



**Item 4 (ii)**

**Report to the Police Fire and Crime Panel**

**14 February 2022**

**Fire Capital Strategy and Capital Programme 2022/23 to 2024/25  
(Incl. Minimum Revenue Provision Policy)**

Report of the Staffordshire Commissioner

**INTRODUCTION**

As part of the overall financial strategy for the Staffordshire Commissioner Fire and Rescue Authority a three year Capital Programme has been prepared. This report schedules the proposed investment programme for 2022/23 to 2024/25, and presents the indicators required within the updated Prudential Code. This all forms part of the Capital Strategy for the Staffordshire Commissioner Fire and Rescue Authority for the next three years.

The Prudential Code requires local authorities to determine that capital expenditure and investment decisions are affordable, prudent and sustainable, and to set limits on the amount they can afford to borrow in the context of wider capital planning. The Capital Strategy is part of the Authority's sound medium term financial planning process, ensuring there is a clear strategy supporting the next three years of capital investment.

The Capital Strategy sets out how the long-term context in which capital investment and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes in line with the current Corporate Safety Plan. It also demonstrates that the Authority takes capital and investment decisions in line with Service objectives and properly takes account of stewardship, value for money, prudence, sustainability and importantly affordability.

This report also reviews the approach that the Authority has taken during the last few years, successfully managing the capital programme, reducing future capital financing requirements, and through the repayment of long term loans reducing interest payments.

This report should also be considered alongside the Treasury Management Strategy, with both reports covering the reporting requirements of CIPFA's Prudential Code and Treasury Management in the Public Sector.

**RECOMMENDATIONS**

That the Police Fire and Crime Panel note:

- a) the three year Capital Programme for 2022/23 to 2024/25 as set out in Appendix 1,
- b) the detailed capital programme for 2022/23 as set out within Appendix 2
- c) the Capital Strategy for 2022/23
- d) the Prudential Indicators that are set out within Appendix 3 including the Capital Financing Requirement for the three year period
- e) that the funding of capital expenditure from Reserves for the period 2022/23 to 2024/25 is in line with the updated Reserves Strategy
- f) the Minimum Revenue Provision (MRP) policy statement incorporated within this report
- g) the capital programme and capital strategy supports the main Budget and MTFS paper

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## **1. Background**

- 1.1 The Capital Strategy forms a key part of the Staffordshire Commissioner Fire and Rescue Authority's overall Corporate Planning Framework. It provides a mechanism by which the Commissioner's capital investment and financing decisions can be aligned over the medium term planning horizon.
- 1.2 The Strategy sets the framework for all aspects of the Commissioner's Fire and Rescue capital and investment expenditure; including planning, outcomes, prioritisation, management, funding and repayment.
- 1.3 There are four main areas of spend which feature within the Capital Programme;
  - Estates and Facilities
  - Operational Equipment
  - Transport
  - Information systems and technology

## **2. Objectives**

- 2.1 The key aims of the Capital Strategy are to:
  - provide a clear set of objectives and a framework within statutory legislation that proposes new capital expenditure to be evaluated to ensure that all new capital investment is targeted at meeting the vision, aims and priorities of the Authority;
  - set out how the Authority identifies, programmes and prioritises capital requirements and proposals;
  - consider options available for funding capital expenditure and how resources may be maximised to generate investment in the area and to determine an affordable and sustainable funding policy framework, whilst minimising the ongoing revenue implications of any such investment;
  - identify the resources available for capital investment over the MTFS planning period;
  - ensure the strategy has an overall balance of risk on a range of investments over timespan, type of investment and rate of return;
  - establish effective arrangements for the management of capital expenditure including the assessment of project outcomes, budget profiling, deliverability, value for money and security of investment;
  - deliver projects that focus on delivering the long term benefits to the Authority and the communities served within Staffordshire and Stoke on Trent.

## **3. Governance of the Capital Programme**

- 3.1 A governance process is clearly established within the Service and Authority and will continue to be adhered to, will follow standing orders and financial regulations to ensure that available resources are allocated optimally and deliver value for money, and that capital programme planning is determined in parallel with the Service and revenue budget planning process within the framework of the MTFS. These include:

- The Strategic Governance Board (SGB) which is ultimately responsible for approving the Capital Strategy for investment and the Capital Programme for approving changes to the programme within financial regulations and for the approval of business case submissions.
- The Ethics, Transparency and Audit Panel (ETAP) which is responsible for scrutiny of the MTFS documents and the Capital budget monitoring reports and can make recommendations to the Strategic Governance Board (SGB).
- The Capital Review Group has been established for a number of years and provides detailed scrutiny for all capital spend proposals and monitors delivery of the current year's programme and develops a rolling three year programme. The group consists of key stakeholders from within the Service and holds responsibility for the delivery of the Service's capital programme and has clear Terms of Reference in place. Minutes from this group are reviewed by the Service Delivery Board.

