Havering
LONDON BOROUGH

CABINET

7 February 2024

Subject Heading:	**5 Year Capital Programme and Strategy – 2024/25 to 2028/29**
Cabinet Member:	**Councillor Christopher Wilkins** Finance & Transformation
ELT Leads:	**Kathy Freeman** Strategic Director of Resources
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 2024/25 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 and as set out in the Prudential Code for Capital Finance in Local Authorities, 2021 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 2024/25 and five year Capital Programme to 2028/29.

RECOMMENDATIONS

Cabinet is asked to:

1. **Recommend to Council for consideration and approval** the 2024/25 Capital programme of £339m and £1,399m over the full 5 year period from 2024/25 to 2028/29.

2. **Recommend to Council for consideration and approval** the new capital projects being added to the capital programme for 2024/25 as set out in section 2.3 of this report.

3. **Note** any additional capital needs over and above what is specified in the capital programme for the relevant year will require separate business cases and be agreed by the S151 officer, Capital Strategy manager and Council Members as required and appropriate before being agreed by full Council.

4. **Note** that the Chief Financial Officer be authorised to allocate funding from the Capital Contingency included within the draft Capital Programme.

5. **Note** that externally funded schemes can be added to the capital programme up to £500k as and when funding is confirmed.

6. **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 2024/25 to 2028/29.

7. **Note** the capital prudential indicators included within the capital strategy when approving the capital programme to ensure affordability.

8. **Approve** the Minimum Revenue Provision Policy Statement (unchanged from prior years) which determines the amount of money set aside each year for the repayment of debt

9. **Agree** that the Chief Financial Officer (S151 Officer) be authorised to re-profile capital budgets mid-year based on the updated forecasts provided by services and reported to the Executive 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)
- 2024/25 Revenue Budget and Medium Term Financial Strategy (MTFS)
- Housing Revenue Account (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 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 enable 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.

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.

1.1.7 Any additional capital needs 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 before being agreed by full Council.

1.1.8 With central government financial support for local public services declining, the Council has invested in a number of joint ventures and subsidiaries which are included in the capital programme.

1.1.9 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.

Current approved business plans for MLH are for 694 new homes split between affordable rent (147), private rented sector (172), low cost home ownership properties (65) and open market sales (311).

1.1.10 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 (HRA)

Being delivered through the Havering Wates regeneration LLP the programme and consists of a number of schemes:

- New Green
- Park Rise
- Waterloo Estate
- Chippenham Road
- Farnham & Hilldene Estate

The 12 sites later phases and blue line opportunities are currently on hold due to cost inflation and are currently under review. There is currently no budget allocated for these sites at the moment. The original 12 sites programme is set to deliver 3,363 new homes split between affordable rent (1,279), private rented sector (184), low cost home ownership (425) and open market sale (1,475).

Bridge Close (HRA & GF)

Currently in the final stages of pre-planning activity, the scheme involves the acquisition of commercial property and land in central Romford to provide a scheme of 1,011 new homes at up to 50% affordable (506 affordable homes). The GF element consists of a new school and medical centre that will be delivered as part of the scheme.

Rainham & Beam Park (GF)

Rainham & Beam Park is the only council regeneration scheme funded from the general fund, it consists of equity contributions to the joint venture with Notting Hill Genesis. Spend to date has been around shaping development proposals, working on compulsory purchase orders and acquiring land for regeneration in Rainham. Activity has reduced due to complications around the delivery of Beam Park Station. Overall the scheme could provide 910 new homes, at 35% affordable (319 affordable homes)

1.1.11 In addition to the above housing projects there are two Infrastructure projects in the capital programme, Beam parkway and Romford Liveable Neighbourhoods. Both are road/place shaping projects aiming to improve driver and pedestrian safety and increase biodiversity through planting and greening. Both schemes are entirely funded through external grants, community infrastructure levy and S106 planning agreements so there is no impact on revenue expenditure through borrowing.

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 2024/25 capital programme was undertaken as part of the corporate budget setting process. Project outlines were considered by senior officers and Members through the star chamber process 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 at Theme Board and ELT.

