CAPITAL STRATEGY 2022/23

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ENFIELD Council

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Introduction

1. The main purpose of the Capital Strategy is to ensure the Council's investment in capital projects is sound and supports the delivery of our corporate objectives. The requirement to have an annual Capital Strategy approved by Council became mandatory in 2019/20 as part of the update to the Prudential Code.

2. This Capital Strategy is an overarching document which sets the policy framework for the development, management and monitoring of the Council's capital investment. The Strategy focuses on the core principles that underpin the Council's capital programme. It sets out the key issues and risks that will impact on the delivery of the programme and the governance framework required to ensure the capital programme is delivered and supports the delivery of the Council's Corporate Objectives as detailed in Enfield's Council Plan 2020 to 2022.

3. The Capital Strategy aligns with the priorities set out in the Council Plan and other key Council strategies. The Strategy is integrated with the Medium Term Financial Plan (MTFP) and Treasury Management Strategy to ensure full account is taken of revenue implications and restrictions on capital resources.

4. This document details the high level approach and framework that will underpin the development of the 2022/23 to 2031/32 Capital Programme and sets out the framework for the development of the detailed programme.

5. The financial implications of the Ten Year Capital programme, i.e. the Minimum Revenue Provision (MRP) (the notional repayment of principal) and debt financing costs are incorporated into the Medium Term Financial Plan and the Ten Year Treasury Management Strategy.

6. Since the last Capital strategy was approved the Chartered Institute of Public Finance & Accountancy (CIPFA) has consulted on the Prudential Code. The proposed changes look to strengthen the requirements regarding borrowing for commercial projects to ensure Local Authorities are not borrowing in advance of need, with a view to making a profit. Arlingclose, the Council's external treasury advisors, have confirmed that the Council does not currently have any capital investments which fall within this commercial category.

7. Other proposed changes are to ensure Local Authorities' capital investment remains sustainable and to facilitate these two new prudential indicators together with the replacement of an existing indicator are being proposed as set out below:
   - New prudential indicator: external debt to net revenue stream ratio
   - New prudential indicator: income from commercial and service investments to net revenue stream
   - Replacing "Gross debt and the CFR" with the liability benchmark as a graphical prudential indicator

8. These changes once agreed will be reflected in the Treasury Management Strategy and be reflected as appropriate when developing future capital programmes.

9. CIPFA has also introduced a new Financial Management (FM) Code, which is designed to support good practice and to assist Local Authorities in demonstrating their financial sustainability. The FM code sets out the standards of financial management for Local Authorities and builds on the Prudential and Treasury Management Codes, which the Council already adopts in the management of its Capital Programme and treasury functions. Both Codes require Local Authorities to demonstrate the long term financial sustainability of their capital expenditure, borrowing and associated investments. The Council is working towards full adoption of the FM code from 2021/22 with any changes required to the financial management of the capital programme implemented during the current financial year.

Objectives

10. The main objectives of the Capital Strategy are to:

11. Ensure capital investment is aligned with the Council's strategic vision and corporate priorities, including the climate action plan and the Good Growth Housing Strategy published in 2020.

12. Provide an 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.

13. Maintain an affordable Ten Year Capital Programme and to ensure the revenue impact is fully recognised and captured in the Medium Term Financial Plan (MTFP).

14. Manage the programme within the self-imposed £2 billion borrowing cap.

15. Maximise available resources by actively seeking appropriate external funding and disposal of surplus assets.

Enfield Council Plan 2020-2022

16. The capital strategy will support the Enfield Council Plan, which focuses on three strategic outcomes and four cross cutting themes.

STRATEGIC OUTCOMES		OBJECTIVES
1	**Good Homes in Well Connected Neighbourhoods**	a. Build more and better homes for residents b. Invest in and improve our council homes c. Deliver housebuilding and regeneration programmes with our residents d. Drive investment to deliver good growth for London
2	**Safe, Healthy and Confident Communities**	a. Keep communities free from crime b. Inspire and empower young Enfield to reach their full potential c. Deliver essential services to protect and support vulnerable residents d. Create healthy streets, parks and community spaces
3	**An Economy That Works for Everyone**	a. Create more high-quality employment b. Enhance skills and connect local people to opportunities c. Develop town centres that are vibrant, safe and inclusive d. Craft a cultural offer for Enfield to support London's status as a world class city

