

MPS-MOPAC JOINT AUDIT PANEL

8 January 2020

Capital Update

Report by: Interim MOPAC Chief Finance Officer

Report Summary

Overall Summary of the Purpose of the Report

This is the first of a series of annual reports on the Capital Strategy.

Key Considerations for the Panel

To note the draft Capital Strategy.

Interdependencies/Cross Cutting Issues

Linkages with the Police and Crime plan priorities, MPS OMM transformation programmes, and the annual budget submission process.

Recommendations

The Audit Panel is recommended to:

- a. Note the Capital Strategy

1. Supporting Information

- 1.1. In June 2019 the Audit Panel requested annual reports on the Capital Strategy. This paper addresses this requirement.

Capital Strategy

- 1.2. The draft 2019/20-2038/39 Capital Strategy is set out at Appendix 1. This reflects updates to the capital investment programme taking into account
- the MPS has undertaken a rigorous, prioritisation process in the identification of planned capital expenditure to ensure these are consistent with the Police and Crime Plan
 - the phasing of the proposed spend to ensure that the organisation has the capacity and capabilities to deliver
 - reviewed anticipated capital receipts both in terms of the expected values and timing, and
 - has considered the revenue implications of the proposals
- 1.3. Subject to the Government's announcement on the financial settlement and allocation of officer numbers and funding associated with the officer uplift there may be further developments to this strategy.
- 1.4. The capital programme 2019/20-2023/24 proposes £1,578m of investment (£1,517m for the period 2018/19-2022/23) with planned levels of grant, receipts and borrowing to finance this investment.
- 1.5. Further detail on the influences on the strategy, the approach taken, and the investment and funding plans can be found in the draft Capital Strategy.
- 1.6. During the period December to February the submission will be subject to scrutiny by Londoners, and by the GLA Police and Crime Committee, GLA Budget and Performance Committee, and the London Assembly.

2. Equality and Diversity Impact

There are no equality and diversity implications directly arising from this report. Equality Impact Assessments (EIAs) will be provided within each discrete decision. Those assessments will then be published as part of the decision-making process.

3. Financial Implications

There are no direct financial implications arising from this report. Following approval of the capital programme all MPS capital investment follows a clearly defined governance process with review and approval by the MPS Portfolio Investment Board (PIB) and MOPAC Investment and Advisory Meetings (IAM), using the Treasury approved Green Book five business case model.

4. Legal Implications

There are no direct legal implications arising from the report. Where relevant these will be included in the individual approvals for capital investment.

5. Risk Implications

There are no direct risk implications arising from the report. 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).

6. Contact Details

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CFO Peter Lewis

7. Appendices and Background Papers

Appendix 1 – draft Capital Strategy 2019/20-2038/39

MAYOR OF LONDON

OFFICE FOR POLICING AND CRIME

DRAFT

DRAFT CAPITAL STRATEGY
2019-20 - 2038-39

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. 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 2020-21*. 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 2020.

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 2019/20 to 2023/24

1.4 The MPS' Capital Programme is £1.58 billion between 2019/20 and 2023/24. Some of this expenditure will be funded through a contribution from capital receipts generated by the estates transformation programme and from capital grant from Government which is projected to be only £62m based on current funding levels of £12.4m per year. This represents only a tiny proportion of the MPS' capital expenditure - for example 4.4% of forecast spend in 2019/20. 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 (CT) Policing Headquarters (NCTPHQ), which has a capital programme of £141.5m between 2019/20 and 2023/24. 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:

- £577m on non-transformation activities including: £111m on property lifecycle works; £133m on fleet; £192m on the core costs of IT equipment including for frontline officers, and £142m in NCTPHQ.

- £1bn on transformation activities including: £442m on transforming the estate; £238m on property forward works; £139m on Transforming Investigations and Prosecution and £121m on Optimising Contact and Response.

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 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.

