Appendix 8

Capital Strategy

2022/23 to 2026/27

February 2022

Ealing
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Creating Good Jobs	**Tackling the Climate Crisis**	**Fighting Inequality**

Contents

Section 1 – Overview

1. Introduction

1.1 Before the start of each financial year, local authorities are legally required to have in place a Capital Strategy which has been approved by the full Council.

1.2 The Capital Strategy is applicable for both General Fund and Housing Revenue Account (HRA) activities.

2. Legislation and Guidance

2.1 The Capital Strategy has been prepared in accordance with the following statutory regulations and Code of Practice:

a) Part 1 of the Local Government Act 2003[1];
b) Statutory guidance issued by the Department for Levelling Up, Housing and Communities (formerly MCHLG) on:
   (i) Local Government Investments[2]
   (ii) Minimum Revenue Provision (MRP)[3]
c) Code of Practice issued by Chartered Institute of Public Finance & Accountancy (CIPFA):
   (i) The Prudential Code for Capital Finance in Local Authorities
   (ii) Treasury Management in the Public Services

2.2 **Changes to Current Prudential and Treasury Management Codes**

2.2.1 CIPFA recently finished consulting on changes to the Prudential Code for Capital Finance in Local Authorities (Prudential Code) and the Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code) and published a revised Prudential Code on 20 December 2021 and has stated that formal adoption will be required for 2023/24 financial year.

2.2.2 The key changes being brought forward, especially those in the Prudential Code, clarify and update CIPFA's position on local authority commercial investment. The substantive changes to the Prudential Code are set out below:

- The provisions in the code, which present the approach to borrowing in advance of need in order to profit from additional sums borrowed, have

[1] Statutory Instrument 2003 No. 3146 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
[2] Statutory Guidance on Local Government Investments issued under section 15(1)(a) of the Local Government Act 2003
[3] Statutory Guidance on the Minimum Revenue Provision issued by the Secretary of State in 2018 under Section 21(1A) of the Local Government Act 2003 and Statutory Instrument 2008 No. 414 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003

been strengthened. The relevant parts of the code have augmented to be clear that borrowing for debt-for-yield investment is not permissible under the Prudential Code. This recognises that commercial activity is part of regeneration but underlines that such transactions do not include debt-for yield as the primary purpose of the investment or represent an unnecessary risk to public funds.
- Proportionality has been included as an objective in the Prudential Code. New provisions have been added so that councils incorporate an assessment of risk to levels of resources used for capital purposes. This is to ensure that any risks are proportionate to the Councils financial capacity i.e. that losses could be absorbed in budgets or reserves without unmanageable detriment to local services.
- Capital Strategy will need to separate and summarise investments into treasury management, service and commercial purposes
- The code recognises commercial activity is undertaken as part of regeneration but underlines that such transactions do not include debt-for yield as the primary purpose of the investment or represent an unnecessary risk to public funds.
- Greater clarity on commercial and service investments in the Capital Strategy, including limits, and compliance with requirement not to borrow to invest for return.
- Clarification and definitions to define commercial activity and investment consistent with the proposals outlined for paragraph 45 – that the purchase of commercial property purely for profit cannot lead to an increase in capital financing requirement.

2.2.3 The main changes to the updated Treasury Management Code and the accompanying guidance for local authorities are as follows:

- Investment management practices and other recommendations relating to non-treasury investments are included within the Treasury Management Practices TMPs.
- Introduction of the Liability Benchmark as a treasury management indicator for local government bodies.
- Incorporation of Environmental, Social and Governance risks.
- The purpose and objective of each category of investments should be described within the Treasury Management Strategy.

3. Purpose

3.1 The purpose of the Capital Strategy is to provide:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contributes to the provision of services;
- an overview of how the associated risk is managed; and
- the implications for future financial sustainability.

3.2 The Capital Strategy provides a framework for the Council to ensure that all its capital expenditure and investment plans are affordable, prudent and sustainable regardless of how they are being financed.

3.3 The Capital Strategy is an evolving document which aligns with the Council's corporate plan and other key council strategies. The strategy is also an integral part of the Council's strategic planning process and therefore, should be read alongside and/or in conjunction with the following;

- Medium Term Financial Strategy (MTFS)
- Investment Strategy
- Treasury Management Strategy

4. Key Objectives

4.1 The overarching objective of Ealing's Capital Strategy is to provide the Council with a strategic planning and a decision-making framework to deliver a capital programme that:

- is affordable, financially prudent and sustainable;
- ensures the Council's capital assets are used to support the delivery of services according to priorities within the corporate plan and the Council's vision;
- links with the Council's asset management plan;
- ensures that the most cost-effective use is made of existing assets and new capital investment delivers value for money; and
- supports other Ealing service specific plans and strategies.

4.2 The resources to deliver the Capital Strategy are allocated through the annual budget process that sets the five-year rolling capital programme. Many councils are at a point where capital resources are becoming increasingly scarce and as such investment in assets is likely to have implications for revenue budgets.

5. Principles

5.1 Set out below are the key principles which have regard to the objectives of the Capital Strategy in achieving the Councils' priorities whilst maintaining focus on capital resources in order to gain the maximum benefit.

1. The capital programme will only include schemes which assist in delivery of Council priorities and which also generate a commercial return, as part of its Budget Strategy to close the gap between expenditure and resources.
2. The funding of the capital programme must be considered alongside the revenue budget and balance sheet position as part of the Council's MTFS.
3. The evaluation of capital schemes for inclusion in the programme will follow an agreed process which allows scrutiny whilst not limiting innovation and adaptability. This will be applicable to schemes that

involve companies that are either wholly/partly owned by the Council or where the Council holds an interest (i.e. PFIs, partnerships).

4. Capital scheme sponsors must demonstrate that a rigorous process of options appraisal has been followed, requiring evidence of need, cost, risk and outcomes. Capital investment proposals with a neutral revenue impact are encouraged.
5. Any optional appraisal must be undertaken in consultation with finance using agreed proformas/templates. Where any options are proposing to fund the scheme from borrowing or capital receipts then these must be agreed and approved at the outset by the Chief Finance Officer.
6. When applying for external funds, bids should reflect the Council's priorities.
7. Capital schemes with unsecured funding (i.e. government grants, partnership contributions and/or Section 106 receipts) will only be incorporated within the capital programme when either:
   i) a written confirmation setting out the value of external funding is secured including the agreed funding conditions and/or
   ii) actual funding has been received by the Council.
8. All un-ringfenced capital funding and other non-specific Council capital resources that are not required to support existing commitments will initially be pooled centrally.
9. There will be no ring-fencing of capital receipts to specific schemes, unless specific approval has been sought either as part of the annual MTFS and budget process or through separate report approved by Cabinet.
10. Any capital schemes that underspend will see a budget reduction being applied to reflect the revised capital expenditure and resourcing requirements.
11. Capital scheme sponsors are required to ensure that schemes do not overspend, and where overspends are identified then the appropriate Executive Directors are required to identify savings through either exploring external funding opportunities and/or re-purposing uncommitted capital budgets.
12. Capital projects will be monitored and reported by the Chief Finance Officer (Section 151) to Cabinet on a quarterly basis.

5.2 As well as using traditional funding mechanisms to finance capital schemes, the Chief Finance Officer (Section 151) will also consider the use of new initiatives and develop these options if it is considered financially advantageous in the context of the Council's Treasury Management strategy.

5.3 Given the evolving devolution agenda and the expectation that the Council will work in a collaborative manner with the Greater London Authority (GLA), London Councils and NHS partners, bids to the GLA or other organisations which may have a match-funding requirement will be prioritised. Regard will be had during the appraisal process to ensure that the Council's objectives and capital investment priorities are achieved.

