POLICE AND CRIME COMMISSIONER FOR THAMES VALLEY

CAPITAL POLICY STATEMENT 2018

This policy should be read in conjunction with the supporting documents that can be found in the appendices

1 Introduction

1.1 The Capital Policy Statement sets out the Police and Crime Commissioner's (PCC)'s approach to identifying and planning what service assets he needs to invest in, what level of investment he can afford, and how that investment will be funded in order to meet local and strategic policing priorities in the Thames Valley. It therefore forms an important element of the PCC and Force strategic planning processes.

1.2 The purpose of the Statement is to set the framework within TVP to provide for the identification, appraisal, prioritisation, scrutiny and subsequent monitoring and evaluation of all capital expenditure.

1.3 The Statement is consistent with the PCC's 4 year Police and Crime Plan, the Force Commitment and the Annual Delivery Plan. It is supported and supplemented by more detailed plans and policies such as the Asset Management Plan for estates and ICT Strategies.

1.4 Revenue implications of approved capital expenditure will be reflected in the annual revenue budget and the medium term financial plan.

1.5 Where appropriate assets may be acquired in collaboration with partners.

2 Defining Capital Expenditure

2.1 The TVP definition of capital spend mirrors the CIPFA definition of capital expenditure as provided in Appendix 1. In essence, capital expenditure is defined as significant expenditure on fixed assets having a life of more than one year, such as buildings, information technology, vehicles, plant and equipment. Appendix 3 provides guidance on whether expenditure is eligible to be capitalized.

2.2 Capital expenditure can include the costs incurred to subsequently enhance or replace part of a previously capitalised asset.

2.3 The following principles will be applied in TVP to determine whether schemes will be included in the draft capital programme:

- A *de minimus* limit will be applied for capital expenditure incurred on discrete schemes. Items costing less than this amount will be charged to revenue. Appendix 2 provides details of the *de minimus* limit set for each different class of asset.
- There will be no group *de minimus* limit applied to ongoing schemes, however schemes with strategic importance (e.g. vehicles, Force-wide ICT projects, desktop PCs etc) will be capitalised.
- Items funded under any specific capital grant irrespective of value.

TVP will separately account for the following components of an asset:

Premises

- Land as a site value, mandatory split
- Building fabric per block mandatory split

If appropriate, and only when a building is valued at more than £500,000, will it be separately accounted for as follows:

- M&E services per block.
- Roof
- Structures and Elevations
- Internal fabric
- External areas

The component must be valued at a minimum of £200,000 or 10% of the value of the parent asset (whichever is greater) in order to be recognised. Components whose parent asset has a value of less than £500,000 will not be separately recognised.

2.4 Heritage assets, as defined under IFRS guidance, will be identified as such on the Balance Sheet if the asset value is £500,000 or higher. TVP has no investment assets or highway network assets.

2.5 In those strategic areas where TVP acts as the lead force in a collaborative arrangement (e.g. ICT joint TVP/Hampshire systems), the gross cost of the asset will be reduced by their share of any grant or other income/contribution received from consortium partners.

2.6 Police vehicles will be brought onto the balance sheet (and fixed asset register) at date of purchase rather than date of initial use. The assets will also be depreciated from this date.

2.7 Internal and external advice will be sought to determine the useful economic life spans and the estimated residual value of assets

3 Identification of Capital Needs and Bids for Resources

3.1 All Police Areas and Support Departments will identify all potential capital projects covering the next 3-4 years. These projects may come from a number of sources, such as:

- schemes to deliver the strategic Aims and Priorities of the organisation, including the Policing vision 2025
- the need to meet legislative requirements,
- changes following consultation with users and/or partners,
- the outcome of Productivity Plan Reviews (e.g. “invest to save” schemes).

3.2 A business case will be produced for each potential capital scheme or project. These must be supported and approved by the relevant CCMT officer.

3.3 Each business case will be subject to a range of tests and criteria to determine potential inclusion in the draft medium term capital plan. An annual budget preparation timetable will be communicated by the Director of Finance. Each bid must be prepared in the approved format and signed off by a member of CCMT or the PCC and all bids will be evaluated by Corporate Finance before being submitted to CCMT for initial consideration.

3.4 CCMT will further review the Capital Investment Bid forms to formalise the draft medium term capital plan to be recommended to the PCC

4 Resourcing Capital Investment

4.1 The Local Government Act 2003 sets the regulatory framework governing the resourcing of capital investment.

4.2 The Prudential Framework, introduced by the 2003 act, is one based largely on self-regulation. PCCs are free to borrow to fund capital expenditure provided their plans are <u>affordable</u>, <u>prudent</u> and <u>sustainable</u>.

