

LEICESTERSHIRE POLICE AUTHORITY

PAPER MARKED

Meeting **POLICE AUTHORITY**

Date **THURSDAY, 7 FEBRUARY 2008 – 2.00 P.M.**

Report of **CHIEF CONSTABLE & TREASURER**

Subject **CAPITAL PROGRAMME 2008/09**

Purpose of the Report

1. This report sets out the Capital Programme for the period 2008/09 to 2010/11 and seeks Members' approval of the 2008/09 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 2006/07 capital expenditure and the estimated capital expenditure for the current year and future years are:-

	2006/07	2007/08	2008/09	2009/10	2010/11
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Total	7.0	5.1	7.3	5.6	4.8

11. The estimates of the ratio of financing costs to the net revenue stream for 2006/07 and for the current and future years are:-

2006/07	2007/08	2008/09	2009/10	2010/11
Actual	Estimate	Estimate	Estimate	Estimate
%	%	%	%	%
0.78	0.69	0.77	1.15	1.36

12. The actual capital financing requirement at 31 March 2007 and the estimates for the current and future years are:-

	31.3.07	31.3.08	31.3.09	31.3.10	31.3.11
	£m	£m	£m	£m	£m
Total	19.6	20.5	24.0	25.8	26.5

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 2007/08, and is expected to do so in future years.

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

	2007/08	2008/09	2009/10	2010/11
	£m	£m	£m	£m
Borrowing	20.7	22.4	25.8	28.3
Long Term Liabilities	5.8	5.4	4.9	4.5
Total	26.5	27.8	30.7	32.8

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 limit for 2008/09 is the statutory limit 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.

	2007/08	2008/09	2009/10	2010/11
	£m	£m	£m	£m
Borrowing	19.7	21.4	24.8	27.3
Long Term Liabilities	5.3	4.9	4.4	4.0
Total	25.0	26.3	29.2	31.3

15. The Authority's actual external debt at 31 March 2007 was £18.1m. The amount is split between the Public Works Loans Board figure of £12.8m and Leicestershire County Council £5.3m (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:

2008/09	2009/10	2010/11
0p	4p	0p

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 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 2008/09 is shown in the table below. The more detailed programme relating to the financial years 2007/08 to 2009/10 is shown in Annex A.

<u>Proposed Capital Programme 2008/09</u>			
Expenditure	£000	Funding	£000
Property	2,564	Capital Grant	2,100
Information Technology	2,720	Borrowing Requirement	4,648
Vehicle Fleet	1,000	Capital Receipts	50
Other items	1,044	Other Grants	530
Total	7,328	Total	7,328

20. The Programme includes property schemes regarding ventilation and accommodation improvements, infrastructure upgrades and custody works. The information technology schemes include upgrades to critical systems, network environment enhancements, Airwave and desk top PC replacements, and mobile data developments. Planned replacements for the existing vehicle fleet are also included.

Funding Arrangements

21. The 2008/09 capital grant has been confirmed at £2.1m. After the utilisation of the capital receipts arising from the sale of vehicles and other grants, the borrowing requirement is £4.6m for 2008/09.

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 Annex A.

Background Papers

DCLG and Home Office Settlement Notification via the DCLG website.

Implications

Financial and Legal : as identified in the report
Diversity : none

Officers to Contact

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Leicestershire Police Authority

