London Borough of Enfield

Report Title	Temporary Accommodation and Housing Revenue Account budget overview
Report to	Finance & Performance
Date of Meeting	7th March 2024
Executive Director / Director	Joanne Drew – Strategic Director Housing & Regeneration
Report Author	Claire Eldred Claire.eldred@enfield.gov.uk
Classification	Part 1 Public

Purpose of Report

To provide an update on:

1. Temporary accommodation costs
2. HRA budget
3. Financial information in respect of housing pressures

Main Considerations for the Panel

Temporary Accommodation Costs

The position below is at the end of P9.

	Budget	**Full year projection**	**Variance**
Income	54,670	66,023	11,353
Expenditure	60,830	89,458	28,629
Net TA	**6,160**	**23,436**	**17,276**

Summary of main categories

Property Income – this is the income generated from charging rents to tenants living in TA. The rents will be uplifted to the new LHA level from 1/4/24. Rents charged to tenants in TA should not ordinarily be higher than LHA level.

Grant Income – this is expected to be at a similar level in 24/25 as 23/24. Prevention Grant of c£9.1m is expected, along with Rough Sleepers Initiative funding of c£924k. Lobbying has been undertaken by numerous Authorities in an effort to secure increased Prevention Grant funding which is more reflective of the pressures faced in the current economic climate.

Property Expenditure – the cost of leasing the portfolio of properties used for TA. Expenditure can be reduced in this area through ceasing use of expensive hotel accommodation and procuring property at the lowest possible rates both in and out of Enfield. However, the largest saving can be accrued by significantly reducing the number of families housed in TA.

Subsidy Loss – Housing Benefit subsidy loss is effectively the difference between the rents charged to tenants (full LHA level) and the proportion of that income which Enfield is allowed to retain. Assuming the tenant is in receipt of Housing Benefit any income received above 90% of the 2011 LHA rent level must be returned to Central Government at the end of each financial year. Enfield are currently transferring the TA portfolio into Enfield Let where different rules around income apply.

Salaries – A saving of £426k will be made on the salary budget for 24/25 in line with Corporate expectations. It may be possible to make further savings via a restructure of the Housing Advisory Service to be finalised during 24/25.

Incentives – When Enfield discharge a homelessness duty into the Private Rented Sector (PRS) an incentive is payable to the new agent/landlord. This is usually a one off payment of c£5k in return for a 24 month tenancy agreement. Incentives are expensive, but they are less expensive than holding a family in TA, therefore Enfield should look to discharge as many duties as possible on an ongoing basis. Ideally these discharges should be made outside of Enfield although that does not mean they will be any cheaper to do. This is an area that is very difficult to save expenditure on, should a large number of units enter the market from a single provider(s) Enfield could potentially look to procure a bulk deal which may see the incentive rate reduce due to the scale of the transaction.

Bad Debt – A provision is made each year to set aside funds for rent which in Enfield's view is unlikely to be recovered. The provision is calculated by analysing current TA arrears and historic payment patterns. The provision required within the Council will naturally reduce as Enfield becomes better at identifying families likely to accrue large arrears and helps those families at an earlier stage. If a family is unwilling to be helped, they will be evicted rather than allowed to continually build up arrears. The TA transfer programme will also reduce the number of families housed by Enfield and therefore a reduced provision will be required in future years.

Repairs – This covers both void works and day to day repairs on the PSL portfolio of properties. Again, with the TA transfer programme this will reduce over time. Thought should be given to ensuring repairs are actioned as quickly, effectively and cheaply as possible while maintaining a good standard to avoid repeated repair calls for similar issues.

Nomination Rights – Historically these have been similar to Incentive payments in that they have been paid in order to discharge a homeless duty. However, they have only been paid to Housing Gateway (HGL) to ensure an ongoing right to nominate to any void units in the HGL portfolio. Going forward nomination rights will also be paid on the TA Transfer properties which have been moved into Enfield Let. This is because even though Enfield Let are able to retain 100% of the rent paid by tenants the gap between lease payments due to agents and that income is too great for the scheme to be financially viable without a nominations payment. This still results in an improved financial position for Enfield as the nomination rights payment well be c50% less than the payments made to cover HB Subsidy Loss.

NRPF (No Recourse to Public funds) – In addition to the Homelessness budget and in the position above is the NRPF service. This involves families who do not hold the right to receive benefits in the UK. Enfield is obliged to lease properties for the families and to make subsistence payments to them but do not have any right to make charges to the families in question. In order to reduce expenditure in this area accommodation needs to be procured more cost effectively and the NRPF caseload needs to be carefully managed in conjunction with the Home Office to ensure immigration decisions are made more promptly. Once an immigration decision has been made the NRPF duty ceases but may lead to a homelessness duty.