Section 2 – Governance

6. Current Governance and Approval Process

6.1 The Council's Capital Programme involves the expenditure and financing of £1,203.087m of capital schemes over the period 2021/22 to 2026/27. It is important therefore given the risks surrounding capital projects that appropriate governance arrangements are in place. For the Council these governance arrangements encompass:

- The Capital Strategy itself, which is approved annually at Full Council.
- The Cabinet, which approves all capital schemes in line with the delegations set out in the Council's Constitution.
- The Overview and Scrutiny Committee, which is responsible for scrutinising the annual Budget Report (including the Capital Programme) and relevant Cabinet Reports.
- The Strategic Leadership Team (SLT), which has overall responsibility for the management and monitoring of the Capital Programme.
- The Financial Strategy Group (FSG) comprises of the Chief Finance Officer, Assistant Director of Accountancy, Assistant Director Technical Finance and Assistant Director Strategic Finance, and is responsible for scrutinising, reviewing and managing financial strategies. Budget changes and/or additions to the capital programme are considered by FSG and agreed by the Chief Finance Officer (Section 151) (in accordance with The Constitution) before formally being incorporated into the budget.
- Directorate Management Teams, which oversee and agree business cases for capital schemes prior to submission to FSG, SLT and/or Cabinet for approval.
- The Constitution (including Financial Regulations, the Scheme of Delegation and Contract Procedure Rules), which sets out the powers of the Executive and senior officers with regard to capital expenditure.
- Cabinet receives and approves budget update reports quarterly which identify any variation to the approved capital programme arising either from the re-phasing of schemes, changes in resource availability and requirements or new capital schemes.
- All capital expenditure is guided by the Council's financial accounting framework which ensures that only expenditure that properly falls as capital expenditure in accordance with accounting convention and / or statutory guidance is capitalised.
- The Capital Programme is subject to both internal and external audit scrutiny.
- The Council have set up a separate Governance process regarding Broadway Living (BL) and Broadway Living Registered Provider (BLRP). Section 16 below has further details.

7. Review of Current Governance and Approval Process

7.1 To support the on-going delivery of both the Capital and Budget Strategy, the current process will be reviewed on an ongoing basis to establish an updated governance and approval process to provide for a greater emphasis on the link to strategic priorities and achievement of benefits and outcomes.

7.2 The outcome of the review and proposed changes will be taken through SLT. The aim of establishing any new governance and approval processes will be to ensure that decisions on capital expenditure and investment plans are aligned to the Corporate plan, MTFS, treasury and investment strategies and have effective subsequent monitoring of performance once capital schemes are approved. As part of this process, there will be clearly defined roles and responsibilities for all key stakeholders involved in the capital management process.

7.3 It is important that Cabinet considers the medium-term and longer- term capital strategy through the MTFS process each year, the annual budget for the forthcoming year through the budget setting process each year and the in-year delivery of the capital programme through the regular financial monitoring reports.

Section 3 – Budget Strategy

8. The Link Between Revenue and Capital Budgets

8.1 Capital and revenue expenditure are separate components of local authority budgets and funding for each is considered separately. However, a vital component of successful financial planning is that revenue and capital budgets are intrinsically linked as the impact of capital expenditure must be reflected in revenue budgets. Therefore, this capital strategy forms a key part of the Council's MTFS and budget process.

8.2 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992 for the Council to produce a balanced budget. In particular the Council is legally required to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This means that any increases in capital expenditure must be limited so that increases in charges to the revenue budget are kept to a level that is affordable within the projected income of the Council for the foreseeable future. Such charges to revenue arise from increases in debt charges caused by increased borrowing to finance additional capital expenditure, and from any increases in running costs from new capital projects.

8.3 The impact and affordability of capital expenditure must be considered in the assessment of capital projects at the business case stage. Effective financial planning must fully reflect the impact of capital plans on the Council's revenue budgets.

9. Budget Approach

9.1 Budget Strategy

9.1.1 The budget process is priority-led; aligning the allocation of resources with the priorities of the Council and associated priority areas referred to as 'Future Ealing'. The Council continues to use Future Ealing as a vehicle for delivering the 2022/23 and future years' budget strategy.

9.1.2 Contributing to the achievement of the Council's Priorities and the nine Future Ealing objectives and outcomes are a number of significant capital programmes of activity that are now in delivery, notably:

- The Housing Delivery Programme, that along with partners has delivered 2,139 (86%) of the 2,500 genuinely affordable homes target.
- The Future Working programme to redevelop the Council's headquarters delivering housing and a more efficient operating environment for staff.
- Digital Programme: £11.342m of capital investment was approved in 2018/19 by the Council to respond to digital opportunities to improve resident's experience of using services and to use digital to transform the

way in which the Council works and how customers interact with us. This is a key enabler for the Council's Future Ealing programme.
- Broadway Living and Broadway Living Registered Provider have a significant role in delivering 2,500 additional affordable homes.
- The Climate and Ecological Emergency Strategy (CEES), noting the climate commitments made by the Council to work toward the aim of becoming a carbon neutral borough by 2030
- Green Homes Grant: The Government awarded £4.780m grant to Ealing Council to deliver private-sector home energy retrofits on behalf of a seven-borough consortium included within the HRA programme (Phase 1); £12.014m on behalf of 12 boroughs in order to undertake retrofits on both private sector homes and the council's own housing stock (Phase 2), and £15.036m for capital energy efficiency and heat decarbonisation projects within public sector non-domestic buildings, on behalf of a consortium of 13 boroughs (Phase 3).
- Greener Ealing Limited (GEL): £14.100m of capital investment was approved in 2019/20 by Cabinet, of which c.£10m was in relation to leasing of vehicles for street cleansing and waste service. With the remaining investment for set-up including ICT costs (see Section 17).
- Highways: the impact of the pandemic on TfL's finances including substantial loss of fare revenue has resulted in a reduction in grant income of £3.672m and some schemes being unable to be delivered at this moment in time, such as TfL Corridors, the Transformation of West Ealing and TfL Cross Rail Complementary Measures. The service has mitigated this partly, by allocating some funds from both the June settlement and the Government's Active Travel Fund to deliver the agreed projects.

9.1.3 All capital investment must be sustainable in the long-term through revenue support by the Council or its partners. All capital investment decisions consider the revenue implication both in terms of servicing the finance and running costs of the new assets. The impact of the revenue implications is a significant factor in determining approval of projects. The use of capital resources has been fully taken into account in the production of the Council's MTFS.

9.2 Capital Programme Planning Assumptions

9.2.1 The planning assumption for the capital programme from 2022/23 onwards has been for the Council to invest its limited resource against schemes funded through mainstream (borrowing), which contribute towards the Council's key priorities and ensure that any cost of investment is affordable from a revenue budget perspective.

9.2.2 There are certain capital expenditure items that will be unavoidable such as Health and Safety. If these growth proposals are put forward these will need to be funded by finding additional savings and increasing the MTFS budget gap.

9.3 **Invest to Save Proposals**

9.3.1 The Council's invest-to-save mechanism remains in place and will be during the year. It allows services to drive innovation in service provision, by delivering budget savings that are allocated in part to replenish the Invest-To-Save Reserve. Proposals will need to be developed within the scope of the planned Future Ealing Programme Outcome Reviews and other savings initiatives.

10. Identification and Prioritisation of Capital Investment Needs

10.1 **Investment Proposals**

10.1.1 The basis of the capital programme is driven by the budget and service planning process. This process begins in the early stages of the financial year (June/July). The size of the capital programme is determined by:

- The need to incur capital expenditure
- Capital resources available
- The revenue implications flowing from the capital expenditure.

10.1.2 As part of the budget planning process, services submit capital proposals to be considered by Members for investment decisions. In general, a capital investment appraisal process will focus on:

Strategic Case	Policy and strategic fit
Economic Case	Value for money, cost/benefit context
Financial Case	Affordability and resource
Commercial Case	Commercially viable e.g. redevelopment / regeneration opportunity
Management Case	Capabilities and capacity within the Council to be able to manage and deliver such a project.
Sustainability Case	Impact on Council's sustainability objectives

10.1.3 Capital investment proposals are either submitted as individual detail business cases to SLT or submitted by services using agreed template for the year that includes the following sections:

- description of the project;
- project outcomes (including how it supports the Council's key priorities);
- key dates and milestones;
- costs of the scheme;

- revenue implications;
- funding source;
- risks and dependencies (factors/events that need to happen before the project can proceed);
- sustainability considerations.

10.1.4 Other capital investment decisions can be made outside of the annual budget planning process e.g. large investment programmes, within specifically agreed timescales and within relevant governance arrangements.

10.2 **Capital Projects Evaluation**

10.2.1 Members determine the projects to be included within the capital programme in light of the relative priorities and the overall impact on the revenue budget.

10.2.2 All capital investment must be sustainable in the long-term through revenue support by the Council or its partners. All capital investment decisions consider the revenue implications both in terms of servicing the financing, and the running costs of the new assets.

10.2.3 The impact of the revenue implications is a significant factor in determining approval of projects. The use of capital resources has been fully taken into account in the production of the Council's MTFS.

10.2.4 The Council's policy is to agree the rolling capital programme on an annual basis at the February Council meeting as part of the annual budget setting process.

