

**Joint Report of the Chief Executive & Chief Constable to the Chair
and Members of the Police Authority Executive
25th February 2010**

**Executive & Presenting Officer: Joe McCarthy Chief Executive
Mrs Ann Hall, Assistant Chief Officer
(Finance & Commissioning)**

Status: For Decision

Capital Programme 2010/11

1 Executive Summary

- 1.1 *"Earlier years Capital Plans have been developed on a budget bidding process rather than on a long term strategic vision. In contrast, this report builds on the briefing to Members on 9th February 2007 and represents a more strategic approach to the investment required to deliver policing in the 21st Century in line with Putting People First".*
- 1.2 This opening paragraph is taken from the Authority's approved Capital Budget report from 23rd February 2007 – This will be the 4th year that the Authority has adopted such an approach to the development of its' Long Term Capital Programme. Against this backdrop 2009/10 has seen the delivery of a number of key strategic projects, with further projects to come to successful fruition during 2010/11:
- An investment of £7.3m, approved in August 2008, to provide front line officers with state of the art hand held information devices, the CUPID project. The initial role out will be completed by March 2010.
 - A £4.8m investment in the refurbishment of Hartlepool BCU was realised in 2009/10.
 - The new Strategic Road Policing Unit (£5.25m) was opened in August 2009.
 - The new Organised Crime Unit (£1.5m) was completed in January 2010.
- 1.3 The 2010/11 to 2013/14 Capital Programme allocates significant funds in the following areas:

- A provision of £5m has been created to deliver the Authority's ISIS strategy in the period to 2013/14.
 - Against an overall investment of £7.3m, £1.4m will be required in the period to 2013/14 to finish the initial roll out of CUPID devices and then continue the programme of replacement and enhancement.
 - £4.6m has been identified for a new replacement helicopter – This will be offset by Capital Grant from the NPIA of circa £1.6m and £1m trade-in value for the existing helicopter.
- 1.4 The plan assumes prudential borrowing of £5.1m in 2010/11 and total prudential borrowing of £7.8m over the lifetime of the plan - £3m of this borrowing relates to the planned purchase of a new helicopter in 2010/11. The revenue consequences of the Capital Plan, including financing and operational costs, have been provided for in the 2010/11 to 2013/14 Long Term Financial Plan.

2 Recommendations

Members are requested to:

- 2.1 Approve prudential borrowing of up to £5.1m in 2010/11.
- 2.2 Approve the earmarking of funds for developments in the Information Systems Improvement Strategy (£2,880k) and for business cases arising during 2010/11 (£204k) as set out at Appendix A.
- 2.3 Approve the Air Support Programme as set out at Appendix B.
- 2.4 Approve the Facilities Programme as set out at Appendix C.
- 2.5 Approve the ICT Programme as set out at Appendix D.
- 2.6 Approve the Fleet Programme as set out at Appendix E.
- 2.7 Approve that post implementation reviews of both CUPID and the Air Support Unit are completed.

3 Purpose

- 3.1 This report is one of a set of six that are on today's agenda for consideration by Members to set the Long Term Financial Plan:
- Robustness of Estimates & Adequacy of Financial Reserves
 - Minimum Revenue Provision Strategy 2010/11
 - Prudential Indicators & Treasury Management Strategy 2010/14
 - 2010/11 Budget and LTFP 2011/15
 - 2010/11 Capital Programme & Outline Capital Plan 2011/14
 - Setting the 2010/11 Precept

- 3.2 These reports are part of the process introduced by the Authority to establish sustainable annual and long term financial plans and maintain prudent financial management.
- 3.3 The Capital Plan is set out at Appendix A. It covers the period April 2010 to March 2014 and sets out the capital priorities of the organisation and the funding required for their delivery.

