

THE OFFICE OF POLICE AND CRIME COMMISSIONER FOR DERBYSHIRE

DECISION RECORD

Request for PCC Decision	Received in OPCC Date:14 December 2015	OPCC Ref:63/15
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Title: **REVISED CAPITAL PROGRAMME AND STRATEGY**

Executive Summary: To be completed by PCC Specialist lead

The Capital Programme for 2015/16 had been updated to reflect the re-profiling of projects, virements, variations and savings on schemes. The Revised Capital Programme was summarised below:-

Capital Programme	Approved Estimate 2015/16	Re-profiling to 2016/17	Other Changes	Revised Estimate 2015/16
	£000s	£000s	£000s	£000s
Building Works	6,178	(997)	1,074	6,255
Vehicles and Equipment	1,667	(417)	19	1,269
IS Schemes	7,005	(1,616)	(356)	5,033
Invest to Save Schemes	194	0	(165)	29
EMCTIU	0	0	199	199
Total	15,044	(3,030)	771	12,785

The nature of the capital programme can lead to delays in incurring expenditure. In order to aid early identification of these areas budget holders have been asked to identify schemes where expenditure is likely to be incurred in future years rather than the 2015/16 programme. In addition, some capital expenditure has been deliberately put on hold so that key projects can be implemented.

These steps have resulted in the re-profiling of expenditure from 2015/16 into future years as summarised in the table below:-

Capital Scheme	Re-profile £'000s	Re-profile £'000s
<u>Building Works</u>		
Capitalised Maintenance	200	
Police Premises Fund	797	997
<u>Vehicles and Equipment</u>		
Vehicles	217	
Equipment	200	417
<u>IS Schemes</u>		
Communications Equipment	250	
Office Automation	140	

Network Equipment	164		
Mobile Office	370		
Vetting System	54		
IT Future Investment (net of Niche £577k)	423		
ANPR Back Office	54		
Body Worn Video - Regional	161	1,616	
		3,030	

Changes on the funding of the capital programme are summarised as follows: -

Capital Programme	Approved Funding 2015/16 £000s	Re-profiling £000s	Other Changes £000s	Re Fu 20
Grants and Contributions Brought Forward from Earlier Years	9,555	0	0	
Capital Grant	1,216	0	0	
Other Grant and Contributions	8	0	239	
Reserves	1,952	0	0	
Temporary Funding – Internal Borrowing	3,375		2,185	
Revenue Contributions	1,000	0	96	
Capital Receipts	715	(530)	30	
Total	17,821	(530)	2,550	1
Difference Between Expenditure and Available Funding	2,777	2,500	1,779	

Decision

Resolved

To approve the changes to the 2015/16 capital programme (paragraph 2.8)

To approve the re-profiling of planned capital expenditure of £3.030m to 2016/17 (paragraph 2.4)

To note the latest capital funding position for 2014/15 (paragraph 2.11).

The Capital Strategy for 2016/20 is approved.

Declaration

I confirm that I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct for the Police and Crime Commissioner for Derbyshire. Any such interests are recorded below.

(Recorded interests: None)

The above request has my approval.	
Alan Charles	14 December 2015
Signature	Date
PUBLICATION SCHEME CONSIDERATIONS	
Is the related Section B report to be published Yes	
If no, please indicate relevant exemption	

Is the publication of this approval to be deferred No
If Yes, provide reasons below
Date to be deferred to –
NB Statutory Instrument 2011/3050 (as amended by SI 2012/2479) states that: <i>all decisions made by a PCC are in the types of information that must “be published as soon as practicable after it becomes available to the elected local policing body”.</i>

OFFICER APPROVAL
Chief Executive or Nominee:
I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner
Name Helen Boffy
Date 14 December 2015

STRATEGIC GOVERNANCE BOARD

14 DECEMBER 2015

JOINT REPORT OF THE CHIEF CONSTABLE AND TREASURER

10B: REVISED CAPITAL PROGRAMME AND STRATEGY

1. PURPOSE OF THE REPORT

1.1 To present the:-

- Revised Capital Programme for 2015/16
- Review of the Capital Strategy for 2016/19

