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PAC 2019-05-09 Item 6 - Capital Budget Monitoring Quarter 4 to March 2019 & Provisional Outturn



Office of the Police & Crime Commissioner

TITLE: Capital Budget Monitoring 2018/19 – Quarter 4 to Mar 2019 (Provisional Outturn)

Date of Meeting: Public Accountability Conference 09 May 2019

Executive Summary:

The attached report provides an updated position of income and expenditure against the capital programme as approved for the 2018/19 financial year. Projections are based on actual expenditure up to the end of March 2019. Known changes to the capital programme budget approved to date have been included in the report, this includes the capital strategy approved by the Commissioner in February 2019.

Recommendation:

The Commissioner is asked to:

- Note the provisional capital outturn position for 2018/19 as reported.
- Formally approve a change to the 2018/19 programme budget of £2k, being a net increase arising from completed schemes and returned budgets.
- Formally approve the decision to fund 2018/19 expenditure on the Eden deployment centre from internal borrowing.
- Formally approve the changes to the 4-year capital strategy arising from re-profiling and detailed planning of approved schemes. For 2019/20 this approval includes an additional £28k for investment in electric/hybrid vehicles to enable exploration of the implications for a greener fleet.
- Approve the determinations at section 4 (paragraph 4.1), in respect of the financing of the 2018/19 capital expenditure.

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MAIN SECTION**1. Introduction and Background**

- 1.1. The Commissioner approves on an annual basis a 10 year capital strategy and a more detailed four year capital programme. This includes the annual capital budget that finances the delivery of capital schemes and provides for investment in ICT, the estate, vehicles and equipment needed to deliver operational policing.

- 1.2. This report is set out in three main sections:
 - ◆ Section 2, provides an update on the capital budget for the 2018/19 financial year.
 - ◆ Section 3, provides a brief update on the overall capital programme for a four year period to 2021/22.
 - ◆ Section 4, sets out the statutory determinations required to be made by the Commissioner under part IV of the Local Government and Housing Act 1989 in relation to capital financing.

2. Capital Budget 2018/19

- 2.1. On 14 February 2018 the Commissioner approved an indicative 10 year capital strategy up to 2028/29 with a more detailed programme including capital financing for a four year period to 2022/23. The capital programme has subsequently been amended to incorporate the effect of the capital outturn position for 2017/18 and in year changes, such as variations to existing schemes, approved by the Commissioner. The Capital Strategy for 2019/20 and beyond, approved 20 February 2019, has also been reflected in the future year budgets where required.

- 2.2. The table below summarises the movement in the capital budget during 2018/19 and expenditure against it as at the end of the fourth quarter. Total capital expenditure during the year amounted to £5.214m against the budget of £8.634m which represents a net reduction of £3.420m (42.09%) against the approved budget for 2018/19. The overall variance is made up of slippage of expenditure to future years of £3.422m (of which £2.474m had been reported previously) and other net changes to the budget of £2k.

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Summary of Budget Movement 2018/19	2018/19 £000s
Capital Budget 2018/19 (approved 14/02/18)	11,261
Impact of 2017/18 Outturn (approved 10/05/18)	(1,558)
New Schemes Approved/Drawdown	241
Budgets Changes - Approved	(1,310)
Approved Adjusted Budget 2018/19	8,634
Capital Expenditure Outturn 2018/19	5,214
Forecast Variation	(3,420)
Made up of:	
Budget Changes (Under)/Overspend (Table 2)	2
Slippage to 2018/19 (Table 3)	(3,422)
	(3,420)

Table 1	2018/19
Summary of Capital Budget	£000s
Capital Expenditure	
ICT Schemes	1,969
Fleet Schemes	939
Estates Schemes	2,158
Other Schemes	148
	5,214
Capital Financing	
Capital Receipts	0
Revenue Contributions	1,542
Capital Grants	575
Reserves	1,297
Borrowing	1,800
	5,214

Table 2	Changes 2018/19
Forecast Variation summary	£000's
- ICT End User Hardware	(3)
- Vehicle Replacements	(1)
- Workington - Land Purchase	(4)
- Durranhill CCTV and Cell Call	5
- Ballistic Protective Equipment	(2)
- Accelerated Recruitment	7
	2

