



London Borough of Enfield

| | |
|------------------------------------|---|
| Report Title | 2023/24 Period 8 capital budget monitoring |
| Report to: | Cabinet |
| Date of Meeting: | 17 January 2024 |
| Cabinet Member: | Cllr Tim Leaver, Cabinet Member Finance & Property |
| Executive Director/Director | Fay Hammond, Executive Director Resources Olga Bennet, Director of Finance (Capital) |
| Report Authors: | Olu Ayodele – Olu.ayodele@enfield.gov.uk Shirley Haider – Shirley.haider@enfield.gov.uk |
| Ward(s) affected: | All |
| Key Decision Number | |
| Classification: | Part I Public |

Purpose of the Report

1. This report provides an update to Cabinet on the 2023/24 capital programme. It provides an overview of capital expenditure incurred to date, the latest full year forecast for 2023/24 and outcomes anticipated from planned expenditure.
2. It seeks to highlight the main financial risks inherent within the capital programme for 2023/24 and explains the actions underway to mitigate these risks.

Recommendations

- I. Cabinet is asked to note:
 - a. Full year forecast capital expenditure for 2023/24 is £242.5m, including £115.5m for the Housing Revenue Account (HRA), £69.3m for Meridian Water and £17.6m for Companies.
 - b. Actual capital expenditure from the beginning of the year to 31 October is £77.4m, which is 32% of full year forecast. The largest General Fund variances to forecast are within Meridian Water and Companies.
 - c. Budget reductions of £5.5m and grant / s106 funded growth of £1.4m in Period 8
 - d. The forecast of £139.0m borrowing in 2023/24 to deliver the capital programme (£16.5m core services, £50.m Meridian Water, £15.5m Companies loan drawdowns and £57.0m HRA)
 - e. HRA and Companies forecasts are reported in separate papers on this agenda

Executive Summary

3. In November 2023 Council approved a revised capital programme budget of £283.1m for 2023/24 (KD5678).
4. The forecast outturn for 2023/24 is estimated at £242.5m. Changes since the last forecast (and budget setting) are summarised in table 1 below.

Table 1: capital forecast changes for 2023/24

| | £m |
|--|--------------|
| Approved 2023/24 budget (November 2023 Council) | 283.1 |
| Proposed budget growth and reductions | |
| Grant funded growth for new Journeys & Places projects, new LTA grant for tennis courts refurbishment in parks, new s106 funded growth for flood alleviation programme | 1.3 |
| Increased demand for wheeled bin replacements (funding to be identified) | 0.1 |
| Meridian Water – removal of non-cash land swap transaction from capital programme | (4.9) |
| Removal of indicative grant funding and £40k reduced highways verges capital budget | (0.6) |
| Other changes to forecast 2023/24 spend | |
| DfE grant funded schools capital budget | (0.5) |
| HIF grant funded Meridian Water capital budget | (13.6) |
| Meridian One borrowing funded budget for 32 units now expected to complete 2024/25 | (5.7) |
| Digital services borrowing funded budget | (0.6) |
| Energetik HNIP loan drawdown - in line with revised timeline for loan drawdown | (1.4) |
| Extensions to foster carers homes borrowing funded budget | (0.2) |
| Housing Revenue Account | (14.4) |
| Forecast | 242.5 |

5. All requests to carry forward budget into 2024/25 will be reviewed as part of the development of the 2024/25 capital programme for Council approval in February 2024.
6. Capital spend to 31 October is £77.4m, which is 31.9% of Period 8 forecast outturn. It is important to note, however, that spend to date does not yet include full year capitalised costs of staff directly supporting delivery of capital schemes. To date around £2.8m of £6.5m full year forecast capitalised staff costs have been recharged. All staff recharges to capital are reviewed in advance to ensure they are compliant with the CIPFA Code of Practice prior to being recognised as capital spend.

