

REQUEST FOR DMPC DECISION – PCD 335**Title: Central Estate Programme – Counter Terrorism and Organised Crime (CTOC) Hub – Full Business Case****Executive Summary:**

The Metropolitan Police Service (MPS) has been at the front line in protecting both London and the UK against Terrorism (through Counter Terrorism - CT) and Organised Crime (OC).

In 2016, MOPAC and the MPS made the decision to construct a new building at Paddington Green to co-locate all CT functions (DMPCD 2016-36 Redevelopment of Paddington Green police station). Since then economic factors in the property industry have changed and the nature of the threat has seen a number of attacks on the Capital and Manchester from both Daesh inspired and far right groups. The Mayor remains committed to investing in MPS counter terror capability.

The terrorist attacks last year and the shift in threat have highlighted the urgency for a long-term single site. Meanwhile the fact the property market has changed has presented an opportunity to purchase Empress State Building, Earls Court (ESB) through the acquisition and on-shoring of the holding company enabling the conversion of the existing lease into a freehold. This enables investment into the building and secures its future into the long term. Purchasing ESB and holding it as a freehold offers better value for money than signing a 15-year lease. This frees up revenue spending to be focussed on better value support to the front-line rather than spend on rent. These savings on rent increase the longer the length of the lease. It supports the ambitions of the MOPAC Police and Crime Plan to protect Londoners from both terrorism and increasingly sophisticated organised crime; whilst it also supports the objectives to rationalise the MOPAC estate and improving the quality of accommodation. This rationalisation provides the opportunity to bring CT functions together, replacing the earlier Paddington Green proposal.

Shortly after taking office in 2016, the Mayor asked Lord Harris to review London's state of readiness for a terrorist attack following a number of horrific events elsewhere in Europe. Lord Harris' report published in 2016 made 127 recommendations. Since then there have been a number of attacks and it has been acknowledged that the Police and the security services responded well. Lord Harris has since reviewed the proposals set out in this paper and has strongly recommended that all CT and Organised Crime teams are brought together.

The investment in a single CTOC Hub will also bring London into line with the rest of the country. Other regions such as Manchester already collocate CT functions and this will bring London in line with that delivering a modern fit for purpose accommodation and technology.

Recommendations:

The DMPC is asked to:

- a. Approve the structured transaction, the detail of which is set out in Part 2, for the acquisition of 100% of the issued shared capital in Empress Holdings Limited (and its subsidiaries), the ultimate owner of Empress State Building (ESB), from EC Group Holdings Ltd (a wholly owned subsidiary of Capital & Counties Properties PLC (Capco)) for a consideration of £250 million, plus £10 million which will be paid in the event certain security conditions are met, as set out in Part 2. The transaction costs of the purchase will be up to £4.3 million.
- b. Approve entering into two twenty year leases of land adjacent to ESB, each at a peppercorn rent, and with a landlord's option to terminate (as set out in Part 2), together with options to purchase the freehold interest in each lease for £1 if stipulated conditions are not met within defined timescales (as set out in Part 2).
- c. Approve further capital expenditure of £147.3m to fund the consolidation and improvement of the Central Estate as per the proposed Estate Transformation Strategy; this will include the refurbishment of eight receive sites that will form part of the relocation of teams during the ESB decant and closure of Cobalt Square as well as the replacement of worn out components in ESB and security improvements; the full breakdown of costs and projects are set out in the Commercial Case.
- d. Approve the procurement of Warranty and Indemnity Insurance through the selection of an insurer, using a specialist broker that works with MOPAC's lawyers following an industry standard procurement process. The proposed policy and premium will be proposed as part of the final settlement request.
- e. Approve the placing of surplus revenue funds in years 2018/19 – 2019/20 into an earmarked reserve to meet costs in later years, in line with the medium term financial strategy.
- f. Approve a re-profiling of the MPS capital plan in the Mayor's Budget of 22 February 2018 in line with these recommendations.
- g. Provide the Commercial Director the authority to approve contracts through standard commercial frameworks, or other MOPAC approved routes to market as appropriate to the range of projects.
- h. Note that the following disposals are anticipated in this business case that are subject to approval in separate requests:
 - i. Paddington Green is part of a separate request for a series of properties to be marketed for sale.
 - ii. Cobalt Square has already been identified and approved as surplus and will be sold in 2023 (authority to market will be requested nearer the time).
 - iii. Belgravia Police Station is proposed which is subject to further approval by DMPC. All existing neighbourhood teams would be housed on or near to the redeveloped site.