3.2 For new major projects and programmes an outline business case will be submitted through the governance arrangements that needs to include the capital investment requirements, repayment mechanisms, revenue impacts of capital spend and also lifetime costing if applicable.

3.3 For smaller areas of capital spend (based upon a rolling programme of requirements) the proposals may be submitted through the Capital Review Group and approved by the Staffordshire Commissioner Fire and Rescue Authority through the Strategic Governance Board. This is recognising that the programme consists of smaller spend areas that do not require the production of a full outline business case.

3.4 The monthly Resource Control Report is produced and available to all staff within the Authority, in addition quarterly financial progress and monitoring reports are submitted to the Strategic Governance Board with bi-months reports reviewed by the Finance Panel which is a sub group of the Ethics, Transparency and Audit Panel (ETAP).

#### **4. Capital Priorities**

4.1 The capital strategy must recognise that the financial resources available to meet the requirements of the Corporate Safety Plan and the four key priority areas:

- Prevention and early intervention
- Protecting Staffordshire and its people
- Public confidence
- Service Reform

4.2 The bringing together of blue light services under a single governance route to the Staffordshire Commissioner provides opportunities to co-locate and share assets to the good of the community, delivering efficiencies and savings.

- 4.3 Staffordshire Fire and Rescue and Staffordshire Police will continue to build upon the collaboration that has resulted in joint response bases in Tamworth Belgrave and Hanley. The introduction of the new Police Operating Model will see further opportunities to share locations as the joint estate strategy continues to evolve.
- 4.4 The Staffordshire Commissioner Fire and Rescue Authority will seek to prioritise investment in order to deliver economy and efficiency within the Service. This prioritisation will be achieved through the robust governance arrangements discussed above.

## **5. Funding Approach**

- 5.1 The Staffordshire Commissioner Fire and Rescue Authority's capital investment falls within, and needs to comply with, the "Prudential Code for Capital Finance in Local Authorities" (The Code). Under The Code local authorities have greater discretion over the funding of capital expenditure especially with the freedom to determine, within the regulatory framework of The Code, the level of borrowing they wish to undertake to deliver their capital plans and programmes.
- 5.2 The main sources of capital funding are summarised below:
- **Central Government Funding Grants**  
Capital Grant funding is no longer available from Central Government and ceased in 2012. Funding from the Home Office has been made available since 2012 but only on a bid for basis e.g. transformational funding.
  - **The use of internal cash balances**  
Interest rates on cash balances, over recent years, have remained low which has resulted in this being a more efficient use of cash to invest in the capital programme rather than taking additional external debt. The use of internal cash is an approach that has been undertaken successfully by the Authority for a number of years and has continued to deliver savings through lower borrowing costs.
  - **The use of Earmarked Reserves**  
The Authority has a Reserves Strategy which includes the Earmarking of Reserves to support the capital programme. Funding into the medium term has been identified through this approach and remains a key funding strategy. To date the vehicle replacement programme has been supported through the use of earmarked reserves, in addition to specific capital project funding e.g. for station refurbishment work such as at Abbots Bromley.
  - **The use of Capital Receipts**  
Disposing of surplus assets is a good way to reinvest in the capital programme. Receipts will be targeted at the shortest life assets and then their use considered widely within any flexibility allowed by the appropriate government authority. In accordance with statutory instruments capital receipts may also be used for the repayment of debt.

- **Direct revenue funding**

Capital expenditure may be funded directly from revenue (CERA – capital expenditure charged to revenue account). In addition to specific revenue funds previously set aside, such as repairs and renewal funds, capital expenditure may be funded by specific revenue budget provision.

This approach has been adopted successfully funding the capital programme during this time and consequentially reducing the Capital Financing Requirement by £9.0m since 31 March 2013. The capital programme was fully funded in 2019/20 and 2020/21 without the need for additional borrowing.

- **Borrowing and Leasing**

Under the Prudential Code the Authority has discretion to undertake borrowing to fund capital projects with the full cost of that borrowing being funded from the project returns or upon agreement to include in the MTFS estimates.

