



Mae'r ddogfen hon ar gael yn Gymraeg yn ogystal â Saesneg.

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## RESERVES STRATEGY

### RESERVES, BALANCES AND PROVISIONS

#### 1 Introduction

- 1.1. The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 which require local authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating their budget requirement.
- 1.2. The Financial Management Code of Practice states that the Police and Crime Commissioner (Commissioner) should establish a strategy on reserves (including how they might be used by the Chief Constable (CC)) and provisions in consultation with the CC. This should have due regard to the need to ensure the on-going funding of policing activities and the requirement to meet exceptional or extraordinary policing operations.
- 1.3. Reserves are an essential part of financial management. They help the Commissioner and CC cope with unpredictable financial pressures and plan for future spending commitments.
- 1.4. All reserves will be held by the Commissioner and managed to balance funding and spending priorities and to manage risks. This forms an integral part of the medium-term financial planning process.

#### 2. Definitions

- 2.1. Reserves and balances are different from provisions from an accounting perspective. In the case of useable reserves (as opposed to unusable reserves) and provisions, both amounts represented on the balance sheet should be matched by physical cash balances, unless internal borrowing has taken place.
- 2.2. **Usable Reserves** – are balances which are generally held for three specific purposes and are categorised as general reserves or earmarked reserves:
  - A working balance to help smooth the impact of uneven cash flows – general reserves;
  - A contingency to deal with unexpected events – general reserves;
  - A means of building up funds to meet known or predicted requirements – earmarked reserves.
- 2.3. **Earmarked Reserves** – these are balances that are being held by the for a specific initiatives and purposes.

- 2.4. **Ring-fenced Reserves** - these are balances that are being held by the Commissioner on behalf of third parties and cannot therefore be utilised without specific direction.
- 2.5. **Unusable Reserves** - do not have equivalent cash balances and are held for accounting purposes.
- 2.6. **Provisions** – are required for any liabilities of uncertain timing or amount that have been incurred.

### 3. Governance Arrangements

- 3.1. Minimum governance requirements in respect of reserves and balances are:
  - The Commissioner has a soundly based strategy on the level and nature of reserves and balances it needs which will be considered by the Joint Audit Committee;
  - The required levels of reserves and balances should be reflected in the annual budget and Medium Term Financial Plan (MTFP);
  - The Commissioner monitors and maintains the level of reserves and balances within the range determined by its agreed policy, advised by the CFO who will ensure that there are clear protocols for their establishment and use;
  - The Commissioner retains adequate reserves so that unexpected demand led pressures on budgets can be met without adverse impact on the achievement of the key priorities;
  - The Commissioner’s strategy for reserves and balances is based on a thorough understanding of needs and risks, and is properly and clearly reported at the time the budget and precept are set. The level of balances is kept under review and managed to ensure that financial standing is sound and supports the Commissioner in the achievement of their long term objectives;
  - Where target levels for reserves and balances are exceeded, the opportunity costs of maintaining these levels has been established, compared to the benefit accrued.
- 3.2. Locally agreed Financial Regulations and the Scheme of Consent should:
  - Contain full details of how the Reserves and Balances strategy will operate locally;
  - Ensure that the annual budget includes a realistic amount of operational contingency that is available to the CC for operational priorities without the need for additional approval; and
  - Make provision, where appropriate, for budgets to be carried forward from one financial year to the next.

## Statutory Responsibilities

- 3.3. The “CIPFA Statement on the Role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable” sets out the five principles that define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them.
- 3.4. For each principle the Statement sets out the governance arrangements required within an organisation to ensure that CFOs are able to operate effectively and perform their core duties.
- 3.5. Governance arrangements required in respect of reserves and balances and which are the responsibility of the CFO are:
  - Ensuring that advice is provided on the levels of reserves and balances in line with good practice guidance;
  - To report at the time the budget is considered and the precept set, on the robustness of the budget estimates and the adequacy of financial reserves, as required by s25 of the Local Government Act 2003, and in line with CIPFA guidance.
- 3.6. Both should be undertaken in consultation with the Director of Finance (CFO Chief Constable).
- 3.7. There are also a range of safeguards in place that militate against the Commissioner over-committing financially. These include:
  - The balanced budget requirement;
  - Chief finance officers’ Local Government Finance Act 1988 Section 114 powers which requires the chief finance officer to report if there is or is likely to be unlawful expenditure or an unbalanced budget; and
  - The external auditor’s responsibility to review and report on financial standing includes a review of the level of reserves taking into account their knowledge of the organisation’s performance over a period of time. However, it is not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual organisations.

## 5. Home Office Guidance on Police Reserves

- 5.1 On 31st March 2018 the Minister for Policing and the Fire Service published new guidance on the information that each PCC must publish in terms of police reserves.
- 5.2 One of the key requirements is that the information on each reserve should make clear how much of the funding falls into each of the following three categories:
  - Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan
  - Funding for specific projects and programmes beyond the current planning period

- As a general contingency to meet other expenditure needs held in accordance with sound principles of good financial management.

5.3 The Minister also outlined that future grant funding levels would take into account the transparent publication of this information across the service.