If these properties are not sold then there will be an impact on the availability of capital and the resultant need to raise the level of borrowing which is not reflected in this business case.
- i. Note that the Portfolio Investment Board has agreed that the operational benefits of creating a single building Counter Terrorism and Organised Crime (CTOC) Hub in Central London are critical as

underlined by documented external, independent studies as referenced in this decision and set out in detail in Exempt Part 2.

- j. Note that the existing Medium Term Financial Plan (MTFP) has made full provision for the capital and revenue costs (including borrowing) of this project and that any subsequent changes will be reflected and updated in accordance with standard change and budget control management.
- k. Note that there are wider operational and financial benefits from the consolidation of the MPS Central Estate.

Deputy Mayor for Policing and Crime

I confirm I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct. Any such interests are recorded below.

The above request has my approval.

Signature

Edue Henden .

Date

22/3/18

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE DMPC

Decision required – supporting report

1. Introduction and background

- 1.1. For a number of years there has been a recognition that the various MPS CT and Organised Crime related functions would benefit from improved co-location.
- 1.2. Shortly after taking office in 2016, the Mayor asked Lord Harris to review London's state of readiness for a terrorist attack following a number of horrific events elsewhere in Europe. Lord Harris' report published in 2016 made 127 recommendations.
- 1.3. Since then there have been a number of attacks and it has been acknowledged that whilst the Police and the security services responded well there are opportunities to improve this response.

2. Issues for consideration

- 2.1. The proposed approach is consistent with the MOPAC Police and Crime Plan, the Met's One Met Model (OMM) and the proposed MPS Estates Transformation Strategy. It will enhance the MPS's ability to Keep London Safe from the increasing terror threat, it will provide modern tools to the police to do their job, and enhance the estate through consolidation of property assets, targeting investments in critical infrastructure, maximising the value of surplus assets to invest back into capital projects, and reduce running costs.
- 2.2. The various strands of the business case for this proposal are covered in the attached MPS paper:
 - The strategic case setting out the business needs, the case for change and the benefits it will deliver;
 - The options considered for its delivery;
 - The commercial aspects of the proposal;
 - The costs of the proposal and how these will be funded, and
 - The management approach to the implementation of the proposal.
- 2.3. Given the complexity of such a transaction due diligence and associated legal advice continues to be carried out. Any material issues highlighted by these processes up to the point of completing the transaction will result in a further consideration of the decision.

3. Financial Comments

- 3.1. The detail of the costs and funding of the proposal is set out in Part 2. The costs and funding has been included in the approved MOPAC budget 2018/19, and capital programme 2018/19-21/22.

4. Legal Comments

- 4.1. Detailed legal advice has been sought and provided confirming MOPAC has the legal authority to proceed with the transaction. Part 2 contains the detailed legal advice.

5. Equality Comments

- 5.1. There are no direct equality or diversity implications arising from this report.

6. Background/supporting papers

Appendix 1 – MPS Report

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOIA) and will be made available on the MOPAC website following approval.

If immediate publication risks compromising the implementation of the decision it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? Yes

If yes, for what reason: commercial sensitivities

Until what date: At completion of the acquisition of the holding company

Part 2 Confidentiality: Only the facts or advice considered as likely to be exempt from disclosure under the FOIA should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a **Part 2** form – YES

ORIGINATING OFFICER DECLARATION:

	<i>Tick to confirm statement (✓)</i>
Head of Unit: The Chief Finance Officer has reviewed the request and is satisfied it is correct and consistent with the MOPAC's plans and priorities.	✓
Legal Advice: The MPS and TfL legal teams have been consulted on the proposal.	✓
Financial Advice: The Strategic Finance and Resource Management Team has been consulted on this proposal.	✓
Equalities Advice: Equality and diversity issues are covered in the body of the report.	✓

OFFICER APPROVAL**Chief Executive**

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Deputy Mayor for Policing and Crime.

