directorate of Information	27,470	29,394	27,894	27,894
Transport Services	17,005	12,850	17,175	17,825
Other Plant & Equipment	1,570	300	300	300
C3i Programme - Directorate of Information	82,386	13,547	897	0
Step Change Programme 2004/05 starts	22,799	347	355	276
Grand Total - All Projects	192,084	82,234	70,852	70,526
Funding	2004/05	2005/06	2006/07	2007/08
	£000	£000	£000	£000
Police Capital Grant	29,034	29,034	29,034	29,034
Air Support Grant	560	0	0	0
Borrowing	23,999	23,999	23,999	23,999
Capital Receipts	10,000	7,000	7,000	7,000
Usable Capital Reserves	22,306	7,307	8,567	9,217
Other	1,000	1,000	1,000	1,000
Total - Funding of Business Groups	86,899	68,340	69,600	70,250
C3i Programme - Specific Grants	40,000	30,000	10,670	0
Usable Capital Reserves from Main Programme	42,386	-16,453	-9,773	0
Unsupported Borrowing - Step Change	22,799	347	355	276
Total Funding	192,084	82,234	70,852	70,526

The MPA has over 600 operational buildings, 1,116 residential properties and 667 rooms in section houses. It provides facilities for over 40,000 police officers and police staff. The open market value of the Authority's assets, as at 31 March 2004, is:

	£ Million
Land and buildings	1,473
Vehicles plant and equipment	101
Non operational assets	179
Community assets	1
Total	1,754

SECTION 2

Capital Strategy

Introduction

This is the Authority's first capital strategy. It sets out the Authority's belief that capital investment should support core policing services and achievement of key objectives. The purpose of this capital strategy is to provide a clear picture of the Authority's process for managing its capital assets by reference to corporate priorities dictated by objectives set out in the MPA/MPS strategy 'Towards the Safest City 2003-05' (TtSC).

This capital strategy focuses on processes to take forward a strategic led, priority driven, capital programme. 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 objectives and best asset management.

Strategic Goals

The MPA and MPS have developed a joint corporate strategy called 'Towards the Safest City 2003-05'. TtSC provides a framework for co-ordinating planning and decision-making across the whole of the police service. The goals and aims form the basis for selection of the priorities and objectives that are published in the annual policing and best value performance plan. In addition, the longer-term direction set by the strategy helps to prioritise the allocation of resources, including capital expenditure.

The strategic goals set for the MPA/MPS in TtSC are:

- Developing safer communities
- Securing the capital against terrorism
- Revitalising the criminal justice system
- Developing a professional and effective workforce, and
- Reforming the delivery of policing services

TtSC is supported by an integrated corporate planning framework, which focuses on developing and maintaining an organisation where everything that is done has the needs of Londoners at its heart.

The purpose of this capital strategy is to set out how the MPA/MPS will equitably and transparently fund capital investment to support its core policing priorities. The capital strategy will be one of the key overarching policy documents of the Authority. This first strategy reflects work in progress, with an ambitious aim over succeeding editions to demonstrate that the Authority's

capital objectives, priorities and spending plans are directly linked to and consistent with, key corporate and service objectives.

The capital strategy reflects the priorities of the Mayor.

TtSC is consistent with the aspirations of the Home Secretary's National Policing Plan. This provides the framework for local police planning over the next three years.

What the Capital Strategy Covers

This capital strategy covers all aspects of capital expenditure (particularly that requiring investment decisions) and the need to take account of the revenue implications of that investment. The capital strategy identifies the development and implementation of processes for:

- The generation of option appraisal of capital project proposals
- Prioritisation of capital projects - informing choices on the allocation of additional capital investment
- Stages at which MPA member involvement in the process will enhance corporate governance, particularly timing of decisions for approval of new schemes, approval of the capital strategy/capital programme and agreement of the priority allocation criteria
- Monitoring, evaluation and management of ongoing/completed projects
- Corporate review of existing properties and service needs to explore opportunities for more efficient and effective use of property, or to release resources through disposal
- MPS governance of the arrangements, principally through the new Capital Strategy Board
- Development of new Asset Management Plans, including property, I.T. and transport.

