

**To:** Cambridgeshire Police Authority

**From:** Treasurer and Chief Constable

**Date:** 11<sup>th</sup> February 2010

## **CAPITAL PROGRAMME 2010/11 to 2012/13.**

### **1. Introduction**

1.1 This report sets out, for approval, the Capital Programme for 2010/11 and the forecasts for 2011/12 and 2012/13.

1.2 Subject to one caveat (see 6.4 below) the Revenue Budget 2010/11 and Forecasts for 2011/12 and 2012/13 (Appendix 1, Agenda Item 7) include the estimated capital financing costs of the full (3 year) draft Capital Programme. These costs contribute to the revenue budget gaps identified in 2011/12 and 2012/13.

1.3 The Finance and Resources Committee considered the Capital Strategy and Asset Management Plan in October 2009 and has discussed the programme at two further meetings. The Committee remains concerned about the sustainability of the capital programme in the medium and long term given the low level of financial support from government and particularly the need to address the problems with Parkside Police Station.

1.4 The Committee was prepared to recommend to the Authority:-

- immediate approval of 10 new (year 1 start) schemes (see Table A, Appendix 1)
- immediate approval of year 2 (2010/11) costs of 4 IS/IT schemes already approved and continuing (Table A).
- immediate approval of 2 new (year 1 start) schemes, subject to further report to the Committee (see Table B, Appendix 1)
- continuation of the preliminary stages of the Parkside scheme but final go ahead subject to the submission of a full business case and identification of how the ongoing capital costs will be financed (Tables A and C).

### **2. Process for Scheme submission**

2.1 All capital projects are presented to the Force Change Management Board after independent appraisal by a Project Officer in the Strategic Development Directorate before being considered and prioritised at Force Executive Board. The Programme (or changes thereto) is then presented to Finance and Resources Committee who will then recommend approval (or otherwise) to the Authority. All schemes in the programme are defined as Priority 1.

### **3. Capital Programme Financing**

3.1 The Capital Programme can be financed by any/all of the following:-

- Revenue budget
- Capital Grant(s)
- Capital Receipts (proceeds from the sale of assets)
- Reserves
- Borrowing

3.2 Subject to decisions on the revenue budget at Item 7 on the agenda, the Authority will have a small revenue budget provision for capital spending. The Authority has no available capital receipts at this time. It has a capital reserve earmarked for Parkside expenditure. Government has recently announced that Capital Grant for 2010/11 will be the same as in the current year £1.583m and this is welcome news as a significant reduction was expected. Revenue formula grant also includes an amount equivalent to the capital financing charges for £834k of capital expenditure. Central Government therefore funds a small proportion of the Capital Programme and most spending is financed locally by borrowing. In an ideal world the Authority would reduce its need to borrow and create additional capacity to finance the capital programme from revenue.

### **4. Revenue Impact**

4.1 Capital spending incurs revenue costs as follows:-

- Capital financing charges (loan interest and principal repayment (Minimum Revenue Provision))
- Additional running costs (e.g. cleaning, energy, business rates etc.)
- Interest loss (e.g. if reserves are used)

4.2 The Authority is asked to note that Minimum Revenue Provision (MRP) is a charge to revenue (for repayment of debt) required by statute. It is calculated by reference to the cost and expected life of assets financed by way of borrowing at the start of the financial year after the asset is brought into commission. The effect on the revenue account is higher MRP costs for IS/IT schemes (which form a high proportion of the programme) and have relatively short expected lives.

4.3 Revenue costs are coming into sharp relief with the inclusion of the Parkside Scheme in the Programme.

4.4 The Revenue Budget Report at Agenda Item 7 includes the Prudential Indicators. Indicators 1, 2, 3 and 7 highlight the growing impact of capital decisions on the revenue budget.

