

London Borough of Enfield



Report Title	2025/26 Capital Strategy and Ten-Year Capital programme (2025/26 to 2034/35)
Report to	Council
Date of Meeting	27 February 2025
Cabinet Member	Cllr Tim Leaver
Executive Director / Director	Jo Moore - Executive Director of Resources Olga Bennet - Director of Finance (Capital and Commercial)
Report Author	Olu Ayodele – Head of Capital & Treasury Shirley Haider – Senior Finance Manager (Capital)
Ward(s) affected	All
Key Decision Number	KD5769
Classification	Part 1 Public

Purpose of Report

1. The 2021 Prudential Code requires Council to approve an annual Capital Strategy. This report includes both the 2025/26 Capital Strategy (Appendix A) and the detailed ten-year capital programme and outcomes (Appendix B). The Capital Strategy underpins the development of the detailed capital programme and sets out how the proposed ten-year programme will support the delivery of the Enfield Council Plan.
2. This report also specifically seeks Cabinet to recommend to Council approval of the 2025/26 capital budget (year one of the ten-year capital plan).

Recommendations

1. That Council:
 - a. Approves the Capital Strategy 2025/26 to 2034/35;

- b. Approves a Capital budget for 2025/26 of £493.8m (General Fund £365.6m, HRA £128.2m);
- c. Approves the carry forward of £43.1m from the 2024/25 budget as requested at Period 8 (November)
- d. Delegates authority to Cabinet to approve any further carry forward requests as part of the outturn process for 2024/25;
- e. Delegates to Cabinet to move additional projects into the approved Capital Programme up to a total of £12m per annum as follows:
 - i. £2m per annum borrowing-financed contingency for any essential emerging expenditure from 2025/26
 - ii. £10m borrowing financed Pipeline programme projects listed in Appendix B6.
- f. Delegates authority to the the Council's Section 151 Officer to transfer unspent borrowing of up to £500k between projects in the capital programme;
- g. Delegates authority to the Cabinet Member for Housing to agree capital investment in temporary accommodation solutions (excluding long leases) up to £30m and subject to a financial appraisal and business case.

2. Council to note:

- a. The ten-year programme of £2.19bn as detailed in Appendix B5;
- b. The total Pipeline programme of £96.50m, of which £30.10m relates to HGL loans and £15.31m will be funded from external grants and other contributions;
- c. The 2025/26 total Pipeline programme of £20.33m, including £4.06m of funding from external contributions;
- d. All projects in the Pipeline programme (including those that may be funded from the £12m delegation above), are subject to the approval of a financial appraisal and business case in accordance with capital programme governance.
- e. The removal of previous assumptions to use general fund capital receipts to finance the capital programme and repay historic borrowing, in order to make them available for Exceptional Financial Support (EFS) and flexible use of capital receipts. Meridian Water receipts will continue to be used to repay Meridian Water debt.

Executive Summary

Capital Strategy

- 3. The 2025/26 Capital Strategy is consistent with the 2024/25 Capital strategy, with the primary aim to deliver investment in areas that support the delivery of the Council's priorities, as detailed in the Enfield Council plan 2023-26, whilst

still ensuring the programme remains financially sustainable, which is one of the Plan's principles.

4. The Council is currently refreshing its Strategic Asset Management Plan and producing a new Digital and Artificial Intelligence Strategy. These, alongside other strategies, will inform the development of a more detailed 2026/27 Capital Strategy which will be presented to Cabinet in Autumn 2025, in advance of the detailed programme approval in February 2026.
5. The Capital strategy is formulated in the context of the Council facing significant revenue budget pressures, as well as a wider economic context of uncertainty regarding interest rates and inflation. This is balanced against continuing to deliver the Council's aspirations, as detailed in the Council Plan, which requires ongoing investment in Council assets and the borough.
6. The Capital Strategy is set out at Appendix A and shows how the current programme supports the delivery of the Council Priorities and is in alignment with Council plan principles. For example, improving access to the countryside and green corridors, providing good quality spaces to deliver mental health services, increasing educational provision for pupils with Special Educational Needs, building homes, regenerating Meridian Water and developing town centres that are vibrant, healthy and inclusive.
7. The strategy's focus is to continue to invest in areas that provide long term benefits to residents to support the aims of the Council Plan, including ensuring the Council has the right assets and digital infrastructure in place to deliver effective services.

