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NORTHUMBRIA
**POLICE & CRIME
COMMISSIONER**

Police & Crime Commissioner for Northumbria

CAPITAL STRATEGY

2025/26 – 2028/29

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Police & Crime Commissioner for Northumbria

Capital Strategy 2025/26 – 2028/29

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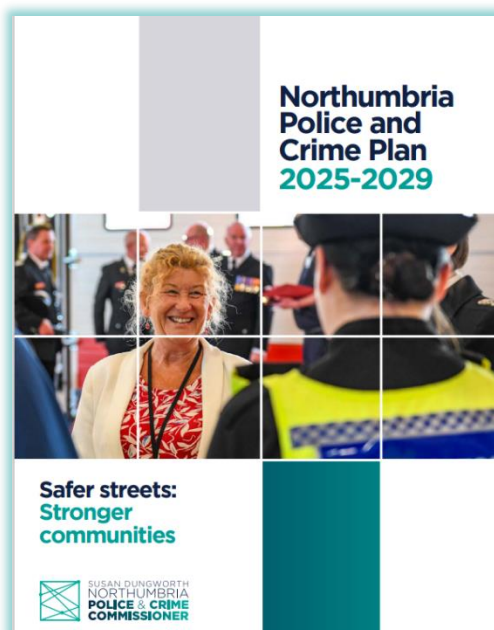
I. Introduction to the Capital Strategy

- I.1 The Prudential Code for Capital Finance in Local Authorities requires local authorities to have in place a Capital Strategy; the Local Government Act 2003 classifies Police and Crime Commissioners as local authorities. 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.
- I.2 The Capital Strategy forms a key part of the Police and Crime 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.
- I.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. It forms a key part of the Commissioner's Medium Term Financial Strategy (MTFS).
- I.4 There are three main areas of spend which feature within the Capital Programme:
- Building Schemes
 - Digital Policing and Digital Transformation
 - Vehicle Fleet and Equipment.

Force plans 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 capital expenditure and investment decisions are taken in-line with service objectives and properly take 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 Commissioner’s Police and Crime Plan:

Your Voice, Your Plan.

My Police and Crime Plan has six police and crime priorities and reflects the crime and community safety issues that you have told me matter to your communities. I am committed to working with the Chief Constable, and other partners, to focus on the priority areas outlined in this plan and will regularly update you on the progress being made.

	Priority 1: Engaged and responsive police force	Priority 2: Crime and anti-social behaviour	Priority 3: Serious violence and organised crime	Priority 4: Violence against women and girls	Priority 5: Hate crime and community cohesion	Priority 6: Victims and justice
Delivery focus:	<ul style="list-style-type: none"> • Building greater trust and confidence in Northumbria Police • Getting in touch 	<ul style="list-style-type: none"> • Anti-social behaviour and crime • Rural crime • Roads policing • Retail and business crime • Online fraud • Burglary and other acquisitive crime 	<ul style="list-style-type: none"> • Serious violence and knife crime • Serious and organised crime 	<ul style="list-style-type: none"> • Prioritise prevention • Support victim survivors • Action against perpetrators • Creating stronger systems to address VAWG 	<ul style="list-style-type: none"> • Preventing hate and providing support for victims • Community engagement cohesion 	<ul style="list-style-type: none"> • Victims first • Criminal Justice System
Measuring progress:	<ul style="list-style-type: none"> • Answer time for 999 & 101 calls • Attendance rate for grade 1 incidents 	<ul style="list-style-type: none"> • Total recorded crime and victim satisfaction • ASB incident levels 	<ul style="list-style-type: none"> • Serious violence offences • Knife-enabled serious violence and hospital admissions 	<ul style="list-style-type: none"> • Number of VAWG offences • Satisfaction with services provided to victim survivors of VAWG 	<ul style="list-style-type: none"> • Hate crime offences • Satisfaction with services provided to victims of hate crime 	<ul style="list-style-type: none"> • Victim satisfaction with services provided by Northumbria Police • Compliance with the Victims’ Code of Practice

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.
- 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 Commissioner’s Joint Business Meeting (JBM) which monitors performance against the capital programme including capital financing and the prudential indicators, on a quarterly basis.
- The Joint Independent Audit Committee (JIAC) 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 Commissioner 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 2023/24 (Notes to the accounts – Accounting Policies): [PCC Accounts Link](#)
- 4.3 The capital programme is established to support the Purpose, Vision and Objectives of the Northumbria Police Force Strategy and delivery of the Commissioner’s Police and Crime Plan priorities.



