

MEETING TITLE AND DATE:
Council 27th Feb 2019

REPORT OF:
Executive Director of
Finance Resources &
Customer Services

Agenda – Part: 1

Item: 8

**Subject: Capital Strategy (2019/20) and
4-Year Capital Programme (2019/20 -
2022/23)**

Wards:

Key Decision No:

Cabinet Member consulted: Cllr Maguire

Contact officers:

Fay Hammond- Tel: 0208 379 2662; fay.hammond@enfield.gov.uk

Olu Ayodele- Tel: 0208 379 6133; olu.ayodele@enfield.gov.uk

Richard Kyei-Tel: 0208 379 3138; richard.kyei@enfield.gov.uk

1. EXECUTIVE SUMMARY

The purpose of this report is to set the 2019/20 - 2022/23 Capital programme and agree the Capital Strategy 2019/20.

The Capital Strategy is a new requirement which became mandatory for 2019/20 onwards and introduced as part of the update of the Prudential Code. Its purpose is to give an overview of how the Council's capital expenditure contributes to the delivery of its objectives and ensure effective investment of the Council's Capital resources.

The new four-year proposed approved capital programme includes the balance of budgets for ongoing projects approved in previous financial years. Appendix 2-Table B lists those projects which are currently going through Council governance, which will be added to the Capital programme if they are approved.

2. RECOMMENDATIONS

With regards the Capital Programme, Cabinet recommend that Council:

- i. agree the 2019/20 Capital Strategy
- ii. approve the Capital Programme for 2019/20 to 2022/23 as set out in Appendix 2-Table A, including new projects arising from revenue savings
- iii. note the projects in the approval cycle as detailed in Appendix-2 Table B, which will be added to the 2019/20 Capital Programme pending approval
- iv. note the projects in the pipeline as detailed in Appendix-2, Table C.

3. BACKGROUND

The report is seeking approval for the 2019/20 - 2022/23 Capital Programme and the Capital Strategy 2019/20.

In previous years the approval for the Capital programme has formed part of the annual budget and medium term financial plan report. However due to the new requirement in the recent update of the Prudential Code for all Local Authorities to have an approved capital strategy, this has been separated out from the revenue report.

The aim of Enfield's Capital Strategy is to provide a framework within which the Council's investment plans can be delivered. The Capital Strategy sets out the medium to long term context in which capital expenditure and investment decisions are made. It will assist in ensuring the Council understands the long-term implications and risks of its investment decisions.

SECTION A

1. Capital Strategy 2019/20

The Prudential Code is a framework designed by the Chartered Institute of Public Finance (CIPFA), which underpins local authority capital investment. The capital strategy is a new report for 2019/20 onwards and was introduced as part of the updates to the 2017 Prudential Code. Its purpose is to ensure effective investment of the Council's capital resources to those programmes and projects that maximise the achievement of Council objectives outcomes.

The aim of Enfield's Capital Strategy is to provide a framework within which the Council's investment plans can be delivered, which are informed by the Council's strategic objectives as detailed in the Enfield Corporate Plan 2018-2022. The Capital Strategy sets out the medium to long term context in which capital expenditure and investment decisions are made. It will assist in ensuring the Council understands the long-term implications and risks of its investment decisions.

It is a corporate document and will form part of the Council's strategic planning, integrating with other key documents including the Corporate Plan, Medium Term Financial Plan (MTFP), Asset Management Plan and the Treasury Management Strategy. It will be refreshed on an annual basis and is an integral part of the Council's annual budget setting cycle.

It is a high-level overview of how capital expenditure; capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

The strategy sets out the Council's plans for Capital expenditure over the next four years and beyond, including the financing of the expenditure and the

associated risks. It will demonstrate how the Capital strategy forms part of the Council's overall governance framework for delivering its Corporate objectives.

2. Capital Expenditure and Financing

Capital expenditure is where the Council spends money on tangible assets, such as property or vehicles, or intangible assets such as computer software that will be used for more than one year. It also includes loans and grants to other bodies enabling them to buy assets, for example the loans to Housing Gateway Limited (HGL), Enfield Innovations Limited (EIL) and Lea Valley Heat Network Limited (LVHN), as well as the Housing Revenue Account (HRA).

The Table below provides an overview of the Capital programme. In the four-year period 2019/20-2022/23, the Council is planning capital expenditure of £343m as summarised below. This will be increased by projects currently going through approval as detailed in Appendix 2- Table B.

Capital Programme Summary

	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget	2022/23 budget	TOTAL (2019/20- 2029/30)
General Fund Services	108,215	112,490	22,152	9,281	1,481	145,403
Council Housing (HRA)	75,907	67,849	40,883	34,905	0	143,637
Commercial Investments in Companies	5,429	43,357	11,101	0	0	54,458
TOTAL	189,551	223,696	74,136	44,185	1,481	343,498

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing).

Capital Programme Financing Summary

	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget	2022/23 budget	TOTAL (2019/20- 2029/30)
External Sources	31,765	31,748	0	0	0	31,748
Own Resources	82,641	68,080	43,143	34,905	0	146,128
Debt	75,146	123,867	30,993	9,281	1,481	165,622
TOTAL	189,551	223,696	74,136	44,185	1,481	343,498

Appendix-1 Table B lists the sources of capital financing, the Council's external and own resources (excluding debt) consists of:

Grants

The Council has already been notified of most of the grant allocations that can be expected to be received in 2019/20. It is possible that additional capital grant allocations may be announced for 2019/20 onwards, but it is unknown as to whether the funding would be earmarked for spending on specific Government rather than local priorities. Should any further grant allocations

become available during 2019/20, information will be included in the quarterly capital monitoring reports to Cabinet.

