Essex County
Fire & Rescue Service

Essex County Fire and Rescue Service Capital Strategy and MRP Policy

2025/26

Last updated on 13 January 2025

Contents

1. Background

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 objectives of the Prudential Code are to ensure that capital investment plans are affordable, prudent, and sustainable. To further that objective, a longer-term capital plan has been developed over ten years.

As part of the Capital Planning process, there has been a review of the cycle to which Fire appliances and vehicles are procured. The Capital plan that has been developed tries to smooth out the capital expenditure profile, and to avoid the peaks of having high capital expenditure in specific years.

Given the challenging financial environment, the Authority has also had to make some key adjustments to its Capital Programme which include:

- The removal of the wholetime station modernisation programme.

- To place the joint fleet workshop collaboration with Essex police on pause.

Under the new Government, the Chancellor has announced that there will be a multi-year spending review, which will conclude in Spring 2025. There is a one year settlement for 2025/26 whilst this spending review is undertaken. Further spending reviews will then be conducted every two years.

The capital plan will be kept under review and the projects above will be reviewed further following the announcement of publication of the multi year spending review.

The Authority engaged the Chartered Institute of Public Finance and Accountancy (CIPFA) to review its MRP policy and application. CIPFA concluded that, based on the evidence available and the explanations provided, the approach taken appeared to be reasonable, albeit more prudent than necessary.

CIPFA has recommended re-writing its MRP policy going forward and to consider the key recommendations made in its report. The Authority is implementing some changes in the policy following the review as described in Section 5 and will further review the MRP policy and application in line with the recommendations including review of the asset lives, considering using annuity method for some longer life assets and componentisation of assets. This review will be in 2025/26.

The core principals of the Capital Strategy are:

- The Capital Strategy is **affordable** in line with the Medium Term Financial Strategy.
- The Capital Strategy **supports the outcomes** of the Fire and Rescue Plan and Annual plan and **strategically aligns** to the Community Risk Management Plan.
- **Value for money** is achieved, while maximising the Authority’s ability to deliver against is objectives.

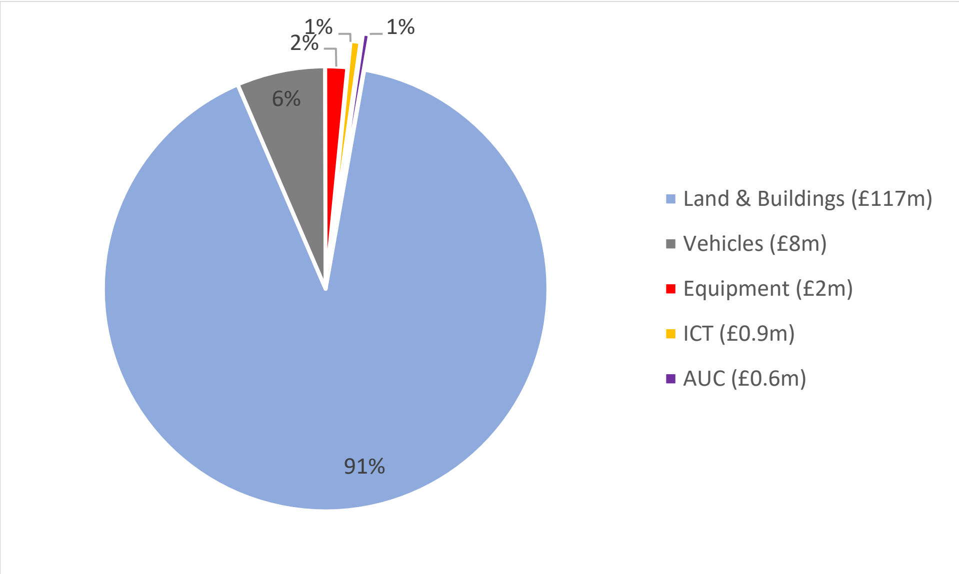
- Where borrowing is required, it is undertaken in line with CIPFA's prudential code and the Service's Treasury Management Strategy.

Non-Current Asset Base as of 31st March 2024

The Authority's non-current asset base comprises land and buildings, vehicles, plant and equipment, ICT, and assets under construction.

Land and buildings are subject to an annual valuation as part of the year end process. At 31st March 2024, the Authority had 55 properties which were valued at £116.78m, down from £129m a year previously. These properties are continually maintained through revenue repairs and capital investment (see capital expenditure below). The Authority also maintains a sizable fleet of operational assets and vehicles, as well as ICT assets and infrastructure. The fixed asset base on the Authority is detailed below.

