

Shropshire and Wrekin Fire Authority Capital Strategy 2025/26 to 2029/30

Background

The Authority must have regard to the Prudential Code for Capital Finance in Local Authorities (the Prudential Code), as part of its wider treasury management objectives,

An Authority must produce a capital strategy, which shows how the Authority sets out its priorities for capital investment, including links to existing plans and strategy documents. It also considers the way in which capital expenditure may be financed.

The main elements of the capital strategy are to support a capital programme that:

- Ensures that Authority assets are used to support the delivery of the Service's Integrated Risk Management Plan (IRMP) and associated priorities;
- Is affordable, financially prudent and sustainable;
- Ensures the most cost effective use of existing assets and new capital investment, and
- Supports the other key strategies of the Authority.

Links between the Capital Strategy and other strategic plans

The Capital Strategy is an integrated part of the Authority's strategic planning process and works in conjunction with the Community Risk Management Plan, Medium Term Financial Plan and Reserves Strategy.

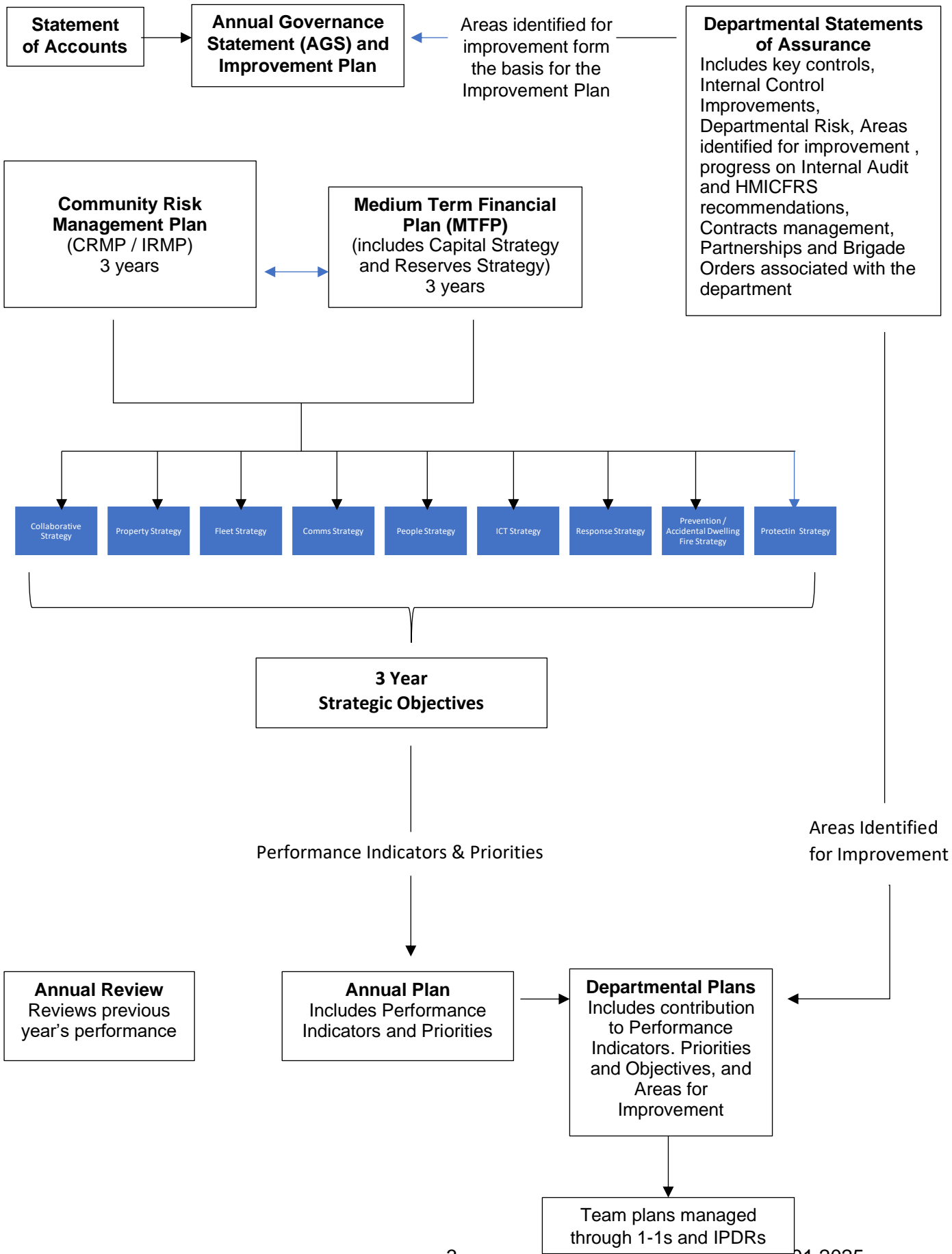
The **Community Risk Management Plan** - establishes the means by which the Authority intends to meet the challenging needs and risks within the community for which it has responsibility. The plan will determine

- The risk that is present in the community
- The capabilities that are required to manage the risk
- The resources that are required to deliver the capability

The **Medium Term Financial Plan and Reserves Strategy** - designed to demonstrate that the Authority has considered the funding streams available into future years and has plans in place to deliver the priorities identified by its CRMP.

These overarching plans form the basis of a number of strategies across the Service, illustrated in the diagram below. The resulting strategic objectives form the basis of a four year Service Plan, with an action plan that is updated annually and forms part of the Annual Plan.