The Council receives highways capital funding via Transport for London (TfL) as the London strategic highways authority rather than the Highways Agency. This funding is used to support the Council's highways improvement programme.

Capital Receipts

The Council realises capital receipts through the sale of property each year. In 2019/20 the Council will approve a Strategic Asset Management Plan to guide those disposals and ensure good value for the Council. The Council has taken advantage of the Government's announcements in 2015/16 allowing the use of capital receipts to fund the revenue costs of transformation or efficiency programmes, rather than funding the capital programme. However, it is recognised that this is not a sustainable financial position and therefore the Medium-Term Financial Plan aims to reduce reliance on capital receipts over time, recognising that transformation will remain an ongoing feature of future budgets.

Further details regarding the Council's policy on utilising capital receipts is included in the 2019/20 and Medium-Term Financial Plan 2019/20 – 2022/33 report.

The Council is also undertaking alternative methods of capital investment including the use of wholly owned Council Private Companies to develop housing and to support the provision of temporary accommodation, whilst also generating profits.

Section 106 Agreements

A Section 106 Agreement is a legal agreement between the Council and a developer under Section 106 of the 1990 Town and Country Planning Act, or a unilateral undertaking by the developer, to ensure that certain extra works related to a development are undertaken. The Council can enter into a Section 106 Agreement, otherwise known as a 'planning obligation', with a developer where it is necessary to provide contributions to offset negative impacts caused by construction and development. Examples of such contributions range from the provision of affordable homes and new open space to funding of school places or employment training schemes. The developer will either implement these or make payments to the council for them to be carried out. The S106 agreements generally contain several of these elements and the responsibility of managing the expenditure is split across the relevant departments. The majority of S106 agreements are usually very specific about what and where the monies can be spent, with required conditions attached.

As at Q3 2018-19, there was £2.2m of S106 receipts available for housing projects and a further £405K for education services.

When conditions are met, spend approval is sought from the responsible Director for any expenditure up to £100k, £100k-£500k is referred to the Cabinet member for the department and anything over £500k is approved by Cabinet.

Community Infrastructure Levy (CIL)

CIL is a new standard developer charge that local authorities can apply in their area. Monies collected from CIL will help to fund essential infrastructure needed to support planned growth in the Borough such as transport improvements. In March 2016 full Council adopted the CIL Charging Schedule. The schedule contains a variable residential charge based on geographic location and a charge for retail development regardless of location. The Council commenced charging a local CIL on 1st April 2016.

Current Council policy is to utilise CIL receipts on the development of the new train station at Meridian Water. In accordance with CIL regulations, a proportion of receipts is also used on community projects.

CIL receipts as at Q3 2018-19 is £1.8m.

Vehicle Replacement Fund

The Council operates an internal leasing fund for the replacement of vehicles and equipment. This is built up from revenue repayments over the life of the outright purchased vehicles or equipment.

3. The Council's Corporate Objectives and Priorities

The approved capital budgets, underpinned by the capital strategy, contribute to the achievement of the Council's objectives as detailed in the 2018-22 Enfield Corporate Plan.

- **Good homes in well-connected neighbourhoods**

The Council has an ambitious estate renewal and regeneration programme, with a current approved investment of over £235m in the four-year period 2019/20-2022/23, split between £144m, funded by the HRA and £91m funded by the General Fund. This will assist the Council in delivering its objective to create thriving neighbourhoods and increase the supply of affordable housing.

The Council has spent £231m on Meridian Water to date acquiring land, remediation, building the new train station and professional fees. The project has moved firmly into the delivery stage with a partner for the first 725 homes due to be confirmed this spring. The Council will find out in March if government awards the project over £100m for investment in new infrastructure.

- **Sustain strong and healthy communities**

To meet the Council's healthy living vision for the borough; transport services will continue the annual Highways and Street Scene programme. Our Local Transport Implementation Plan, adopted in 2018, sets out how we will invest, which will encourage walking, cycling and the use of public transport to increase levels of active travel and to improve the health of residents.

To encourage cycling in the borough, transport services will continue to deliver cycle tracks in the borough including new lanes on the south and north sections of the A1010 Hertford Road.

Each year, transport services receives grant funding from Transport for London to assist in achieving the above and to implement the Mayor's transport strategy.

- **Build our local economy to create a thriving place**

Through property services, the Council is investing to build a new office building in Enfield Town on the site of the Genotin Road car park. There are plans to also develop an old depot into housing. The Strategic Asset Management Plan to be adopted this year will further establish how the Council will use its property holdings to support our local economy.

Education services has an ambitious capital programme to carry-out expansion works on Enfield's schools to meet increasing demand for school places. It continues to undertake the necessary maintenance works to ensure school buildings meet the required standards.

£60m will be invested in the schools' capital programme over the next three years. This funding is primarily made up of the Council's central government grant allocation and S106 contributions from private developers. The programme is estimated to deliver 322 schools places, some of which are provided through the expansion works to West Lea, Durants and Springfield schools.

The Council's delivery of these objectives is underpinned by 3 guiding principles to

- Communicate with you
- Work with you and
- Work smartly for you

The Customer Experience and Change Strategy (as represented by capital investment in ICT and Libraries) addresses the need for a robust, high performing and secure digital infrastructure for the borough. It aims to empower customers with initiatives that enable users to succeed the first time they engage with services, including through the use of assisted technologies and encouraging self-service options.

Appendix-1 Table C provides details of the schemes supporting the delivery of each objective.

4. Governance

A report is currently presented annually to full Council, to approve the four-year rolling capital programme. This will include the balance of approved budgets for ongoing projects where budgets have previously been approved, as well as new schemes that have been through the relevant governance as detailed in Section 5 of the financial regulations.

