Havering
LONDON BOROUGH

CABINET **8 February 2023**	
Subject Heading:	**5 Year Capital Programme and Strategy – 2023/24 to 2027/28**
Cabinet Member:	**Councillor Christopher Wilkins** Finance & Transformation
SLT Leads:	**Dave McNamara** Director of Finance
Report Author and contact details:	**Mark White** Capital Strategy Manager
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 2023/24 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

People – Things that matter for residents	[ ]
Place – A great place to live, work and enjoy	[ ]
Resource – A well run Council that delivers for People and Place	[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 2023/24 and five year Capital Programme to 2027/28.

RECOMMENDATIONS

Cabinet is asked to:

1. **Recommend to Council for consideration and approval** the 2023/24 and 5 year Capital Programme noting the regulations for 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 2023/24 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)
- 2023/24 Revenue Budget and Medium Term Financial Strategy (MTFS)
- HRA rent setting report

The capital strategy is underpinned by Havering's vision to be the best organisation we can be and to maintain the high quality of services that residents rely on. Underpinning the new vision is the new corporate plan and operating model so future capital investment will be focused into the delivery of this vision 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 asset management strategy is also part of the Capital programme and focuses on maintaining the core assets including the office estate, schools and other operational buildings. The Council is currently updating its Accommodation Strategy and looking at rationalising its estate and maximising the utilisation of those assets. The Council has significantly changed the way it works since March 2020 when the pandemic started and the review will take account of the different needs of both the workforce and frontline services to the public.

Any additional capital needs (for proposed real property acquisitions) over and above what is specified in the capital programme for the relevant year will require separate business cases to justify the proposed expenditure, to be agreed by the S151 officer, Capital Strategy manager and Council Members as required and appropriate.

1.1.5 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.

1.1.6 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 2023/24 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 using a corporate system containing programme performance and delivery information. The data within the system is then 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 proposed capital programme.

2. 2023/24 – 2027/28 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 2023/24 as part of the closure of the 2022/23 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	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
Adults Services						
Adults - DFG	2.839	0.000	0.000	0.000	0.000	**2.839**
Adults - Other	1.677	0.000	0.000	0.000	0.000	**1.677**
Adults Services Total	**4.515**	**0.000**	**0.000**	**0.000**	**0.000**	**4.515**
Customer, Communication & Culture						
Leisure - Other	0.955	0.000	0.000	0.000	0.000	**0.955**
Leisure - SLM	0.010	4.552	0.000	0.000	0.000	**4.562**
Libraries	0.067	0.000	0.000	0.000	0.000	**0.067**
Customer, Communication & Culture Total	**1.033**	**4.552**	**0.000**	**0.000**	**0.000**	**5.585**
Transformation	**9.457**	**6.494**	**1.980**	**1.180**	**0.000**	**19.111**
Childrens Services	**2.225**	**0.000**	**0.000**	**0.000**	**0.000**	**2.225**
Learning & Achievement						
Learning & Achievement Other	0.000	0.000	0.022	0.000	0.000	**0.022**
Schools	0.837	0.000	0.000	0.000	0.000	**0.837**
Learning & Achievement Total	**0.837**	**0.000**	**0.022**	**0.000**	**0.000**	**0.859**
Environment						
Environment - Other	1.920	0.000	0.000	0.000	0.000	**1.920**
Grounds Maintenance	0.150	0.000	0.000	0.000	0.000	**0.150**
Highways	1.268	0.750	0.182	0.000	0.000	**2.200**
Parks	0.500	0.000	0.000	0.000	0.000	**0.500**
Environment Total	**3.838**	**0.750**	**0.182**	**0.000**	**0.000**	**4.770**
Registration & Bereavement Services	**0.070**	**0.000**	**0.000**	**0.000**	**0.000**	**0.070**
Asset Management						
Asset Management - Other	3.078	0.000	0.000	0.000	0.000	**3.078**
Corporate Buildings	0.089	0.000	0.000	0.000	0.000	**0.089**
Health & Safety	0.092	0.018	0.000	0.000	0.000	**0.110**
Schools Conditions Programme	2.531	0.000	0.000	0.000	0.000	**2.531**
Schools Expansions	17.861	22.865	0.000	0.000	0.000	**40.727**
Vehicle Replacement	0.110	0.000	0.000	0.000	0.000	**0.110**
Asset Management Total	**23.761**	**22.883**	**0.000**	**0.000**	**0.000**	**46.644**
ICT Infrastructure	**6.982**	**3.020**	**2.242**	**0.000**	**0.000**	**12.244**
Total GF Capital Expenditure	**52.718**	**37.699**	**4.426**	**1.180**	**0.000**	**96.023**

