

MUNICIPAL YEAR 2017/18 REPORT NO. 115

MEETING TITLE AND DATE:

Cabinet: 20th December 2017

Agenda – Part: 1

Item: 9

Subject: Capital Programme Monitor

Second Quarter September 2017

Wards: All

REPORT OF:

Executive Director of Finance, Resources &
Customer Services

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1. EXECUTIVE SUMMARY

The purpose of this report is to inform Members of the current position up to the end of September 2017 regarding the Council's Capital Programme (2017-21) taking into account the latest information for all capital schemes including the funding arrangements.

The report shows that the overall expenditure for the approved programme is projected to be £262m for the General Fund, £81m for the HRA and £72m for Enfield Companies for 2017/18.

The report:

- 1.1 Sets out the estimated capital spending plans for 2017-21 including the proposed arrangements for funding;
- 1.2 Confirms that the revenue capital financing costs for the agreed 2017/18 to 2018/19 programme are provided for in the budget.
- 1.3 Sets out indicative budgets which give an insight into projects on the horizon for which full business cases need to be worked up and costed and notes the financial implications of these projects are not reflected in the MTFP.

2. RECOMMENDATIONS

It is recommended that:

- 2.1 Cabinet agrees the revised four-year approved programme totalling £718.1m and the indicative programme of £57.6m as set out in Appendix A.
- 2.2 The additions to the programme are for information only and either require no additional borrowing as they are grant funded or have already been approved as part of the Councils democratic process as detailed in Table 3.

3. BACKGROUND

The Council's Capital Programme is continually reviewed, and monitoring reports are submitted to Cabinet on a quarterly basis. The Council continually strives to maximise external grants and contributions, attracting new income streams to fund projects wherever possible and minimising the need to borrow.

This is the first report on the 2017/18 capital budget and four-year Capital Programme 2017-21 as approved by Council on the 28th February 2017 (2019/21 reported and noted as indicative figures), reporting the half year position.

4. 2017/18 CAPITAL PROGRAMME BUDGET

The full Capital programme is contained within Appendix A and is a four-year programme with the budgets shown inclusive of carry forwards from 2016/17 where there was reported budget reprofiling. The programme is split between the approved programme and the indicative programme which gives an insight into projects on the horizon for which budget approval has not yet been sought.

The approved capital budget for the current financial year 2017/18 is summarised in Table 1 below and this provides the latest position reflecting updated project expenditure profiles as advised by programme managers.

TABLE 1 – Current Year Capital Programme	2017/18 Budget as approved by Council £'000	Carry Forward from Previous Year £'000	Budget Reprofiling £'000	Additions 2017/18 £'000	Proposed Reductions 2017/18 £'000	Proposed Programme 2017/18 £'000	Actuals as at Q2
Environment & Regeneration	110,175	(5,984)	13,695	59,199	-	177,085	46,477
Finance, Resources and	33,586	(5,248)	(8,461)	16,455	(9)	36,323	7,494
Health, Housing and Adult	3,404	1,058	-	182	(62)	4,582	1,226
Schools and Children's	35,916	8,408	-	-	-	44,324	6,581
Total General Fund	183,081	(1,766)	5,234	75,836	(71)	262,314	61,778
Lee Valley Heat Network	-	-	-	2,398	-	2,398	964
Enfield Innovations Ltd	-	2,410	-	-	(361)	2,049	1,031
Housing Gateway Ltd	36,630	30,838	-	-	-	67,468	3,582
Total Companies	36,630	33,248	0	2,398	(361)	71,915	5,576
HRA Major Works	33,110	-	(12,472)	-	-	20,638	5,727
HRA Minor Works	1,900	-	-	-	-	1,900	1,238
HRA Estate Renewals	72,325	-	(14,214)	-	-	58,111	16,701
Total HRA	107,335	0	(26,686)	0	0	80,649	23,667
Total Capital Programme	327,046	31,482	(21,452)	78,234	(432)	414,878	91,021

Carry Forwards from previous years

These budget changes represent the net effect of reprofiling the prior year 2016/17 capital programme into or from 2017/18 to reflect a change in the delivery of the timing of projects, often to maximise the use of external resources and keep Council borrowing minimised. These will remain unchanged now for the financial year.

