

**The report is Not Exempt**

**The report is for Decision**

**REPORT TO: FIRE AUTHORITY**

**MEETING DATE:** 18 March  
2019

**SUBJECT: Capital Strategy 2019/20**

**SUMMARY**

The Cipfa Prudential Code 2018 introduced the requirement for local authorities to produce a Capital Strategy to demonstrate how Authorities takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability, and affordability.

The Capital Strategy for Mid and West Wales Fire and Rescue Authority (MAWWFRA) sets out the long-term context in which capital expenditure and investment decisions are made. The purpose of the Capital strategy is to tell a story that gives a clear and concise view of how the Authority determines its priorities for capital investment, decides how much it can afford to borrow, and its risk appetite.

**RECOMMENDATIONS:**

That Fire Authority approve the Capital Strategy for 2019/20.

**REPORT APPROVAL**

|  |  |
|--|--|
| <b>Clerk/Monitoring Officer:</b>                     | <b>Comments:</b> Approved<br><b>Date:</b> 11.03.19 |
| <b>Relevant Director:</b>                            | <b>Comments:</b> Approved<br><b>Date:</b> 08.03.19 |
| <b>Section 151 Officer /Treasurer:</b>               | <b>Comments:</b> Approved<br><b>Date:</b> 11.03.19 |
| <b>Chief Fire Officer/ Deputy Chief Fire Officer</b> | <b>Comments:</b> Approved<br><b>Date:</b> 10.03.19 |

**BACKGROUND PAPERS USED IN PREPARATION OF THIS REPORT:**

- Cipfa Prudential Code 2018
- Asset Management Framework
- Estates Strategy
- Corporate Plan 2019-2024
- Sustainability and Environment Strategy
- Treasury Management Strategy (TMSS) 2019/20
- Capital Programme
- Medium-Term Financial Plan (MTFP)
- Budget Guidance

|                                  |                                     |
|----------------------------------|-------------------------------------|
| Presenting the Report:           | Chris Moore<br>Section 151 Officer  |
| Report Author(s) and Designation | Sarah Mansbridge<br>Head of Finance |
| Date original report written     | 22/02/2019                          |

**Mae'r Adroddiad Heb ei eithrio**

**Mae'r Adroddiad AR GYFER PENDERFYNIAD**

**ADRODDIAD I'R: AWDURDOD TÂN**

**DYDDIAD Y CYFARFOD : 18**  
Mawrth 2019

**TESTUN: Strategaeth Gyfalaf 2019-20**

**CRYNODEB:**

Cyflwynodd Cod Darbodus Sefydliad Siartredig Cyllid Cyhoeddus a Chyfrifyddiaeth (Cipfa) ofyniad i awdurdodau lleol lunio Strategaeth Gorfforaethol i arddangos y modd y mae Awdurdodau yn gwneud penderfyniadau ynghylch gwariant a buddsoddiad cyfalaf, a hynny'n unol ag amcanion y gwasanaeth, yn ogystal â'r modd y maent yn rhoi ystyriaeth briodol i stiwardiaeth, gwerth am arian, doethineb, cynaliadwyedd a fforddiadwyedd.

Mae Strategaeth Gyfalaf Awdurdod Tân ac Achub Canolbarth a Gorllewin Cymru yn nodi'r cyd-destun hirdymor lle gwneir penderfyniadau ynghylch gwariant a buddsoddiad cyfalaf. Diben y Strategaeth Gyfalaf yw dweud stori sy'n cynnig golwg clir a chryno ar y modd y mae'r Awdurdod yn pennu ei flaenoriaethau ar gyfer buddsoddiad cyfalaf, faint y gall fforddio ei fenthylg, a'i awydd i gymryd risgiau.

**ARGYMHELLION:**

Bod yr Awdurdod Tân yn cymeradwyo'r Strategaeth Gyfalaf ar gyfer 2019-2020.

