

Capital Strategy 2025-2030



Cheshire
Police & Crime
Commissioner



Cheshire
Constabulary

Introduction

Welcome to the 2025-30 Capital Strategy.

This strategy sets out the proposed investments in assets over the next five years. It is fundamentally linked to the Estates; Fleet and Digital Strategies which form the detailed plans summarised within this Strategy and to the priorities set out in the Commissioner's new Police and Crime Plan.

Funding for these investments comes through specific grants; capital receipts (the sale proceeds from existing assets); reserves; contributions and borrowing. Borrowing will incur costs for interest payable and the need to set aside sufficient funds to repay the loan. Therefore, borrowing is only used as a last resort or for long-term assets such as Estates.



**Chief Constable
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Dan Price**

1. INTRODUCTION

- 1.1. The CIPFA Prudential Code for Capital Finance in Local Authorities establishes a framework that supports local strategic planning, asset management and appropriate options appraisal.
- 1.2. The objectives of the Prudential Code are to ensure that the capital plans of an organisation are affordable, prudent, and sustainable and the treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.

2. DEFINITION

- 2.1. To utilise the full extent of the Prudential Code and its framework, it is essential that there is a clear understanding of what is capital expenditure. Unless expenditure qualifies as capital it will normally fall outside the scope of the Code and its framework and be charged to revenue in the period in which its goods or services were received. If expenditure does qualify as capital, there are opportunities to finance such spend from any capital receipts held or to spread the cost over future years in line with the life of the asset(s) purchased.
- 2.2. In the main, expenditure must meet one or more of the following conditions for it to be classified as capital:
 - Spend results in the acquisition, construction, or enhancement of an asset (tangible or intangible) in accordance with 'proper practices';
 - Spend meets one of the definitions specified in regulations made under the 2003 Local Government Act; or
 - The Secretary of State makes a direction that the expenditure can be treated as capital.

3. CONTEXT

- 3.1. The capital programme requirements of policing nationally are by nature limited in comparison to other public sector organisations such as local authorities who have diverse responsibilities to prioritise including schools, housing, and highways. Certainly, this is true of the Constabulary with capital expenditure plans largely limited to replacing and upgrading essential operational assets (for example, the estate, vehicles, equipment, and IT/communications infrastructure) together with individual ad-hoc capital investment schemes and those aimed at improving efficiency and operational performance/priorities.

- 3.2. One of the three key pillars of the Commissioner's new Police and Crime Plan is 'Modernise', the other two being 'Listen to the Public' and 'Reduce Crime'. The capital strategy incorporates the Modernise pillar through the police estate and technology and innovation.
- 3.3. The Commissioner maintains rolling medium-term revenue and capital plans (summarised in a Medium-Term Financial Strategy – MTFS) that usually extend for 4-5 years. The plans are drawn up, reassessed and extended annually and if required, re-prioritised to enable the Constabulary to achieve the aims and objectives established in the Commissioner's Police and Crime Plan and to support national drivers like the Strategic Policing Requirement and Home Office national priorities.
- 3.4. Historically, capital grant funding was allocated by the Government, but this is no longer the case and has been replaced by annual revenue contributions to capital. This helps fund annual replacement of vehicles, IT and operational equipment and maintenance of police buildings, but is insufficient to meet all capital expenditure. As such, with limited reserves held, the need to borrow has increased. Borrowing incurs ongoing costs of interest payments and the funding set aside to repay the loan in due course. As borrowing incurs costs, there has been a programme of increasing year-on-year revenue contributions to fund the capital programme in order to meet the annual replacement programme, with borrowing limited to invest to save or invest to increase efficiency and effectiveness.
- 3.5. Key focuses of the Capital Programme plans, all aligned to achieving the Commissioners pillars above are:
 - To ensure the property estate remains modern and fit for the future; at the heart of and accessible to our communities, promoting police engagement in our communities, effective collaborative and partnership working and being innovative, economic, efficient, and sustainable.
 - To support front line operations by delivering high quality vehicles which are safe, fit for purpose and meet the needs of modern-day policing.
 - The replacement and upgrade of other core assets where necessary, e.g., operational equipment and communication infrastructure.
 - Development of improved capability and responsiveness.
 - To ensure provision is made for Digital Business Technology to maintain and develop the existing infrastructure and invest in the core technologies, such as AI and data analytics, required to provide innovative digital policing services to maximise intelligence led policing.