4.5 The capital financing costs included in the proposed revenue budget and in the forecasts (excluding any amounts to be determined at Agenda Item 7) are set out in Table 1 below:

**Table 1 – Capital Financing Costs include in 2010/11 budget and forecasts**

	2009/10	2010/11	2011/12	2012/13	2013/14
	£'000	£'000	£'000	£'000	£'000
Principal repayment (MRP)	826	2,164	2,539	2,946	3,378
Interest - Existing Loans (annuity)	555	539	523	507	490
Interest - New Loans (maturity)	77	224	772	1,621	2,177
<b>Total</b>	<b>1,458</b>	<b>2,927</b>	<b>3,834</b>	<b>5,074</b>	<b>6,045</b>

- 4.6 In accordance with accounting rules, Cambridgeshire Police Authority does not associate borrowing with particular schemes or types of expenditure. However, the indicative costs of borrowing to finance a replacement Parkside based on a number of assumptions about the timing of loans raised, together with assumed MRP charges, are set out in Table 2 below:

**Table 2 – Indicative cost of financing the Parkside Scheme by borrowing**

	2010/11	2011/12	2012/13	2013/14	2014/15	Ongoing
	£'000	£'000	£'000	£'000	£'000	£'000
Replacement Parkside - indicative borrowing costs <sup>1</sup> (interest)	65	329	726	1,075	1,225	1,225
MRP charges <sup>2</sup> (principal)	-	-	392	392	392	392
<b>Total indicative financing costs</b>	<b>65</b>	<b>329</b>	<b>1,118</b>	<b>1,467</b>	<b>1,617</b>	<b>1,617</b>

<sup>1</sup>assumed 50 year loan  
<sup>2</sup>assumed 60 year asset life

- 4.7 Even without the costs of the Parkside scheme, the revenue impact of the capital programme is increasing year on year (see Appendix 1 of Revenue Budget report Agenda Item 7). From Table 2 above it can be seen that around £1.6m (current estimate) will be required in a full year to finance the capital costs of the scheme. These projected costs form a significant part of the revenue budget forecast gap in 2011/13 and increase until 2014/15.
- 4.8 The Authority has already given approval to a £0.9m scheme to finance the consultancy, architect and specialist work required to deliver a proposed solution and then oversee its completion. If, for any reason, the scheme was abandoned or significantly changed, some/all of the costs charged to this scheme would be written off.
- 4.9 This £0.9m scheme is included in Table A (Appendix 1), as it is already approved and committed. The substantive scheme is shown at Table C pending receipt of a full business case and information on how it will be funded.
- 4.10 As previously agreed by the Authority any underspending on the capital financing revenue budget (e.g. as a result of borrowing being taken later than estimated) will be transferred at the year end to the Major Capital Projects Reserve (currently earmarked for Parkside).

## **5. Schemes of note**

- 5.1 Appendix 2 includes two potentially substantial schemes which have been referred back the Constabulary at this stage.
- 5.2 The Authority has been alerted to the need for some remodelling of Thorpe Wood custody and the initial cost estimates are very high.
- 5.3 Finance and Resources Committee has received a report (20<sup>th</sup> Jan 2010) on Project Athena. This is a joint project between Cambs, Essex, Suffolk, Norfolk, Beds, Herts, Kent and the City of London to procure a common single IT solution for managing crime, handling intelligence, case file preparation and managing custody records.
- 5.4 The project is supported by NPIA and is a ground breaking collaborative exercise. The investment required is likely to be significant but will lead to cost savings in the medium term.
- 5.5 When costs are clearer a further report will be required including how the scheme can be financed.

## **6. Summary**

- 6.1 Table A, Appendix 1 includes 14 schemes with a capital budget requirement in 2010/11. 4 of these are continuing schemes approved in earlier years.
- 6.2 Table B includes 2 IS/IT schemes for which approval is sought now but which have a significant total cost over 2 to 3 years. Final go ahead for these Schemes could then be agreed by Finance and Resources Committee assuming that final estimates are within the approved scheme total.
- 6.3 Table C shows the Parkside scheme estimated costs (excluding the £0.9m already approved). See paragraphs 4.5 to 4.8.
- 6.4 Assuming the Authority's agrees the recommendations below, the financing of the approved schemes is set out in Table D.
- 6.4 Appendix 2 includes the schemes detailed in section 5 above where more work is required. [Note: The revenue costs of financing the Thorpe Wood custody remodelling scheme are NOT included in the revenue budget forecasts].

## **7. Recommendations**

- 7.1 The Authority is recommend to approve:-
  - a) the schemes and 2010/11 capital payments as set out in Table A, Appendix 1,

- b) the schemes and 2010/11 capital payments as set out in Table B, Appendix 1, subject to further report back to the Finance and Resources Committee,
- c) continuation of the preliminary work on the Parkside scheme (£0.9m already approved).
- d) the financing of the approved schemes as set out in Table D, Appendix 1.