The financial regulations state that the allocation of additional Council resources to schemes (not part of a rolling block programme) in the approved programme or to new schemes is subject to the following approval process for:

- Increases up to, but not exceeding £100k, the relevant Director in consultation with the Director of Finance, Resources and Customer Services
- Increases above £100k but not exceeding £500k, a Cabinet decision
- Increases above £500k, a Council decision, following a Cabinet Decision

The Council has recently created the Capital Finance Board, which is responsible for the overall strategic financial management of the General Fund Capital Programme. Project managers are required to submit a project evaluation form for all new capital projects. Each scheme is evaluated against both financial and non-financial criteria and either recommended to EMT/Cabinet/Council for approval or rejected.

The Board is chaired by the Director of Finance and can approve projects up to £100k, without reference to EMT. The Board acts as the gatekeeper of the Capital Programme ensuring all affordability and risks are duly considered and mitigated. The Board reports to EMT on a quarterly basis.

5. The Housing Revenue Account

Housing Revenue Account (HRA) is a ring-fenced account which ensures that Council housing does not subsidise, or is itself subsidised, by other local services. Rental income from tenants, funds the cost of housing services, investment in major works and minor works (£70m) to improve our housing stock, as well as large-scale renewal of estates to provide additional housing for residents.

The Council currently has an ambitious estate regeneration and renewal programme. The current approved programme is for a new supply of 3,711 homes (1,822 affordable). This is primarily across the Alma Estate, Ladderswood Estate and New Avenue Estate. In 2018/19 the Council completed 133 homes (affordable rent). Affordable homes here are defined as a mix of social rent, affordable rent, and shared equity products.

6. Asset Management

The Council has a substantial corporate property portfolio and given the challenging financial position facing all local authorities, the Council must optimise use of those assets while ensuring that all Health and Safety responsibilities are properly managed.

The two key components under review are property asset management and health & safety statutory compliance.

CIPFA identify several common corporate premises issues affecting local authorities and recommend a Corporate Landlord model to address these issues. The Council's Corporate Landlord Policy sets out how LBE manage Corporate Landlord responsibilities to 'PLAN' 'DO' 'CHECK'. The Corporate Landlord model centralises the premises functions under a Property Director, which should improve strategic decision making and provide more certainty on statutory compliance. All premises will be managed by Property, which means that Service managers and staff will only be required to provide a consultation lead at each site.

To ensure proper asset management, an asset management plan is required, and this will be produced during 2019. The Strategic Asset Management Plan (SAMP) will describe the Council's approach to management of its assets and provide links to the operational and technical details that underpin the overall strategy. The SAMP is intended to provide the framework for decision-making across the estate and for individual buildings, and shape delivery of a resource at the heart of the Council's current and future offer to residents.

The Council's assets are the frame within which service delivery takes place. They have a significant, and growing, value and represent a means to drive investment and resources despite the significant pressures on public finances. Good asset management requires an accompanying capital investment strategy. This has been initiated for 2019/20 in the form of a Corporate Property Investment Programme (CPIP) for the Council. This long-term capital programme will invest capital in the property portfolio, to achieve increased financial return, cost efficiencies as well as equality for all staff and customers in terms of standards, condition and safety. At present, Enfield has the Buildings Improvement Programme (BIP) - which is a capital funded, planned property maintenance programme that is driven from building condition survey data. The Council has not had an investment budget for a significant period. Both programmes will however complement each other.

To ensure that capital assets continue to be of long-term use, the Council is in the process of refreshing its Asset Management Strategy.

The table below lists the schemes within the Corporate Property Investment Programme.

Corporate Property Investment Programme	2018-19	2019-20	2020-21	2021-22	2022-23	TOTAL (2019/20-2022/23)
	£'000	£'000	£'000	£'000	£'000	£'000
Broomfield House	70	47	0	0	0	47
Building Improvement Programme	2,561	0	0	0	0	0
Bury Street West Depot	70	18,973	0	0	0	18,973
Care Home Revisions	452	0	0	0	0	0
Corporate Schemes	149	0	0	0	0	0
Edmonton Cemetery	1,064	800	0	0	0	800
Edmonton Cemetery Chapel Conversion	95	155	0	0	0	155
Extra Care Housing: Reardon Court	100	1,175	5,342	9,281	1,481	17,278
Forty Hall	4	67	0	0	0	67
Genotin Road (Metaswitch)	0	12,500	12,500	0	0	25,000
Libraries	116	516	0	0	0	516
Mental Health and Wellbeing Centre	0	1,490	0	0	0	1,490
Montagu Industrial Estate	1,508	12,550	0	0	0	12,550
Parks	22	0	0	0	0	0
Town Centre Regeneration	66	6,804	0	0	0	6,804
TOTAL	6,277	55,077	17,842	9,281	1,481	83,680

Asset disposals

When a capital asset is no longer needed, it may be sold so that the proceeds known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on revenue service transformation projects until 2021/22. Full details of the Council's flexible use of Capital receipts policy are contained within 2019/20 Budget report. Repayments of loans and investments also generate capital receipts.

7. Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

The Council currently (as at 31 December 2018) has £804m borrowing at an average interest rate of 3.4% and £65m treasury investments at an average rate of 0.7%.

8. Borrowing Strategy

The Council's main objectives when borrowing is to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around

0.75%) and long-term fixed rate loans where the future cost is known but higher (currently 2.0% to 3.0%).

Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities, leases are shown below, compared with the capital financing requirement.

Prudential Indicator: Gross Debt and the Capital Financing Requirement

Capital Financing Requirement	31.3.18 Actual £m	31.3.19 Estimate £m	31.3.20 Forecast £m	31.3.21 Forecast £m	31.3.22 Forecast £m
Capital Financing Requirement	889.1	962.0	1,204.3	1,368.4	1,551.9
PFI & Finance Lease	46.2	44.6	42.9	41.3	39.7
Total Capital Debt Requirement	935.3	1,006.6	1,247.2	1,409.7	1,591.6
External Borrowing	696.8	860.0	1,100.0	1,260.0	1,437.0
Other Long Term Liabilities	46.2	44.6	42.9	41.3	39.3
Total Debt	743.0	904.6	1,142.9	1,301.3	1,476.3

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen, the Council expects to comply with this in the medium term.

9. Investment Strategy

Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer term is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which investments to buy and the Council may request its money back at short notice.

Treasury Management Investments

	31.3.2018 actual £'000	31.3.2019 forecast £'000	31.3.2020 budget £'000	31.3.2021 budget £'000	31.3.2022 budget £'000
Near-term investments	15,000	15,000	15,000	15,000	15,000
Longer-term investments	-	-	-	-	-
TOTAL	15,000	15,000	15,000	15,000	15,000

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance and staff, who must act in line with the treasury management strategy approved by Council. Reports on treasury management activity are presented to Council. The audit committee is responsible for scrutinising treasury management decisions.

10. Commercial Activities

The Council is open to consider commercial capital investment opportunities where they meet wider Council priorities. The Council has agreed to undertake commercial projects using wholly owned Council companies to acquire assets for housing and regeneration that can fund the necessary borrowing, either by selling acquired assets at a profit or using annual income flows to meet capital financing costs such as interest and provision for debt repayment.

All proposed commercial investment activities will pay regard to the CIPFA prudential code and the Statutory Guidance on Local Authority investment. This is particularly pertinent because capital investments will require the Council to borrow and any such proposals will be proportionate to the Council's resources. Integral to our approach to capital investment is the preparation of business models, using investment tools such as Net Present Value (NPV) and Internal Rate of Return (IRR) calculations which consider the full implications on the annual revenue budget position in terms of interest, Minimum Revenue Provision (MRP), revenue income as well as the longer-term financial implications.

Section 9 above details the Council's investment strategy, the objective of which is to 'minimise risk rather than maximise returns', which ensures the Council's funds are not exposed unnecessary risks. The Council's treasury management policy provides further details on how Council ensures borrowing remains affordable.

The Council currently has three wholly owned subsidiaries, Housing Gateway Limited (HGL), Lea Valley Heat Network (LVHN) and Enfield Innovations Limited (EIL) which are funded through Council loans.

HGL was established in April 2014 to acquire and manage properties in the private rented sector, to be used by the Council to discharge its statutory homeless duties. The total value of loans granted as December 2018 was £115m, at which point 523 properties had been purchased. The Company is repaying its loan.

LVHN was established in August 2015 to provide low carbon energy from waste to Enfield residents, through developing, owning and operating a series of community energy networks throughout Enfield. The company is funded through Council loans, with £15m approved to date. Actual loan drawdown as

at the end November 2018 is £8.96m. It currently has 40 connections at Ladderswood and 61 at the Electric Quarter.

EIL Ltd was established in October 2014 to develop, own and manage a portfolio of properties made available for private rent. It has a current Portfolio of 57 private homes and is part of the Small Sites Housing project phase 1 Enfield. Changes to the Small housing sites project (approved at July 2017 Cabinet) mean EIL will sell all 57 properties, to enable the repayment of outstanding debt, capped at £17.3M, by the end of 2019/20.

Section B, 3 of the report provides further information regarding the financing of the capital programme.

11. Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Prudential Indicator: Ratio of financing costs to net revenue stream

	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
<u>GENERAL FUND</u>				
Financing costs (£m)	15.03	18.35	23.28	29.16
Proportion of net revenue stream	6.7%	8.3%	10.4%	12.9%
<u>HRA</u>				
Financing costs (£m)	8.1	9.7	11.7	12.7
Proportion of net revenue stream	15.4%	18.4%	20.7%	20.7%

12. Sustainability

Historically the approach has been to prepare a capital programme that spans four years, however, over the next year, the intention is to extend the forecast to ten years and undertake a major refresh periodically. This will support long-term thinking and particularly identify future financing and borrowing risks which will impact on the council's revenue position. Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 25 years into the future.

The addition of new projects to the Capital Programme is subject to the Council's approval process as detailed in the governance section of the report. A new Capital finance board has been setup to strengthen the strategic financial management of the capital programme and to ensure the programme remains sustainable and affordable in the long term. The affordability of the Capital Programme will be reviewed as part of the Council's overall assessment of the implications of the Fairer funding formula review due to conclude in 2021. In future, the Council is also intending to report the Capital Programme over a longer time frame to improve longer term planning.

Risks and Mitigation

Revenue cost of borrowing arising from interest rate rises

The economic uncertainty is heightened from the UK leaving the EU and could lead to increases in interest rates. This would increase the Council's financing costs, therefore placing further pressure on delivering the capital strategy. To mitigate this and in conjunction with information from treasury management advisers, the Council has used interest rate forecasts which include a prudent provision against interest rate rises. The Council has also set-up an interest rate equalisation reserve to mitigate the impact of potential rises.

Fair funding review of formula

Revenue funding is uncertain for 2020/21 because the methodology for measuring relative needs and resources for local authorities is under review for implementation in 2020/21. In addition, the spending review is due for implementation in 2020/21. (The Spending Review is a five-year projection of government spending and impacts on the quantum of funding available for Local authorities.) This risk is mitigated through the proposed budget for 2019/20 which aims to put the council in a resilient financial footing.

Meridian Water

The Council has submitted a bid to the GLA seeking funding from the Housing Infrastructure Fund to support the required infrastructure for this programme. The Council has submitted a robust application but will have to fund any funding shortfall. To mitigate this, the council engaged extensively with officers from the GLA and development partners to ensure the application meets the required standards.

