

POLICE AND CRIME COMMISSIONER FOR THAMES VALLEY AND THE CHIEF CONSTABLE FOR THAMES VALLEY POLICE

CAPITAL POLICY STATEMENT 2020

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 and Chief Constable's joint approach to identifying and planning what service assets they need to invest in, what level of investment they 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 TVP Strategic Plan, Financial Strategy and Capital Strategy. 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 and business change programmes, 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 the Effectiveness and Efficiency Programme, including Productivity Plan Reviews.

- 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 affordable, prudent and sustainable.
- 4.3 In determining how much TVP can afford, the PCC has access to the following types of capital income:
 - a) Borrowing 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) Capital Receipts. 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) Capital grants. 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. Unless specified in the grant conditions, 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) Third party contributions: 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, British Transport Police 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 annual capital programme. Indeed, from 2019/20 onwards a significant proportion of the overall capital programme is now funded from DRF.
- 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 arrangements. 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.

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: April 2020

Next Review date: January 2021

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.

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

NAPFM Categories	Short Definition	Notes	Exp Life (average in Months)	Exp Life (average in Miles)
Marked Non-Response (not traffic)	Marked Non-response	<p>Liveried fleet vehicle (possibly with a blue light), but without audible warning and not used for response driving. Typically neighbourhood beat vehicles</p> <p>Corsa Astra Hatch Astra Estate</p>	60 60 60	120,000 120,000 120,000
Marked Response (not traffic)	Marked Response	<p>Liveried fleet vehicle, fitted with visible and audible warning devices and used for response driving. Typically divisional or area response vehicles</p> <p>Astra Hatch Astra Estate Insignia Hatch Insignia Estate Astra 1.6 (136ps) Estate</p>	48 36 36 36 48	120,000 120,000 120,000 120,000 120,000
Marked 4x4 vehicles (not traffic)	Marked 4x4	<p>Liveried, 4x4 vehicle for occasional patrol and access for areas away from metalled roads. Typically for neighbourhood beat vehicle use in rural areas</p> <p>Mocha Outlander L200</p>	60 60 60	120,000 120,000 120,000

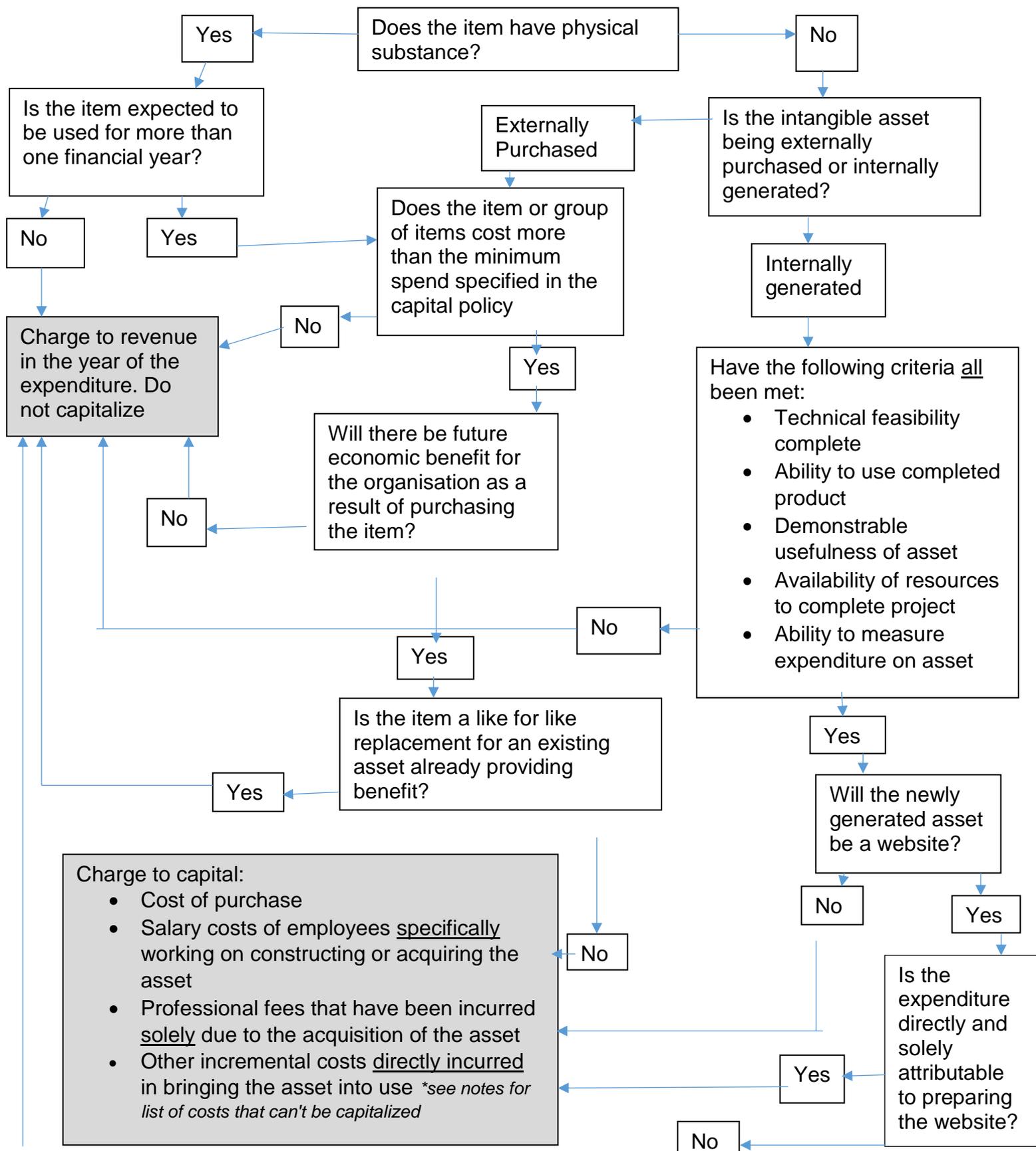
		Ford Kuga	60	120,000
		Ford Ranger Double Cab	60	120,000
Marked Operational Vans (with or without prisoner cells)	Marked Op Van	Liveried divisional van, with or without prisoner cell. Typically used as a divisional resource to transport non-compliant prisoners or general patrol Vivaro	60	120,000
Dog Vehicles	Dog	Liveried or unmarked vehicles modified and used for the transportation of police dogs Astra Estate Outlander Zafira Vivaro	48 60 60 72	120,000 120,000 120,000 120,000
Personnel Carriers (unprotected)	Pers Unprotected	Liveried or unmarked personnel carriers with more than 8 seats. Typically minibuses Transit Movano	120 120	160,000 160,000
Protected Personnel Carriers (PSU's)	PSU's	Liveried and protected personnel carriers (PSU's) with or without prisoner cells Transit Movano Merc Sprinter (National Spec)	96 96 96	160,000 160,000 160,000
Marked Motorcycles (Traffic only)	Marked M/Cycle	Liveried Traffic Patrol motorcycles BMW R1200	60	70,000