4 Reasons

- 4.1 The assets owned by the Police Authority are a vital platform for the delivery of effective policing and corporate objectives. The Capital Plan is now a more strategically focussed approach to investments required to deliver policing in the 21st century in line with Putting People First. As reported in previous years, it now reflects the move away from a programme built on individual proposals to a plan built on the emerging themes arising from the Estates, ICT, Fleet and now Air Support Strategies. This report builds on those themes and will culminate in the development of an overall Asset Management Plan.
- 4.2 The overall purpose of this plan is to provide sufficient funding to renew our asset base informed by condition deficiency surveys, 'fit for purpose' reviews, equipment replacement programmes and business continuity requirements whilst at the same time building in sufficient flexibility to respond to schemes arising from programmes still in development such as the emerging Information Systems Improvement Strategy (ISIS).
- 4.3 The proposed Capital Plan is set out at Appendix A.
- 4.4 Funding
Members will recall that the Government announced the three year Comprehensive Spending Review settlement in December 2007. The Capital Grant and Supported Capital Expenditure (SCE) for the three years 2008/09 to 2010/11 were set out as £1,601k and £872k per annum respectively.
- 4.5 In January 2010, the Minister of State for Local Government confirmed the figures for 2010/11.
- 4.6 The plan assumes prudential borrowing of £5.1m in 2010/11 and total prudential borrowing of £7.8m over the life time of the plan. Members are requested to note that £3m of this relates to the planned purchase of a new helicopter in 2010/11.
- 4.7 Required borrowing and associated interest and Minimum Revenue Provision payments, including SCE, are set out in the table overleaf.

Borrowing, Interest & MRP				
	2010/11	2011/12	2012/13	2013/14
	£000s	£000s	£000s	£000s
Total Capital Expenditure	10,209	3,673	4,235	2,473
Gross Borrowing	5,972	2,072	2,372	872
% Funded by Borrowing	58.5%	56.4%	56.0%	35.3%
Interest Payable	671	906	949	999
Minimum Revenue Provision	771	979	1,023	1,077

- 4.8 Provision has been made for all borrowing and MRP charges in the Long Term Financial Plan.
- 4.9 The cumulative levels of borrowing are assessed in detail in the Prudential Indicator Report that Members have considered as a separate item on today's agenda.
- 4.10 Members are requested to approve prudential borrowing of up to £5.1m in 2010/11.

5 Air Support Programme (Appendix B)

- 5.1 As Members are aware the North East Air Support Unit was be dissolved on 31st March 2009. At their meeting on 12th August 2008, Members confirmed the requirement for a stand alone air support unit.
- 5.2 New Aircraft-Eurocopter EC135P2i
Members received an update on the Air Support Unit at their meeting on 3rd February 2009. As previously reported, the planning assumptions at this stage are that a new helicopter will cost approximately £5m to purchase and equip. As the majority of the purchase costs are denominated in Euros and US Dollars this price will be subject to currency fluctuations. A grant application has been approved to secure 40% of the costs. The new aircraft will be delivered in January 2011 and a deposit of £518k was paid in February 2009 when placing the order.
- 5.3 Members are requested to approve the Air Support Programme as set out at Appendix B.

6 Facilities Schemes (Appendix C)

- 6.1 To ensure that our estates assets are effective, economical and sufficient to meet corporate objectives a number of major surveys were undertaken during 2007/08 and 2008/09 and these are refreshed periodically:
- Condition surveys
 - Heath & Safety compliance
 - Disability Discrimination Act compliance

- Carbon Trust compliance
- Suitability assessments

6.2 The majority of the priorities that arose from the surveys are in respect of revenue maintenance rather than capital and have been factored into the revenue maintenance programmes for 2010/11. The funding available in both capital and revenue balances affordability, risk and delivery capacity within the facilities function.

6.3 New Force Headquarters

This scheme was deferred in September 2008. Members then supported, in February 2009, that market testing be undertaken to determine whether the financial climate that deferred the scheme initially had improved. A report will be brought back to Members showing the results of this process. Members will note that there is no provision within the current Capital Plan for any costs associated with a New Force Headquarters and therefore any proposal will be need to be self-financing.

6.4 Members are requested to approve the Facilities Programme for 2010/11 as set out at Appendix C.

7 Information & Communication Technology Schemes (Appendix D)

7.1 Information Systems Improvement Strategy (ISIS) & Project I

In May 2008, an Information Systems Improvement Strategy (ISIS) was agreed at a national level as part of the Green Paper on Policing. ISIS aims to develop police information systems so that information is used in a more effective way which will benefit both operational policing and members of the public by delivering better policing outcomes. The cornerstone of ISIS is the convergence of national ICT architecture to reduce the variety of systems currently in use across forces. A national programme board, chaired by the Chief Constable of Cleveland Police, has been set up to deliver ISIS.

7.2 In Cleveland, Project I was set up to look at how ICT services are delivered to officers and staff and to evaluate how the Force would meet the challenges of delivering ISIS. One of the options that is currently being explored as part of the project is the outsourcing of ICT services. The scope of Project I was then extended to include functions surrounding call handling and has since been extended further to look at all back office functions within Cleveland Police.