MPS Capital Programme 2019/20 – 2023/24
Current Prices

	2019/20 Forecast £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	Total
Property - Lifecycle work	13.1	13.8	15.4	34.3	34.0	110.7
Fleet	33.7	28.4	22.9	27.9	19.8	132.7
Digital Policing	54.2	32.7	27.7	32.7	44.7	192.0
NCTPHQ	31.1	33.0	27.4	25.0	25.0	141.5
Sub Total Excluding Transformation	132.1	107.9	93.4	119.9	123.5	576.9
Optimising Contact and Response - P2	4.2	59.8	40.0	8.4	8.7	121.1
Transforming Investigation and Prosecution - P4	46.3	43.2	31.9	16.0	1.5	138.9
Strengthening Armed Policing - P5	0.3	2.4	1.2	21.0	0.0	24.9
Smarter Working - P7	6.0	0.4	0.0	0.0	0.0	6.4
Learning and Professionalism Transformation - P8	0.4	1.2	1.3	0.1	0.0	3.0
Information Futures - P9	0.8	8.6	3.3	0.0	0.0	12.8
Property Forward Works - P10	24.9	54.2	44.4	29.5	84.8	237.9
Transforming the MPS Estate - P11	59.3	133.5	70.8	98.9	79.5	442.0
Met Operations	0.0	3.3	0.0	0.0	0.0	3.3
Transformation - long term estimate	0.0	0.0	0.0	0.0	11.0	11.0
Sub Total Transformation	142.2	306.8	192.9	173.8	185.5	1,001.2
Total Programme Cost	274.3	414.7	286.4	293.7	309.0	1,578.1

Funding						
Capital Grants and Receipts	36.0	100.4	43.5	78.1	68.3	326.4
NCTPHQ and Fleet funded	40.1	42.3	32.3	30.8	32.1	177.6
External Borrowing	198.2	272.0	210.5	184.8	208.5	1,074.0
Revenue Contributions	0	0	0	0	0	0.0
Total funding	274.3	414.7	286.4	293.7	309.0	1,578.1

Capital Forecast 2024/25 to 2038/39

1.8 This Capital Strategy also presents a capital forecast over the 20-year period to 2038/39, estimating further expenditure beyond the five-year programme of £2.1bn. 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.

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

	2019/20 Forecast £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 2028/29 £m	2029/30 2033/34	2034/35 2038/39	
Property - Lifecycle work	13.1	13.8	15.4	34.3	34.0	114.7	122.5	125.0	472.9
Fleet	33.7	28.4	22.9	27.9	19.8	126.9	137.9	107.6	505.0
Digital Policing	54.2	32.7	27.7	32.7	44.7	160.0	125.0	125.0	602.0
NCTPHQ	31.1	33.0	27.4	25.0	25.0	130.0	135.0	137.0	543.5
Sub Total Excluding Transformation	132.1	107.9	93.4	119.9	123.5	531.6	520.4	494.6	2,123.5
Optimising Contact and Response - P2	4.2	59.8	40.0	8.4	8.7	2.5	0.0	0.0	123.5
Transforming Investigation and Prosecution - P4	46.3	43.2	31.9	16.0	1.5	1.5	0.0	0.0	140.4
Strengthening Armed Policing - P5	0.3	2.4	1.2	21.0	0.0	0.0	0.0	0.0	24.9
Smarter Working - P7	6.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	6.4
Learning and Professionalism Transformation - P8	0.4	1.2	1.3	0.1	0.0	0.0	0.0	0.0	3.0
Information Futures - P9	0.8	8.6	3.3	0.0	0.0	0.0	0.0	0.0	12.8
Property Forward Works - P10	24.9	54.2	44.4	29.5	84.8	69.5	20.0	20.0	347.4
Transforming the MPS Estate - P11	59.3	133.5	70.8	98.9	79.5	76.3	50.0	50.0	618.2
Met Operations	0.0	3.3	0.0	0.0	0.0	0.0	0.0	0.0	3.3
Transformation - long term estimate	0.0	0.0	0.0	0.0	11.0	97.0	100.0	100.0	308.0
Sub Total Transformation	142.2	306.8	192.9	173.8	185.5	246.7	170.0	170.0	1,587.9
Total Programme Cost	274.3	414.7	286.4	293.7	309.0	778.3	690.4	664.6	3,711.4
Funding									
Capital Grants and Receipts	36.0	100.4	43.5	78.1	68.3	178.5	63.4	120.8	689.0
NCTPHQ and Fleet funded	40.1	42.3	32.3	30.8	32.1	164.3	174.0	171.1	687.1
External Borrowing	198.2	272.0	210.5	184.8	208.5	435.5	453.1	372.7	2,335.4
Revenue Contributions	0	0	0	0	0	0.0	0.0	0.0	0.0
Total funding	274.3	414.7	286.4	293.7	309.0	1,578.1	690.4	664.6	3,711.4

2. Benefits

2.1 For MOPAC/MPS the 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 is also an expected benefit.

2.2 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."