**CYMERADWYO'R ADRODDIAD**

|  |   |
|--|---|
| <b>Clerc:</b>  | <b>Sylwadau: Cymeradwywyd</b><br><b>Dyddiad: 11.03.19</b> |
| <b>Cyfarwyddwr:</b>  | <b>Sylwadau: Cymeradwywyd</b><br><b>Dyddiad: 08.03.19</b> |
| <b>Cyllid/Trysorydd:</b>                                   | <b>Sylwadau: Cymeradwywyd</b><br><b>Dyddiad: 11.03.19</b> |
| <b>Prif Swyddog Tân /<br/>Dirprwy Brif<br/>Swyddog Tân</b> | <b>Sylwadau: Cymeradwywyd</b><br><b>Dyddiad: 10.03.19</b> |

**PAPURAU CEFNDIR A DDEFNYDDIWYD WRTH BARATOI'R ADRODDIAD HWN:**

- Cod Darbodus Cipfa 2018
- Y Fframwaith Rheoli Asedau
- Strategaeth yr Adran Ystadau
- Cynllun Corfforaethol 2019-2024
- Y Strategaeth Cynaliadwyedd a'r Amgylchedd
- Y Strategaeth Rheoli'r Trysorlys 2019-2020
- Y Rhaglen Gyfalaf
- Y Cynllun Ariannol Tymor Canolig
- Canllawiau'r Gyllideb

|   |                                     |
|---|-------------------------------------|
| Yn cyflwyno'r Adroddiad:                        | Chris Moore<br>Swyddog A151         |
| Awdur(on) yr Adroddiad a'u Swyddi               | Sarah Mansbridge<br>Pennaeth Cyllid |
| Dyddiad yr ysgrifennwyd yr adroddiad gwreiddiol | 22/02/2019                          |

**REPORT TO THE FIRE AUTHORITY  
18 MARCH 2019  
CAPITAL STRATEGY 2019/20**

**1 Summary**

- 1.1 The Cipfa Prudential Code 2018 introduced the requirement for local authorities to produce a Capital Strategy to demonstrate how Authorities takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability, and affordability.
- 1.2 The Capital Strategy for Mid and West Wales Fire and Rescue Authority (MAWWFRA) sets out the long-term context in which capital expenditure and investment decisions are made. The purpose of the Capital strategy is to tell a story that gives a clear and concise view of how the Authority determines its priorities for capital investment, decides how much it can afford to borrow, and its risk appetite.

**2 National/Wales Position**

- 2.1 As a result of changes to the Cipfa Prudential Code 2018 all Local Authorities are required to prepare a Capital Strategy by 1<sup>st</sup> April 2019.

**3 Mid and West Wales Fire and Rescue Service Current Position**

- 3.1 MAWWFRA has a rolling 5-year Capital Programme which is updated annually through the budget setting process and has regard to a number of Strategies and Plans.
- 3.2 The Capital Programme is prepared by officers, considered by the Executive Leadership Team, and approved by Fire Authority.

**4 Proposal**

- 4.1 The Capital Strategy (Appendix 1) is an overarching document for delivering Capital Investment.
- 4.2 The Capital Strategy sets out the long-term context in which capital expenditure and investment decisions are made. It goes beyond the current 5-year timeframe and requires the authority to focus on a longer planning horizon.

**5 Financial/Procurement Implications**

- 5.1 There are no direct financial implications as a consequence of this proposal.
- 5.2 The Capital Strategy requires the Authority to appraise projects over their anticipated lifecycle to establish the affordability of the whole life of the project.

**6 Risk Assessment/Legal Implications**

- 6.1 To not produce a Capital Strategy would be a breach of the Cipfa Prudential Code.
- 6.2 Not having a Capital Strategy could result in Capital Investment not being in line with the Authority's strategic aims and objectives.

- 6.3 The Capital Strategy will assist officers in identifying and prioritising projects where the Authority's tolerance is extremely low or risk averse, for example, those that could:
- Endanger the safety of service users, employees, members or the general public
  - Damage the Authority's reputation or financial standing
  - Lead to breaches of laws and/or regulations
  - Threaten the future operations of the Authority.

## **7 Equality and Diversity Including Welsh Language**

- 7.1 An Equality Impact Assessment on the strategy is not required, however, each individual capital bid will require an Equality Impact Assessment.

## **8 Human Resource and People Development**

- 8.1 The Capital Strategy will assist officers with responsibility for developing and delivering the Capital Programme by providing a framework and clearer structure.

## **9 Information and Communications Technology (ICT)**

- 9.1 Not considered relevant.

## **10 Estates**

- 10.1 Not considered relevant.

## **11 Service Delivery**

- 11.1 The Capital Strategy will take a longer-term view of the Authority's capital investment requirements and help ensure property, vehicle, plant and equipment are fit for purpose.

