

London Borough of Waltham Forest

Report Title	Capital Investment Strategy 2023/24 – 2033/34
Meeting / Date	Cabinet, 22 nd February 2024
Cabinet portfolio	Councillor Ahsan Khan, Deputy Leader (Housing and Regeneration) 
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Wards affected	All
Public access	Open
Appendices	Appendix 1: Capital Investment Strategy 2023/24 – 2033/34 Appendix 2: Equalities Analysis Screening

1. Summary
 - 1.1 The Capital Investment Strategy is an important statement of the council's key infrastructure investments over the next 10 years. The council has committed to refreshing the Capital Investment Strategy annually, aligning the annual review with the council's overall budget setting process.
 - 1.2 The Capital Investment Strategy provides an update on the council's planned direct investment between 2023/24 and 2033/34, which is substantial at over £745.9 million. It reflects the challenges faced nationally in relation to economic and construction market conditions, alongside those relating to local government finances, and ensures that our capital investment plans are aligned to resident priorities established in the Council's new draft plan for a more equal borough: *Mission Waltham Forest*.
 - 1.3 The Strategy brings together all investment strands from schools to property, transport improvements and infrastructure, to new and affordable housing development and strategic corporate property programmes. It outlines the outputs and proposed outcomes aligned to the council's political priorities and corporate objectives, delivering a powerful story of how the council is prioritising investment in what matters most to residents to make Waltham Forest a more equal borough.

2. Recommendations

2.1 Cabinet is recommended to:

- 2.1.1 Agree the Capital Investment Strategy 2023/24 – 2033/34, attached as Appendix 1.
- 2.1.2 Note that the Strategy will be reviewed and refreshed annually and reported to Cabinet for approval, supporting its overall Budget setting process.
- 2.1.3 Agree the Capital Prioritisation Framework within the Strategy and that the prioritisation process is managed by the officer-led Capital Strategy and Asset Management Group (CSAMG) and Senior Leadership Team (SLT), ahead of relevant approvals by Cabinet or Portfolio Lead Members.
- 2.1.4 Agree that no financing sources, unless stipulated in regulations or necessary agreements, are ringfenced.
- 2.1.5 Note that the financing of the capital programme is delegated to the Strategic Director of Resources to provide sufficient flexibility to allow for the most effective use of Council resources.

3. Proposals

- 3.1 The Capital Investment Strategy accompanies the Budget report to be presented at Cabinet and Full Council in February 2024. The Budget contains a request to approve resources for the Council's Capital Investment Portfolio of £745.9 million between 2023/24 and 2033/34.
- 3.2 Introduced in April 2021, the Chartered Institute for Public Finance and Accountancy (CIPFA) Prudential Code provides a clear framework for local authority capital investment plans. The Code requires that all councils have a Capital Investment Strategy, which aligns the capital investment to political and organisational priorities and demonstrates effective financial management.
- 3.3 This report and the attached Capital Investment Strategy 2023/24 – 2033/34 sets out how the Council's £745.9 million Capital Investment Portfolio supports the delivery and implementation of the organisation's strategic priorities, established in *Mission Waltham Forest*, which aims to create a more equal borough for all residents. It demonstrates what investments will be delivered in the borough by March 2024 and approved investment plans for the remaining years through to Spring 2034.
- 3.4 The Council recognises that its Capital Investment Portfolio will play a significant and vital role in supporting economic growth in response to current economic challenges and a sustained period of high inflation. It will do this by providing opportunities for local businesses, attracting inward investment and creating employment opportunities for local people.

Capital Prioritisation Framework

- 3.5 The council recognises that the Capital Investment Strategy and its revenue impact form an important element of the organisation's medium and long-term financial plans. In response to current economic market conditions and pressures on local government finances, the a new Capital Prioritisation Framework has been established. The framework will guide strategic decision-making around current and future capital investment to focus spend on maintaining delivery of established capital schemes, avoid the addition of new pressures to the Medium Term Financial Strategy (MTFS) and where possible, ensure investment helps to alleviate budget pressures.
- 3.6 For schemes to receive capital investment, one or more of the following indicators will need to be met:
- A. Continued investment in the delivery of capital schemes that are in construction phases and/or which the Council is contractually obliged to deliver.
 - B. Continued delivery of new affordable housing (including strategic acquisitions of affordable homes) and our residents' priorities, where they are deliverable within financial affordability parameters of the Council. Affordability assessments would need to be considered on a scheme-by-scheme basis and consider capacity for additional investment within both the GF and HRA.
 - C. Continued investment into initiatives which ensure the Council meets its legal, statutory and health and safety obligations (e.g., Decent Homes standards and the Building Safety Act requirements), or essential small-scale infrastructure requirements that are required to deliver Council services, such as ICT service upgrades.
 - D. For any new investment not meeting the above criteria, that it protects the MTFS, based on the principle that all investment decisions should deliver a positive financial return or have a positive impact by alleviating the Council's current or future financial pressures.
 - E. That projects and programmes which are fully, or majority funded by external grants and other funding sources – and therefore do not negatively impact the MTFS – should continue to be delivered. This includes initiatives such as the Schools Capital Programme and Levelling Up Fund programme.

