London Borough of Enfield

Report Title	2024/25-2033/34 Capital Strategy
Report to:	Cabinet
Date of Meeting:	15 November 2023
Cabinet Member:	Cllr Tim Leaver
Executive Director/Director	Fay Hammond - Executive Director of Resources Olga Bennet - Director of Finance - Capital and Procurement
Report Authors:	Olga Bennet - Director of Finance (Capital) Olu Ayodele – Head of Capital & Treasury
Ward(s) affected:	ALL
Key Decision Number	KD 5666
Classification:	Part I Public

Purpose of report

1. The CIPFA Prudential Code requires Council to approve an annual capital strategy to ensure capital investment is affordable and financially sustainable. This report sets out the 2024/25 Capital Strategy – the framework and methodology through which an affordable 2024/25 - 2033/34 ten-year capital programme will be developed for Council approval in February 2024.

Recommendations

I. Cabinet to recommend that Council approves

   a. The 2024/25 – 2033/34 Capital Strategy

   b. The delegation to Cabinet approval of projects up to £10m from the Pipeline Programme, provided the programme continues to fit within the affordability metrics

   c. The use of the Prudential indicator “Ratio of Financing Cost to Net Revenue Budget” as the primary indicator for affordability of the Capital Programme with the target set at 10% to 12% for the first five years.

II. Cabinet to note

   a. The final ten-year capital programme will be developed over the coming months and presented for approval in February 2024.

   b. The resulting ratio of financing costs to net revenue budget indicator will be calculated as part of the development of the final ten-year capital programme and incorporated within the Medium-term financial plan and Treasury Management Strategy Statement for Council approval in February 2024.

Background and options

2. The capital strategy is drafted in the context of significant change in the economy and market conditions. Bank of England base rate has risen from 0.1% to 5.25%. Inflation is at 6.7% (to September 2023), There is significant uncertainty in key markets, for example due to unclear requirements around second staircases is significantly affecting the housing development market.

3. The Council is therefore seeking to adapt the capital programme in order for it to remain prudent and affordable. The 2024/25 – 2033/34 Capital Strategy seeks to:

    - Refresh the capital financing affordability level
    - Reduce new borrowing in the ten-year capital programme
    - Move indicative capital budgets to ‘pipeline’
    - Set a new increased target for future capital receipts from asset disposals
    - No longer apply the ‘Flexible use of capital receipts’ policy for transformation revenue spend (apart from budgets to generate further capital receipts)

4. The previous capital programme was developed in a different economic climate. Without adapting, the current approved ten-year capital programme

would result in significant unfunded revenue budget pressures within the Medium-Term Financial Plan (MTFP).

5. These pressures could only be managed by further depleting reserves and reducing revenue budgets within the Council, which would potentially impact core service delivery.

6. The preferred option is to approve a new capital strategy to reduce the Council’s overall borrowing requirement whilst ensuring ongoing investment in the council’s key services.

7. The draft ten year capital programme still invests £1.5bn in the borough over the next ten years, 38% of which is anticipated to be funded by borrowing.

Relevance to Council plans and strategies

8. The aim of the capital strategy is to provide a framework for the delivery of the Council’s investment plans. These are informed by the Council’s strategic objectives as detailed in the Council Plan 2023-26.

9. The capital strategy will directly inform the ten-year capital programme 2024/25 – 2033/34 and annual Treasury Management Strategy Statement, to be approved by Council in February 2024.

Executive summary

10. There has been significant change in the economy over the last eighteen months - including increasing interest rates (Bank of England base rate 5.25% as at 5 October 2023), inflation (consumer price index (CPI) 6.7% as at 5 October 2023), labour market shortages and increasing raw materials and construction costs. Financial conditions have changed, and the Council has had to adapt its capital strategy in response.

11. Proactive action has already been taken – including pausing, reviewing and value engineering specific capital projects. The capital strategy builds on this by setting out the approach to new capital investment and debt reduction over the next ten years.

12. The Council’s capital programme has leveraged grants and borrowing, with an overall self-imposed borrowing cap of £2bn. This was a good proxy at a time of stable interest rates. The Capital Strategy defines an additional, more detailed indicator of affordability.

13. The impact of the rise in interest rates and increasing construction works means that all projects reliant on borrowing are being reviewed. The Council’s wider revenue challenges (including temporary accommodation) and reducing revenue reserves means the Council’s ability to absorb financial pressures in the capital programme has reduced. This in turn has reduced the Council’s

risk appetite, with the Council currently only prepared to only take minimal financial risk in the context of an unstable economic climate.

14. The capital strategy therefore sets out a series of new affordability measures and principles for the capital programme:

- The Prudential Indicator “Ratio of financing costs to net revenue budget” will be the used as the primary indicator for affordability of the ten-year capital programme

- Financing costs should be between 10% and 12% of net revenue budget. This is the same long-term target that was reported to Council in February 2022 (before interest rate rises).

- If this target is exceeded new borrowing will only be approved where it is are either (i) absolutely essential or (ii) self-financing and will not result in additional revenue budget pressure.

- The Housing Revenue Account will introduce a more formal annual provision for debt repayment, similar to the Minimum Revenue Provision in the General Fund.

15. The capital strategy also sets out specific actions that are required to achieve new affordability measures. These include:

- Development of a new ten-year capital programme (for February Council approval) that reviews and rationalises the level of new borrowing required

- Projects in early stages or without complete business cases are moved to 'pipeline' and only included in the capital programme when feasibility is complete and business cases are approved.

- Council is asked to delegate to Cabinet authority to move projects from 'pipeline' to the capital programme up to a total value of £10m per annum provided that prudential limits set in the Treasury Management Strategy are not breached.

- Repurposing of future capital receipts towards the repayment of borrowing (both in-year and historic) and no further use of the 'flexible use of capital receipts' policy from 2024/25 onwards except to finance the generation of further capital receipts.

- A formal target of £7.5m new capital receipts per annum between 2024/25 and 2027/28 increasing to £10.0m per annum between 2028/29 and 2033/34.

- Creation of separate capital reserve to finance the replacement of the current finance and HR system (funded from £15m capital receipts including £5m in 2023/24)

- Continuing work towards a total target of £150m capital receipts over the next ten years (not included in the budget at this point)

- Optimisation of projected net present value of the Meridian Water programme including review of planned spend.

