

LEICESTERSHIRE POLICE AUTHORITY

POLICE AUTHORITY

THURSDAY, 16 FEBRUARY 2006 – 2.00 P.M.

CHIEF CONSTABLE AND TREASURER

CAPITAL PROGRAMME 2006/07

Purpose of Report

1. This report sets out the four year Capital Programme for the period 2005/06 to 2008/09 and seek Members' approval for the 2006/07 Programme.

Background

2. It is impossible to disregard the probability of the amalgamation of forces by the end of 2007/08 or 2008/09. Therefore, a capital scheme that is a valuable addition to the existing structure may not have the same status in a regional setting, and so careful thought needs to be given to the Authority's investment strategy during the final years of the Authority.
3. The Government support for capital spending includes two elements. The first is capital grant which directly supports the capital programme. The second is an element in the funding formula which supports the revenue cost of capital financing. A significant change from 1 April 2004 was the introduction of the Prudential Code which gave the Authority freedom to set its own borrowing limit subject to compliance with the Code.

Prudential Code

4. The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice.
5. The Prudential indicators required by the Code are designed to support and record local decision making. They are not designed to be comparative performance indicators.
6. The main objective in consideration of the affordability of the capital programme is to ensure that total capital investment remains within sustainable limits, and in particular to consider its impact on the Council Tax.
7. In assessing affordability the Authority has to take into account all the resources currently available to it and estimated for the future, together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the coming year and the following 2 years.
8. In relation to being prudent there is a need to ensure that, over the medium term, net borrowing will only be used for capital purposes. It is also prudent to ensure that treasury management is carried out in compliance with the CIPFA Code of Practice for Treasury Management in the Public Services and limits are set on fixed and variable interest rate exposures, and on the maturity structure of borrowing.

9. The decisions on capital investment need to take into account option appraisal, asset management planning, strategic planning for the Authority and the achievability of the forward plan.

Prudential Indicators

10. The actual 2004/05 capital expenditure and the estimated capital expenditure for the current year and future years are:-

	2004/05	2005/06	2006/07	2007/08	2008/09
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Total	5.7	6.0	6.1	2.8	5.3

11. The estimates of the ratio of financing costs to the net revenue stream for 2004/05 and for the current and future years are:-

2004/05	2005/06	2006/07	2007/08	2008/09
Actual	Estimate	Estimate	Estimate	Estimate
%	%	%	%	%
0.75	0.73	1.01	1.29	1.39

12. The actual capital financing requirement at 31 March 2005 and the estimates for the current and future years are:-

	31.3.05	31.3.06	31.3.07	31.3.08	31.3.09
	£m	£m	£m	£m	£m
Total	17.7	19.7	22.5	22.4	24.7

The capital financing requirement (CFR) measures the Authority's need to borrow for capital purposes. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Authority has to ensure that net external borrowing does not, except in the short term, exceed the total of the CFR in the preceding year plus estimates of any additional CFR for the current and next two years. The Authority has met this requirement in 2005/06, and is expected to do so in future years.

13. In respect of its external debt the recommended authorised limits for total external debt, gross of investments, for the next three financial years are shown below:-

	2005/06	2006/07	2007/08	2008/09
	£m	£m	£m	£m
Borrowing	19.3	19.1	20.4	24.1
Long Term Liabilities	6.7	6.2	5.8	5.4
Total	26.0	25.3	26.2	29.5

These authorised limits are consistent with the Authority's current commitments, existing plans, the proposals in this report for capital expenditure and its financing, and the approved treasury management policy. The authorised limited for 2006/07 is the statutory limited determined under section 3(1) of the Local Government Act 2003.

14. There is a need to have an approved operational boundary for external debt which is based on the same estimates as the authorised limit (para 12). The operational boundary reflects an estimate of the most likely level of debt. It does not include the additional headroom within the authorised limit that allows for unusual cash movements.

	2005/06	2006/07	2007/08	2008/09
	£m	£m	£m	£m
Borrowing	18.3	18.1	19.4	23.1
Long Term Liabilities	6.2	5.7	5.3	4.9
Total	24.5	23.8	24.7	28.0

15. The Authority's actual external debt at 31 March 2005 was £17.7m. The amount is split between the Public Works Loans Board figure of £11.5m and Leicestershire County Council £6.2m (transferred debt from 1995 regarding the formation of police authorities as per the Police and Magistrates Courts Act 1994).
16. The estimate of the incremental impact of capital investments proposed in this report for Band D Council Tax are:

2006/07	2007/08	2008/09
£0.27	£1.78	£0.90

17. A monitoring system is in place and reports on progress against the indicators are taken to the Finance and General Purposes Committee.

