MPA Budget Submission to the

November 2005

Section C

Borrowing and Capital Spending Plan 2006/07 to 2008/09

Borrowing and Capital Spending Plan 2006/07 to 2008/09

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Schedules

Introduction

1. The borrowing and capital-spending plan for 2005/06 to 2009/10 has been developed in accordance with budget guidance issued by the Mayor dated June 2005.

2. The budget guidance stated that the borrowing and capital spending plan should include:

    - details of proposed authorised borrowing limits over the period of the capital spending plan justified by reference to the requirements of the Prudential Code;

    - the level of borrowing required to support the capital spending plan separately identifying borrowing not attracting Government support (unsupported borrowing) from supported borrowing;

    - a statement of funding available detailing the various sources;

    - an analysis of all the proposed projects including:

    – a description of the nature of the expenditure;
    – the total cost of each project (minor projects grouped together);
    – previous years' expenditure (in total);
    – cost in 2006/07; and
    – projected cost over the next two years i.e. 2007/08 to 2008/09.

    - a statement linking capital expenditure to the delivery of objectives/priorities;

    - details of the revenue expenditure consequences of the capital spending plan, including debt management costs, which are to be reflected fully within the revenue budget proposals. The consequences arising from projects expected to be funded by supported borrowing from those funded by unsupported borrowing should be separately identified; and

    - a statement outlining how projects have been prioritised and how performance is to be monitored and evaluated.

3. These requirements are very similar to those identified for last year's spending plan following the revision to capital expenditure regulations brought about by the introduction of the Prudential Code. However, recognition is given to the development of three-year business plans, reflecting Government intentions regarding grant settlement notification and the inextricable links between capital and revenue expenditure.

Overall Position

4. The medium term capital expenditure programme for 2005/06 to 2009/10 was approved by the MPA on 31 March 2005. It set the capital programme for 2005/06 and the capital allocations for future financial years. In doing so it recognised the better than expected capital settlement for 2005/06 and the increased flexibilities afforded by the introduction of the Prudential Code. However, it also acknowledged that the increasing timeframe and complexity of many of the projects undertaken by the Authority meant that the possibility of slippage in delivery became a distinct possibility. Members have encouraged consideration of over-programming for capital expenditure to improve the proportion of the capital budget spent in year. The opportunities for this are being explored. Meanwhile, it is accepted that the slippage that does occur is largely beyond the control of project managers and hence adjustments need to be undertaken to reflect the necessity for suitable finance to be transferred between financial years to ensure the completion of projects.

5. It is accepted that the scale of funding that can be made available for capital investment is insufficient to finance the full range of schemes the Authority would wish to initiate. The Prudential Code has provided some flexibility in terms of allowing discretion over the level of borrowing which can be undertaken to support capital expenditure. However, caution still needs to be exercised in view of the financial burden that is borne by the revenue programme through any increase in capital financing charges and revenue running costs. The stated intention of increasing ‘Safer Neighbourhood’ and reassurance policing, and responding to the need for improved policing of terrorism and serious crime, brings accommodation, equipment, and technology demands that must be addressed. Also, statutory requirements and key enquiry report recommendations bring pressure for the Authority to respond quickly to public expectations and demands.

6. Strategic financial and service planning has been reviewed to ensure that total integration of business planning, revenue expenditure and capital investment needs can be achieved. This will allow informed decisions to be made on how to modernise the organisation and improve performance and efficiency. Corporate wide assessment of overall affordability, prudence and sustainability is required, and this now falls to the recently established MPS Investment Board to undertake. This group will develop a weighted model based around the prioritisation criteria to ensure that all capital investment needs are accurately assessed. Whilst, the formulation of forward plans may entail the inclusion of only a basic assessment of an investment scheme within the capital programme, it will be for Investment Board to endorse each new project and approve the release of funds. This is achieved through the presentation of a detailed business case providing full information on resourcing and financing needs, as well as a risk assessment. The financing requirement must articulate capital, revenue implementation and ongoing running costs.

Capital Strategy

7. The MPA endorsed the establishment of a capital strategy in February 2004, with a draft document approved by the Finance Committee in July 2004. This strategy was reviewed and approved by the Joint Policy, Planning and Review/Finance Committee on 10 October 2005 and a copy is enclosed at Schedule 5.1. The core element of the strategy remains to focus the Authority's capital planning directly on projects and activities that support the achievement of the corporate objectives, and the mission and values of the organisation.

8. Integral to the strategy is the development of key initiatives and areas of investment that support the major challenges facing the MPA/MPS. The strategy provides a clear focus on affordability, sustainability, and prudence as directed through the Prudential Code. This is achieved by:

    - the identification of investment needs;
    - the generation of detailed business cases, including option appraisal, for all major capital project proposals;
    - prioritisation of capital projects informing choice on the allocation of additional capital resources;
    - processes for decision making, particularly the timing of decisions to meet key dates;
    - timely monitoring of ongoing and completed projects;
    - management and evaluation of ongoing/completed projects to ensure benefits have been delivered;
    - regular corporate review of the estate and existing vehicles, plant and equipment to ensure that it is being used in the most efficient and effective way and to consider disposal if appropriate;
    - further development of new asset management plans detailing management processes, planned action for improved corporate asset use, replacement criteria, etc; and
    - governance of the strategy and associated processes, principally through the new Investment Board

9. The capital strategy is seen as an integral part of the strategic financial and service planning process supporting the annual corporate strategy and budget setting exercises. The capital investment needs of the MPA will be set in the context of what opportunities are available both from internal resources, and using external partnership and co-operation, to ensure the achievement of strategic objectives and the MPA mission and values.

10. The newly created Investment Board will police the processes as highlighted at paragraph 8 above and, through analysis of detailed business cases, will be instrumental in guiding and setting the investment needs of the MPS/MPS. These arrangements will be transparent but robust. The strategy will be subject to annual review in recognition of changing priorities and investment needs. This will ensure that capital schemes support strategic objectives and reflect the latest developments in asset management policies and technological developments.

11. It is expected that the capital strategy will enable capital schemes to be aligned with the strategy, policy or business objective they directly support. Work continues on this style of presentation. However, in the short term projects will continue to be identified by the type of activity involved e.g. property, technology, transport, etc.

Prioritisation and Monitoring

12. Capital resources continue to be allocated to MPS provisioning areas based largely on previously approved MPA capital budgets. It is recognised that some adjustment to these figures should be considered due to internal pressures. However, the need to remodel the MPA Estate, provide modern technology, provide for planned renewal of the vehicle fleet, and procure quality support equipment for operational officers, presents conflicting demands that are difficult to judge against each other. To assist in this process, prioritisation criteria are utilised. These will continue to be refined as part of the Investment Board approval process such that deployment of capital resources between departments can be amended to reflect key deliverables deemed essential for operational efficiency.

13. The criteria for determining the inclusion of individual projects within the capital-spending plan have recently been subject to review as part of the update of the capital strategy. Many of the key considerations still remain. However, the criteria have been sharpened to give a greater link with corporate objectives, and the mission and values of the organisation. Key prioritisation criteria, in order of importance are:

- a mandatory legal requirement to provide the service or asset;
- meeting one or more of the strategic priorities within the Corporate Strategy 2006 – 2009;
- continuing or completing a capital project where there is a contractual commitment;
- a demonstrable need to replace an asset for efficiency purposes as noted within the relevant asset management plan;
- the continuation or completion of a project where significant expenditure has already occurred and unjustifiable wastage of resources would result; and
- the delivery of revenue savings.

14. Schemes not deemed of sufficient priority to be included within the capital programme will be held on a reserve list. This list will be used to inform deliberations on projects to be considered beyond the three-year timeframe of the spending plan. It will also be used as a 'call-off' list whereby those projects that can be 'fast-tracked' would be called upon as suitable substitutes for potential inclusion in the capital programme should major slippage or savings occur. The opportunity would also be explored to remodel the spending plan such that schemes from future years can be brought forward. This enables schemes experiencing timing difficulties to be slotted back into the capital programme and eliminates the need to identify additional funds, as the portfolio of projects remains unchanged and hence the financing equation remains in balance.

