



**Efficiency and Effectiveness Review Programme
Tranche 1: Income Generation Review**

Summary Report

10 April 2002



Metropolitan Police Authority

Summary Report

The MPS is not a commercial entity and has not traditionally seen itself as being in the business of selling goods and services. The level of sponsorship and other income generated in the MPS has remained a very small percentage of the overall budget in recent years and varies considerably across OCUs and BOCUs.

This report details the results of work undertaken to review the major opportunities for generating additional funds for the MPS without compromising its reputation or operational effectiveness. It also details recommended changes to the way in which income generation is managed, should the MPS choose to pursue these opportunities, and how this should all be delivered.

We estimate that the MPS could generate gross additional annual income opportunities of between £5.6m and £39.3m if it pursued the opportunities detailed within this report and adopted our recommendations regarding the management of income generation. We believe that the MPS can realistically generate additional income of £16.7m pa. This figure has been derived from an analysis of what is more realistically achievable from each of the opportunities and an assessment of what the MPS may be willing to undertake, given political and operational risks.

Figure 1 - Summary of Opportunities

Opportunity	Min estimated additional annual income	Max estimated additional annual income	Realistic additional annual income
1. Cost Recovery from policing of events (a) Football (b) Other events	£0.5m £0.25m	£9.9m £2.7m	£5.0m £0.7m
2. Secondments	£1.35m	£7.9m	£1.7m
3. Mutual Aid	£nil	£1.3m	£0.6m
4. Detainee Processing	£1m	£3.0m	£1.2m
5. Training (a) Current products and markets (b) New markets (c) New products	£0.5m £nil £nil	£4.0m £?m £?m	£2.0m £?m £?m
6. Sponsorship	£0.5m	£3.5m	£2.0m
7. Partnership	£1m	£5.0m	£2.5m
8. Intellectual Property	£nil	£?m	£?m
9. Charitable Trust	£0.5m	£2.0m	£1.0m
Total	£5.6m	£39.3m + ?	£16.7m

Source: Accenture

In order to deliver the opportunities available the MPS needs to:

- Make decisions
- Provide sufficient resources
- Improve the management arrangements
- Prioritise opportunities

Make decisions:

Income is already received in a variety of forms, from normal grants, to sponsorship, to the charging for the provision of policing services. Many of these have associated risks:

- Financial risks associated with meeting any related obligations
- Operational risks through the impact upon the use of police officer time
- Political risks through the impact upon the reputation of the MPS

Charging for policing services is highly political, and raises questions that are fundamental to the purpose and position of the police. The MPS / MPA has not fully resolved these fundamental questions surrounding the acceptability of charging for policing services and of having different levels of policing based upon ability or willingness to pay. The MPS policy regarding the pursuit of commercial activities also remains unclear, although grant income and sponsorship is generally accepted as suitable and necessary.

It is for this reason that our first recommendation states that the MPS and MPA should determine a policy for the provision of policing services. The MPS should make firm and conscious decisions whether to pursue the opportunities identified within this report and put in place the appropriate controls.

Provide sufficient resources

Additional resources are required to both initiate and manage each of the nine opportunities examined in this report. Without these resources the income cannot be generated. However, several of the opportunities (1-4 in particular) require little up-front investment, could generate significant additional income in the short term and could act as vehicles for funding the other opportunities. Specifically, opportunities 5-7 and 9 will require significant up-front investment that may not be covered through additional income in the very short term. So if the MPS and MPA wish to pursue these opportunities then sources of finance for the short term will need to be identified.

Improve the management arrangements

We have identified the key strengths and weaknesses within the current income generation management arrangements. These weaknesses need to be rectified if the opportunities are to be delivered, and we recommend adoption of the revised management arrangements described within this report.

There are many good ideas within the MPS for generating income. However, initiatives lack coordination, with little evidence of prioritisation or consistency of approach. This represents an area upon which we have focused within this report, particularly with proposals for how income generation initiatives should be coordinated and controlled.

