



Report for Decision to the Policy, Planning and Performance (Level 1) Public Meeting on 23rd January 2018

Title: Medium Term Capital Plan 2018/19 – 2020/21

Executive Summary:

The purpose of this report is to present the Medium Term Capital Plan (MTCP) for the 3 years from 2018/19 to 2020/21 to the PCC for formal approval of both the capital plan for the coming 2018/19 financial year and for the following 2 financial years for planning purposes. The Programme has continued to be extensively reviewed, challenged and prioritised since it was initially presented in November, with both existing and new projects assessed for achievability and overall financial impact within planned implementation timescales.

The aim of the MTCP is to support service delivery of the PCC's Police and Crime Plan and the Force Commitments. 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 our collaborative partners throughout policing and within the Criminal Justice system.

The MTCP for 2018/19 to 2020/21, recommended for approval today, comprises schemes costing £26.485m in 2018/19, which includes £15.124m of projects previously identified in the 2017/18 capital plan, but which have been re-phased to allow for planning and tendering procedures and £64.860m overall, over the 3 year period. As we progress towards the end of the financial year other re-phasing may present itself.

The MTCP presented today has a small remaining capital funding balance of £0.504m at the close of the MTCP period. The funding is principally through the use of reinvested capital receipts, substantial direct revenue financing, grant funding and the use of both existing PCC reserves and safer roads income. However there is an expectation that the Force will need to borrow approximately £5m towards the end of the MTCP to support the redevelopment of Reading police station.

The proposed 3 year MTCP presented for approval today (£64.860m) is in addition to the currently approved 2017/18 capital programme, adjusted for re-phasing to £30.145m, bringing total capital investment over 4 years between 2017/18 and 2020/21 to £95.004m.

The HM Treasury guidance on capital projects recognises that there is potential for project costs to exceed the initial assessment. This is called Optimism Bias – (OB) and relates to any project type, although it can be particularly impactful when relating to the development of Information and Communication Technology. The Force recommends that, based on the size of the MTCP, an Optimism Bias Reserve of £12m is retained to support this level of investment. This reserve will be created by transferring monies from the Improvement and Performance reserve, which will be reduced to just £0.1m by the end of 2020/21 as explained in the separate report on reserves and balances.

It should be noted that the MTCP is a prioritised programme of works for the Force to continue to develop over the coming years. As policing continues to evolve other investment opportunities and legislative changes to improve performance levels and efficiency of the service and to continue to align with other Criminal Justice Partners will no doubt present themselves and will need to be assessed against available resources.

Recommendation:

The PCC is asked to:

- Approve the draft capital programme for 2018/19 in the sum of £26.485m as set out in Table 1, which includes £15.124m of re-phased budget from 2017/18.
- Approve the financing of the capital expenditure as set out in Table 2.
- Approve external borrowing of £5m in 2020/21 to help fund long-term property projects
- Approve the 3 year Medium Term Capital Plan (2018/19 to 2020/21) for planning purposes at £64.860m (including re-phasing) as set out in Table 1.
- Approve the creation of an Optimism Bias Reserve to support the overall MTCP by transferring £12m from the Improvement and Performance Reserve.

Police and Crime Commissioner

I hereby approve the recommendation above.

Signature

Date

Purpose & Introduction

1. The purpose of this report is to present the Medium Term Capital Plan (MTCP) for the 3 years from 2018/19 to 2020/21 to the PCC for formal approval of both the capital plan for the coming 2018/19 financial year and for the following 2 financial years for planning purposes.
2. The PCC was initially presented with the draft Plan in November 2017. Since then the Programme has continued to be extensively reviewed, challenged and prioritised, with both existing and new projects assessed for achievability and overall financial impact within planned implementation timescales. The Plan presented today (Appendix 1), totals £64.860m gross expenditure, which includes £15.124m of re-phased budget from 2017/18.
3. The aim of the MTCP is to support service delivery of the PCC's Police and Crime Plan and the Force Commitments. 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 our collaborative partners throughout policing and within the Criminal Justice system.