This discretion is subject to complying with The Code's regulatory framework which essentially requires any such borrowing to be prudent, affordable and sustainable (Local Government Act 2003). Prudential borrowing does provide an option for funding additional capital development but one which has to be funded each year from within the revenue budget or from generating additional ongoing longer term income streams.

The Authority will test the prudence of the borrowing predictions against the prudential indicators set under The Code every year as part of the MTFS process and report on progress against those indicators half yearly.

Through the use of internal cash and direct revenue financing no new loans have been taken since 2010/11, and following the repayment of £0.5m of loans during 2020/21 the overall loans position reduced to £17.1m by 31 March 2021. This prudent approach to borrowing is inline with the Treasury Management Strategy and will continue into the medium term. However, should borrowing be required the Authority will continue to consider on a cautious and prudent basis as informed by a specialist team contracted from Staffordshire County Council in relation to Treasury Management who work closely with the finance team.

The Authority will utilise operational leases where possible for the purchase of minor equipment, IT and vehicles as supported by an appropriate business case should this be the most efficient way of business delivery within the Service.

## 6. Risk Management

- 6.1 Risk is the threat that an event or action will adversely affect the ability to achieve a desired outcome or execute strategies successfully.
- 6.2 To manage risk effectively, the risks associated with each capital project need to be systematically identified, analysed, influenced and monitored.
- 6.3 The Director of Finance will report on the deliverability, affordability and risk associated with this Capital Strategy and the associated capital programme. Where appropriate they will have access to specialised advice to enable them to reach their conclusions.
- 6.4 There are many categories of risk to be mindful of; these are detailed in **Appendix 4**:
- Credit Risk
  - Liquidity Risk
  - Interest Rate Risk
  - Exchange Rate Risk
  - Inflation Risk
  - Legal and Regulatory Risk
  - Fraud, Error and Corruption

## 7. Capital Programme 2022/23 to 2024/25

- 7.1 The Capital Programme for 2022/23 to 2024/25 is contained within **Appendix 1** of this report. The total proposed Capital Programme for 2022/23 is £8.0m, for 2023/24 £5.0m and for 2024/25 £2.7m.
- 7.2 The detailed scheme analysis supporting the programme for 2022/23 is shown within **Appendix 2**.
- 7.3 The Staffordshire Commissioner Fire and Rescue Authority is required to set estimates, impose limits and to report and publish actuals in line with The Prudential Code. The indicators for adoption by the Authority for 2022/23, 2023/24 and 2024/25 are set out in **Appendix 3**.
- 7.4 The Police Fire and Crime Panel should note that due to a number of factors which includes COVID19 a number of capital projects have been delaying during the last 18 months, this has resulted in considerable slippage of spend into 2022/23. Whilst this delay has not had a negative impact upon service delivery it has resulted in a significant programme of investment for 2022/23.
- 7.5 There are four main areas of spend which feature within the capital programme; Estates and Facilities which includes building and infrastructure work, Operational Equipment, Transport Appliances and Vehicles and finally Information Systems and Technology.

The four areas are discussed in more detail below.

- **Building and Infrastructure Work**

The budget proposal for 2022/23 includes a total capital requirement of £3.1m, which consists of the following main building and infrastructure projects plus some minor works:

- Stafford Fire Station, £1.9m. This project was originally included with the 2020/21 Capital Programme and should move to construction during the summer of 2022. This project is a key element of the Service transformation work and will see the redevelopment of part of the Stafford Fire Station site which will allow the disposal of a parcel of land. The planning proposal has been approved which will see an existing building within the site becoming the fire station and training facility and will allow the Authority to realise a capital receipt for the land that is no longer required. This project will be partially funded from the remaining Transformation Funding Grant. Costs have increased for this project and an updated business case will be presented to the Strategic Governance Board during the year.
- Stafford Fire Station Drill tower - £0.15m - A new drill tower is also budgeted separately for this site which will be funded from the Authority's reserves. This will enable working at height training on this site.
- The refurbishment of Abbots Bromley fire station, £0.4m. This project being partially funded by the earmarked reserve created utilising the refinancing cash benefit from the PFI1 project (reinvestment back into the estate). This project was originally budgeted for 2018/19 but the scope of the project so far has exceeded the financial envelope. The budget includes additional work for the replacement of the drill tower. This project is scheduled to commence during the spring of 2022 with a majority of the capital spend being incurred during 2022/23.
- The refurbishment of Brewood is also anticipated to commence in the final quarter of the year. This will be subject to a full business case and funded from the Authorities Earmarked Reserves.
- Minor works, £0.5m. This includes minor work at Fire headquarters site.

- **Operational Equipment**

Total investment of £1.2m has been identified and included within the programme for 2022/23:

- The capital requirement for 22/23 has increased with a number of detailed projects being deferred from the 21/22 capital programme. The carry over is c.£650k.
- A full list of the detailed projects is included within Appendix 2
- Replacement of Operational PPE has now commenced during 2021/22 with investment into 2022/23 (£450k) and 2023/24 (£400k). The total approved investment is £1.3m



- **Appliances and Vehicles**

A vehicle replacement programme of £2.2m has been included within the proposed budget for 2022/23:

In summary the vehicle replacement programme includes the following:

- Purchase of 2 Rescue Tender Pumping Appliances. This forms part of the Service Transformation project work at £0.75m.
- Aerial Ladder Replacement (ALP), £0.9m. This total investment of £1.7m has been approved and is spread over 3 years and includes the replacement of both ALP's. The contract for this replacement has been approved and signed off by the Commissioner.
- Light Vehicles, £0.3m, the programme includes the replacement of light vehicles as part of the rolling vehicle replacement programme and incorporates slippage from 2021/22 due to vehicle availability within the market.

- **Information Technology**

The ICT programme for 2022/23 of £1.5m includes the following:

- Ongoing ICT rolling replacement programme for desktop and infrastructure and device replacement strategy, £0.55m
- Telephony replacement, £0.3m. This work is for professional services and hardware (Routers) costs associated with replacing the existing telephony which will be end of contract. This is a carry-over from 2021/22 and will be required investment in quarter 1 of 2022/23.
- Full MS teams enablement across the fire estate, £0.25m.
- PSN core network development, ESN Enablement, £0.15m
- Other (includes alerter replacement), £0.2m

## **8. Funding the Programme**

- 8.1 **Appendix 1** also details the proposed funding strategy for the 2022/23 programme together with indications for the funding of the next two years. For 2022/23, the programme will be funded by a combination of Government Grant, Earmarked Reserves and the use of Internal Cash. This is also reviewed within the Treasury Management Strategy Report.
- 8.2 The Authority will also seek to fund as much of the programme as possible through direct revenue contribution should additional savings be available in year.

## **9. Minimum Revenue Provision (MRP) Policy Statement**

- 9.1 The Staffordshire Commissioner Fire and Rescue Authority is required each year to set aside some of its revenues as provision for debt repayment. This MRP provision essentially allows the Authority to “pay off” an element of the Capital Financing Requirement annually through a revenue charge known as the Minimum Revenue Provision (MRP).
- 9.2 The MRP was previously defined by statute with regulations providing for MRP as a 4% charge in respect of the amount of the Capital Financing Requirement (CFR). Under current regulations, the rules have been replaced with a general duty for a local authority to make an MRP charge to revenue which it considers prudent. The new regulation does not itself define “prudent provision”. However, guidance has been issued specifying methods for MRP calculation, which the Secretary of State considers prudent thereby effectively determining prudent provision.
- 9.3 Regulations require the Authority to approve an MRP Statement in advance of each year. It is recommended that the Authority continue to apply a MRP to capital expenditure funded by borrowing under the ‘Asset Life Method’: which calculates the MRP charge based on the estimated life of the asset for which the borrowing is undertaken.
- 9.4 The total level of debt for this Authority as at 31 March 2021 was £22.1m, and is forecast to increase to £29.0m by March 2025 based upon the capital investment requirements outlined within this paper.

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**Staffordshire Commissioner Fire and Rescue Authority**  
**Summary Proposed Capital Programme 2022/23 to 2024/25**

	<b>2022/23 Budget</b>	<b>2023/24 Plan</b>	<b>2024/25 Plan</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Building &amp; Infrastructure Works</b>			
Refurbishment Programme	2,648,816	450,000	450,000
Improvement Works	460,000	540,000	550,000
<b>Total</b>	<b>3,108,816</b>	<b>990,000</b>	<b>1,000,000</b>
<b>Operational Equipment</b>	<b>1,184,500</b>	<b>1,410,000</b>	<b>125,000</b>
<b>Appliances &amp; Vehicles</b>			
Appliances & Specialist Vehicles	1,880,000	1,560,000	900,000
Vans & Cars	315,000	200,000	200,000
<b>Total</b>	<b>2,195,000</b>	<b>1,760,000</b>	<b>1,100,000</b>
<b>Information Technology</b>			
ICT Hardware, Software Systems & Installations	1,515,000	870,000	430,000
<b>Total</b>	<b>1,515,000</b>	<b>870,000</b>	<b>430,000</b>
<b>Total Capital Programme</b>	<b>8,003,316</b>	<b>5,030,000</b>	<b>2,655,000</b>
<b>Funding</b>			
Direct Funding From Revenue			
Unsupported Borrowing	5,728,316	4,253,000	2,655,000
Capital Grant - Transformation Funding	950,000		
Use of Specific Reserves	1,325,000	777,000	350,000
<b>Total Funding</b>	<b>8,003,316</b>	<b>5,030,000</b>	<b>2,655,000</b>