Mission Waltham Forest and Resident Priorities

- 3.7 The attached Capital Investment Strategy operates on a medium-term, 10-year planning and delivery timeline. As such it looks to consider the Council's current priorities established in *Mission Waltham Forest*. It also recognises external factors that influence our capital prioritisation and emerging priorities. From Spring 2024, work on the following strategic

drivers will set the context for the Council's long-term capital investment plans:

- 3.8 Mission Waltham Forest. Subject to Cabinet approval in February 2024 and Full Council approval, in April 2024, the council will be launching *Mission Waltham Forest*. The council's vision is for "*a more equal borough, where everyone can make the most of their strengths to live the life they want to lead*". *Mission Waltham Forest* recognises that not everyone has an equal chance in life and sets out the Council's plan for a fairer borough by 2030.
- 3.9 Through the Capital Investment Strategy, the Council will play a leading and proactive role in implementing *Mission Waltham Forest's* goals across the borough: developing new affordable homes and health facilities, improving council-owned homes, creating safer neighbourhoods and stronger communities, new high-quality education facilities and a more inclusive local economy.
- 3.10 The Local Plan. Subject to Cabinet in February 2024 and Full Council approval in April 2024, the Council will adopt its revised Local Plan. The Plan identifies key or strategic sites in the borough with the potential for redevelopment to provide c.27,000 new homes and 52,000sqm of new employment space over the next 15 years. The Local Plan sets out the framework for good, well-planned local growth and the associated infrastructure required to support growth, including schools, health provision, open spaces and transport infrastructure. The Capital Investment Strategy supports the Local Plan by directly contributing to the borough's growth agenda through the development of c.3,000 new homes, whilst ensuring all developments make a lasting and positive impact on communities.
- 3.11 Housing Strategy. The council's Housing Strategy 2024–2028, which was approved by Cabinet in January 2024, sets out the overarching goal of "*improved and fairer access to high-quality and genuinely affordable homes, which provide a foundation for residents to live a happy and healthy life*". The Capital Investment Strategy supports all four of the long-term outcomes the strategy aims to achieve: preventing homelessness, ensuring all residents have access to suitable homes, every home in the borough is healthy, safe and affordable to heat; and development enhances neighbourhoods and supports stronger, fairer and safer communities.
- 3.12 Community Safety. Residents identify fear of crime and violence as a top concern. The Capital Investment Strategy supports improving community safety by regenerating sites which are currently associated with anti-social behaviour (e.g., car parks, derelict buildings); through town centre and estate regeneration; by ensuring that new developments design crime out of new buildings and public realm; and by investing in safety measures in and around new and existing development. We will work closely with residents and the police to exploit opportunities to use our investment strategy to design crime out of the borough, including through exemplar design, target-hardening

new developments and refurbishments, securing developer contributions and ensuring effective stewardship of new destinations and major residential developments.

