Office of the
Police and Crime
Commissioner
for Warwickshire

Capital Strategy 2023/24

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Disclosable under Freedom of Information Act?	Yes
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Equality Analysis	Low

The Office of the Police and Crime Commissioner welcomes comments and suggestions from the public and staff about the contents and implementation of this policy. Please e-mail opcc@warwickshire.pnn.police.uk.

1. Policy outline

The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities (including Police and Crime Commissioners) 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.

The Capital Strategy is a key document for the Police and Crime Commissioner (PCC) and Warwickshire Police and forms part of the revenue and capital planning process. 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 how associated risk is managed and the implications for future financial sustainability. It also includes an overview of the governance processes for approval and monitoring of capital expenditure.

Throughout this document the term Warwickshire is used to refer to the activities of both the PCC and the Force. This Capital Strategy includes all capital expenditure and capital investment decisions for Warwickshire. It sets out the long term context in which decisions are made with reference to the life of the projects/assets.

2. Capital Expenditure – Definition

Capital expenditure is incurred on the acquisition or creation of assets, or expenditure that enhances or adds to the life or value of an existing fixed asset. Fixed assets are tangible or intangible assets that yield benefits to Warwickshire generally for a period of more than one year, e.g. land and buildings, ICT, business change programmes, equipment and vehicles. This is in contrast to revenue expenditure which is spending on the day to day running costs of services such as employee costs and supplies and services. The expenditure can be in respect of additions, replacements or enhancements of assets; and this can include spending on assets owned by other bodies. The PCC has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year. The capital programme which is approved as part of the budget report each year is Warwickshire's plan of capital works for future years (over the medium term financial plan period), including details on how the schemes will be financed.

3. Capital vs Treasury Management Investments

Warwickshire PCC produces a separate annual treasury management strategy which is approved each year. Treasury Management investment activity covers those investments, which arise from the organisation's cash flows and debt management activity, and ultimately represent balances, which need to be invested until the cash is required for use in the course of business.

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

Cleary some treasury management decisions link closely to the capital strategy in terms of funding and the documents should be read in conjunction with each other.

4. Links to other corporate strategies and plans

In order to deliver strategic aims laid out by the PCC and Chief Constable there will be the need to invest in and maintain our assets, buildings, vehicles, ICT and plant & equipment. The relevant documents are as follows.

The PCC produces his Police and Crime Plan at the commencement of each new term. It is kept under review during the intervening years to ensure it is up to date and reflective of current priorities. The PCC also publishes an annual report at the end of each year to outline the achievements and progress made during the course of the year, and reflects on outcomes and progress in delivering the Police and Crime Plan.

To complement the plan the force has produced its Fit for the Future strategy which is a 5 year strategy to 2025 to outline strategic priorities and the high level direction in terms of the transitional and transformational process for Warwickshire Police. The Chief Constable also produces an annual force management statement which assesses current and future demand requirements against the current status of workforce and assets and plans to address any gaps and requirements.

To support these overarching documents a number of interrelated strategies and plans are in place, such as the Budget and financial strategy, Medium Term Financial Plan, Medium Term Capital Plan, reserves strategy and the Treasury Management Strategy.

The operation of all these strategies and plans is underpinned by the Code of Corporate Governance which applies to the force and the PCC and includes the Contract Procedure Rules, the Financial Regulations and the schemes of delegation. The Corporate Governance framework is also reviewed annually by representatives from the force and PCC and also the Joint Audit and Standards Committee, prior to formal approval.

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

5. Developing a Capital Programme - the capital budget setting process.

5.1 Introduction

The published Medium Term Financial Plan (MTFP) continues to cover a 5 year period, however, this has been extended out up to 10 years, for financial planning purposes including scenario planning different conditions, whilst this informs financial strategy formal decision making is contained in the approved budget & MTFP.

