SOUTH YORKSHIRE FIRE & RESCUE AUTHORITY

THE CAPITAL INVESTMENT STRATEGY 2022/23

INDEX

1 EXECUTIVE SUMMARY

1.1 This Capital Investment Strategy has been prepared in accordance with the CIPFA Prudential Code 2017 which local authorities must ‘have regard to’ when carrying out their duties in England under Part 1 of the Local Government Act 2003.

1.2 The Capital Investment Strategy forms a key part of the Authority’s overall planning process. It provides a mechanism by which capital expenditure and investment decisions are aligned over a medium term planning period with the Authority’s Integrated Risk Management Plan (IRMP) and the four core priorities that it looks to achieve:

- Valuing People – those we serve and employ;
- Maximising Efficiency – making our resources go further;
- Making People Safer – working to prevent emergencies; and
- Responding to Emergencies – effectively and safely.

1.3 This Capital Investment Strategy sets the framework for all aspects of the Authority’s capital and investment expenditure including prioritisation, governance, planning, outcomes, management, funding and monitoring. It is also linked and cross-referenced to the Authority’s other strategies and plans.

1.4 The objectives of the Capital Investment Strategy are to:

- Provide a framework together with a clear set of objectives, within the CIPFA codes and statutory legislation, by which new projects are evaluated to ensure that all new funding is targeted at meeting the priorities within the Authority’s Integrated Risk Management Plan;

- Set out how the Authority identifies, programmes and prioritises funding requirements and proposals;

- Consider options available for funding expenditure and how resources may be maximised to generate investment in the area. To determine a prudent, affordable and self-sustaining funding policy framework, whilst minimising or mitigating the ongoing revenue implications of any such investment;

- Identify the resources available for investment over the planning period;

- Ensure the strategy has an overall balance of risk on a range of projects over time, funding mechanism and rate of return; and

- Establish effective arrangements for the management of expenditure including the assessment of project outcomes, budget profiling, deliverability, outcomes, value for money and security, liquidity and yield of investments.