- 3.13 **Cost of Living Crisis:** The council recognises that the cost of living is currently one of the biggest challenges facing our residents, from rising energy bills to the cost of food increasing significantly over recent years. The council's continued investment will enable the delivery of new affordable and social rent homes for local people, ensuring we provide the highest quality public services for our residents as it continues to develop a wide-ranging and robust response to the challenges that we all face.
- 3.14 **Health Inequalities:** In December 2022, the council published its research report '*A Fairer and Healthier Waltham Forest*' which sets out the key issues affecting the health and wellbeing of residents in Waltham Forest following the pandemic. In January 2024, Cabinet approved the council's formal response to the report, which demonstrates the council's commitment to tackling poor health outcomes through an unwavering focus on creating fairer work opportunities, healthier homes across all housing tenures, and building healthier and greener local communities. Through our capital investment plans, the council has already developed plans for new health centres, providing primary care services in areas of need and will play a key role in delivering the council's commitments and ambitions to address the health inequalities that exist within the borough.
- 3.15 **Climate Emergency:** In October 2022, The council's Climate Action plan was launched, setting out Waltham Forest's vision for achieving net zero carbon emissions by 2030. A key component of our plans is to ensure our construction schemes are built to the highest possible green standards as we strive to build like its 2030. The cross-cutting nature of the Capital Investment Strategy also supports the council's key priorities of promoting a greener, more resilient borough, thereby enhancing biodiversity, climate adaptation and transport infrastructure. Investment will also support retrofitting of council-owned homes to reduce their carbon footprint and energy costs, as we tackle the unequal impact of the Climate Emergency on our residents.
- 3.16 **Economic Market Conditions:** Current economic market conditions continue to see fluctuations in the cost of construction materials and a slowdown in the housing market, which represent major risks to our delivery ambitions. The Council has taken a robust leadership role with our construction and development partners to ensure projects continue to deliver at pace despite these challenges. The Capital Investment Strategy 2023/24 – 2033/34 sets out robust risk management and assurance practices implemented to ensure delivery continuity, recognising our delivery plans enable the Council to play a leading role in local economic growth in Waltham Forest.

Capital Investment Strategy

- 3.17 The Council's Capital Investment Strategy 2023/24 – 2033/34 can be found as Appendix 1 to this report. In summary, the key messages and structure of the Capital Investment Strategy are as follows:
 - 3.18 Part 1: Purpose of the Capital Investment Strategy is an introduction from the Leader and Deputy Leader highlighting the importance of *Mission Waltham Forest* on the Council's investment plans over the next 10 years.
 - 3.19 Part 2: Provides an overview of the importance of the Capital Investment Strategy, which supports delivery of the council and Borough Missions set out within the new draft plan, and how the council is responding to the current crisis in local government finances and wider economic challenges by establishing a Capital Prioritisation Framework.
 - 3.20 Part 3: Provides an update of the borough's population, housing composition, employment and other characteristics of the local community.
 - 3.21 Part 4: Demonstrates the totality and cross-cutting impact of the council's Capital Investment Portfolio for our residents. It brings together physical outcomes from our investment, such as new and affordable homes, alongside social value delivered including new jobs and apprenticeships, new employment and community floorspace and environmental improvements.
 - 3.22 Part 5: Highlights capital investment delivered in 2023-24, as well as plans for the remainder of the prioritised investment portfolio through to Spring 2034. It also includes details of the pipeline capital programme and schemes that will not progress in the current programme, in order to ensure the council's long-term financial sustainability.
 - 3.23 Part 6: Sets out how the Capital Investment Portfolio is funded, its Treasury and Reserves and revenue implications, as well as portfolio-level risks in response to CIPFA guidance.
 - 3.24 Part 7: Describes the council's work to robustly assure the delivery of the Capital Investment Portfolio, including steps to meet CIPFA Guidance, prioritisation, and the annual capital portfolio monitoring cycle.
4. Options & Alternatives Considered
 - 4.1 This Capital Investment Strategy is a requirement of CIPFA's Prudential Code, which supports the council's strategic financial planning. As such, there is no alternative option to be considered. Officers recommend that this strategy is the best way of meeting these requirements. Failure to produce a robust Capital Investment Strategy could result in sub-optimal investment monitoring and outcomes for the council and the borough.

5. Council Strategic Priorities (and other National or Local Policies or Strategies)

5.1 The primary purpose of the attached Capital Investment Strategy 2023/24 – 2033/34 is to demonstrate how the council's £745.9 million Capital Investment Portfolio will contribute to the delivery of the organisation's draft *Mission Waltham Forest* strategic priorities.

5.2 As a result, the structure and content of the Capital Investment Strategy is organised to demonstrate how the Council's 10-year Capital Investment Portfolio has, and will, directly contribute to each of the Council's Missions, as stated in the draft *Mission Waltham Forest* plan reporting to Cabinet in February 2024.

6. Consultation

6.1 The development of the attached Capital Investment Strategy 2023/24 – 2033/34 is the result of comprehensive internal engagement and consultation. The Property Portfolio Management Office (PMO) has worked collectively with the Senior Leadership Team, the Council's CSAMG – chaired by the Strategic Director of Resources – as well as individual Senior Responsible Officers (SROs), capital programme and project delivery experts and senior finance colleagues to develop the Capital Investment Strategy.

6.2 Consultation has taken place with political leadership to ensure the strategy is aligned to priorities in their respective portfolios.