Capital programme

8. Cabinet is requested to recommend to Council to approve the 2025/26 capital budget and the outline capital programme to 2034/35.
9. Due to changes in accounting standards, operating leases are only permitted under strict qualification criteria. Operating leases mean that the Council merely charges to its revenue budget, the cost of the lease payments. Most material leases will now be required to be treated as "finance leases" which means that they are to be treated as capital expenditure.
10. The capital programme over the next ten years is estimated at £2.19bn. which includes the impact of a new ten-year lease initiative being proposed which has not yet been approved by Cabinet, but will enable the Council to proceed at pace if approval is given. The total amount included for this new initiative is £664.4m and if this is excluded, the ten-year capital programme would be £1.52bn.
11. The total General Fund & HRA capital programme for 2025/26 is £493.8m, of which less than a fifth (£95.5m) is funded by direct borrowing. The majority of the programme is funded by £189.8m other credit arrangements (i.e. leases) and £164.0m grants. Further detail is provided in Table 1 of Appendix A.

12. This represents total investment of:

- £429.5m in More & Better Homes
- £13.8m Thriving Children & Young People
- £11.2m Strong, Healthy & Safe Communities
- £31.0m in An Economy that Works for Everyone
- £8.3m in Clean & Green Places.

13. Key areas of planned investment in 2025/26 are listed below, with additional information on planned outcomes from these and other projects detailed in Appendix B.

- a. £4m - Highways, Carriageway and Bridges investment
- b. £1.4m – Leisure facilities, including parks and playground infrastructure
- c. £1.6m - Vehicle replacement programme
- d. £2m – Corporate condition programme
- e. £107m – Meridian Water (£80m grant funded)
- f. £5.4m – Special Education Needs (SEND) provision including investment in 2 new School as well as maintenance and improvement of a number of existing schools
- g. £4.5m - Schools Condition programme
- h. £3.1m – Schools Decarbonisation programme
- i. £1.5m – Mental Health Hub

14. **Core services:** the ten year programme for core services is £383m (People, Environment & Communities and Resources), see Appendix B1 for a further breakdown. This includes £120m as a high-level annual borrowing budget for pipeline projects and contingency. Over the ten-year capital programme, this budget for pipeline and contingency is higher than the planned core services borrowing budget of £99.5m. Consequently, each project will be subject to approval of a business case where relevant and the relevant Cabinet or Portfolio member approval during the year to ensure that value for money and is demonstrated. The total revenue cost (interest and minimum revenue provision) of the new core services borrowing is estimated at £93m cumulative over the next ten years.

15. **Ten-year leases:** The ten-year programme includes a budget of £664.4m for temporary accommodation leases over the next 3 years. Approval is sought for £189.8m in 2025/26, based on acquiring long leases on 800 homes. This is the upfront 'accounting' value of the leases. The cash payments will be spread over the life of the lease, not as an upfront lump sum payment. This is a new proposal, to support the reduction of the Council's temporary accommodation pressures and is subject to Cabinet approval and in line with changes to accounting standards must be treated as capital expenditure.