CROSS CUTTING THEMES		OBJECTIVES
1	**A Modern Council**	a. An empowered, responsive and happy workforce b. Accessible and efficient c. Financial Resilience and good governance d. Working in partnership
2	**Climate Action**	Work with staff, suppliers, residents, businesses, schools, statutory partners and Government to become carbon neutral by 2030 and create a carbon neutral borough by 2040.
3	**Fairer Enfield**	All residents, service users and Council staff supported to fulfil their potential, are treated with respect and are actively involved in shaping the decisions that will affect their workplace and wider community.
4	**Early Help**	Joining up services across Council and with our partners to deliver a range of coordinated early help services.

17. The Capital Strategy will also support the delivery of Cabinet member individual priorities, where linked to the Capital programme. These are listed below:

- Produce a new Local Plan for Enfield and deliver on major housing and regeneration programmes to shape the future landscape for the borough.
- Implement the Climate Action Plan and oversee delivery of associated projects.
- Review the Borough's leisure services and plan for future provision.
- Promote accommodation options for Older People and Vulnerable Adults.
- Increase educational provision for SEND pupils.
- Deliver agreed programmes to ensure council homes are safe and well maintained.

18. Housing and Regeneration is a key priority of the Council, with 83% of the current Ten Year Capital Programme budgets, allocated to supporting the delivery of the corporate objective to provide 'Good homes in well connected neighbourhoods'.

19. The current Ten Year Programme is designed to support the Council's delivery of its corporate objectives and ensure the required infrastructure is in place to work efficiently with the Council's residents.

20. Table 1 below provides a summary of the current Ten Year Programme by corporate objective.

Table 1 - **Current Capital Programme (2021/22 to 2030/31)**

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27-2030/31	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Good homes in well-connected neighbourhoods	449,254	254,778	297,060	194,499	206,337	932,246	2,334,174
An economy that works for everyone	88,733	48,334	25,678	20,646	12,139	44,378	239,908
Safe, healthy and confident communities	50,394	32,326	24,511	22,368	25,394	82,675	237,667
TOTAL	**588,380**	**335,438**	**347,249**	**237,513**	**243,871**	**1,059,298**	**2,811,749**
External Grants & Contributions	170,956	79,470	117,726	108,033	115,826	175,633	767,644
Revenue Contributions	348	0	0	0	0	0	348
Capital Receipts	12,105	9,459	6,213	7,234	7,492	8,664	51,167
Major Allowance Repairs	11,067	11,257	11,474	5,103	13,287	77,285	129,473
Earmarked Reserves	69,221	22,217	42,294	61,780	45,294	260,438	501,245
Borrowing	324,867	213,036	169,542	55,363	61,972	537,278	1,361,214
TOTAL	**588,380**	**335,438**	**347,249**	**237,513**	**243,871**	**1,059,298**	**2,811,749**

Governance

21. There is a requirement for the annual Capital Strategy to be approved by Council. Historically, this has happened when the detailed Ten Year Capital Programme has been approved.

22. However, for 2022/23 the Strategy will be approved before the 2022/23 to 2031/32 Ten Year Capital programme, in line with the Medium Term Financial Strategy.

23. The Capital Finance Board (CFB) is responsible for the overall financial management of the Council's General Fund and Housing Revenue Account (HRA) Capital Programmes, on behalf of the Executive Management Team (EMT).

24. CFB 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.

25. The main responsibilities of CFB are to:

    i. Review and recommend to EMT all new General Fund capital projects
    ii. Ensure capital resources are viewed corporately demonstrating a clear link to corporate objectives
    iii. Ensure any revenue costs are identified and considered in the Treasury Management Strategy and the Council's MTFP
    iv. Develop a capital strategy which supports the delivery of the Council's corporate objectives
    v. Review new capital project requests on behalf of EMT
    vi. Provide an extra level of scrutiny on the Council's high risk projects
    vii. Ensure the agreed borrowing cap is maintained. The cap will be reviewed against the forecast future rents and Council asset values as part of the development of the new capital programme

26. CFB supports/drives/coordinates the development of the rolling Ten Year Capital Programme. All approved programmes were presented to CFB. Programme managers were required to present their updated appraisal template to the Board. Each programme will be evaluated against financial and non-financial criteria. Projects agreed by CFB will be presented to EMT for review prior to being considered by Cabinet and presented to full Council for approval, before being added to the approved Capital Programme.

