



**Report for Decision to the Policy, Planning and Performance (Level 1) Public Meeting on 18<sup>th</sup> January 2016**

**Title: Medium Term Capital Plan 2016/17 – 2019/20**

**Executive Summary:**

The purpose of this report is to present the medium term capital plan (MTCP) for 2016/17 to 2019/20 to the PCC for formal approval. The Programme has continued to be extensively reviewed since it was initially presented in October, with both existing and new projects assessed for achievability and overall financial impact within planned implementation timescales.

The aim of the draft MTCP is to support service delivery of the PCC's Police and Crime Plan and the Force's long term strategy. The Plan provides the Force infrastructure and major assets through capital investment, enabling the Force to strengthen and streamline core assets and systems, and provides the framework for delivering innovative policing strategies with significantly less resources.

The 2016/17 to 2019/20 MTCP, recommended for approval today, comprises schemes costing £69.133m gross expenditure over the 4 year period. This includes £5.505m of projects previously identified in the 2015/16 capital plan, but which have been rephrased to allow for planning and tendering procedures. The MTCP is fully funded but requires the use of up to £1.493m Improvement and Performance reserve. No external borrowing is needed but at the end of the four year capital programme period all available capital reserves will have been fully utilised.

It should be noted that the plan does not currently include provision for future development of the Digital Policing Programme (DPP) as these plans are still being developed. Business cases are expected to be available by the end of March 2016.

During December 2015 a number of collaborative Innovation Grant funding bids were submitted to the Home Office by Thames Valley, Hampshire, Surrey and Sussex relating to new and existing 2016/17 schemes. The total Innovation Fund for all forces in 2016/17 is £55m, reduced from £70m in previous years and it is understood that around £20m has already been allocated through prior year bids, reducing the available fund size to around £35m. No new 2016/17 Innovation Grant Funding has been assumed within the MTCP financing, but any award would improve the Force funding position.

It is anticipated that a further MTCP update will be presented to the PCC early in the new financial year (June or July) to reflect any Home Office awards relating to Innovation funding and provide further information on future Digital Policing costs.

**Recommendation:**

The PCC is asked to:

- Approve the draft capital programme for 2016/17 in the sum of £28.405m as set out in Table 1
- Approve the financing of the capital expenditure as set out in Table 2.
- Approve the 4 year Medium Term Capital Plan (2016/17 to 2019/20) for planning purposes at £69.133m (including re-phasing) as set out in Table 1.
- Approve the application of up to £1.493m from the Improvement and Performance reserve to help finance the overall investment plan.

**Police and Crime Commissioner**

I hereby approve the recommendation above.

**Signature****Date****Purpose & Introduction**

1. The purpose of this report is to present the draft Medium Term Capital Plan (MTCP) for 2016/17 to 2019/20 for formal approval. The PCC was initially presented with the draft Plan at the end of October 2015. Since then the plan has continued to be reviewed, with both existing and new projects assessed and challenged for inclusion in the draft MTCP. The draft Plan presented today (Appendix 1), totals £69.133m gross expenditure.
2. At this stage it is estimated that over the four year programme period, all capital reserves will be utilised and up to £1.493m from the Improvement and Performance reserve will also be required to fully fund the MTCP. The reserve funding may not be required however, dependant on the award of Innovation Grant, the level and timing of capital receipts and the final timings and costs of projects. It should also be stated that future scope and costs relating to Digital Policing (DPP) are still being defined and are not included in the current programme of works. Additional reserve funding may be required to support this.

**Draft Medium Term Capital Plan – Overview**

3. The aim of the draft MTCP is to support service delivery prioritised and aligned to the PCC's Police and Crime Plan objectives and the Force's long term strategy. The Plan provides the Force infrastructure and major assets through capital investment, enabling the Force to strengthen and streamline core assets and systems and providing the framework for delivering innovative policing strategies with fewer resources.
4. The draft plan is compiled with full reference to the current financial climate and the drive to reform the methods for delivering the policing service to maximise the level of resources directed to priority areas and improve the overall productivity levels. The draft plan also reflects the provision police finance settlement for 2016/17.

5. Key focuses of the draft MTCP are:
- To ensure the property estate remains fit for purpose, identifying opportunities to streamline assets and develop the estate infrastructure; finalising the HQ accommodation strategy, improving core training facilities and progressing the Asset Management Plan to deliver long term savings.
  - To ensure provision is made for ICT Technology that continues to maintain and develop the existing infrastructure and invests in the core technologies required to provide innovative digital policing services.
  - The maintenance and replacement of other core assets where necessary e.g. vehicles and radios. This now includes provision for the Emergency Services Mobile Communications Project (EMSCP), the national replacement of airwave services.
6. The cost and funding estimates within this draft capital programme are based on the best information available at the time. This can be standard building costs, desktop estimates or an estimate based on the experience of another force. Future inflation is reviewed annually as part of the budget development process and included where appropriate.

