



CABINET

16 February 2022

Subject Heading:

5 Year Capital Programme and Strategy – 2022/23 to 2026/27

Cabinet Member:

Councillor Damian White, Leader

SLT Leads:

Jane West
(Chief Financial Officer)

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Policy context:

This report presents the Council's 5 year Capital Strategy and associated Capital Programme for agreement by Cabinet and recommendation on to Council for consideration and approval.

Financial summary:

The Council is required to approve the Capital Strategy as per the Prudential Code for Capital Finance in Local Authorities and the Treasury Management in the Public Services Code of Practice. The Council is required to set a balanced budget and the capital strategy and subsequent 5 year capital programme forms part of this process. The financial implications of this strategy are included as part of the 2022/23 Budget and tax setting report elsewhere on this agenda.

Is this a Key Decision?

Yes

When should this matter be reviewed?

Annually

Reviewing OSC:

Overview and Scrutiny Board

The subject matter of this report deals with the following Council Objectives

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

SUMMARY

The Council is required by statute (the Prudential Code for Capital Finance in Local Authorities, 2017 Edition) to agree the capital programme and associated capital strategy. Local authorities are required to have regard to the current editions of this code by regulations 2 and 24 of the Local Authorities (Capital Finance and Accounting) Regulations 2003 [SI 3146].

This report sets out the Authority's Capital Strategy and presents the Council's proposed capital budget for 2022/23 and five year Capital Programme to 2026/27.

RECOMMENDATIONS

Cabinet is asked to:

1. **Recommend to Council for consideration and approval** the 2022/23 and 5 year Capital Programme noting the changes in accessing new borrowing set out in section 1.3
2. **Agree** that the Chief Financial Officer be authorised to allocate funding from the Capital Contingency included within the draft Capital Programme.
3. **Agree** that externally funded schemes can be added to the capital programme up to £500k as and when funding is confirmed. Any external funding over £500k will be subject to approval by the Chief Financial Officer.
4. **Approve** the capital strategy contained within this report noting its impact on both the capital programme and the financial implications for setting the revenue budget for 2022/23 and beyond
5. **Note** the capital prudential indicators included within the capital strategy when approving the capital programme to ensure affordability.
6. **Approve** the Minimum Revenue Provision Policy Statement which determines the amount of money set aside each year for the repayment of debt
7. **Agree** that the Chief Financial Officer be authorised to re-profile capital budgets mid-year based on the updated forecasts provided by services and reported to the Senior Leadership Team as part of the capital monitoring process. This will assist in producing more accurate information for treasury management purposes.

REPORT DETAIL

1. Capital Strategy

1.1 Overview

1.1.1 This capital strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It should be read in conjunction with the following reports, all of which can be found elsewhere on this agenda:

- Treasury Management Strategy Statement (TMSS)
- 2022/23 Revenue Budget and Medium Term Financial Strategy (MTFS)
- HRA rent setting report

The capital strategy is underpinned by the strategic aims of the Council which are – Cleaner, Safer and Prouder Together. The future capital investment will be focused into the delivery of these objectives for the Council.

1.1.2 The Council is investing in major developments across the borough as part of its ambitious Regeneration programme which will deliver new and replacement affordable homes and enabling self-sustaining communities to grow.

1.1.3 The capital programme also includes investment in the core infrastructure of carriageways and footways, and also recognises the commitment to managing the performance, risk and expenditure on its infrastructure assets.

1.1.4 The Council has brought together its budgets in relation to its operational asset management into a Corporate Landlord function which prioritises repairs and maintenance across the office estate and operational buildings. The cost of ongoing repairs and maintenance budgets, including funding for health and safety work, are built into both the revenue budget and capital programme.

1.1.5 The digital portfolio investment brings together all current and future technology and digital transformation projects clearly setting out how advances in the application of digital data and smart technologies will help to shape the digital future of our borough. It is essential to future proof and protect the resilience of council's systems against the risk of cyber-attacks. The Capital programme includes investment in the digital strategy to fund this modernisation and minimise the risk of cyber-attacks.

1.2 Governance of capital approvals

- 1.2.1 The capital programme, which is updated for new proposed schemes, revised profiling, slippage and changes in expenditure projections is presented to full Council every year for approval. The capital programme reported provides financial implications for the current MTFs reporting period of four years, however with the Council's engagement in longer term capital investments the timeframe over which the capital programme and financing costs are monitored extend beyond this period.
- 1.2.2 The process for including new schemes in the 2022/23 capital programme was undertaken as part of the corporate budget setting process. Project outlines were considered by senior officers in terms of delivery of corporate objectives or operational plans, and a shortlist of schemes was selected for the production of outline business cases to be considered by Cabinet.
- 1.2.3 Any bids for capital funding outside the approved capital programme in year will need to include a business case demonstrating either a clear link to corporate objectives or the requirement to meet an operational imperative, establish the funding source to meet the cost and follow approval processes laid down in the Council's standing orders and financial regulations.
- 1.2.4 There is an established methodology for the development of project documentation and business cases which is overseen by the Corporate Programme Management Office. There is a corporate system containing programme performance and delivery information which is used to manage and monitor the milestones, risk and outcomes of the programmes.
- 1.2.5 The above investments and processes are taking place against a background of austerity and significant uncertainty in the future sources of funding for local government. It is therefore a key aim of the Council's capital strategy that it delivers a financial return on investment, such as capital receipts or new revenue streams, or delivers key strategic priorities and benefits to the borough.
- 1.2.6 Value for money (VFM) is a key component of capital projects. As part of the business case development and evaluation process, projects will need to show that all options have been considered and that the option that has been chosen is cost efficient and effective. The monitoring and management of these projects against the business case assumptions ensures that the focus on value for money remains for the life of the project.
- 1.2.7 The Council has chosen not to invest in purely commercial projects. Its capital investment is primarily related to increasing and improving the provision of a rich mix of housing tenures that help to address the acute housing need in the borough. Whilst there may be a commercial return resulting from a number of the schemes, this is not the predominant focus for the Council.