The 5 year MTFP planned project expenditure as well as capital programme financing and its impact on the revenue budget and financial sustainability over the medium term. The annual capital budget sets out the anticipated level of expenditure and the associated funding for the year. The plans are drawn up, reassessed and extended annually and, if required, re-prioritised to enable the aims and objectives established in the PCC’s Police and Crime Plan and the Fit for the Future Strategic Plan. This has been necessary in recent years to allow the Empower tech, place and people workstreams to be achieved.

The capital budget also supports national initiatives and commitments for example the emergency services network (radio communications), where timelines and plans are less certain and beyond the Forces control. The capital budget is fully explained within the annual budget report approved by the PCC. The key strategic focus reflects the ambitions of the Empower model, in terms of building on our investment in the ICT infrastructure and will also address backlog maintenance issues on our estate, ensuring it is operationally fit for purpose. The programme and works will prioritise:

- Estate and location planning: To update the estate in line with policing requirements and ensure it is fit for purpose.
- Agile working: To maximise utilisation of the freehold estate by embracing new technologies and supporting agile working under the Empower – tech progamme
- Maintenance and modernisation: To improve working conditions and the appearance of the estate, with a particular focus on safety and wellbeing, in line with staff and public expectations and welfare requirements
- Sustainability: To adapt the estate and vehicle fleet in order to ensure Warwickshire is fit for a sustainable future
- Security: To align physical security provisions and physical threat profiles
- To ensure that investment in ICT delivers transformational change to support more efficient and effective working and to ensure systems and infrastructure are fit for purpose and avoid the accumulation of technical debt, which is created when ICT deteriorates and manifests in poor performance and weak levels of security.

- Investment in ICT must ensure that Warwickshire builds on the National Enabling Programme-compliant platform that it has created and designs contemporary applications, in line with national policing applications and ICT products and offers opportunity for greater efficiency and delivers value for money.
- The maintenance, development and replacement of other core assets (e.g. equipment and communication infrastructure) to maximise the advantage of new technology and reflect legislative changes.
- To ensure that fleet replacement programmes continue to meet the needs of the new policing model and operational requirements.

5.2 Collaboration and partnership working:

A focal point of the Warwickshire capital strategy is the continued support for the national and local drivers that encourage collaborative working and engagement across the sector. Warwickshire recognises the benefits of partnership working and will consider opportunities for collaborative working where there are clear benefits, it delivers value for money and the associated risks are acceptable. For example, Forensics services in Warwickshire are delivered through a collaboration agreement with West Midlands police, however, Warwickshire also works collaboratively regionally and with local partners including community safety partnerships to deliver improved services.

5.3 Capital budget setting and timelines

The timeline for preparing the capital budget usually commences in the late summer/early autumn as part of the annual budget setting process. The capital programme and budget is however kept under constant review during the course of the year through the regular budget monitoring processes. The Police and Crime plan identifies the key strategic priorities, and these are reflected and supported through the revenue and capital budget, driven by the plans developed as part of the three Empower workstreams – place, tech and people.
Key criteria include:

- Ability to provide improved service delivery which will keep communities safe
- Ability to provide the equipment and infrastructure necessary to provide efficient and effective services and drive out more efficient work and increased productivity from the recent significant investments in ICT.
- Achievement of high level agreed PCC, Force, Regional and/or National outcomes;
- the ongoing development of improved Force wide capability
- Redevelopment and improvement of estates, fleet and equipment, including health and safety and increasingly addresses environmental issues to improve services

5.4 Capital projects identification and business case prioritisation

Business change is unavoidable and is desirable to ensure that the business continues to address need and flexes with changing circumstances.

The business planning process is the mechanism to facilitate this through the annual business plans produced for teams and departments across the Force. These will include areas for development and investment for consideration by the Chief Constable in making a budget proposal to the PCC. All projects to change the business will be subject to a business case and scrutiny via the Force Boards prior to ultimate sign off. This to demonstrate proof of concept, identify quantifiable benefits, quality improvements as well as risks, downsides and the cost.

