

# **MAYOR OF LONDON**

**OFFICE FOR POLICING AND CRIME**

**CAPITAL STRATEGY  
2020/21 – 2039/40**

## 1. Introduction, Overview and Intention

CIPFA's Prudential Code includes the requirement for all members of the GLA Group to produce a Capital Strategy. The intention of the GLA Group's Capital Strategy is to drive the Mayor's capital investment ambition, whilst ensuring the sustainable, long term delivery of services. All members of the GLA Group are therefore requested to include their draft Capital Strategy in the budget publication.

The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to produce a capital strategy to demonstrate that capital expenditure and investment decisions are taken in line with desired outcomes and take account of stewardship, value for money, prudence, sustainability and affordability. It is intended to give a high-level overview of how capital expenditure, capital financing and treasury management activity contributes to the provision of services, along with an overview of how associated risk is managed and what the implications might be for future financial sustainability.

This strategy has been prepared in accordance with guidance issued by the GLA: *Mayor's Budget Guidance 2021-22*. The intention of this draft Capital Strategy is to set out the framework for aspects of the MOPAC's capital and investment expenditure including approach, influences, policies, risks and appraisal methodology. The draft will be updated alongside the final Budget Submission in February 2021.

The Capital Strategy requirements will be based on the investment implications arising from a number of drivers including the Police Officer Uplift programme, Digital Policing and other corporate strategies (e.g. the Estates Strategy) some of which are currently in draft form but will be finalised in time for the final Capital Strategy in February.

The Strategy is projected over a 20-year timeframe to project forward likely investment requirements over the longer term although the longer the time, the greater the use of estimated figures. However, the budget submission includes firmer capital expenditure plans for 5-years to enable for robust medium-term financial planning. It is being presented in the context of Covid-19 and Brexit both of which will have an impact on the current strategy and the delivery of it.

This Capital Strategy includes the capital expenditure plans for the National Counter (CT) Terrorism Policing Headquarters (NCTPHQ) as the MPS is the host force for this national body. CT capital investment is funded through a ringfenced CT grant, which matches the expenditure over the period and therefore MPS is not responsible for the funding of that programme.

The Budget Submission which accompanies this strategy contains details on the proposed capital expenditure over the Medium-Term Financial Plan by main investment area, namely:

- Property Services: encompassing estates transformation and essential maintenance of the estate through a programme of lifecycle works replacing worn out capital items (e.g. lifts) when they come to the end of their economic life ensuring that future backlog maintenance liabilities are minimised.
- Digital Policing will also be investing in modern digital solutions such as Artificial Intelligence and Robotics to significantly reduce manual processes in key operational areas.
- Fleet Services: maintaining an MPS fleet of c5,000 vehicles. The MPS will be responding to the announcement from the Prime Minister that the sale of fossil fuel vehicles will be banned by 2030, 10 years earlier than planned and will be accelerating our electrification plans for our fleet to ensure we can effectively Police London. Analysis to understand the investment implications is being undertaken and will be completed by the new financial year.

- National Counter Terrorism Policing HQ (NCTPHQ): investments in maintaining core CT capability.
- One Met Model (OMM) which supports the development and modernisation of the MPS.

## 2. Proposed Capital Programme 2020/21 to 2024/25

The MOPAC Capital Programme is delivered and managed by the MPS and is proposed to be £1.6 billion (at current prices) between 2020/21 and 2024/25. The capital programme can be funded from capital grants from external bodies e.g. central government, capital receipts, revenue contributions to capital (RCCO) and external borrowing.

In the Police Settlement MOPAC/MPS currently only receive around £3.3m (20/21) of annual funding from central government towards capital investment which represents only a tiny proportion of the much-needed capital expenditure – less than 1% of the proposed capital budget of £385.1m in 2021/22. For the 5-year capital expenditure plans the total projected funding from central government is therefore estimated to be only £16.5m based on the continuation of the 2020/21 level of funding of £3.3m per annum - a £9.1m p.a. reduction to the already minimal level of £12.4m p.a. provided in 2019/20.

Therefore, MOPAC/MPS have no choice but to fund the majority of the works in the proposed programme from capital receipts from the disposal of the MOPAC estate and the MPS estates transformation programme and from external borrowing which is funded through the MPS revenue budgets.

Given the wider economy and the ongoing significant impact which the Covid-19 pandemic is having on the UK economy, there could be potential risks to the UK property market and the ability for MOPAC to generate capital receipts. Furthermore, as the opportunity for generating estates capital receipts decreases, increasing reliance will be placed on external borrowing to finance the balance. This will increase the cost of capital financing and potentially place increased pressures on the MPS revenue budget going forward. By way of illustration for an asset costing £10m with a 15 year life, and with long term interest rate at 3.25%, there would be an annual revenue cost of just under £1m.