Four Year Capital Programme 2007/08 to 2010/11

	Approved Total £000	Revised Total £000	Variance Total £000		Exp to 31/03/07 £000	Estimate 2007/2008 £000	Estimate 2008/2009 £000	Estimate 2009/10 £000	Estimate 2010/11 £000
Property									
Wigston	1,297	1,212	-85	A	347	25		840	
Delivering the Changes	155	142	-13	B	106	36			
Replacement Door Entry system	279	304	25	C	238	66			
Minor Works & DDA Upgrades	1,617	1,617	0		1,267	80	90	90	90
FHQ Garage structural repairs	10	10	0			10			
Hinckley Planned Improvements	795	795	0		377	38		380	
FHQ Security Improvements	310	247	-63	D	243	4			
Security Upgrades (Gates)	460	480	20	E	253	227			
DDA Audit Works	50	43	-7	F	43	0			
Ventilation Improvements	620	452	-168	G	12	50	390		
Scientific Support Accom. Growth	100	120	20	H		120			
Cell Heating Improvements	370	370	0		367	3			
Welford Road Locker Rooms	20	25	5	I		25			
Installation of Livescan in Custody	10	10	0		5	5			
Loughborough Cells	275	275	0			275			
Victim Suite / PA Alterations	27	27	0			27			
TSG Accommodation	650	650	0				650		
Infrastructure Upgrades	1,220	1,220	0			720	500		
Safer Detention Upgrades	1,162	1,162	0			70	434	658	
Wigston Custody	209	500	291	G			500		
Mansfield House	230	230	0					230	
Total For Property	9,866	9,891	25		3,258	1,781	2,564	2,198	90

	Approved Total	Revised Total	Variance Total		Exp to 31/03/07	Estimate 2007/2008	Estimate 2008/2009	Estimate 2009/10	Estimate 2010/11
	£000	£000	£000		£000	£000	£000	£000	£000
Information Technology									
NSPIS HR (1st 3 Modules)	899	899	0		749			150	
NSPIS DMS	160	160	0			30	130		
N/W Environment	1,515	1,515	0		845	170	300	200	
Various Small Systems	627	627	0		584	18	25		
NSPIS Case & Custody	1,535	1,535	0		1,466	69			
Court Results System	0	19	19	J		19			
PC Replacement Fund	1,896	1,896	0		934	172	340	350	100
PC Replacement (Areas / Depts)	737	737	0		737				
Area / Dept IT expenditure capitalised	735	735	0		735				
Learning & Development IT	141	141	0		100	41			
Data Warehousing	550	467	-83	K	111	1	139	216	
Call Handling Technology	175	175	0		112	10		53	
E-Mail Upgrade / Archive	300	300	0			150		150	
Computer Room - DR / Business Continuity	425	425	0		76	179	95	75	
Airwave Covert Radios	517	507	-10	L	507	0			
OIS Vantage Upgrade	78	78	0		38	40			
Helicopter Downlink	160	125	-35	M		125			
Witness Viewing	150	150	0			37	113		
New intelligence system	250	250	0			15	235		
UPSA Compliance	300	300	0			21	129	150	
Enhancement to CIS	10	10	0			10			
Interface NFLMS / Shogun	17	0	-17	N		0			
Upgrade to Blue 8	60	60	0			60			
MG10 Enhancement	30	30	0			30			
NSPIS HR Oracle Licenses	0	20	20	J		20			
E-File	0	30	30	J		30			
Storage Consolidation	500	500	0				500		
Holmes 2	100	100	0				100		
PIMS/COPS	80	80	0				80		
Voice Connect	80	80	0				80		
Mailmarshall / WebMarshall Upgrade	75	75	0				75		
Firearms Incident Recording	50	50	0				50		
Oracle 10g Server	35	35	0				35		
Exit Strategy from legacy CASE	50	50	0				50		
BOF2	20	20	0				20		
Property	15	15	0				15		
Software Upgrade ANPR/BOF	14	14	0				14		
New Crime system	1,000	1,000	0						1,000
Renewal of Telephone Infrastructure	305	305	0				195	110	
Business Only' Number	150	150	0					150	
Upgrade Desktop Software	200	200	0						200
Replace H/W NSPIS CuCP	1,000	1,000	0						1,000
NSPIS Command & Control	1,100	1,100	0						1,100
Total For Information Technology	16,041	15,965	-76		6,994	1,247	2,720	1,604	3,400