1.3 Access to Borrowing

- 1.3.1 The government has acknowledged the valuable contribution that local authorities make to the social and economic infrastructure of this country, and is committed to the approach of local decision-making and accountability under the prudential regime when setting its capital programme
- 1.3.2 To support local investment and to encourage capital investment, local authorities can access low cost loans through the Public Works Loan Board (PWLB). The purpose of the PWLB is to offer long-term, affordable loans to support local authority investment in service delivery, housing, economic regeneration, treasury management, and occasionally preventative action, under the prudential regime.
- 1.3.3 In February 2020 Parliament reformed the statutory basis of the PWLB, transferring its lending powers to HM Treasury. In March 2020 the government consulted on revising the PWLB's lending terms to reflect these new governance arrangements, and to end the situation in which a minority of local authorities used PWLB loans to support the acquisition of investment assets primarily for yield. The government published its response to this consultation and implemented these reforms in November 2020.
- 1.3.4 The key change in the PWLB lending change as a result of these reforms is Local Authorities can no longer access PWLB funds without confirmation from the S151 Officer that the authority does not plan to buy investment assets primarily for yield in the next 3 years. This is confirmed both at the start of the year in a return to HM Treasury setting out the authorities capital plans and in any application to the PWLB for additional loans.
- 1.3.5 In addition to borrowing from the PWLB local authorities must not pursue a deliberate strategy of using private borrowing or internal borrowing to support investment in an asset that the PWLB would not support and then refinancing or externalising this with PWLB loans. Under the prudential code, local authorities cannot borrow from the PWLB or any other lender for speculative purposes, and must not use internal borrowing to temporarily support investments purely for yield.
- 1.3.6 As set out in the proposed capital programme below, prudential borrowing is a key financing source in the funding of the authority's capital programme so it is important that the approved capital programme does not include any schemes that are primarily for investment purposes. Investment assets would usually have one or more of the following characteristics
- Buying land or existing buildings to let out at market rates
 - Buying land or buildings which were previously operated on a commercial basis which is then continued by the local authority

- Buying land or buildings other than housing which generate income and are intended to be held indefinitely rather than until the achievement of some meaningful trigger

The Council does not have any such schemes in its Capital programme.

2. 2022/23 – 2026/27 5 Year Capital Programme

2.1 Overview

- 2.1.1 After taking into consideration the existing approved capital programme and associated reprofiling, new bids and the capital investment plans, the full proposed capital programme has been developed for Members to approve.
- 2.1.2 Requirements under the Prudential Code and the changes to PWLB lending require the Council to separate out its capital programme between its main Service Spending (education, highways & transport, social care, public health, culture & related services and environmental & regulatory services), Housing (HRA and GF) and Regeneration projects.

The following sections of this report do this:-

- Existing Service Spending capital projects (section 2.2)
 - New Service Spending capital projects (section 2.3)
 - Revised Housing capital projects (section 2.4)
 - Revised Regeneration capital projects (section 2.5)
- 2.1.3 The capital budgets submitted for approval of expenditure are presented reflecting anticipated slippage from the existing capital programme. Any additional slippage will be reported and rolled forward into 2022/23 as part of the closure of the 2021/22 accounts.

2.2 Existing Service Spending Capital Projects

- 2.2.1 The existing capital programme was approved as part of last year's budget setting process. This programme is reviewed as part of the corporate monitoring processes each quarter and the progress against the budget is scrutinised. As a result of this review, reprofiling of certain projects spending plan are identified and have been included in the revised Capital programme in this report.

Table 1 - Existing Service Spending Capital Programme

Summary of Existing Approved GF Capital Programme	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Adults Services						
Adults - DFG	2.889	0.000	0.000	0.000	0.000	2.889
Adults - Other	0.899	1.618	0.000	0.000	0.000	2.517
Adults Services Total	3.788	1.618	0.000	0.000	0.000	5.406
Customer, Communication & Culture						
Leisure - Other	5.535	0.000	0.000	0.000	0.000	5.535
Leisure - SLM	0.100	0.838	3.724	0.000	0.000	4.662
Libraries	0.039	0.000	0.000	0.000	0.000	0.039
Customer, Communication & Culture Total	5.674	0.838	3.724	0.000	0.000	10.236
Transformation	6.199	6.462	3.280	1.980	1.180	19.101
Childrens Services	0.944	0.891	0.000	0.000	0.000	1.835
Environment						
Environment - Highways	16.969	1.050	0.750	0.000	0.000	18.769
Environment - Parks	0.500	0.500	0.000	0.000	0.000	1.000
Environment Total	17.469	1.550	0.750	0.000	0.000	19.769
Registration & Bereavement Services	0.250	0.000	0.000	0.000	0.000	0.250
Asset Management						
Corporate Buildings	0.659	0.000	0.000	0.000	0.000	0.659
Health & Safety	0.100	0.024	0.000	0.000	0.000	0.124
Schools Conditions Programme	2.644	0.100	0.000	0.000	0.000	2.744
Schools Expansions	0.490	7.500	21.730	0.000	0.000	29.720
Vehicle Replacement	2.000	0.000	0.000	0.000	0.000	2.000
Asset Management Total	5.893	7.624	21.730	0.000	0.000	35.247
ICT Infrastructure	5.075	3.980	1.720	1.650	1.650	14.075
Regeneration - Externally Funded	0.726	0.000	0.000	0.000	0.000	0.726
Total GF Capital Expenditure	46.019	22.963	31.204	3.630	2.830	106.646

2.2.9 The funding streams to finance the above spend is as follows

Table 2 - Existing Service Spending Financing

Financing	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Capital Receipts	18.101	2.591	0.000	0.000	0.000	20.692
Revenue and Reserve Contributions	2.005	0.000	0.000	0.000	0.000	2.005
Grants & Other Contributions	6.877	7.900	21.730	0.000	0.000	36.507
Borrowing	19.036	12.472	9.474	3.630	2.830	47.442
Total Funding	46.019	22.963	31.204	3.630	2.830	106.646

2.3 New Service Spending Capital Projects

2.3.1 In addition to the existing capital programme there has also been a review of the future capital requirements undertaken across the business. The updated new bids

Cabinet 16th February 2022

are shown in Table 3 below. Cabinet is asked to recommend these bids to Council for approval as part of the approval of the total Capital Programme.