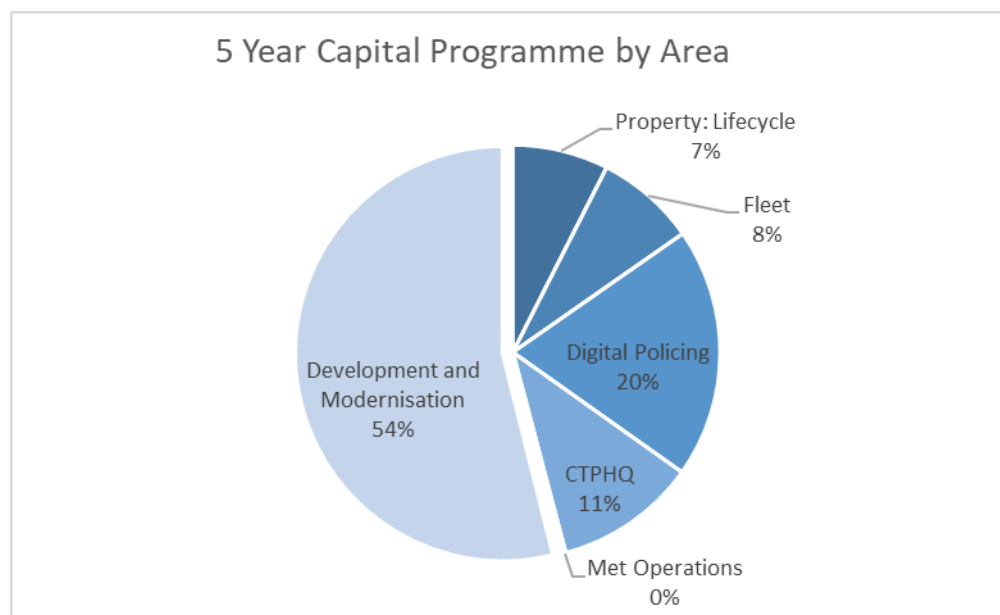
Whilst the Chancellor in his Spending Review statement on 25 November announced funding for an additional 6,000 officers, the actual allocation to the MPS has not yet been confirmed and this uncertainty makes estates planning extremely challenging. This has led to a phased approach to the approval of the disposal of properties across the MOPAC Estate with approval only for those where there is certainty that they will not be required for the Police Officer Uplift programme and to allow for alignment between accommodation volumes and Officer strategy takes place.

The MPS hosts the National Counter Terrorism (CT) Policing Headquarters (NCTPHQ), which has a capital programme of £177.6m between 2020/21 and 2024/25. This is funded through a ringfenced CT grant, which matches the expenditure over the period.

In total, over the five-year period it is estimated that in current prices, the MPS will invest £1.6bn across the key investment areas as follows:

- £739m on core capital essential asset maintenance activities including: £119.9m on property lifecycle works; £125.4m on fleet; £312.7m on the core costs of IT equipment including for frontline officers, and £177.6m in NCTPHQ (fully funded from grant) investments. This core expenditure is an essential requirement to keep the MPS operating in a safe and efficient way, eg building lifecycle works, maintaining and upgrading core IT infrastructure and the vehicle replacement programme.

- £864m on development and modernisation to ensure the MPS is modern and fit-for-purpose for the 21<sup>st</sup> century. Activities include £387.6m on developing the estate; £192.4m on the Counter Terrorism Operating Centre; £83.7m on transforming investigations and prosecution (including CONNECT) and £115.1m on optimising contact and response (including Command and Control). Further detail can be found in section 4.



The government has announced funding for the establishment of a Counter Terrorism Operating Centre (CTOC) to be established in London, which was initiated by NCTPHQ/MPS and supported by MOPAC. This significant investment forms part of the capital programme.

In March 2018, the Mayor and the Metropolitan Police Service announced a £412m investment to create a new counterterrorism and organised crime hub in the capital. For the first time, it would bring together the Met's counter-terrorism command and specialist crime and operations under one roof, in line with other cities like Manchester and Birmingham. In order to maximise the effectiveness of the counter-terrorism response the current plan is that the hub will focus on the counter-terrorism function with organised crime functions relocated elsewhere in the MPS estate. London's new counter-terrorism hub is designed to streamline operations and capabilities and ensure more effective and efficient working to keep the capital as safe as possible from the constant and evolving threat of terrorism.