27. The approval to add a project to the capital programme, approves the budget envelope only. This does not give the right to spend. The right to spend the budget envelope is only granted following the production and authorisation of a separate report, which provides the authorised decision to spend the funds allocated in the approved capital programme. The governance to approve such reports is set out in the Council's Constitution (Part 4) and will depend on whether it is classed as an operational or portfolio decision.

28. In addition to projects recommended for inclusion in the approved programme, there are number of projects which have been classified as 'pipeline projects. Pipeline projects are projects where further work is required to complete the business case requesting investment. Where indicative figures are known they have been included for the purpose of calculating capital financing costs for treasury and MTFP purposes. These projects are not part of the approved capital programme and are subject to The governance process described above.

29. The Finance Team are finalising the update and improvement of the current financial appraisal methodology. The new framework is called the Development and Investment Financial Framework (DIFF). The framework was developed in recognition that the capital programme, in light of the Council's regeneration ambitions, is becoming increasingly complex.

30. The DIFF will strengthen the current process regarding the addition of new projects to the programme through the introduction of a two phase approval process, with each phase acting as a gateway. Phase One will be an initial project compliance check. This is a high-level checklist which will ensure the project owner has considered the fundamental information required to appraise and scrutinise a potential project.

31. Phase Two will comprise of the completion of an updated and expanded Project Financial appraisal template. The current template will be reviewed and updated in light of the DIFF. The revised formal project financial appraisal is more comprehensive than the existing template and will allow greater scrutiny of new proposals in line with the four pillars within the framework:

    i. project viability,
    ii. project affordability,
    iii. operational considerations, and
    iv. routes to delivery.

32. Under each pillar a set of criteria exist against which qualitative and quantitative assessments will be made.

33. Once a programme has been assessed using the process described above, its inclusion in the capital programme, will depend on what priority it has been assigned. The prioritisation of the programme is covered in Paragraph 60 onwards.

Developing the 2022/23 to 2031/32 10 Year Programme

34. The new Capital programme will be developed in the coming months, by rolling forward the existing programme by a year and where relevant the underlying financial models. Each individual programme will be assessed using the DIFF, which provides information on the viability, affordability, delivery options and operational considerations.

    i) Project Viability considers the project within the context of relevant appraisal metrics, such as NPV, Payback, IRR amongst others
    ii) Project Affordability considers the impact of the Project within the broader context of the Council's budgetary requirements and overall debt levels
    iii) Operational considerations -looks at the impact of the project on the Council's day to day businesses and any revenue budget implications
    iv) Considers the competencies that must be in place to ensure the Council is able to deliver the project

35. In addition to the above four areas, depending on the size of the project a business case and financial model will be required to enable scenario analysis to be undertaken.

36. The approval process starts with the completion of the two stage project appraisal template described above, which is presented to CFB. The Phase One template is reviewed by Finance and serves as a checklist to ensure all relevant information is available, prior to the presentation of the Phase 2 template to CFB. CFB will assess new projects based on the financial and non-financial information included in the Project appraisal templates, described above.

37. As detailed in paragraphs above, the current process is being updated. The new framework is being finalised and will be adopted in the development of the new Ten Year Programme.

38. All programmes will be presented to the Capital Finance Board and then prioritised using the categories below.

    i. Fully Grant Funded – 100% of project funding is financed through non repayable grants
    ii. Statutory/Health and Safety /Business Continuity-Projects which the Council has a statutory obligation to undertake, must undertake for Health and Safety compliance or are essential to the operation of the Council
    iii. Medium Term Financial Plan Savings – Projects which underpin the delivery of revenue savings in the MTFP
    iv. Cost avoidance or Income generation – Projects contributing to the avoidance of additional costs or the generation of additional income
    v. Match Funding – Projects where Council investment is required to attract external non repayable grant funding
    vi. Other – projects which do not fall into any of the above categories, but do contribute to the Council's strategic priorities

39. This will give an early indication of the underlying borrowing requirement of the programme, with reference to the £2billion borrowing cap.

