Appendix 8

Capital Strategy

2023/24 to 2027/28

February 2023

Ealing
www.ealing.gov.uk

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]; and
   (ii) Minimum Revenue Provision (MRP)[3]; and
c) Code of Practices issued by Chartered Institute of Public Finance & Accountancy (CIPFA):
   (i) The Prudential Code for Capital Finance in Local Authorities; and
   (ii) Treasury Management in the Public Services.

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

2.2.1 CIPFA published a revised Prudential Code on 20 December 2021. Formal adoption is required for the 2023/24 financial year.

2.2.2 The Prudential Code has been significantly updated to incorporate changes to restrict councils from using borrowing to invest primarily in order to generate yield. The key changes clarify and update CIPFA's position on local authority commercial investment. The changes to the Prudential Code are set out below:

Borrowing to Invest

- A local authority must not borrow to invest primarily for financial return;
- It is not prudent to make any investment or spending decision that will increase the capital financing requirement (CFR), and so may lead to

[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

new borrowing unless directly and primarily related to the local authority's functions; and

- The Code does not require existing commercial investments to be sold but options to exit investments as an alternative to borrowing should be reviewed in the Treasury Management Strategy.

Risk Management

- Proportionality - investment risks should be proportionate to financial capacity and plausible losses can be absorbed in budgets or reserves without unmanageable detriment to local services;
- Investment counterparty policy should include Environmental, Social & Governance (ESG) considerations; and
- Arrangement should cover detailed requirements on knowledge and skills including policy, schedules, monitoring and review.

Reporting

- Capital strategy requirements were expanded – moving away from being a short summary;
- Prudential indicators should be reported to Members quarterly – but not necessarily to Full Council; and
- New indicators need to be reported: liability benchmark and income from service and commercial investments

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; and
- 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 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; and
- Asset 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 Council 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, where funded from borrowing, 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 Council's 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. They should identify all possible external contributions from government, partners and other grant providers and eligible developer contributions. Where funded from borrowing wherever possible the scheme should generate a saving or income stream to fund the revenue costs of that borrowing so as not to increase 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 Strategic Director of Corporate Resources (Section 151 Officer).
6. When applying for external grant funds, bids should reflect the Council's priorities.
7. Capital schemes with unsecured funding (i.e. government grants, partner contributions, 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) 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 be held corporately.
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 a 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 Strategic 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 Strategic Director of Corporate Resources (Section 151 Officer) to Cabinet on a quarterly basis.

5.2 As well as using traditional funding mechanisms to finance capital schemes, the Strategic Director of Corporate Resources (Section 151 Officer) 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 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 £1,373.867m of capital schemes over the period 2022/23 to 2027/28. 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 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 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 the Strategic Director of Corporate Resources (Section 151 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 Strategic Director of Corporate Resources (Section 151 Officer) and, where relevant Cabinet, (in accordance with the Constitution) before formally being incorporated into the budget.
- Directorate Management Teams 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) 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 processes regarding Broadway Living (BL) and Broadway Living Registered Provider (BLRP). Section 17 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 this will include the introduction of a Corporate Landlord model and arrangements to oversee Major Projects.

7.2 The outcome of the review and proposed changes will be taken through SLT. The aim of establishing any new governance, approval processes will be to ensure that decisions on capital expenditure and investment plans are aligned to the Council Plan, MTFS, treasury and investment strategies and have effective subsequent monitoring of performance once capital schemes and projects 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 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 and sustainable within the projected income of the Council for the foreseeable future. Such charges to revenue arise from increases in debt charges (both external interest and Minimum Revenue Provision (MRP)) 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 priority areas included in the Council Plan.

9.1.2 Contributing to the achievement of the Council's Plan and 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 2,500 genuinely affordable homes (2018-22 target) and is on track for 1,375 start on sites during 2022/23 as part of the 4,000 genuinely affordable homes target for 2022-26.
- Broadway Living and Broadway Living Registered Provider have a significant role in delivering 4,000 additional affordable homes (2022-26 target).
- The Perceval House programme to redevelop the Council's headquarters delivering housing and a more efficient operating environment for staff.

