

Decision No 2012/13



REPORT TO: POLICE AND CRIME COMMISSIONER FOR LANCASHIRE

REPORT BY: LISA KITTO, CHIEF FINANCE OFFICER

DATE: 15 FEBRUARY 2013

TITLE: CAPITAL PROGRAMME 2013/14 – 2017/18

EXECUTIVE SUMMARY

This reports sets out the draft capital programme 2013/14 – 2017/18 and the proposed method of financing the programme.

RECOMMENDATION

The Police and Crime Commissioner is asked to;

- Note the proposed capital programme for 2013/14 – 2017/18 and the method of financing
- Agree the capital programme for 2013/14 and the method of financing
- Agree the prudential indicators as set out at Appendix D.

Decision taken by the Police and Crime Commissioner for Lancashire:

Original decision, as set out in the attached report, approved without amendment (please delete as appropriate)	YES	NO
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Original decision required to be amended and decision as detailed below:

The reasons for the amended decision are as detailed below:

DECLARATIONS OF INTEREST

Police and Crime Commissioner: Comments

The PCC is asked to consider any personal / prejudicial interests he may have to disclose in relation to the matter under consideration in accordance with the law, the Nolan Principles and the Code of Conduct.

STATEMENT OF COMPLIANCE

The recommendations are made further to legal advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation.

Signed: Police and Crime Commissioner Date:	Signed: Chief Officer: Date:
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Signed: Chief Constable Date:	Signed: Chief Finance Officer: Date:
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Background

The draft capital programme for the five years from April 2013 is attached at Appendix “A”, together with a brief description of each of the schemes and the reasons for the proposed level of investment at Appendix “B”.

The programme reflects the current priorities within the Police and crime budget and supports the organisational review process that has been developed in order to deliver a significant amount of revenue savings in future years. The suggested capital programme meets the needs for capital investment to maintain the infrastructure required to deliver effective policing within the County. It has been subject to considerable internal scrutiny by both the Constabulary and the Office of the Police and crime Commissioner and reflects detailed discussion on the business benefits to be delivered from the planned investment.

2012/13 Capital Programme

Within the 2012/13 capital programme there are a number of schemes that have not progressed as planned. Of these some have started in 2012/13 but not as quickly as planned and others have been deferred to 2013/14 as they are unlikely to proceed in 2012/13. The funding (together with their associated financing) will need to be carried forward into 2013/14 in order that the schemes can be completed. A third tranche of schemes have either completed and have cost less than anticipated or have been removed from the programme due to the fact that they no longer meet the needs of the Police and Crime Commissioner. These schemes will be removed from the programme and the funding made available for other schemes that are emerging for 2013/14 onwards. The schemes concerned are set out in the table below;

Scheme	Carry Forward	Deferred	Underspent/Not Required
	£m	£m	£m
Integrated Communications and Control System	0.488		
Digital Speed Camera Upgrade	0.835		
CSP Penetration Testing		0.060	
Digital Voice Recording		1.392	
Disaster Recovery		0.219	
Accrington Police Station		1.080	
Electronic Case Files		0.600	
Covert WAN			0.060
Customer Relationship Management			0.400
Other		0.003	0.010
TOTAL	1.323	3.354	0.470

The programme continues to be mainly built up from the ICT and Accommodation strategies and reflects the need for prioritised investment in these key areas which increasingly underpin the delivery of an efficient and effective police service. The other key areas of investment relate to vehicles, specialist equipment replacement in G Division and digital speed cameras.

The programme developed by the Constabulary follows the principles of affordability, prudence/sustainability, value for money, stewardship, planning and practicality found within the Prudential Code. A detailed appraisal process is followed by the Constabulary in terms of

assessing requirements for capital investment and the scrutiny approach taken to determine prioritised areas of investment. The consideration of requirements over a 5 year period meets the best practice outlined by the various inspection regimes which the Office of the Police and Crime Commissioner and the Constabulary are covered by. The programme also seeks to identify and manage the related costs impacting on the revenue budgets and the level of revenue resources required for the planned level of investment. This has been built into the 2013/14 revenue budget proposals and the longer term implications have been factored into the medium term financial strategy. .

