

DORSET
POLICE & CRIME
COMMISSIONER

CAPITAL STRATEGY

2021/22



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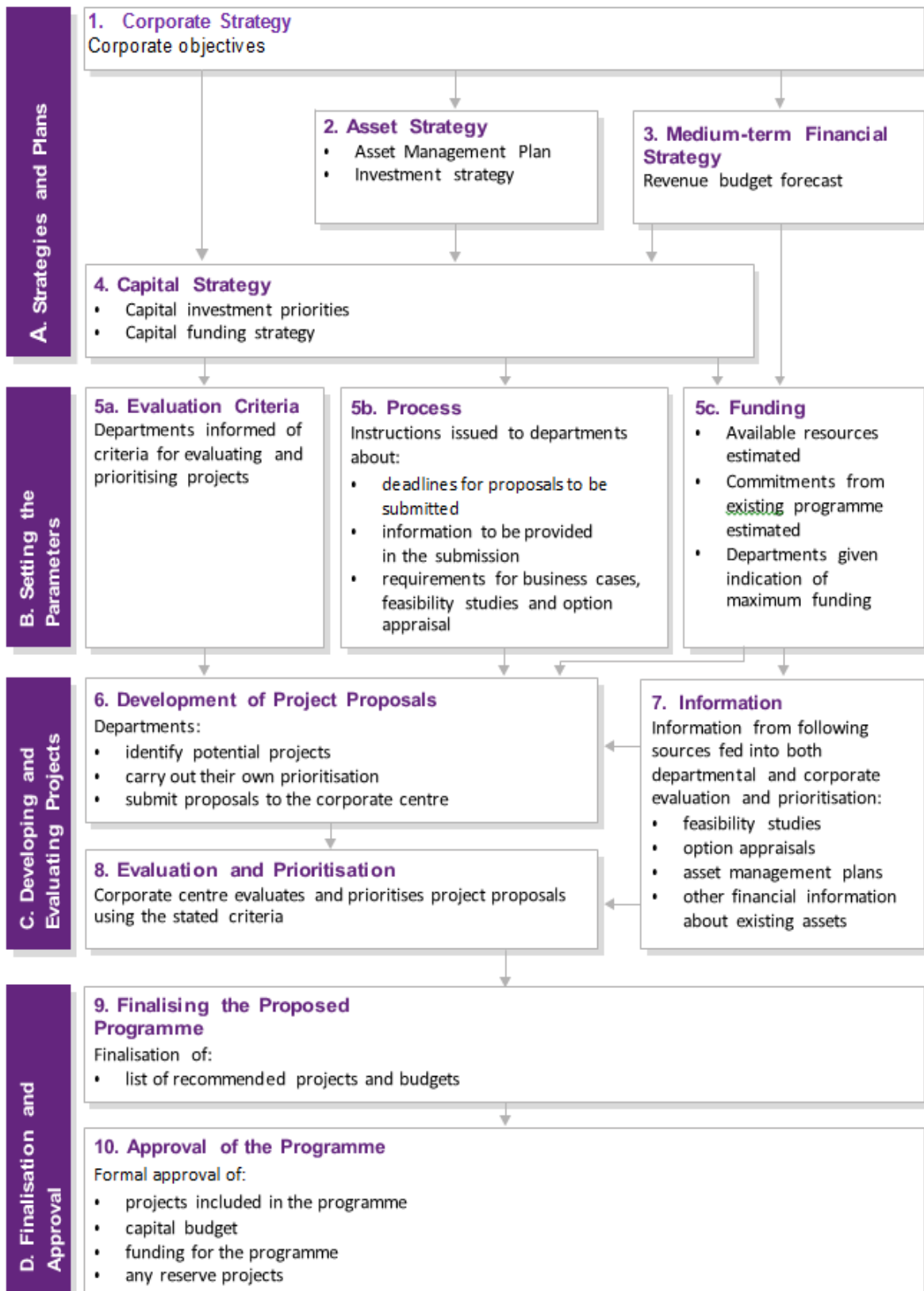
1. Introduction