Medium Term Capital Plan – Overview

4. The Medium Term Capital 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 overall productivity levels. The plan reflects the police finance settlement for 2018/19.
5. Key focuses of the MTCP are:
 - To ensure the property estate remains fit for purpose, identifying opportunities to streamline assets and develop the estate infrastructure; maintaining core sites and facilities and progressing the Asset Management Plan to deliver long term savings.
 - To ensure provision is made for the continued maintenance and development of ICT Technology through the ICT Roadmap and Digital Transformation Programmes, which allows the force to work with its collaborative partners, regionally and nationally, to develop new efficient and effective policing delivery models within the overall Criminal Justice System and improve overall service to the public.
 - The maintenance and replacement of other core assets where necessary e.g. vehicles and radios. This 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.
7. The HM Treasury guidance on capital projects recognises that there is potential for project costs to exceed the initial assessment. This is called Optimism Bias – (OB) and relates to any project type, although it can be particularly impactful when relating to the development of Information and Communication Technology. The Force recommends that, based on the size of the MTCP, an Optimism Bias Reserve of around £12m is retained to support the level of investment. This reserve will be created by transferring money from the Improvement and Performance reserve, which will be reduced to just £0.1m by the end of 2020/21 as shown in the separate report on reserves and balances.

Capital Programme – Summary

8. The MTCP builds on the existing capital plan approved in July 2017.
9. 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 MTCP reflect this and, as a consequence, some revisions have been made to existing programme schemes, as well as new ones introduced.
10. The planned gross expenditure within the MTCP totals £64.860m, which includes £15.124m of project budget re-phased from 2017/18 to allow for planning and tendering procedures. This is summarised in Table 1 below. A more detailed analysis is provided in Appendix 1, which details the various projects within each category of investment.

SCHEDULE 1 : DRAFT CAPITAL EXPENDITURE FORECAST SUMMARY

Jan-18

	Revised 2017/18 £000	Re- phased from 2017/18 £000	New Spend 2018/19 £000	Total Spend 2018/19	New Spend		Total 2018/19 to 2020/21 £000	Schedule Reference
					2019/20 £000	2020/21 £000		
Property	7,410	5,217	1,447	6,664	3,872	10,300	20,836	Schedule 2
ICT/ Business changes	16,595	2,900	8,754	11,654	7,167	3,373	22,193	Schedule 3
SECTU/ Tactical Firearms	1,557				-	-		Schedule 4
Equipment & Radio Replacement	1,486	7,007	-2,262	4,745	6,329	150	11,224	Schedule 5
Vehicles	3,097		3,421	3,421	3,593	3,593	10,606	Schedule 6
Capital Total to be Financed	30,145	15,124	11,361	26,485	20,960	17,415	64,860	
Financing Available	44,162			12,345	13,948	25,053	51,346	Schedule 7
Cumulative Funding Position	14,018			-122	-7,134	504	504	Schedule 7

11. The MTCP presented today has a small remaining capital funding balance of £0.504m at the close of the MTCP period. The funding is principally through the use of reinvested capital receipts, substantial direct revenue financing, grant funding and the use of both existing PCC reserves. However there is an expectation that the Force will need to borrow approximately £5m towards the end of the MTCP to support the redevelopment of Reading police station.
12. Funding of the MTCP is shown in more detail in Appendix 1, Schedule 7. The bottom row in this table and table 1 above shows the balance of accumulated capital reserves at the end of each financial year. This implies that at the end of 2018/19 there will be a minimal shortfall of £0.122m and a larger shortfall of £7.134m in 2019/20 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.
13. In practice this is unlikely to happen exactly as indicated since planned expenditure is rarely incurred according to the original profile. 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 in each year and the PCC will be updated via the regular capital monitoring reports.

The Capital Programme – New or Revised Major Schemes

14. The significant new projects or scheme changes since the current MTCP was approved in July 2017 are listed below and for ease of identification are listed at the bottom of schedules 2 & 3 within appendix 1 and specifically highlighted within schedules 4-6. The vast majority of new projects have been previously presented to the PCC in Draft for review in November, but are included here again for completeness. Some projects will have been re-phased to reflect updated work profiles.