Signature

R. Lawrence

Date

22/3/18

**MOPAC**MAYOR OF LONDON
OFFICE FOR POLICE AND CRIME**Central Estate Project – Full Business Case****MOPAC Investment Advisory Board****22 February 2018****Report by Lynda McMullan on behalf of the Deputy Commissioner****STRICTLY NOT TO BE PUBLISHED UNTIL DAY OF COMPLETION DUE TO
STOCK MARKET SENSITIVITIES****Part 1 – This section of the report will be published by MOPAC. It is
classified as OFFICIAL – PUBLIC*****EXECUTIVE SUMMARY***

The Metropolitan Police Service (MPS) has been at the front line in protecting both London and the UK against Terrorism (through Counter Terrorism - CT) and Organised Crime (OC).

In 2016, MOPAC and the MPS made the decision to construct a new building at Paddington Green to co-locate all CT functions (DMPCD 2016-36 Redevelopment of Paddington Green police station). Since then economic factors in the property industry have changed and the nature of the threat has seen a number of attacks on the Capital and Manchester from both Daesh inspired and far right groups. The Mayor remains committed to investing in MPS counter terror capability.

The terrorist attacks last year and the shift in threat have highlighted the urgency for a long-term single site. Meanwhile the fact the property market has changed has presented an opportunity to purchase Empress State Building, Earls Court (ESB) through the acquisition and on-shoring of the holding company enabling the conversion of the existing lease into a freehold. This enables investment into the building and secures its future into the long term. Purchasing ESB and holding it as a freehold offers better value for money than signing a 15-year lease. This frees up revenue spending to be focussed on better value support to the front-line rather than spend on rent. These savings on rent increase the longer the length of the lease. It supports the ambitions of the MOPAC Police and Crime Plan to protect Londoners from both terrorism and increasingly sophisticated organised crime; whilst it also supports the objectives to rationalise the MOPAC estate and improving the quality of accommodation. This rationalisation provides the opportunity to bring CT functions together, replacing the earlier Paddington Green proposal.

Shortly after taking office in 2016, the Mayor asked Lord Harris to review London's state of readiness for a terrorist attack following a number of horrific events elsewhere in Europe. Lord Harris' report published in 2016 made 127 recommendations. Since then there have been a number of attacks and it has been acknowledged that the Police and the security services responded well. Lord Harris has since reviewed the proposals set out in this paper and has strongly recommended that all CT and Organised Crime teams are brought together.

The investment in a single CTOC Hub will also bring London into line with the rest of the country. Other regions such as Manchester already collocate CT functions and this will bring London in line with that delivering a modern fit for purpose accommodation and technology.

Recommendations

The Deputy Mayor for Policing and Crime is recommended to:

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If these properties are not sold then there will be an impact on the availability of capital and the resultant need to raise the level of borrowing which is not reflected in this business case.
- i. Note that the Portfolio Investment Board has agreed that the operational benefits of creating a single building Counter Terrorism and Organised Crime (CTOC) Hub in Central London are critical as underlined by documented external, independent studies as referenced in this decision and set out in detail in Exempt Part 2.
- j. Note that the existing Medium Term Financial Plan (MTFP) has made full provision for the capital and revenue costs (including borrowing) of this project and that any subsequent changes will be reflected and updated in accordance with standard change and budget control management.
- k. Note that there are wider operational and financial benefits from the consolidation of the MPS Central Estate.

Time sensitivity

A decision is required from the Deputy Mayor by 23rd March to support preparations for completion of the purchase of ESB by the end of the month.

Non-confidential facts and advice to the Deputy Mayor for Policing and Crime

Background and Overview

This Final Business Case (FBC) considers options for the co-location of Counter Terrorism (CT) and Organised Crime (OC) teams to create a CTOC Hub in central London. In addition to the location, it considers the most Value for Money (VfM) tenure option (considering the ownership of ESB against the ongoing lease of existing properties).

The proposed CTOC Hub solution is enabled by a much wider programme of works and moves known as the Central Estate Programme (CEP) which involves around 7,500 individual moves over 5 years, the refurbishment of eight further buildings (in whole or in part) and the disposal of three buildings. Much of the technology that will be transferred is highly complex and will be informed by wider national upgrade programmes.

The nature of the use of the new facility is such that Part 2 will not be released to the public for some years. As a result, more detail is provided within Part 1 which sets out the rationale for the decision.

