



**POLICE AND CRIME
COMMISSIONER FOR DEVON AND
CORNWALL**

**DRAFT CAPITAL STRATEGY
2019/20 TO 2022/23**

**POLICE AND CRIME COMMISSIONER FOR DEVON AND CORNWALL
DRAFT CAPITAL STRATEGY FOR 2019/20 TO 2022/23**

CONTENTS

	Page
1. Introduction	3
2. Capital Programme:	3
a. Identifying and prioritising capital projects	5
b. Implementing and monitoring capital projects	5
c. Evaluating completed capital projects	6
3. 2019/20 to 2022/23 Capital Programme	7
4. Capital Funding Strategy	7
5. 2019/20 to 2022/23 Capital Funding for the Programme	8
6. Revenue Implications of Capital Investment	9
7. Risk Appetite	9
8. Governance	9
9. Alternative Ways of Procuring Assets	10
10. Shared Services/Collaboration	10
11. Appendix A	11

POLICE AND CRIME COMMISSIONER FOR DEVON AND CORNWALL

DRAFT CAPITAL STRATEGY FOR 2019/20 TO 2022/23

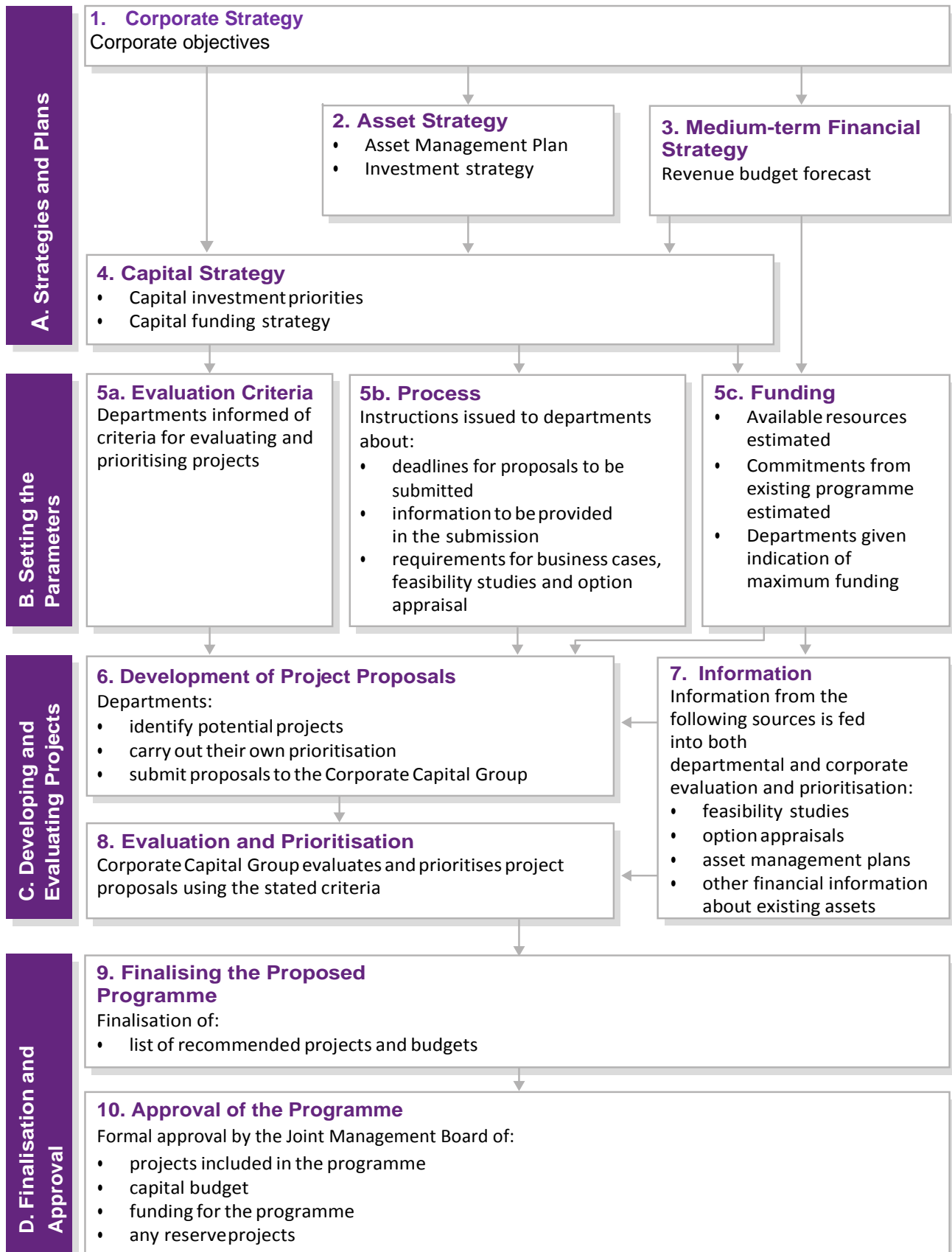
1.0 INTRODUCTION

- 1.1 The Office of the Police and Crime Commissioner (OPCC) has adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Capital Strategies and Programming Guidance which requires the OPCC to approve a Capital Strategy before the start of each financial year.
- 1.2 The Capital Strategy is integral to the Medium Term Financial Strategy (MTFS) and should be read in conjunction with the report on the MTFS and Reserves Strategy for 2019/20 to 2022/23. The Police and Crime Commissioner (PCC) will apply the principles set out in the CIPFA Prudential Code to test the affordability of the Capital Strategy. It is therefore also closely linked to the Reserves Strategy, Treasury Management Strategy, Borrowing Strategy, Investment Strategy and Prudential Indicators.
- 1.3 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.
- 1.4 These assets are essential to the provision of the policing service. In order to sustain this service and meet the objectives set out in the Police and Crime Plan, the Capital Strategy also gives an overview of how associated risk is managed and covers the implications for future financial sustainability of the Capital Programme.
- 1.5 The PCC has developed this Capital Strategy in consultation with the Force who are the primary users of the capital assets.

2.0 CAPITAL PROGRAMME

- 2.1 The Capital Strategy is led by the priorities outlined in the OPCC's Police and Crime Plan. It translates these priorities into a programme of projects in the OPCC's Capital Programme that will achieve the intended outcome.
- 2.2 These priorities could include the effective maintenance, enhancement or disposal of existing assets as well as investment in new capital assets.
- 2.3 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, sales and construction and taking external legal advice where required.