Property schemes – Schedule 2

15. The Property Services MTCP items are shown in Schedule 2 of Appendix 1. These schemes are necessary to meet a combination of key priorities, including maintaining operational performance and capacity as well as strategic asset management. The new prioritised project bids are listed at the bottom of the appendix, totalling **£5.389m**. As previously reported the existing scheme for Milton Keynes has identified a saving of **£0.453m** compared to the original budget and has been re-phased to reflect expected timelines. New or updated Property projects include:
- **Reading Police Station** – The project timescales have been reassessed and a later completion date in 2021/22 is now expected, moving some costs to later years, but also delaying the capital receipt until after the MTCP period. Final design plans remain uncertain pending decisions on locating ARV and Roads Policing which may impact on overall cost estimates.
 - **Windsor Station Replacement** - The original approved project reflected the preferred option to relocate the Police Station to the RBWM York House site. This is no longer achievable (planning issues) and the agreed fall-back option is to redevelop our current site. There is an expected additional cost of £0.100m, the expected timescales for completion are re-phased and the sale of the excess land will be reduced in scope and hence realise a smaller receipt. The sale proceeds are now profiled to occur after 2020/21, outside the MTCP period.
 - **CTFSO Accommodation** - An estimated £1.525m build for CTFSO accommodation at Sulhamstead. This includes an expectation that this should be fully funded from grant (included in schedule 7) and is therefore nil cost to TVP.
 - **Fountain Court Infrastructure work** - As part of the feasibility work prior to Fountain Court being purchased it was identified, in the pre-acquisition report, that there was a need for some infrastructure refurbishment work. This is now estimated at £2.750m, based on recent work on other parts of the building.
 - **Asset Management Plan (AMP) Works** – £1.014m - Investment required in a number of schemes to release £2.450m of capital receipts and generate revenue savings included in the MTFP.

Technology Schemes - Schedule 3

16. Over the last several months the ICT department has developed and presented a 5 year Strategy Roadmap of prioritised activities to continue modernising the legacy infrastructure and create a solid technology platform, from which the force can continue to transform working practices.
17. In addition, separate consultants were engaged to develop a Digital Transformation Portfolio (DTP) resulting in quantified initiatives to integrate digitised policing into the Criminal Justice System, improve digital investigation and intelligence and ensure frontline resources have the technology they require and improve digital public contact.
18. The PCC was presented with a summarised version of these two pieces of work and other ICT impact bids from across the force within the JCOG Change Programmes at the Joint

TVP/HC Collaboration Governance Board on 6th and 30 November and . The Force, along with its lead collaborative partner, Hampshire Constabulary have sought to include joint Tier 1 (Critical or Mandatory) and Tier 2A (High priority) proposals within the MTCP for approval. It is recognised that other lower priority bids have not been included for approval at this time, but the force may have to reconsider those over the coming years, subject to funding being available.

19. There are 29 new or updated ICT related projects included in the MTCP, 26 of which are collaborative, all of which have been previously presented to Joint Chief Officers or discussed in previous reports. Examples of the more significant projects are included below.
20. *Note: unless otherwise stated, ICT costs shown are the TVP share of total joint investment costs with Hampshire Constabulary or other partners.*

Examples of Tier 1 & Tier 2A Collaborated Projects include:

- **End User Devices:** A **£1.517m** uplift in provision over the 3 years (excluding later years) for the replacement of phones and BWV - End User Devices. This budget will support a staged replacement and ongoing provision of smartphones based on a 2 to 3 year hardware lifespan for 11,000 phones between both forces. The provision also includes a staged replacement budget for 1,250 BWV devices in TVP based on a 4 year lifecycle.
- **Increased Laptops and Reduced Desktops:** The ICT Roadmap identified that the roll out of laptops / reduction of desktops and a provision for ongoing replacements is an essential enabler to support the mobile vision. An additional **£2.775m** uplift (adjusted to reflect existing provision and excluding later years) has therefore been included which allows for a staged rollout of hardware and a replacement cycle of 3 years for 10,000 devices across both forces.
- **The Essential Upgrade to Windows 10 –** Windows 8 is going out of support and manufacturers have stopped mass production of Windows 8 compatible machines – requiring the force wide upgrade to Windows 10 at **£2.466m**.
- **NPTC (National Police Technology Council – Upgrade to Office 365 – £0.822m –** This project is the implementation of Microsoft Office 365 which is an Office Productivity Platform enabling staff and officers to work more efficiently through remote working e.g. Skype, presence and team sites.
- **DEMS – Digital Evidence Management –** £0.493m investment in technology used for assuring the evidential integrity of digital evidence from point of creation to enabling transfer and presentation to court.
- **CMP – Contact Management Platform –** As previously reported, this project is nearing completion with go live expected to start in March 2018. This project has been the subject of some implementation delays resulting in an additional funding requirement of £1.644m across 2017/18 and 2018/19 being approved by the PCC on 12 December 2017

- **Enterprise Resource Planning (ERP)** - The ERP programme is currently engaged in a major re-plan/reset. Although definite go live dates are not yet available expectations are that it is now likely to be towards the end of 2019/20. This means that the internal project team engagement and hence associated costs will increase proportionately. A capital budget uplift of £1.1m to £6.1m is now requested, which includes £1m contingency. The KPMG contract is a fixed price contract so the external costs will not increase.
- **TVP Force Specific Investment:** A further **£1.837m** is identified for TVP specific projects including expansion of the number of electronic devices for Neighbourhood Officers, including further Body Worn Video and for the replacement of aged analogue PACE interview recording with a new digital solution.