The structure follows the Part 2 Full Business Case. It sets out the:

- *strategic case* for the creation of a CTOC Hub setting out why a facility is required, leading to the
- *economic case* which identifies the best Value for Money option (considering both qualitative/operational and quantitative factors) and in so doing explains the extensive search for, and analysis of, different sites; the preferred option having been identified, the
- *commercial case*, which explains the justification for the purchase price and method of acquisition, the method for procuring the works and the analysis of the third party income; the
- *finance case* sets out how the programme will be funded and its affordability; and finally the
- *management case*, which explains how the programme will be delivered.

The business case has been reviewed by a number of independent bodies/people, has been peer reviewed by two other forces and has received support from other Government Agencies. The table at the end of this section provides a summary of the assurance reviews.

Strategic Case

The proposal for a strategic hub location is not new, the need having been originally identified, and a supporting case built, in late 2012/2013. The proposals have matured and changed since inception with multiple options having been identified and tested. An early prime option (Paddington Green) became unviable due to economic factors, which led to the development of a new, refreshed business case. The events of 2017 have hastened the need for a CTOC Hub, both to respond to our learning from the terrorist attacks in London and Manchester, and also to accommodate the resultant growth in the Counter Terrorism machinery.

The strategic case has set out the requirement for a single hub location to house all Counter Terrorism and related Organised Crime assets in a location that allows flexibility to adapt to the changing threats over the next 15 plus years.

It shows that a single hub will:

- Support the delivery of the core themes in Lord Harris' review recommendation: interoperability and communications, consistency with the rest of CT Policing and a return to established best practice.
- Increase efficiency to meet London's unique demand: operational efficiency/tempo will be improved to effectively keep pace with the threat and it will make London's Counter Terrorism and Organised Crime response leaner and more effective.
- Transform operational command and control facilities: the learning from the terrorist events over recent years in the UK and overseas will be embedded providing the ability and flexibility to face future threats and ensure that the facilities are equal to those at Manchester and Birmingham.
- Accelerate digitisation: providing the right infrastructure to enable the capabilities needed and to deliver key improvements recommended by David Anderson QC in his commentary on the Operational Improvement Review (OIR); and
- Link the MPS' Organised Crime capabilities directly with Counter Terrorism expertise: underpinning bottom up and top-down collaboration in line with Home Office strategy and collective CT and OC aspiration.

These strategic objectives have been endorsed by Lord Harris in a review of this business case as well as the Independent Projects Authority (IPA – part of the Cabinet Office).

Lord Harris, in his review, stated:

'In my view the case for CT operations in London to be centralised as much as possible on one site is clearly proven. A single Hub will enhance the efficiency of investigations and operations, and significantly reduces the risks associated with them.'

'Bringing a range of different disciplines and facilities together, including those associated with tackling organised crime plus the potential of other agencies having personnel permanently based in the same building, creates other beneficial opportunities. It facilitates the ability to deploy officers and staff from a range of specialist units - both within the MPS and also across agencies - into high priority operations on a 'surge' basis. The synergies of colocation in terms of intelligence and information sharing are also substantial. Partnership working is also embedded and facilitated.'

'My overall conclusion is that the proposal for a CT-OC Hub based in ESB is a proportionate response to the increased threat faced from terrorism. Moreover, it would present unacceptable risks to Londoners and indeed the counter-terrorist effort nationally not to proceed. The opportunity to bring together specialist resources focused on serious and organized crime as well as those devoted to combatting terrorism in one place will facilitate all sorts of other synergies and wider benefits.'

In their conclusions the Cabinet Office's Infrastructure and Projects Authority found that the proposals constitute a "significant" and "unique" opportunity. In particular, they found that:

'There is no 'do nothing' option as the lease on one of the key occupied buildings (ESB)... ends in 2019. Action needs to be taken.'

'The benefits of a consolidated and integrated CT Hub are not in doubt. ... the regional CT Hubs have been able to demonstrably operate at a level that previously would not have been possible.'

London has over 50% of all CT crime management and incidents nationwide and is the last region to consolidate their capabilities into a single collaborative hub.

The Strategic requirements for the CTOC Hub also deliver to other strategic imperatives:

- The MOPAC Police and Crime Plan through providing modern tools to the police to do their job, enhancing the MPS ability to Keep London Safe from the increasing terror threat and to consolidate properties to focus revenue onto the front line (achieved through reduced rent when buying in freeholds such as ESB and reduced running costs with the closure of other buildings).
- The MPS' One Met Model with a focus on 'Every Community Safer', 'A safer London' and 'A Transformed and Efficient Met'. The key focus being the support to the property strategy and the consolidated Organised Crime teams.
- The proposed MPS Estate Transformation Strategy which seeks to enhance the estate through consolidation of property assets, improve the estate through targeted investments in critical infrastructure, maximise the value of surplus assets to invest back into capital projects and to reduce running costs.