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

Table 2 - Existing Service Spending Financing

Financing	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
Capital Receipts	17.363	13.073	0.000	0.000	0.000	**30.436**
Revenue and Reserve Contributions	0.115	0.000	0.022	0.000	0.000	**0.136**
Grants & Other Contributions	24.433	22.865	0.000	0.000	0.000	**47.298**
Borrowing	10.807	1.761	4.404	1.180	0.000	**18.152**
Total Funding	**52.718**	**37.699**	**4.426**	**1.180**	**0.000**	**96.023**

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 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	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**	**Total £m**
Environment						
Highways (Roads & Pavements)	6.000	6.000	6.000	6.000	6.000	**30.000**
Highways (Lighting)	1.000	1.000	1.000	1.000	1.000	**5.000**
Asset Management						
Depot Expansion	4.000	0.000	0.000	0.000	0.000	**4.000**
Corporate Building Inspections	0.194	0.205	0.216	0.226	0.238	**1.079**
Corporate Buildings & Other Initiatives	3.000	3.000	0.000	0.000	0.000	**6.000**
Finance						
Capital Contingency	2.000	0.000	0.000	0.000	0.000	**2.000**
Total Internally Funded Schemes	**16.194**	**10.205**	**7.216**	**7.226**	**7.238**	**48.079**

Externally Grant Funded Schemes Presented for Approval	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**	**Total £m**
Asset Management						
Schools Conditions Programme (indicative)*	2.454	0.000	0.000	0.000	0.000	**2.454**
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)	1.432	0.000	0.000	0.000	0.000	**1.432**
Total Externally Grant Funded Schemes	**5.942**	**0.000**	**0.000**	**0.000**	**0.000**	**5.942**

Externally CIL/S106 Funded Schemes Presented for Approval	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**	**Total £m**
Primary School Cycle & Scooter Parking	0.050	0.000	0.000	0.000	0.000	**0.050**
Lamp Column upgrades (for EV chargers)	0.050	0.000	0.000	0.000	0.000	**0.050**
PV Panels on Council Buildings	0.375	0.000	0.000	0.000	0.000	**0.375**
Liveable Neighbourhood Romford Ring Road	1.200	0.000	0.000	0.000	0.000	**1.200**
Beam Parkway Linear Park & Active Travel	1.000	0.000	0.000	0.000	0.000	**1.000**
Total Externally Funded S106/CIL Schemes	**2.675**	**0.000**	**0.000**	**0.000**	**0.000**	**2.675**
TOTAL NEW GF CAPITAL PROGRAMME	**24.811**	**10.205**	**7.216**	**7.226**	**7.238**	**56.696**

* 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 The bids include £7m per year for the resurfacing and lighting of highways and footways as the current approved programme of works ends in 2022/23. This is based on the minimum recommended by officers to maintain the quality of the highways infrastructure.

2.3.3 Also included is an additional £4m to fund the expansion of the facilities at the central depot site. This will increase the available area of the depot site and accommodate the requirements of the integrated waste and street cleansing contract approved at December 2022 cabinet. This requirement following the procurement was flagged in the 2022/23 capital strategy report and is subject to a works procurement process.

2.3.4 Members are also asked to approve the addition of £6m over two years for works on corporate buildings including access works at Langtons works on the town hall and other corporate building initiatives.

2.3.5 The 2023/24 capital programme also includes an allocation of £2m into the capital contingency to allow the Authority to react to in-year capital pressures. This report seeks delegation of the use of the capital contingency to the Chief Financial Officer (recommendation 2).

2.3.6 A review of IT and Transformation capital expenditure is underway and once completed adjustments to the capital programme will be reported

2.3.7 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.

2.3.8 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

2.3.9 It should be noted that of the 5 additional CIL funded projects that approval is being sought by Members to add to the capital programme, 2 are above the £500k level delegated to the S151 officer. The liveable neighbourhood Romford Ring Road project and the Beam Parkway Linear Park & Active Travel project have both been approved via IPaDB and Theme board and this report is seeking Member approval of both schemes for inclusion in the capital programme.