- The Climate and Ecological Emergency Strategy (CEES) and Action Plan, 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 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 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.
- Highways: the impact of the pandemic on TfL's finances including substantial loss of fare revenue has resulted in a reduction in grant income. The service has mitigated this partly, by allocating some funds from elsewhere, such as the Government's Active Travel Fund and the Levelling Up Fund, to deliver the agreed or new 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 2023/24 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 through identification of savings or income streams.

9.2.2 There are certain capital expenditure items that will be unavoidable such as Health and Safety. If growth proposals to deal with these areas 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 as part of the budget setting process and timescales.

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; and
- 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 for a significant investment 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 detailed business cases to SLT or, for smaller investments, submitted by services using an agreed template 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 Capital investment decisions may 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 Budget Council meeting as part of the annual budget setting process.

Section 4 – Relevant Policies and Strategies

11. Council Plan

11.1 Strategic Objectives

11.1.1 Ealing's latest Council Plan 2022-26[1] sets out three cross cutting strategic objectives for the borough:

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

11.2 Priorities

11.2.1 The three strategic objectives 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 and crime - 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 - Protecting and enhancing the physical and mental health of all, supporting our older residents to enable them to remain independent and resilient and dealing with the ongoing impact of Covid-19.
4) A fairer start - Ensuring all our children and young people 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 ensuring 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, affordable homes 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 place, where 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 2022-26 https://www.ealing.gov.uk/downloads/download/233/council_plan

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 and support the delivery of the Council Plan objectives 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;
- Where no use for a building is identified or significant repairs are uneconomic to complete, dispose of the asset to realise its value in monetary terms;
- The requirement to purchase an asset to make revenue savings;
- Redevelopment of surplus properties to meet Council objectives.

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 will be supported by Strategic Property and Property Services to review the use and condition of assets and establishing asset management priorities. There is regular liaison throughout the year between Strategic Directors, Directors, Service Heads, Property Services and the Corporate Landlord (Strategic Property) team through SLT and other boards and teams.

12.4 **Ealing's Asset Management Objectives**

12.4.1 The Council's general objectives with respect to asset management is outlined 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; and
- To obtain best consideration for any disposals.

12.4.2 Officers are currently working on an updated Land and Property Strategy with the aim of taking this to Cabinet in 2023 and detailed asset management plans will be developed as the Council implements its Corporate Landlord model.

12.4.3 Alongside the Land and Property Strategy, the Council is also developing its Property Purchase Policy to support the acquisition of land or property to meet Council objectives where it does not have a suitable or viable alternative within its portfolio. Properties will need to meet a service need or Council priority and/ or deliver financial savings for a service.

12.4.4 The Property Purchase Policy will include proposals for specific governance and approval arrangements for property and land to allow decisions where the purchase may be time critical. These arrangements will ensure a clear and robust framework for business case and financial requirements, risk assessment, management and mitigation. Purchases will only be made within the strict parameters and financial envelope of the Policy which will be approved by Cabinet during 2023.

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 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 requiring borrowing.

13.1.3 Ealing's Capital Strategy and Treasury Management Strategy have been reviewed to ensure compliance with the updated requirements. 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 and
- 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; and
- 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 the Council's 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; and
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; and

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; and
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; and
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); and
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 for 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

[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.

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 Council will need 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 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 and retrofit.

14.9.5 Recently the Council commissioned a study to help put costs against the delivery of its forthcoming action plan for the CEES. This information will be used identify the current budgets and funding sources being used to deliver climate change actions and to highlight investment requirements and prioritise the deployment of resources in tackling the climate crisis.

14.9.6 It is intended that the capital decision-making process will be reviewed in the coming year 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.

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 continually 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. Through use of our significant spending power, particularly on capital schemes, we will work with our partners and suppliers to advance social, economic and environmental outcomes for our residents and communities in line with the Council's Social Value policy.

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

16.1 HRA 30 Year Business Plan

16.1.1 On 25 January 2023, Cabinet approved the HRA 30-year business plan, which sets out a 30-year capital programme, creating an investment capacity of

£987.797m, 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 relationship between Broadway Living, the Broadway Living Registered Provider, and the Council to ensure cost effective delivery of the planned 30-year capital programme.

16.2 5-Year HRA Capital Programme

16.2.1 On 25 January 2023, Cabinet approved a 5-year capital programme for the HRA of £501.634m consisting of existing and new schemes which include expenditure associated with the GLA grant funded affordable housing programme.

