

## CAPITAL PROGRAMME 2015-16 TO 2017-18

### **Background**

1. The Government support for capital spending includes the capital grant which directly supports the capital programme. Since 2004 the Prudential Code has given the police authority and now the PCC the freedom to set its own borrowing limit subject to compliance with the Code.

### **Prudential Code**

2. 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.
3. 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.
4. 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.
5. In assessing affordability the Office of the Police and Crime Commissioner (OPCC) has to take into account all the resources currently available to the organisation 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.
6. 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.
7. The decisions on capital investment need to take into account option appraisal, asset management planning, strategic planning for both the OPCC and Force and the achievability of the forward plan.

### ***Prudential Indicators***

8. The actual 2013/14 capital expenditure and the estimated capital expenditure for the current year and future years are:-

	2013/14	2014/15	2015/16	2016/17	2017/18
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Total	9.0	7.9	8.9	5.4	3.9

9. The estimates of the ratio of financing costs to the net revenue stream for 2013/14 and for the current and future years are:-

2013/14	2014/15	2015/16	2016/17	2017/18
Actual	Estimate	Estimate	Estimate	Estimate
%	%	%	%	%
1.08	1.11	1.28	1.77	1.96

10. The actual capital financing requirement at 31 March 2013 and the estimates for the current and future years are:-

	31.3.14	31.3.15	31.3.16	31.3.17	31.3.18
	£m	£m	£m	£m	£m
Total	20.4	24.1	28.4	29.4	28.7

11. The capital financing requirement (CFR) measures the OPCC'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 OPCC 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 OPCC met this requirement in 2013/14, 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:-

	2014/15	2015/16	2016/17	2017/18
	£m	£m	£m	£m
Borrowing	18.4	19.2	22.4	24.0
Long Term Liabilities	2.7	2.3	1.9	1.4
Total	21.1	21.5	24.3	25.4

13. These authorised limits are consistent with the OPCC's current commitments, existing plans, and proposals in this report for capital expenditure and its financing, and the approved treasury management policy. The authorised limit for 2015/16 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.

	2014/15	2015/16	2016/17	2017/18
	£m	£m	£m	£m
Borrowing	17.4	18.2	21.4	23.0
Long Term Liabilities	2.2	1.8	1.4	0.9
Total	19.6	20.0	22.8	23.9

15. The OPCC's actual external debt at 31 March 2014 was £14.6m. The amount is split between the Public Works Loans Board (PWLB) figure of £12.4m and Leicestershire County Council £2.2m (transferred debt from 1995 regarding the formation of police authorities as per the Police and Magistrates Courts Act 1994. This has now transferred to the OPCC).

It is planned that the 2014/15 'borrowing requirement' of £5.0m will be met by internal cash balances.

16. A monitoring system is in place and reports on progress against the indicators are taken to the OPCC.
17. On their commencement to the role, the Resources Manager in the OPCC will attend the Strategic Finance and Infrastructure Board where the Capital programme is discussed in more detail and provide challenge, scrutiny and receive assurance for the CFO and PCC.

### **Proposed Capital Programme**

18. The capital programme has been prepared in consultation with budget holders on the basis of operational need and risk. The Force Executive Group, as part of its remit, has challenged and prioritised the proposed medium term capital programme.
19. A summary of the proposed Capital Programme for 2015/16 is shown in the table below. The more detailed programme relating to the financial years 2014/15 to 2017/18 was considered in full by the PCC and his team during the preparation and at the Strategic Assurance Board on the 14<sup>th</sup> January 2015.

<i>Proposed Capital Programme 2015/16</i>			
<b>Expenditure</b>	<b>£000</b>	<b>Funding</b>	<b>£000</b>
Property	2,535	Capital Grant (TBC)	1,600
Information Technology	4,796	Borrowing Requirement	5,826
Emergency Services Network	75	Capital Receipts	1,305
Vehicle Fleet	1,500	Home Office Grants (TBC)	75
		Revenue Contributions	100
<b>Total</b>	<b>8,906</b>	<b>Total</b>	<b>8,906</b>

20. The Programme includes property schemes relating to the replacement of the Oakham and Coalville police stations for smaller efficient premises, the commencement of major refurbishments at Beaumont leys and the remodelling of the Force HQ residential block to create additional office space. The information technology expenditure includes significant investment in the Data Infrastructure and mobile devices to support the new policing model and regional collaborative projects. Planned replacements for the existing vehicle fleet are also included.

### **Funding Arrangements**

21. The 2015/16 capital grant has not yet been confirmed by the Home Office. This will be announced with the Final Settlement in February 2015. A provisional capital grant of £1.6m has been included based on 2014/15 but this may be top sliced to fund national programmes. After the utilisation of receipts arising from the sale of properties as part of the strategic estates review and the application of revenue contributions to capital schemes, the borrowing requirement is **£5.826m** for 2015/16.
22. The Capital Programme assumes that the 15/16 borrowing requirement of £5.826m is financed through maturity loans from the PWLB at an indicative interest rate of 3.6% for 25 years and 2.44% for 6 year loans.

### **Background Papers**

Home Office Settlement Notification via the Home Office website