## **12 Fire Authority Governance**

- 12.1 It is a requirement of the Prudential Code 2018 that the Capital Strategy is approved by the Fire Authority.

## **13 Consultation & Communication**

- 13.1 The Capital Strategy has been reviewed by all officers of the Strategic Asset and Capital Management Group.
- 13.2 The Executive Leadership Team has recommended approval of the Strategy.
- 13.3 The Capital Strategy has been reviewed by the Deputy S151 Officer of Carmarthenshire County Council.

## **14 Evaluation**

- 14.1 The Capital Strategy will be effective from 1st April 2019 and will be updated annually taking into account officer feedback.

## 15 Well-being of Future Generations (Wales) Act 2015 (WBFGA)

- 15.1 The Well-being of Future Generations (Wales) Act 2015 puts in place a sustainable development principle which tells organisations how to go about meeting their duty under the Act.
- 15.2 The Capital Strategy is closely aligned to the Corporate Plan 2019-2024 which outlines the Service's Strategic Aims and Improvement and Well-being Objectives for 2019/2020.
- 15.3 The table shows how the Well-being of Future Generations Act's 5-ways of working have been considered in developing the Capital Strategy.

| 5-ways        | Capital Strategy  |
|---------------|---|
| Long-term     | Focuses on closing the gap between the current asset base and the assets required to meet the Service's objectives in the future.   |
| Integration   | An overarching strategy that pays cognisance to all other documents which impact on capital investment.   |
| Involvement   | The Strategic Asset and Capital Management Group made up of Heads of Service from across the Authority has responsibility for developing and monitoring the 5-year capital programme. |
| Collaboration | The Capital Programme includes collaboration projects with other emergency services.  |
| Prevention    | The Strategy will assist the Authority in identifying and prioritising projects that address risks and prevent problems from occurring or getting worse.                              |

## 16 Data Protection and Privacy Issues

- 16.1 The proposals within this report will have no direct impact on GDPR and Data Privacy issues. These will be considered as part of the capital projects.

## 17 Recommendations

- 17.1 That Fire Authority approve the Capital Strategy for 2019/20.



Gwasanaeth Tân ac Achub  
Canolbarth a Gorllewin Cymru

Mid and West Wales  
Fire and Rescue Service

# CAPITAL STRATEGY

2019 - 2020



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## 1. Introduction

### 1.1. Background

The Cipfa Prudential Code 2018 introduced the requirement for local authorities to produce a Capital Strategy to demonstrate that the Mid and West Wales Fire and Rescue Authority (the Authority) (MWWFRA) takes capital expenditure and investment decisions in line with service objectives and properly takes account of:

- stewardship
- value for money
- prudence
- sustainability
- affordability

The Capital Strategy sets out the long-term context in which capital expenditure and investment decisions are made. The purpose of the Capital strategy is to tell a story that gives a clear and concise view of how the Authority determines its:

- priorities for capital investment
- decides how much it can afford to borrow
- risk appetite

This Capital Strategy does not duplicate other documents but should be read in conjunction with:

- Asset Management Framework
- Estates Strategy
- Corporate Plan 2019-2024
- Sustainability and Environment Strategy
- Treasury Management Strategy (TMSS) 2019/20
- Capital Programme
- Medium-Term Financial Plan (MTFP)
- Budget Guidance

The introduction of the Capital Strategy requires authorities to use a longer planning horizon than the required three years specified for the setting of prudential indicators. As part of this longer planning horizon, authorities should appraise all substantial schemes over their anticipated lifecycle in order to establish, for example, that the revenue consequences of the capital expenditure can be afforded over the whole life of the project.



This Capital Strategy is a living document that will evolve over time, responding to both user feedback and changing local circumstances.

The Capital Strategy has been developed in accordance with the requirements of the Wellbeing of Future Generations (Wales) Act 2015 and ensures we consider the long-term impact of our decisions on our communities.

## **1.2. Corporate Plan**

Our Corporate Plan sets out our strategic aims for the next five years.



### ***Our Environment***

We will improve our working practices and reduce the impact of our activities on the environment. We will continue to embrace our responsibilities by striving to reduce our carbon footprint, whilst exploring other opportunities to protect and improve the environment around us.

