

**Joint Report of the Chief Executive & Chief Constable to the Chair
and Members of the Police Authority Executive
24th February 2011**

**Executive & Presenting Officer: Michael Porter, Treasurer
Mrs Ann Hall, Assistant Chief Officer
(Finance & Commissioning)**

Status: For Decision

Capital Programme 2011/12 & Capital Plan 2012/15

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".*

- This opening paragraph is taken from the Authority's approved Capital Budget report from 23rd February 2007 – This will be the 5th year that the Authority has adopted such an approach to the development of its Long Term Capital Programme. Against this backdrop 2010/11 has seen £4.5m invested in a new helicopter and Air Support Programme, continued support of the initial CUPID rollout, and £3.17m provided to fund the Steria Service Improvements Plans which are a result of the outsourcing arrangement agreed by the Authority in June 2010.

1.2 The 2011/12 to 2014/15 Capital Programme allocates significant funds in the following areas:

- £5.2m to the ICT projects covered by the Steria Service Improvement Plans for the two years of 2011/12 and 2012/13.
- Against an overall investment of £7.3m, £0.7m will be required in 2012/13 to begin the replacement programme of CUPID devices.

- 1.3 The plan assumes prudential borrowing of £4.182m in 2011/12 and total prudential borrowing of £5.36m over the lifetime of the plan.
- 1.4 The revenue consequences of the Capital Plan, including financing and operational costs, have been provided for in the 2011/12 to 2015/16 Long Term Financial Plan.

2. Recommendations

Members are requested to:

- 2.1 Approve prudential borrowing of up to £4.182m in 2011/12.
- 2.2 Approve the Air Support Programme as set out at Appendix B.
- 2.3 Approve the Facilities Programme as set out at Appendix C.
- 2.4 Approve the ICT Programme as set out at Appendix D.
- 2.5 Approve the Fleet Programme as set out at Appendix E.
- 2.6 Note that this Programme does not include any costs or capital receipts associated with the potential relocation of Cleveland Police Headquarters.

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 2011/12
 - Prudential Indicators & Treasury Management Strategy 2011/15
 - 2011/12 Budget and LTFP 2011/16
 - 2011/12 Capital Programme & Outline Capital Plan 2011/14
 - Setting the 2011/12 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 2011 to March 2015 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.
- 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 also allowing the Authority to fund its commitment to the Service Improvement Plans (SIPs) agreed as part of the outsourcing arrangement.
- 4.3 The proposed Capital Plan is set out at Appendix A.
- 4.4 Funding
Across the three years 2011/12 to 2013/14, the plan had previously assumed total funding of £10.1m consisting of £2.7m Prudential borrowing, £2.6m Supported Capital Expenditure (SCE) borrowing and £4.8m of central government grants.
- 4.5 In December 2010, the Government announced capital grant cuts as part of its Comprehensive Spending Review which has required revisiting future plans.
- 4.6 Whilst it has been possible to absorb future grant funding reductions, this wasn't possible in 2011/12 with a grant of just £1.0m and a commitment to the Steria Service Improvement Plans of over £2m. Therefore, borrowing has been increased in line with the central Government funding reduction for 2011/12.
- 4.7 The plan now assumes prudential borrowing of £4.182m in 2011/12 and total prudential borrowing of £5.36m over the lifetime of the plan.

- 4.8 Required borrowing, associated interest and Minimum Revenue Provision payments, including SCE, are set out in the table below.

Borrowing, Interest & MRP				
	2011/12	2012/13	2013/14	2014/15
	£000s	£000s	£000s	£000s
Total Capital Expenditure	6,054	3,450	1,670	1,970
Gross Borrowing	5,054	2,050	370	670
% Funded by Borrowing	83.5%	59.4%	22.2%	34.0%
Interest Payable	760	1,046	1,041	986
Minimum Revenue Provision	1,063	1,177	1,197	1,199

- 4.9 Provision has been made for all borrowing and MRP charges in the Long Term Financial Plan.
- 4.10 The cumulative levels of borrowing are assessed in detail in the Prudential Indicators Report that Members have considered as a separate item on today's agenda.
- 4.11 Members are requested to approve prudential borrowing of up to £4.182m in 2011/12.

5. Air Support Programme (Appendix B)

5.1 New Aircraft-Eurocopter EC135P2i

This new aircraft was delivered and paid for in January 2011 with the capital receipt from the old helicopter due in February 2011. The 2011/12 capital programme allows for any potential retention costs.

- 5.2 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 which are refreshed periodically:

- Condition surveys
- Health & 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 2011/12. 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 due to the economic climate. However, in November 2010, there were sufficient signs that the economic climate had improved enough to consider moving forward with this project, and work is ongoing around surveys and planning permission with a future report going to Members around viability once that work is completed.
- 6.4 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.
- 6.5 Members are requested to approve the Facilities Programme for 2011/12 as set out at Appendix C.

7. Information & Communication Technology Schemes (Appendix D)

- 7.1 Project I
In June 2010, Members approved the outsourcing of several functions to Steria. As part of this, Service Improvement Plans were approved, many of which related to capital expenditure.
- 7.2 £3.17m of these plans have featured in the 2010/11 capital reports as seen by Members on a bi-monthly basis; a further £4.1m is provided for in 2011/12 and £1.1m in 12/13, by which time all capital expenditure required to deliver the contractually agreed service will have taken place.
- 7.3 A number of schemes have been identified that are expected to be outside the scope of Project I these are detailed in Appendix D.
- 7.4 Airwaves Schemes - £250k
Airwaves handsets are the front line primary communication device. They have a three year life span and a rolling replacement programme is in operation.
- 7.5 Automatic Numberplate Recognition (ANPR) - £300k
The equipment used to capture ANPR data is coming to the end of its useful life and needs to be replaced over the course of the next two years; the server also requires an upgrade in order to support the replaced equipment.
- 7.6 Members are requested to approve the ICT schemes of £988k for schemes outside of the scope of Project I Service Improvement Plans.

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 in consultation with Service Unit Managers 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 2011/12 as set out at Appendix E.

9. Prudential Code

- 9.1 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 'Treasury Management & Prudential Indicators 2011/15' will provide Members with reasonable assurance that the proposed Capital Plan and its financing are within prudential limits.

10. Revenue Consequences of Capital Schemes

- 10.1 The revenue consequences of the capital plan, including financing and operational costs have been provided for in the 2011/12 Budget and Long Term Financial Plan 2011/16 which is on today's agenda as a separate item for Members' consideration.
- 10.2 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.

11. Implications

- 11.1 Finance
There are no financial implications other than those mentioned above.

11.2 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.

11.3 Human Rights Act

There are no Human Rights Act implications arising from this report.

11.4 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.

11.5 Risk

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

12. Conclusion

- 12.1 This report sets out recommendations to make optimum use of the capital resource available to the Authority, despite the significant cuts in Government funding, to refresh and develop the asset base for policing in the 21st Century in line with the vision of 'Putting People First'.

Julie Leng
Acting Chief Executive

Sean Price
Chief Constable