

STRATEGIC GOVERNANCE BOARD

23 JANUARY 2017

REPORT OF THE CHIEF CONSTABLE
AND
CHIEF FINANCE OFFICER FOR THE OFFICE OF POLICE AND CRIME
COMMISSIONER

10A CAPITAL PROGRAMME 2017/21

1. **PURPOSE OF THE REPORT**

1.1 To set out the capital programme for Derbyshire Constabulary for 2017/21.

2. **INFORMATION AND ANALYSIS**

Background

2.1 During the recent period of austerity the Government has cut resources for capital projects. This has meant that Derbyshire Constabulary has increasingly relied on using reserves and limited capital receipts to fund an increasing share of its capital projects.

2.2 Each year Derbyshire Constabulary has a number of core capital spending requirements to replace and maintain its assets e.g: -

- To replace police vehicles.
- To maintain its buildings.
- To upgrade its IT systems.
- To replace key items of equipment e.g. body armour, IT equipment.

2.3 These ongoing capital needs amount to some £3.5m annually, while for 2017/18 government Capital Grant is only £0.6m. This represents a shortfall of £2.9m even before the Constabulary considers investment in major new projects to improve performance or make it more efficient.

2.4 In addition to the ongoing capital commitments, there are several major projects which are either currently underway or which need to be progressed over the next four-year period. These are as follows: -

- **New Joint Police and Fire Training Centre and Firearms Range.** This project is due for completion during 2017 at a total cost to the force of £4.462m. The cost is partly offset by a £0.938m receipt from the sale of land to the Fire Service.
- **Building Condition Survey work.** £1.000m per year has been added into the Programme over three years (£3.000m in total) to address high-priority remedial work identified by the comprehensive survey of the force estate which was undertaken last year. Projects will be carefully planned to align with force priorities.
- **Derby East LPU Accommodation.** Cotton Lane police station is an ageing building with increasing 'fit-for-purpose' issues. £2.500m has been included to enable either a major refurbishment or re-location to premises more suited to modern policing needs.
- **North Division Accommodation.** The force's new model of policing has brought forward the requirement for a 'hub' in the north of the county. An initial cost estimate of £2.500m has been identified and provision has been included in year 3 of the 4-year programme.
- **Taser Replacement Programme.** £0.400m has been included in 2017/18 to enable replacement of the force's entire Taser inventory.
- **Body Armour Replacement.** A recent assessment of the condition of the force's body armour has meant that replacement, originally scheduled for 2016/17, can be put back until 2018/19. The estimated cost is £0.750m
- **Implementation of Niche – phase 2.** The further development of the Niche system, which is to be taken forward by the East Midlands region will enhance the functionality of this key resource. Phase 2 of Niche is programmed for 2017/18 and Derbyshire's share of costs is estimated at £1.500m.
- **Emergency Services Network (ESN) implementation.** This is a multi-billion pound national project involving all three emergency services. Following implementation, transmission of the force's critical voice traffic will move from the dedicated Airwave network, to a commercial mobile network. This will allow the service to benefit from the considerable improvements in communications technology that have emerged since the Airwave PFI contract started, at a substantially reduced cost.

The investment required to integrate the Police Service into the new network will be shared between the Home Office and individual forces. The best current forecast for up-front costs to be incurred by Derbyshire Police is £2.845m to be spread over 2017/19. This will be subject to review as more details on timescales and technical specifications emerge. Costs related to making control-rooms ESN-compatible will attract specific

Home Office grant, the amount indicated for the force being £0.980m. This gives a net estimated cost of £ 1.985m.

- 2.5 The overall Capital Programme for 2017/21, incorporating the above projects, is set out at Appendix A. The expenditure is shown split between:-
- on-going schemes – involving the maintenance or replacement of an existing asset
 - specific schemes – involving new investment
- 2.6 There is a degree of cross-over between these areas but the intention is to demonstrate the underlying commitments, within the programme i.e. on-going schemes, where there is an ongoing commitment to provide capital resources.
- 2.7 There are no specific schemes currently programmed for the final year, 2020/21. The ongoing provisions for maintenance and replacements shown in this year are for indicative purposes only.
- 2.8 Additional detail on the different elements of the programme is provided below.

IS Schemes (Appendix B)

- 2.9 IS part of the Capital Programme is split in the following way:-
- **Replacement projects** – this covers the replacement of existing hardware and also includes improvement to data storage, prompted by the requirements of new systems particularly around the storage of images.
 - **Infrastructure projects** – this is for schemes that cover the core infrastructure e.g. server rooms as well as remote access software.
 - **Customer Projects** – these are one-off, stand-alone projects, the most significant being Niche phase 2 and implementation of the Emergency Services Network.

IS Schemes (infrastructure, customer projects and future investment programme)

- 2.10 As well as the Niche and ESN projects referred to at paragraph 2.6 the main schemes are as follows:-
- **Communication Equipment Updates – £0.250m.** The force has a replacement programme for a range of devices which in future will include mobile office.
 - **Office Automation - £0.350m.** The force is planning updates to key software and licences.
 - **ANPR Replacement - £0.120m.** Due to delays in the implementation of the National ANPR Service it is likely that the force will need to replace its own local ANPR Back-Office facility (BOF). This is essential to the

effectiveness of the whole ANPR infrastructure. The replacement can be funded from the ongoing provision for ANPR.