- Completion of the Energetik strategic review and Housing Gateway Limited business plan update

- Consider the potential to accumulate revenue budgets to finance recurring capital spend (e.g. vehicle replacement, roads, corporate condition programme), similar to HRA Major Repairs Reserve

- Review policy for the capitalisation of internal costs including staff time supporting capital projects funded from borrowing

- Refresh of capital governance arrangements

16. Many of these actions are already in progress, including:

    - a full review of capital projects funded from borrowing in consultation with budget holders, Service Directors, Executive Management Team and lead Portfolio Members.

    - the reclassification of a number of projects as Pipeline projects (table 2).

    - Balance Sheet review to ensure capital grant and capital receipt balances are maximised and, if possible, used to repay historic debt.

    - A restructure of the Meridian Water team as the project moves to the next phase

    - Introduction of additional controls on new capital budgets using a standard template appended to future Cabinet reports requesting budgets

17. Work will continue on all actions proposed in the capital strategy. It is intended that a new affordable ten-year capital programme will be presented to Council for review and approval in February 2024.

18. The financial implications of the final ten-year capital programme including debt financing costs will be included in the Treasury Management Strategy Statement (TMSS) and Medium-Term Financial Plan (MTFP), to be presented to Council at the same February meeting.

Overview of current position

19. Historically the Council has ensured affordability of the capital programme by limiting borrowing to within a self-imposed borrowing cap of £2bn. Housing Revenue Account (HRA) borrowing is accounted for separately within its

Business Plan. Whilst the general fund £2bn borrowing cap was a good proxy for affordability in a stable and low interest rate environment, rising interest rates may mean this level of borrowing is no longer affordable and, without corrective action, could create additional unfunded revenue budget pressures. This is because the revenue capital financing cost depends on the purpose of borrowing.

20. Figure 1 below summarises the Council's Capital Financing Requirement (CFR) (or overall borrowing requirement) at 31 March 2023. This represents borrowing on historic spend only and does not include new borrowing planned in the ten-year capital programme. The Council's borrowing at 31 March 2023 was £1.3bn, consisting of £1.0bn in the general fund and £0.3bn in the HRA. This is funded from a combination of external and 'internal' borrowing.

21. The Council must make appropriate annual revenue provision (MRP) for the repayment of borrowing within the general fund. This requirement applies to operational assets only and not to borrowing on assets that are still under construction. The Housing Revenue Account (HRA) is not required to make annual MRP on its borrowing.

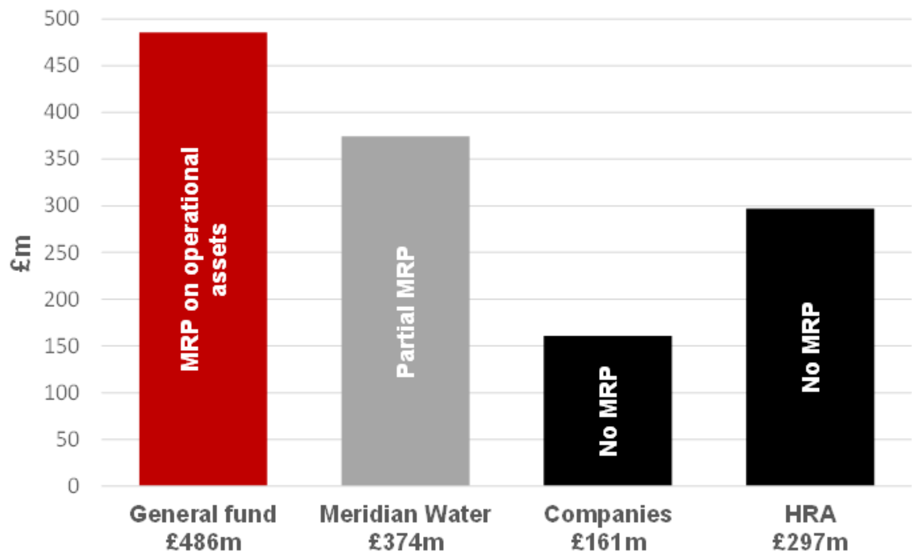


Figure 1 – Council's CFR (borrowing requirement) at 31 March 2023

22. The Council must also make appropriate provision for interest costs on borrowing, the forecasts for which are increasing because of rising interest rates.

23. The previous ten-year capital programme (2023/24 to 2032/33) assumed new borrowing of £0.5bn within the general fund. This would increase the general fund's borrowing requirement from £1.0bn to £1.5bn. Whilst this is within the Council's self-imposed £2.0bn borrowing cap, increasing interest costs mean the forecast revenue costs of financing this debt would no longer be affordable, as illustrated in Figure 2.