The Strategic case shows the demand on CT assets has doubled in the last 24 months and trebled in the last 8 years. The current assets must increase in terms of capacity and capability to respond to the changing threats and as a result a consolidated single CTOC Hub is not only required but is an absolute necessity.

The investment in a single CTOC Hub will also bring London into line with national standards, being the last region to have a consolidated collaborative facility with technology designed to keep London and the Nation safe.

Economic Case

There are a number of variables against which a long list of options have been assessed over the past 24 months. Through the process a number of sites, and

options, have been considered and appraised, including options utilising the existing and/or new estate.

The work which has been completed to this stage has left three potential options which are considered in more detail.

Option 1: Do minimum – This requires a 5 year lease extension at ESB to April 2023 and subsequent re-location of occupants of ESB across a refurbished existing estate in five separate buildings;

Option 2: The ownership of ESB; and

Option 3: A 15 year lease extension for ESB.

The economic case explores the options against both the qualitative and operational and quantitative benefits, scoring each of the options against the Critical Success Factors established in the Strategic Case.

The relative performance of each of the options against the Critical Success Factors starkly identifies the difference in qualitative and operational benefit between option 1 (do minimum) and options 2 or 3 due to the disruption to operations and the inadequacies in the future solution as a result of dispersing the teams into five buildings under option 1 resulting in poor collaborative opportunities and operational synergies within CT and certainly across CT and OC.

Whilst options 2 and 3 allow for an almost identical level of qualitative and operational benefits, option 2 (purchase) does provide MPS with security of tenure in the long term.

Detailed cost modelling was undertaken to identify the Net Present Cost over 15 years for the three options which is summarised in the table below. This show that Option 1 (do minimum) has an NPC substantially higher than Option 2 (purchase) which, in turn, has an NPC 25% lower than Option 3 (lease ESB). The differential between the NPC for purchase and lease is magnified threefold if a 25 year time frame is considered instead of 15 years.

15 Year Cash Flow	Option 1: Re-location of CTOC Hub	Option 2: Ownership of ESB	Option 3: 15 year lease for ESB
	Inc OB £000's	Inc OB £000's	Inc OB £000's
Net Present Cost			
Capital	109,009	32,031	-81,197
Revenue	214,865	147,287	307,589
	323,874	179,319	226,391

The high NPC associated with Option 1 is driven by the lack of capital receipts, the high costs of refurbishment and the ongoing 5-year lease at ESB that would be

required in the interim. Option 2 has the lowest overall NPC. Despite the upfront capital costs required to purchase, the annual running costs are the lowest of all options and the residual value of the property further supports this option (ie MOPAC continues to own the asset). Critically it uses the least amount of revenue enabling budgets to be focused onto front line resources.

Before concluding which option offers the best overall Value for Money, some financial sensitivity analysis was undertaken to understand the impact of financial risk of the relative performance of each option. This tested the impact of different assumptions on income flows and running costs; purchase price; capital receipts from disposals and rent costs. In each sensitivity the analysis showed that the NPC of Option 2 remained lowest.

Given the high qualitative and operational performance of Options 2 and 3, and the financial analysis, it is recommended that Option 2 is considered the preferred solution.

Following selection of Option 2 as the preferred option, a 'peer review' was undertaken with both West Midlands and Greater Manchester Police Services. Both organisations supported the outcome – in summary they state:

Greater Manchester Police

The North West Counter Terrorism Unit is based in Greater Manchester and located in a purpose built facility offering a single hub location, which is an operating model that has proven extremely effective in terms of interoperability, communications and adapting to often emergent and critical threats. The practical benefits of this co-located approach, especially in terms of command and control, intelligence and investigative functions and as a key enabler to multi-agency working, were never more apparent than in the aftermath of the Manchester Arena attack in May 2017 and the ensuing investigation and police response.

I am supportive of the operating model as a necessary operational and physical response to the existing national counter terrorism threat and I would be pleased to support this project with any learning from the development of the hub in the North West.

