Nottinghamshire
POLICE & CRIME COMMISSIONER

4 Year Capital Programme 2016-2020

January 2016

1. Introduction

The Commissioner is supportive of capital expenditure which improves the efficiency and effectiveness of the service provided to the public of Nottinghamshire.

The majority of capital expenditure relates to the buildings and IT systems.

There is however, recognition that better purchasing power and consistency of capital purchases can be achieved through regional collaboration. Over the past few years this is one area that has developed. This has been supported by the Home Office with capital and revenue funding being made available through the Innovation Fund.

Strategic Alliance

In December 2015 the Commissioner's and Chief Constables of 3 regional forces agreed to create a Strategic Alliance. An initial business case outlined the potential operations and financial benefits that would arise from Alliance.

A final business case will detail the costs and benefits, with greater clarity on how each Commissioner will meet its required level of investment. Initial consideration of this is that Nottinghamshire would potentially prefer to make the majority of its contribution (42%) of the total investment from capital, but this will also depend on what preferences Leicestershire and Northamptonshire have.

The Capital Programme provided for 2016-17, whilst more detailed than the following years, is subject to change once the final business case is known and priority is given to the Strategic Alliance.

The costs of the Strategic Alliance have not been included in the programme attached.

2. Capital Programme 2016-17

This programme is built upon the current priorities within the Force. Ensuring premises and equipment are fit for purpose, appropriately maintained and replaced at the end of their useful life.

It is currently estimated that there will be approximately £4million slippage from 2015-16 capital programme into 2016-17. The total programme in April will need to be prioritised against the need to finance the Strategic Alliance.

The proposed programme for 2016-17 is provided in Appendix A.

3. 4 Year Capital Programme

It is normal practice to provide an indication of the capital programme for 2016-18 to 2019-20. With the understanding that this part of the programme will be subject to change following a detailed business case and affordability assessment.

Because the final Business Case for the Strategic Alliance will be the priority, departmental heads have only been asked to identify what they considers to be a priority in 2017-18. The assumption is that 100% of the capital programme in 2018-19 and 2019-20 will be prioritised to the Alliance Programme.

However, in the supporting Treasury Management Strategy it has been assumed that £4m per annum will be needed for capital purposes and that this will probably be for IT or short-life assets.

A proposed programme for the 4 years is provided in Appendix A.

4. Financing

Capital expenditure is financed from capital grant, capital receipts, internal and external borrowing.

Capital grant has been reduced by 40% between 2015-16 and 2016-17 and it is estimated that this will be phased out completely over the next few years.

Capital receipts fluctuate depending on which property is for sale and how desirable the building is. Capital receipts are utilised to reduce MRP changes to the revenue account, therefore are offset against shortfall assets in the year after receipt.

Borrowing makes up the majority of capital financing. Some of this borrowing is “internal” from balances (eg reserves and provisions), but this is reducing as a greater demand is made to use reserves to meet revenue expenditure requirements.

External borrowing is taken at the best time to take advantage of low interest rates and based upon advice of our Treasury Management advisors. It is currently anticipated that rates will increase in the Winter of 2016. This is included in the Treasury Management Strategy, which is provided as a separate report on today's agenda.

5. Revenue Implications

Capital Expenditure does have revenue implications; generally these have the greatest impact in the year after the capital expenditure has been incurred. These costs reflect a depreciation cost and a cost of borrowing. Currently, the cost of borrowing is interest only, but at some point in the future the capital sum will need to be repaid. Depreciation is allocated over the life of the asset.

The Revenue budget for 2016-17 includes the estimated Minimum Revenue Pensions (MRP) based on expenditure prior to 1st April 2016, including an estimated cost of borrowing for existing borrowing and new borrowing planned in 2016-17.

The MTFP makes adjustments for significant changes in MRP and interest costs.