	Approved Total £000	Revised Total £000	Variance Total £000		Exp to 31/03/07 £000	Estimate 2007/2008 £000	Estimate 2008/2009 £000	Estimate 2009/10 £000	Estimate 2010/11 £000
Vehicle Fleet	9,595	9,495	-100	O	5,161	1,334	1,000	1,000	1,000
iR3, Datawise & Mobile Technology									
IT infrastructure		160	160	MNO		160			
Hardware & Licences (for Datawise)		100	100	O		100			
Mobile Technology	1,200	1,200	0				700	500	
Replacement Helicopter	1,451	1,451	0		1,127	324			
Airwave	2,364	2,374	10	L	2,299	35	40		
Handheld Radio Replacement	501	501	0				167	167	167
Vehicle Sets	339	339	0				113	113	113
Deferred Charges									
NSPIS systems Uplift	129	129	0		32	23	24	25	25
Operational Equipment									
Area / Dept Spend	597	597	0		597				
Video Interview Facilities	60	60	0		6	54			
ANPR Equipment (HO Funded)	566	566	0		562	4			
Total Expenditure	42,709	42,828	119		20,036	5,062	7,328	5,607	4,795
Grant	5,584	6,300	716	P		2,100	2,100	2,100	2,100
Borrowing Requirement	10,720	10,007	-713	Q		1,902	4,648	3,457	2,645
Capital Reserve	0	0	0						
Capital Receipts									
- Vehicles	150	150	0			50	50	50	50
- Helicopter	333	333	0			333			
- IT	0	0	0						
- Property	0	91	91	R		91			
	483	574	91			474	50	50	50
Airwave	65	65	0			35	30		
Home Office Grant - ANPR	504	504	0			4	500		
Learning & Development Grant	41	41	0			41			
Revenue Contribution	27	52	25	C		52			
3rd Party Contributions	454	454	0			454			
Capital Financing	20,036	20,036	0		20,036				
Total Funding	37,914	38,033	119		20,036	5,062	7,328	5,607	4,795

	Approved Total	Revised Total	Variance Total	Exp to 31/03/07	Estimate 2007/2008	Estimate 2008/2009	Estimate 2009/10	Estimate 2010/11
	£000	£000	£000	£000	£000	£000	£000	£000
Prudential Indicators								
External Borrowing					2007/08	2008/09	2009/10	2010/11
					£000	£000	£000	£000
Balance B/F								
-PWLB					12,828	14,647	19,205	22,565
-LCC					5,308	4,869	4,430	3,991
Total					18,136	19,516	23,635	26,556
Plus: New Borrowing					1,902	4,648	3,457	2,645
Less: Repayments					-522	-529	-536	-536
Balance C/F					19,516	23,635	26,556	28,665
Debt Financing Charges								
Minimum Revenue Provision (statutory amount set a side each year to repay loans)					1,059	1,137	1,641	1,964
Interest					1,012	1,142	1,312	1,441
Total					2,070	2,280	2,952	3,405
A Saving on Wigston scheme offsetting increased cost of Scientific Support refurbishment, Security Upgrades, & Ventilation improvements								
B Savings on Delivering the Changes offsetting potential increased costs of Welford Road Locker rooms & Ventilation improvements								
C Extension of BORA door entry system to Euston Street main entrance offset by Revenue Contribution								
D Scheme complete unallocated funds transferred to fund additional costs of Ventilation improvements								
E Cost of additional works being undertaken within scheme - Braunstone premiter fence & landscaping								
F Scheme complete unallocated funds transferred to fund additional costs of Ventilation improvements								
G Identified savings on ventilation improvements at Keyham Lane and reinvestment into Wigston Custody								
H Additional costs of replacing the Air-Conditioning Unit which was not included in original works								
I Increased cost of Scheme								
J Additional expenditure on Court Results system, HR Oracle Licenses and E-File								
K Realignment of budget for iR3 and Datawise								
L Residual budget for Airwave covert radios transferred to general Airwave budget								
M Underspend on Helicopter downlink tranferred to iR3								
N Underspend on NFLMS tranferred to iR3								
O iR3 hardware and licences								
P Additional Capital Grant awarded by Home Office in 2007/08								
Q Net reduction in borrowing requirement								
R Proceeds from sale of police house								