Business planning is integrated with the MTFP and this process is facilitated within the Force Analysis and Service Improvement department working in conjunction with the Finance Team.

The sole purpose of Business Plans or Business cases is not to seek additional funding and grow the budget. They should articulate how the aims and objectives of the Police & Crime Plan and Chief Constable will be better achieved over the medium term, explaining how the business will evolve and the associate risks and mitigations that may need to be addressed or put into place.

Business Plans should also explain any areas of business that are no longer appropriate, the process of transitioning out of these and identify the potential for greater efficiency and effectiveness to achieve continued improvements in service delivery. Ultimately explaining how we will get the most cost effective policing performance from the resources at our disposal.

To ensure that business plans fully articulate and identify future changes that will impact on demand for example changes in legislation and outline how we will respond to that change, the strategic business planning team and Finance Business partners will work with business leads to develop their business plans, which will ultimately be considered by Chief Officers and the PCC.

The Annual Business Planning Cycle co-ordinates all of our strategic activity to ensure that it is appropriately sequenced to inform our underpinning of the Police and Crime Plan, Fit for the Future strategic priorities, Empower programme, Financial Planning and decision-making. The precise sequence and timing of projects will be co-ordinated by the Force Change Board. The approach is coordinated fully with other strategic documents and processes, as the Service improvement team also deliver the Annual Strategic Assessment, Control Strategy and the HMICFRS Force Management Statements.

The research and analysis that underpins these strategic documents inform decisions regarding priorities, goals and direction at a strategic level as well as the deployment of resources across the Force. This includes the analysis of large amounts of data that is held to assess historic and current demand and uses professional knowledge and intelligence to make planning assumptions for future demand requirements, to ensure the force are fit to meet this demand with the necessary skills and capacity, and that they have the resources in place to address this.

The business planning process has strong links with the financial planning and budget setting process, and information has been developed and is being shared through the business partnering model to provide budget holders and other stakeholders with the relevant information and improve their financial skills and knowledge. In seeking investment in our areas of business and support for new ideas Budget Holders / senior leaders should demonstrate the benefits and impact that this will have across the Force and be prepared to be held accountable for delivering the results and implementing the changes contained in the plan.

Whilst the Analysis & Service Improvement team co-ordinate the business planning process, it is the business case owner and the Empower workstream lead who takes ownership of the project from inception to delivery and ensures not only that the service elements of the proposal are delivered but that resources are available and funding / finances can be found for all costs arising from the decision. It may be that a degree of up front financing is required, however this should be cognisant of the financial parameters set and any benefits being clearly articulated in the business case. Change Board will monitor delivery of benefits and appropriate post implementation reviews will be undertaken.

Budget Holders should also identify and ensure the support required from professional services such as ICT, finance estates or project management support can be provided both technically and from existing capacity. To support this activity a change governance process exists to complement business planning where any in year investment decisions are passed through a number of review gateways before a decision is made on the change. Depending on the scale of the project, A&SI will guide its governance with major projects governed through an established programme and project methodology. Finance staff will work closely with Budget Holders, to understand the business proposal and to achieve better outcomes from the available resources. The forces Change Board will review proposals and approve decisions. The Change Board is attended by the OPCC Chief Executive in an oversight role.

At appropriate times, business plans and their budget implications are discussed with the PCC at the weekly holding to account meetings, or monthly governance board meetings to gain a fuller understanding and seek agreement on projects that will need to be included within the budget for the coming year, and more widely over the MTFP period. Any requiring a PCC decision for example on estates or that have budgetary implications will be subject to scrutiny at the holding to account/governance board meeting and will also pass through the PCC's governance processes, before being formally approved.

5.5 Affordability and financial planning

The PCC and Chief Constable's aim is for the Force to be affordable and sustainable, delivering the most cost effective policing from the available resources. This is articulated in the Good and Balanced Budget.