7. Table 2 below summarises how the 2023/24 capital programme is currently forecast to be financed

Table 2: forecast capital funding

| | General Fund £m | Meridian Water £m | Companies £m | HRA £m | Total £m |
|-----------------------------------|--------------------|----------------------|-----------------|--------------|--------------|
| Capital grants | 20.4 | 19.0 | 2.1 | 12.2 | 53.7 |
| S106 | 2.4 | | | | 2.4 |
| CIL | 0.5 | | | | 0.5 |
| Capital receipts | 0.3 | 0.3 | | 5.6 | 6.3 |
| Right to Buy receipts | | | | 10.3 | 10.3 |
| Major Repairs Reserve | | | | 15.9 | 15.9 |
| Earmarked Reserves | | | | 14.5 | 14.5 |
| Non-borrowing | 23.6 | 19.3 | 2.1 | 58.5 | 103.5 |
| Borrowing | 16.5 | 50.0 | 15.5 | 57.0 | 139.0 |
| forecast capital financing | 40.1 | 69.3 | 17.6 | 115.5 | 242.5 |

Financial risks

8. Economic and development market uncertainty continues and there is risk that further adaptations to capital projects will be required.
9. Forecast spend for the year is based on department's best estimates of planned spend. Whilst the pace of spend in the final quarter of the year is expected to increase as schemes progress, orders are fulfilled, and eligible capital spend (including staff time and Meridian Water capitalised interest) is recognised, the final outturn may be less than currently forecast.
10. 57% of the 2023/24 capital spend is forecast to be funded by borrowing (£139.0m borrowing out of £242.5m spend). This includes £16.5m for General Fund core services, £50.0m for Meridian Water and £15.5m for Companies loan drawdown. The makes appropriate minimum revenue provision (MRP) for borrowing and interest repayment, associated with completed projects. Unspent borrowing funded capital programmes will only be carried forward if approved by EMT (and subsequently by Cabinet and Council). This is an important financial control that seeks to ensure that borrowing in the capital programme is robustly managed.
11. There are further financial risks within the programme relating to funding currently assumed, including reliance on £0.6m future capital receipts for Sloeman's Farm and Meridian Water. These receipts have not yet been received. The programme also assumes that retrospective grant claims for works completed in the year will be reimbursed by grant providers.
12. Paragraphs 13 to 31 of this report provide commentary on the status of capital projects within the programme, including outcomes anticipated from

the investment. Table 1 summarises spend to date by Department in comparison with approved budget and forecast outturn. Appendix A provides a more detailed breakdown by programme.

Capital programme monitoring

Table 2: Period 8 capital spend and forecast outturn by Department

| | November Council revised budget | P8 forecast outturn | P8 forecast variance to budget | YTD spend | YTD spend as a % of P8 forecast outturn |
|--------------------------------------|--|---------------------------|--|--------------|---|
| | £m | £m | £m | £m | % |
| Education | 13.9 | 13.4 | (0.5) | 6.1 | 45.4% |
| Children & Family Services | 0.6 | 0.4 | (0.2) | 0.1 | 14.2% |
| Adult Social Care | 0.3 | 0.3 | 0.0 | 0.0 | 0.0% |
| People | 14.7 | 14.0 | (0.7) | 6.1 | 43.8% |
| Digital Services | 5.8 | 5.2 | (0.6) | 0.8 | 15.6% |
| Property & Economy | 3.5 | 3.5 | 0.0 | 1.6 | 44.4% |
| Resources | 9.3 | 8.7 | (0.6) | 2.4 | 27.3% |
| Environment & Street scene | 6.4 | 6.5 | 0.2 | 3.6 | 55.8% |
| Leisure, Parks & Culture | 3.1 | 3.4 | 0.3 | 1.0 | 28.5% |
| Journeys & Places | 4.2 | 4.6 | 0.4 | 1.4 | 31.0% |
| Town Centre Regeneration | 0.6 | 0.6 | 0.0 | 0.2 | 34.7% |
| Environment & Communities | 14.3 | 15.1 | 0.8 | 6.2 | 41.3% |
| Housing & Regeneration | 2.3 | 2.3 | 0.0 | 1.4 | 62.7% |
| HRD (exc Meridian) | 2.3 | 2.3 | 0.0 | 1.4 | 62.7% |
| Meridian Water | 93.5 | 69.3 | (24.2) | 8.7 | 12.6% |
| Energetik | 8.9 | 7.4 | (1.4) | 2.5 | 33.9% |
| Housing Gateway Ltd | 10.2 | 10.2 | 0.0 | 0.0 | 0.0% |
| Companies | 19.1 | 17.6 | (1.4) | 2.5 | 14.3% |
| General Fund | 153.2 | 127.0 | (26.2) | 27.4 | 21.5% |
| Housing Revenue Account | 129.9 | 115.5 | (14.4) | 50.0 | 43.3% |
| capital expenditure | 283.1 | 242.5 | (40.6) | 77.4 | 31.9% |