2. INFORMATION AND ANALYSIS

2.1 Revised Capital Programme 2015/16

2.2 The Capital Programme for 2015/16 has been updated to reflect the re-profiling of projects, virements, variations and savings on schemes. The Revised Capital Programme is shown at Appendix A and is summarised below:-

Capital Programme	Approved Estimate 2015/16	Re-profiling to 2016/17	Other Changes	Revised Estimate 2015/16
	£000s	£000s	£000s	£000s
Building Works	6,178	(997)	1,074	6,255
Vehicles and Equipment	1,667	(417)	19	1,269
IS Schemes	7,005	(1,616)	(356)	5,033
Invest to Save Schemes	194	0	(165)	29
EMCTIU	0	0	199	199
Total	15,044	(3,030)	771	12,785

2.3 The nature of the capital programme can lead to delays in incurring expenditure. In order to aid early identification of these areas budget holders have been asked to identify schemes where expenditure is likely to be incurred in future years rather than the 2015/16 programme. In addition, some capital expenditure has been deliberately put on hold so that key projects can be implemented.

2.4 These steps have resulted in the re-profiling of expenditure from 2015/16 into future years as summarised in the table below:-

Capital Scheme	Re-profile £'000s	Re-profile £'000s
<u>Building Works</u>		
Capitalised Maintenance	200	
Police Premises Fund	797	997
<u>Vehicles and Equipment</u>		
Vehicles	217	
Equipment	200	417
<u>IS Schemes</u>		
Communications Equipment	250	
Office Automation	140	
Network Equipment	164	
Mobile Office	370	
Vetting System	54	
IT Future Investment (net of Niche £577k)	423	
ANPR Back Office	54	
Body Worn Video - Regional	161	1,616
		3,030

- 2.5 Building Works on police premises have been put on hold pending the outcome of the condition surveys which are currently being undertaken.
- 2.6 The majority of the re-profiling relates to IS schemes. There is significant expenditure planned in this area and the re-profiling reflects the detailed implementation plan for individual projects.
- 2.7 In the case of the Mobile Office project this has been delayed until Niche is operational. The national project for ANPR back office has been delayed until July 2016. Procurement of a vetting system has been delayed so is unlikely to be spent this financial year.
- 2.8 Other changes to the Capital Programme brought about by a review of requirements are summarised below: -

Capital Scheme	£000s	£000s
<i>New scheme/increase in budget</i>		
Joint Police and Fire HQ	1,014	
Enquiry Office Refurbishment	20	
Live Links Accommodation and Equipment	56	
ANPR South Derbyshire	32	
Speed Detection Equipment	19	
EMCTIU Vehicles and Equipment	199	1,340

Virements		
IS Replacements	(320)	
IS Infrastructure – Wide Area Network/Police Service Network	570	
Command and Control/ICCS	165	
Address Base	(350)	
Email Archiving Solution	(70)	
Niche	200	
Covert Human Intelligence System	170	
ANPR Back Office	(200)	
Automatic vehicle/people location system	(165)	0
Savings		
IS Replacement	(537)	
IS Infrastructure	(2)	(539)
Schemes Removed		
Email Archiving Solution	(30)	(30)
Total		771

- 2.9 The increase in budget for the Joint Police and Fire Headquarters reflects the tender price of the new build and other costs as approved by the LLP Board meeting.
- 2.10 All the other new schemes are funded from revenue underspends contributions from other bodies or grant.
- 2.11 The effect the above changes have on the funding of the capital programme are summarised as follows: -

Capital Programme	Approved Funding 2015/16 £000s	Re-profiling £000s	Other Changes £000s	Revised Funding 2015/16 £000s
Grants and Contributions Brought Forward from Earlier Years	9,555	0	0	8,588
Capital Grant	1,216	0	0	1,486
Other Grant and Contributions	8	0	239	633
Reserves	1,952	0	0	1,952
Temporary Funding – Internal Borrowing	3,375		2,185	5,560
Revenue Contributions	1,000	0	96	1,096
Capital Receipts	715	(530)	30	215
Total	17,821	(530)	2,550	19,841
Difference Between Expenditure and Available Funding	2,777	2,500	1,779	7,056

- 2.12 Five properties were estimated to be sold in 2015/16 two properties have been re-profiled to 2016/17 as they are unlikely to be sold this year.