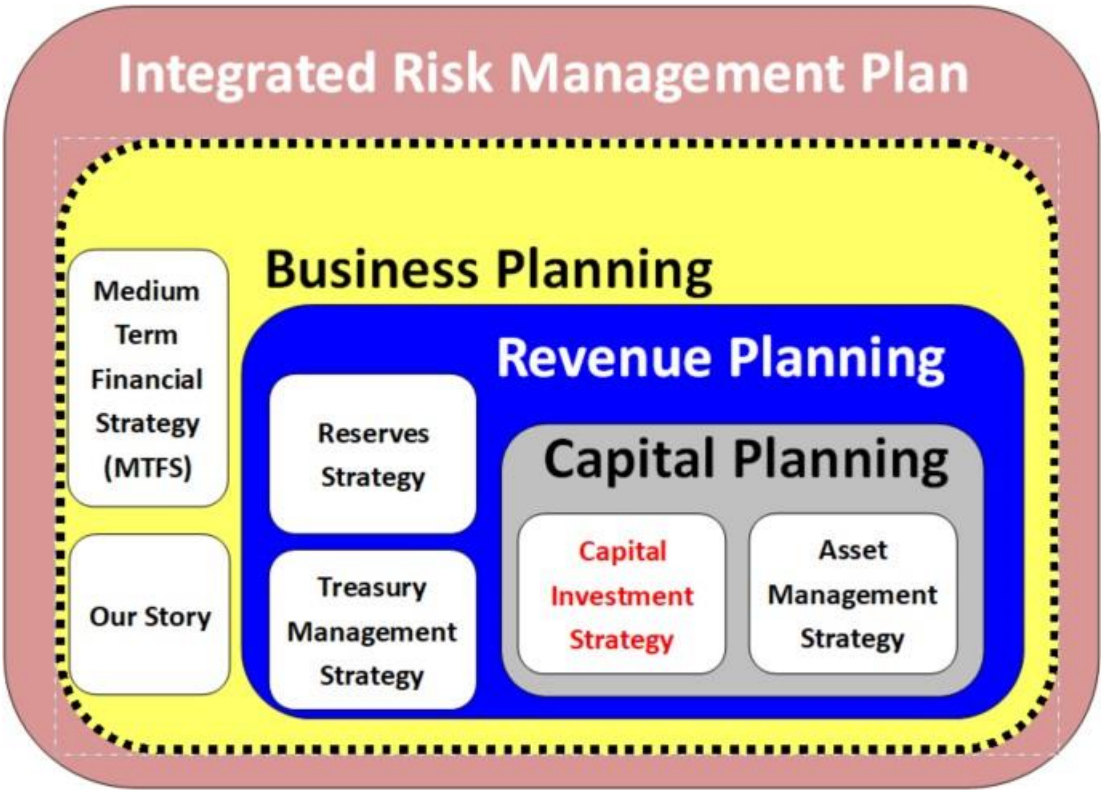
2. STRATEGY FRAMEWORK

2.1 The framework established by the Prudential Code supports local strategic planning, local asset management planning and proper option appraisal.

2.2 The Capital Investment Strategy forms a fundamental part of the Authority's overall planning process and, like the other budget papers, is formulated within the context of the Integrated Risk Management Plan and Medium Term Financial Strategy framework

2.3 The Capital Investment Strategy is an integral part of the Medium Term Financial Strategy as it complements and informs various elements of the budget setting cycle, predominately the Treasury Management and Reserves strategies respectively.

2.4 The graph below shows how the Capital Investment Strategy fits into the wider planning framework and the links into the budget process.



2.5 There are extensive connections between the Authority's various strategies and plans due primarily to the way they interrelate with and inform each other. Where applicable, these are cross-referenced throughout the Capital Investment Strategy and vice versa.

3 CAPITAL EXPENDITURE

What is Capital Expenditure?

3.1 An understanding of what constitutes capital expenditure is fundamental to realising the benefits that an authority can obtain under the Prudential Framework.

3.2 The Local Government Act 2003, which includes the legislation for the capital finance system, does not specify what precisely constitutes capital expenditure. Instead it-:

- Refers to “expenditure of the authority which falls to be capitalised in accordance with proper practices; and

- Enables the Secretary of State to prescribe by regulation that the spending of a particular local authority shall, or shall not, be treated as capital expenditure.

3.3 The Authority defines capital expenditure/investment as “Expenditure on the acquisition, creation, or enhancement of non-current assets”. Non-current assets include those items of land, property and plant/equipment, which have a useful life of more than one year.

3.4 The following categories of expenditure will require capital resources to fund their purpose:

- The acquisition, reclamation, enhancement or laying out of land exclusive of roads, buildings or other structures;

- The acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures;

- The acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels;

- The making of advances, grants or other financial assistance towards expenditure or on the acquisition of investments;

- The acquisition of share capital or loan capital; and

- The acquisition of computer software, plus the in-house preparation of it, provided that the intention is to use the software for at least 1 year.

3.5 Enhancement of an existing fixed asset means:

- To lengthen the useful life of the asset; or

- To increase substantially the open market value of the asset; or

- To increase substantially the extent to which the asset can be used for the purposes of or in connection with the functions of the Authority.

3.6 There are two additional situations where expenditure may be capitalised:

- The Secretary of State makes a direction that the expenditure is permitted to be treated as capital expenditure. For example, the Secretary of State issued a capitalisation direction to allow local authorities the opportunity to apply for redundancy expenditure to be treated as capital instead of revenue. These directions are only issued in exceptional circumstances; and

- Expenditure incurred on works to any land or building in which the Authority has no future direct control or benefit from the resultant assets, which would be capital expenditure if the local authority had an interest in that land or building. This is commonly known as (Revenue Expenditure Funded by Capital Under Statute) (REFCUS).

3.7 Unless expenditure qualifies as capital, it will normally fall outside the scope of the framework and therefore be charged to revenue in the period that the expenditure is incurred. If expenditure meets the definition of capital, there may be opportunity to finance the outlay from available resources (reserves / receipts) or by spreading the cost over future years' revenues (borrowing) where it is prudent to do so.

De Minimis

3.8 The Authority operates a de-minimus limit of **£10,000.** This means that, whilst expenditure may meet the definition of capital expenditure, the Authority will treat that expenditure as revenue, if the amount is below the de-minimus threshold.