At the same time, the MPS is building its capability to exploit data and become more intelligence led. The MPS is the UK's largest police service, employing c40,000 people and accounting for approximately a quarter of the national policing budget. The transformation is a huge undertaking and has been constructed in an environment of uncertainty around the Governments announced officer uplift and associated funding.

The table below summarises the draft five-year Capital Programme in current prices (excluding inflation).

<b>MPS Capital Programme 2020/21 -2024/25 (current prices)</b>	<b>2020/21 Forecast</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>TOTAL</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	
PSD - Lifecycle work	12.6	15.5	17.9	31.5	42.4	119.9
Fleet	31.2	22.7	23.8	25.1	22.6	125.4
Digital Policing	32.7	82.1	102.3	56.5	39.2	312.7
CTPHQ	24.9	46.9	43.9	40.8	21.2	177.6
Met Operations	3.3	0.0	0.0	0.0	0.0	3.3
<b>Sub Total Excluding Transformation</b>	<b>104.7</b>	<b>167.2</b>	<b>187.9</b>	<b>153.9</b>	<b>125.3</b>	<b>739.0</b>
Optimising Contact and Response - P2	55.4	43.8	10.0	6.0	0.0	115.1
Transforming Investigation and Prosecution - P4	38.8	30.9	11.7	2.3	0.0	83.7
Strengthening Armed Policing - P5	0.4	3.1	21.2	0.0	0.0	24.7
Operational Support Services - P6	0.0	6.8	6.8	0.0	0.0	13.6
Fortress and EBACS -P7 (residual projects)	3.6	0.0	0.0	0.0	0.0	3.6
Learning and Professionalism Transformation - P8	1.5	1.2	0.0	0.0	0.0	2.7
Information Futures - P9	3.7	2.9	2.7	0.0	0.0	12.3
PSD- Property Forward Works - P10	43.2	22.4	22.7	23.1	81.0	192.4
PSD- Transforming the MPS Estate - P11	82.1	103.9	77.4	108.0	16.1	387.6
Local Investigation Capability - P16	0.5	0.0	0.0	0.0	0.0	0.5
Transformation - long term estimate	0.0	0.0	0.0	11.0	17.0	28.0
<b>Sub Total Transformation</b>	<b>229.1</b>	<b>217.9</b>	<b>152.5</b>	<b>150.3</b>	<b>114.7</b>	<b>864.0</b>
<b>Total Programme Cost</b>	<b>333.8</b>	<b>385.1</b>	<b>340.3</b>	<b>304.2</b>	<b>239.4</b>	<b>1,602.9</b>
<b>Funding</b>						
Capital Grants and Receipts	70.0	88.0	48.2	47.4	67.7	321.3
CTPHQ and Fleet funded	34.7	53.0	49.8	48.3	27.1	212.8
External Borrowing	229.2	244.2	242.3	208.6	144.6	1,068.9
<b>Total funding</b>	<b>333.8</b>	<b>385.1</b>	<b>340.3</b>	<b>304.2</b>	<b>239.4</b>	<b>1,602.9</b>

The Capital Strategy published in February 2020 covered the timeframe from 2019/20 to 2023/24. Comparing to this timeframe there are several key movements to highlight.

- Digital Policing**  
 Digital Policing shows an increase of £128.2m over this period. predominantly reflecting new mobile working including new and replacement devices £38m, investment in the new Data Centre, Cloud First strategy and networks including upgrade of the MetCC 999 telephony service and cybersecurity gateways £26m. Application & Service upgrades (including mobile readiness) account for £17m and commitments to Home Office Projects including ESN [new Emergency Services network] £29m and NAS [new National ANPR System] have been included totalling £18m.
- Property**  
 Property Central Estates P10 – reduction £107.2m – anticipated slippage in this programme with £81m scheduled for subsequent year 2024/25.
- NCTPHQ**  
 NCTPHQ shows an increase of £37.6m but this is fully offset by additional external funding

Aside from the NCTPHQ external funding, all other increases in capital expenditure are currently assumed to be funded by increased borrowing.

The Capital Programme in the table above has now been extended by one year to cover the period to 2024/25 and it can be seen that the overall expenditure requirements of £1.6bn are funded by an estimated £1.06bn of borrowing. The actual borrowing undertaken will depend on the availability of cash and reserves at any given point in time.

The MOPAC Treasury Management Strategy sets out the Prudential Code indicators which consider the affordability of proposed borrowing. The proposals set out within this strategy are deemed affordable within the approved limits.

### 3. Capital Strategy Benefits

The CIPFA Prudential Code includes the following as benefits of the Capital Strategy:

“...demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a capital strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.”