Budget Reprofiting

These are changes regarding the forecast timing of the expenditure from the approved programme between financial years with no reported increase or decrease in budget requirement. Unless otherwise reported below these movements have minimal impact on the overall delivery of the project. Where service delivery may be impacted, these will be reported quarterly to members.

The primary budget reprofiling this quarter has been summarised in Table 2 below along with the impact on the Council's revenue position from movement in the borrowing requirement:

TABLE 2 – Budget Reprofiting	2017-18 £'000	2018-19 £'000	2019-20 £'000	2019-20 £'000	Funding Source
Parks Footway	(300)	300	0	0	<i>Borrowing</i>
Recycling	(312)	312	0	0	<i>Borrowing</i>
Vehicle Replacement	(1,303)	705	122	476	<i>Reserves</i>
Enfield Town	(800)	(200)	1,000	0	<i>Borrowing</i>
Edmonton Projects	(1,950)	(50)	2,000	0	<i>Borrowing</i>
Ponders End Electric Quarter	(2,500)	2,500	0	0	<i>Borrowing</i>
Meridian Water	24,960	(28,590)	(18,370)	22,000	<i>Borrowing (Capitalised Interest)</i>
Ponders End High Street	(4,100)	4,100	0	0	<i>Borrowing</i>
Total Environment & Regeneration	13,695	(20,923)	(15,248)	22,476	
Bury Street West Depot	(12,461)	12,461	0	0	<i>Borrowing (Capitalised Interest)</i>
IT Workplan	4,000	(4,000)	0	0	<i>Borrowing</i>
Total Finance, Resources and Customer Services	(8,461)	8,461	0	0	
HRA Estate Renewals	(14,214)	14,214	0	0	<i>Reserves</i>
HRA Major Works	(12,472)	12,472	0	0	<i>Reserves</i>
Total HRA	(26,686)	26,686	0	0	
TOTAL	(21,452)	14,224	(15,248)	22,476	
Gen Fund Revenue Interest Saving Impact	(105)	52	53	0	

REGENERATION PROJECTS

Key Decision 4442 pertaining to the acquisition of Stonehill land for the Meridian Water project also authorised the acceleration of future year budgets to part fund the acquisition. As a result £24.96m was moved from future years into 17-18 budget.

Both the Edmonton and Enfield Town regeneration projects are currently only incurring feasibility costs and the conclusion of these works will inform the remaining budget requirement, as such these have been reprofiled to future years in the meantime.

Ponders End High Street project is awaiting the outcome of the gateway review which will then inform decisions over the future budget requirements and profiling. Reduced costs will therefore be incurred in 17-18 and £4.1m has been reprofiled to future years. The Electric Quarter budget has seen reprofiling of £2.5m of the land assembly budget to 18/19 pending Phase 2 of the programme.

BURY STREET WEST DEPOT

Further options are being considered on this project to ensure the best use of the assets and as such the majority of the budget for 17-18 has been reallocated to 18-19. A further report on the future of the project is due early 2018.

HRA

Estate Renewals

The estate renewal project budgets have been re-profiled to reflect delays to some of the schemes. These delays have affected the spend profile of developer costs and leaseholder buybacks. The re-profiling has resulted in reduced spend in this financial year with increased costs profiled over future years. These assumptions have been built into the 30-year Business Plan.

Major Works

Many of the planned major works projects intended to commence this year have been delayed for a variety of reasons:

Great Cambridge Road West was initially designed and tendered as a major roof replacement scheme but following representations from residents a detailed survey of the existing roofs was commissioned and as a result some of the roofs are now being repaired instead of replaced. This has reduced the cost of the scheme but also resulted in delays to the scheme. Works will commence early April.

The designs for Channel Islands heating system have been reviewed following tender submissions and sprinklers have been added to the project.

However, the most significant programme changes have occurred as a result of the tragic fire at Grenfell Tower:

- Emergency works to address concerns over fire safety in tower blocks have taken priority over all planned scheme. Surveys and tests were carried out on all tower blocks and particularly those with any kind of cladding applied. Work at Dorset and Keys House, for example, where cladding had been incorrectly installed and was planned to be replaced has been brought forward to this year.
- Photo luminescent lighting is being installed in tower block stairways where there was previously no, or inadequate emergency lighting.
- Sprinkler system designs have been commissioned for all tower blocks and a programme developed to install over the next 2 years, beginning in the Channel Islands as part of a wider major works project there that is now underway.
- 13 blocks that had no internal dry risers for use by the fire brigade in the event of fire are now having risers installed
- The major works team have been re-visiting a number of planned schemes to ensure that projects include any fire precaution related works as a matter of course

All of this has meant that planned commencement dates for projects have slipped, some into the next financial year. Unplanned costs relating to the fire works may mean that schemes originally intended to commence in 2018/19 may now be delayed.