16. **Meridian Water:** The focus of the Meridian Water project is to deliver the local infrastructure funded by the HIF grant, continue with construction of homes and to prepare parcels for developers to build out. The infrastructure budgeted to be delivered in 2025/26 includes road construction, manufacturing of four bridges, relocation of utilities and completion of Brooks Park. The programme includes a budget of £270.1m for Meridian Water over the next ten years, with approval requested for £106.9m for 2025/26. The 2025/26 budget is funded by £80.8m of HIF grant and £26.1m of borrowing, of which £8.5m is to fund capitalised interest and £7.3m relates to works on housing that will be transferred to the HRA. The 2025/26 Meridian Water borrowing budget has been reduced by £7.9m compared to assumptions in the February 2024 capital programme. This budget will be updated during 2025/26, on completion of the current review of the project and strategy together with the financial model and underlying assumptions.
17. The capital programme includes an assumption of £455m in capital receipts from Meridian Water over the next ten years being used to repay historic debt. It is essential for the overall revenue costs of the capital programme that the Council executes parcel disposals, in a timely way, maximising capital receipts to repay outstanding debt. The timing of the receipts is also dependent on the Council getting planning permission on changes to the location of flood defences and bridges (planned to be achieved by the end of March 2025).
18. **Wholly owned company on-lending:** The ten-year proposed capital programme also includes future loans to Energetik of £25.5m, which will support the delivery of Tranche 3 works. The release of these funds will be presented to Cabinet for approval alongside Energetik's updated business plan in the next month or so. In addition, the programme includes lending of £5.9m to HGL (of which £4.5m is in 2025/26) for Greenway House works. The HGL Business Plan for 2025/26 will similarly be presented to Cabinet shortly..
19. **Housing Revenue Account:** The HRA is budgeting for £843.4m investment of the next ten years, of which £128.2m is in 2025/26. Of the ten year investment, £576m is to develop or acquire new homes and £264m is investing in existing homes.
20. This programme will deliver c.1,500 new homes starts over the next 10 years, funded through a mix of GLA grant, Right to Buy (RTB) receipts, HRA borrowing and cross subsidy from sales.
21. The proposed investment in the Councils housing stock will improve decency in homes (to achieve the Decent Homes Standard by 2026), achieve regulatory requirements, invest to support the retrofitting of homes reducing the small number of below EPC C homes and address building safety risks all of which contribute to reducing the need for responsive repairs. The Council will also invest in safety and in driving out damp and mould where building

fabric issues are the cause. Further detail is available in the HRA Business plan and Rent Setting Report (a separate agenda item).

Affordability of the capital programme

22. The Council prioritises and maximises non-borrowing sources of funding for investment in the borough.
23. Maintaining the affordability and long-term financial sustainability of the capital programme remains a key priority, and is fully taken into account and described in the Treasury Management Strategy (separate agenda item). This includes a key metric of the % of net revenue budget allocated to fund debt financing costs (10% target, 12% cap).
24. The target is set in the context of a challenging local budget position. Interest rates have changed significantly over the last few years, peaking at 5.25% before falling to 4.75% in December 2024. Rates of inflation peaked at 11% in 2022 and have been falling, with rates currently at 2.6%. This has led to the costs of capital schemes increasing as well as the borrowing to fund that investment.
25. The capital programme is under continuous review to ensure it remains affordable and that investment is made in those areas that deliver the Council's priorities, whilst remaining affordable. The Council will continue to review, and update borrowing assumptions and explore alternative funding sources to mitigate financial risks.
26. Borrowing to deliver the new investment via the ten-year capital programme is estimated to cost £93.1m in revenue (interest and minimum revenue provision) over the next ten years. Given the Council's revenue pressures, all new spend must have rigorous business case scrutiny to ensure that any capital spend is delivering value for money for residents and is essential.
27. The Council's previous Capital Strategy included an assumption that capital receipts are used towards the repayment of in-year or historic debt, with no further use under the flexibility guidance. A ten-year capital receipts target of £90m was set for period 2024/25-2033/24 for this purpose. In addition, £15m of the Claverings receipt had been included in the business case for the Build the Change Programme to repay debt associated with that programme.
28. In September 2024, Council approved the use of £10m (from £1m) for use under the flexibility guidance in 2024/25. The latest forecast in the Quarter 3 Revenue monitoring report is £5.37m.
29. Due to additional Council revenue budget pressures during 2024/25 and ongoing forecast pressures during 2025/26, the Council has submitted a request for £30m Exceptional Financial Support (EFS), to be funded by capital receipts. This means that existing capital receipts (including Claverings) will not be used to repay debt or fund the capital programme.

