

LEICESTERSHIRE POLICE AUTHORITY

Meeting **POLICE AUTHORITY**

Date **THURSDAY, 15 FEBRUARY 2007 – 2.00 P.M.**

Report of **CHIEF CONSTABLE & TREASURER**

Subject **CAPITAL PROGRAMME 2007/08**

Purpose of the Report

1. This report sets out the four year Capital Programme for the period 2006/07 to 2009/10 and seeks Members' approval to the 2007/08 Programme.

Background

2. 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

3. 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.
4. 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.
5. 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.
6. 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.
7. 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.

8. 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

9. The actual 2005/06 capital expenditure and the estimated capital expenditure for the current year and future years are:-

	2005/06	2006/07	2007/08	2008/09	2009/10
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Total	5.9	6.2	6.1	5.1	4.4

11. The estimates of the ratio of financing costs to the net revenue stream for 2005/06 and for the current and future years are:-

2005/06	2006/07	2007/08	2008/09	2009/10
Actual	Estimate	Estimate	Estimate	Estimate
%	%	%	%	%
0.72	0.80	0.91	1.23	1.53

12. The actual capital financing requirement at 31 March 2006 and the estimates for the current and future years are:-

	31.3.06	31.3.07	31.3.08	31.3.09	31.3.10
	£m	£m	£m	£m	£m
Total	18.4	20.5	23.1	25.2	26.2

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 2006/07, 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:-

	2006/07	2007/08	2008/09	2009/10
	£m	£m	£m	£m
Borrowing	19.1	20.7	24.2	27.1
Long Term Liabilities	6.2	5.8	5.4	4.9
Total	25.3	26.5	29.6	32.0

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 2007/08 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.

	2006/07	2007/08	2008/09	2009/10
	£m	£m	£m	£m
Borrowing	18.1	19.7	23.2	26.1
Long Term Liabilities	5.7	5.3	4.9	4.4
Total	23.8	25.0	28.1	30.5

15. The Authority's actual external debt at 31 March 2006 was £18.7m. The amount is split between the Public Works Loans Board figure of £12.9m and Leicestershire County Council £5.7m (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:

2007/08	2008/09	2009/10
1p	6p	4p

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 Financial Planning Group (SFPG) has, as part of its remit, challenged and prioritised the capital programme.
19. A summary of the proposed Capital Programme for 2007/08 is shown in the table below. The more detailed programme relating to the financial years 2007/08 to 2009/10 is shown in Appendix A.

<u>Proposed Capital Programme 2007/08</u>			
Expenditure	£000	Funding	£000
Property	2,229	Capital Grant	1,384
Information Technology	2,087	Borrowing Requirement	3,806
Vehicle Fleet	1,400	Capital Receipts	383
Other items	369	Other Grants	58
		PSA Grant	454
Total	6,085	Total	6,085

20. The Programme includes property schemes regarding the improved physical security at Local Policing Units, various ventilation improvements, the creation of 4 new cells at Loughborough and major improvements to the electrical infrastructure at Force HQ. The information technology schemes include upgrades to the network environment / PCs, the purchase of a new intelligence system, investment in disaster recovery and data warehousing. Planned replacements for the existing vehicle fleet are also included.

Funding Arrangements

21. The 2007/08 capital grant has been confirmed as £1.384m, a £360k reduction from 2006/07. After the utilisation of the capital receipts arising from the sale of the helicopter (£333k) and other grants and contributions (£562k) it results in a borrowing requirement of £3.8m for 2007/08.

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 letters dated 18 January 2006 and 28 November 2006 re Capital Grant and Credit Approvals 2007/08.

Officers to Contact

M Baggott, Chief Constable, tel: 0116 248 2005
P Dawkins, Finance Director, tel: 0116 248 2008
C A C Smith, Treasurer, tel: 0116 289 8984
e-mail: police.authority@leicestershire.pnn.police.uk

Leicestershire Police Authority
Three Year Capital Programme 2006/07 to 2009/10

	Approved Total £000	Revised Total £000	Variance Total £000	Exp to 31/03/06 £000	Estimate 2006/2007 £000	Estimate 2007/2008 £000	Estimate 2008/2009 £000	Estimate 2009/10 £000
Property								
Custody	6,906	6,906	0	6,906				
Mansfield Hse A/C AOJ (PIF 2004)	317	317	0	317				
Mansfield Hse Generator (PIF 2004)	75	100	25 A	3	97			
Spinney Hill (Asfordby Street repl.)	1,381	1,368	-13 B	1,344	24			
Wigston	1,297	1,297	0	16	380	61		840
Delivering the Changes	135	135	0		112	23		
Tigers Road, Wigston	641	634	-7 B	620	14			
Replacement Door Entry system	237	279	42 C	154	87	38		
Minor Works & DDA Upgrades	1,499	1,499	0	1,143	96	80	90	90
Minor Works (Area / Dept Spend)	115	115	0	115				
FHQ Garage structural repairs	10	10	0			10		
Hinckley Planned Improvements	795	795	0	264	122	29		380
FHQ Security Improvements	310	310	0	217	26	67		
Safety Camera Scheme	227	227	0	227				
HQ Electrical Supply	312	312	0	312				
Security Upgrades (Gates)	460	460	0	19	240	201		
Relocation of Beaumont LPU	39	39	0	39				
DDA Audit Works	50	50	0	38	6	6		
EMA - Building 13	135	135	0	3	132			
Ventilation Improvements	620	620	0		20	600		
Scientific Support Accom. Growth	100	100	0			100		
Cell Heating Improvements	370	370	0	1	369			
Welford Road Locker Rooms	20	20	0		1	19		
Installation of Livescan in Custody	25	10	-15 B		10			
Loughborough Cells	275	275	0			275		
TSG Accommodation	600	600	0				600	
Infrastructure Upgrades	1,220	1,220	0			720	500	
Safer Detention Upgrades	800	800	0				800	
Total For Property	18,971	19,003	32	11,738	1,736	2,229	1,990	1,310

