Police and Crime Commissioner for Lancashire

Capital Strategy

2019/20 to 2022/23

INTRODUCTION

1 PURPOSE

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for capital finance in local authorities requires authorities to produce a Capital Strategy (the strategy) to demonstrate that capital expenditure and investment decisions are taken in line with desired outcomes and take account of stewardship, value for money, prudence, sustainability and affordability.

1.2 The Capital Strategy forms a key part of the Commissioner and Chief Constable's (the Group) overall Corporate Planning Framework. It provides a mechanism by which the Group's capital investment and financing decisions can be aligned over a medium term (five year) planning horizon.

1.3 The Strategy sets the framework for all aspects of the Group's capital and investment expenditure; including planning, outcomes, prioritisation, management, funding and repayment. The Strategy has direct links to the other key plans such as the Estates Strategy and ICT strategy and forms a key part of the Commissioner's Medium Term Financial Strategy (MTFS).

1.4 There are three main areas of spend which feature within the Capital Programme; Accommodation, Fleet and Information Systems and Technology.

2 OBJECTIVES

2.1 The key aims of the Capital Strategy are to:

- provide a framework within statutory legislation where new capital expenditure to be evaluated to ensure that all new capital investment is aligned to the priorities set out in the Police and Crime Plan;
- set out how the Commissioner identifies, programmes and prioritises capital requirements and proposals arising from business plans submitted through a stringent gateway appraisal mechanism;
- consider options available for funding capital expenditure and how resources may be maximised to generate investment in the area and to determine an affordable and sustainable funding policy framework, whilst minimising the ongoing revenue implications of any such investment;
- identify the resources available for capital investment over the MTFS planning period;
- ensure the Strategy has an overall balance of risk on a range on investments over timespan, type of investment and rate of return,
- Establish effective arrangements for the management of capital expenditure including the assessment of project outcomes, budget profiling, deliverability, value for money, benefits realisation and security of investment.
- deliver projects that focus on delivering the long term benefits to policing in Lancashire set out in the Police and Crime Plan and listed below:

3 CAPITAL EXPENDITURE

3.1 Capital Expenditure is incurred on the acquisition or creation of assets, or expenditure that enhances or adds to the life or value of an existing fixed asset.

3.2 Fixed Assets are tangible or intangible assets that yield benefits to the Group generally for a period of more than one year (e.g. land, buildings, I.T., business change programmes, equipment and vehicles). This is in contrast to revenue expenditure, which is spending on the day to day running costs of services, such as employee costs and supplies and services.

3.3 The capital programme is the Group's plan of capital works for future years, including details on the funding of the schemes.

3.4 Capital expenditure is a major cost and as a result it is necessary to ensure that key programmes of work requiring capital expenditure have been properly identified, evaluated and prioritised.

4 CAPITAL EXPENDITURE v TREASURY MANAGEMENT INVESTMENTS

4.1 Treasury Management investment activity covers those investments, which arise from the organisation's cash flows and debt management activity, and ultimately represent balances, which need to be invested until the cash is required for use in the course of business.

4.2 For Treasury Management investments the security and liquidity of funds are placed ahead of the investment return. The management of associated risk is set out in the Annual Treasury Management Strategy.

4.3 The CIPFA Treasury Management Code recognises that some local authorities are entitled to make investments for policy reasons outside of normal treasury management activity. These may include service and commercial investments. However, like all police forces, the Group does not have a General Power of Competence, which gives councils the 'power' to do anything an individual can do provided it is not prohibited by other legislation. As such, the Group is prevented from entering into commercial investment activities.

5 LINKS TO OTHER CORPORATE STRATEGIES

5.1 The PCC produces his Police and Crime Plan every four years. The current version covers the period 2017 to 2021.

5.2 The Chief Constable has produced a Force Commitment which is supported by Annual Delivery Plans.

5.3 To support these overarching documents a number of interrelated strategies and plans are in place, such as the Medium Term Financial Strategy, this Capital Strategy, the Asset Management Plan, the I.T. strategy, the Treasury Management Strategy, the Reserves Strategy , Risk Management Strategy and the Force Management Statement.

5.4 The operation of all of these is underpinned by the Code of Corporate Governance which includes Contract Procedure Rules and the Financial Regulations.

5.5 Capital resources should be directed to those programmes and projects that optimise the achievement of these outcomes. The following processes are designed to ensure this happens.

6 ASSET MANAGEMENT

6.1 Good asset management is based upon detailed condition records for all assets which in turn enables:

- The compilation of the Capital Investment Programme
- The identification of future opportunities, and
- The identification of long term risks

6.2 The need for a capital scheme will typically be identified through one or more of the following processes:

- Senior Stakeholders will submit business cases that support delivery of local, Force, Regional or National Objectives. These plans must identify the requirement, rational, deliverables, benefits, links to Force and/or PCC Priorities, and costs in terms of both Capital investment and on-going revenue consequences.
- Reviews of existing capital projects will identify that budget variances are likely to occur and that either more or less funding is likely to be required. Full rationales are required to justify variances.
- The other key strategies will inform the capital strategy and a capital scheme bid may arise from that, for example the Asset Management Plan, which rationalises and develops the operational buildings and estates, and may require, either sale or purchase or redevelopment of an element of the estate.