Development of Capital Spending Plan

15. It is accepted that the consolidated capital programme for 2006/07 onwards, as approved by the MPA in March 2005, should form the basis of the capital budget submission now forwarded. However, a number of growth pressures have recently arisen which await consideration for inclusion within the borrowing and spending plan 2006/07 to 2008/09. Decisions on which schemes should be incorporated must by necessity be delayed until early 2006 pending full appreciation of financing and policy implications, as well as the capacity of the Service to deliver.

16. The Corporate Strategy and the Service Review have given focus to the widening mission of the Service, policing values and the demands imposed by policing London in the 21st Century. Counter-Terrorism measures and serious and organised crime detection are areas where the public need reassurance and confidence that results are being achieved. Safer Neighbourhoods through its direct contact with the local and working environments helps build trust, confidence and partnerships and in doing so provides a level of interaction which helps in the detection of major and minor crimes.

17. The Service Review has affirmed the direction in which the Service needs to progress and set down ways in which the use of resources should be maximised to deliver on our mission and objectives. Key areas of activity have been identified for further investigation. The emphasis is on having a streamlined organisation with the 'right people doing the right job'. Support services are to be reviewed, operational policing practices sharpened, resources directed to achieve maximum benefit, and core policing processes examined to ensure we deal with our customers, partners, and staff in the best possible way.

Safer Neighbourhoods & Estate Renewal Programme

18. Two areas of property investment flow directly from endorsement of the Service Review recommendations. Subject to agreement of the roll-out of Safer Neighbourhood bases being brought forward, the 368 teams forecast to be in place by the close of 2007/08 will require operational accommodation during financial year 2006/07. This is seen as essential in delivering on a citizen-focussed policing style to all the people of London. Acceleration of the Estate renewal programme has also been proposed to ensure we have suitable operational properties to provide the modern policing agenda. The main strands of work involved comprise patrol bases, new custody clusters and

local deployment bases. Both of these initiatives have considerable capital investment implications.

19. Funding of the first and second tranches of the Step Change Programme (Safer Neighbourhoods) was financed by unsupported borrowing. The capital cost for rolling out the remaining 368 teams during 2006/07 is forecast at £39.0m and it is proposed that if accommodated within the capital programme this tranche of the Safer Neighbourhoods Programme will be financed in the same manner as before.

20. The estimated capital cost of the acceleration of the estate renewal programme is £210.0m spread over the three-year time frame of the borrowing and capital-spending plan. Much of this initiative is planned to be financed through property disposals. Delay in the exiting of sites and some dual running of operational premises means that the acceleration of the programme will necessitate the initial use of unsupported borrowing whilst awaiting disposal receipts.

The Bichard Enquiry Recommendations

21. The Bichard Enquiry report made a number of recommendations aimed at improving child protection procedures, intelligence record keeping and information sharing. The IMPACT programme as progressed by the Home Office is responsible for implementation of key areas of technological and business change associated with the Bichard Enquiry. To support the development of the IMPACT programme the MPS has identified the need to establish a corporate data warehouse collating data from all of the key operational computer systems. This will allow for a co-ordinated approach to system developments that support intelligence and is also paramount in advancing systems' architecture within the MPS. The cost of the development of a data warehouse is presently forecast at £17.36m. This embraces capital and revenue costs. Capital expenditure is estimated at £13.8m over the three-year span of the present spending and borrowing plan. It is proposed that if the decision is taken to include this growth item within the capital programme to finance it through unsupported borrowing.

Vehicle Fleet

22. A review of the vehicle fleet has recognised that it would be advantageous to establish a borough pool fleet. This would maximise the availability of local transport by significantly reducing the time each BOCU has vehicles 'off the road' as a result of servicing and repair requirements. Outline approval to the initiative has been given by MPS Management Board and it is costed at £2.6m. A detailed business case is being prepared and opportunities for finding suitable financing for the scheme to proceed are being explored.

Helicopter Fleet

23. Renewal of the present three helicopters remains a key priority. As explained in last year's budget submission the present craft are becoming unreliable and are not providing the required number of flying hours to support the wide range of operational activities to which they could be devoted. Delays in the commencement of the replacement programme have resulted from prolonged negotiations regarding the preferred maintenance arrangements for the new

helicopters. This has now been resolved resulting in a revised payment schedule. Capital expenditure has reduced in overall terms to £8.4m with revenue costs rising by £0.4m. Completion of the renewal programme programme is still expected to be completed during 2006/07 with 40% of the capital cost being met by a specific capital grant from the Home Office. The remaining capital cost is being met using the flexibilities provided through the Prudential Code i.e. unsupported borrowing.

Resources

24. The capital spending plan has been prepared on the understanding that funding will be available from capital grant, capital receipts, capital reserves, specific grants awarded for named projects, and borrowing (supported and unsupported). The plan assumes no utilisation of revenue sources of income and therefore has no direct financial implications for the precept to be levied by the Greater London Authority. If borrowing is used as a financing source there will of course be ongoing revenue costs to be taken into account i.e. actual interest charges on negotiated loans and the statutory requirement to repay an element of outstanding principal each financial year.

25. Future availability of funding is based on the following assumptions:

- police capital grant – as per the 2005/06 level;
- supported borrowing – as per the 2005/06 level notified as part of the capital settlement.
- unsupported borrowing – as deemed affordable, prudent and sustainable following Prudential Code guidelines and as required to ensure an efficient, balanced capital plan (see paragraphs 34 to 36 below);
- capital receipts (see paragraph 30 below);
- usable capital reserves (see paragraphs 31 & 32 below);
- specific capital grants (see paragraph 33 below);

26. The MPA chooses not to identify individual funding arrangements for each project. However, where funds have been provided for a designated purpose e.g. specific grants, these will be assigned to offset overall expenditure on the individual scheme of work/purchase. This policy results in a ‘pool’ of funds being made available to meet recorded expenditure. This enables general capital grants to be fully utilised in the year of application by being written-off to the Capital Financing Account.

27. To ensure compliance with the Prudential Code all projects which are to be financed in part or in total through unsupported borrowing are specifically identified. This enables the revenue impact of the investment to be individually calculated and key decisions to be reached on the affordability, prudence and sustainability of the venture. This is critical where consideration is being given to voluntary repayment of the unsupported borrowing in advance of statutory requirements.

28. A summary of the expenditure proposals for 2006/07 and the following two years and the resultant financing proposals are set out in Schedule 5.2. Details of individual projects are set out in Schedules 5.3 to 5.8 in respect of each business group/programme of works. The MPA Finance Committee will review the capital programme in January 2006 following announcement by the Home Office of the capital settlement for 2006/07 for police authorities in England and Wales.

Capital Receipts

29. The sum included within the capital spending plan from the disposal of surplus assets as required for meeting previously planned investment levels is projected at £7m per annum. However, the opportunity is also being taken to dispose of unsuitable/not fit for purpose properties to enable accelerated renewal/rejuvenation of the Estate. Whilst, it is not MPA policy to ring-fence all capital receipts from the disposal of accommodation for purely property purposes, it is recognised that modern policing practices demand a revised operational property portfolio. Capital spending on IT and vehicles will not be prejudiced and the overall investment demands of the MPS will be considered to ensure the most efficient and effective use of available capital funds is made.

Capital Reserves

30. Over recent years it has been possible to utilise usable capital reserves to support the capital programme. Usable capital reserves have remained particularly buoyant as a result of the decision to continue sales of the residential estate. However, with disposal sums now largely earmarked for specific purposes – see the preceding paragraph - it is no longer considered prudent to reduce further the level of capital reserves.

31. In preparing the capital spending plan it is acknowledged that a suitable level of capital reserves should be maintained to ensure:

- security in respect of major projects such as the C3i and Step Change Programmes should funding or cashflow problems arise;
- reassurance that reserves are not denuded to such a level that serious financial concerns would arise;
- safety from the effects of less than budgeted in year capital receipts; and
- reassurance that reserves provide a degree of flexibility should critical capital expenditure issues arise.