## **6. Assessing the Appropriate Level of Reserves**

6.1 The Commissioner is responsible for ensuring that the level of reserves is appropriate for local circumstances, and is accountable to taxpayers for the decisions made. The CFO (PCC) has a duty to provide the Commissioner with the advice they need to make good decisions.

6.2 Reserves are maintained as a matter of prudence. They enable the organisation to provide for cash flow fluctuations and unexpected costly events and thereby help protect it from overspending the annual budget, should such events occur. Reserves for specific purposes may also be maintained where it is likely that a spending requirement will occur in the future.

6.3 The public's acceptance of the precept is partly reliant on the understanding that the precept is spent on policing and that only a reasonable and prudent amount of any over-funding is being stored away as a general reserve. Conversely, when unforeseen expenditure arises, it is likely that the public would expect that the organisation would have sufficient resources to cover the expense without recourse to overspend.

6.4 In order to assess the adequacy of reserves, the CFO (PCC) should include an up-to-date assessment of the strategic, operational and financial risks facing the organisations.

6.5 Setting the level of reserves is one of several related decisions that must be taken when preparing the MTFP and the budget for a particular financial year.

6.6 Assessing the required level of reserves should involve carrying out an analysis of the Balance Sheet on an annual basis and projecting forward the key items of the Balance Sheet. This projection incorporates forecasting levels of reserves and balances over a three year time horizon to cover the MTFP and capital programme.

6.7 In assessing the level of reserves due consideration is also taken of the Government support arrangements:

- Welsh Government Emergency Financial Assistance Scheme to help Forces faced with financial burden as a result of providing relief and carrying out immediate work in response to large scale emergencies. The scheme is subject to a threshold which is set at 0.2% of the revenue budget.

- Home Office Special Grant to meet additional costs that would be incurred from policing unexpected and exceptional events within their areas. If approved forces are expected to meet the additional costs of the event up to 1% of the revenue budget
- 6.8 An effective reserves and balances strategy should consider the organisations approach to treasury management, capital expenditure plans and the need for external borrowing, against the use of balances and reserves.
- 6.9 CIPFA guidance suggests that in addition to cash flow requirements, the following factors should be considered:

<b>Budget Assumptions</b>	<b>Financial Standing and Management</b>
The treatment of inflation and interest rates	The overall financial standing of the organisations (level of borrowing, debt outstanding, council tax collection rates etc.)
Estimates of the level and timing of capital receipts	The organisations track record in budget and financial management including the robustness of the medium term plans.
The treatment of demand led pressures	The organisations capacity to manage in-year budget pressures
The treatment of planned efficiency savings/ productivity gains	The strength of the financial information and reporting arrangements
The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments	The organisation's virement and end of year procedures in relation to budget under/over spends at organisational and departmental level
The availability of other funds to deal with major contingencies and the adequacy of provisions	The adequacy of the organisation's insurance arrangements to cover major unforeseen risks.

- 6.10 The Commissioner must have due regard to the need to ensure the on-going funding of policing activities (including the requirement to meet exceptional or extraordinary operations). The annual budget should include a realistic amount of operational contingency to be available to the Chief Constable to meet operational priorities without the need for additional approval.
- 6.11 The CC will ensure that the annual revenue budget is sufficient to finance foreseeable operational needs by presenting a business case as part of the MTFP and annual budget setting process to the CFO (PCC) and

Commissioner for one-off expenditure items to be funded from earmarked reserves.

- 6.12 The business case should include consideration of the level of reserves required for major incident investigations and other operational requirements, the amount of reserves required and timescales for their use.
- 6.13 Approval of business cases for the use of reserves will be subject to the authorisation limits set out in Financial Regulations, to assist with day to day operational decision making.

## **7. General Reserves**

- 7.1 CIPFA's "Guidance Note on Local Authority Reserves and Balances" states that a General Reserve is required to act as "*a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves*". A General Reserve is also required to act as "*a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves.*"
- 7.2 Whilst CIPFA does not stipulate a minimum or optimal level of general reserve, its general guidance is to establish a reserve representing "resources set aside for purposes such as general contingencies and cash flow management."
- 7.3 Setting the level of earmarked and general reserves is just one of several related decisions in the formulation of the MTFP and the budget for a particular year. Account should be taken of the key financial assumptions underpinning the budget alongside a consideration of the organisations financial management arrangements.

## **8. Earmarked Reserves including Ring-fenced Reserves**

- 8.1 The current accounting Code requires the purpose, usage and basis of transactions of earmarked reserves to be clearly identified. A review of the purpose and level of reserves will be carried out annually during the budget setting process and details of the use of reserves included in the relevant note to the Statement of Accounts.
- 8.2 Earmarked reserves are categorised as either "usable" reserves or "unusable" reserves. Usable reserves can be applied to fund expenditure, unusable reserves are not resources backed and therefore do not have equivalent cash balances.
- 8.3 It is the Commissioner's policy to use reserves to fund non-recurring purchases to reduce the impact on the council tax precept. This includes using capital reserves to reduce the Capital Financing Requirement (CFR), if appropriate, which in turn will reduce the Minimum Revenue Provision charged to the revenue account annually.