# Staffordshire Commissioner Fire and Rescue Authority

## Detailed Capital Programme 2022/23

Scheme Description	Detail	2022/23 Budget Submission £
<b><u>IADS</u></b>		
Brewwood Refurbishment	Refurbishment split over 2 years. Due to start in 2022/23	150,000
Abbots Bromley Refurbishment	Refurbishment split due to start in Q1 of 2022/23	363,816
Abbots Bromley Tower	Refurbishment split due to start in Q1 of 2022/24	70,000
Stafford Refurbishment	Carry over from 2021/22. Work ongoing	1,900,000
Stafford - Safe & Sound Project	Allocation of requirements for the year (grant funded)	15,000
Stafford - Training Tower	New training tower at Stafford	150,000
		<b>2,648,816</b>
<b><u>Building Works - Improvements</u></b>		
HQ BA Room refurbishment	Carry out refurbishment to BA Training room at HQ	30,000
FBT Improvement works	Forming of walkways, Canopy to Barn, BA Cleaning area, External briefing area	40,000
HQ - Resurfacing Works Phase 1	Rear Of Amenities and BA Maintenance	100,000
Eccleshall - First Floor Refurbishment	Fully refurbish first floor	50,000
HQ - Lighting replacement programme Phase 2	Replace lighting with Energy Efficient LED to old house - 1st Floor	35,000
Stations - Lighting replacement programme Phase 2	Replace lighting with Energy Efficient LED at Barton, JETS (Offices only)	45,000
Sustainability heating system replacement - Stations	Ipstones - Phase out gas heating for sustainable solution	50,000
HQ - Old House FD Replacement Phase 2	Replace all Fire Doors throughout corridors/stairwells - 1st Floor	40,000
Replace Amenities lift HQ	Renew lift cart	70,000
		<b>460,000</b>
<b><u>Operational Equipment</u></b>		
Operational Equipment Pool		25,000
Life Jackets	100 x Life jackets (Due to age)	11,000
Water Rescue Equipment	Rescue Sled x1 / Air Tracks x 2	11,000
Appliance Equipment - Refurbished PRLs	Kit for 2 x Scania PRLs	44,000
Thermal Image Cameras	Replacement due to age and performance	150,000
Entry Control Board Batteries	Full replacement	15,000
Boats	2 replacement boats due to age	18,000
Operational PPE	Business case has been approved	450,000
Hydraulic Cutting Equipment	Continued investment in front line appliance equipment	192,000
Appliance Equipment - Refurbished PRL	fully kit reserve (50% carry forward from 21/22)	32,500
FF Decontamination Equipment		30,000
Fireground UHF Radios		40,000
ERP equipment x 2 @ £75k	To include standard equipment and heavy rescue equipment	150,000
ALP equipment x 2 @ £8k	operational equipment for both ALP's	16,000
		<b>1,184,500</b>
<b><u>Appliances &amp; Vehicles</u></b>		
Light Fleet	Mix of Cars & Vans	315,000
Pumping Appliance	Refurbishment / fleet transformation to meet demand	250,000
Appliance Pool	2 ERP's	750,000
ALP 1	Full & final payment	580,000
ALP 2	Chassis & Platform	300,000
		<b>2,195,000</b>
<b><u>Information Technology</u></b>		
ICT Rolling Programme - Desktop	Rolling program for officers and admin laptop replacement plus desktop solutions such as igels.	150,000
ICT Rolling Programme - Infrastructure	SDWAN (PSN replacement) and Wireless Access Points replacement 5 year investment	250,000
UPS Replacement	DR	30,000
Device Strategy		150,000
Teams Rooms Enablement	Fitting all estate with a Teams capable room Inc L&D	250,000
Alerter Replacement	Alerter Software and hardware Replacement 10 year investment	100,000
ESN Enablement	ESN Project	150,000
Finance System Software Upgrade	Integra Centros	34,000
Telephony Hardware Replacement	Carry-over from 2021/22	150,000
Main Telephony (Software)	Carry-over from 2021/23	150,000
Infographics Integration Project		50,000
Office 365 Upgrade		21,000
Appliance Fixed Phones		30,000
		<b>1,515,000</b>
<b>Overall Total</b>		<b>8,003,316</b>