Table 3					Total	% of Adjusted
Slippage	Qtr 1	Qtr 2	Qtr 3	Qtr 4	£000's	Budget
ICT Schemes	0	0	(1,125)	(324)	(1,449)	17%
Fleet Schemes	0	(209)	(140)	(47)	(396)	5%
Estates Schemes	0	0	(1,000)	(553)	(1,553)	18%
Other Schemes	0	0	0	(24)	(24)	0%
	0	(209)	(2,265)	(948)	(3,422)	40%

A more detailed breakdown of the individual schemes that make up these amounts can be found at **Appendix A.**

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2.3. The paragraphs below provide a brief update on the progress on each of the main categories of scheme:

2.4. **ICT Schemes** are comprised of the rolling replacement programme in respect of ICT hardware, software and radios together with schemes to support the roll out of larger specific projects. The position reported previously at quarter 3 included slippage to future years of £1,125k and other changes amounting to a net reduction of £613k. Net changes now requiring approval are a net reduction of £3k and additional slippage of £324k.

- The ICT rolling replacement programmes were largely completed as planned in 2018/19.
- During 2018/19 work on the integrated Command and Control Room system continued. Although one milestone payment slipped by a week over the year-end, the scheme is broadly on track. The senior project manager has taken this opportunity to reassess the financial milestone payments and has re-profiled these across the 4-year medium term based on the latest information available. The table at 3.2 gives the detailed figures including resulting slippage of £241k from 2019/20 to 2020/21.
- Other smaller areas of slippage include £28k Business Futures; £21k Digital Policing Programme; £25k service manager upgrade and £9k on smartphone replacements. Net Slippage £144k

2.5. **Fleet Schemes** are comprised of the cyclical replacement of the Constabulary fleet of vehicles. The position reported previously at quarter 3 included slippage to future years of £349k and other changes amounting to a net increase of £19k. Net changes now requiring approval are a further increase of £28k (discussed below) and additional slippage of £47k.

- During 2018/19 the budget and financing were both increased by £30k received from the safety camera partnership to replace two pool vehicles used by the team in Cumbria.
- The budget for 2019/20 was set some time before the start of the financial year. The fleet manager has taken the opportunity to revisit the list of vehicles due to be replaced in 2019/20 and 2020/21. Three vehicles have been identified that are in good repair with lower mileage than expected so they no longer require replacing imminently. This has resulted in £71k of replacement costs being moved

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from 2019/20 to future years. Also identified are three pool cars that were scheduled for replacement in 2020/21 that have higher than expected mileage, and when taking into consideration the maintenance required need to be brought into the 2019/20 replacements. This gives an increase to the 2019/20 budget of £39k.

The overall change from these 6 vehicles is a decrease of £32k in the 2019/20 budget, an increase of £13k in 2020/21 and an increase of £19k in 2021/22 – net change of zero.

Whilst considering the approved fleet strategy as a whole - particularly around environmental awareness, the fleet manager intends to integrate fully electric and hybrid vehicles into the current pool car fleet. As the technology is still emerging and gathering pace, the initial capital outlay is higher than that of an equivalent diesel engine vehicle, however, with less moving parts and the lack of combustion engine to run & maintain, the revenue costs savings have a significant benefit over the lifespan of the vehicle. Initially the fleet manager has identified four pool vehicles within the 2019/20 replacement list, which are suitable for replacement by electric/hybrid vehicles. An increase to the budget of £28k is now requested to facilitate this purchase. The potential for associated savings within the fleet revenue budgets as a result of the purchase of electric/hybrid vehicles will be explored at budget setting time through the star chamber process once the new vehicles are operational. Over coming years it is intended to replace the current fleet with this type of vehicle wherever this is possible and operational needs allow.