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; VFM does not mean opting for the lowest cost option. 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. 2024/25 – 2028/29:- 5 Year Capital Programme

2.1 Overview

2.1.1 After taking into consideration the existing approved capital programme and associated re-profiling, 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 2024/25 as part of the closure of the 2023/24 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, re-profiling 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

Directorate	2024-25 Budget £m	2025-26 Budget £m	2026-27 Budget £m	2027-28 Budget £m	2028-29 Budget £m	Total Budget £m
Ageing Well	3.875	0.000	0.000	0.000	0.000	3.875
Living Well	1.432	0.000	3.121	0.000	0.000	4.552
Starting Well	26.495	17.000	19.000	0.000	0.000	62.495
People Total	**31.801**	**17.000**	**22.121**	**0.000**	**0.000**	**70.922**
Environment	8.780	7.754	7.000	7.000	0.000	30.534
Housing & Property (GF)	10.701	3.216	0.226	0.238	0.000	14.381
Planning & Public Protection	0.084	0.000	0.000	0.000	0.000	0.084
Place Total	**19.566**	**10.970**	**7.226**	**7.238**	**0.000**	**45.000**
Customer Services	0.030	0.000	0.000	0.000	0.000	0.030
Finance	1.781	0.252	0.082	0.000	0.000	2.116
Partnership Impact and Delivery	14.297	4.327	1.018	0.000	0.000	19.642
Public Health	0.101	0.000	0.000	0.000	0.000	0.101
Resources Total	**16.210**	**4.579**	**1.100**	**0.000**	**0.000**	**21.889**
Total (Excluding HRA and Regeneration)	**67.577**	**32.549**	**30.447**	**7.238**	**0.000**	**137.810**

2.2.2 The corresponding budget approved for 2024/25 as part of the 2023/24 budget setting process was £47.8m with the difference being slippage and additional externally funding projects added throughout the year.

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

Table 2 - Existing Service Spending Financing

Financing	2024-25 Budget £m	2025-26 Budget £m	2026-27 Budget £m	2027-28 Budget £m	2028-29 Budget £m	Total Budget £m
Capital Receipts	15.717	0.250	2.733	0.000	0.000	**18.700**
Revenue and Reserve Contributions	1.260	0.000	0.000	0.000	0.000	**1.260**
Grants & Other Contributions	30.240	17.000	19.000	0.000	0.000	**66.240**
Borrowing	20.360	15.299	8.713	7.238	0.000	**51.610**
Total Funding	**67.577**	**32.549**	**30.447**	**7.238**	**0.000**	**137.810**

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.

2.3.2 Due to the financial situation of the Council, only new capital projects as a result of either; health & safety, legislative or invest to save have been included in the programme that is being presented for approval.

Table 3 – New Service Spending Capital Projects

Internally Funded Schemes Presented for Approval	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**	**2028/29 £m**	**Total £m**
Place - Environment						
Food Waste Collection	4.650	0.000	0.000	0.000	0.000	**4.650**
Place - Housing & Property						
Corporate Landlord Buildings Pressure	1.805	0.800	0.500	0.500	0.500	**4.105**
People - Living Well						
Bretons - Listed Building Refurbishment	0.100	0.000	0.000	0.000	0.000	**0.100**
Hornchurch Stadium - Track Resurface	0.025	0.375	0.000	0.000	0.000	**0.400**
Fairkytes Arts Centre	0.030	0.000	0.000	0.000	0.000	**0.030**
Total Internally Funded Schemes	**6.610**	**1.175**	**0.500**	**0.500**	**0.500**	**9.285**

Externally Grant Funded Schemes Presented for Approval	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**	**2028/29 £m**	**Total £m**
Place - Housing & Property						
Schools Conditions Programme (indicative)*	2.522	0.000	0.000	0.000	0.000	**2.522**
People - Ageing Well						
Better Care Fund/ Disabled Facilities Grant (indicative)	2.056	0.000	0.000	0.000	0.000	**2.056**
Place - Environment						
TFL - Core Local Implementation Plan (indicative)	1.432	0.000	0.000	0.000	0.000	**1.432**
Total Externally Grant Funded Schemes	**6.010**	**0.000**	**0.000**	**0.000**	**0.000**	**6.010**

Total New Capital Projects	**12.620**	**1.175**	**0.500**	**0.500**	**0.500**	**15.295**

* 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.

2.3.3 The bids include £4.65m for food waste collection. The pressure is split between the purchase of food waste collecting vehicles (£1.85m) and the purchase of other equipment such as food caddies (£2.8m). DEFRA have announced that £295m of capital funding is being made available to support the transition to food waste collections and a formula to determine how this is being apportioned is being developed. Receipt of the grant is likely to be in this financial year but it is unlikely to meet the full amount needed. Any capital grant received will reduce the need for borrowing and reduce the capital financing cost to revenue.