7.2 The Authority is also asked to confirm the requirement for a full business case on the Parkside options to be submitted, together with proposals for financing the scheme, at the appropriate time in accordance with the project programme.

## BIBLIOGRAPHY

Source Document (s)	Contact Officer	Location
Finance and Resources Committee Agendas 20 <sup>th</sup> Oct 2009, 14 <sup>th</sup> December 2009, 20 <sup>th</sup> January 2010.	John Hummersone Treasurer <a href="mailto:john@hummersoneconsulting.co.uk">john@hummersoneconsulting.co.uk</a> (01638) 667090  Niki Howard - Director of Finance and Resources <a href="mailto:Niki.howard@cambs.pnn.police.uk">Niki.howard@cambs.pnn.police.uk</a> (01480) 422705 07736342334	Cambridgeshire Constabulary, Hinchingsbrooke Park, Huntingdon, Cambs, PE29 6NP.
<p>Originating Officer: John Hummersone, Treasurer.</p> <p>Is it considered that this report contains 'exempt information' and should be considered in private? <span style="float: right;">No</span></p> <p>If the answer is "YES", please state the nature of the exempt information <b><u>and the relevant clause(s)</u></b> in Part 1 of Revised Schedule 12A to the Local Government Act 1972</p> <p>.....</p> <p>The attached report has been cleared with the undermentioned officers: (delete as appropriate)</p> <p>Chief Constable/Chief Executive</p> <p>Others .....</p> <p>Submitted on .....29<sup>th</sup> January 2010 .....</p> <p>A report will not be sent to the Authority unless this box has been satisfactorily completed and all necessary consultation carried out - the responsibility for which rests with the originator (except for consultation with the Chairman and this will be undertaken by the Chief Executive).</p>		

## Capital Programme 2010/11 and Forecasts 2011/13

Table A - Schemes recommended for Approval (February 2010)

Capital Programme No.	Description of Bid	Previous Year's Commitments 2009/10	Proposed Programme 2010/11 £	Forecast Programme 2011/12 £	Forecast Programme 2012/13 £
<b>Land and Buildings</b>					
CP10/01	Parkside Replacement - acquire, develop and build a replacement BCU including cell block to replace Parkside police station	900,000	see Table C below		
CP10/02	Major Repairs Planned - repairs to the estate including roofs, windows, and structural repairs. Boiler replacement programme	1,300,000	900,000	900,000	900,000
	Custody Remodelling - continued remodelling to ensure that cells (St Neots, Ely, Bridge Street, etc) comply with Home Office guidance	75,000		150,000	250,000
	Relocate Vehicle Workshop from Bridge St - relocation is likely to be at Copse Court if Bridge Street is sold				800,000
	Relocate City Police Team from Bridge St - relocation to new Peterborough City premise if Bridge Street is sold				300,000
	Northstowe S106 Funding Gap - unknown funding gap for a new police station at Northstowe				500,000
	<b>Total Land &amp; Buildings</b>	<b>2,275,000</b>	<b>900,000</b>	<b>1,050,000</b>	<b>2,750,000</b>
<b>IS/IT Communications</b>					
CP08/14 Continuation	Network Core Upgrade - upgrade of the ICT infrastructure for the whole network to comply with NPIA guidance and provide more efficient management of the data across the network	280,000	280,000		
CP09/02 Continuation	Edge Switching for Remote Service - to upgrade the access for staff working in remote locations, will provide benefits in service delivery and greater connectivity to key resources	65,000	65,000	30,000	
CP09/04 Continuation	Identity Access Management - to provide a new secure log-in to all Constabulary computers which complies with NPIA guidance up to confidential level	230,000	230,000		
CP09/05 Continuation	Microsoft Migration - continuation of the move away from a Novel platform to the Microsoft platform of operation for all Constabulary computers	1,500,000	690,000	690,000	
CP10/04	Desktop Hardware Replacement - rolling replacement of computer hardware across the Constabulary, less is required in the next couple of years due to Microsoft replacement	268,000	50,000	50,000	210,000
CP10/05	Lotus Notes Database Migration - as part of the move to the Microsoft platform all of the current databases held on the old Lotus Notes software will need to be migrated		100,000		
CP10/08	Government Protective Marking Scheme Connection - at present we are only able to mark emails with the GPMS, this will enable the marking of all documents at source		70,000		
CP10/10	Force control room system that requires upgrade to next version of the software (KMF Replacement)		100,000		
CP10/11	ICT capacity planning tool which will inform the rolling replacement of hardware and servers - benefits are that this will save money in subsequent years on replacement of equipment		50,000		
	Airwave Communications - upgrade to the police airwaves communication systems				200,000
	<b>Total IS/IT Communications</b>	<b>2,343,000</b>	<b>1,635,000</b>	<b>770,000</b>	<b>410,000</b>
<b>Support Services</b>					
CP10/12	Financial Accounting System - to upgrade to virtual invoicing whereby invoices are scanned into the system and sent for signature electronically		100,000		
	<b>Total Support Services</b>	<b>0</b>	<b>100,000</b>	<b>0</b>	<b>0</b>
<b>Vehicles</b>					
CP10/13	New vehicle Equipment	300,000	300,000	300,000	300,000
CP10/14	Vehicle Replacement Programme	1,100,000	1,100,000	1,100,000	1,100,000
	<b>Total Vehicles</b>	<b>1,400,000</b>	<b>1,400,000</b>	<b>1,400,000</b>	<b>1,400,000</b>
<b>Contingency</b>					
CP10/15	The contingency may be used for projects that come along during the year. All additional projects and virements <b>must</b> be approved by Finance & Resources before commencement.	193,000	200,000	200,000	200,000
	<b>Total Contingency</b>	<b>193,000</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>
	<b>Total - Table A</b>	<b>6,211,000</b>	<b>4,235,000</b>	<b>3,420,000</b>	<b>4,760,000</b>

