Prioritisation criteria for 2011/12

Introduction

The criteria and scoring mechanism proposed below is to prioritise capital programme proposals for 2011 - 2018 reflect the need to constrain the MPS programme within likely funding limits in the new economic climate. Common application of the approach to scoring across all business groups will ensure consistency in the rankings achieved between a range of capital investments.

This mechanism is an enabling mechanism to allow spending proposals to be ranked as a first pass before manual iterations leading to a finalised programme approved by MB. The coding will only provide an indication of a projects criticality to the MPS.

Scoring mechanism

The criteria given in Annex 1 allow high priority schemes to be identified. You will score capital investments on a scale of 1 – 5 as to how far they meet each prioritisation criterion. **Annex 2** gives further detail concerning the scoring range for each criterion. The scores have been structured so that – in each case - the higher the score received, the more favourable the investment will be viewed.

The ‘Top Box’ concept used in 2009/10 has been re-visited as, in line with the harsher financial climate, there is a need to challenge all spending proposals, the concept of all renewals gaining automatic priority needed some definition. Statutory Obligations and H&S enforcement notices remain as top. During programme iterations it may be necessary to define subcategories for these as well.

Scope

Application of the scoring mechanism is a process to inform the debate on investment priorities.

It is recognised that the final decision made by Management Board 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.

Process

Due to time constraints the provider units should score their respective programmes and then discuss the results with the business groups for ratification. The Group Finance Capital Accounting team will work with the provider units to ensure consistency of approach, reporting progress to the Capital Programme Steering Group.

Annex 1 - Prioritisation criteria for capital spend

Key factors

- Impact on delivery of corporate objectives;
- Continuation or completion of a project where significant expenditure has already been incurred or where the MPS is already contractually committed;
- Where significant revenue savings would result which achieve a cashable efficiency reduction in spend;
- Business benefits of the project (e.g. an increase in operational performance, customer satisfaction, etc).

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.

"Top Box" – capital investments Each of these components will score an automatic '5'	
Statutory Requirement	Requirement is driven from a legal or statutory basis or as a result of a recommendation from a public enquiry.
Compliance with Health and Safety	Requirement is to comply with a Health and Safety Enforcement Notice.

Annex 2 – Details of scoring range for each criterion

Priority criteria	Score 1, 2, 3, 4 or 5
Renewal or replacement of core infrastructure	5 - The asset being renewed has already failed and is compromising delivery of front line services 4 - Asset in poor condition with likely failure in near future which would compromise front line services or cause a breach of H&S regulations/statutory duties. 3 - Asset will fail in the medium term and will compromise front line services 1 - Asset maintenance will be costly in the long run making renewal cost effective
Impact on delivery of corporate objectives[1]	5 - Delivery of corporate objective relies on this capital investment. 3 – Capital investment facilitates an enabling activity not directly contributing to corporate objective but provides a degree of dependent support. 1 – Investment would provide little or no contribution to the delivery of a corporate objective.
Continuation or completion of a project where significant expenditure has already been incurred or where the MPS is already contractually committed.	5 – Withdrawing from the existing contract would involve significant (> then cost of completing of project) cost to the MPS or project is almost complete 3 – Withdrawing from the existing contract would involve some cost (e.g. £1m) to the MPS or project is at mid point in terms of spend of delivery. 1 – Any contract relating to the investment has not yet been signed or project is in initiation stage.

Where significant revenue savings would result and achieve a cashable efficiency reduction in spend.	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.	5 – Investment will facilitate significant performance improvements to a corporate objective. 3 - Investment will facilitate significant performance improvements to a local or business group objective. 1 - Investment will facilitate some performance improvement to a local objective or priority.