Section 4 – Relevant Policies and Strategies

11. Corporate Plan

11.1 Council Priorities

11.1.1 Ealing's latest Corporate Plan 2021-22[1] sets out three key priorities for the borough:

- Creating good jobs
- Tackling the climate crisis
- Fighting inequality

11.2 Future Ealing Programme

11.2.1 The three priorities are supported by nine priority areas which have been agreed with local partners in health, education, policing, employment, housing, local business and voluntary and community sector. The nine ways to make the borough better are:

1) Tackling inequality - Relentlessly focusing on reducing poverty and inequality for those that most need support and promoting wellbeing and safety for all.
2) Climate action - Greening and keeping Ealing clean, achieving net zero carbon, and ensuring our parks, open spaces and nature are protected and enhanced.
3) Healthy lives - Combating COVID 19, protecting and enhancing the physical and mental health of all, supporting our older residents to enable them to remain independent and resilient.
4) A fairer start - Ensuring all our children and young people of all backgrounds get the best start in life, from their earliest years through to a great education.
5) Decent living incomes - Bringing new and well-paid jobs back to Ealing and securing a strong economic recovery where good businesses can thrive.
6) Inclusive economy - Building wealth within the community by ensuring everything the council does increases social value and contributes to making Ealing a fairer place to live and work.
7) Genuinely affordable homes - Delivering our radical programme of social rent council house building, and ensuring our tenants are empowered and have ownership of their communities.
8) Good growth - Making sure the growth that takes place in Ealing enhances its character, conserves its future and makes great places people want to live.
9) Thriving communities - Bringing people together to build strong neighbourhoods, empowering volunteers, encouraging community activism, engaging civic and faith leaders, and delivering well-loved community facilities and services.

[1] Council Plan 2021-22 Annual Updated July 2021

12. Asset Management

12.1 Asset management is the process by which the Council effectively and efficiently utilises its assets as a balanced portfolio to ensure their optimal use, benefiting residents through direct delivery of services, generation of revenue to deliver services or supporting Council priorities such as the creation of genuinely affordable housing. This process may identify several different outcomes for assets including:

- Change in use to meet the change in demands of services.
- Change in use to meet Council priorities or financial requirements.
- Investment is required to improve or maintain the condition of an asset.
- A new asset is required to better meet the Council's priorities.
- The need to dispose of the asset to realise its value in monetary terms.
- The requirement to purchase an asset to secure income generation.
- Redevelopment of surplus properties in line with income generation or manifesto pledges.

12.2 The Council will regularly review its assets to ensure continued optimal use, whilst the capital programme will be used to bridge the gap to ensure that the Council has sufficient assets in the long-term.

12.3 **Ealing's approach to Asset Management**

12.3.1 The Council is in the process of moving to a Corporate Landlord model. Departments are actively engaged in establishing asset management priorities as part of their annual service planning with the Strategic Property department. There is regular liaison throughout the year between Executive Directors, Directors, Service Heads, Property Services and the Corporate Landlord (Strategic Property) team through SLT, Modern Council and other service improvement project boards and teams.

12.4 **Ealing's Asset Management Objectives**

12.4.1 The Council's general objectives with respect to its assets can be summarised below;

- To effectively and efficiently utilise its assets as a balanced portfolio to ensure their optimal use.
- To ensure the safety and wellbeing of occupants.
- To minimise carbon emissions and energy consumption from buildings.
- To reduce underlying expenditure on maintenance and repairs by focussing on planned, as opposed to reactive maintenance.
- To have a complete, comprehensive and up-to-date picture of the condition and compliance of all buildings.
- To support the release of sites for the development of affordable housing.
- Obtain best value for open-market disposals.

12.4.2 Officers are currently working on an updated Asset Management Strategy with the aim of taking this to Cabinet in summer 2022.

13. Treasury Management Strategy

13.1 Link between Capital and Treasury Management Strategies

13.1.1 There are close links between the Capital Strategy and Treasury Management Strategy. The capital programme determines the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

13.1.2 Treasury Management and its capital financing revenue budget, has an intrinsic link to the Capital Programme and will change with every capital budget decision.

13.1.3 Ealing's Capital Strategy and Treasury Management Strategy have been reviewed to ensure compliance with the updated requirements across the two strategies. The Capital Strategy should be considered alongside the Treasury Management Strategy which between them provide the following:

- A high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
- An overview of how the associated risk is managed.
- The implications for future financial sustainability.

13.1.4 The following is detailed within Ealing's Treasury Management Strategy:

- A long-term projection of external debt, internal borrowing and the use of cash backed reserves.
- Sensitivity analysis around capital expenditure, borrowing levels and capital receipts.
- How debt will be repaid over the life of the underlying debt.
- The authorised limit and operational boundary.
- Local Prudential Indicators.
- Treasury management governance procedures supporting decision making and risk management.
- Arrangements for the scrutiny of treasury management.

13.2 Community Bonds (Local Climate Bonds)

13.2.1 The Treasury Management Strategy has been updated to enable the Council to borrow by way of Community Bonds, i.e. Individuals lending via a peer-to-peer platform where any necessary counterparty checks (for example proof of identity or money laundering requirements) are conducted by the platform, as well as investors in capital market bonds and retail bonds issued by the Council. Projects will be assessed individually to determine appropriateness and ensure alignment to councils Climate and Ecological Strategy.

13.2.2 Appendix 9 sets out in detail Ealing's Treasury Management Strategy.

14. Sustainability

14.1 Ealing Council declared a climate emergency in April 2019, committing to treat the climate and ecological emergency as a crisis requiring immediate and vital action. The aim is to become carbon neutral as a borough and an organisation by 2030.

14.2 The Climate and Ecological Emergency Strategy (CEES) was agreed by Cabinet in January 2021, and this set out a number of climate commitments made by the Council to work toward the aim of becoming a carbon neutral borough by 2030. The strategy sets out a plan to reduce the council's produced emissions and outlines a commitment to use our influence to reduce emissions emitted across the borough.

14.3 The carbon neutral 2030 objectives include:

14.4 Energy Objectives

1) Future proof the energy performance of all existing buildings
2) All new residential and commercial buildings will be built to zero carbon standards
3) Invest in renewable energy generation

14.5 Food Objectives

1) Ealing's food community will become more connected by creating a partnership to bring greater visibility to healthy, seasonal, local and sustainable food across the borough
2) Increase access to healthy, seasonal, local and sustainable food
3) Increase access to more information about healthy, seasonal, local and sustainable food systems

14.6 Nature Objectives

1) Increase in tree canopy cover across Ealing by 2030
2) Manage green spaces to increase biodiversity, increase natural carbon capture and reduce carbon emissions
3) Utilise green infrastructure to capture carbon, mitigate surface water flooding and improve biodiversity and water quality

14.7 Waste Objectives

1) Reduce overall borough waste
2) Maximise use of materials: reuse, repair, recycle – and promote the circular economy
3) Reduce environmental impact of our operations

14.8 Travel Objectives

1) Reduce number of vehicles travelling in and through Ealing
2) Increase active travel (mode shift)
3) Cleaner motor vehicles

14.9 Funding to meet the Council's climate commitments

14.9.1 A recent analysis on behalf of UK Cities Climate Investment Commission (UKCCIC)[1] states, "The transition of our existing carbon intensive systems to Net Zero will require significant up front capital and presents unique challenges for the UK's cities…The quantity of capital that must be deployed is beyond the reach of public finances. If this funding gap is met only by citizens and businesses there will be damaging impacts on the poorest sections of society, counter to the levelling up agenda." Delivering the council's net zero by 2030 ambition therefore requires financial resourcing from the council and external sources. Addressing the scale of the climate challenge will not be met with a "business as usual" approach, and officers are actively searching for resources to support activities across all strategic themes.

14.9.2 In some cases, the business case for funding is more straightforward because of the clear financial benefit back to the council. In the majority of projects, and especially behaviour change programmes, the cost savings and other co-benefits such as improved mental and physical health or the adaptation to future extreme weather are more difficult to identify.

14.9.3 Currently, the council relies on external sources, often originating from central government, to fund these investments. While officers will continue to maximise these bids, innovation is becoming essential. Officers are working on community investment models, such as climate bonds and community energy models, and collaborating with other councils (via the UKCCIC and West London subregion) to consider collaborative and private sector finance solutions. We expect the will need to be council to be agile and open to working in new ways to achieve the monumental – and immensely rewarding - task ahead.