- 1.1. The Police and Crime Commissioner (PCC) has adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Capital Strategies and Programming Guidance which requires the PCC to approve a Capital Strategy before the start of each financial year. The Capital Strategy supports the Medium Term Financial Strategy (MTFS) and the Treasury Management Strategy.
- 1.2. The Capital Strategy provides a framework for the development of the Capital Programme which sets out the investment in assets and identifies the resources required for that investment. These assets are considered essential to the provision of the policing service and meet the objectives set out in the Police and Crime Plan. The PCC has developed this Capital Strategy in consultation with the Force who are the primary users of the capital assets.

2. Capital Programme

- 2.1. The Capital Strategy is led by the priorities outlined in the PCC's Police and Crime Plan. It translates these priorities into a programme of projects in the Capital Programme to achieve the intended outcomes. These priorities will include the continuation of or enhancement of existing assets as well as investment in new capital assets.
- 2.2. Assets are vital to the delivery of efficient services, and so the optimum use of resources whilst securing best value in relation to both cost and quality are key considerations. This is done by following best practice in relation to procurement and construction and taking external legal advice where required.
- 2.3. Estates, IT, Equipment and Vehicles are managed and maintained by their respective departments overseen by the Chief Constable. An asset management plan for each asset classification is held and contains specific details of each asset including the expected life and optimum replacement cycles. The information is consolidated into the Capital Programme.
- 2.4. To ensure the Capital Programme is delivered effectively it is important that the programme is realistic in terms of what is included within it in respect of continuing and new projects. All projects should be delivered on time, in budget and achieve the desired outcomes.
- 2.5. The PCC and Chief Constable have programme management procedures in place to help to ensure successful delivery of the capital programme. This is illustrated in the following flowchart:-

EXTRACT FROM CIPFA GUIDANCE “CAPITAL STRATEGIES AND PROGRAMMING”



3. Identifying and Prioritising Capital Projects

3.1. New capital project proposals are considered and prioritised with reference to a business case. In some cases, the Capital Programme will include ongoing budgets for replacement projects, i.e. laptops/vehicles. However, business cases would still be required where the request is significant, novel or contentious. To aid the decision, the business case must cover the following key elements:

- Defining objectives
- Baseline assessment (including user specification and force standards)
- Listing possible options
- Broad assessment of viable options
- Challenge and shortlisting by the appropriate board
- Detailed feasibility studies and option appraisal
- Review and solution approved by the appropriate board as per the Financial Regulations
- Risk appraisal
- Sustainability

3.2. The business case is then assessed against the following factors:

- Strategic importance – how the project supports the Police and Crime Plan priorities
- The outcomes that will be achieved and the specific benefits and impacts
- Sustainability – whether costs are realistic, value for money is achieved and the impact of future revenue implications
- How likely it is that the project will be delivered on time and within budget
- Possible negative effects of the project

3.3. All projects have a two stage approval process. Each project will have an indicative planning cost which will facilitate overall programme planning and approved project cost.

3.4. For planning purposes, the MTFs may include projects that have not yet been approved. These allocations cannot be spent until full approval has been obtained. Approved projects will be included in the four year capital programme at the value set out in the approved business case.

3.5. Lower priority projects which cannot be delivered within available resources may only be considered and undertaken if additional resources or an underspend on the approved capital programme is identified during the year.

3.6. The revenue consequences of all potential capital bids will be taken into account in the MTFs, including any minimum revenue provision (MRP) and financing costs. The Minimum Revenue Provision Policy is included in the annual Treasury Management Strategy.

4. Implementing and Monitoring Capital Projects

4.1. Following approval of the capital programme, a project manager and a user representative is identified for each capital project. The project manager is responsible for managing the project implementation and delivering its objectives.