For MOPAC/MPS the key benefits of producing a Capital Strategy are:

- The transparent alignment of scarce capital resources to priorities. This includes a comprehensive view of MOPAC/MPS strategic priorities and how they link to different capital programmes.
- Ensuring a sustainable, long term delivery of services which gives due regard to risk and reward. It provides a focus and baseline for considering how different elements of the programme are financed and what the impact of these financing options are.
- Improved asset management

Taking a long-term view in a Capital Strategy helps MOPAC/MPS to:

- Make long terms plans for investment in core capabilities and infrastructure.
- Make strategic borrowing decisions alongside the GLA to support optimal treasury management.
- Anticipate the revenue costs of borrowing and plan accordingly.

## 4. Approach

In preparing the five-year Capital programme, the MPS has undertaken a rigorous, prioritisation process in the identification of planned capital expenditure, reviewed anticipated capital receipts and has considered the revenue implications of this.

Since June 2020 for the five-year period of the Capital Programme the MPS has reviewed and challenged both the quantum of proposed capital investment for each area of spend, the prioritisation of the proposals to ensure these are consistent with the Police and Crime Plan, and the phasing of the proposed spend to ensure that the organisation has the capacity and capabilities to deliver.

A review of the anticipated capital receipts, both in terms of the expected values and timing, has been undertaken, and receipts are consistent with the planned programme of works. This process is still under review as part of work to reassess the estates strategy in light of the officer uplift announced by the Government. Figures will be updated as necessary. The assumption, at this stage, is that funding levels in relation to the central Government Capital Grant will be £3.3m per annum from 2020/21 onwards following the £9.1m reduction from the previous level of £12.4m per annum.

However, it is greatly hoped that central government will provide a considerable increase in the amount of capital investment it provides in order to ensure that the MPS can continue to deliver a modern police force fit for the 21<sup>st</sup> century and to reduce the current increased revenue pressures on the MPS from the need to undertake external borrowing to continue on its transformation journey.

Following the update of the five-year Capital Programme, the financing implications of the additional borrowing have been identified and included in the revenue budget. This is explored in Section 9, which also notes the implications beyond the five years.

## 5. Influences

### Internal influences

- *The organisation's operational requirements*  
The Capital Programme is submitted from the MPS to MOPAC, outlining the Commissioner's recommendations on the requirements of the MPS to invest in the capabilities it needs for operational policing.
- *Digital Policing*  
DP is the MPS technology function and key enabler of business change and delivery of innovation across the Met in support of delivering the "Met Direction" with a lead role in the strategic enabling priority to "Seize the opportunities of data and digital technology". DP undertake essential IT work replacing and enhancing assets that are end of life and risky. A major area of investment for DP is on core IT infrastructure and the essential work to maintain and upgrade the core communication network. This includes, patching, upgrades and delivery of new end user applications, the Data Centre, hosting platforms and the continued roll out of the Met "cloud first strategy".

DP focus on providing effective services for our 50,000+ end users, our partners and every member of the public and the aim is to give every customer the best possible technology experience, from our Police Officers working in stations and on the street, to our partners that rely on our support and data to support safeguarding, crime prevention and investigation, to members of the public who want to engage with us in new ways. It is our responsibility to deploy the right technology and to increase the speed and efficiency of delivery.

The MPS is committed to ensuring all of our people have the data and technology they need to do their jobs. Citizens will be able to use a variety of digital channels to communicate with us, report crime and carry out routine transactions. The investment in maintaining the core IT estate, services and keeping the MPS up-to date with advances in technology is critical to providing front line officers and support staff with the technology they need to deliver the service to focus on what matters most to Londoners.

IT is in a continual cycle of refresh and development with prior year investments in systems and assets coming to end of life, and with each new year new requirements for spend on replacement and refresh. Failure to maintain and upgrade the estate over time leads to a degradation in performance, services with operational impacts to front line officers and citizens with increased security, cyber risks and additional total life costs to remediate the assets and services. The DP investment in new mobile tools, upgrading the Windows operating system and Office365 tools including Teams has been critical in supporting the Met to maintain mission critical capabilities and services to London through the COVID-19 Pandemic emergency.

- *Property Services*  
The investment supports both:
  - delivery of the estates strategy, investing in and improving the quality of accommodation, to enhance and intensify the use of the retained estate through targeted investment, which will increase productivity of both officers and staff, maximise the value of those assets released that are surplus to need, and reduce the running cost of the retained estate; and
  - maintenance through life cycle replacement of the estate, ensuring that our properties are statutorily compliant, safe, wind and weather-proof, and that the investment made through the current estates strategy is not lost, avoiding growing a backlog maintenance liability. The medium-term financial plan includes over £50m of revenue savings, and almost £300m of receipts to 2023/24, both of which are facilitated by this investment.

