

MUNICIPAL YEAR 2018/19 REPORT NO. 62

MEETING TITLE AND DATE:

Cabinet: 12 September 2018

Agenda – Part: 1

Item: 9

Subject: Capital Programme Monitor

First Quarter (June) 2018

Wards: All

Key Decision No: 4732

Cabinet Member consulted: Cllr Maguire

REPORT OF:

Executive Director of Resources

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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 June 2018 regarding the Council's Capital Programme (2018/19-2021/22) 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 £261m for the General Fund and HRA and £57m for Enfield Companies for 2018/19.

The report:

- 1.1 Sets out the estimated capital spending plans for 2018/19 to 2021/22 including the proposed arrangements for funding;
- 1.2 Confirms that the revenue capital financing costs for the agreed 2018/19-2021/22 programme are provided for in the budget.

2. RECOMMENDATIONS

It is recommended that:

- 2.1 Cabinet agrees the revised four-year approved programme totalling £540m as set out in Appendix A.

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 2018/19 capital budget and four-year Capital Programme 2018/19-2021/22 as approved by Council on the 28th February 2017. This is reporting the first-quarter year position.

4. 2018/19 CAPITAL PROGRAMME BUDGET

The full Capital programme is contained in Appendix A and is a four-year programme with the budgets shown inclusive of carry forwards from 2017/18 where there was reported budget reprofiling.

The approved capital budget for the current financial year 2018/19 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	2018-19 Revised Budget (inc. Carryforwards)	Budget Reprofiling	Other Adjustments*	Proposed Programme 2018-19 (Q1)	Actuals as at Q1**
	£'000	£'000	£'000	£'000	£'000
Resources	17,841	(6,254)	182	11,769	2,456
People	32,769	(990)	0	31,779	3,631
Place	85,512	(3,868)	(5,695)	75,950	4,316
Place - Meridian Water	38,763	10,540	0	49,303	800
Place - HRA	88,496	(516)	109	88,089	18,021
Total	263,381	(1,089)	(5,404)	256,889	29,224
Energetik	3,705	2,145	0	5,850	1,200
Enfield Innovations Ltd	0	0	0	0	0
Housing Gateway Ltd	51,101	(31,101)	0	20,000	0
Total Companies	54,807	(28,956)	0	25,851	1,200
Total Capital Programme	318,188	(30,045)	(5,404)	282,740	30,424

*The adjustment in Place relates to the removal of historic TFL indicative budgets. The approved 18/19 TFL capital budget is £10.03m.

**Actuals as at Q1 excludes £12.07m of outstanding accruals, majority being £10.2m for Meridian Water.

Carry Forwards from previous years

These budget changes represent the net effect of reprofiling the prior year 2017/18 capital programme into or from 2018/19 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.

Budget Reprofiling

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.

Table 2 summarises the Budget reprofiling in Q1, with explanations below the table for the significant items.

TABLE 2 – Budget Reprofiling	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	Funding Source
Libraries	(300)	300			<i>Borrowing</i>
IT Investment	(5,954)	2,977	1,489	1,489	<i>Borrowing</i>
RESOURCES	(6,254)	3,277	1,489	1,489	
Mental Health and Wellbeing Centre	(990)	990			<i>Grants</i>
PEOPLE	(990)	990	0	0	
Place - Meridian Water	10,540	(10,540)			<i>Borrowing</i>
Town Centre Regeneration	(3,870)	3,870			<i>Borrowing</i>
Estate Renewals	(516)	516			<i>Various (see Appendix A)</i>
PLACE	6,155	(6,155)	0	0	
Energetik	2,145	(2,145)			<i>Borrowing</i>
Housing Gateway limited	(31,101)	31,101			<i>Borrowing</i>
COMPANIES	(28,956)	28,956	0	0	
TOTAL Budget Reprofiling	(30,045)	27,068	1,489	1,489	

IT Investment

The ICT budget has been reprofiled based on the Q1 expenditure. A more accurate reprofiling will be provided in Q2 following consultation with individual project managers.

Mental Health and Wellbeing Centre

Discussions are underway between the Council, CCG and the voluntary sector with a view to commissioning a mental health and wellbeing hub. Majority of the budget is therefore reprofiled to future years.

