

Report to	Audit Committee
Date	18 March 2024
Lead Officer	Helen MacArthur – Assistant Chief Fire Officer
Contact Officer	Helen Howard Head of Finance and Procurement
Subject	Capital Strategy 2024-34



PURPOSE OF REPORT

- 1 The purpose of this report is to present to Audit Committee Members the proposed Capital Strategy for the period April 2024 – March 2034, and provide details and explanations of the proposed Strategy, in order to facilitate Members' support for approval by the North Wales Fire and Rescue Authority (the Authority) on 15 April.

EXECUTIVE SUMMARY

- 2 The purpose of the Capital Strategy is to set out how the Authority proposes to deploy its capital resources in order to assist it to achieve its corporate and service objectives. The 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.
- 3 This Strategy has been developed in conjunction with the revenue and capital budgets for 2024/25, and the Medium-Term Resource Strategy, which were approved by the Authority on 22 January 2024, as well as the Treasury Management Strategy, which is also being presented today.

RECOMMENDATIONS

- 4 Members are asked to:
 - i) **endorse the Capital Strategy for 2024- 2034; and**
 - ii) **recommend approval by the Fire and Rescue Authority.**

BACKGROUND

- 5 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to produce a capital strategy to demonstrate that capital expenditure and investment decisions are taken in line with the Service objectives and take account of stewardship, value for money, prudence, sustainability, and affordability.
- 6 CIPFA issued Capital Strategy guidance in 2021. The strategy has been developed in line with this guidance.
- 7 The Capital Strategy supports the Community Risk Management Plan 2024-2029 and the 2024/25 Implementation Plan, to deliver the principles for the North Wales Fire and Rescue Service (the Service).
- 8 The Audit Committee has been tasked with ensuring effective scrutiny of treasury management and performance. The Audit Committee is asked to review the Capital Strategy before it is submitted for formal approval by the Authority on 15 April 2024.

INFORMATION

- 9 The Capital Strategy (the Strategy) and associated Prudential Indicators, is contained within Appendix 1 and provides an overview of anticipated capital expenditure for the next 10 years, and capital financing requirements and treasury management activity, for the next 3 years.
- 10 Capital expenditure is where the Authority spends money on assets, such as property, or vehicles, or equipment that will be used for more than one year. The Authority has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.
- 11 The Capital Strategy supports the Community Risk Management Plan 2024-2029 by providing resources to address issues arising from one or more of the principles within the Plan, as well as providing funding to maintain assets so that they remain fit for purpose.
- 12 Service Managers 'bid' annually, in September to include projects in the Authority's capital programme. Bids are collated by the Finance and Procurement Department. For 2024/25 initial bids in excess of £10m were received. The bids are scored based on a variety of factors, including meeting the principles in the Community Risk Management Plan, statutory requirements, ability to make savings, and their environmental impact.

- 13 Following the review and discussions with service managers, a capital plan of £5.676m was presented to the Budget Scrutiny Working Group, which is summarised on page 8 of the Strategy. This planned capital expenditure will be funded from borrowing.
- 14 Further details regarding borrowing are included in the Treasury Management Strategy, along with the treasury management prudential indicators.
- 15 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. The total of these revenue contributions is known as minimum revenue provision (MRP). The MRP charge for 2024/25 is expected to be £1.885m, rising to £2.601m in 2026/27.
- 16 Financing costs are expected to be 5.62% of the 2024/25 budget rising to 7.47% in 2026/27.

IMPLICATIONS

Wellbeing Objectives	This report links to the Authority's long-term well-being objectives by ensuring that the purchase of assets to support front line service delivery is prudent, affordable and sustainable. The Capital Strategy is designed to ensure that there is sufficient investment in infrastructure to enable the service to provide emergency responses and prevention work well in to the future.
Budget	The strategies link to the revenue and capital budget setting which considers longer term affordability
Legal	The regulatory framework is set out in the appendices to the report.
Staffing	None
Equalities/Human Rights/Welsh Language	None
Risks	The reports set out the financial risks associated with borrowing and investment activities.