The overall financial position of Warwickshire and hence the scope for future capital expenditure must take into consideration the combination of the revenue budget, capital programme as well as the position on reserves. The revenue and capital budget positions are interdependent in several ways. This may be in terms of the method of financing (borrowing will have revenue implications) in addition to whether the capital investment also involves some form of revenue expenditure.

The Medium Term Financial Plan identifies the anticipated financial position for the next five years and will include forecasts on inflation, committed growth requirements, efficiency savings, and assumptions around grant and council tax funding and any other information introduced during the budget process. The assumptions are regarded to be robust having been arrived at through research and tested in various scenarios. This is key to a Good Budget.

The extent to which the annual revenue budget, through the five year forecast can support the capital programme is a key factor to overall financial planning. The budget for 2023/24 has been approved by the PCC. All projects must therefore be delivered within the existing budget cost envelope, and any areas of anticipated additional cost will need to be financed from other corresponding underspends. Savings requirements over the medium term have been identified and a commitment has been given by the force to deliver £1m of savings at the start of 2024/25, followed by a further £1m in 2025/26 and another £1m in 2026/27. The funding, use of reserves expenditure plans both revenue and capital and savings need to balance to achieve a Good and Balanced Budget over the life of the MTFP.

During 2022/23 the affordability and financing of capital expenditure has been considered more closely and a change in approach has been taken, in the light of the removal of central capital grant. Capital financing decisions will always be taken in the most cost effective and efficient way based on information available at the time, however the removal of all capital grants and an increased need for capital investment means that an alternative source of sustainable capital financing must be identified over the medium term. The ambition is to move to a position where approximately half of the financing for the capital programme is from revenue or other sources, including S.106 planning monies and the remainder from borrowing. This ensures that borrowing costs are reduced and smoothed where possible and the burden on the revenue budget managed over the medium term, this is pertinent particularly in the light of increasing interest rates over recent months and increasing burdens on revenue from inflation and pay. This is considered to be a prudent, affordable and sustainable strategy.

5.6 Capital Sustainability

The financing of capital expenditure is outlined in the budget annual budget report but includes borrowing, reserves, and revenue financing most significantly. Capital receipts and revenue funding will be targeted at the funding of shorter term assets, to minimise the revenue implications of the minimum revenue provision. Borrowing will be used primarily to fund longer term assets. Expert external Treasury advisers have been consulted on the most cost effective use of borrowing, and other sources of capital financing to ensure that plans are robust, affordable and are cost effective, and that the minimum revenue provision policy and calculations are robust and accurate, and their recommendations will continue to be considered fully when determining and allocating capital funding. The costs of the Empower programme are significant, but work is targeted over different time frames, over two to three year periods for tech work, compared to longer term profiles for estates work. Given this profile, the maintenance and contributions to an infrastructure reserve are planned to assist in meeting the need for sustainable capital funding over the medium term. This is referenced further in the reserves strategy.

The capital strategy remains to invest in core infrastructure that will not only offer overall service improvements to the public, but also to maximise revenue savings into the future through more efficient working, including the use of automation to streamline and drive improved productivity in areas of large volume transactional process. The Empower programme, force business planning and change management methodology will govern and oversee this process, which aligns with the priorities set out in the PCC's police and crime plan and the force's fit for the future strategy. The aim is to reach capacity in terms of the numbers of officers, PCSOs and police staff, and achieve an increase in capacity as officers become more experienced and they are better supported in their jobs through investment in our assets, especially ICT.

Warwickshire's investment strategy will also continue to be influenced by, and take account of national visions for policing, as well as regional and local priorities, and the capital programme over the medium term provides for some of the anticipated costs of doing so.