People – £6.1m spend (£14.7m budget, £14.0m 2023/24 forecast)

Education

13. The schools' capital programme forecasts to spend £13.4m in 2023/24. Planned spend includes the new 6th form building at Winchmore school, remodelling and refurbishing the Swan Centre for SEND provision, Enfield County and Southbury School roofing and window replacements and further investment in school buildings including windows, heating systems, lighting upgrades, installing new boilers etc on schools across the borough.
14. The majority of community schools have had condition surveys completed to improve the understanding of school building condition and to plan for future maintenance and investment. Of 36 school buildings in the borough, which are split across 43 sites, to date Reinforced Autoclaved Aerated Concrete (RAAC) has been identified in the changing rooms of 1 school building, and plans are already in place to address this. For the remaining school sites, 39 sites are reported to have no RAAC, and 3 sites are under final review to confirm the use of RAAC.

Children & Families

15. Children's & Families is forecasting £0.4m spend this year including property adaptation to foster carers home (the scheme has now formally closed to new applicants) and £0.3m for the first phase of remodelling works to two Borough owned premises now repurposed as children's homes.

Adult Social Care

16. The Mental health hub has an overall budget of £3.2m funded by grant, of which £250k is included in 2023/24. Cabinet business case approval is anticipated in the next few months.

Resources – £2.4m spend (£9.3m budget, £8.7m 2023/24 forecast)

Property & Economy

17. Build the Change budget is focussed on essential works. These include snagging and retention costs on the children's and families hub and the fit out of the archive space at Ridge Avenue. Montagu Industrial Estate redevelopment project is being reviewed, and a revised business case is being prepared. £116k capital spend is forecast for 23/24 to cover legal, surveyors and consultancy fees for sites the Council is seeking to acquire. The remainder of the approved budget is moved to 'pipeline.' Corporate Property Investment Programme forecasts £169k spend – including temporary community hub at Firs Farm Park and Albany Park community kitchen works.
18. Corporate Condition Programme forecast remains unchanged at £2.1m. This investment will deliver a range of health and safety works, replacement of boilers at various buildings, cess pit replacement improved accessibility at

allotments and buildings, toilet upgrades at parks, and replacement roofs. Planned investment in the cooling tower upgrade at the Civic Centre has been paused and the budget repurposed to new projects within the programme including Bridgewood House heating and cooling, Enfield Business Centre replacement lift and new lift at the Parker Centre.

Digital Services

19. Digital Services – ongoing investment to meet the Council's ICT infrastructure needs including End User Computing (EUC - Laptops) & Smart Mobile Device (SMD - Mobile phones and Tablets), Directorate Stand Alone Projects, Asset Management System, Unified Communication, Security, Network Application, 'Digital Switchover', Corporate Programme, data migration, and Civica.

Environment & Communities – £6.2m spend (£14.3m budget, £15.1m 2023/24 forecast)

Journeys & Places

20. Journeys & Places forecast spend includes TfL grant and s106 contribution funded growth for Quieter Neighbourhoods in Edmonton Green, Bowes East and Fox Lane and further TfL grant funding for safer school streets.

Town Centre Regeneration

21. Town Centre Regeneration programme will invest £0.6m on the regeneration of the Borough's main centres (Southgate, Angel Edmonton, Palmers Green and Edmonton Green). This investment is funded from UK Shared Prosperity Fund grant, s106 contributions, CIL and borrowing. A further £0.8m grant funding has been secured for 2024/25 allowing works to continue across 5 town centres in Enfield without recourse to additional borrowing.