Estates Schemes

- 2.11 The Estates programme mainly consists of the major projects set out at paragraph 2.6. However, a total of £1.500m has been re-profiled from 2016/17 into 2017/18 for Capitalised Maintenance and Premises improvement to support the much-needed investment in priority remedial work identified through the condition surveys.

Other Schemes

- 2.12 The programme includes a provision of £0.750m for body armour replacement in 2018/19. Budget has also been built into the Programme to purchase the additional fleet vehicles approved as part of the implementation of the new policing model.

Funding

- 2.13 As referred to at paragraph 2.3, post-austerity the level of ongoing Capital grant which the force receives is inadequate to meet even a basic asset replacement programme. In 2009/10 the capital grant allocation was just over £2m. The 2017/18 allocation of £0.624m therefore represents a reduction of 70% in support compared to the immediate pre-austerity period and it is prudent and realistic to expect this downward trend to continue.
- 2.14 Consequently a number of steps have been taken to address this situation, in particular:
- The inclusion of a permanent contribution to capital expenditure within the revenue budget. This was increased by £0.5m to £1.5m from 2016/17.
 - The identification of opportunities to supplement ongoing funding with specific capital grants, capital receipts and additional revenue contributions.
 - The utilisation of accumulated reserves to fund 3 major projects: the Joint Police and Fire HQ, the new Firearms Range and Joint Training Centre, and the refurbishment of the heli-hangar and vehicle compound.
- 2.15 However the proposed Capital Programme for 2017/21 is an ambitious one, reflecting the urgent need for the force to modernise its estate and to maximise the business benefits becoming available from technological innovation. Consequently after implementing all the funding options as set out in the paragraph above, there is still a shortfall in funding amounting to £14.829m. This is shown in the table below.

	2017/18	2018/19	2019/20	2020/21
Ongoing Schemes	5.547	4.566	3.674	3.674
Specific Schemes	6.699	7.345	1.000	-
Total Planned Expenditure	12.246	11.911	4.674	3.674
Projected Funding	9.307	3.311	2.769	2.289
Shortfall	2.939	8.600	1.905	1.385
Use of Reserves	2.939	-	-	-
Borrowing – Ongoing Schemes	-	1.255	0.905	1.385
Borrowing – Specific Schemes	-	7.345	1.000	-

- 2.16 Over the Austerity Period the Constabulary has helped to build considerable reserves to cushion the impact of future funding shortfalls. As stated previously the Government is now providing a more stable level of funding to police forces.
- 2.17 This means that the Commissioner has been able to use reserves to fund a significant share of new projects within the capital programme including major building and IS schemes.
- 2.18 It is intended that reserves of some £2.939m are used in 2017/18 to support the capital programme in a similar way.
- 2.19 This position cannot continue and the revenue budget indicates that some reserves will be required to support the revenue budget, which means that there will not be the flexibility to use these reserves to support the capital programme in 2018/19 and beyond.
- 2.20 This position could change. For example if the revenue budget position improves or indeed if the funding formula changes have a positive impact on Derbyshire's funding, this could release further money from reserves to fund the capital programme. At this stage this cannot be guaranteed.
- 2.21 The projections therefore assume that the Commissioner will need to borrow in 2018/19 to support the Capital Programme. Over the years 2018/21 it is anticipated that total borrowing of some £11.890m could be required.
- 2.22 Largely this borrowing will support special projects (£8.345m) but of greater concern is the £3.545m that is required to support ongoing schemes. This situation is not sustainable in the long term.
- 2.23 The overall level of borrowing may fluctuate depending on the timing of capital projects and any capital receipts that are generated during the next four years.

- 2.24 Once the outcome of the funding review is known, there is a need to review the medium term financial plan to consider how the shortfall in the programme can be met in the long term.

Summary and Conclusion

- 2.25 The key aim has been to plan for significant high-priority investment within the capital programme but with due consideration of its affordability. On that basis the programme has:-
- Removed the reliance of the programme on capital receipts – given the current state of the economy and the amount of surplus building land in the area, there is an increasing risk that the disposal of land may take a number of years
 - Been made more sustainable – through a revenue contribution to capital of £1.6m per annum
 - Mitigated the need for prudential borrowing – avoids the need for additional financial pressure on the revenue budget.
- 2.26 At this stage a realistic view has also been taken around the phasing of capital projects. While some schemes may progress quicker than expected other schemes may take longer to progress
- 2.27 The Capital Programme will be monitored at regular intervals to ensure that capital resources are being used effectively to deliver schemes within the programme.
- 2.28 The programme will also be kept under regular review - in particular to take account of requirements that emerge as initiatives to address the risk gap are monitored.
- 2.29 A more fundamental review of capital funding will be undertaken when the outcome of the formula review is known.

3. RECOMMENDATIONS

Key Decisions

- To approve the Capital Programme for 2017/21 and associated funding as set out in Appendix A.
- To approve the IS schemes (Appendix B) and estates schemes included in the overall programme.

4. IMPLICATIONS

All implications are assessed and scored to the table below.

HIGH – supporting explanation and narrative required and to be contained within the report

MEDIUM – narrative to be contained within the report at the discretion of the author

LOW – no narrative required

	LOW	MEDIUM	HIGH
Crime & Disorder	X		
Environmental	X		
Equality & Diversity	X		
Financial	X		
Health & Safety	X		
Human Rights	X		
Legal	X		
Personnel	X		

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ATTACHMENTS

- Appendix A Capital Programme 2017/21
- Appendix B IS Schemes