Meridian Water

The £10.5m was originally profiled in 2019/20 to fund payments for the freehold interest in Hastingswood, a parcel of land that has been acquired. This is being reprofiled into 2018/19 to fund more immediate requirements including the purchase 4 Anthony Way, works to the station including Public Realm and Land Remediation. A separate budget request will be presented to fund this and future Meridian water requirements

HRA Estate Renewals

The 18-19 estate renewal budgets have been reviewed and updated to reflect the current position on each scheme.

Energetik

The projected spend for energetik is £5.850m in 2018/19. and includes bringing forward £2.145m from 19/20 to:

- Design, plan and construct the connection between the Electric Quarter development and the Alma Road heat network;
- Design, plan and construct a temporary boiler plant for the Alma Road estate;
- Commence the design, planning and works for the Thames Water sewer and utility diversion works on the Eco Park site.

As a result, the loan drawdown originally profiled for 2019/20 is being reprofiled into 2018/19.

Housing Gateway

The company is forecasting to purchase 110 properties in 2018/19. It is estimated this will require a loan drawdown of approximately £20M. The budget is reprofiled to reflect this forecast and will be reviewed again in quarter 2

Town Centre Regeneration

A review is currently taking place on Town centre regeneration in the borough, including the development of specific schemes. £3.8M is being reprofiled to 2019/20 pending the identification of these schemes.

Changes to the Programme

There are no significant additions or reductions to the 2018/19 capital programme since the 2017/18-year end.

5. FINANCING OF CAPITAL EXPENDITURE

The following table sets out the current funding position for the 2018-22 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	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	Total £'000
Total General Fund & HRA Expenditure	256,889	90,751	44,301	36,393	428,335
Funded From:					
Grants & Contributions	47,475	16,834	-	-	64,309
Revenue Funding	7,170	11,213	6,203	4,513	29,099
Capital Receipts	11,097	11,290	12,976	15,584	50,947
Earmarked Reserves	75,820	35,182	22,663	14,808	148,473
Financing Requirement	115,327	16,233	2,459	1,489	135,507
Companies Finance Requirement	25,851	34,036	-	-	59,887
Total Financing Requirement	141,177	50,269	2,459	1,489	195,394
Increase in CFR Funded by:					
Commercial Business Plans*	94,196	34,036			128,232
Council Tax (raised by Minimum Revenue Provision)	46,981	16,233	2,459	1,489	67,162
Impact on Council Tax - Minimum Revenue Provision(MRP)**	0	1,406	960	308	2,674
Impact on Council Tax - Interest Costs**	1,174	658	61	37	1,930
<i>*(includes Council investment in HGL, EIL, LVHN & Meridian Water)</i>					
<i>**These figures represent the forecast additional Council Tax required to fund the Capital programme. The MRP element represents funds set aside for repayment of loan principal. The Council's treasury management policy is to set aside MRP, 1 year after the borrowing is incurred . However interest is payable immediately the borrowing is undertaken</i>					

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	<p>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</p>

6. REVENUE IMPLICATIONS

Local Government is currently facing reduced resources due to the continued reduction in government funding. 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.

In recent years the Council has reduced its short-term investments primarily to fund the Capital Programme. This approach has been 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. The Council will continue to review its borrowing position on a regular basis when assessing the affordability of future capital projects.

Table 5 above summaries how the capital programme is financed and the estimated revenue costs of borrowing (MRP +Interest). It also includes an allowance for costs to be met under commercial business plans. The net cost is the financing forecast to be met in the Medium Term Financial Plan.

7. COMMENTS OF THE EXECUTIVE DIRECTOR OF RESOURCES AND OTHER DEPARTMENTS

7.1 Financial Implications

As the Section 151 Officer, the Executive Director of Resources 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.

7.2 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.

7.3 Property Implications

All property implications are included within the main report.

8. KEY RISKS

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

9. IMPACT ON COUNCIL PRIORITIES

9.1 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.

9.2 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.

9.3 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.

10. PERFORMANCE MANAGEMENT IMPLICATIONS

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

11. HEALTH AND SAFETY IMPLICATIONS

Not applicable to this report.

12. PUBLIC HEALTH IMPLICATIONS

None specific to this report.

