



## BOARD REPORT

### Strategic Board– 27 March 2018

**Report Title:** Capital Programme 2018/19 to 2021/22

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**Report for:** Chief Constable

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#### 1. Executive Summary

- 1.1 The capital programme for 2018/19 onwards can only be considered in the light of the estimated outturn of the 2017/18 capital programme. This report presents an update of both programmes along with the proposed funding for the 2018/19 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 2018/19. 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 an update of the capital programme 2018/19 to 2021/22 onwards.

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

- 3.1 Capital monitoring report – PCC Executive Board 22 August 2017
- 3.2 Capital monitoring report – PCC Executive Board 21 November 2017

3.3 Beds Cambs Herts (BCH) Information Communications Technology (ICT) Strategy 2016 – 2021

3.4 Estates Strategy 2013 - 2018

#### **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. Estimated Capital Outturn 2017/18**

6.1 The draft capital programme for 2018/19 to 2021/22 can only be considered in the light of the estimated capital outturn for 2016/17.

6.2 The forecast outturn position is an estimated spend of **£3.864M** compared to the programme of **£3.413M**, this is detailed at Appendix A.

6.3 The variance comprises of projects for which payments are expected to slip into future years and under or overspends on completed projects which will have an impact on the overall cost of the four year programme.

6.4 To counter the high levels of slippage encountered in recent years' adjustments were made when the programme was developed to account for the expected timings of cash payments. This has proved to be an extremely useful exercise with minimal slippage incurred across all strategies.

6.5 At this stage, while there will undoubtedly be minor changes prior to the end of the financial year, it is suggested that only **£0.017M** will need to be carried forward, due to slippage in payments, into next year's programme (this compares to £2.459M last year). However, due to the need to make significant changes to the Force Control Room in order to facilitate the introduction of Athena, the need to spend significant funds on major plant replacements that had not been planned for and the development of an enquiry office in Bedford Town Centre the Estates programme is showing an overspend of **£0.545M**, offset to a degree by underspends of **£0.077M** in other areas of the programme.

**Table A – Estimated Capital Outturn 2017/18**

	Carried Forward	Over (under) spend	Variance
	£'000	£'000	£'000
ICT	(0)	(70)	(70)
Estates	60	545	605
Equipment	(77)	(7)	(84)
Fleet	0	0	
	<b>(17)</b>	<b>468</b>	<b>451</b>

6.8 On this basis £0.017M will be added to the 2018/19 onwards programme, subject to any variations between now and the end of the financial year.

6.9 The proposed funding of the 2017/18 programme is also included on Appendix A. This shows that we are planning to borrow £2.5M to part fund the programme. This is £1.5M higher than originally planned but the capital receipts expected in 2017/18 are now likely to be received in 2018/19 negating the need to borrow next year.

## **7. Draft Capital programme 2018/19 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 is in draft, 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. The main reasons for the programme being draft are as follows:

- Further work is required around the proposed custody projects at Headquarters (HQ).
- Further work is required around the potential for Blue Light Integration projects and the future of the HQ site.
- The ICT programme and associated priorities will be reviewed in the light of ICT collaboration and the alignment of the capital programme with that of Herts & Cambs Constabularies as defined in the BCH ICT Strategy.
- 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.

7.3 Please note, the capital programme has been adjusted from that requested by each department to allow for timings of cash payments. This has had the effect reducing the capital programme in 2018/19 and increasing it in later years, this means that on some occasions it could mean that purchases are made ahead of the dates shown in the programme. The aspiration of this method is to better reflect the payment profile of the programme and in 2017/18 had the effect of virtually eliminating all slippage.

- 7.4 Subject to any changes brought about by these listed items, the draft 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 2018/19. 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 **£36.162M** with payments of **£3.464M** in 2018/19, primarily focused on the purchase of the temporary custody facility within HQ and minor works within the estates strategy and ICT infrastructure change and work associated with collaboration.
- 7.5 The gross cost of the programme has increased by **£11.5M** when compared to the same time last year, this is due to the inclusion of plans within the estates programme that are very much at a draft stage but also include the expectation of significant levels of capital receipts meaning there is little change in the net cost of the programme.