5.7 Approval process

The final version of the Budget & MTFP including the Capital Programme is presented to the PCC in late January each year for inclusion with the main budget report and subsequent approval, reflecting the governments published policing funding position and the PCC's proposed precept. The formal PCC approval process involves the agreement of the capital budget for the following year, and an acknowledgement of the intention, for planning purposes, of the remaining years of the Medium Term Financial Plan. Where a project has been included in the budget based on a high level business case or through the Empower programme, further more detailed work will usually be required in the form of a more comprehensive business case to seek formal approval by the PCC for release of the funds during the course of the year. This should always be before the project is commenced. Details of the PCC's capital programme are included in the 2023/24 budget and medium term financial plan report, which is published on the PCC website and has been approved via a decision notice.

6. Governance

6.1 Funding Strategy and Capital Policies

All capital expenditure must be financed, either from external sources (government grants and other contributions), the PCC's own resources (revenue, reserves and capital receipts) or debt (borrowing and/or leasing). This section sets out Warwickshire's policies and priorities in relation to funding capital expenditure and investment.

6.2 Government Grant

The Commissioner no longer receives any general capital grant from Government. This ceased at the end of 2021/22, following a prolonged period of reductions and only specific capital grants now exist. Capital spending is therefore almost solely funded locally and therefore it is essential that a sustainable capital financing strategy is identified over the medium term, which is both realistic, affordable and achievable to meet capital spending plans.

Specific capital grants may continue to be received for agreed capital works but these are relatively uncommon and generally small in value in Warwickshire. Both of these sources of funding would be utilised as a priority for funding capital expenditure, where grant conditions are satisfied.

6.3 Capital Receipts

A capital receipt is an amount of money which is received from the sale of an item on the fixed asset register, often most significantly estates related. They cannot be spent on revenue items. When a capital asset is no longer needed or is surplus to requirements, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The PCC received the first instalment of a more significant capital receipt in 2021/22 for the partial sale of excess land at Leek Wootton. The second instalment of that receipt was received in February 2023. This will be used to fund medium term capital spending in the most cost effective manner possible, in line with the medium term capital financing plan.

The scope for generating further capital receipts is limited, following the review of estate and assets to consider their viability and long term use, but opportunities will continue to be considered where appropriate.

6.4 Prudential Borrowing

Public Authorities, including the PCC, 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 the PCC needs to ensure it can fund the repayment costs. Debt is only a temporary source of finance, since loans and leases must be repaid, usually from revenue which is known as minimum revenue provision (MRP). Effectively MRP is a charge to revenue for the repayment of the principal element of borrowing. Any borrowing must always be both prudent and affordable.

Further details on prudential borrowing including the prudential indicators is contained within the Treasury management strategy.

6.5 Reserves and balances

A separate reserves strategy exists, and is reviewed annually to reflect a changing forecast outturn position in year. With transfers to and from reserves taking place in line with PCC approvals. Forecast underspending in 2022/23 will be contributed to the infrastructure reserve as part of the plan to develop a more sustainable approach to future capital financing. Reserve funding will be targeted at shorter term assets initially to reduce the impact of the MRP on the revenue account.

6.6 Revenue Funding

Revenue contributions to capital are being increased quite significantly in 2023/24 to address the increased Empower programme investments mainly in tech, to facilitate automation and generate future efficiencies, but also in recognition of the ambition to progress towards achieving the ambition whereby half of capital funding is met from borrowing and the remainder from other local sources.

A direct link is being made between excesses of income from the national contractor vetting service (NCVS) and increased revenue contributions. This income source has increased following planned improvements in this commercial area of service, and creating a link with capital financing ensures that reliance upon the income is minimised for ongoing revenue costs. If income fluctuates, investment decisions can be flexed more easily, without impacting on front line policing activity in any one year.

Any other underspends, emerging during the course of the year will be contributed to reserves or through increase revenue contributions to fund capital, and all decisions will be subject to PCC approval.

Revenue funding will be targeted against the financing of shorter term assets initially to reduce the impact of the MRP on the revenue account.