C3i Programme

32. The C3i Programme comprises the replacement of the Authority's command and control system (MetCALL) together with the upgrade of the present police radio network (Airwave). The scale of the C3i Programme, the leading edge technology embraced, and the considerable expenditure involved, demands that the project continues to be closely monitored. Timing/financial problems

have arisen due to security considerations, the supply of a suitable communications platform and Airwave special coverage needs. The programme has largely been funded from specific grants provided by the Home Office. However, with no further funds available from the Home Office, the expenditure profile for the successful completion of the C3i Programme must be managed within the total sum deemed prudent, affordable and sustainable for MPA investment needs. The use of capital reserves has been identified to bridge any funding shortfalls that arise. Discussions have also taken place with the Home Office to reprofile the payment of specific grants where appropriate and the impact on other areas of the capital spending plan have been investigated.

Prudential Code

33. The CIPFA Prudential Code has provided much needed flexibility in determining the scale and nature of scheme to be embraced within the MPA capital spending plan. Detailed work has been undertaken in determining appropriate indicators and borrowing limits to ensure that the capital investment plan is affordable, prudent and sustainable, that sensible planning principles are adopted, and that treasury management decisions are taken in accordance with sound financial management practice. The prudential indicators are regularly updated to ensure that the level of borrowing undertaken is maintained within affordable limits.

34. Within the capital spending plan the level of supported borrowing has been pitched at the level as notified within the 2005/06 capital settlement. Unsupported borrowing has largely been used to finance new initiatives deemed key to delivering the modern policing agenda but where dedicated funds are not readily identifiable e.g. the Step Change Programme and renewal of the helicopter fleet. Unsupported Borrowing is also utilised for the capitalisation of property and IT schemes where the benefit of investment is seen to be evidenced across more than one accounting period. At the present time this amounts to £5m included within the Property Services budget to support building enhancements and £10.2m included within the Department of Information's budget in respect of the renewal of technical equipment.

35. The list of prudential indicators and relevant calculations used in determining the appropriate level of borrowing to be negotiated by the Authority in support of capital expenditure are shown at Schedule 5.9.

Asset Management Plans

36. Asset management plans are noted as an integral part in the development of a grounded and workable capital strategy. They clearly define assets held, their general condition, how such assets can be utilised to maximum benefit, efficiency and performance targets, and include maintenance profiles to identify lifetime needs and when disposal should be considered. The asset management plans help define investment priorities. Their creation represents a considerable body of work and until such time that the MPS has an asset base that can be regarded as fit for purpose can only be approached in a fragmented way. As part of the capital budget submission last year the planning documents used in the drawing up of the asset management plans were attached. Completion of the plans continues with comprehensive

information regarding held assets being compiled to enable informed decisions regarding maintenance, investments and disposals to be made.

Forward View

37. The continued growth in officer and police support staff numbers, together with modern policing methods, brings with it an increased demand for suitable accommodation and equipment for daily tasks to be performed. This coupled with the worn out and non-compliant condition of much of the MPA Estate, and the pressure to introduce modern technology and vehicles to assist in the fight against crime, means that the present capital programme is regarded as inadequate in terms of funds available to meet real needs.

38. In view of the political pressure to keep the Greater London Authority precept to be levied on the local taxpayer within acceptable limits, considerable difficulties are experienced in achieving a balanced revenue budget. Any impact on revenue costs resulting from capital investment must therefore be accurately assessed. When preparing the capital spending plan thought must by necessity be given to (a) the revenue costs of implementation; and (b) the on-going costs once projects are completed e.g. maintenance, etc. (The former of these are noted against named capital schemes within the accompanying schedules.) All estimated revenue costs associated with the three-year capital-spending plan have been incorporated within the revenue budget submission for 2006/07 and in the medium term financial projections for future years.

39. The revenue consequences of borrowing to finance the capital-spending programme in terms of the debt management expenses that arise have been calculated and are shown in the calculations at Schedule 5.10. These costs have been taken into consideration in preparing the revenue submission for 2006/07 and future years. In formulating the capital strategy over the coming years it is essential to allow for compensating savings that can be achieved in revenue costs such as maintenance, etc. when choosing to invest in new property or IT schemes. This will ensure that the full benefits of borrowing to invest are secured and could lead to renewal of the asset base without a significant impact on the revenue budget.

40. Decisions on which capital projects should proceed will be taken in line with the developing capital strategy. Demands on the revenue budget are considerable; such that direct use of revenue funds to finance budgeted capital expenditure cannot realistically be considered. In view of this opportunities continue to be explored of innovative ways of securing assets for use by the MPA/MPS e.g. partnership arrangements, sponsorship, etc.

Appendix 1

MPS/MPA CAPITAL STRATEGY

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General

Capital and Revenue Budgets

The MPA revenue budget of £2.7 billion in 2005/06 is nearly 25% of the total cost of policing in England and Wales. The number of police officers has increased from 25,430 in 2000-01 to 31,175 at the end of March 2005, the Police Community Support Officer workforce now stands at over 2,100 and police staff totalled over 13,800.

The present capital programme and resourcing is as follows:

Expenditure	**2005/06 £000**	**2006/07 £000**	**2007/08 £000**	**2008/09 £000**
Property Services	120,994	29,231	29,231	29,231
Directorate of Information	46,541	33,089	33,089	33,089
Transport Services	13,625	17,175	17,825	14,875
Other Plant & Equipment	11,004	5,461	300	300
C3i Programme - Directorate of Inform.	86,235	5,238	0	0
Step Change Programme	41,860	5,427	276	0
Grand Total - All Projects	**320,259**	**95,621**	**80,721**	**77,495**
Funding	**2005/06 £000**	**2006/07 £000**	**2007/08 £000**	**2008/09 £000**
Police Capital Grant	35,856	35,856	35,856	35,856
Air Support Grant	4,339	1,945	0	0
Supported Borrowing	19,635	19,635	19,635	19,635
Unsupported Borrowing	62,086	18,111	15,195	15,195
Capital Receipts	9,600	7,300	7,000	7,000
Recycling of Property Estate	15,743	0	0	0
Usable Capital Reserves	42,875	1,109	1,759	-1,191
Other	2,030	1,000	1,000	1,000
Total - Funding of Business Groups	**192,164**	**84,956**	**80,445**	**77,495**
C3i Programme - Specific Grants	30,000	11,230	0	0
Usable Capital Reserves	55,783	-5,992	0	0
Unsupported Borrowing - Step Change	**42,312**	**5,427**	**276**	**0**
Total Funding	**320,259**	**95,621**	**80,721**	**77,495**

The MPA has 174 police stations and over 600 operational buildings and over 1,000 residential properties. It operates over 4,800 vehicles, 30 boats and 3 helicopters. It also provides facilities for over 47,000 police officers and police staff. The open market value of the Authority's assets, as at 31 March 2005 was:

	£ Million
Land and buildings	1,450
Vehicles plant and equipment	79
Non operational/community assets	203
Total	**1,732**

Capital Strategy

Introduction

This is the Authority's second capital strategy. It sets out the Authority's belief that capital investment should support core policing services and achievement of key objectives. The purpose of this capital strategy is to provide a clear picture of the Authority's process for managing its capital assets by reference to corporate priorities set out in the draft Corporate Strategy 2006-2009 (which has recently replaced the MPA/MPS strategy 'Towards the Safest City 2003-05').

This capital strategy focuses on processes to take forward a strategic led, priority driven, capital programme. The effectiveness of the capital strategy will be reviewed annually in the light of changing needs and priorities. Ongoing reconsideration of the strategy will ensure that it is effective and reflects developments in the Authority's objectives and best asset management.

Strategic Goals

The MPA and MPS have recently approved the content and format of a new Corporate Strategy for 2006 to 2009 which will provide a framework for co-ordinating planning and decision-making across the whole of the police service. The strategy will also form the basis for selection of the priorities and objectives that are published in the annual policing and best value performance plan. In addition, the longer-term direction set by the strategy helps to prioritise the allocation of resources, including capital expenditure.

