NORTHUMBRIA POLICE & CRIME COMMISSIONER

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Key Decisions

Title and Reference

Approval for the Capital Strategy 2020/21 to 2023/24

(PCC/415/2020)

Summary

The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities requires Police and Crime Commissioners (PCC's) to have in place a Capital Strategy.

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

The Strategy sets the framework for all aspects of the PCC's capital and investment expenditure.

Recommendation

It is recommended that the Commissioner adopts the Capital Strategy 2020/21 to 2023/24**.**

Northumbria Police and Crime Commissioner

I hereby approve the recommendations above.

Signature **Date** **31/3/ 2020**

JOINT BUSINESS MEETING	10 MARCH 2020
CAPITAL STRATEGY 2020/21 TO 2023/24	
REPORT OF: THE JOINT CHIEF FINANCE OFFICER	
AUTHOR: GAIL THOMPSON, PRINCIPAL ACCOUNTANT	

1 PURPOSE

1.1 The Prudential Code for Capital Finance in Local Authorities requires Police and Crime Commissioners (PCC's) to have in place a Capital Strategy. The Capital Strategy is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

1.2 The Capital Strategy forms a key part of the PCC's overall Corporate Planning and Governance Framework. It sets out the long-term context in which capital expenditure and investment decisions are made and it provides a mechanism by which the PCC's capital investment and financing decisions can be aligned over a medium term planning horizon.

2 RECOMMENDATION

2.1 OPCC is recommended to:

(i) Adopt the attached four year 2020/21 to 2023/24 Capital Strategy.

3 BACKGROUND

3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities requires authorities to have in place a Capital Strategy. This is the first year such a strategy needs to be published for each PCC.

3.2 The Strategy sets the framework for all aspects of the PCC's capital and investment expenditure, including: Planning, outcomes, prioritisation, management, funding and repayment. The Strategy has direct links to the other key strategic plans of the Force, such as the Digital Strategy, People Strategy, Estates Strategy and Fleet Strategy. It forms a key part of the PCC's Medium Term Financial Strategy (MTFS).

3.3 The Capital Strategy is attached at Appendix A, and contains the following key areas:

- **Objectives of the Capital Strategy** – sets out the key aims of the strategy, including: Provides a framework within statutory legislation that gives due consideration to risk and reward; the long-term capital context; arrangements for the management of capital expenditure;

identifies the resources available for capital investment over the MTFS planning period.

- **Governance of the Capital Programme** – sets out the governance arrangements for establishing and monitoring the Capital Programme, and allocation of resources.
- **Capital Expenditure** – the definition, accounting policies and internal strategies underpinning the establishment of the Capital Programme. Along with detail of the 2020/21 – 2023/24 Capital Programme.
- **Capital Financing** – the external regulatory framework within which the PCC outlines plans to invest in a Capital Programme and ensures that plans are 'affordable, prudent and sustainable'. Financing arrangements are reflected within the PCC's Treasury Management Strategy.
- **Treasury Management** – sets out the Treasury Management Arrangements in place.
- **Balanced Portfolio Approach** – resources are allocated to programmes based on asset values to manage the long-term yield and revenue implications. Capital receipts and capital grant income will be focused on shorter life assets (e.g. vehicles, IT schemes and equipment) and prudential borrowing used to support longer term assets (e.g. land and buildings).

4. KEY OUTCOMES

4.1 By adopting the attached four year 2020/21 to 2023/24 Capital Strategy fulfils the Prudential Code for Capital Finance in Local Authorities requirement for PCC's to have in place a Capital Strategy. Thereby supports the delivery of the Police and Crime Plan and the Northumbria Police Strategy 2025.

5. CONSIDERATIONS

Freedom of Information	NON-EXEMPT
Consultation	Yes
Consultation has taken place with external treasury advisers Link Asset Services.	
Resource	Yes
There are no financial implications directly arising from the contents of this report.	
Equality	No
Legal	No
Risk	Yes
The Capital Strategy recommended for approval have been prepared with the aim of ensuring the Capital Programme is affordable, prudent and sustainable.	