2.3 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 2019 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.

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. 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 current level of central Government capital grant has been assumed to continue at £12.4m 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. Investing in the improvement, maintenance and renewal of IT systems remains a key part of the MPS Capital Programme and is essential prerequisite to unlock 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. The MPS is making strides in improving its digital capability, improving efficiency and quality of service for victims and witnesses. The MPS has provided more online services for victims of crime. Officers have been issued with body worn video, tablets, laptops and biometric scanners to aid investigations, improve evidence capture and digitise workflows. Digital pathways have also been developed to share case files and evidence with the Crown Prosecution Service and partner agencies to speed up the criminal justice process.
- *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 the running cost of the estate, which will generate future revenue savings. This estates strategy has been paused to assess the impact of the officer uplift announced by the Government, to ensure that it will continue to meet the needs of the MPS in the medium and long term.

4.2 External

- *The level of capital grant received.*
The central Government capital grant, excluding CT, is £12.4m per year. This represents only a small proportion of the MPS' expenditure - for example 4.4% of forecast capital spend in 2019-20. Given the one year timeframe of the 2019 Spending Round, capital increases and allocations remain uncertain. The need for a capital grant which more accurately reflects the investment requirements of the 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 2023/24 it is expected that borrowing will account for 67.5% 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 £50.8m forecasted in Q2 in 2019/20 to £121m in 2023/24, 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. Given that the 2019 Spending Round only covered 2020/21, the initial allocations did not include capital spending proposals. The uplift will also create additional pressures as the MPS estate will need to be sufficient to meet the needs of the increasing number of officers. 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 receipts are dependent on property market conditions and interest payments are determined by interest rates. This uncertainty is exacerbated by the recent Government decision to increase the Public Works Loan Board borrowing rate by one percentage point. 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 GLA Group Treasury Team and independent advisers 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 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 2019/20 Strategy can be found here: <https://www.london.gov.uk/decisions/md2458-treasury-management-strategy-statement-2019-20>

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.

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 The Capital Programme split is provided in detail in Tables 1a) and 1b).

7. 20-Year Capital Investment Plan

7.1 This section sets out:

In tables 1a), planned expenditure for the five years 2019/20 to 2023/24 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 2019/20 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

	2018/19	2019/20	2019/20	2020/21	2021/22	2022/23	2023/24
Capital Investment Plan - Years 1 to 5: Current Prices	Outturn	Revised Budget	Forecast Outturn	Plan	Plan	Plan	Plan
	£m	£m	£m	£m	£m	£m	£m
Property - Lifecycle work	10.6	13.1	13.1	13.8	15.4	34.3	34.0
Fleet	28.4	33.7	33.7	28.4	22.9	27.9	19.8
Digital Policing	41.4	54.2	54.2	32.7	27.7	32.7	44.7
NCTPHQ	31.9	31.1	31.1	33.0	27.4	25.0	25.0
Optimising Contact and Response – P2	7.2	4.2	4.2	59.8	40.0	8.4	8.7
Transforming Investigation and Prosecution – P4	26.9	46.3	46.3	43.2	31.9	16.0	1.5
Strengthening Armed Policing – P5	0	0.3	0.3	2.4	1.2	21.0	0.0
Smarter Working – P7	1.4	6.0	6.0	0.4	0.0	0.0	0.0
Learning and Professionalism Transformation – P8	0	0.4	0.4	1.2	1.3	0.1	0.0
Information Futures – P9	0	0.8	0.8	8.6	3.3	0.0	0.0
Property Forward Works – P10	4.2	24.9	24.9	54.2	44.4	29.5	84.8
Transforming the MPS Estate – P11	76.4	59.3	59.3	133.5	70.8	98.9	79.5
Met Operations	0	0.0	0.0	3.3	0.0	0.0	0.0
Transformation - long term estimate	0	0.0	0.0	0.0	0.0	0.0	11.0
Strengthening Local Policing	2.3	0.0	0.0	0.0	0.0	0.0	0.0
Improving Public Access and First Contact	1.2	0.0	0.0	0.0	0.0	0.0	0.0
	231.9	274.3	274.3	414.7	286.4	293.7	309.0