Brexit Uncertainty

Following the UK's decision to leave the European Union in June 2016, uncertainty surrounding the economic climate has remained. This may result in volatility in the property market where sale prices and construction costs could become unstable and consequently impacting the capital strategy. This risk is being identified and monitored as part of the Council's Brexit Panel and will be considered as an integral part of procurement and development planning.

Programme Deliverability and Monitoring

Financial forecasts for all capital projects are reviewed and updated on a quarterly basis identifying areas subject to the risk of overspending, underspending or to be delayed. The finance team are continuously working with service departments to improve the quality of the forecasts.

Capital Finance Board

The board provides scrutiny over capital projects to ensure they have been prudently costed and contributes to achieving the Council's objectives.

13. Knowledge and Skills

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Council supports staff to study towards relevant professional qualifications including CIPFA, as well as supporting attendance at Continuing Professional Development events to increase general understanding of construction, project appraisal methods, as well as on the job coaching etc.

In addition to supplement Council staff skills required, use is made of external advisers and consultants that are specialists in their field. This approach ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

- Further details on staff training can be found [here](#) on the Council's website.

SECTION B

1. Capital Programme 2019/20-2022/23

The capital programme is reported on a four-year rolling cycle. The current year's programme is included for reference. The report includes a summary overview of proposed four-year budgets, which is followed by a more detailed breakdown of the programme by service. This includes commentary of the changes in the programme from that recently approved in March 2018, risks and how these will be mitigated, and the financial implications of the programme.

The capital programme is split into two distinct blocks as follows:

- i. **Approved schemes:** these are projects supported by business cases which have been through the necessary governance and been reported to Cabinet or Council for funding in accordance with Financial Regulations. The associated capital financing costs are built into the Medium Term Financial Plan.

Approved Capital Programme Summary

Approved Capital Programme (Departments)	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total (2019/20- 2022/23) £'000
Resources	12,976	12,220	25	0	0	12,245
People	18,085	29,952	5,342	9,281	1,481	46,055
Place	33,126	65,498	16,329	0	0	81,827
Place - Meridian Water	44,028	4,819	456	0	0	5,275
Place - HRA	75,907	67,849	40,883	34,905	0	143,637
General Fund & HRA	184,122	180,339	63,035	44,185	1,481	289,040
Companies	5,429	43,357	11,101	0	0	54,458
Approved Capital Programme	189,551	223,696	74,136	44,185	1,481	343,498

The approved schemes are detailed in Appendix-2 Table A.

- ii. **Projects in the approval cycle:** these projects are due to be presented for approval before the 31st of March 2019. Those which are approved will be added to the 2019/20-2022/23 Approved Capital Programme.

The projects in the approval cycle are detailed in Appendix-2 Table B.

- iii. **Projects in the pipeline:** these projects have **not** been approved and the associated revenue implications of borrowing are **not** included in the Medium Term Financial Plan. They will be subject to the relevant Council approval process supported by detailed business cases so that the projects and funding can be approved in accordance with Financial Regulations. Projects where grant allocations are anticipated but not yet confirmed are also included here.

The projects in the pipeline are detailed in Appendix-2 Table C.

2. Departmental Capital Programme Outcomes

This section of the report provides an overview of the capital programme by Department highlighting key outcomes and how the projects will deliver the Council's corporate objectives.

Place

The department is responsible for the majority of Council services related to the built environment. It includes the Council's ambitious estate regeneration programme, street scene maintenance and improvements, Meridian Water and the Council's property portfolio.

Key deliverables at Meridian Water over next four years include the completion of the Meridian Water station and commencement via procurement of Phase 1 of the Meridian Water project, Meridian One, to deliver 725 Homes.

In other areas, the Council will continue with the estate regeneration taking place on Ladderswood, Alma Estate, New Avenue and the Small Sites Programme to deliver over 3,000 homes. The Electric Quarter will complete, bringing new residents and life to Ponder's End. A new office building in Enfield Town will expand highly skilled local employment, support the town centre, and deliver a good financial return. Through a joint venture, we plan to comprehensively redevelop the Montague Industrial Estate to support higher value activity for Enfield's economy. Works to cemeteries will increase income for the Council and maintenance and improvement to the public realm, parks and streets which will encourage active travel and sustain communities.

People

Education Services- An estimated £60m is forecast to be spent over the next four years to deliver several school improvement projects, including the increase of Special educational needs school places. Expansion works are ongoing across a number of schools including; refurbishment of Durants School to provide 120 new places, works to West Lea school to provide 70 new places and expansion works to Springfield school to provide 20 new school places.

Adult Social Care- The number of people in Enfield over 65 years of age is forecast to increase by 23% over the next 10 years and this will therefore increase demand for care services. To help meet demand for quality accessible care services, the Council is investing, with the support of GLA funding in the provision of a new extra care housing development at Reardon Court in Winchmore Hill. This facility will provide 91 new self-contained accommodation to support independent living and facilitate social inclusion for older people and adults with disabilities.

Resources

The Council's investments in ICT is to facilitate the Council's ability to deliver to these guiding principles, by enabling smart working and improved communication with Enfield's residents.

3. Approved Capital Programme Funding

The Capital Programme is funded from several sources, each described below. The reductions in Government funding mean the Council cannot rely solely upon these funding streams to meet the capital investment needs of the Council, especially in respect of regeneration. The Council has agreed to undertake commercial projects using wholly owned Council companies to acquire assets for housing and regeneration that can fund the necessary borrowing, either by selling acquired assets at a profit or using annual income flows to meet capital financing costs such as interest and provision for debt repayment.