Communication	No
Evaluation	No

Police & Crime Commissioner for Northumbria

CAPITAL STRATEGY

2020/21 – 2023/24

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Police & Crime Commissioner for Northumbria

Medium Term Financial Strategy 2020/21 – 2023/24

Contents

1. Introduction to the Capital Strategy

1.1 The Prudential Code for Capital Finance in Local Authorities requires authorities to have in place a Capital Strategy. The Capital Strategy is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

1.2 The Capital Strategy forms a key part of the Commissioner's overall Corporate Planning and Governance Framework. It sets out the long-term context in which capital expenditure and investment decisions are made and it provides a mechanism by which the Commissioner's capital investment and financing decisions can be aligned over a medium-term planning horizon.

1.3 The Strategy sets the framework for all aspects of the Commissioner's capital and investment expenditure, including: Planning, outcomes, prioritisation, management, funding and repayment. The Strategy has direct links to the other key strategic plans of the Force, such as the Digital Strategy, People Strategy, Estates Strategy and Fleet Strategy. It forms a key part of the Commissioner's Medium Term Financial Strategy (MTFS).

1.4 There are three main areas of spend which feature within the Capital Programme:

- Building Schemes
- ICT Schemes
- Vehicle Fleet and Equipment.

The Force strategic plans set out at 1.3 above, demonstrate the requirements within the expenditure categories shown and how they relate to the Force's and Commissioner's policing plans.

2. Objectives of the Capital Strategy

2.1 The key aims of the capital strategy are to:

- Demonstrate that the authority takes capital expenditure and investment decisions in-line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability.
- Set out the long-term context in which capital expenditure and investment decisions are made and give due consideration to both risk and reward and impact on achievement of Force objectives.
- Provide a framework within statutory legislation that gives due consideration to risk and reward and ensures that all new capital investment is aligned with the priorities set out in the Police and Crime Plan and the National Strategic Policing Requirement.
- Set out how capital requirements are identified, programmed and prioritised.
- Consider options available for funding capital expenditure and how resources may be maximised to deliver the required level of investment and determine an affordable and sustainable funding policy framework, whilst minimising the ongoing revenue implications of any such investment.
- Identify the resources available for capital investment over the MTFS planning period.
- Ensure the strategy has an overall balance of risk on a range of investments over the timespan, type of investment and rate of return.

- Establish effective arrangements for the management of capital expenditure including the assessment of project outcomes, budget profiling, deliverability, value for money and security of investment.
- Deliver projects that focus on delivering the long-term benefits to policing in Northumbria and the priorities set out in the Police and Crime Plan:
    - Domestic and sexual abuse
    - Putting victims first
    - Effective criminal justice system
    - Reducing anti-social behaviour
    - Cutting crime
    - Community confidence

3. Governance of the Capital Programme

3.1 Governance processes are in place and adhered to, following financial regulations to ensure that available resources are allocated optimally and deliver value for money. Capital programme planning and financing is determined in parallel with the service and revenue budget planning process, within the framework of the MTFS. These include:

- The Police and Crime Commissioner is responsible for approving the Medium Term Financial Strategy (MTFS); Treasury Management Strategy; Capital Strategy; Revenue Budget and Capital Programme, and for approving changes to the programme within financial regulations.
- The Strategic Resourcing Board (SRB) is responsible for reviewing the Digital, People, Estates and Fleet strategies which underpin the MTFS and are used to compile the draft capital programme.
- The Executive Team Meeting (ETM) receives and reviews the draft capital programme requirements as part of the budget setting annual process, including new business cases and can make recommendations to the PCC for capital investment to be included in the MTFS.
- The PCC's Joint Business Meeting (JBM) which monitors performance against the capital programme including capital financing, on a quarterly basis.
- The Joint Independent Audit Committee which is responsible for scrutiny of the Treasury Management Statement and Treasury Strategy, including monitoring performance against the prudential indicators through the mid-year review and annual reports.

4. Capital Expenditure

4.1 The Police and Crime Commissioner for Northumbria (PCC) accounts for capital expenditure in-line with the CIPFA definition as set out in Appendix 1.