- 8.4 The target level of earmarked reserves will therefore fluctuate annually but will always be justifiable and monitored to ensure levels of earmarked reserves are not too high or too low. Should the Commissioner deem that the level of usable reserves that he holds is above and beyond the levels reasonably required and specifically earmarked for future projects, the Commissioner may return reserves to the public. This is to be achieved by first utilising reserves to fund one off investments.
- 8.5 The reason useable reserves are held will be classified in line with the new Home Office classifications as outlined above.
- 8.6 Unusable reserves currently held include:
- **Revaluation Reserve** - The Revaluation Reserve contains the gains arising from increases in the value of Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are revalued downwards or impaired, consumed through depreciation, or disposed of and the gains are realised;
  - **Capital Adjustment Account** - The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions;
  - **Accumulated Absences Account** - The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account;
  - **Pensions Reserve** - The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

## 9 Reporting Framework

- 9.1 The Commissioner has a fiduciary duty to local taxpayers and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.
- 9.2 The level and utilisation of reserves will be informed by the advice and judgement of the CFO (PCC). To enable the Commissioner to reach their decision, the CFO (PCC) will report the factors that influenced their judgement and ensure that the advice given is recorded formally within the Medium Term Financial Plan. This report will include as a minimum a statement:
- detailing the level of general reserve and any movements on the fund;



- on the adequacy of the earmarked reserves, relative to spending and an estimate of provisions in respect of the forthcoming financial year and the MTFP;
- how reserves have changed over time;
- on the annual review of earmarked reserves including estimates of the year end balances. The statement will list the various reserves, their purpose, when they will be utilised and appropriate level; and
- An assessment of the risk of major incidents (operational and non-operational) occurring which is reflected in the budget and MTFP.

9.3 This report will be provided annually based on estimates to the Commissioner prior to approval of the council tax precept. The report will be updated with the year-end position for the PCC prior to the approval of the Statement of Accounts.

9.4 A mid-year report will be provided to the PCC for monitoring purposes. This will set out any changes in the status of the risks that reserves are being held to mitigate.

9.5 As outlined above the Home Office issued specific guidance on Police Finance Reserves in January 2018 which seeks enhanced transparency across the service to demonstrate clear utilisation plans. The reporting framework detailed above addresses these requirements.

## 10 The “Opportunity Cost” of Holding Reserves

10.1 The external auditor encourages a statement within the Reserve Policy on the opportunity cost of holding reserves. “Opportunity Cost” is an economic theory term, which means if you spend something on one thing you cannot spend it on something else.

10.2 Applied to reserves, this means that if reserves are held which are too high, then an organisation is foregoing the opportunity to lower the Council Tax. This theory does not however lend itself well in practice where levels of council tax increase can be capped.

10.3 During the budget setting process the Commissioner considers using reserves for one off investments. This is considered a more sustainable use of ‘excess’ reserves and reduces the impact on the council tax precept.

10.4 It is essential that the Commissioner’s decisions on reserves are communicated clearly to local taxpayers to promote accountability.

## 11 Provisions

11.1 Provisions are required for any liabilities of uncertain timing or amount that have been incurred. Provisions are required to be recognised when:

- the local authority has a present obligation (legal or constructive) as a result of a past event;

- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

11.2 A transfer of economic benefits or other event is regarded as probable if the event is more likely than not to occur. If these conditions are not met, no provision should be recognised.

