



Police and Crime Commissioner for Lancashire

Capital Strategy

2025/26

Capital Strategy Report 2025/26

Introduction

This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance understanding of these sometimes technical areas.

Decisions made this year on capital and treasury management will have financial consequences for the Authority 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 Authority spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.

In 2025/26, the Authority is planning capital expenditure of £62.528m as summarised below:

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

| | 2023/24 actual | 2024/25 forecast | 2025/26 budget | 2026/27 budget | 2027/28 budget |
|-----------------------|-------------------|---------------------|-------------------|-------------------|-------------------|
| General Fund services | 20.014 | 35.433 | 62.528 | 57.566 | 81.422 |

The main General Fund capital projects include building of a new police stations in Pendle and Chorley, replacement of vehicles and equipment, and investment in technology.

Governance: Departmental heads bid annually in September to include projects in the Authority's capital programme. Bids are collated by the Finance Department who calculate the financing cost (which can be nil if the project is fully externally financed). The Chief Financial Officer appraises all bids based on a comparison of strategic priorities against financing costs and makes recommendations to the Police and Crime Commissioner. The final capital programme is then presented to the Accountability Board in February each year.

- For full details of the Authority's capital programme, see: [link](#)

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Authority'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

| | 2023/24 actual | 2024/25 forecast | 2025/26 budget | 2026/27 budget | 2027/28 budget |
|-------------------|-------------------|---------------------|-------------------|-------------------|-------------------|
| External sources | 0.112 | 0.357 | 0.000 | 0.000 | 0.000 |
| Capital receipts | 0.000 | 0.000 | 0.833 | 0.000 | 0.000 |
| Revenue resources | 13.448 | 17.964 | 11.244 | 13.331 | 14.543 |
| Debt | 6.454 | 17.112 | 50.451 | 44.235 | 66.879 |

| | | | | | |
|--------------|---------------|---------------|---------------|---------------|---------------|
| TOTAL | 20.014 | 35.433 | 62.528 | 57.566 | 81.422 |
|--------------|---------------|---------------|---------------|---------------|---------------|

Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

Table 3: Replacement of prior years' debt finance in £ millions

| | 2023/24 actual | 2024/25 forecast | 2025/26 budget | 2026/27 budget | 2027/28 budget |
|---------------------------------|---------------------------|-----------------------------|---------------------------|---------------------------|---------------------------|
| Minimum revenue provision (MRP) | 2.191 | 2.093 | 2.198 | 3.135 | 5.154 |
| Capital receipts | 0.003 | 0.080 | 0.000 | 0.000 | 0.000 |
| TOTAL | 2.194 | 2.173 | 2.198 | 3.135 | 5.154 |

- The Authority's full minimum revenue provision statement is available here: [PCC Financial Strategy](#)

The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £48.253m during 2025/26. Based on the above figures for expenditure and financing, the Authority's estimated CFR is as follows:

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

| | 2023/24 actual | 2024/25 forecast | 2025/26 budget | 2026/27 budget | 2027/28 budget |
|-----------------------|---------------------------|-----------------------------|---------------------------|---------------------------|---------------------------|
| General Fund services | 78.257 | 94.160 | 142.413 | 183.514 | 245.239 |

Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority'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 Authority 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.

- The Authority's full minimum Treasury Management Strategy is available here: [PCC Financial Strategy](#)

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue. 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 general government grants.

Table 5: Prudential Indicator: Proportion of financing costs to net revenue stream

| | 2023/24 actual | 2024/25 forecast | 2025/26 budget | 2026/27 budget | 2027/28 budget |
|--|---------------------------|-----------------------------|---------------------------|---------------------------|---------------------------|
|--|---------------------------|-----------------------------|---------------------------|---------------------------|---------------------------|

| | | | | | |
|----------------------------------|-------|-------|-------|-------|--------|
| Financing costs (£m) | 2.893 | 5.923 | 6.092 | 7.996 | 11.637 |
| Proportion of net revenue stream | 0.79% | 1.61% | 1.58% | 2.28% | 3.45% |

- Further details on the revenue implications of capital expenditure are on pages 7 to 8 of the 2025/26 revenue budget [link](#)

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 50 years into the future. The Chief Financial Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable.

Knowledge and Skills

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

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