2.13 Provision of £5.560m is included in the Capital Programme for the Joint Police and Fire headquarters in 2015/16. It is intended that internal borrowing be used initially to fund this project. Investment returns on cash balances continue to be very low. It is therefore financially advantageous to use some of the balances available to delay external borrowing to support expenditure within the Capital Programme. Such 'internal borrowing' is compliant with the Local Authority Prudential code and avoids interest payments. A charge for MRP (Minimum Revenue Provision) is still made and is spread over the life of the asset, this charge commences after construction. The use of internal borrowing is in line with guidance given by our Treasury Management advisors.

2.14 Capital Strategy 2016/20

2.15 The Local Government Act 2003 brought into effect the Prudential Code for Capital Finance in Local Authorities from 1 April 2004. The Prudential Code requires an Authority to have regard to Asset Management Planning and formulating a Capital Strategy.

2.16 The Capital Strategy provides a framework for future Capital Investment to help the Police and Crime Commissioner take a longer-term view of Capital Investment. It seeks to ensure that the considerable sums invested in projects are consistent with the Derbyshire Constabulary's needs and long term plans.

2.17 The proposed Capital Strategy is set out at Appendix B.

2.18 The Strategy focuses on the need to ensure that a robust approach is taken to adding new projects into the programme. This is especially important when Capital Resources are scarce. This means that there is an even greater onus to ensure that these limited resources are directed to schemes that are of the highest priority and consistent with long term plans. It is equally important that these resources are effectively managed to control scheme costs

2.19 The Capital Strategy seeks to ensure that a robust approach is taken to the development of the Capital programme by: -

- Ensuring a realistic estimate of the cost of new capital schemes which may include using external advisors.
- Providing an in-depth assessment of schemes prior to their inclusion within the capital programme.
- Updating scheme costs, where schemes have not been implemented within a year of their inclusion within the programme.

3. RECOMMENDATIONS

3.1 To approve the changes to the 2015/16 capital programme (paragraph 2.8)

- 3.2 To approve the re-profiling of planned capital expenditure of £3.030m to 2016/17 (paragraph 2.4)
- 3.3 To note the latest capital funding position for 2014/15 (paragraph 2.11).
- 3.4 The Capital Strategy for 2016/20 is approved.

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 and Disorder	X		
Environmental	X		
Equality and Diversity	X		
Financial		X	
Health and Safety	X		
Human Rights	X		
Legal	X		
Personnel	X		

Contact details in the event of enquiries	Name: Chief Superintendent Sunita Gamblin External telephone number: 0300 122 4196 Email address: sgbenquiries@derbyshire.pnn.police.uk
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ATTACHMENTS