### ICT

- The remaining sum for a replacement Finance/HR System is estimated at this stage, the integrated HR and Finance systems will involve a shared service approach. This project is included in the ICT programme categorised as "Collaboration" and is planned for the HR, Duties & Payroll element to be integrated in 2018/19.
- The successful mobile data and body worn video projects now have replacement programmes embedded into the capital programme.
- The Athena project that which is a single integrated ICT solution to support national policing pressures in key operational areas has encountered slippage continues to be included in the capital programme with final investment expected to finish this year.
- The national Airwave system was due for replacement by 2018, the replacement system is known as the emergency services network. This will be based on standard mobile technologies but with a higher level of security provision. The overarching programme for the UK is being run by the Home Office the majority of spend on this project is now expected in 2019/20
- The programme also includes a number of on-going costs such as replacement programmes, infrastructure upgrades and licence agreements.
- There are also items in the programme that facilitate the integration of tri-force systems and communication and the programme of collaboration is embedded.

### Estates

- 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. The detail of the programme for 2018/19 will be published within the next iteration of the report when the capital budget will be finalised.
- Pending the approval of planning permission we intend to purchase the temporary custody facility currently situated on the HQ site. This cost will be offset by savings in the revenue budget which should mean the purchase is self-financing in just over two years

and provides a more efficient approach to the continuation of custody whilst a more permanent solution is sought.

- The permanent solution to the HQ Custody project is informed by the operational needs of the Force and is very much tied into the work outlined below with regards to the consideration being given to the HQ site. However, it is recognised that whilst the temporary custody facility does provide a robust facility it will need a permanent solution within the next 3-4 years. On this basis, although obviously due to the cost it will be subject to a detailed business case, an estimate of spend has been included within the programme commencing in 2019/20.
- Whilst in its infancy of thinking the programme also includes the potential to create a combined Fire/Police HQ, for which funding has been successfully obtained through the One Public Estate, to assess the feasibility of such a project. The Commissioner in agreeing to look at the feasibility of this project will only proceed on the basis that it meets the specific criteria below:
  - The Capital spend is self-funding;
  - It provides for Luton Police Station to be modernised and refurbished;
  - It ensures that our HQ facilities are modernised and energy efficient'; and most importantly
  - It reduces running costs of the estate that can be reinvested back adding to the current frontline to further improve the Force's capacity to deal with ever increasing demand.
  - Any solution must 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.
- Estimated costs for this project have been included from 2019/20 but as aforementioned this project will only continue if it meets these criteria and that the Commissioner can raise the necessary capital receipts through the sale of premises or land. Again any project would be subject to a feasibility study looking at high level options and then a full business case for the proposed option and therefore the figures in this report should be treated as illustrative at this stage.
- As mentioned above to improve the efficiency of the estate and to enhance the environmental aspects the programme includes a project for the refurbishment of Luton Police station. For illustrative purposes, due to the business case for the Fire/Police HQ project, costs have been included from 2019/20.

#### Equipment & Vehicle Replacement

- 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. As part of the Commissioners drive to reduce cost and enhance the environmental aspects of the Force's fleet, the Force, from within it's Community Team based at Dunstable, will trial a fully electric vehicle to assess its feasibility within the unmarked fleet of the Force.
- 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 is likely to receive in 2018/19, this equates to £0.420M the same level as last year. 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 & Ampthill Police stations are expected to come to fruition in 2018/19. Other receipts included later in the programme are dependent

upon approval of a Blue Light integration project with the Fire Service that needs developing and approval.

- Although it has not taken place yet it has been assumed that £2.5M borrowing will take place to part fund the 2017/18 capital programme, assuming capital receipts are received no borrowing will be required in 2018/19 although it is possible that some borrowing may take place ahead of need.
- The Commissioner currently has long term borrowing of £7.720M and due to prudent use of reserves, whilst the approved programmes have included a level of borrowing to assist with the financing, has not had to borrow to support capital expenditure since 2013.
- However, 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 £15M which is consistent with previous years. 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 come to fruition in the forthcoming financial years.

## **9. For Recommendation**

- 9.1 That the capital programme is approved subject to variations as a result of year- end adjustments arising from the 2017/18 final outturn and 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 – 2017/18 Provisional Outturn

Appendix B – Draft Capital Programme 2018/19 to 2021/22 onwards

Appendix C – Draft Capital Programme 2018/19 to 2021/22 onwards – Financing