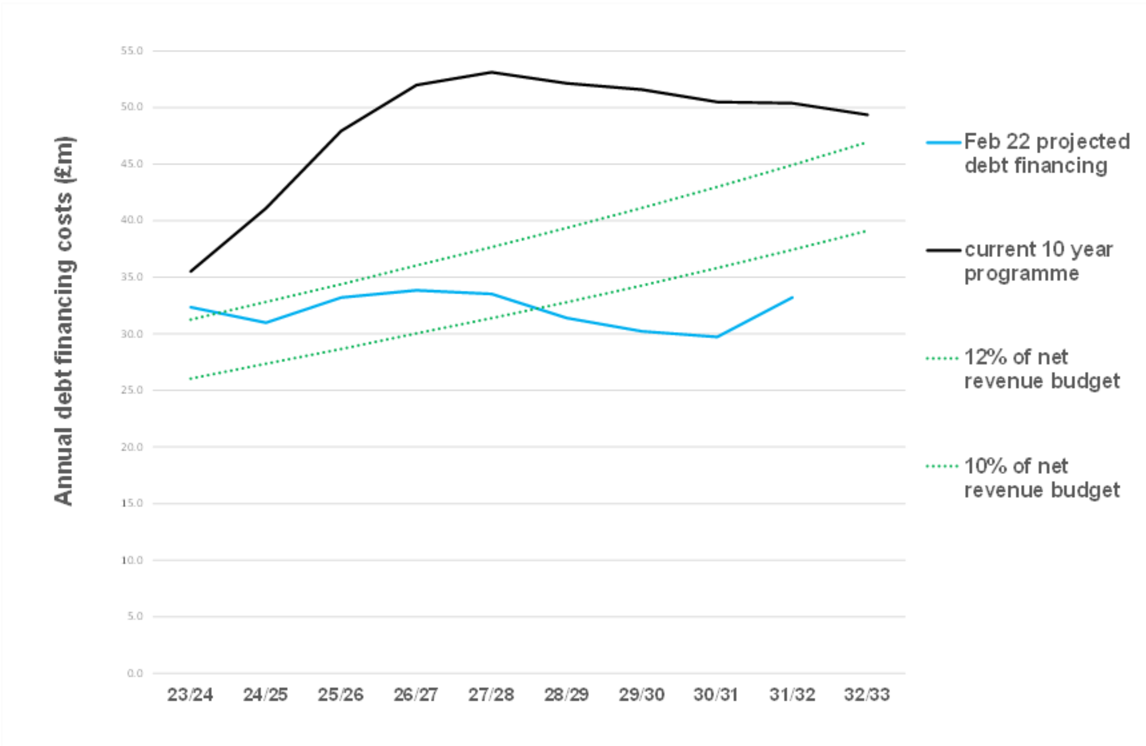


Figure 2 – predicted revenue cost of interest and MRP in the current ten-year programme

Aim for the next 10 years

24. The Council is committed to investing in its strategic priorities as detailed in the Enfield Council Plan 2023-2026:

- Clean and green places
- Strong, healthy and safe communities
- Thriving children and young people
- More and better homes
- An economy that works for everyone

25. This means continuing to invest in its core services and corporate objectives so that delivery of front line services is supported.

26. As an organisation, over the last two years, our financial risk appetite has reduced from 'open' to 'minimal', as defined in Figure 3 below. This means the Council is now prepared to accept only very limited financial risk impactwhere it is essential to delivery. This is because revenue budget pressures and reducing reserves mean it is not possible for the Council to absorb the same level of financial risk as it was previously.

	Averse	Minimal	Cautious	Open	Eager
Financial risk appetite	Avoidance of any financial impact or loss is a key objective	Only prepared to accept the possibility of very limited financial impact if essential to delivery	Seek safe delivery options with little residual financial loss only if it could yield upside opportunities	Prepared to invest for benefit and to minimise the possibility of financial loss by managing the risks to tolerable levels	Prepared to invest for best possible benefit and accept the possibility of financial loss (controls must be in place)

Figure 3 – Enfield Council's financial risk appetite

27. A revised and financially sustainable ten-year capital programme is therefore required that still delivers the Council's core ambitions and maintains essential investment in core services.

Capital strategy – how do we achieve our aim?

28. The capital strategy seeks to achieve this ambition by proposing proactive action including:

- Review of the current ten-year programme and reduction in capital budgets funded from borrowing
- Concept of 'pipeline schemes' – indicative capital budgets or potential projects on the horizon which will be added to the ten-year programme only when full and robust business cases are approved
- New borrowing will only be added to programme if it does not result in additional unfunded revenue budget pressures or there is statutory need for the spend
- Review of policy for capitalisation of spend including staff costs
- Longer term, review the capacity for recurring capital spend (e.g. vehicle replacement, roads, corporate condition programme) to be funded from revenue sources, similar to HRA Major Repairs Reserve
- Maximisation of non-borrowing funding sources for capital spend, including the use of grants, s106 and CIL
- Ensuring availability of resources for match funding to leverage in additional external funding
- Approval of an asset disposal plan and target future capital receipts
- Future capital receipts will replace in-year borrowing requirements, and any surplus capital receipts used to reduce historic borrowing undertaken in previous years
- A clear governance framework will be maintained for the management of capital projects

29. The strategy includes the development of a refreshedten-year capital programme, which rationalises new borrowing whilst maintaining investment in core services. It seeks to further reduce historic borrowing through the use of future capital receipts. It also requires the completion of review work already underway on Meridian Water, Energetik, Housing Gateway Ltd and the HRA is completed.

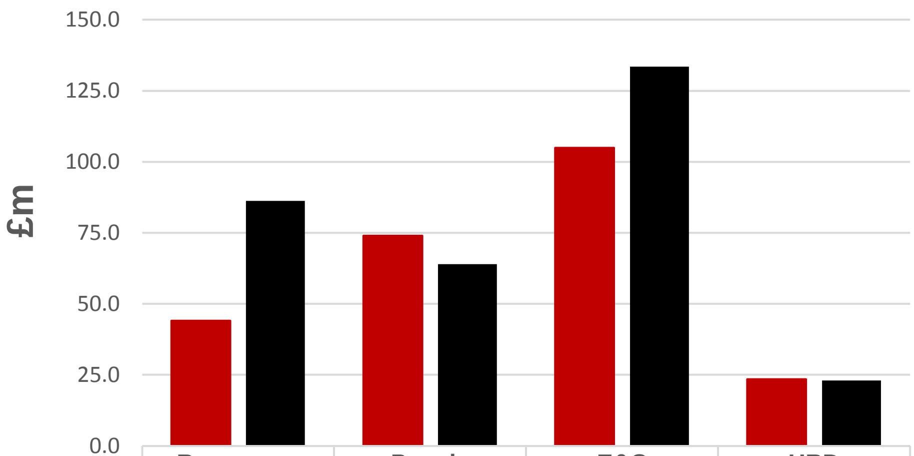
Development of a new ten-year capital programme

30. A draft ten-year capital programme has been developed in consultation with budget holders, service directors, the Executive Management Team and portfolio holders (Appendix A and Appendix B). Whilst this draft programme will be further revised over the coming months, it is nevertheless useful as an early indicator of direction of travel.

31. Grant funded budgets for children and vulnerable adults are not reduced in the draft programme. Similarly, grant funded investment in highways, open spaces and cultural assets remains intact. In total the draft ten-year programme assumes £137.9m of grant funded investment in its core services (Figure 5). This is a cautious estimate, based on indicative grant allocations. In year allocations are likely to be higher and will include new grant bids that have not yet been submitted.

32. Figure 4 illustrates the overall changes proposed for the Council's core services (excluding HRA, Meridian Water and Companies). Draft figures include capital budget requested to be carried forward from the 2023/24 capital programme (Period 5 capital budget monitoring report KD5678).

33. Whilst planned spend in the 'core' capital programme reduces from £306.7m to £246.5m in the draft programme, it is important to recognise that this is facilitated largely through a reduction in borrowing funded budgets within the Resources and Environment & Community departments. Full details of these proposed reductions are provided in table 1.

