



## BOARD REPORT

### Strategic Board– 20 May 2020

<b>Report Title:</b>	<b>Capital Programme 2020/21 to 2023/24</b>
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<b>Report for:</b>	<b>Chief Constable</b>
<b>Document reader status:</b>	<b><del>RESTRICTED / OFFICIAL</del> / PUBLIC</b> <b>Delete as necessary and insert watermark</b>
<b>Mandatory Question:</b>	<b>Is any 'Restricted' information within this report or appendices? YES / NO</b> <b>If yes, state reason for restriction:</b>

#### 1. Executive Summary

- 1.1 The capital programme for 2020/21 onwards can only be considered in the light of the outturn of the 2019/20 capital programme. This report presents an update of both programmes along with the proposed funding for the 2020/21 onwards programme.
- 1.2 It should be noted that, when the capital programme is presented for approval, whilst the programme provides an outlook for the next four years the Commissioner is only requested to approve those schemes which have already commenced or are due to commence in 2020/21. In addition any new one-off scheme, not a replacement system, will require a project appraisal being approved by the Commissioner and Commissioner's Chief Finance Officer
- 1.3 This report only relates to the Commissioners Capital Programme, any purchases made by Bedfordshire Police on behalf of the Eastern Region Special Operations Unit are excluded from this paper.

#### 2. Purpose of Report

- 2.1 To present the proposed capital programme 2020/21 to 2023/24 onwards.

#### 3. Background/Supporting Papers/Implications

- 3.1 Capital monitoring report – PCC Executive Board 26 Sept 2019
- 3.2 Capital monitoring report – PCC Executive Board 21 November 2019
- 3.3 Beds Cambs Herts (BCH) Information Communications Technology (ICT) Strategy 2016 – 2021

#### 4. Contribution to the Police and Crime Plan

- 4.1 Successful implementation of the capital programme will contribute to the achievement of the Police and Crime Plan.

#### 5. Introduction

- 5.1 The Commissioner and Chief Constable, in fulfilling their fiduciary duties, need to have a robust capital programme that is both affordable and is strongly linked to the efficiency and transformation of the Force. In this vein, the capital programme will focus heavily on providing the officers of Bedfordshire Police with the right tools for the job and transforming, through the use of ICT, the way in which our officers and staff work to protect as much of the Force's local policing capacity as possible, whilst reducing its overall revenue budget. It will also focus on ensuring the Estate for Bedfordshire Police is fit for purpose in terms of condition and energy efficiency, but more importantly is fit for purpose in relation to operational need and public access where this cannot be achieved through alternative means.

#### 6. Capital Outturn 2019/20

- 6.1 The proposed capital programme for 2020/21 to 2023/24 can only be considered in the light of the capital outturn for 2019/20. While detail of this is contained in another report on this agenda brief details are included in the following paragraphs.
- 6.2 The outturn position is totals **£5.387M** compared to the programme of **£7.844M**, a reduction of £2.457M.
- 6.3 The variance on the programme of £2.457M can be segregated into two elements, delays to existing projects that we wish to carry the budget forward into the 2020/21 programme, and this equates to **£2.048M** and is known as slippage. The remaining **£0.409M** is a net underspend on the remaining projects, within that figure there are of over and underspends.
- 6.4 The majority of the slippage is contained within the Estates programme. The largest element of this relates to the windows replacement at Luton Police Station which will now commence in July 2020 (subject to any COVID restrictions). Whilst some more minor works continued at Luton Police station the more major works will commence as the windows are fitted floor by floor. This allowed the focus in 20/21 to be on the redevelopment of the HQ Site, due to its importance and time constraints for planning of the temporary facility and the SARC that was opened in February 2020. Other projects that have been carried forward to 2020/21 include the new access control system, the proposed Airport Base and smaller projects within the ICT programme.
- 6.5 The net underspend is comprised of investment in ANPR that we were able to fund outside of the capital programme, minor systems within ICT, a contingency budget that was not required in 2019/20. The minor works budget within Estates was also underspent as efforts were directed towards the redevelopment of the HQ site and there was an overspend on the vehicle fleet renewal, offset to a certain degree by some additional revenue funding.
- 6.6 Detail of the outturn position is included at Appendix A and summarised in Table One below.

**Table One – Capital Outturn 2019/20**

	Carried Forward	Over (under) spend	Variance
	£'000	£'000	£'000
ICT	(425)	(51)	(476)
Estates	(1,373)	(275)	(1,648)
Equipment	(250)	(256)	(506)
Vehicle Fleet	-	173	173
	<b>(2,048)</b>	<b>(409)</b>	<b>(2,457)</b>

- 6.7 On this basis there will be slippage of £2.048M added to the 2020/21 onwards programme.
- 6.8 The proposed funding of the 2019/20 programme is also included on Appendix A. This shows that we had minimal external borrowing by taking advantage of positive cash flows and deferred significant external borrowing to 2020/21, this figure of £3.38M is referred to as internal borrowing and will be replenished in 2020/21. This, along with revenue contributions to capital spend and the use of capital receipts left over from 2018/19 has meant we are able to maintain the Capital Financing Reserve at a similar level to last year. The NHS also made a contribution of £0.100M to the cost of kitting out the SARC. On this basis there will be **£0.940M Capital Funding** carried forward to support the 2020/21 onwards Capital Programme.