- Invest to Save Schemes.
- 3.6. The Commissioner maintains separate focussed long-term Estates, Environmental, Fleet and Digital/Agile Working strategies setting out the overall direction of these key areas and priorities, all of which feed into this overarching Capital Strategy.
- 3.7. The plans acknowledge the constrained financial position of the Commissioner and therefore, maximise both the available financial resources and the capacity that the Constabulary has to manage such projects.
4. GOVERNANCE
- 4.1. The annual budget setting process is an ongoing process with key stakeholder groups assisting departmental managers to identify change proposals and develop business cases for future capital investment requirements and ideas aligned with the Police and Crime Plan priorities and the Constabulary's Plan on a Page.
- 4.2. Investment proposals must explicitly identify the organisational requirement, rationale, deliverables, benefits, links to the Commissioner's and/or Constabulary priorities, and costs in terms of both capital investment and ongoing revenue consequences.
- 4.3. Based on an agreed budget setting timetable, investment proposals will be submitted for presentation to and scrutiny review by the Senior Command Team (SCT) along with an initial view of potential affordability. Prioritisation is then made, taking into account the following in order of priority:
- Unavoidable (statutory, contractual, or tortuous liability);
 - Operational Need (enables continuity of agreed service delivery levels and priorities) and linked to the Force Management Statement;
 - Police and Crime Plan Improvement Priority;
 - Other (efficiency, invest to save, leverage of external funding, etc.).
- 4.4. An updated Medium-Term Financial Strategy (MTFS), including a proposed Capital Programme, is then presented to the Commissioner, providing views on affordability, potential funding issues and options.
- 4.5. A final version of the MTFS will be presented to the Commissioner for approval in January each year, reflecting the known funding position and any further developmental work on the plan. This formal approval agrees the capital budget for

the following year and acknowledges the intention for planning purposes of the remaining years of the MTFS.

- 4.6. Any approved budget item, capital, or revenue can be 'starred' to reflect the Commissioner's agreement in principle, but no further action can be taken without further approval being obtained when more detailed plans are available.
- 4.7. Where in year additions to the approved Capital Programme are identified, a business case will be prepared and reviewed at SCT Business Meeting. The Senior Command Team will then submit to the Commissioner for consideration and approval, including details of how the new scheme is to be funded, delivered and benefits realised, noting any ongoing MTFS implications.
- 4.8. Currently approved Financial Regulations (Section 4.3) specify individual officer roles and responsibilities relating to the capital programme along with a number of key controls as follows:
 - Specific approval by the Commissioner for at least three-year capital programme which is the key document for planning and controlling of capital expenditure;
 - 'Starred' items require further approval before expenditure can be incurred;
 - Expenditure on capital schemes not included in the programme and/or which would involve future years' commitments is subject to the approval of the Commissioner;
 - Steps are taken to enable land required for the purposes of the programme to be acquired in due time;
 - A scheme and estimate, including the associated revenue expenditure, is prepared for each capital project for approval by the Commissioner;
 - Any scheme not commenced within two years of approval will be deemed null and void and removed from the capital programme;
 - Prudential Indicators covering affordability, capital expenditure, external debt and treasury management;
- 4.9. Following approval of the capital programme, a programme manager or project manager and a user representative are identified for each capital project. That individual is responsible for managing the project implementation and delivering its objectives. For all projects within the capital programme, a Chief Officer is identified as project sponsor.
- 4.10. Monitoring progress against capital schemes is reported on at least a quarterly basis to the SCT Business Meeting and to the Joint Management Board.

- 4.11. Once projects have been completed the programme or project manager completes a post-implementation review for the major capital projects. The post-project report is reviewed by the appropriate programme board and the Senior Command Team, if required.
- 4.12. This information can then be used to learn lessons and make any improvements identified during project implementation.