Ian Hopkins – Chief Constable

West Midlands Police

2017 saw five terror attacks and unprecedented demand on the CT network.....There are no signs that this will abate and we are planning for this level of demand to be sustained in 2018 and beyond.....the Metropolitan Police Service, as lead force for CT Policing, will be feeling this demand more than most and will need to adapt to meet the changing threat picture.

We have also seen an increase in serious and organised crime; in particular a significant increase in firearms discharges.....we are having to work more closely with the National Crime Agency (NCA), the Counter Terrorism (CT) Network and Regional Organised Crime Unit (ROCU) to mitigate the threat.....responding to changing threats such as an increase in cyber and cyber-enabled crime. This crosses over into both CT and ROCU and opportunities to work collaboratively here must be exploited.

From the documents I have been able to review I would say that the CTOC Hub plan is a proportionate operational response to this changing threat.

Dave Thompson – Chief Constable

Commercial Case

The commercial case outlines the procurement methodology for the total costs of the programme categorised as follows:

- a) The acquisition of Empress State Holdings Ltd plus a potential financial payment which will be paid in the event certain security conditions are met and the associated costs of purchase; and
- b) The construction works required both at ESB (fit out and forward works) and the various receive buildings.
- c) The commercial activity reflecting the income that is targeted to be received from the 6 vacant floors which will also be covered in this section.

The purchase costs have been fully agreed with the current owner and have been fixed within the model. Contingency has been allowed for against each project in accordance with the Treasury Green Book.

Acquisition

The entire issued share capital of Empress Holdings Limited, who is the ultimate owner of Empress State Building (ESB), will be purchased from EC Group Holdings Limited for £250m. In addition, a further payment to Capco of £10m which will be paid in the event certain security conditions are met.

The 'open market value' of the building has been independently assessed by Cushman and Wakefield in accordance with the RICS Red Book at £220m. MOPAC are, therefore, paying £30m (plus a potential further £10m which will be paid in the event certain security conditions are met) over this assessment of market value. Knight Frank has assessed the 'worth' of the building to MOPAC (ie the cost to MOPAC of not purchasing the property which shows that it is worth more to MOPAC than the open market may be willing to pay). This is explained by the fact that if the property were not to be purchased, then the alternative option would require MOPAC to lease the property for a further 5 years at a total cost of c£76m. The additional payment of £30m (plus a potential further £10m which will be paid in the event certain security conditions are met) over the assessment of market value reflects an opportunity cost saving to MOPAC of c£36m (the difference between the total cost of renting the space if an alternative option was selected minus the additional cost of purchase over market value). The purchase price and the saving is reflected in the economic comparisons made in the section above.

There are three areas of land within the existing site where Capco will retain the freehold ownership but leaseback to MOPAC at a peppercorn rent – they are the Capco Option land (the strip of land that currently forms the car park and could be replaced by a car park to the front of the building at Capco's option), the Broadway Land (the strip of land to the right of ESB which is part of the main road into Capco's development) and the Heritage Centre at the front (where MOPAC will have a short lease to provide time to relocate occupants).

Construction

The total procured costs are grouped into five key categories:

1. Refurbishment of 8 receive sites;
2. Programme Management, move costs including associated information technology costs;
3. Security adaptations to ESB to enable occupation for the stated uses;
4. Specific ICT costs associated with changes at ESB;
5. Forward works (life cycle) costs to deliver building services capable of lasting for between 15 and 20 years – replacement of lifts, chillers, redecoration etc

It is worth noting that 35% of the total project relates to construction which has an element of risk associated with it (the remaining being the purchase). Contingency over base costs has been included in accordance with the Treasury Green Book recommendations.

A combination of MOPAC approved and third party procured professional services, ICT and construction work frameworks will be utilised as the 'route to market'. This will deliver maximum value for money, cost avoidance and risk transfer with competition evidenced in all commercial contracts.

3rd party income

It is proposed to offer space identified for third party use to other public sector organisations in order to encourage collaboration, and letters of interest have been received from a number of Departments.