Leisure, Parks & Culture

22. Additional s106 contributions have been approved for Enfield Chase and Haselbury Neighbourhood improvements. The flood alleviation programme relies significantly on external grant funding, s106 contributions and community infrastructure levy (CIL), with minimal borrowing.
23. The forecast outturn for parks, playgrounds and verges has increased to £1.7m. This includes £0.6m of grant funded growth for a new programme of tennis court refurbishments. £0.2m is planned to improve Broomfield Park boating lake (funded from £154k s106 contributions).
24. Sloeman's farm natural burial ground - £330k spend is planned this year, to be funded from income from soil importation. The Council is in the process of procuring a main contractor for site works which will generate capital receipts income. There is financial risk should the contract not be awarded in time.

Environment & Street Scene

25. The Council forecasts to spend £4.3m on highways repairs, footpaths and structural works. The Council will also invest £0.2m of grant funding into the installation of highways fibre ducting to deliver digital enhancement across the borough. A further £0.8m grant funding has been secured to complete the programme in 2024/25. Traffic & Transportation forecasts £0.3m of grant funded investment in improving traffic and transportation measures across the conurbation (including traffic calming and bus priority improvements).
26. The Council plans to invest £1m in its fleet replacement programme. Given current lead-in times, there is the potential for a further exceptional budget carry forward request should planned orders not be delivered by the end of the financial year. The Council has invested £0.25m in the expansion of its fleet workshop. This will allow the Council to offer a wider range of services and to increase capacity.
27. Customer demand for the Council's free wheeled bin replacements has been higher than expected. The current forecast outturn for the year exceeds current approved budget.
28. Community Safety services is forecasting £150k spend this year to deliver improved security at various sites across the borough.

Housing, Regeneration & Development – £1.4m spend (£2.3m budget, £2.3m 2023/24 forecast)

29. Planned spend consists of £2.3m grant funded expenditure on property adaptations for disabled residents to enable more people to live independently in their own homes.

Meridian Water – £8.7m spend (£93.5m budget, £69.3m 2023/24 forecast)

30. Key outcomes / progress are listed below:
 - **Meridian One** – Forecast spend for the financial year is approximately £18m. To date 20 of the planned 119 units have been delivered. Of the remaining 99 units, 67 are expected to be completed by March 2024, with the remaining 32 units expected to complete in 2024/25.
 - **HIF SIW** – Programmed works for the year were originally approximately £67m. Works are now forecast to be in the region of £18m. Vinci Taylor Woodrow are currently onsite completing strategic infrastructure works.
 - **Debt costs** – Capitalised interest costs are expected to be approximately £8.4m in 2023/24.
 - **Waste mound costs** - £2m of spend previously assumed would be funded from borrowing will now be funded from HIF grant. This reduces the programme's overall borrowing requirement.

- **CPO/Land acquisition** - Negotiations are ongoing but expected to be concluded before the year end.
- **Staffing** - Salary capitalisation is estimated at £2.2m, subject to validating outstanding recharges and other charges from elsewhere in the Council, which may result in an increase in this amount. These recharges are in the process of being validated and quantified by the Meridian Water PMO team.

Companies – £2.5m actual loan drawdown (£19.1m budget, £17.6m 2023/24 forecast)

31. The Companies position is reported separately.

Capital programme financing

32. Full year capital financing - approved budget in comparison with forecast is summarised in Table 3. In-year borrowing for 2023/24 is forecast to reduce from £153.6m approved budget to £139.0m (£14.6m less in-year borrowing). £0.8m of this relates to the Council's core general fund services, £7.7m is for Meridian Water and £1.4m on Companies.

