

**POLICE AND CRIME COMMISSIONER (PCC) FOR LINCOLNSHIRE
REQUEST FOR DECISION**

REF: 13/2016

DATE: 8 July 2016

SUBJECT		LED LIGHTING SCHEME
REPORT BY	Christopher Allenby (Senior M&E Surveyor)	
CONTACT OFFICER	Christopher Allenby, Facilities Tel: 01522 558107	
EXECUTIVE SUMMARY AND PURPOSE OF REPORT		
To approve an amendment to the Capital Programme for the creation of a force wide installation of LED lighting project.		
RECOMMENDATION	<i>That the PCC approves the amendment to the capital programme of £348,750 in respect of a Force wide LED Lighting scheme funded from long term borrowing of the equivalent amount.</i>	

POLICE AND CRIME COMMISSIONER FOR LINCOLNSHIRE

I hereby approve the recommendation above, having considered the content of this report.

Signature:  Date: 8/7/16

A. NON-CONFIDENTIAL FACTS AND ADVICE TO THE PCC

A1. INTRODUCTION AND BACKGROUND

1. Following consideration and approvals by the Transactional Management Board on the 18/12/15, Chief Officer Group 16/02/16 and the Steering Group (OPCC) 19/04/16, approval is sought to proceed with the procurement of the Force wide installation of LED lighting utilising in part the Government backed SALIX Finance funding model.
2. In brief this project will allow for the replacement of old lighting systems with energy efficient LED lighting systems at twenty four Police Stations around the Force leading to a significant annual revenue saving. To allow the procurement of this project to progress, formal approval of an amendment to the Capital Programme is now required. It is proposed to fund the scheme utilising long term borrowing in conjunction with short term financial support from SALIX Finance.
3. The Salix Finance scheme is a national government backed scheme which provides interest free support to energy efficiency projects. It is proposed that if available this

funding is used to support the cash flow required for the scheme in the early years. In order to finance the project long term it is proposed that the scheme is financed by PWLB loan over a 20 year loan period, which is the anticipated life of the equipment.

4. The loan from SALIX Finance is to be paid back be paid in eight instalments over a period of four financial years commencing in either April or October after practical completion of the project whichever is soonest.
5. It should be noted that in the event that SALIX funding is not available the scheme will still progress in order to achieve the revenue savings. The Business Case identified an annual saving of £93.4k which after allowing for financing costs of £29.7k per annum would result in a forecast long term saving of £63.7k per annum.

A2. LINKS TO POLICE AND CRIME PLAN AND PCC'S STRATEGIES/PRIORITIES

The LED lighting replacement project supports the Police and Crime Plan Key Objectives as can be seen in the summary in the extract from Section 4 of the Estate Strategy 2016-2019

The following table illustrates the way in which three of the five Estate Strategy key objectives support Police & Crime Plan Key Objectives.

Table 1

Estate Strategy Key Objectives	Supporting The Police and Crime Plan Key Objectives
1 To provide a fit for purpose, safe, sustainable, flexible estate that supports operational policing needs	Reducing crime
2 Develop co-location and sharing of facilities with key partner organisations, including other Blue Light services, where suitable opportunities arise; ensuring police resources are located where they are needed, within our communities.	Police and services that are there when you need them
3 Delivery of approved rationalisation of the estate, resulting in a reduction of cost and generating income.	A fair deal for the people of Lincolnshire
4 Minimising the running cost of the estate.	A fair deal for the people of Lincolnshire
5 Reduced carbon emissions aligned to the agreed programme of investment and targets. This in turn reduces running cost. (The government target of 13% reduction [for the workplace] by 2020, based on 2008 levels, is aspirational and progress against this target will be subject to investment via the approved Carbon Reduction Plan and backlog maintenance activities).	A fair deal for the people of Lincolnshire.

B. FINANCIAL CONSIDERATIONS

Extract from Section 8 of the Force wide installation of LED lighting Business Case dated 15/13/15:

Chief Finance Officers Comment

The project will require formal approval as an amendment to the Capital Programme; the case will therefore be determined by the capital charges for the project compared to the revenue savings that will be generated.