Information Technology								
NSPIS HR (1st 3 Modules)	899	899	0	749			150	
NSPIS DMS	116	116	0		0	116		
NSPIS - Self Service	59	61	2 B		61			
NMIS	498	468	-30 B	451	17			
N/W Environment	1,515	1,515	0	454	436	325	200	100
Various Small Systems	820	727	-93 D	458	144		125	
NSPIS Case & Custody	930	930	0	748	114	68		
PC Replacement Fund	1,953	1,896	-57 D	862	114	220	350	350
PC Replacement (Areas / Depts)	565	565	0	565				
Area / Dept IT expenditure capitalised	415	415	0	415				
Safety Camera Scheme	64	64	0	64				
Learning & Development IT	141	141	0	38	45	58		
Computer Room Improvements	331	331	0	328	3			
Data Warehousing	400	400	0	102	30	268		
Call Handling Technology	175	175	0	110	5	60		
E-Mail Upgrade / Archive	300	300	0		0	150	150	
Computer Room - DR / Business Continuity	425	425	0		100	175	75	75
Airwave Covert Radios	517	517	0		517			
OIS Vantage Upgrade	100	78	-22 E		78			
Helicopter Downlink	160	160	0		100	60		
Witness Viewing		150	150 D			150		
New intelligence system	250	250	0			250		
UPSA Compliance	500	500	0			100	200	200
Enhancement to CIS	10	10	0			10		
Interface NFLMS / Shogun	17	17	0			17		
Upgrade to Blue 8	60	60	0			60		
New Crime system	285	285	0				285	
Renewal of Telephone Infrastructure	250	250	0				250	
Business Only Number	150	150	0				150	
Accident Registration System	50	50	0				50	
Document Management Recovery	100	100	0				100	
Mobile Technology	200	200	0					200
NSPIS Command & Control	1,100	1,100	0					1,100
Total For Information Technology	13,355	13,305	-50	5,344	1,764	2,087	2,085	2,025

Leicestershire Police Authority									
Three Year Capital Programme 2006/07 to 2009/10									
	Approved Total £000	Revised Total £000	Variance Total £000		Exp to 31/03/06 £000	Estimate 2006/2007 £000	Estimate 2007/2008 £000	Estimate 2008/2009 £000	Estimate 2009/10 £000

Vehicle Fleet	8,895	8,565	-330	B	3,955	1,210	1,400	1,000	1,000
Replacement Helicopter	1,451	1,451	0			1,145	306		
Airwave	2,364	2,364	0		2,299	65			
Deferred Charges									
NSPIS systems Uplift	110	104	-6	B	10	22	23	24	25
Operational Equipment									
Area / Dept Spend	416	416	0		416				
Safety Camera scheme	56	56	0		56				
Garage Ramps	10	10	0			10			
Video Interview Facilities	60	60	0			20	40		
ANPR Equipment (HO Funded)	565	565	0		367	198			
Total Expenditure	46,253	45,899	-354		24,185	6,170	6,085	5,099	4,360

Funding									
Grant	5,896	5,896	0			1,744	1,384	1,384	1,384
Borrowing Requirement	13,752	13,420	-332	F		3,023	3,806	3,665	2,926
Capital Reserve	0	0	0						
Capital Receipts									
- Vehicles	200	200	0			50	50	50	50
- Helicopter	333	333					333		
- IT	0	0	0						
- Property	0	0	0						
	533	533	0		0	50	383	50	50
Airwave	65	65	0			65			
Home Office Grant - ANPR	198	198	0			198			
Home Office Grant - Helicopter	457	457	0			457			
Learning & Development Grant	103	103	0			45	58		
Contribution to Capital Reserve	0	0	0						
Revenue Contribution	400	378	-22	E		378			
Revenue Reserve	78	78	0			78			
3rd Party Contributions	586	586	0			132	454		
Capital Financing	24,185	24,185	0		24,185				
Total Funding	46,253	45,899	-354		24,185	6,170	6,085	5,099	4,360

Prudential Indicators				
<u>External Borrowing</u>				
	2006/07	2007/08	2008/09	2009/10
	£000	£000	£000	£000
Balance B/F				
-PWL B	12,905	15,851	19,574	23,149
-LCC	5,747	5,308	4,869	4,430
Total	18,652	21,159	24,443	27,579
Plus: New Borrowing	3,023	3,806	3,665	2,926
Less: Repayments	-516	-522	-529	-536
Balance C/F	21,159	24,443	27,579	29,969
<u>Debt Financing Charges</u>				
Minimum Revenue Provision (statutory amount set a side each year to repay loans)	887	1,196	1,583	1,982
Interest	1,000	1,210	1,366	1,500
Total	1,887	2,406	2,949	3,482

A Mansfield House Generator – additional costs of relocating old FHQ generator due to planning issues around noise reduction
B Projected over / (under) spend on completed projects
C Replacement Door Entry System – additional project costs to complete Force wide roll out
D Identified underspend on PC Replacement / Various Small systems transferred to create budget for 'Witness Viewing'
E Budget reduced by training costs to be funded through revenue. Revenue contribution reduced accordingly
F Borrowing Requirement - decrease in borrowing to fund net reduction in cost of Capital Programme for 06/07