

CAPITAL PROGRAMME 2013-14 TO 2015-16

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 2011/12 capital expenditure and the estimated capital expenditure for the current year and future years are:-

	2011/12	2012/13	2013/14	2014/15	2015/16
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Total	4.8	5.2	6.0	3.6	3.0

9. The estimates of the ratio of financing costs to the net revenue stream for 2011/12 and for the current and future years are:-

2011/12	2012/13	2013/14	2014/15	2015/16
Actual	Estimate	Estimate	Estimate	Estimate
%	%	%	%	%
1.22	1.16	1.11	1.21	1.33

10. The actual capital financing requirement at 31 March 2012 and the estimates for the current and future years are:-

	31.3.12	31.3.13	31.3.14	31.3.15	31.3.16
	£m	£m	£m	£m	£m
Total	18.9	17.7	20.0	20.6	20.5

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 2012/13, 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:-

	2012/13	2013/14	2014/15	2015/16
	£m	£m	£m	£m
Borrowing	16.2	17.0	18.9	20.2
Long Term Liabilities	3.6	3.2	2.7	2.3
Total	19.8	20.2	21.6	22.5

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 2013/14 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.

	2012/13	2013/14	2014/15	2015/16
	£m	£m	£m	£m
Borrowing	15.2	16.0	17.9	19.2
Long Term Liabilities	3.1	2.7	2.2	1.8
Total	18.3	18.7	20.1	21.0

15. The OPCC's actual external debt at 31 March 2012 was £15.5m. The amount is split between the Public Works Loans Board figure of £12.4m and Leicestershire County Council £3.1m (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).
16. The estimate of the incremental impact of capital investments proposed in this report for Band D Council Tax per week are:

2013/14	2014/15	2015/16
0p	2p	3p

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 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 2013/14 is shown in the table below. The more detailed programme relating to the financial years 2012/13 to 2015/16 is shown in Annex A.

<i>Proposed Capital Programme 2013/14</i>			
Expenditure	£000	Funding	£000
Property	3,266	Capital Grant	1,600
Information Technology	1,565	Borrowing Requirement	3,583
Vehicle Fleet	1,000	Capital Receipts	500
Other items	180	Revenue Contributions	328
Total	6,011	Total	6,011

20. The Programme includes property schemes relating to the replacement of Loughborough LPU, the door access system and the remodelling of existing office space. The information technology expenditure includes a number of enhancements to existing IT systems, alongside a range of infrastructure development projects to support both local and regional collaborative working. Planned replacements for the existing vehicle fleet are also included.
21. The East Midland Forces are developing a regional IT convergence plan to support future collaboration. Whilst it is recognised that future investment will be required to support this programme from 2014/15 onwards the detail is not yet available and has not therefore been included in the 3 year capital programme.

Funding Arrangements

22. The 2013/14 capital grant has been confirmed at £1.6m. 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 £3.583m for 2013/14

List of Appendices

Appendix A: Four Year Capital Programme 2012/13 to 2015/16

Background Papers

DCLG and Home Office Settlement Notification via the DCLG website