Our Capital Programme includes projects for electric vehicles and associated infrastructure. The Authority has already purchased two Hydrogen fuelled vehicles and electricity assisted bikes. We will create a green infrastructure which will enable us to progress the Ultra Low Emission Vehicle (ULEV) agenda within the Service and with our partners.

We have implemented several Sustainable initiatives through building design, such as Photo Voltaic (PV) Panels, and LED Lighting used on Stations both internally and externally. We will continue to modernise our estate by utilising environmentally responsible and low carbon emitting renewable technologies.



## ***Our Partnerships***

We will work with organisations and individuals with the varied range of skills and expertise essential to achieve continued improvement. We will progress open, collaborative and flexible partnerships that put transparency and inclusivity at the heart of Service delivery. Our Capital Programme includes collaboration projects with other emergency services.

We have worked with South Wales Police and South Wales Fire and Rescue Service to successfully deliver a Joint Public Service Centre at Bridgend. We are currently working with the Welsh Ambulance Service Trust on site sharing projects and future projects are under consideration. We are also statutory partners on six Public Service Boards (PSB) along with our constituent authorities.



## ***Our Future***

We will identify innovative ways of enhancing and improving our business processes and the delivery of our services to our communities

Our Capital Programme includes a range of projects encompassing technological advancements including the Firewatch system, Mobile Data Terminals, Station T2020 hardware. We will continue to develop integrated IT platforms and create a culture of research and development within the Service.



## ***Our Communities***

We will improve the safety and well-being of our communities through holistic interventions and partner engagement.

Capital investment ensures we have the right infrastructure in place to support our communities. Investment in our property, plant and equipment ensures our operational assets are fit for purpose.



## ***Our People***

We will ensure our staff have the knowledge and skills they need to safely deliver and develop our services. We will ensure they have the right capabilities for the future and are representative of the communities they serve.

Providing our employees with a healthy and safe workplace is essential for effective performance. Our Capital Programme ensures that our operational buildings are maintained to the standard required to provide a safe working environment.

In addition to providing a safe environment we will invest in innovative technology to enhance end user experience for recruitment, development, retention and communication.



## ***Our Resources***

We will manage our assets and resources responsibly. We will explore opportunities to improve efficiency by working with other organisations to share functions and minimise duplication.

Our assets need to respond to new risks such as terrorist threats, climate change, the increased risk of flooding as well as both sparsity and population growth. In meeting these challenges, there has been an increase in the number of our specialist vehicles over the past few years, including those which the Welsh Government has provided for National emergencies. In recent years, we have also seen our facilities being used more widely by partner agencies such as the Ambulance Service and Police. We have also led the way with innovative and technological equipment, such as the provision of unmanned aerial vehicles to aid with coordination of fire and rescue incidents.

Looking ahead affordability is one of the main challenges, well informed assessments of what we can afford to provide will be key.



## 2. Capital Expenditure

### 2.1. Capital Expenditure Defined

This section of the Capital Strategy explains how capital expenditure fits in with the authority's wider objectives and the framework in place to ensure effective and sustainable investment.

Capital expenditure is defined by legislation as:

- the acquisition, reclamation, enhancement or laying out of land
- the acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures
- the acquisition, installation or replacement of moveable or immovable plant, machinery, apparatus, vehicles and vessels.

Strategic asset management is the activity that seeks to align the asset base with the organisation's corporate goals and objectives. It ensures that the land and buildings asset base of an organisation is optimally structured in the best corporate interest of the organisation concerned.

Asset management takes:

- A forward view of the Authority's assets to meet its objectives
- A current view of the existing asset base
- A view on how the gap can be closed

### 2.2. Asset Management Framework (AMF)

The AMF provides the framework for establishing new priorities for capital investment in a time when we are likely to see reductions in spending. The effective management of our assets requires a robust understanding of their behaviour and the most appropriate actions to mitigate asset degradation and failure. This understanding must be supported by reliable information, effective processes and delivered by competent people.

Sound asset management practices support sustainable service delivery by integrating community priorities, values, and an informed understanding of the trade-offs between risks, costs, and services.



Asset Management is an integrated process, bringing together skills, expertise, and activities of people; with information about the Service's physical assets; and finances; so that informed decisions can be made to support sustainable service delivery.