40. The Council has a 3.5% hurdle rate for investment decision-making, which is part of the strategy of ensuring all projects are not just viable but pay back during an appropriate time frame. It has historically set its Treasury interest budgets on this basis. In setting the budgets in Treasury and Capital, the Council also reviews the timing of capital receipts, as similar to the hurdle rates, this significantly affects the ability of the Council to target a debt position significantly below the £2billion borrowing cap.

Financing the Capital Programme

41. In February 2019 the Council increased the scrutiny and transparency of the ambitious capital programme through the Ten Year Capital and Treasury Strategy. At the same time the Council set a self-imposed borrowing cap of £2billion which was based on the level of risk and was prudent and brought increased rigour and challenge to the capital programme. In recognition of this, each year, only the forthcoming year's capital expenditure is agreed at Council, enabling a review of any future capital programmes during the Ten Year timeline. Updating the Capital Programme; by its nature, is an iterative process.

42. It is recognised that there are a number of options that are available to the Council to manage the level of borrowing to ensure this is affordable which include prioritising the capital investment programme, re-phasing the large scale regeneration programmes, consideration of programme timing, reducing debt or cost of the programme via private sale or asset sale, looking at alternative delivery models (such as Meridian Water Phase 4 forward funding approach) and the strategic review of the Council companies (such as the proposed strategic review of Energetik agreed at Council).

43. It is recognised that the debt cap is a somewhat blunt instrument, albeit easy to understand. One of the key considerations is the affordability of that borrowing in both the General Fund and HRA and therefore there is due regard to the assets that support the indebtedness, and the contingency available to support scheme risks.

44. The Council's Treasury Management Strategy Statement sets out the way in which sufficient but not excessive cash balances will be maintained 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.

45. The Council assumes to borrow at interest rates of 3.5%, whether to re-finance borrowing or for borrowing in relation to growth in the Capital Programme. However, the effect of the current Pandemic has meant that interest rates remain low.

46. The Council currently (as at 31 March 2021) has £930m borrowing at an average interest rate of 2.72% and £36m treasury investments at an average rate of 0.02%

47. The underlying need to borrow to fund the capital programme is measured by the Capital Financing requirement (CFR). The Table below shows the current forecast external borrowing required to support the existing programme at 31st March 2021 is £1.975bn. This table will be refreshed as part of the development of the new Ten Year Programme.

Table 2 - **Capital Financing Requirement**

	2020/21 Actual	2021/22 (Revised)	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27-2030/31
	£m	£m	£m	£m	£m	£m	£m
General Fund CFR	925.0	1,149.2	1,261.4	1,327.4	1,340.8	1,347.9	1,443.7
HRA CFR	240.2	297.9	358.9	417.9	417.9	424.5	658.5
Total Loans CFR	**1,165.2**	**1,447.1**	**1,620.3**	**1,745.4**	**1,758.7**	**1,772.4**	**2,102.2**
PFI Liability	33.9	30.3	26.3	22.1	17.7	13.8	0.0
Total CFR	**1,199.1**	**1,477.4**	**1,646.7**	**1,767.5**	**1,776.4**	**1,786.2**	**2,102.2**
Less Internal Borrowing	(269.0)	(182.4)	(146.6)	(140.6)	(136.8)	(134.0)	(126.9)
External Borrowing	**930.1**	**1,295.0**	**1,500.1**	**1,626.9**	**1,639.5**	**1,652.2**	**1,975.2**

48. The Council's main objective when borrowing is to achieve a low but certain cost of finance and to retain 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 0.25%) and long term fixed rate loans where the future cost is known but higher (50 year PWLB debt currently 2.11% to 2.29% (Standard Rate) depending on loan structure).

49. Projected levels of the Council's total outstanding borrowing (which comprises external borrowing, PFI liabilities, leases) are shown in the above table, compared with the capital financing requirement.

50. In accordance with the Treasury Management Strategy Statement, the Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves. All cash balances are invested with approved financial institutions with the aim of closing each day with a zero current bank balance ensuring all surplus cash is always appropriately invested.

51. The Councils objective when investing money is to strike an appropriate balance between risk and return. Where balances are expected to be invested for more than a year, the Council will aim to achieve a return equal to or higher than inflation to maintain spending power.