4.3 In determining how much TVP can afford, the PCC has access to the following types of capital income:

a) <u>Borrowing</u> Current practice is to restrict the use of borrowing, due to the ongoing revenue implications. There is the option to borrow, if required, for major property schemes that will provide long term benefit to the Force. All borrowing is subject to PCC approval

b) <u>Capital Receipts.</u> The PCC has agreed to sell those buildings and police houses that are no longer required to support operational policing i.e. as part of the approved estate rationalisation programme (Asset Management Plan). Vehicle sales are also treated as capital receipts.

c) <u>Capital grants</u>. The Home Office issues an annual capital grant to all PCCs in England and Wales. TVP also receives a capital grant from the Home Office to cover capital expenditure on the Counter Terrorism Policing South East (CTPSE). The PCC and/or Force can, on occasion, also bid for additional grants during the course of the year (e.g. for Home Office Transformation Fund.) Unless specified in the grant conditions (such as for the transformation fund), capital grants do not have to be used in the year of receipt; they can be carried forward to help finance future year capital programmes

d) <u>Third party contributions</u>: The PCC and Force are presently involved in a number of major collaborative arrangements, namely the Chiltern Transport Consortium (Bedfordshire, Hertfordshire, Civil Nuclear Authority, Cambridgeshire and Thames Valley), Regional policing arrangements, and the ICT collaboration (Hampshire and Thames Valley). In all cases, Thames Valley acts as the lead force and purchases all goods and equipment on behalf of the collaboration. The other partners will also make a financial contribution for their share of the assets. The PCC may also receive funding from local authorities and other organisations towards the cost of specific assets (e.g. ANPR).

e) Leasing. The PCC has no presumption over whether to lease or acquire assets. The final decision is based on value for money considerations, incorporating whole life costs (including fit out and dilapidations). All leases to be signed in accordance with the agreed scheme of consent and the detailed financial regulations (including contract regulations)

f) Direct Revenue Financing (DRF): The PCC has the option to make a revenue contribution towards the cost of purchasing an asset.

g) S106 or CIL (Community Infrastructure Levy) – TVP is expected to receive developer funding under agreements reached with Planning Authorities. These funds will be earmarked to meet its commitments under those arrangement. The timing of any funding received is driven by the development and may be applied retrospectively to recent spend incurred in improving police services in the area or new investment.

h) Revenue reserves: The PCC currently has a small number of revenue reserves that may be used to help finance capital expenditure.

4.4 The PCC Chief Finance Officer in consultation with the Director of Finance shall determine how best to fund the capital programme using the capital and revenue resources currently available.

5 Management, Monitoring and Evaluation

5.1 The Chief Constable will present a draft medium term (normally 3 – 4 years) capital plan to the PCC in the late autumn each year, including proposals for financing, as appropriate.

5.2 The PCC will consider these proposals alongside the proposals for revenue expenditure over the next three to four years.

5.3 In January each year, the PCC will approve the annual revenue budget, capital programme and the prudential indicators.

5.4 Detailed monitoring of schemes will be carried out by project or programme managers, functional heads of department and their project managers together with Corporate Finance Staff on a regular basis. They will focus on the timeliness of projects as well as financial monitoring, and achievement against those objectives set out in the Project Appraisal.

5.5 A capital monitoring report will be presented to CCMT and the PCC on a regular basis throughout the year.

6 Other issues

6.1 Following the stage 2 transfer of staff, assets and liabilities on 1st April 2014 from the PCC to the Chief Constable, land and building assets are shown on the PCC's balance sheet whilst short-term operational assets (e.g. vehicles, plant and equipment) are shown on the Chief Constable's balance sheet.

6.2 Assets will be retained on the relevant balance sheet until the items have been identified as having been disposed of. A review of assets which have been fully depreciated will be undertaken periodically to avoid the Gross Book Value overstating the PCC's, Chief Constable's or Group's assets. This will be undertaken based upon time rather than the identification of individual assets unless those assets have been identified as still being in use.

7 Supporting Documentation

7.1 This Policy Statement is supported and complemented by the more detailed Asset Management Plan (Estates), ICT Strategy, Fleet Transport Strategy and the Procedure Note on Capital Accounting. These will all be reviewed and updated on a regular basis. In normal circumstances, this will be after the (annual) CIPFA code of practice on local authority accounting has been issued.

Policy approved by:
Ian Thompson: Chief Finance Officer & Deputy Chief Executive
Linda Waters: Director of Finance

Date: December 2018
Next Review date: January 2020

Appendix 1

THE DEFINITION OF CAPITAL EXPENDITURE – Extract from the CIPFA Code of practice on local authority accounting.