11.3 The requirement for provisions will regularly assessed.

## Appendix G– Reserves 2018/19 -2023/24

Revenue & Capital Reserves	Narrative Comment	Home Office Classification	Actual Reserves at 31st March 2018 £000k	Estimated Reserves at 31st March 2019 £000k	Estimated Reserves at 31st March 2020 £000k	Estimated Reserves at 31st March 2021 £000k	Estimated Balance at 31st March 2022 £000k	Estimated Reserves at 31st March 2023 £000k	Estimated Reserves at 31st March 2024 £000k
		see below							
<b>General Reserves</b>	The requirements of operational policing vary significantly from year to year. This General Reserve ensures that funds are available to respond to and mitigating the in year financial impacts of major incidents or unknown events. The PCC considers a number of factors in determining the level of reserves namely: Overall financial position and adequacy of financial control; Risk exposure and risk assessment; and Public opinion. This reserve which equates to 3.8% of the 19/20 revenue budget may also assist in mitigating any detrimental impact as a result of the Comprehensive Spending Review and changes to the police funding formula. Further information can be found within the published Reserves Strategy.	<b>C</b>	<b>4,032</b>	<b>4,032</b>	<b>4,032</b>	<b>4,032</b>	<b>4,032</b>	<b>4,032</b>	<b>4,032</b>
General Reserve as % of net revenue budget				4.07%	3.77%	3.61%	3.48%	3.39%	3.30%
Go Safe' Road Safety Partnership Reserve	This earmarked reserve is held on behalf of the all Wales 'Go Safe' Road Safety Partnership and will be utilised in line with their business requirements which <b>may</b> be beyond the life of the current planning period.	<b>B</b>	1,480	1,480	1,480	1,480	1,480	1,480	1,480
Regional Collaboration Reserve	This reserve represents the fair share of funds held for collaborative police services which include the Regional Organised Crime Unit and Regional Task Force. These funds will be utilised in line with business requirements to support operational delivery and subject to decisions by the Wales Collaboration Board <b>may</b> go beyond the life of the current planning period.	<b>B</b>	422	422	422	422	422	422	422
<b>Total Ring-fenced Revenue Reserves</b>			<b>1,902</b>	<b>1,902</b>	<b>1,902</b>	<b>1,902</b>	<b>1,902</b>	<b>1,902</b>	<b>1,902</b>
Earmarked Revenue Reserve	This reserve is being held to support the revenue budget over the next 3 years to mitigate future funding gaps and detrimental impact on service delivery as a direct result of the previous PCC's decision to reduce the council tax precept for 2015/16 by 5% and to utilise reserves to underpin the revenue budget.	<b>A</b>	1,687	1,324	346	-	-	-	-
Driver Retraining Scheme	This reserves is being held specifically to support activities in relation to road safety initiatives. Further opportunities will be explored to ensure that these reserves are utilised to optimal effect for the communities of Dyfed-Powys.	<b>B</b>	1,247	977	953	927	902	877	852
Proceeds of Crime Act	This reserve comes from funds which have been allocated to Dyfed-Powys as a result of confiscation orders arising from proceeds of crime. These reserves are then utilised to support operational activities which assist in bringing criminals to justice e.g. financial investigators.	<b>A</b>	241	203	164	125	86	47	8
Chief Constable Operational Fund	This is a new reserve being established to assist in mitigating against the consequential costs of notable peaks in operational activity.	<b>A</b>	-	-	100	200	300	400	500
Drug Intervention	This reserve will be utilised to support drug testing.	<b>A</b>	170	130	90	50	10	-	-
<b>Total Earmarked Revenue Reserves</b>			<b>3,345</b>	<b>2,634</b>	<b>1,653</b>	<b>1,302</b>	<b>1,298</b>	<b>1,324</b>	<b>1,360</b>

## Appendix G– Reserves 2018/19 -2023/24

Revenue & Capital Reserves	Narrative Comment	Home Office Classification	Estimated Reserves at 31st March 2018 £000k	Estimated Reserves at 31st March 2019 £000k	Estimated Reserves at 31st March 2020 £000k	Estimated Reserves at 31st March 2021 £000k	Estimated Balance at 31st March 2022 £000k	Estimated Reserves at 31st March 2023 £000k	Estimated Reserves at 31st March 2024 £000k
Capital Grants	These capital grants are held to specifically support IT projects within the capital programme This reserve will be utilised to support the significant capital investment in Estates, Information Technology and Fleet including a new custody and station facility within Carmarthenshire, providing a solution to ageing police facility in Brecon and will support a range of both national and local technological developments.	A	750	426	183	-	-	-	-
Capital Reserve		A	10,451	5,471	2,321	310	185	399	233
<b>Total Capital Reserves</b>			<b>11,201</b>	<b>5,897</b>	<b>2,504</b>	<b>310</b>	<b>185</b>	<b>399</b>	<b>233</b>
<b>Total Reserves</b>			<b>20,480</b>	<b>14,464</b>	<b>10,091</b>	<b>7,546</b>	<b>7,047</b>	<b>7,657</b>	<b>7,528</b>

Home Office Police Finance Res	Classifications
Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan	A
Funding for specific projects and programmes beyond the current planning period	B
A general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management	C

Classifications as outlined in the Home Office guidance on Police Finance Reserves which was issued on the 31st January 2018

How reserves support the priorities of the Police & Crime Plan	General Reserve	Capital Reserve
Keeping our communities safe	✓	✓
Safeguarding the vulnerable	✓	✓
Protecting our communities from serious threat	✓	✓
Connecting with communities		✓



## Capital Strategy

### 1 Introduction

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code 2017 requires local authorities to produce a capital 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 This Capital Strategy sets out the principles that underpin the production of the Police and Crime Commissioner's (Commissioner) forward capital programme. It provides a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the delivery of desired outcomes. It also provides an overview of the governance arrangements for approval and monitoring of capital expenditure, outlines how associated risk is managed and considers the implications for future financial sustainability.
- 1.3 The priorities for policing in the local area are detailed in the Police and Crime Plan (PCP). This document is compiled by the Commissioner in consultation with the Chief Constable (CC). The priorities take account of the views of local people and partners as well as the Commissioner's priorities as the elected representative. The Commissioner published his PCP on 31<sup>st</sup> March 2017. His priorities are:
- Priority One: Keeping our communities safe;
  - Priority Two: Safeguarding the vulnerable;
  - Priority Three: Protecting our communities from serious harm;
  - Priority Four: Connecting with communities.
- 1.4 The Commissioner and CC also take account of Strategic Policing Requirements issued by the Home Secretary. The CC is responsible for supporting the Commissioner in the delivery of the priorities set out in the PCP and has developed a Police & Crime Delivery Plan to support the PCP. His operational delivery, performance monitoring frameworks and financing decisions focus on these priorities. Five key delivery principles will support the PCP:
- Delivering value for money
  - Public engagement
  - Working together
  - Supporting victims
  - Strong leadership
- 1.5 The Capital Strategy is a tool to support planning and corporate working across the two Corporations Sole helping to ensure that assets are used and managed well. The Capital Strategy shows how we prioritise, monitor, deliver and evaluate our capital programme using the basic principles of the project methodology.