Revenue budget implications

52. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP (Minimum Revenue Provision) is charged to revenue, offset by any investment income receivable.

53. The net annual charge is known as the Financing Cost and is used to establish the key Prudential Affordability Indicator for General Fund and HRA as follows:

- General Fund – interest and MRP divided by net income stream consisting mainly of Council Tax and Business rates income, Government grants, trading and investment income offset by expenditure on the Council's General Fund services
- HRA – gross income consisting mainly of rents, service charges investment income offset by expenditure in the HRA
- This comparison generates the Prudential indicator most relevant for measuring the affordability of borrowing. The higher the indicator the greater the proportion of income required to pay financing costs.

54. Table 3 sets out the Ratio of Financing Costs to Net Revenue Stream for General Fund and HRA respectively.

Table 3 - **Prudential Indicator: Ratio of financing costs to net revenue**

	2020/21 Actual	2021/22 (Revised)	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27-2030/31
	£000	£000	£000	£000	£000	£000	£000
General Fund (GF)							
Total GF Financing Costs (MRP & Interest)	18,283	27,740	34,621	37,754	36,144	38,947	190,681
Net Revenue Budget	236,904	240,782	245,191	249,691	254,286	258,977	1,363,567
Proportion of Net Revenue Stream	7.7%	11.5%	14.1%	15.1%	14.2%	15.0%	14.0%
Housing Revenue Account (HRA)							
Total HRA Financing Costs (Interest)	8,737	10,665	12,641	14,134	14,772	14,900	97,354
Net HRA Revenue Budget	56,473	59,824	63,141	66,171	68,400	71,355	415,851
Proportion of Net Revenue Stream	15.5%	17.8%	20.0%	21.4%	21.6%	20.9%	23.4%

55. Table 3 shows the proportion of resources required in both the HRA and General Fund to service financing costs. These are increasing over the term of the capital programme indicating increasing risk in the affordability to service financing costs. These costs ae funded from Revenue budgets.

Performance Management
(Capital programme monitoring)

56. Once a capital project is approved, it forms part of the Council's approved capital programme which is monitored on a quarterly basis and is reported through to Cabinet. However, some of the more complex projects are monitored on a monthly basis.

57. Individual project managers or budget holders are responsible for the detailed quarterly budget monitoring. Individual returns are consolidated before being reviewed at Departmental Management Teams (DMT) meetings. These approved forecasts form the basis of the quarterly monitoring report. This report is reviewed at CFB and discussed at EMT, before being presented to Cabinet and Council to approve any amendments to the approved programme.

58. 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.

59. Particular focus will be placed on programmes which have reprofiled significant amounts from 2020/21, to ensure forecasts are realistic.

60. The Finance team act as the 'critical friend' during the monitoring cycle, by working with services to provide forecasts that are as accurate as possible, but also scrutinising and challenging unrealistic financial forecasts and requests for budget slippage.

61. The Capital programme is risk based at the start of the year based on factors including budget size, funding sources, grant conditions and the impact of external economic factors. This forms the basis for those programmes which will be subject to at least one, high level CFB review. Responsible officers present a high-level project overview regarding the project finances, delivery and any risks and mitigations. This is in addition to monitoring described above.

62. The Board also maintain and review a strategic capital programme risk register quarterly. The register will incorporate key risks from other strategic registers with potential material impact on the delivery of the programme. Major projects also have separate programme boards where the project finances are also reviewed.

63. Cabinet receives quarterly capital monitoring reports which includes financial information regarding actual spend and year end forecasts as well as details of projects delivery, risks and where relevant information relating to additional grants received or funding requests.

Economic Context

64. The medium term global economic outlook has improved with the rollout of vaccination programmes, albeit some countries are experiencing extremely challenging conditions that may dampen activity. The UK has benefitted from the initial rapid vaccine rollout, boosting confidence and activity.

65. The rise in growth and inflation is likely to be largely temporary and this uncertainty over sustainability will maintain pressure on central banks to maintain loose monetary conditions for the foreseeable future. Bank Rate is unlikely to change despite developing market expectations.

66. The wider construction market is classed as unpredictable at present, following the high profile influencing factors of Brexit, Covid-19 and the subsequent economic recession.