4.2 The accounting policies applied in respect of property, plant and equipment, intangible assets and investment property are set out in detail in the Police and Crime Commissioner for Northumbria Statement of Accounts 2018/19 (Notes to the accounts – Accounting Policies):
http://www.northumbria-pcc.gov.uk/Police-and-Crime-Commissioner-for-Northumbria-2018-19-Statements-of-Account.pdf

4.3 The Force maintains the following key strategies which underpin the Capital Strategy, these identify and prioritise the requirement for capital investment and are used to align the capital programme requirements with the Northumbria Strategy 2025 and the vision, mission and values of the Force:

<table>
<tr><th colspan="2">Strategy 2025 Key Enablers:
Investment in Technology
Achieving Business Sustainability
Strengthening Partnerships and Collaboration
Enhancing the Capacity, Capability and Wellbeing of our Workforce
Leadership and Culture
Embedding Customer Services</th></tr>
<tr><td>Estates Strategy</td><td>To ensure the estate supports the Force's work to protect vulnerable people and deliver quality investigations by providing all staff with accessible, flexible and modern workspaces to support and encourage an effective approach to problem solving.

The Estates ambition is underpinned by the following key principles:
Having a maintenance plan which uses revenue and capital streams to utmost effect.
Maximise the use of the estate by adopting challenging space utilization principles.
Ensuring that accessibility and inclusivity are key elements of maintenance plans.
Delivering consistently good quality accommodation that supports staff wellbeing.
Is delivered in collaboration with partners where possible.
Is physically secure and environmentally sustainable.</td></tr>
<tr><td>Fleet Strategy</td><td>To provide an integrated support function providing vehicles for use in operational policing, ongoing support to users of those vehicles and strategic advice about fleet management to senior leaders.

This will be facilitated by collaborative procurement, pro-active management of the fleet disposition, cost reduction (purchase and operation) and projects to support organisational change.

The Fleet ambition will be underpinned by the following key principles:
Provide users with vehicles appropriate to their needs whilst achieving value for money.
Maximise vehicle availability and reliability.
Maintain vehicles in a safe and roadworthy condition.
Maintain a rolling four year investment plan.
Maximise collaboration.</td></tr>
<tr><td>Digital Strategy</td><td>To develop, acquire and deploy technology and information services and solutions that enhance the efficiency and effectiveness of the Force across all aspects of policing, for the community it serves, the partners it works with and the people it employs.</td></tr>
<tr><td>People Strategy</td><td>To Create a happy, fulfilled and resilient workforce in which our people feel valued and are supported by an environment that enables them to flourish.</td></tr>
</table>

4.4 The Police and Crime Commissioner's Capital Programme 2020/21 to 2023/24 is set out in Appendix 2.

4.5 The Police and Crime Commissioner for Northumbria has not engaged in any commercial investments and has no non-treasury investments.

4.6 The Police and Crime Commissioner for Northumbria has no plans to make use of the direction issued by Ministry of Housing Communities and Local Government (MHCLG) for the flexible use of capital receipts (to fund projects designed to generate ongoing savings and / or transform service delivery) over the medium term.

4.7 The revenue impact of the capital programme including the revenue implications of capital financing costs associated with prudential borrowing are fully reflected within the revenue budget 2020/21 and MTFS forecast to 2023/24.

5. Capital Financing

5.1 The PCC has adopted the "Prudential Code for Capital Finance in Local Authorities" (The Code). This gives discretion over the funding of capital expenditure especially with the freedom to determine, within the regulatory framework of the Code, the level of borrowing they wish to undertake to deliver their capital plans and programmes. Under the provisions of the Prudential Code, the PCC can invest in a capital programme provided its capital spending plans are "affordable, prudent and sustainable". Under most forms of capital funding the cost of providing assets ultimately falls on revenue budgets, therefore it is the long term revenue budget position that is the ultimate constraint.

5.2 The Capital Programme and planned financing arrangements are reflected within the PCC's Treasury Management Strategy, which is approved annually and sets out the Prudential Indicators, which determine the limits set against the requirements of affordability, prudence and sustainability.

5.3 The PCC in consultation with the Chief Constable will identify available sources of funding for the Medium Term Capital Programme including the identification of potential capital receipts from the disposal of property.