Programmes Funded by Borrowing	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total (2019/20- 2022/23) £'000
General Fund	25,689	75,691	19,436	9,281	1,481	105,889
Companies	5,429	43,357	11,101	0	0	54,458
Meridian Water	44,028	4,819	456	0	0	5,275
TOTAL	75,146	123,867	30,993	9,281	1,481	165,622

General Fund

This is the element of external debt to be repaid by the revenue budget over a period. Monies will be set aside through the Minimum Revenue Provision to cover the interest costs and principal repayments over the life of the assets acquired. Assets acquired have on average, asset lives of 5-50 years and therefore outstanding debt will be repaid over this period.

Companies

This covers Council Investment in projects via its wholly owned subsidiaries, Enfield Innovations Limited (EIL) and Lea Valley Heat Network Limited (LVHN). These Companies are financed by borrowing. The companies will finance the borrowing from the income generated by trading which will be returned to the Council to meet debt repayments.

Meridian Water

With this programme, the Council is acquiring and developing land to increase housing supply in the borough. Debt financing of this programme will be repaid from the receipts generated as this programme develops.

4. ALTERNATIVE OPTIONS CONSIDERED

5. REASONS FOR RECOMMENDATIONS

6. COMMENTS FROM OTHER DEPARTMENTS

Financial Implications

The Section 151 Officer is required to keep under review the financial position of the Authority. The Capital Programme supports the discharge of this duty, the revenue implications of the Capital Programme proposed have been incorporated into the Medium Term Financial Plan.

Legal Implications (to be checked)

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.

The Chartered Institute of Public Finance and Accounting (CIPFA) *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) underpins the system of capital finance. Local authorities determine their own programmes for capital investment in non-current assets that are central to the delivery of quality local public services. As mentioned above in this report, The Prudential Code has been developed as a professional code of practice to support local authorities in taking decisions, such as those relating to capital strategies and programmes contained in this report. Authorities are required by regulation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003.

The legal implications for each individual scheme within the capital programme will be considered when approval is sought for that particular scheme. Each scheme within the Capital programme will be approved in accordance with the Council's constitution.

Property Implications

All property implications are included within the main report.

7. KEY RISKS

All the key risks are included within the main report.

8. IMPACT ON COUNCIL PRIORITIES – CREATING A LIFETIME OF OPPORTUNITIES IN ENFIELD

Section 2.0 of this report sets on how the Capital Programme supports the delivery of the Council's Corporate Plan.

9. EQUALITIES IMPACT IMPLICATIONS

The Capital Programme seeks to reduce inequalities in the borough by investing in regeneration for example.

10. PERFORMANCE AND DATA IMPLICATIONS

The delivery of the Capital Programme will be integrated into the monitoring of the Council's Corporate Plan.

11. PUBLIC HEALTH IMPLICATIONS

The Capital Programme seeks to improve or impact upon the health and well-being of the public in Enfield. This includes, for example, improving the environment to encourage healthy lifestyles and delivering high quality housing.

APPENDIX-1

Table A: Financing of the Capital Programme

Financing						
Approved Capital Programme (Departments)	Grants & External Contributions £'000	Revenue Contributions £'000	Capital Receipts £'000	Earmarked Reserves £'000	Borrowing £'000	Total (2019/20-2022/23) £'000
Resources	2,001	0	0	0	10,244	12,245
People	28,777	0	0	0	17,278	46,055
Place	970	0	155	2,336	78,366	81,827
Place - Meridian Water	0	0	0	0	5,275	5,275
Place - HRA	0	21,929	39,818	81,890	0	143,637
General Fund & HRA	31,748	21,929	39,973	84,227	111,164	289,040
Companies	0	0	0	0	54,458	54,458
Approved Capital Programme	31,748	21,929	39,973	84,227	165,622	343,498

Table B: Analysis of Internal and External Resources, Excluding Debt

2019-20 to 2022-23						
Capital Programme	Grants & External Contributions £'000	Revenue Contributions £'000	Capital Receipts £'000	Earmarked Reserves £'000	TOTAL £'000	Funding Source
Edmonton Cemetery Chapel Conversion	0	0	155	0	155	Capital Receipts
Education	27,287	0	0	0	27,287	Basic Needs & Maintenance Grants
Flood Alleviation	70	0	0	0	70	ThamesWater, Environment Agency, Greater London Authority
Housing Adaptations (DFG)	2,001	0	0	0	2,001	Disabled Facilities Grant
HRA Estate Renewals	0	20,130	37,918	15,625	73,673	RTB Receipts, Revenue Contribution
HRA Major Works	0	1,799	0	63,680	65,479	HRA Reserves, Revenue Contribution
HRA Minor Works	0	0	1,900	2,585	4,485	HRA Reserves
Mental Health and Wellbeing Centre	1,490	0	0	0	1,490	Better Care Fund Grant
TFL: Cycle Enfield	900	0	0	0	900	Transport for London
Vehicle Replacement Programme	0	0	0	2,336	2,336	Revenue Contribution
TOTAL	31,748	21,929	39,973	84,227	177,876	

Table C: Capital Programme Analysed by Corporate Objectives

Council Objective	Capital Programme	2018-19	2019-20	2020-21	2021-22	2022-23	TOTAL (2019/20-2022/23)
		£'000	£'000	£'000	£'000	£'000	£'000
BUILD OUR LOCAL ECONOMY TO CREATE A THRIVING PLACE							
	Alley Gating	35	0	0	0	0	0
	Broomfield House	70	47	0	0	0	47
	Building Improvement Programme	2,561	0	0	0	0	0
	Bury Street West Depot	70	18,973	0	0	0	18,973
	Community Safety	200	0	0	0	0	0
	Corporate Schemes	149	0	0	0	0	0
	Edmonton Cemetery	1,064	800	0	0	0	800
	Edmonton Cemetery Chapel Conversion	95	155	0	0	0	155
	Education	17,334	27,287	0	0	0	27,287
	Flood Alleviation	420	90	0	0	0	90
	Forty Hall	4	67	0	0	0	67
	Genotin Road (Metaswitch)	0	12,500	12,500	0	0	25,000
	Highways & Street Scene	7,383	343	0	0	0	343
	Libraries	116	516	0	0	0	516
	Montagu Industrial Estate	1,508	12,550	0	0	0	12,550
	Recycling	0	243	0	0	0	243
	Southgate Cemetery	27	1,113	0	0	0	1,113
	Town Centre Regeneration	66	6,804	0	0	0	6,804
	Traffic and Transportation	50	0	0	0	0	0
	Vehicle Replacement Programme	8,304	76	2,260	0	0	2,336
TOTAL		39,456	81,564	14,760	0	0	96,324
GOOD HOMES IN WELL CONNECTED NEIGHBOURHOODS							
	Electric Quarter & Ponders End	1,350	10,634	1,569	0	0	12,203
	Extra Care Housing: Reardon Court	100	1,175	5,342	9,281	1,481	17,278
	Housing Assistance & Adaptations	2,467	2,001	0	0	0	2,001
	Housing Enabling	109	0	0	0	0	0
	Housing Revenue Account	75,907	67,849	40,883	34,905	0	143,637
	Meridian Water	44,028	4,819	456	0	0	5,275
	Energetik	3,679	5,107	0	0	0	5,107
	Housing Gateway Ltd	1,750	38,250	11,101	0	0	49,351
TOTAL		129,390	129,834	59,351	44,185	1,481	234,852
SUSTAIN STRONG AND HEALTHY COMMUNITIES							
	Care Home Reprovisions	452	0	0	0	0	0
	Mental Health and Wellbeing Centre	0	1,490	0	0	0	1,490
	Parks & Play Areas	501	0	0	0	0	0
	Tennis Courts Works at Firs Farm	230	270	0	0	0	270
	TFL: Cycle Enfield	7,080	900	0	0	0	900
	TFL: Local Implementation Plans	2,054	0	0	0	0	0
TOTAL		10,317	2,660	0	0	0	2,660
OUR GUIDING PRINCIPLES							
	IT Investment	10,389	9,637	25	0	0	9,662
TOTAL		10,389	9,637	25	0	0	9,662
TOTAL APPROVED CAPITAL PROGRAMME		189,552	223,696	74,136	44,185	1,481	343,498