Table 3 – New Service Spending Capital Projects

Internally Funded Schemes Presented for Approval	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Environment						
Potential Capital Requirement of Waste Contract	8.220	1.920	0.000	0.000	0.000	10.140
Registration & Bereavement						
Childrens Memorial Lawn	0.030	0.000	0.000	0.000	0.000	0.030
Redcrofts Lake Pumping System	0.025	0.000	0.000	0.000	0.000	0.025
Redcrofts Lake - Creation of Waterfall	0.030	0.000	0.000	0.000	0.000	0.030
Crematory - Roof Shielding	0.040	0.000	0.000	0.000	0.000	0.040
Romford Cemetery Fence	0.020	0.000	0.000	0.000	0.000	0.020
SEC Raised Pond Beds	0.015	0.000	0.000	0.000	0.000	0.015
Total Internally Funded Schemes	8.380	1.920	0.000	0.000	0.000	10.300
Externally Grant Funded Schemes Presented for Approval	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Asset Management						
Schools Conditions Programme (indicative)*	2.100	0.000	0.000	0.000	0.000	2.100
Adults						
Better Care Fund/ Disabled Facilities Grant (indicative)	2.056	0.000	0.000	0.000	0.000	2.056
Environment						
TFL - Core Local Implementation Plan (indicative)	1.957	0.000	0.000	0.000	0.000	1.957
Total Externally Grant Funded Schemes	6.113	0.000	0.000	0.000	0.000	6.113
Externally CIL/S106 Funded Schemes Presented for Approval	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Regeneration						
Covid Memorial Project - Hard landscaping & Memorial	0.224	0.000	0.000	0.000	0.000	0.224
Sunrise Avenue - Traffic Calming	0.050	0.000	0.000	0.000	0.000	0.050
Total Externally Funded S106/CIL Schemes	0.274	0.000	0.000	0.000	0.000	0.274
TOTAL NEW GF CAPITAL PROGRAMME	14.767	1.920	0.000	0.000	0.000	16.687

* The indicative schools conditions programme is set out in detail in appendix 2. If the grant differs from the indicative allocation the schemes will be adjusted accordingly.

2.3.2 Included in the new bids are potential capital costs that may arise from the procurement of the new Waste contract. The procurement will progress over the next 6 months and competitive dialogue process will develop requirements for future depot facilities, fleet replacement for waste collection and possibly capitalisation of vessels for waste collection. The scale of the investment will become clearer as the procurement process continues. The need for a depot location and fleet acquisitions will depend on discussions with the contractor and what facilities they bring to the table, however there are scenarios where we may

need to procure further assets to enable service delivery. The Capital programme allows for this possibility and will be updated as further information becomes available

- 2.3.3 Registration and Bereavement service have put forward a series of small bids to support elements of the service and to enhance the customer experience. The total capital bid comes to £0.160m with a full year ongoing revenue cost of £8k
- 2.3.4 There are other indicative additional allocations for the schools condition programme, Disabled Facilities Grant and the TfL Local Implementation Plan for Highways. These sums are funded from a grant allocation and do not incur revenue financing costs.
- 2.3.5 A Community Infrastructure Levy (CIL) scheme was initiated in Havering in 2020/21 and the council has started to receive CIL payments. There has been significant work undertaken by the Infrastructure Steering Group on a protocol for managing the CIL process and to ensure that the council gets the best added value for the CIL it receives. The aim for the investment of the CIL is to ensure it is utilised to enhance the infrastructure of the council and it should therefore link to the Infrastructure and Local area plan. The development of the CIL monitoring and pipeline forecasting information will enable strategic decisions about where that investment should be made. The latest figures on the availability of CIL identifies the contributions banked and potential pipeline receipts. Prudent financial planning would dictate that the council allocates CIL funding in line with its priorities
- 2.3.6 There are a number of schemes coming forward at present asking for funding from the corporate CIL resource. The following two schemes have been approved and are being added to the capital programme:
- The Covid 19 Memorial project is a multi-funded project involving the creation of various sites around the Borough in memory of those that have fallen victim to the Covid-19 pandemic. The bid is for the installation of paths, site furniture, landscaping and a central memorial.
 - The Sunrise Avenue traffic calming is a scheme to ensure drivers slow down and improve the safety of the public highway as a result of a number of large regeneration schemes in the area. It will consist of the installation of speed cushions and a pedestrian crossing.
- 2.3.7 Work is also ongoing on the Supported Housing programme that has approval for the development of supported housing within borough as part of the regeneration programmes. There is the potential with the success of the initial schemes that further schemes could be developed. This will require further capital investments with business cases that demonstrate significant revenue savings and improved services for our people living within these developments.

2.3.12 The funding streams to finance the proposed new projects are as follows:

Table 4 – New Service Spending Financing

Funding Sources of Schemes Presented for Approval	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Capital Receipts	8.220	0.000	0.000	0.000	0.000	8.220
Revenue and Reserve Contributions	0.000	0.000	0.000	0.000	0.000	0.000
Grants	6.113	0.000	0.000	0.000	0.000	6.113
Section 106/ CIL	0.274	0.000	0.000	0.000	0.000	0.274
Borrowing	0.160	1.920	0.000	0.000	0.000	2.080
TOTAL FUNDING	14.767	1.920	0.000	0.000	0.000	16.687

2.3.13 As can be seen from the above table a significant element of the new capital projects are funded from prudential borrowing. This will have the result of additional capital financing costs charged to revenue over the life of the assets. These costs are factored into the Councils medium term financial strategy. The capital financing costs as a result of the additional borrowing for the additional projects are set out below:

Table 5 – Revenue Impact of New Service Spending

	Incremental Impact to Revenue			
	2022/23 £m	2023/24 £m	2024/25 £m	Total £m
Interest Costs associated with additional Borrowing	0.002	0.031	0.029	0.062
Repayment of Principal (MRP) associated with additional borrowing	0.000	0.006	0.240	0.246
Total Capital Financing Costs associated with additional borrowing	0.002	0.037	0.269	0.308

2.3.14 Whilst these costs are factored into the MTFs for prudent financial planning purposes, alternative funding sources will be investigated and used where possible to mitigate these costs, delivering a saving on the revenue budget.