It is understood that the equipment has a life of 20 years

The capital charges for this project will consist of:

- the Minimum Revenue Provision, i.e. the charge to the revenue account for the use of capital which will be in accordance with the PCC policy of a straight line charge based on the life of the asset. In this case £17.5k per annum
- The Interest cost of using the capital in this case the charge is influenced by the availability of funding from the Government via Salix it is understood that these funds can be drawn down on a staged basis based on the Certificates of completion issued by the Installer. Interest charges in this case are based on 3.5% as an indicative value for current 20 year financing via the PWLB.
- Assuming that the work is completed within the first year and the first repayment commences in that year, the following table shows the likely cash flow over the life of the Project assets:

Table 2

Year	Expenditure £'000	Salix Finance £'000	Net Cash flow to be financed £'000	Interest charge at 3.5% pa £'000	MRP £'000	Total Annual Capital Charge
0	349.04	-305.13	43.91	0.77		0.77
1		87.18	131.09	4.59	17.45	22.04
2		87.18	218.27	7.64	17.45	25.09
3		87.18	305.45	10.69	17.45	28.14
4		43.59	349.04	12.22	17.45	29.67
5			349.04	12.22	17.45	29.67
6			349.04	12.22	17.45	29.67
7			349.04	12.22	17.45	29.67
8			349.04	12.22	17.45	29.67
9			349.04	12.22	17.45	29.67
10			349.04	12.22	17.45	29.67
11			349.04	12.22	17.45	29.67
12			349.04	12.22	17.45	29.67
13			349.04	12.22	17.45	29.67
14			349.04	12.22	17.45	29.67
15			349.04	12.22	17.45	29.67
16			349.04	12.22	17.45	29.67
17			349.04	12.22	17.45	29.67
18			349.04	12.22	17.45	29.67
19			349.04	12.22	17.45	29.67
20			349.04	12.22	17.45	29.67

It can be seen that after the effect of the short term cash flow is removed the project will demonstrate a capital cost of £29.7k per annum compared to revenue saving of £93.4k a long term saving of £63.7k per annum.

It is proposed that this approach to financing the scheme is taken in order to generate both short term and long term savings. Dealing with the financing in this way also means that should the Salix financing not be available the scheme should still progress as whilst early savings would be lower an annual return would still be generated.

C. LEGAL AND HUMAN RIGHTS CONSIDERATIONS

[This should include the legal powers the PCC has for making the decision]

The PCC is responsible for setting the budget for Policing, including the capital budget for estates projects.

D. PERSONNEL AND EQUALITIES ISSUES

None

E. REVIEW ARRANGEMENTS

The estates capital budget is reviewed on a regular basis by the Resource Governance Board and Asset management Group.

F. RISK MANAGEMENT

Comprehensive risk management strategy will be in place during this project and will include full compliance with the Construction Design Management 2015 regulations.

G. PUBLIC ACCESS TO INFORMATION

Information in this form along with any supporting material is subject to the Freedom of Information Act 2000 and other legislation. Part 1 of this form will be made available on the PCC's website within one working day of approval. However, if release by that date would compromise the implementation of the decision being approved, publication may be deferred. An explanation for any deferment must be provided below, together with a date for publication.

Is the publication of this form to be deferred? No

If Yes, for what reason:






Until what date:

Any facts/advice/recommendations that should not be made automatically available on request should not be included in Part 1 but instead on the separate part 2 form.

Is there a part 2 form? No

If Yes, for what reason:

ORIGINATING OFFICER DECLARATION

	Initial to confirm
Originating Officer: Christopher Allenby recommends this proposal for the reasons outlined above.	
Financial advice: The PCC's Chief Finance Officer has been consulted on this proposal.	
The CC's Chief Finance Officer has been consulted on this proposal.	
Monitoring Officer: The PCC's Monitoring Officer has been consulted on this proposal	
Chief Constable: The Chief Constable has been consulted on this proposal	cc x  x

OFFICER APPROVAL

Chief Executive

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. Consultation outlined above has also taken place. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner for Lincolnshire.

Signature: 

Date: 7/7/16

