

STRATEGIC GOVERNANCE BOARD
26 JANUARY 2016
REPORT OF THE CHIEF CONSTABLE
AND
TREASURER TO THE POLICE AND CRIME COMMISSIONER

CAPITAL PROGRAMME 2016/20

1. PURPOSE OF THE REPORT

- 1.1 To set out the capital programme for Derbyshire Constabulary for 2016/20.

2. INFORMATION AND ANALYSIS

Background

- 2.1 During this period of austerity the Government has cut resources for capital projects.
- 2.2 Derbyshire Constabulary has increasingly relied on using reserves and limited capital receipts to fund an increasing share of its capital projects.
- 2.3 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.
- 2.4 These ongoing capital needs amount to some £2.9m annually, while Government Capital Grant in 2015/16 equated to £1.2m.
- 2.5 This represents a shortfall of £1.7m even before the Constabulary considers investment in major new projects to improve performance or make it more efficient.
- 2.6 The Constabulary has not yet been notified of its Capital Grant allocation for 2016/17. However, it is known that overall Police Capital Grant will reduce from £109.5m in 2015/16 to £64.5m in 2016/17, a cut of some 41%. Derbyshire's probable share of this reduction equates to £0.500m. This will increase the shortfall between ongoing capital commitments and grant support to £2.2m, before new projects are considered. Many Forces have been forced to borrow to cover this gap.
- 2.7 There would be scope for Derbyshire Constabulary to borrow to fund this gap but this would place further pressure on the revenue budget. Many of the

assets that require replacement have a relatively short lifespan, which means that the borrowing cost can only be spread over a relatively short period of time.

- 2.8 In addition to the ongoing capital commitments, there are several major projects within the current programme as follows: -
- **New Joint Police and Fire HQ.** Due for completion in late summer 2016 at a total cost to the force of £10.5m.
 - **New Firearms Range** – This project is programmed for 2016/17 at a gross cost of £6.1m which will partly offset by sale of land to the Fire Service (£0.653m) The skid pan is not now required so the extra costs (circa £0.25m) and the funding contribution will not be required.
 - **Implementation of Niche Record Management System.** The force is replacing its current systems for Crime, Intelligence and Case & Custody as part of a major East Midlands regional project which will allow key information and intelligence to be shared dynamically across the 5 forces.
- 2.9 A comprehensive review of the Constabulary's property portfolio was initiated as part of the recent Moving Forward/PBB exercise. As an extension of Moving Forward the Constabulary has now looked at its divisional structure to ensure that it meets the future needs of territorial policing within the county. Whilst one key decision has already been taken – to merge B and C Divisions – determining the structure beneath this level (ie. section-level) needs further work.
- 2.10 The Constabulary's requirements in terms of its estate will be informed by the structural changes that are decided upon. However, whilst some existing properties will be confirmed as being surplus-to- requirements, other properties that remain will require major investment to ensure their fitness for modern policing needs.
- 2.11 Priority areas for investment will be identified via the condition surveys that have recently taken place. Until these have been properly assessed by the Assets Department exact details of the scale of the required investment are not yet known. However, it is proposed to increase the ongoing Capitalised Maintenance allocation within the programme with effect from 2016/17 to allow work on priority projects to be started as early as possible

IS Schemes (Appendix A)

- 2.12 The IS part of the Capital Programme is split in the following way:-
- **Replacement projects** – this covers the replacement of existing hardware with a major refresh of equipment following the introduction of Windows 7. It 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 local projects, the most significant of these being the upgrade/replacement of the Crime and Case and Custody systems by the Niche Records Management System. Implementation of remote access to Constabulary systems via mobile devices also features within this area.
- **Investment Programme** – resources have been identified for the implementation of systems identified and prioritised by the PBB process. In 2016/17 and 2017/18 this allocation is being used to fund the implementation of Niche.

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

2.13 The main schemes are as follows:-

- **Niche Records Management system** – This is being implemented as part of a regional collaborative project which will greatly enhance information and intelligence sharing across the 5 East Midlands forces. For Derbyshire it will replace two major systems - the Guardian crime and intelligence system and the GEM Case/Custody system – as well as a number of smaller systems. This integration will ensure officers have the necessary information to speed up the investigative process, reduce the amount of time taken to input data on to systems and eliminate duplication of data on different systems. It will allow information that may be held by other forces to feed directly into Derbyshire investigations.
- **Mobile Office** – the aim is to reduce the amount of time officers spend ‘desk bound’ and ensure they have ready access to information to deal with an incident wherever the location. There are opportunities to reduce the time taken and make easier the collection and analysis of some types of evidence. It is expected that further investment will take place in this area following a review of the requirements for ‘mobile policing’.
- **Communication Equipment Updates** – in particular replacement of Airwave sets and Blackberry devices.
- **National ANPR Back Office Facility (BOF)/Camera Replacement** – whilst the new BOF is substantially a nationally funded project, there will be a small cost of local implementation. The force’s ANPR strategy also involves a rolling programme of camera replacement.