2.3.10 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	0.000	0.000	0.000	0.000	0.000	**0.000**
Revenue and Reserve Contributions	0.000	0.000	0.000	0.000	0.000	**0.000**
Grants & Other Contributions	8.617	0.000	0.000	0.000	0.000	**8.617**
Borrowing	16.194	10.205	7.216	7.226	7.238	**48.079**
TOTAL FUNDING	**24.811**	**10.205**	**7.216**	**7.226**	**7.238**	**56.696**

2.3.11 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						
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£m	£m	£m	£m	£m	£m	£m
Interest Costs associated with additional Borrowing	0.324	0.528	0.348	0.289	0.289	0.145	**1.200**
Repayment of Principal (MRP) associated with additional borrowing	0.000	0.540	0.360	0.285	0.286	0.286	**0.900**
Total Capital Financing Costs associated with additional borrowing	**0.324**	**1.068**	**0.709**	**0.574**	**0.575**	**0.431**	**2.100**

2.3.12 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 2023/24 HRA Rent Setting report is included elsewhere on this agenda. As well as setting out the revenue budgets for the financial year ending 31st March 2024 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	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28	Total £m
Stock capital investment	38.781	33.144	35.363	33.572	34.111	**174.969**
Other Improvements	0.000	0.000	0.000	0.000	0.000	**0.000**
Development/Acquisition	50.114	25.015	22.424	22.247	23.322	**143.122**
Demolition & Forward Funding	25.674	17.854	27.101	66.468	134.343	**271.440**
Other Regeneration	28.637	18.374	15.842	11.093	4.345	**78.290**
Total HRA Capital Expenditure	**143.206**	**94.387**	**100.729**	**133.379**	**196.121**	**667.822**

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

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28	Total £m
Major Repairs Reserve (MRR)	9.812	10.273	10.479	10.688	10.902	**52.154**
RTB receipts (Allowable Debt)	1.068	1.067	1.074	1.068	1.061	**5.338**
RTB receipts (1-4-1 receipts)	8.112	4.542	2.580	6.727	8.935	**30.895**
Other Grants & Contributions	35.090	19.064	27.992	13.314	75.605	**171.066**
Revenue contributions (HRA)	0.500	11.403	3.486	0.000	0.000	**15.389**
HRA Prudential Borrowing	88.624	48.037	55.117	101.583	99.618	**392.979**
Total Funding	**143.206**	**94.387**	**100.729**	**133.379**	**196.121**	**667.822**

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 a summary of the current spending plans (based on latest business plans) for all of the regeneration schemes being proposed. A full listing of the projects can be found in appendix 3.

Table 8 – Revised Regeneration Capital Programme

Summary of Regeneration Programme	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
Mercury Land Holdings	100.557	70.433	0.000	0.000	0.000	**170.990**
Rainham & Beam Park	35.197	12.449	0.000	0.000	0.000	**47.646**
Bridge Close (Medical facilities & School)	0.000	20.800	0.000	0.000	0.000	**20.800**
Farnham & Hilldene	1.718	0.000	17.051	0.000	0.000	**18.769**
Future Regeneration Opportunities	28.000	28.000	28.000	28.000	28.000	**140.000**
Beam Parkway Major Scheme	2.888	0.000	0.000	0.000	0.000	**2.888**
Total GF Regeneration Programme	**168.360**	**131.682**	**45.051**	**28.000**	**28.000**	**401.094**

2.5.3 It should be noted that the proposed regeneration programme members are being asked to approve within this report is comparable in size to the regeneration programme approved as part of the budget setting process for 2022/23. Budgets for any schemes that Mercury Land Holdings are no longer progressing have been returned to the MLH reactive acquisition fund. Budgets will then be allocated to new projects as and when the schemes have followed the governance process with business cases having been approved.

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

Table 9 – Revised Regeneration Capital Financing

Financing	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
Capital Receipts	61.510	36.490	28.000	28.000	28.000	**182.000**
Revenue and Reserve Contributions	0.000	0.000	0.000	0.000	0.000	**0.000**
Grants & Other Contributions	2.888	0.000	0.000	0.000	0.000	**2.888**
Borrowing	103.962	95.192	17.051	0.000	0.000	**216.205**
Total Funding	**168.360**	**131.682**	**45.051**	**28.000**	**28.000**	**401.094**

2.5.5 Use of capital receipts to finance the regeneration programme include £42m for potential CPO's relating to the Rainham & Beam Park housing zone and a £140m provision for any future regeneration opportunities that may arise. Full business cases would be produced for any project utilising these receipts which would be replenished from the subsequent onward sale of the asset purchased.

2.5.6 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.