**Draft Capital Programme – Summary**

7. The draft MTCP builds on the existing capital plan approved in July 2015.
8. All existing and proposed new schemes are sponsored by chief officer leads and are reviewed by CCMT taking into consideration the strategic priorities of the PCC, the operational priorities of the Force and the risk associated with each scheme. The assumptions, scope and costs underlying each scheme are challenged as are the schemes themselves to ensure they remain justified given the economic climate. Figures within the draft MTCP reflect this and, as a consequence, some revisions have been made to existing programme schemes, as well as new ones introduced.
9. The planned gross expenditure within the draft MTCP totals £69.133m. This is summarised in Table 1 below and includes projects previously identified in the 2015/16 capital plan (£5.505m), which have been rephrased to allow for planning and tendering procedures. A more detailed analysis is provided in Appendix 1.

**Table 1: Summarised Draft Capital Programme**

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Property	7.342	9.527	9.695	2.517	<b>29.081</b>
ICT	16.590	2.437	1.387	1.077	<b>21.491</b>
SECTU / Tactical Firearms					
Equipment & Radio	1.445	3.954	0.479	0.150	<b>6.029</b>
Vehicles	3.028	3.097	3.168	3.240	<b>12.533</b>
<b>Totals</b>	<b>28.405</b>	<b>19.015</b>	<b>14.729</b>	<b>6.984</b>	<b>69.133</b>

10. Funding of the draft programme takes into account the current remaining capital reserves, grant funding, anticipated capital receipts from asset sales, revenue contributions and the use of earmarked reserves. It is now estimated that over the four year period there will be a requirement to draw down additional funding of up to £1.493m from the Improvement and Performance revenue reserve and at the end of the 4 year period all capital reserves will be fully utilised.

11. Funding of the draft capital programme is shown in Appendix 1, Schedule 7. The bottom row in this table shows the balance of accumulated capital reserves at the end of each financial year. This implies that at the end of 2016/17 and 2017/18 there will be a negative balance, i.e. that we plan to spend more in those years than we can afford to fund from available reserves and forecast capital income over those years.
12. In practice this is not expected to happen since planned expenditure is rarely incurred according to the original profile which is why a new capital monitoring process was introduced earlier this financial year. The profile of actual expenditure will be monitored very closely to ensure that we do not commit more resources than we can afford to fund. However, in the unlikely event that planned expenditure does occur as per schedules 1 to 5 then officers will present options to the PCC on how this expenditure could be funded pending the receipt of capital grant, capital receipts and other capital income.

### **The Capital Programme – New or revised Major Schemes**

#### **Property schemes**

13. These schemes are necessary to meet a combination of key priorities, including maintaining operational performance and capacity as well as strategic asset management. The significant changes to the property projects since October are:
  - **Milton Keynes Police Station** – The existing £3m project of site wide works has been extended by £0.600m, to be fully funded from third party contributions. The works will enable the future AMP release of Bletchley Police Station.
  - **AMP replacement programme updated** – The process of reviewing the estate is an iterative and ongoing process taking into consideration changes in how we deliver policing services supported by improvements in ICT and technology and the opportunities to co-locate with partners. The next formal iteration of the AMP is planned for June 2016.
  - **AMP fit-out costs** - In order to facilitate the AMP estate transition, it is estimated that additional fit-out costs will total £0.751m during the MTCP period.
  - **Property project inflation** – Inflation of £0.546m for property related projects and a further £1.284m for AMP projects has been included across the MTCP period to reflect extraordinary market conditions, principally driven by the high volumes of property related works being conducted in the Thames Valley area, which is reducing the availability of contractors to compete for our works.