- 4.4 The Police and Crime Commissioner’s Capital Programme 2025/26 to 2028/29 is set out at Appendix 2. This summarises the agreed investments within the five key areas of: Building Schemes, Digital Policing and Digital Transformation, and Vehicle Fleet and Equipment, NEROCU Schemes and Funded Schemes.
- 4.5 The Police and Crime Commissioner has not engaged in any commercial investments and has no non-treasury investments.
- 4.6 The Police and Crime Commissioner 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 2025/26 and MTFs forecast 2025/26 to 2028/29.

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 the PCC wishes to undertake to deliver its 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 subject to review and scrutiny by JIAC and approved by the Commissioner annually.
- 5.3 The PCC identifies 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 The PCC 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 Management function to the Deputy Head of Finance (Deputy CFO and section 151 officer).
- 6.2 The Commissioner uses MUFG Corporate Markets (MUFG) 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 JIAC.
- 6.4 The Commissioner's Treasury Policy 2025/26 to 2028/29 details the overarching approach to the provision of Treasury Management which includes the Treasury Strategy, Investment Strategy and appropriate delegations. The Treasury Policy and Strategy and Annual Report are published annually as Key Decisions on the OPCC website.
- 6.5 The Treasury Strategy for 2025/26 to 2028/29 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 Capital grant funding from government was reduced to nil from the 2022/23 financial year onwards. There is no planning assumption that any funding will be re-instated for future years. Capital receipts available over the MTFs period are estimated at £6.462m and availability of

earmarked reserves for capital investment comprises £3.400m Operational Systems Reserve and £2.600m ESN Reserve only. Therefore, the majority of spend will be financed through prudential borrowing, which must be repaid from the revenue budget over future years based on the useful life of assets.

- 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. Receipts will be applied in 2025/26 and 2026/27 to support the concentration of capital spend profiled in those years.
- 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 (up to 4 years) and prudential borrowing used to support longer term assets (e.g., land and buildings, digital policing schemes, operational equipment). 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 2025/26 to 2028/29. 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.

Definition of Capital Expenditure

Extract from the CIPFA Code of Practice on Local Authority Accounting 2024/25:

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 2.1.2.31.

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 (see paragraphs 16 to 18).

Capital Programme 2025/26 to 2028/29

Capital Expenditure

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

Capital Estimates	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	Total £000
Building Schemes	39,346	19,150	13,437	5,899	77,832
Digital Policing and Digital Transformation	16,896	6,733	13,544	6,359	43,532
Vehicles and Equipment	7,343	4,285	4,163	5,204	20,995
NEROCU Schemes	402	327	413	77	1,219
Funded Schemes	598	208	185	-	991
Total	64,585	30,703	31,742	17,539	144,569

- Key areas to note in the proposed programme are:
 - Major and Minor Building Schemes** – The force has a programme of refurbishment and adaptation aimed at improving the condition of the estate with a focus on staff wellbeing as well as being able to fully accommodate the Uplift in officer numbers. A significant work programme over the medium-term will focus on the delivery of energy investment schemes, fleet decarbonisation and infrastructure to support charging for electric vehicles. In addition, the capital programme will fully deliver the new estate planned under the Force Estates Strategy 2024 to 2030 (Communications, Operational Training and Kennelling facilities).
 - Digital Policing and Digital Transformation** – The force has a number of significant improvement schemes to deliver change and efficiency through transformation which includes considerable investment in IT and digital infrastructure. We have commenced the process of replacing key IT infrastructure which will include the replacement of all core operating systems; investment in data and analytics; and investment required in preparation for implementation of the National Emergency Services Network (ESN) within Northumbria.
 - Vehicles and Equipment** – Continued planned investment in the replacement of force vehicles, in accordance with delivery of the rolling programme of fleet investment with a focus on fleet decarbonisation, electric vehicles and sustainable technologies. The provision and upgrading of personal issue equipment including £0.161m for Taser capability, £2.624m for body-worn video and £1.597m for body worn armour replacement. Ensuring those who protect us are kept safe, and those who threaten our safety face well-equipped officers.
 - NEROCU Schemes and Funded Schemes** – Includes the Northumbria share of capital expenditure for the North East Regional Organised Crime Unit (NEROCU), and funded capital investment schemes in Northumbria across buildings, IT, vehicles and equipment.