Property, Plant and Equipment

Recognition

4.1.2.16 The cost of an item of property, plant and equipment falling under this section of the code shall only be recognised (and hence capitalised) as an asset on a local authority balance sheet if, and only if:

- It is probable that the future economic benefits or service potential associated with the item will flow to the entity, and
- The cost of the item can be measured reliably.

4.1.2.17 Costs that meet the recognition principle in paragraph 4.1.2.16 include costs of acquisition and construction, and costs incurred subsequently to enhance, replace part of, or service the asset.

4.1.2.18 Subsequent costs arising from day to day servicing of an asset (ie labour costs and consumables) commonly referred to as 'repairs and maintenance' should not be capitalised if they do not meet the recognition principle in paragraph 4.1.2.16 because the expenditure does not add to the future economic benefits or service potential of the asset. Rather the expenditure maintains the asset's potential to deliver future economic benefits or service potential that it was expected to provide when originally acquired.

Intangible Fixed Assets

Recognition

4.5.2.3 An intangible fixed asset shall be recognised if it is probable that the expected future benefits attributable to the asset will flow to the authority. An intangible asset shall be measured initially at cost.

4.5.2.4 Expenditure incurred on an intangible asset after it has been recognised will normally be charged to Surplus or Deficit on the Provision of Services as incurred. Only rarely will subsequent expenditure meet the recognition criteria in the code. Where this occurs, an authority shall recognise the expenditure in the carrying amount of the intangible asset. Further details can be found in IAS 38.

Appendix 2

Thresholds and Limits for Fixed Assets

Asset type	De Minimus £000	Useful Economic Life	Residual Values
Buildings	100	As assessed by Valuer	As assessed by Valuer
Assets in relation to PFI	100	As per the lease	As assessed by Valuer
Leased Buildings	100	As per the lease	As assessed by Valuer
Vehicles (Ancillary equipment not fitted by supplier to be assessed separately and capitalized if appropriate)	none	see separate table from Chiltern Transport Consortium (below)	Sam Sloane
ICT	50 (Total collaborative project value)	2-5 years	£0
Intangible Assets	50 (Total collaborative project value)	5 years	£0
ESMCP devices	none	2 years	£0
Equipment	25	To be defined by internal experts during initial bidding process	£0
Assets funded by capital grant	0	According to above table as appropriate for class of asset	According to above table as appropriate for class of asset

Explanatory notes:

De minimus – Threshold of minimum expenditure that needs to be met before the asset / group of assets can be capitalised. Spend under this threshold will be charged to revenue.