2.5.7 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 10 – Revenue Impact of the Regeneration Capital Programme

	Incremental Impact to Revenue						
	2023/24 £m	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**	**2028/29 £m**	**Total £m**
Interest Costs associated with additional Borrowing	2.627	3.983	2.245	0.341	0.000	0.000	**9.196**
Repayment of Principal (MRP) associated with additional borrowing	0.938	1.852	1.839	0.426	0.000	0.000	**5.055**
Total Capital Financing Costs associated with additional borrowing	**3.565**	**5.835**	**4.084**	**0.767**	**0.000**	**0.000**	**14.251**

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 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 2023/24 to 2027/28 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 11 – Proposed Total Capital Programme

	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
Adults Services						
Adults - DFG	4.895	0.000	0.000	0.000	0.000	**4.895**
Adults - Other	1.677	0.000	0.000	0.000	0.000	**1.677**
Adults Services Total	**6.571**	**0.000**	**0.000**	**0.000**	**0.000**	**6.571**
Customer, Communication & Culture						
Leisure - Other	0.955	0.000	0.000	0.000	0.000	**0.955**
Leisure - SLM	0.010	4.552	0.000	0.000	0.000	**4.562**
Libraries	0.067	0.000	0.000	0.000	0.000	**0.067**
Customer, Communication & Culture Total	**1.033**	**4.552**	**0.000**	**0.000**	**0.000**	**5.585**
Transformation	**9.457**	**6.494**	**1.980**	**1.180**	**0.000**	**19.111**
Childrens Services	**2.225**	**0.000**	**0.000**	**0.000**	**0.000**	**2.225**
Learning & Achievement						
Learning & Achievement Other	0.000	0.000	0.022	0.000	0.000	**0.022**
Schools	0.887	0.000	0.000	0.000	0.000	**0.887**
Learning & Achievement Total	**0.887**	**0.000**	**0.022**	**0.000**	**0.000**	**0.909**
Environment						
Environment - Other	3.352	0.000	0.000	0.000	0.000	**3.352**
Grounds Maintenance	0.150	0.000	0.000	0.000	0.000	**0.150**
Highways	8.318	7.750	7.182	7.000	7.000	**37.250**
Parks	0.500	0.000	0.000	0.000	0.000	**0.500**
Environment Total	**12.320**	**7.750**	**7.182**	**7.000**	**7.000**	**41.252**
Registration & Bereavement Services	**0.070**	**0.000**	**0.000**	**0.000**	**0.000**	**0.070**
Asset Management						
Asset Management - Other	7.078	0.000	0.000	0.000	0.000	**7.078**
Corporate Buildings	3.657	3.205	0.216	0.226	0.238	**7.542**
Health & Safety	0.092	0.018	0.000	0.000	0.000	**0.110**
Schools Conditions Programme	4.985	0.000	0.000	0.000	0.000	**4.985**
Schools Expansions	17.861	22.865	0.000	0.000	0.000	**40.727**
Vehicle Replacement	0.110	0.000	0.000	0.000	0.000	**0.110**
Asset Management Total	**33.783**	**26.089**	**0.216**	**0.226**	**0.238**	**60.551**
ICT Infrastructure	**6.982**	**3.020**	**2.242**	**0.000**	**0.000**	**12.244**
Capital Contingency	**2.000**	**0.000**	**0.000**	**0.000**	**0.000**	**2.000**
Regeneration	**170.560**	**131.682**	**45.051**	**28.000**	**28.000**	**403.294**
Total GF Capital Expenditure	**245.889**	**179.587**	**56.692**	**36.406**	**35.238**	**553.812**
HRA Capital Expenditure	143.206	94.387	100.729	133.379	196.121	**667.822**
Total Capital Expenditure	**389.094**	**273.974**	**157.421**	**169.786**	**231.358**	**1,221.634**

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

Table 12 – Financing of Capital Programme

Financing	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
Capital Receipts	88.052	55.172	31.654	35.794	37.996	**248.669**
Revenue and Reserve Contributions	10.427	21.676	13.987	10.688	10.902	**67.680**
Grants & Other Contributions	71.028	41.930	27.992	13.314	75.605	**229.869**
Borrowing	219.587	155.196	83.788	109.989	106.855	**675.415**
Total Funding	**389.094**	**273.974**	**157.421**	**169.786**	**231.358**	**1,221.634**

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 £258.770m as set out in the table below:

Table 12 – Prudential Indicator: Estimate of Capital Expenditure

	2021/22 Actual £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m
Service Spending	21.815	72.292	75.328	47.905	11.641
Council Housing (HRA)	121.295	150.149	143.206	94.387	100.729
Regeneration Programme	3.944	36.328	170.560	131.682	45.051
Total	**147.054**	**258.770**	**389.094**	**273.974**	**157.421**

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 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 14 – Prudential Indicator: Capital Financing

	2021/22 Actual £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m
Capital Receipts	10.403	66.046	88.052	55.172	31.654
Revenue Contributions & Reserves	23.516	25.591	10.427	21.676	13.987
Grants & Other Contributions	37.323	20.493	71.028	41.930	27.992
Borrowing	75.812	146.639	219.587	155.196	83.788
Total	**147.054**	**258.770**	**389.094**	**273.974**	**157.421**

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 £211m during 2023/24 raising from £604m to £815m. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 15 – Prudential Indicator: Estimates of Capital Financing Requirement

	2021/22 Actual £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m
Service Spending	127.504	147.493	168.488	172.907	177.068
Regeneration Programme	61.587	88.104	190.253	273.734	285.029
Total GF Capital Financing Requirement	**189.091**	**235.597**	**358.741**	**446.641**	**462.097**
Council Housing (HRA)	279.835	368.701	456.242	478.102	526.262
Total Capital Financing Requirement	**468.927**	**604.298**	**814.982**	**924.743**	**988.359**

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 (or for the HRA from rents and other sources of income) and is set out in the table below:

Table 16 – Prudential Indicator: Ratio of Financing costs to Net Revenue Stream/HRA Rents

	2021/22 Actual	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast
Service Spending	5.05%	5.90%	6.73%	7.54%	7.37%
Regeneration Programme	2.29%	2.11%	3.04%	4.87%	5.69%
Council Housing (HRA)	16.78%	21.78%	27.95%	30.92%	33.17%

3.7 Additional Prudential Indicators covering capacity, controls and affordability relating to the Councils treasury position can be found in the Treasury Management Strategy Statement (TMSS) reported 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.

4.4 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 Asset Disposal Programme was approved by Cabinet in January as the review and identification of new disposal and capital receipt opportunities is an essential contribution to funding the Council's capital programme and significantly reduces the impact of capital financing costs on revenue.

4.5 By definition there is a finite limit to the scope to generate receipts from asset disposals as the asset base diminishes over time. As set out in the disposals programme report opportunities are available in the medium term as a consequence of various factors including:

- Existing asset rationalisation programme – Cabinet agreed in January 2021 to rationalise it's administrative accommodation to reflect revised working practices following the Covid pandemic

- Medium Term Financial Strategy – The need to achieve significant reductions in the Council's revenue expenditure has necessitated a comprehensive review and re-prioritisation of Council services and their means of delivery.

- Asset Review – The Council's Asset Management Plan promotes the ongoing review of all assets to ensure there is a clear and justified requirement for their ongoing retention.

5. Capital Receipts

5.1 The planned capital programme includes assumption of the generation of £10m per year in capital receipts to help reduce the borrowing requirements and is reflected in the Asset Disposal Programme. Any shortfall in receipts will mean additional borrowing costs and therefore a pressure in the Medium Term Financial Strategy (MTFS).

5.2 It should be noted that income from capital receipts are generally applied to finance short life assets where capital financing costs would be high. On average for every £1m not achieved in asset sales this would equate to an additional pressure of £240k each year in the MTFS.

5.3 Built into the MTFS for 5 years is the requirement to generate £10m of capital receipts ending in 2026/27. The first 3 years of receipts are factored into the financing of the capital programme with the final 2 years (2025/26 & 2026/27) remaining unallocated allowing for flexibility when adding to the capital programme. This will minimise the pressures of capital financing costs to revenue for shorter life capital projects.

6. Flexible Use of Capital Receipts and Transformation

6.1 In February 2021, the Government announced the continuation for a further 3 years 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.

6.3 The guidance on the flexible use or capital receipts was updated in August 2022 with clarification that only asset sales outside of the group structure would be eligible to be used for transformation purposes as part of the flexible use of receipts directive. Coupled with the on-going review of IT and Transformation capital spend ahead of this report being prepared there are currently no plans to utilise this option. The situation will continue to be monitored and should the opportunity arise further details will be issued.

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. Early indication and updated consultation suggests that our MRP policy would be fully compliant with the updated guidance however officers will ensure that the provision complies with any future changes to the 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 projects within 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 legal implications arising directly 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