5. FUNDING STREAMS

- 5.1. Capital expenditure can be funded from a number of sources as set out below:
 - **Government Grants** – these are either general grants which can be used to fund any capital spend approved by the Commissioner or specific grants which can only be used to fund specific projects in line with any conditions placed with the grant – *note general capital grants are no longer provided*;
 - **Capital Receipts** – when an asset held by the Commissioner is sold, the proceeds are held in reserve to be used either to fund future capital expenditure or to repay debt. They cannot be used to fund revenue expenditure except where specifically approved by Central Government in line with strict flexible use of capital receipts rules for a limited period;
 - **Reserves** – funds can be set aside and held in earmarked reserves if known expenditure is to be incurred at a future date. These reserves can then be used to fund such expenditure be it capital or revenue. In terms of capital expenditure, it may be known that a specific asset may need replacing in 10 years and therefore funds are set aside each year to build up the reserve to fund the replacement. Details of the reserves held are found within the Commissioner’s Reserves Strategy;
 - **External Contributions** – these are funds or grants provided by external organisations such as collaboration partners or local authorities for specifically agreed capital expenditure; and
 - **Borrowing** – the Commissioner is permitted in law to take out loans or financing to fund capital expenditure. The Prudential Code sets out the requirements under which such borrowing must be undertaken including affordability, prudence, and cost-effectiveness. Any borrowing will incur costs for interest payable and the need to set aside sufficient funds to repay the loan. These costs impact on the revenue budget.

6. CAPITAL PROGRAMME

6.1. The following table shows the Commissioner's overall capital programme and how it is to be funded from 2025 to 2030. Please note that the figures quoted include both in-year approvals and schemes rolled forward from previous years. As such the table represents estimates of total capital expenditure in each year:

Table 1: Capital Strategy	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
Annual Replacement Schemes:					
Fleet Vehicles	2,684	2,913	1,409	3,485	1,435
IT and Communications	1,345	1,470	1,545	1,570	1,445
New Schemes:					
Estates - Maintenance & Environmental	635	950	525	325	100
Estates Strategy 2021-2031	5,900	7,730	0	0	0
IT and Communications	2,000	923	1,962	9,045	1,556
Operational Equipment	0	150	150	150	150
Collaboration/Funded Vehicles	801	422	392	500	340
Capital Expenditure	13,365	14,558	5,983	15,075	5,026
Financed by:					
Capital Receipts	4,320	4,375	500	0	0
Revenue Contributions to Capital	4,173	3,418	3,918	4,418	4,444
Revenue and Capital Reserves	26	280	0	0	100
External Contributions to Capital	329	60	167	213	102
HQ IT Reserve	280	280	280	280	280
Borrowing	4,237	6,145	1,118	10,164	100
Total Funding	13,365	14,558	5,983	15,075	5,026

7. AFFORDABILITY

7.1. Capital expenditure plans are a key driver of treasury management activity. The funding of such plans impacts on cash balances and borrowing need in the short and longer terms. The ongoing consequences of these decisions have a direct impact on the annual revenue budget. As such, having regard to the CIPFA Prudential Code for Capital Finance in Local Authorities, the Commissioner sets and reviews a number of prudential indicators showing the proposed capital expenditure plans, how they are to be funded, the impact on the organisation's finances and their affordability in terms of the impact on revenue budgets.

7.2. Full details and commentary on the prudential indicators are found within the Commissioner's Treasury Management Strategy 2025/26. Along with controls and limits relating to levels of capital expenditure and resulting borrowing requirements, these prudential indicators also include a specific affordability indicator, below,

which provides an indication of the impact of the above capital expenditure plans and their financing proposals on the overall finances and precept (council tax):

Treasury Management Strategy 2025/26

Table 5: Ratio of financing costs to net revenue funding.