30. From 2025/26 all general fund capital receipts (excluding ringfenced Education related receipts and Meridian Water), will initially be set aside to be available to support the revenue budget position if required. The Medium Term Financial Plan report, elsewhere on the agenda, provides further information on how the receipts will be used. This has been fully factored in to the figures in this report, including the affordability metric for 2025/26, which is 8.8%

Pipeline

31. In addition to the fully costed 2025/26 capital programme, the Council has a separate programme for Pipeline projects. These projects are currently in the early stages of development and will be moved to the approved capital programme once their business cases are approved. The current value of Pipeline projects for 2025/26 is £20.33m, with £4.06m expected to be funded through grants, external contributions, or repayable loans.
32. If all the remaining projects proceed to approval, they would total £16.27m and be funded through borrowing. Individual projects are detailed in Appendix B. These projects will only be added to the approved programme after the relevant financial appraisals and business cases are approved. Council is asked to delegate up to £10m per year to Cabinet to move Pipeline projects into the main capital programme, and £30m is requested to be delegated to the Cabinet Member for Housing specifically for projects aimed at reducing temporary accommodation.
33. In addition, £6.9m unspent capital pipeline budget is proposed for carry forward from 2024/25. This is the balance of the £30m delegated as part of the 2024/25 capital programme report approved by Council on 22nd Feb 2024 (KD 5502).

Proposed Ten year Capital programme 2025/26-2034/35

34. Table 1 below provides a summary of the proposed 2025/26 capital programme and funding sources by department. Appendix B1 provides additional analysis by Department, including forecast outcomes.

Table 1 – Proposed 10-year capital programme

	25/26	26/27	27/28	28/29	29/30	last 5 yrs.	10 year
	proposed budget	plan	plan	plan	plan	plan	plan
	£m	£m	£m	£m	£m	£m	£m
People	19.6	10.5	9.8	9.3	8.4	40.7	98.3
Digital services	2.9	0.8	0.9	0.9	1.0	5.2	11.7
Pipeline & contingency	12.0	12.0	12.0	12.0	12.0	60.0	120.0
Environment & communities	22.3	27.7	18.5	14.9	12.7	56.9	153.0
Temporary accommodation	189.8	237.3	237.3	0.0	0.0	0.0	664.4
Meridian Water	106.9	66.6	15.5	26.3	13.6	41.2	270.1
Housing Gateway Ltd	4.5	1.4	0.0	0.0	0.0	0.0	5.9
Energetik	7.6	12.3	5.3	0.3	0.0	0.0	25.5
Housing Revenue Account	128.2	132.5	133.3	94.6	79.6	275.1	843.4
Capital programme	493.8	501.1	432.6	158.3	127.3	479.2	2,192.3
Grants	164.2	90.4	75.7	59.6	44.6	73.8	508.3
S106	0.4	0.0	0.0	0.0	0.0	0.0	0.4
CIL	1.9	1.3	0.0	0.0	0.0	0.0	3.2
Capital receipts	15.3	12.6	25.8	15.3	32.4	60.4	161.8
RTB	5.5	4.5	11.4	7.5	5.1	5.1	39.1
HRA earmarked reserves	21.2	22.0	17.1	25.9	10.3	178.0	274.5
Other credit arrangements (TA)	189.8	237.3	237.3	0.0	0.0	0.0	664.4
Borrowing	95.5	133.0	65.3	50.0	34.9	161.9	540.6
Capital funding	493.8	501.0	432.5	158.2	127.2	479.7	2,192.3

35. This report includes the Housing Revenue Account (HRA) at summary level only, with the detailed HRA capital programme included in the HRA Business plan and Rent setting report (KD 5771), as a separate item on the agenda.
36. The graph below illustrates the estimated cost of the £540.9m borrowing on the council's annual debt financing costs (MRP and net interest on borrowing) in comparison with approved target of between 10% and cap of 12% of net revenue budget. The estimated debt financing costs would decrease if the Council did not use the £120.0m borrowing provision for pipeline projects and contingency over the next ten years. In order to limit the revenue budget growth, which will add to overall Council savings targets, it is essential that the value for money and necessity of any projects proposed to be moved from Pipeline during the year is scrutinised.