The Departmental plans support the Annual Plan and demonstrate how these strategies are actioned at an operational level.



Governance Arrangements

Consideration, approval and monitoring of the capital programme takes place as part of the Authority's strategic planning timetable.

Formulation of the Capital Programme

- Property, fleet, operational equipment and ICT requirements are incorporated into the capital programme based on the priorities identified in the respective strategies.
- Officers may also submit additional business plans to the Service Management Team and Programme Board, and if there is agreement that these projects should go ahead, these will be added to the capital programme.
- As part of its planning cycle, Programme Board may also initiate reviews in service areas, to take place prior to the proposed commencement date of the scheme. This ensures that the scheme will accurately address service priorities.
- The capital programme is put together in the last quarter of the year, with final review by Service Management Team.
- Financing of the capital programme is determined; this is detailed later in this strategy.
- Prudential indicators, including Capital Financing Requirement, are put together based on the proposed programme. This demonstrates that the programme is affordable, sustainable and prudent. This is detailed in the Treasury Management Strategy.
- The capital programme, capital strategy and treasury management strategy are taken to Strategy & Resources Committee in January for consideration and recommendation to the Fire Authority.
- The capital programme is approved by the Fire Authority later in February as part of the budget and precept setting process.

Performance Management

- Spend on the capital programme is monitored by officers on a monthly basis.
- Programme Board meetings are held on a bi-monthly basis, where capital schemes and associated spend are reviewed.
- The programme is also reviewed by Service Management Team.
- Quarterly reviews are taken to Strategy & Resources Committee, to ensure member overview and scrutiny. Service heads are present to provide further information about the schemes within the programme.

In Year Capital Decisions

Proposals for capital schemes may also be brought to Programme Board or Service Management Team outside of the capital programme planning process. Following consideration of a business case, approval will be sought from officers or members in line with the Authority's Financial Regulations, and the scheme can be added to the existing capital programme.

Financing the Capital Programme

Funding for capital schemes must be identified prior to the capital programme being put forward for consideration and approval. It should be clear to those charged with governance that the programme is affordable, sustainable and prudent, prior to approval.

The Authority has a number of funding sources that can be used to finance capital expenditure:



Capital Reserves

Reserves are set aside from revenue resources and earmarked for particular purposes.

The Major Projects Reserve is **has been** used for larger, major refurbishments such as the headquarters, fire station and workshops in Shrewsbury, ~~or the~~ **and was replenished for** improvements at the training centre and fire station in Telford.

Although this is earmarked for major schemes, an efficient funding decision will take into account debt charges and minimum revenue provision payments.

The asset life method of calculating minimum revenue provision has been used, and costs are clearly higher for those schemes with a short life. For example, a replacement fire appliance costing £350,000 would have its MRP calculated over 15 years, and costs for replacement firekit at over £1m would be calculated across 10 years.

With a useful life of 40 years, it is more efficient to apply future funding against the major refurbishments at Telford, as the annual MRP costs would be greatly reduced and the cost of capital spread over a longer timeframe, thereby reducing the financial burden on current taxpayers (for an asset for which future taxpayers will also be gaining the benefit).

Capital Receipts

The sale of assets with a value of more than £10,000 generates income known as capital receipts. Legislation requires that these are spent on either new capital investments or the repayment of existing debt.

Leasing

Leasing can also be used to acquire capital assets and should be considered alongside other sources of funding. A full business case is still required to determine if leasing is the Authority's preferred method of funding, in terms of value for money.

Revenue Funding

The Authority can also use contributions from the revenue budget to fund capital expenditure. In the last six years, planned surpluses in the revenue budget, achieved through efficiencies and budget cuts made alongside retirement planning, have been used successfully by the Authority. This has resulted in debt charge savings into the long term and has helped control precept increases.

Borrowing

Capital projects that cannot be funded from any other source can be funded from prudential borrowing. The Authority is able to borrow money from the Public Works Loan Board (PWLB) to fund its capital programmes, and will need to fund a replacement provision and interest costs from its revenue budget.

The Authority must ensure that its borrowing is affordable, sustainable and prudent, and this is demonstrated through its set of prudential indicators that are approved by the Authority alongside the capital programme.

'Internal borrowing' occurs when the Authority will use its cash balances to fund capital schemes rather than taking out long term loans with PWLB. This should be managed alongside the Authority's cash flow projections and also its Capital Financing Requirement, which indicates the Authority's need to borrow.

Revenue Consequences of Capital Programme

As well as funding the asset in a capital scheme, the Authority must also consider and take account of the ongoing implications of the scheme on the revenue budget.

- If the scheme is to be funded from prudential borrowing, there will be an interest charge and a provision towards the asset's replacement
- The asset may have running costs such as a maintenance charge or a support agreement, that need to be added to the revenue budget.

Debt, Borrowing and Treasury Management

The Authority is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties commensurate with the Authority's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses.

CIPFA defines treasury management as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

The Authority's Treasury Management Strategy Statement demonstrates how it has processes in place to set and monitor its prudential indicators and treasury management practices.

This strategy is approved by the Fire Authority alongside its capital programme.

Knowledge and Skills

The Authority has a service level agreement in place with Shropshire Council to undertake its treasury management activities, which are run by experienced and knowledgeable Council officers.

In addition, the Authority, along with Shropshire Council, also engage with Link Asset Services for more specialist treasury advice.

Members and officers of the Authority are able to participate in Treasury Management training held at Shropshire Council.