

# CAPITAL STRATEGY 2026/27

## Introduction

This capital strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of policing services along with an overview of how associated risk is managed and the implications for future financial sustainability.

Decisions made this year on capital and treasury management will have financial consequences for the Policing Body for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

## Capital Expenditure and Financing

Capital expenditure is where the Police and Crime Commissioner (PCC) spends money on assets, such as property, IT or vehicles that will be used for more than one year.

In 2026/27, the Force is proposing capital expenditure of £9.7m as summarised below:

*Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions*

	<b>2024/25 actual</b>	<b>2025/26 forecast</b>	<b>2026/27 budget</b>	<b>2027/28 budget</b>	<b>2028/29 budget</b>
Estates	1.3	1.2	4.0	0.3	0.1
IT	1.6	2.4	3.4	3.6	0.9
Fleet	1.6	1.0	1.0	1.3	1.3
Operational Equipment	0.1	0.2	1.0	-	-
Corporate Projects	1.5	0.3	0.3	0.6	0.6
<b>TOTAL</b>	<b>6.1</b>	<b>5.1</b>	<b>9.7</b>	<b>5.8</b>	<b>2.9</b>

The capital projects included in the expenditure above are detailed later in this report on page 6.

**Governance:** The Estates, IT and Transport Departmental Heads in conjunction with the business, bid annually during October for projects to be included in the Force's capital programme. Bids are collated by Corporate Finance who calculate the financing cost (which can be nil if the project is fully funded from other resources). The proposed capital programme has been reviewed by Chief Officers and the PCC's office. The final capital programme is then presented to the **Strategic Financial Oversight Board** in **December** for approval.

All capital expenditure must be financed, either from external sources (government grants and other contributions), the PCC's own resources (revenue, reserves and capital receipts)

or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

*Table 2: Capital financing in £ millions*

	<b>2024/25 actual</b>	<b>2025/26 forecast</b>	<b>2026/27 budget</b>	<b>2027/28 budget</b>	<b>2028/29 budget</b>
External sources	0.7	0.9	0.7	-	-
Revenue resources	4.3	1.8	0.1	0.1	0.1
Debt	1.1	2.4	8.9	5.7	2.8
<b>TOTAL</b>	<b>6.1</b>	<b>5.1</b>	<b>9.7</b>	<b>5.8</b>	<b>2.9</b>

Where the commissioner finances capital expenditure through borrowing (debt) resources must be set aside to repay that debt from the revenue account. The amount charged to revenue account for the repayment of borrowing is known as the Minimum Revenue Provision (MRP). Planned MRP is as follows:

*Table 3: Replacement of debt finance in £ millions*

	<b>2024/25 actual</b>	<b>2025/26 forecast</b>	<b>2026/27 budget</b>	<b>2027/28 budget</b>	<b>2028/29 budget</b>
Minimum Revenue Provision (MRP)	5.0	4.9	4.4	5.0	5.8

The Statutory Guidance issued by the DCLG sets out the 4 options for calculating the MRP. The recommended MRP policy is:

- For capital expenditure incurred before the 1<sup>st</sup> April 2008 (which was supported capital expenditure) the policy will be based on 4% of the Capital Financing requirement.
- From the 1<sup>st</sup> April 2008 for all unsupported borrowing the MRP policy will be the Asset Life Method (Equal instalment approach) – the MRP will be based on the estimated life of the assets.

The Commissioner's policy is to finance shorter life assets from capital receipts, grants and revenue contributions. However, these funds are now limited and borrowing is being utilised to fund Land and Buildings with an expected life of 25 years, IT projects with an expected life of between 3 – 10 years and the purchase of vehicles.

The PCC's cumulative outstanding 'debt finance' is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP repayments and capital receipts used to replace debt. The CFR is expected to increase by £4.2m during 2026/27. Based on the figures above for expenditure and financing, the PCC's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	31.3.2025 actual	31.3.2026 forecast	31.3.2027 budget	31.3.2028 budget	31.3.2029 budget
<b>TOTAL CFR</b>	<b>35.2</b>	<b>32.4</b>	<b>36.6</b>	<b>37.2</b>	<b>34.0</b>

**Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. No capital receipts are expected to be received during 2026/27.

### **Treasury Management**

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the PCC's / Force's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The PCC is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

Due to decisions taken in the past, the PCC currently has £13.39m borrowing at an average interest rate of 4.41% and £21.8m treasury investments at an average rate of 3.9% (as at 31<sup>st</sup> December 2025)

**Borrowing strategy:** The PCC's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the PCC therefore seeks to strike a balance between cheap short-term loans and long-term fixed rate loans where the future cost is known but higher.