**Table B - Schemes recommended for Approval but subject to further report to Finance and Resources Committee**

Capital Programme No.	Description of Bid	Previous Year's Commitments 2009/10	Proposed Programme 2010/11 £	Forecast Programme 2011/12 £	Forecast Programme 2012/13 £
CP10/06	Blackberry PDA refresh - updating of the handheld devices used by staff including front-line officers, the decision on the choice of device has yet to be taken and consideration will need to be given to NPIA best practice and compatibility with other Forces in the region. Costs are best estimate at this stage.		60,000	1,000,000	
CP10/09	A fully deployed VoIP system can drastically reduce call charges. The technology does not rely on legacy technology but utilises the existing network architecture already deployed throughout The Force. Example - presently individual at FHQ contacts someone at Thorpewood call would be charged for. With VoIP this call would be directed via out existing data network and, as this is solely owned by The Force, no charge would be incurred. This technology also delivers huge business efficiencies as it integrates with audio, video and data applications		500,000	500,000	300,000
<b>Total - Table B</b>			<b>560,000</b>	<b>1,500,000</b>	<b>300,000</b>

**Table C - Scheme subject to full business case report to Finance and Resources Committee and Full Authority**

Capital Programme No.	Description of Bid	Previous Year's Commitments 2009/10	Proposed Programme 2010/11 £	Forecast Programme 2011/12 £	Forecast Programme 2012/13 £
CP10/01	Parkside Replacement - acquire, develop and build a replacement BCU including cell block to replace Parkside police station	see Table A above	14,800,000	13,200,000	500,000

**Table D – Capital Financing for Schemes recommend for approval at this meeting**

Tables A & B	Capital Financing (Schemes recommended for Approval):-	2009/10	2010/11	2011/12	2012/13
	Capital Grants	1,583,000	1,583,000	1,583,000	1,583,000
	Capital Receipts / Reserves				
	Revenue Contributions		484,000	331,000	331,000
	Borrowing	4,628,000	2,728,000	3,006,000	3,146,000
	<b>Total</b>	<b>6,211,000</b>	<b>4,795,000</b>	<b>4,920,000</b>	<b>5,060,000</b>

## Schemes referred back to the Constabulary for further work

Capital Programme No.	Description of Bid	Previous Year's Commitments 2009/10	Proposed Programme 2010/11 £	Forecast Programme 2011/12 £	Forecast Programme 2012/13 £
	Thorpewood Custody remodelling - rework of the Northern BCU cell block to comply with Home Office Guidance			3,000,000	3,000,000
	Athena - 8 Force collaboration project to replace Crime, Intelligence and Case and Custody systems with one integrated system - this project is sponsored by the NPIA who are providing resources to progress.		?	?	?