The Authority's Medium Term Financial Projection highlights the need to consider revenue expenditure and capital expenditure together. The revenue costs of capital investment i.e. financing and running costs, will now be considered alongside other revenue spending pressures in the Authority's budget planning process. Revenue implications of individual projects will be considered through project appraisals on all capital bids.

In recent years the resources available for capital investment have been short of the basic needs of the Authority. However, the level of priority for capital spending has led to an increasing amount of revenue funding for the capital programme, showing a changing balance between capital and revenue priorities. The Home Office, at the commencement of the Authority in June 2000, provided no endowment for capital purposes. In the past three years all available credit approval has been fully utilised. Capital investment has been largely directed at securing statutory responsibilities and maintaining standards. Improvements have been limited.

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

Prioritisation and Appraisal. The MPS will establish a new Capital Strategy Board, chaired by the Director of Finance Services. Each MPS Business Group will be represented at a senior level, together with the major corporate departments (IT, property and transport) and there will also be representation from the MPA. This Board will be charged with prioritising an inadequate capital budget in line with corporate objectives. This will be a constrained process and the Board will not promote open bidding across the MPS, which would unduly raise expectations, but will draw upon the business planning process where business needs, aligned to corporate objectives, are identified by Business Groups and corporate departments. These plans will form the basis for identifying capital investment requirements in conjunction with the Asset Management Plan and the outputs from specialist groups such as the Estates Property Group. This will also be the means by which Business Groups/corporate departments identify external funding requirements and relate proposals to corporate objectives and performance measures.

The MPS Capital Strategy Board's terms of reference are:

- To consider and prioritise submissions for capital investment against the strategic goals, key corporate objectives and integrate these into the Authority's key processes
- To recommend a prioritised capital programme to the MPS Resource Approval Committee and MPS Management Board commensurate with the overall budget timetable each year, including submission to the MPA, commencing in 2004
- To review and monitor capital programme performance against key milestones for each project
- To inform and influence the performance management framework and the strategic management framework and
- To develop the annual Capital Strategy for approval by the MPS Management Board and the MPA by July of each year.

Management, monitoring and Review – the existing MPS Capital Programme Review Group will both support the work of the Capital Strategy Board and be responsible for detailed day to day monitoring and review of both the delivery of outcomes, objectives and financial performance in conjunction with MPS Business Groups and corporate departments.

Priority Allocation Criteria

Each year the MPS Capital Strategy Board will review bids from MPS Business Groups for capital projects. Each bid will be assessed using agreed criteria for prioritisation. Development of this process is at an embryonic stage but the intention is that it is based on a sound rationale that reflects MPA/MPS corporate strategic goals and in a complementary manner Business Group

priorities. The following key prioritisation considerations (in order of importance), will be the basis of selecting new schemes:

- Mandatory legal requirement to provide the service or asset
- Meets the objective of the MPA/MPS TtSC strategy
- Continues or completes a capital scheme where there is a contractual commitment
- Demonstrable priority need to replace the asset and included in Asset Management Plan
- Continues or completes a scheme where significant expenditure started in previous year
- Yields revenue savings

The MPS Capital Strategy Board will develop a detailed weighting model based around these priority criteria to ensure a transparent, simple but robust approach. This process will be reviewed next year in the light of lessons learnt. The result of 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, available for potential inclusion as a rapid alternative to 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.

Scheme proposals will be brought to the Capital Strategy Board and the relative merits of each proposal will be established using business case analysis and/or option appraisal as appropriate to their size and complexity, including key service outcomes measured against corporate objectives. Comparative scores against the predetermined priority allocation criteria will then be applied and a priority list established.

In addition to providing clear links to approved service plans, evidence will have to be provided in respect of each proposal that alternative sources of finance have been sought.