14.9.4 There are a small number of externally funded schemes currently within the capital programme that will contribute towards the Council's sustainability objectives, such as schemes relating to corporate and domestic energy efficiency.

14.9.5 It is intended that the capital decision-making process will be reviewed in the coming year via a dedicated working group, and that as part of this updated process, sustainability considerations will be fully embedded into the decision-making process in future with regards to evaluating and assessing new capital schemes.

[1] *The United Kingdom Cities Climate Investment Commission is a collaboration of the Catapult Connected Places, London Councils and Core Cities. Together, this is a coalition of 12 of the UK's largest cities representing 60% of the UK's population and over half its economy. The Commission aims to engage with all parts of local and regional government as well as the financial community in every nation of the UK to find investable solutions for our Net Zero challenges.

15. Procurement

15.1 The purchase of capital assets should be conducted in accordance with the Contract Procedure Rules, ensuring value for money, legality and sustainability at all times. Contract standing orders and rules governing the disposal or write off of assets are contained in the Constitution which is consistently reviewed.

15.2 The Council recognises that effective procurement lies at the heart of delivering value for money and is essential if the Council is to obtain real improvements to quality and service costs. The Council seeks to achieve value for money by applying rigorous procurement standards in the selection of suppliers and contractors, to ensure that efficiency, economy and effectiveness is received throughout the life of a contract. The significant resources applied to capital expenditure require the adopted principles of value for money to be at the heart of its Capital Strategy. Specifically, the Council will seek to strengthen the outcome indicators as part of post project reviews.

16. Housing Revenue Account (HRA) 30-Year Business Plan

16.1 HRA 30 Year Business Plan

16.1.1 A paper elsewhere on this Agenda recommends that Cabinet approve the HRA 30-year business plan, which sets out a 30-year capital programme, creating an investment capacity of £867.370m, which will be continually reviewed and updated to ensure that affordability is maintained. The HRA will seek to utilise Capital receipts and grants before resorting to borrowing to minimise any future revenue impact

16.1.2 There will be a close inter-relationship between Broadway Living, the Broadway Living Registered Provider, and the Council in order to ensure cost effective delivery of the planned 30-year capital programme.

16.2 5-Year HRA Capital Programme

16.2.1 A report is going to Cabinet in February 2022 which seeks approval of a 5-year capital programme for the HRA of £351.441m consisting of existing and new schemes which include expenditure associated with the GLA grant funded programme.

16.2.2 Together with regeneration, improving existing council properties is a key focus of the Council’s HRA capital programme, i.e. ensuring that the existing stock is maintained to a decent standard; this is demonstrated by the allocation of £113.104m to these home improvement works between 2022/23 and 2026/27.

17. Broadway Living

17.1 Broadway Living Governance Process

17.1.1 Local Authorities may make investment decisions for service purposes, where such investments are undertaken, governance arrangements for the approval, monitoring and ongoing risk management should be established. The following provides an overview of the role of the Council & Councillors in the decision-making process for Broadway Living:

1. **Full Council**

   An important part of the Council's oversight and scrutiny specifically in relation to financial implications of major capital investment is the Treasury Management Strategy and Prudential Indicators (PIs). These set out and monitor if the Councils capital investment plans and actuals are prudent, affordable and sustainable.

   The Treasury Management Strategy itself is required to be approved by Full Council (and is undertaken as part of Budget Setting at Full Council) with subsequent in-year amendments requiring the same approval. The Treasury Management Strategy and PIs are required to be scrutinised by the Audit Committee in year alongside Full Council receiving mid-year and outturn updates.

   Such significant changes as those that would result from the proposed investment in Broadway Living Registered Provider (BLRP) will therefore be reported and scrutinised through these routes and offer Members the opportunity to review the affordability, deliverability and impact of such proposals.

2. **Cabinet**

   - Agrees the Housing Strategy which sets the framework for BL/BLRP delivery
   - Approves the BL and BLRP Business Plans and BL Operational Business Plan
   - Agrees funding for BL/BLRP within the framework of the Treasury Management Strategy
   - Receives quarterly update reports on the delivery of the BLRP Business Plan
   - Appoints and removes directors to and from the board of BL

3. **Overview and Scrutiny Committee (OSC) and Scrutiny Panels**

   - At OSC discretion, operate a programme of scrutiny of the delivery of the Housing Strategy
   - Deal with any relevant call-ins of Cabinet or other key decisions

4. Housing Delivery Cabinet Committee (HDCC)

The HDCC has been formally established within the Constitution. Its responsibilities are:

- To consider and determine matters relating to individual affordable housing schemes and their funding.
- To consider and determine issues of land disposal, acquisition, and related matters, as appropriate to achieve individual affordable housing schemes.
- To keep cabinet informed on the work of the committee.

Membership of the HDCC comprises the Leader and the 2 Cabinet members with responsibility for finance and housing.

The intention behind the HDCC is to provide a more focussed and agile decision-making forum for the key strategic objective of the delivery of 2,500 genuinely affordable homes. The HDCC is also responsible to the often complex and fast-moving housing and regeneration matters and the need for the council to match the pace of its wholly owned company (Broadway Living).

5. Individual Cabinet Portfolio Holder for Housing

- Meets regularly with key officers to maintain oversight and give direction to officers in accordance with the Housing Strategy.

6. Audit Committee

- Scrutinises the Treasury Management Strategy and PIs in year.

17.2 Broadway Living Investment Programme

17.2.1 Broadway Living (BL) and Broadway Living Registered Provider (BLRP) will have a significant role in delivering the Councils strategic aim of providing 2,500 additional affordable homes. BLRP had its business plan approved by Cabinet in November 2020 which sets out in detail its plan to deliver and manage 1,471 new homes (plus the transfer of 42 existing rented homes from BL) of which the majority will be genuinely affordable. BL will be the development manager for the Council and BLRP Housing Development and Regeneration programmes. BLs fees are included within the HRA and BLRP capital programmes.

17.2.2 The BLRP development programme is estimated to cost £476m and will be funded through a combination of lending facility from the Council, GLA affordable housing grant and private sale and shared ownership receipts.

17.2.3 The table below sets out the profile of the programme of capital expenditure and funding as presented to Cabinet in November 2020.

Table 1a: Approved BLRP Acquisition & Development Programme and Funding

BLRP Acquisition & Development Programme & Funding	Total £M
Acquisition & Development Capital Expenditure	475.947
GLA Affordable Housing Grant	(102.712)
Capitalised Interest	15.134
Total Loan Funding Requirement	**388.368**
Capacity for Scheme Variations	11.632
Total Loan Funding Facility	**400.000**

17.2.4 The receipts set out in the table below from the shared ownership and private sale elements of the programme will flow back to the Council to help manage the debt exposure.

Table 1b: BLRP Development Programme Capital Receipts

BLRP Development Programme Capital Receipts	Total £M
Shared Ownership Initial Sale Receipts	26.046[1]
Market Sale Receipts	66.325
Total Receipts	**92.371**

[1] The 50-year BLRP Business Plan assumes a further £28.599m shared ownership receipts from leaseholders purchasing additional equity (staircasing)

17.2.5 Since the approval of the original Business Plan the programme has had to change in response to a number of external pressures that effected the viability of the original programme. In summary these were:

- Change in corporation tax from 19% to 25% starting in financial year 2023/24.
- Inflation from September 20 has impacted rent inflation as it is linked to the consumer price index. The November Business Plan assumed 2% but the actual rate of inflation was 0.5%. This has resulted in reduced net rents through the 50-year business plan period.
- Increase in construction costs during the tender evaluation period for the package 1 sites and Buckingham Avenue.
- Matters relating to planning decisions has impacted also the original business plan requiring BLRP to identify alternative schemes/sites.

17.2.6 Following an extensive review by officers and consultation with Members it was recommended to and approved by Cabinet that BLRP progress a revised programme in 3 tranches. It should be noted that the intention is still to progress the programme in entirety.

17.2.7 The tranche 1 was approved by Cabinet on 14 July 2021 and the below tables set out the homes to be delivered and the programme cost and funding profile.