2.3.4 Also included is an additional £4.105m to finance corporate landlord building pressures. These include urgent works to the buildings themselves (£441k) along with mechanical and electrical works (£544k). In addition the pressure includes money set aside for 5 years for Disability Discrimination Act recommendations, urgent fire safety works, asbestos surveys and remedial works.

2.3.5 Members are also asked to approve the addition of £0.1m to take forward the restoration of the barns and cattle sheds at Bretons. Urgent work is needed to take the buildings off the 'at risk' register and bring them back to use to realise a revenue income stream. The capital bid in 2024/25 is to progress the scheme to the planning application stage and start to develop external funding bids so that the project can be fully costed and the full revenue impact established. If the fully costed scheme is not feasible then the £100k will not be needed as no further work will be progressed.

2.3.6 Whilst further decisions on the development of Bretons are reviewed a pressure of £0.4m exists to resurface the running track at Hornchurch stadium. This will bring the track up to the standard required for athletics meets to continue to be held at the stadium.

2.3.7 Finally urgent structural and building works are required to the listed building at Fairkytes Arts Centre meaning a capital pressure of £0.03m

2.3.8 In addition to the pressures listed above, a review of IT and Transformation capital expenditure is currently underway. The purpose is to align budgets with the new digital strategy and the activity to bring the IT function into Havering from oneSource. Once completed adjustments to the capital programme will be reported

2.3.9 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.

2.3.10 A Community Infrastructure Levy (CIL) scheme was initiated in Havering in 2020/21 and the council receives CIL payments which are available to finance infrastructure spend. 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

2.3.11 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	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £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	6.010	0.000	0.000	0.000	0.000	**6.010**
Borrowing	6.610	1.175	0.500	0.500	0.500	**9.285**
Total Funding of New Capital Projects	**12.620**	**1.175**	**0.500**	**0.500**	**0.500**	**15.295**

2.3.12 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						
Capital Financing Costs	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**	**2028/29 £m**	**2029/30 £m**	**Total £m**
Interest Costs associated with additional Borrowing	0.190	0.224	0.048	0.029	0.029	0.029	**0.548**
Repayment of Principal (MRP) associated with additional borrowing	0.000	0.970	0.031	0.010	0.010	0.010	**1.031**
Total Capital Financing Costs	**0.190**	**1.194**	**0.079**	**0.039**	**0.039**	**0.039**	**1.579**

2.3.13 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.

2.3.14 In addition to those new schemes that are being presented to Members for inclusion in the approved capital programme there are a number of projects that either due to the financial situation or other reasons are not being put forward. These include:

- Bretons Master Plan
- Hornchurch Stadium – Roof Replacement

- Fusion Cloud Interface Engine
- Enforcement CCTV

2.4 Revised Housing Revenue Account Capital Projects

2.4.1 The HRA business plan and the 2024/25 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 2025 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	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Stock capital investment	42.477	50.472	29.355	29.555	26.830	**178.689**
Other Improvements	0.000	0.000	0.000	0.000	0.000	**0.000**
Development/Acquisition	42.678	41.631	50.413	29.556	8.755	**173.032**
Demolition & Forward Funding	37.146	61.260	139.057	151.995	59.512	**448.970**
Other Regeneration	38.783	7.739	5.588	14.236	10.110	**76.456**
Total HRA Capital Expenditure	**161.084**	**161.102**	**224.414**	**225.341**	**105.207**	**877.148**

2.4.2 Whilst there is no direct provision made for the repayment of debt (and therefore no Minimum Revenue Provision) the inclusion of the repayment of loans has still been included in the long term business plan for the HRA. To reflect this in the service revenue expenditure, unlike in the General Fun, 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

Proposed HRA Capital Programme	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Major Repairs Reserve (MRR)	10.205	10.460	10.669	10.882	11.100	**53.315**
RTB receipts (Allowable Debt)	1.124	1.136	1.147	1.158	1.185	**5.750**
RTB receipts (1-4-1 receipts)	6.949	6.951	8.141	10.505	5.829	**38.375**
Other Grants & Contributions	32.637	46.875	10.485	40.919	75.435	**206.351**
Revenue contributions (HRA)	0.000	0.000	0.000	0.000	0.000	**0.000**
HRA Prudential Borrowing	110.169	95.681	193.972	161.877	11.658	**573.357**
Total HRA Capital Funding	**161.084**	**161.102**	**224.414**	**225.341**	**105.207**	**877.148**

2.4.4 All HRA regeneration schemes will continue to be reviewed on a regular basis to ensure schemes are still viable and affordable as per the HRA business plan.