2.4 Revised Housing (HRA) Capital Projects

2.4.1 The HRA business plan and the 2022/23 HRA Rent Setting report is included elsewhere on this agenda. As well as setting out the revenue budgets for the financial year 2022/23 the plan also sets out the medium term capital programme for Housing. A summary of the plans can be seen in the table below:

Table 6 – Revised Housing (HRA) Capital Programme

Proposed HRA Capital Programme	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Stock capital investment	32.957	29.735	29.335	34.483	32.543	159.054
Other Improvements	0.000	0.000	0.000	0.000	0.000	0.000
Development/Acquisition	71.786	66.208	47.536	44.366	42.323	272.218
Demolition & Forward Funding	31.318	62.480	109.861	95.390	89.598	388.646
Other Regeneration	34.581	22.548	8.583	6.336	12.050	84.098
Total HRA Capital Expenditure	170.642	180.971	195.315	180.575	176.513	904.017

2.4.2 Whilst there is no direct provision made for the repayment of debt (and therefore no MRP) the inclusion of the repayment of loans is included in the long term business plan for the HRA. To reflect this in the service revenue expenditure, unlike for the GF, depreciation is a true cost to the service which is then used to finance capital expenditure through the mechanism known as the Major Repairs Reserve (MRR).

2.4.3 Included within the HRA business plan is how the service are proposing to finance the capital expenditure and is summarised in the table below:

Table 7 – Revised Housing (HRA) Capital Financing

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Major Repairs Reserve (MRR)	9.480	9.659	9.842	10.028	10.219	49.229
RTB receipts (Allowable Debt)	1.073	1.080	1.088	1.081	1.075	5.397
RTB receipts (1-4-1 receipts)	13.977	13.016	13.537	11.182	8.718	60.429
Other Grants & Contributions	16.626	75.782	40.219	96.639	60.774	290.041
Revenue contributions (HRA)	4.891	2.907	4.520	10.518	8.424	31.260
HRA Prudential Borrowing	124.595	78.526	126.109	51.126	87.305	467.662
Total Funding	170.642	180.971	195.315	180.575	176.513	904.017

2.5 Revised Regeneration Capital Projects

2.5.1 Included within the capital programme are a number of Regeneration schemes that because of their size, are reported separately in the authority's capital programme. Each scheme has an individual business case setting out the risks and merits which have either been reviewed or are in the process of being reviewed by Members. The capital strategy brings together all these schemes, along with the Council's full capital programme, but Members are asked to review the individual business cases for a full understanding of each of the schemes.

2.5.2 The table below shows the current spending plans (based on latest business plans) for all of the regeneration schemes being proposed.

Table 7 – Revised Regeneration Capital Programme

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m	£m
<u>Regeneration Programme</u>						
Bridge Close						
Bridge Close - New School	0.000	0.000	15.654	0.000	0.000	15.654
Bridge Close - New Medical Facility	0.000	0.000	5.146	0.000	0.000	5.146
Rainham & Beam Park						
Rainham & Beam Park Housing Zone	7.500	8.271	0.000	0.000	0.000	15.771
Rainham & Beam Park (potential CPO's funded from sales to JV)	8.000	33.510	0.000	0.000	0.000	41.510
Rainham & Beam Park Commercial Acquisitions	0.000	0.000	0.000	0.000	0.000	0.000
Farnham & Hildene						
Farnham & Hildene - Commercial Properties	0.000	0.000	0.000	2.656	14.395	17.051
Farnham & Hildene - Medical Centre	2.884	1.718	0.000	0.000	0.000	4.602
Provision for Future Regeneration Opportunities	70.000	70.000	0.000	0.000	0.000	140.000
Mercury Land Holdings						
North Street - loans	0.000	0.000	0.000	0.000	0.000	0.000
Quarles JV - Equity	0.000	0.000	0.000	0.000	0.000	0.000
Quarles JV - Loans	1.625	2.063	0.000	0.000	0.000	3.688
Quarles PRS - Equity	0.000	0.000	0.000	0.000	0.000	0.000
Quarles PRS - Loans	2.375	1.313	0.000	0.000	0.000	3.688
Homelessness - equity	4.746	18.996	0.000	0.000	0.000	23.742
Homelessness - loan	7.119	28.492	0.000	0.000	0.000	35.611
Crow Lane - Equity	0.000	0.000	0.000	0.000	0.000	0.000
Crow Lane - Loans	0.000	0.000	0.000	0.000	0.000	0.000
Waterloo - Equity	13.793	0.000	0.000	0.000	0.000	13.793
Waterloo - Loans	21.732	23.224	0.000	0.000	0.000	44.956
Roneo - Equity	0.000	0.000	0.000	0.000	0.000	0.000
Roneo - Loans	7.993	0.019	0.000	0.000	0.000	8.012
Rainham JV/LBH - Equity	9.000	0.000	0.000	0.000	0.000	9.000
Rainham JV/LBH - Loans	10.500	10.500	0.000	0.000	0.000	21.000
Reactive Acquisition Fund Balance	0.000	0.000	2.826	0.000	0.000	2.826
Total Regeneration Programme	167.267	198.106	23.626	2.656	14.395	406.050