Prioritise opportunities

It is not possible to pursue all opportunities at once, as this would be both difficult to manage and require more resources. Furthermore, we recognise that the MPS will be keen to take an incremental approach to what is a relatively new area, with new inherent risks and issues. We recommend that the MPS adopt an approach that prioritises:

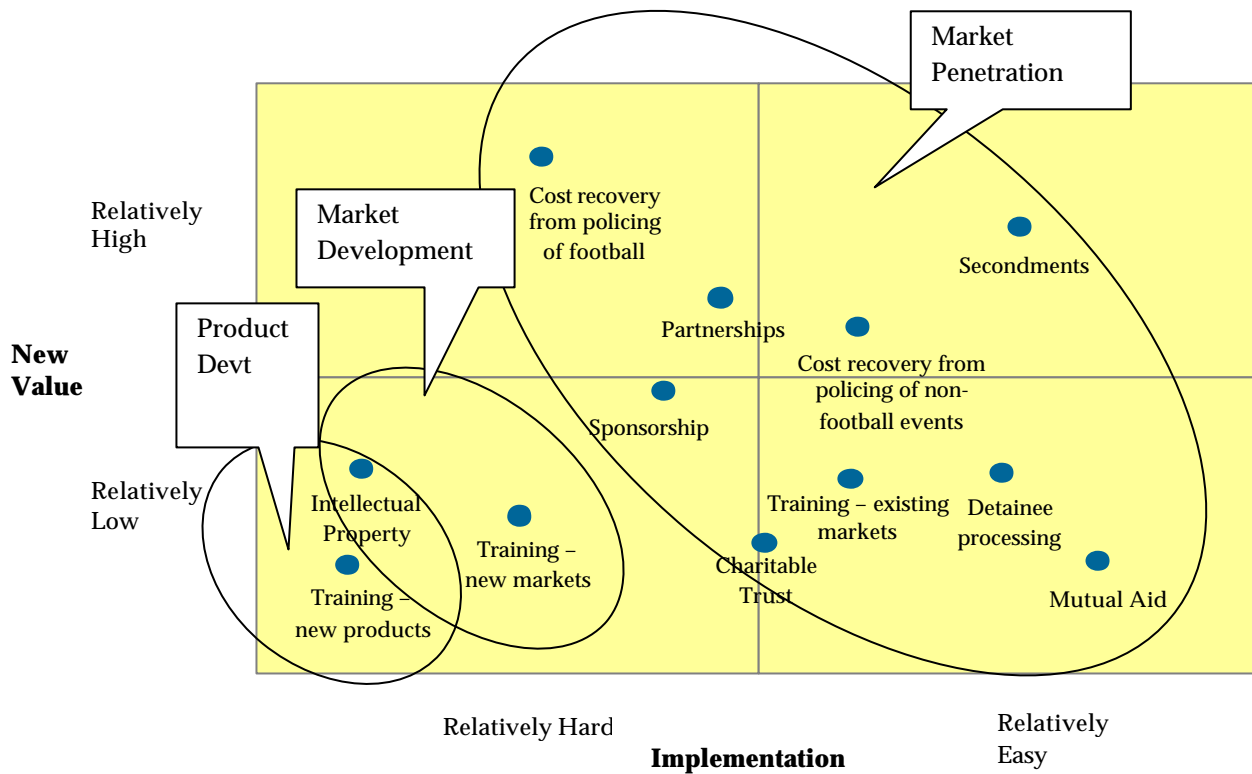
1. Market Penetration – Ensuring that current products and services are maximised within current markets, including the recovery of costs and providing additional policing services. This would include the majority of opportunities, specifically opportunities 1 to 7 and 9 (although training would be restricted to current customers and police organisations). While this represents the

majority of the opportunities, each opportunity either requires little investment or is an activity that the MPS already undertakes.

2. **Market Development** – Providing current products in new markets. This is an appropriate second strand of the strategy as the MPS’ distinct selling point rests with the products and services it has to offer rather than the market in which it is selling. This would include further exploitation of opportunity 5, through the sale of training services to private organisations.
3. **Product Development** – Developing new products. This aspect of the strategy could include identifying and exploiting intellectual property (opportunity 9) and using MPS expertise to develop and market new training services. This represents the more difficult opportunities which are most appropriately pursued as the third and final strand.