5.4 The sources of funding available to the PCC to finance capital expenditure include:

- Capital grants and third party contributions.
- Capital receipts.
- Revenue contributions.
- Prudential borrowing.

6. Treasury Management

6.1 Police and Crime Commissioner for Northumbria has delegated responsibility to the Chief Finance Officer (CFO and section 151 officer) for the treasury management function and the undertaking of investment and borrowing on behalf of the Commissioner. The Chief Finance Officer (CFO) in turn has delegated the day to day management of the Treasury function to the Head of Finance.

6.2 The Commissioner uses Link Asset Services, Treasury Solutions as its external treasury management advisers.

6.3 Scrutiny of the Treasury Management Strategy, policies and procedures and treasury management performance (via annual and mid-year reports) is delegated to the Commissioner's Joint Independent audit Committee (JIAC).

6.4 The Commissioner's Treasury Policy 2020/21 to 2023/24 details the overarching approach to the provision of Treasury Management which includes the Treasury Strategy, Investment Strategy and appropriate delegations. (Link to be added when TM Strategy published)

6.5 The Treasury Strategy for 2020/21 to 2023/24 covers the specific activities proposed over the medium term in relation to both borrowing and investments and ensures that a wide range of advice is taken to maintain and preserve all principal sums, whilst obtaining a reasonable rate of return, and that the most appropriate borrowing is taken.

7. Balanced Portfolio Approach

7.1 The 2020/21 settlement sees the Government cut capital grants by 74% in order to prioritise national capital schemes and infrastructure, with the expectation that increases in revenue grants can be used flexibly to cover both capital and non-capital spend.

7.2 Capital receipts will therefore be used prudently across the MTFS period to manage overall capital investment and limit the impact on revenue budgets alongside this significant funding cut. Receipts are applied over years 2 and 3 of the MTFS to support the concentration of capital spend profiled in those years. This will ensure that revenue costs of capital financing are affordable over the medium-term and will limit the increases in capital financing to the earlier years of the MTFS, rather than pushing these out to future years where there is less certainty of funding levels.

7.3 Where capital receipts are used in a particular year, resources will be allocated to programmes based on asset values to manage the long-term yield and revenue implications. Capital receipts will therefore be focused on shorter life assets (e.g. vehicles, ICT schemes and equipment) and prudential borrowing used to support longer term assets (e.g. land and buildings). Receipts will be allocated to finance the programme in the most economical way to minimise the cost impact on the revenue budget in relation to Minimum Revenue Provision (MRP), informed by the overall requirements and context of the Medium Term Financial Strategy (MTFS).

7.4 All investments will need to reflect the full development purchase costs, including property taxes and fees, where applicable. Business cases should give appropriate consideration to lifetime costs (both revenue and capital) and income attributable to the proposals. Where necessary, specialist advice is to be taken around the treatment of VAT and other related taxes such as SDLT (Stamp Duty Land Tax).

7.5 The programme will include grant, debt, and asset investment that is robustly secured, in a legally binding manner with appropriate cash flow provisions.

7.6 Debt funding can range from short-term cash flow support through to longer-term borrowing from the Public Works Loans Board (PWLB) and other borrowing as specified within the Treasury Policy Statement and Treasury Strategy 2020/21 to 2023/24. Internal borrowing through the use of reserve and general fund cash balances is applied where funds are available, rather than placing these as investments. This is due to the cost of borrowing generally being higher than the investment income that could be earned.

<u>Definition of Capital Expenditure</u> Appendix 1

Extract from the CIPFA Code of Practice on Local Authority Accounting 2019/20:

Property, Plant and Equipment

Recognition

4.1.2.18 The cost of an item of property, plant and equipment falling under this section of the Code shall be recognised (and hence capitalised) as an asset on a local authority Balance Sheet if and only if:

- It is probable that the future economic benefits or service potential associated with the item will flow to the authority; and
- The cost of the item can be measured reliably.

An item of property, plant and equipment shall only be recognised if it meets the definition of an asset in paragraph 2.1.2.25.

4.1.2.19 Costs that meet the recognition principle in paragraph 4.1.2.18 include initial costs of acquisition and construction, and costs incurred subsequently to add to, replace part of, or service the asset.