Unmarked Motorcycles	Unmarked M/Cycles	Typically machines used in covert roles		
		Mid Range/Size M/C (eg Honda 750)	48	70,000
		High End/Large M/C (eg BMW R1200)	48	70,000
Traffic vehicles	Traffic	Liveried vehicles used for traffic patrol. Typically high performance, and may also include AWD (all wheel drive variants)		
		Vectra/Insignia 2.0T / 2.8	36	130,000
		Volvo V70 D5	36	130,000
		Volvo XC70 + BMW X5 (BCH JPS RP as dual role)	36	130,000
Marked Traffic 4x4	Marked Traffic 4x4	Liveried 4x4 vehicles used for traffic patrol. Typically large high performance vehicle with 4x4 capability for towing/off road/severe weather use		
		Shogun	60	150,000
		BMW X5 (Not Joint RP/ARV)	48	150,000
Unmarked Traffic vehicle	Unmarked Traffic	Unmarked vehicles used for traffic patrol. Typically high performance, and may also include AWD (all wheel drive variants)		
		Insignia 2.0T / 2.8	36	130,000
		Volvo S80 D5	36	130,000
		BMW X5	36	130,000
Armed Response Vehicle (ARV)	ARV	Liveried vehicles used for Armed Response (may also include traffic patrol). Typically high performance, and may also include AWD (all wheel drive variants) or 4x4 where used in this role		
		S-Max	36	130,000

		Volvo V70 D5	36	130,000
		Volvo XC70 / BMW X5	36	130,000
Unmarked Covert/General purpose cars, Non Response	Unmarked GP Non Response	Unmarked cars, typically pool or divisional CID use without any response capability (not equipped with warning equipment)		
		Corsa	60	120,000
		Corsa class equivalent	60	120,000
		Astra	60	120,000
		Astra class equivalent	60	120,000
		Insignia / Mondeo or equivalent	60	120,000
		Chief Officer Cars (up to £35k max inc VAT)	48	100,000
Unmarked Response, Covert/General purpose cars	Unmarked GP Response	Unmarked cars, typically higher performance as used by specialist crime units and typically fitted with covert warning equipment to facilitate response capability		
		Cat 1 (Guide: veh price range up to £12,000)	60	120,000
		Cat 2 (Guide: veh price range £12,001 - £15,000)	48	120,000
		Cat 3 (Guide: veh price range £15,001 - £17,000)	48	120,000
		Cat 4 (Guide: veh price range £17,001 - £24,500)	48	120,000
		Cat 5 (Guide: veh price range £24,501 - £35,000)	48	120,000
		Cat 6 (Guide: veh price range £35,001 - £45,000)	48	120,000
Unmarked/Covert Vans	Unmarked Vans	Unmarked vans of varying types, Typically this may be used for general purposes or as an operational covert van		
		Small Vans (eg: Combo)	72	120,000
		Large Vans (eg: Vivaro)	72	140,000

SOCO/Photographic vehicles	SOCO/Photo	Generally liveried specialist use vans, typically this may include SOCO, Photographic, Camera enforcement, accident investigation etc		
		Small Vans (eg: Combo)	60	120,000
		Large Vans (eg: Vivaro)	72	140,000
Driving School Vehicles (only used for driver training)	Driving School	Varying vehicle types, typically reflecting the makeup of the operational fleet for driver training purposes		
		Astra	60	120,000
		Insignia	60	120,000
		Volvo V70	60	130,000
		Motorcycle (Mid Range)	60	70,000
		Motorcycle (High Performance)	60	70,000
		Minibus	96	160,000
		Other (eg: High Performance Cars)	60	130,000
		Other (eg: Mid Performance Cars - Mondeo, i40, etc)	60	120,000
Other (eg: High Performance 4X4 - X5 etc)	60	130,000		
LGVs (including control vehicles etc)	LGV's	Large Goods vehicles, all types		
		Mobile Police Station	120	180,000
		Horsebox	120	180,000
		Command Vehicle	120	180,000

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