2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
1.16%	1.13%	1.19%	1.41%	1.53%	1.50%	1.85%

- 7.3. This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream. The estimates of financing costs include current commitments and the proposals included in the budget/medium-term financial strategy.
8. RISK MANAGEMENT
- 8.1. Risk is the threat that an event or action will adversely affect the Commissioner's ability to achieve their desired outcomes and the Constabulary's ability to execute their 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.
- 8.2. 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 corporate risk register sets out the key risks to the successful delivery of corporate aims and priorities and outlines the key controls and actions to mitigate and reduce risks or maximise opportunities.
- 8.3. To manage risk effectively, the risks associated with each capital 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 business change programmes. Where greater risks are identified as necessary to achieve desired outcomes, the organisation will seek to mitigate or manage those risks to a tolerable level. All key risks identified as part of the capital planning process are considered for inclusion in the corporate risk register.
- 8.4. The Chief Finance Officers (OPCC & Constabulary) will report jointly on the deliverability, affordability and risk associated with this Capital Strategy and the

associated capital programme. Where appropriate they will have access to specialised advice to enable them to reach their conclusions.

- 8.5. Credit Risk - The risk that an organisation with which we have contracted to deliver capital projects becomes insolvent and cannot complete the agreed contract. We will ensure that robust due diligence procedures cover the appointment of partners and contractors relating to capital programme delivery. Where possible contingency plans will be identified at the outset.
- 8.6. Liquidity Risk - This is the risk that the timing of any cash inflows from a project will be delayed, for example if other organisations do not make their contributions when agreed. There is also a risk that the cash inflows will be less than expected, for example due to the effects of inflation, interest rates or exchange rates. Our exposure to this risk will be monitored via the revenue and capital budget monitoring processes and mitigating actions taken promptly where appropriate.
- 8.7. Interest and Exchange Rate Risk - This is the risk that interest rates or exchange 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. 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.
- 8.8. Inflation Risk - This is the risk that rates of inflation will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Rates of inflation 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.
- 8.9. Legal and Regulatory Risk - This is the risk that changes in laws or regulation make a capital project more expensive or time consuming to complete, make it no longer cost-effective or make it illegal or not advisable to complete. Before entering into capital expenditure or making capital investments, the Commissioner will understand the powers under which the investment is made. Forthcoming changes to relevant laws and regulations will be kept under review and factored into any capital bidding and programme monitoring processes.
- 8.10. Fraud, Error, and Corruption - This is the risk that financial losses will occur due to errors or fraudulent or corrupt activities. Officers involved in any of the processes around capital expenditure or funding are required to follow the agreed Code of Corporate Governance. The Constabulary has a strong ethical culture, which is

evidenced through our values, principles, and appropriate behaviour. This is supported by the national Code of Ethics and detailed policies such as Anti-Fraud and Corruption and Declaration of Interests.

9. ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) CONSIDERATIONS

9.1. This Commissioner is supportive of the principles for responsible investment (www.unpri.org) and will seek to bring ESG factors into the decision-making process for investments. Within this, the Commissioner is also appreciative of the Statement on ESG in Credit Risk and Ratings which commits signatories to incorporating ESG into credit ratings and analysis in a systemic and transparent way. The Commissioner utilises the ratings provided by Fitch, Moody's, and Standard & Poor's to assess creditworthiness, which do include analysis of ESG factors when assigning ratings.

9.2. Typical ESG considerations that are considered by these Credit Rating Agencies when assigning credit ratings to counterparties, and therefore by the Commissioner when selecting investment and borrowing counterparties, include:

- Environmental: Emissions and air quality, energy and waste management, waste and hazardous material, exposure to environmental impact.
- Social: Human rights, community relations, customer welfare, labour relations, employee wellbeing, exposure to social impacts.
- Governance: Management structure, governance structure, group structure, financial transparency.

9.3. The Commissioner will continue to evaluate additional ESG-related metrics and assessment processes that could be incorporated into his investment process and will update accordingly.

10. CONCLUSION AND FUTURE ACTIONS

10.1. This Capital Strategy currently looks ahead over the next five years to 2030 together with the associated funding. Included is the current Estates Strategy 2021-2031 which recognises that planned changes to the estate's footprint require additional capital financing. The latest forecast costs in respect of the in-progress Crewe and Wilmslow major projects, which will be completed during the period covered by the Capital Strategy, have been included. Any further major schemes associated with the strategy will be subject to future business cases and no financial provision is therefore contained within this strategy.

10.2. All capital expenditure will be subject to rigorous review to ensure that plans are affordable, prudent, and sustainable. The Strategy will be continually reviewed in light of emerging and changing local issues, circumstances and priorities and updated accordingly.

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