Capital Financing

- The following table sets out the proposed capital financing plans for the four-year capital programme:

Capital Financing	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	Total £000
Forecast Expenditure	64,585	30,703	31,742	17,539	144,569
Financed by:					
Grants and Contributions	598	208	185	-	991
Capital Receipts	5,750	712	-	-	6,462
ESN Reserve	-	-	2,600	-	2,600
Operational Systems Reserve	3,400	-	-	-	3,400
Prudential Borrowing	54,837	29,783	28,957	17,539	131,116
Total Capital Financing	64,585	30,703	31,742	17,539	144,569

- Total capital expenditure over the four years is estimated at £144.569m. Capital grant funding from government was reduced to nil from the 2022/23 financial year onwards. There is no expectation that any funding will be re-instated for future years. Capital receipts available over the MTFs period are estimated at only £6.462m and availability of earmarked reserves for capital investment is limited to the £2.600m ESN Reserve and £3.400m Operational Systems Reserve only. Therefore, the majority of spend will be financed through prudential borrowing, which must be repaid from the revenue budget over future years based on the useful life of assets.
- Capital Receipts will be used prudently across the MTFs period to manage overall capital investment and limit the impact on revenue budgets. Receipts will be applied in 2025/26 and 2026/27 to support the concentration of capital spend profiled in those years.
- Prudential borrowing will provide the remaining requirement for capital financing over the medium-term. The costs of borrowing and principal repayment through MRP are fully reflected in the revenue budget over the medium term. Affordability of the capital programme is further considered as part of the Prudential Indicators at Appendix 3, approved by the Commissioner on an annual basis.

Prudential Indicators 2025/26 to 2028/29

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.

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

Authorised Limit	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Borrowing	195,000	210,000	220,000	220,000
Other Long-Term Liabilities	0	0	0	0
Total	195,000	210,000	220,000	220,000

Operational Boundary for External Debt

Operational Boundary	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Borrowing	175,000	190,000	200,000	200,000
Other Long-Term Liabilities	0	0	0	0
Total	175,000	190,000	200,000	200,000

The latest forecast for external debt indicates that it will be within both the authorised borrowing limit and the operational boundary set to 2028/29.

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. The limits do however 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.

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

Sensitivity analysis carried out against the existing borrowing portfolio and scenario testing for planned new borrowing (short/long term) indicates that the maturity structure of borrowing will remain within the limits set.

Changes to the maturity structure limits over those adopted for 2024/25 include an increase in the upper limits for borrowing durations of up to 24 months:

- Under 12 months – increased from 60% to 80%
- 12 months and within 24 months – increased from 40% to 60%

The rationale for the change is to give flexibility for new borrowing required to support the capital programme over 2025/26 to 2028/29, providing an opportunity to take shorter term borrowing whilst rates remain high. The aim is to avoid having to lock into those higher rates for a longer duration than necessary, at a time where interest rates are set to start falling and lower rates are expected to be achievable in the next couple of years.

The approach to new borrowing durations will be balanced against the risk of interest rate exposure.

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.

Upper limit on principal amounts invested beyond 365 days	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £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.

Gross Debt and CFR	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Forecast Borrowing as at 31 March	128,969	153,969	175,969	183,969
Capital Financing Requirement as at 31 March	154,079	172,292	186,619	187,703
Amount of Borrowing over / (under) CFR	(25,110)	(18,323)	(10,650)	(3,734)

Forecast borrowing is within the CFR estimates for 2025/26 to 2028/29.

Affordability

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

Gross Debt and CFR	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Revenue Budget	405,444	414,600	426,500	436,400
Capital Expenditure	64,585	30,703	31,742	17,539
Capital Financing Requirement as at 31 March	154,079	172,292	186,619	187,703
Interest Cost	3,900	5,300	6,300	6,800
Minimum Revenue Provision (MRP)	9,453	11,570	14,628	16,456
Revenue Financing Costs	13,353	16,870	20,928	23,256
Ratio of Financing Costs to Revenue Stream %	3.29%	4.07%	4.91%	5.33%

Debt Liability Benchmark

In addition to the prudential indicators set out above a new debt liability benchmark treasury indicator was adopted from the 2023/24 financial year, to support the financing risk management of the capital financing requirement (CFR).

