



# **PFCC**

## **POLICE, FIRE AND CRIME COMMISSIONER FOR ESSEX**

**Essex Police, Fire and Crime Commissioner Fire and Rescue Authority**

### **Decision Report**

<b>Report reference number:</b> 008-24
<b>Government security classification</b> Not protectively marked
<b>Title of report:</b> Capital Strategy and MRP Policy 2024-25
<b>Area of county / stakeholders affected:</b> Countywide
<b>Report by:</b> Austin Page (Financial Accounting and Compliance Manager)
<b>Date of report:</b> 15 March 2024
<b>Enquiries to:</b> Neil Cross (Chief Financial Officer)

#### **1. Purpose of the report**

This report is seeking approval of the Capital Strategy and MRP Policy 2024-25.

#### **2. Recommendations**

The Commissioner is asked to approve the Capital Strategy and MRP Policy 2024-25 (Appendix 1) with the key points from the strategy being:

- The current Capital Programme will utilise £14.65m of capital receipts and reserve funding for key capital projects in the five years to 31 March 2029.
- The Authority will continue to use the depreciation method for calculating the Minimum Revenue Provision (MRP).
- The Capital Financing Requirement is projected to be £40.8m by 31 March 2029.
- The Capital Strategy includes assumed borrowing of £8.2m by 31 March 2028.

#### **3. Benefits of the proposal**

- To demonstrate that the Authority has a capital programme that is affordable in line with the CIPFA Prudential Code.
- To demonstrate that the capital programme is aligned to other key strategies and is underpinned by the Fire and Rescue Plan 2019-24.
- To set out a Capital Strategy in a way that is transparent and understandable for members of the public.

#### 4. Background and proposal

A Capital Strategy is a high-level overview of how planned capital expenditure and capital financing contribute to the provision of fire services, along with an overview of how associated risk is managed and the implications for future financial sustainability.

The CIPFA Prudential Code for Capital Finance in Local Authorities 2017 requires local authorities to produce a Capital Strategy to support the delivery of their corporate objectives. Authorities are required by regulation to have regard to the Prudential Code.

The Capital Strategy is one of several key strategic financial documents utilised by the Authority to deliver its corporate objectives. The Capital Strategy, alongside the Medium-Term Financial Strategy, Treasury Management Strategy and Reserves Strategy, underpins the Fire and Rescue Plan 2019-24. The Capital Strategy also has direct links to other key departmental strategies and plans which include:

- Property and Estates Strategy
- Digital and Data Strategy
- Fleet and Equipment Strategy

The current capital expenditure programme is consistent with that presented to the Police, Fire and Crime Panel on 1 February 2024, as part of the 2024-25 precept setting papers.

#### 5. Alternative options considered and rejected

##### Funding of the Capital Programme

The Capital Strategy proposes utilising reserve funding of £14.8m, primarily from capital receipts, from 2024/25 to 2028/29, to fund key capital projects. This is a progressive stance for the Authority as, historically, capital receipts have not been utilised. An alternative approach to the utilisation of capital receipts would be to fund the capital programme through the minimum revenue provision and therefore have a large adverse impact on the revenue budget. This approach would not make best use of resources in line with the Fire and Rescue Plan and would not be deemed best value for money.

##### Methods of Calculating Minimum Revenue Provision (MRP)

Under the statutory guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003, there are four methods for calculating MRP:

Option	Method
<b>Depreciation Method</b>	MRP made in accordance with the standard rules for depreciation accounting.
<b>Regulatory Method</b>	Applying the statutory formula set out in the 2003 regulations (as amended).
<b>CFR Method</b>	Multiplying the capital financing requirement at the end of the preceding financial year by 4%.
<b>Asset Life Method</b>	MRP is determined by reference to the useful life of the asset.

Authorities may change the method for calculating MRP at any time, however the Authority must explain in a published statement why it has done so, and how the change allows for a more prudent MRP to be calculated. On this basis, the Authority will continue to use the Depreciation Method.

#### 6. Strategic priorities

The Capital Strategy is an integral part of the Authority's overall strategic financial planning and helps to inform and support its Medium-Term Financial Strategy. The capital expenditure

programme links to key departmental strategies, which are all underpinned by the priorities in the Fire and Rescue Plan.

## 7. Operational implications

The overall capital programme will support operational activity within the Authority. Any capital project that has specific operational implications will be considered through the specific business case.

## 8. Financial implications

The proposed Capital Programme will utilise £14.65m of funding from capital receipts, earmarked reserves and grants to fund key capital projects in the five years to 31 March 2029.