The PCC does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loan Board.

Projected levels of the PCC's total outstanding debt (which comprises borrowing, PFI liabilities and leases) are shown below, compared with the capital financing requirement (see above).

Table 5: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	31.3.2025 actual	31.3.2026 forecast	31.3.2027 budget	31.3.2028 budget	31.3.2029 budget
Debt (incl. PFI & leases)	26.4	17.3	21.6	23.6	23.8
Capital Financing Requirement	35.2	32.4	36.6	37.2	34.0

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the PCC expects to comply with this in the medium term.

**Liability benchmark:** To compare the PCC’s actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £10m at each year-end. This benchmark is currently £13.4m and is forecast to increase to £14.4m over the next four years.

*Table 6: Borrowing and the Liability Benchmark in £ millions*

	<b>31.3.2025 actual</b>	<b>31.3.2026 forecast</b>	<b>31.3.2027 budget</b>	<b>31.3.2028 budget</b>	<b>31.3.2029 budget</b>
Existing Borrowing	24.6	13.4	9.0	5.5	3.0
Forecast borrowing	-	13.4	17.0	17.5	14.4
Liability benchmark	14.1	13.4	17.0	17.5	14.4

The table shows that there is an underlying need to borrow over the coming years.

**Affordable borrowing limit:** The PCC is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

*Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt in £m*

	<b>2025/26 limit</b>	<b>2026/27 limit</b>	<b>2027/28 limit</b>	<b>2028/29 limit</b>
Authorised limit – borrowing	36.2	35.4	36.1	33.2
Authorised limit – Long Term Liabilities	2.5	2.5	2.5	2.5
Authorised limit – total external debt	38.7	37.9	38.6	35.7
Operational boundary – borrowing	33.2	32.4	33.1	30.2
Operational boundary – Long Term Liabilities	1.5	1.5	1.5	1.5
Operational boundary – total external debt	34.7	33.9	34.6	31.7

**Treasury Investment strategy:** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The PCC’s policy on treasury investments is to prioritise security and liquidity over yield. That is to focus on minimising risk rather than maximising returns. Surplus cash is invested securely, for example with the government, other local authorities, selected high-quality banks and pooled funds, to minimise the risk of loss.

Table 8: Treasury management investments in £millions

	31.3.2025 actual	31.3.2026 forecast	31.3.2027 budget	31.3.2028 budget	31.3.2029 budget
Near-term investments	20.4	10.0	10.0	10.0	10.0
Longer-term investments	-	-	-	-	-
<b>TOTAL</b>	<b>20.4</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>

**Risk management:** The effective management and control of risk are prime objectives of the PCC’s treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

**Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Force’s ACO (Resources) and staff, who must act in line with the treasury management strategy approved by the PCC. Half yearly reports on treasury management activity are presented to the Corporate Governance Board.

### **Investments for Service Purposes**

The PCC does not make any investments directly into local public services i.e buying shares or investing in local businesses to promote economic growth.

### **Commercial Activities**

The PCC does not invest in any commercial property / activities.

### **Other Liabilities**

In addition to current debt of £13.4m (*figure as at December 2025*), it has also set aside £1.6m to cover the risks of both the self insured public and employers liability claims where the PCC’s claims handlers have advised there is a high probability of economic benefits being transferred.

The PCC has a Budget Equalisation Reserve of £11.8m (Balance as at 31/03/25) to support annual expenditure and manage the financial risks of major incidents (this is in addition to the General Fund Reserve of £5.9m).

**Governance:** The risk of liabilities crystallising and requiring payment is monitored by corporate finance and reported in the quarterly Budget Monitoring Report presented to the Corporate Governance Board (CGB), if appropriate.

- Further details on liabilities are on pages 45 to 46 of 2024/25 statement of accounts (draft).

## **Revenue Budget Implications**

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax and core government grants.

*Table 9: Prudential Indicator: Proportion of financing costs to net revenue stream*

	<b>2024/25 actual</b>	<b>2025/26 forecast</b>	<b>2026/27 budget</b>	<b>2027/28 budget</b>	<b>2028/29 budget</b>
Financing costs (£m)	5.9	5.6	5.4	6.2	7.0
Proportion of net revenue stream	2.4%	2.2%	2.0%	2.2%	2.4%

**Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 25 years into the future.

## **Proposed Capital Programme**

A summary of the proposed Capital Programme for 2026/27 is shown in the table below.