The total overall requirement for investment over the 5 years is £59.725M and is summarised as follows:-

	2012-13 Carry Forward £M	2013-14 £M	2014-15 £M	2015-16 £M	2016-17 £M	2017/18 £M	TOTAL £M
IS/IT Strategy	2.743	3.368	5.630	2.650	2.450	2.300	19.141
Accommodation Strategy	1.099	3.800	10.900	6.900	3.900	0.900	27.499
Vehicle replacement		2.200	2.200	2.200	2.200	2.200	11.000
Other Schemes	0.835	0.250	0.250	0.250	0.250	0.250	2.085
TOTAL	4.677	9.618	18.980	12.000	8.800	5.650	59.725

The value of new starts in 2013/14 of £9.618M is an increase of £0.951M (11%) on the initial 2013/14 programme last year of £8.667M and the following are the major changes:

Scheme	Initial Allocation	Revised Allocation
	£m	£m
Desktop Monitor Replacement Scheme	0.350	0.700
Communications Room/CCTV	0.000	0.150
Electoral Roll/Address Base	0.000	0.100
Voice and Data Infrastructure Refresh	0.850	0.650
Video Conferencing	0.000	0.050
Expansion of Server Room	0.000	0.075
Expansion of Wireless Capacity	0.000	0.050
Microsoft Enterprise Agreement	0.722	0.800
Disaster Recovery	0.050	0.243
Vehicle Replacement Programme	2.095	2.200
TOTAL	4.067	5.018

Capital Programme Financing

The shape of the financing needed to support the proposed programme in 2013/14 and future years depends upon the extent of Government support for capital expenditure and upon financing decisions which the Police and Crime Commissioner can take. Capital grant allocations for 2013/14 and 2014/15 have been announced. These are £2.5M in 2013/14 and £2.6M in 2014/15 and are in line with previous expectations.

Other financing available to support expenditure arises from the sale of property which generates a capital receipt, revenue contributions and monies held within the capital funding reserve which arise from underspends in previous years and specific additional revenue contributions.

The capital programme also impacts on revenue expenditure from three main sources :-

- capital financing charges and the impact of borrowing particularly for long term assets (buildings)
- the use of our own resources, and
- revenue consequences arising from capital expenditure (computer hardware/software maintenance costs and running costs of new builds)

The increased size of the programme will have an impact in all of the above areas

Financing of the proposed 2013/14 – 2017/18 Programme

The financing of the proposed 2013/14 to 2017/18 programme is proposed as follows:

Capital Financing 2012/13 to 2016/17							
	2013/14 £M	2014/15 £M	2015/16 £M	2016/17 £M	2017/18 £M	Total £M	%
Capital Grant	3.300	2.545	2.545	2.545	2.545	13.480	22.6
Capital Receipts	2.736	3.367	1.403	2.487	-	9.993	16.7
Revenue Contributions/Capital Reserve (CFR)	4.074	2.303	4.545	3.003	2.340	16.265	27.2
Borrowing							
-Unsupported	4.185	10.765	3.507	0.765	0.765	19.987	33.5
Total Programme	14.295	18.980	12.000	8.800	5.650	59.725	100.0

The financing above includes the value of slippage and deferred schemes from 2012/13 of £4.677m financed from unsupported borrowing of £1.080M and £3.597M from own resources.

It can be seen from the above table that the Police and crime Commissioner would be making unsupported borrowing of £4.185M in 2013/14 (£1.080M slippage and £3.105M new starts) with borrowing requirements increasing in 2014/15 and reducing in the following years mainly due to significant costs for the Development of Police Facilities in Western Division.

Capital Funding Reserve

The proposals above have the following impact on the Capital Funding Reserve (CFR) :-

CFR 2012/13 to 2017/18				
Financial Year	Balance Brought Forward £M	Receipts in Year £M	Anticipated Usage In Year £M	Balance Carried Forward £M
2012/13	7.198	3.644	-4.968	5.874
2013/14	5.874	2.102	-4.074	3.902
2014/15	3.902	2.103	-2.303	3.702
2015/16	3.702	2.084	-4.545	1.241
2016/17	1.241	2.051	-3.003	0.289
2017/18	0.289	2.051	-2.340	-

The Revenue Forecast currently includes an annual provision of £1.750M. In addition G Division will contribute £0.100M in 2012/13 towards the cost of the ANPR scheme and £0.050M per year as a contribution to the Specialist Equipment Replacement Programme.

