Appendix 8

Capital Strategy

2021/22 to 2025/26

February 2021

Ealing
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Good, genuinely affordable homes | Opportunities and living incomes | A healthy, great place | FOR ALL

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 Ministry of Communities, Housing & Local Government (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

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.

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[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

3.3 Capital Strategy is an evolving document which aligns with 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 the most cost-effective use is made of existing assets and new capital investment delivering 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 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. PFI's, 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 proforma/template. Where any options are exploring to fund scheme with 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 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 ringfencing 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 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 matched-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.

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Section 2 – Governance

6. Current Governance and Approval Process

6.1 The Council's Capital Programme involves the expenditure and financing of £1,120.420m of capital schemes over the period 2020/21 to 2025/26. 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 councils 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.
- 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 identifies any variation to the approved capital programme arising either from the re-phasing of schemes, changes in resource availability and requirements and 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 continuously 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 process will be to ensure that decisions for capital expenditure and investment plans are aligned to 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 consider 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 Councils 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 to a level where 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 as the 'Future Ealing'. The Council continues to use Future Ealing as a vehicle for delivering the 2021/22 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:

- Housing Delivery Programme that along with partners have delivered 1,355 (54%) 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.
- 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.
- 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: Due to Covid-19 Transport for London (TfL) funding for the Local Implementation Plan (LIP) of £9.873m was paused and affected schemes such as the TfL Corridors, the Transformation of West Ealing and TfL Cross Rail Complementary Measures. Replacement funding from TfL for London Service Permit (LSP) of £1.300m has been allocated to Ealing Council for Local Traffic Neighbourhood works. In addition to this TfL LIP funding of £1.017m was reinstated to spend in 2020/21. At this stage it is not known when the balance of the TfL LIP funding will be re-instated or released.

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 in 2021/22 onwards has been for the Council to invest its limited resource against schemes funded through mainstream, which contribute towards the Councils 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 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. Proposal have been 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.

10.1.3 Capital investment proposals are either submitted as individual detail business cases to SLT or submitted by services using standard capital bid appraisal forms for the year that include 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).

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 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 2018-22[1] sets out three key priorities for the borough:

- Good, genuinely affordable homes
- Opportunities and living incomes
- A healthy great place

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 businesses and voluntary and community organisations via the Future Ealing programme. The nine ways to make the borough better are:

1) A growing economy creates jobs and opportunities for Ealing residents to reduce poverty and increase incomes.
2) Children and young people fulfil their potential.
3) Children and young people grow up safe from harm.
4) Residents are physically and mentally healthy, active and independent.
5) Ealing has an increasing supply of quality and affordable housing.
6) Crime is down and Ealing residents feel safe.
7) The borough has the smallest environmental footprint possible.
8) Ealing is a clean borough and a high-quality place where people want to live.
9) Ealing is a strong community that promotes diversity with inequality and discrimination reduced.

12. Asset Management

12.1 Asset Management Process

12.1.1 Asset management is the process by which the Council considers whether its assets are appropriate to deliver the high-quality services demanded by residents. This process may identify several different outcomes for assets including:

- Change in use to meet the demands of a service.
- Investment is required to improve the condition of an asset.
- A new asset is required to better meet the Council priorities.
- The need to dispose of the asset to realise its value in monetary terms.

[1] Council Plan 2018-22 Annual Update July 2019

12.1.2 The Council will regularly review its assets to ensure continued optimum use. Whilst the capital programme will be used to bridge the gap to ensure that the Council has sufficient assets in the long term.

12.2 Ealing's approach to Asset Management

12.2.1 The Council's approach to asset management is essentially service led. Departments are actively engaged in establishing asset management priorities as part of their annual service planning with property services department. There is regular liaison throughout the year between Executive Directors, Directors, service heads, Property Services and Corporate Landlord team through SLT, Modern Council and other range of service improvement project boards and teams.