The AMF sets out in detail:

- Fleet Portfolio
- Property Portfolio
- ICT Portfolio
- Operational Equipment Portfolio

The AMF incorporates the following key principles for our assets:

- Maintained in a good state of repair
- Fit for purpose
- Flexible and adaptable for the future
- Environmentally sustainable
- Efficient in use and cost
- Inclusive and accessible

Investment in assets requires a long-term view to be taken of future asset requirements, investment needs and ongoing capital and revenue consequences. Investment plans clearly identify the ongoing costs (or savings) associated with the project.

This includes both running and financing costs, as well as any ongoing maintenance requirements (both capital and revenue), to ensure that the asset continues to meet requirements. However, this is balanced against the need to maintain the service potential and economic benefits of existing assets.

The capital forecast includes the ongoing cost of financing existing assets and ongoing maintenance costs, including maintenance condition gaps.

The capital programme is set on a 5-year rolling basis but updated annually to ensure that it remains accurate and in line with strategic direction of the organisation.



### 2.3. Capital Prioritisation

The Capital Programme will be developed based upon the established capital investment requirements to meet the operational and strategic needs of the service. The process will involve working with Estates, ICT, Transport, Operational Risk Management (ORM), and other officers.

The annual timeline for preparing the 5-year Capital Programme is as follows:

- August - Capital Bids submitted to the Corporate Head of Resources and Head of Finance.
- September – Strategic Asset and Capital Management Group (SACMG) will consider new bids, review existing projects and update the 5-year capital programme taking into account funding implications.
- October – Executive Leadership Team (ELT) will consider the 5-year Capital Programme for approval.
- November – the Capital Programme /MTFP will be presented to the Resource Management Committee.
- December - the Capital Programme /MTFP will be presented to Fire Authority for approval.

Capital projects are prioritised for inclusion in the capital programme by:

- Optimising the use of capital resources to those projects identified as delivering the strategic aims and wellbeing objectives of MAWWFRA.
- Consisting of an allocation to fund statutory and regulatory nature. For example, ensuring equipment meets required standards.
- Retained Asset programme consisting of an allocation to fund projects that maintain, improve or lengthen the economic life of the assets that we retain to use in delivering services. For example, programme of steady state maintenance for fire stations determined by reference to condition surveys.
- Replacement Programme for vehicles to maintain the fleet required to deliver services.
- Investment Programme in new projects arising from service improvement and transformational plans for example the Firewatch system.

All capital bids should be accompanied by a robust Equality Impact Assessment (EIA) fully outlining any potential impact associated with the proposed expenditure. The EIA should be considered by ELT prior to the approval or otherwise of the bid. Where bids are approved for proposals where the potential for adverse impact has been identified, robust justification should be provided.



Capital prioritisation also considers the Asset Life Cycle and Capital Investment Relationship.

Timely capital investment can increase asset life, and capital replacement may be deferred. If capital expenditure is restrained, life shortens, and capital replacement moves closer.

There is an intrinsic link between asset management and capital investment. The capital strategy must balance the asset condition with the minimum standard needed to deliver the Service.

Asset Life Cycle stages:

- Early Life - focus is on maintenance and warranty protection.
- Mid Life - some wear and tear deterioration has occurred. Periodic repairs to address emerging problems.
- Late Life - presents a challenge of balance between maintenance, repair and funding strategies.

## **2.4. Capital Monitoring**

Capital monitoring is performed monthly by an Accountant and Accounting Services Manager. Finance liaise with relevant capital project managers to monitor and review spend and assess delivery progress.

Capital Programme monitoring reports are presented to:

- Strategic Asset and Capital Management Group (SACMG)
- Service Leadership Team (SLT)
- Executive Leadership Team (ELT)
- Resource Management Committee (RMC)
- Fire Authority

At year end the spend profile of the Capital Programme is reviewed to establish over and under spends and slippage.



### 3. Debt and Borrowing and Treasury Management

This section of the Capital Strategy provides information on overall debt levels over the longer term and how this will be repaid, limits on borrowing for the year ahead and how the authority manages risk. Summarised below are the key points, the detail can be found in the annual TMSS.