The seven strategic priorities set out in the new Corporate Strategy are:

- Counter Terrorism, Protection and Security
- Safer Neighbourhoods
- Organised Criminal Networks
- Capital City Policing
- Citizen Focus
- Together
- Information Quality

The priorities will enable us to achieve four strategic outcomes as follows:

- Communities are engaged with, confident in and satisfied with our service
- Safety and security is improved and the public feel reassured
- Crime, disorder, vulnerability and harm are prevented and reduced
- More offenders are brought to justice

The Strategy will be supported by an integrated corporate planning framework, which focuses on developing and maintaining an organisation where everything that is done has the needs of Londoners at its heart.

The purpose of this capital strategy is to set out how the MPA/MPS will equitably and transparently fund capital investment to support its core policing priorities. The capital strategy will be one of the key overarching policy documents of the Authority. The strategy reflects work in progress, with the aim of demonstrating that the Authority's capital objectives, priorities and spending plans are directly linked to and consistent with, key corporate and service objectives, with the priorities of the Mayor and is consistent with the aspirations of the Home Secretary's National Policing Plan.

What the Capital Strategy Covers

This capital strategy covers all aspects of capital expenditure (particularly that requiring investment decisions) and the need to take account of the revenue implications of that investment. The capital strategy identifies the development and implementation of processes for:

- The generation of option appraisal of capital project proposals
- Prioritisation of capital projects - informing choices on the allocation of additional capital investment
- Processes for decision making particularly timing of decisions for approval of new schemes, approval of the capital strategy/capital programme and the priority allocation criteria
- Monitoring, evaluation and management of ongoing/completed projects
- Corporate review of existing properties and service needs to explore opportunities for more efficient and effective use of property, or to release resources through disposal
- Governance of the arrangements, principally through the new MPS Investment Board
- Further development of Asset Management Plans, including property, I.T. and transport.

The Authority's Medium Term Financial Projection highlights the need to consider revenue expenditure and capital expenditure together. The revenue costs of capital investment i.e. financing and running costs, are now considered alongside other revenue spending pressures in the Authority's budget planning process. Revenue implications of individual projects are considered through project appraisals on all capital bids.

Capital Programme – Prioritisation, Appraisal, Management, Monitoring and Review

Prioritisation and Appraisal. The MPS has established a new investment Board, chaired by the Deputy Commissioner Each MPS Business Group is represented at ACPO level, as well as the Directors of Finance Services and Property Services. This Board will prioritise capital resources in line with strategic priorities and will draw upon the business planning process where business needs, (aligned to strategic priorities), are identified by Business Groups and corporate departments. These plans will form the basis for identifying capital investment requirements in conjunction with the Asset Management Plans and the outputs from specialist groups such as the Estates Property Group. Business Groups/corporate departments will also identify external funding requirements (where appropriate) and relate proposals to strategic priorities and performance measures.

The MPS Investment Board's terms of reference and responsibilities include:

- To consider and prioritise submissions for capital investment against the strategic priorities and integrate these into the Authority's key processes
- To recommend a prioritised capital programme to the MPS Management Board commensurate with the overall budget timetable each year, including submission to the MPA.
- To review and monitor capital programme performance against key milestones.
- To inform and influence the performance management framework and the strategic management framework and
- To consider the annual Capital Strategy for approval by the MPS Management Board and the MPA each year.

Management, monitoring and Review. The existing MPS Capital Programme Review Group will both support the work of the Investment Board and be responsible for detailed day to day monitoring and review of both the delivery of outcomes, objectives and financial performance in conjunction with MPS Business Groups and corporate departments.

Priority Allocation Criteria

Each year the MPS Investment Board will review bids from MPS Business Groups for capital projects. Each bid will be assessed using agreed criteria for prioritisation. Development of this process is at an early stage but the intention is that it is based on a sound rationale that reflects MPA/MPS strategic priorities and in a complementary manner Business Group priorities. The following key prioritisation considerations (in order of importance), will be the basis of selecting new schemes:

- Mandatory legal requirement to provide the service or asset
- Meets one or more of the strategic priorities within the 2006-2009 Corporate Strategy
- Continues or completes a capital scheme where there is a contractual commitment
- Demonstrable priority need to replace the asset and included in an Asset Management Plan
- Continues or completes a scheme where significant expenditure started in previous year
- Yields revenue savings

The MPS Investment Board will develop a detailed weighting model based around these priority criteria to ensure a transparent, simple but robust approach. This process will be reviewed each year in the light of lessons learnt. The result of this appraisal process will prioritise projects for inclusion in the Capital Programme. It is intended that schemes that are not included are prioritised for further consideration in future years, or, in the event that slippage occurs, available for potential inclusion as a rapid alternative to the capital project that has slipped. Opportunities will be explored during these processes for combining Business Groups' capital proposals and joint working/cross cutting opportunities.

Scheme proposals will be brought to the Investment Board and the relative merits of each proposal will be established using business case analysis and/or option appraisal as appropriate to their size and complexity, including key service outcomes measured against strategic priorities. Comparative scores against the predetermined priority allocation criteria will then be applied and a priority list established. In addition to providing clear links to approved service plans, evidence will have to be provided that alternative sources of finance have been sought.

How the Process Works

Preparation of the Capital Strategy - The MPA Finance Committee will approve the Capital Strategy annually (after approval by MPS Management Board), triggering the start of a new capital cycle, and providing the strategic context and framework for the development and implementation of the capital programme for agreement by the Authority and inclusion in the Mayor's annual Budget Submission.

Commencement of capital programme planning - At the start of each cycle the MPS Investment Board will review the committed capital programme and consider capital resources for the next (uncommitted) year. This will include an assessment of the supported borrowings within the prudential framework, the capital receipts target forecast, capital grant and possible other funding sources.

Guidelines - The Investment Board will circulate guidelines to Business Groups for the preparation of capital proposals. These guidelines, which are designed to ensure consistency of approach, will include a requirement:

- to address how each project will support the delivery of the MPA/MPS strategic priorities
- for an assessment of priorities outlined in the capital strategy
- for critical planning information required to support the proposal – budgets, specific project objectives, targets, milestones and indicators
- for information on the extent to which projects have undergone consultation with partners and other stakeholders and
- a thorough option appraisal and assessment of funding opportunities available.

Business Groups will then use this information (assisted by specialist advice from corporate departments (Property Services/DOI/Transport) to prepare business cases for new schemes (and refine existing ones). Although business case planning guidelines have been issued this year to business groups, who have then submitted capital project bids, these procedures are unlikely to be fully embedded this year but this will is a development issue to be addressed in future annual strategies.

Draft Capital Programme - Information on all current and new bids will be collated and submitted to the Investment Board, who will prioritise schemes and integrate them into a draft capital programme, taking account of resourcing and revenue implications. The MPS Management Board will then agree the draft capital programme, before submitting to Finance Committee as part of the annual review of the capital programme, before onward submission to the Mayor as part of the budget submission.

The output from this process will be a draft capital programme which allows members to scrutinise new schemes, whilst being assured that the existing committed programme has undergone 'due process'. MPA Members will be assured that a process has been followed to assess bids against agreed priorities and it will allow opportunities for any additional capital spend at other times in the financial year to be considered against an existing priority list of schemes. This will be a significant departure from existing practice. In practical terms the development of a capital programme aligned to Business Groups and the contribution made to corporate objectives will be an emerging process, likely to be built up over a number of years.

Setting the capital programme - As part of the budget setting process, schemes are currently identified by type of activity, such as property, IT and transport etc. It is planned that over the course of the next few years the analysis will change to show Business Group analysis, which will identify service areas in support of the MPA/MPS strategic priorities, capital strategy and asset management plans.

Asset Management Planning

During the last year, the MPS has developed its first asset management plans covering property, I.T. and transport functions. The further development of these plans will be co-ordinated by the MPS Investment Board to ensure, for example, that the MPS/MPA manages its property in accordance with the 'Building Towards the Safest City – Delivering Policing for Londoners 2003-2008 a Property and Estates Strategy'. It is planned that the asset management plans will evolve over the course of the next few years, in line with the developing capital strategy.