4.1.2.20 Subsequent costs arising from day-to-day servicing of an asset (i.e. labour costs and consumables), commonly referred to as 'repairs and maintenance', should not be capitalised as they do not meet the recognition principle in paragraph 4.1.2.18 because the expenditure does not add to the future economic benefits or service potential of the asset. Rather the expenditure maintains the asset's potential to deliver future economic benefits or service potential that it was expected to provide when originally acquired.

Intangible Assets

Recognition

4.5.2.3 An intangible asset shall be recognised if it is probable that the expected future benefits attributable to the asset will flow to the authority, and the cost of the asset can be measured reliably. An intangible asset shall be measured initially at cost.

4.5.2.4 Expenditure incurred on an intangible asset after it has been recognised will normally be charged to Surplus or Deficit on the Provision of Services as incurred. Only rarely will subsequent expenditure meet the recognition criteria in the Code. Where this occurs, an authority shall recognise the expenditure in the carrying amount of the intangible asset. Further details can be found in IAS 38.

Capital Programme

Appendix 2

Capital Expenditure

- The following table provides a summary of the 4 year capital programme:

Capital Estimates	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
Building Schemes	8,002	4,681	938	1,047	14,668
Information Technology	4,254	10,042	12,389	3,201	29,886
Vehicles and Equipment	4,485	3,926	4,628	3,704	16,743
Total	**16,741**	**18,649**	**17,955**	**7,952**	**61,297**

- Key areas to note in the proposed programme are:
    - **Building Schemes** - Estates refurbishment programme based on operational requirements and 2017 condition surveys; transition and relocation costs associated with the estates rationalisation programme; and co-location with partner agencies.
    - **Information Technology** - the Force have a number of Improvement Schemes to deliver change and efficiency through transformation, which includes considerable investment in IT systems. This includes the replacement of all core operating systems and the associated hardware and network equipment, and implementation of the National Emergency Services Network (ESN) within Northumbria.
    - **Vehicles and Equipment** - a rolling programme of vehicle replacement and material programmes for upgrading equipment including body-worn video.

Capital Financing

- The capital financing approach remains to maximise the use of Capital Receipts to support the Capital Programme after the use of grant and also to maximise overall benefit through minimising impact on the revenue budget.

Capital Estimates	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
Forecast Expenditure	16,741	18,649	17,955	7,952	61,297
Financed by:					
Grants and Contributions	403	866	526	338	2,133
Capital receipts	-	10,502	12,808	-	23,310
Use of reserves (ESN Reserve)	-	2,600	1,000	-	3,600
Prudential Borrowing	16,338	4,681	3,621	7,614	32,254
Total Financing	**16,741**	**18,649**	**17,955**	**7,952**	**61,297**

- Through this MTFS it is proposed that the majority of capital spending for short life assets will be financed from capital receipts and grant income. Building works with longer asset lives will be supported by prudential borrowing as this provides the most efficient form of financing.

Prudential Indicators

Appendix 3

Prudential Indicators

In-line with the requirements of the CIPFA Prudential Code for Capital Finance, the various indicators that inform whether capital investment plans are affordable, prudent and sustainable, are set out below.

In-line with the requirements of the CIPFA Prudential Code for Capital Finance, the various indicators that inform whether capital investment plans are affordable, prudent and sustainable, are set out below.

Authorised Limit for External Debt

There are two limits on external debt: the 'Operational Boundary' and the 'Authorised Limit'. Both are consistent with the current commitments, existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices.

Authorised Limit - this represents a limit beyond which external debt is prohibited. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

Operational Boundary - this is the limit beyond which external debt is not normally expected to exceed. In most cases this would be a similar figure to the Capital Financing Requirement (CFR), but may be lower or higher depending on the levels of actual debt.

The key difference between the two limits is that the Authorised Limit cannot be breached without prior approval of the PCC. It therefore includes more headroom to take account of eventualities such as delays in generating capital receipts, forward borrowing to take advantage of attractive interest rates, use of borrowing in place of operational leasing, "invest to save" projects, occasional short term borrowing to cover temporary revenue cash flow shortfalls, as well as an assessment of risks involved in managing cash flows. The Operational Boundary is a more realistic indicator of the likely position.