#### 3.1. Sources of Capital Funding

Wherever possible the Authority will use the following sources of capital funding to keep to a minimum the impact on the revenue budget of capital expenditure:

- **Receipts** from the disposal of assets are available to finance future capital expenditure. The Authority has not identified any property assets which are surplus to requirements. Receipts from sale of vehicles are used to part-fund the vehicle replacement programme
- **Capital Expenditure Charged to Revenue Account (CERA)** is a method of funding which involves the appropriation of funds from revenue to reserves either the Capital Fund or Earmarked Reserves e.g. Invest to Save Reserve.
- **Specific Capital Loans** from Welsh Government are becoming increasingly common in this period of austerity. Repayable loans are being used for invest-to-save projects and initiatives which should generate future cashable efficiencies.
- **Grants and Contributions** from external bodies e.g. Welsh Government, are usually awarded for specific purposes with terms and conditions that must be adhered to. In accepting a grant, it is important to consider the revenue implications and future impact on capital arising from asset replacement.
- **Donations** from third parties may be received for either general use e.g. bequeathed, or for specific purpose e.g. co-responder vehicles. It is important that the donations are applied in accordance with the donors' wishes.

The majority of the Authority capital programme is funded from:

- **Borrowing** is used to finance all assets which have otherwise not been funded. The cost of borrowing must be factored in to all financial business cases. Unlike Local Authorities, Fire Authorities do not receive a supported borrowing capital allocation from Welsh Government. Therefore, all revenue costs associated with borrowing will impact on the revenue cost of service, in some circumstances borrowing costs may be offset by efficiencies achieved from invest-to-save projects.
- **Finance Leases** are a type of borrowing which transfer substantially to the lessee all the risks and rewards of ownership of an asset, even though ownership may not be



transferred. This method has been used extensively in previous years for the replacement of appliances. As interest rates have dropped borrowing has provided better value for money.

### 3.2. Prudential Indicators

To ensure capital investment is affordable the Authority will annually calculate its Prudential Indicators:

- Capital Expenditure plans for forthcoming financial year plus two following years.
- Estimates of Financing costs for current and future years. Including interest charged with respect to borrowing, interest payable under finance leases, minimum revenue provision and any additional contributions, gains and losses on early settlement of borrowing.
- Net Revenue Stream using the amount identified in the comprehensive income and expenditure statement for “taxation and non-specific grants”.
- Ratio of Financing Costs to Net Revenue Stream to highlight the impact of capital investment on the revenue budget.
- Capital Financing Requirement (CFR) measures a vital component of the Authority’s capital strategy; the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. It measures the underlying need to borrow for a capital purpose, although this borrowing may not necessarily take place externally.

External debt includes both borrowing and other long-term liabilities i.e. finance leases for MAWWFRA. For a given CFR, the level of external debt is a consequence of a treasury management decision about how much external borrowing to undertake.

The prudential indicators for debt relate to the scale of debt. The Authorised Limit is the upper limit that should never be breached by the Authority. It takes account of all treasury management eventualities, is affordable in the short-term but may not be sustainable.

The Operational Boundary will be based on expectations of the probable maximum external debt of the Authority. The limit will be lower than the Authorised Limit but may be breached because of cash flow fluctuations, for example the timing of raising and repaying loans may lead to peaks of external debt.



Setting prudential indicators will assist the Authority in:

- identifying whether the capital programme is affordable and sustainable;
- determining what is affordable;
- prioritising the capital investment options.

#### **4. Risk Appetite**

Risk appetite can be thought of as the amount of risk an organisation is willing to accept, tolerate or be exposed to, in pursuit of its strategic and organisational objectives. The Authority recognises that its appetite for different types of risks will vary and needs to reflect both its capability and its ability to exercise control.

By virtue of its statutory responsibilities for public services and associated functions the Authority often has limited choice in whether or not to accept or tolerate risk. Clearly there are some types of risks where the Authority's tolerance will be extremely low, or risk averse, for example, those that could:

- Endanger the safety of service users, employees, members or the general public
- Damage the Authority's reputation or financial standing
- Lead to breaches of laws and/or regulations
- Threaten the future operations of the Authority.

It is not possible to articulate the Authority's appetite for every form of risk it may encounter or to predetermine which risks are acceptable or not acceptable. Instead, this strategy aims to inform and strengthen the decision-making process, to ensure that:

- Risks, as well as benefits and opportunities, are always considered, identified and reported
- Risks are assessed and recorded consistently, in accordance with the Authority's risk management methodology
- Proposals which are likely to involve higher or more challenging levels of risk, such as creation of new partnerships, or investments in major projects, are subject to a robust and detailed risk appraisal process
- Risks which are likely to impact the achievement of one or more corporate objectives or to carry significant financial implications are escalated to the Executive Leadership Team for review and approval.
- Exposure to risks for which the Authority's tolerance is low, such as the examples given above, is minimised.