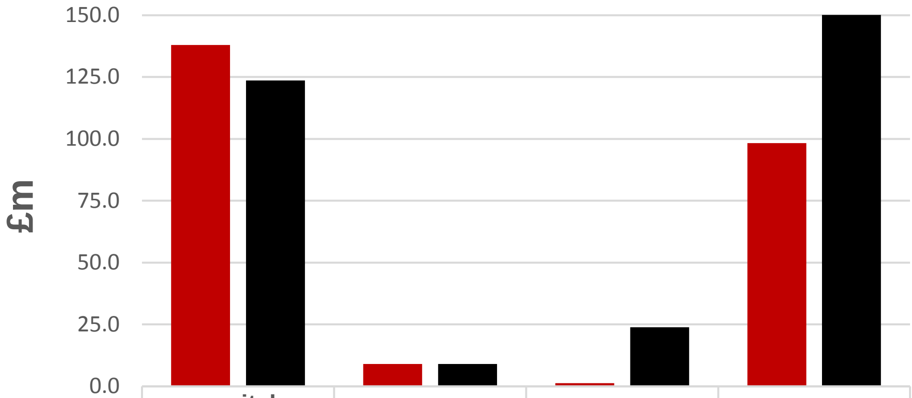


	Resources	People	E&C	HRD
draft	44.1	73.9	104.9	23.5
current	86.3	63.9	133.5	23.0

Figure 4 – Draft £0.25bn 10-year 'core' capital programme (excluding HRA, Meridian Water & Companies)

34. Some borrowing funded programmes have been moved into pipeline. A ‘pipeline’ project is either one which was previously part of the approved capital programme but requires a business case update or a new project which still requires approval to spend (table 2).

35. The impact of the proposed changes on planned capital financing is summarised in Figure 5 – including a £51.9m reduction in planned borrowing and the repurposing of capital receipts anticipated to repay historic borrowing.



	capital grants & contributions	s106 and CIL	capital receipts	borrowing
draft	137.9	9.0	1.3	98.3
current	123.6	9.0	23.9	150.1

Figure 5 – Draft (i.e. proposed) £0.25bn 10-year ‘core’ capital financing (excluding HRA, Meridian Water & Companies)

36. The proposed £51.9m reduction in core service borrowing is detailed in table 1 below. All proposed reductions have been made in consultation with Service Directors, Executive Management Team and lead portfolio Members.

	draft proposed 10 year spend £m	previous 10 year borrowing £m	draft 10 year borrowing £m	10 year borrowing reduction £m
digital services	24.1	39.2	24.1	(15.1)
property & economy	20.0	24.4	20.0	(4.4)
children & family services	1.7	3.6	1.7	(1.9)
Education	69.3	0.0	0.0	0.0
adult social care	3.0	0.0	0.0	0.0
environment & street scene	60.3	81.1	52.5	(28.7)
journeys & places	39.2	0.0	0.0	0.0
leisure, parks & culture	4.7	1.8	0.0	(1.8)
customer & communications	0.0	0.0	0.0	0.0
town centre regeneration	0.8	0.0	0.0	0.0
housing & regeneration	23.5	0.0	0.0	0.0
borrowing - core services	**246.5**	**150.1**	**98.3**	**(51.9)**

Table 1 – proposed reduction in 10 year borrowing for core services

37. Most borrowing funded budget which is proposed to be removed from the capital programme at this time has been moved to pipeline. This means the Council is no longer allowing for their associated debt financing costs within its MTFP revenue budgets. The budgets will be added back into the capital programme only if supported by an approved financially affordable business case or business critical service need. A lists of capital budgets (excluding 23/24) currently held in pipeline is provided in table 2 below.

	£m
digital services	9.0
vehicle replacement programme	0.3
highways & street scene	28.4
flood alleviation	1.8
Broomfield House	TBC
Montagu (remainder of budget removed)	15.0
Build the Change	17.1
corporate condition programme	5.4
Energetik Tranche 3	16.3
rural estate	1
Electric Quarter secondary behaviour support service	1.2
potential capital spend around temporary accommodation solutions	TBC
	95.5

Table 2 – provisional borrowing for pipeline projects

38. The proposed reductions in draft ten-year programme do carry inherent risk. For example, there is increased risk of asset deterioration from reduced capital investment in highways infrastructure. This could have potential revenue budget consequences. These risks will be closely monitored as the final ten-year programme is developed and early action taken to mitigate them.

39. Both capital budgets in the draft ten-year programme and pipeline budgets will be further reviewed as the final ten-year capital programme is developed for approval in February 2024. The capital programme affordability measures, in particular the ratio of financing costs to net revenue budget, will also be calculated as part of this process and incorporated within the Medium-Term Financial Plan (MTFP) and Treasury Management Strategy Statement (TMSS) which will also be presented to February Cabinet.

Debt replacement strategy

40. The capital strategy seeks to ensure the delivery of a financially sustainable and affordable ten-year capital programme. The Council has set itself an annual debt financing cost target of between 10% and 12% of net revenue budget.

41. Reducing the ten-year capital programme alone is not enough to reach this target. It can only be achieved by reducing historic borrowing as well as future, through the application of non-borrowing sources (including capital grants and capital receipts) to repay historic borrowing.

42. The capital strategy assumes around £5.8m of historic borrowing will be repaid from unspent capital grant cash received but not yet applied to capital spend. Officers are exploring whether some CIL and S106 contributions could be used to replace specific historic borrowing. Further work is required to ensure that the use of these contributions is maximised – including reviewing the timeliness of drawdowns / utilisation of approved funding. Final balances available to apply to historic borrowing will be reported to February Council.

43. Members will also note the significant reduction in planned use of capital receipts within the draft programme in Figure 5. This is because capital receipts originally assumed in the programme are now proposed to be used to the repayment of historic borrowing from earlier years.

44. This change in approach also applies to future capital receipts. The strategy assumes that all future non-ringfenced general fund capital receipts will be applied to reduce in-year borrowing in the first instance. Any surplus in-year capital receipts will be applied to reduce historic borrowing from previous years.

45. The capital strategy suggests a minimum target of future capital receipts of £7.5m new capital receipts per annum between 2024/25 and 2027/28 increasing to £10.0m per annum between 2028/29 and 2033/34.