4.2. Senior management have overall responsibility for ensuring that the objectives are met for all projects, but particular focus will be placed on ensuring that:

- high-profile projects are delivered on time and achieve the intended outcome
- good progress is being made in delivering the programme in general

- the overall use of capital and revenue funding is as close as possible to the plans set out in the current year's budget, the Capital Programme and the MTFS.
- 4.3. Capital expenditure and capital financing is reported quarterly to the Capital Strategy Group and Resource Control Board.
- 4.4. Approval of business cases for projects included in the annual programme at estimated cost will lead to variations in the programme if the cost in the business case is different from the actual cost. Any changes that increase the overall cost of the programme will only be approved if additional capital financing resources are identified.
- 4.5. In year changes to the total value of an individual project up to the value set out above can be funded by virement between projects within each major budget heading and agreed under delegated approval. Any increase to the total value of an individual project in excess of the limits set out in the Financial Regulations will require a revision and re-submission of the business case to the PCC for re-approval.
- 4.6. The following measures have been put in place to mitigate the risk of slippage in the Capital Programme:
- Comprehensive assessment of project risks during the development of the business case for each scheme,
 - Regular monitoring of the project's progress to help to identify reasons for delays in delivery so that appropriate action can be taken, and
 - Quarterly budget monitoring of the capital programme by the Resource Control Board

5. Evaluating Completed Capital Projects

- 5.1. A post project review is carried out to evaluate the actual outcomes of the most significant capital projects. The review is in effect a check of performance against the original proposal. It focuses on the outcomes achieved, the extent to which the benefits claimed are being realised, the actual costs, both revenue and capital and the impact on other funding.

6. Funding Approach

- 6.1. The PCC has adopted the "Prudential Code for Capital Finance in Local Authorities" (The Code). This gives discretion over the funding of capital expenditure especially with the freedom to determine, within the regulatory framework of the Code, the level of borrowing they wish to undertake to deliver their capital plans and programmes. Under the provisions of the Prudential Code, the PCC can invest in a capital programme provided its capital spending plans are "affordable, prudent and sustainable". Under most forms of capital funding the cost of providing assets ultimately falls on revenue budgets, therefore it is the long term revenue budget position that is the ultimate constraint.
- 6.2. The Capital Programme is reflected in the PCC's Treasury Management Strategy, which is approved annually and sets out the Prudential Indicators, which determine the limits set against the requirements of affordability, prudence and sustainability.
- 6.3. The PCC in consultation with the Chief Constable will identify available sources of funding for the Medium Term Capital Programme including the identification of potential capital receipts from the disposal of property.
- 6.4. The sources of funding available to the PCC to finance capital expenditure include:-
- Grants and third party contributions

- Capital receipts
- Revenue contributions
- Borrowing

These are considered in more detail below:

6.4.1. Grants and third party contributions

An annual capital grant is received from the Home Office. This is usually applied first to fund capital expenditure in the year of receipt.

Specific capital grants and contributions will be applied for the purposes provided and in accordance with any conditions attached. The Commissioner and the Force will continue to seek opportunities to bid for future resource allocations for example through Police Transformation Fund, Enterprise Zones, and Regional Growth Funds etc.

6.4.2. Capital Receipts

Capital receipts are the proceeds from the disposal of assets, usually land and buildings. Receipts from disposals represent a finite funding source and it is imperative that a planned and structured manner of disposals is followed in order to best support capital spending priorities.

Opportunities to generate capital receipts from the disposal of assets to support the capital programme are identified through the annual medium term planning cycle and take into account the following:

- Reviewing existing arrangements
- Assessing future demand
- Seeking opportunities to rationalise the estate

6.4.3. Revenue Contributions

Revenue contributions from the current year's revenue budget can be either used to fund capital expenditure incurred in the current year or held in an earmarked reserve to meet capital expenditure in the future. The overall impact of capital funding on revenue budgets is an essential consideration.