Additions to the Programme

There are several additions to the 2017/18 capital budget which are summarised in Table 3 below. Funding is primarily from a combination of external grants, contributions, earmarked reserves set aside and Council resources.

TABLE 3 – Growth Items	2017-18 £'000	Funding Source
Highways & Street Scene	69	Grant funded (DEFRA)
Mini Holland	120	Grant funded (TFL)
TFL Future Years	1,333	Grant funded (TFL)
Meridian Water	57,677	Borrowing (KD4470)
Total Environment & Regeneration	59,199	
Montagu Industrial Estate	16,355	Borrowing (KD4357)
Edmonton Library Refurb.	100	Revenue Contribution
Total Finance, Resources and Customer Services	16,455	
Disabled Facilities Grants	182	Grant funded (Better Care Fund)
Total Health, Housing and Adult Social Care	182	
Total General Fund	75,836	
Lee Valley Heat Network	2,398	*Borrowing (KD4266)
Total Companies	2,398	
Total Growth as at Q2	78,234	

*Approved Council Jan 17

Proposed Reductions

These are removal of budgets from the programme due to either an underspend in a completed project, the adjustment of a project budget to reflect a loss of funding or to remove the project from the programme entirely.

The detailed capital programme is set out in Appendix A. It should be noted that later years include indicative costs which will be revised once detailed scheme plans are finalised and approval granted.

TABLE 4 – Reductions	2017-18 £'000
Ridge House Clinic	(9)
Total Finance, Resources and Customer Services	(9)
New Options - Design & Rebuild	(62)
Total Health, Housing and Adult Social Care	(62)
Enfield Innovations Ltd	(361)
Total Companies	(361)
TOTAL	(432)

5. INDICATIVE PROGRAMME

The General Fund programme has several schemes that will only proceed following a full business case being made so that the schemes:

- Meet Council priorities,
- Represent value for money;
- Are either funded by new government grants, new external contribution
- Are invest-to-save projects and can be met from the current Medium Term Financial Plan;
- Replace existing approved schemes;
- Meeting governance requirements;

All these 'indicative' projects have been grouped together as a separate programme block for noting by Council. They include later year rolling programmes and projects where external funding is expected but not guaranteed at this stage and each will be subject to further reports to Cabinet and Council as necessary. The revenue costs of these schemes are not yet provided for in the Medium Term Financial Plan. The end of Appendix A sets out the indicative programme.

6. FINANCING OF CAPITAL EXPENDITURE

The following table sets out the current funding position for the 2017-21 Capital Programmes. The second part of the table shows that the increase in borrowing is to be funded to a significant extent by 'commercial arrangements' with business plans for commercial property rental and capitalisation of costs associated with major regeneration at Meridian Water.

Table 5 - Financing of Capital Expenditure	2017/18	2018/19	2019/20	2020/21	Total
Total General Fund Expenditure	262,314	63,917	27,206	24,260	377,697
Funded From:					
Grants	68,013	19,449	15,662	-	103,123
Contributions	1,487	-	6,000	-	7,487
Capital Receipts	-	-	-	-	0
Earmarked Reserves	4,500	4,136	607	2,260	11,502
Increase in General Fund Financing Requirement	188,315	40,333	4,937	22,000	255,585
Total HRA Expenditure	80,649	93,649	45,836	33,971	254,105
Funded From:					
Grants	251	1,697	0	0	1,948
Contributions	30,732	18,094	5,443	3,621	57,890
Capital Receipts	36,621	38,191	9,635	17,149	101,596
Earmarked Reserves	13,045	13,067	13,158	13,201	52,471
HRA Financing Requirement	0	22,600	17,600	0	40,200
Companies Finance Requirement	71,915	12,602	1,750	0	86,267
Total Financing Requirement	260,230	75,535	24,287	22,000	382,052
Increase in CFR Funded by:					
Council Tax (Minimum Revenue Provision)	57,664	44,111	22,537	0	124,313
*Commercial Business Plans	202,566	31,423	1,750	22,000	257,739