Appendix A Revised Capital Programme for 2015/16

Appendix B Capital Strategy for 2016/20

Capital Programme 2015/16

updated November 2015

	Ref	2015/16 Approved £'000	Reprofile	Business Cases/ Changes	2015/16 £'000
EXPENDITURE					
Building Works					
Capitalised Maintenance & Small adaptations & Business Continuity		536	(200)		336
Legislative works(Asbestos,smoke detectors,legionella,DDA, M&Eng)		123			123
Police Premises Fund		897	(797)		100
Replacement of UPS Kit		30			30
Joint Police & Fire HQ		4,546		1014	5,560
New Firearms Range					
Enquiry Office Refurbishment		46		20	66
Live Links accommodation				40	40
Total Building Works		6,178	(997)	1,074	6,255
Vehicles & Equipment					
General Vehicle & Chief Officer Vehicle Replacement Programmes		1,238	(217)		1,021
Equipment		409	(200)	19	228
Body Armour Replacement		20			20
Total Vehicles & Equipment		1,667	(417)	19	1,269
IS Schemes					
IS Replacement Projects		2,192	(554)	(857)	781
IS Infrastructure Projects		798		568	1,366
IS Customer Projects		2,372	(108)	(283)	1,981
Mobile Office		415	(370)		45
Niche System			577	200	777
IS Future Investment Programme		1,000	(1,000)		-
Regional Innovation Fund Bids (Derbyshire share)		228	(161)	16	83
Total IS Schemes		7,005	(1,616)	(356)	5,033
Invest to Save Schemes		194		(165)	29
East Midlands Counter Terrorism Intelligence Unit (EMCTIU)		-		199	199
TOTAL PLANNED EXPENDITURE		15,044	(3,030)	771	12,785
FUNDING					
Funding b/f Grant & Contributions		9,555			9,555
Capital Grant		1,216			1,216
Other Grant & Contributions		8		239	247
Unsupported Prudential Borrowing					-
Use of Reserves		1,952			1,952
Internal Borrowing - temp funding for JPFHQ / Firing Range		3,375		2185	5,560
Revenue Contributions to Capital Outlay		1,000		96	1,096
Sale of Land & Buildings		715	(530)	30	215
TOTAL FUNDING		17,821	(530)	2,550	19,841
EXPENDITURE COMPARED TO FUNDING		2,777	2,500	1,779	7,056

CAPITAL STRATEGY 2016/20

1. Introduction

- 1.1 The Capital Strategy will form the basis of the decision making process whereby the Police and Crime Commissioner (the Commissioner) determines capital funding levels and evaluates, approves and monitors capital expenditure within the available funding.

2. Principles

- 2.1 The Commissioner has a duty to act in accordance with statute, regulations, secondary legislation and all extant professional codes of practice which deal with various elements of capital accounting.
- 2.2 Under the Local Government Act 2003 Local Authorities are required to have regard to the Prudential Code for Capital Finance in Local Authorities when carrying out their duties as set out in Part 1 of the Act.

3. Capital Programme

- 3.1 The Commissioner is responsible for determining the programme for capital investment in fixed assets that are central to the delivery of quality police services. Capital investment must meet the varying needs of the Constabulary, reflecting risk and threats and links into the Police and Crime Plan.
- 3.2 Annually the Commissioner in conjunction with the Chief Constable will prepare a capital programme outlining the estimated capital expenditure and funding over a minimum three year period. The Commissioner will also give consideration to the achievability of the programme.
- 3.3 The funding of this programme will be kept under review to secure sufficient resources to fund the schemes within the programme.
- 3.4 It is recognised that there may not be sufficient capital resources to fund the total cost of all schemes within the capital programme in the year that they are scheduled to commence.
- 3.5 Where there is a shortfall in later years of the programme it may be necessary to consider prudential or internal borrowing as a means of covering the shortfall. It will also be necessary to keep these future schemes under review if additional resources are unable to be generated to fund them.

- 3.6 It is also recognised that schemes may change over time. For schemes already included in the capital programme, the initial appraisal will be reviewed and updated for inflation and other changes if they have not been implemented within a year of their inclusion within the programme.
- 3.7 The Commissioner has a duty to safeguard and maintain the assets and the capital programme will take account of any capital works necessary to achieve this objective.

4. **Capital Resources**

4.1 Capital funding can come from several sources:

- General Capital Grant
- Specific Capital Grant
- Borrowing
- Capital Receipts from sale of assets
- Capital Contributions from third parties
- Revenue Contributions
- Reserves

It is recognised that in later years the availability of capital resources may be less certain, which will potentially impact on the deliverability of the capital programme.

- 4.2 It is recognised that future schemes beyond the first two years may not be fully funded and that it will be necessary to keep these under review in the light of the potential to raise additional capital resources via prudential borrowing.
- 4.4 Contributions from the revenue budget to support schemes are increasingly unlikely because of the further cuts to central government grant, as part of the continuing austerity measures.
- 4.5 Under the Prudential Code, the net amount we need to borrow is reflected by our Capital Financing Requirement (CFR). Each year, we must set aside money to repay our debts, which is known as the Minimum Revenue Provision (MRP). The MRP is based on the amount we borrow and the estimated life of the various assets.
- 4.6 The CFR increases each year by the amount we need to borrow and is reduced by the amount of the MRP. For example, if we need to borrow £10m, and make an MRP of £2m, the overall CFR increases by £8m. Until 2007/08, we borrowed what was needed for the capital programme from the Public Work Loans Board (PWLB), and set aside the MRP that was not needed to repay loans as cash. This was then invested on the money markets to earn interest.