Other Items – Schedule 4-6 Appendix 1.

Equipment & Radio – Schedule 5

- **General Annual Equipment Provisions:** Annual provisions for non-specific capital equipment purchases and ANPR installation replacements are also included for 2019/20 & 2020/21 adding **£0.200m** to the total plan costs.
- **ESMCP – Grant and Device costs:** An additional **£1.8m** has been included for ESMCP devices to align our unit price provision with the other SE forces at £800 each. This is believed to represent a prudent upper-end cost provision and increases the total budget to £4.8m for 6,000 devices. There is no specific provision for replacement of these items in future years although it is likely the cost will be absorbed to some extent in the phone and BWV replacement provisions. In addition, the £0.895m ESN grant received last year for control room upgrades has been recognised within the ESMCP project budget.
- **Fleet Vehicles:** Vehicle Fleet renewals through the Chiltern Transport Consortium (CTC) are included for year 3 - 2020/21 (£3.593m) and existing provisions uplifted by additional inflation (to £3.421m for 2018/19) to reflect recent price increase notifications from suppliers. This is also an area of potential risk for the future where the impact of Brexit and exchange rates may continue to have a negative impact on cost. The future replacement plans are regularly reviewed within CTC with an eye to future transport innovations. The impact of a move to a potentially more efficient and clean fleet fuel mix, possibly considering electric and hybrid motors are expected to be the subject of future reports over the next 12 months but will potentially require increased capital funding.

Funding of the Medium Term Capital Plan 2018/19 to 2020/21:

21. The MTCP, recommended for approval today, comprises schemes costing £64.860m gross expenditure over the 3 year period. This includes £15.124m of budget re-phased from the current capital plan. Re-phasing may be likely to fluctuate as we approach the end of the financial year. Assuming that external borrowing of £5m is approved for property

schemes in 2020/21 the MTCP has a relatively small funding surplus of £0.504m at the end of the current planning period. Funding of the MTCP is detailed in schedule 7 of Appendix 1 attached.

Capital Receipts

22. Capital receipts of £13.7m 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 3 year period; AMP sales provide £8.81m 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.

Revenue Contributions

23. In recognition of the decrease and finite nature of future capital receipts and reserve funding significant additional revenue contributions have now been included in the MTCP funding strategy. Direct revenue financing will, in the future, likely provide the single largest contribution towards ongoing capital investment and asset refreshes. Over the next 3 years the force will increase its revenue support to £13.5m per annum from 2020/21 onwards providing £24.620m overall funding over the 3 years.

Capital Grant

24. Capital grant allocations have been largely maintained at current levels in the recent Police Grant Settlement and are anticipated to stay at £1.478m per annum for the next 3 years.

Police Transformation Grant

25. The Force will continue to seek to gain access to additional grant funding. This will most likely be through cost avoidance by being an adopter of technologies developed by the National Enabling Programme and the Digital Policing Programme. These programmes are funded via the Transformation fund and early adopters of these new national technology strategies.

Revenue Reserves

26. The 2018/19 to 2020/21 MTCP will draw down £1.493m from the Improvement & Performance (I & P) reserve and £0.093m from the risk management reserves. As previously indicated the HM Treasury guidance on capital projects recognises that there is potential for project costs to exceed the initial assessment, identified as Optimism Bias. It is recommended that a new £12m Optimism Bias reserve – (OB) be established to support the size of the MTCP investment. This reserve will be created by transferring monies from the Improvement and Performance reserve, which will be reduced to nil over the coming 3 years.

27. **It is therefore requested that the PCC formally approves:**

- External borrowing of up to £5m in 2020/21 to help fund long term property projects
- The establishment of a £12m Optimism Bias Reserve in reference to HM Treasury guidance on project costing.

Future Considerations

28. Beyond the MTCP period capital receipts from one off property sales and development will become increasingly more difficult to identify. In the years immediately following the MTCP there are currently only 2 identified potential receipts for Reading and Windsor Police stations which are thought to potentially release circa £9m. These were previously included within the MTCP period but, due to project timing, are now expected later.
29. Additional Revenue Reserve contributions are likely to be limited to support from the OB reserve for existing schemes only (no new schemes) until the existing schemes are complete and any unused funding released.
30. Revenue contributions to the Capital Programme have had to be increased significantly over the next 3 years in order to provide the Force with a realistic level of funding for the renewal of fixed assets and the maintenance of our technology infrastructure with a small amount of capacity for further investment.
31. The average level of capital investment over recent years **and** that which is planned for between 2017/18 and 2020/21 at £94.951m (average of £23.74m per year) cannot be funded past 2021/22, with renewable capital funding currently limited to about £15m per year from revenue contributions and grant. Investment beyond this level will require additional revenue contributions or borrowing.

