MOPAC | MAYOR OF LONDON OFFICE FOR POLICING AND CRIME | METROPOLITAN POLICE | TOTAL POLICING

AUDIT PANEL
Tuesday, 19 December 2017

Update on Progress in Developing the Capital Programme Control Framework

Report by: The Director of Commercial and Finance

Report Summary

Overall Summary of the Purpose of the Report

This report updates Audit Panel in relation to improvements made to the capital programme control framework and identifies areas where improvements are still to be implemented.

Key Considerations for the Panel

- Significant improvements have been made in linking capital projects to the Police and Crime plan, the MPS Business Plan and to the One Met Model transformation plans.
- The Finance Team has recognised further improvement is required and this will be addressed as part of the overall development plans (see Appendix 1) aligned to the new operating platform (PSOP).
- It is noted that risks identified in the DARA follow up review of the capital programme control framework undertaken in August 2016 will be addressed as part of this work.

Interdependencies/Cross Cutting Issues

Linkages with the Police and Crime plan priorities, MPS OMM transformation programmes and the 2018-22 Budget submission.

Recommendations

The Audit Panel is recommended to:

a. Recognise improvements made to date and note the planned improvements
b. Note the links to the DARA follow up audit

1. Supporting Information

1.1. The MPS has made significant improvements in relation to the capital programme control framework over the past few years. These stem from the revised Finance Services operating model and resulting changes in focus by the MPS Management Board as part of the budget scrutiny and assessment process.

1.2. The capital programme submitted to the GLA for 2018-22 is prioritised and aligned to both the Police and Crime priorities and the MPS Business Plan, as well as the One Met Model (OMM) transformation programme.

1.3. In addition key links are now clear between:

- the MPS capital programme and revenue savings that result.
- specific capital projects and the capital receipts that they generate are linked through the programme and through our estates plans, including a calculation of Return on Investment where appropriate.
- programmes and overall themes such as business as usual and transformation

1.4. The implementation of an Investment Appraisal Framework has resulted in significant improvement in our decision making through changes to processes to ensure that we adhere to the requirement to follow investment process for business decisions in broad accordance with the principles contained within the “Treasury Green book”.

1.5. This has in turn provided a clear structure that is driving significant improvements in monitoring and reporting. Looking forward, the move to PSOP offers further opportunities to improve.

Prior to 2015/16

1.6. Historically the MPS had a capital programme driven by highly tactical business requests. This resulted in a programme that was categorised by a large number of individually sponsored projects that were not well understood, with under investment in the core assets required to support the business and little process to understand value for money.

1.7. The absence of a strategic framework for the capital programme made meaningful monitoring of delivery difficult, particularly given the lack of an investment framework setting out both financial and non-financial outcomes.

1.8. It is important to understand that to improve capital control from this position, has required a fundamental and systemic change rather than simply improving individual elements of this.

Investment Appraisal

1.9. In terms of addressing this weakness, an Investment Appraisal Framework was developed. This set out to provide guidance and framework for all investment decisions, aligned to MOPAC's Scheme of Consent. This was a fundamental first step.

1.10. This document explained how different decisions are driven – whether to ensure optimal investment in existing assets underpinned by asset management plans or when the organisation is faced with a business decision of whether or not to invest in change.

1.11. Critically, this Investment Framework introduced MPS to the requirement to follow investment process for business decisions in broad accordance with the principles contained within the "Treasury Green book" as set out in the MPS Investment Appraisal Framework and Business Case Overview document. The key steps of "Strategic Outline Case" (SOC), "Outline Business Case" (OBC) and "Final Business Case" were aligned to the internal and external governance decisions required.

1.12. Less progress to date has been made in developing asset management plans to support ongoing investment in core infrastructure; namely IT, fleet and property. This has been because each area has been either undergoing or on the cusp of significant transformation. There are pending decisions around fleet and estates, however it is anticipated that asset management plans supporting the final target operating models of all three areas will be sensibly progressed within the next 6-12 months.

1.13. The development of the Investment Framework has led to significant improvement in the capital programme over the past years (as old projects have completed and "exited" the programme). It is clear how new programmes and projects support either business as usual or the OMM route map for change. This in turn has facilitated strategic debate at managerial levels and provided a governance structure to improve accountability for delivery.

1.14. This is not to say that this transformation is complete and there is more to do before this will be deemed acceptable by the Director of Commercial and Finance. As well as updated the Framework, Finance Services have plans to improve:

- Asset management plans for IT, Fleet and Property
- Clarify intrinsically linked funding mechanisms to improve decision making
- Improve the governance around benefits identification and realisation
- Improve the processes to assure on Value for money

Monitoring

1.15. Having a clear capital programme of delivery provides the necessary basis for good monitoring. Monitoring relies upon the professional views of the responsible officer with challenge provided by their Strategic Finance Business Partner.

1.16. Financial monitoring has been largely robust. However, the main areas for improvement are in providing non-financial narrative and providing impact over the life of the project, rather than a simple one-year snapshot.

1.17. With more mature understanding of the multi-year nature of capital (unlike the constraints within central government), re-profiling of expected expenditure across years each quarter should be encouraged and anticipated.

1.18. Again, there is more to do before this will be deemed acceptable by the Director of Commercial and Finance. Finance Services have plans to improve:

- Multi-year reporting
- Improving non-financial reporting
- Ensuring the governance around decisions each quarter is clear

Links to Dara Risk and Assurance follow up review

1.19. The MPS capital programme control framework was audited by DARA in September 2015. A follow up review was undertaken in August 2016. This follow up review explored the position in relation to the two high risk and three medium risk actions in the original audit. The follow up review concluded that insufficient progress had been made against the agreed actions.