Table 2a: Tranche 1 Homes to be Delivered

Scheme Name	LAR: London Affordable Rent	SO: Shared Ownership	DMR: Discount Market Rate	MS: Market Sales	TOTAL HOMES
Copley Phase 6	0	0	35	0	**35**
Southall Market Car Park	101	24	0	0	**125**
Chesterton & Evesham Close	25	0	0	0	**25**
Wood End Library	11	0	0	0	**11**
Shackleton Road	10	0	0	0	**10**
Norwood Road	6	0	0	0	**6**
Arden Road Car Park	0	15	0	14	**29**
Dean Gardens Car Park	21	10	0	22	**53**
Buckingham Avenue	24	16	0	0	**40**
Westgate House	26	0	0	0	**26**
Broadway Living Properties	0	0	42	0	**42**
	224	**65**	**77**	**36**	**402**

Table 2b: BLRP Tranche 1 Acquisition & Development Programme and Funding

BLRP Acquisition & Development Programme & Funding	Total £M
Acquisition & Development Capital Expenditure	**121.560**
GLA Affordable Housing Grant	**(24.22)**
Capitalised Interest	**3.583**
Total Loan Funding Requirement	**100.923**
Capacity for Scheme Variations	**2.664**
Total Loan Funding Facility	**103.587**

17.2.8 The receipts set out in the table below from the shared ownership and private sale elements of the programme will flow back to the Council to help manage the debt exposure.

Table 2c: BLRP Tranche 1 Development Programme Capital Receipts

BLRP Development Programme Capital Receipts	Total £M
Shared Ownership Initial Sale Receipts	**9.574**[1]
Market Sale Receipts	**16.955**
Total Receipts	**26.529**

[1] The 50-year BLRP Business Plan assumes a further £10.513m shared ownership receipts from leaseholders purchasing additional equity (staircasing)

17.2.9 Work is underway to present a Cabinet report on tranches 2 and 3 early in 2022.

18. Greener Ealing Limited (GEL)

18.1 Greener Ealing Limited (GEL) is a company wholly owned by the Council set up in July 2020 to provide Refuse Collection, Street Cleaning and other related services within the borough. This follows a £14.100m investment for the long-term improvement of services providing a new fleet of trucks to support a more consistent, responsive and reliable service that will build on the borough's recycling rate which is the second highest in London. At present GEL leases Greenford Depot from the Council and has a fleet of leased vehicles.

18.2 The Company's Board is responsible for making any capital investment decisions, however there is close working with the Council, given that it is the primary customer and key stakeholder in this regard, and the Council does also provide certain loan facilities for this purpose, for which it charges interest in accordance with the state aid requirements. As this is a relatively new arrangement, the capital need has developed and evolved over the course of the past year, in particular the decision to move from purchasing vehicles outright to leasing them.

Section 5 – Capital Expenditure and Funding

19. Capital Expenditure

19.1 Capital spend is expenditure incurred in acquiring, constructing or enhancing physical assets such as buildings, land, vehicles, plant and machinery that have an estimated useful asset life in excess of one year.

19.2 The Council applies a de-minimis level of £10,000.

19.3 Where expenditure qualifies to be supported by a capital grant and in accordance with relevant funding conditions, the Council can in this circumstance suspend the de-minimis rule.

19.4 Capital Expenditure Plans

19.4.1 The Council determines the areas where it may need to incur capital expenditure from the following: -

a) Identification of urgent health and safety requirements.
b) Review and delivery of Council priorities (Corporate Plan and other service plans).
c) Review of current and future asset management plan.
d) Changes in service areas where a change in need and/or demand may require additional facilities etc.

19.4.2 Aligned to corporate and service priorities, individual schemes are included within the approved capital programme or are to be considered for a resource allocation over the period of the Capital Strategy, having regard to the MTFS and Budget Strategy.

19.5 Factors Driving Spending Plans

19.5.1 In addition to the Corporate Plan, Budget Strategy & MTFS which underpin the spending plans, they are also driven by various factors, some of which are listed below:

- Asset condition survey;
- Increased capacity required from capacity assessment;
- Change in asset requirements, e.g. technological, environmental standards;
- External funding requirements;
- Member-led e.g. manifesto pledges; and/or
- Government legislation.

20. Capital Resource Strategy

20.1 Context of Capital Resource Strategy

20.1.1 The Council's strategy for deploying resources is to ensure that all resources are utilised to achieve Council objectives. Whilst the aims and priorities of the Council will shape decisions around capital expenditure, there is recognition that the financial resources available to meet priorities are constrained as a result of the current economic and political climate.

20.1.2 The Council's MTFS shows a funding gap for 2022/23. At present, the Council is working to close the gap. Any additional capital expenditure which is not funded through capital resources will increase this gap unless that expenditure delivers revenue savings or income

20.1.3 In light of the above, it is imperative that capital expenditure plans are affordable, prudent and sustainable. Given the Council's MTFS position, the aim is to minimise any impact of capital expenditure on the Councils General Fund.

20.2 Utilisation of Capital Resources

20.2.1 Wherever possible the Capital Programme will utilise and maximise external funding provided either by central government capital grant or contributions from third parties (e.g. developers). Whilst grants and other contributions will reflect government and partner-led priorities they will nevertheless be deployed to address priority needs for the Council.

20.2.2 The capital programme is also reliant on internal or locally generated funding in the form of capital receipts from asset sales, direct revenue funding and prudential borrowing. In more recent years, and as a result of central government cuts to grant funding, capital investment plans have become increasingly reliant on capital receipts and prudential borrowing.

20.2.3 The Council has a substantial land and property estate. Where assets are identified as surplus to operational requirements they may be disposed of, resulting in a capital receipt. Capital receipts are generally not ring-fenced and will be used so as to maximise the achievement of corporate priorities (including revenue efficiencies arising from capital receipts flexibilities) or to finance capital schemes. Capital receipts may also be used to repay amounts borrowed when there are clear benefits from doing so; this is set out further in the Minimum Revenue Provision Policy.

20.2.4 Typically, the most expensive option for financing capital expenditure is prudential borrowing so the Council will do what it can to avoid that unless that borrowing yields income or delivers savings beyond the cost of borrowing. This is a key objective for the Council.

20.2.5 The council has a number of different funding sources available to use for capital expenditure. The different sources of funding are detailed below.

20.3 Priority of resources to fund the Capital Programme

20.3.1 The Capital programme will use the resources available as follows;

- Maximising the use of External Funding
- Utilising Capital Receipts
- Invest to Save Schemes
- Contribution from Revenue
- Borrowing

20.3.2 The revenue cost of borrowing for capital schemes where required will be built into the revenue budget for the appropriate year and approval will be considered as part of the annual budget report.

20.4 Consideration of Capital Proposals with Mixed Funding Sources

20.4.1 Schemes attracting partial external funding, such as grants for private sector housing, will be assessed in the same way as those schemes which require 100% of funding to be met from borrowing and will only be included within the capital programme if they meet the Council's needs, objectives and priorities. Schemes that are 100% funded from external funding would normally be included automatically within the capital programme, subject to confirmation of the external funding and the scheme meeting the Council's priorities. Such schemes are usually supported by capital grants or receipts from agreements under Section 106 of the Town and Country Planning Act 1990. A capital bid appraisal template still needs to be completed for these proposals.

21. Capital Funding Options

21.1 The availability, affordability and financial sustainability of capital funding will limit the number and value of capital schemes which can be progressed.

21.2 The main sources of capital funding for the General Fund and HRA are summarised below.

21.3 Capital Grants

21.3.1 The Council mainly receives capital grants from central government but on occasions may receive grants from other government agencies such as the Heritage Lottery Fund, Greater London Authority (GLA) and Transport for London (TfL).

21.3.2 Capital grants can be split into two categories:

1. Non-ring fenced: grants that can be utilised on any project (albeit that there may be an expectation of use for a specific purpose). This now encompasses the vast majority of Government funding and the Council will initially allocate these resources to a general pool from which prioritised schemes can be financed.

2. Ring-fenced: resources which are ring-fenced to particular areas and therefore have restricted uses.

21.3.3 Grants can be awarded to the Council either via;

- Direct Award i.e. Disabled Facilities Grant; or
- Specific invitation through an earmarked grant funding pot; for example schools benefit from a significant amount of capital grants to fund their expansion and improvement projects.

21.3.4 Where there is a requirement to make an application to an external agency for external funding and, when appropriate, to commit Council resources as match funding to any bid for external resources, a business case and/or External Funding Gateway 1 form will still need to be completed (following the approval process set out above) must be presented to FSG and/or SLT for approval, and depending on the value may also require approval from Cabinet. The business case must justify the bid for external resources and any Council match funding prior to submission of the bid.

21.4 Section 106 (S106)

21.4.1 In considering an application for planning permission, the Council may seek to secure benefits to an area or restrict uses or activities related to a proposed development through the negotiation of a 'planning obligation' with the developer which must be:

i) Necessary to make the development acceptable in planning terms;
ii) Directly related to the development; and
iii) Fairly and reasonably related in scale and kind to the development.