The Capital Financing Requirement is expected to increase to £40.8m in 2028/29, which has a direct impact on the Minimum Revenue Provision (MRP) charged to the revenue budget. This results in MRP increasing from £4.1m in 2022/23 to £5.4m in 2028/29 due to increasing capital expenditure. The MRP budget for 2024-25 is £4.2m and this will be reviewed in future years as appropriate.

The Capital Strategy provides several prudential indicators to ensure the Capital Programme is affordable. These prudential indicators are:

**Borrowing as a multiplier of net revenue budget** – used to assess if the level of external debt of the service is sustainable.

**Net capital finance as a % of net revenue budget** – used to assess if the capital programme is affordable in comparison to the funding of the service.

**Interest cost as a % of net revenue budget** – used to assess the impact of the cost to finance the service’s external debt.

Prudential Indicators	Actual 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28
Borrowing as multiplier of revenue budget	0.3 times	0.3 times	0.2 times	0.2 times	0.2 times	0.3 times
MRP as % of net revenue budget	5%	5%	4%	5%	5%	5%
Interest cost as % of net revenue budget	1%	1%	1%	1%	1%	2%

## 9. Legal implications

Department for Levelling Up, Housing and Communities (DLUHC) guidance issued under the Local Government Act 2003 requires authorities to have regard to the CIPFA Code.

There are no further legal implications arising from this decision.

## 10. Staffing implications

Any staffing implications that may arise from any specific capital expenditure will be covered in a business case for approval.

## 11. Equality and Diversity implications

The service will ensure that its capital programme is managed in an equitable and fair manner which does not unduly impact on any particular group.

The actions being taken will not have a disproportionate impact on individuals with protected characteristics (as defined within the Equality Act 2010), when compared to all other individuals, and will not disadvantage people with protected characteristics.

Race	N	Religion or belief	N
Sex	N	Gender reassignment	N
Age	N	Pregnancy & maternity	N
Disability	N	Marriage and Civil Partnership	N
Sexual orientation	N		

The Core Code of Ethics Fire Standard has been fully considered and incorporated into the proposals outlined in this paper.

## 12. Risks

Elements of the capital programme could impact on the strategic risks of the service. These risks are recorded on the Strategic Risk Register which is regularly monitored. Any risks that result from specific capital projects will be updated on the Strategic Risk Register as appropriate.

## 13. Governance Boards

This Capital Strategy and MRP Policy was presented to the following boards:

- Service Leadership Team on 16<sup>th</sup> February 2024.
- Strategic Board on 6<sup>th</sup> March 2024.

## 14. Background papers

Appendix 1 – Capital Strategy and MRP Policy.

**Decision Process**

**Step 1A - Chief Fire Officer Comments**

(The Chief Fire Officer is asked in their capacity as the Head of Paid Service to comment on the proposal.)

.....I support the recommendation

Sign: .....  .....

Date:.....15/03/2024

**Step 1B – Consultation with representative bodies**

(The Chief Fire Officer is to set out the consultation that has been undertaken with the representative bodies)

.....N/A.....

**Step 2 - Statutory Officer Review**

The report will be reviewed by the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority's ("the Commissioner's") Monitoring Officer and Chief Finance Officer prior to review and sign off by the Commissioner or their Deputy.

Monitoring Officer

Sign:



Print: P. Brent-Isherwood

Date: 21 March 2024

Chief Finance Officer

Sign: .....

Print: .....Neil Cross



Date: .... 15/03/2024

**Step 3 - Publication**

Is the report for publication?      **YES**

If 'NO', please give reasons for non-publication (Where relevant, cite the security classification of the document(s). State 'none' if applicable)

None

If the report is not for publication, the Monitoring Officer will decide if and how the public can be informed of the decision.

**Step 4 - Redaction**

If the report is for publication, is redaction required:

- 1      **Of Decision Sheet**                      **NO**
- 2      **Of Appendix**                              **NO**

If 'YES', please provide details of required redaction:

N/A

Date redaction carried out: .....

If redaction is required, the Chief Finance Officer or the Monitoring Officer are to sign off that redaction has been completed.

Sign: .....      Print: .....

Date signed: .....

**Step 5 - Decision by the Police, Fire and Crime Commissioner or Deputy Police, Fire and Crime Commissioner**

I agree the recommendations to this report:

Sign:  ..... PFCC

Print: ..... Roger Hirst .....      Date signed: 22/03/2024 .....