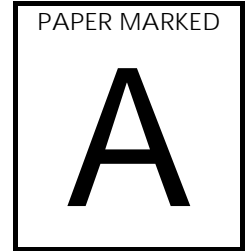


LEICESTERSHIRE POLICE AUTHORITY



Meeting **POLICE AUTHORITY**

Date **TUESDAY 9 FEBRUARY 2010 – 2.00 P.M.**

Report of **CHIEF CONSTABLE & TREASURER**

Subject **CAPITAL PROGRAMME 2010/11**

Purpose of the Report

1. This report sets out the Capital Programme for the period 2010/11 to 2012/13 and seeks Members' approval of the 2010/11 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 2008/09 capital expenditure and the estimated capital expenditure for the current year and future years are:-

	2008/09	2009/10	2010/11	2011/12	2012/13
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Total	8.0	6.3	6.8	5.0	4.8

10. The estimates of the ratio of financing costs to the net revenue stream for 2008/09 and for the current and future years are:-

2008/09	2009/10	2010/11	2011/12	2012/13
Actual	Estimate	Estimate	Estimate	Estimate
%	%	%	%	%
0.31	1.18	1.34	1.78	1.92

11. The actual capital financing requirement at 31 March 2009 and the estimates for the current and future years are:-

	31.3.09	31.3.10	31.3.11	31.3.12	31.3.13
	£m	£m	£m	£m	£m
Total	20.7	22.8	25.7	26.6	26.8

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 2009/10, and is expected to do so in future years.

12. 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:-

	2009/10	2010/11	2011/12	2012/13
	£m	£m	£m	£m
Borrowing	13.7	18.1	21.0	23.6
Long Term Liabilities	4.9	4.5	4.0	3.6
Total	18.6	22.6	25.0	27.2

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 2010/11 is the statutory limit determined under section 3(1) of the Local Government Act 2003.

13. 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.

	2009/10	2010/11	2011/12	2012/13
	£m	£m	£m	£m
Borrowing	12.7	17.1	20.0	22.6
Long Term Liabilities	4.4	4.0	3.5	3.1
Total	17.1	21.1	23.5	25.7

14. The Authority's actual external debt at 31 March 2009 was £17.1m. The amount is split between the Public Works Loans Board figure of £12.7m and Leicestershire County Council £4.4m (transferred debt from 1995 regarding the formation of police authorities as per the Police and Magistrates Courts Act 1994).
15. The estimate of the incremental impact of capital investments proposed in this report for Band D Council Tax per week are:

2010/11	2011/12	2012/13
1p	5p	1p

16. 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

17. The capital programme has been prepared in consultation with budget holders on the basis of operational need and risk. The Strategic Infrastructure Board and Chief Officers have, as part of their remit, challenged and prioritised the proposed medium term capital programme.
18. A summary of the proposed Capital Programme for 2010/11 is shown in the table below. The more detailed programme relating to the financial years 2009/10 to 2012/13 is shown in Annex A. Certain recommendations arising from the 2009/10 strategic estates review have been factored into the capital programme for 2010/11 and beyond.

<u>Proposed Capital Programme 2010/11</u>			
Expenditure	£000	Funding	£000
Property	1,542	Capital Grant	2,100
Information Technology	3,548	Borrowing Requirement	4,571
Vehicle Fleet	1,000	Revenue Contributions	174
Other items	755		
Total	6,845	Total	6,845

19. The Programme includes property schemes regarding accommodation improvements at Hinckley LPU and safer detention works in the custody suites. The information technology schemes include investment in Command & Control, NSPIS HR, Duty Management and Case & Custody, alongside a range of infrastructure development projects and Airwave enhancements. Planned replacements for the existing vehicle fleet are also included. Further details of the schemes can be found at Annex B.

Funding Arrangements

20. The 2010/11 capital grant has been confirmed at £2.1m. After the utilisation of the receipts arising from the sale of vehicles, other grants and revenue contributions, the borrowing requirement is £4.6m for 2010/11.

Recommendations

21. The Police Authority is asked to:

- (i) approve the prudential indicators set out in this report; and
- (ii) 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. Risk Management: setting the budget and capital programme is a key decision for the Authority.

Officers to Contact

Chris Eyre, T/Chief Constable, tel: 0116 248 2005.

Paul Dawkins, Finance Director, tel: 0116 248 2008.

Chris Smith, Treasurer, tel: 0116 289 8984.

e-mail: police.authority@leicestershire.pnn.police.uk