1.20. Many of the areas identified by this review have been improved significantly in this paper. Updates on key outstanding issues have been summarised in Appendix 2. It should be noted that progress has been hampered by the imminent move to the new operating platform (PSOP). This has meant that the resource specifically employed to focus on these improvements has been necessarily diverted. However, in itself the new operating platform does support considerable improvement for capital control.

Next steps

1.21. Appendix 1 summarises development plans and actions that are still required.

2. Equality and Diversity Impact

There are no equality and diversity implications directly arising from this report.

3. Financial Implications

There are no direct financial implications arising from the report.

4. Legal Implications

There are no direct legal implications arising from the report.

5. Risk Implications

There are no direct risk implications arising from the report.

6. Contact Details

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7. Appendices and Background Papers

Appendix 1 – Actions and updates
Appendix 2 – Update on outstanding risks in the Dara Follow Up

Appendix 1 – Actions and Updates

Areas for follow-up work

Key area	Specific area	Description	Update	Specific deliverables
Investment Framework	Asset management plans (AMPs)	AMPs: • will be driven by MOPAC/MPS strategic objectives and should be the basis for the development of future strategy • enable the optimisation of these resources in terms of service delivery and financial return • enable the maximisation of benefits from innovation and continuous improvement	This work is being tasked out to the responsible Finance Business Partners for each area.	By July 2018 we will provide drafts: 1. **AMP for IT** (FBP for DP) 2. **AMP for Fleet** (FBP for Transport Services) **3. AMP for Property** (FBP for Property Services)
	Funding linked by programme / project	At present funding is treated at a programme level unless a project is specifically funded.	The presentation of the capital programme requires linkages to the mix of funding sources to support this	**For the first quarterly monitoring report of 2018/19 we will improve the linkages between the capital programme and the funding sources** (Corporate FBP)
	Benefits	Greater clarity is required in relation to benefits to aid both the prioritisation and reporting of projects and programmes. The appraisal system will be consistently applied, robust, transparent and focus on clear benefits	Linkages between projects and benefits that they will deliver (for example revenue savings or capital receipts) are specified in business cases in the updated process. Post completion reviews are required to quality assure delivery. Lessons learnt must be promulgated. All projects now have to pass through a	**In quarter 1 of 2018/19 the Transformation and Benefits realisation team will report on the status of post completion reviews** (Transformation Leads) **The above report will include a plan for promulgating lessons learnt.** (Transformation Leads)

			series of 'gates' at key decision stages at which they will be scrutinised for continued relevance and likelihood of delivering the envisaged benefits. All potential investments are considered against the investment principles to help ensure good quality and informed decision making which aligns with strategic objectives and considers benefits, costs and risks.	
	Value for money	Programmes and projects should be supported by detailed financial models to demonstrate that they deliver value for money.	Moving to the five stage business case model means that we now have a robust framework in place to cover this issue.	
	Affordability	Overall affordability and the availability of sufficient funding to enable the investment to proceed is an initial requirement before more detailed financial evaluation is undertaken using these economic indicators.	Moving to the five stage business case model means that we now have a robust framework in place to cover this issue. Affordability is covered in the Financial Case.	
Monitoring	Multi-year view	Programmes and projects need to be tracked over multiple years.	The new PSOP system allows improved tracking over multiple years.	**PSOP will deliver improvements in this area following go-live in February 2018.** (PSOP Change Lead)
	Understanding the financial impact of delay, delivery etc	Delays in delivery have an impact on benefits, revenue savings and funding.		**By quarter 1 of 2018/19 the Benefits realisation team will report on this area.** (Benefits Realisation Lead)
	Decisions each quarter to re-profile in line with expected profile		2017/18 monitoring reports include the details of re-profiling in the capital programme.	**For 2018/19 onwards we will provide updates on pro-filing in each quarterly report.** (Corporate FBP)

Appendix 2 – risk update

Key Outstanding Issue – DARA report	Update
The impact on strategic objectives of not fully delivering the budgeted capital programme is not fully assessed and reported on. There is limited reporting on the relationship between capital investment and benefits realisation and the value of the impact of capital underspending.	The MPS now provide a reconciliation from one budget submission to the next explaining changes in spend. The new business case approach (set out in this paper) ensures stronger links between projects and strategic objectives. They also provide clear links between capital investment and benefits.
There remains room for improving the level of scrutiny and challenge on the accuracy and progress of capital receipts and expenditure.	Both the MPS Management Board and MOPAC are now far more involved in monitoring and prioritising the capital programme. Quarterly updates to the programme include updates on spend and profiling over future years. **This is picked up in the action plan in appendix 1.**
There are inconsistencies in the business case templates relating to the benefit planning process.	This has now been resolved through the introduction of the new business case process set out in this paper.
There is no provision in the scheme of devolved financial management requiring reductions in expenditure to be notified to the DMPC – but untimely notification hampers oversight and achievement of strategic objectives.	From 2017/18 variations to the capital programme are reported to MOPAC in more detail at regular points throughout the year improving oversight. **This is picked up in the action plan in appendix 1.**
There is inconsistence in the production of post project completion reviews and little evidence that learning opportunities are taken. There is no official reporting of post project completion to either JIB or JAMP.	This is an area for further work in the MPS. **This is picked up in the action plan in appendix 1.**