

**CAPITAL PROGRAMME 2016-17 TO 2018-19**

**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 2014/15 capital expenditure and the estimated capital expenditure for the current year and future years are:-

	2014/15	2015/16	2016/17	2017/18	2018/19
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Total	7.1	5.8	8.6	5.7	2.7

9. The estimates of the ratio of financing costs to the net revenue stream for 2014/15 and for the current and future years are:-

2014/15	2015/16	2016/17	2017/18	2018/19
Actual	Estimate	Estimate	Estimate	Estimate
%	%	%	%	%
1.12	1.30	1.46	1.82	2.09

10. The actual capital financing requirement at 31 March 2015 and the estimates for the current and future years are:-

	31.3.15	31.3.16	31.3.17	31.3.18	31.3.19
	£m	£m	£m	£m	£m
Total	22.8	24.2	28.2	29.5	27.6

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 2014/15, 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:-

	2015/16	2016/17	2017/18	2018/19
	£m	£m	£m	£m
Borrowing	19.2	20.4	26.5	28.5
Long Term Liabilities	2.3	1.9	1.4	1.0
Total	21.5	22.3	27.9	29.5

13. These authorised limits are consistent with the OPCC's current commitments, existing plans, and potential future IT Strategic Alliance proposals 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.

	2015/16	2016/17	2017/18	2018/19
	£m	£m	£m	£m
Borrowing	18.2	19.4	25.5	27.5
Long Term Liabilities	1.8	1.4	0.9	0.5
Total	20.0	20.8	26.4	28.0

15. The OPCC's actual external debt at 31 March 2015 was £14.2m. The amount is split between the Public Works Loans Board (PWL) figure of £12.4m and Leicestershire County Council £1.8m (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 2015/16 'borrowing requirement' of £2.9m will be met by internal cash balances.

16. The estimate of the incremental impact of capital investments proposed in this report for Band D Council Tax per week are:

2016/17	2017/18	2018/19
0p	8p	4.1p

17. A monitoring system is in place and reports on progress against the indicators are taken to the OPCC.

### **Proposed Capital Programme**

18. The capital programme has been prepared in consultation with budget holders on the basis of operational need and risk. The Estates programme reflects the 'Estates Strategy' discussed at the Strategic Assurance Board on the 15<sup>th</sup> January 2016. The IT programme reflects investments in our local infrastructure and systems. Specific schemes to support the Strategic Alliance will be presented later in the year for approval once the detail becomes available.

Savings of £98k have been achieved on the 2016/17 Fleet Replacement Programme as a result of the new collaborative purchasing contract.

19. A summary of the proposed Capital Programme for 2016/17 is shown in the table below.

<i>Proposed Capital Programme 2016/17</i>			
<b>Expenditure</b>	<b>£000</b>	<b>Funding</b>	<b>£000</b>
Property	2,750	Capital Grant (TBC)	800
Information Technology	3,769	Borrowing Requirement	5,827
Emergency Services Network	1,050	Capital Receipts	560
Vehicle Fleet	1,033	Home Office Grants (TBC)	500
		Revenue Contributions	915
<b>Total</b>	<b>8,602</b>	<b>Total</b>	<b>8,602</b>

20. The Programme includes property schemes relating to a proposed (subject to formal sign-off) co-location of Coalville police station with the Fire Service providing for a smaller efficient building, the continuation of major refurbishments at Beaumont leys and the remodelling of the Force HQ residential and amenities blocks to create additional office space to support the Force's 'agile working' programme. The information technology expenditure includes significant investment in the data and voice 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 2016/17 capital grant has not yet been confirmed by the Home Office. This will be announced with the final settlement in February 2016. However, the Capital grant has been reduced nationally by 40% and a similar reduction has been assumed reducing the provisional capital grant from £1.3m to £0.8m. After the utilisation of receipts arising from the sale of properties as part of the Strategic Estates Strategy and the application of revenue contributions to capital schemes, the borrowing requirement is **£5.827m** for 2016/17.
  
22. The Capital Programme assumes that the 16/17 borrowing requirement of £5.827m is financed through maturity loans from the PWLB at an indicative interest rates of 3.54% for 25 years, 2.90% for 10 years and 2.46% for 6 year loans.

## **Background Papers**

Home Office Settlement Notification via the Home Office website