	2018/19	2019/20	2019/20	2020/21	2021/22	2022/23	2023/24
Capital Investment Plan - Years 1 to 5: Outturn Prices (Inflation assumed at 2% p.a.)	Outturn	Revised Budget	Forecast Outturn	Plan	Plan	Plan	Plan
	£m	£m	£m	£m	£m	£m	£m
Property - Lifecycle work	10.6	13.1	13.1	14.1	16.1	36.4	36.8
Fleet	28.4	33.7	33.7	29.0	23.8	29.6	21.4
Digital Policing	41.4	54.2	54.2	33.4	28.8	34.7	48.4
NCTPHQ	31.9	31.1	31.1	33.7	28.5	26.5	27.1
Optimising Contact and Response – P2	7.2	4.2	4.2	61.0	41.6	8.9	9.4
Transforming Investigation and Prosecution – P4	26.9	46.3	46.3	44.1	33.2	17.0	1.6
Strengthening Armed Policing – P5	0	0.3	0.3	2.4	1.3	22.3	0.0
Smarter Working – P7	1.4	6.0	6.0	0.4	0.0	0.0	0.0
Learning and Professionalism Transformation – P8	0	0.4	0.4	1.3	1.3	0.1	0.0
Information Futures – P9	0	0.8	0.8	8.8	3.4	0.0	0.0
Property Forward Works – P10	4.2	24.9	24.9	55.3	46.2	31.3	91.8
Transforming the MPS Estate – P11	76.4	59.3	59.3	136.2	73.7	104.9	86.0
Met Operations	0	0.0	0.0	3.4	0.0	0.0	0.0
Transformation - long term estimate	0	0.0	0.0	0.0	0.0	0.0	11.9
Strengthening Local Policing	2.3	0.0	0.0	0.0	0.0	0.0	0.0
Improving Public Access and First Contact	1.2	0.0	0.0	0.0	0.0	0.0	0.0
	231.9	274.3	274.3	423.0	297.9	311.7	334.4

Table 1b) Capital investment in Years 6-20

	6 to 10 2024/25 to 2028/29 Plan £m	11 to 15 2029/30 to 2033/34 Plan £m	16 to 20 2034/25 to 2038/39 Plan £m
Capital Investment Plan - Years 6 to 20: Current Prices Expenditure Item			
Property - Lifecycle work	114.7	122.5	125.0
Fleet	126.9	137.9	107.6
Digital Policing	160.0	125.0	125.0
NCTPHQ	130.0	135.0	137.0
Optimising Contact and Response - P2	2.5	0.0	0.0
Transforming Investigation and Prosecution - P4	1.5	0.0	0.0
Strengthening Armed Policing – P5	0.0	0.0	0.0
Smarter Working – P7	0.0	0.0	0.0
Learning and Professionalism Transformation – P8	0.0	0.0	0.0
Information Futures – P9	0.0	0.0	0.0
Property Forward Works - P10	69.5	20.0	20.0
Transforming the MPS Estate - P11	76.3	50.0	50.0
Met Operations	0.0	0.0	0.0
Transformation - long term estimate	97.0	100.0	100.0
Strengthening Local Policing	0.0	0.0	0.0
Improving Public Access and First Contact	0.0	0.0	0.0
Total	778.3	690.4	664.6
Capital Investment Plan - Years 6 to 20: Outturn Prices (Inflation assumed at 2% p.a.)			
	6 to 10 2024/25 to 2028/29 Plan £m	11 to 15 2029/30 to 2033/34 Plan £m	16 to 20 2034/25 to 2038/39 Plan £m
Property - Lifecycle work	131.7	155.5	175.1
Fleet	145.2	174.4	150.9
Digital Policing	183.9	159.9	176.5
NCTPHQ	149.4	171.2	191.7
Optimising Contact and Response - P2	2.7	0.0	0.0
Transforming Investigation and Prosecution - P4	1.7	0.0	0.0
Strengthening Armed Policing – P5	0.0	0.0	0.0
Smarter Working – P7	0.0	0.0	0.0
Learning and Professionalism Transformation – P8	0.0	0.0	0.0
Information Futures – P9	0.0	0.0	0.0
Property Forward Works - P10	77.7	25.4	28.0
Transforming the MPS Estate - P11	86.4	63.4	70.0
Met Operations	0.0	0.0	0.0
Transformation - long term estimate	111.6	126.9	140.1
Strengthening Local Policing	0.0	0.0	0.0
Improving Public Access and First Contact	0.0	0.0	0.0
Total	890.3	876.7	932.3