7.3 As a result of Project I all ICT schemes have been deferred to avoid committing expenditure that would be unnecessary if a decision is taken to outsource the service. Each scheme will now be reviewed and risk assessed and only taken forward if deemed critical to the continuation of the service, or where it would be outside the scope of Project I, or to meet mandatory requirements.

- 7.4 A provision has been set aside for schemes that may emerge from Project I and the development of ISIS. Business cases will be brought forward for Members consideration as they are approved.
- 7.5 A number of schemes have been identified that are expected to be outside the scope of Project I these are detailed in Appendix D. The request at this stage is that a provision for the total of these schemes is allowed for within the Capital Programme for 2010/11. As the precise details of Project I is determined then bids can be brought forward for ICT schemes that are outside the scope against this provision.
- 7.6 Airwaves Schemes - £210k
Airwaves handsets are Police Officers' primary communication device. They have a three year life span and a rolling replacement programme is in operation.
- 7.7 Cleveland Universal Police Information Device (CUPID) - £750k
The full roll out of CUPID devices is expected to be complete by the end of March 2010; however the development of additional functionality and the transfer of this project to business as usual is expected to run into 2010/11. This budget is as per the original phasing of the spend of £7.3m approved by Members in August 2008.
- 7.8 Members are requested to approve the creation of an ICT Provision for £330k for schemes outside of the scope of Project I, the continued spend on the Airwaves replacement programme, £210k and the budget to complete the initial rollout of CUPID, £750k.

8 Fleet Schemes (Appendix E)

- 8.1 The aim of the annual fleet replacement programme is to provide a fleet of vehicles that provides a flexible and responsive service that is safe and secure and conforms to all legislation. The programmes are drawn up by the Fleet Manager based on a number of specified criteria including mileage, age and knowledge of the vehicles. Members are asked to note that the Fleet Manager moves vehicles between service units to maximise the efficiency and effectiveness throughout their useful lives. The majority of vehicles are purchased through national Framework agreements that provide significant price discounts.
- 8.2 Members are requested to approve the Fleet Programme for 2010/11 as set out at Appendix E.

9 Post Implementation Reviews

- 9.1 Within the Prudential Indicators and Treasury Management Strategy 2010/14 that is also on today's agenda it is noted that the Capital Financing Requirement of the Authority will have increased from £15,847k in 2006/07 to

£26,470k by 2010/11. Two schemes which will have added significantly to this increased spend on Capital have been CUPID and Air Support.

- 9.2 Now that both schemes have been embedded it is appropriate that post implementation reviews are brought forward for Members information via the Policy and Resources Panel during 2010/11.

10 Prudential Code

- 10.1 Members will recall that the CIPFA Prudential Code of Practice is a key element in the system of capital finance that was introduced in April 2004. Under this system individual authorities are responsible for deciding the level of their affordable borrowing having regard to the prudential code. The associated paper 'Prudential Indicators 2010/14' will provide Members with reasonable assurance that the proposed Capital Plan and its financing are within prudential limits.

11 Revenue Consequences of Capital Schemes

- 11.1 The revenue consequences of the capital plan, including financing and operational costs have been provided for in the 2010/11 Budget and Long Term Financial Plan 2011/15 which is on today's agenda as a separate item for Members' consideration.
- 11.2 Minimum Revenue Provision (MRP) is the annual charge to revenue that authorities have to make in respect of their debts and credit liabilities. The current arrangements for calculating the MRP as specified in the 2003 Regulations have now been superseded by the 2007 Regulations. These give a number of options for calculating MRP with the responsibility being placed upon the Authority to approve an Annual MRP Strategy each year. A separate report outlining the options is on today's agenda for Members' consideration.

12 Implications

12.1 Finance

There are no financial implications other than those mentioned above.

12.2 Diversity & Equal Opportunities

Diversity considerations are kept under constant review in line with Force policies and 'Putting People First'. There are no issues arising from this report to bring to Members attention.

12.3 Sustainability

This report is part of the process introduced by the Authority to establish sustainable annual and medium term financial plans and maintain prudent financial management.

12.4 Risk

There are no further risks to bring to Members' attention other than those outlined in the body of the report.

13 Conclusion

13.1 This report sets out recommendations to make optimum use of the capital resource available to the Authority to refresh and develop the asset base for policing in the 21st Century in line with the vision of 'Putting People First'.

Joe McCarthy
Chief Executive

Sean Price
Chief Constable