21.4.2 The planning obligation is known as the Section 106 [1](S106) contribution. Unless there are service specific conditions on the use of the S106 contribution, the monies should be used to support existing Council priorities and commitments rather than allocated to new schemes.

21.5 Other External Contributions

21.5.1 Other external funding that the Council may receive to fund specific capital schemes may be from partners such as other local authorities and Clinical Commissioning Groups (CCGs)[2] or with whom the Council may be jointly undertaking a capital project.

21.5.2 Where a capital scheme is reliant on external contributions, service departments will be required to have in place signed funding agreements before the capital scheme or associated budget can be approved and

[1] Town and Country Planning Act 1990
[2] Subject to the Government's Bill becoming law, from 1 July 2022 CCG will no longer exist and a new statutory organisation 'an Integrated Care Board (ICB)' will be formed in line with health boundary areas

incorporated into the programme. Depending on the scheme and value of the overall project, the department may also require Cabinet approval.

21.6 Revenue Contributions

21.6.1 Revenue budgets can be used to fund the capital programme, either via a one- off contribution to fund a project in its entirety, or an annual sum to repay Prudential Borrowing debt costs. Ongoing use of revenue should be assessed in relation to the impact on council tax through the prudential indicators outlined in the Treasury Management Strategy.

21.6.2 Although the opportunities to fund capital expenditure directly from the General Fund revenue budget are limited, there are examples of revenue funding contribution to capital e.g. funds are allocated from the schools' individual revenue budgets to supplement the capital resources allocated to school's improvement and expansion projects.

21.6.3 The HRA revenue budgets contribute towards specific capital schemes to supplement the capital resources allocated to housing improvement and regeneration schemes.

21.7 Earmarked Reserves

21.7.1 Reserves are set aside from revenue resources and earmarked for particular purposes. The approved capital programme currently contains expenditure which is funded from a combination of the following reserves including the Ealing Civic Improvement Fund (ECIF), Invest to Save and Major Repairs Reserve.

21.8 Capital Receipts

21.8.1 The Council's policy on capital receipts is set out below.

21.9 Private Finance Initiatives (PFI)

21.9.1 PFI schemes involve partnerships between the public and private sector to fund public sector infrastructure projects with private capital. Under a PFI, a private sector contractor agrees to accept the risks associated with the design, construction and maintenance of the asset over the contract term, which is typically for a 25 year period. The public sector partner pays an annual fixed price during the contract term, part of which is subject to inflation. At the end of the term, the asset is wholly owned by the Council.

21.9.2 Details of the Councils PFI liabilities are detailed in the Statement of Accounts.

21.10 Leasing

21.10.1 Services may enter into finance leasing agreements to fund capital expenditure. However, a full options appraisal and comparison of other funding sources must be made and the Chief Finance Officer (Section 151) must be certain that leasing provides the best value for money method of funding the scheme.

21.10.2 Under the Prudential Code, finance leasing agreements are counted against the overall borrowing levels when considering the prudence and affordability of the Authority's borrowing.

21.10.3 Details of the Council's lease liabilities are detailed in the Statement of Accounts.

21.11 Borrowing

21.11.1 The council's borrowing strategy is detailed in the Treasury Management Strategy (Appendix 9).

22. Capital Receipts Policy

22.1 Overview

22.1.1 A capital receipt is an amount of money exceeding £10,000, which is generated from the sale of an asset. The rationalisation of the asset portfolio is a fundamental part of the asset management strategy and provides benefits such as a reduction in revenue costs relating to surplus assets, as well as releasing assets for disposal. Capital receipts are an important funding source for the current capital programme.

22.1.2 The Council's policy is to treat all capital receipts as a corporate resource, enabling investment to be directed towards those schemes or projects with the highest corporate priority. This means that individual services are not reliant on their ability to generate capital receipts.

22.1.3 The timing and value of asset sales is the most volatile element of funding. As a result, the Chief Finance Officer (Section 151) closely monitors progress on asset disposals. Any in-year shortfalls need to be met from increased borrowing, up to the 'Authorised Borrowing Limit' which is agreed annually by Council as part of the Treasury Management Strategy.

22.2 Flexible Use of Capital Receipts

22.2.1 The Department for Levelling Up, Housing and Communities (formerly MCHLG) issued a directive in 2016 providing councils with the flexibility to use capital receipts for qualifying revenue expenditure, with 2021/22 being the final year for this directive. In February 2021 it was announced that there would be a 3-year extension, and further details are awaited. Ealing's strategy is set out in Annex A.

Section 6 – Investment Strategy

23. Non-Treasury Investments

23.1 CIPFA defines investment properties as properties held solely to earn income and/or for capital appreciation i.e. the returns from property ownership can be both income driven (through the receipt of rent) and through appreciation of the asset value (capital growth). Both these factors should be taken into consideration when assessing properties for acquisition.

23.2 The Council does not currently make capital investments primarily for financial return. The Council has made a number of policy loans to third parties (e.g. Broadway Living) which are listed in the Treasury Management Strategy and reported separately in the prudential indicators under Housing loan/Equity to Broadway Living Registered Provider (BLRP).

23.3 The strategy proposes that the Council continues to consider investing prudently in non-treasury investments i.e. policy investments, taking advantage of opportunities as they present themselves, ensuring that any decisions are made following robust analysis and strong governance process.

23.4 The updated Prudential Code will require that all investments and investment income must be attributed to one of the following three purposes:

(i) Treasury Management Investments

Are investments that arise from the organisation’s cash flows or treasury risk management activity, and ultimately represent balances which need to be invested until the cash is required for use in the course of business. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

(ii) Service Investments

Are investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment, which are funded by borrowing, are permitted only in cases where the income is “either related to the financial viability of the project in question or otherwise incidental to the primary purpose”.

(iii) Commercial Investments – including commercial property

Are investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council’s financial capacity – i.e., that ‘plausible losses’ could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

Section 7 – Capital Programme

24. Approved Capital Programme

24.1 The Council's current capital programme includes various programmes, including the Council housing estate improvement and new-build programme, development of the new Civic Centre and expansion works at various schools, as well as improvements to transport links.

24.2 Details of the Council's 5-year programme are included within Appendix 7, whilst the new schemes being recommended to be adopted in the General Fund by Cabinet and the Full Council are set out in Appendix 6.

24.3 The tables below provide summary of the Capital Programme, which is reflective of the scheme slippage as at quarter 3.

Table 2a: Approved Capital Programme Spend

Capital Programme - 2021/22 to 2026/27	£M								
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total	Future Years	Total
Schools	9.122	53.937	0.000	0.000	0.000	0.000	63.059	0.000	63.059
Children's Services	0.057	0.000	0.000	0.000	0.000	0.000	0.057	0.000	0.057
Adults and Public Health Services	0.527	0.550	0.390	0.000	0.000	0.000	1.466	0.000	1.466
Total Children's and Adults	**9.705**	**54.487**	**0.390**	**0.000**	**0.000**	**0.000**	**64.582**	**0.000**	**64.582**
Community Development	17.534	22.030	0.000	0.000	0.000	0.000	39.564	0.000	39.564
Growth & Sustainability	23.064	25.428	7.518	0.000	0.000	0.000	56.011	0.000	56.011
Housing Development	12.958	13.302	0.000	0.000	0.000	0.000	26.260	0.000	26.260
Place Delivery	13.732	24.962	0.267	0.117	0.000	0.000	39.078	0.000	39.078
Total Place	**67.288**	**85.722**	**7.785**	**0.117**	**0.000**	**0.000**	**160.912**	**0.000**	**160.912**
ICT & Property Services	4.256	8.917	1.850	1.850	0.000	0.000	16.874	0.000	16.874
Finance	0.000	0.010	0.000	0.000	0.000	0.000	0.010	0.000	0.010
Total Chief Executive	**4.256**	**8.928**	**1.850**	**1.850**	**0.000**	**0.000**	**16.884**	**0.000**	**16.884**
Council Wide Schemes	31.463	233.378	79.921	76.801	73.247	23.014	517.825	35.651	553.476
Total General Fund	**112.712**	**382.515**	**89.946**	**78.768**	**73.247**	**23.014**	**760.202**	**35.651**	**795.853**
HRA	**91.445**	**66.186**	**69.530**	**93.744**	**75.587**	**46.393**	**442.885**	**0.000**	**442.885**
Capital Programme Total	**204.157**	**448.700**	**159.477**	**172.512**	**148.834**	**69.407**	**1,203.087**	**35.651**	**1,238.738**