Financial Case

The Financial Case outlines the cost of the Central Estate Programme identifying:

- (a) The capital and revenue costs at a project level;
- (b) how the project is funded; and
- (c) how it fits within the Medium Term Financial Plan (MTFP)

The Financial Case shows that the:

- i. Capital costs exceed existing capital funding provision and therefore borrowing will be required. The existing Medium Term Financial Plan (MTFP) has made full provision for the capital and revenue costs (including borrowing) for this project.
- ii. The MTFP has made a prudent assumption that there is no third party income on the six floors identified for third party use for the purposes of the business case. As a result, there is a contribution (revenue pressure) required from the MPS of £30m over the 15 year life of the project. The letting of the floors will reduce this revenue pressure – MOPAC's best value obligation will require a full market rent as well as running cost recovery from partners letting space.
- iii. The running costs for SC&O and current SO/CT users are funded through the existing budgeted costs.
- iv. The growth requirement for CT is funded from additional CT Grant.
- v. The existing Medium Term Financial Plan (MTFP) has made full provision for the capital and revenue costs (including borrowing) of this project and that any timing issues on implementation will be reflected each year through the budget submission process.

The existing Medium Term Financial Plan (MTFP) has made full provision for the capital and revenue costs (including borrowing) of this project. The intention is to minimise the impact on the MTFP by placing surplus revenue funds in an earmarked reserve to fund future revenue costs. For prudence it has been assumed there is no third party income, but the MPS are pursuing opportunities to generate this income through renting spare space in the refurbished ESB.

The MOPAC budget approved in February 2018 as part of the Mayors consolidated budget, assumed the purchase of ESB would take place in April 2018. This decision to purchase ESB in March 2018 will bring forward an element of the capital expenditure currently planning to fall in 2018-19 in the Mayor's consolidated budget.

Management Case

The management case sets out in detail the approach required to ensure the successful implementation of the scheme in accordance with best practice.

The Central Estates Programme (CEP) consists of five key areas:

1. The exercise by Capco of the Broadway Option Land and Capco Option land will change the boundaries of the existing site should they exercise the options – this will require extensive construction around the building by the Capco which will need collaborative management;
2. The delivery of refurbishment work to several receive sites across the estate to ensure they are fit to receive non CTOC occupants currently occupying ESB and any current occupiers at Cobalt Square, following its closure, that are not moving to ESB;
3. The decant of existing non CTOC ESB occupants into receive sites across the estate and the management of the transfer of associated technology;
4. The delivery of the security enhancements and lifecycle works at ESB to ensure the building is fit for purpose as a CTOC Hub with a 15 to 20 year life; and
5. The relocation of all people outside the CTOC Hub; in particular from Cobalt Square as well as by third parties.

To allow ESB to become a CTOC Hub, existing non CTOC teams must be decanted from ESB. In order to facilitate the decanting of the ESB for these units, investment will be required in a number of sites. The total cost of receive site works has been factored into the Financial Case. It has been estimated that there will be a total of about 7,500 individual movement of people to make the programme happen.

Part of ESB has previously been altered to meet physical security standards but will need slight further modification to make compliant for long term occupation. Further floors will also require work to meet physical security standards for which costs have been factored into the cost of acquisition.

The continued occupation of ESB provides the opportunity to consolidate some of the central specialist Organised Crime functionality and other SC&O teams, into ESB. This would allow for the disposal of Cobalt Square and Belgravia (subject to future decisions from DMPC), resulting in capital flows from the disposal and the freeing up of capital allocated to refurbishment. The purchase of ESB, mixed with the management restructure of SC&O, provides an opportunity to re-think the occupation of SC&O across the estate.

The programme has a number of moves and complexities which will require significant management and structure. The successful exit of New Scotland Yard (Broadway) in October 2016 underlined the importance of managing delivery under a conventional single Programme of work, with industry standard programme and project practices being utilised. The programme delivered on time and delivered a substantial capital receipt. Key to achieving this is the concept of all project and programme team members, regardless of function, being responsible to the programme line. As such, a comprehensive management and governance structure has been established to oversee the delivery of this work over the course of the programme.

A Programme Director will have complete oversight of the entire programme, taking responsibility for the day to day execution of the integrated programme plan, managing dependencies, risks and issues such that the overall programme delivery is not jeopardised. To optimise delivery certainty and minimise change, the Programme Director will be supported by a Programme Management Office (PMO) resource to ensure the necessary programme and project controls and disciplines are adhered to throughout the delivery of the programme, and the Programme Director will have a direct reporting relationship with the Programme SRO who will be the programme's owner and champion. Meanwhile, each of the dependent key projects within the programme will be governed by a Project Director who will work with Project teams and Single Points of Contact in the business to monitor and escalate the project level risks, issues and communications through the Programme line to the Programme SRO. The project will form part of the wider One Met Model programme and governance.