8. 20 Year Capital Funding

8.1 This section sets out:

- In tables 2a), planned expenditure for the five years 2019/20 to 2023/24 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	1	1	2	3	4	5
Capital Funding Plan - Years 1 to 5: Current Prices		2018/19 Outturn	2019/20 Revised Budget	2019/20 Forecast Outturn	2020/21 Plan	2021/22 Plan	2022/23 Plan	2023/24 Plan
Funding Type								
Capital Grants	HO Capital Grant Mostly Property receipts and a small amount from fleet. Funded by external sources Assumed external borrowing	12.2	12.4	12.4	12.4	12.4	12.4	12.4
Capital Receipts		9.7	23.6	23.6	88.0	31.1	65.7	55.9
NCTPHQ and Fleet Funded		45.7	40.1	40.1	42.3	32.3	30.8	32.1
External Borrowing		108.9	198.2	198.2	272.0	210.5	184.8	208.5
Revenue Contributions		55.4	0.0	0.0	0.0	0.0	0.0	0.0
Total		231.9	274.3	274.3	414.7	286.4	293.7	309.0

Years		0	1	1	2	3	4	5
Capital Funding Plan - Years 1 to 5: Outturn Prices (Inflation assumed at 2% p.a.)		2018/19 Outturn	2019/20 Revised Budget	2019/20 Forecast Outturn	2020/21 Plan	2021/22 Plan	2022/23 Plan	2023/24 Plan
Funding Type								
Capital Grants	HO Capital Grant Mostly Property receipts and a small amount from fleet. Funded by external sources Assumed external borrowing	12.2	12.4	12.4	12.6	12.9	13.2	13.4
Capital Receipts		9.7	23.6	23.6	89.7	32.4	69.8	60.6
NCTPHQ and Fleet Funded		45.7	40.1	40.1	43.2	33.7	32.6	34.8
External Borrowing		108.9	198.2	198.2	277.5	219.0	196.1	225.7
Revenue Contributions		55.4	0.0	0.0	0.0	0.0	0.0	0.0
Total		231.9	274.3	274.3	423.0	297.9	311.7	334.4

8.2 The main sources of capital funding are described below;

- Capital Grants; £12.4m p.a. Capital Grant from central Government.
- Capital Receipts: for example, the disposal of MPS properties.
- NCTPHQ and Fleet Funded: funded by external sources including capital grants. NCTPHQ capital expenditure is cost-neutral for the MPS.
- Borrowing: the amount needed to borrow externally, usually via the Public Works Loan Board.

Table 2b) Funding plan in years 6 to 20

Years Capital Funding Plan - Years 6 to 20: Current Prices Funding Type	Funding Item	6 to 10 2024/25 to 2028/29 Plan	11 to 15 2029/30 to 2033/34 Plan	16 to 20 2034/25 to 2038/39 Plan
Capital Grants	HO Capital Grant	62.0	62.0	62.0
Capital Receipts	Mostly Property receipts and a small amount from fleet.	116.5	1.4	58.8
NCTPHQ and Fleet Funded	Funded by external sources	164.3	174.0	171.1
Borrowing	Assumed external borrowing	435.5	453.1	372.7
Total		778.3	690.4	664.6

Years Capital Funding Plan - Years 6 to 20: Outturn Prices (Inflation assumed at 2% p.a.) Funding Type	Funding Item	6 to 10 2024/25 to 2028/29 Plan	11 to 15 2029/30 to 2033/34 Plan	16 to 20 2034/25 to 2038/39 Plan
Capital Grants	HO Capital Grant	62.0	62.0	62.0
Capital Receipts	Mostly Property receipts and a small amount from fleet.	140.9	18.3	107.1
NCTPHQ and Fleet Funded	Funded by external sources	188.7	220.6	239.7
Borrowing	Assumed external borrowing	498.7	575.8	523.5
Total		890.3	876.7	932.3

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 £12.4m 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. As an example, the average capital financing cost between years 6 and 20 is estimated to be approximately £138m p.a. Based on our current average cost per officer of c£60k the £138m represents about 2,300 officer FTEs throughout that period.

9.4 The 2019 Spending Round did not provide any clarity on the capital requirements of MOPAC although additional funding was confirmed to support the Governments commitments on healthcare, policing and prisons. 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.

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 Portfolio Investment Board (PIB) and MOPAC Investment and 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 and 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.