- 2.4 IT, Equipment and Vehicles are managed and maintained by their respective departments overseen by the Chief Constable with Estates being overseen by the PCC. An asset management plan/strategy for each asset classification is held and contains specific details of each asset including the longevity and optimum replacement cycles. The information is consolidated into the Capital Programme.
- 2.5 To ensure the Capital Programme is delivered effectively it is important that the programme is realistic in what is included in terms of continuing and new projects. All projects should be delivered on time, in budget and achieve the desired outcomes.
- 2.6 The OPCC and Chief Constable have a number of programme management procedures in place to help to ensure successful delivery of the capital programme. This is summarised in the flow chart below:-

**POLICE AND CRIME COMMISSIONER FOR DEVON AND CORNWALL
DRAFT CAPITAL STRATEGY FOR 2019/20 TO 2022/23**



POLICE AND CRIME COMMISSIONER FOR DEVON AND CORNWALL
DRAFT CAPITAL STRATEGY FOR 2019/20 TO 2022/23

2.7 Identifying and prioritising capital projects

2.7.1 Capital project proposals are considered and prioritised with reference to a business case. To aid the decision, the business case must cover the following key elements:

- Definition of objectives
- Baseline assessment (including user specification and force standards)
- List of possible options
- Broad assessment of viable options
- Challenge and shortlisting by the appropriate board
- Detailed feasibility studies and option appraisal
- Financial appraisal including whole life costs and ongoing revenue impact
- Cashflow forecast
- Review and solution approved by the appropriate board as per the Financial Regulations
- Risk appraisal
- Sustainability

Priority will be given to Health and Safety requirements, compliance requirements and 'business critical' projects.

2.7.2 The business case is then assessed against the following factors:

- Strategic importance – how the project supports the Police and Crime Plan priorities
- Operational fit – how the project supports operational delivery across the service
- 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
- Impact on non Devon and Cornwall users
- How likely it is that the project will be delivered on time and within budget
- Possible negative effects of the project

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

2.7.4 Projects that have not yet been approved will be included in the four year capital programme at estimated cost. Approved projects will be included in the four year capital programme at the value set out in the approved business case.