46. This target will be further refined as the final ten-year capital programme is developed.

47. From 2024/25 capital receipts will no longer be used to fund the revenue costs of transformation (under the flexible use of capital receipts strategy), apart from revenue budget to generate further future capital receipts.

Business plans and strategic reviews

48. The Council holds investments in the following entities

    - Lea Valley Heat Networks (LVHN, trading as Energetik) - a wholly owned subsidiary with the primary purpose of providing low cost and environmentally friendly energy to local residents
    - Housing Gateway Limited (HGL) - a wholly owned subsidiary with the primary purpose of supplying temporary accommodation for persons in housing need and to discharge the Council's statutory obligations in this regard.
    - Montague 406 LLP - 50% interest in this joint venture formed to regenerate an industrial estate in the Borough with the primary purpose of promoting economic regeneration and providing jobs to local residents
    - Meridian Water Estate Management Company - jointly owned by the Council and its development partner, Vistry Group, for the provision of services to residents of Meridian Water.

49. The provision of services is the primary purpose of these companies. They do not undertake commercial activities and any surplus income generated is incidental. The Council is therefore in compliance with the guidance set out in

CIPFA's revised 2021 Treasury Management Code and DLUHC Investment Guidance regarding commercial activities.

50. Both HGL and Energetik, which were set up in 2014 and 2015 respectively, contribute the strategic objectives of the Council and have accordingly been classified as Service Investments in the Treasury Management Strategy Statement (KD 5504) approved by Council 23 February 2023.

51. HGL is funded by £5m equity and loans equal to the Council's own cost of borrowing.

52. Energetik is funded by grants and low cost loans specific to the energy industry - these are given initially to the Council and passed on to Energetik.

53. The performance of these companies will have an impact on the repayment of loans and interest to the Council therefore the performance of the companies will be reported to Cabinet to allow appropriate scrutiny and oversight.

54. Plans for Phase 2 of the Montague 406 LLP and the associated regeneration scheme are currently being developed with the Council's joint venture partner.

55. Work is already underway to review investment in Housing Gateway Ltd and Energetik. £0.2bn of the Council's capital financing requirement at 31 March 2023 (i.e. borrowing to date) relates to these Companies. The results of this work will be reported to February Council.

56. Similarly work continues to review financing options for Meridian Water. 29% (£0.4bn) of the Council's total capital financing requirement at 31 March 2023 (i.e. borrowing to date) relates to Meridian Water. Minimum revenue provision (MRP) is required to be made in relation to completed assets. MRP is not required for assets still under construction and interest on borrowing associated with these assets is capitalised. Work is underway to validate MRP and interest assumptions for Meridian Water as well as assumptions over the likely value of future capital receipts upon programme completion. This work will inform the extent of voluntary provision from revenue budgets that is required, at the discretion of the s151 Officer.

57. The HRA Business Plan is also being refreshed and will consider funding options and the potential need to make voluntary provision towards the cost of accumulating debt.

Capital programme governance

58. The annual capital strategy is required to be approved by Full Council in advance of Council approval of the final ten-year 2024/25 - 2033/34 capital programme in February 2024. This ensures that the final capital programme is developed in accordance with principles approved within the capital strategy.

59. Any subsequent additions to the ten-year programme (once approved) above specific delegations to Cabinet will require Council approval.

60. The Capital Finance Board (CFB) is responsible for monitoring the overall financial management of the Council's General Fund and Housing Revenue Account (HRA) capital programmes, on behalf of the Executive Management Team and is chaired by the Director of Finance (Capital & Projects). The CFB

acts as gatekeeper for the capital programme ensuring financial and operational risks are duly considered and managed.

61. The main responsibilities of the CFB are to:

- Review and recommend to EMT any new capital projects and new borrowing to the Council's companies, prior to submission for Cabinet / Council approval, to ensure they are affordable;
- Ensure capital investments are viewed corporately and align to the Council's corporate objectives;
- Develop a Capital Strategy for future years' capital investment based on existing approved projects, identified future need, projected capital resources, impact on prudential indicators and revenue affordability;
- Ensure the financial risks and implications of disposals and acquisitions detailed in the medium-term financial plan are managed;
- Maintain oversight of the Council's treasury management strategy and funding of the Capital programme to ensure affordability. The Board will ensure alternative delivery options are considered to facilitate reduced Council borrowing.

62. In addition to CFB, a new Capital Finance Review Panel (CFRP) was established during 2022/23. The role of CFRP is to support the Capital Finance Board in undertaking detailed reviews of the financial implications of existing high value capital projects. Its main responsibilities are to:

- Review existing approved higher risk rated capital projects.
- Review requests for new capital investment.
- Oversee the utilization of capital receipts under the Flexibility legislation and those assumed to fund the capital programme.
- Monitor the allocation of S106 and CIL to fund capital programmes.

63. The overall governance of the capital programme is in the process of being refreshed.

Financial risks

64. There are inherent risks within the capital strategy which must be properly managed including:

- Interest rate uncertainty – the risk of additional interest rate increases above that currently assumed in the strategy
- Potential additional revenue impact from Meridian Water if viability projections reduce
- Assumed capital receipts are not achieved
- The audit backlog is a financial resilience risk to the Council – as there is a possibility of one-off adjustments if any errors are found

- Accounting treatment changes – including IFRS16 which will become mandatory from April 2024. This will require operating leases (revenue) to be reclassified as finance leases (capital) with potential impact on MRP
- That the constrained capital programme leads to higher maintenance or whole life costs for assets (e.g. by trying to extend the life of assets and delaying replacement)
- Risk that priorities within the Enfield Council Plan 2023-26 are not delivered

65. **Financial Implications**

66. Financial implications are contained throughout the report

67. **Legal Implications**

68. The Council must adhere to various statutory provisions under the Local Government Finance Act 1992, The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 and The Local Government Act 2003.

69. The Council must set the budget (of which the Capital Programme is part of) in accordance with the provisions of the Local Government Finance Act 1992 and approval of a balanced budget each year is a statutory responsibility of the Council.

70. Sections 25 to 29 of the Local Government Act 2003 impose duties on the Council in relation to how it sets and monitors its budget. These provisions require the Council to make prudent allowance for the risk and uncertainties in its budget and regularly monitor its finances during the year. The legislation leaves discretion to the Council about the allowances to be made and action to be taken.