How the Process Works

Preparation of the Capital Strategy - The MPA Finance Committee will approve the annual Capital Strategy and Asset Management Plan each July (after approval by MPS Management Board), triggering the start of a new capital cycle, and providing 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 - At the start of each cycle the MPS Capital Strategy Board reviews the committed capital programme and considers capital resourcing for the next (uncommitted) year. This will include an assessment of the supported borrowings authorised within the prudential framework, the capital receipts target forecast by the Director of

Property Services (from the Asset Management Plan), capital grant and possible other funding sources.

Guidelines - The Capital Strategy Board will then circulate guidelines 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 objectives through the capital initiatives
- for an assessment of priorities outlined in the capital strategy
- for critical planning information required to support the proposal – budgets, specific project objectives, targets, milestones and indicators
- for information on the extent to which projects have undergone consultation with partners and other stakeholders and
- a thorough option appraisal and assessment of funding opportunities available.

Business Groups will then use this information (assisted by specialist advice from corporate departments (Property Services/DOI/Transport) to refine existing schemes and define new ones. In this first year procedures are unlikely to be embedded to allow the Capital Strategy Board to prepare indicative cash allocations for separate Business Groups to work within, however it is expected that this will be a development issue to be addressed in the next annual strategy.

Draft Capital Programme - Agreed information will then be fed back to the Capital Strategy Board who will prioritise schemes and integrate them into a draft capital programme, taking account of resourcing and revenue implications. The MPS Management Board then agrees the draft capital programme, before submitting to Finance Committee as part of the annual review of the capital programme, before onward submission to the Mayor as part of the budget submission.

The output from this process will be a draft capital programme which allows members to scrutinise new opportunities for addition to the capital programme while being assured that the existing committed programme has undergone 'due process'. MPA Members will be assured that a process has been followed to assess bids against agreed priorities and it will allow opportunities for any additional capital spend at other times in the financial year to be considered against an existing priority list of schemes.

This will be a significant departure from existing practice. In practical terms the development of a capital programme aligned to Business Groups and the contribution made to corporate objectives will be an emerging process, likely to be built up over a number of years.

Setting the capital programme - As part of the budget setting process schemes are currently identified by type of activity, such as property, IT and transport etc. It is planned that over the course of the next few years the

analysis will change to show Business Group analysis, which will identify service areas in support of the MPA/MPS strategic goals, capital strategy and Asset Management Plans.

Asset Management Planning

The Authority is in the process of developing its first Asset Management Plan (AMP). This will include property, together with I.T. and transport functions. The development of the plan will be co-ordinated by the MPS Capital Strategy Board. The Authority manages its property in accordance with the 'Building Towards the Safest City – Delivering Policing for Londoners 2003-2008 a Property and Estates Strategy'. The AMP will reflect the aspirations of the strategy recognising the importance of property and its strategic role in the Authority's operations. It will define roles and responsibilities and establish administrative arrangements to ensure the treatment of property as a dynamic resource.

It is planned that the AMP will evolve over the course of the next few years, in line with the developing capital strategy.

The MPA has supported the MPS in its distinct separate organisational structures for Property Services, I.T. and Transport. This approach will enable the optimisation of these resources in terms of service benefit and financial return and maximisation from the benefits to be gained from innovation and continuous improvement within a professionalised service.

The Authority operates a continuous review and disposal of surplus assets.

Procurement Strategy

The MPA agreed a Corporate Procurement Strategy in 2004. This focuses on a 'category management' approach to procurement for the whole police service. 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 which are procured must be economic, efficient and effective.

A key objective of the strategy is to achieve savings in capital procurement costs by reducing waste and duplication and reinvesting the savings to:

- Take better account of measures relating to sustainability
- Improve design to reduce revenue costs, including utilising longer life materials
- Reduce energy costs

Property Services Department (PSD) are reviewing their procurement processes in support of the procurement strategy. There is a move towards a “design and build” approach to allow limited contractor innovation.