All costs of managing the project including the cost of the moves themselves have been included in the Economic and Finance Cases.

In addition, the governance arrangements for this programme of works will mirror those of the NSY Broadway Exit governance regime, and will fall under the One Met Model Programme Management group (PMG) which has full and regular oversight of the Central Estate Programme, thereby ensuring strong leadership engagement from the outset.

Assurance Reviews

A number of independent peer reviews and consultations have been undertaken as part of the development of this business case to assure decision makers that they can have confidence in different aspects of this complex programme. They are referred to throughout the business case. Due to the confidential nature (both operational and commercial) of the content of each review they are provided in Exempt Part 2. However, the purpose and outcome of the reports are listed in the table below:

	Organisation/ Individual	Purpose	Outcome
Independent Reviews			
1.	Infrastructure Projects Authority (IPA)	Part of the Cabinet Office, the IPA reviewed the project two-thirds through the analysis period considering: The strategic purpose;	Supported the project strategically. They gave an 'amber' outcome subject to resolving: funding;

		• The deliverability; • Risks and blockages; • Economic viability; • Management structures.	• security; and • resourcing. All recommendations have been addressed and resolved.
2.	Lord Harris	Following the Harris review commissioned by the Mayor in 2017, Lord Harris has reviewed this programme on the following basis: • Will it support the delivery of his recommendations? • Following terrorist events and the Anderson review, will it support protection against the developing threat? • Is it a proportionate response?	Fully supported the Programme – strong recommendation to co-locate all teams into one building.
4.	Government Property Agency (GPA)	GPA were consulted and asked to provide a view on: • The structure and value of the purchase deal; • The financial model; • The likelihood of letting to third party agencies.	All issues resolved.
5.	Cushman and Wakefield Chartered Surveyors	Independent valuation to assess the open market value of ESB	Confirmed underpinning value (see commercial case)
6.	Knight Frank	Assessment of the 'worth' the building to MOPAC/MPS	Confirmed the 'worth' to MOPAC/MPS justified the purchase price.
7.	Gleeds Quantity Surveyors	Gleeds were asked to review the specification of the overall capital programme to ensure that the quality of the refurbishments were in line with other Government and Local Authority benchmarks.	Gleeds provided comparable benchmarks which showed that the specifications were no higher than other public sector projects and in many aspects slightly lower.
Peer Reviews			
8.	West Midlands	Three key questions asked: 1. Is the CTOC Hub a proportionate <u>operational</u> response to the changing threat?	Supported

		2. Is the CTOC Hub a proportionate <u>physical</u> response to the changing threat? 3. What lessons have been learned and what would they do differently following the development of their own equivalent facilities.	
9.	Manchester	As above	As above

Summary

CT threats are multiplying and the style of attack is changing; Organised Crime grows more complex and demands new responses. There is an urgency to create a single CT and OC Hub. The MOPAC Police and Crime Plan, the One Met Model and the proposed Estate Transformation Strategies will be substantially supported by this programme.

Do nothing is not an option – the ESB lease expires in June 2019. The economic case show that the best option both financially and in terms of qualitative and operational benefits is the purchase of ESB. This will form part of a much wider programme of works to enable the change to happen and to deliver the financial and operational benefits.

The price has been negotiated with the current owner and is now fixed. The purchase price at £250m plus a potential further £10m which will be paid in the event certain security conditions are met (the deferred amount) is £30m (plus the deferred amount of £10m) over the accepted open market value. However, the alternative 'do minimum' option requires a 5 year lease extension costing c£76m. The purchase at £30m (plus the deferred amount of £10m) over market, therefore, reflects a £36m opportunity cost benefit compared to the do minimum option. There is reasonable interest from a range of Government Departments and Agencies to take the space identified for third party use.

The Medium Term Financially Plan (MTFP) provides for the full funding needs for the programme through intrinsically linked receipts and borrowing.

Existing CT and OC funds will support the core requirement which replaces the space that is currently provided by the estate in the different locations. The growth in the CT requirement is funded from an uplift in CT Grant. The MTFP assumes that no third party income is received and any additional future benefit will offset costs and be reflected into MPS budgets in future years through normal processes.

Finally, the management systems, governance and processes are in place.

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