71. The Council shall ensure that all of its capital expenditure, investments and borrowing decisions are prudent and sustainable. In doing so it will take into account its arrangements for the repayment of debt and consideration of risk, and the impact and potential impact on the Council's overall fiscal sustainability. The Prudential Code, referred to, in this Report, requires authorities to look at capital expenditure plans, investments and debt in the light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long-run financing implications and potential risks to the Council. To demonstrate that local authorities have fulfilled these objectives, the Prudential Code sets out the indicators that must be used, and the factors that must be taken into account.

72. The Council has a statutory duty to arrange for the proper administration of its financial affairs and a fiduciary duty to taxpayers with regards to its use of and accounting for public monies. This Report assists in the discharge of those duties. In addition, the Capital Finance Board acts as the gatekeeper of the capital programme ensuring all affordability and risks are duly considered and

mitigated, which provides robust risk assurance oversight for the Council. This Report sets out the preferred option is to deliver an affordable Capital Strategy Programme in accordance with the legislative provisions and industry Codes that the Council has adopted, and referred to, in this Report.

73. **Equalities Implications**

74. The Equalities Impact Assessment is attached in Appendix C. There were no differential impacts identified.

75. **HR and Workforce Implications**

76. The report includes reference to the need to ensure appropriate investment is made in HR systems.

77. **Environmental and Climate Change Implications**

78. The strategy demonstrates ongoing investment in these areas in line with the Council's strategic priorities.

79. **Public Health Implications**

80. These are considered within this report.

81. **Property Implications**

82. The strategy explains the strategy for investment in the civic estate, including planned reductions to capital budgets and transfer of this budget to pipeline. The strategy further makes clear the links to the Council's asset disposals policy to generate further future capital receipts.

Conclusion

83. The capital strategy is drafted in the context of significant change in the economy and market conditions. The Council must adapt its capital programme and reduce historic borrowing.

84. The capital strategy sets out key actions and targets for the Council to develop and deliver a financially sustainable capital programme over the next ten years.

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Appendices
Appendix A – DRAFT ten-year capital programme by Department

Appendix B – DRAFT ten-year capital programme by corporate priority
Appendix C – Equalities Impact Assessment (EQUIA)

Background Papers – None

Appendix A – Draft ten-year capital programme by Department

	Draft proposed spend							Draft proposed funding		
	1	2	3	4	5	6-10	1-10	1-10	1-10	1-10
	24/25	**25/26**	**26/27**	**27/28**	**28/29**	**30/34**	**total**	**Borrowing**	**Non-Borrowing**	**total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
IT Investment	6.7	4.3	1.9	1.9	1.9	7.5	24.1	24.1	0.0	24.1
Corporate condition programme	2.0	2.0	2.0	2.0	2.0	10.0	20.0	20.0	0.0	20.0
Resources	**8.7**	**6.3**	**3.9**	**3.9**	**3.9**	**17.5**	**44.1**	**44.1**	**0.0**	**44.1**
Education	21.1	5.4	5.4	5.4	5.4	26.8	69.3		69.3	69.3
Enfield Children's Homes	0.2						0.2	0.2		0.2
Mental Health and Wellbeing Centre	3.0						3.0		3.0	3.0
Community Safety	0.2	0.2	0.2	0.2	0.2	0.8	1.5	1.5		1.5
People	**24.4**	**5.5**	**5.5**	**5.5**	**5.5**	**27.5**	**73.9**	**1.7**	**72.2**	**73.9**
Highways & Street Scene	3.3	4.0	4.0	4.0	4.0	20.0	39.3	39.3		39.3
Changes to Waste & Recycling Collections	0.1	0.1	0.1	0.1	0.1	0.5	1.0	1.0		1.0
Vehicle Replacement Programme	1.0	5.4	1.3	0.6	1.8	2.1	12.2	12.2		12.2
Highways Fibre Ducting	0.8						0.8		0.8	0.8
Traffic & Transportation	0.7	0.7	0.7	0.7	0.7	3.5	7.0		7.0	7.0
Town Centre Regeneration	0.8	0.0	0.0	0.0	0.0	0.0	0.8	0.0	0.8	0.8
Journeys & Places	6.0	4.8	3.6	3.6	3.6	17.8	39.2		39.2	39.2
Flood Alleviation	1.2	0.3	0.3	0.3	0.3	1.3	3.4		3.4	3.4
Sloemans Farm	0.1	1.2					1.3		1.3	1.3
Environment & Communities	**13.9**	**16.4**	**9.9**	**9.2**	**10.4**	**45.1**	**104.9**	**52.5**	**52.5**	**104.9**

Appendix A – Draft ten-year capital programme by Department

	Draft proposed spend							Draft proposed funding		
	1	2	3	4	5	6-10	1-10	1-10	1-10	1-10
	24/25	25/26	26/27	27/28	28/29	30/34	total	Borrowing	Non-Borrowing	total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Housing Adaptations	2.8	2.3	2.3	2.3	2.3	11.5	23.5	0.0	23.5	23.5
Housing, Regeneration & Development	**2.8**	**2.3**	**2.3**	**2.3**	**2.3**	**11.5**	**23.5**	**0.0**	**23.5**	**23.5**
General fund core services	**49.8**	**30.5**	**21.6**	**20.9**	**22.1**	**101.6**	**246.5**	**98.3**	**148.2**	**246.5**
Meridian Water	127.9	67.4	18.9	13.6	23.9	45.1	296.8	156.2	140.6	296.8
Energetik	8.2	0.0	0.0	0.0	0.0	0.0	8.2	8.2	0.0	8.2
Housing Gateway Ltd	29.4	35.9	17.0	0.0	0.0	0.0	82.3	82.3	0.0	82.3
Companies	**37.6**	**35.9**	**17.0**	**0.0**	**0.0**	**0.0**	**90.5**	**90.5**	**0.0**	**90.5**
General fund total	**215.3**	**133.8**	**57.5**	**34.5**	**46.0**	**146.7**	**633.9**	**345.0**	**288.8**	**633.9**
Housing Revenue Account	**148.8**	**92.3**	**56.7**	**63.4**	**54.6**	**483.1**	**898.9**	**234.3**	**664.6**	**898.9**
Total capital spend	**364.1**	**226.1**	**114.2**	**98.0**	**100.5**	**629.8**	**1,532.7**	**579.3**	**953.4**	**1,532.7**