6.3 Where investment needs are identified these are reported in a business case.

7 CAPITAL PROGRAMME

7.1 The PCC and Chief Constable are committed to rolling medium term revenue & capital plans, that usually extend for 5 years and beyond. The plans are drawn up, reassessed and extended annually. If required these are re-prioritised to enable the Force to achieve the aims and objectives, established in the PCC's Police and Crime Plan and commitment to support national drivers, such as the National Policing Vision for 2025.

7.2 Key focuses of the Capital Programme:

- To ensure the property estate remains fit for purpose, identifying opportunities to streamline assets and develop the estate infrastructure; maintaining core sites, improving core training facilities and progressing the Asset Management Plan.
- To ensure provision is made for IT & Business Change Technology to maintain and develop the existing infrastructure and invest 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 communication infrastructure).

- The plans acknowledge the constrained financial position of the Force and maximise both the available financial resources and the capacity that the Force has to manage change projects.

7.3 The following process is in place to deliver a prioritised programme for the Commissioner to consider and approve:

- Thematic Leads and Departmental Managers identify requirements for capital expenditure over the next five years. The main proposals are submitted by scheme sponsors, on behalf of the business, mainly in relation to ICT, Estates, and Fleet.
- Prioritisation - A Panel consisting of Assistant Chief Constables and Assistant Chief Officers, Thematic Leads and Heads of Enabling Departments (ICT, Estates and Finance) meet and consider for each scheme:
  - Is there a legislative requirement?
  - Is the requirement mandated by NPCC, Home Office, or other national authority?
  - Does the scheme replace an existing solution (technology, building) and is the scheme CRITICAL to the maintenance of operational capability?
- An affirmative answer to those questions prioritised the scheme for inclusion in the draft capital programme requirements.
- A negative response resulted in further evaluation and prioritisations taking into account how the scheme delivered against improving service to the public, meeting core deliverables and produced efficiencies.

- Capability and Capacity to Deliver - Having undertaken the prioritisation process further discussions are held with Scheme Sponsors to ensure the recommended programme is manageable and achievable
- The following process is followed to monitor the delivery of the capital programme once approved:
  - Regular meetings are held with scheme sponsors and monthly monitoring reports are produced outlining spend/ commitments against the programme.
  - A quarterly monitoring report is also submitted to the Operations Board, Strategic Management Board and to the PCC.
  - Meetings with scheme sponsors provide the necessary supporting information for monitoring purposes which provides an early indication of likely slippage, underspends and overspends on individual schemes.
  - Delays in schemes can arise for a number of reasons including protracted contractual arrangements and capacity issues that may arise during the year.

7.4 The Capital Programme provides infrastructure and major assets through capital investment, enabling the organisation to strengthen and streamline core assets and systems, and provides the framework for delivering innovative policing with a lower resource profile.

7.5 For any particular budget setting year, the process for the determination of the capital programme starts during the summer of the preceding year with the key Stakeholder Groups. The Group other Collaborative Forces commence earlier on an agreed time table and Communication Strategy to be adopted to secure investment requirements and ideas from the Stakeholder Groups covering the key criteria such as:

- Achievement of high level agreed Local, Regional or National outcomes;
- Maintenance of the essential infrastructure;
- Development of improved capability
- Adjustments to existing prioritised plans/projects.
- Rationalisation & modernisation of estates
- Carbon management & Health and Safety
- Invest to save schemes.

8 CAPITAL PRIORITIES

8.1 Underlying the capital strategy is the recognition that the financial resources available to meet the Police and Crime Commissioner's priorities are constrained in the current economic and political climate.

8.2 The process followed by the Constabulary will determine capital priorities in respect of the operational delivery of policing in Lancashire. In addition the Commissioner will consider priorities that contribute to the wider delivery of the Police and Crime plan for the county.

8.3 Each proposed scheme will be required to deliver the maximum value for money possible and where possible achieve savings that can be reinvested in to policing in Lancashire.

8.4 Delivery of value for money and savings will be monitored and reported to the Commissioner throughout the year as part of the financial monitoring process.

9 FUNDING APPROACH

9.1 The Commissioner's capital investment falls within, and needs to comply with, the "Prudential Code for Capital Finance in Local Authorities" (The Code). Under the Code local authorities have greater discretion over the funding of capital expenditure especially with the freedom to determine, within the regulatory framework of the Code, the level of borrowing they wish to undertake to deliver their capital plans and programmes.

9.2 There are a range of potential funding sources which can be generated locally either by the Commissioner or in partnership with others.

9.3 The strategy, the outcomes of which inform the Medium Term Financial Strategy, is intended to maximise the financial resources available for investment in service provision and improvement within the framework of the MTFS. Whilst at the same time ensuring that each business case has a robust self-sustaining financial model that delivers on the wider outcomes of the strategy.

9.4 The main sources of capital funding are:

- Central government and Regional government
- Internal Balances (Reserves)
- Private Sector
- Revenue budget contribution
- Borrowing and leasing

9.5 The management of borrowing and investment is in line with the Commissioner's Treasury Management Strategy, available here:

https://www.lancashire-pcc.gov.uk/our-money/financial-strategy/