Financing of the Capital Programme

32. Recommended financing of the capital programme 2018/19 to 2020/21 is set out in table 2 below:

	2018/19	Total 3 years
	£m	£m
Capital grant (including CTF SO Grant)	1.503	5.959
Capital receipts	6.766	13.731
Revenue contributions	2.340	24.620
Revenue reserves (Risk Management)	0.093	0.093
Revenue reserves (Improvement & Performance)	1.493	1.493
Third party contributions	0.150	0.450
Safer Roads Partnership		
Brought forward capital grant	14.018	14.018
Borrowing to support long term property assets		5.000
Cash flow timing	0.122	-0.504
Total Financing	26.485	64.860

Issues for Consideration:

33. Whilst the figures included in the MTCP 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 for predominantly residential use as part of the North West Bicester Garden Village (former Eco Town), if successful, is anticipated to generate a sizable capital receipt. This is currently not included in the funding projections (schedule 6) due to significant uncertainty over scope and timing (potentially many years away) given the complexity and phasing of the future development. When realised, this income will support future capital projects.
- **Other External factors** – The full impact of Britain exiting the EU still remains unknown. There are potentially heightened risks around the value of sterling compared to other currencies and imports, including brought in skills through external suppliers that may continue to increase in relative cost. This could add additional pressures to the future programme.

Conclusion & Recommendation

34. The schemes included in the 2018/19 MTCP are considered by CCMT to be essential for enabling and improving future service provision through a more efficient estate and better use of technology. The Force MTCP is a prioritised programme of works. As policing continues to evolve other investment opportunities and legislative changes to improve levels and efficiency of service and to continue to align with other Criminal Justice Partners will no doubt present themselves and will need to be assessed against available resources.
35. The MTCP presented today for approval identifies total planned spend of £64.860m over the 3 year period 2018/19 to 2020/21. This includes £15.124m re-phased from the 2017/18 approved projects. This is likely to fluctuate as we progress towards the year end. Assuming the PCC approved new external borrowing of £5m in 2020/21 there is a small surplus of resources of £0.504m which will be carried forward to help finance capital investment in 2021/22.
36. Overall revenue contributions are being increased significantly to help support the capital programme, however this funding is unlikely to be sufficient in the years beyond the MTCP and so additional pressure is expected on the Force revenue budget beyond 2020/21 to continue to contribute and support the capital programme.

Recommendation:

The PCC is asked to:

- Approve the draft capital programme for 2018/19 in the sum of £26.485m as set out in Table 1, which includes £15.124m of re-phased budget from 2017/18.
- Approve the financing of the capital expenditure as set out in Table 2.
- Approve external borrowing of £5m in 2020/21 to help fund long-term property projects
- Approve the 3 year Medium Term Capital Plan (2018/19 to 2020/21) for planning purposes at £64.860m (including re-phasing) as set out in Table 1.
- Approve the creation of an Optimism Bias Reserve of £12m to support the overall MTCP, to be funded by a transfer from the Improvement and Performance Reserve.

Legal comments

37. 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

38. No specific implications arising from this report

Background papers

Annual capital programme 2017/18
 Relevant Project bid papers including the ICT Roadmap and Digital Transformation Portfolio summary.
 The MTFP 2018/19 to 2020/21
 Reserves, Balances & Provisions report - January 2018

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
Head of Unit 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 required approval of up to £5m borrowing to fully fund the programme over the 3 years, leaving a small £0.504m surplus of funding. .	Director of Finance
Legal Advice No specific issues arising directly from this report	Chief Executive
Financial Advice The Chief Constable is proposing a 3 year Medium Term Capital Programme which supports delivery of the PCC's Police and Crime Plan. The budget requires the use of £5m borrowing and the establishment of a £12m Optimism Bias reserve to support the overall programme. Capital reserves will be fully utilised by the end of the 4 year planning period	PCC Chief Finance Officer
Equalities & Diversity No specific implications arising from this report	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 11th January 2018

Chief Finance Officer

Date 11th January 2018