16.2.2 Together with regeneration, improving existing council properties and ensuring the safety or tenants and leaseholders is a key focus of the Council's HRA capital programme, i.e. ensuring that the existing stock is maintained to a decent standard and health and safety requirements are met; this is demonstrated by the allocation of £121.046m to these home improvement works between 2023/24 and 2027/28.

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 and councillors in the decision-making process for Broadway Living (BL):

a) 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 the Council's capital investment plans and actuals to ensure they remain prudent, affordable and sustainable.

The Treasury Management Strategy 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 during the year alongside Full Council receiving mid-year and outturn updates.

Significant changes including those related to BL and 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.

b) Cabinet

- Agrees the Housing & Homelessness 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; and
- Has agreed a scheme of delegations with BL and BLRP.

c) Overview and Scrutiny Committee (OSC) and Scrutiny Panels

- At OSC discretion, it may operate a programme of scrutiny of the delivery of the Housing & Homelessness Strategy; and
- Deal with any relevant call-ins of Cabinet or other key decisions.

d) 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;
- Consider and determine issues of land disposal, acquisition, and related matters, as appropriate to achieve individual affordable housing schemes; and
- Keep Cabinet informed on the work of the Committee.

Membership of the HDCC comprises the Leader and the two 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 4,000 genuinely affordable homes. The HDCC is also responsible to the often complex and fast-moving housing and regeneration matters and where necessary the need for the Council to match the pace of its wholly owned company (Broadway Living).

e) 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.

f) Audit Committee

- Scrutinises the Treasury Management Strategy and PIs in year.

17.2 Broadway Living Investment Programme

17.2.1 The BLRP business plan was approved by Cabinet in November 2020 and set 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 are genuinely affordable. BL's business plan to be the development manager for the Council and BLRP Housing Development and Regeneration programmes was approved by Cabinet in February 2021. BL's fees are included within the HRA and BLRP capital programmes.

17.2.2 The BLRP development programme was estimated to cost £476m and is funded through a combination of a lending facility from the Council, GLA affordable housing grant (the GLA's 2018-2023 programme) and private sale and shared ownership receipts.

17.2.3 Since the approval of the original Business Plan the programme had to change in response to a number of external pressures that effected the viability of the original programme which was presented in the 2021 Capital Strategy Report.

17.2.4 Following an extensive review by officers and consultation Cabinet approved a revised programme in 3 tranches. Tranche 1 approved by Cabinet on 14 July 2021 and tranche 2 on 6 April 2022. The combined programme would deliver 1,155 homes funded by GLA affordable housing grant and up to £320m loan funding from the Council. 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: Tranche 2 Homes to be Delivered

Scheme Name	LAR: London Affordable Rent	LLR: London Living Rent	SO: Shared Ownership	DMR: Discount Market Rate	MS: Market Sales	TOTAL
Perceval House Phase 1	67	0	0	0	0	**67**
Perceval House Phase 2	3	0	0	91	0	**94**
Perceval House Phase 3	0	0	0	65	0	**65**
Broomcroft & Canberra	80	0	0	0	0	**80**
Lexden Road	71	0	90	0	27	**188**
Mandeville Road	25	0	57	0	0	**82**
Northolt Grange Community Centre	84	0	8	0	0	**92**
Sussex Crescent	26	0	0	0	0	**26**
Park View Road	28	0	31	0	0	**59**
	384	**0**	**186**	**156**	**27**	**753**

Table 3a: BLRP Tranche 1 & 2 Acquisition & Development Programme and Funding

BLRP Acquisition & Development Programme & Funding	Total £M
Acquisition & Development Capital Expenditure	375.826
GLA Affordable Housing Grant	(67.828)
Total Loan Funding Requirement	**307.998**
Capacity for Scheme Variations	12.267
Total Loan Funding Facility	**320.265**

17.2.5 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	37.249[1]
Market Sale Receipts	33.542
Total Receipts	**70.791**

[1] The 50-year BLRP Business Plan assumes a further £40.444m shared ownership receipts from leaseholders purchasing additional equity (staircasing)

17.2.6 However, as the economic climate worsened during 2022, the increased cost of borrowing, building materials and labour without sufficient increases in rents and property values has resulted in the programme approved in April 2022 being no longer being financially viable. Following an extensive review of the programme and negotiations with the GLA for increased grant the programme was changed in the following ways:

- **Perceval House:** As per the development agreement with Countryside, the Council will purchase the affordable homes within the wider Perceval House scheme. This scheme is now to be delivered through the Council's HRA capital programme as approved by Cabinet in December 2022 and included in the HRA Business Plan and Capital Programme approved by cabinet in January 2023 and will be subsequently removed from the BLRP business plan at its next update.