The MPA has supported the MPS in its distinct separate organisational structures for Property Services, I.T. and Transport. This approach will enable the optimisation of these resources in terms of service benefit and financial return and maximisation from the benefits to be gained from innovation and continuous improvement within a professionalised service. The Authority will also operate a continuous review and disposal of surplus assets.

Procurement Strategy

The MPA agreed a Corporate Procurement Strategy in 2004. This focuses on a ‘category management’ approach to procurement for the whole police service. The Authority supports a centralised procurement department under the leadership of the Director of Procurement Services. The procurement department operates to co-ordinate major supply contracts. To achieve best value there is a clear focus on achieving the fundamental principles that underlie the procurement strategy, namely competition, transparency, accountability, legality and probity. This supports the Authority’s strategy that the goods and services which are procured must be economic, efficient and effective.

A key objective of the strategy is to achieve savings in capital procurement costs by reducing waste and duplication and reinvesting the savings to:

- Take better account of measures relating to sustainability
- Improve design to reduce revenue costs, including utilising longer life materials
- Reduce energy costs

Performance Measurement and Monitoring

Indicators - Capital schemes will be designed to contribute to the seven strategic priorities within the 2006-2009 Corporate Strategy. In the long term the effectiveness of the Authority’s capital schemes will be evaluated by the extent to which they have measurably achieved the Authority’s four strategic outcomes-incorporating this theme in future capital strategies will be a strong challenge.

Alongside this, the MPS will develop specific project performance indicators. These will focus on management costs, budgetary control and achievement against milestones and targets, so that any problems can be highlighted at the earliest opportunity and resolved.

Procedures - Inclusion in the capital programme gives authority for schemes to proceed, subject to MPS Investment Board and MPA member review and approval of larger schemes’ business cases (>£5 million total value). MPS Investment Board will scrutinise and approve lower value schemes. Capital spending is controlled through the annual preparation of the capital programme and by regular monitoring of performance.

The MPS Investment Board will monitor capital programme expenditure and resources on a monthly basis. It also exercises control at individual project scheme level and further Business Group/corporate department reviews take place for individual projects.

Risk Management

Typical risks to the capital programme involve overspending/underspending against agreed budgets. Regular expenditure monitoring meetings are held by the MPS project officers to identify problems at an early stage. Estimated funding from capital receipts is based on the approved assets disposal programme, which is subject to regular internal review.

The future affordability of the capital programme and the risk of the Mayor not approving what the Authority may consider a prudent programme is a risk. This is mitigated by publication of detailed Mayoral budget guidance early in the budget cycle and regular Mayoral budget meetings with the Authority.

Consultation

The main method used for consulting London residents is through the Mayor's Budget Consultation process, which is arranged by the Mayor each year. Copies of the Budget submission agreed by the Mayor and the final agreed budget are readily available on the MPA's website at www.mpa.gov.uk.

The planning process for agreeing the annual capital programme involves consultation and involvement of MPS Business Groups and the MPS Investment Board. Plans should be updated annually to coincide with the Authority's budget setting process. The MPS Corporate Planning Group and Finance Services Directorate are taking this work forward, although it is acknowledge that further work needs to be undertaken to fully align business planning and financial planning processes across the MPS.

The procedure for the submission of reports to Authority Members makes it the responsibility of officers to ensure that all resource (staffing, property, I.T. and transport etc) aspects of implications arising from a report are properly assessed and recorded in the report.

Key Partners

The main statutory partners for the MPA/MPS are the Mayor/GLA and Home Office/Home Secretary. There are a plethora of relationships and governance arrangements, which ensure the aim of joined up working to the benefit of all partners, including the GLA family. Additionally there is close working with borough commands and their respective Crime and Disorder Reduction Panels and local authority partners.

There have been a number of notable developments in co-location, in particular arrangements have been agreed with the Crown Prosecution Service, Transport for London, various local authorities and other public sector partners, which includes a sound agreement on funding issues and cost sharing.

Unsupported Capital Borrowing and the Impact of the New Prudential Framework

The new prudential framework requires sound strategic planning, and sound reporting systems to meet the demands of the new arrangements (e.g. by setting out the annual affordability effects of the capital investment decisions). The new freedoms will allow consideration of more favourably capital-intensive schemes that may produce immediate and substantial revenue benefits.

The MPA supports the use of the flexibilities and freedoms offered. This freedom will be used within an affordable framework, not only affordability as viewed by the Authority, but also that agreed by the Mayor. The Authority has already undertaken ‘unsupported borrowing’ e.g. for Step Change Programme infrastructure costs, and the extent will be determined by the extent of the Authority’s needs, its affordability and the support of the Mayor. There will also be a need for additional resources (via unsupported borrowing) around the property portfolio to ensure that the accelerated rollout of the Estates Strategy can be achieved, although the capital strategy will require prioritisation of these requirements with other competing strategic capital priorities within the available agreed capital resources.

Framework for Capital Programme Development

The annual capital programme is the output from the process governed by the annual Capital Strategy. It is acknowledged that this move will not happen immediately and will probably require a period of five years to fully make this transition. However it is hoped that noticeable improvements will be made in the next two to three years.

One benefit of the new approach is that the Authority will be able to systematically establish all its capital investment priorities whilst the prioritisation of schemes will highlight ongoing pressures.

In terms of future development, much of the early work will focus on opportunities to add to the existing committed capital programme. At present the Authority will take the approved programme as given, the prioritisation process will only apply to new opportunities for investment. We will however use the full flexibilities of the Prudential Code framework, subject to affordability and prudent application.

External Funding

The Authority is committed to securing external sources of finance to fund capital expenditure, including:

- capital grants

- partnership investment
- Private Finance Initiatives and Public Private Partnerships (where appropriate and cost effective)
- Supported and unsupported borrowing
- Capital receipts

Bidding for and managing resources must be consistent with the principles established by this Strategy.

Other capital resources generated to support the capital investment requirements of the Authority, including planning gains (section 106 Agreements), which are generally to be used for specified purposes, together with more specialised possibilities, such as innovative property funding approaches, may also be considered in line with this Strategy.

schedule 2

Medium Term Capital Plan 2005/06 to 2009/10

Expenditure	2006/07 £000	2007/08 £000	2008/09 £000	Revenue Set-Up Costs £000
Property Services	29,231	29,231	29,231	0
Directorate of Information - Excluding C3i Programme	32,189	33,089	33,089	2,875
Transport Services	17,175	17,825	14,875	0
Other Plant & Equipment	5,029	300	300	0
Total - Business Groups	83,624	80,445	77,495	2,875
Directorate of Information - C3i Programme	6,138	0	0	5,798
Step-Change Programme	12,815	276	0	0
Grand Total - Projects	102,577	80,721	77,495	8,673

Funding	2006/07 £000	2007/08 £000	2008/09 £000
Police Capital Grant	35,856	35,856	35,856
Air Support Grant	1,845	0	0
Supported Borrowing	19,635	19,635	19,635
Unsupported Borrowing	18,079	15,195	15,195
Recycling of Property Estate	0	0	0
Capital Receipts	7,000	7,900	7,000
Usable Capital Reserves	209	859	-1,191
Other	1,000	1,000	1,000
Total - Funding of Business Groups	83,624	80,445	77,495
C3i Programme - Specific Grants	11,230	0	0
Usable Capital Reserves	-5,992	0	0
Third Party Contributions	900		
Unsupported Borrowing (Step-Change)	12,815	276	0
Total Funding - Projects	102,577	80,721	77,495