2.6. **Estates Schemes** 2018/19 saw the completion of the flood works at HQ and the purchase of a piece of land in the west of Cumbria to safeguard the Constabulary estate in that area. A small underspend of £4k has been returned from these schemes. The position reported previously at quarter 3 included slippage to future years of £1.0m and other changes amounting to a net reduction of £30k, this being a move to revenue of the Gas Suppression scheme monies. Net changes now requiring approval are for an increase of £5k and additional slippage of £553k.

- During 2018/19 construction begun on the Eden Deployment Centre at the headquarters site in Penrith. Although there has been some slippage with the scheduled financial payments the work on site has continued to plan and the building is scheduled to be complete in September 2019 and become operational shortly after. Additional slippage of £513k has been reported at the end of quarter 4.

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- In light of current uncertainty regarding police funding it is proposed to finance 2018/19 expenditure on the Eden Deployment centre from internal borrowing rather than depleting the capital reserve. This funding decision will be reviewed once the longer term financial outlook becomes clearer.
- Two schemes of work were scheduled to take place in 2018/19 at the North Cumbria BCU headquarters at Durrhill. Tenders were received to replace the CCTV and cell call facility within the custody suite. The accepted tender is £5k above the budget for the scheme and this overspend is reported for approval. The second scheme to improve the heating ventilation plant at Durrhill has commenced but is not able to be finished until the custody work has been completed. This has led to a total slippage into 2019/20 on these two schemes of £40k. The custody work is expected to be complete early in quarter 1 of 2019/20.

2.7. **Other Schemes** include the Cumbria wide CCTV network, Accelerated recruitment and Ballistic shields.

- Countywide CCTV. The amount remaining, £23k, is required for the link to the Digital Evidence Management System. This was phase 3 of the project and is planned to take place in 2019/20.
- Following the accelerated recruitment programme to maintain future police officer numbers a scheme was established to provide the additional body worn video technology required for the additional officers. The funding for this scheme has been provided by utilising underspends from other ICT related schemes. This scheme is now complete with the total expenditure of £54k, this is an additional £7k to the reported position at quarter 3.
- Liaison with the supplier of the Portable Ballistic Shields has continued throughout 2018/19. Following consultation with the Firearms Unit shields were developed, that were fit for purpose and meet the needs of the unit. Full procurement and receipt of the Shields took place within quarter 4 and the scheme is now complete with a small underspend of £2k being returned.

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3. Capital Programme 2018/19 to 2021/22

3.1. The table below provides a summary of the capital programme and associated capital financing over the four year period to 2021/22:

Summary of Capital Budget 2018/19 to 2021/22				
	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s
Capital Expenditure				
ICT Schemes	1,969	3,410	7,247	2,433
Fleet Schemes	939	1,534	1,886	966
Estates Schemes	2,158	3,517	590	1,575
Other Schemes	148	274	43	500
	5,214	8,735	9,766	5,474
Capital Financing				
Capital Receipts	0	0	1,422	283
Revenue Contributions	1,542	1,772	3,392	3,244
Capital Grants	575	1,920	4,951	372
Reserves	1,297	5,043	0	1,575
Borrowing	1,800	0	0	0
	5,214	8,735	9,766	5,474

A more detailed schedule is provided at **Appendix B** which also illustrates the whole life costs of the current projects within the capital programme.

3.2. There have been a number of changes to future years expenditure since the 10 year capital strategy was approved. These are summarised in the table below

Changes to the capital strategy following approval in February 2019						
	2018/19 £000s	Yr1 2019/20 £000s	Yr2 2020/21 £000s	Yr3 2021/22 £000s	Yr4-10 FUTURE £000s	TOTAL £000s
Approved Strategy	6,052	8,709	9,466	5,355	41,526	71,108
Current Expenditure Predictions	5,214	8,735	9,766	5,474	41,967	71,156
Difference	(837)	26	299	119	441	48
Effects of slippage from 2018/19 to future years	(713)	641	52	19	0	0
Transfer to/From Revenue	18	0	0	0	0	18
Budgets Brought Forward	96	63	(159)	0	0	0
Control Room Futures Re-Profile	(241)	(706)	406	100	441	0
Budgets returned on completion of schemes	(10)	0	0	0	0	(10)
Budget Increases	12	28	0	0	0	40
						0
Difference	(837)	26	299	119	441	48

The corresponding financing has been moved to match this new profile.