Background Papers

None

APPENDIX A – APPROVED CAPITAL PROGRAMME

Appendix A						2018-19 to 2021-22				Borrowing				
Approved Capital Programme	2018-19	2019-2020	2020-2021	2021-2022	Total 2018-19 to 2021-22	Capital Grants & External Contributions	Revenue Contributions	Capital Receipts	Earmarked Reserves	2018-19	2019-2020	2020-2021	2021-2022	Total Funding
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
RESOURCES														
Assessment Services														
Decent Homes	87	0	0	0	87	87	0	0	0	0	0	0	0	87
Disabled Facilities Grants	2,001	2,001	0	0	4,002	4,002	0	0	0	0	0	0	0	4,002
Total Assessment Services	2,088	2,001	0	0	4,089	4,089	0	0	0	0	0	0	0	4,089
Commercial														
Forty Hall	71	0	0	0	71	0	0	0	0	71	0	0	0	71
Total Commercial	71	0	0	0	71	0	0	0	0	71	0	0	0	71
Customer Experience & Change														
IT Investment	8,978	7,125	2,459	1,489	20,051	0	0	0	0	8,978	7,125	2,459	1,489	20,051
Libraries	631	300	0	0	931	0	0	0	0	631	300	0	0	931
Total Customer Experience & Change	9,610	7,425	2,459	1,489	20,983	0	0	0	0	9,610	7,425	2,459	1,489	20,983
Total RESOURCES	11,769	9,426	2,459	1,489	25,143	4,089	0	0	0	9,681	7,425	2,459	1,489	25,143
PEOPLE														
Adult Social Care														
Care Home Reprovisions	452	0	0	0	452	0	0	0	0	452	0	0	0	452
Mental Health and Wellbeing Centre	500	990	0	0	1,490	1,490	0	0	0	0	0	0	0	1,490
Total Adult Social Care	952	990	0	0	1,942	1,490	0	0	0	452	0	0	0	1,942
Education														
Fire Precaution Schemes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
School Expansions	4,900	1,843	0	0	6,743	6,743	0	0	0	0	0	0	0	6,743
Schools Maintenance	1,247	0	0	0	1,247	1,247	0	0	0	0	0	0	0	1,247
School Meals	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Schools Unapplied Grant Funding	24,631	12,000	0	0	36,631	36,631	0	0	0	0	0	0	0	36,631
Total Education	30,778	13,843	0	0	44,621	44,621	0	0	0	0	0	0	0	44,621
Strategic Commissioning														
Community Safety	49	0	0	0	49	0	0	0	0	49	0	0	0	49
Total Strategic Commissioning	49	0	0	0	49	0	0	0	0	49	0	0	0	49
Total PEOPLE	31,779	14,833	0	0	46,612	46,111	0	0	0	501	0	0	0	46,612
PLACE														
Environment & Operations														
Building Improvement Programme	2,701	0	0	0	2,701	0	0	0	0	2,701	0	0	0	2,701
Alley Gating	35	0	0	0	35	0	0	0	0	35	0	0	0	35
Highways:														
Flood Alleviation	178	0	0	0	178	182	0	0	0	(3)	0	0	0	178
Highways & Street Scene	7,058	0	0	0	7,058	0	0	0	0	7,058	0	0	0	7,058
Parks:														
Edmonton Cemetry	1,864	0	0	0	1,864	1,864	0	0	0	0	0	0	0	1,864
Play Areas	454	0	0	0	454	0	0	0	0	454	0	0	0	454
Parks (Other)	537	0	0	0	537	12	0	0	0	525	0	0	0	537
Waste, Recycling & Fleet:														
Recycling	243	0	0	0	243	243	0	0	0	0	0	0	0	243
Vehicle Replacement Programme	7,773	607	2,260	0	10,640	0	0	10,640	0	0	0	0	0	10,640
Traffic & Transportation:														
TFL: Local Implementation Plans	2,054	0	0	0	2,054	2,054	0	0	0	0	0	0	0	2,054
TFL: Cycle Enfield	7,980	0	0	0	7,980	7,980	0	0	0	0	0	0	0	7,980
Total Environment & Operations	30,877	607	2,260	0	33,744	12,334	0	0	10,640	10,770	0	0	0	33,744

Appendix A						2018-19 to 2021-22				Borrowing				
Approved Capital Programme	2018-19	2019-2020	2020-2021	2021-2022	Total 2018-19 to 2021-22	Capital Grants & External Contributions	Revenue Contributions	Capital Receipts	Earmarked Reserves	2018-19	2019-2020	2020-2021	2021-2022	Total Funding
	£'000	£'000	£'000	£'000	£'000					£'000	£'000	£'000	£'000	
Regeneration & Planning														
Broomfield House	117	0	0	0	117	0	0	0	0	117	0	0	0	117
The Crescent (Edmonton)	229	0	0	0	229	0	0	0	0	229	0	0	0	229
Town Centre Regeneration	0	6,870	0	0	6,870	0	0	0	0	0	5,937	0	0	5,937
Electric Quarter	5,544	1,742	0	0	7,286	0	0	0	0	5,544	1,742	0	0	7,286
Ponders End	6,122	145	0	0	6,267	0	0	0	0	6,122	145	0	0	6,267
Total Regeneration & Planning	12,012	8,757	0	0	20,770	0	0	0	0	12,012	7,824	0	0	19,837
Meridian Water														
Infrastructure	22,987	0	0	0	22,987	0	0	0	0	22,987	0	0	0	22,987
Master Scheme	11,333	0	0	0	11,333	0	0	0	0	11,333	0	0	0	11,333
Meridian Way	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Meridian Works (GLA LRF) Phase 1	4,292	0	0	0	4,292	0	0	0	0	4,292	0	0	0	4,292
MW: HIF Road inc. Flood Alleviation	1,486	0	0	0	1,486	0	0	0	0	1,486	0	0	0	1,486
MWater Station Public Realm Works	2,000	0	0	0	2,000	0	0	0	0	2,000	0	0	0	2,000
Z1 Willoughby	3,032	0	0	0	3,032	0	0	0	0	3,032	0	0	0	3,032
Z12 Stonehill/Hastingwood	1,536	0	0	0	1,536	0	0	0	0	1,536	0	0	0	1,536
Z13 Phoenix Park	2,088	0	0	0	2,088	0	0	0	0	2,088	0	0	0	2,088
Z4 Ikea Clear	500	0	0	0	500	0	0	0	0	500	0	0	0	500
Z5 Gas	50	0	0	0	50	0	0	0	0	50	0	0	0	50
Total Meridian Water	49,303	0	0	0	49,303	0	0	0	0	49,303	0	0	0	49,303
Property & Economy														
Bury Street West Depot	19,043	0	0	0	19,043	0	0	0	0	19,043	0	0	0	19,043
Jeffries Rd Industrial Estate	2,000	0	0	0	2,000	0	0	0	0	2,000	0	0	0	2,000
Montagu Industrial Estate	12,008	50	0	0	12,058	0	0	0	0	12,008	50	0	0	12,058
Corporate Schemes (Other)	9	0	0	0	9	0	0	0	0	9	0	0	0	9
Total Property & Economy	33,060	50	0	0	33,110	0	0	0	0	33,060	50	0	0	33,110
Housing & Regeneration														
Major Works	31,753	17,049	18,503	16,607	83,912	0	1,799	0	82,113	0	0	0	0	83,912
Minor Works	1,900	1,900	1,900	1,900	7,600	0	0	1,900	5,700	0	0	0	0	7,600
Estate Renewals	54,327	38,128	19,179	16,398	128,032	1,774	27,300	48,938	50,020	0	0	0	0	128,032
Housing Enabling	109	0	0	0	109	0	0	109	0	0	0	0	0	109
Total Housing & Regeneration	88,089	57,077	39,582	34,905	219,653	1,774	29,099	50,947	137,833	0	0	0	0	219,653
Total PLACE	213,341	66,492	41,842	34,905	356,580	14,108	29,099	50,947	148,473	105,145	7,874	0	0	355,646
Total General Fund and HRA	256,889	90,751	44,301	36,393	428,335	64,309	29,099	50,947	148,473	115,327	15,300	2,459	1,489	427,402
COMPANIES														
Energetik	5,850	2,935	0	0	8,785	0	0	0	0	5,850	2,935	0	0	8,785
Enfield Innovations Ltd	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Housing Gateway Ltd	20,000	31,101	0	0	51,101	0	0	0	0	20,000	31,101	0	0	51,101
Total COMPANIES	25,851	34,036	0	0	59,887	0	0	0	0	25,851	34,036	0	0	59,887
APPROVED CAPITAL PROGRAMME	282,740	124,787	44,301	36,393	488,221	64,309	29,099	50,947	148,473	141,177	49,336	2,459	1,489	487,288