2.5.3 The proposed funding of these schemes is from prudential borrowing and capital receipts. Details are set out in the table below:

Table 8 – Revised Regeneration Capital Financing

Funding Sources	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Capital Receipts	78.000	103.510	0.000	0.000	0.000	181.510
Revenue and Reserve Contributions	0.000	0.000	0.000	0.000	0.000	0.000
Grants	0.000	0.000	0.000	0.000	0.000	0.000
Section 106/ CIL	0.000	0.000	0.000	0.000	0.000	0.000
Borrowing	89.267	94.596	23.626	2.656	14.395	224.540
TOTAL FUNDING	167.267	198.106	23.626	2.656	14.395	406.050

2.5.4 Details of the regeneration schemes included as part of the capital programme are:

- Rainham & Beam Park Housing Zone

This scheme was originally approved for progression at Cabinet on 13 December 2017 with capital expenditure forecasts based on the original business plan. Since the original approval the project has developed with the capital expenditure above based on latest business plans.

- Bridge Close

This scheme was originally approved for progression at Cabinet on 15 November 2017 and again was based on the original business case for the project. Like with Rainham & Beam Park the scheme has developed and the latest capital expenditure forecasts are based on the new business plan. A report outlining a revised approach to funding Bridge Close was approved by Cabinet on 16 December 2020, and the capital requirements are included in the capital programme.

- Mercury Land Holdings

The original business plan was approved at Cabinet on 15 November 2017. Since this approval new schemes and opportunities have been identified and this new capital programme includes a number of new projects. Inclusion in the capital programme ensures that the capital expenditure approvals are in place subject to the full business cases being approved setting out the individual projects and their risks and benefits associated with them.

2.5.5 Like with the new capital projects, if schemes within these regeneration schemes are approved and progress then additional prudential borrowing will be required. This borrowing will result in revenue capital financing costs over the profile of the schemes as shown below. Whilst these costs are factored into the MTFs for prudent financial planning purposes, alternative funding sources will be used where possible to mitigate these costs, delivering a saving on the revenue budget.

Table 9 – Revenue Impact of the Regeneration Capital Programme

	Incremental Impact to Revenue						
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m	£m
Interest Costs associated with additional Borrowing	1.684	2.758	1.773	0.394	0.256	0.216	7.081
Repayment of Principal (MRP) associated with additional borrowing	0.717	1.816	1.402	0.604	0.059	0.320	4.917
Total Capital Financing Costs associated with additional borrowing	2.401	4.574	3.175	0.998	0.315	0.536	11.999

- 2.5.6 It is important to acknowledge that once the developments move into the delivery phase, the costs of the programmes become more significant, including for example the costs of borrowing or the costs of maintaining an operational construction site. Therefore any delays in the programme that add time into the development phase plans will bring with it additional material costs over and above these business plan assumptions.
- 2.5.7 It should also be acknowledged that as these regeneration ventures progress, there are costs incurred in the preparation of the schemes and the establishment of the delivery vehicles that are sunk costs, and have occurred in this or previous years. If any of the schemes at any stage in the future do not progress to final delivery and completion, then these costs could fall to the Council with no mechanism for recovery.
- 2.5.8 The primary reason for undertaking these schemes is regeneration delivering new homes in accordance with the Councils strategic aims and plans. The business cases have also identified a number of additional benefits arising alongside the regeneration. One of the benefits is the estimated financial return to the Council that will arise as a result of the delivery of the projects. The return generated from these regeneration projects will offset the budget pressure arising from the capital financing costs of borrowing and provide future funds for reinvestment. There will also be a return to support the Council's MTFs from MLH as a result of the Council making loans to the company. Full details of the additional pressures and savings for the individual schemes are included in the Medium Term Financial Strategy.
- 2.5.9 In addition to the income streams, dividends will also be payable from MLH, although at present it is assumed these are reinvested in further regeneration schemes.
- 2.5.10 The primary existence of these regeneration projects are for regeneration purposes and it's important to acknowledge that these income streams can be more volatile than other investments made solely for treasury purposes (details of which are set out in the Treasury Management Strategy Statement (TMSS) elsewhere in the

Cabinet 16th February 2022

agenda). Members are reminded that over reliance on these income streams should not be made when setting a balanced budget and that by approving these schemes, Members are happy with the overall balance of income that these projects contribute to the budget setting process.

2.6 2022/23-2026-27 5 year Capital Programme

2.6.1 Subject to Member approval, the following table sets out the proposed total capital programme for the financial years 2022/23 through to 2026/27 covering the existing capital programme, new bids, HRA and Regeneration:

Table 10 – Proposed Total Capital Programme

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Adults Services						
Adults - DFG	4.945	0.000	0.000	0.000	0.000	4.945
Adults - Other	0.899	1.618	0.000	0.000	0.000	2.517
Adults Services Total	5.844	1.618	0.000	0.000	0.000	7.462
Customer, Communication & Culture						
Leisure - Other	5.535	0.000	0.000	0.000	0.000	5.535
Leisure - SLM	0.100	0.838	3.724	0.000	0.000	4.662
Libraries	0.039	0.000	0.000	0.000	0.000	0.039
Customer, Communication & Culture Total	5.674	0.838	3.724	0.000	0.000	10.236
Transformation	6.199	6.462	3.280	1.980	1.180	19.101
Childrens Services	0.944	0.891	0.000	0.000	0.000	1.835
Environment						
Environment - Highways	25.239	2.970	0.750	0.000	0.000	28.959
Environment - TFL	1.957	0.000	0.000	0.000	0.000	1.957
Environment - Parks	0.724	0.500	0.000	0.000	0.000	1.224
Environment Total	27.921	3.470	0.750	0.000	0.000	32.141
Registration & Bereavement	0.410	0.000	0.000	0.000	0.000	0.410
Asset Management						
Corporate Buildings	0.659	0.000	0.000	0.000	0.000	0.659
Health & Safety	0.100	0.024	0.000	0.000	0.000	0.124
Schools Conditions Programme	4.744	0.100	0.000	0.000	0.000	4.844
Schools Expansions	0.490	7.500	21.730	0.000	0.000	29.720
Vehicle Replacement	2.000	0.000	0.000	0.000	0.000	2.000
Asset Management Total	7.993	7.624	21.730	0.000	0.000	37.347
ICT Infrastructure	5.075	3.980	1.720	1.650	1.650	14.075
Regeneration	167.993	198.106	23.626	2.656	14.395	406.776
Total GF Capital Expenditure	228.053	222.989	54.830	6.286	17.225	529.384
HRA Capital Expenditure	170.642	180.971	195.315	180.575	176.513	904.017
Total Capital Expenditure	398.695	403.961	250.145	186.861	193.738	1,433.401