Proposed Capital Programme

18. The four year capital programme has been prepared in consultation with budget holders on the basis of operational need. The Strategic Alignment Group (SAG) has, as part of its remit, challenged and prioritised the capital programme.
19. A summary of the proposed Capital Programme for 2006/07 is shown in the table below. The more detailed programme relating to the financial years 2006/07 to 2008/09 is shown in Appendix A.

<u>Proposed Capital Programme 2006/07</u>			
Expenditure	£000	Funding	£000
Property	2,128	Capital Grant	1,744
Information Technology	2,042	Borrowing Requirement	3,914
Vehicle Fleet	1,250	Capital Receipts - Vehicles	50
Other items	688	Contribution from Equipment Reserve	400
Total	6,108	Total	6,108

20. The Programme includes property schemes regarding the partial refurbishment of the existing Wigston station, improved physical security at Local Policing Units, and various ventilation and cell heating improvements. The information technology schemes include development in accordance with the National Strategy for Police Information Systems (NSPIS), network/crime information system upgrades and the purchase of secure airwave radios. Planned replacements for the existing vehicle fleet are also included.

Funding Arrangements

21. The 2006/07 capital grant has been confirmed as £1.7m. After utilising the Equipment Reserve to part fund the airwave secure radios, this results in a borrowing requirement of £3.9m for 2006/07.

Recommendations

22. The Police Authority is asked to:

- a) Approve the prudential indicators set out in this report;
- b) Approve the capital programme and the proposed methods of financing detailed in Appendix A.

Background Papers

Home Office letter dated 18 January 2006 re Capital Grant and Credit Approvals 2006/07 to 2007/08.

Officers to Contact

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Appendix A.

Leicestershire Police Authority								
Capital Programme 2005/06 to 2008/09								
	Approved Total	Revised Total	Variance Total	Exp to 31/03/05	Estimate 2005/2006	Estimate 2006/2007	Estimate 2007/2008	Estimate 2008/2009
	£000	£000	£000	£000	£000	£000	£000	£000
Property								
Custody	6,906	6,906	0	6,912	-6			
Mansfield Hse A/C AOJ (PIF 2004)	323	323	0	307	16			
Mansfield Hse Generator (PIF 2004)	75	75	0	2		73		
Spinney Hill (Asfordby Street repl.)	1,381	1,381	0	373	992	16		
Wigston & Delivering the Changes	517	517	0	2	15	500		
Central Command	86	86	0	71	15			
Tigers Road, Wigston	637	637	0	591	46			
Replacement Door Entry system	237	237	0	27	110	100		
Minor Works & DDA Upgrades	1,319	1,319	0	1,004	155	80	80	
Minor Works (Area / Dept Spend)	115	115	0	115				
FHQ Garage structural repairs	10	10	0			10		
Hinckley Planned Improvements	415	415	0	74	180	133	28	
FHQ CCTV / Security Improvements	310	310	0	3	237	70		
03/04 Growth - B/Leys Custody	185	185	0	179	6			
03/04 Growth - Ligature Points	26	26	0	18	8			
Safety Camera Scheme	10	10	0	10				
Crime Bureau	37	37	0	32	5			
HQ Electrical Supply	310	310	0	103	207			
Security Upgrades	460	460	0		45	255	160	
Relocation of Beaumont LPU	41	41	0		41			
DDA Audit Works	50	50	0		50			
Ventilation Improvements	620	620	0			320	300	
Scientific Support Accom. Growth	100	100	0			100		
Cell Heating Improvements	370	370	0		19	351		
Welford Road Locker Rooms	20	20	0			20		
Coalville Custody	75	75	0			75		
Installation of Livescan in Custody	25	25	0			25		
TSG Accommodation	600	600	0					600
Infrastructure Upgrades	500	500	0					500
Safer Detention Upgrades	800	800	0					800
Total For Property	16,560	16,560	0	9,823	2,141	2,128	568	1,900
Information Technology								
NSPIS HR (1st 3 Modules)	867	867	0	580	137			150
NSPIS DMS	116	116	0			58	58	
NSPIS - Self Service	59	59	0			59		
NMIS	360	360	0	290	30	40		
N/W Environment	1,096	1,096	0	269	527	100	100	100
Various Small Systems	1,050	1,050	0	391	84	200	250	125
Property Management System	66	66	0	66				
NSPIS Case & Custody	421	421	0	100	150	103	68	
PC Replacement Fund	1,533	1,533	0	732	151	150	350	150
PC Replacement (Areas / Depts)	412	412	0	412				
Document Storage Management	150	150	0	115	35			
Area / Dept IT expenditure capitalised	333	333	0	333				
Safety Camera Scheme	60	60	0	60				
Computer Room Improvements	350	350	0		350			
Data Warehousing	400	400	0		150	150	100	
Call Handling Technology	175	175	0		110	65		
E-Mail Archive	200	200	0		100	100		
Computer Room - DR	200	200	0			200		
Airwave Covert Radios	517	517	0			517		
OIS Vantage Upgrade	100	100	0			100		
E-mail Upgrade & Resilience	100	100	0			100		
Helicopter Downlink	100	100	0			100		
New crime & intelligence system	535	535	0					535
NSPIS Command & Control	1,100	1,100	0					1,100
Total For Information Technology	10,300	10,300	0	3,348	1,824	2,042	926	2,160
Vehicle Fleet								
Vehicle Fleet	8,405	8,405	0	3,146	1,509	1,250	1,250	1,250
Replacement Helicopter	660	660	0			660		
Airwave	2,364	2,364	0	2,223	141			
Deferred Charges								
NSPIS systems Uplift	100	100	0		16	28	28	28
National Pension System	15	15	0		15			
Operational Equipment (Area / Dept Spend)	291	291	0	291				
ANPR Equipment (HO Funded)	300	300	0		300			
2004/05 Growth (subject to approval)	14	14	0		14			
Total Expenditure	39,009	39,009	0	18,831	5,960	6,108	2,772	5,338