67. With the UK leaving the European Union on 31st December 2020 (after the transition period), prices are increasing in a number of areas in the industry. In particular steel prices have increased by circa 40%, with gravel and sand up by approximately 20%. Market intelligence also suggests that a substantial amount of the construction labour has left the UK and continue to leave. These price increases and labour shortages are likely to impact the delivery cost of housing and regeneration schemes.

68. Due to Covid-19, there has been a big change to the way construction staff work within sites. Avison Young (AY), a commercial real estate firm, reported this has resulted in contractors adding extra labour, to mitigate a drop in construction efficiency, due to social distancing measures and staff having to self isolate.

69. AY also anticipate that residential developments due to start in 2021 are likely to be significantly impacted by the price increases. The predominant structural material used is concrete, where the price is forecast to increase in line with increases in steel. The cost of other materials for new housing has exhibited a year on year increase of 7%.

Commercial Activities

70. The Council will consider commercial capital investment opportunities where they meet wider Council priorities (not purely for yield). 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 borrowing repayment.

71. The proposed commercial investment activities will have 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. Integral to the Council's approach to capital investment is the preparation of a project appraisal or business case as appropriate for review and recommendation by the Capital Finance Board to EMT, prior to Council approval. The Development and Investment Financial Framework (DIFF) will be used which considers not only the project financial viability (e.g. Net Present Value, Internal Rate of return), overall affordability (e.g. impact on revenue budget and borrowing ceiling), but also operational considerations and social value.

72. As set out in paragraph 44, the key objective of the Council's Treasury Management Strategy is to strike a balance between risk and return. The Council's Treasury Management Strategy Statement provides further detail on how Council ensures borrowing remains affordable.

73. The Council currently has two active wholly owned subsidiaries: Housing Gateway Limited (HGL) and Lea Valley Heat Network (LVHN - trading as Energetik), which are funded through Council loans.

74. The Council is also in a joint venture with Henry Boot Limited, which was established in July 2017 to redevelop Montagu Industrial Estate, with a revised budget of £48m to fund land acquisition, of which £4.1m has been spent to 31st March 2021.

75. The project is progressing with the redevelopment of the Montagu Industrial estate, with Phase 1 scheduled for completion in December 2021. A key aspect of the joint venture is the fact that the Council is guaranteed to continue to receive circa £1m guaranteed rental income during the period of redevelopment.

76. 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 actual loan drawdown during 2020/21 was £9.7m, of which £5m was an equity investment, at which point 565 properties had been purchased. The Company is repaying its loans.

77. Energetik 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 across Enfield. The company is funded through a combination of Council loans and external grants, with £94m approved to date, of which £77m is funded through Council borrowing and £17m external grants. The actual loan drawdown during 2020/21 was £1.6m. Energetik currently has 681 connections across the heat network 328 at the Alma Estate & Electric Quarter, 241 at Ladderswood and 112 at New Avenue.

Other strategies relevant to the Capital strategy

HOUSING AND GROWTH STRATEGY

78. The Housing and growth strategy sets out the overarching vision and direction of the Council in relation to delivering housing growth.

79. It also recognises the need to invest in Council housing and services, to improve the private rented sector and to ensure a wide range of housing products are provided.

80. Two of the strategy's key objectives is to provide more affordable homes for local people and invest in Council homes. These objectives are key drivers for future investment and is reflected in the current programme, with £2.3billion forecast to be invested in supporting the delivery of 'good homes in well connected neighbourhoods'.

CLIMATE ACTION PLAN

81. The Climate Action Plan (CAP) was agreed in July 2020, setting out the approach to working with staff, suppliers, residents, businesses, schools, statutory partners and government to become a carbon neutral organisation by 2030 and create a carbon neutral borough by 2040.

82. The CAP recognises that achieving carbon neutrality and tackling emissions across the borough will be hugely challenging given the budgetary pressures on local government. Identifying the need to look to the mayor, the government and other sources of funding alongside our existing budget, in order to deliver the action that is needed.

83. Projects such as LED lighting and flood alleviation schemes, and investment in low carbon energy via Energetik support this Council strategic priority.

STRATEGIC ASSET MANAGEMENT PLAN

84. The Council has a substantial corporate property portfolio, which comprises both operational properties (through which service delivery takes place) and investment properties (where income is derived to pay for the Council's services).