- **Lexden Road, Northolt Grange and Sussex Crescent:** Following the HRA Business Plans approval on 25 January 2022 these schemes are now being delivered though the Council's HRA capital programme and are on course to start on site by the GLA grant claim deadline of March 2023.

- **Broomcroft Road, Canberra Drive and Mandeville Road:** These schemes have not progressed sufficiently in terms of delivery and viability to be delivered through the GLAs 2018-2023 programme and will now form part of the 2021-2026 programme which Cabinet approved in principle in December 2022. A decision will be taken to Cabinet during 2023 to determine the delivery and funding of these schemes.

- **Park View Road:** The Young Adults Centre has been retained with residential redevelopment now cancelled.

17.2.7 As such there is both a scaling back and slippage to the original programme. However the remaining tranche 2 schemes and the schemes that will make up tranche 3 of BLRP's programme will be progressed in 2023 with delivery subject to financial viability being demonstrated which will have a significant reliance on the £109.5m GLA grant awarded for the 2021-2026 programme and on the cost of borrowing the Council is able to provide to BLRP.

17.2.8 An update on the revised BLRP business plan will be taken to Cabinet during 2023.

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 , and the Council provides loan facilities for this purpose, for which it charges interest in accordance with the subsidy control 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 (Council Plan and other service plans);
c) Review of current and future asset management plans; and
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:

- Council Plan priorities;
- Asset condition survey;
- Increased capacity required from capacity assessment;
- Change in asset requirements, e.g. technological, environmental standards;
- Retrofit and climate change improvements;
- External funding requirements; and
- 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 2024/25. At present, the Council is working to close the gap. Any additional capital expenditure which is not funded through other 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 Council's 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 grants, 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 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.

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; and
- Borrowing.

20.3.2 The revenue cost of borrowing for capital schemes, where unavoidable, will be built into the revenue budget for the appropriate year and MTFS period 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 developer contributions from agreements under Section 106 of the Town and Country Planning Act 1990. A capital bid 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, funded through borrowing without any compensation savings or income, 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 Government but on occasions may receive grants from other government agencies such as the Heritage Lottery Fund, the 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); and
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;

- Government allocation i.e. Disabled Facilities Grant; or
- Specific invitation through an earmarked grant funding pot.

21.3.4 Where there is a requirement to make an application to an external body for 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 need to be completed and considered by 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 developer contributions (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 eloigible existing Council infrastructure 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 Integrated Care Boards (ICBs)[2] or partners 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 incorporated into the programme. Depending on the scheme and value of the overall project, the department may also require Cabinet approval.

[1] Town and Country Planning Act 1990
[2] Under the Health and Social Care Act (2022) Integrated Care Board (ICB)s have replaced Clinical Commissioning Groups (CCGs)

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, 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 and contributions from the parking reserve to fund eligible highways capital works.

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 Invest to Save and Major Repairs Reserve.

21.8 Capital Receipts

21.8.1 The Council's policy on capital receipts is set out in Section 22 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 (the unitary charge) 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 Council's PFI liabilities are detailed in the annual 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 Strategic Director of Corporate

Resources (Section 151 Officer) 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 Council's borrowing.

21.10.3 Details of the Council's material lease liabilities are detailed in the annual 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 consideration within the asset management strategy and provides benefits such as a reduction in revenue costs (such as maintenance and security) relating to surplus assets, as well as releasing assets for disposal. Capital receipts can be an important funding source for the 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 Strategic Director of Corporate Resources (Section 151 Officer) closely monitors progress on asset disposals. Any in-year shortfalls against forecasts will 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, initially 2021/22 was the final year for this directive, but on 4 April 2022 the department announced an extension to the policy by a further three yearsending in 2024/25. 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).