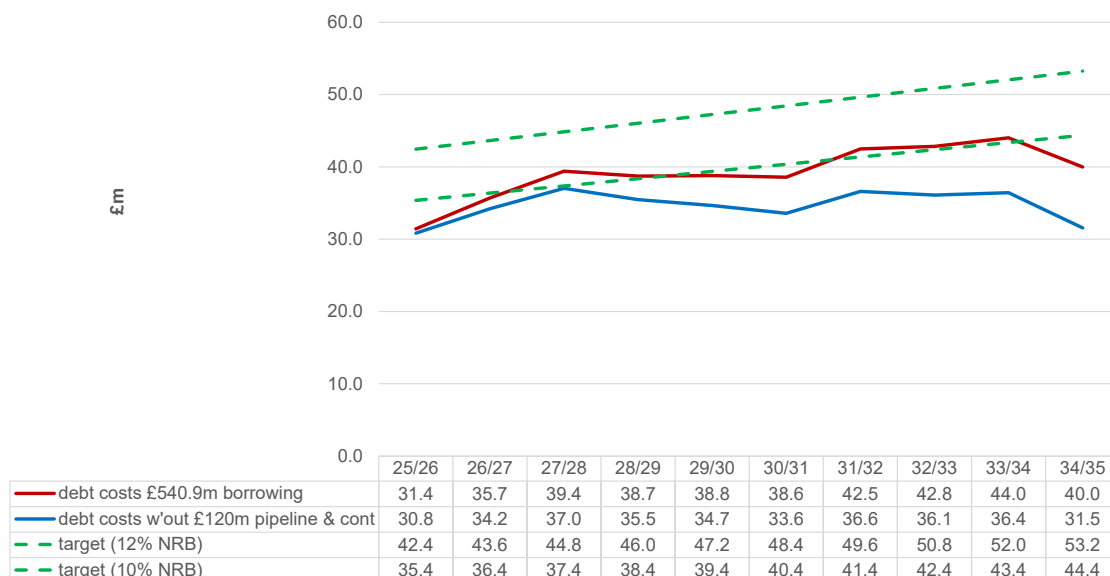


Figure 1: estimated revenue debt financing costs over the 10-year plan

Relevance to Council Plans and Strategies

37. 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 priorities as detailed in the Council Plan 2023-26.
38. The Capital strategy has been developed in conjunction with Treasury Management Strategy Statement (TMSS), both of which underpin the development and funding of the detailed 2025/26-2034/35 ten year capital programme.

Financial Risks

39. **Revenue Budget Pressures and Affordability:** the Council faces substantial revenue budget pressures. There is a risk that the revenue cost of the capital programme is higher than that detailed in the TMSS, for example due to changes in interest rates, programme changes (e.g. Meridian Water), MRP policies or audit findings. The target for debt financing costs is set at 10% of the Net Revenue Budget, with a cap at 12%. However, ongoing budget constraints and the need to maintain financial sustainability may limit the Council's ability to deliver projects requiring significant amount of borrowing.
40. **Long term costs:** as part of the capital programme review during 2023/24, the Council constrained capital investment funded by borrowing. There is a risk that, if capital works related to maintenance are not carried out in a timely way (due to budget constraints), that whole life costs will be higher, or service provision is impacted. This is mitigated by regular reviews, annual capital budget bid processes and alignment to the Asset Management Strategy (currently being refreshed).
41. **Meridian Water:** The long-term affordability of the capital programme is underpinned by assumptions of Meridian Water land parcel capital receipts. These risks are covered in detail in the TMSS.

Financial Implications

42. Financial implications are addressed in the body of the report.

Legal Implications

43. The Cabinet is required to develop a capital strategy and capital budget and recommend them to the Council for approval. Decision must then be taken in accordance with that strategy and budget and any delegations approved herein. There are no other legal implications arising from this report.

Equalities Implications

44. The capital programme covers investment in a range of Council assets and infrastructure, including Schools, Adult social care facilities, Leisure centres as well Housing and the borough's road infrastructure.

Environmental and Climate Change Implications

45. The ten year programme demonstrates ongoing investment in these areas in line with the Council's strategic priorities.

Property Implications

46. The ten year programme includes proposed investment necessary to maintain the compliance, condition and functionality of the Council's estate and schools. The Strategic asset management plan is being refreshed and may impact current priorities within this report. Any changes will be subject to a separate Cabinet report.

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Appendices

Appendix A - 2025/26 Capital Strategy

Appendix B – 2025/26 - 2034/35 Ten year Capital Programme

Background Papers

2025/26 Treasury management strategy

2023-26 Council plan

2021-2025 Fairer Enfield Policy