- 4.5 Before the current financial situation, we were able to make a return on the cash balances and earn more in interest than it was costing to borrow. It therefore made financial sense to let cash balances build up. However, in the current financial climate, we are struggling to earn even 0.5% on our investments, whereas the long term borrowing rates have not experienced similar decreases.
- 4.6 Borrowing to fund the capital programme can be external, such as from the PWLB, or internal, by using our cash reserves, known as internal borrowing. Assuming we continue to earn around 0.5% on investments this year, it is currently much more cost-effective to use internal borrowing, rather than take on external debt from the PWLB. While we would lose investment interest at around 0.5%, we avoid paying the interest on external debt at around 3%, saving £0.250m per year on £10m of external borrowing.
- 4.7 We will of course need to borrow the money externally to fund the capital programme at some point, but by doing this internally in the short term, we can wait until investment interest rates improve and then borrow externally, and pay back our cash balances.
- 4.8 This approach requires a much more active approach to treasury management. Rather than deciding at the beginning of the year how much we need to externally borrow and then automatically borrowing it during the year, we need to borrow when we can get best value in terms of interest rates.
- 4.9 It is proposed that internal borrowing is undertaken where it is financially advantageous to do so. This will include the use of the MRP, which will no longer be set aside as cash and only used for repayment of loans, but will instead in the short term until investment income recovers be used to finance the capital programme, thereby reducing the increase in external borrowing.
- 4.12 Disposal of surplus land and property help to achieve some of the capital aspirations that are set out within this strategy. The proceeds from disposals can only be used to fund capital schemes.

5. **Capital Expenditure**

- 5.1 The Code of Practice on Local Authority Accounting states that expenditure can be capitalised by recognising it on the Commissioner's Balance Sheet if: -
- It is expected that the item can be used for more than one financial year.
 - It is probable that future economic benefits or service potential associated with the item will be realised.
 - The cost of the item can be measured reliably, costs must be identifiable and not an integral part of some wider expense.

However, capital expenditure does not cover repair and maintenance.

5.2 The following categories of expenditure which meet the above criteria in paragraph 5.1 are to be treated as capital expenditure: -

- Acquisition, construction or enhancement of police property.
- Replacement of Information Technology (IT) equipment.
- Investment in new and upgraded Information Management Systems
- Vehicles
- Other large items of equipment

5.3 Each category of capital expenditure is underpinned by its own strategy, which sets out the potential benefits in that element of service, the long-term objectives and identifies essential and/or desirable requirements. These separate strategies will be reviewed and updated on a periodic basis and cover the following areas: -

- Property Development (Estates Strategy).
- IT/IM Strategy.
- Vehicle (Transport Strategy).

6. **Monitoring and Performance**

6.1 Monthly capital monitoring reports outlining progress against the approved programme will be prepared for the Commissioner.

6.2 A report detailing the Prudential Indicators will be prepared on a ½ yearly basis to comply with the Prudential Code for Capital Finance.

6.3 In setting the Prudential Indicators, not only do they help assess affordability, but they also set performance measures. These measures are used to assess the degree of success in implementing this strategy.

6.4 This strategy will be subject to a periodic review to ensure compliance with legislation and codes of practice.

7. **Collaboration**

7.1 This will impact on the future delivery of the capital strategy. Derbyshire will seek to implement key capital projects in collaboration with other Constabularies and other public sector organisations in Derbyshire to:-

- Achieve economies of scale in procurement of capital items e.g. IT equipment, vehicles.
- Achieve economies of scale in implementing key infrastructure projects.
- Ensure that where possible there is common equipment e.g. IT applications.