12.3 Ealing's Asset Management Objectives

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

- Ensure the safety and wellbeing of occupants.
- To ensure the most effective and efficient use of buildings and land to avoid underutilisation.
- Reduce carbon emissions and energy consumption.
- Facilitate agile working in operational 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.

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.

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

14. Procurement

14.1 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.

14.2 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 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.

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

15.1 HRA 30 Year Business Plan

15.1.1 Cabinet approved the HRA 30-year business plan on 19 January 2021 which set out a 30-year capital programme, creating an investment capacity of £885.756m, which will be continually reviewed and updated to ensure affordability is maintained. The HRA will seek to utilise Capital receipts and grants before resorting to borrowing to minimise any future revenue impact

15.1.2 There will be a close interrelationship 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.

15.2 5-Year HRA Capital Programme

15.2.1 Cabinet approved a 5-year capital programme for HRA of £362.747m consisting of new schemes which include expenditure associated with the GLA grant funded programme.

15.2.2 Together with regeneration, improvements to existing council properties is a key focus of council's HRA capital programme, ensuring that those properties that reside outside of the regeneration schemes are maintained to a decent standard, demonstrated by the allocation of £110.524m to these home improvement works between 2021/22 and 2025/26.

16. Broadway Living

16.1 Broadway Living Governance Process

16.1.1 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**
    - Scrutinise the Treasury Management Strategy and PIs in year.

16.2 **Broadway Living Investment Programme**

16.2.1 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.

16.2.2 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.

16.2.3 The table below sets out the profile of the programme of capital expenditure and funding.

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

BLRP Acquisition & Development Programme & Funding	**2020/21 £M**	**2021/22 £M**	**2022/23 £M**	**2023/24 £M**	**2024/25 £M**	**2025/26 £M**	**2026/27 £M**	**2027/28 £M**	**Total £M**
Acquisition & Development Capital Expenditure	19.289	102.439	164.016	77.849	53.975	26.377	13.677	18.324	**475.947**
GLA Affordable Housing Grant	(9.772)	(31.965)	(14.128)	(25.992)	(19.295)	(0.150)	(0.780)	(0.630)	**(102.712)**
Capitalised Interest	0.056	0.759	5.010	6.360	2.042	0.238	0.509	0.160	**15.134**
Total Loan Funding Requirement	**9.572**	**71.233**	**154.899**	**58.217**	**36.722**	**26.465**	**1.406**	**17.854**	**388.368**
Capacity for Scheme Variations	0.287	2.133	4.639	1.744	1.100	0.793	0.402	0.535	**11.632**
Total Loan Funding Facility	**9.859**	**73.366**	**159.538**	**59.961**	**37.822**	**27.258**	**13.808**	**18.389**	**400.000**

16.2.4 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	2021/22 £M	2022/23 £M	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M	Total £M
Shared Ownership Initial Sale Receipts	0.000	0.000	12.233	13.814	0.000	0.000	0.000	**26.046**[1]
Market Sale Receipts	0.000	0.000	17.525	48.800	0.000	0.000	0.000	**66.325**
Total Receipts	**0.000**	**0.000**	**29.758**	**62.614**	**0.000**	**0.000**	**0.000**	**92.371**

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

16.2.5 The estimated cost of the development programme is subject to successful procurement of external design consultants and build contractors the appointment of which will require approval by the BLRP board.

16.2.6 The BLRP business plan sets out the timescale of the programme with it running through to 2027/28. The majority of schemes are currently expected to complete within the period of the Councils Capital programme (i.e. by 2025/26).

17. Greener Ealing Limited (GEL)

17.1 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.

17.2 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

18. Capital Expenditure

18.1 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.

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

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

18.4 **Capital Expenditure Plans**

18.4.1 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.

18.4.2 Aligned to corporate and service priorities, individual schemes are included within 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.

18.5 **Factors Driving Spending Plans**

18.5.1 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.

19. Capital Resource Strategy

19.1 Context of Capital Resource Strategy

19.1.1 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 result of the current economic and political climate.