Flexible Use of Capital Receipts

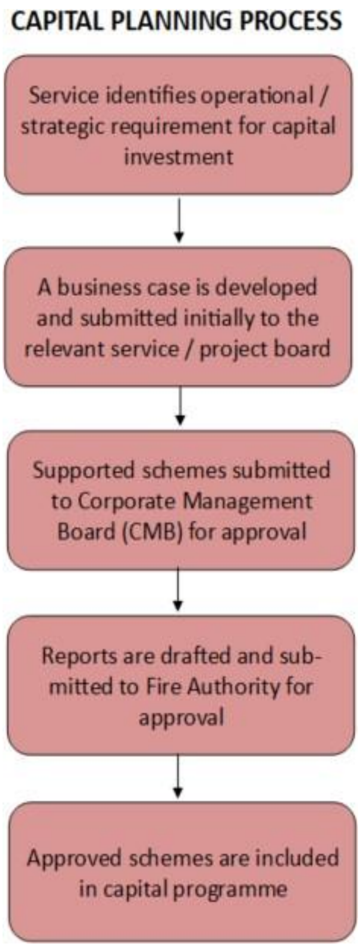
3.9 The Authority also has the opportunity to utilise its capital receipts (which are ordinarily to be used on capital expenditure), on revenue expenditure relating to service transformation projects that are expected to generate revenue savings to the Authority.

3.10 Some examples include: funding the cost of service reconfiguration, restructuring or rationalisation, sharing the costs of senior management, improving systems and processes to tackle fraud and corruption and setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue.

3.11 The Authority, has, at this time, not exercised this flexibility.

Capital Programme Governance & Prioritisation Process

3.12 For any new schemes, the Function or Service Lead will need to work with Finance Lead to prepare a Business Case for consideration and support initially by a relevant Service or Project Board and then by the Executive (and Corporate Management Board). If supported, the scheme is presented to Members for consideration and included in the Capital Programme. This is illustrated in the diagram below:



3.13 The Authority has a rolling four year capital programme that is subject to an annual update process. As part of the FRA's Medium Term Financial Strategy (MTFS) and Financial Regulations, it is a requirement to refresh the forward capital programme. To do this, a review of each scheme in the existing approved capital programme is completed and where necessary, considers making amendments or progress possible new inclusions, aligned to strategic and service priorities. This annual review enables the FRA to ensure that the capital programme is moving in the right direction and is targeted towards meeting the key strategic priorities. This approach supplements the regular reporting in of schemes to relevant SYFR Boards e.g. Property Board, and ultimately to the SYFR Programme, chaired by the Deputy Chief Fire Officer.

3.14 Once approved, each scheme is monitored by the relevant Service or Project Board and by CMB and the Authority as part of routine financial and project performance reporting. In addition, on the completion of a project, a project closure report is required to be presented to the Programme Board to enable an evaluation of the project to be completed, the extent to which expected outcomes and benefits have been delivered and whether any lessons could be learned.

3.15 The Authority's capital investment programme is summarised in the table below, which includes capital schemes that are put forward for approval as part of the budget setting report and future indicative proposals.

	LATEST CAPITAL PROJECTION 2021/22 £m	**LATEST CAPITAL PROJECTION 2022/23 £m**	**LATEST CAPITAL PROJECTION 2023/24 £m**	**LATEST CAPITAL PROJECTION 2024/25 £m**
Estates	4.145	3.925	4.575	4.375
Transport	2.111	0.241	3.472	2.710
ICT and Comms	0.879	0.205	0.405	0.420
Operational Equipment	2.352	0.356	0.477	0.112
TOTAL	**9.487**	**4.727**	**8.929**	**7.617**

4 THE AUTHORITY'S CAPITAL ASSETS & MANAGEMENT OF THOSE ASSETS

What Type of Capital Asset Does The Authority Control?

4.1 The Authority is responsible for a wide variety of capital assets, which are located physically throughout South Yorkshire. The Authority controls, but not necessarily legally owns these assets, for a number of reasons:

- firstly, the Authority may have inherited them as part of local government reorganisation and by virtue of the existence of the Authority in its legal capacity as a local authority;
- secondly, the assets could have been purchased or enhanced by the Authority through capital investment via its capital programmes over the years e.g. new fire stations and software packages;
- thirdly, the Authority could have leased the assets e.g. leased vehicles.

4.2 These assets are shown in the table below, with their respective value to the Authority as at the 31st March 2021, in accordance with the regulatory reporting requirements. It must be noted that these values do not necessarily constitute what the Authority actually paid for these assets as the asset base are valued regularly to their current existing use value and depreciated over its useful life.

4.3 It is important to understand the make-up of the overall Authority asset base when considering this Capital Investment Strategy from the contextual viewpoint that ultimately the Authority's capital (and revenue) programmes contribute towards maintaining, enhancing and adding to this asset base. A synopsis of each category, together with illustrative examples and commentary of any specific issues is shown in the subsequent paragraphs.

Asset Category	Value as at 31st March 2021 £M
Land & Buildings (inc. Under Construction)	47.654
Vehicles, Plant, Furniture & Equipment	8.015
Surplus & Held for Sale Assets	-
Intangible Assets	0.174

<u>Land & Buildings</u>

4.5 Land and buildings represent other operational assets of the Authority, used in the provision of services, with the main category being obviously fire stations.

<u>Vehicles, Plant, Furniture & Equipment</u>

4.6 The vehicles, plant, furniture & equipment category is relatively self-explanatory and includes both leased and owned assets including fire engines and pump equipment.

Surplus & Held for Sale Assets

4.7 Surplus assets are assets that are deemed surplus insofar as they are no longer providing services on the Authority's behalf, but they are not designated held for sale.

4.8 Assets Held for Sale are assets that are, in financial reporting terms, designated held for sale which means they are actively being marketed and there is an expectation that these assets will be sold within the next 12 months.

Intangible Assets

4.9 Intangible assets are non-physical; capital assets held by the Authority; examples include software packages. The Service has an ICT asset management strategy to cover these types of assets.

The Authority's Asset Management Strategy

4.10 The Authority / Service continues to be committed to continuous improvement and is putting in place robust future asset and financial plans to ensure its infrastructure is fit for purpose and is able to effectively support the Service over at least the next 5 to 10 years.

4.11 Work is already underway across the four service areas: Estates, Transport, ICT and Operational Equipment and will help inform and update financial and investment plans for the next 5 to 10 years. This work is timely given the ongoing collaboration work for both Estates and Transport.

5 CAPITAL FUNDING

How is Capital Expenditure Funded?

5.1 The Authority's Capital Programme is currently funded from a variety of sources, which are explained in the paragraphs below, together with the process by which these sources are used/prioritised and any wider implications moving forwards.

5.2 The Authority's overall strategy with regards capital funding is to bring together the resources that it can control i.e. not ring-fenced / time limited and considers them collectively against the Authority's capital priorities holistically.

5.3 Each funding source and the specific variants on each funding source that is available to the Authority are outlined in the following paragraphs.

Funding Sources

Capital Receipts

5.4 The Authority is able to generate capital receipts through the sale of surplus assets such as land and buildings.

5.5 Such receipts are received with no restrictions as to their use.

Reserves

5.6 The Authority holds reserves on its balance sheet that are generally an accumulation of previous years' underspends against approved budgets.

5.7 Reserves can be used to fund / support any type of expenditure, but the Authority follows an 'in principle' approach of using its 'one off' reserves to fund one off expenditure.

5.8 The Authority's Reserves Strategy adopts this principle and allocates its reserves on the following basis:

- Establish a Minimum Working Balance as a contingency for unforeseen events as determined by the S151 officer. This is currently £5.0M; then

- 'Ringfenced' until such time as the Authority is in a position to present and approve a prudently balanced MTFP 2022-2025; then

- Subject to the above, support new capital investment schemes which minimises / avoids the 'need to borrow'.

Revenue Funding (RCCO)

5.9 The Authority can use revenue resources to fund capital projects on a direct basis and ordinarily, this is done on a specific scheme/project basis, usually of relatively small scale. This is due to the impact of austerity measures imposed by the Government, which has seen the Authority's' revenue budget reduced and therefore, has limited options in this area.

Capital Grants

5.10 A proportion of the capital funding that the Authority receives relates to capital grants, usually received from Central Government.

5.11 Capital grants may have conditions and restrictions regarding what it can be used on and the time limit in doing so, where applicable.

5.12 *Grants with Restrictions* – where restrictions are applied to grants, this means that the Authority is restricted as to what they can spend the grant on. Therefore, the Authority aligns these specific grants to the schemes that satisfy the inherent conditions of the grants.

5.13 *Grants with No Restrictions* – where the Authority receives any grant that is not subject to any conditions or restrictions, these resources are held corporately, pending the Authority's Reserve Strategy and MTFS, which makes them available for consideration against the Authority's corporate capital priorities.

Capital Contributions

5.14 The Authority may receive capital contributions that fund elements of the capital programme.

5.15 In a similar manner to grants, capital contributions can be either recurrent or one-off and they can either be subject to restrictions and conditions. Typically, most contributions tend to be restricted and one-off in nature, though these characteristics are determined by each individual agreement.

5.16 Where contributions are received with conditions, specific schemes are proposed to spend the contribution accordingly, in line with the restrictions stipulated. In the event of an unrestricted contribution being received, these resources are held corporately, pending the Authority's Reserve Strategy and MTFS, which makes them available for consideration against the Authority's corporate capital priorities.

Leasing

5.17 The leasing route in respect of funding capital expenditure allows those capital costs to be spread over a number of years where prudent and affordable to do so and is commonly compared with borrowing in respect of a value for money assessment over the life of a scheme.

5.18 Leasing is a series of rental payments in exchange for use of an asset and they tend to be specific to certain elements of the capital programme, specifically buildings, vehicles and equipment.

5.19 In accounting terms, there are currently two types of lease, an operating and a finance lease, the treatment of which are very different in the context of capital financing.

- An operating lease is one where the risk and reward remains with the lessor and therefore the asset remains on the lessor's balance sheet, with the annual rentals being expensed through the revenue budget.

- A finance lease is one that does transfer the risks and rewards to the lessee, and therefore the asset does transfer to the lessee' balance sheet via a capital transaction. At the point of inception of the lease, a liability is created to finance the asset over the lease term, with the annual rental being split notionally between interest and principal.

5.20 The implications on the capital position of the Authority of finance leases is that the debt requirement is increased as a result, albeit, it's a funded credit facility in its own right, nevertheless it does increase that requirement.

5.21 In 2022/23, the accounting requirements are changing in respect of leasing, through a revision to accounting standard IFRS 16. The change means that there will no longer be the distinction of finance and operating leases – all leases will be now effectively finance leases which means that the Authority's debt requirement will increase as a result. Decisions to lease in the future will be considered against this new accounting standard.

Prudential Borrowing

5.22 The introduction of the Prudential Code in 2004 allowed the Authority to undertake government funded borrowing itself. This borrowing is subject to the requirements of the Prudential Code for Capital Expenditure for Local Authorities, which ensures that any unsupported borrowing is affordable, prudent and cost effective. This type of borrowing has revenue implications for the Authority in the form of financing costs from both an MRP and interest point of view. The Authority's Reserves Strategy is to ostensibly fund new capital requirements rather than borrow in the first instance.

Capital Funding Approach

5.23 The Authority will look to actively follow an approach to capital funding as set out below, although may make changes to this approach if it is deemed necessary in order to deliver priority outcomes and/or maximise its resources.

- Time limited funding – funding that must be used within a specified time period will usually be applied first, assuming that there is expenditure that it can be legitimately be applied to. This is subject to any requirements for match funding.

- Ring-fenced funding – funding linked to a particular scheme or type of scheme will be allocated in full to the relevant capital projects.

- Where the Authority has discretion over how the funding can be spent, including non-restricted grants and contributions and its internally generated resources (capital receipts, revenue contributions, reserves etc.), these resources are considered holistically together and prudently used against the Authority's corporate priorities.

- Match funding – where match funding of the Authority's own resources is required to lever in external funding, the match element will be considered as a capital priority in its own right and is therefore subject to the same capital prioritisation process as other capital priorities.