<i>Proposed Capital Programme 2026/27</i>			
<b>Expenditure</b>	<b>£000</b>	<b>Funding</b>	<b>£000</b>
Property	3,980	Borrowing Requirement	8,871
Information Technology	3,426	Revenue Contributions	100
Vehicle Fleet	1,080	Government Grant	-
Operational Equipment	975	3 <sup>rd</sup> Party Contributions	750
Corporate Projects	260		
Total	<u>9,721</u>	Total	<u>9,721</u>

The detailed 4-year Capital Programme can be found at **Annex 1A**

## **Estates Programme**

The 'Estates' programme is based on the approved Estates Strategy and includes:

- Refurbish and expand the electrical infrastructure at FHQ. A provisional sum of £2m has been included for 2026/27 to complete the project. However, the actual costs will not be known until the design phase is complete.
- Replacement of flat roofs at various locations and speed gates at Euston Street
- Structural works to the Hinckley Police Station car park
- The purchase of land at Coalville for a new LPU, based on predicted housing growth, it is hoped that this will be funded S106 contributions.
- Installation of air-conditioning to the dog kennels to meet the animal welfare standards under the Animal Welfare Act 2006
- Creation / installation of a Fire escape door in the Firing range – a fire risk assessment has identified that there are insufficient fire escape doors in the firing range.
- Alterations to the drains at various sites to ensure the run-off from car washing goes into the foul drains. The Force may be currently breaching the Environmental Protection Act 1990 and Environment Act 2021.
- Replacement of the redundant roller racking with safer fixed option to provide effective storage of uniform stock.
- Development of the vulnerability wing at Keyham Lane custody to meet national good practice for vulnerable detainees.

**Annex 1B** provides more detail regarding the individual schemes.

## **IT programme**

The 'IT' programme is based on the approved Digital, Data and Technology strategy which includes the following schemes :

- Investment in the data network to ensure continued performance.
- An upgrade to the Regional Digital Interview Recording (DIR) hardware. The cost of the upgrade will be split with Northants although the split between the 2 Forces has not yet been agreed. For the purposes of the initial capital programme a 50:50 split has been assumed. This has been slipped from 25/26
- Purchase of 800 K6 Body Worn Video devices to replace our aging fleet of cameras. The new cameras have enhanced capabilities allowing the Force to take advantage of new features such as facial recognition and wireless uploads.
- The ongoing replacement of the smartphone fleet to maintain security, performance and availability. Google will only maintain security fixes for our fleet for 2-years requiring the 5-year programme to be revised for a 2-year replacement cycle. The budget allows for the replacement of 1,500 phones and 100 tablets for use within specialist teams.
- The continuation of investment in the personal computer estate to support agile working. The 2025/26 budget will provide the Force with 1177x Laptops to replace an aging estate which will not be compatible with the latest operating systems and security updates.
- Provision to enhance the Open Scape Contact Centre and OpenScape 4000 telephony system operated by Contact Management and Assessment Investigation Unit to meet operational requirements.
- Replacement / upgrade of the portable ICCS operator positions to ensure compatibility with 'Windows 11'.
- Provision for the replacement of airwave terminals that are beyond economic repair.

- Provision of Laptop lockers to improve support out of hours. This has now been moved to 2027/28.
- The replacement of the confidential network hardware, to reduce future licensing costs.
- Replacement of the 'Redbox' call recording system following the withdrawal of the supplier from the Emergency Services control room environment. This is a key risk for the Force. This is a provisional sum as the delivery model for the future replacement is still being determined. If it goes to a cloud solution, it is unlikely that the capital budget will be required.
- SAN storage it may be necessary to purchase additional storage during 2026/27.

**Annex 1C** provides more detail regarding each of the work streams.

### **Vehicle replacement**

The fleet replacement programme is based on the approved Transport Strategy. A sum of £1.1m is included for 2025/26 for 28 vehicle replacements. The cost of vehicle replacements below the insurance threshold as a result of accidents are also included.

### **Corporate Projects**

Corporate Projects include:

- Provision for the rolling programme of Automatic Number Plate Recognition (ANPR) Camera replacements and new back office software.
- Provision for the complete replacement of the custody CCTV system / software which is now end of life
- Leicestershire's share of the capital investment for assets provided through regional collaboration.

### **Knowledge and Skills**

The PCC / Force employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.

Where staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The PCC currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the PCC / Force has access to knowledge and skills commensurate with its risk appetite.

### **Background Papers**

Home Office Settlement Notification via the Home Office website.