- 1.6 Dyfed-Powys is geographically the largest police area in England and Wales covering over half the landmass of Wales. It is particularly affected by the challenges associated with policing a largely rural area which includes two significant Ports, the major installations at Milford Haven and a vibrant tourist industry. Capital Assets, whether Police Stations, Police Houses, Radio Masts, Vehicles or Information Technology and other operational equipment play a vital role in the delivery of policing services across the area and in terms of delivering Police and Crime Plan priorities.

## **2 Key Partnerships**

- 2.1 In delivering each element of the strategy, the Commissioner plans to take due account of the continuing collaboration agenda and will take every opportunity to engage with neighbouring Forces and other constituent Authorities in developing strategies to counter common problems. This Capital Strategy takes account of the continuing need to invest in these key priority areas working with partners in the future.

## **3. Financial Sustainability**

- 3.1 For many years Dyfed-Powys has benefitted from significant levels of capital reserves which have been supplemented by the sale of operational buildings or police houses.
- 3.2 These reserves have historically underpinned capital investment but over the next 4 years the position moves away from the use of reserves into a position of funding through either direct revenue financing or borrowing. This therefore adds pressures to the revenue budget and consequentially to the council tax precept. It must also be noted that is also in a continued period of revenue pressures, increased demand and funding uncertainty.
- 3.3 The strategic approach is therefore to invest in core infrastructure now that will not only offer overall service improvements to the public, but also maximise revenue savings into the future through more efficient and mobile use of police personnel, enabled by improved Information and Communication Technology systems and other core infrastructure for example, connected vehicle fleet and building assets.
- 3.4 Capital investment will also be influenced by and take account of national visions for policing, the strategic policing requirement and both regional and local priorities.

#### 4 Capital Programme

4.1 Assets are vital to the delivery of efficient services and should be well managed and maintained. Strategies for Estates Management, ICT and Vehicle replacements underpin the Capital Strategy in providing the details for the longevity and the optimum replacement cycles for these items.

4.2 The Capital Programme and financing which covers the revised position for 2018/19 through to 2023/24 is summarised below:

**Table 1- Capital Programme 2018/19 – 2023/24**

Capital Programme	18/19	19/20	20/21	21/22	22/23	23/24	Total
	£000k	£000k	£000k	£000k	£000k	£000k	£000k
Land and Buildings	2,309	4,250	16,250	3,900	500	500	27,709
Vehicles (Including Boat)	953	962	1,095	1,050	1,050	1,050	6,160
IT and Other Strategic Spending	3,217	3,405	2,424	2,160	1,690	1,440	14,337
<b>Capital Expenditure</b>	<b>6,479</b>	<b>8,617</b>	<b>19,769</b>	<b>7,110</b>	<b>3,240</b>	<b>2,990</b>	<b>48,206</b>
Grant Funding	-318	-325	-325	-325	-325	-325	-1,941
Borrowing	0	-4,250	-16,250	-3,900	0	0	-24,400
NPAS Capital	-23	0	0	0	0	0	-23
Capital Grants	-324	-243	-183	0	0	0	-750
Contribution from Revenue Account	0	-500	-1,000	-1,500	-2,000	-2,500	-7,500
Capital Receipts	-2,402	-150	0	-891	-1,500	0	-4,943
Capital Reserve	-3,412	-3,150	-2,011	-495	584	-166	-8,650
<b>Capital Financing</b>	<b>-6,479</b>	<b>-8,617</b>	<b>-19,769</b>	<b>-7,110</b>	<b>-3,240</b>	<b>-2,990</b>	<b>-48,206</b>

4.3 The capital investments seeks to contribute to cashable efficiencies in the future delivery of policing in the Dyfed-Powys area in the following ways:

- A reduction in revenue expenditure through a programme of potential buildings refurbishments and rationalisation as outlined in the estates strategy;
- Ensuring that planned building maintenance is prioritised on the basis of risk and statutory compliance;
- Centralisation of custody in Carmarthenshire;
- New partnership facilities in Brecon;
- New collaborative firearms Range to support the training needs and requirements of the Joint Firearms Unit;
- Delivery against the Digital Policing Strategy and Roadmap which entails investing in mobile data, record management system, digital policing and continued investment in IT systems, Body Worn Video, CCTV and ANPR technology to maintain productivity and performance levels;
- Ensuring that opportunities for collaboration and sharing of buildings and other assets continue to be explored.

