

AUDIT PANEL

Friday 30 June 2017

Capital Monitoring Framework

Report by: Chief Finance Officer, MOPAC

Report Summary

Overall Summary of the Purpose of the Report

This paper sets out the current MPS capital monitoring arrangements, recent DARA reporting and how MOPAC undertakes its oversight role. Work in progress or proposals to be developed in order to improve capital programme management are set out.

Key Considerations for the Panel

To note the current arrangements for capital monitoring and oversight, and consider the next steps planned for further improvement.

Interdependencies/Cross Cutting Issues

This paper links with the Financial Oversight paper on this agenda (agenda item 7).

Recommendations

The Audit Panel is recommended to note the report.

1. Supporting Information

- 1.1 The framework for financial management in MOPAC/MPS is governed by a number of documents, including:
- MOPAC Scheme of Consent and Delegation
 - Financial Regulations
 - Contract Regulations

- 1.2 In addition, specifically within the MPS there is a Scheme of Devolved Financial Management and detailed Financial Instructions.

The MPS Capital Monitoring Arrangements

- 1.3 Following formal approval of the capital programme by MOPAC and the Mayor in February of the year prior to the start of the programme the MPS operates the capital monitoring process. MOPAC does not have a capital investment programme.
- 1.4 The approval of the capital programme sets out the planned capital investment to deliver the Police & Crime Plan. It is important to note that this does not constitute approval to spend. Subject to the Scheme of Consent and Delegation each of the projects is required to go through the necessary governance to obtain the appropriate approvals and business case endorsements to implement the project.
- 1.5 Business cases follow the Treasury Green Book 5 case model covering strategic, economic, commercial, financial and management aspects in each of the stages at Strategic Outline Case (SOC), Outline Business Case (OBC) and Final Business Case (FBC).
- 1.6 Approval at the early stages may involve expenditure for feasibility and concept design costs in order to progress the project from say the strategic level to outline and from outline to final. If the project does not progress to implementation these costs are written off.
- 1.7 The MPS Financial Instructions state that a monthly reporting timetable is issued specifying the dates for forecast information to be supplied for each project based on the most up-to-date information available, and commentary for any variation from the budget. The accumulated forecasts and commentaries are reported as part of the monthly exception and quarterly in-depth monitoring reports to the MPS Management Board and subsequently to MOPAC.
- 1.8 The Financial Instructions also require that a completion report should be produced for the relevant project board on completion of the project.
- 1.9 During the year changes to a capital project such as slippage or change in scope, etc. may result in a revision to the overall capital budget and/or a re-phasing of the investment spend. The quarterly in-depth financial monitoring reports and approvals of business cases are the opportunities for capital budgets to be amended.

MOPAC Oversight of Capital Programme

- 1.10 Oversight of the capital programme by MOPAC has been implemented in part through the decision making process whereby the authority for any investment above £500,000 requires DMPC approval.
- 1.11 Scrutiny is undertaken prior to the Investment Advisory Board (IAB) by engagement with MPS, and by attendance at the MPS Portfolio Investment Board (PIB). This attendance provides the opportunity for earlier sight of issues and to provide MPS with advice and steers as to areas of concern for MOPAC.
- 1.12 MOPAC officers scrutinise the subsequent IAB papers and provide a briefing to the DMPC prior to IAB on each proposal identifying risks and issues.
- 1.13 Engagement with both the Property and Digital Policing investment programme leads in the MPS has improved in recent months, with MOPAC now attending the regular MPS Estates Transformation Board meetings and through regular DP briefings and 6-weekly DMPC/MPS Chief Information Officer (CIO) meetings.
- 1.14 The monthly exception and quarterly in-depth financial monitoring reports provide opportunity for the evaluation of the progress of capital investment within the financial year, and to approve any further budget changes required. A monthly MOPAC/MPS officer level oversight meeting provides the opportunity to obtain assurance on the programme and understand upcoming issues.

Escalation Arrangements

- 1.15 Opportunities to escalate issues in relation to capital investment are taken by raising the relevant issue at Oversight Board or at bi-lateral meetings.

DARA Review of Capital Programme

- 1.16 DARA completed an audit of the capital programme in September 2015, and issued a follow up report in August 2016. Of the 5 initial actions 1 high priority has been implemented, 3 (1 x high and 2 x medium) have been partly implemented, and 1 x medium action not implemented.

Next Steps

- 1.17 Both MPS and MOPAC recognise that there is further opportunity to improve both the approach to capital programme budgeting and monitoring, and its oversight. Work in progress include:
 - a standing item at PIB from June, with Senior Responsible Officers (SROs) asked to report on and forecast their use of capital. This will greatly improve MOPAC visibility of, and generate earlier warning of, capital investment issues.
 - In both its review of investment proposals to IAB and as part of the wider budget setting process MOPAC will be looking at the current handling of uncertainty and contingency including whether there is value in a more systematic approach to optimism bias.
 - More regular and in-depth scrutiny of the in-year reporting of capital investment,
 - Developing mechanisms to link the reporting of capital investment spend with the impact on, for example, planned cashable revenue savings, planned capital receipts, non-cashable efficiency benefits or service improvements

2. Equality and Diversity Impact

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

3. Financial Implications

There are no direct implications arising from this paper. Sub-optimal allocation of resources and slippage in the delivery of programmes has the potential to reduce the value for money and delay the delivery of cashable and non-cashable benefits.

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. Delayed or non-delivery of capital investment risks the non-delivery or delay in planned benefits to service improvements.

6. Contact Details

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