Estates Schemes

- 2.14 The Estates programme mainly consists of constructing the new Joint Headquarters with the Derbyshire Fire and Rescue Service and the new Firearms Range.
- 2.15 No other significant items are included in the Estates programme. However, it is proposed to increase the Capitalised Maintenance allocation by £0.500m as from 2016/17 so that the force can undertake much-needed investment in

priority remedial work. The Police Premises Fund allocation will also increase by £0.797m in 2016/17 only due to funding being held over from 2015/16. This is as a result of new schemes having been put on hold pending the Estates review referred to earlier.

Other Schemes

- 2.16 The programme includes a provision of £0.750m for body armour in 2016/17, which guidance recommends is fully replaced at least every 10 years.

Funding

- 2.17 As with ongoing capital commitments the Constabulary has the option to fund the major projects within its Capital Programme by external financing (taking out borrowing). However, options for funding the Programmes have been reviewed in light of the much better-than-expected revenue settlement for the Police Service, albeit this positive news is partially offset by the expected reduction in capital grant which for Derbyshire could mean a total loss of funding of £2m for the period 2016/20. The overall settlement, though, means that there is potential to fund our commitments in a way which avoids or limits the need to borrow, as follows:
- Release resources from the Operational Funding Reserve to fund the Joint Police and Fire HQ and the new Firearms Range
 - Increase the contribution to capital from the revenue budget to fund priority maintenance work on the estate.
 - Pay for the remaining items within the Programme by the usual mixture of capital grant, capital receipts and revenue contributions
- 2.18 Such an approach would avoid incurring significant borrowing costs which would impact on the revenue budget over the long-term. Since the beginning of the period of austerity, the Operational Funding Reserve has been purposely built up to cover any significant deficits on the revenue budget which could not be immediately covered by cost reductions. Following the 2015 CSR, the updated Medium-Term Financial Forecast up to 2019/20 shows that this situation is now very unlikely to occur. It is therefore possible to utilise part of the Operational Funding Reserve to support planned capital expenditure while leaving a significant balance for other contingencies.
- 2.19 The one possible exception to this is the Firearms Range. The funding for this will be kept under review to determine whether there is benefit in funding this longer term asset from borrowing. In turn this would create greater flexibility to fund other shorter term capital investment from reserves.
- 2.20 The expected loss of capital grant, if it materialises, produces a projected shortfall of funding for the Programme of some £3m by the end of 2019/20. This position will need to be kept under close review over the period bearing in mind:

- The potential for capital commitments to change – either through projects being added to or deleted from the Programme, or through the timing of project implementation being different from the current plans
- The potential for funding streams to change – such as the level of capital receipts or the ability to provide support for capital expenditure from the revenue budget.
- Potential changes to the external financial environment which will affect the cost/benefit analysis of utilising external borrowing versus internal sources of finance.

2.21 The proposed Capital Programme, funded on the basis of the above proposal, is attached at Appendix B The expenditure is shown separately for:-

- on-going schemes – involving the maintenance or replacement of an existing asset
- specific schemes – involving new investment

2.22 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.

2.23 The table below summarises the position up to 2019/20: -

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
On-going Schemes	6.383	3.582	3.722	3.580
Specific Schemes	13.014	1.000	1.000	1.000
Total Schemes	19.397	4.582	4.722	4.580
Capital Grant b/fwd	7.056	1.731	0.259	(1.185)
Core Funding	2.216	2.216	2.216	2.216
Other Funding	11.856	0.894	1.062	0.655
Total Funding	21.128	4.841	3.537	1.686
Surplus	1.731	.259	(1.185)	(2.894)

2.24 The above table also makes a distinction between:-

- Core funding, which is essentially government capital grant and revenue contributions to capital. This is more certain
- Other funding e.g. capital receipts, use of reserves, prudential borrowing. This is less certain.

2.25 A key aim should be for core funding to match on-going schemes so that the cost of core capital commitments can be met each year, without the need to borrow to fund core on-going capital commitments.

- 2.26 The core funding includes a contribution of £1.5m from the revenue budget, which together with anticipated capital grant means that core funding will cover most of the cost of on-going schemes.