#### 4.4 Estates

- 4.4.1 The Commissioner has an Estates Strategy which provides clear guidance and direction around the future strategic and operational Estates requirements for the Dyfed-Powys Force, and provides clarity for budget allocation and future investment requirements.
- 4.4.2 The aim of this strategy is *"to provide a cost effective and operationally relevant estate that supports and compliments the services we provide to the community"*
- 4.4.3 Critical to this is the provision for improving custody facilities in Carmarthenshire which is expected to cost in the region of £11m. The project is seeking to deliver an 18 cell complex with ancillary office accommodation and Police station facilities on the outskirts of Llanelli. The project is currently at design Royal Institute of British Architects (RIBA) stage 3 which in principal denotes preparing and issuing the proposed design for planning Ecological, geotechnical and ground surveys have already been undertaken during 2018 and planning approvals are now being sought. Subject to planning approvals and contract, the project timescales are envisaged to be 18 to 20 months with public consultation planned for early 2019 and construction commencing in Autumn 2019.
- 4.4.4 Significant refurbishment works and investment has now taken place to address a considerable programme of condition survey works across the estate within all four counties, some residual works will be completed during 2019/20. The condition survey has also informed the Estates Strategy in determining which properties to retain and where future moves and accommodation changes need to be planned
- 4.4.5 Due to the deteriorating condition of the existing facility in Brecon, provision of £5.5m has been included for a potential collaborative opportunity, albeit there will be proceeds of sale arising from existing station of c£1.5m. Funding was received during 2018 to assist in developing a business case on behalf of partners and this work is ongoing. A potential site has been identified and subject to the outcomes of the business case, and relevant feasibility studies it is anticipated that construction will commence in 2020/21.
- 4.4.6 In addition to this, there will be a rolling custody upgrade programme and a continuing planned maintenance programme which will be funded from both the revenue and capital budget. Custody upgrades are carried out in a phased approach based on risk and corrective actions as identified during HMIC audits. Condition surveys have been carried out across the whole estate determining the level of investment required at each location by each sub fabric element. Prioritisation of works is reviewed based on risk factors aligned to condition of fabric and to the occupant, legislative requirements and business continuity considerations which inform the decision making process and timescales.
- 4.4.7 A new requirement for a firearms training facility to support the southern Welsh Forces collaborative Joint Firearms Unit was identified during 2018/19. The existing range has been deemed not fit for purpose and a new facility is required to meet the very extensive training needs and legal requirements for firearms officers. Considerable discussion has taken place



between Commissioners and Forces and a full business case is currently being developed which will consider a number of options and potential locations for a new facility. Extensive due diligence is and will continue to be applied. At this stage total costs of c£24m have been identified with £6m being Dyfed-Powys' share of costs profiled over the next two financial years.

4.4.8 As outlined, the capital budget supplements a centralised revenue budget for planned and cyclical major buildings works which are programmed based on risk and future strategies for each building. Revenue resources are also held and managed locally for smaller scale repairs, upkeep, and maintenance initiatives/programmes. Investment has been prioritised within the capital programme to achieve efficiencies and reap reductions in revenue expenditure within the estate. A number of procurement arrangements were reviewed during 2018 to ensure the efficient and effective use of resources in maintaining the estate and a Facilities Management Contract will commence in the spring of 2019.

#### 4.5 Fleet

4.5.1 In relation to Fleet, telematics devices were fitted into the Forces' vehicles during the course of 2017/18. This has provided the Force with the first tranche of fleet utilisation and driver behaviour data which is currently being analysed to inform the optimal operational fleet size and deployment profile along with informing operational driver training requirements. Revenue efficiencies have already been realised as a consequential result of the installations. An initial replacement programme has been developed and the cost implications are included in the forward capital plan.

4.5.2 A Strategic Fleet Management Group meets quarterly to provide overall governance and operational assurance which in turn reports into a Joint Assets Board. Vehicle requirements are considered in detail at the vehicle user group which is attended by operational and support representatives. The Force continues to utilise the National Framework agreement to procure operational vehicles. Currently the replacement programme is on target to fully spend the budget for the 2018/19 financial year. The Force continues to actively pursue collaboration opportunities and is fully engaged with the National Police Chief's Council work in relation to fleet efficiency and sustainability and is currently trialling the use of hybrid and electric vehicles which upon evaluation will inform its future programme.

#### 4.6 Information Technology

4.6.1 The Force has a current ICT Strategy Document which covers the period from 2018 up until 2024, and sets out the Force's ambitious digital transformation aims and the essential ICT infrastructure upgrades necessary to deliver a robust, resilient and performant platform with increased capacity to support the Force's needs over the coming years.