*includes Council investment in HGL, EIL, Meridian Water and Bury Street West Depot Project

Types of Capital Funding

Grants	<p>Specific government grants from external parties such as the Education Funding Agency and Transport for London.</p> <p>Funding is specific to certain schemes or certain types of capital investment e.g. provision for additional school places.</p> <p>There is a high level of certainty over these funding streams.</p>
Contributions	<p>These are S106/Community Infrastructure Levy and other revenue contributions towards capital projects.</p> <p>There is a high level of certainty over these funding streams</p>
Capital Receipts	<p>Capital receipts from previous years' disposals and from estimated proceeds from the sale of assets (net of disposal costs) that have so far been approved for disposal over the life of the programme</p>

Earmarked Reserves	The use of specific reserves within the Council's available resources to fund specific projects such as the Vehicle Replacement Fund and the CCTV reserve, these are readily available funds which can only be used once to meet Capital costs and are not an ongoing income stream
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7. REVENUE IMPLICATIONS

Local Government is currently facing reduced resources due to the continued reductions in public sector costs. At the same time there are increases in demand for our key services and the continued affordability of the Capital Programme should be viewed in this context.

Over recent few years the Council has reduced its short-term investments primarily to fund the Capital Programme. This has been a sensible approach agreed with our external treasury advisors given the relative interest earned from investments in comparison to borrowing costs. The Council is now in a position where it will need to borrow to finance capital investment that is not funded from other resources such as grants, contributions and capital receipts. The Council has headroom in its current borrowing position to allow this to happen given that actual borrowing including the effect of the current Capital Programme is within the Council's Capital Financing Requirement but will continue to review its borrowing position on a regular basis when assessing the affordability of future capital projects.

The revenue costs do not include any capital financing relating to indicative schemes. These are still subject to approval of business plans and proposed funding arrangements. The table also includes an allowance for costs to be met under commercial business plans mentioned previously. The net cost is the financing forecast to be met in the Medium Term Financial Plan.

8. COMMENTS OF THE EXECUTIVE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS

8.1 Financial Implications

As the Section 151 Officer, the Executive Director of Finance, Resources & Customer Services is required to keep under review the financial position of the Authority. The quarterly capital monitoring is part of this review process. If required, measures will be put in place to address risks identified through the monitoring process and to contain expenditure within approved budgets.

8.2 Legal Implications

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.

8.3 Property Implications

All property implications are included within the main report.

9. KEY RISKS

All the key risks relating to the first quarter are included within the main report.

10. IMPACT ON COUNCIL PRIORITIES

10.1 Fairness for All

The Capital Programme is designed to address the values set out within the Council's priorities. All projects are considered in the context of these priorities.

10.2 Growth and Sustainability

The Capital Programme is designed to address the values set out within the Council's priorities. All projects are considered in the context of these priorities.

10.3 Strong Communities

The Capital Programme is designed to address the values set out within the Council's priorities. All projects are considered in the context of these priorities.

11. PERFORMANCE MANAGEMENT IMPLICATIONS

The report provides clear evidence of sound financial management, efficient use of resources.

12. HEALTH AND SAFETY IMPLICATIONS

Not applicable to this report.

13. PUBLIC HEALTH IMPLICATIONS

None specific to this report.