The following diagram summarises the risks and returns available from the opportunities, illustrating the rationale for the recommended prioritisation:

Figure 2 - Risk and return analysis of opportunities



Sources of the opportunities

The following table outlines the main details of how the additional income can be generated.

Figure 3 - Source of the opportunities

Opportunity	Source of Opportunity
<p>1. Cost Recovery from policing of events</p> <p>(a) Football</p> <p>(b) Other Events</p>	<p>(a) The maximum potential additional income identified of £9.9m arises from charging all professional football clubs in London for directly attributable policing. Football clubs are currently charged only for policing inside the ground – this opportunity requires policing outside of the ground to be paid for. Our ‘realistic’ estimate of £5.0m assumes that only Premiership clubs are charged, as recognition of ‘ability to pay’. There is, however, no guarantee as to the success or timing of this opportunity.</p> <p>(b) The maximum potential income of £2.7m for Other Events includes other sporting events (such as international rugby and the Boat Race), as well as cultural events (such as the Chelsea Flower Show, Lord Mayor’s Show and the Mountbatten Festival). All directly attributable policing has been included. This principle is already applied for some commercial events – for example, the All England Club meets approximately 70% of the costs of policing the Wimbledon Tennis Championships. For the ‘realistic’ income figure of £0.7m, we have assumed recovery from purely commercial events only at current Special Service Rates.</p>
<p>2. Secondments</p>	<p>This opportunity includes the MPS recovering the full costs of employing police officers who are on secondment to another organisation. It has four main components:</p> <ul style="list-style-type: none"> - £1,350k: Secondments where payment has been agreed but the MPS has failed to invoice the receiving organisation - £150k: Salary costs not charged to the Foreign and Commonwealth Office for overseas work requested - £1,229k: Overheads charged to the NCS, NCIS and FCO but not paid - £5,196k: Pension costs not charged to receiving organisations <p>The ‘realistic’ additional income figure of £1.7m assumes that all invoices can be properly despatched. This also takes account of the recent negotiations between the MPS and NCS/NCIS regarding overhead recovery, within which the MPS is seeking to recover about £375k of the unpaid overheads.</p>
<p>3. Mutual Aid</p>	<p>This opportunity assumes that the MPS recovers payment for all mutual aid provided to other forces. The MPS is a significant net provider of aid. The maximum additional income estimate of £1.3m is based upon charging full costs (including overheads). The recovery of all eligible hours at Home Office specified rates would provide the ‘realistic’ income figure of £0.6m. The MPS has initiated procedures to use Home Office rates for future cost recovery.</p>
<p>4. Detainee Processing</p>	<p>The MPS already recovers some costs from other public sector organisations. This opportunity would require the costs of prisoners held on behalf of other organisations (primarily the Immigration and Nationality Directorate) to be met by the other organisation. The maximum income estimate is based upon targeted numbers of arrests by IND. Given that this is a significant increase over current levels the ‘realistic’ estimate of £1.2m assumes existing numbers of arrests. The</p>