4.6.2 The forward capital strategy takes account of a number of local strategic IT projects and also a number of re-procurement projects involving technologies and IT solutions that have reached the end of contract or end

of life of essential equipment. The key IT capital projects which are taking place over planned for the 2019/20 period are:

- A business case has been developed for the procurement of an integrated Records Management System (RMS), which represents a significant investment in ICT and will result in substantial business change across operational policing whilst also affecting most areas of business. There are a number of reasons why the Force sees moving to an RMS as important at this time. One of the reasons being the identified need for a RMS that is interoperable between Forces with shared business processes, this is seen as a key component and enabler for collaboration. The ultimate vision should encompass systems that allow staff to work seamlessly across boundaries with the same ICT functionality. This business case will be considered within normal governance arrangements and if supported will lead to a procurement exercise and the commencement of the implementation during 2019 / 20.
- Depending on the decision regarding a new RMS solution it may lead to the need to re-integrate / re-design the current mobile solution to work with the new RMS provider.
- The work has been carried out as part of the Commissioner's reinvestment in CCTV provision across the Force. The rollout is well underway and should be completed by the end of 2019.
- The current contract for body worn video comes to an end in November 2019 – there is a requirement to re-procure and implement a replacement solution during 2019 / 20.
- The procurement of an In Car Video solution has been concluded with the implementation planned for Q1/Q2 2019.
- Mobile device replacement has occurred under a phased procurement over 2 years (18/19 and 19/20), with the Force upgrading to the Samsung Note 8s. Deployment to begin in Q1 2019 in line with the replacement of the MDM (Mobile Data Management) solution. The new MDM will provide a far richer set of capabilities in terms of remote device management and software deployment and improved user experience / functionality (e.g. secure containerisation)
- Due to delays in the delivery of ESN (Emergency Services Network) it is critical that the Force purchases a stock of Airwave handsets to enable continuity of service to frontline officers, the National ESN position is being closely monitored to ensure investment is kept to a minimum in the short term.
- The replacement negotiation of new Digital Interview Recording contract has been completed and following approval the upgrade of the system including a hardware refresh can be rolled out during early 2019.
- The Force has also expanded its capacity in relation to fixed and mobile Automatic Number Plate Recognition (ANPR) with a focus on more rural parts of the Force area. Significant investment has also been made in relation to Cyber and Digital Crime capabilities in relation to ICT infrastructure.

4.6.3 The forward capital strategy takes account of National Programmes of work that are being taken forward by the National Police Chief's Council and the Home Office. There are some 17 schemes being taken forward nationally including the following:

- National Law Enforcement Database programme which will replace the Police National Computer (PNC) and Database (PND), with a modern 21<sup>st</sup> century solution for policing, built on a set of open source products and delivering a rich set of services that will enable greater interoperability between local systems and the new LEADS solution.
- Digital Policing Portfolio are delivering three separate strands:-
  - Digital Public Contact – which is seeking to standardise the design, user experience of police Force websites and provide a consistent set of web enabled on-line transactional processes across policing,
  - Digital First – which is seeking to facilitate video enabled justice, virtual remand hearings, Digital Evidence Transfer Service (DETS) and digital case files nationally,
  - Digital Investigations and Intelligence – a programme looking to enable digital crime prevention and detection, to provide a toolkit for Forces to assess their digital capabilities against a national standard applied to roles within the Force.
- A National ANPR Service (NAS)
- The National Enabling Programme are delivering three separate strands:-
  - A set of enabling technologies by introducing the Microsoft Office 365 productivity tools, delivered via the Microsoft Cloud based on a nationally assured solution blueprint design and template.
  - IAM – Identity and Access Management
  - NMC – National Monitoring Centre providing national level security operations capability to respond to cyber threats.
  - Emergency Services Mobile Communications Programme to replace the existing Airwave radio system
  - Home Office Biometrics

4.6.4 Due to key infrastructure projects having been delivered in the previous financial year the Force has capacity to capitalise on the benefits of nationally enabled programmes and activities as well explore some more innovative technology options such as artificial intelligence, facial recognition and augmented reality technology etc. during the latter part of the developing plan.

## **5 Capital Requirements and Resources**

5.1 There has been a significant reduction in core capital funding allocated by the Home office over recent years. In 2019/20 a total capital grant of £325 will be available for the Commissioner. In addition, central funding will be available to part fund the Emergency Services Network, although £2.6m of the future costs of this programme will need to be funded.

- 5.2 As part of his integrated service and financial planning arrangements, the Commissioner estimates the level of capital resources available for subsequent years in order to draw up a forward capital programme.
- 5.3 The Commissioner and Chief Constable have prioritised investment in the capital programme towards strategic priorities, unavoidable spending and towards areas that reduce future revenue expenditure and a revised capital programme for 2018/29 to 2023/24 totalling £48.206m.
- 5.4 In order to meet future capital investment requirements and mitigate the reductions in capital grant funding, the medium term financial plan and capital programme include revenue contributions to capital from 2019/20 and also external borrowing requirements to support the Carmarthenshire Custody development, Brecon policing facility, the new Joint Firearms Unit training facility and other elements of critical investment.
- 5.5 The profiled level of capital investment and external resources are used to assess the need for both short and long term borrowing. The strategy also feeds into the considerations that the Commissioner makes annually in setting prudent sustainable and affordable borrowing levels and indicators.
- 5.6 Local Authorities, including the Police, can set their own borrowing levels based on their capital need and their ability to pay for the borrowing. The levels will be set by using the indicators and factors set out in the Prudential Code. The borrowing costs are not supported by the Government so DPP needs to ensure it can fund the repayment costs. The authority's Minimum Revenue Provision (MRP) Policy sets out a prudent approach to the amount set aside for the repayment of debt. These are set out separately under the Treasury Management Strategy which is considered and approved by the Joint Audit Committee.
- 5.7 In addition to their own capital programme, the Commissioner and CC work with partners and the Home Office to secure additional capital and revenue resources to further partnership and transformational objectives. These are dealt with through complementary processes. The resources levered in are not included in the capital programme unless they form part of a direct Dyfed-Powys Police led project. Innovation and transformation fund bids will also be considered to bolster further capital projects in future years.