- *Transformation Directorate*  
The Transformation portfolio delivers innovative and effective improvements to the MPS, supporting our service to protect the public and to become the most trusted police service in the world. The Capital investment will deliver a number of digital tools with Forensic and Intelligence business areas, which will improve the support provided to Front Line Policing and assist in tackling Violence and improving Safeguarding within London. The portfolio will also enhance frontline officer capability through improved processes and training to prioritise demand and deliver a consistent service with improved outcomes. Two of the major projects within the Transformation portfolio are:

The CONNECT project will deliver an integrated IT system, replacing nine existing IT systems for Custody, Property, Intelligence, Investigation and Prosecution. CONNECT will provide access to a single data store; allow us to link information together in a structured way and improve how we capture and exploit our information, helping make London the safest global city.

The Met's Command & Control (C&C) operating model and systems were designed in the 1980s. The purpose of the C&C project is delivering a new solution and a system integrator to implement, embed and manage a new service that will deliver improvements to first contact, despatch and operational planning capabilities.

- *Fleet*  
Vehicle technology continues to develop at a rapid pace in order to meet changing policing, environmental, and other requirements. The MPS will commit to both the Mayor's and HM Government's "The Road to Zero" policy targets and work towards a fully zero emission fleet by 2030. Furthermore, Brexit and Covid-19 are key considerations – both could significantly affect unit cost and availability of vehicles and the Equipping for Service (EFS) conversion. The MPS will be responding to the announcement from the Prime Minister that the sale of fossil fuel vehicles will be banned by 2030, 10 years earlier than planned and will be accelerating our electrification plans for our fleet to ensure we can effectively Police London. Analysis to understand the investment implications is being undertaken and will be completed by the new financial year.

## External influences

- *The level of capital grant received.*  
The central Government capital grant, excluding CT, is £3.3m per year having been reduced in the 2020/21 Budgeting round from £12.4m. Given the one-year timeframe of the 2019 and now 2020 Spending Rounds, capital increases and allocations remain uncertain. The need for a capital grant which more accurately reflects the investment requirements of MOPAC/MPS will continue to be stressed in discussions with the Government. But in the absence of an increase in central Government funding, the balance in future years is expected to be accounted for by borrowing. By 2024/25 it is expected that borrowing will account for 60% of capital funding.
- *Medium-term financial challenges arising due to increased Capital Financing Costs following ongoing uncertainty from the Government 2019 Spending Round*  
This shift to borrowing to finance capital investment has implications for the revenue budget. The cost of borrowing consists of two components: interest payments and Minimum Revenue Provision (MRP) payments. MRP is a provision made to pay down the principal on a loan when it reaches maturity. During the next five years capital financing costs in relation to the Capital Programme are expected to rise from £74.4m forecasted in Q2 in 2020/21 to £160.6m in 2024/25, in current prices.
- *Government and/or Mayoral priorities*  
Any changes in Government priorities, legislation and Mayoral priorities will influence the MPS' Capital Strategy and investment. The Government has recently announced that the Spending Review will only be for one year rather than a three-year period and, as yet, has not confirmed



what the Police Settlement will be for 2021/22. Nor has it given any firm commitments around each police service's funding for additional officers as part of its pledge to provide funding for an additional 20,000 officers nationally. This position leads to a considerable amount of uncertainty and estimating risk in the draft budgets proposed. The officer uplift will also impact on the capital programme as the MPS estate will need to be sufficient to meet the needs of the increasing number of officers as well as requirements for additional IT and vehicles. It remains to be seen whether Government funding uplifts will adequately compensate the MPS for this pressure.

- *Pace of technological change*  
Advances in technology are also changing public expectations of service and accessibility. The MPS keep abreast of these, in order to service the public effectively. Furthermore, the fast-evolving and increasing usage of technology in criminality also has an impact in relation to required changes in workforce capabilities as well as infrastructure.
- *Uncertainty relating to external market conditions*  
The five-year forecast contains some uncertainty. For example, estimates of estates capital receipts are dependent on property market conditions and given the impact of the Covid19 pandemic the economic outlook is bleak. This could impact on interest payments as well as these are determined by prevailing interest rates. This uncertainty, exacerbated by the Government decision last year to increase the Public Works Loan Board borrowing rate by one percentage point, has in part been mitigated by the recent announcement to reverse that increase.