19.1.2 The Council's MTFS shows a funding gap for 2021/22. 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

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

19.2 Utilisation of Capital Resources

19.2.1 Wherever possible the Capital Programme will utilise and maximise external funding provided either by central government capital grant or other third party contributors (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.

19.2.2 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.

19.2.3 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 in such ways 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 and this is set out further in the Minimum Revenue Provision Policy.

19.2.4 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 deliver savings beyond the cost of borrowing. This is a key objective for the Council.

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

19.3 **Priority of resources to fund the Capital Programme**

19.3.1 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

19.3.2 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.

19.4 **Consideration of Capital Proposals with Mix Funding Sources**

19.4.1 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 from borrowing and will only be included within the capital programme if they meet the council's needs, objectives and priorities. Schemes attracting 100% 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 form still needs to be completed for these proposals.

20. Capital Funding Options

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

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

20.3 **Capital Grants**

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

20.3.2 Capital grants can be split into two categories:

1. Non-ring fenced – resources which are delivered through grant 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.

20.3.3 Grants can be awarded to the Council either via;

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

20.3.4 Where there is a requirement to make an application to an external agency for external funding and, when appropriate, to commit Council resources as matched funding to any bid for external resources, a business case (following 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 matched funding prior to submission of the bid.

20.4 Section 106 (S106)

20.4.1 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.

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

20.5 Other External Contributions

20.5.1 Other external funding that the Council may receive to fund specific capital scheme may be from partners such as other local authorities and CCG with whom the Council may be jointly undertaking a capital project.

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

20.6 **Revenue Contributions**

20.6.1 Revenue budget 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 via the use of assessing its prudential indicators.

20.6.2 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.

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

20.7 **Earmarked Reserves**

20.7.1 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 following reserves including ECIF, Invest to Save and Major Repairs Reserve.

20.8 **Capital Receipts**

20.8.1 The council's policy on capital receipts is set out below.

20.9 **Private Finance Initiatives (PFI)**

20.9.1 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.

20.9.2 Details of councils PFI liabilities are detailed in the Statement of Accounts.

20.10 **Leasing**

20.10.1 Services may enter into finance leasing agreements to fund capital expenditure. However, a full option 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.

20.10.2 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.

20.10.3 Details of council's lease liabilities are detailed in the Statement of Accounts.

20.11 Borrowing

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

21. Capital Receipts Policy

21.1 Overview

21.1.1 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 it provides benefits such as reduction in revenue costs that relate to surplus assets and it also releases assets for disposal. Capital receipts are an important funding source for the current capital programme.

21.1.2 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.

21.1.3 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 disposal. 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.

21.2 Flexible Use of Capital Receipts

21.2.1 MCHLG issued directive 2016 providing Council's with the flexibility to use capital receipts for qualifying revenue expenditure. The financial year 2021/22 is the final year that the directive applies. Ealing's strategy is set out in Annex A.

Section 6 – Investment Strategy

22. Non-Treasury Investments

22.1 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.

22.2 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).

22.3 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 a robust analysis and strong governance process.

Section 7 – Capital Programme

23. Approved Capital Programme

23.1 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

23.2 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.