## Staffordshire Commissioner Fire and Rescue Authority Prudential Indicators

### A. Indicators for Affordability, Prudence and Capital Expenditure

#### 1. Ratio of Financing Costs to Net Revenue Stream

Estimate 2022/23	Estimate 2023/24	Estimate 2024/25
%	%	%
5.1	6.6	7.1

*This shows the capital financing costs (interest charges/receipts and repayment of loans) as a proportion of government grant (revenue) and Council Tax. This allows the Authority to track how much of its annual income is needed to pay for its capital investment plans proportionate to its day to day running costs.*

#### 2. Estimates of Capital Expenditure

Estimate 2022/23	Estimate 2023/24	Estimate 2024/25
£m	£m	£m
8.0	5.0	2.7

*Expressed in absolute terms rather than as a ratio, this shows the overall level of capital investment irrespective of how it is being funded.*

#### 3. Capital Financing Requirement/Gross Debt

Estimate 2022/23	Estimate 2023/24	Estimate 2024/25
£m	£m	£m
27.2	29.4	29.3

*This indicator effectively shows the level of the Authority's underlying need to borrow for capital purposes.*

Net borrowing is not expected to exceed the total of the capital financing requirement (except in the short term)

*It is a key indicator of prudence that, over the medium term, net borrowing is only for capital purposes.*

## B. Indicators for Treasury Management

### 1. Treasury Management Code of Practice

The Authority has adopted the CIPFA Code of Practice on Treasury Management

### 2. External Debt

	Estimate 2022/23 £m	Estimate 2023/24 £m	Estimate 2024/25 £m
Authorised Limit	32.2	34.4	34.3
Operational Boundary	30.2	32.4	32.3

*This indicator identifies two limits in relation to external debt, and excludes PFI.*

*The Authorised Limit is the maximum level of external borrowing which should not be exceeded. The limit is linked to the estimated level of borrowing assumed in the Capital Programme.*

*In addition an Operational Boundary is required which represents the Treasurer's estimate of the day to day limit for the Treasury Management activity based on the most likely i.e. prudent but not worst case scenario.*

*The above excludes the PFI Balance Sheet debt position.*

### Glossary of Risk Management Categories

**Credit Risk** is the risk that the organisation with which we have invested capital monies becomes insolvent and cannot complete the agreed contract. Accordingly we will ensure that robust due diligence procedures covers all external capital investment. Where possible contingency plans will be identified at the outset and enacted when appropriate.

**Liquidity Risk** is the risk that the timing of any cash inflows from a project will be delayed, for example if other organisations do not make their contributions when agreed. This is also the risk that the cash inflows will be less than expected, for example due to the effects of inflation, interest rates or exchange rates. The exposure to this risk will be monitored via the revenue and capital budget monitoring processes. Appropriate interventions will occur as early as possible.

**Interest Rate Risk** is the risk that interest rates will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Interest rates will be reviewed as part of the on-going monitoring arrangements to identify such adverse effects. As far as possible our exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

**Exchange Rate Risk** is the risk that exchange rates will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Where relevant, exchange rates will be reviewed as part of the ongoing monitoring arrangements to identify such adverse effects. As far as possible our exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

**Inflation Risk** is the risk that rates of inflation will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Rates of inflation will be reviewed as part of the ongoing monitoring arrangements to identify such adverse effects. As far as possible any exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

**Legal and Regulatory Risk** is the risk that changes in laws or regulation make a capital project more expensive or time consuming to complete, make it no longer cost effective or make it illegal or not advisable to complete. Before entering into capital expenditure or making capital investments, we will understand the powers under which the investment is made. Forthcoming changes to relevant laws and regulations will be kept under review and factored into any capital bidding and programme monitoring processes.

**Fraud, Error and Corruption** is the risk that financial losses will occur due to errors or fraudulent or corrupt activities. Officers involved in any of the processes around capital expenditure or funding are required to follow the agreed Code of Corporate Governance. This is supported by the national Code of Ethics and detailed policies such as Counter-Fraud and Corruption and Declaration of Interests.

Capital Schemes must comply with legislation, such as the Disability Discrimination Act, the General Data Protection Regulations (GDPR), building regulations etc.