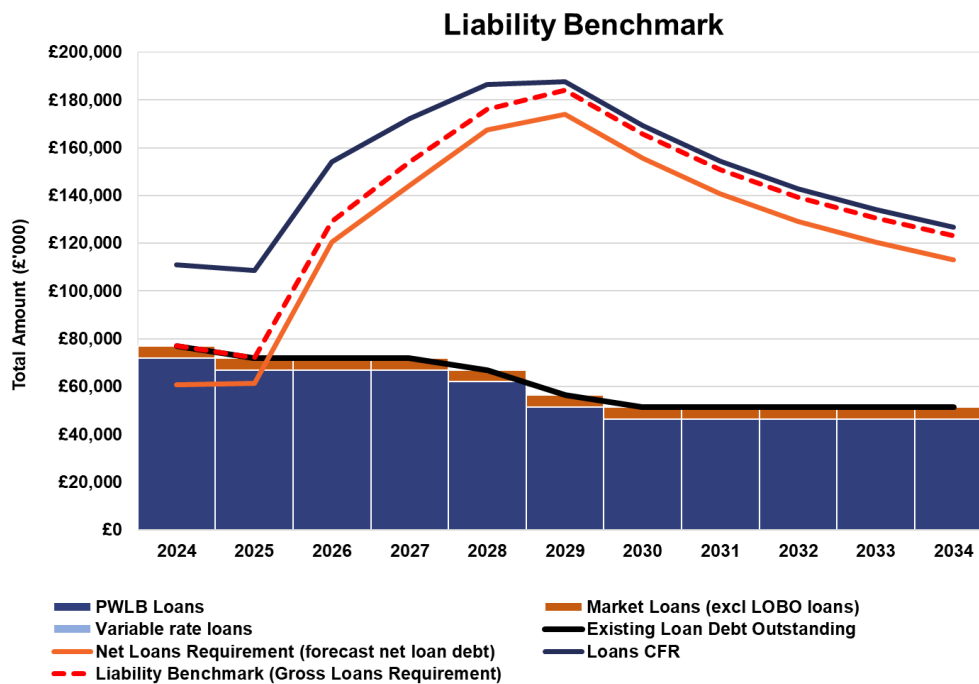
The liability benchmark is presented as a chart which sets out the following:

- **Existing Loan Debt Outstanding** – this is the profile of the Commissioners existing loans which takes into account the scheduled loan repayments due within the period.
- **The Loans CFR (Capital Financing Requirement)** – this is the total requirement that the Commissioner has for prudential borrowing to support capital expenditure. This includes

the CFR as at the last year-end plus approved future borrowing for planned capital expenditure within the existing MTFs capital programme and less those amounts due to be set aside under the MRP (Minimum Revenue Provision) policy adopted by the Commissioner.

- **Net Loans Requirement** – this is a forecast of the Commissioner’s net loan debt, i.e. net of investments for treasury management purposes.
- **Gross Loans Requirement** – this is the Liability Benchmark and represents a forecast of the level of gross loans debt the Commissioner will require in accordance with budget plans.

The Debt Liability Benchmark chart is set out below.



The chart shows that the Commissioner’s existing loan debt comprises mainly PWLB debt plus a smaller element attributable to market loans. The Commissioner has no variable rate loans.

The Liability Benchmark chart demonstrates a requirement for new borrowing to be taken over the period from the 2025/26 financial year. Whilst the approach to borrowing remains to maximise the use of internal borrowing, the chart demonstrates that the extent to which internal borrowing can be used as a temporary financing tool will reduce over the medium to longer term, as reserve balances reduce in-line with budget plans under the Commissioner’s Medium Term Financial Strategy (MTFS).

IFRS 16 (Leases)

The Commissioner has adopted IFRS 16 Leases from the 2024/25 financial year. The Prudential Indicators above do not reflect the impact of IFRS 16 in terms of the CFR and MRP estimates, which are summarised separately in the table below for the MTFs and Capital Strategy 4-year period.

	2025/26	2026/27	2027/28	2028/29
CFR and MRP (IFRS 16 Leases)	£000	£000	£000	£000
CFR Estimates	446	325	270	220
MRP Estimates	196	121	55	50

Appendix 4

MRP Statement

The MRP charge for 2025/26 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 for capital expenditure financed through prudential borrowing, 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.