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4. Capital Determinations

4.1. Part IV of the Local Government and Housing Act 1989 requires a number of “determinations” to be made and approved in relation to the financing of capital expenditure. These are set out below:

- ◆ Useable capital receipts amounting to £647k have been received in 2018/19 from the sale of property. These receipts have not been applied to finance capital expenditure in 2018/19 but have been reserved to meet expenditure commitments in future years. In conclusion, no capital receipts have been applied to meet capital expenditure under part IV (section 60.2) of the act.
- ◆ A sum amounting to £432k has been set aside in the revenue account as a minimum revenue provision (MRP) for credit liabilities (section 63.5 of the act) in line with the policy agreed as part of the Treasury Management Strategy Statement in February 2018.

5. Supplementary Information

5.1. Appendices to this report are provided as follows:

- ◆ Appendix A – Capital Budget 2018/19
- ◆ Appendix B – Capital Programme 2018/19 to 2021/22

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Appendix A**Capital Budget 2018/19**

Capital Budget 2018/19	Original Approved Budget £000s	Impact of 2018/19 Outturn £000s	New Schemes Approved £000s	Budget Changes Approved £000s	Approved Adjusted Budget £000s	Actual Expenditure to Mar-19 £000s	Forecast Capital Outturn £000s	Forecast Variation £000s
ICT Schemes								
ICT End User Hardware Replacements	340	0	3	(9)	333	92	92	(242)
ICT Infrastructure Solution Replacement	35	0	0	0	35	10	10	(25)
ICT Core Hardware Replacements	570	(132)	96	(167)	367	314	314	(54)
ICT Hardware Replacements Radio / ESN	50	12	0	0	62	0	0	(62)
Case and Custody	92	(3)	0	(50)	38	0	0	(38)
Digital Policing Project	261	44	0	0	305	148	148	(157)
Red Sigma	252	(43)	0	(207)	2	2	2	(0)
Hi Tech Crime Improvements (DMIU)	50	27	0	0	77	85	85	8
Control Room Futures	3,685	(1,720)	0	(75)	1,889	1,231	1,231	(658)
E Business	1,440	(70)	(25)	(97)	1,247	23	23	(1,224)
Body Worn Video	0	65	0	(2)	63	63	63	0
National ANPR	0	0	(28)	28	0	0	0	0
Unified National Systems	51	28	0	(79)	0	0	0	0
General Slippage	(1,000)	0	0	0	(1,000)	0	0	1,000
Total ICT Schemes	5,826	(1,792)	46	(659)	3,421	1,969	1,969	(1,452)
Fleet Schemes								
Vehicle Replacements - 17/18 & 18/19	1,208	67	99	(80)	1,294	898	898	(396)
Fleet - Ballistically Protected Vehicle	0	42	0	0	42	41	41	(1)
Total Fleet Schemes	1,208	109	99	(80)	1,337	939	939	(397)
Estates Schemes								
Eden Deployment Centre	3,503	(203)	0	13	3,313	1,800	1,800	(1,513)
Workington - Land Purchase	0	300	0	(13)	287	283	283	(4)
Flood works at HQ	0	10	0	0	10	10	10	0
Durranhill CCTV and Cell Call	50	0	0	0	50	43	43	(7)
Durranhill heat and Vent Plant	50	0	0	0	50	22	22	(28)
HQ Gas Suppression system	30	0	0	(30)	0	0	0	0
Total Estates Schemes	3,633	107	0	(29)	3,710	2,158	2,158	(1,552)
Other Schemes								
CCTV	29	(5)	0	0	24	0	0	(24)
ANPR	0	0	50	0	50	50	50	0
Accelerated Recruitment	0	0	47	0	47	54	54	7
Portable Ballistic Protective Equipment	23	23	0	0	46	44	44	(2)
Business Analytics	542	0	0	(542)	0	0	0	0
Total Other Schemes	594	18	97	(542)	167	148	148	(19)
Total Capital Expenditure 2018/19	11,261	(1,558)	241	(1,310)	8,634	5,214	5,214	(3,420)