Opportunity	Source of Opportunity
	MPS has included additional income of £1m from IND within the 2002-03 budget.
5. Training (a) Current products and markets (b) New Markets (c) New Products	<p>We believe that the MPS could generate additional gross income of up to £4m each year from the provision of training services. Given the uncertainty of a new area of business a more prudent and 'realistic' estimate would be £2m. Recommendation 3 makes clear that the business case for this opportunity requires verification before any firm steps are taken.</p> <p>The main source of additional income will be the provision of training, through the Peel Centre, to other organisations. Income is also available from charging for attendance at conferences.</p>
6. Sponsorship	<p>The level of sponsorship generated is currently highly variable. We believe that the main source of potential income is from central MPS-wide initiatives and that the MPS should concentrate sponsorship efforts here. The maximum additional income estimate of £3.5m is based upon the performance of other organisations. This assumes an overall level of annual income of £5.0m compared to current income of less than £1.5m.</p> <p>This will take some time to build and a more realistic figure in the short term, and our 'realistic' estimate is an additional £2m each year. It should be noted that some sponsorship income takes the form of non-cash income, such as assets and services, which would not directly impact upon the MPS budget.</p>
7. Partnerships	<p>The level of partnership-related income varies considerably across the MPS. Through the adoption and dissemination of best practice the MPS should be able to generate an additional £5m each year, our maximum estimate.</p> <p>We believe that the use of local staff time and effort should be decided by local senior management. Therefore a more prudent increase, and our 'realistic' estimate, is £2.5m each year.</p>
8. Intellectual Property	<p>It is not possible at this stage to place a meaningful estimate on the size of this opportunity. Progress so far has been slow. We recommend that the MPS delay pursuing this opportunity to concentrate on other opportunities outlined, but that it thoroughly evaluate this opportunity, including the commercial viability and operational risks involved. The business case needs to be proven to possible partners as well as to the MPS itself before proceeding. The MPS has recruited a new head of sponsorship, who is keen to pursue the opportunities available here.</p>
9. Charitable Trust	<p>The MPS has been considering for some time whether or not to join / establish a charitable trust. Although there may be some trade-off with existing and new donations to local partnership schemes, evidence suggests that additional income is available on top of existing income. The Police Property Act Fund (controlled by the MPA) represents a potential source of initial (and on-going) funds.</p> <p>We believe that by establishing or joining a charitable trust, the MPS should be able to generate up to £2m income each year, which is our estimate of maximum additional income. Due to the lead-time associated with establishing a trust, a more realistic short-term target will be £1m each year. It should be noted that income for the charitable trust will not have a direct impact upon the MPS budget, due to the restrictions upon how charitable funds are used.</p>

Recommendations

1. The MPS / MPA should determine a policy for the provision of policing services and should open negotiations with relevant bodies, such as the Football Association, to recover the full, directly attributable, costs of:
 - policing commercial events, including the costs of policing both inside and outside of premises
 - secondees to all organisations, including the costs of pensions and overheads
 - mutual aid
 - detainee processing, paying attention to include all costs
2. The MPS should undertake an audit of:
 - further cost recovery opportunities to cover additional events and activities that have not been covered within this report
 - secondments throughout the MPS to ensure that all are managed through the Secondments Units, and amend procedures and systems as required to ensure that all future secondments are centrally recorded and properly invoiced.
 - British Transport Police prisoners in order to inform the decision making process over policy towards BTP prisoners.
3. The MPS should establish the viability and the business case for generating income from both training and intellectual property before any firm steps are taken, focusing on the key questions:
 - What assets do the MPS own?
 - Can these assets be sold and to whom?
 - How should the MPS sell these assets?
4. The MPS should concentrate sponsorship resources on central initiatives, as this appears to offer the greatest potential.
5. The MPS should encourage BOCUs to pursue partnership-related income generation, but allow each BOCU to determine the level of local dedicated resources.
6. The MPS / MPA should establish a new Charitable Trust and endorse the proposals to make this part of a wider business partnership initiative.
7. If the MPS / MPA agrees to recommendations 4-6 then it should identify sources of funds for the up-front investment necessary to deliver them.
8. The MPS should adopt the revised management structure for income generation described within this review.
9. The Steering Group should delegate approval of initiatives, where possible, to the income generation team and the Focus Group, although the Steering Group (and ultimately the Management Board/MPA) will retain responsibility for policy.
10. The retention of income generated should be matched to the effort and cost required to generate it. We recommend that BOCUs retain the salary costs and other direct costs recovered from locally resourced events. We recommend overheads be returned to the centre.

11. The MPS should form a centrally located team to support BOCU/OCU-based initiatives, drawing on and disseminating good practice and skills from across the MPS.
12. The MPS should improve information sharing through:
 - limited access to MetFin for the central Project Teams in order to allow them to interrogate up to date financial information
 - a broader distribution and scope for the quarterly report to include good practice, policy amendments, and other areas of income such as cost recovery and grant income
 - an Intranet page which will disseminate ideas and best practice and maintain records of existing and past initiatives.
13. The MPS should introduce SMART income generation targets for individual BOCUs/OCUs. We recommend that the central teams be measured on both corporate and devolved income generation to reflect the dual role.