6 TREASURY MANAGEMENT

What is Treasury Management?

6.1 CIPFA defines treasury management as:

"*The management of the organisation's borrowing, 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"*

6.2 The definition above immediately explicitly links this Capital Investment Strategy ("*capital market transactions*") to the Authority's Treasury Management Strategy ("*Borrowing, investment and cash flows*"). The Capital Investment Strategy and Capital Programme determines the borrowing need of the Authority, essentially the longer term cash flow planning, to ensure that the Authority 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. On occasion, any debt previously drawn may be restructured to meet Authority risk or cost objectives.

The Treasury Management Strategy

6.3 The Authority's Treasury Management Strategy, which is prepared in accordance with the requirements of the Local Government Act 2003, that stipulates that local authorities must 'have regard to' a number of statutory codes, including the CIPFA Prudential Code & Treasury Management Code, is approved annually by full Authority as part of the budget setting process.

6.4 In broad terms, the TM Strategy sets out the following:

- the Authority's Treasury Management Policy (the key objectives for its treasury management activities);
- the Authority's capital expenditure plans and related indicators;
- the Authority's MRP Policy (how its debt repayments will be provided for over time);
- the Authority's borrowing strategy (how the Authority's borrowings are to be organised);
- the Authority's Annual Investment Strategy (the parameters on how investments are to be managed).

The Authority's Borrowing Need, The External Debt Position & Associated Debt Limits

<u>The Authority's Borrowing Need (The CFR)</u>

6.5 The measure that the Authority assesses its debt position is the Capital Financing Requirement (CFR), which is essentially a measure of the Authority's underlying borrowing need. Included in the Treasury Strategy, Members are asked to approve the CFR projections below, which include both approved and anticipated capital expenditure that are not financed by using available resources i.e. Prudential Borrowing:

Estimated CFR	2021/22 (£M)	2022/23 (£M)	2023/24 (£M)	2024/25 (£M)
Opening Balance	29.983	34.817	38.987	47.292
Add Net Financing Need	5.220	4.627	8.829	7.517
Less Amounts Set Aside to Repay Debt	(0.386)	(0.457)	(0.524)	(0.638)
Closing Balance	**34.817**	**38.987**	**47.292**	**54.172**

6.6 By the end of the 2024/25 financial year, it is estimated that the Authority's debt requirement will total £54.2M, an overall net increase of £19.4M from the estimated opening 2021/22 position.

6.7 The capital expenditure decisions that are made in the context of this Capital Investment Strategy inform the estimated CFR position in future years, which are only approved if they meet the prudent and affordable criteria.

External Debt

6.8 The table below measures the Authority's overall external debt position (including leasing) against its underlying estimated borrowing need or CFR.

	2020/21 (£M)	2021/22 (£M)	2022/23 (£M)	2023/24 (£M)
Borrowing CFR	29.983	34.564	37.870	41.660
Gross Borrowing	(23.248)	(23.168)	(23.168)	(22.168)
Under-Borrowed Position	**6.735**	**11.396**	**14.702**	**19.492**
Support from Useable Reserves	(6.735)	(11.001)	(10.925)	(10.819)
External Borrowing Requirement	**-**	**0.395**	**3.777**	**8.673**

6.9 This measure is designed to ensure that total debt does not exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue purposes.

Debt Limits

6.10 *The Operational Boundary* is the Authority's limit beyond which external debt is not normally expected to exceed. This limit is set to match the Capital Financing Requirement as shown above:

Operational Boundary	2021/22 (£M)	2022/23 (£M)	2023/24 (£M)	2024/25 (£M)
Debt	34.817	38.987	47.292	54.172

6.11 *The Authorised Limit* represents a control on the maximum level of borrowing and provides an absolute limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Authority. It reflects the level of external debt, which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. The Authorised Limit has been set at £4M above the Operational Boundary. This is the statutory limit determined under Section 3 (1) of the Local Government Act 2003.