Graphic 1 – Fixed Asset Base 31st March 2024:



Note – AUC refers to assets under construction, which consist of capital expenditure not yet brought into operational use before the end of the year.

The Capital Strategy has direct links to other key departmental Strategies and Plans which include:

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

These are referred to in further detail in Section 3.

2. Capital Expenditure and Capitalisation Policy

In contrast to revenue expenditure which is spending on the day to day running costs such as staff costs, capital expenditure seeks to provide long-term solutions to priorities and operational requirements.

Capital expenditure is technically described as expenditure on the acquisition, creation, or enhancement of ‘non-current assets’ i.e., items of land, property and plant which has a useful life of more than one year. Expenditure for capital purposes therefore gives rise to new assets, increases the value or useful life of existing assets, or generates service potential for the Authority.

The following costs can be capitalised:

- The costs attributable to the asset, being purchase price plus any costs directly attributable to bring it into initial use, including implementation costs.
- The de-minimus for capitalisation is £7,500 for vehicles and £10,000 for all other assets.
- There is no de-minimus for purchases of land and buildings.
- Consultancy support may be capitalised only where part of a major project, where an external resource is needed and adds value to the project.
- Design and development costs may be capitalised, from the point that it is reasonably certain the project will be delivered. Research costs cannot be capitalised.
- Staff costs can be capitalised where there is sufficient evidence that the resource adds value to the project (supported by time sheets, and prior approval of the Chief Finance Officer).
- Training costs cannot be capitalised.

Capitalisation of Software as a Service (SaaS) Implementation Costs
The statutory basis for treating expenditure as capital is set out in section 16 of the Local Government Act 2003. Per section 16(1), capital expenditure is primarily defined as expenditure which falls to be capitalised in accordance with proper practices, therefore implementation costs of software are generally not treated as capital where the entity cannot demonstrate control of the software.

However, the Secretary of State has powers under section 16(2)(a) to extend this definition by making regulations that provide that expenditure that does not meet the section 16(1) criterion shall be treated as being capital expenditure. These powers have been used variously to extend the scope to expenditure that has wider public benefit but does not result in an authority being able to recognise an asset or to remove uncertainties in the accounting-based definition.

For SaaS implementation costs, the relevant exercise of this power is represented by regulation 25 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003 No 3146), which allows for expenditure incurred on the acquisition or preparation of a computer program, including expenditure on the acquisition of a right to use the program, to be treated as capital if the authority acquires the program for use for a period of at least one year.

The Authority has therefore chosen to treat software implementation costs as capital expenditure and will depreciate costs over the initial software licencing period.

3. Capital Strategy and Departmental Delivery Strategies

The table below sets out the projected capital expenditure from 2025/26 to 2034/35. The expected funding streams are also set out with the consequent funding gap, assumed to be financed by internal borrowing (minimum revenue provision).

Summary Capital Programme	**Total 2025/26**	**Total 2026/27**	**Total 2027/28**	**Total 2028/29**	**Total 2029/30**	**Total 2030/31**	**Total 2031/32**	**Total 2032/33**	**Total 2033/34**	**Total 2034/35**	**Total**
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Existing Premises											
Asset Protection	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	10,000
Asset Improvement Works											
Live Fire Training Replacement	-	5,000	5,000	-	-	-	-	-	-	-	10,000
Total Property	**1,000**	**6,000**	**6,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**20,000**
Equipment	**2,380**	**1,595**	**1,640**	**149**	**285**	**110**	**50**	**50**	**50**	**-**	**6,309**
Information Technology	**1,245**	**396**	**480**	**208**	**630**	**408**	**468**	**260**	**340**	**508**	**4,938**
Vehicles											
New Appliances	-	1,400	1,400	1,400	1,400	-	-	1,400	1,400	1,400	9,800
Other Vehicles	1,549	1,546	969	1,109	1,899	3,029	3,414	1,394	814	814	16,537
Total Vehicles	**1,549**	**2,946**	**2,369**	**2,509**	**3,299**	**3,029**	**3,414**	**2,794**	**2,214**	**2,214**	**26,337**
Total Capital Expenditure	**6,174**	**10,936**	**10,489**	**3,865**	**5,214**	**4,547**	**4,932**	**4,104**	**3,604**	**3,722**	**57,584**

Funded By:

Capital Receipts Funding	**1,302**	**5,000**	**5,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11,302**
Earmarked Reserves	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Revenue Funded	**4,872**	**5,936**	**5,489**	**3,865**	**5,214**	**4,547**	**4,932**	**4,104**	**3,604**	**3,722**	**46,282**
Total Capital Expenditure	**6,174**	**10,936**	**10,489**	**3,865**	**5,214**	**4,547**	**4,932**	**4,104**	**3,604**	**3,722**	**57,584**

Note: Capital Finance Requirement - Revenue funding charged through the minimum revenue provision (see section 5).

The Capital Programme is linked to departmental strategies, explored in more detail in 3.1 to 3.4 below.

Funding is explained in Section 4.

3.1 Estates Strategy

Link:
9a.-ECFRS-Estates-Strategy-FINAL-310821.pdf

Strategy Overview:

Investment	Overview
Fleet Workshops	The current Service workshops are reaching end of life. To ensure the fleet is appropriately maintained, new facilities need to be developed.
Asset Protection	The estate requires continuous investment to maintain its condition and functionality.
Collaboration	Collaborative opportunities are continually explored and progressed where appropriate and viable.
Environmental	Incorporate energy reduction technologies in line with the Environmental Strategy 2020-2030 (see 3.4).
Modernisation	Ensure that our estate is modern and fit for purpose.
Training Facilities	Ensure that the Authority continues to provide hot fire training facilities.

Pictured - The recently refurbished Shoeburyness Fire Station:

3.2 Digital & Data Strategy

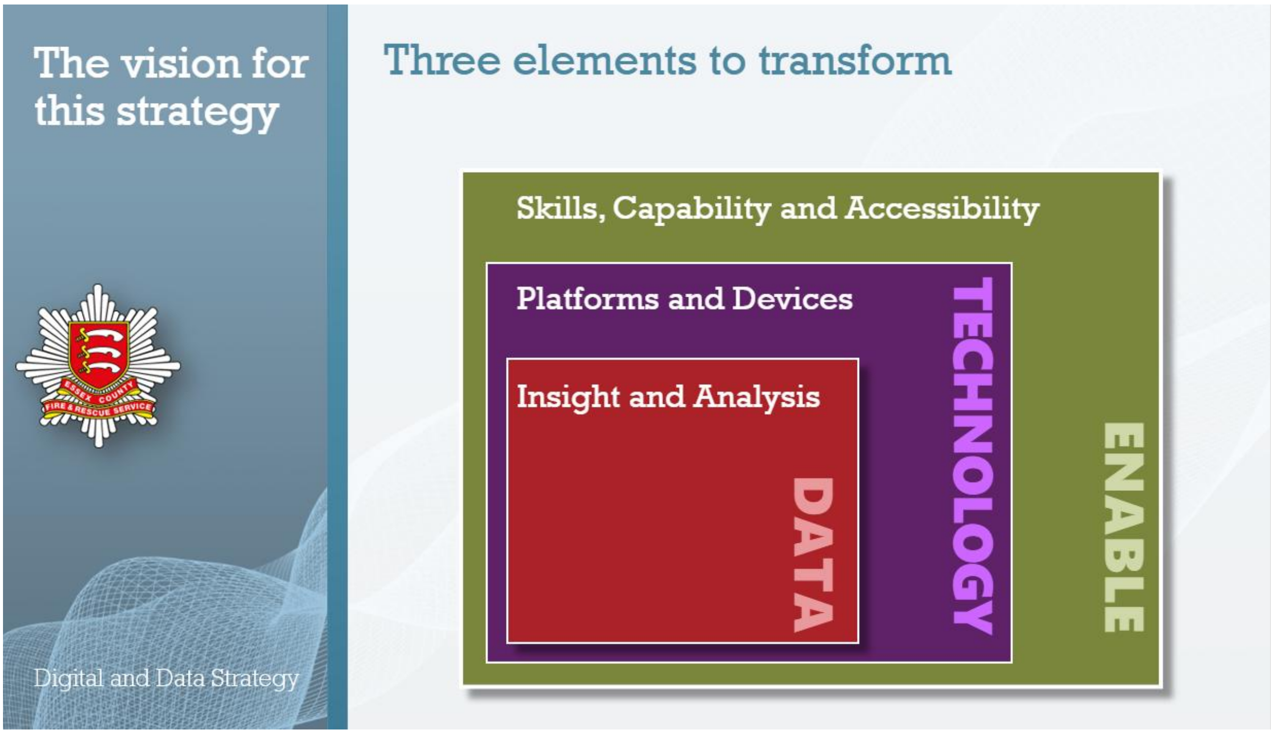
Link:
10.-Digital-Data-Strategy-Business-Case-Document-V.1.pdf

Priorities:
The priorities of the Digital & Data Strategy are:

- Create a more agile working environment for the Authority.
- Create efficiencies through platform and infrastructure modernisation.
- Replace paper-based processing to provide improved resilience, availability, and accessibility.
- Empower users with improve digital skills to improve productivity and insight across the Authority.
- Provide a foundation for future technologies which is sustainable going forward.

Strategy Overview:

Investment	Overview
Digital & Data Strategy	The Digital & Data Strategy aims to use new technology to make better use of resources in line with the Fire & Rescue Plan. The Strategy brings together multiple projects to support the workforce in flexible and remote working.
Other Projects	Other ICT projects include the Control project, which focuses on key infrastructure upgrades to the Emergency Services Network. These are vital to the delivery of services.



3.3 Fleet and Equipment Strategy

Priorities:
The priorities of the Fleet and Equipment Strategy are:

- To effectively manage the Fleet and Operational equipment of the Authority in support of the Fire and Rescue Plan.
- To ensure all vehicles and equipment are maintained to the required standards.
- To manage asset replacements and disposals when assets reach the end of their useful lives.

Strategic Overview:

Investment	Overview
Equipment	The forecast expenditure is in line with the replacement strategy for operational equipment. This expenditure is required to maintain the delivery of services in line with the Fire & Rescue Plan.
New Appliances	The forecast expenditure is in line with the replacement strategy for appliances. Appliances are maintained to a high standard – the strategy must provide a balance of regular replacement to provide the latest technology to improve the efficiency of response.
Other Vehicles	The Fleet Services team maintain a wide range of vehicles including pool cars, off road vehicles and specialist equipment. The capital strategy above sets out the requirements of the Authority over the next four years in the delivery of the Fire and Rescue Plan.

3.4 Environmental Strategy

Following the collaboration of Essex Police and Essex County Fire and Rescue Service, an environmental strategy was produced to ensure that both organisations are aligned with other blue light services to reduce their carbon footprint and expenditures on budgets.

The Authority must comply with the Government’s target of bringing all greenhouse gas emissions to net zero by 2050. To reach this target significant investment is required in both building and vehicle assets. New technologies will be adopted that fulfil our operational duties and are approved in an adequate timescale to fulfil the net zero target.

4. Funding

All capital expenditure must be financed from either internal sources (revenue budget via MRP or reserves), or external sources (grants or borrowing). These sources are explained below:

4.1 Internal Funding

Capital Receipts - Capital receipts arise from the sale of surplus assets. As capital receipts are a limited source of funding, the Authority should consider sustainable use for financing capital expenditure in the long term. The allocation of this funding was agreed as part of the 2025/26 Budget.

Earmarked Reserves (EMR) - The Authority has established specific reserves to manage key financial risks and to support service transformation to ensure it is fit for the future and will deliver on the priorities in the Fire and Rescue Plan.

There are clear policies in place to set out any additions to, or subsequent use of each earmarked reserve. This includes the requirement for the submission of a business case, which must be approved by the Commissioner on the advice of the Chief Finance Officer.

Each reserve is reviewed on a regular basis, at least annually. Reviews of reserves are also conducted as part of the annual budget, annual accounts, and the Medium-Term Financial Strategy.

Grant Funding - The Authority can utilise certain types of grant funding for the financing of capital expenditure.

Capital Financing Requirement - Remaining capital investment will be charged to the revenue account through the minimum revenue provision (see section 5).

The proposed internal funding is set out below om page 6.

4.2 External Funding

External Borrowing - In the past, the Authority has financed capital expenditure through borrowing from the Public Works Loan Board (PWLB). The Authority's approach to external debt is set out in the Treasury Management Strategy.

The Authority's debt profile is set out below:

Debt profile as at 31st March 2024:

Total capital repayable	£Million
Repayable within 1 year	1.0
Repayable within 1-5 years	6.0
Repayable within 5-10 years	12.0
Repayable within 10-15 years	4.5
Total	**23.5**

The asset base of the Authority is supported by loans of £23.5m from the Public Works Loan Board (PWLB). The Authority's borrowing strategy is set out in the Treasury Management Strategy 2025/26.

Assumed Borrowing – The current borrowing profile is shown in the table below.

Borrowing Forecast	Actual 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29
	£Million	£Million	£Million	£Million	£Million	£Million
Existing Borrowing	(23.5)	(22.5)	(21.5)	(21.5)	(21.5)	(16.5)
Total Assumed Borrowing	**(23.5)**	**(22.5)**	**(21.5)**	**(21.5)**	**(21.5)**	**(16.5)**

The financial impact of this borrowing is considered in Section 9 – Prudential Indicators, as well as the Treasury Management Strategy 2025/26.

5. Minimum Revenue Provision (MRP) Policy and Statement

The minimum revenue provision is charged to the revenue account each year to represent the financing of capital assets over their useful economic lives.

Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended (Statutory Instrument (SI) 3146/2003) requires the Authority to approve a Minimum Revenue Provision (MRP) Statement setting out the policy for making MRP and the amount of MRP to be calculated which the Service considers to be prudent.

As part of its report CIPFA advised that the method used by Authority for calculating the minimum revenue provision in practice was reasonably close to the Asset Life Method, not the Depreciation method as previously stated. The latter is not a commonly used approach to MRP in the wider public sector. It is complicated, can be volatile and may be a more aggressive policy when impairments lead to accelerated depreciation charges. To ensure consistency between the policy and application, the Authority will continue using the Asset Life Method (Equal Instalments), which is described in the section below.

Following the CIPFA review, the Authority will align its MRP Policy with Statutory Guidance under the Local Government Act 2003 and for new debt financed by capital expenditure, commence charging MRP in the financial year following the one in which the asset becomes operational. Aligning the timings of the MRP charge to common practice. This alignment will be applicable for all new relevant capital expenditure on or after 1 April 2024.

Statutory Guidance under the Local Government Act 2003 ("Capital Finance: guidance on minimum revenue provision (5^{th} addition)":

Option 3: Asset Life Method

Where capital expenditure on an asset is financed wholly or partly by borrowing or credit arrangements, MRP is to be determined by reference to the useful life of the asset.

There are two main methods by which this can be achieved, as described below.

a) Equal instalment method

MRP is the amount given by the following formula: (A – B) / C

Where:

A is the amount of capital expenditure in respect of the asset financed by borrowing or credit arrangements.

B is the total provision made before the current financial year in respect of that expenditure.

C is the inclusive number of financial years from the current year to that in which the estimated useful life of the asset expires. The original estimate of the life is determined at the outset and should not be varied thereafter unless to correct an error.

b) Annuity method

MRP is the principal element for the year of the annuity required to repay over the asset's useful life the amount of capital expenditure financed by borrowing or credit arrangements. The authority should use an appropriate interest rate to calculate the amount. Adjustments to the calculation to take account of repayment by other methods during repayment period (e.g. by the application of capital receipts) should be made as necessary.

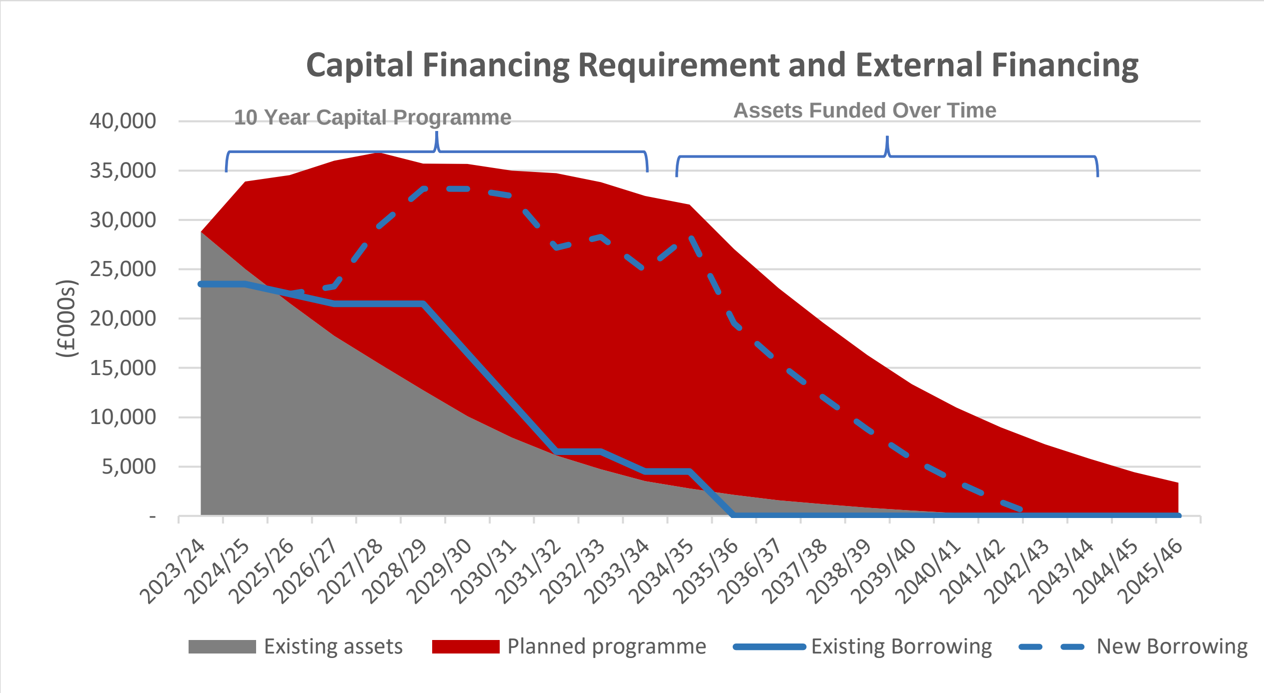
Useful economic lives for MRP purposes are as follows:

Class of Asset	Asset life for Minimum Revenue Provision*
Land and buildings	5 to 46 years
Asset protection works	15 - 20 years
Fire appliances	15 years
Other vehicles	3 - 6 years
Operational equipment	8 - 15 years
IT equipment	3 - 7 years

**Please note that the asset lives are subject to review as part of the new MRP policy*

6. Capital Financing Requirement and MRP Forecast

The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for capital purposes, i.e., its borrowing requirement. The CFR is the amount of capital expenditure that has not yet been financed by capital receipts, capital grants or contributions from revenue. The projected CFR for the 10 year capital programme is shown in the graph below, and excludes future capital expenditure after this period:



The table above shows the CFR increasing to over £36m in the next ten years. This is supported by existing borrowing and may require new borrowing from 2026/27. The remainder is funded through internal borrowing – resulting in a higher minimum revenue provision charged to the revenue budget. This takes into the account the latest projection for 2024-25 and the budgeted position for 2025-26.

Capital Financing Requirement Forecast and MRP Forecast

Summary CFR Forecast	Actual 2023-24* £000s	Forecast 2024-25 £000s	Forecast 2025-26 £000s	Forecast 2026-27 £000s	Forecast 2027-28 £000s	Forecast 2028-29 £000s	Forecast 2029-30 £000s
Opening CFR	27,960	28,803	33,884	34,651	36,003	36,858	35,714
Capital Expenditure	4,843	8,831	6,174	10,936	10,489	3,865	5,214
Funding Applied	0	0	(1,302)	(5,000)	(5,000)	0	0
MRP	(4,000)	(3,749)	(4,105)	(4,584)	(4,634)	(5,009)	(5,237)
Closing CFR	**28,803**	**33,884**	**34,651**	**36,003**	**36,858**	**35,714**	**35,691**

*2023/24 Figures based on Unaudited Financial Statements

The Authority includes a prudent Minimum Revenue Provision in the budget each year, which is supported by a detailed forecast. This forecast is updated regularly throughout the year with updates provided in the financial forecasts. MRP is budgeted at £4.1m for 2025/26. The Medium Term Financial Strategy has been updated to reflect the MRP charge reflected above.

7. Governance

The Capital Programme is approved annually by the Police, Fire and Crime Commissioner for Essex, as part of the annual budget setting process. The Portfolio Management Board provides scrutiny to projects, which require a formal business case to ensure they meet Authority objectives, while achieving value for money. The role of the board is also to monitor and assess the effectiveness and delivery of the capital programme. These roles are set out in the board's terms of reference.

The services Portfolio Management Board (PMB) agrees in-year variations to the capital programme up to the value of £250k, with variations above £250k approved by the Police, Fire and Crime Commissioner.

An update on the capital programme is included within the monthly financial pack presented to the Service Leadership team. This is further scrutinised by the PFCC through the monthly Performance and Resources Board.

Sub-Groups have been established to discuss the operational needs of the Authority in the delivery of its objectives. These include:

- Digital & Data Strategy Board – Covering ICT expenditure as part of the Digital & Data Strategy.
- Environment & Asset Programme Board – Covering property, fleet and equipment expenditure.

These boards scrutinise new proposals and provide recommendations for approval at the Portfolio Management Board.

8. Leases

Leasing obligations are similar to borrowing as they have an ongoing revenue budget commitment. Leasing will be considered following due diligence over the life of the asset, comparing the financial and non-financial benefits and risks compared to the Authority owning such asset itself.

From 1 April 2024 the accounting standard which sets out the guidelines for recognising and disclosure requirements for accounting for leases changes from IAS 17 (International Accounting Standard) to IFRS 16 (International Financial Reporting Standard). This means from this date the way the Authority accounts for assets it leases will change. Under these changes a right of use asset will be shown on the balance sheet except for leases of 12 months or less or if the asset is of low value. This has not been included in the capital financing requirement above, as it is not expected to be significant to the overall CFR.

When the asset is recognised in the balance sheet a corresponding liability is then created, representing the obligation to make lease payments. When the Authority makes a lease payment, rather than it showing as an expense against the relevant cost centre, it is split between paying off this liability and interest payments. The asset is depreciated in the same way as similar assets of that class, usually over the life of the lease unless the asset useful life is lower.

The Authority has engaged with stakeholders and produced working papers in anticipation of these changes and has adopted IFRS 16 from 1st April 2024.

9. Prudential Code, Affordability and Sustainability

The Chief Finance Officer should report explicitly on the affordability and risk associated with the Capital Strategy. The Prudential Indicators linked to affordability and sustainability are:

Borrowing as a multiplier of net revenue budget – used to assess if the level of external debt of the Authority 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 Authority.

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

Net Revenue Budget = Taxation and non-specific grant income in the Financial Statements

Prudential Indicators	Actual 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29
Borrowing as multiplier of revenue budget	0.3 times	0.2 times	0.2 times	0.2 times	0.2 times	0.3 times
MRP as % of net revenue budget	5%	4%	4%	4%	4%	5%
Interest cost as % of net revenue budget	1%	1%	1%	1%	1%	1%

The forecast above does not include any additional borrowing.

Borrowing as a multiplier of net revenue budget is forecast to remain stable at between 0.2 and 0.3 times.

Interest cost as a percentage of net capital financing is forecast to remain stable at 1%.

Minimum Revenue Provision (MRP) as percentage of net revenue budget is forecast to remain stable at between 4% and 5%.

The impact on the Authority's revenue budget is considered in the Medium Term Financial Strategy.

10. Knowledge and Skills

The Finance Team has responsibility for the preparation and ongoing management of the Capital Strategy. The team is staffed by professionally qualified accountants that adhere to continuing professional development as part of their accreditation. The team attends all relevant training courses and events to ensure that their knowledge and skills are up to date.

The overall responsibility for the Capital Strategy lies with the Chief Finance Officer (S.151) who is professionally qualified and suitably experienced to carry out the role.

The Authority also engages with professional treasury management advisors, Arlingclose Ltd, for support in production of key strategies such as the Treasury Management Strategy, and professional bodies such as CIPFA for technical advice when required.

11. Risks

Elements of the capital programme could impact on the strategic risks of the Authority; these risks are recorded on the Strategic Risk Register. Risk is continuously monitored as part of the Authority's risk management process. Furthermore, the capital programme is authorised annually, and subject to regular review by the Police, Fire and Crime Commissioner at the Performance and Resources Board.

The service will continue to review its capital plan along with its Treasury management position as additional borrowing will be required to deliver the current capital plan. The Authority is also currently developing a Strategic Asset Management Plan. It is anticipated that taking a more strategic approach to the management of its assets will enable future revenue savings to be identified and made. This may also lead to the identification of opportunities to raise capital receipts which would be used to invest directly back into the Services capital programme and may reduce any future need to borrow. The MTFS is updated quarterly and will be updated as appropriate for key changes.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of background documents – none.	
Proper Officer:	Chief Financial Officer (S151)
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