2.7.5 Lower priority projects which cannot be delivered within available resources can only be considered and undertaken if additional resources or an under spend on the approved capital programme is identified during the year through Resources Board.

2.8 Implementing and monitoring capital projects

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

POLICE AND CRIME COMMISSIONER FOR DEVON AND CORNWALL
DRAFT CAPITAL STRATEGY FOR 2019/20 TO 2022/23

2.8.2 Heads of Department 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.
- That when these factors are not achieved, variations are reported to the Resource Board

2.8.3 Progress against capital schemes is reported on a quarterly and annual basis to the Resource Board. In terms of capital financing, this is covered in the Treasury Management report which is produced on a quarterly and annual basis to the Resource Board.

2.8.4 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.

2.8.5 In year changes to the total value of an individual project can be funded by virement between projects within each major budget heading and agreed under delegated approval. The delegation limits are set in the financial regulations. 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.

2.8.6 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
- Continual monitoring of the project's progress will help to identify reasons for delays in delivery so that appropriate action can be taken.

2.9 Evaluating completed capital projects

2.9.1 To evaluate the actual success and outcomes of the capital projects a post project review is also carried out. 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.

**POLICE AND CRIME COMMISSIONER FOR DEVON AND CORNWALL
DRAFT CAPITAL STRATEGY FOR 2019/20 TO 2022/23**

3.0 2019/20 to 2022/23 CAPITAL PROGRAMME

3.1 The Capital Programme is shown below:-

	2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's
ICT Infrastructure	2,542	2,073	2,524	2,165	1,823
ICT Convergence	561	403	350	0	0
PRISM	3,693	4,474	2,774	982	898
National Programme	60	640	600	500	465
Transport	3,003	1,653	2,058	2,058	2,058
Major Building Schemes	9,200	23,000	9,722	0	0
Minor Building Works	5,963	4,059	3,780	1,130	3,830
Capital Equipment	677	130	130	1,030	130
Total Capital Programme	25,699	36,432	21,938	7,865	9,204

3.2 Excluded from the above are costs in respect of Emergency Services Network (ESN Actual expenditure requirements and timing of this requirements are unknown. Potential financing for ESN is likely to be from a combination of reserves and borrowing over the life of the assets. However revenue savings from existing radio contracts are also expected to be realised, which is expected to mitigate any additional costs. A small reserve exists in respect of these costs, which is expected to be used in the first instance for existing hardware replacement required due to the delays in the ESN programme.

4.0 CAPITAL FUNDING STRATEGY

4.1 Under the provisions of the Prudential Code, the OPCC can invest in a capital programme so long as its capital spending plans are “affordable, prudent and sustainable”.

4.2 The Capital Programme is reflected in the OPCC’s Treasury Management Strategy, which is presented annually to the Police and Crime Panel and regularly reviewed by the Independent Audit Committee. It sets out the Prudential Indicators, which determine the limits set against the requirements of affordability, prudence and sustainability.

4.3 The OPCC 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.

4.4 The sources of funding available to the OPCC to finance capital expenditure are detailed below:

4.4.1 Grants

An annual capital grant is received from the Home Office.

4.4.2 Capital Receipts

The financing of the estates development programme is dependent on the release of property assets for sale. Achieving the full investment programme will be dependent on progressing schemes listed on the development schedule or identifying alternative assets for disposal.

**POLICE AND CRIME COMMISSIONER FOR DEVON AND CORNWALL
DRAFT CAPITAL STRATEGY FOR 2019/20 TO 2022/23**

4.4.3 Reserves

Revenue may be set aside into an earmarked reserve in one financial year to be used against a capital scheme in that year or in future years.

In principle, the sources of funding will be applied in the order detailed above before borrowing is undertaken. However, there are circumstances where this may differ. Funding will be detailed in each business case. Capital receipts and Reserves will be used mainly on short term assets. Borrowing will usually be used on long term assets.

4.5 Unfinanced capital expenditure occurs when there is insufficient financing available, or a decision is taken not to apply resources, the expenditure will give rise to a financing need, which may or may not lead to external borrowing depending on the OPCC's cash flow position.