Authorised Limit	**2021/22** (£M)	**2022/23** (£M)	**2023/24** (£M)	**2024/25** (£M)
Debt	38.817	42.987	51.292	58.172

Borrowing Strategy

6.12 The Authority's general policy objective is to ensure its level of debt is prudent, affordable and sustainable over the longer term (i.e. **keeping financing costs to a minimum** whilst **addressing the key associated risks**):

- Interest Rate Risk
- Refinancing Risk

6.13 To limit the impact of a future rise in interest rates, the proposed strategy is to maintain a minimum proportion of fixed rate borrowing of 70%. In order to achieve this target, the Authority is likely to require £15.8M of fixed rate borrowing over the period, with the majority arising in 2023/24 or later. The remaining 30% could be funded through temporary borrowing and internal cash resources.

6.14 To protect the Authority from refinancing risk, officers will operate within the maturity limits set out in the TM Strategy. The Authority has a balanced maturity profile which is currently well within these limits.

Debt Repayment Policy

6.15 The method by which the Authority's underlying borrowing requirement is reduced over time, is through the Authority's adopted minimum revenue provision policy.

<u>Minimum Revenue Provision (MRP)</u>

6.15 The Minimum Revenue Provision (MRP) is a charge to the revenue account in relation to (current and residual) General Fund capital expenditure financed by borrowing, as required by the Local Authorities (Capital Finance and Accounting) Regulations 2003. The Authority is required to determine an amount of MRP, which it considers prudent - this amount reduces the CFR.

6.16 The Authority has to approve the MRP Policy on an ongoing, annual basis which sets out the rationale and approach to the MRP charge, which is submitted as an appendix to the Treasury Management Strategy and considered accordingly.

Other Long-Term Liabilities

6.17 The Authority also holds some other long-term liabilities on its balance sheet, which mainly relate to financing of leasing schemes.

6.18 In accounting terms, finance leases are accounted for as ‘on balance sheet’, which means that the Authority, though not legally owning the associated assets, recognise them on its balance sheet as they have deemed control – which increases the CFR as they haven’t yet been financed fully.

6.19 What the accounting rules also requires is that a liability is recognised at the time of control to recognise that these arrangements are effectively funding the capital cost of the asset over the length of the lease. In effect, the long-term liability is a credit facility in its own right.

7 COMMERCIAL ACTIVITY / INVESTMENTS & RISK APPETITE STATEMENT

What is Commercialism?

7.1 Since 2010, Central Government's austerity measures have hit fire authorities' financial position particularly hard with significant loss of government funding over that period. Whilst difficult decisions have been, and continue to be, made, this pressure has also acted as a driver for creative solutions right across the country.

7.2 Fire Authorities are identifying and are using approaches that are more enterprising in nature, in order to balance their budgets. These include actively seeking new and innovative revenue streams to plug the funding gaps.

7.3 In response to this 'commercial' activity, the Government decided to reissue a piece of statutory guidance around investments, that was originally issued as part of the 2003 Local Government Act, in an attempt to try and improve transparency and openness relating to some of the non-traditional local authority investments.

7.4 A range of new disclosures and reporting mechanisms were introduced as a result, which included a requirement for local authorities to clarify how "non-core investments" contribute towards their core objectives to deliver services to residents.

7.5 Fire authorities are also required to consider a list of quantitative indicators, which will highlight the total risk exposure from borrowing and commercial investment decisions and aid the decision making process for members. Where a fire authority is or plans to become dependent on yield bearing investment activity to achieve a balanced revenue budget, disclosures should be made detailing the extent to which funding expenditure to meet the core functions of the fire authority is dependent on achieving the expected net yield.

Risk Appetite Statement

7.6 This outlines South Yorkshire Fire and Rescue Authority's risk appetite with regard to its investment and commercial activities.

7.7 For the purpose of this statement, the Authority has adopted the Orange Book (UK government publication on the strategic management of risk within government) definition of Risk Appetite, namely "the amount of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time." It is important to note that risk will always exist in some measure and cannot be removed in its entirety.

7.8 Additionally, in order to realise investment and commercial gains, risks need to be considered both in terms of threats to the Authority as well as positive opportunities. It is worth noting that the Public Accounts Committee supports well-managed risk taking across government, recognising that innovation and opportunities to improve public services requires risk taking, providing that the ability, skills, knowledge and training to manage those risks well exist within the organisation or can be brought to bear.