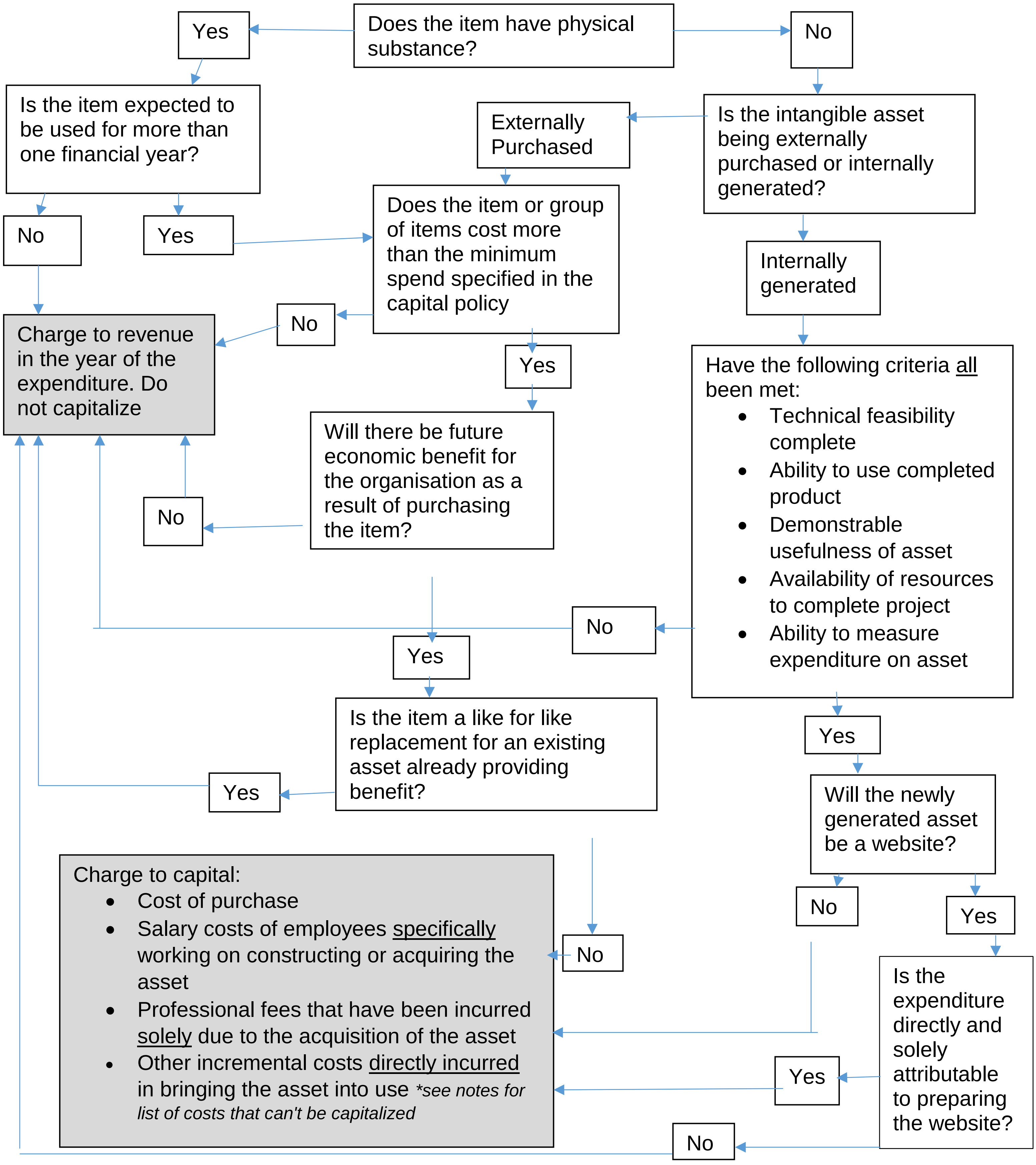
There is no group de minimus set for assets of strategic importance (eg vehicles, ESMCP devices, desktop PCs, laptops, smart phones, Body Worn Video, ANPR and forensic cameras/ equipment) will be capitalised.

Useful Economic Life of Vehicles

CTC End of Life Table		
Description	EOLYears	EOLMiles
ARMOURED POLICE VEHICLE	25	100000
ARMOURED PATROL VEHICLE CNC)	8	100000
ARV (PETROL)	5	100000
CAR HP RESPONSE (DIESEL)	3	160000
CAR HP RESPONSE (PETROL) >= 180bhp	3	150000
CAR IP RESPONSE (DIESEL)	3	160000
CAR IP RESPONSE (PETROL) <180 bhp	5	90000
CAR STAFF (TVP)	4	90000
CAR STAFF CAR (CNC)	4	80000
CAR/CAR DERIVED VAN LP NON RESPONSE (ALL)	5	100000
CAR/CAR DERIVED VAN LP RESPONSE (DIESEL)	3	160000
GP DOG VEHICLE - OUTLANDER 4X4	5	120000
GP DOG VEHICLE - ZAFIRA	4	120000
GP RURAL 4X4	7	100000
MOBILE POLICE STATIONS ETC	12	100000
MOTORCYCLE GP <=125CC	10	10000
MOTORCYCLES IST/CDIU >125CC	5	50000
NON DEFINDED	0	0
PSU & PROTECTED CARRIERS	10	120000
PSU & PROTECTED CARRIERS (MERC & VW)	10	120000
RESERVE/EXHIBITION VEHICLES	8	100000
SPECIALIST VEHICLES LGV & HGV	12	500000
SURVEILLANCE CAR - DIESEL	4	120000
SURVEILLANCE CAR - PETROL	4	120000
TRAFFIC MOTORCYCLES	4	80000
TRAILERS/PLANT & LOW USAGE SPECIALIST UNITS	12	0
UTILITY VEH 4X4 TRAFFIC ACC UNIT (DIESEL)	6	100000
VAN LARGE SPECIAL (DIESEL)	10	100000
VAN MEDIUM (DIESEL) - VIVARO SOC/AREA VANS	5	120000
VAN POST	3	150000

Appendix 3

Flow Chart To Determine If Expenditure Should Be Capitalized



*** Incremental costs that cannot be capitalised**

Only costs that are contribute to bringing the asset into working condition can be charged to capital. Examples of costs that cannot be capitalised are:

- Training staff to use new computer system.
- Costs of providing alternative arrangements whilst systems are being constructed
- Costs of researching other options which were determined to be unsuitable
- costs of renting alternative accommodation whilst building work is taking place