## **5. Commercial Activity**

Some authorities may invest in other financial assets, including loans and property primarily for financial return, which are not part of treasury management activity. MAWWFRA has no material commercial activity and it is not expected that this position will change during the life of this Capital Strategy. If this position were to change then the Authority will need to agree a new Capital Strategy to cover the activity.

## **6. Governance**

### **6.1. Financial Regulations**

The Financial Regulation for the Capital Budget (21.13) details:

- (a) Capital bids for the ensuing financial years shall be prepared by the Chief Fire Officer, in consultation with the Treasurer, for submission to the Authority. Such bids shall include an initial assessment of the revenue consequences of the proposed capital expenditure and the constituent authorities shall be notified accordingly. The Prudential Indicators and Minimum Revenue Provision Policy will be presented to and approved by the Authority with the capital budget.
- (b) Details of the capital approvals received from the Welsh Government shall be promptly reported to the Treasurer, to the Authority and to the constituent authorities.
- (c) In the event of supplementary capital approvals being made available by the Welsh Government subsequent to the formal budget notification process, such approvals shall be reported to the Treasurer, to the Authority and to the constituent authorities.
- (d) Quarterly reports on the current year's expenditure position shall be made to the Authority by the Treasurer and the Chief Fire Officer. These reports shall then be forwarded to the constituent authorities.

### **6.2. Contract Standing Orders**

Article 23 of the Constitution sets out the Contract Standing Orders and requires:

All capital expenditure must be made in accordance with Contract Standing Orders as detailed in the Constitution. Contract Standing Orders (issued in accordance with section 135 of the 1972 Local Government Act) are intended to promote good purchasing practice and public



accountability and deter corruption. Following Standing Orders is the best defence against allegations that a purchase has been made incorrectly or fraudulently.

Officers responsible for purchasing or disposal must comply with the Authority's Contract Standing Orders. They lay down minimum requirements although a more thorough procedure may be appropriate for particular contracts and it is therefore recommended that advice be sought from a member of the Procurement team.

The Standing Order covers both Capital and Revenue expenditure contracts, from large complex Capital Schemes to goods and services of a revenue nature. They must be followed for all spend irrespective of funding source e.g. Fire Authority, Welsh Government etc.

### **6.3. Accounting Policy**

The Authority's accounting policy for Property, Plant and Equipment states:

- Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.
- Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that 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. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.
- The de-minimis level for capitalising assets, with a useful life exceeding 12 months, is £5,000.

### **6.4. Governance in Practice**

The Fire Authority has the decision-making power to agree and adopt the Capital Programme.

The Resource Management Committee (RMC) consider and make recommendations to the Fire Authority in relation to all capital expenditure and the revenue consequences arising there from and methods of financing.

The Executive Leadership Team (ELT) recommends the Capital Programme to the Fire Authority, considers amendments and monitors progress.

The S151 Officer (Treasurer) leads on the MTFP including the Capital Programme.



The deputy S151 Officer (Head of Finance) advises on the MTFP, development of the Capital Programme and subsequent monitoring thereof.

The Service Leadership Team (SLT) monitors the Capital Programme.

It is the remit of Strategic Asset and Capital Management Group (SACMG) to develop the 5-year capital programme for ELT consideration and monitor the current year Capital Programme.

Project Managers are responsible for the day-to-day managing of projects ensuring projects are delivered in budget and on time.

## **7. Knowledge and Skills**

The capital investment and treasury management activities of local authorities require access to a range of specialist skills.

The Capital Programme and Treasury Management Strategy are managed by professionally qualified accountants with extensive Local Government finance experience. They follow a Continuous Professional Development Plan (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills.

The Authority's Section 151 Officer is the officer with overall responsibility for Capital and Treasury activities and views the strategy to be prudent and affordable and fully integrated with the Authority's MTFP, Treasury Management Strategy and other Strategic Plans.

Internal and external training is offered to members on an annual basis to ensure they have up to date skills to make capital and treasury decisions. A register is also kept on member attendance. The Authority also involves members at a very early stage of a project's life cycle.



Gwasanaeth Tân ac Achub  
Canolbarth a Gorllewin Cymru

Mid and West Wales  
Fire and Rescue Service

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