4.6 Borrowing/Other debt instruments is at the discretion of the OPCC and must be in accordance with the Prudential Code. Borrowing/other debt must be prudent, affordable and sustainable as set out in the Treasury Management Strategy.

4.7 Opportunities to generate capital receipts from the disposal of the OPCC's assets to support the capital programme, are kept under review through the dynamic management of the estate portfolio. This involves:

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

4.8 The OPCC will monitor the availability of capital financing resources including capital receipts and report any variations quarterly alongside the capital expenditure monitoring report.

5.0 2019/20 to 2022/23 CAPITAL FUNDING FOR THE PROGRAMME

5.1 It is intended that the above programme shown in section 4 will be financed through a combination of capital receipts, borrowing, capital grant, use of reserves and direct revenue financing. The financing is shown below

	2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's
Capital Grant	1,882	1,104	1,468	1,468	1,468
Capital Receipts	3,983	4,677	11,177	2,341	2,200
Direct Revenue Contributions / Revenue Reserves	3,248	3,605	3,293	1,800	2,900
Revenue financing reserves	9,386	10,063	1,000	2,256	2,636
Borrowing	7,200	16,983	5,000	0	0
Total Capital Funding	25,699	36,432	21,938	7,865	9,204

**POLICE AND CRIME COMMISSIONER FOR DEVON AND CORNWALL
DRAFT CAPITAL STRATEGY FOR 2019/20 TO 2022/23**

6.0 REVENUE IMPLICATIONS OF CAPITAL INVESTMENT

- 6.1 Capital expenditure has an impact on the revenue budget which is built into the MTFS.
- 6.2 The level of any borrowing used to fund the capital programme must be affordable in terms of the impact of the loan repayments and interest on the revenue budget.
- 6.3 There is a requirement to make a prudent amount of minimum revenue provision (MRP) and set aside some revenue budget as provision for debt.
- 6.4 All potential capital bids need to identify ongoing revenue costs and consider how these can be met.
- 6.5 The table below sets out the revenue impact of the 2019/20 to 2022/23 Capital Programme.

	2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's
MRP - Existing Borrowing	1,584	1,584	1,480	1,480	1,475
MRP - New borrowing	0	0	0	405	730
Interest	1,273	1,381	1,516	1,636	1,711
Revenue Contribution to Capital	3,248	3,605	3,293	1,800	2,900
Finance Lease costs	113	0	0	0	0
	6,218	6,570	6,288	5,320	6,816

7.0 RISK APPETITE

- 7.1 Risk is managed through a joint OPCC/Force risk register. The effectiveness of the controls are tested as part of the Audit Plan and subject to the scrutiny of the Independent Audit Committee. The Resources Board will consider risk as part of the individual business cases and monitoring of activity. It can also identify risks and ensure their inclusion in the risk register.

8.0 GOVERNANCE

- 8.1 The OPCC in consultation with the Chief Constable will prepare a minimum of a four year programme of proposed capital expenditure for approval by the Police and Crime Commissioner. Quarterly and annual reporting is provided to the Resource Board.
- 8.2 Senior Management are responsible for leading the capital programming process and for advising those charged with the governance on the decisions that they take. A diagram showing the governance structure is attached as Appendix A. The Capital Strategy Group will cover all aspects of the existing and proposed projects and all aspects of capital financing. This will provide an overall view of the capital programme and the impact of any changes to funding sources.

**POLICE AND CRIME COMMISSIONER FOR DEVON AND CORNWALL
DRAFT CAPITAL STRATEGY FOR 2019/20 TO 2022/23**

8.3 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.

9.0 ALTERNATIVE WAYS OF PROCURING ASSETS

9.1 Consideration will be given to alternative options for the procurement of assets and how they are funded. This could be renting, operating leases or partnership arrangements.

9.2 Consideration of the future impact on revenue budgets would need to be assessed.

10.0 SHARED SERVICES/COLLABORATION

10.1 Shared Service and Collaboration agreements already exist; details of the ownership of assets are outlined in the section 22 agreements.

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 invest in these key priority areas working with partners in the future.

**POLICE AND CRIME COMMISSIONER FOR DEVON AND CORNWALL
DRAFT CAPITAL STRATEGY FOR 2019/20 TO 2022/23**

APPENDIX A