Appendix B – Draft ten-year capital programme by Council priority

	Draft proposed spend							Draft proposed funding		
	1	2	3	4	5	6-10	1-10	1-10	1-10	1-10

	24/25	25/26	26/27	27/28	28/29	30/34	total	Borrowing	Non-Borrowing	total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Journeys & Places	6.0	4.8	3.6	3.6	3.6	17.8	39.2		39.2	39.2
Flood Alleviation	1.2	0.3	0.3	0.3	0.3	1.3	3.4		3.4	3.4
Sloemans Farm	0.1	1.2					1.3		1.3	1.3
Clean and green places	**7.2**	**6.2**	**3.8**	**3.8**	**3.8**	**19.0**	**43.9**		**43.9**	**43.9**
Mental Health and Wellbeing Centre	3.0						3.0		3.0	3.0
Community Safety	0.2	0.2	0.2	0.2	0.2	0.8	1.5	1.5		1.5
Highways & Street Scene	3.3	4.0	4.0	4.0	4.0	20.0	39.3	39.3		39.3
Changes to Waste & Recycling Collections	0.1	0.1	0.1	0.1	0.1	0.5	1.0	1.0		1.0
Vehicle Replacement Programme	1.0	5.4	1.3	0.6	1.8	2.1	12.2	12.2		12.2
Highways Fibre Ducting	0.8						0.8		0.8	0.8
Traffic & Transportation	0.7	0.7	0.7	0.7	0.7	3.5	7.0		7.0	7.0
Strong, healthy and safe communities	**9.0**	**10.4**	**6.2**	**5.6**	**6.8**	**26.8**	**64.7**	**54.0**	**10.7**	**64.7**
Education	21.1	5.4	5.4	5.4	5.4	26.8	69.3		69.3	69.3
Enfield Children's Homes	0.2						0.2	0.2		0.2
Thriving children and young people	**21.3**	**5.4**	**5.4**	**5.4**	**5.4**	**26.8**	**69.5**	**0.2**	**69.3**	**69.5**
Housing Adaptations	2.8	2.3	2.3	2.3	2.3	11.5	23.5	0.0	23.5	23.5
Meridian Water	127.9	67.4	18.9	13.6	23.9	45.1	296.8	156.2	140.6	296.8
Housing Revenue Account	148.8	92.3	56.7	63.4	54.6	483.1	898.9	234.3	664.6	898.9
More and better homes	**279.5**	**162.0**	**77.9**	**79.4**	**80.7**	**539.7**	**1,219.2**	**390.5**	**828.7**	**1,219.2**
IT Investment	6.7	4.3	1.9	1.9	1.9	7.5	24.1	24.1	0.0	24.1
Corporate condition programme	2.0	2.0	2.0	2.0	2.0	10.0	20.0	20.0	0.0	20.0
Town Centre Regeneration	0.8	0.0	0.0	0.0	0.0	0.0	0.8	0.0	0.8	0.8
Energetik	8.2	0.0	0.0	0.0	0.0	0.0	8.2	8.2	0.0	8.2

Appendix B – Draft ten-year capital programme by Council priority

	Draft proposed spend							Draft proposed funding		
	1	2	3	4	5	6-10	1-10	1-10	1-10	1-10
	24/25	25/26	26/27	27/28	28/29	30/34	total	Borrowing	Non-Borrowing	total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Housing Gateway Ltd	29.4	35.9	17.0	0.0	0.0	0.0	82.3	82.3	0.0	82.3
An economy that works for everyone	**47.1**	**42.1**	**20.9**	**3.9**	**3.9**	**17.5**	**135.4**	**134.6**	**0.8**	**135.4**
Total capital spend	**363.1**	**226.1**	**114.2**	**98.0**	**100.5**	**629.8**	**1,532.7**	**579.3**	**953.4**	**1,532.7**

Appendix C - Enfield Equality Impact Assessment (EqIA)

Introduction

The purpose of an Equality Impact Assessment (EqIA) is to help Enfield Council make sure it does not discriminate against service users, residents and staff, and that we promote equality where possible. Completing the assessment is a way to make sure everyone involved in a decision or activity thinks carefully about the likely impact of their work and that we take appropriate action in response to this analysis.

The EqIA provides a way to systematically assess and record the likely equality impact of an activity, policy, strategy, budget change or any other decision.

The assessment helps us to focus on the impact on people who share one of the different nine protected characteristics as defined by the Equality Act 2010 as well as on people who are disadvantaged due to socio-economic factors. The assessment involves anticipating the consequences of the activity or decision on different groups of people and making sure that:

- unlawful discrimination is eliminated
- opportunities for advancing equal opportunities are maximised
- opportunities for fostering good relations are maximised.

The EqIA is carried out by completing this form. To complete it you will need to:

- use local or national research which relates to how the activity/ policy/ strategy/ budget change or decision being made may impact on different people in different ways based on their protected characteristic or socio-economic status;
- where possible, analyse any equality data we have on the people in Enfield who will be affected eg equality data on service users and/or equality data on the Enfield population;
- refer to the engagement and/ or consultation you have carried out with stakeholders, including the community and/or voluntary and community sector groups and consider what this engagement showed us about the likely impact of the activity/ policy/ strategy/ budget change or decision on different groups.

The results of the EqIA should be used to inform the proposal/ recommended decision and changes should be made to the proposal/ recommended decision as a result of the assessment where required. Any ongoing/ future mitigating actions required should be set out in the action plan at the end of the assessment.

The completed EqIA should be included as an appendix to relevant EMT/ Delegated Authority/ Cabinet/ Council reports regarding the service activity/ policy/ strategy/ budget change/ decision. Decision-makers should be confident that a robust EqIA has taken place, that any necessary mitigating action has been taken and that there are robust arrangements in place to ensure any necessary ongoing actions are delivered.