2.6.3 If the capital programme is agreed the capital expenditure will be financed as follows:

Table 11 – Financing of Capital Programme

Financing	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Capital Receipts	119.370	120.198	14.625	12.263	9.792	276.248
Revenue and Reserve Contributions	16.377	12.566	14.362	20.546	18.642	82.493
Grants & Other Contributions	29.616	83.682	61.949	96.639	60.774	332.661
Section 106/ CIL	0.274	0.000	0.000	0.000	0.000	0.274
Borrowing	233.058	187.515	159.209	57.412	104.530	741.724
Total Funding	398.695	403.961	250.145	186.861	193.738	1,433.401

3. Prudential Indicators

3.1 Capital expenditure is incurred where the Council spends money on assets, such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. Details of the Council's policy on capitalisation can be found in the Council's accounting policies included within the annual statement of accounts.

3.2 In 2022/23, including the Housing Revenue Account, the Council is planning capital expenditure of £398m as set out in the table below:

Table 12 – Prudential Indicator: Estimate of Capital Expenditure

	2020/21 Actual £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m
Service Spending	41.337	79.881	60.060	24.883	31.204
Council Housing (HRA)	59.155	207.837	170.642	180.971	195.315
Regeneration Programme	17.202	28.573	167.993	198.106	23.626
Total	117.694	316.292	398.695	403.961	250.145

The Service Spending on capital projects include highways, schools maintenance and expansions, IT infrastructure and leisure, and these can be seen in the detailed capital programme section of this report.

The Council Housing (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. The HRA capital programme supports the ongoing capital maintenance of the housing stock, the delivery of decent homes standards alongside a significant investment in the 12 Estates regeneration programme and the acquisition of affordable homes across other regeneration schemes, particularly the Bridge Close scheme. The

Cabinet 16th February 2022

HRA business plan (which includes full details of the proposed HRA capital programme) is an item elsewhere on the agenda.

- 3.3 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 13 – Prudential Indicator: Capital Financing

	2020/21 Actual £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m
Capital Receipts	20.638	57.046	119.370	120.198	14.624
Revenue Contributions & Reserves	21.100	33.313	16.377	12.566	14.362
Grants & Other Contributions	21.052	34.744	29.891	83.682	61.949
Borrowing	54.904	191.188	233.058	187.515	159.209
Total	117.694	316.292	398.695	403.961	250.145

- 3.4 Debt (Borrowing) is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as Minimum Revenue Provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. The Council's full Minimum Revenue Provision statement is available as part of the Treasury Management Strategy Statement.

- 3.5 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £220m during 2022/23 raising from £584m to £804m. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 14 – Prudential Indicator: Estimates of Capital Financing Requirement

	2020/21 Actual £m	2021/22 Forecast £m	2022/23 Forecast £m	2023/24 Forecast £m	2024/25 Forecast £m
Service Spending	125.307	153.276	167.510	176.282	177.643
Council Housing (HRA)	212.752	349.438	468.530	545.973	655.722
Regeneration Programme	63.444	81.611	168.688	259.272	277.483
Total Capital Financing Requirement	401.503	584.325	804.728	981.527	1,110.848

* The CFR projections include loan repayments of £27m treated as capital receipts which are set aside for the repayment of debt and therefore reduce the CFR figures.

- 3.6 The previous tables cover the overall capacity and control of borrowing but within the prudential framework indicators are required to assess the affordability of the

capital investment plans. One such indicator is the estimate of the ratio of financing costs to net revenue stream which can then be split between service spend, housing and regeneration. This indicator identifies the trend on the cost of capital against the net revenue stream and is set out in the table below:

Table 15 – Prudential Indicator: Ratio of Financing costs to Net Revenue Stream

	2020/21 Actual	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast
Service Spending	4.43%	5.28%	6.35%	6.71%	7.90%
Council Housing (HRA)	4.67%	7.46%	9.74%	11.02%	12.86%
Regeneration Programme	1.97%	2.53%	4.69%	7.40%	8.30%
Total Capital Financing Requirement	11.07%	15.27%	20.78%	25.13%	29.06%

3.7 Additional Prudential Indicators can be found in the Treasury Management Strategy Statement (TMSS) which can be found elsewhere on the agenda

4. Disposals

4.1 As the Council has pursued a policy of selling surplus sites for many years it becomes more difficult to identify new sites for disposal that do not pose challenges, either technically or in terms of planning, and especially in respect of objections to disposal that arise in many cases. Nonetheless, constant and on-going appraisal of property assets to identify disposal opportunities is a best practice tenet on all local authorities.

4.2 Nationally, councils are shifting their approach and considering sites for self-development in line with corporate need. Through capital spend; they are able to generate savings and new forms of revenue income.

4.3 The Council's Asset Management Plan states that land and property assets should only remain in Council ownership if they:

- need to be retained in Council control for the provision of services
- are of great value to the Council, community and other stakeholders and are in need of the degree of protection from development or other uses afforded only by ownership
- are investment properties providing a financial return that can fully satisfy relevant investment criteria.

