

MPS/MPA CAPITAL STRATEGY

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General

Capital and Revenue Budgets

The MPA revenue budget of £2.7 billion in 2005/06 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 31,175 at the end of March 2005, the Police Community Support Officer workforce now stands at over 2,100 and police staff totalled over 13,800.

The present capital programme and resourcing is as follows:

Expenditure	2005/06	2006/07	2007/08	2008/09
	£000	£000	£000	£000
Property Services	120,994	29,231	29,231	29,231
Directorate of Information	46,541	33,089	33,089	33,089
Transport Services	13,625	17,175	17,825	14,875
Other Plant & Equipment	11,004	5,461	300	300
C3i Programme - Directorate of Inform.	86,235	5,238	0	0
Step Change Programme	41,860	5,427	276	0
Grand Total - All Projects	320,259	95,621	80,721	77,495
Funding	2005/06	2006/07	2007/08	2008/09
	£000	£000	£000	£000
Police Capital Grant	35,856	35,856	35,856	35,856
Air Support Grant	4,339	1,945	0	0
Supported Borrowing	19,635	19,635	19,635	19,635
Unsupported Borrowing	62,086	18,111	15,195	15,195
Capital Receipts	9,600	7,300	7,000	7,000
Recycling of Property Estate	15,743	0	0	0
Usable Capital Reserves	42,875	1,109	1,759	-1,191
Other	2,030	1,000	1,000	1,000
Total - Funding of Business Groups	192,164	84,956	80,445	77,495
C3i Programme - Specific Grants	30,000	11,230	0	0
Usable Capital Reserves	55,783	-5,992	0	0
Unsupported Borrowing - Step Change	42,312	5,427	276	0
Total Funding	320,259	95,621	80,721	77,495

The MPA has 174 police stations and over 600 operational buildings and over 1,000 residential properties. It operates over 4,800 vehicles, 30 boats and 3 helicopters. It also provides facilities for over 47,000 police officers and police staff. The open market value of the Authority's assets, as at 31 March 2005 was:

	£ Million
Land and buildings	1,450
Vehicles plant and equipment	79
Non operational/community assets	203
Total	1,732

Capital Strategy

Introduction

This is the Authority's second 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 set out in the draft Corporate Strategy 2006-2009 (which has recently replaced the MPA/MPS strategy 'Towards the Safest City 2003-05').

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 recently approved the content and format of a new Corporate Strategy for 2006 to 2009 which will provide a framework for co-ordinating planning and decision-making across the whole of the police service. The strategy will also 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 seven strategic priorities set out in the new Corporate Strategy are:

- Counter Terrorism, Protection and Security
- Safer Neighbourhoods
- Organised Criminal Networks
- Capital City Policing
- Citizen Focus
- Together
- Information Quality

The priorities will enable us to achieve four strategic outcomes as follows:

- Communities are engaged with, confident in and satisfied with our service
- Safety and security is improved and the public feel reassured
- Crime, disorder, vulnerability and harm are prevented and reduced
- More offenders are brought to justice

The Strategy will be 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. The strategy reflects work in progress, with the aim of demonstrating that the Authority's capital objectives, priorities and spending plans are directly linked to and consistent with, key corporate and service objectives, with the priorities of the Mayor and is consistent with the aspirations of the Home Secretary's National Policing Plan.

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
- 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 properties and service needs to explore opportunities for more efficient and effective use of property, or to release resources through disposal
- Governance of the arrangements, principally through the new MPS Investment Board
- Further development of 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, are now considered alongside other revenue spending pressures in the Authority's budget planning process. Revenue implications of individual projects are considered through project appraisals on all capital bids.

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

Prioritisation and Appraisal. The MPS has established a new investment Board, chaired by the Deputy Commissioner. Each MPS Business Group is represented at ACPO level, as well as the Directors of Finance Services and Property Services. This Board will prioritise 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 corporate departments. These plans will form the basis for identifying capital investment requirements in conjunction with the Asset Management Plans and the outputs from specialist groups such as the Estates Property Group. Business Groups/corporate departments will also identify external funding requirements (where appropriate) and relate proposals to strategic priorities and performance measures.