Table 3 – capital financing

| Budget 2023/24 as approved at November 2023 Council meeting | General Fund | Meridian Water | Companies | HRA | Total |
|--|---------------------|-----------------------|------------------|--------------|--------------|
| | £m | £m | £m | £m | £m |
| Capital grants | 20.6 | 30.6 | 2.1 | 18.3 | 71.8 |
| S106 | 1.8 | | | | 1.8 |
| CIL | 0.5 | | | | 0.5 |
| Capital receipts | 0.3 | 5.2 | | 14.9 | 20.4 |
| Right to Buy receipts | | | | 10.7 | 10.7 |
| Major Repairs Reserve | | | | 11.0 | 11.0 |
| Earmarked Reserves | 0.1 | | | 13.3 | 13.3 |
| Non-borrowing | 23.3 | 35.8 | 2.1 | 68.2 | 129.5 |
| Borrowing | 17.3 | 57.7 | 17.0 | 61.7 | 153.6 |
| Budget capital financing | 40.6 | 93.5 | 19.1 | 129.9 | 283.1 |
| forecast 2023/24 | | | | | |
| | £m | £m | £m | £m | £m |
| Capital grants | 20.4 | 19.0 | 2.1 | 12.2 | 53.7 |
| S106 | 2.4 | | | | 2.4 |
| CIL | 0.5 | | | | 0.5 |
| Capital receipts | 0.3 | 0.3 | | 5.6 | 6.3 |
| Right to Buy receipts | | | | 10.3 | 10.3 |
| Major Repairs Reserve | | | | 15.9 | 15.9 |
| Earmarked Reserves | | | | 14.5 | 14.5 |
| Non-borrowing | 23.6 | 19.3 | 2.1 | 58.5 | 103.5 |
| Borrowing | 16.5 | 50.0 | 15.5 | 57.0 | 139.0 |

| | | | | | |
|-----------------------------------|-------------|-------------|-------------|--------------|--------------|
| Forecast capital financing | 40.1 | 69.3 | 17.6 | 115.5 | 242.5 |
|-----------------------------------|-------------|-------------|-------------|--------------|--------------|

Financial implications

33. Financial implications are contained within the body of this report.

Legal implications – TO FOLLOW

34.

Equalities Implications

35. There are no adverse equality implications arising from this report .

HR and Workforce Implications

36. Not relevant to this report.

Environmental and Climate Change Implications

37. The Council continues to consider environmental and climate change implications in the design and delivery of its capital programme and capital strategy.

Public Health implications

38. Through investment in capital building and maintenance, the Council influences the built environment within Enfield significantly. The built environment in turn influences how residents interact with their environment; for example, during active travel or accessing facilities. Ensuring that our capital buildings are maintained, fit for purpose, and wellbeing considerations are taken in terms of their use, how they promote residents' wellbeing is key to contributing positively towards the public's health. Additionally, ensuring that all buildings have minimal environmental impact also contributes towards enhancing resident's wellbeing.

39. The Council has taken steps to understand the risks around the use of RAAC in school buildings, the implications of which are included in this report.

Property Implications

40. All property implications have been considered where relevant in the report. The Council continues to take a strategic approach to management of the civic estate. Where relevant, capital spend on building related improvements has been paused until strategic decisions are made on the use of buildings.

Safeguarding Implications

41. Not relevant to this report.

Crime and Disorder Implications

42. Not relevant to this report.

Report Authors: Olu Ayodele
Head of Capital and Treasury
olu.ayodele@Enfield.gov.uk

Shirley Haider
Senior Finance Manager
Shirley.haider@enfield.gov.uk

Appendices

Appendix A Period 8 forecast full year outturn – changes to budget

Appendix A – 2023/24 forecast capital expenditure (by Programme)