MOPAC is responsible for all capital financing and treasury management decisions. As at the end of Quarter 2 in 20/21, a significant amount of the MOPAC/MPS historical capital financing whilst deemed to be external borrowing, in reality the actual physical borrowing is significantly less. This is because of the levels of reserves and cash resources available to provide a source of internal borrowing.

Going forward, as reserves are reduced and significant additional borrowing is required from the proposed capital programme, then there will be a need to take on a significant amount of external borrowing. The cost of this borrowing will be dependent on the interest rate forecasts at that time.

Day-to-day financial risk management of borrowing and investment of balances is carried out under a shared service arrangement by the GLA Group Treasury Team, under the policy approved by MOPAC and set out in the annual MOPAC Treasury Management Strategy. MOPAC receives advice from the GLA Group Treasury Team and independent advisers on both the timing and amount of external borrowing.

## 6. Policies

The Capital Strategy was developed in alignment with the priorities in the Mayor's Police and Crime Plan, which are;

- A better Police Service for London
- A better Criminal Justice Service for London
- Keeping Children and Young People Safe
- Tackling Violence against Women and Girls
- Standing together against extremism, hatred and intolerance

MOPAC complies with the CIPFA Code of Practice for Treasury Management in Public Services. All decisions by MOPAC about capital financing are taken in the context of the CIPFA Prudential Framework. The Framework provides authorities with borrowing flexibility, provided controls on

affordability, sustainability and prudence are met. Net borrowing over the medium term will only be for a capital purpose. Borrowing will be contained within the borrowing limits agreed by the Mayor of London for MOPAC, as indicated in the Treasury Management Strategy, link to the 2020/21 Strategy can be found here: <https://www.london.gov.uk/what-we-do/mayors-office-policing-and-crime-mopac/governance-and-decision-making/mopac-decisions-0/capital-strategy-201920-3839-treasury-management-strategy-202021>

The Local Government Act 2003 requires MOPAC to have regard to the Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision, issued in 2012. The MOPAC Group will make a minimum revenue provision in accordance with:

- The capital financing requirement method for any borrowing undertaken prior to 2008/09, and for all borrowing undertaken since that date supported through the revenue grant settlement
- For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments, starting in the year after the asset becomes operational.

The GLA, through shared services arrangements for professional technical and administrative activities, undertakes the treasury management functions of MOPAC. Investments are largely managed collectively through GIS. The GLA acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value-for-money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Based on the statutory responsibilities and local arrangements within which MOPAC operates in, all the assets, liabilities and reserves are recognised on the MOPAC Balance Sheet. This reflects the fact that MOPAC retains control over all assets including those which are held, which are disposed and who has access to use the assets and therefore controls the long-term risk and rewards of ownership.

Under the MOPAC (including the MPS) Financial Regulations, the acquisition, disposal and maintenance of long-term assets are the responsibility of the Deputy Mayor for Policing and Crime through the MOPAC Capital Programme.

Both the MPS CFO (via the CPM Statement of Accounts) and the MOPAC CFO (via the MOPAC Group Accounts) are required to sign and confirm that in preparing the Statement of Accounts, they have:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the UK.

## **7. 20-Year Capital Investment Plan**

The Mayor's vision is for London to be the safest global city, by boosting police presence in neighbourhoods, tackle violence in all its forms, renew focus on safeguarding vulnerable people and improving Londoners' confidence in the service provided. Achieving these goals involves transforming how the MPS operates at every level, operating with a more efficient establishment, whilst at the same time as meeting the rising volume and complexity of crime.

In order to achieve this, significant capital investment is required over the short to long term and the proposals within this strategy supports the Mayor's overall vision and aims.

This MOPAC Capital Strategy forecasts capital investment requirements over the 20-year period to 2039/40, estimating further expenditure beyond the five-year MTFP programme of £1.6bn. There are many uncertainties over this longer time horizon on both the funding and expenditure side. Therefore, it is assumed that the capital forecast will largely be that which is necessary to maintain and replace existing assets. When considering future innovation and transformation funding, there will be a need for MOPAC and the MPS to find a balance between national and local funding. This is not foreseeable at this stage.

The full 20-year view is shown in the table below in current prices i.e. excluding inflation and the table below sets out the expenditure for the subsequent 15 years grouped into five-year tranches.