Background Papers

None

Appendix A	2017/18	2018/19	2019/20	2020/21	Total 2017/18 to 2020/21
Approved Programme	£'000	£'000	£'000	£'000	£'000
Environment & Regeneration					
Building Improvement Programme	2,065	0	0	0	2,065
Highways & Street Scene:					
Main Programme	7,710	0	0	0	7,710
Corridor Improvements Hertford Rd	1,619	0	0	0	1,619
Environmental Protection	80	0	0	0	80
Parks	3,397	300	0	0	3,697
Recycling	0	312	0	0	312
Transport for London Funding:					
Cycle Enfield	15,402	6,177	0	0	21,579
Future Years	4,257	0	0	0	4,257
Vehicle Replacement Programme	4,500	4,136	607	2,260	11,503
Housing Assistance Grants	175	0	0	0	175
Regeneration:					
Broomfield House - Restoration Project	153	0	0	0	153
The Crescent, Edmonton	259	0	0	0	259
Economic Development	84	0	0	0	84
Ponders End	400	6,100	145	0	6,645
New Southgate	481	500	0	0	981
Meridian Water	132,925	0	0	22,000	154,925
Electric Quarter	3,328	3,500	1,742	0	8,570
Edmonton Green	50	1,950	2,000	0	4,000
Enfield Town	200	800	1,000	0	2,000
Environment & Regeneration Total	177,085	23,775	5,494	24,260	230,614
Finance, Resources and Customer Services					
IT Workplan	8,098	0	0	0	8,098
New IT Investment	6,955	8,000	6,000	0	20,955
Bury Street West Depot Project	500	18,821	0	0	19,321
Southgate Circus Library Development	322	0	0	0	322
William Preye	210	0	0	0	210
Civic Centre Refurbishment	50	0	0	0	50
Montagu Industrial Estate	14,373	50	50	0	14,473
Jeffries Road Industrial Estate	2,000	0	0	0	2,000
Forty Hall	133	0	0	0	133
Palmers Green Library	110	0	0	0	110
Edmonton Green Library	3,534	0	0	0	3,534
Enfield Highway Library	8	0	0	0	8
Customer Interface Venues	30	0	0	0	30
Finance, Resources and Customer Services Total	36,323	26,871	6,050	0	69,244
Health, Housing and Adult Social Care					
Bridgewood House	1,497	0	0	0	1,497
Mental Health and Wellbeing Centre	938	552	0	0	1,490
Disabled Facilities Grants	2,001	1,819	1,819	0	5,639
Sub Regional Housing	146	0	0	0	146
Health, Housing and Adult Social Care Total	4,582	2,371	1,819	0	8,772
Schools and Children's Services					
Basic Needs - Primary Schools Places	6,472	6,000	6,000	0	18,472
Children's Centres	646	0	0	0	646
Fire Precaution Schemes	666	0	0	0	666
Primary Schools	72	0	0	0	72
School Access Initiative	285	0	0	0	285
Schools Conditioning Funding	8,634	0	0	0	8,634
School Expansion Project 1	1,424	0	1,843	0	3,267
School Expansion Project 2	16,686	4,900	6,000	0	27,586
Targeted Capital- School Meals	2,918	0	0	0	2,918
Special Needs & Special Schools	6,521	0	0	0	6,521
Schools and Children's Services Total	44,324	10,900	13,843	0	69,067
Total General Fund	262,314	63,917	27,206	24,260	377,697

Appendix A	2017/18	2018/19	2019/20	2020/21	Total 2017/18 to 2020/21
	£'000	£'000	£'000	£'000	£'000
Approved Programme					
Companies					
Lee Valley Heat Network	2,398	6,482	1,750	0	10,630
Enfield Innovations Ltd	2,049	0	0	0	2,049
Housing Gateway Ltd	67,468	6,120	0	0	73,588
Companies Total	71,915	12,602	1,750	0	86,267
Housing Revenue Account					
Major Works	20,638	41,587	19,826	13,166	95,217
Minor Works	1,900	1,900	1,900	1,900	7,600
Estate Renewals	58,111	50,162	24,110	18,905	151,288
Housing Revenue Account Total	80,649	93,649	45,836	33,971	254,105
APPROVED CAPITAL PROGRAMME	414,878	170,168	74,792	58,231	718,069

	2017/18	2018/19	2019/20	2020/21	Total 2017/18 to 2020/21
	£'000	£'000	£'000	£'000	£'000
Indicative Programme					
Environment & Regeneration					
Building Improvement Programme	0	1,500	1,500	1,500	4,500
Highways & Street Scene:					
Main Programme	0	6,450	6,450	6,450	19,350
Transport for London Funding:					
Future Years	0	4,453	1,903	0	6,356
Affordable Housing	7,106	2,100	2,100	0	11,306
Environment & Regeneration Total	7,106	14,503	11,953	7,950	41,512
Health, Housing and Adult Social Care					
Welfare Adaptations Top up loans-Indicative	100	100	100	100	400
Health, Housing and Adult Social Care Total	100	100	100	100	400
Schools and Children's Services					
Fire Precaution Schemes	0	500	500	500	1,500
School Access Initiative	0	250	250	250	750
Schools Conditioning Funding	0	4,483	4,483	4,483	13,449
Schools and Children's Services Total	0	5,233	5,233	5,233	15,699
INDICATIVE CAPITAL PROGRAMME	7,206	19,836	17,286	13,283	57,611