## **7. Proposed Capital programme 2020/21 Onwards**

- 7.1 The capital programme mainly consists of three main strands, these being ICT, Estates and Fleet, there is also a separate strand relating to small items of capital equipment and capital expenditure for Joint Protective Services.
- 7.2 At this stage in the year, while next year's programme still requires approval, it does provide an indicative level of capital payments over the next four years and beyond with suggestions on how this level of expenditure would be financed. With a programme of this size and duration there is always likely to be deviations from planned spend and the following caveats should be considered:
- Final approval and refining of the HQ Redevelopment project.
  - The collaboration programme is continually being developed and therefore details of the associated capital expenditure are still to be defined.
  - The potential for future applications for external grant applications.
  - The impact of the Covid19 Pandemic on all strands of the capital programme.
- 7.3 Only minor adjustments have been made this year from that requested by each department to allow for timings of cash payments. We have done this because our experience over the last two years has shown that spending departments are managing their budgets much better than they had done in previous years and no intervention is required from the finance department.
- 7.4 Subject to any changes brought about by these listed items, the proposed programme is shown at Appendix B. It is worth highlighting that, when the capital programme is presented for

approval, whilst the programme provides an outlook for the next four years the Commissioner is only requested to approve those schemes which have already commenced or are due to commence in 2020/21. In addition any new one-off scheme, not a replacement system, will require a project appraisal being approved by the Commissioner and Commissioner's Chief Finance Officer. The overall programme shows total estimated costs of **£38.597M** with payments of **£8.882M** in 2020/21, primarily focused on the HQ site redevelopment and replacing the windows in our three main police stations as well as other projects within the estates strategy. The ICT programme continues to develop infrastructure change across BCH along with maintaining the mobile communications strategy.

## **ICT**

- 7.5 The BCH ICT vision is to be integrated with the operational functions and executive decision making process ensuring technical solutions and resources are aligned to the policing vision 2025, corporate strategies, Police and Crime plans and operational objectives. The strategy of the collaborated unit describes how this will be achieved.
- 7.6 The ICT department has now successfully moved to a truly BCH Collaborated unit. As a result of that this year's ICT Capital programme is the just the second truly tri-Force programme that has been produced. While we are only showing the Bedfordshire element of the plan it is a straight extract from the tri-force plan. As a result of this the way the programme is described differs slightly from last year and uses the terminology contained within the plan to ensure it is truly aligned and all three Forces are using the same language and job codes to describe ICT products. This will make the programme far easier to monitor, control and report upon.
- 7.7 The new categories for the ICT programme are **Service Design**, this relates to the way information is held. Hardware such as desk top computers, lap tops, monitors and printers is described as **Devices** and is split between mobile communications and operational. **Infrastructure** relates to maintenance of servers, storage and backups of our systems. **Communications** covers telephony and voice recording systems while **Networks** ensure our networks are maintained with appropriate switches and routers and that BCH security applications & firewalls are up to date and **Applications** is a rolling replacement programme. Finally, there is an element of ICT projects that do not fall under the remit of the ICT Department because of historical decisions or because they have warranted their own programme team. These have been included within the ICT programme but have notionally been called "**outside of ICT scope**" and in 2020/21 include a budget for ESMCP which is the replacement system for Airwave being managed by the Home Office and progress to date has been limited. We have also included tuServ business enhancements and a budget for the investment in Cyber Crime in this category.

## Estates

- 7.8 The projected minor works programme is designed to ensure that our accommodation, in the key areas, is of category B condition (meaning sound, operationally safe and exhibiting only minor deterioration) in line with the approved estates strategy. Condition surveys have been completed across the owned estate in order to be able to prioritise this work over the next three years.

- 7.9 In the 2019/20 capital programme there were a number of linked projects to be based at HQ, these included a replacement for temporary Custody Suite, the car park redevelopment project and the Police/Fire Integration programme. These have now been brought together to form the HQ Redevelopment project. A business case was approved during the last financial year and work began in September 2019, final planning approval was submitted prior to all Planning Committee meetings being suspended as a result of the Covid19 outbreak. This in itself should not delay the outcome of our application which is being heard under delegated powers and a decision is expected by the end of May 2020 meaning the project is currently still on target to hit a completion date of December 2021. The majority of costs for this project are planned in 2021/22.
- 7.10 The Commissioner in approving the development of the HQ Site did consider the following points before coming to a decision;
- The capital spend is funded in part from capital receipts;
  - The ambition to ensure that our HQ facilities are modernised and energy efficient;
  - The target of reducing running costs of the estate that can be used to fund the development costs;
  - The preferred solution to be delivered at the Kempston site as building a new HQ elsewhere would not be acceptable to the public in view of our funding position and the very public manner the PCC and Chief Constable have explained this.
- 7.11 The modernisation and refurbishment of Luton Police Station including a windows replacement programme commenced last year with completion planned for this year. We also have a rolling programme for major plant replacements and the budget for the change of Airport Base has been brought forward from last year's programme.
- 7.12 As a result of our work with the Carbon Trust to complement the improvements at Luton Police Station we have introduced a windows replacement programme for both HQ & Dunstable sites planned for 2021/22.