23.3 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

Department	Capital Programme 2020/21 - 2025/26 £M						
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Schools	8.403	48.064	8.250	0.000	0.000	0.000	64.717
Children's Services	0.137	0.000	0.000	0.000	0.000	0.000	0.137
Adults and Public Health Services	0.579	0.596	0.480	0.390	0.000	0.000	2.046
Total Children's and Adults	**9.120**	**48.660**	**8.730**	**0.390**	**0.000**	**0.000**	**66.900**
Community Development	22.884	26.499	0.000	0.000	0.000	0.000	49.383
Growth & Sustainability	12.136	14.418	4.259	0.000	0.000	0.000	30.812
Housing Development	16.060	19.585	1.030	0.000	0.000	0.000	36.675
Place Delivery	9.572	29.094	3.791	0.000	0.000	0.000	42.457
Total Place	**60.651**	**89.597**	**9.080**	**0.000**	**0.000**	**0.000**	**159.328**
ICT & Property Services	5.521	6.853	1.850	1.850	1.850	0.000	17.923
Finance	0.010	0.490	0.000	0.000	0.000	0.000	0.500
Total Chief Executive	**5.531**	**7.343**	**1.850**	**1.850**	**1.850**	**0.000**	**18.424**
Council Wide	**92.524**	**86.453**	**159.918**	**59.961**	**37.822**	**0.000**	**436.678**
Total General Fund	**167.826**	**232.053**	**179.578**	**62.201**	**39.672**	**0.000**	**681.329**
HRA	**76.343**	**86.161**	**85.706**	**84.936**	**61.609**	**44.335**	**439.090**
Capital Programme Total	**244.169**	**318.213**	**265.284**	**147.137**	**101.281**	**44.335**	**1,120.420**

Table 2b: Approved Capital Programme Funding for General Fund

General Fund Programme Funding	Capital Programme 2020/21 - 2025/26 £M						
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Mainstream Funding	129.786	158.403	168.287	62.201	39.672	0.000	558.349
Capital Receipts (Split as Follows)	1.948	12.637	5.550	0.000	0.000	0.000	20.136
-Capital Receipts	0.000	12.420	5.550	0.000	0.000	0.000	17.970
-Flexible Use Capital Receipts	1.948	0.217	0.000	0.000	0.000	0.000	2.166
Grants	22.066	53.653	4.791	0.000	0.000	0.000	80.510

General Fund Programme Funding	Capital Programme 2020/21 - 2025/26 £M						
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
S106	7.286	6.597	0.950	0.000	0.000	0.000	14.832
Partnership Contributions	6.413	0.000	0.000	0.000	0.000	0.000	6.413
Revenue Reserves (Split as Follows)	0.305	0.763	0.000	0.000	0.000	0.000	1.068
-Parking Reserve	0.250	0.043	0.000	0.000	0.000	0.000	0.293
-Revenue Reserve	0.055	0.707	0.000	0.000	0.000	0.000	0.762
-Invest to Save Reserve	0.001	0.013	0.000	0.000	0.000	0.000	0.014
Revenue Contribution	0.022	0.000	0.000	0.000	0.000	0.000	0.022
General Fund Funding Total	**167.826**	**232.053**	**179.578**	**62.201**	**39.672**	**0.000**	**681.329**

Table 2c: Approved Capital Programme Funding for HRA

HRA Programme Funding	Capital Programme 2020/21 - 2025/26 £M						
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Mainstream Funding	29.023	4.755	33.861	21.559	28.513	18.519	136.231
Capital Receipts (Split as Follows)	27.650	47.091	34.574	40.053	15.825	8.546	173.739
-Capital Receipts	25.850	42.337	32.874	39.721	15.825	8.546	165.153
-Capital Receipts Right to Buy	1.800	4.754	1.700	0.332	0.000	0.000	8.586
Grants	2.400	17.044	0.000	6.054	0.000	0.000	25.498
Revenue Contribution	1.000	1.000	1.000	1.000	1.000	1.000	6.000
Major Repairs Reserve	13.210	13.210	13.210	13.210	13.210	13.210	79.260
HRA Contributions	3.060	3.060	3.060	3.060	3.060	3.060	18.362
HRA Funding Total	**76.343**	**86.161**	**85.706**	**84.936**	**61.608**	**44.335**	**439.090**

24. Additions to the Capital Programme

24.1 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 £7.395m is being proposed to be added for the General Fund programme, of which £6.172m will be funded from borrowing and remaining from external resources. Total new borrowing requirement for the new investment is £5.562m as £0.610m of the borrowing is be repurposed (section 25). Table below provides summary of the capital additions.