7. Implications

7.1 Finance, Value for Money and Risk

7.1.1 The Capital Investment Strategy is a key component of the Council's Budget and therefore incorporated within the Council's Medium Term Financial Strategy (MTFS), which sets out the framework for how the capital programme aligns with the council's priorities. The Capital Programme through to 2033/34 is being presented to Cabinet and Full Council in February 2024. This sets the budgets within which the Capital Investment Strategy will be delivered. The financial controls are included within the council's Ground Rules for Financial Control. The Capital Strategy 2023/24 – 2033/34 accompanies these reports.

7.1.2 The Capital Investment Strategy at Appendix 1 outlines the sources of funding for the £745.9 million capital programme. The key sources of funding are:

- External funding (e.g., government grants and contributions).
- Internal funding (e.g., capital receipts, direct revenue financing and reserves).
- Prudential borrowing.

7.1.3 There are revenue implications to the delivery of the capital programme, which are reflected within the MTFS. The council anticipates that the total Capital Financing Requirement (CFR), or the Council's underlining need to borrow (either internally or externally) for capital purposes, will be £718.9 million by 2033/34. However, prudential borrowing is estimated at £362.7 million, with £268.4 million for the HRA and £94.3 million for the General Fund. Finance costs, including interest and an allocation towards the repayment of the debt, Minimum Revenue Provision (MRP), arising from the need to borrow are incorporated within the MTFS.

7.2 Legal

7.2.1 The Council has powers to hold, acquire and dispose of property for the discharge of its functions under the Local Government Act 1972, as well as property powers under other specific legislation.

7.2.2 Section 1 and section 12 Local Government Act 2003 give the Council power to borrow and to invest, in both cases for any purpose relevant to its functions or for the prudent management of its financial affairs. The 2003 Act and supporting regulations require the Council to "have regard to" the CIPFA Prudential Code for Capital Finance in Local Authorities in determining its borrowing.

7.2.3 The purpose of the Prudential Code is to provide a framework such that an authority's capital investment plans are affordable, prudent and sustainable. The Prudential Code requires the Council to produce a Capital Investment Strategy, to provide an overview of the long-term context of capital expenditure and investment decisions and their associated risks and rewards, along with an overview of how risk is managed for future financial sustainability.

7.3 Equalities and Diversity

7.3.1 The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The Council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The Council must have due regard to the need to tackle prejudice and promote understanding.

7.3.2 An initial screening exercise of the equalities impact of this decision was undertaken (attached as Appendix 2). This assessment determined that SROs and their delivery teams ensure the equality impact of approved capital investment schemes are effectively assessed and managed at programme and project level in accordance with the Council's equality duty.

7.3.3 SROs consider the council's equalities and diversity policy requirements throughout the capital project lifecycle from initial definition and brief,

through design stages, procurement, construction and finally handover of the completed asset ready for operational use.

7.3.4 In addition, the council and SROs may need to consider and respond to specific equalities and diversity requirements set by external stakeholders as conditions for securing funding.

7.3.5 Sustainability (including climate change, health, crime and disorder)

7.3.6 The Capital Investment Strategy demonstrates the Council's commitment to focussing its capital investment on initiatives that help tackle the Climate Emergency and deliver the council's Climate Action Plan, as part of its Mission to lead the way for a net zero borough.

7.3.7 SROs and their delivery teams are responsible for ensuring the sustainability implications of approved capital investment schemes are effectively managed at programme and project level. SROs consider the Council's sustainability policy requirements throughout the capital project lifecycle from initial definition brief, through design stages, procurement, construction and finally handover of the completed asset ready for operational use.

7.3.8 In addition, the council and SROs may need to consider and respond to specific sustainability requirements set by external stakeholders as conditions for securing funding and planning permission.

7.4 Council Infrastructure

7.4.1 The availability of sufficient support from programme and project delivery experts as well as Finance, Legal, Procurement and Communications colleagues is essential to the successful delivery of the projects and programmes that make up the £745.9 million Capital Investment Portfolio.

7.4.2 Individual SROs and project delivery experts consult with council infrastructure leads, who secure the resources necessary to successfully deliver specific capital programmes and projects.

7.4.3 At a portfolio level, the Property PMO works with finance colleagues and CSAMG to ensure a consistent approach is taken to the resourcing and costing of council infrastructure requirements to enable the delivery of the Capital Investment Strategy and Capital Investment Portfolio.

Background Information (as defined by Local Government (Access to Information) Act 1985)

None.