Table 2b: Approved Capital Programme Funding for General Fund

General Fund Capital Programme Funding - 2021/22 to 2026/27	£M								
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total	Future Years	Total
Mainstream Funding	72.776	300.299	82.278	77.272	73.247	(15.755)	590.117	(51.863)	538.254
Capital Receipts	0.871	17.970	0.000	1.496	0.000	38.769	59.107	80.104	139.211
Specific Funding (Split as Follows)	39.064	64.246	7.668	0.000	0.000	0.000	110.978	7.410	118.388

General Fund Capital Programme Funding - 2021/22 to 2026/27	£M								
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total	Future Years	Total
-Grant	32.193	50.639	7.518	0.000	0.000	0.000	90.350	0.000	90.350
-Revenue Contribution	0.120	0.000	0.000	0.000	0.000	0.000	0.120	7.410	7.530
-Reserve Drawdown	0.323	0.277	0.000	0.000	0.000	0.000	0.600	0.000	0.600
-Parking Revenue Account	1.106	0.642	0.150	0.000	0.000	0.000	1.898	0.000	1.898
-Invest to Save	(0.000)	0.013	0.000	0.000	0.000	0.000	0.013	0.000	0.013
-Partnership Contributions	1.001	0.189	0.000	0.000	0.000	0.000	1.190	0.000	1.190
-S106	4.321	12.485	0.000	0.000	0.000	0.000	16.807	0.000	16.807
Total Funding - General Fund	**112.712**	**382.515**	**89.946**	**78.768**	**73.247**	**23.014**	**760.202**	**35.651**	**795.853**

Table 2c: Approved Capital Programme Funding for HRA

HRA Capital Programme Funding - 2021/22 to 2026/27	£M								
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total	Future Years	Total
Mainstream Funding	33.350	22.974	50.783	62.038	40.532	22.322	231.999	0.000	231.999
Capital Receipts	37.490	13.089	3.072	16.605	13.919	7.108	91.284	0.000	91.284
Specific Funding (Split as Follows)	20.605	30.123	15.675	15.101	21.136	16.963	119.603	0.000	119.603
-Grant	2.633	14.416	0.400	0.000	7.516	3.484	28.449	0.000	28.449
-Revenue Contribution	0.256	0.190	0.081	0.060	0.000	0.000	0.588	0.000	0.588
-Reserve Drawdown	14.471	14.207	13.775	13.601	13.120	12.979	82.152	0.000	82.152
-Partnership Contributions	0.500	0.500	0.500	0.500	0.500	0.500	3.000	0.000	3.000
-HRA Contribution	2.744	0.810	0.919	0.940	0.000	0.000	5.413	0.000	5.413
Total Funding - HRA	**91.445**	**66.186**	**69.530**	**93.744**	**75.587**	**46.393**	**442.885**	**0.000**	**442.885**

25. Additions to the Capital Programme

25.1 Appendix 6 of the Budget Strategy report sets out the new capital schemes that are being recommended to be adopted in the programme. A total of £22.413m is being proposed to be added for the General Fund programme, of which £21.752m will be funded from borrowing and the remaining from other resources. The total new borrowing requirement for new investment is £20.464m, as £1.949m of the borrowing is to be decommissioned (section 15). Table 3 below provides a summary of the capital additions.

Table 3: Capital Programme Additions

Department	Capital Programme 2021/22 - 2026/27 £M						
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Children's & Families	0.000	0.641	0.060	0.000	0.000	0.000	0.701
Adults	0.000	0.021	0.000	0.000	0.000	0.000	0.021
Place Delivery	0.000	5.641	5.000	5.000	5.000	0.000	20.641
Chief Executive's	0.000	0.000	0.350	0.350	0.350	0.000	1.050
Capital Programme Additions	**0.000**	**6.303**	**5.410**	**5.350**	**5.350**	**0.000**	**22.413**

Department	Capital Programme 2021/22 - 2026/27 £M						
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Mainstream Funding	0.000	(5.642)	(5.410	(5.350)	(5.350)	0.000	(21.752)
Parking Reserve	0.000	(0.460)	0.000	0.000	0.000	0.000	(0.460)
Other Contribution	0.000	(0.201)	0.000	0.000	0.000	0.000	(0.201)
Total Funding	**0.000**	**(6.303)**	**(5.410)**	**(5.350)**	**(5.350)**	**0.000**	**(22.413)**

26. Decommissioning of Capital Projects

26.1 A total of £1.949m is being decommissioned from the existing approved programme. Appendix 6 of the Budget Strategy report sets out the capital scheme being recommended for decommissioning. Table 4 below provides a summary by service department of the movements.

Table 4: Capital Programme Decommissioning

Department	Capital Programme 2021/22 – 2026/27 £M					
	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Council Wide	1.949	0.000	0.000	0.000	0.000	1.949
Capital Programme Decommissioning	**1.949**	**0.000**	**0.000**	**0.000**	**0.000**	**1.949**
Mainstream Funding	(1.949)	0.000	0.000	0.000	0.000	(1.949)
Total Funding	**(1.949)**	**0.000**	**0.000**	**0.000**	**0.000**	**(1.949)**

Section 8 – Other Long-Term Liabilities

27. Service / Policy Investments

27.1 The Council can lend money to third parties e.g. subsidiaries, special purpose vehicle, registered providers, suppliers, local business, local charities, housing associations, residents and its employees to support local public services and stimulate local economic growth.

27.2 Details of the Council's current service investment related loans are set out in the Treasury Management Strategy (Appendix 9).

Section 9 – Risk Management

28. Risk Management Overview

28.1 This section considers the Council's risk appetite in relation to its capital investments and commercial activities, i.e. the amount of risk that the Council is prepared to accept, tolerate, or be exposed to at any point in time.

28.2 Risk will always exist and cannot be removed in its entirety; however, the Council should always perform a risk review to identify any such risks and how these can be mitigated.

28.3 Major capital schemes require careful management to mitigate, transfer or eliminate the potential risks which can arise. Where key risks or opportunities are identified they should be subject to the provisions and processes set out in the Council's Corporate Risk Management Strategy.

29. Managing Risk Effectively

29.1 The Council recognises that maintaining a dynamic risk aware culture is vitally important as it goes through a period of significant change, with the increasing need to balance the effects of budget reductions, changes to services provided and possible increased demand. The benefits gained in managing risk effectively are improved strategic, operational and financial management, better decisions and outcome delivery, improved statutory compliance and ultimately improving the services that people receive.

29.2 Risks specific to the delivery of the capital programme and Capital Strategy are managed by a range of processes and groups:

- Financial risks (e.g. overspending, slippage and re-profiling) are managed through the Council's financial monitoring process which is reported quarterly to SLT and Cabinet.
- The progress of major projects is monitored through specific officer-led programme/project boards and the Modern Council Board.
- Any significant changes to the direction of financial or legal risks of any major scheme are reported to FSG, SLT and Cabinet.

29.3 Risk Management Framework

29.3.1 The Council has a strong risk management framework in place which provides a process for the identification, management and reporting of risks. The risk strategy, with the associated risk registers (strategic and departmental risk registers), plays an important part in the corporate governance structure of the Council.

29.4 The above principle will also apply to Ealing's wholly owned companies e.g. Broadway Living and Greater Ealing Ltd (GEL).

30. Risk Profile

30.1 Effective risk management means being risk aware, not risk averse. The Council believes that:

- risk needs to be managed rather than avoided, and that its response to risk is proportionate.
- the amount of risk the Council is prepared to accept or be exposed to (its risk appetite) will vary according to the perceived significance of particular risks, as well as regulatory or legislative constraints. It may be prepared to take comparatively large risks in some areas and none at all in others.

31. Other Assurance Frameworks

31.1 In addition to the Council's risk management framework, there are other assurance frameworks to provide management and Members the assurances required over processes and controls.

31.2 The internal audit function has an audit programme whereby financial systems are reviewed on a rolling cycle. The findings and recommendations from these audits are reviewed and actioned by officers and Members are updated through the Audit Committee.

31.3 External audit provides additional assurance over our capital processes, controls and management through their annual audit of our Statement of Accounts.

Section 10 – Knowledge and Skills

32. Knowledge and Skills

32.1 Both the Capital Programme and the Treasury Management Strategy are managed by teams of professionally qualified accountants with considerable experience of local government finance. Officers maintain and develop their skills and knowledge through a programme of Continuous Professional Development and by attending various courses and conferences held by CIPFA and other sector experts on an ongoing basis.