#### Equipment & Vehicle Replacement

- 7.13 The vehicle replacement programme is designed to keep the Force's vehicle fleet in optimum condition aimed at maximising the useful life of vehicles while still maximising the operational effectiveness of the fleet.
- 7.14 A small equipment budget is maintained for items not included in the estates or ICT strategies including spend within Joint Protective Services.

## 8. Capital Financing

8.1 The Commissioner is limited in her ability to finance capital expenditure without significantly impacting on the revenue budget for the Force, which has seen large reductions in recent year. She has access to the following types of financing:

- Borrowing – borrowing can only be used to fund capital expenditure and as with all types of borrowing it brings with it interest payments, which impact on the revenue budget of the Force, as well as the repayment of the Principal sum borrowed and therefore needs to be considered as part of the revenue budget compilation not just the capital programme. To ensure payments are affordable borrowing is usually undertaken over a longer period of time and therefore where possible should mainly be used for funding expenditure on those assets with a longer lifespan.
- Capital Grant – this is a grant the Commissioner receives from the Home Office, as part of the annual finance settlement. It can only be used for capital expenditure and in the main should be used in the year in which it is given, although there is the capacity to carry it forward.
- Capital Receipts – these are generated through the disposal of capital assets, such as vehicles and the estate. The majority of capital receipts included relate to the delivery of the Commissioners Estates strategy. Capital receipts can only be used for funding capital expenditure.
- Ring-fenced Grants – Occasionally the Commissioner will receive in year grants which will be ring-fenced for specific capital expenditure associated with national policing developments. If such funding is received via the Home Office Innovation Fund we would expect to contribute to the overall cost of the project, these have been categorised at “other external resources”.
- Capital Financing Reserve – this a reserve held by the Commissioner which has been built up to assist with future capital expenditure. It is comprised of revenue budget underspends over a number of financial years and therefore can be used to fund both capital and revenue expenditure.
- Other Reserve – the Commissioner has the ability to part fund the capital programme by other reserves if so desired.
- Revenue Contributions – these are in year contributions from the revenue budget to fund capital expenditure. Whilst the Commissioner and Chief Constable do not budget for any revenue contributions for capital expenditure, they do have the ability through financial regulations to vire funds in year if there is a specific addition to the capital programme. Any additions to the capital programme would need to be agreed in accordance with the Financial Regulations.

8.2 Appendix C highlights, at this stage, the level and type of financing the Commissioner has/requires to fund the capital payments forecasted at Appendix B. A number of points need to be considered at this stage:

- The Commissioner has been notified of the level of capital grant she will receive in 2020/21, this is £0.100M a significant reduction from the £0.429M awarded last year continuing the trend of this grant being all but taken away. Despite this it has been assumed that this level

of grant will remain constant over the life of the capital programme.

- Capital Receipts from the sale of Greyfriars Police Station is expected to come to fruition in 2020/21 having not been completed last year. Other receipts included later in the programme are planned to help fund the redevelopment of the Headquarters site.
- Minimal external borrowing took place in 2019/20 as £3.380M was borrowed “internally” from cash flow. This will need to be replaced in 2020/21 and additional borrowing is required to support the programme as presented, in order to keep reserves at a reasonable level we expect to borrow £6.4M in 2020/21.
- The Commissioner currently has long term borrowing of **£11.020M** including the borrowing that took place in 2019/20.
- It should be highlighted that with the reduced ability to fund capital expenditure from within the revenue budget, due to the pressures from increased policing demand, a significant reduction over the past 5 years in the level of capital grant received and increased use of the Commissioner’s reserves there is a **reliance on borrowing** over the reporting period of approximately **£21.1M**. This is an increase of £2.6M compared to the previous year’s programme as a result of no significant external borrowing being taken last year. Work will be done to reduce the level of borrowing needed over this period and beyond but with less access to capital resources and the need to continually to invest in the Estate, Fleet and ICT in particular the requirement to borrow is likely to continue in the forthcoming financial years.
- As part of the 2018/19 programme a significant amount of funding was released from section 106 monies held by Central Bedfordshire on behalf of the Police. Further use of these funds are planned within this programme. Whilst no Section 106 contributions are reflected in the funding, the PCC has produced her Infrastructure Plan and is now engaging with the Local Authorities to ensure this gets reflected in their Infrastructure delivery plans, which will reduce the level of external borrowing required.

## 9. For Recommendation

- 9.1 That the capital programme as presented is approved in the knowledge that any new one-off scheme, not a replacement system, will require a project appraisal being approved by the Commissioner and Commissioners Chief Finance Officer.

## 10. Appendices

Appendix A – 2019/20 Outturn

Appendix B – Draft Capital Programme 2020/21 to 2023/24 onwards

Appendix C – Draft Capital Programme 2020/21 to 2023/24 onwards – Financing