

# MAYOR OF LONDON

OFFICE FOR POLICING AND CRIME

**DRAFT**

DRAFT CAPITAL STRATEGY

2018-19-2037-38

## 1. Introduction, Overview and Intention

1.1 CIPFA's Prudential Code includes the requirement for all members of the GLA Group to produce a Capital Strategy for 2019-20. 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.

1.2 This strategy has been prepared in accordance with guidance issued by the GLA: *Mayor's Budget Guidance 2019-20*. 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 2019.

1.3 It contains details on the MPS' proposed capital expenditure by main investment area, namely:

- Property Services: encompassing estates transformation and business as usual work which is informed by the schedule of forward works.
- Digital Policing: investing in core IT infrastructure and replacement.
- Fleet Services: maintaining an MPS fleet of c5,000 vehicles.
- National Counter Terrorism Policing HQ (NCTPHQ): investments in maintaining core CT capability.
- One Met Model (OMM) / Transformation: the MPS change portfolio, as detailed below.

### Capital Programme 2018-19 to 2022-23

1.4 The MPS' own Capital Programme (excluding Counter Terrorism) is £1.4bn between 2018-19 and 2022-23. Some of this expenditure will be funded through a contribution from capital receipts generated by the estates transformation programme, and capital grant from Government which is projected to be only £60m based on current funding levels of £12m per year. This represents only a tiny proportion of the MPS' capital expenditure - for example 4.8% of forecast spend in 2018-19. This means that 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 which is funded from the revenue budget, which will create pressures on already stretched resources.

1.5 The MPS hosts the National Counter Terrorism Policing Headquarters, which has a capital programme of £131m between 2018-19 and 2022-23. This is funded through a ringfenced CT grant, which matches the expenditure over the period.

1.6 In total, over the five year period it is estimated that in current prices, the MPS will invest: £678m on transforming and consolidating the estate; £92m on property forward works; £129m on fleet; £163m on the core costs of IT equipment including for frontline officers, and £380m on transformation including major programmes that replace outdated IT infrastructure for core policing systems and will change how the MPS operates, establishing new ways of engaging with communities and moving services online.

1.7 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 more than 40,000 people and accounting for a quarter of the national policing budget. The transformation is a huge undertaking.

Current Prices	2018/19 Forecast	2019/20 Plan	2020/21 Plan	2021/22 Plan	2022/23 Plan	TOTAL
	£m	£m	£m	£m	£m	
Property Forward Works	13.7	15.0	24.9	13.5	25.0	92.1
IT core infrastructure & Replacement	30.2	38.5	40.1	31.1	23.0	162.9
Fleet	28.0	38.2	22.2	20.9	20.0	129.3
NCTPHQ	34.1	31.7	21.2	20.4	24.4	131.9
Improving Public Access and first contact	3.8	2.1	2.1	7.0	5.5	20.5
Optimising Response	8.5	13.7	34.3	38.8	47.7	142.9
Strengthening Local Policing	2.3	0.0	0.0	0.0	0.0	2.3
Transforming Investigation and Prosecution	31.7	56.7	36.3	13.9	12.6	151.1
Strengthening Armed Policing	0.3	0.0	0.0	0.0	0.0	0.3
Smarter Working	19.0	2.3	0.4	0.0	0.0	21.6
Workforce Futures	0.0	1.0	1.0	1.0	0.0	3.0
Information Futures	1.3	8.9	8.0	9.2	11.4	38.7
Transforming the MPS Estate	86.2	250.5	205.7	115.3	20.6	678.3
<b>Total Programme Cost</b>	<b>259.2</b>	<b>458.4</b>	<b>396.0</b>	<b>271.1</b>	<b>190.1</b>	<b>1,574.8</b>
Over-programming	-10.0	-84.8	-89.1	73.1	66.7	-44.1
<b>Total Programme Cost</b>	<b>249.2</b>	<b>373.6</b>	<b>307.0</b>	<b>344.2</b>	<b>256.8</b>	<b>1,530.7</b>
<b>Funding</b>						
Capital Receipts	13.4	63.2	172.0	86.9	44.2	379.7
Capital grants & other contributions	58.7	54.2	41.0	38.1	41.0	232.9
External Borrowing	122.0	256.2	93.9	219.3	171.7	863.2
Revenue Contributions	55.0	0.0	0.0	0.0	0.0	55.0
<b>Total funding</b>	<b>249.2</b>	<b>373.6</b>	<b>307.0</b>	<b>344.2</b>	<b>256.8</b>	<b>1,530.7</b>

#### Capital Forecast 2023-24 to 2037-38

1.8 This Capital Strategy also presents a capital forecast over the 20-year period to 2037-38, estimating further expenditure beyond the five-year programme of £1.7bn. 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 authorities to find a balance between national and local funding. This is not foreseeable at this stage. An indicative expenditure figure of £5m per year has therefore been included from year six onwards against the IT core infrastructure and replacement programme. This is allocated towards funding future innovation and increasing the functionality and capability of existing systems. This recognises that it is likely new transformation and investment will be needed, driven by technological advances and future drives for efficiency.

1.9 The full 20-year view is shown in the table below.

Current Prices	2018/19 Forecast	2019/20 Plan	2020/21 Plan	2021/22 Plan	2022/23 Plan	2023/24 - 2027/28 Plan	2028/29 - 2032/33 Plan	2033/34 - 2037/38 Plan	TOTAL
	£m	£m	£m	£m	£m	£m	£m	£m	
Property Forward Works	13.7	15.0	24.9	13.5	25.0	125.0	125.0	125.0	<b>467.1</b>
IT core infrastructure & Replacement	30.2	38.5	40.1	31.1	23.0	125.0	100.0	100.0	<b>487.9</b>
Fleet	28.0	38.2	22.2	20.9	20.0	120.7	122.7	86.0	<b>458.7</b>
NCTPHQ	34.1	31.7	21.2	20.4	24.4	130.0	135.0	137.0	<b>533.9</b>
Improving Public Access and first contact	3.8	2.1	2.1	7.0	5.5	3.3	0.0	0.0	<b>23.8</b>
Optimising Response	8.5	13.7	34.3	38.8	47.7	14.0	0.0	0.0	<b>156.9</b>
Strengthening Local Policing	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>2.3</b>
Transforming Investigation and Prosecution	31.7	56.7	36.3	13.9	12.6	0.0	0.0	0.0	<b>151.1</b>
Strengthening Armed Policing	0.3	0.0	0.0	0.0	0.0	3.0	3.0	3.0	<b>9.3</b>
Smarter Working	19.0	2.3	0.4	0.0	0.0	0.0	0.0	0.0	<b>21.6</b>
Workforce Futures	0.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0	<b>3.0</b>
Information Futures	1.3	8.9	8.0	9.2	11.4	0.0	0.0	0.0	<b>38.7</b>
Transforming the MPS Estate	86.2	250.5	205.7	115.3	20.6	74.6	70.0	70.0	<b>892.9</b>
Over-Programming	-10.0	-84.8	-89.1	73.1	66.7	44.1	0.0	0.0	<b>0.0</b>
<b>Total Programme Cost</b>	<b>249.2</b>	<b>373.6</b>	<b>307.0</b>	<b>344.2</b>	<b>256.8</b>	<b>639.6</b>	<b>555.7</b>	<b>521.0</b>	<b>3,247.1</b>
<i>Funding</i>									
Capital Receipts	13.4	63.2	172.0	86.9	44.2	73.5	4.0	2.0	<b>459.2</b>
Capital grants & other contributions *	58.7	54.2	41.0	38.1	41.0	227.4	235.2	228.5	<b>924.0</b>
Borrowing	122.0	256.2	93.9	219.3	171.7	338.8	316.5	290.5	<b>1,808.9</b>
Revenue Contributions	55.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>55.0</b>
<b>Total funding</b>	<b>249.2</b>	<b>373.6</b>	<b>307.0</b>	<b>344.2</b>	<b>256.8</b>	<b>639.6</b>	<b>555.7</b>	<b>521.0</b>	<b>3,247.1</b>

## 2. Benefits

2.1 The new requirement to prepare a Capital Strategy is an important development and will support the way the Mayor makes investment decisions, and the governance and scrutiny which surrounds this. This new process will bring additional rigour to capital decision making.

2.2 For MOPAC the benefits of producing a Capital Strategy are the transparent alignment of scarce capital resources to priorities, and ensuring a sustainable, long term delivery of services which gives due regard to risk and reward. Improved asset management is also expected to be a benefit.

2.3 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.”

2.4 Taking a long-term view in a Capital Strategy helps the 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.

### 3. Approach

3.1 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.

3.2 Since June 2018, 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. In looking ahead to the following 15 years the MPS has identified the estimated cost maintaining its asset base, and clearly these will need regular annual review as part of the budget process.

3.3 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. The current level of central Government capital grant has been assumed to continue at £12m per annum.

3.4 Following this 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.

### 4. Influences

#### 4.1 Internal

- *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.
- *IT legacy*  
The Mayor inherited outdated IT systems and platforms on the point of obsolescence. The MPS has had to invest to maintain services and renew IT systems for ongoing use, as well as a prerequisite before being in a position to make the best use of

the potential offered by digital policing. For example, the MPS has begun the replacement of seven core policing systems with Connect, bringing it into line with the approach and capabilities of other forces. In the next three years the MPS must make similar progress in replacing its command and control system, embedding smarter working, and tackling the complex issues of legacy data, to enable its transition to become a data-driven organisation.

- *Consolidating the estate*  
The MPS Capital Programme includes delivering a smaller and more efficient retained estate. Targeted investment is being made into enhancing the efficiency of the buildings and improving the quality of the working environment, which will increase productivity of both officers and staff. This will also release and maximise the capital tied up in surplus buildings and reduce running cost of the estate, which will generate future revenue savings.

#### 4.2 External

- *The level of capital and NICC grant received.*  
The central Government capital grant, excluding CT, is £12m per year. This represents only a tiny proportion of the MPS' expenditure- for example 4.8% of forecast capital spend in 2018-19. In the run up to the 2019 Spending review MOPAC and MPS will continue to have conversations with the Government about the need for a capital grant which more accurately reflects the investment needs of an organisation of the scale and complexity of the MPS. 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 2022-23 it is expected that borrowing will account for 67% of capital funding.
- *Government Spending Review scheduled for next year and uncertainty over funding levels includes a potential review of the police Funding Formula and the.*  
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. Together these costs are expected to rise from £45m in 2018-19 to £98m in 2022-23, in current prices. This will need to be provided from the revenue budget, so as this cost increases it puts further pressure on revenue funding available to pay for front line policing.
- *Government and/or Mayoral priorities*  
Any changes in Government priorities, legislation and Mayoral priorities will influence the MPS' Capital Strategy and investment decisions. For example, requirements to comply with national and local air quality standards and initiatives have resulted in the MPS reviewing fleet requirements and exploring the emerging ultra-low emission vehicle market. The Mayor supports some flexibility and recognises – unlike fleets in many other sectors – it is not always possible to predict when particular emergency vehicles will be required to enter the Ultra-Low Emission Zone. The Mayor has therefore allowed the MPS a longer period to reach compliance with his Ultra-Low Emission Zone implementation, via a sunset clause.

- *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 four-year forecast contains some uncertainty. For example, estimates of estates receipts are dependent on property market conditions and interest payments are determined by interest rates. Day to day financial risk management is carried out under a shared service arrangement by the GLA Group Treasury Team, under the policy approved by the MOPAC Group and set out in the annual MOPAC Treasury Management Strategy. MOPAC receives advice from the Group Investment Syndicate (GIS) on the availability of borrowing to support capital financing.

## 5. Policies

5.1 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

5.2 MOPAC complies with the CIPFA Code of Practice for Treasury Management in Public Services. All decisions by MOPAC about capital financing were 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 2018-19 Strategy can be found here: <https://www.london.gov.uk/decisions/md2274-treasury-management-strategy-statement-201819>

5.3 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 broad aim of the guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

5.4 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.

5.5 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.

5.6 Based on the statutory responsibilities and local arrangements within which MOPAC operates in conjunction with International Accounting Standards Board guidance, 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.

5.7 Under MOPAC/CPM 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.

5.8 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 2017-18.

## **6. 20 Year Capital Ambition**

6.1 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 and operating at a lower more efficient establishment, at the same time as meeting the rising volume and complexity of crime.

6.2 There are three main areas of spend within the Capital Programme: Estates, IT and Fleet Services. This is further broken down into 'running the business' which are the levels of investment required to maintain the basic continuation of existing MPS services (current estimates of the ongoing cost of 'running the business' from year six onwards are c£105m p.a.



in current prices) and the Transformation 'One Met Model' programme supporting much-needed investment to replace outdated technology, improve the effectiveness of officers, increase productivity and drive future efficiencies, thus enabling the delivery of a more effective and efficient MPS.

## 7. 20-Year Capital Investment Plan

7.1 This section sets out:

- In tables 1a), planned expenditure for the five years 2018-19 to 2022-23 and the capital financing costs for the same period.
- In tables 1b), expenditure for the subsequent 15 years grouped into five-year 'buckets'.

7.2 All figures are presented as 'Current Price' and 'Outturn Price'. The outturn price presentation includes assumptions to recognise future price inflation, at 2% per year.

7.3 Since publication of the MPS Capital Programme as part of the Mayor's Capital Spending Plan for 2018-19 no schemes or programmes have been added or removed. Where spend has been re-profiled between years, explanations are provided in published MOPAC Quarterly Performance Reports.

**Table 1a) Capital investment in Years 1-5**

Years	0	1	1	2	3	4	5
<b>Capital Investment Plan - Years 1 to 5: Current Prices</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
<b>Expenditure item</b>	<b>Outturn</b>	<b>Revised Budget</b>	<b>Forecast Outturn</b>	<b>Plan</b>	<b>Plan</b>	<b>Plan</b>	<b>Plan</b>
Property Forward Works	14.1	13.7	13.7	15.0	24.9	13.5	25.0
IT core infrastructure & Replacement	28.7	30.2	30.2	38.5	40.1	31.1	23.0
Fleet	17.8	28.0	28.0	38.2	22.2	20.9	20.0
NCTPHQ	13.1	34.1	34.1	31.7	21.2	20.4	24.4
Improving Public Access and first contact	2.5	3.8	3.8	2.1	2.1	7.0	5.5
Optimising Response	11.7	8.5	8.5	13.7	34.3	38.8	47.7
Strengthening Local Policing	1.7	2.3	2.3	0.0	0.0	0.0	0.0
Transforming Investigation and Prosecution	17.7	31.7	31.7	56.7	36.3	13.9	12.6
Strengthening Armed Policing	0.6	0.3	0.3	0.0	0.0	0.0	0.0
Smarter Working	43.1	19.0	19.0	2.3	0.4	0.0	0.0
Workforce Futures	0.0	0.0	0.0	1.0	1.0	1.0	0.0
Information Futures	0.3	1.3	1.3	8.9	8.0	9.2	11.4
Transforming the MPS Estate	280.2	86.2	86.2	250.5	205.7	115.3	20.6
Over-Programming		-10.0	-10.0	-84.8	-89.1	73.1	66.7
	<b>431.5</b>	<b>249.2</b>	<b>249.2</b>	<b>373.6</b>	<b>307.0</b>	<b>344.2</b>	<b>256.8</b>

Years	0	1	1	2	3	4	5
<b>Capital Investment Plan - Years 1 to 5: Outturn Prices (Inflation assumed at 2% p.a.)</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
<b>Expenditure item</b>	<b>Outturn</b>	<b>Revised Budget</b>	<b>Forecast Outturn</b>	<b>Plan</b>	<b>Plan</b>	<b>Plan</b>	<b>Plan</b>
Property Forward Works	14.1	13.7	13.7	15.3	25.9	14.4	27.1
IT core infrastructure & Replacement	28.7	30.2	30.2	39.3	41.7	33.0	24.9
Fleet	17.8	28.0	28.0	38.9	23.0	22.2	21.6
NCTPHQ	13.1	34.1	34.1	32.3	22.1	21.6	26.4
Improving Public Access and first contact	2.5	3.8	3.8	2.2	2.2	7.4	5.9
Optimising Response	11.7	8.5	8.5	13.9	35.6	41.2	51.6
Strengthening Local Policing	1.7	2.3	2.3	0.0	0.0	0.0	0.0
Transforming Investigation and Prosecution	17.7	31.7	31.7	57.8	37.8	14.7	13.7
Strengthening Armed Policing	0.6	0.3	0.3	0.0	0.0	0.0	0.0
Smarter Working	43.1	19.0	19.0	2.3	0.4	0.0	0.0
Workforce Futures	0.0	0.0	0.0	1.0	1.0	1.1	0.0
Information Futures	0.3	1.3	1.3	9.0	8.3	9.8	12.3
Transforming the MPS Estate	280.2	86.2	86.2	255.5	214.0	122.4	22.3
Over-Programming		-10.0	-10.0	-85.2	-90.2	72.6	66.0
	<b>431.5</b>	<b>249.2</b>	<b>249.2</b>	<b>382.4</b>	<b>321.8</b>	<b>360.3</b>	<b>271.8</b>

Table 1b) Capital investment in Years 6-20

Years	6 to 10	11 to 15	16 to 20
<b>Capital Investment Plan - Years 6 to 20: Current Prices</b>	<b>2023-24 to 2027-28</b>	<b>2028-29 to 2032-33</b>	<b>2033-34 to 2037-38</b>
<b>Expenditure item</b>			
Property Forward Works	125.0	125.0	125.0
IT core infrastructure & Replacement	125.0	100.0	100.0
Fleet	120.7	122.7	86.0
NCTPHQ	130.0	135.0	137.0
Transformation	20.3	3.0	3.0
Transforming the MPS Estate	74.6	70.0	70.0
Over-Programming	44.1	0.0	0.0
	<b>639.6</b>	<b>555.7</b>	<b>521.0</b>

Years	6 to 10	11 to 15	16 to 20
<b>Capital Investment Plan - Years 6 to 20: Outturn Prices (Inflation assumed at 2% p.a.)</b>	<b>2023-24 to 2027-28</b>	<b>2028-29 to 2032-33</b>	<b>2033-34 to 2037-38</b>
<b>Expenditure item</b>			
Property Forward Works	143.6	158.6	175.1
IT core infrastructure & Replacement	143.3	126.9	140.1
Fleet	138.8	155.7	120.6
NCTPHQ	149.4	171.2	191.7
Transformation	22.5	3.8	4.2
Transforming the MPS Estate	84.7	88.8	98.1
Over-Programming	46.8	0.0	0.0
	<b>729.2</b>	<b>705.0</b>	<b>729.8</b>

## 8. 20 Year Capital Funding

8.1 This section sets out:

- In tables 2a), planned expenditure for the five years 2018-19 to 2022-23 and the capital financing costs for the same period.
- In tables 2b), expenditure for the subsequent 15 years grouped into five-year 'buckets'

**Table 2a) Funding plan in years 1 to 5**

Years		0	0	1	2	3	4	5
<b>Capital Funding Plan - Years 1 to 5: Current Prices</b>								
<b>Funding Type</b>		<b>2017-18 Outturn</b>	<b>2018-19 Revised Budget</b>	<b>2018-19 Forecast Outturn</b>	<b>2019-20 Plan</b>	<b>2020-21 Plan</b>	<b>2021-2 Plan</b>	<b>2022-23 Plan</b>
Capital Receipts	Mostly property receipts and a small amount from fleet	374.8	13.4	13.4	63.2	172.0	86.9	44.2
Capital Grants	Approx 50% is CT grants, £12m p.a. capital grant, some contributions for funded fleet	40.0	58.7	58.7	54.2	41.0	38.1	41.0
Borrowing	Assumed external borrowing	16.7	122.0	122.0	256.2	93.9	219.3	171.7
Revenue Contributions	55m in 18/19 as capital contribution from the Mayor		55.0	55.0	0.0	0.0	0.0	0.0
<b>Total</b>		<b>431.5</b>	<b>249.2</b>	<b>249.2</b>	<b>373.6</b>	<b>307.0</b>	<b>344.2</b>	<b>256.8</b>

Years		0	0	1	2	3	4	5
<b>Capital Funding Plan - Years 1 to 5: Outturn Prices (Inflation assumed at 2% p.a.)</b>		<b>2017-18</b>	<b>2018-19 Revised Budget</b>	<b>2018-19 Forecast Outturn</b>	<b>2019-20 Plan</b>	<b>2020-21 Plan</b>	<b>2021-22 Plan</b>	<b>2022-23 Plan</b>
<b>Funding Type</b>	<b>Funding Item</b>	<b>Outturn</b>	<b>Outturn</b>	<b>Outturn</b>	<b>Plan</b>	<b>Plan</b>	<b>Plan</b>	<b>Plan</b>
Capital Receipts	Mostly property receipts and a small amount from fleet	374.8	13.4	13.4	63.2	172.0	86.9	44.2
Capital Grants	Approx 50% is CT grants, £12m approx p.a. capital grant, some contributions for funded fleet	40.0	58.7	58.7	54.2	41.0	38.1	41.0
Borrowing	Assumed external borrowing	16.7	122.0	122.0	265.0	108.8	235.4	186.7
Revenue Contributions	£55m in 18/19 as capital contribution from the Mayor		55.0	55.0	0.0	0.0	0.0	0.0
<b>Total</b>		<b>431.5</b>	<b>249.2</b>	<b>249.2</b>	<b>382.4</b>	<b>321.8</b>	<b>360.3</b>	<b>271.8</b>

8.2 The main sources of capital funding are described below;

- Capital Receipts: for example, the disposal of MPS properties.
- Capital Grants and other Contributions; including the £12m p.a. Capital Grant from central Government.
- Borrowing: the amount needed to borrow externally, usually via the Public Works Loan Board.
- Revenue Contributions: Funding from revenue expenditure, the most significant of which is a one-off contribution of £55m allocated by the Mayor to support capital investment in 2018-19.

**Table 2b) Funding plan in years 6 to 20**

Years		6 to 10 <b>2023-24 to 2027- 28 Plan</b>	11 to 15 <b>2028-29 to 2032- 33 Plan</b>	16 to 20 <b>2033-34 to 2037- 38 Plan</b>
<b>Capital Funding Plan - Years 6 to 20: Current Prices Funding Type</b>	<b>Funding Item</b>			
Capital Receipts	Mostly property receipts and a small amount from fleet	73.5	4.0	2.0
Capital Grants	Approx 50% is CT grants, £12m approx p.a. capital grant, some contributions for funded fleet	227.4	235.2	228.5
Borrowing	Assumed external borrowing	338.8	316.5	290.5
<b>Total</b>		<b>639.6</b>	<b>555.7</b>	<b>521.0</b>

Years		6 to 10	11 to 15	16 to 20
<b>Capital Funding Plan - Years 6 to 20: Outturn Prices (Inflation assumed at 2% p.a) Funding Type</b>	<b>Funding Item</b>	<b>2023-24 to 2027- 28 Plan</b>	<b>2028-29 to 2032- 33 Plan</b>	<b>2033-34 to 2037- 38 Plan</b>
Capital Receipts	Mostly property receipts and a small amount from fleet	82.8	5.1	2.7
Capital Grants	Approx 50% is CT grants, £12m approx p.a. capital grant, some contributions for funded fleet	261.2	298.2	320.1
Borrowing	Assumed external borrowing	385.2	401.7	407.0
<b>Total</b>		<b>729.2</b>	<b>705.0</b>	<b>729.8</b>

## 9. Ambition Gap

9.1 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.

9.2 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 £12m per annum, 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 ambition gap.

9.3 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. Expressed in this way, capital costs could currently be described as equivalent to 748 officers. At its peak, in years 2023-24 to 2027-28, the cost of borrowing will be equivalent to approximately 1,814 police officers.

9.4 As part of the preparation for the Government's Spending Review, MOPAC and the MPS will continue to highlight this position to Government and the need to recognise the essential capital requirements of operational policing.

## 10. Risk

10.1 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.

## **11. Appraisal**

- 11.1 All MPS capital investment follows a clearly defined governance process with review and approval by the MPS Performance and Investment Board (PIB) and MOPAC Investment Advisory Meetings (IAM).
- 11.2 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 Meetings and formal DMPC decision.

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

- 12.1 An assurance statement will be signed off by the Chief Finance Officer with the Final version of the Capital Strategy.

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