Cabinet 16th February 2022

- 4.4 As well as ensuring that the portfolio of retained property is suitable for the operational needs of the Council, there is a continuing need to generate capital receipts from the disposal of assets in order to pursue capital projects. The review and identification of new disposal and capital receipt opportunities makes an essential contribution to funding the Council's capital programme.
- 4.5 The COVID pandemic has significantly changed the ways the Council both provides its frontline services and operates its other back office functions. These changes have provided an opportunity for the Council to review its changing needs and building requirements.
- 4.6 In November 2021 full Council received an update on the Council's approach to climate change and reducing its carbon footprint. The Council's asset strategy will also take account of these medium term aims ensuring that decisions regarding asset retention factor in requirements such as energy efficiency.
- 4.5 The combination of these factors has highlighted the need for a continuing systematic review of the Council's assets to ensure that those that continue to be retained match one of the definitions referred to above and those that do not are considered for disposal or re-use.

5. Capital Receipts

- 5.1 A review was undertaken of the council's asset schedule with a view to identifying plots that could be disposed of to generate capital receipts funding. The generation of such receipts would enable the funding of transformation schemes using the flexible use of capital receipts permissions or to reduce the requirement for borrowing to fund capital investments. The work on developing options for consideration has been undertaken and will be presented separately. It should be noted that there is a lead in time to the generation of receipts from when properties are identified.

6. Flexible Use of Capital Receipts and Transformation

- 6.1 In December 2017, the Secretary of State announced the continuation of the flexible use of capital receipts directive which allows Authorities to use capital receipts to finance revenue transformation expenditure for any project that is designed to generate ongoing revenue savings. Authorities are required to list each project and the savings that are being generated as a result of the project.
- 6.2 The flexible use of receipts directive was due to end for the financial year 2021/22 however in February 2021 the government announced that they would extend

these permissions for a further three years from 2022/23 and that further details would be provided.

- 6.3 Due to the delay in the release of details of the extension to the flexible use of receipts policy it is felt prudent that details of schemes that qualify under this directive will be reported to Members once confirmation of the extension and qualifying criteria have been established.

7. Regeneration Programme

7.1 Overview

- 7.1.1 With central government financial support for local public services declining, the Council has invested in a number of joint ventures and subsidiaries.

- 7.1.2 Mercury Land Holdings (MLH) is the Council's wholly owned property development company established to:

- Make use of existing Council capital assets
- To contribute to dealing with the housing supply issue in the Borough
- Ensure a mix of housing in terms of type, size and tenure best matched to the needs of Havering
- To support the Council's regeneration and growth aim
- Generate a financial return to support front line services

The Council's investment in MLH in terms of loans and equity are included in the capital programme. The investment is managed via a shareholder's board arrangement and MLH submit a business plan each year with investment plans for consideration and approval by Cabinet.

- 7.1.3 In addition the Council is the partner in three other regeneration vehicles. One has been established to regenerate the Council's own housing provision, predominantly within the HRA. The other two are to support regeneration and bring in new affordable housing across Havering.

- 12 Estates programme
- Bridge Close
- Beam Park

- 7.1.4 With regeneration being the key objective, the Council accepts higher risk on capital investments in the Regeneration Programme than with treasury investments where the emphasis is on Security, Liquidity and Yield (SLY) in that order. The principal risk exposures for each regeneration scheme are set out in the individual

business cases but include risks such as fall in capital values, inflation and interest rate risk. These risks are managed through the individual business cases which show detailed modelling of the risk factors and their impact. In order that commercial investments remain proportionate to the size of the authority, whilst there is no overall maximum investment limit, every business case is reviewed with the full impact of the decision assessed before a decision to proceed or abandon the scheme being made.

7.1.5 Further details on the capital expenditure plans and the associated prudential indicators which include the commercial activities can be found in the Treasury Management Strategy Statement. The Council's capital expenditure plans are the key driver of treasury management activity with the output of these plans reflected in the TMSS and prudential indicators. These are designed to assist Member's overview and confirm capital expenditure plans.

7.2 Risk Management and Mitigation

7.2.1 Specific risks for individual schemes are contained within the project business cases. The scale and importance of the project will dictate the level of business case evaluation. Sound business case protocols can mitigate the risk of business case collapse with appropriate levels of contingency being built into the business case to mitigate risks.

7.2.2 In addition to specific risks associated with projects there are a number of cross cutting risks that apply to all capital investments.

- Interest Rate Risk - This is managed indirectly through the TMSS and through our treasury advisers Link Asset Services
- Inflation Risk – The Governments latest inflation forecasts indicate that inflation could rise up to nearly 5% in the next 12 months. Inflation risk is always a concern as slippage can potentially decrease the purchasing power. This can be mitigated by good project management and clearly identified cash flow projections.
- Legal Risk – Capital schemes need to comply with the latest relevant regulations which can change and lead to an impact on construction costs for example. This is mitigated by awareness of pipeline changes and through contingencies
- Market health and commercial values – when projects are entered, the business case often depends on key assumptions or estimates of future market positions. Should market movements mean that these assumptions are inaccurate then this may lead to a change in the project financials. This risk can be mitigated through performance monitoring and contingencies.

- Supplier financial stability – To mitigate this, the Council considers the financial robustness of all contractors and partners and requests appropriate financial standing assurance.
- Reputational Risk – This is particularly relevant to the public sector and can result in the public losing faith in the organisation. The risk can be mitigated by good project management and communication with clear expectations of all stakeholders being key.
- Financial risk due to programme delay – as the schemes progress into delivery phase the costs of the programmes become more significant, including the costs of any borrowing, of the holding costs of construction sites and the operating costs of the joint venture partners, which will be incurred even during times of delay. This can occur for external reasons – e.g. inclement weather that stops work on site – or reasons internal to the council – e.g. delays from slipped planned phasing or decision making deadlines. Many external causes can be mitigated by insurance cover or contingency sums, and close contract management with partners. The internal process risk can be mitigated by clear planning and timetabling of key decisions and project approval phasing, and monitoring and management of the project plans against those deliverables.