Schedule 3

Property Services: Medium Term Capital Plan 2006/07 to 2008/09

Scheme Reference	MAIN PROGRAMME PROJECTS	Start Year	2005/06 £000	2006/07 £000	2007/08 £000	2008/09 £000
DA640001	**Acton Front Office & Custody Suite** Refurbishment of front office and custody suite at Acton Police Station.	2002/03	2,182	0	0	0
see cell note	**Front Office Refurbishment Programme** Works to incorporate Disability Discrimination Act improvements to front offices at all sites.	2002/03	4,320	500	0	0
DA606001	**Dagenham Custody Suite Amelioration** Works associated with Dagenham Police Station custody area.	2002/03	150	0	0	0
	Total 2002/03 Starts		**6,652**	**500**	**0**	**0**
DA556001	**NW Stadium** Improvements to present accommodation	2003/04	431	0	0	0
DA730001	**Perimeter works** Hendon	2003/04	661	0	0	0
see cell note	**Cell Refurbishments** De-mothballing of unused cell facilities	2003/04	1,597	1,224	0	0
	Total 2003/04 Starts		**2,689**	**1,224**	**0**	**0**
DM719001	**Utilisation works**	2004/05	1,000	1,000	1,000	2,000
DM725001	**Operational Support** Building works in support of operational requirements	2004/05	500	500	500	500
DA722001	**Power and Generator renewals** Replacement (where necessary) of emergency generators - Met-wide	2004/05	1,300	700	0	0
DM714001 DM724001	**Central office refits - CP programme**	2004/05	4,000	0	2,000	0
DA702001	**Relocation of Department of Information's Technical Support Unit** Amelioration of accommodation for revised occupation	2004/05	4,744	0	0	0
see cell note	**Minor Projects & feasibility studies** Minor works - small accomodation projects Met-wide	2004/05	1,000	1,000	1,000	1,000
see cell note	**IBO programme & CAD Room strip outs / refits** Provision of integrated borough operations rooms for use in conjunction with C3	2004/05	250	3,250	750	0
KW000001	**Key Home Buy Scheme** Provision of low cost housing for key workers	2004/05	2,000	0	0	0
D0010000 D0010000 D0010400	**Brixton Refurbishment Projects**	2004/05	762	0	0	0
D0150000 D0150200	**Patrol Bases (inc Priestley Way)**	2004/05	4,000	5,000	5,000	5,000
DA676001 D6760300	**Tintagel House** low density scheme	2004/05	300	0	0	0
D0050000	**Charing Cross Cell Complex**	2004/05	233	0	0	0
	SO19	2004/05	190	0	0	0
	Wood Green	2004/05	925	0	0	0
D0250000 D0250100	**Empress State**	2004/05	6,900	0	0	0
D0230000	**New Scotland Yard** Security works	2004/05	1,324	0	0	0
	Whitlock House	2004/05	200	0	0	0
	Stratford CPT Construction Costs	2004/05	0	800	0	0
	Total 2004/05 Starts		**29,628**	**12,250**	**10,250**	**8,500**
D0040000	**Cell Cluster Developments** Development of new cell facilities	2005/06	500	4,000	8,000	6,000

	Capitalisation of Works Building enhancements	2005/06	5,000	5,250	5,513	5,788
	Mounted Branch Hammersmith & Wandsworth Stables	2005/06	1,000	0	0	0
D0190000 **DA720001**	**Nottingdale**	2005/06	900	0	0	0
	Lambeth Car Wash	2005/06	170	0	0	0
	Stamp Duty Capitalisation of stamp duty payable on purchases	2005/06	1,000	1,000	1,000	1,000
	Empress State Building Improvement to Catering facilities	2005/06	2,368			
	Total 2005/06 Starts		**10,938**	**10,250**	**14,513**	**12,788**
D0030000	**Canon Row & TP HQ** Refurbishment of accommodation	2006/07	0	3,000	0	0
TBA	**New Priority CO Accommodation** CO accommodation requirements/enhancements	2006/07	500	1,000	1,000	0
D0130000	**New Priority SC Accommodation** Specialist Crime Directorate accommodation requirements/enhancements	2006/07	500	1,000	1,000	500
	Total 2006/07 Starts		**1,000**	**5,000**	**2,000**	**500**
	Data Centres	2007/08	0	0	1,500	7,200
	Total 2007/08 Starts		**0**	**0**	**1,500**	**7,200**
	Total 2008/09 Starts		**0**	**0**	**0**	**0**
	Dilapidations	2009/10	0	0	0	0
	Total 2009/10 Starts		**0**	**0**	**0**	**0**
	Property Services Summary					
	Total expenditure for schemes commencing in	2002/03	6,652	500	0	0
	Total expenditure for schemes commencing in	2003/04	2,689	1,224	0	0
	Total expenditure for schemes commencing in	2004/05	29,628	12,250	10,250	8,500
	Total expenditure for schemes commencing in	2005/06	10,938	10,250	14,513	12,788
	Total expenditure for schemes commencing in	2006/07	1,000	5,000	2,000	500
	Total expenditure for schemes commencing in	2007/08	0	0	1,500	7,200
	Total expenditure for schemes commencing in	2008/09	0	0	0	0
	Total expenditure for schemes commencing in	2009/10	0	0	0	0
	Total Schemes		**50,907**	**29,224**	**28,263**	**28,988**
	Funds still to be Allocated			**7**	**968**	**243**
	Sub-total Property Services Projects		**50,907**	**29,231**	**29,231**	**29,231**

Schedule 4

Directorate of Information: Medium Term Capital Plan 2006/07 - 2008/09

Scheme Reference	MAIN PROGRAMME PROJECTS	Start Year	2006/07 £000	2007/08 £000	2008/09 £000	Revenue Set-Up Costs £000
	Infrastructure Renewal Programme					
R958300	Network Infrastructure (Network Fitness)	2000/01	654	1,000	1,000	1,100
R958701	Secure External Gateway. - To provide a "confidential" level network and secure access to external services.	2000/01	0	200	50	100
R961200	Terminal Equipment Room health and safety (PSD work).- AWARE Phase 2 To satisfy H&S requirements in Terminal Equipment Rooms.	2002/03	250	250	250	0
DR964006	IP / Telephony. - To allow data, image and voice to share a common network and hence improve quality and reduce costs.	2003/04	0	0	0	400
DR964005	Network - Quality of service / network management. - To allow data, image and voice to share a common network and hence improve quality and reduce costs.	2003/04	0	0	0	400
DR964004	HQ - SO12. Aquarius- To provide a secure infrastructure for Special Branch units.	2003/04	0	0	0	50
DR955000	Public Key Infrastructure (PKI). - To provide a "confidential" level network and secure access to external services.	2003/04	200	200	0	400
DR958702	X.500 Directory Services.- Part of a mixture of projects to improve security and audit, data access and mobility.	2003/04	50	50	50	100
DR958217	Card Management system. - Part of a mixture of projects to improve security and audit, data access and mobility.	2003/04	0	0	0	0
TBA	Digital Security/ Signatures. - Part of a mixture of projects to improve security and audit, data access and mobility.	2003/04	0	0	0	0
DR958203	Aware Phase 2 EAP	2003/04	2,000	2,000	2,000	0
	Capitalisation of refresh of IT equipment	2004/05	8,195	10,195	10,195	0
DR964009	Mobility	2005/06	0	0	0	0
	Sky7 - Secure Special Branch communications network	2006/07	100	0	0	0
	Internet Disaster Recovery capability & renewal	2006/07	600	600	600	0
		2007/08				
		2008/09				
		2009/10				
	Total Infrastructure		**12,049**	**14,495**	**14,145**	**2,550**
	Information Strategy Implementation					
DR956400 DR960204	NSPIS Case and Custody (MPS costs)	2001/02	1,120	0	1,105	0
DR960311	Crimint Replacement	2003/04	0	0	0	0
DR960303	Integrated Information Platform	2003/04	0	0	0	0
DR960403	Forensic case management (Metafor)	2003/04	2,410	132	132	0
DR963001 DR963003	FoIA compliance	2003/04	0	0	0	200
DR940002	Project LINK: Met HR Phase 2: MetFIN replacement:	2003/04	0	0	0	0
DR960312	Gaz/GIS integration	2004/05	0	0	0	0
	Mobile data for Officers on Foot Patrol - extension of pilot	2004/05	0	0	0	0
DR905500	Mobile data in Vehicles	2004/05	0	0	0	0
DR958206	IP / Video.	2005/06	0	0	0	125
	PNC Component	2005/06	0	0	0	0
	MetTIME	2005/06	3,000	0	0	0
DR957600	Custody Imaging (Phase 2 component)	2006/07	1,700	0	0	0
	Data storage systems/archiving strategy	2006/07	500	0	0	0
	Integration of NES/VPFPO/Eros	2006/07	200	0	0	0
	Libra	2006/07	300	0	0	0
DR500080	Public Order strategic management information ssystem	2006/07	520	0	0	0
DR960212	Warrant Enforcement	2006/07	500	500	0	0
	Overseas Visitor Registration	2006/07	300	0	0	0
	Back Office Solutions	2006/07	2,000	2,000	2,000	0
	MetHR Data Quality	2006/07	500	0	0	0
	Network Management/Intrusion Detection	2006/07	250	0	0	0
	Record Management	2006/07	200	0	0	0
	Data Quality Tools	2006/07	200	0	0	0
	System Enhancements	2006/07	500	0	0	0
	Electronic Document Records Management	2006/07	1,050	1,950	1,650	0
	Network to Confidential	2006/07	2,000	0	0	0