Performance Measurement and Monitoring

Indicators - Capital schemes will be designed to achieve the strategic objectives associated with the approval process, essentially the contribution to the TtSC objectives. In the long term the effectiveness of the Authority’s capital schemes is evaluated by the extent to which they have measurably achieved the Authority’s strategic objectives. Incorporating this theme in future capital strategies will be a strong challenge.

Alongside this, the Capital Programme Group will develop specific project performance indicators. These will focus on management costs, budgetary control and achievement against milestones and targets, so that any problems can be highlighted at the earliest opportunity and resolved.

Procedures - Inclusion in the capital programme gives authority for schemes to proceed, subject to Member review and approval of larger schemes’ business cases (>£5 million total value). MPS Resource Approval Committee needs to authorise lower value schemes. Capital spending is controlled through the annual preparation of the capital programme and by regular monitoring of performance.

The MPS Capital Programme Group monitors schemes on a monthly basis. It also exercises control at individual project scheme level and further Business Group/corporate department reviews take place for individual projects.

Risk Management

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

The future affordability of the capital programme and the risk of the Mayor not approving what the Authority may consider a prudent programme is a risk. This is mitigated by publication of detailed Mayoral budget guidance early in the budget cycle and regular Mayoral budget meetings with the Authority.

Consultation

The main method used for consulting London residents is through the Mayor’s Budget Consultation process, which is arranged by the Mayor each year.

Copies of the Budget submission agreed by the Mayor and the final agreed budget are readily available on the MPA's website at www.mpa.gov.uk.

The planning process for agreeing the annual capital programme involves consultation and involvement of MPS Business Groups. Plans should be updated annually to coincide with the Authority's budget setting process. At present it is acknowledged that there is still considerable work to undertake to align the budget and business planning process. The MPS Corporate Planning Group and Finance Directorate are taking this work forward.

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

Key Partners

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 family.

Additionally there is close working with borough commands and their respective Crime and Disorder Reduction Panels and local authority partners.

There have been a number of notable developments in co-location, in particular arrangements have been agreed with the Crown Prosecution Service and Transport for London. The Authority welcomes this approach and now insists that the debate on co-location includes a sound agreement on funding issues and cost sharing.

Unsupported Capital Borrowing and the Impact of the New Prudential Framework

Implementing the new prudential framework requires sound strategic planning. The Authority is ensuring reporting systems can meet the demands of the new arrangements (e.g. by setting out the annual affordability effects of the capital investment decisions). The new freedoms will allow consideration of more favourably capital-intensive schemes that may produce immediate and substantial revenue benefits.

The MPA supports the use of the flexibilities and freedoms offered. This freedom will be used within an affordable framework, not only affordability as viewed by the Authority, but also that agreed by the Mayor. The Authority may wish to take on 'unsupported borrowing'. The extent will be determined by the extent of the Authority's needs, its affordability and the support of the Mayor. There is a perceived need that additional resources will be required,

particularly around the property portfolio to ensure that a renewal programme is embedded within the capital programme, although the capital strategy will require prioritisation of these requirements with other competing strategic capital priorities within the available agreed capital resources.

Framework for Capital Programme Development

The annual capital programme is the output from the process governed by the annual Capital Strategy. Mention has been made of the need to move to a programme aligned to stated objectives. This move will not happen overnight; probably a period of five years will be needed to fully make this transition. However it is hoped that noticeable improvements will be made in the next two to three years.

A benefit of the new approach is that the Authority will be able to systematically establish all its capital investment priorities. The prioritisation of schemes will highlight ongoing pressures.

In terms of future development, much of the early work will focus on opportunities to add to the existing committed capital programme. At present the Authority will take the approved programme as given, the prioritisation process will only apply to new opportunities for investment.

We will however use the full flexibilities of the Prudential Code framework, subject to affordability and prudent application.

External Funding

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

- capital grants
- partnership investment
- Where and if appropriate and cost effective Private Finance Initiatives and Public Private Partnerships
- borrowing

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

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 specialised possibilities, such as innovative property funding approaches, may also be considered in line with this Strategy.