7.9 The Authority's risk appetite statement sets out how it balances risk and return in pursuit of achieving our objectives. It is intended to aid careful decision-making, such that the Authority takes well, thought through risks to aid successful delivery of its services and obligations, while also understanding the adverse aspects of risk undertaken and taking appropriate measures to mitigate these in line with its stated goals. Thereby, the Authority's risk judgements are more explicit, transparent and consistent over time.

7.10 The risk appetite statement forms a key element of the Authority's governance and reporting framework and is set by full Authority, which also reviews the statement annually. In addition, the risk appetite will be considered annually and monitored on an ongoing basis by senior management, external risk advisors and the Audit & Governance Committee as appropriate.

7.11 The following points give indication of the Authority risk appetite:

- The Authority does not invest in any assets / investments purely for commercial return.

- The Authority does not invest in any assets / investments that are outside of South Yorkshire with all investments contributing towards the corporate priorities for the residents of South Yorkshire.

Treasury Management Investments

7.12 The investments made in respect of the Treasury Management Strategy relate to ones that assist the Authority in managing timing issues concerning general, day-to-day management of its cash and bank balance positions. These investments are not included within the Authority's capital programme and therefore do not form part of the capital financing requirement.

7.13 The Authority's general policy objective is to invest its surplus funds prudently, which involves managing a number of associated risks.
The Authority's investment priorities (in order) are as follows:

- the security of capital;
- the liquidity of investments; and
- optimum yield commensurate with the above.

Non-Treasury Investments

7.14 On the contrary to the treasury management investments, the non-treasury investments are included in the Authority's capital programme and are subject to the capital financing regulations as set out in law. If such investments are funded from borrowing, then like any other scheme, they would increase the Authority's capital financing requirement and the revenue budget would incur an ongoing obligation for both MRP and the interest charge over the long term.

8 SKILLS & KNOWLEDGE

In House Resources

8.1 The successful implementation of the Capital Investment Strategy necessitates the availability of people with the necessary experience of:

- developing capital projects;
- acquiring and selling properties;
- commissioning partners to deliver the capital programme;
- managing properties as a landlord;
- sourcing suitable opportunities that match the criteria set under the adopted strategy.

8.2 The Fire Service's Asset Management team covers a number of sections that reflects its operational and non-operational asset portfolio. This team comprises:

- Estates & Facilities Management;
- Joint Head of Vehicle Fleet Management;
- ICT and Digital Manager; and
- Group Manager – Operational Support & Technical Services.

Internal Finance Team

8.4 The Capital Programme is managed and monitored by South Yorkshire Fire and Rescue Service's finance team, which is headed up by the Director of Support Services and consists of:

- Head of Finance;
- Senior Accountant; and
- Two Accountants.

8.5 The internal finance team is led by two CCAB Qualified professionals who together have over 40 years of finance experience in the public sector.

Externally Available Resources

8.6 The Authority's Section 151 Officer is the officer with overall responsibility for the financial stewardship of the Authority and is a professionally qualified accountant and follows an ongoing Continuous Professional Development programme.

8.7 The Authority's Treasury Management operational and strategic activities are carried out by the Barnsley MBC finance team which comprise of professionally qualified accountants with extensive Local Government finance experience between them. They all follow a Continuous Professional Development Plan and attend courses on an ongoing basis to keep abreast of new developments and skills.

8.8 The Authority (via Barnsley MBC) also uses external treasury management advisors, Link Asset Services for bespoke advice and guidance.

Members

8.9 Members are familiar with the budget process and approve the Treasury Management Strategy and overall Authority Budget. Any additional training requirements will be discussed with the Authority's Governance team.

8.10 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.

8.11 The knowledge and skills of officers and members are commensurate with the Authority's risk appetite.

9 REFERENCES

DOCUMENT
1.1 **Budget Papers:**
Integrated Risk Management Plan (IRMP) 2022-2025
2022 - 2025 Capital Programme
Reserves Strategy
Treasury Management Strategy
1.2 **Asset Management Strategies:**
Estates Plan
Vehicle Management Plan
ICT & Digital Strategy
Operational Equipment Strategy
1.3 **Other Financial Documents:**
2020/21 Statement of Accounts

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