23.2 The Council does not 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 requires all investments and investment income to 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. 'Plausible losses' should be able to be managed and 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 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 Full Council are set out in Appendix 6.

24.3 The tables below provide a summary of the Capital Programme, which reflects the scheme slippage from Quarter 3 of 2022/23.

Table 2a: Approved Capital Programme Spend

Capital Programme - 2022/23 to 2027/28	£m								
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total	Future Years	Total
Children's Services	33.795	33.735	19.117	0.000	0.000	0.000	86.646	0.000	86.646
Adults Services & Public Health	0.571	0.390	0.000	0.000	0.000	0.000	0.961	0.000	0.961
Economy & Sustainability	37.797	71.467	31.150	27.369	1.443	0.792	170.219	(1.348)	168.871
Housing & Environment	56.393	47.459	7.345	6.458	0.000	0.000	117.656	0.000	117.656
Corporate Resources	34.984	147.585	96.625	20.776	18.636	14.667	333.273	78.582	411.855
Strategy & Change	1.188	1.822	0.000	0.000	0.000	0.000	3.010	0.000	3.010
Corporate Budget	0.000	0.994	0.000	0.000	0.000	0.000	0.994	0.000	0.994
Total General Fund	**164.728**	**303.452**	**154.437**	**54.603**	**20.079**	**15.460**	**712.759**	**77.234**	**789.993**
HRA	**82.240**	**137.741**	**153.790**	**98.754**	**50.148**	**61.201**	**583.874**	**0.000**	**583.874**
Capital Programme Total	**246.968**	**441.193**	**308.227**	**153.357**	**70.227**	**76.661**	**1,296.633**	**77.234**	**1,373.867**

Table 2b: Approved Capital Programme Funding for General Fund

General Fund Capital Programme Funding - 2022/23 to 2027/28	£m								
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total	Future Years	Total
Mainstream Funding	83.991	206.343	135.824	54.603	(18.690)	15.460	477.530	56.589	534.119
Capital Receipts	0.878	11.622	8.966	0.000	38.769	0.000	60.236	13.325	73.470
Specific Funding (Split as Follows)	79.859	85.488	9.647	0.000	0.000	0.000	174.994	7.410	182.404
-Grant	72.159	52.488	7.387	0.000	0.000	0.000	132.034	0.000	132.034
-Revenue Contribution	0.000	0.011	0.000	0.000	0.000	0.000	0.011	7.410	7.421
-Reserve Drawdown	0.275	0.317	0.000	0.000	0.000	0.000	0,592	0.000	0.592
-Parking Revenue Account	1.026	2.570	0.000	0.000	0.000	0.000	3.595	0.000	3.595
-Invest to Save	0.000	0.013	0.000	0.000	0.000	0.000	0.013	0.000	0.013
-Partnership Contributions	3.535	20.361	0.000	0.000	0.000	0.000	23.896	0.000	23.896
-S106	2.699	9.728	2.260	0.000	0.000	0.000	14.687	0.000	14,687
-HRA Contribution	0.166	0.000	0.000	0.000	0.000	0.000	0.166	0.000	0.166

General Fund Capital Programme Funding - 2022/23 to 2027/28	£m								
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total	Future Years	Total
Total Funding - General Fund	**164.728**	**303.452**	**154.437**	**54.603**	**20.079**	**15.460**	**712.759**	**77.234**	**789.993**

Table 2c: Approved Capital Programme Funding for HRA

HRA Capital Programme Funding - 2021/22 to 2026/27	£M								
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total	Future Years	Total
Mainstream Funding	35.818	78.691	124.534	49.122	31.367	34.396	353.929	0.000	353.929
Capital Receipts	23.173	9.199	6.683	21.645	0.294	8.593	69.586	0.000	69.586
Specific Funding (Split as Follows)	23.249	49.851	22.573	27.987	18.487	18.211	160.358	0.000	160.358
-Grant	11.899	33.478	6.275	11.484	0.000	0.000	63.136	0.000	63.136
-Revenue Contribution	0.193	0.000	0.060	0.000	0.000	0.000	0.253	0.000	0.253
-Reserve Drawdown	10.157	15.454	15.329	15.003	14.987	14.711	85.641	0.000	85.641
-Partnership Contributions	0.500	0.500	0.500	0.500	0.500	0.500	3.000	0.000	3.000
-HRA Contribution	0.500	0.419	0.409	1.000	3.000	3.000	8.328	0.000	8.328
Total Funding - HRA	**82.240**	**137.741**	**153.790**	**98.754**	**50.148**	**61.201**	**583.874**	**0.000**	**583.874**