| | Budget (approved by November Council) | P8 forecast outturn | Forecast outturn variance to budget | Of which budget carried forward to 2024/25 | Of which budget growth in 2023/24 | Of which budget reduction in 2023/24 | Forecast outturn variance to budget | Spend to date (at Period 8) |
|------------------------------------|---|---------------------------|--|--|--|---|--|-----------------------------------|
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Digital Services | 5.8 | 5.2 | (0.6) | (0.6) | | | (0.6) | 0.8 |
| Corporate Condition Programme | 2.1 | 2.1 | 0.0 | | | | 0.0 | 0.6 |
| Corporate Property Investment | 0.2 | 0.2 | 0.0 | | | | 0.0 | 0.1 |
| Electric Quarter CPO | 0.5 | 0.6 | 0.1 | | | | 0.1 | 0.6 |
| Build the Change | 0.6 | 0.6 | 0.0 | | | | 0.0 | 0.2 |
| Montagu | 0.1 | 0.1 | 0.0 | | | | 0.0 | 0.0 |
| Resources | 9.3 | 8.7 | (0.6) | (0.6) | 0.0 | 0.0 | 0.0 | 2.3 |
| Schools programme | 13.9 | 13.4 | (0.5) | (0.5) | | | (0.5) | 6.0 |
| Extensions to Foster Carers' Homes | 0.3 | 0.1 | (0.2) | (0.2) | | | (0.2) | 0.0 |
| Enfield Children's Homes | 0.3 | 0.3 | 0.0 | | | | 0.0 | 0.0 |
| Mental Health and Wellbeing Centre | 0.3 | 0.3 | 0.0 | | | | 0.0 | 0.0 |
| People | 14.7 | 14.0 | (0.7) | (0.7) | 0.0 | 0.0 | (0.7) | 6.1 |
| Libraries & Community Hubs | 0.0 | 0.0 | 0.0 | | | | 0.0 | 0.0 |
| Vehicle Workshop | 0.3 | 0.3 | 0.0 | | | | 0.0 | 0.3 |
| Traffic & Transportation | 0.3 | 0.3 | 0.0 | | | | 0.0 | 0.1 |
| Vehicle Replacement Programme | 1.0 | 1.0 | 0.0 | | | | 0.0 | 0.6 |
| Waste & Recycling Collections | 0.1 | 0.2 | 0.1 | | 0.1 | | 0.1 | 0.1 |
| Highways & Street Scene | 4.3 | 4.3 | 0.0 | | | | 0.0 | 2.4 |
| Highways Fibre Ducting | 0.2 | 0.2 | 0.0 | | | | 0.0 | 0.1 |
| Sloemans Farm | 0.3 | 0.3 | 0.0 | | | | 0.0 | 0.1 |

Appendix A – 2023/24 forecast capital expenditure (by Programme)

| | Budget (approved by November Council) | P8 forecast outturn | Forecast outturn variance to budget | Of which budget carried forward to 2024/25 | Of which budget growth in 2023/24 | Of which budget reduction in 2023/24 | Forecast outturn variance to budget | Spend to date (at Period 8) |
|--|---|---------------------------|--|--|--|---|--|-----------------------------------|
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Flood Alleviation | 1.6 | 1.4 | (0.3) | | 0.3 | (0.6) | (0.3) | 0.6 |
| Parks, Playgrounds & Verges | 1.1 | 1.7 | 0.6 | | 0.6 | | 0.6 | 0.3 |
| CCTV | 0.1 | 0.2 | 0.1 | | | | 0.1 | 0.1 |
| Journeys & Places | 4.2 | 4.6 | 0.4 | | 0.4 | | 0.4 | 1.4 |
| Town Centre Regeneration | 0.6 | 0.6 | 0.0 | | | | 0.0 | 0.2 |
| Environment & Communities | 14.3 | 15.1 | 0.8 | 0.0 | 1.4 | (0.6) | 0.8 | 6.2 |
| Housing Adaptations & Assistance (DFG) | 2.3 | 2.3 | 0.0 | | | | 0.0 | 1.4 |
| Housing, Regeneration & Development | 2.3 | 2.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.4 |
| Meridian Water non-HIF | 62.9 | 52.3 | (10.6) | (5.7) | | (4.9) | (10.6) | 7.9 |
| Meridian Water HIF | 30.6 | 17.0 | (13.6) | (13.6) | | | (13.6) | 0.8 |
| Meridian Water | 93.5 | 69.3 | (24.2) | (19.3) | 0.0 | (4.9) | (24.2) | 8.7 |
| Energetik | 8.9 | 7.4 | (1.4) | (1.4) | | | (1.4) | 2.5 |
| Housing Gateway Ltd | 10.2 | 10.2 | 0.0 | | | | 0.0 | 0.0 |
| Companies | 19.1 | 17.6 | (1.4) | (1.4) | 0.0 | 0.0 | (1.4) | 2.5 |
| | | | | | | | | |
| General Fund | 153.2 | 127.0 | (26.2) | (22.0) | 1.4 | (5.6) | (26.2) | 27.3 |
| | | | | | | | | |
| Housing Revenue Account | 129.9 | 115.5 | (14.4) | (14.4) | | | (14.4) | 50.0 |
| | | | | | | | | |
| capital programme | 283.1 | 242.5 | (40.6) | (36.5) | 1.4 | (5.6) | (40.6) | 77.4 |