SECTION 1 – Equality Analysis Details

Title of service activity / policy/ strategy/ budget change/ decision that you are assessing	**2024/25-2033/34 Ten-year Capital Strategy Report**
Lead officer(s) name(s) and contact details	**Olga Bennet** **Olu Ayodele**
Team/ Department	**Resources – Finance**
Executive Director	**Fay Hammond**
Cabinet Member	**Cllr Leaver**
Date of EqIA completion	**14th Aug 2023**

SECTION 2 – Summary of Proposal

Please give a brief summary of the proposed service change / policy/ strategy/ budget change/project plan/ key decision **Please summarise briefly:** What is the proposed decision or change? What are the reasons for the decision or change? What outcomes are you hoping to achieve from this change? Who will be impacted by the project or change - staff, service users, or the wider community?
This report sets out the 2024/25 Capital Strategy and methodology to be adopted to ensure the ten-year capital programme remains affordable. Certain elements of the capital programme will be reduced removed or reprofiled to ensure the overall programme remains affordable. Groups attracting “differential impacts” are identified and the impact of proposals assessed to ensure appropriate mitigations are put in place.

SECTION 3 – Equality Analysis

This section asks you to consider the potential differential impact of the proposed decision or change on different protected characteristics, and what mitigating actions should be taken to avoid or counteract any negative impact.
According to the Equality Act 2010, protected characteristics are aspects of a person's identity that make them who they are. The law defines 9 protected characteristics:

1. Age
2. Disability
3. Gender reassignment.
4. Marriage and civil partnership.
5. Pregnancy and maternity.
6. Race
7. Religion or belief.
8. Sex
9. Sexual orientation.

At Enfield Council, we also consider socio-economic status as an additional characteristic.

"Differential impact" means that people of a particular protected characteristic (e.g., people of a particular age, people with a disability, people of a particular gender, or people from a particular race and religion) will be significantly more affected by the change than other groups. Please consider both potential positive and negative impacts, and, where possible, provide evidence to explain why this group might be particularly affected. If there is no differential impact for that group, briefly explain why this is not applicable.
Please consider how the proposed change will affect staff, service users or members of the wider community who share one of the following protected characteristics.

Age This can refer to people of a specific age e.g., 18-year olds, or age range e.g. 0-18 yr olds.
Will the proposed change to service/policy/budget have a **differential impact [positive or negative]** on people of a specific age or age group (e.g., older or younger people)? Please provide evidence to explain why this group may be particularly affected.
No differential
Mitigating actions to be taken
None required

Disability A person has a disability if they have a physical or mental impairment which has a substantial and long-term adverse effect on the person's ability to carry out normal day-day activities. This could include: Physical impairment, hearing impairment, visual impairment, learning difficulties, long-standing illness or health condition, mental illness, substance abuse or other impairments.
Will the proposed change to service/policy/budget have a **differential impact [positive or negative]** on people with disabilities? Please provide evidence to explain why this group may be particularly affected.
No differential impact
Mitigating actions to be taken
None required

Gender Reassignment This refers to people who are proposing to undergo, are undergoing, or have undergone a process (or part of a process) to reassign their sex by changing physiological or other attributes of sex.
Will this change to service/policy/budget have a **differential impact [positive or negative]** on transgender people? Please provide evidence to explain why this group may be particularly affected.
Noe differential impact
Mitigating actions to be taken
None required

Marriage and Civil Partnership Marriage and civil partnerships are different ways of legally recognising relationships. The formation of a civil partnership must remain secular, where-as a marriage can be conducted through either religious or civil ceremonies. In the U.K both marriages and civil partnerships can be same sex or mixed sex. Civil partners must be treated the same as married couples on a wide range of legal matters.
Will this change to service/policy/budget have a **differential impact [positive or**

negative] on people in a marriage or civil partnership? Please provide evidence to explain why this group may be particularly affected
No differential impact
Mitigating actions to be taken
None required
Pregnancy and maternity Pregnancy refers to the condition of being pregnant or expecting a baby. Maternity refers to the period after the birth and is linked to maternity leave in the employment context. In the non-work context, protection against maternity discrimination is for 26 weeks after giving birth, and this includes treating a woman unfavourably because she is breastfeeding.
Will this change to service/policy/budget have a **differential impact [positive or negative]** on pregnancy and maternity? Please provide evidence to explain why this group may be particularly affected
No differential impact
Mitigating actions to be taken
None required

Race This refers to a group of people defined by their race, colour, and nationality (including citizenship), ethnic or national origins.
Will this change to service/policy/budget have a **differential impact [positive or negative]** on people of a certain race? Please provide evidence to explain why this group may be particularly affected
No differential impact
Mitigating actions to be taken
None required

Religion and belief Religion refers to a person's faith (e.g., Buddhism, Islam, Christianity, Judaism, Sikhism, Hinduism). Belief includes religious and philosophical beliefs including lack of belief (e.g., Atheism). Generally, a belief should affect your life choices or the way you live.
Will this change to service/policy/budget have a **differential impact [positive or negative]** on people who follow a religion or belief, including lack of belief? Please provide evidence to explain why this group may be particularly affected.
No differential impact
Mitigating actions to be taken
None required

Sex Sex refers to whether you are a man or woman.
Will this change to service/policy/budget have a **differential impact [positive or negative]** on men or women? Please provide evidence to explain why this group may be particularly affected.
No differential impact
Mitigating actions to be taken
None required

Sexual Orientation This refers to whether a person is sexually attracted to people of the same sex or a different sex to themselves. Please consider the impact on people who identify as heterosexual, bisexual, gay, lesbian, non-binary or asexual.
Will this change to service/policy/budget have a **differential impact [positive or negative]** on people with a particular sexual orientation? Please provide evidence to explain why this group may be particularly affected.
No differential impact
Mitigating actions to be taken
None required

Socio-economic deprivation This refers to people who are disadvantaged due to socio-economic factors e.g., unemployment, low income, low academic qualifications or living in a deprived area, social housing or unstable housing.
Will this change to service/policy/budget have a **differential impact [positive or negative]** on people who are socio-economically disadvantaged? Please provide evidence to explain why this group may be particularly affected.
No differential impact
Mitigating actions to be taken.
None required

SECTION 4 – Monitoring and Review

How do you intend to monitor and review the effects of this proposal? Who will be responsible for assessing the effects of this proposal?
No differential impacts identified. The impact of proposals contained in the report will be kept under review during financial year 2024/25. Where differential impacts are identified mitigations will be considered to ensure these impacts are mitigated or eliminated.

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SECTION 5 – Action Plan for Mitigating Actions.

Identified Issue	Action Required	Lead officer	Timescale/By When	Costs	Review Date/Comments
To follow once specific scheme reductions and schemes to be eliminated identified					