Table 3: Capital Programme Additions

Department	Capital Programme 2020/21 - 2025/26 £M						
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Community Development	0.000	0.462	0.000	0.000	0.000	0.000	0.462
Place Delivery	0.142	6.199	0.358	0.117	0.117	0.000	6.933
Capital Programme Additions	**0.142**	**6.661**	**0.358**	**0.117**	**0.117**	**0.000**	**7.395**
Mainstream Funding	(0.142)	(5.679)	(0.117)	(0.117)	(0.117)	0.000	(6.172)
Grants	0.000	(0.482)	(0.241)	0.000	0.000	0.000	(0.723)
Partnership Contributions	0.000	(0.500)	0.000	0.000	0.000	0.000	(0.500)
Total Funding	**(0.142)**	**(6.661)**	**(0.358)**	**(0.117)**	**(0.117)**	**0.000**	**(7.395)**

25. Repurposing of Capital Projects

25.1 A total of £0.610m is being repurposed from existing approved programme, as the project has forecasted to underspend. Appendix 6 of the Budget Strategy report sets out the capital scheme being recommended for repurposing. Table below provides a summary by service department of the movements.

Table 4: Capital Programme Repurposed Funding

Department	Capital Programme 2020/21 - 2025/26 £M						
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Place Delivery	0.142	0.117	0.117	0.117	0.117	0.000	0.610
Council Wide	(0.142)	(0.468)	0.000	0.000	0.000	0.000	(0.610)
Total Programme Movements	**0.000**	**(0.351)**	**0.117**	**0.117**	**0.117**	**0.000**	**0.000**
Mainstream Funding	0.000	(0.351)	0.117	0.117	0.117	0.000	0.000
Total Funding	**0.000**	**(0.351)**	**0.117**	**0.117**	**0.117**	**0.000**	**0.000**

Section 8 – Other Long-Term Liabilities

26. Service / Policy Investments

26.1 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.

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

Section 9 – Risk Management

27. Risk Management Overview

27.1 This section considers the council's risk appetite about 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.

27.2 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.

27.3 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 subject to the provisions and processes set out in the Council's Corporate Risk Management Strategy.

28. Managing Risk Effectively

28.1 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.

28.2 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 bi-monthly to SLT and Cabinet.
- The progress of major projects is monitored through specific officer led programme/project boards and Modern Council Board.
- Any significant changes to the direction of financial or legal risks of any major scheme are reported back to FSG, SLT and Cabinet.

28.3 **Risk Management Framework**

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

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

29. Risk Profile

29.1 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.

30. Other Assurance Frameworks

30.1 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.

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

30.3 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

31. Knowledge and Skills

31.1 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 on-going basis.

31.2 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 on-going CPD programme.

Annex A – Flexible Use of Capital Receipts Strategy

1. Background

1.1 The 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).

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

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

2.3.2 MCHLG guidance recommends that the strategy setting out details of projects to be funded through 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

[1] Statutory Guidance on Flexible Use of Capital Receipts issued by Ministry of Communities, Housing & Local Government (MCHLG) (March 2016) and MCHLG Flexible Use of Capital Receipts Direction Issued February 2018

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 the Council do so, they will be required to notify MCHLG. This is to allow central Government to keep track of 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 Transformational Programme Budget

3.3.1 The total approved budget included in the Capital Programme, in respect of eligible costs was £2.661m. Table 1 below sets out the programme spend profile.

Table 1: Capital Programme Budget

	2019/20 £M Actual	2020/21 £M Forecast	2021/22 £M Forecast	Total £M
Transformational Programme	0.495	1.949	0.217	2.661

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 2: Savings Supported by Transformational Programme

Savings	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £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 delivery of a number of outcome reviews intended to deliver the Council's Future Ealing (FE) vision of saving money whilst mitigating 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, reported to SLT and to Members. All of the programmes are currently in delivery. During 2020/21 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.

3.4 Eligible Capital Receipts

3.4.1 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 will not take Ealing outside its existing prudential indicators (as set out in the Treasury Management Strategy) regarding the affordability of its borrowing.