#### **Technology Schemes**

14. The ICT Technology section of the MTCP was updated in July 2015 to reflect the new 5 year ICT strategy. This resulted in the inclusion of capital funding to invest in ICT 'Technical Debt' (i.e. historical under-investment) and Infrastructure Enablers, alongside identifying reserve funding to support the implementation of the strategy. This position remains unchanged however implementation of the ICT strategy could identify future additional technology opportunities which are not included within this plan.
15. The following new schemes and adjustments to existing change programmes have been included which add **£8.692m** to the four year capital programme:

- **Web Options Strategy** - This project develops a collaborative intranet, internet and knowledge management solution with Hampshire Constabulary to update and improve the current costly and dated web systems employed across the 2 forces. This will enable an enhanced digital 101 / Contact Management Programme (CMP) approach to customer contact. An innovation fund bid has been submitted to the Home Office seeking grant funding for this project.
- **Fingerprints – End to End System** - This bid seeks to identify an IT system to manage digital transfer, comparison and storage of crime scene fingerprints from capture to Court presentation. Process efficiencies are expected to be achieved and an Innovation fund bid has been submitted.
- **Computer Triaging** - This bid enables the triaging of digital forensic evidence capture to reduce High Tech Crime Unit (HTCU) demand through the use of new specialist ICT hardware & software. Innovation funding has been sought to support this project.
- **ERP - £4.00m** - The existing ERP provision has been adjusted to reflect the maximum capital funding impact; the conclusion of the current tendering process will provide the actual revenue / capital split. A full business is being prepared and will be available at the start of February. An innovation bid has been submitted to seek funding for this collaborative project by Sussex.
- **Contact Management Programme (CMP)** - As scoping of the CMP project has continued, detailed analysis of works required with our partner, Microsoft, has resulted in a revised estimate of costs from the supplier, which has been robustly challenged. In addition, new architectural components have been put in place through this project that will provide the foundation for other programmes, including Digital Policing (DPP). This bid now includes costs associated with search facilities that were previously identified separately, extended project team costs to reflect revised implementation timescales and a contingency to mitigate the risk of further budget increase requests. The revised cost base will require additional budget approval from both TVP and Hampshire.
- **Digital Policing Programme (DPP) – Costs tbc** – The DPP programme is currently delivering projects around smart phones, in car WIFI and Body Worn Video. In addition, scoping work has been undertaken to identify which digital capabilities will provide the most benefit to officers and staff in transforming service delivery. The implementation plans for DPP are being developed based on prioritised delivery but, at the present time, future budgetary requirements are not yet available. Work, currently being commissioned and expected to run until March 2016, will define business cases for prioritised areas and help inform future costs. Once these are known they will be brought to the PCC for a decision on funding. **Any additional investment is likely to require funding from the earmarked Improvement and Performance reserve.**

**Comment [L1]:** Need to check with Colin if he thinks it will disadvantage us if Microsoft know we have budgeted for this amount.

#### **Equipment & Radio**

16. The equipment scheme includes a very limited provision for essential radio replacements pending the ESMCP (see below), as well as Automatic Number Plate Recognition (ANPR) and the basic equipment bid. The annual provision for equipment is set at a nominal £0.100m p.a. and its usage is reviewed by the Director of Finance. The annual provision for ANPR is £0.100m, which includes replacement of old equipment and funding to support partnership expansion bids.

17. **ESMCP – Airwave Replacement Project.**

The Emergency Service Mobile Communications Programme is a nationally led project to replace all critical voice channels with a digital solution and broadband coverage for all 3 emergency services. Local implementation is being managed as a collaborative project with Hampshire. Project implementation is currently expected to jointly cost £4.901m, with the TVP share being £2.686m, excluding the purchase of replacement devices, for which a further estimated allowance of £1.644m is shown bringing total costs for TVP to £4.330m. Assurances have been received from the Home Office that funding will be received to support the change programme, including the purchase of devices and this is reflected in the funding assumptions. The funded period is expected to cover 12 months before and 12 months after transition, and total circa £3.735m for TVP, including expected specific grant for devices. Funding approval is sought to cover ICT and implementation costs prior to the Home Office funding period which, for TVP, is £0.595m.

**Vehicles**

18. The vehicle replacement provision is used to maintain the capacity and efficiency of the Force's vehicle fleet. The programme is based on a dynamic replacement model created by Chiltern Transport Consortium which recognises the impact of both age and usage on the vehicle life cycle to identify the most economical replacement point for each vehicle. A review of the size and composition of the fleet is included within the Priority Based Budgeting review but the majority of this work will be driven by the new operating model currently under development. Previously included inflationary and funded growth of £0.864m has been reduced to £0.269m primarily due to the impact of the new vehicle contract.