MOPAC/MPS 20-year Capital Programme (current prices)	2020/21 Forecast	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 - 2029/30	2030/31 - 2034/35	2035/36 - 2039/40	TOTAL
	£m	£m	£m	£m	£m	£m	£m	£m	
PSD - Lifecycle work	12.6	15.5	17.9	31.5	42.4	132.4	132.0	132.0	516.3
Fleet	31.2	22.7	23.8	25.1	22.6	144.8	142.2	167.3	579.7
Digital Policing	32.7	82.1	102.3	56.5	39.2	207.0	199.0	208.0	926.8
CTPHQ	24.9	46.9	43.9	40.8	21.2	132.6	129.2	134.0	573.3
Met Operations	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.3
<b>Sub Total Excluding Transformation</b>	<b>104.7</b>	<b>167.2</b>	<b>187.9</b>	<b>153.9</b>	<b>125.3</b>	<b>616.8</b>	<b>602.4</b>	<b>641.3</b>	<b>2,599.5</b>
Optimising Contact and Response - P2	55.4	43.8	10.0	6.0	0.0	0.0	0.0	0.0	115.1
Transforming Investigation and Prosecution - P4	38.8	30.9	11.7	2.3	0.0	0.0	0.0	0.0	83.7
Strengthening Armed Policing - P5	0.4	3.1	21.2	0.0	0.0	0.0	0.0	0.0	24.7
Operational Support Services - P6	0.0	6.8	6.8	0.0	0.0	0.0	0.0	0.0	13.6
Fortress and EBACS -P7 (residual projects)	3.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Learning and Professionalism Transformation - P8	1.5	1.2	0.0	0.0	0.0	0.0	0.0	0.0	2.7
Information Futures - P9	3.7	5.9	2.7	0.0	0.0	0.0	0.0	0.0	12.3
PSD- Property Forward Works - P10	43.2	22.4	22.7	23.1	81.0	34.7	0.0	0.0	227.0
PSD- Transforming the MPS Estate - P11	82.1	103.9	77.4	108.0	16.1	93.0	70.0	70.0	620.6
Local Investigation Capability - P16	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5
Transformation - long term estimate	0.0	0.0	0.0	11.0	17.0	100.0	100.0	100.0	328.0
<b>Sub Total Transformation</b>	<b>229.1</b>	<b>217.9</b>	<b>152.5</b>	<b>150.3</b>	<b>114.1</b>	<b>227.7</b>	<b>170.0</b>	<b>170.0</b>	<b>1,431.7</b>
<b>Total Programme Cost</b>	<b>333.8</b>	<b>385.1</b>	<b>340.3</b>	<b>304.2</b>	<b>239.4</b>	<b>844.5</b>	<b>772.4</b>	<b>811.3</b>	<b>4,031.1</b>
<b>Funding</b>									
Capital Receipts	70.0	88.0	48.2	47.4	67.7	80.6	19.5	77.5	498.9
CTPHQ and Fleet funded	34.7	53.0	49.8	48.3	27.1	170.2	169.6	177.8	730.4
Borrowing	229.2	244.2	242.3	208.6	144.6	593.8	583.3	556.0	2,801.9
Revenue Contributions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total funding</b>	<b>333.8</b>	<b>385.1</b>	<b>340.3</b>	<b>304.2</b>	<b>239.4</b>	<b>844.5</b>	<b>772.4</b>	<b>811.3</b>	<b>4,031.1</b>

## Capital Forecast 2025/26 to 2039/40

As can be seen from the table in Section 2 above, the total value of the proposed capital programme for the five years is £1.6bn. The total additional investment requirements for the further 15 years of the 20-year programme is £2.4bn and is set out below in 5-year tranches.

In years 6-20 the capital programme reflects the minimum capital expenditure that will be required. This is primarily based on investing only in basic fleet requirements, estates maintenance and basic technology requirements.

As the opportunity to generate capital receipts is expected to reduce over the medium term, there are only three options to fund the capital programme. These are:

- Revenue Contributions: funding the programme via revenue contributions is not affordable as it will divert a significant amount of budget from frontline policing.
- Grant funding: based on current levels of funding, the central Government capital grant is £3.3m per annum, reduced from £12.4m, which is inadequate to fund even the basic 'running the business' requirements.
- Borrowing: in the absence of any further funding sources, borrowing is assumed to provide the balancing item to meet the funding gap. Any borrowing undertaken has knock-on implications on the revenue budget. This is presented as the funding needed.

As three quarters of the MPS budget is allocated towards police officer and staff pay, staffing and front-line policing is likely to be impacted if revenue budget is forecast to be allocated towards increasing capital financing costs. As an example, the average capital financing cost between years 6 and 20 is estimated to be approximately £171m p.a. Based on our current average cost per officer of c£60k the £171m represents about 2,850 officer FTEs throughout that period.