	Solutions for SECRET Assets	2006/07	150	0	0	0
	E-Mail Infrastructure	2006/07	600	0	0	0
	Unspecified new work (Unallocated). - Unspecified as yet.	2006/07	2,140	6,596	7,626	
	Unspecified new work (Unallocated). - Unspecified as yet.	2007/08	0	2,375	2,288	
	Unspecified new work (Unallocated). - Unspecified as yet.	2007/08	0	1,875	1,573	
	Unspecified new work (Unallocated). - Unspecified as yet.	2007/08	0	1,583	1,525	
	Unspecified new work (Unallocated). - Unspecified as yet.	2007/08	0	1,583	350	
	Unspecified new work (Unallocated). - Unspecified as yet.	2008/09	0	0	695	
	CAD Replacement	2009/10	0	0	0	0
	Total Information Strategy Programme		**20,140**	**18,594**	**18,944**	**325**
	Total expenditure for schemes commencing in	2000/01	654	1,200	1,050	1,200
	Total expenditure for schemes commencing in	2001/02	1,120	0	1,105	0
	Total expenditure for schemes commencing in	2002/03	250	250	250	0
	Total expenditure for schemes commencing in	2003/04	4,660	2,382	2,182	1,550
	Total expenditure for schemes commencing in	2004/05	8,195	10,195	10,195	**0**
	Total expenditure for schemes commencing in	2005/06	3,000	0	0	**125**
	Total expenditure for schemes commencing in	2006/07	14,310	11,646	11,876	0
	Total expenditure for schemes commencing in	2007/08	0	7,416	5,736	0
	Total expenditure for schemes commencing in	2008/09	0	0	695	0
	Total expenditure for schemes commencing in	2009/10	0	0	0	0
	Total Schemes		**32,189**	**33,089**	**33,089**	**2,875**
	Funds still to be Allocated		**0**	**0**	**0**	
	Total Directorate of Information		**32,189**	**33,089**	**33,089**	**2,875**

schedule 5

Transport Services: Medium Term Capital Plan 2005/06 to 2009/010

MAIN PROGRAMME PROJECTS	General Ledger Code	Start Year	2006/07 £000	2007/08 £000	2008/09 £000
Cars	9528	annual	12,275	13,125	11,500
Vans and Commercial Vehicles	9524	annual	}	}	}
Motorcycles	9525	annual	}	}	}
Boats	9526	annual	400	200	200
Equipping Fleet for Operational Service	9586	annual	4,500	4,500	3,175
Total Transport Projects			**17,175**	**17,825**	**14,875**

schedule 6

Other Plant & Equipment: Medium Term Capital Plan 2005/06 to 2009/10

MAIN PROGRAMME PROJECTS	General Ledger Code	Start Year	2006/07 £000	2007/08 £000	2008/09 £000
Photographic Equipment	9530	annual	222	222	222
Catering Expenditure	9531	annual	60	60	60
Alcohol Level Testing Equipment	9532	annual	8	8	8
Office Plant and Machinery	9544	annual	10	10	10
Aircraft & Support Equipment MF000006	9527		4,729	0	0
Total Miscellaneous Projects			**5,029**	**300**	**300**

schedule 7

Directorate of Information - C3i Programme: Medium Term Capital Plan 2005/06 to 2009/10

Reference	C3i PROJECTS	Start Date	Pre 2005/06 £000	2005/06 £000	2006/07 £000	2007/08 £000	2008/09 £000
DA655001-2	**MetCall Hendon - Building Works**	2002/03		0	0	0	0
DA653001	**MetCall Lambeth - Building Works**	2002/03		4	0	0	0
DA654001	**MetCall Bow - Building Works**	2002/03		211	0	0	0
DR963600 &	**MetCall C3i Technology and consultancy**	1999/00		29,742	5,088	0	0
	Sub Total			**29,957**	**5,088**	**0**	**0**
DR951300 DR951303	**Airwave**	2002/03		32,960	150	0	0
	Heathrow Special Schemes	2005/06		1,500	900		
	Sub Total			**32,960**	**1,050**	**0**	**0**
	Grand Total			**62,917**	**6,138**	**0**	**0**

schedule 8(1)

STEP CHANGE PROGRAMME - Medium Term Capital plan 2005/06 to 2009/10

Capital Costs Associated with Phase 1 of Programme

	2006/7 £'000	2007/8 £'000	2008/9 £'000
Transport			
Implementation of Neighbourhood Policing	0	0	0
Sub Total	**0**	**0**	**0**
Property			
New Build	0	0	0
Newly Leased	0	0	0
Adaptations to existing Accom	0	0	0
Sub Total	**0**	**0**	**0**
Information & Communication Technology			
OTSU			
Ward Base Infrastructure	0	0	0
Ward Base Telephony	0	0	0
BOCU Ward Mgmt Team Fit-Out	0	0	0
C3i/Metcall	86	0	0
Airwave Rollout (incl Vehicles)	0	0	0
Vehicle MDTs	0	0	0
Handheld MDTs	519	0	0
Corporate Systems Changes	0	0	0
Corporate Infrastructure	269	276	0
Composite Budget Adjustment			
Sub Total	**874**	**276**	**0**
Commercial Services			
Mezzanine Floor	0	0	0
Sub Total	**0**	**0**	**0**
Grand Total	**874**	**276**	**0**

schedule 8(2)

STEP CHANGE PROGRAMME

Capital Costs Associated with Phase 2 of Programme

	2006/07 £'000	2007/08 £'000	2008/09 £'000
Transport			
Implementation of Neighbourhood Policing	0	0	0
Sub Total	**0**	**0**	**0**
Property			
New Build	3,687	0	0
Newly Leased	0	0	0
Adaptations to existing Accom	0	0	0
Slippage	7,388		
Sub Total	**11,075**	**0**	**0**
Information & Communication Technology			
OTSU			
Ward Base Infrastructure	0	0	0
Ward Base Telephony	0	0	0
BOCU Ward Mgmt Team Fit-Out	0	0	0
C3i/Metcall	0	0	0
Airwave Rollout (incl Vehicles)	0	0	0
Vehicle MDTs	0	0	0
Handheld MDTs	866	0	0
Corporate Systems Changes	0	0	0
Corporate Infrastructure	0	0	0
Sub Total	**866**	**0**	**0**
Commercial Services			
Mezzanine Floor	0	0	0
Sub Total	**0**	**0**	**0**
Grand Total	**11,941**	**0**	**0**

schedule 8(3)

STEP CHANGE PROGRAMME

Capital Costs Associated with Full Rollout of Programme

	2006/07 £'000	2007/08 £'000	2008/09 £'000
Transport			
	250	265	
	250	**265**	**0**
Property	13,648	14469	
	13,648	**14,469**	**0**
Information & Communication Technology	5,037	5340	
	5,037	**5,340**	**0**
	18,935	**20,074**	**0**

Schedule 9

Prudential Indicators for the Metropolitan Police Authority

Affordability Indicators

1. Estimate of capital financing costs compared to net revenue stream.

2005/06 Estimate	2006/07 Estimate	2007/08 Estimate	2008/09 Estimate	2009/10 Estimate
0.13%	0.34%	0.41%	0.46%	0.51%

This indicator compares the total principal and net interest payments on external debt to the overall revenue spending of the authority. The Authority's external borrowing is considered low comparative to other authorities and there is a high level of investment income, but this indicator is still important because if the level of borrowing were to increase significantly an important factor in determining the existing and future levels of debt is the level of financial support from government. The continuation of government support to existing debt commitments is therefore crucial in understanding the affordability, prudence and sustainability of our borrowing policy. It is anticipated that similar support as at present will occur. This indicator assumes the authority adopts the budget submissions in the present report.