The MPS 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 the MPS Management Board commensurate with the overall budget timetable each year, including submission to the MPA.
- To review and monitor capital programme performance against key milestones.
- To inform and influence the performance management framework and the strategic management framework and
- To consider the annual Capital Strategy for approval by the MPS Management Board and the MPA each year.

Management, monitoring and Review. The existing MPS Capital Programme Review Group will both support the work of the Investment 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 Investment 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 early stage but the intention is that it is based on a sound rationale that reflects MPA/MPS strategic priorities 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 one or more of the strategic priorities within the 2006-2009 Corporate Strategy
- Continues or completes a capital scheme where there is a contractual commitment
- Demonstrable priority need to replace the asset and included in an Asset Management Plan
- Continues or completes a scheme where significant expenditure started in previous year
- Yields revenue savings

The MPS Investment 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 each 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 Investment 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 strategic priorities. 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 that alternative sources of finance have been sought.

How the Process Works

Preparation of the Capital Strategy - The MPA Finance Committee will approve the Capital Strategy annually (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 Investment Board will review the committed capital programme and consider capital resources for the next (uncommitted) year. This will include an assessment of the supported borrowings within the prudential framework, the capital receipts target forecast, capital grant and possible other funding sources.

Guidelines - The 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
- 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 prepare business cases for new schemes (and refine existing ones). Although business case planning guidelines have been issued this year to business groups, who have then submitted capital project bids, these procedures are unlikely to be fully embedded this year but this will be a development issue to be addressed in future annual strategies.

Draft Capital Programme - Information on all current and new bids will be collated and submitted to the Investment Board, who will prioritise schemes and integrate them into a draft capital programme, taking account of resourcing and revenue implications. The MPS Management Board will then agree 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 schemes, whilst 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 priorities, capital strategy and asset management plans.

Asset Management Planning

During the last year, the MPS has developed its first asset management plans covering property, I.T. and transport functions. The further development of these plans will be co-ordinated by the MPS Investment Board to ensure, for example, that the MPS/MPA manages its property in accordance with the 'Building Towards the Safest City – Delivering Policing for Londoners 2003-2008 a Property and Estates Strategy'. It is planned that the asset management plans 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 will also operate 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

Performance Measurement and Monitoring

Indicators - Capital schemes will be designed to contribute to the seven strategic priorities within the 2006-2009 Corporate Strategy. In the long term 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-incorporating this theme in future capital strategies will be a strong challenge.

Alongside this, the MPS 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 MPS Investment Board and MPA member review and approval of larger schemes' business cases (>£5 million total value). MPS Investment Board will scrutinise and approve lower value schemes. Capital spending is controlled through the annual preparation of the capital programme and by regular monitoring of performance.

The MPS 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/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 and the MPS Investment Board. Plans should be updated annually to coincide with the Authority's budget setting process. The MPS Corporate Planning Group and Finance Services Directorate are taking this work forward, although it is acknowledge that further work needs to be undertaken to fully align business planning and financial planning processes across the MPS.

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, Transport for London, various local authorities and other public sector

partners, which includes a sound agreement on funding issues and cost sharing.

Unsupported Capital Borrowing and the Impact of the New Prudential Framework

The new prudential framework requires sound strategic planning, and sound reporting systems to 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 has already undertaken 'unsupported borrowing' e.g. for Step Change Programme infrastructure costs, and the extent will be determined by the extent of the Authority's needs, its affordability and the support of the Mayor. There will also be a need for additional resources (via unsupported borrowing) around the property portfolio to ensure that the accelerated rollout of the Estates Strategy can be achieved, 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. It is acknowledged that this move will not happen immediately and will probably require a period of five years to fully make this transition. However it is hoped that noticeable improvements will be made in the next two to three years.

One benefit of the new approach is that the Authority will be able to systematically establish all its capital investment priorities whilst 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
- Private Finance Initiatives and Public Private Partnerships (where appropriate and cost effective)
- Supported and unsupported borrowing
- Capital receipts

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.