85. Given the challenging financial position facing all local authorities, the Council must optimise the use of its operational assets so that the cost of holding property is only what it needs to be, whilst at the same time ensuring that the properties are repaired, maintained, and safe places to work. The 'Build the Change' programme of office rationalisation was approved in 2019/20. The initial phase has seen an investment of £2.4m which has been applied on enabling works, relocations, digital services, and professional fees. A further £15.2m has recently been approved for the next main phase which will see significant capital investment in in other Council buildings.

86. For other operational properties, investment in necessary lifecycle works is a continual activity and enabled via the Corporate Condition Programme where planed and preventative maintenance works identified through building condition survey data are carried out.

87. Investment properties are an important source of funding for Council services. Periodic investment is needed in them in order to optimise revenue returns and the investment value of the asset. For instance, the regeneration of the Montagu Industrial Estate through a Joint Venture with HBD has recently seen works commence on Phase 1 which will deliver 55,000 sq. ft of new, modern industrial premises by the end of 2021. Later phases will see a further 250,000 sq. ft of new premises delivered.

88. Other parts of the investment portfolio will also continue to benefit from investment through the on-going the Corporate Property Investment Programme (CPIP) which provides for investment in parks, rural and residential properties (those held within the General Fund) where improvements will maintain or increase returns made from those properties.

RISKS AND MITIGATION

Table 4 below summarises the key strategic risks and mitigations of the capital programme. These risks are monitored through the Capital programme risk register, which is reviewed on a quarterly basis by CFB. In addition major capital programmes have their own individual risk registers which are managed at their respective programme boards.

Table 4 – **Capital programme strategic risks and mitigations**

RISKS	MITIGATION
Covid-19	Covid-19 has had a significant impact on the delivery of projects in 2020/21, due to the restrictions placed on the economy, resulting in supply chain delays and reduced outputs due to social distancing requirements. Project budgets will be subject to greater scrutiny in 2021/22 to ensure they are linked to realistic project delivery timetables.
Inflation	Capital project construction costs are currently particularly vulnerable to price increases due to disrupted supply chains and the impact of Brexit. Current markets indicate increased risks in both materials cost increases and labour market capacity. Mitigations include contingencies allocated within projects, value engineering, sensitivity analysis incorporated into business models. This risk to be considered and monitored at the CFB throughout the year.
Grant Reductions	Grant risk has grown since the pandemic and has started with Government funding being withdrawn or reduced. In some cases, grants which were previously agreed for three to five years in many instances, are now only being agreed on an annual basis. All grant funded projects will be kept under close review , with any risks highlighted in the quarterly monitoring report. and options for other funding sources continually investigated.
Legislative	Schemes need to comply with the latest legal requirements and regulations. Changes, which may be retrospective in nature, will impact on the scheme design, timeframes. As mitigation the Council must ensure its up to date and remains vigilant of potential changes in legislation and the potential impact on capital programmes.
Partners	The Council is increasingly working with external partners to deliver major projects . Whilst this may transfer risk and debt, careful monitoring is required to ensure such arrangements do not result in unbudgeted additional cost. This will be mitigated through careful monitoring of any agreements and prompt escalation to manage any identified risks.
Programme delivery capacity	The 2021/22 original budget is £588m. As such its key the Council has the right project delivery expertise. The Council will monitor this through its exiting governance structure of Programme Boards, the Strategic Delivery Board, with oversight from the Capital Finance Board and the Executive management team and through use of appropriate professional external expertise as necessary.

KNOWLEDGE AND SKILLS

89. 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.

90. When necessary, for example when specific skills are 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.

Useful links:

Strategic Asset Management Plan (Cabinet June 2018)

https://governance.enfield.gov.uk/documents/s75117/NEW225Strategic%20Asset%20Management%20Plan%202019-2024%20SUMMARY%20FINAL%20V2.pdf

Good Housing Growth Strategy (Council June 2020)
Agenda for Council on Wednesday, 29th January, 2020, 7.00 pm · Enfield Council

Climate Action Plan (Cabinet July 2020)
4620PL19193CAppendix1EnfieldClimateActionPlanDesignedJULFinalDraft.pdf