32.2 The Chief Finance Officer in his capacity as Section 151 Officer has the overall responsibility for ensuring the proper management of the Council's capital programme, asset portfolio and treasury management activity and follows an ongoing CPD programme.

Annex A – Flexible Use of Capital Receipts Strategy

1. Background

1.1 The Department for Levelling Up, Housing and Communities (DLUHC formerly MCHLG) directive[1] gives Councils the freedom to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to:

- generate ongoing revenue savings in the delivery of public services; and/or
- transform service delivery to reduce costs; and/or
- transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.

1.2 The current directive is only applicable for capital expenditure which is incurred by the Council for the financial years that begin on 1 April 2016, 1 April 2017, 1 April 2018, 1 April 2019, 1 April 2020 and 1 April 2021.

1.3 From 2018/19 Ealing has taken advantage of this flexibility. Full Council approved Ealing's Flexible Use of Capital Receipts Strategy on 18 December 2018 and noted an updated Strategy in February 2019 presented as part of the Medium-Term Financial Strategy (MTFS).

1.4 Expected Extension or New Policy Directive from DLUHC From 1 April 2022

1.4.1 An announcement was made by the then MHCLG in February 2021, to extend the current scheme for another three years.

1.4.2 DLUHC have yet to publish either an extension or a new scheme. There has been confirmation from DLUHC colleagues that guidance to be published imminent.

2. Legislation and Guidance

2.1 Under the updated guidance on flexible use of capital receipts issued under section 15 (1)(a) of the Local Government Act 2003 and effective from 1 April 2016, local authorities have the freedom to use capital receipts from the sale of their own assets (excluded Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings.

2.2 The guidance is not prescriptive about the content of Councils' Flexible Use of Capital Receipts' strategy but requires the strategy to be approved either as part of the Council's Medium Term Financial Strategy (MTFS) or separately.

2.3 Accountability

[1] Statutory Guidance on Flexible Use of Capital Receipts issued by the Department for Levelling Up, Housing and Communities (formerly MCHLG) (March 2016) and MCHLG Flexible Use of Capital Receipts Direction Issued February 2018

2.3.1 Councils are required to disclose the individual projects that will be funded, or part-funded through the capital receipts flexibility to full Council or the equivalent. This requirement can be satisfied as part of the annual budget setting process, through the MTFS or equivalent, or for those Councils that sign up to a four-year settlement deal, as part of the required Efficiency Plan.

2.3.2 The Department for Levelling Up, Housing and Communities (formerly MCHLG) guidance recommends that the strategy setting out details of projects to be funded through the flexible use of capital receipts is prepared prior to the start of each financial year. Failure to meet this requirement does not mean that a council cannot access the flexibility in that year, however, in this instance, the strategy should be presented to full Council or the equivalent at the earliest possible opportunity.

2.3.3 The guidance allows councils to update their strategy during the year. However, if councils do so, they will be required to notify the Department for Levelling Up, Housing and Communities (formerly MCHLG). This is to allow central Government to keep track of the planned use of the flexibility for national accounts purposes.

3. Ealing's Transformational Programme

3.1 The strategy approved by Council in December 2018 (as a separate report) with a further update approved in February 2019 (part of MTFS) was in respect of eligible costs on resourcing the service outcome reviews which have or will support the delivery of the savings plans in the MTFS.

3.2 The Transformational Programme is included in the current capital programme.

3.3 Current Transformational Programme Budget

3.3.1 The total approved budget included in the Capital Programme, in respect of eligible costs was £2.661m. Approval to decommission £0.708m of expenditure is being sought through the annual budget report going to both Cabinet and Full Council in February 2022 and March 2022 respectively.

3.3.2 The Transformational Programme is supporting the delivery of the £12.347m of approved saving plans detailed in the 2019/20 Budget Strategy reports in October 2018, December 2018 and February 2019. These savings plans are summarised in the table below.

Table 1: Savings Supported by Transformational Programme

Savings	2020/21 £M	2021/22 £M	2022/23 £M	2023/24 £M	Total MTFS Savings £M	Future Years £M	Net Savings Total £M
Net Savings	(4.489)	(4.132)	(4.074)	(1.650)	(14.345)	(0.522)	(14.867)
Funded from Grants	0.661	1.007	0.636	0.097	2.401	0.000	2.401
Funded from HRA	0.103	0.016	0.000	0.000	0.119	0.000	0.119
Net General Fund Savings	**(3.725)**	**(3.109)**	**(3.438)**	**(1.553)**	**(11.825)**	**(0.522)**	**(12.347)**

3.3.3 The Transformation Programme funding supports the delivery of a number of outcome reviews intended to deliver the Council's Future Ealing (FE) vision of saving money whilst mitigating the impact on outcomes for the community and improving these where possible. The outcome reviews are:

- Housing and Homelessness
- All Age Disability (including SEND)
- Safe and Achieving
- Thriving Communities.

3.3.4 Funding was also provided to support delivery of transformation work in the planning process.

3.3.5 Delivery of the FE outcome reviews is supported by the central Project Management Office (PMO) and tracked through the FE Delivery Board, and reported to SLT and to Members. All of the programmes are currently in delivery. During 2021/22 Covid-19 has had a significant impact on a number of programmes, whilst changes to the approach to regional fostering have altered the delivery approach for the Safe and Achieving outcome review.

3.3.6 2021/22 is the final year of the capitalisation directive and the PMO will work with programmes to ensure the effective use of resources including agreeing any changes to scope through the appropriate governance procedures.

3.3.7 Delivery has continued throughout the COVID period and there have been significant impact for residents including increased levels of homeless prevention and significant cost avoidance whilst maintaining outcomes for young people with SEND. Changes to the benefit regime – notably the introduction of Universal Credit has impacted on the financial benefits the council can realise from the housing and homelessness workstream. Plans are in place to maintain delivery at the end of this phase of funding via the council's ongoing commitment to the Future Ealing programme.

3.4 New Flexible Use of Capital Receipts programme from 2022/23

3.4.1 As set out above DLUHC has indicated that the Flexible Use of Capital Receipts Scheme will be extended for a further three years from April 2022, 3.4.2 although the details of the revised policy framework have not yet been published.

3.4.3 Following on from the pandemic there will be a number of opportunities and challenges that emerge in relation to work to undertake Council transformation. It is proposed that the future Flexible Use of Capital Receipts programme would encompass work relating to supporting the delivery of the Future Ealing's savings programme, being recommended for approval at the February 2022 Cabinet meeting and summarised below.

Saving Summary	2022/23 £M	2023/24 £M	2024/25 £M	2025/26 £M	Net Savings Total £M
General Fund Savings	£10.340	£1.663	(£0.076)	£0.062	£11.989
HRA Funded Savings	£0.387	£0.437	£0.026	£0.000	£0.850
Digital Programme	£0.048	£0.000	£0.000	£0.000	£0.048
Cost Avoidance / Cost Containment / Cost Reductions	£0.434	£0.000	£0.000	£0.000	£0.434
Total Gross Savings	**£11.209**	**£2.100**	**(£0.050)**	**£0.062**	**£13.320**

3.4.4 The forecasted spend for the project is up to £2m of eligible costs on resourcing service outcome reviews which have or will support the delivery of the savings plans detailed in the 'Budget Strategy and MTFS 2022/23 to 2024/25'.

3.4.5 There is no impact on the Council's revenue treasury budgets from the use of capital receipts in this way. The Council has sufficient resources to set aside funds in-line with agreed spend profile for the relevant years in advance. SLT will be kept abreast of progress towards achieving the savings alongside the financial cost and funding position to allow for SLT to evaluate, pause and reassess the programme, where required.

3.4.6 Full Council will be asked to approve in principle the programme at the 1 March 2022 meeting and also to provide delegation to the Chief Finance Officer (S151 officer) to sign-off the programme meeting the published DLUCH criteria as set out in updated guidance.

3.5 Eligible Capital Receipts

3.5.1 Ealing holds sufficient earmarked eligible capital receipts that are being used to fund this spend. Utilising general capital receipts for this purpose will mean that borrowing for the existing capital programme will need to increase and the associated borrowing costs will have an impact on revenue. However, the borrowing costs will have a lower impact on revenue than the existing revenue contribution required to the capital programme and will not take Ealing outside its existing prudential indicators (as set out in the Treasury Management Strategy) regarding the affordability of its borrowing.