2.5 Regeneration Capital Projects

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

Table 8 – Regeneration Capital Programme

Summary of Regeneration Programme	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Mercury Land Holdings	62.110	96.206	11.515	0.500	0.000	**170.331**
Rainham & Beam Park	10.995	0.000	0.000	0.000	0.000	**10.995**
Bridge Close (Medical facilities & School)	0.000	0.000	18.969	4.883	0.000	**23.852**
Farnham & Hilldene	2.429	6.756	12.051	0.000	0.000	**21.236**
Future Regeneration Opportunities	20.000	40.000	40.000	40.000	0.000	**140.000**
Other Regeneration Schemes	2.779	0.255	0.000	0.000	0.000	**3.034**
Total GF Regeneration Programme	**98.313**	**143.217**	**82.535**	**45.383**	**0.000**	**369.447**

2.5.2 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 2023/24. 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.

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

2.5.4 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.

Table 9 – Regeneration Capital Financing

Financing	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Capital Receipts	30.180	40.000	40.000	40.000	0.000	**150.180**
Revenue and Reserve Contributions	0.000	0.000	0.000	0.000	0.000	**0.000**
Grants & Other Contributions	2.599	0.255	12.046	0.000	0.000	**14.901**
Borrowing	65.534	102.962	30.489	5.383	0.000	**204.367**
Total Funding	**98.313**	**143.217**	**82.535**	**45.383**	**0.000**	**369.447**

2.5.5 Use of capital receipts to finance the regeneration programme include £10m 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 funded from the subsequent onward sale of the asset purchased.

2.5.6 Like with the new capital projects, if schemes within these regeneration programmes 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						
Capital Financing Costs	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**	**2028/29 £m**	**2029/30 £m**	**Total £m**
Interest Costs associated with additional Borrowing	2.448	4.844	3.837	1.031	0.155	0.000	**12.315**
Repayment of Principal (MRP) associated with additional borrowing	0.878	1.585	1.820	0.667	0.110	0.000	**5.060**
Total Capital Financing Costs	**3.326**	**6.429**	**5.657**	**1.699**	**0.265**	**0.000**	**17.375**

2.5.7 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. Whilst these costs are factored into the MTFS, any delays in the programme that add time into the development phase plans will potentially bring with it additional material costs over and above these business plan assumptions.

2.5.8 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.

2.5.9 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.

2.5.10 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.

2.5.11 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 2024/25 to 2028/29 5 year Capital Programme

2.6.1 Subject to Member approval, the following table sets out the proposed total combined capital programme for the financial years 2024/25 through to 2028/29 covering the existing capital programme, new bids, HRA and Regeneration:

Table 11 – Proposed Total Capital Programme

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
People						
Ageing Well	5.931	0.000	0.000	0.000	0.000	**5.931**
Living Well	1.587	0.375	3.121	0.000	0.000	**5.082**
Starting Well	26.495	17.000	19.000	0.000	0.000	**62.495**
	34.012	**17.375**	**22.121**	**0.000**	**0.000**	**73.508**
Place						
Environment	14.862	7.754	7.000	7.000	0.000	**36.616**
Housing & Property (GF)	15.028	4.016	0.726	0.738	0.500	**21.008**
Planning & Public Protection	0.084	0.000	0.000	0.000	0.000	**0.084**
Regeneration & Place Shaping	98.313	143.217	82.535	45.383	0.000	**369.447**
	128.287	**154.987**	**90.261**	**53.121**	**0.500**	**427.156**
Resources						
Customer Services	0.030	0.000	0.000	0.000	0.000	**0.030**
Finance	1.781	0.252	0.082	0.000	0.000	**2.116**
Partnership Impact and Delivery	14.297	4.327	1.018	0.000	0.000	**19.642**
Public Health	0.101	0.000	0.000	0.000	0.000	**0.101**
	16.210	**4.579**	**1.100**	**0.000**	**0.000**	**21.889**
Total GF Capital Expenditure	**178.509**	**176.941**	**113.482**	**53.121**	**0.500**	**522.553**
Housing & Property (HRA)	**161.084**	**161.102**	**224.414**	**225.341**	**105.207**	**877.148**
Total Capital Expenditure	**339.594**	**338.042**	**337.895**	**278.462**	**105.707**	**1,399.701**