Authorised Limit for External Debt

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Borrowing	175,000	170,000	165,000	165,000
Other long-term liabilities	0	0	0	0
Total	175,000	170,000	165,000	165,000

Operational Boundary for External Debt

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Borrowing	155,000	150,000	145,000	145,000
Other long-term liabilities	0	0	0	0
Total	155,000	150,000	145,000	145,000

The latest forecast for external debt indicates that it will be within both the authorised borrowing limit and the operational boundary set to 2023/24. The maturity structure of debt is within the indicators set.

Upper and Lower Limits for the Maturity Structure of Borrowing

The upper and lower limits for the maturity structure of borrowing are calculated to provide a framework within which the Commissioner can manage the maturity of new and existing borrowing to ensure that debt repayments are affordable in coming years.

Maturity structure of borrowing – these gross limits are set to reduce the Commissioner's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

Following the changes in guidance issued by CIPFA the maturity structure of borrowing is required to cover variable as well as fixed rate debt. The maturity structure of borrowing set out below applies to all borrowing by the Police and Crime Commissioner, both fixed and variable.

	Upper Limit	Lower Limit
Under 12 months	60%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	40%	0%
10 years and above	80%	0%

Upper Limit on Principal Amounts Invested Beyond 365 Days

The purpose of the upper limit on principal amounts invested beyond 365 days is for the Commissioner to contain the exposure to the possibility of loss that might arise as a result of having to seek early repayment or redemption of principal sums invested.

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Investments	15,000	15,000	15,000	15,000

Gross Debt and Capital Financing Requirement (CFR)

In order to ensure that over the medium term debt will only be for a capital purpose, the Police and Crime Commissioner should ensure that debt does not, except in the short term, exceed the total of capital financing in the previous year plus the estimates of any additional capital financing requirement for the current and next two financial years.

If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with external debt.

This is a key indicator of prudence. Where the gross debt is greater than the capital financing requirement the reasons for this should be clearly stated in the annual treasury management strategy.

The following table sets out the forecast CFR over the MTFS 2019/20 to 2022/23 and estimates for gross debt across the MTFS period using a forward balance sheet approach.

Gross Debt and CFR	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000

Forecast Borrowing as at 31 March	86,969	89,031	101,519	105,282
Capital Financing Requirement (CFR) as at 31 March	120,805	115,585	110,465	109,328
Amount of borrowing (over)/under CFR	33,836	26,554	8,946	4,046

Forecast borrowing is within the CFR estimates for 2020/21 to 2023/24.

Affordability

The impact of the capital programme on the revenue budget is shown in the table below:

Affordability	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Revenue Budget	294,327	304,500	308,400	311,100
Capital Expenditure	16,741	18,649	17,955	7,952
Capital Financing Requirement (CFR) as at 31 Mar	120,805	115,585	110,465	109,328
Interest Cost	3,170	3,370	3,520	3,370
Minimum Revenue Provision	7,952	9,901	8,741	8,751
Revenue Financing Costs	11,122	13,271	12,261	12,121
Ratio of financing cost to revenue stream %	3.78%	4.36%	3.98%	3.90%

MRP Statement **Appendix 4**

Police and Crime Commissioner for Northumbria Minimum Revenue Provision (MRP) Statement 2020/21

The MRP charge for 2020/21 for capital expenditure incurred before 01 April 2008 (prior to the new regulations) or which has subsequently been financed by supported borrowing will be based on the previous regulatory method of Capital Financing Requirement at a minimum of 4% of the opening balance less prescribed adjustments.

For all unsupported borrowing, exercised under the Prudential Code, the MRP Policy is based on the Asset Life Method. The minimum revenue provision will be at equal annual instalments over the life of the asset. The first charge will not be made until the year after the asset becomes operational.

Capital receipts of £23.310m are expected to be available (£15.556m brought forward in the capital receipts reserve at 1 April 2020 and £7.754m received 2020/21-2021/22). The receipts will be used to finance capital expenditure over the medium term period and reduce the overall capital financing requirement.