6.7 Section 106 receipts

The PCC has been successful in gaining the receipt of Section 106 payments to mee the increased costs of policing following significant housing development across the county. The process is operated and overseen through the Local Authorities. Section 106 agreement are subject to a number of specific terms and conditions outlined within the individual agreements. These often relate to eligible expenditure and specific timelines for meeting costs. Where capital expenditure meets these terms, Section 106 funding will be used to fund capital works.

7 Procurement and Value for Money

Procurement is the purchase of goods and services. The team in Warwickshire ensures that all contracts, including those of a capital nature, are legally compliant and provide best value for money. It is essential that all procurement activities comply with regulations and best practice as set out in the Code of Corporate Governance framework, which is reviewed annually and which also includes the Contract and Financial Regulations. Guidance on finance and contract regulations can be sought from the force finance and procurement teams, however, the main aim is to hold 'value for money' as a key goal in all procurement activity to optimise the combination of cost and quality.

8 Partnerships and Relationships with other Organisations

Wherever possible and subject to the usual risk assessment process Warwickshire will look to explore all opportunities for increasing the number of capital schemes which are completed on a partnership basis and continually look for areas where joint projects can be implemented, especially where they will deliver improved benefits and value for money.

9. Management Framework - Capital Monitoring, project and performance management

Capital projects are subject to high levels of scrutiny in term of project management, through the internal force governance processes and also by those of the PCC.

The Director of Finance produces a regular Money Matters report for the PCC and CC which includes capital monitoring. These reports are based on the most recently available financial information, and are discussed in some detail at the monthly governance board meetings.

The monitoring reports show spending to date and compare projected expenditure with the approved capital budget. The Treasurer also meets regularly throughout the year with the force finance team to understand and challenge the position on capital project spending and delivery. The OPCC Chief Executive jointly chairs the infrastructure group meetings and meets regularly with estates staff to understand and monitor the picture on estates capital projects, which is fed back to the PCC.

Invariably capital projects and areas of work link in with 'deep dive' topics and feature in performance board work, where outcomes are monitored. A process of submitting information requests from the PCC to the Chief Constable for specific details on various issues exists to support the holding to account process. This has included the estate strategy and the empower workstreams.

For proposed in-year amendments to the annual capital budget, to allocate specific areas of funding to projects, or for new schemes not already included in the medium term capital plan, a business case will need to be prepared for submission to the Change Board and ultimately to Chief Officers and then the PCC for consideration and approval, at the force governance board meetings. The project will ideally need to be within the approved overall capital budget. In addition, for those business change programmes where a formal Board has been established, regular scheme monitoring reports and feedback is presented to each Board meeting and a high level overview included in the Money Matters report brought to the PCC. The PCC will scrutinise the business cases he receives and pass this through his own governance process, and where they are supported, approves and publishes the decision on his website.

10 Risk Management

Risk is the threat that an event or action will adversely affect Warwickshire's ability to achieve its desired outcomes and to execute its strategies successfully. Risk management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of managing them and/or responding to them. It is both a means of minimising the costs and disruption to the organisation caused by undesired events and of ensuring that staff understand and appreciate the element of risk in all their activities. Both the PCC and Chief Constable maintain separate risk registers, which are monitored through the respective boards with oversight by the Joint Audit and Standards Committee.

The aim is to reduce the frequency of adverse risk events occurring (where possible), minimise the severity of their consequences if they do occur, or to consider whether risk can be transferred to other parties. The force and the PCC each have separate risk management policies which are reviewed regularly, and hold separate risk registers which set out the key risks to the successful delivery of their respective corporate aims and priorities. The strategic risk registers outline the key controls and actions to mitigate and reduce risks, or maximise opportunities. The strategies have been recently reviewed and the risk registers are reviewed regularly by the respective officer teams and considered regularly by the Joint Audit and Standards Committee meetings.