**Funding of the Medium Term Capital Plan 2016/17 to 2019/20:**

19. The MTCP, recommended for approval today, comprises schemes costing £69.133m gross expenditure over the 4 year period. This includes £5.505m of projects previously identified in the 2015/16 capital plan, but which have been re-phased to allow for planning and tendering procedures. Funding of the MTCP is detailed in schedule 7 of Appendix 1 attached.
20. Capital receipts of £43.820m from Asset Management Plan (AMP) disposals, house sales, shared equity repayments and vehicle sales are expected to provide significant support to the overall plan over the 4 year period, AMP sales provide £35.265m of this funding. It should be noted that whilst a prudent approach to capital receipts in relation to both amounts and timing has been adopted, the receipts may vary from planned profiles.
21. Capital grant allocations have been cut in the recent Police Grant Settlement, reducing central funding by £4.610m over the 4 year MTCP. The annual capital grant for next year is now just £1.7m and, in the absence of firm information from the Home Office, we have assumed that this amount will continue to be received in future years also. This reduction in grant funding has been managed by increasing Direct Revenue Financing, included in the revenue medium term financial plan (MTFP), by £5.7m over the period. This will support the overall capital programme.
22. Some elements of how the nationally driven ESMCP programme are to be funded are still uncertain. We have assumed that specific grant will be made available to cover elements of the transition and the cost of replacement devices. At present the costs and grant are estimates and may change, but total funding is assumed to be £3.735m, including devices.

23. During December 2015 a number of collaborative Innovation Grant funding bids were submitted to the Home Office by Thames Valley, Hampshire, Surrey and Sussex relating to new and existing 2016/17 schemes. Nationally the Innovation Fund has been reduced from £70m to £55m, of which around £20m has already been allocated. At this time no new 2016/17 Innovation Grant Funding has been assumed within the MTCP financing, but any award would improve the Force funding position. Decisions are expected towards the end of the current financial year.
24. The MTCP will require a some support from earmarked Improvement and Performance reserve to balance the MTCP over the 4 year period. It is therefore requested that the PCC formally approves the use of up to £1.493m of reserves as part of the budget approval process.
25. It should be reiterated that work continues to identify the financial impact of DPP and this may result in an application to the PCC for further funding from the Improvement & Performance reserve.
26. The change to the use of reserves is reflected in the separate report on Reserves & Balances which details the overall reserve position over this planning period.
27. Beyond the draft MTCP period, financial considerations are likely to become increasingly acute; one-off windfall sales of finite assets such as police houses will become less prevalent, partner funding is likely to reduce and revenue reserves and support will become even more limited. It is therefore crucial that investment decisions support the long term development of the Force. In essence the PCC has a cash-limited opportunity to continue to shape the Force to be able to operate effectively in an increasingly hostile financial environment and, once done, future reshaping will be far more difficult to accomplish with the limited resources available thereafter.

### **Alternative funding Solutions**

28. Over the coming years, particularly beyond the draft Plan period, alternative funding solutions may be required. This may include a return to borrowing, e.g. for the AMP 'invest to save' initiatives, although this in itself puts further pressure on revenue budgets to fund resultant borrowing costs. Alternatively, projects could be funded by a revenue contribution to capital which avoids the on-going interest charges, but will require further revenue savings to offset the additional DRF.

### **Financing of the Draft Capital Programme**

29. Recommended financing of the draft capital programme 2016/17 to 2019/20 is set out in table 2 below:

	<b>2016/17</b>	<b>Total 4 years</b>
	<b>£m</b>	<b>£m</b>
Capital grant (inc ACPO TAM)	10.724	14.891
Capital receipts	15.415	43.820
Revenue contributions	0.840	6.260
Revenue reserves (Risk Management reserve)	0.268	0.461
Revenue reserves (Improv & Perf) to be approved.	0	1.493
Third party contributions	0.708	1.308
Safer Roads Partnership	0.450	0.900
<b>Total Financing</b>	<b>28.405</b>	<b>69.133</b>