	Approved Total £000	Revised Total £000	Variance Total £000	Exp to 31/03/05 £000	Estimate 2005/2006 £000	Estimate 2006/2007 £000	Estimate 2007/2008 £000	Estimate 2008/2009 £000
Funding								
Grant	6,471	6,471	0		1,959	1,744	1,384	1,384
Borrowing Requirement	11,930	11,930	0		2,774	3,914	1,338	3,904
Capital Reserve	0	0	0	0				
Capital Receipts								
- Vehicles	250	250	0		100	50	50	50
- IT	0	0	0					
- Property								
Asfordby Street	140	140	0		140			
Wigston	0	0	0					
Miscellaneous	170	170	0		170			
	<u>310</u>	<u>310</u>	<u>0</u>	<u>0</u>	<u>310</u>	<u>0</u>	<u>0</u>	<u>0</u>
Airwave	141	141	0		141			
ANPR - Home Office Grant	300	300	0		300			
Contribution to Capital Reserve	0	0	0					
Revenue Contribution	425	425	0		25	400		
Revenue Reserve	301	301	0		301			
3rd Party Contributions	50	50	0		50			
Capital Financing	18,831	18,831	0	18,831				
Total Funding	<u>39,009</u>	<u>39,009</u>	<u>0</u>	<u>18,831</u>	<u>5,960</u>	<u>6,108</u>	<u>2,772</u>	<u>5,338</u>
Prudential Indicators								
External Borrowing					2005/06	2006/07	2007/08	2008/09
					£000	£000	£000	£000
Balance B/F								
- Public Works Loans Board					11,476	14,179	18,016	19,271
- Leicestershire County Council (Transferred Debt)					6,186	5,747	5,308	4,869
Total					<u>17,662</u>	<u>19,926</u>	<u>23,324</u>	<u>24,140</u>
Plus: New Borrowing					2,774	3,914	1,338	3,904
Less: Repayments					-510	-516	-522	-529
Balance C/F					<u>19,926</u>	<u>23,324</u>	<u>24,140</u>	<u>27,515</u>
Debt Financing Charges								
Minimum Revenue Provision (statutory amount set aside each year to repay loans)					844	1,040	1,463	1,622
Interest					1,006	1,160	1,236	1,313
Total					<u>1,850</u>	<u>2,200</u>	<u>2,700</u>	<u>2,935</u>