Summary and Conclusion

- 2.27 The key aim has been to put forward a relatively low risk, sustainable capital programme. On that basis the programme has:-
- Removed the reliance of the programme on capital receipts of c£3m – 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
 - Provided further resources for future IS investment – which will remove a possible block to the reconfiguration of services provided by the Constabulary that is envisaged under the PBB process.
 - Been made more sustainable – through a revenue contribution to capital of £1.5m per annum
 - Avoided the need for prudential borrowing – avoids the need for additional financial pressure on the revenue budget.
- 2.28 The position regarding borrowing will be kept under review, especially in the light of the predicted reduction in capital grant. It is unlikely that Derbyshire Police will borrow to fund the new joint headquarters. There is still a need to consider borrowing to fund the new firearms range given that this is a long term asset and borrowing could be taken out over a considerable period of time. This may give more options and flexibility for funding future shorter term capital projects from reserves as well as covering the reduction in capital grant.
- 2.29 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
- 2.30 The Capital Programme will be monitored at regular intervals to ensure that capital resources are being used effectively to deliver schemes within the programme.
- 2.31 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 implemented.

3. RECOMMENDATIONS

It is recommended that the Commissioner

- i. Approve the IS schemes as set out in Appendix A.
- ii. Approve the estates schemes as included in Appendix B.
- iii. Approve the finalised capital programme and associated funding (including the use of reserves) as set out in Appendix B.

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 IS Schemes

Appendix B Capital Programme 2016/20

Breakdown of IT/Comms Figures in Capital Programme 2016/17 to 2019/20 as at January 2016

	<u>Revised</u> <u>2016/17</u> £	<u>Revised</u> <u>2017/18</u> £	<u>Revised</u> <u>2018/19</u> £	<u>Revised</u> <u>2019/20</u> £
IS Replacement				
Server/Storage Upgrades	100,000	100,000	100,000	100,000
Communications Equipment	500,000	250,000	250,000	250,000
Network Equipment	264,000	100,000	100,000	100,000
Office Automation	490,000	350,000	350,000	350,000
ANPR camera replacement	120,000	120,000	120,000	120,000
Total IS Replacement	1,474,000	920,000	920,000	920,000
Customer Projects				
Mobile Office	370,000			
Vetting System	54,000			
Niche	2,492,500			
	2,916,500	0	0	0
ANPR Upgrade BOF - National System	54,000			
	54,000	0	0	0
Total Customer Projects	2,970,500	0	0	0
IT Future Investment Programme	0	1,000,000	1,000,000	1,000,000
Regional Innovation Schemes (Derbyshire share)				
Body Worn Video	333,700	0	0	0
Total Regional Innovation Bids (Derbyshire Share)	333,700	0	0	0
Total IS Schemes	4,778,200	1,920,000	1,920,000	1,920,000

Capital Programme 2016/17 to 2019/20

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
EXPENDITURE				
Ongoing Schemes				
Capitalised Maintenance & Small adaptations & Business Continuity	1,070	870	870	870
Legislative works(Asbestos,smoke detectors,legionella,DDA, M&Eng)	125	125	125	125
Police Premises Fund	997	200	200	200
Replacement of UPS Kit	30	30	30	30
General Vehicle & Chief Officer Vehicle Replacement Programmes	1,317	1,100	1,100	1,100
Equipment	360	160	160	160
Body Armour Replacement	750	-	-	-
IS Replacement Projects	1,474	920	920	920
East Midlands Counter Terrorism Intelligence Unit - Replacement Vehicles & equipment	260	177	317	175
Total Ongoing Schemes	6,383	3,582	3,722	3,580
Specific Schemes				
Joint Police & Fire HQ	3,910	-	-	-
New Firearms Range	5,800	-	-	-
IS Customer Projects	108	-	-	-
Mobile Office	370	-	-	-
Niche System	2,492	-	-	-
IS Future Investment Programme	-	1,000	1,000	1,000
Regional Innovation Fund Bids (Derbyshire share)	334	-	-	-
Total Specific Schemes	13,014	1,000	1,000	1,000
TOTAL PLANNED EXPENDITURE	19,397	4,582	4,722	4,580
FUNDING				
Funding b/f Grant & Contributions	7,056	1,731	259	- 1,185
Capital Grant	716	716	716	716
Other Grant & Contributions	316	177	317	175
Use of Reserves	9,960	-	-	-
Revenue Contributions to Capital Outlay	1,500	1,500	1,500	1,500
Sale of Land & Buildings	1,580	717	745	480
TOTAL FUNDING	21,128	4,841	3,537	1,686
EXPENDITURE COMPARED TO FUNDING	1,731	259	(1,185)	(2,894)