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

Table 12 – Financing of Capital Programme

Financing	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Capital Receipts	53.970	48.336	52.021	51.664	7.014	**213.005**
Revenue and Reserve Contributions	11.465	10.460	10.669	10.882	11.100	**54.576**
Grants & Other Contributions	71.486	64.130	41.531	40.919	75.435	**293.502**
Borrowing	202.673	215.116	233.674	174.998	12.158	**838.619**
Total Funding	**339.594**	**338.042**	**337.895**	**278.462**	**105.707**	**1,399.701**

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 2023/24, including the Housing Revenue Account, the Council is planning capital expenditure of £242.829m as set out in the table below:

Table 13 – Prudential Indicator: Estimate of Capital Expenditure

	2022/23 Actual £m	**2023/24 Budget £m**	**2024/25 Budget £m**	**2025/26 Budget £m**	**2026/27 Budget £m**
Service Spending	35.927	78.830	80.197	33.724	30.947
Regeneration Programme	9.614	20.486	98.313	143.217	82.535
Total General Fund	**45.541**	**99.317**	**178.509**	**176.941**	**113.482**
Council Housing (HRA)	106.778	143.512	161.084	161.102	224.414
Total	**152.319**	**242.829**	**339.594**	**338.042**	**337.895**

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

	2022/23 Actual £m	**2023/24 Budget £m**	**2024/25 Budget £m**	**2025/26 Budget £m**	**2026/27 Budget £m**
Capital Receipts	18.478	57.757	53.970	48.336	52.021
Revenue Contributions & Reserves	19.746	17.789	11.465	10.460	10.669
Grants & Other Contributions	17.807	30.645	71.486	64.130	41.531
Borrowing	96.288	136.638	202.673	215.116	233.674
Total	**152.319**	**242.829**	**339.594**	**338.042**	**337.895**

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 can be found in section 8 of this report.

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 £163m during 2024/25 raising from £688m to £851m. 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 (CFR)

	2022/23 Actual £m	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m	2026/27 Budget £m
Service Spending	141.847	155.299	176.670	186.356	187.667
Regeneration Programme	70.115	88.111	143.178	241.882	265.984
Total GF Capital Financing Requirement	**211.962**	**243.410**	**319.848**	**428.238**	**453.651**
Council Housing (HRA)	347.457	445.231	529.223	617.947	809.882
Total Capital Financing Requirement	**559.418**	**688.641**	**849.071**	**1,046.185**	**1,263.533**

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

	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Forecast £m	2025/26 Forecast £m	2026/27 Forecast £m
Service Spending					
GF Net Revenue Stream	176.185	182.006	192.206	202.306	212.422
Service Capital Financing Costs	12.641	13.264	15.143	17.225	18.655
Ratio of Financing Costs to Net Revenue Stream	7%	7%	8%	9%	9%
Regeneration Programme					
GF Net Revenue Stream	176.185	182.006	192.206	202.306	212.422
Regeneration Capital Financing Costs	4.507	6.005	8.915	14.921	20.422
Ratio of Financing Costs to Net Revenue Stream	3%	3%	5%	7%	10%
Housing Revenue Account					
HRA Rental Income	59.553	66.042	74.670	76.725	79.524
HRA Capital Financing Costs	18.035	22.790	28.016	32.981	41.050
Ratio of Financing Costs to Net Revenue Stream	30%	35%	38%	43%	52%

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 Policy

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 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.

4.4 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 December 2023, the Government announced the continuation till 2030 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 Further to the flexible use of receipts directive the government have also just issued consultation on proposals to potentially extend the directive further to improve sector stability and efficiency. Implications on the consultation are being assessed however the increased flexibility is more beneficial for those with excess capital receipts available. As Havering has traditionally used capital receipts to keep borrowing down initial thoughts are that the additional flexibility has limited benefits.

6.3 Flexible use of receipts is currently being reviewed and once implications of the new consultation have been established further updates will be made.

7.0 Risk Management and Mitigation

7.1 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 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 whilst inflation is currently at 3.9% that rate will continue to slow and be back to around 2% by the end of the year. 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 MH *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 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 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.

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 prudent provision is made 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 2021 update 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

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

The recommendations made in the report do not give rise to any identifiable HR risks or implications which would affect either the Council or its 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