6.4.4. Borrowing

Whilst Police and Crime Commissioners have the power to borrow, their ability to do so is ultimately constrained by the longer-term revenue budget position. The capital financing regime prescribes what may be classed as capital and how it may be financed. The Prudential Code requires that prudent provision is made from revenue budgets to cover capital commitments. The key objective of the Prudential Code is to provide a framework for local authority investment in capital projects to ensure that:

- Capital expenditure plans are affordable;
- All external borrowing and other long term liabilities are within prudent and sustainable levels; and
- Treasury Management decisions are taken in accordance with professional good practice.

The Borrowing Strategy is set out in the annual Treasury Management Strategy. Whilst borrowing is an important funding source, the revenue implications can be significant for shorter life assets.

Therefore, the aspiration is to move to a position where borrowing is only used to fund assets with a life of more than 15 years.

7. Risk Appetite

- 7.1. The PCC's risk appetite is set by Chief Officers in the context of the Police and Crime Plan and reflects the culture and values that exist in policing and the Force in particular. It also takes into account the wider context of policing and the general regulatory environment, including the known position of the Home Office, HMICFRS, the College Policing, and Independent Office of Police Complaints.
- 7.2. The risk appetite reflects the differing requirements at strategic, tactical and operational levels which are set out in the risk management strategy and policy document.
- 7.3. Risk is monitored at the Strategic level by the Chief Officer teams and by Departments and Command leads for operational level risks, focusing on those risks that if materialised would undermine the delivery of the Police and Crime Plan or damage the Force reputation. The risk management arrangements are also subject to scrutiny by the Independent Audit Committee.
- 7.4. The effectiveness of Force's controls are tested as part of the Audit plan.
- 7.5. Risk appraisals are undertaken for all significant capital project proposals.

8. Governance process for determining the capital programme

- 8.1. The Capital Strategy sets out the principles to be applied in determining the Capital Programme and financing which feeds into the Medium Term Financial Strategy, Treasury Management Strategy, and the Reserves Strategy. These financial documents support the delivery of the Police and Crime Plan and inform and are informed by the Force Management Statement.
- 8.2. Governance arrangements for capital planning are set out in Financial Regulations and the Code of Corporate Governance and comply with the Financial Management Code.
- 8.3. The Capital Strategy Group provides oversight of the capital programme prior to the budget being set during the year. This includes reviewing all business cases and bids for capital funding prior to making recommendations to Resource Control Board, as well as additional challenge of the in year position. Quarterly reporting is provided to the Resource Control Board, which is chaired by the Chief Constable and attended by the PCC.
- 8.4. All disposals of surplus land and buildings must be approved by the PCC. When making any decision to dispose of assets the PCC must have regard to the right of the Chief Constable to have unfettered access to operational assets. The PCC shall consult with the relevant governance board and notify the Chief Constable. The PCC will have regard to the views expressed by the relevant governance board and the Chief Constable but the final decisions will be a matter for the PCC.

9. Alternative Ways of Procuring Assets

- 9.1. There are an increasing number of mechanisms to procure assets to provide services without incurring capital expenditure. For example through:-
 - Renting and operating leases
 - Public-private partnerships and outsourcing
 - Software as a service

- 9.2. In addition to increasing the options available in financing future requirements, these options may provide an overall more efficient service by creating a simplified delivery structure and continued service delivery providing for maintenance, upgrades, automatic replacement of failed items.
- 9.3. Where these options are available full consideration will be given to them, based on value for money considerations. All proposed capital expenditure will be assessed in order to identify whether there is an alternate route that could provide enhanced benefit to the Force when evaluating the whole life cost.

10. Shared Services/ Collaboration

- 10.1 Shared Service and Collaboration agreements already exist, details of which and the ownership of assets are outlined in the Collaboration Agreements under Section 22, Police Act 1996 (as amended).
- 10.2 In delivering each element of the strategy, the PCC plans take account of the continuing collaboration agenda and will take every opportunity to engage with other Forces and Authorities in developing strategies to counter common problems. This Capital Strategy takes account of the continuing need to work with partners in the future.
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