Capital Receipts

The following indicates the anticipated position on capital receipts across each financial year:-

Capital Receipts 2012/13 to 2017/18				
Financial Year	Balance Brought Forward £M	Capital Receipts in Year £M	Anticipated Usage In Year £M	Balance Carried Forward £M
2012/13	2.723	2.581	-0.617	4.687
2013/14	4.687	2.155	-2.736	4.106
2014/15	4.106	1.712	-3.367	2.451
2015/16	2.451	0.067	-1.403	1.115
2016/17	1.115	1.372	-2.487	-
2017/18	-	--	-	-

As ever, it is difficult to be precise about the likely level of receipts to be generated from future planned disposals. Close monitoring of capital receipts will continue to be carried out.

Affordability of the Programme

Revenue Consequences

As a result of the level of the new programme proposed for 2013/14 and subsequent years (excluding slippage from 2012/13), the costs falling on the revenue budget would be:-

Revenue Consequences 2013/14 to 2017/18

	2013/14 £M	2014/15 £M	2015/16 £M	2016/17 £M	2017/18 £M
Financing Charges	0.063	0.309	0.309	0.536	0.050
Running Costs	0.074	0.204	0.305	0.090	-0.010
Total Revenue Costs	0.137	0.513	0.614	0.627	0.040
Cost of Western DHQ (Blackpool) Included in Above	0.041	0.244	0.259	0.442	-0.130

The current Revenue Forecast reflects the inclusion of the above spread across the budget forecast..

The capital financing costs included within the above table have been calculated on the assumption that the write down of assets is based on asset life.

The assumption in respect of financing charges is that 10 year life assets (furniture and equipment) will be financed from our own resources and only assets with a life of 30 years or more will be funded from borrowing.

Council Tax Increase

Given the proportion of expenditure which is funded from local sources and in particular, borrowing and direct revenue contributions a key decision on any investment programme is the impact on the revenue budget not only in the year in which the expenditure is incurred but over the longer term.

A measure of this is the increase in council tax arising from the additional revenue costs. The council tax increases which would be necessary each year to fund the revenue consequences of this capital programme are shown in the table below:

However, in considering this table it is important to note that the level of council tax increase is determined by a range of factors having a bearing on the Police and Crime Commissioner's overall expenditure requirements.

Council Tax Increase required to fund Revenue Consequences				
	2013/14 %	2014/15 %	2015/16 %	2016/17
Council Tax increase	0.23	0.86	1.03	1.05

A further indication of affordability is the amount of debt the Police and Crime Commissioner's has outstanding at a point in time. The graphs at Appendix "B1" and "B2" show Lancashire's debt as a proportion of fixed assets compared to other shire police forces as at 31 March 2011 and 31 March 2012.

Appendix "C" shows how our debt as a proportion of fixed assets is expected to change over the programme's five year period. The graphs indicate that, over the period, the level of debt as a proportion of fixed assets is forecast to increase from the actual position in 2011/12 reflecting the planned borrowing required for Western DHQ. However, the level of borrowing relative to other shire police authorities is below average and whilst the proportion of debt is forecast to increase over the period the ratio of asset cover to debt is still healthy.

Prudential Indicators

From the financing proposals set out above, and from the overall capital programme being recommended for approval, it is now possible to produce a suite of the prudential indicators. Under the prudential system the Police and Crime Commissioner is required to approve these indicators, within which the capital programme must be set. The main emphasis of the indicators is to enable the Police and Crime Commissioner to assess whether its capital investment plans are affordable, prudent and sustainable.

Lancashire does, however, have a tradition of prudent financial management, which in the early years of its existence minimized the use of borrowing as a means of capital finance, even to the extent of repaying half of the debt inherited from the County Council.

The indicators for this draft capital programme can be found at Appendix "D".