### Issues for Consideration:

30. Whilst the figures included in the draft capital programme are as accurate as possible it should be noted that a number of elements will continue to be developed and result in future change requests. These include:
- **Asset Management Plan (AMP)** schemes still require firm solutions to be identified; hence costs will be subject to variation. The timing of AMP schemes are partly dependant on availability within the market. In addition, currently leased premises will continue to be considered for purchase where it makes sound financial sense to do so. These are in addition to current AMP works.
  - **Sale of Land** - The future development of Gowell Farm in Bicester into eco-housing, if successful, will generate a significant capital receipt that is currently not included in the funding projections (schedule 6) due to uncertainty over scope and timing. When realised, this income will support future capital projects.
  - **Programme flexibility** – As demonstrated by scoping exercises within the CMP, the developmental nature of some change programmes have resulted in budget revisions. The nature and pace of ICT development and change is therefore likely to increase uncertainty around budget provisions in this area. Programmes in the early stages of development such as the Digital Policing Programme (DPP) are likely to identify additional technology which will be evaluated on a cost benefit basis when identified. **Future budget requirements for DPP are still to be identified and are currently not financed within the MTCP.**
  - **Income** – Funding arrangements relating to ESMCP are still to be finalised and will provide some uncertainty over the next few months.
  - **Innovation Fund** – A number of bids have been submitted by both TVP and partner forces to secure innovation funding. We are currently not assuming any successful grant awards therefore any additional grant would improve the financing position in Schedule 6. Notification of grant success is normally expected around the end of the current financial year.
  - **Global economic pressures** - It should be noted that there is some risk that global economic pressures could influence the Government's ability to maintain future grants at expected levels. Due to reducing capital grant allocations the use of direct revenue financing has been increased. This could be at risk if future revenue settlement figures are lower than expected.

### Conclusion & Recommendation

31. Despite a positive Police Revenue Grant Settlement, the Police Capital Grant allocation was reduced significantly. The Force continues to progress through a period of considerable and sustained financial pressure and changes to the profile of policing demand. Investment remains essential to ensure the Force becomes leaner and more efficient in its use of resources. Utilising rapidly developing ICT technology to enable future collaborations to reduce costs, improve access to and for the public, and assisting in delivering our priorities is a fundamental requirement for the modern police service.



32. The schemes included in the 2016/17 draft MTCP are considered by CCMT to be essential for enabling and improving future service provision through a more efficient estate and the use of technology.
33. The MTCP presented today for approval identifies total planned spend of £69.133m over the 4 year period 2016/17 to 2019/20. This includes £5.505m of re-phased 2015/16 approved projects. Although no additional external borrowing is required, a modest appropriation from the Improvement and Performance reserve of up to £1.493m is sought to fund and balance the MTCP over the 4 years.
34. It should be reiterated that Innovation Grant has been applied for which, if successful would support the overall financial position however there is also an awareness that plans for the Digital Policing Programme are still being developed and future years costs are yet to be identified.
35. The PCC is therefore asked to consider the following:
- Approve the draft capital programme for 2016/17 in the sum of £28.405m as set out in Table 1
  - Approve the financing of the capital expenditure as set out in Table 2.
  - Approve the 4 year Medium Term Capital Plan (2016/17 to 2019/20) for planning purposes at £69.133m (including re-phasing) as set out in Table 1.
  - Approve the application of up to £1.493m from the Improvement and Performance reserve to help finance the overall investment plan.

#### **Legal comments**

36. The capital programme is an integral part of the overall budget package which the PCC must consider each year. These reports are presented to the PCC, in compliance with the requirements of the Prudential Code and will demonstrate that capital investment plans are affordable, sustainable and prudent.

#### **Equality comments**

37. No specific implications arising from this report

#### **Background papers**

Annual capital programme 2015/16  
The MTFP 2016/17 to 2019/20  
Reserves, Balances & Provisions report - January 2016

#### **Public access to information**

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the website within 1 working day of approval. Any facts and advice that should not be automatically available on request should not be included in Part 1 but instead on a separate Part 2 form. Deferment of publication is only applicable where release before that date would compromise the implementation of the decision being approved.

**Is there a Part 2 form? No**

Name & Role	Officer
<p><b>Head of Unit</b> The Medium Term Capital Plan presented for approval today supports service delivery of the PCC's Police and Crime Plan and the Force's long term strategy. It is fully funded but requires the use of up to £1.493m earmarked reserves. There will be an updated MTCP presented early in the new financial year to recognise any Innovation funding award and clarity of future DPP costs.</p>	Director of Finance
<p><b>Legal Advice</b> No specific issues arising directly from this report</p>	Chief Executive
<p><b>Financial Advice</b> The Chief Constable is proposing a 4 year Medium Term Capital Programme which supports delivery of the PCC's Police and Crime Plan. The budget requires the use of a further £1.493m Improvement &amp; Performance reserve to fund the overall programme. Capital reserves will be fully utilised by the end of the 4 year planning period</p>	PCC Chief Finance Officer
<p><b>Equalities &amp; Diversity</b> No specific implications arising from this report</p>	Chief Executive

**OFFICER'S APPROVAL**

We have been consulted about the proposal and confirm that financial and legal advice have been taken into account in the preparation of this report.

We are satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner.

Director of Finance

Date 11<sup>th</sup> January 2016

Chief Finance Officer

Date 11<sup>th</sup> January 2016