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 £12.850m is being proposed to be added for the General Fund programme, of which £6.717m will be funded from borrowing and the remaining from other resources. This is offset by a reduction in borrowing of £12.574m due to schemes to be decommissioned (section 26). Table 3 below provides a summary of the capital additions.

Table 3: Capital Programme Additions

Department	Capital Programme 2022/23 - 2027/28 £M						
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Children's Services	0.000	1.208	0.000	0.000	0.000	0.000	1.208
Adults' Service & Public Health	0.000	0.810	0.630	0.020	0.000	0.000	1.460
Economy & Sustainability	0.000	5.116	1.190	0.875	0.775	0.000	7.956
Environment & Housing	0.000	0.170	0.170	0.170	0.170	0.000	0.680
Corporate Resources	0.000	1.221	0.000	0.000	0.325	0.000	1.546
Capital Programme Additions	**0.000**	**8.525**	**1.990**	**1.065**	**1.270**	**0.000**	**12.850**
Mainstream Funding	0.000	(3.202)	(1.520	(0.895)	(1.100)	0.000	(6.717)
Capital Receipts	0.000	(0.526)	0.000	0.000	0.000	0.000	(0.526)
Grant	0.000	(4.328)	0.000	0.000	0.000	0.000	(4.328)
Parking Reserve	0.000	(0.170)	(0.170	(0.170	(0.170	0.000	(0.680)
Other Contribution	0.000	(0.300)	(0.300)	0.000	0.000	0.000	(0.600)
Total Funding	**0.000**	**(8.525)**	**(1.990)**	**(1.065)**	**(1.270)**	**0.000**	**(12.850)**

26. Decommissioning of Capital Projects

26.1 A total of £12.574m 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 2022/23 - 2027/28 £M						
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Corporate Budget	0.355	12.219	0.000	0.000	0.000	0.000	12.574
Capital Programme Decommissioning	**0.355**	**12.219**	**0.000**	**0.000**	**0.000**	**0.000**	**12.574**
Mainstream Funding	(0.355)	(12.219)	0.000	0.000	0.000	0.000	(12.574)
Total Funding	**(0.355)**	**(12.219)**	**0.000**	**0.000**	**0.000**	**0.000**	**(12.574**

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 and understand any risks and how these can be mitigated and managed.

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.
- 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; and
- 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 Strategic Director of Corporate Resources in their capacity as Section 151 has 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, direction[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;
- 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 key criteria is that the expenditure is forecast to generate ongoing savings to an authority's net service expenditure.

1.3 From 2018/19 Ealing has taken advantage of this flexibility.

1.4 Extension from 1 April 2022

1.5 The original policy ran until the end of 2021/22, however the then MHCLG announced in February 2021 that it would be extended for another three years.

1.6 Updated guidance was subsequently published in August 2022, the main change being that it is not permitted to use capital receipts generated by a disposal to an entity within the authority's 'group structure'.

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 a council's 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

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.

2.3.2 The DLUHC guidance recommends that the Council produces a Flexible Use of Capital Receipts Strategy setting out details of projects to be funded through the flexible use of capital receipts, prior to the start of each financial year.

[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

Failure to meet this requirement does not mean that an authority cannot access the flexibility in that year, however, in this instance, the strategy should be presented to Full Council at the earliest possible opportunity. The guidance allows councils to update their strategy during the year.

2.3.3 It is a condition of the direction that authorities must send details setting out their planned use of the flexibility to the Secretary of State, in advance of its use for each financial year. Authorities may, however, update their plans and resubmit to the Secretary of State during the financial year.

3. Ealing's Transformation Programme

3.1 The strategy approved by Council in February 2022 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 projects within the Transformation Programme are included in the current capital programme.