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Appendix B**Capital Programme 2018/19 to 2021/22**

	Current Budget	Spend to 31 Mar '18	Programme Remaining Budget	Spend to Mar-19	Projected Outurn 2018/19	Projected Outurn 2019/20	Projected Outurn 2020/21	Projected Outurn 2021/22	Projected Total Cost	Variation
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
ICT Schemes										
ICT End User Hardware Replacements	2,857	0	2,857	92	92	1,283	137	1,342	2,854	(3)
ICT Infrastructure Solution Replacement	34	0	34	10	10	24	0	0	34	0
ICT Core Hardware Replacements	4,150	310	3,840	314	314	597	2,530	399	4,150	0
ICT Hardware Radio Replacements / ESN	2,445	34	2,411	0	0	112	1,999	300	2,445	0
Case and Custody	797	758	39	0	0	39	0	0	797	0
Digital Policing Project	2,267	1,962	305	148	148	157	0	0	2,267	0
Red Sigma	73	70	3	3	3	0	0	0	73	0
Hi Tech Crime Improvements (DMIU)	352	23	329	85	85	244	0	0	352	0
Control Room Futures	5,331	1,901	3,430	1,231	1,231	1,593	506	100	5,331	0
E Business	1,377	70	1,307	23	23	1,284	0	0	1,377	0
Body Worn Video	572	225	347	63	63	23	23	238	572	0
Unified National Systems	160	0	160	0	0	53	53	54	160	0
General Slippage	0	0	0	0	0	(2,000)	2,000	0	0	0
Total ICT Schemes	20,415	5,353	15,062	1,969	1,969	3,409	7,248	2,433	20,412	(3)
Fleet Schemes	5,328	31	5,297	939	939	1,534	1,885	966	5,355	27
SUB TOTAL CONSTABULARY PROGRAMME	25,743	5,384	20,359	2,908	2,908	4,943	9,133	3,399	25,767	24

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Appendix B**Capital Programme 2018/19 to 2021/22 (Continued)**

	Current Budget	Spend to 31 Mar '18	Programme Remaining Budget	Spend to Mar-19	Projected Outturn 2018/19	Projected Outturn 2019/20	Projected Outturn 2020/21	Projected Outturn 2021/22	Projected Total Cost	Variation
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Estates Schemes										
South Cumbria Estate	9,114	9,114	0	0	0	0	0	0	9,114	0
Eden Deployment Centre	5,320	235	5,085	1,800	1,800	3,285	0	0	5,320	0
Workington Land Purchase	287	0	287	283	283	0	0	0	283	(4)
Flood works at HQ	89	79	10	10	10	0	0	0	89	0
Durranhill CCTV and Cell Call	50	0	50	43	43	12	0	0	55	5
Durranhill heat and Vent Plant	50	0	50	22	22	28	0	0	50	0
Gas Cylinder replacement	20	0	20	0	0	0	20	0	20	0
UPSHQ	100	0	100	0	0	100	0	0	100	0
Roof Repairs Various	163	0	163	0	0	93	70	0	163	0
Garage Provision (I)	500	0	500	0	0	0	500	0	500	0
West Resilience Flood Management (I)	1,575	0	1,575	0	0	0	0	1,575	1,575	0
Total Estates Schemes	17,268	9,428	7,840	2,158	2,158	3,518	590	1,575	17,269	1
Other Schemes										
CCTV	1,619	1,095	524	0	0	24	0	500	1,619	0
ANPR	50	0	50	50	50	0	0	0	50	0
Accelerated Recruitment	47	0	47	54	54	0	0	0	54	7
Portable Ballistic Equipment (I)	46	0	46	44	44	0	0	0	44	(2)
Taser Migration	250	0	250	0	0	250	0	0	250	0
Glock Pistol Replacements	43	0	43	0	0	0	43	0	43	0
Total Other Schemes	2,055	1,095	960	148	148	274	43	500	2,060	5
GRAND TOTAL CAPITAL PROGRAMME	45,066	15,907	29,159	5,214	5,214	8,735	9,766	5,474	45,096	30