8. Minimum Revenue Provision Policy Statement

8.1 Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP). Although there has been no statutory minimum provision requirement since 2008, The Local Government Act 2003 requires the Authority to have regard to the MHCLG *Guidance on Minimum Revenue Provision* last updated in 2020.

The broad aim of the MHCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

8.2 The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement only incorporates options recommended in the Guidance.

- For capital expenditure incurred before 1st April 2008, MRP will be determined in accordance with the former regulations that applied on 31st

March 2008, incorporating an “Adjustment A” of £2.9m on a reducing balance method

- For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets in equal instalments, but under exceptional circumstances the annuity method may apply. Furthermore, where appropriate provision of MRP will commence in the year after the asset becomes operational.

8.3 Estimated life periods will be determined under delegated powers. The Authority may defer to the estimated useful economic life periods specified in the MRP guidance, but reserves the right to determine such periods and prudent MRP. As some types of capital expenditure incurred by the Authority are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

8.4 No MRP will be charged in respect of assets held within the Housing Revenue Account as repayment of debt is incorporated in the long term HRA business plan.

8.5 **Third party loans** – Under statutory requirements the payment of the loan will normally be treated as capital expenditure. The subsequent loan repayments, (which are treated as capital receipts under statutory requirements), will be used to reduce the long term liability and consequently the CFR. As a result MRP will not generally be charged on the loan providing the loan repayment means that the debt will be repaid quicker than if MRP was provided based on the asset life method.

The Authority keeps under review all loans to 3rd parties and should there be an expectation that loans will not be repaid in full MRP would be made in this respect to insure that provision is put aside prudently for the repayment of debt.

8.6 There is currently consultation issued from the Department for Levelling up, Housing and Communities seeking views on proposed changes to regulations to better enforce the duty of local authorities to make prudent Minimum Revenue Provision each year. Officers will ensure that the provision complies with any future changes to this regulation.

9. Knowledge and Skills

- 9.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Council also has a training and development programme to support staff to study towards relevant professional qualifications.
- 9.2 Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.
- 9.3 Member training is undertaken as part of the induction programme following any election and in particular for new Members. Specialist training and advice is also provided to relevant cabinet portfolio members which is either conducted by members of staff or external specialist sources.

REASONS & OPTIONS

Reasons for the Decision

The Council is required to approve the Capital Strategy as per the 2017 updates to the Prudential Code for Capital Finance in Local Authorities and the Treasury Management in the Public Services Code of Practice.

Alternative Options Considered

There are no alternative options in so far as approving the capital strategy and setting the capital programme. However, there are options in respect of the various elements of the capital programme.

IMPLICATIONS & RISKS

Financial Implications and Risks

The Council needs to manage and control its future capital programme and investment very carefully to ensure that it meets its fiduciary responsibilities. It will need to carefully prioritise future capital investment to deliver optimum outcomes as resources become increasingly scarce. A number of new schemes rely upon borrowing which creates a long term budgetary commitment for the Council for which it anticipates that it will receive financial

returns of income in addition to meeting the primary objectives of economic development and regenerations. It is therefore essential that there is robust and proactive management of all capital projects going forward in order to deliver the financial plans set out in each approved business case. In particular, the delivery of income streams due from the series of Regeneration led projects for housing development are crucial and underpin the Council's ability to meet the cost of this capital investment and generate future revenue returns to support the delivery of the MTFs. Failure to deliver to plan, could result in significant financial pressures for the Council and therefore robust programme and project governance will be essential. This framework and the expected returns on investment will be included in the revised Capital Strategy.

In allocating funding to these proposals the principle of financing capital expenditure from prudential borrowing as a last resort, was used. Going forward, the use of external funding sources will be maximised, pulling together the co-ordination of grant funding, s106 and any future CIL payments and the use of capital receipts, revenue and reserves.

Legal Implications and Risks

There are no apparent direct legal implications arising from this report. The Capital Strategy is a requirement of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required by regulation to have regard to both codes when carrying out its duties under Part 1 of the Local Government Act 2003. This report has been produced in accordance with those requirements.

Human Resource Implications and Risks

There appear to be no HR implications or risks arising directly that impact on the Councils workforce.

Equalities Implications and Risks

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce.

Health and Wellbeing Implications and Risks

The Council is committed to improving the quality of life and wellbeing for all Havering employees and residents in respect of socio-economics and health determinants. Whilst there are no direct implications to the Council's workforce and residents health and wellbeing as a result of this report, the way the Council spends its budgets on facilities and services does have the potential to impact on our overall health and wellbeing.

For example investment in social infrastructure for public services is likely to have a positive impact on health and wellbeing in terms of providing facilities and services, social connectivity, skills improvement, employment and wealth creation. If social infrastructure is not invested and there is a lack of good quality roads, paths and public buildings the aesthetic quality of the environment can impact negatively on both physical and mental health and wellbeing.

The extensive investment in the regeneration programme with the aim of delivering more affordable homes will also have a significant impact on health and wellbeing

Sitting behind this strategy are a number of processes to assess and improve the health impacts of the projects being proposed. For example, any capital building works such as the 12 estates regeneration project will be subject to the new local plan which includes a new policy requirement for development applications of 10 units or more to have a commensurate scale health impact assessment. This will highlight any positive impacts of the development on improved health and wellbeing and look for ways to mitigate any negative impacts.

In addition where appropriate, individual projects/programmes within this strategy will themselves be subject to a separate equalities and health impact assessment (EqHIA) which will identify in more detail potential negative impacts for mitigation or positive impacts.

Climate Change Implications and Risks

The establishment of the Havering Climate Action Plan signals a commitment by the Council to tackle climate change and will affect all Council policies and decisions. The proposed capital programme has been developed with this Climate Action Plan at its forefront with good financial stewardship and procurement contributing to the Council's aim of achieving net-zero annual carbon emissions by 2040. In addition all projects included in the programme will follow the principles set out in the action plan and adhere to its key values.

BACKGROUND PAPERS

None