<b>MOPAC 20 YEAR CAPITAL PROGRAMME CURRENT PRICES</b>	<b>2025/26 - 2029/30</b>	<b>2030/31 - 2034/35</b>	<b>2035/36 - 2039/40</b>	<b>Total 2025/26 - 2039/40</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	
PSD - Lifecycle work	132.4	132.0	132.0	<b>396.4</b>
Fleet	144.8	142.2	167.3	<b>454.3</b>
Digital Polcing	207.0	199.0	208.0	<b>614.0</b>
CTPHQ	132.6	129.2	134.0	<b>395.7</b>
Met Operations	0.0	0.0	0.0	<b>0.0</b>
<b>Sub Total Excluding Transformation</b>	<b>616.8</b>	<b>602.4</b>	<b>641.3</b>	<b>1,860.5</b>
Optimising Contact and Response - P2	0.0	0.0	0.0	<b>0.0</b>
Transforming Investigation and Prosecution - P4	0.0	0.0	0.0	<b>0.0</b>
Strengthening Armed Policing - P5	0.0	0.0	0.0	<b>0.0</b>
Operational Support Services - P6	0.0	0.0	0.0	<b>0.0</b>
Fortress and EBACS -P7 (residual projects)	0.0	0.0	0.0	<b>0.0</b>
Learning and Professionalism Transformation - P8	0.0	0.0	0.0	<b>0.0</b>
Information Futures - P9	0.0	0.0	0.0	<b>0.0</b>
PSD- Property Forward Works - P10	34.7	0.0	0.0	<b>34.7</b>
PSD- Transforming the MPS Estate - P11	93.0	70.0	70.0	<b>233.0</b>
Local Investigation Capability - P16	0.0	0.0	0.0	<b>0.0</b>
Transformation - long term estimate	100.0	100.0	100.0	<b>300.0</b>
<b>Sub Total Transformation</b>	<b>227.7</b>	<b>170.0</b>	<b>170.0</b>	<b>567.7</b>
<b>Total Programme Cost</b>	<b>844.5</b>	<b>772.4</b>	<b>811.3</b>	<b>2,428.2</b>
				<b>0.0</b>
<b>Funding</b>				<b>0.0</b>
Capital Receipts	80.6	19.5	77.5	<b>177.6</b>
CTPHQ and Fleet funded	170.2	169.6	177.8	<b>517.6</b>
Borrowing	593.8	583.3	556.0	<b>1,733.0</b>
Revenue Contributions	0.0	0.0	0.0	<b>0.0</b>
<b>Total funding</b>	<b>844.5</b>	<b>772.4</b>	<b>811.3</b>	<b>2,428.2</b>

As set out above at the time of drafting this submission, there are significant uncertainties surrounding police funding for 2021/22 and beyond. The Government has announced that there will only be a one-year Spending Review which makes longer term planning extremely challenging. The Government has not yet confirmed the police settlement but has confirmed in the 2020 Spending Review announced on 25 November that PCCs will have the flexibility to increase the Police Precept by up to £15 on a Band D property. The financial impact of this will be worked through by the GLA in the final budget proposals in February 2020.

Capital investment continues to be substantially underfunded by the Government and MOPAC and the MPS will continue to highlight this position to the Government and emphasise the need to recognise the essential capital requirements of operational policing.

Without any long-term certainty over capital investment resources to be provided by the Government the affordability and sustainability of the 20-year capital programme will need to be kept under review on an annual basis.

## 8. Risk

The approach to risk management for the capital programme is in line with the wider MPS corporate approach, with risks managed at three levels (portfolio, programme and corporate). The Portfolio Risk function is audited on a yearly basis by the Directorate of Audit, Risk and Assurance. Portfolio risks are managed according to four major themes: complexity of delivery, commercial dependency, business change, and finance and resources.

## **9. Appraisal and governance**

All MPS capital investment follows a clearly defined governance process with review and approval by the MPS Portfolio Investment Board (PIB) and MOPAC Investment Advisory and Monitoring meetings (IAM).

Internal governance adopts HMT Green Book and Better Business Cases guidance including the Five Business Case model through Strategic Outline Case (SOC), Outline Business Case (OBC) and Full Business Case (FBC) stages. As per Green Book guidance, an adjustment for optimism bias is included in the development of business cases. Where the planned investment meets the thresholds in the MOPAC Scheme of Consent and Delegation, or is of a novel or contentious nature, the proposals are subject to MOPAC scrutiny via Investment Advisory and Monitoring Meetings and formal DMPC decision.

## **10. Chief Finance Officer sign off**

The interim MOPAC Chief Finance Officer has provided assurance as to the robustness of the capital estimates, its affordability and risk management, in turn based on confirmations and assurances received from the MPS CFO as to the affordability within the MPS revenue budgets of the enhanced borrowing requirements from the proposed capital programme.