3.3 Current Transformation Programme Budget

3.3.1 The Transformation Programme funding supports the delivery of a number of outcome reviews intended to deliver council priorities (at that time) of delivering efficiencies and value for money whilst mitigating the impact on outcomes for the community and improving these where possible. In March 2022, Full Council approved the current transformation programme to support delivery of the £13.320m of approved saving plans detailed in the 2022/23 Budget Strategy report to Council. These savings plans are summarised in the table below.

Table 1: 2022/23 Savings Supported by Transformation Programme

Saving Summary	2022/23 £M	2023/24 £M	2024/25 £M	2025/26 £M	Savings Total £M
Climate Action	£0.000	£0.000	£0.000	£0.000	£0.000
Healthy Lives	£5.281	£0.683	£0.229	£0.000	£6.192
Fairer Start	£0.675	£0.000	£0.000	£0.000	£0.675
Inclusive Economy	£1.515	£0.495	(£0.124)	£0.000	£1.886
Genuinely affordable homes	£0.665	£0.479	(£0.219)	£0.000	£0.925
Good Growth	£0.000	£0.000	£0.000	£0.000	£0.000
Total Gross Savings	**£11.209**	**£2.100**	**(£0.050)**	**£0.062**	**£13.320**

3.3.2 The table below sets out the current approved project funded through this programme.

Table 2: 2022/23 Transformation Programme Agreed Projects

Transformation Programme Projects	Cost Estimate £M	Total Saving 2022/23 - 2025/26 (£M)	Project Delivery
Increasing the value realised from the council's reablement services	1.200	(5.038)	31 March 2025

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

3.3.4 Delivery of the outcome reviews is supported by the central Project Management Office (PMO) and tracked through Project Delivery Boards, and reported to SLT and to Members. All of the programmes are currently in delivery.

3.4 New Flexible Use of Capital Receipts programme from 2023/24

3.4.1 It is proposed that the future Flexible Use of Capital Receipts programme would encompass work relating to supporting the delivery of the savings being recommended for approval at the February 2023 Cabinet meeting as summarised below.

Table 3: 2023/24 Savings to be Supported by the Transformation Programme

Saving Summary	**2023/24 £M**	**2024/25 £M**	**2025/26 £M**	**2026/27 £M**	**Savings Total £M**
Climate Action	£3.167	£1.018	£0.954	£0.261	£5.400
Fairer Start	£3.017	£0.622	£2.246	£0.717	£6.602
Inclusive Economy	£0.265	£0.045	£0.045	£0.045	£0.400
Genuinely affordable homes	£1.000	(£1.000)	£0.000	£0.000	£0.000
Good Growth	£1.187	£0.020	£0.020	£0.020	£1.247
Thriving Communities	(£0.316)	£0.509	£0.416	£0.122	£0.731
Organisational Priorities	£1.831	(£1.519)	£0.018	£0.018	£0.348
Total Gross Savings	**£10.151**	**(£0.305)**	**£3.699**	**£1.183**	**£14.728**

3.4.2 The forecasted spend for the project will be contained with the previously approved £2m on resourcing service outcome reviews which have or will support the delivery of the savings plans detailed in the ‘Budget Strategy and MTFS 2023/24 to 2025/26’.

3.4.3 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.

3.4.4 Full Council will be asked to approve in principle the programme at the 8 March 2023 meeting and also to provide delegation to the Strategic Director of Corporate Resources (Section 151 Officer) to sign-off the programme meeting the published DLUHC criteria as set out in updated guidance.

3.5 Updated Programme and Budget

3.5.1 Overall, the updated programme is currently estimated to remain within the previously approved c£2m budget supporting to deliver in total c£28m of savings over 2022/23 to 2026/27.

Table 4: 2022/23 to 2025/26 and 2023/24 to 2026/27 Savings Programme

Saving Summary	2022/23 £M	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	Savings Total £M
MTFS Savings Programme *Approved February 2022*	£11.209	£2.100	(£0.050)	£0.062	n/a	£13.320
MTFS Savings Programme *subject to approval by Cabinet in February 2023*	n/a	£10.151	(£0.305)	£3.699	£1.183	£14.728
Total Gross Savings	**£11.209**	**£12.251**	**(£0.355)**	**£3.761**	**£1.183**	**£28.048**

3.6 Eligible Capital Receipts

3.6.1 The Council holds sufficient earmarked eligible capital receipts 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.