2. Estimated Incremental impact of capital investment decisions on the council tax.

2005/06 Estimate	2006/07 Estimate	2007/08 Estimate	2008/09 Estimate	2009/10 Estimate
£2.02	£0.21	£0.00	£0.00	£0.00

This indicator shows the actual impact of capital investment decisions on the Council Tax. The indicator is calculated by comparing the cost of the capital programme including proposed increased investment, against the cost of the capital programme assuming no change to the previously approved programme. The council tax cost reflects debt charges on unsupported borrowing, loss of interest on capital receipts used to finance new investment decisions, debt charges on new investment decisions involving supported borrowing reflecting the proportion of precept to budget requirement (reflecting the general non-government grant supported element of investment spending).

Prudence Indicator

3. Net borrowing and the capital financing requirement.

CIPFA's Prudential Code includes the following as a key indicator of prudence:

"In order to ensure that over the medium term net borrowing will only be for a capital purpose, the authority should ensure that net external borrowing does not, except in the short term, exceed the total of Capital Financing Requirement in the preceding year plus the estimates of any additional Capital Financing requirement for the current and next two financial years"

Net borrowing and the capital financing requirement
The Treasurer reports that the authority had no difficulty meeting this requirement in 2004//05, nor are there any difficulties envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in this budget report.

Capital Expenditure Indicators

4. Capital Expenditure

2005/06 Estimate £000	2006/07 Estimate £000	2007/08 Estimate £000	2008/09 Estimate £000	2009/10 Estimate £000
320,259	**102,577**	**80,721**	**77,495**	**77,495**

This indicator states the total capital spend covering all capital expenditure, not just that financed by borrowing.

5. Capital financing requirement.

2005/06 Estimate £000	2006/07 Estimate £000	2007/08 Estimate £000	2008/09 Estimate £000	2009/10 Estimate £000
322,794	**360,412**	**381,101**	**400,687**	**419,490**

The capital financing requirement measures the authority's underlying need to borrow for a capital purpose. The Authority chooses not to associate borrowing with particular items or types of expenditure. The Authority has an integrated treasury management strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. The Authority has at any point in time, a number of cashflows (both positive and negative) and manages its treasury position in terms of its borrowings and investments in accordance with its approved treasury management strategy. In day-to-day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the authority and not simply those arising from capital spending. In contrast, the Capital Financing Requirement reflects the authority's underlying need to borrow for a capital purpose.

External Debt Indicators

6. Authorised Limit for External Debt

	Estimate					
	2005/06 Original £000	2005/06 Revised £000	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000
Borrowing	133,484	245,977	147,724	101,458	84,791	78,805
Other long term liabilities	-	-	-	-	-	-
Total	**133,484**	**245,977**	**147,724**	**101,458**	**84,791**	**78,805**

This is the maximum amount that the authority allows itself to borrow in each year. The Treasurer reports that these Authorised Limits are consistent with the authority's current commitments, existing plans and the proposals in the budget report for capital expenditure and financing. They are also consistent with its approved treasury management policy statement and practices. They are based on the estimate of the most likely, prudent but not worst-case scenario, with sufficient flexibility over and above this to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure and estimates of cashflow requirements.

7. Operational Boundary for External Debt.

					Estimate	
	2005/06 Original £000	**2005/06 Revised £000**	**2006/07 £000**	**2007/08 £000**	**2008/09 £000**	**2009/10 £000**
Borrowing	115,987	213,893	128,455	98,028	81,924	76,141
Other long term liabilities	-	-	-	-	-	-
Total	**115,987**	**213,893**	**128,455**	**98,028**	**81,924**	**76,141**

The proposed Operational Boundary for external debt is based on the same estimates as the Authorised Limit but reflects directly the estimate of the most likely, prudent, but not worst case scenario, without the additional headroom included within the Authorised Limit to allow for example for unusual cash movements and equates to the maximum of external debt projected by this estimate.

8. Actual External Debt

Actual External Debt
As at 30-09-05 £000
85,838

Treasury Management Indicators

9. Net Outstanding Principal – Limits in interest rate exposure.

Limits in interest rate exposure calculated with reference to net outstanding principal sums			
	2005/06 Estimate	**2006/07 Estimate**	**2007/08 Estimate**
Upper limit on fixed interest rate exposures	**95%**	**95%**	**95%**
Upper limit on variable interest rate exposures	**30%**	**30%**	**30%**

This indicator reflects the requirement specified under the Code, however the outstanding principal payable and receivable from external loans and investments is exceedingly weighted towards investment.

10. Gross Outstanding Borrowing.

Limits in interest rate exposure calculated with reference to net outstanding borrowing sums			
	2005/06 Estimate	**2006/07 Estimate**	**2007/08 Estimate**
Upper limit on fixed interest rate exposures	**100%**	**100%**	**100%**
Upper limit on variable interest rate exposures	**15%**	**15%**	**15%**

11. Gross Outstanding Investment.

Limits in interest rate exposure calculated with reference to outstanding investment sums			
	2005/06 Estimate	**2006/07 Estimate**	**2007/08 Estimate**
Upper limit on fixed interest rate exposures	**95%**	**100%**	**100%**
Upper limit on variable interest rate exposures	**40%**	**40%**	**40%**

12. Maturity Structure of Borrowing – Upper and Lower Limits

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate		
	Upper Limit	Lower Limit
Under 12 months	**20%**	**0%**
12 months and within 24 months	**20%**	**0%**
24 months and within 5 years	**45%**	**0%**
5 years and within 10 years	**35%**	**0%**
10 years and above	**35%**	**0%**

13. Principal sums invested for periods longer than 364 days.

There are currently no proposals for the authority to invest sums for longer than 364 days. However, the authority may wish to consider some limited longer-term investment in future years and a ceiling of £30 million is proposed

14. The MPA has adopted the CIPFA Code of Practice for Treasury Management in Public Services.

Schedule 10

Revenue Budget Implications of Increased Borrowing

		2005/06 £m	2006/07 £m	2007/08 £m	2008/09 £m	2009/10 £m
A	**Capital Financing Requirement as at 1 April**	214.739	330.182	360.148	380.848	400.444
B	Statutory Charge to Revenue for Past Capital Expenditure	8.590	13.207	14.406	15.234	16.018
C	Capital Expenditure not Funded from Grant, Receipts, Reserves	87.847	43.173	35.106	34.830	34.830
C1	Purchase of Marlowe House	36.186				
D	**Capital Financing Requirement as at 31 March**	330.182	360.148	380.848	400.444	419.257
E	Principal Repayment - Budget Figure 2005/06	9.963				
F	**Budget increase required re Principal repayments**	**- 1.373**	**3.244**	**1.199**	**0.828**	**0.784**
G	Add Loss of Interest on Revenue Balances 4.6% * Difference in Capital Financing Requirement 1 Apr to 31 Mar.	5.310	1.378	0.952	0.901	0.865
H	Loss of Interest - Budget Figure 2005/06	1.646				
J	**Budget Increase required re Loss of Interest**	**3.664**	**1.378**	**0.952**	**0.901**	**0.865**
K	**Budget increase required re Capital Financing Charges (F + J)**	**2.291**	**4.623**	**2.151**	**1.729**	**1.649**