To manage capital risk effectively, the risks associated with each project need to be systematically identified, analysed, influenced and monitored. It is important to identify the appetite for risk by each scheme and for the capital programme as a whole, especially when investing in complex and costly business change programmes. The intention is that the monitoring routines in terms of project, performance and financial management will keep the risk of capital projects to a low level whilst making the most of opportunities for improvement.

Any key risks identified as part of the capital planning process are considered for inclusion in the corporate risk register, and will be kept under review by the Director of Finance and the Treasurer, drawing on the advice of others as necessary to enable them to reach their conclusions as necessary. Risks for capital spending and investments may develop in line with some of the following:

Funding Capacity Risk

This is the risk that identified project costs are either understated or escalate during the project lifecycle, for example if the project scope changes or further work is identified. This risk is mitigated as far as possible by the identified project monitoring process and controls, and ensuring that key staff are suitably experienced. However a further key mitigating factor is the management of the general reserves. Further detail is contained within the Treasurers statement on the adequacy of reserves statement in the revenue budget report.

Staffing and supply chain risk

Recent worldwide and national events, whereby economies have been closed down during the pandemic, the ongoing impact of Brexit, in addition to the conflict in Ukraine have created staffing and supply chain issues with some products and services. This has had the effect of slowing economic growth in the UK and across other major economies. The availability of materials, high energy costs and the effects of a relatively full employment market are contributing to inflation, and have the potential to impact the ability to complete capital works. Our exposure to this risk will be monitored via the revenue and capital budget monitoring processes, and the planning and procurement of future works. Where possible appropriate interventions will occur as early as possible and procurement processes, existing contracts and framework agreements will all be utilised to ensure best value for money. This is a growing risk given the current economic conditions. The position will continue to be monitored.

Inflation Risk

This is the risk that higher or rising inflation will increase costs or undertaking capital works and thus the ‘buying power’ of the capital budget will be reduced, meaning that works do not get completed or undertaken. Our exposure to this risk will be monitored via the revenue and capital budget monitoring processes, and the planning and procurement of future works. Where possible appropriate interventions will occur as early as possible and procurement processes, existing contracts and framework agreements will all be utilised to ensure best value for money. This is a growing risk given the current high inflation rates for pay and non-pay costs. The position will continue to be monitored.

Interest Rate Risk

This is the risk that interest rates will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Interest rates will be reviewed as part of the ongoing monitoring arrangements to identify such adverse effects. As far as possible our exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

There is also a risk that external interest rates will rise, after the budget has been set, meaning that actual debt charges are higher than those included in individual business cases and more widely in the revenue budget. This risk will be managed by the Treasurer and the Director of Finance who will liaise with key staff and external Treasury Management advisors to determine the best time to take new external loans.

Credit risk

This is the risk that the organisation with which we have invested capital monies becomes insolvent and cannot complete the agreed contract. Accordingly, Warwickshire will ensure that robust due diligence procedures cover all external capital investment. Where possible contingency plans will be identified at the outset and enacted when appropriate and are included within the Treasury management strategy, which is reviewed annually. The PCC uses the services f external Treasury Management consultants which should help to minimise this risk.

Exchange Rate Risk

This is the risk that exchange rates will move in a way that has an adverse effect on the value of capital expenditure. Where relevant, exchange rates will be reviewed as part of the ongoing monitoring arrangements to identify such adverse effects. As far as possible our exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations

11 Conclusion

This capital strategy outlines that all capital expenditure and investment decisions in Warwickshire Police are taken to achieve desired outcomes and take account of stewardship, value for money, prudence, sustainability and affordability All our capital schemes must comply with legislation, such as the Disability Discrimination Act, the General Data Protection Regulations (GDPR), building regulations and align with the priorities laid out in the Police and Crime Plan, which links in with the force fits for the future strategy. Due diligence and strong governance processes cover capital decision- making and the Commissioner and Chief Constable are kept fully informed on issues affecting capital through regular monitoring and risk management processes.