Action Plan

Focus area	Summary proposals	Contributing recommendations	Indicative savings	Potential costs	MPS response
Opportunities	Cost recovery from policing of events	1 2	£0.75m-12.6m	£20,600	There is some scope for increasing income from this source. As recommended, a policy for the provision of police services should be established recognising that there are many practical and policy issues involved. However, the majority of potential additional income identified would be payable by football clubs and it is considered unlikely that additional income, even at the bottom of the suggested range, is achievable. Recent developments regarding ITV Digital and the Football League will exacerbate the problem.
	Secondments	1 2	£1.35m-7.9m	£17,600	The additional income from enforcing current agreements is acknowledged and will be addressed as soon as possible. The issue of administrative overheads charged to NCS/ NCIS is subject to negotiation with the bodies concerned but could result in an off-setting loss of grant. The likelihood of an adjustment in grant would be increased significantly if notional pension costs were charged.
	Mutual Aid	1	£nil-1.3m	£5,200	Agreed.
	Detainee Processing	1 2	£1.0m-3.0m	£11,000	Agreed.
	Training (a) current products and markets (b) new markets (c) new products	3	£0.5m-4.0m £? ¹ £?	£15,000 (plus £80,000 on-going) £13,000 ² £11,000	Agreed, although as the report acknowledges additional resources will be required to undertake this review.

¹ Additional income from opportunities 5a and 5b is dependent upon the completion of the recommended business case analysis.

² Additional running costs of opportunities 5a and 5b are dependent upon the options pursued at the time.

Focus area	Summary proposals	Contributing recommendations	Indicative savings	Potential costs	MPS response
	Sponsorship	4 7	£0.5m-3.5m	£3,000 (plus £200,000 on-going)	The principle of developing a Directorate of Resources-based sponsorship team concentrating on corporate initiatives together with a TP-based team providing advice and guidance and disseminating best practice to BOCUs has been agreed by the Income Generation Steering Group. However, the resources are not presently available to put this principle into practice.
	Partnership	5 7	£1.0m-5.0m	£3,000 (plus £240,000 on-going)	See comment re Sponsorship
	Intellectual Property	3	£nil-?m	£25,000 (plus £20,000 on-going)	Agreed, although as the report acknowledges additional resources will be required to undertake this review.
	Charitable Trust	6 7	£0.5m-2.0m	£8,000 (plus £80,000 on-going)	Agreed in conjunction with recommendation 7.
Sub-Total of Potential Savings/Costs			£5.6m - £39.3m ('realistic' estimate £16.7m)	£132,400 (plus £580,000 on-going)	

Focus area	Summary proposals	Contributing recommendations	Indicative savings	Potential costs	MPS response
Management Arrangements	Adopt revised management structure	8	£nil		The primary management structure already exists. As the report acknowledges the recommendation builds upon the existing structure but clearly the proposed structure will need to be adequately resourced.
	Delegation of initiative approval	9	£nil		Agreed subject to improved awareness of the relevant rules and the appointment and training of the central teams.
	Match retention of income to effort and cost	10	£nil		This is in line with the principle of devolution and is supported. The differentiation of direct and overhead costs needs to be considered against the practical issues that arise.
	Central support team to assist BOCU/OCU initiatives	11	£nil		See comment re Sponsorship
	Improved information flows	12	£nil		Agreed.
	SMART performance targets	13	£nil		Agreed, although realistic targets may take some time to create.
Sub-Total of Potential Savings/Costs			£nil	£25,400 (plus £6,600 on-going)³	
Total			£5.6m - £39.3m ('realistic' estimate £16.7m)	£157,800 (plus £626,600 on-going)	

³ Where relevant and possible, the costs of changing the management arrangements have been allocated to specific Opportunities.