Appendix-2

Table A: Approved Capital Programme 2019/20 – 2022/23

Approved Capital Programme	2019-20 to 2022-23						Total 2019-20 to 2022-23	2019-20 to 2022-23								
	2018-19	2019-2020	2020-2021	2021-2022	2022-2023	Total 2019-20 to 2022-23		Capital Grants & External Contributions	Revenue Contributions	Capital Receipts	Earmarked Reserves	2019-2020	2020-2021	2021-2022	2022-2023	Total Funding
	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
RESOURCES																
Assessment Services																
Housing Adaptations (DFG)	2,379	2,001	0	0	0	2,001	2,001	0	0	0	0	0	0	0	0	2,001
Total Assessment Services	2,467	2,001	0	0	0	2,001	2,001	0	0	0	0	0	0	0	0	2,001
Commercial																
Forty Hall	4	67	0	0	0	67	0	0	0	0	67	0	0	0	0	67
Total Commercial	4	67	0	0	0	67	0	0	0	0	67	0	0	0	0	67
Customer Experience & Change																
IT Investment	10,389	9,637	25	0	0	9,662	0	0	0	0	9,637	25	0	0	0	9,662
Libraries	116	516	0	0	0	516	0	0	0	0	516	0	0	0	0	516
Total Customer Experience & Change	10,505	10,152	25	0	0	10,178	0	0	0	0	10,152	25	0	0	0	10,178
Total RESOURCES	12,976	12,220	25	0	0	12,245	2,001	0	0	0	10,219	25	0	0	0	12,245
PEOPLE																
Adult Social Care																
Extra Care Housing: Reardon Court	100	1,175	5,342	9,281	1,481	17,278	0	0	0	0	1,175	5,342	9,281	1,481	0	17,278
Mental Health and Wellbeing Centre	0	1,490	0	0	0	1,490	1,490	0	0	0	0	0	0	0	0	1,490
Total Adult Social Care	552	2,665	5,342	9,281	1,481	18,768	1,490	0	0	0	1,175	5,342	9,281	1,481	0	18,768
Education																
School Expansions	12,602	3,693	0	0	0	3,693	3,693	0	0	0	0	0	0	0	0	3,693
Schools Maintenance	4,732	400	0	0	0	400	400	0	0	0	0	0	0	0	0	400
Schools' Future Programme	0	23,194	0	0	0	23,194	23,194	0	0	0	0	0	0	0	0	23,194
Total Education	17,334	27,287	0	0	0	27,287	27,287	0	0	0	0	0	0	0	0	27,287
Total PEOPLE	18,085	29,952	5,342	9,281	1,481	46,055	28,777	0	0	0	1,175	5,342	9,281	1,481	0	46,055
PLACE																
Environment & Operations																
Highways:																
Flood Alleviation	420	90	0	0	0	90	0	0	0	0	0	0	0	0	0	90
Highways & Street Scene	7,383	343	0	0	0	343	0	0	0	0	343	0	0	0	0	343
Parks:																
Edmonton Cemetery	1,064	800	0	0	0	800	0	0	0	0	800	0	0	0	0	800
Southgate Cemetery	27	1,113	0	0	0	1,113	0	0	0	0	1,113	0	0	0	0	1,113
Tennis Courts Works at Firs Farm	230	270	0	0	0	270	0	0	0	0	270	0	0	0	0	270
Waste, Recycling & Fleet:																
Recycling	0	243	0	0	0	243	0	0	0	0	243	0	0	0	0	243
Vehicle Replacement Programme	8,304	76	2,260	0	0	2,336	0	0	0	2,336	0	0	0	0	0	2,336
Traffic & Transportation:																
TFL: Cycle Enfield	7,080	900	0	0	0	900	900	0	0	0	0	0	0	0	0	900
Total Environment & Operations	27,147	3,835	2,260	0	0	6,095	970	0	0	2,336	2,789	0	0	0	0	6,095
Meridian Water																
Meridian Works (GLA LRF) Phase 1	517	3,319	456	0	0	3,775	0	0	0	0	3,319	456	0	0	0	3,775
MWater Station Public Realm Works	2,000	1,500	0	0	0	1,500	0	0	0	0	1,500	0	0	0	0	1,500
Total Meridian Water	44,028	4,819	456	0	0	5,275	0	0	0	0	4,819	456	0	0	0	5,275
Property & Economy																
Broomfield House	70	47	0	0	0	47	0	0	0	0	47	0	0	0	0	47
Town Centre Regeneration	66	6,804	0	0	0	6,804	0	0	0	0	6,804	0	0	0	0	6,804
Electric Quarter & Ponders End	1,350	10,634	1,569	0	0	12,203	0	0	0	0	10,634	1,569	0	0	0	12,203
Bury Street West Depot	70	18,973	0	0	0	18,973	0	0	0	0	18,973	0	0	0	0	18,973
Edmonton Cemetery Chapel Conversion	95	155	0	0	0	155	0	0	155	0	0	0	0	0	0	155
Montagu Industrial Estate	1,508	12,550	0	0	0	12,550	0	0	0	0	12,550	0	0	0	0	12,550
Genotin Road (Metaswitch)	0	12,500	12,500	0	0	25,000	0	0	0	0	12,500	12,500	0	0	0	25,000
Total Property & Economy	5,870	61,663	14,069	0	0	75,732	0	0	155	0	61,508	14,069	0	0	0	75,732
Housing & Regeneration																
Housing Revenue Account:																
Major Works	16,549	28,468	20,404	16,607	0	65,479	0	1,799	0	63,680	0	0	0	0	0	65,479
Minor Works	4,792	1,285	1,300	1,900	0	4,485	0	0	1,900	2,585	0	0	0	0	0	4,485
Estate Renewals	54,566	38,096	19,179	16,398	0	73,673	0	20,130	37,918	15,625	0	0	0	0	0	73,673
Total Housing & Regeneration	76,016	67,849	40,883	34,905	0	143,637	0	21,929	39,818	81,890	0	0	0	0	0	143,637
Total PLACE	153,060	138,166	57,668	34,905	0	230,740	970	21,929	39,973	84,227	69,116	14,525	0	0	0	230,740
Total General Fund and HRA	184,122	180,339	63,035	44,185	1,481	289,040	31,748	21,929	39,973	84,227	80,510	19,892	9,281	1,481	0	289,040
COMPANIES																
Energetik	3,679	5,107	0	0	0	5,107	0	0	0	0	5,107	0	0	0	0	5,107
Housing Gateway Ltd	1,750	38,250	11,101	0	0	49,351	0	0	0	0	38,250	11,101	0	0	0	49,351
Total COMPANIES	5,429	43,357	11,101	0	0	54,458	0	0	0	0	43,357	11,101	0	0	0	54,458
APPROVED CAPITAL PROGRAMME	189,551	223,696	74,136	44,185	1,481	343,498	31,748	21,929	39,973	84,227	123,867	30,993	9,281	1,481	0	343,498

Note: 2018-19 figures are for reference only, and not included in totals.

Table B: Projects pending approval

Projects in the Approval Cycle	Profiling to be agreed £'000
PEOPLE	
Education	60,000
PEOPLE TOTAL	60,000
PLACE	
Building Improvement Programme	1,500
Corporate Property Investment Programme	1,900
Enfield Rural Catchment	TBC
Highways & Street Scene	6,450
Meridian Water	34,382
Waste and Recycling Collections	TBC
Community Safety - CCTV	300
PLACE TOTAL	44,532
HOUSING REVENUE ACCOUNT	
Major Works	39,833
Minor Works	3,115
Estate Renewals	146,005
Small Sites	3,700
HRA TOTAL	192,652
TOTAL	297,184

NB: A portion of the education programme relates to ongoing approved schemes.

Table C: Projects in the Pipeline

Pipeline Projects	2019-20	2020-21	2021-22	2022-23	Profiling to be agreed	Total 2019-20 to 2022-23
	£'000	£'000	£'000	£'000	£'000	£'000
PLACE						
Building Improvement Programme	0	3,000	3,000	3,000	0	9,000
Corporate Property Investment Programme	0	5,000	5,000	5,000	0	15,000
Highways & Street Scene	0	6,450	6,450	6,450	0	19,350
Meridian Water	0	83,053	116,116	41,324	0	240,493
Montagu Industrial Programme	16,000	0	0	0	0	16,000
Operational Building Review	0	0	0	0	TBC	TBC
Vacant Properties	0	0	0	0	1,200	1,200
PLACE TOTAL	16,000	97,503	130,566	55,774	1,200	301,043
PEOPLE						
Community Safety - CCTVs	0	300	300	300	0	900
PEOPLE TOTAL	0	300	300	300	0	900
RESOURCES						
ICT Infrastructure	0	0	0	0	TBC	TBC
RESOURCES TOTAL	0	0	0	0	0	0
COMPANIES						
Energetik	0	0	0	0	43,500	43,500
Housing Gateway Ltd	0	0	0	0	51,450	51,450
Investment in Commercial Property	0	0	0	0	25,000	25,000
COMPANIES TOTAL	0	0	0	0	119,950	119,950
TOTAL	16,000	97,803	130,866	56,074	121,150	421,893