## **6 Governance Arrangements**

### **6.1 Identifying and Prioritising Capital Projects**

- 6.1.1 As outlined the capital programme has been prioritised by Commissioner and CC who appraise requirements against strategic priorities. The processes recognise the varying scale and complexity of capital projects and incorporate a proportionate approach to capital project appraisal, monitoring and evaluation.
- 6.1.2 The Commissioner manages his capital strategy operationally through the Policing Board, which oversees the major change projects for both capital and revenue. In addition, the Joint Assets Board will support delivery and

monitor specific programme risks. Detailed implementation work is assigned to key individuals and overseen by the Strategic Estates, Strategic ICT Group and Vehicle User Groups or at specific Project Board.

- 6.1.3 Major projects are managed in accordance with project management best practice in terms compliance with PRINCE 2 project methodology. Links have been established between benefits management on key projects, efficiency planning and costing information.
- 6.1.4 The Capital project proposals are considered and prioritised with reference to a business case and are considered against the following factors:
- Strategic importance - how the bid supports the Commissioner's priorities and wider national and regional priorities;
  - The outcomes that will be achieved and the specific benefits and impacts;
  - Sustainability – whether costs are realistic and the level of future revenue implications;
  - What options have been considered;
  - What other funding sources may be available;
  - The degree to which the proposals support partnership working.
- 6.1.5 Prioritisation is then made, based on four categories, which are listed below in order of priority:
- Unavoidable (statutory, contractual or tortuous liability);
  - Corporate Priority (relating directly to the Corporate Aims and priorities for improvement);
  - Service Priority (meeting stated service priorities);
  - Other (payback, invest to save, leverage of external funding etc).
- 6.1.6 Lower priority projects which cannot be delivered within available resources can only be considered and undertaken if additional resources or an under-spend on the approved capital programme is identified during the year.

## **6.2 Implementing and Monitoring Capital Projects**

- 6.2.1 Progress against capital schemes is reported on at least a quarterly basis to the Policing Board and the Force Executive Board.
- 6.2.2 Following approval of the capital programme, a project manager and a user representative is identified for each capital project. The project manager is responsible for managing the project implementation and delivering its objectives. For all projects within the capital programme an officer is identified as project sponsor.
- 6.2.3 The user representative is responsible for representing users and customers and for defining the quality requirements. Both roles reflect the underlying principles of the PRINCE 2 project management methodology. The project manager produces a project plan for approval. Progress against the project plan is reported to the Programme Management Board and Project Sponsor.

### **6.3 Evaluating Completed Capital Projects**

- 6.3.1 Once projects have been completed the project manager completes a post implementation review for the major capital projects. This includes identifying at what stage the post project review will be carried out. The post project report is reviewed by the Joint Assets Board and escalated to the Policing Board if required.
- 6.3.2 To evaluate the actual success and outcomes of capital projects a post project review is also carried out. The depth of this review is proportionate to the scale of the project and the benefits set out in the initial Project Initiation Documentation.
- 6.3.3 This review is in effect a check of performance against the original proposal. It focuses on the outcomes achieved, the extent to which the benefits claimed are being realised, the actual costs, both revenue and capital, and the impact of other funding and partnership working. Dyfed-Powys can then use this information to learn lessons and make any improvements identified during project implementation.
- 6.3.4 The ongoing success of projects is monitored through a number of mechanisms such as officer feedback, public consultation and customer feedback.

## **7 The Disposal of Assets**

- 7.1 The Commissioner and Chief Constable recognise the need to dispose of surplus or unsuitable assets to help achieve its corporate aims and deliver its capital programme and the detailed process for disposal of assets is included in the Corporate Governance Framework. A number of properties were disposed of during 2017/18 with plans to market further redundant properties in due course.

## **8 Revenue Implications of Capital Investment**

- 8.1 Particular attention has been paid to on-going revenue costs stemming from capital projects within the appraisal process. All potential capital bids identify ongoing revenue costs and consider how these can be met. Once approved, revenue costs stemming from capital schemes including any prudential borrowing requirements are built into the medium term financial plan.

## **9 Conclusion**

- 9.1 This Capital Strategy considers all aspect of capital management, sets out the methods for assessing capital projects and assets and outlines the revised capital programme for the period 2018/19 to 2023/24. The strategy should be read in conjunction with the detailed Estates and ICT Strategies,

annual Vehicle Replacement Plan and Treasury Management Strategy which covers the requirements of CIPFAs Prudential Code.