HRA pressures – 2023-24 Period 8 Outturn Position

Revenue

The Revenue position for period 8 is shown below:

Council Housing (HRA) Revenue Monitor 2023-24	Budget	Actuals to date	Forecast Outturn	Variance
	£m	£m	£m	£m
Supervision and Management	23.8	16.7	24.8	0.9

Repairs	15.1	13.0	17.7	2.6
Rates	0.6	0.0	0.5	-0.1
Bad Debt Provision	0.6	0.3	0.6	-0.1
Interest on debt & Depreciation	27.0	0.0	26.9	-0.2
Corporate & Democratic Core	0.1	0.0	0.2	0.0
Gross Expenditure	**67.3**	**30.0**	**70.6**	**3.3**
Rents Dwellings	-64.4	-28.7	-64.2	0.2
Rents Non-Dwellings	-3.2	-2.1	-3.2	0.0
Interest on HRA Balances	-0.2	0.0	-1.4	-1.2
Leaseholders Service Charges	-5.2	-4.8	-5.2	0.0
Gross income	**-73.0**	**-35.7**	**-74.0**	**-1.0**
Total	**-5.6**	**-5.6**	**-3.4**	**2.2**

In this period the HRA revenue budget was reporting a pressure of £2.22m against the approved budget. This pressure was mainly driven by the significant cost increases in the repairs service due to:

a. Inflation for materials increasing by 18%
b. Higher sub-contractor costs
c. Additional works rising from regulatory requirements on compliance
d. Higher number of works jobs from stock condition surveys and fire risk assessments including damp and mould works
e. Building safety works in high rise blocks

We have been working with our merchants and adopting close budget management to assist in mitigating the impact of the economic climate. In addition, we are reviewing the schedule of rates for services provided to residents outside the HRA, working towards an increased planned approach to repairs service and reducing agency spend

Capital
The Capital position for period 8 is shown below:

HRA Capital Programme	2023-24 Budget	P8 Projected Outturn	Variance to Budget
	£m	£m	£m
Investment Programme	61.0	48.1	-12.9
Development Programme	76.0	59.9	-16.1
Estate Regeneration	5.4	7.5	2.1
HRA Total	**142.4**	**115.5**	**-26.9**

The investment programme continues to experience challenges arising from the current market conditions. The impact of increased inflation on the planned maintenance sector has been substantial with both labour and material shortages pushing up costs by more than general inflation.

We are continuing to invest in our homes to ensure we are compliant with the Building Safety Act and Fire safety Act requirements. Decent homes improvement works are progressing well to achieve decency standards of at least 80% by the end of the year. Projects to improve energy and thermal efficiency to our existing stock have continued this year, with deep retrofit and external wall insulation works, these works have been part funded by grants.

This year the new homes programme continues to experience challenges arising from the current volatile market conditions and additional fire safety regulatory requirements on new developments. As a way to mitigate these risks, we are reviewing alternative delivery models including working with RPs and in the short term we are achieving new homes targets by acquiring additional homes. We will be looking to maximise grant income and use buyback schemes as a strategy to progress with our GLA targets. This will reduce the risk of development, as the current market is volatile and financially challenging.

2024-25 HRA Budget

Revenue and Capital Budgets

The revenue budgets have been set with a focus on providing core services to residents. The cost per unit of these services is being measured against Housemark benchmarks/industry standards to ensure we offer value for money and assist in measuring performance and driving down costs. This year the repairs budget has been increased to reflect inflation increases, this is covered by the increase in rental income.

Background and Options

As above & below

Relevance to Council Plans and Strategies

Investment in the Council's housing stock is a priority to bring it up to the Decent Homes Standard, address building safety risks and improve energy efficiency in our homes. We will be investing £285m on our housing stock over the next 10 years.

The 10-Year Development Programme is targeted to deliver approximately 3,500 new affordable homes in the next 15 years. Further funding from the GLA has been secured (£166.5m) and will assist in achieving our target new homes.

Rents and Service Charges

The Rent Standard published by the Regulator of Social Housing set out that Councils could set a maximum actual rent increases of CPI + 1% per annum until 2024/25 based on the preceding September published CPI. This year rents will go up by 7.7% (CPI+1%). Service charges have increased in line with the cost of providing the service.

These budgets were included within the HRA Rent Setting report approved at Council on 22nd February 2024.

Report Author: Claire Eldred
Head of Finance
Claire.eldred@enfield.gov.uk

Appendices

Background Papers

Departmental reference number, if relevant: