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FINANCE & PERFORMANCE SCRUTINY PANEL

**Tuesday, 14th September, 2021 at 7.00 pm in the Conference Room,
Civic Centre, Silver Street, Enfield, EN1 3XA**

Membership:

co : Mahym Bedekova, Yasemin Brett, Lee David-Sanders (Deputy Leader of the Opposition), Birsen Demirel, Christine Hamilton (Deputy Mayor), James Hockney, Tim Leaver and Dino Lemonides

AGENDA – PART 1

1. WELCOME & APOLOGIES

2. DECLARATIONS OF INTEREST

Members of the Council are invited to identify any disclosable pecuniary, other pecuniary or non-pecuniary interests relevant to items on the agenda.

3. FAIR FUNDING PRESENTATION ON IMPACT FOR ENFIELD (Pages 1 - 20)

To receive the report of Fay Hammond (Executive Director, Resources)

4. MTFP OVERVIEW INCLUDING FOCUS ON COVID-19 IMPACT & REVIEW OF RISKS & OVERALL FINANCIAL RESILIENCE (Pages 21 - 32)

To receive the report of Fay Hammond (Executive Director, Resources)

5. COVID-19 IMPACT ON COUNCIL TAX AND BUSINESS RATES (Pages 33 - 44)

To receive the report of Fay Hammond, (Executive Director, Resources)

6. UPDATE ON COMMERCIAL & PROPERTY & INCOME GENERATION (Pages 45 - 62)

To receive the report of Fay Hammond (Executive Director, Resources)

7. MONITORING UPDATES

To review quarterly monitoring reports to September 2021 Cabinet:

- Revenue
- Capital
- Housing Revenue Account
- Performance

8. MINUTES OF THE PREVIOUS MEETING (Pages 63 - 68)

To agree the minutes of the Financial & Performance Scrutiny Panel meeting held on 23 June 2021.

9. DATE OF NEXT MEETING

To note that the next Financial & Performance Scrutiny Panel meeting is scheduled to take place on Wednesday 15 December 2021.

This report format is for scrutiny reports

London Borough of Enfield

Finance and Performance Panel

Subject: London Borough of Enfield – funding reform and forecasts

Cabinet Member: Cllr Mary Maguire

Executive Director: Fay Hammond

Purpose of Report

1. In the context of the government Fair Funding review of how councils are funded, an independent briefing has been organised for the Panel members on the current issues and the potential impact for Enfield. This is in the form of a slide deck which is attached to this report and will be presented at the meeting.

Relevance to the Council Plan

2. Funding levels directly influence the Council's ability to deliver on the Council Plan.

Background

3. The government has committed to review the funding formula for a number of years. This presentation will set out for Panel members key areas of impact for Enfield.

Main Considerations for the Panel

4. This presentation sets out a number of specific areas of interest to Enfield, namely:
 - As a net gainer from the review of both funding formula and the business rate reset the council should continue to press for timely implementation and for a shorter transitional period
 - Challenge some formula changes (adult social care, area cost adjustment and also deprivation)
 - Note that population projections are a key risk area
 - Support greater certainty in local government funding
 - Lobby the government to reset cost of Council Tax Support (key measure of deprivation in Enfield) within the funding formula
 - Climate change (costs and impact on other policies, e.g. housing) remains a key area of challenge nationally and locally

Conclusions

5. The Finance and Performance Panel is asked to note the potential positive impact that the Fair Funding reforms could have for Enfield.

Report Author: Fay Hammond
Executive Director Resources
Fay.hammond@enfield.gov.uk

6 September 2021

Appendices

Slide deck presentation provided by Pixel Financial Management

Background Papers

n/a

London Borough of Enfield – funding reform and forecasts

Adrian Jenkins

August 2021



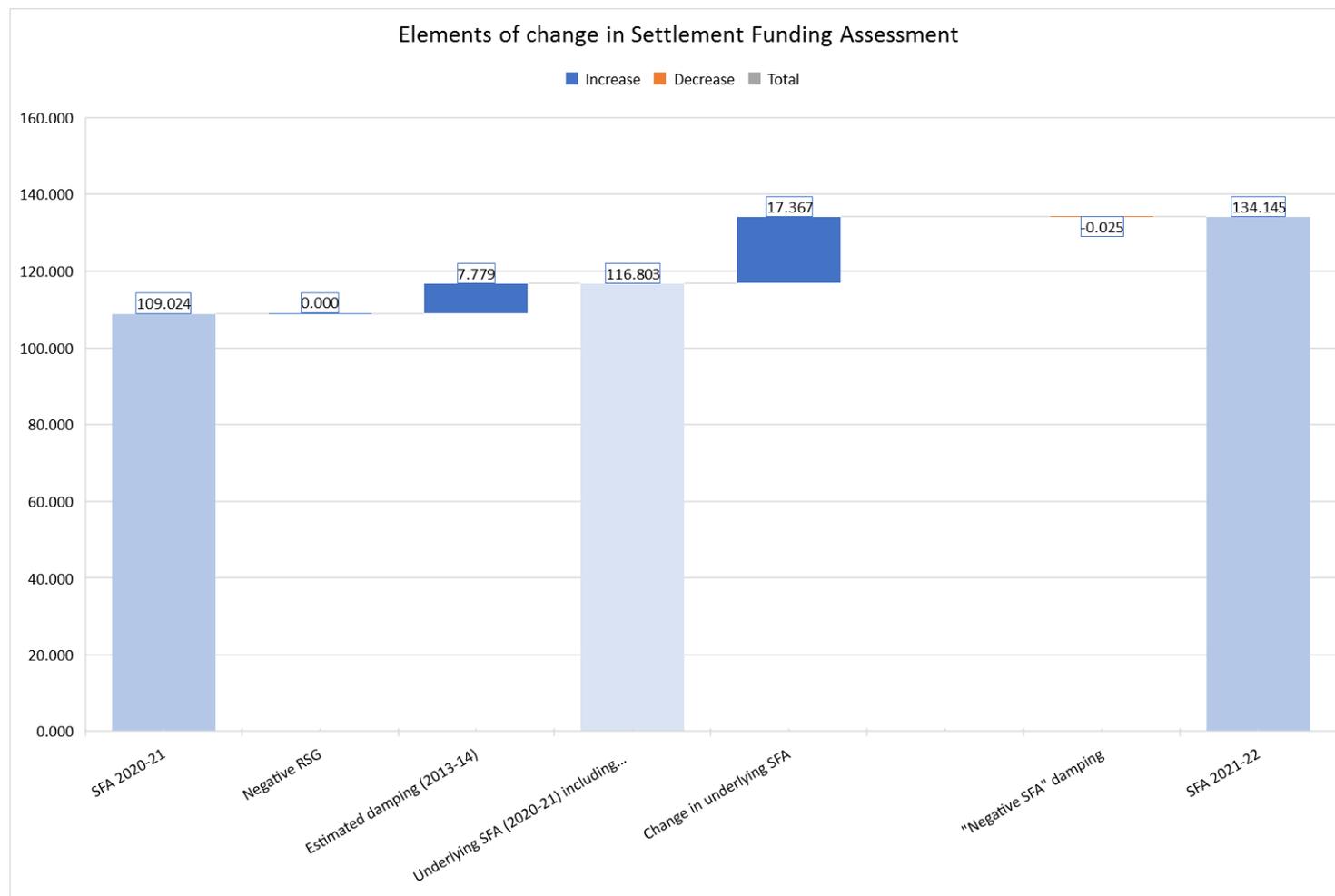
Changes to local government funding

- Major changes in local government funding expected in 2023-24 (delayed for 4+ years)
- Fair Funding Review (changing distribution of funding), reform of business rates, changes to other grants (New Homes Bonus)
- Outcomes dependent on other policy decisions: Spending Review 2021, levelling-up white paper, Treasury's business rates review, social care reform

- Pixel provides two models for subscribers: Fair Funding model and MTFP model
- Models show how these policy changes might be implemented and potential impact on every authority
- Still significant uncertainty though: we use latest data and consultation proposals – and identify key assumptions and variables

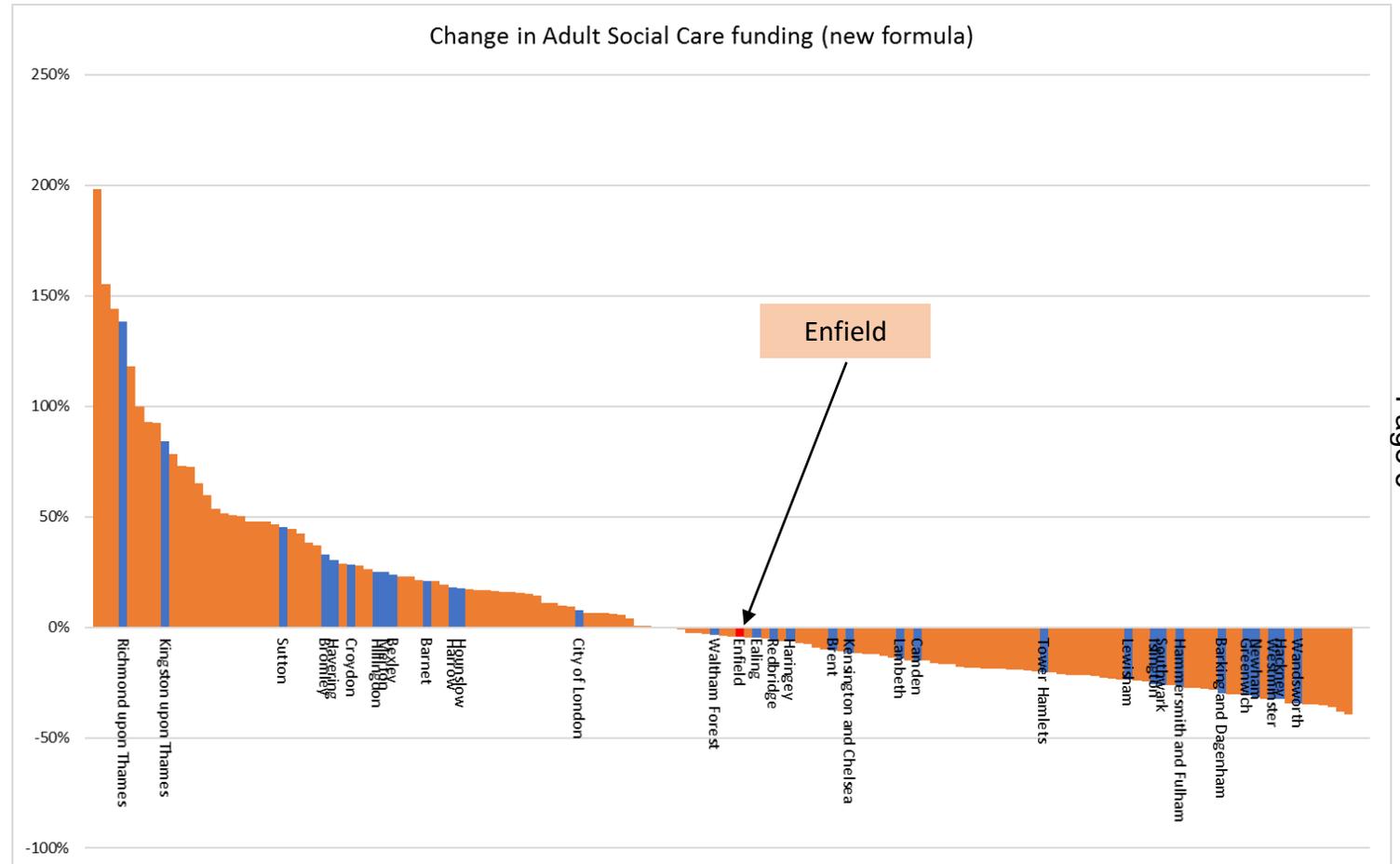
Fair Funding Review

- Latest modelling indicates Enfield will gain from FFR
- Estimated £17m gain (c.15% in underlying SFA)
- Most of gain from council tax equalisation (est. £15m) – higher share of needs than resources
- Significant gain from new public health formula (up by £7m to £24m)
- Remainder from combination of formula changes and data
- Also gains from unwinding of “damping” from 2013-14 (£7.8m)
- **Figures are very speculative but based on latest proposals and latest available data**
- **Some form of gain seems very likely though**
- **Strategy should focus on ensuring these changes are implemented**
- **But there are risks...**



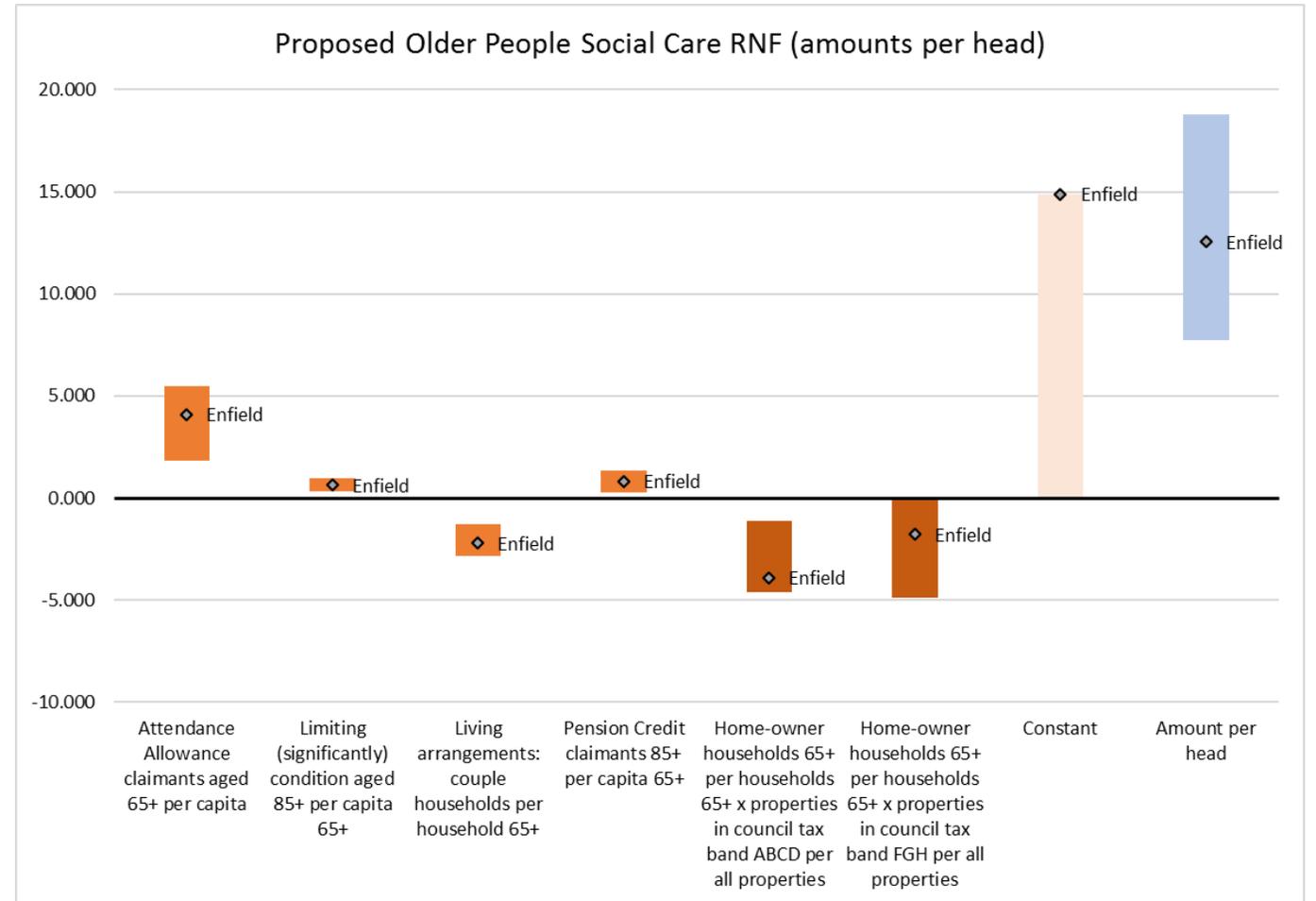
Adult social care funding

- New Adult Social Care formula developed 5+ years ago
- Based on very detailed data collection (c100 local authorities) and using multi-level modelling
- Only modest reduction in share of funding for Enfield (-4%)
- But very significant gains (outer London, “county” characteristics) and losses (inner London)
- New formula likely to apply to SFA and to existing social care grants



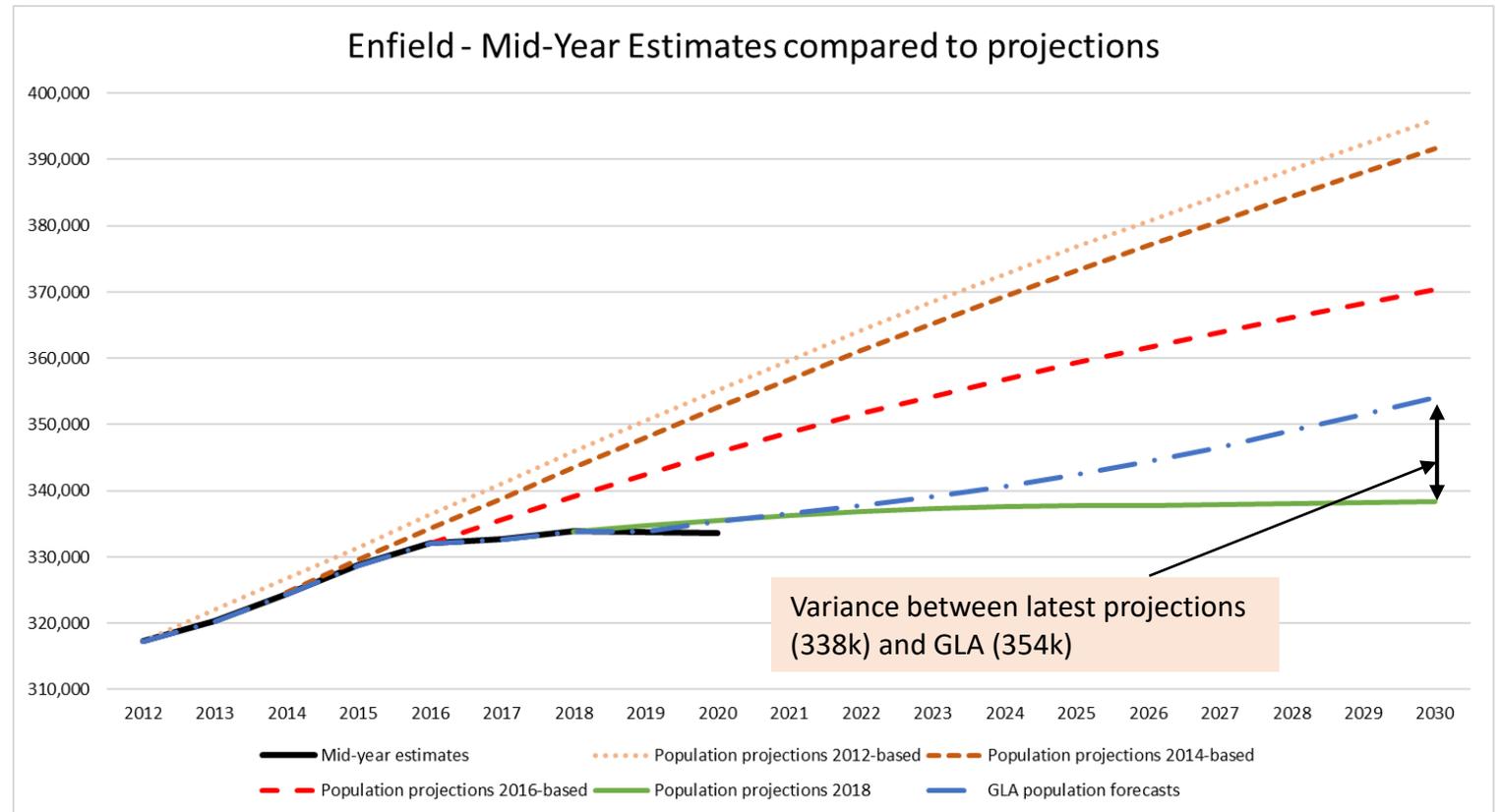
Funding for deprivation

- Initial plans to exclude deprivation from Foundation Formula – now reinstated (probably using overall score for Index of Multiple Deprivation)
- Worth relatively little to Enfield (£250,000) because its IMD score is only average (74th out of 149 upper tier authorities)
- Enfield either less deprived (relative to other local authorities) or measures used do not reflect deprivation in the borough
- Other deprivation measures used elsewhere in proposed formula, e.g. adult social care (see chart)
- **Enfield's deprivation scores are marginally above average**



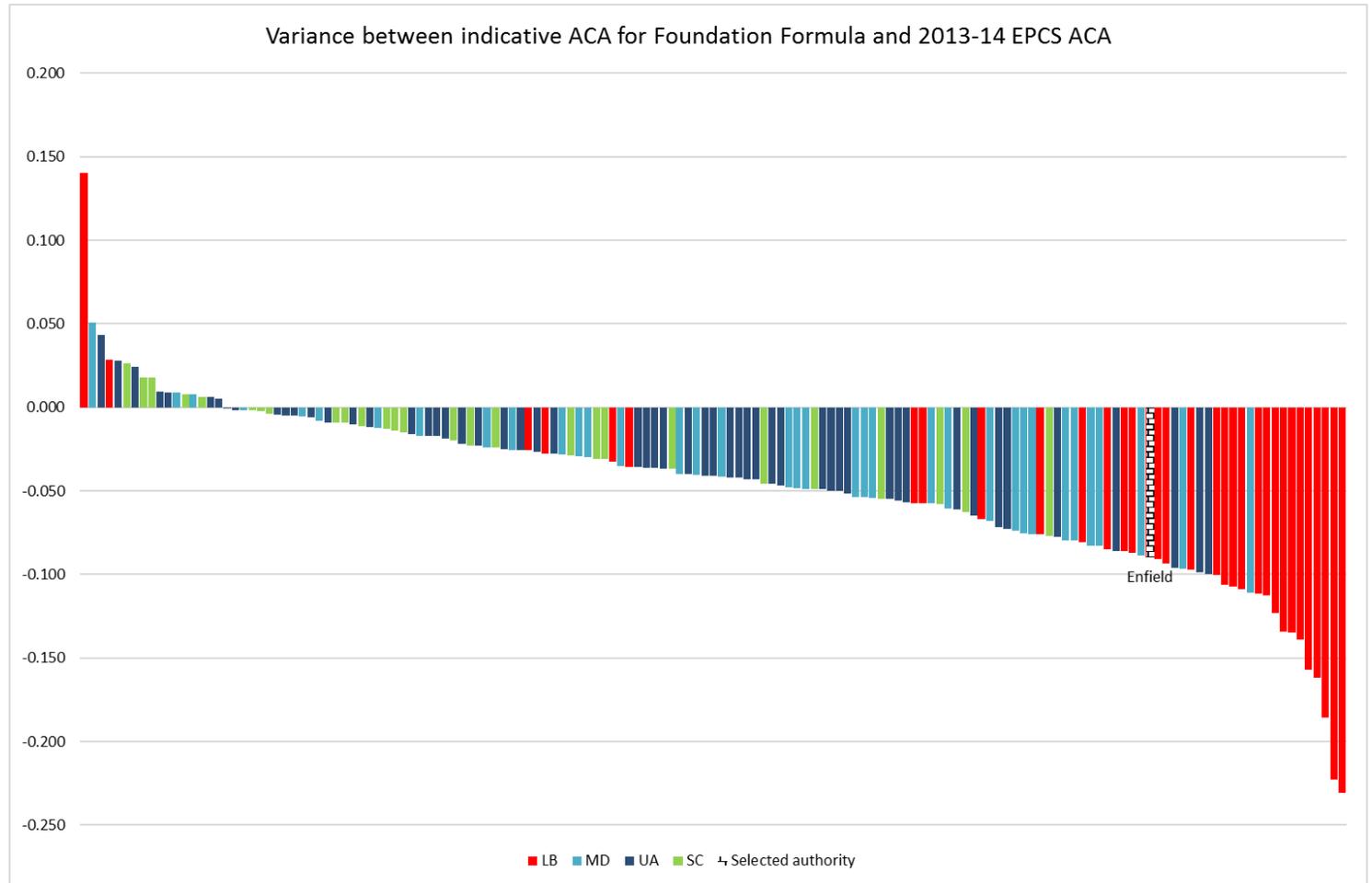
Population change

- Population growth has flat-lined since 2016 mid-year estimates
- Small population falls in mid-2019 and mid-2020 population estimates
- Cause not clear (Brexit-related?) but risk that latest populated estimates will be baked-in to funding allocations for next decade
- **What is causing the population estimates?**
- **Will trend continue into 2020 mid-year estimates (probably)**
- **Need funding formula to be updated to reflect future changes in population estimates**



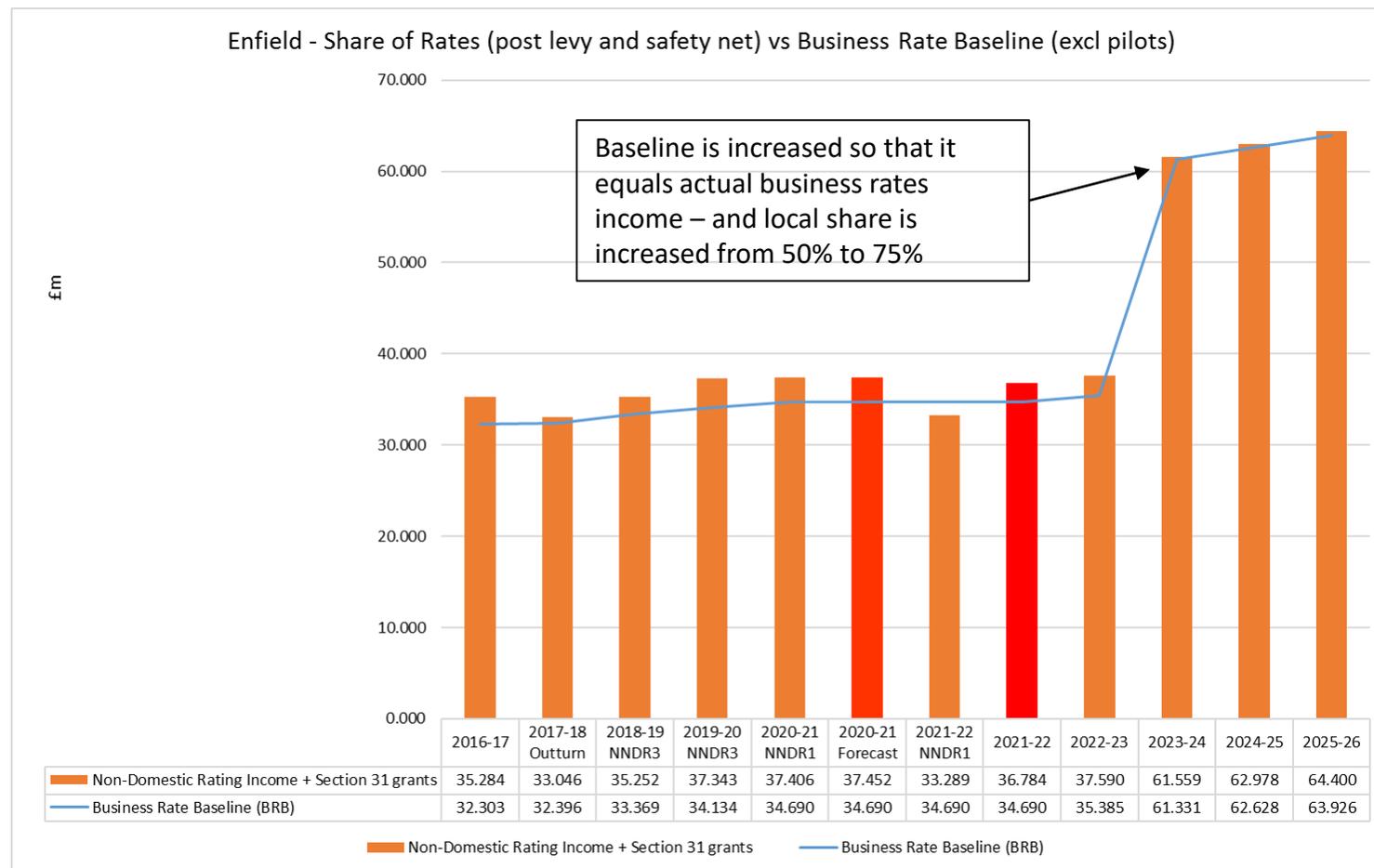
Area Cost Adjustment (ACA)

- New ACA factors reflecting labour, rates and travel times
- Travel times replaces sparsity and density elsewhere in the formula
- ACA now calculated for every local authority, not on sub-regional basis
- Significant loss for Enfield and most London boroughs because ACA based on LA only
- Tower Hamlets and Westminster only gainers in London



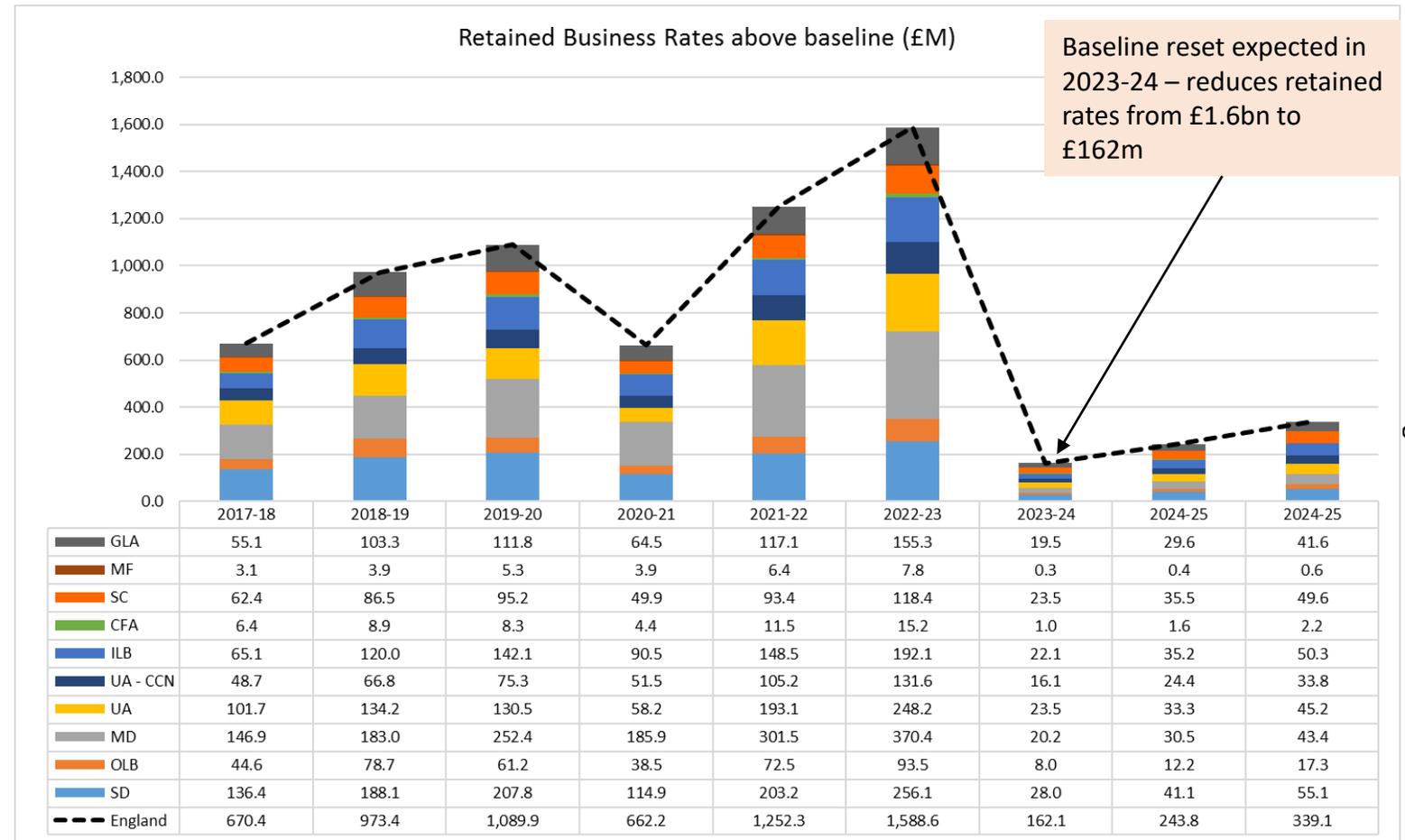
Business rates baseline reset

- Business rates baseline were set in 2013-14 and have been increased in line with multiplier since then
- Full baseline reset expected in 2023-24 (where baseline is reset so that it equals actual business rates income)
- 50% of gains above baseline retained locally (in London, boroughs keep 30% and GLA 20%)
- Expecting local share to increase from 50% to 75% in 2023-24 (and for borough split to increase to 48%)
- Enfield's retained rates have been above baseline in every year (outturn) - between 5% and 9% above baseline in most years
- Close to the national average (better than outer London average but less good than inner London average)
- Additional gains for Enfield from the London pool and from the pilot (2018-19 and 2019-20 only)
- **In the reset, Enfield will lose its own business rates growth (about £2-3m per year, depending on actual outturn)**



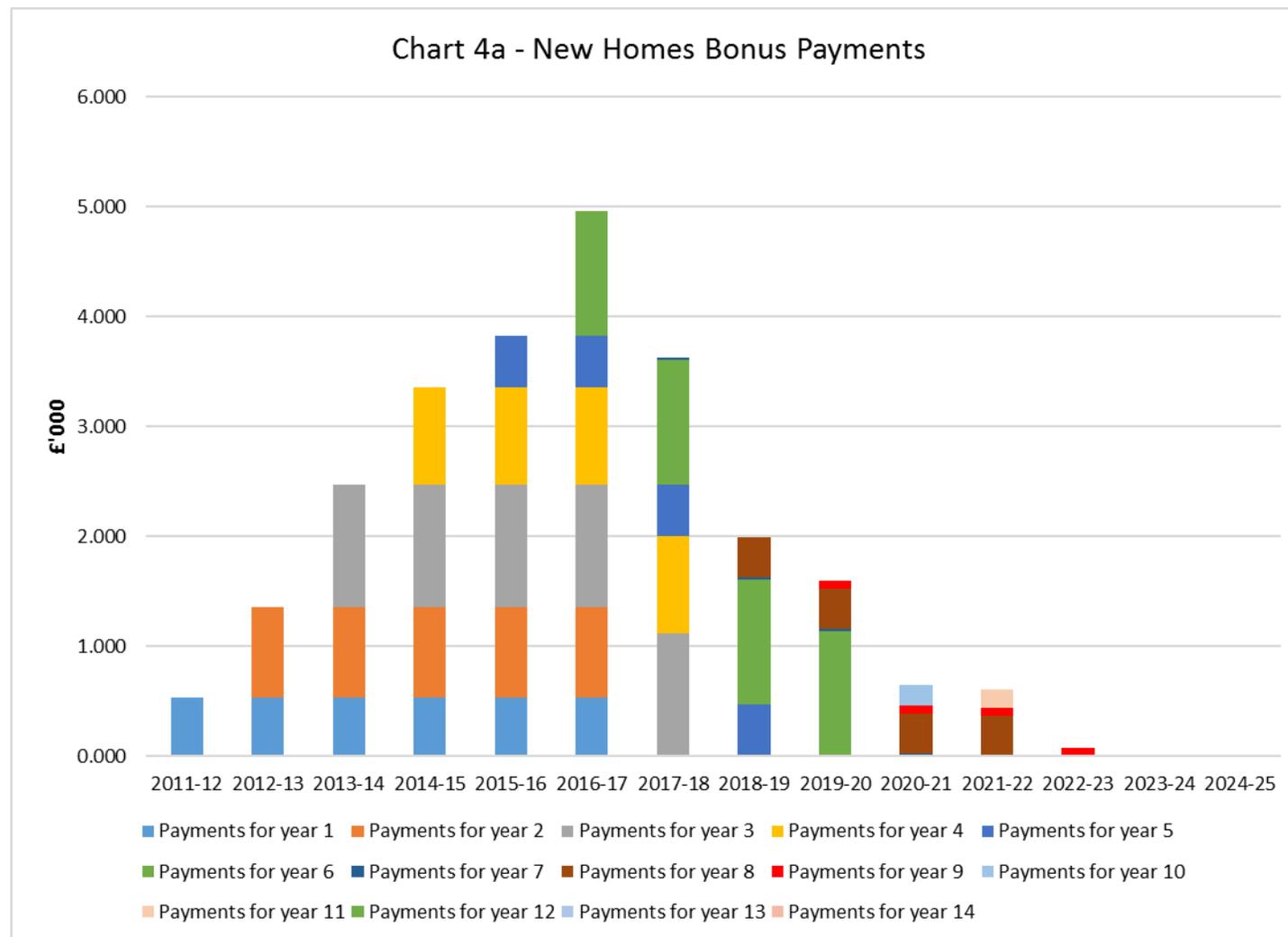
Baseline reset – national picture

- Local government currently about £1.5bn above baseline
- Actual amount not clear until shake-out from COVID
- Reset will make this amount available for redistribution – probably in line with “needs”
- Estimate that Enfield will gain £9.3m from redistribution – net gain of around £6m
- **Pressure to reset from most upper tier authorities**
- **Risk that Government uses £1.5bn surplus for other purposes or uses to fund existing commitments**



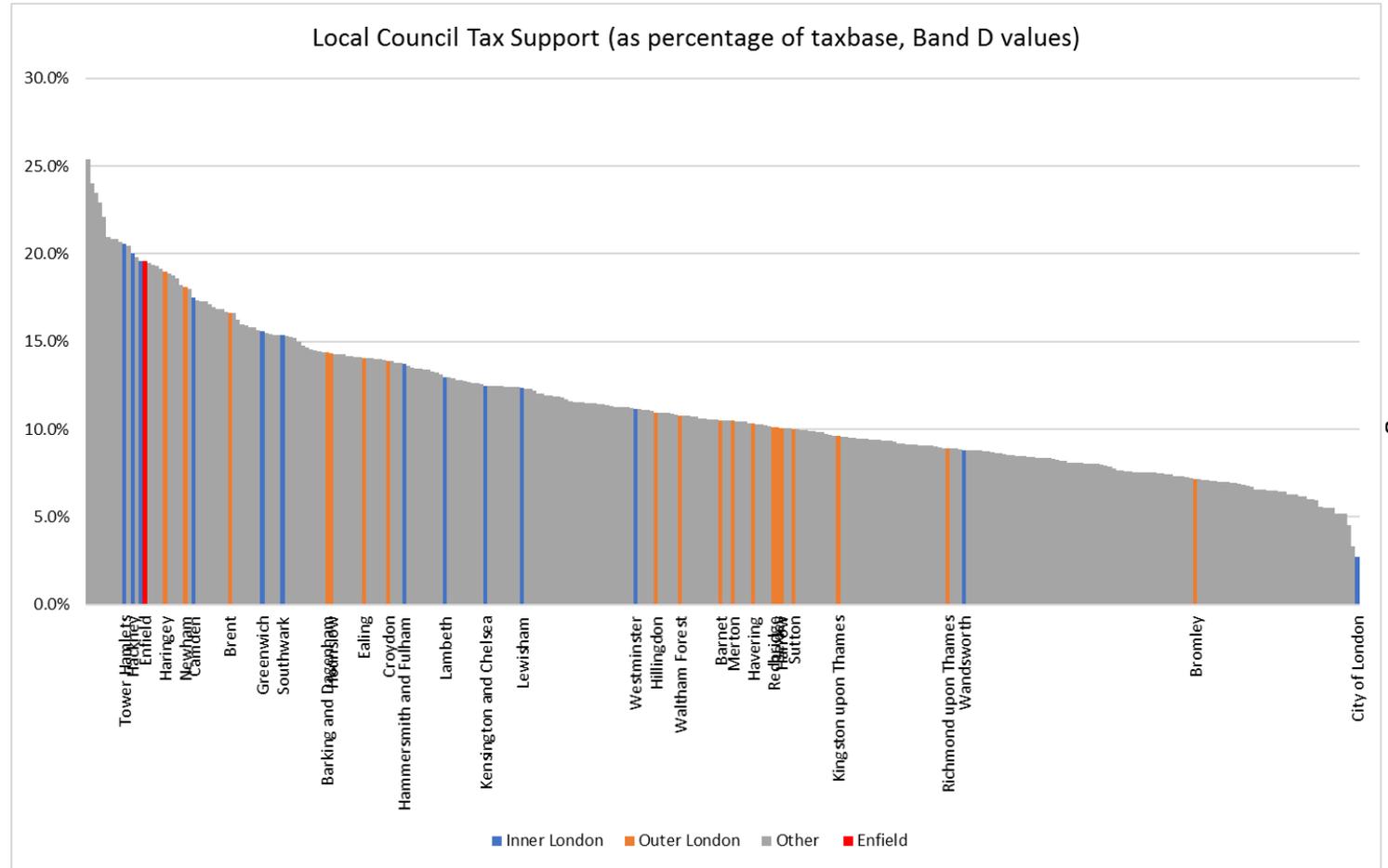
New Homes Bonus and incentive payments

- Enfield has received large amounts from NHB in recent years (nearly £5m at peak in 2016-17)
- Allocations have collapsed in recent years as (a) 0.4% threshold introduced and (b) number of years payable has reduced
- Scheme likely to be phased-out in 2022-23 or 2023-24 – with some form of replacement announced in Spending Review 2021
- **Enfield will want any replacement to reflect its housing-building growth – but would be better-off with funding distributed via “needs”**
- **Although if full £900m were to be returned to local government, Enfield would receive £4.5m per year**



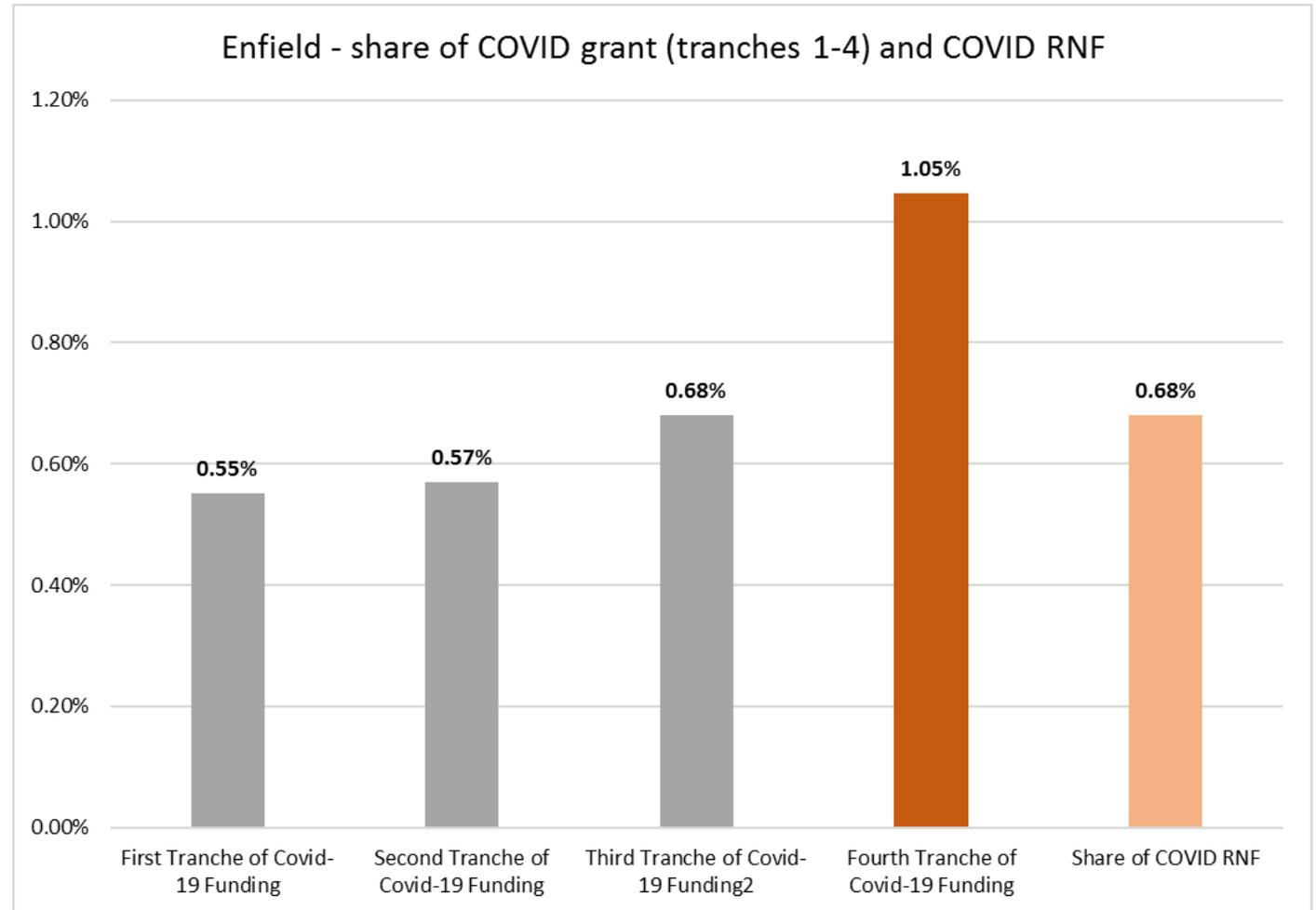
Council Tax Support

- Enfield has 15th highest CTS in England (out of 314 authorities) (as percentage of taxbase) and only marginally lower than any other London borough (19.6% compared to 20.6% in Tower Hamlets)
- Band D value of CTS has fallen since its transfer to local government in 2013-14 – but by less in Enfield than the national average (and some signs of increase in Enfield even before the pandemic)
- Cost of CTS has increased because Band D has increased significantly since 2013-14
- Distribution of CTS is not equal – largely driven by deprivation and by low income
- High levels of CTS is only indicator that shows deprivation within Enfield (largely around low pay)
- **Strong case to have funding for CTS reset in same way as council tax is equalised**



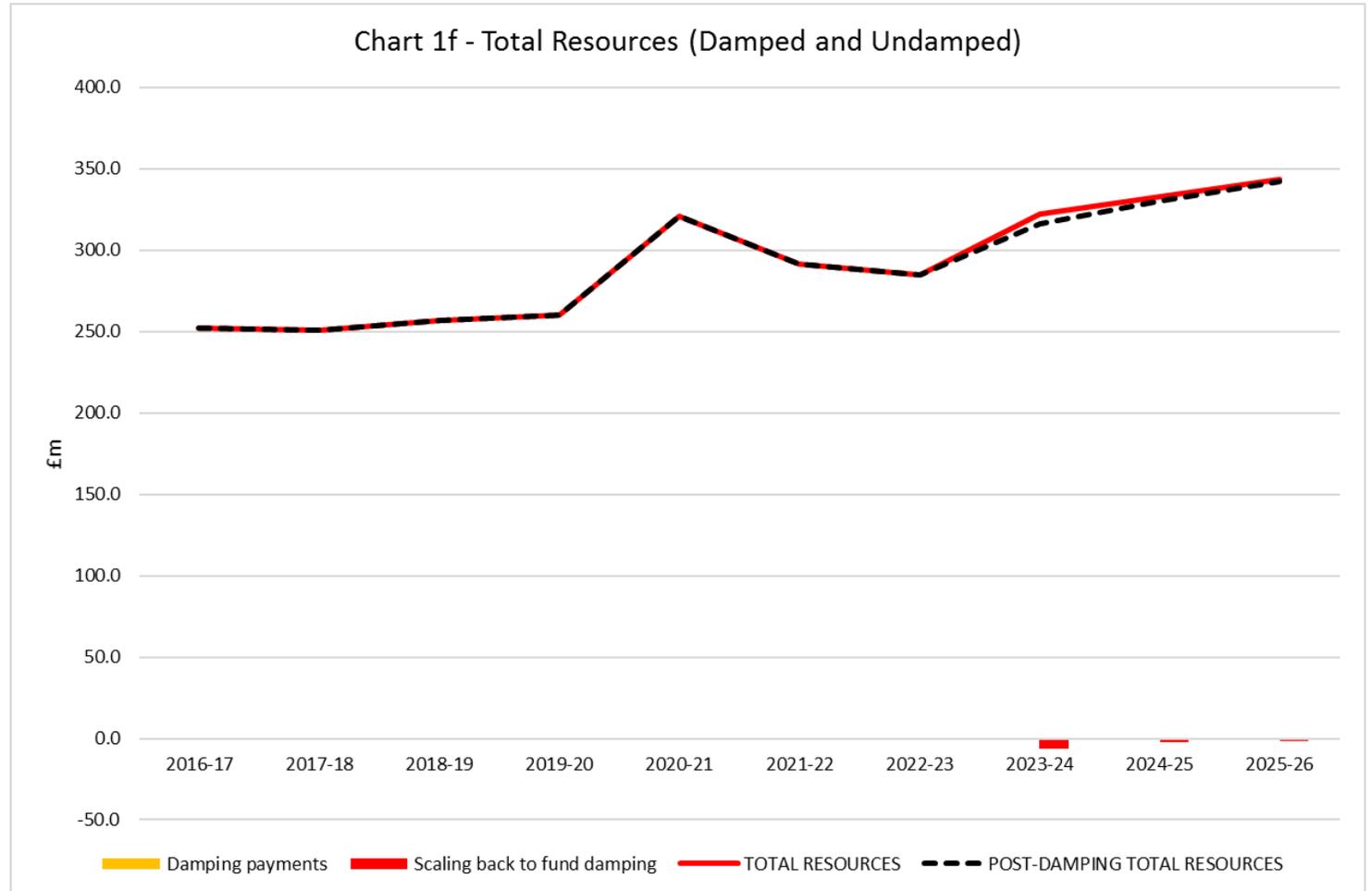
COVID support

- Tranches 1 and 2 used combination of Adult RNF and tier splits (0.55% and 0.57% for Enfield)
- New COVID RNF developed for tranche 3 (using expenditure data from COVID monitoring returns)
- Enfield receives 0.68% of COVID RNF (greater than share of Adult RNF)
- Tranche 4 was a balancing payment (ensured every authority received total funding over four tranches based on COVID RNF)
- No more funding will be made available (T5 will be last general grant allocation) and data suggests sector already over-funded for immediate COVID costs
- **Longer term recovery costs more likely funded through SR21**



Total resources and damping

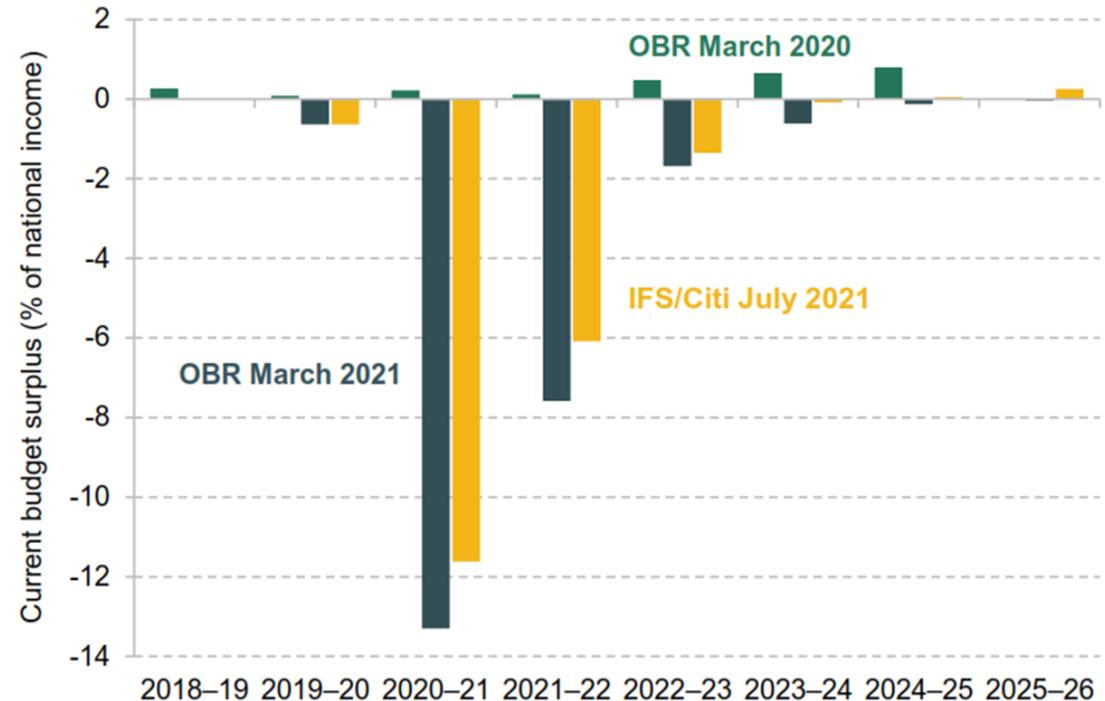
- Overall, Enfield is likely to gain from all funding changes in 2023-24
- **Gains:** FFR, baseline reset, phasing-out NHB
- **Losses:** social care funding, ACA
- **Risks:** population projections, council tax support
- **Assume damping based on total resources (including business rates) – so wider than Core Spending Power**
- **Assume no authority has an annual reduction of >5%, and damping funded by scaling-back increases in other authorities**
- **So, Enfield paying £6.0m in 2023-24, £2.6m in 2024-25 and £1.5m in 2025-26 (VERY SPECULATIVE!)**
- **Enfield would benefit from implementing funding changes as quickly as possible**



Short and medium term funding

- **Rollover settlement in 2022-23**
- Multiplier increase (2.1%)
- SFA increase (negative RSG continues to be funded)
- Lower Tier Services Grant
- No other grant increases (social care only)
- Band D (higher of 2% or £5)
- Risk of interim baseline reset (floating TTs?) or aggressive levy
- **Medium Term:**
- Real terms cuts for non-protected services (0% to 2% cash terms growth)
- Additional funding for social care (real terms growth (2+%), partly funded by ASC precept)
- 2% increase in council tax – plus Band D increases (2-3%)
- **Cash terms increases in funding (better than 2010 to 2015) but not keeping pace with demographic pressures**

Figure 3.4. Forecasts for the current budget surplus



Note: Assumes an exceptional £10 billion underspend on current spending in the financial year 2021-22, partly due to the £55 billion 'COVID Reserve' being only partially drawn down.

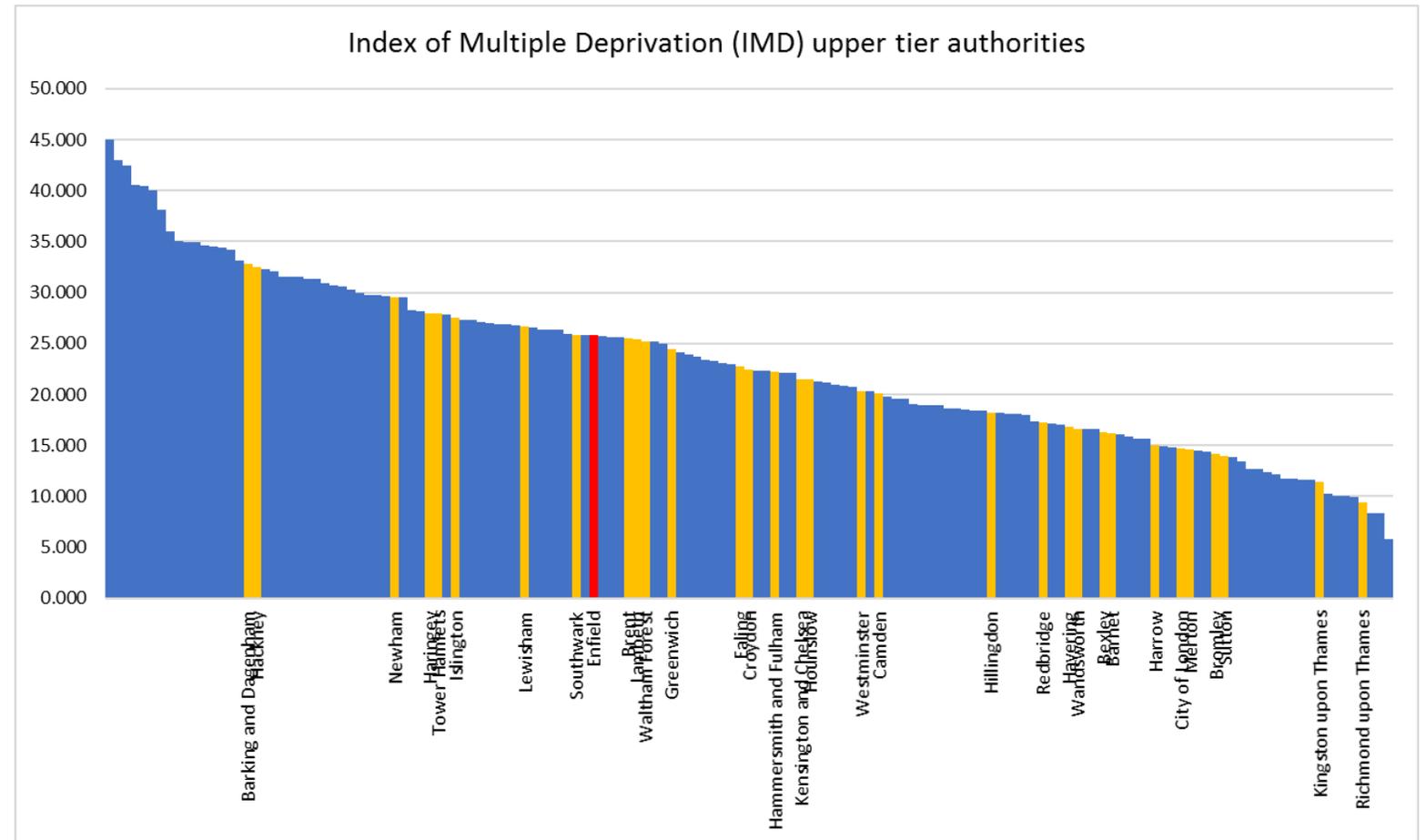
Source: Authors' calculations using Citi forecast.

Future of local government funding

- Spending review and public finances
- COVID recovery (catch-up plans)
- Levelling-up (direct funding, new funding “pots”, political focus)
- Devolution (unlikely to affect London but could have spin-off implications)
- Business rates reform (revaluation frequency, possible replacement, Internet tax) and changes to local BRRS (75% local share, reformed pooling)
- House-building (support and incentives)
- Climate change (costs and implications for other policies)
- 10- to 20-year forecasts and spending plans (financial resilience?)

Levelling-up

- Fair Funding Review – already puts funding where needed for levelling-up
- Baseline reset – again, mostly good for levelling up
- Enfield has some characteristics similar to typical “levelling up” authority
- New sources of funding (Towns Fund, Levelling up Fund) unlikely to go to Enfield (or London generally)
- Enfield does not have high scores on levelling up criteria: high levels of GVA, low travel times and low levels of empty property and NVQ qualifications (only 16+ unemployment is high)
- Index Multiple Deprivation (IMD) – relative deprivation reducing in London, particularly inner London (Enfield 74 out of 149 authorities)



Lobbying agenda for LB Enfield

- Generally supportive of changes in funding (net gain), including FFR and business rates baseline reset – and press for shorter transitional period
- Challenge some formula changes (adult social care, ACA)
- Population projections (major risk)
- Support greater certainty in local government funding (will be difficult if funding reforms are implemented during SR period)
- Reset cost of Council Tax Support (key measure of deprivation in Enfield)
- Climate change (costs and impact on other policies, e.g. housing)

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This report format is for scrutiny reports

London Borough of Enfield

Finance & Performance Scrutiny Panel

14 September 2021

Subject: MTFP Update, Covid-19 Risks and Financial Resilience

Cabinet Member: Cllr Maguire, Cabinet Member for Finance & Property

Executive Director: Fay Hammond, Executive Resources

Purpose of Report

1. The report provides an update on the Council's 2022/23 to 2026/27 Medium Term Financial Plan and the risks that are faced as a consequence of the ongoing pandemic. The Council has done a significant amount of work ensuring that its budgets are more robust, and it has greater financial resilience and the impact of this is also considered in enabling the Covid-19 risks to be better withstood.

Relevance to the Council Plan

2. Robust finances are essential to delivering the Council's Corporate Plan objectives:
3. Good homes in well-connected neighbourhoods
4. Build our Economy to create a thriving place
5. Sustain Strong and healthy Communities

Medium Term Financial Plan 2022/23 to 2026/27

6. Cabinet set out its Medium Term Strategy for the five year period 2022/23 to 2026/26 at its meeting on 7 July 2021. The Strategy set out the financial challenges facing the Council over the medium term and the approach to identify efficiencies to address the funding gap. The key themes of the report were the uncertainty which currently exists in many aspects of the funding environment, the funding gap and the approach to delivering efficiencies.
7. The two major uncertainties facing the Council are Government funding and the ongoing impact of the global pandemic. In respect of Government funding there is a lack of a financial settlement from Government beyond 2021/22 and delays in the delivery of flagship policy including the long term funding of adult social care, implementation of Fair Funding to replace the current inequitable funding framework and the long overdue reset of Business Rates. The launch of the spending review was planned for before the summer recess of Parliament but is delayed until the start of September with the funding announcement now likely to be November rather than October. It is still

unclear as to whether this will be a single or multi year settlement. The impact of the Pandemic is covered in the next section of the report.

8. Table One below sets out the gap faced by the Council over the medium term.

Table One – Medium Term Financial Plan Summary

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m	£m
Funding	14.728	(7.465)	(8.955)	(4.527)	(3.021)	(9.240)
Spend	(1.043)	14.697	15.573	13.804	12.882	55.913
Gap	13.685	7.232	6.618	9.277	9.861	46.673

9. The picture for 2022/23 in particular is complex with one off Covid-19 funding and pressures being reversed out of the budget. A full explanation was included in the Medium Term Financial Strategy report to Cabinet with a commitment to bring an update on the assumptions and forecasts in October.
10. The underlying position, however, is familiar with demographic pressures of £3.466m, Inflation £7.435m and Capital Financing £3.520m outstripping the Council's tax raising powers £3.640m (rate increase of 2% and growth in the tax base) in the absence of additional Government support.

Covid-19 Risks

11. 2020/21 was a very challenging year for the Council with an appreciation of potential financial pressures gained early on but Government funding being "drip fed" throughout the financial year. Eventually, Government Grant covering the Council's costs and as a consequence of in years savings and effective financial management the balance sheet was strengthened.
12. For 2021/22 there is additional general grant of £10.554m and extension of the Sales Fees and Charges Losses Compensation Scheme as well as some support for Collection Fund losses, albeit some £5.6m short of the sum required when the Council was setting its budget back in February. At the time of the settlement there was a clear steer from Government that there would be no further support beyond the current financial year.
13. The impact of the ongoing Pandemic on the Council's finances has been set out in the first Quarterly Monitoring report of the year to Cabinet on 15 September. At present it is forecast that the various streams of support, both direct to the Council and also through the NHS will cover the additional costs incurred. The full detail is available in the Cabinet report which is published the day after the agenda for this Panel.
14. However, the risk is that these pressures persist beyond 2021/22 and continue into 2022/23 and indeed beyond. These are all under continuous review and there is a strong likelihood that £3m to £4m will need to be built into the Medium Term Plan initially as a one off but potentially as ongoing cost. The key areas of risk are:
15. Emergency Accommodation and Homelessness
16. The Council has put a strategy in place – "Preventing Homelessness and Rough Sleeping Strategy 2020-2025 to address emergency accommodation and homelessness pressures, both to reduce the impact on the residents of the Borough and to significantly reduce the cost to the Council and ultimately

the Council Tax Payer. In September 2019 there were 4,419 households in temporary accommodation, and this was forecast to increase to 4,700 by 2025. The Strategy, through a nine point plan, aims to reduce this number to 500 by 2025. However, for Enfield this is possibly where the impact of the Covid-19 pandemic has been most greatly felt. Rather than seeing a decline in 2020/21 the team needed to house 300 additional families who in normal times the Council would not have need to accommodate.

17. In 2021/22 the Covid-19 grant is covering £1.320m of additional cost and £1.900m of undelivered savings. Whilst there has been a more promising start to the year with 200 families moved out of temporary accommodation there are three factors impacting on the cost of the service – the nightly rate payable in Enfield is higher than the allowable rent charge; under the changes to the grant regime Enfield bears the cost of the management fee which has risen with the increased unemployment in the Borough; and pressure on the cost of incentive payments to landlords. These pressures are unlikely to be addressed during the course of the financial year and the savings attached to the delivery of the Strategy will in all likelihood need to be reprofiled across the five years of the MTFP.
18. Adult Social Care
19. Adult Social Care came in under budget in 2020/21 with the Covid-19 Pandemic suppressing some demands on the service but with a recognition that this would be followed by a surge in demand in 2021/22. This is evidenced in the Quarter One Revenue Monitoring Report with £5.2m of additional cost of which £0.9m is for additional hospital discharge costs met by grant routed through the NHS. Of the £4.3m, the direct impact on the service is £1.2m which is supported through general grant with the remainder met from the Contain Outbreak Management Fund, Infection Control and Rapid Testing Grant (all Government Grants supporting the Covid-19 pressures).
20. This is a complex service and one where there will inevitably be on going costs but these will not be straightforward to forecast. The key risk areas are the additional demands on the service due to the cancellation of routine operations for hips, knees etc. and ongoing hospital discharge charge costs. Additionally, there is the potential for Long Covid to place further demands across the whole service.
21. Children's Social Care
22. The position in Children's Social Care is similar to Adults with a surge in demand. There are a number of pressures coming through in the 2020/21 financial year currently forecast at £1.4m which is all covered by grant. There is greater demand for care placements and support packages for children with Special Educational Needs or severe emotional and/or mental health needs. There has been approval for additional agency workers £0.4m and fixed term appointments £0.6m agreed against grant awards for 2021/22 but there is a significant risk that this demand will persist into 2022/23 and indeed beyond.
23. SEN Transport
24. This service had historically overspent but work through the Pressure Challenge Board in 2018/19 and 2019/20 right sized the budget and

recognised the need for demographic growth year on year in the MTFP. The service delivered to budget in 2020/21 but this was in part due to reduced payments to contracts during the lockdown in early 2020 with school closures.

25. Despite the inclusion of £0.630m of demographic growth for 2021/22 the service is reporting a pressure of £1.9m. A detailed review of the pressure is underway, but the key drivers are greater than anticipated growth in users and the cost of single occupancy routes. The number of single occupancy routes is however predominantly driven by behavioural issues and in borough provision being across a greater number of sites rather than the impact of social distancing due to Covid-19.
26. Resources
27. There is £4.1m of Covid-19 spend being forecast for Resources with the large value spend areas being delivery of Winter Grant activities £1.9m and support for those shielding for which there are specific grant streams. This work is not currently expected to continue beyond 2021/22. The two major risk areas going forward are Financial Assessment where there has been a need for additional staff and overtime work at a cost of £0.4m and Revenue & Benefits £0.5m where there has been a similar increase in workload and reliance on agency staff and Civica on Demand. At present it is difficult to forecast when these two pressures will ease, and they are certainly key risk areas for 202/23.
28. Fees & Charges
29. In 2021/22 there is currently a total shortfall of £5.5m across all services. There are minor shortfalls on waster income, regulatory service and leisure but the great impact is currently on pay and display parking charges of £2.7m. As with spend the income is being closely monitored and the position regularly review. Car parking is undoubtedly the great risk with footfall in town centres is still down and potentially could never return to pre Covid-19 levels.
30. Collection Fund
31. The impact of Covid-19 on both Business Rates and Council Tax was one of the specific risks highlighted when the budget was approved in March and the Council took a prudent approach on its forecasts for both of these revenue streams.
32. For Council Tax, the risks were threefold – increased number of residents on Council Tax Support reducing the Tax Base, lower in year collection and reduced historical collection putting pressure on Bad Debt Provisions. The in year position for 2021/22 is currently positive on all three fronts with the extension of the Government's furlough scheme being the major contributory factor. The extension of the scheme had not been announced until after the Council set its budget. The risk does remain though and the impact of the scheme ceasing at the end of September will need to be closely monitored, for both its impact on 2021/22 and also in 2022/23 with assumptions of economic recovery built into the first three years of the MTFP.
33. There is a similar picture with Business Rates. Again, a prudent position was adopted when setting the budget with a reduction in tax take of £4m for the year ahead of a limited extension of retail and leisure reliefs for the first

quarter of the year announced by Government in the early March. There are no in year concerns at present but given the sums involved and some continued uncertainty on economic recovery, this is definitely an area for close monitoring for the remainder of the year. For the MTFP, the suppressed levels of Business Rates were assumed to remain in 2022/23 before recovering to pre pandemic levels across the subsequent three years.

Financial Resilience

34. The Council has delivered an expensive programme of work to ensure that its overall finances are robust and sustainable and this has been the subject of regular reports to Audit & Risk Committee initially and General Purposes Committee more recently. Historical spending pressures and unachievable income and savings targets have been stripped from the budget and the annual service overspends present addressed over time leading to a balanced outturn for 2020/21.
35. As a consequence of this work coupled with the generation of in year savings and tight financial management preserving the revenue Contingency the Council's balance sheet has been strengthened, the headline changes being £10m set aside for future Covid-19 pressures and the Risk Reserve being increased to £20.923m to cover unquantified risks facing the Council.
36. This work very much continues. The strategy of Budget Pressure Challenge Boards is still in place with the first two having taken place – covering Emergency Accommodation & Homelessness and Special Education Needs Transport. Also, in operation is the Savings Tracker which has been in place since late March after approval of the Budget by Council. Individual savings proposals are managed on a project basis with actions milestones and scrutinised ahead of the start of the financial year. The Tracker is reported in detail in the Quarterly Revenue Monitoring Report.

Conclusions

37. The general environment of uncertainty continues and the robust monitoring and management of the in year budget and regular review of medium term assumptions already in place will continue. A number of the risks identified will undoubtedly materialise and will need to be brought into the 2022/23 to 2026/27 Medium Term Financial Plan

Report Author: Matt Bowmer
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0208 3795580

Date of report: 1 September 2021

Appendices

Background Papers

The following documents have been relied on in the preparation of this report:

Finance & Performance Scrutiny Panel

**MTFP Update, Covid-19 Risks,
Financial Resilience
14 September 2020**

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Outline

- MTFP Update
- Covid-19 Risks
- Financial Resilience

MTFP 2022/23 to 2026/27 Update

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Gap	13.685	7.232	6.618	9.277	9.861	46.673

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- Demographic, inflationary and capital financing costs outstripping available income from Council Tax and Business Rates year on year
- Full detail in July Cabinet report and Strategy
- Currently reviewing to report to Cabinet in October along with initial savings proposals

Covid-19 Risks

- £32.6m of cost in 2021/22 but covered by grant
- Total risk in the order of £3m to £4m in 2022/23
- Risk areas:
 - Emergency Accommodation and Homelssness
 - Adult Social Care
 - Children’s Social Care
 - Resources
 - Financial Assessments
 - Revenue & Benefits
 - Fees & Charges
 - Collection Fund

Financial Resilience

- Strengthened reserves,
 - £10m set aside for Covid-19
 - Increased risk reserve
 - Smoothing reserves for known risk areas
- Contingency build into revenue budget
- Continued focus on resilience
 - Savings Tracker
 - Pressure Challenge Boards

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This report format is for scrutiny reports

London Borough of Enfield

Finance and Performance Scrutiny Panel

Meeting Date 14th September

Subject: Covid-19 impact on Council Tax and Business Rates Debt
Cabinet Member: Cllr Maguire
Executive Director: Fay Hammond

Purpose of Report

1. To provide Finance and Performance Scrutiny Panel with an understanding of how Covid-19 has impacted on Council Tax and Business Rates collection and debt. To set out the approach to managing and recovering this situation, with reference to the Council's new strategy 'A Progressive Approach to Managing Debt and Income in Enfield', and seek feedback on that plan. To provide assurance that non-collection of income due is minimised.

Background

2. In March 2021, Cabinet agreed a new strategy 'A Progressive Approach to Managing Debt and Income in Enfield'. This 3-year strategy takes into account the environment for the Council's customers and the Council itself, in terms of the economy, legislative changes, good practice, digital progress, and improvements in access to data that enables us to differentiate the customer base and support those that are struggling to pay. This strategy takes a progressive approach to the management of debt and income in Enfield, whose vision is to:
 - Modernise debt recovery
 - Maximise income
 - Deliver fair and equitable treatment of our customers
 - Improve access to benefit advice and debt support and reduce the escalation of debt charges.
3. The Council has a duty to recover outstanding debts, to charge for its services both efficiently and fairly, ensuring processes and decisions are equitable and proportionate. The strategy has 7 key objectives: maximise collection; increase income to the Council, minimise the cost of collection; protect vulnerable and low-income households; increase the provision of co-ordinated debt, benefit and other advice; provide accessible and consistent transactions for customers and; protect the public purse.
4. The Council had a good success rate in collection of Council Tax and Business Rates debt prior to the pandemic, with levels achieved over the past 3 years set out below (the charts at points 11 and 16). However, the economic impact of the Covid-19 pandemic on both individual households and businesses, in addition to national

policy changes about collection practice during the pandemic, has had a large impact both nationally and locally on collection levels for the financial year 20/21. For the MTFP, the suppressed levels of Council of Tax and Business Rates were assumed to remain in 2022/23 before recovering to pre- pandemic levels across the subsequent three years.

5. The government recently provided a guide on best practice to collect Council Tax which officers have reviewed to ensure this is featured in our existing approach <https://www.gov.uk/government/publications/council-tax-collection-best-practice-guidance-for-local-authorities/council-tax-collection-best-practice-guidance-for-local-authorities>
6. This report is set out in 6 sections:
 - Performance as at end of Q1, for Business Rates and Council Tax
 - Impact of Covid-19
 - Challenges/risks
 - Recovery and monitoring
 - Main considerations for Panel
 - Conclusions

Performance as at end of Q1

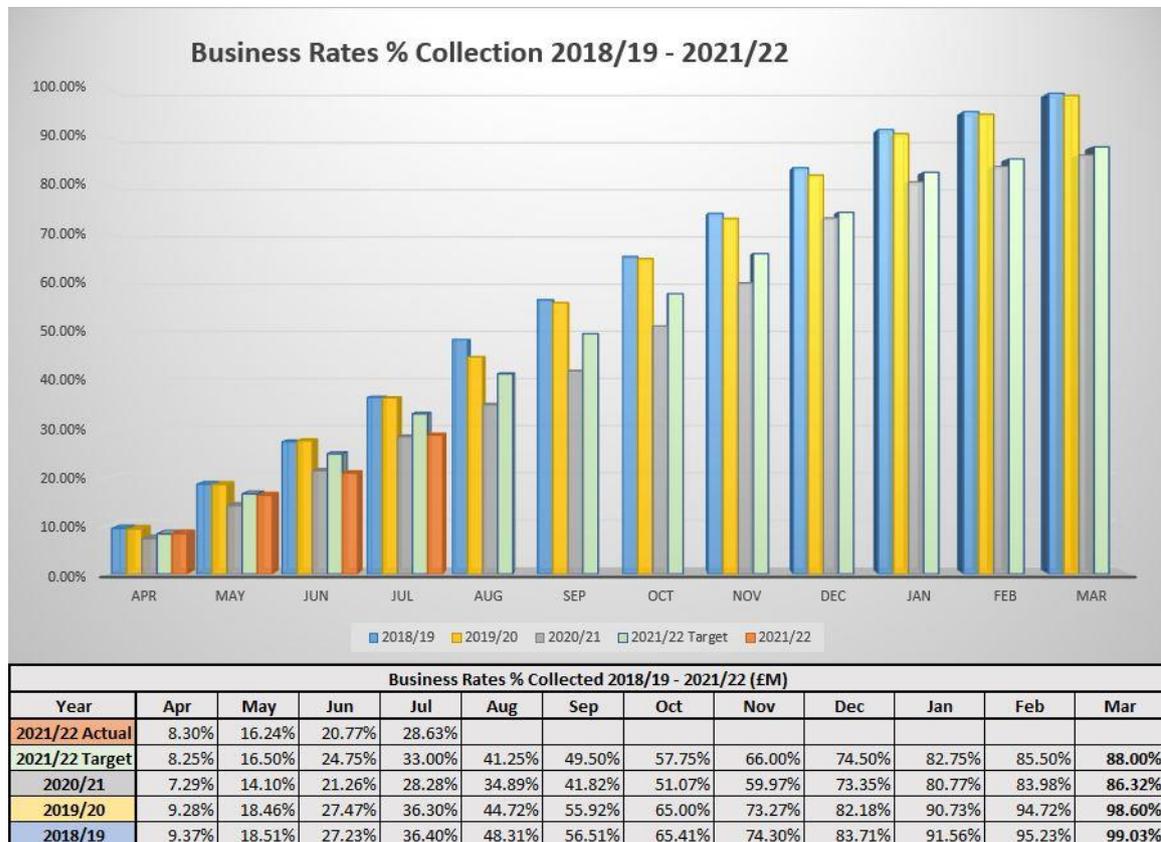
	Council Tax	Business Rates
Arrears b/f 2020-21	£ 32,757,964.75	£19,674,530.12
Raised 2021/22 Q1	£176,401,032.00	£98,583,832.94
Invoices not yet due		
Net raised	£176,401,032.00	£98,583,832.94
Payments/credits 21/22 Q1	£50,867,235.23	£20,479,852.71
Collection performance	28.84%	20.77%
Collection target	28.60%	21.32%
Plus/Minus	0.24%	-0.55%
Arrears c/f	£32,757,964.75	£19,674,530.12
Arrears as at 30th June 2021	£29,645,717.07	£11,960,290.74
Arrears reduction	£3,112,247.68	£7,714,239.38
Overall (exc credits)	£156,636,254.66	£96,831,009.97

7. This table above shows that Council Tax arrears increased by £7.1m, from £25.3m in 20/21 to £32.4m in 21/22 in despite £6.2m Council Tax Support (CTS) hardship funding provided to households on CTS during 20/21. Business Rate arrears increased by £4.2m, from £10.7m in 20/21 to £14.9m in 21/22 despite £47.9m rate retail relief.
8. It also demonstrates that as well as collection of tax due in this financial year, the collection of over £3m of Council Tax arrears and £7.7m Business Rates arrears has been achieved in Q1.

9. The sections below set out the detail of the performance up to the end of July 2021, how this compares to other London Boroughs and to past years, and how it compares to the targets set for 2021 in year performance for Council tax and overall end of year performance for Business Rates (which includes aged debt collection as well. It should be noted that collection of Business Rates is difficult to model due to change in rate reliefs that are still being implemented this year.

Business Rates Performance

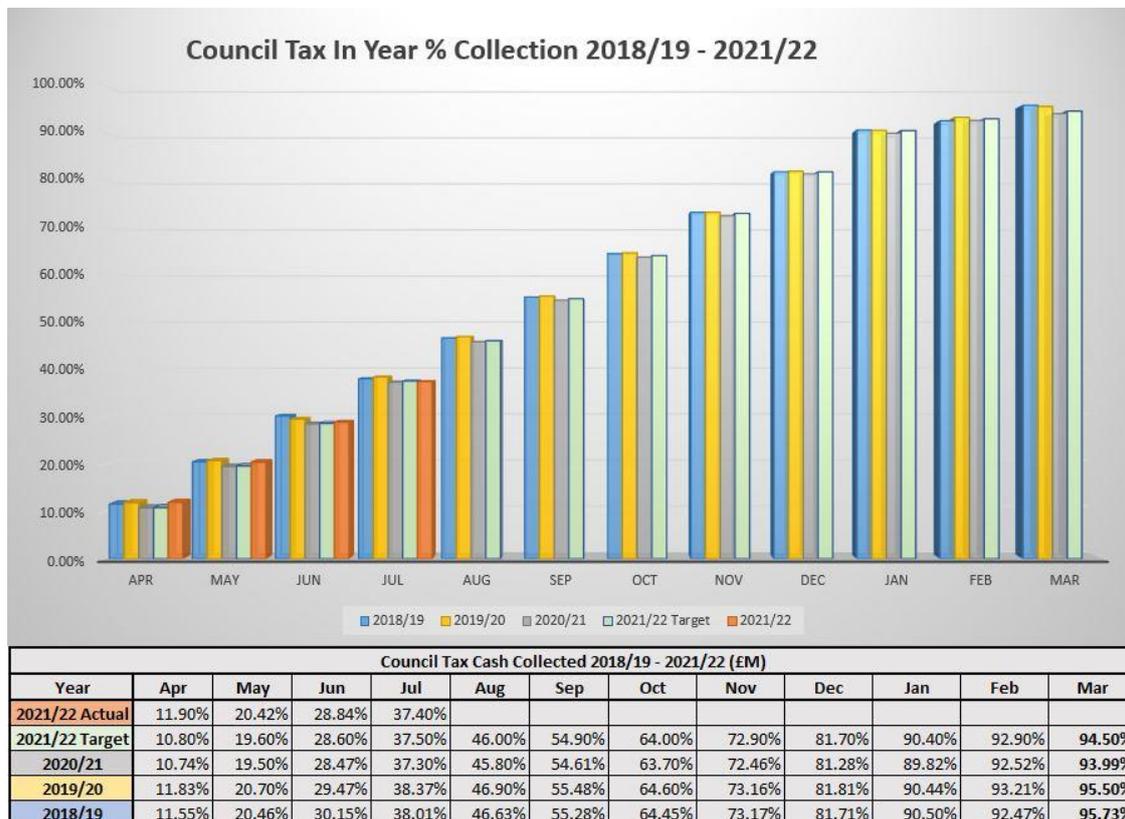
10. The Council collects business rates (also known as National Non Domestic Rates or NNDR) for every business in the borough; the level of business rates is set by the Valuation Office which is broadly determined by the rental value of the property and is called the rateable value (or RV), the government then sets the national rate applied to the RV. Nationally, relief schemes have been put in place during Covid-19 and in prior years (such as pub reliefs for example). The Council estimates the level of business rates it receives annually after considering growth, appeals and debt levels. At the end of the year, the actual business rates collected are compared to the planned rates and reported in the Statement of Accounts in a note called the Collection Fund. In the 2021/22 budget the Council has assumed business rate income of £94.241m of which the Council retains 30% (the government and GLA receive the remainder). The level of collection is agreed at Council in January in advance of the budget being agreed in February. For the financial year 21/22 this was agreed as 88%. Enfield suffered a 12.28% reduction in its collection rate between 19/20 and 20/21, one of the higher rates of loss experienced in London.
11. The chart below sets out the Councils performance for Business Rate collection over the last three years.



12. At the end of July, collection is much the same as it was last year. The July court hearing was the first run in nearly 18 months, and has resulted in c. £12m worth of debt being passed over to the Council's enforcement agents Newlyn's, to collect. This demonstrates that the impact of this activity (and subsequent recovery activity) is still to be fully understood.
13. A comparison of Enfield's Business Rates collection rate with that of other London Boroughs at the end of Q1, shows that at the end of June the average rate collected was 23%, with Enfield ranking at 9th lowest in London, but with a further 8 other authorities at only very slightly higher collection rates. It is useful to consider this in context of the fact that Enfield Business Rates collection levels were amongst the worst impacted in 20/21 by Covid.

Council Tax Performance

14. Total level of Council Tax assumed in the budget is £133m (Enfield's share), and £156.6m in total (with the GLAs share). This is estimated figure based on anticipated growth in homes, number of households in receipts of reliefs such as single person discount, Council Tax Support and levels of debt. The collection rate in 20/21 was 1.5% reduced compared to 19/20. Although a much lesser reduction than for Business Rates, this loss was still the 7th highest loss in London. Breaking down the collection rates for those that pay full Council Tax and those who receive Council Tax Support (CTS) is important to note – with 94.7% of non- CTS residents paying their bill in full, compared to 84.6% of residents in receipt of CTS paying their bill. During 20/21 the number of residents in receipt of CTS grew by over 2k, meaning a larger proportion of households that pay Council Tax are on CTS, therefore putting pressure on the overall rate of collection. An in-year collection rate of 94.5% has been targeted which is 1% lower than previous years as the impact of Covid-19 is expected to impact on this. We are currently broadly on track to achieve this target (currently showing behind target by 0.1%). The MTFP states an overall collection rate assumption of 96% for 21/22 – this is calculated using the in-year collection rate *plus* collection of previous years arrears added together.
15. The chart below sets out our performance in collecting Council Tax over the last three years for *in year* collection. (It does not recognise aged debt collected in the financial year which would bring collection levels up to the 96% target for end of year collection levels).



16. The end of July collection position is slightly improved on last year at 37.4%. This collection level is broadly similar in comparison to the London average. Much progress has been made to maximise financial support to those that need it, with a new approach to additional customer engagement letters prior to court proceedings having generated very pleasing results. This is planned to continue throughout the year. Recent court hearings, the first run in nearly 18 months, will have an impact that is still to be fully understood. 4,000 cases of previous years council tax debt have been sent to enforcement agents. It is to be noted that this chart does not take the collection of arrears into account from past years. This activity is ongoing and will be added to the overall collection rate reported at year end – which for 21/22 is set at 96%.
17. A comparison of Enfield's Council Tax collection rate with that of other London Boroughs at the end of Q1, shows that at the end of June the average rate collected was 28%, the same as the Enfield rate, with Enfield ranking at 14th highest in London and with 8 other authorities delivering only very slightly higher rates of collection.

Impact of Covid on Tax Payers (Households and Businesses)

18. Covid impact nationally and locally: The latest information from The Money Advice Trust identifies that a third of adults in Britain (31%) report being financially worse off as a direct result of the pandemic. It is estimated that close to 5.5 million adults in Great Britain, or 11% of the population, are behind with one or more household bill or personal credit commitment due to Covid-19. The scale of the economic strain brought about by Covid-19 has resulted in a significant increase in the unemployment rate with many people losing their jobs or on reduced hours. While unemployment in Enfield fell in July 2021 for the fourth month in a row at 18,600 people unemployed this constitutes 8.7% of the local working-age population, so is

still proportionately higher than in London and the UK as a whole. Enfield's unemployment rate is the 7th highest of the thirty-three London boroughs. Similarly, the number of Enfield households requiring state help to pay their rented housing costs peaked at 48,551 in April 2021, before falling to 47,320 in May (figures for March to May this year are still provisional will be subject to revision). The number of households taking up Council Tax Support (CTS) is a reflection on the number of people struggling with their housing costs. These numbers rose from 35,700 in Q4 of 19/20 to a high of 37,384 during the height of lock down, and are now reduced to 36,836. Since the average collection rate for residents on CTS is about 10% lower than the overall average, the higher the proportion of households on CTS, the lower the over collection rate will be.

19. Another variable effecting our success in collection of Council Tax and pressure on the Council's finances in terms of applications for Council Tax Support is the impact of the ending of the Government's furlough scheme (end of September). While the number of Enfield residents and businesses reliant on this scheme continues to fall, from a peak in July 2020 of 22% of employees, the rate of furloughed workers is still 10 or 14,300 employees - higher in Enfield than the averages for London and England. The take up of the furlough scheme is a reflection of the health and confidence of local businesses, and there is no assurance about how many of these businesses will continue after the end of the furlough scheme.
20. For many people in self-employment and running businesses, the impact has been significant and sustained, leaving businesses unsure about the future. The pandemic has also led to some residents finding themselves in problem debt for the first time in their lives. During the pandemic the Government suspended courts and so no liability orders were sought and no enforcement action took place. With regard to Council Tax, the last court hearing date prior to Covid-19 was 5 March 2020 and the first one subsequently was 27 May 2021. With Business Rates there was a similar gap with the last one prior to Covid-19 on 5 March 2020 and a long gap with the courts resuming on the 22 July 2021.
21. Commercial premises have been severely impacted by the Covid-19 pandemic with many closing for periods and remaining shut with ongoing lasting effects. The Valuation Office Agency have seen a vast increase in Rateable Value appeals because of the pandemic as appeals can be made using the 'Check, Challenge, Appeal' process to reduce the Rateable Value of a business property on the grounds that the assessment has seen a substantial and prolonged reduction in use through a material change in circumstances. If agreed, this results in a reduction to the businesses liabilities, and in turn a loss to the Council's Non-Domestic Rate collection with the requirement to refund considerable sums in cases of backdated devaluations. Government has recognised the implications of this and issued a Bill in response to prevent reductions in Rateable Value's from a material change in circumstances due to the coronavirus as published in the budget. The Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Bill is currently at report stage with MP's - <https://bills.parliament.uk/bills/2861>. The bearing of Rateable Value reductions to the Council and the criteria for the above Bill is unknown and causes significant uncertainty about whether the revenue recovered is secure, or whether there will be further widespread retrospective repayments that need to be accounted for from the Non-Domestic Rates income stream. Revaluations were in any case already beginning to increase pre-covid, examples being a local warehouse has a £70k p.a. rateable value decrease backdated to April 2017, and a fuel provider has had a £210k p.a. rateable value decrease backdated to March 2017.
22. All enforcement activity was suspended during the pandemic and the visiting team unable to keep on top of new developments or changes due to the physical restrictions of the pandemic, and the Income and Debt service focussed on the payment of Business Grants and Rates Reliefs to businesses, while the Financial Assessment service focussed on the application of the Government funded hardship funding for residents struggling with paying Council Tax (through provision of additional Council Tax Support) and the development of the new Welfare Advice and Debt Team and their provision of casework support and additional hardship payments.

Challenges and Risks

23. Team Capacity

- The team that collects business rates and council tax debts (the Collection Team) works closely alongside the teams that calculate housing benefit and council tax benefit. Over the last year these teams have been under significant pressure delivering new grants – self-isolation payments, additional hardship payments to households on Council Tax Support (CTS), large increase in CTS caseload, business rate reliefs and grants, welfare advice and support. The team also work closely with 'Civica on Demand' who provide telephony and front-line services for Council tax, and front-line services for Business Rates. This partnership is a finalist in the October 2021 IRRV 'excellence in partnership working' award.
- During and since the pandemic recruitment challenges have been an issue across these teams, specifically in the Business Rates team. Since March 21 we have seconded a Business Rates Team Leader in from another London Borough. The teams have vacancies that are proving hard to fill (which is anecdotally also experienced by other London boroughs) and so a twin track approach is now being pursued; more Civica on Demand support for Business Rates to provide telephony and clerical support, plus agency staff on fixed term contracts, coupled with a plan to develop our in-house training expertise and take on our own IRRV apprenticeships to ensure longer term stability.

24. Ongoing impact on household and business financial health on ability to pay Council Tax and Business Rates

- The Council has a partnership with Policy in Practice, a think tank expert in welfare, which in August has modelled the impact of the removal of the £20 a week Universal Credit uplift on our Housing Benefit and CTS caseload, and the impact of the ending of the job retention scheme (furlough). As with any modelling this is subject to many national and local variables and can only be used as an indication of the challenges to come. However, it is indicating that we should expect to experience a significant increase in households being affected by the Benefit Cap and to also expect that those older workers in the 50-69 age group that are not in work are less likely to secure re-employment than younger households.

Recovery Plan and Monitoring Progress

25. A recovery plan for the collection of Council Tax and Business Rates, based on the Councils strategy (A Progressive Approach to Managing Debt and Income in Enfield) was developed and implemented once the final/last lock down ended in June 2021. In addition to our usual recovery methods the following have recently or are now being developed:

26. Maximise collection:

- Early intervention- Additional methods of engagement outside the standard recovery process have already been set up to nudge or remind residents or businesses of their debts. These additional methods include texts and a softer more engaging email/text or letter to encourage contact and payment. The early results of these exercises have provided very pleasing results with over £1m in additional payments in business rates the day after the new engagement correspondence was sent out. This approach is also being successfully applied

to Council Tax debt, which generated an additional £380k in one day, as well as many phone-calls making payment arrangements.

- Where customers wish to dispute a charge, or feel they are unable to pay, we are extending payment plans over a longer period if required, in addition exploring additional support (see below)
- Additional resources x 3 for Council tax and 3 for Business Rates – covid-19 funded for 1 year – plus additional visiting resources to maximise income from growth of Business and Council Tax base

27. Protect vulnerable and low-income households:

- Pilot further work to use a range of external data to identify those customers that are unable to pay due to their wider financial circumstances as opposed to those that have the ability to pay but are choosing not to. For those that can't pay, we will ensure they are supported by the Welfare Advice and Debt team and/or appropriate sources of independent advice (such as Citizens Advice/Step Change) to access guidance on maximising benefit entitlement, skills and prospects. We will act where individuals "Won't Pay" using the normal debt recovery methods.
- The newly created Welfare Advice and Debt Team (established in 2020) is currently being expanded to 8 staff. The advice provided is in the form of casework, so that those customers struggling with debt and poverty are given the best possible advice about how to manage their circumstances and improve their financial situation. This support is accessible on the phone and also by appointment through extended provision from the new Community Hubs in Edmonton Green and Enfield Town. The following are examples of the outputs from this team between September 2020 and August 2021, when 2297 clients were supported
 - o Total amount supported with emergency cash payments up to £100.00 - 89 Households
 - o Total sum of benefits maximised - £124k (this figure is made up of UC, Personal Independence Payment, Housing Benefit, CTS, Attendance Allowance, Carers Allowance, Legacy benefits and Pension Credit – not including sum from Pension Credit Campaign)
 - o Total Amount of income maximised including pension credit campaign - £217k
 - o Healthy Start take up campaign – led to a 5% increase in take up across the borough
 - o New Benefit cap campaign – currently underway and working with the Housing teams to proactively target residents who are affected or will become affected by the Benefit Cap to improve their financial, housing and personal circumstances.

28. Protect the public purse:

- Fraud checks on Business rates and Council Tax by the Councils Counter Fraud Team are regular and ongoing. Examples of the results of this are that between April and July 2021 : over £41k of Business Support Grants became recoverable (from a total of over £40m distributed); £24k in additional Business Rates liability was identified; and benefits savings of £28k were identified. ;
- The new Council Tax Review team (formed in 2021) will check eligibility for discounts and exemptions and ensure that they are applied appropriately.

29. Monitoring progress

- A new officer debt and income board was established in March 2021 and meets monthly. This board has developed debt scorecards for Council Tax and Business Rates, in addition to other areas of debt, and these are currently being refined. The position as regards collection, risks and issues and progress on the recovery plan (below) is reported to the portfolio holder on a regular basis.

Main Considerations for the Panel

30. Historically the Council has delivered good collection rates albeit always looking to improve and innovate hence the development of the new Strategy and the Welfare and Debt Team before the Covid-19 pandemic. However, Covid19 has brought additional and new risks to our collection from residents and businesses. These risks concern the overall longer-term impact of Covid-19 on the financial health of residents and businesses, in a borough that has experienced a higher than average negative impact on unemployment, furlough and business rates collection loss in 20/21. In addition, collection team resourcing capacity is a clear and current risk. There have been a number of achievements in 2021, such as the development and embedding of the new Welfare Advice and Debt Team, new pre summoning engagement to encourage tax payers to engage in conversation with the Council, establishment of the Debt Board and paypoint roll out making it easier to pay locally. However, although we are doing more, there is more to do and the recovery plan sets this out.
31. The Council has a new strategy 'A Progressive Approach to Managing Debt and Income in Enfield', agreed in March 2021, that provides a framework for structuring the recovery plan to improve the collection of Council Tax and Business Rates debt ethically. This recovery is both critical since a large proportion of Council services depend on this income, and also for those tax payers that have become indebted. There are still many unknowns that will impact on the rate of this recovery, such as the extent that the end of furlough will have on the rate of unemployment locally, and the impact of post pandemic economic recovery on the health of local businesses. Other risks include commercial property devaluations and staffing capacity.
32. It is proposed that this item returns to F&P in the new year with an update since this is a live risk.

Conclusions

33. The reality for many who have been financially impacted by the outbreak, is that the resulting debt burden will be with them for many years to come. Equally, the MTFP is anticipating that the loss of collection performance will take 3 years to completely rectify. However, we are in a reasonable position having already recognised the need to collect debt fairly and proportionately, understanding that early intervention and communication are key to supporting our residents and businesses as we start to move forward out of the pandemic. The Income and Debt Service and the Financial Assessment Service are building up capacity where needed, adapting and improving processes and contact with customers and monitoring the situation closely. It is clear that there are many variables that will impact on our ultimate goal to recover debt and collection levels, some of which are within our control locally and some of which are to be determined at a national level.

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14 September 2021

Appendices

None

Background Papers

The following documents have been relied on in the preparation of this report: A
Progressive Approach to Managing Debt and Income in Enfield
<https://governance.enfield.gov.uk/mgIssueHistoryHome.aspx?IId=57152>

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This report format is for scrutiny reports

London Borough of Enfield

Finance and Performance Scrutiny Panel

14 September 2021

Subject: Commercial and Property Income Update

Cabinet Member: Cllr Maguire

Executive Director: Fay Hammond

Purpose of Report

1. This report provides an overview and details of the current workplan of the Commercial services team and outline future proposals for delivering a commercial approach across Council services together with an update on current income from Commercial Property Assets and plans for a portfolio review.

Proposal

2. Members are asked to note the report.

Relevance to the Council Plan

3. A commercial approach helps ensure teams provide best value to residents and obtain best value from suppliers when delivering essential services. Specific projects will seek to drive investment into the Borough and generate local employment where possible.
4. The commercial service and the ownership and effective management of commercial property assets therefore directly contribute to all three of the Council objectives:
 - Good homes in well-connected neighbourhoods
 - Build our Economy to create a thriving place
 - Sustain Strong and healthy Communities

Background

5. Enfield's Commercial Strategy 2017 to 2020 recognised that continuing financial pressure would need a new commercial approach to meet the rising demand in services and continuing expectations of residents.
6. The strategy took a broad view of commercialisation including:

- **Efficiencies** – reviewing each in scope service area to identify opportunities to deliver additional efficiencies across all enabling functions
 - **New ways of working** – identifying service areas and assets where adopting new ways of working (make, buy, sell) would increase the commercial return to the council and improve the quality of the service provided to the customer
 - **Growth** – taking high performing and high demand Council services and grow / improve their trading position by both deepening and broadening the customer base
 - **A commercial discipline** – embedding commercial principles across the department and Council, aimed at ensuring that each service area is at a minimum fully recovering the cost of all commercial activities and at best supporting core services
7. The key work areas, outcomes and deliverables of the commercial services team are detailed below.
8. The Council adapted a Strategic Asset Management Plan in 2019 addressing the ongoing management of all Council property assets. Core principles of the plan included: increasing income from the Council's property assets (long term revenue streams preferred to one-off capital receipts) and reducing expenditure on the Council's property assets. To that end it was proposed that strategic reviews of the investment portfolios would be undertaken.

Main Considerations for the Panel

Commercial Services

9. The report sets out the highlights from the last financial report and looks at works in progress during the current financial year.

2020/21 Highlights:

10. Holly Hill – Is an environmental landscaping project at Holly Hill Farm on The Ridgeway. The project involves reception of excavated soils from construction projects in and around London, which are processed into soil products suitable for land restoration and improvements. These products are then used to improve the quality of the farmland on the site. The project is currently on schedule to deliver environmental improvements and meet expected royalty income of £2.7m to the Council despite market pressures resulting from Covid-19 lockdown periods halting and reducing construction projects. The team has worked closely with colleagues in Property Services to deliver this project.
11. Grounds Maintenance Insourcing - The highways grounds maintenance contract with Glendale Countryside Limited was due to come to an end in March 2021, and officers within the Commercial Services Team were tasked with undertaking an options appraisal to determine future service delivery. Following an assessment of the available options e.g. extension of existing contract, retendering of the contract etc., it was decided that insourcing the

service was the most beneficial option available for the Council. The rationale included an annual saving of £100k to the Council, based on a like-for-like service with the one being delivered, plus more flexibility and greater control of the service than under the previous arrangement. The decision was taken to insource the service in December 2020 and the new service commenced in April 2021.

12. Fleet Workshops – A review of Fleet Services maintenance and servicing facilities by the Fleet Operations Manager identified significant opportunities for efficiencies and income generation within the service. Commercial services were requested to develop the Business case and governance documentation required to implement these opportunities and following successful approval they have delivered efficiencies through bringing the Parks Equipment Maintenance Services back in house and income of over £50k through undertaking servicing of third-party commercial vehicle fleets. Expected benefits have been exceeded and further opportunities are being explored by the two services.
13. Library Visa Scheme - Enfield Council entered into an agreement with Libraries Connected, an agent for the UK Visas and Immigration Service, to join a network of local libraries that provide bio-metric facilities for the completion of visa applications. Initially operating from Enfield Town Library and Edmonton Green Library, but with plans to extend to other library hubs, the scheme allows people to complete and submit working visas, study visas and settlement visas. For each visa completed, the Council receives a fee for the delivery of the service on behalf of the UK Visas and Immigration Service. In addition to the generation of £277k income for the Council, the initiative has brought more people into the Council's libraries and it supports the aim of creating community hubs where residents can access a range of services all in one place.
14. Southgate Cemetery Expansion - the Team oversaw the reopening of the cemetery via the construction of vaulted graves and mausoleum in a previously unusable, due to waterlogging, area of the cemetery. The completion of the first phase of the construction has enabled Southgate Cemetery to reopen after approximately 25 years of closure to new internments. Phase two of the construction works commenced in August 2021.
15. Edmonton Cemetery Expansion - The expansion of Edmonton Cemetery onto the previously disused tennis courts adjacent to the A10 was completed in June 2020. Further works to build vaulted graves and mausoleum along the eastern boundary of the site is scheduled to start in autumn 2021. The mausoleum will provide a visual barrier and noise mitigation to the newly constructed cemetery, creating a pleasant environment for the families of the deceased. Once fully completed, the Edmonton Cemetery expansion will provide provision for a further 2,137 burial plots and extend the life of cemetery until 2045.
16. Whitewebbs Golf Course - In April 2019, Members authorised a marketing and disposal process for Whitewebbs Golf Course. Commercial officers worked with colleagues in Property Services to project manage the process

including tender documentation, Cabinet reports and project governance. As a high value and high-profile project, accurate and timely information and documentation is a priority to support decision making and reduce risk of challenge. The outcome decision is expected to be announced shortly.

17. Commercial waste - The Commercial Team worked with Waste Service to assess whether there was a business case to diversify the Council's Commercial Waste Service offer through the introduction of a broader range of products, targeting different parts of the market. The work undertaken by the team demonstrated that there is a positive business case for the introduction of containers aimed at the high waste producing industrial business predominantly located down the eastern corridor of the Borough, and potentially a commercial food recycling service. The service is currently reviewing its structure to determine how business development can be maximised, and once completed the service will look to implement the recommendations from the review which identified up to £220k of income that could be obtained from the new services.
18. NEXUS - is a Council managed project that works across Enfield's primary and secondary schools, engaging pupils that are at risk of permanent exclusion from school. When children are permanently excluded they are either referred to the Pupil Referral Unit or educated via an alternative provision. Both alternatives are significantly more expensive than mainstream education, and those permanently excluded from school are also more likely to become involved in crime, which impacts on their life changes and has wider implications for society. The Commercial Services Team worked with the Service to demonstrate the positive business case for the continuation of the project. During the first two years of NEXUS, permanent exclusions fell by 59.6% and 63.4% respectively when compared to the level preceding the introduction of the project. The business case demonstrated an average saving of £277k for the Council for each year that the project has been in operation.

2021/22 Highlights:

19. Safe and Connected - The Commercial Team has worked with the colleagues from Adult Social Care to better market the service to increase utilisation and income. The Safe & Connected website has been revamped so that it is more engaging and offers potential customers with more information about the services on offer and the benefits of signing up to the Council's service. A sales marketing campaign has also been developed to promote the service to a wider audience, highlighting the benefits of the Council's service over some of our competitors. These include a recovery service for those users that have fallen and either injured themselves, and the use of new digital equipment that help monitor service users more effectively.
20. Holly Hill Extension - The successful delivery of the current project, detailed at paragraph 7 above, demonstrates the potential viability of similar schemes and an extension into the adjoining 97Ha of Council owned land has been proposed. This would operate under a broadly similar approach of using processed soil products to provide significant environmental and agricultural

improvements to the area under robust regulatory control using gate fee income to fund the project.

21. Natural Burials - An opportunity has been identified to develop a new burial ground on land owned by the Council that was originally purchased as part of the 'Garden Enfield' project and is currently leased for arable agriculture use. A burial needs assessment carried out for the Council in 2020 identifies an expected shortfall in Enfield by 2041 of 14,000 ashes interments and 15,000 graves, of which 11,000 are Muslim graves. The proposed new cemetery would address this predicted shortfall and introduce a natural/woodland burial option within the Borough for residents. A decision on this project is expected in October 2021.
22. Enforcement Agent Service - The Commercial Services Team are currently determining whether there is a business case to insource the debt collection services currently provided by third part enforcement agents (bailiffs). In addition to the income opportunity associated with an inhouse service, other Councils have shown that an inhouse service can offer more ethical methods of debt collection, whilst also achieving better rates of debt recovery than their third-party providers. The business case is primarily focussing on the collection of council tax and business rate debt, but there are other opportunities that could be explored such as parking debt.
23. Park Events Income Growth - Officers have worked with colleagues from across the organisation to attract new income generating events to the borough and grow the income from existing events. Income growth has been achieved by agreeing more favourable terms with existing organisers or adding additional days to ensure that maximum income is generated from organisations hiring our parks for their events. The attraction of new events to the borough has extended the borough's cultural offer with the addition of educational events such as the Jurassic Encounter at Grovelands Park. The work of the Team is helping to extend the cultural offer available to resident.
24. Planning Services - Enfield's Planning Service defines Enfield's long-term spatial planning framework and manages the development of land and buildings within the Borough. The service recognises that there is a need to explore opportunities to increase their commercial value and the Commercial team are collaborating with them to develop a strategic business case, outlining the commercial future for Enfield's Planning Service and highlighting specific opportunities to generate increased income and efficiencies.
25. Culture – The 2020/21 Invest to Save – Use of capital receipts, process identified five areas within the Councils Culture service where appropriate investment could deliver significant benefits both financially and in terms of improved offers and services to Enfield residents at its key venues such as the Dugdale centre, Millfield Theatre and Forty Hall. Commercial officers are working with the Culture service to develop robust business cases that can clearly demonstrate the value that will be obtained from the investment requested.

Schools Traded Services:

26. The Hub - The hub is an online resource that provides schools with news, information and the ability to source the range of the Council's traded services. At the heart of the hub is the trading platform where schools can book 57 different services that help the schools to manager their estate more effectively, provide training for their staff, and deliver better education for their pupils. The hub is actively used by 120 schools across the borough trading over £3.5m of income for the Council, a 9.5% increase on the previous year. In addition to the reduced administrative burden on Council officers, the hub facilitates a centralised approach to invoicing, management of enquiries, and customer service, ensuring the same high standards of service are provided to all schools for each of the services.
27. Directly Managed Services - The Commercial Team directly manage four school services; Enfield Music Service, Enfield Catering Services, EN Digital, and School Swimming.
- Enfield Music Service's tuition offer, during the COVID-19 pandemic, moved to an online service and unfortunately this resulted in significantly less trade than face-to-face tuition. During the summer term trade was only 27% of the level in 2019, whilst current bookings for Autumn 2021 are just 10% of those from 2019. With the recent ending of all covid restrictions and the full reintroduction of in-school face-to-face tuition, it is hoped that trade will recover back to the levels seen in 2019.
 - Enfield Catering Services has restructured the team and recruited new members with different skills into the team, to retain the service's market share and reduce the budget pressure by the service. The service is now putting chefs into schools with the right skills and experience to deliver the service's vision of providing school children with healthy nutritious school meals. Combined with the procurement of new ingredient contracts, the service has won one new schools' contract and retained five schools that tendered their school catering. The progress made by the team has resulted in a reduction to the financial pressure of the service by £200k.
 - EN Digital, which provides digital services to the borough's education facilitates moved across to the Commercial Team in June 2021. The service has been involved in the roll-out of the Department for Education funded computer devices, provided to schools during the covid pandemic. Moving forward, under the management of the Commercial Team, EN Digital will look to increase the number of schools that works with and look at other opportunities such as the provision of services for small local businesses.
 - The School Swimming Service, like EN Digital, has recently moved under the management of the Commercial Services Team. Since joining the service, officers have revised the programme and are currently reviewing different operating models

A Commercial Discipline

28. Going forward Commercial services will be applying and promulgating the following seven blocks approach throughout the organisation:
- Robust options appraisal processes to decide on commercial ventures
 - Identifying the risk and reward of individual commercial ventures and managing reputational risk and political exposure
 - Appropriate and effective accountability and scrutiny of commercial ventures
 - Having the right skills and capacity to be able to initiate, implement and manage commercial ventures
 - Creating a commercial culture
 - Setting a clear vision and taking a strategic approach to commercialisation
 - Agreeing what commercialisation means for us and our communities

Commercial Property Portfolio

29. The Council's Commercial Property portfolio is managed by Strategic Property Services within the Property & Economy Directorate.
30. The portfolio forms part of a property holding comprising over 1,200 property assets across Commercial Property Investments and Operational Property. The combined assets are valued at circa £1.01 billion (£934m general fund plus £79m HRA non-residential).
31. Operational Property Assets include Council Offices, Depots, Community Assets, Libraries and Parks.
32. Commercial Property Investments include Retail Units within the Housing Revenue Account estate, the freehold of Shopping Centres in Enfield and Edmonton, Office buildings (including the new Microsoft (Metaswitch) HQ), Industrial estates and rural farms.
33. Management of the portfolio includes managing regular rent reviews, lease renewals, reletting following vacancies and other landlord approvals (such as for tenants works or assignments). A typical year will involve over 200 such transactions.
34. In Quarter 1 of the current financial year income from the portfolio was reported as £7,620,728, up slightly from the same quarter the previous year but down on pre Covid-19 levels, with vacancy rates at 3.5%, down from 3.9% in the previous year.
35. The Industrial Portfolio, including Claverings, Montagu, Jefferies and Redburn Industrial Estates generates approximately £2.2 million per annum.
36. The Retail Portfolio, mostly HRA parades, also generates approximately £2.2 million per annum.
37. The Rural Portfolio including farms and equestrian property, golf courses and privately-operated sports facilities generates approximately £800,000 per annum

38. A miscellaneous Portfolio including the freehold of the Palace Gardens Shopping Centre and Car Park, Edmonton Green Shopping Centre and ASDA Store and Car Park in Southgate generates around £3 million.
39. All of the above figures assume full recovery and are gross of management costs.
40. Local businesses were given a three month rent free period during the first lockdown but since then rent has been charged with a few exceptions. Covid-19 has impacted on collection rates and government-imposed restrictions have meant that tenants are protected from eviction for non-payment until at least March 2022. The reported financial impact of Covid-19 on this investment portfolio in 2020/21 was £334,000.
41. Income will increase this financial year following completion of the Microsoft (Metaswitch) development in Genotin Road which will generate £1,575,000 per annum.
42. Strategic Property Services have initiated a review of the portfolio which will consider which current assets should be retained, which disposed of and which developed to ensure that the Council receives the best future net returns and growth potential whilst also meeting the Council's Corporate Plan objectives. This review will be completed this autumn.

Conclusions

1. The report has highlighted key outcomes from the last financial year and planned work for the Autumn onwards for the Commercial services team together with an update on current income from Commercial Property Assets and plans for a portfolio review.

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Date of report 14.09.2021

Appendices

None

Background Papers

The following documents have been relied on in the preparation of this report:

None

Commercial Update

- 20/21 Highlights
- 21/22 Commercial Projects Overview
- Approach
- Schools Traded Services Overview
- Fees and Charges timeline 22/23

20/21 Highlights

- Holly Hill
- In sourcing of Grounds Maintenance
- Fleet workshops
- Library Visa Scheme
- Southgate and Edmonton Cemetery Expansion



£1.1m

- Whitewebbs
- Commercial Waste
- Nexus



£1.1m

21/22 Highlights

- Holly Hill 1 & 2
- Micro Holly Hill
- Sloemans Farm Natural Burials
- Insourcing enforcement agent service
- Southgate and Edmonton Cemetery Expansion
- Safe and Connected
- Park Events income growth
- Fleet Workshops potential expansion
- Building Control
- Culture
- Whitewebbs
- Commercial Waste
- Leisure Fusion Contract Review



£2.3m

Approach

Collaborative

Values lead commercial approach

Focused

What is the Impact?

The 7 Blocks

Robust options appraisal processes to decide on commercial ventures

Identifying the risk and reward of individual commercial ventures and managing reputational risk and political exposure

Appropriate and effective accountability and scrutiny of commercial ventures

Having the right skills and capacity to be able to initiate, implement and manage commercial ventures

Creating a commercial culture

Setting a clear vision and taking a strategic approach to commercialisation

Agreeing what commercialisation means for us and our communities



Schools
TRADED SERVICES

The Hub - Trading

- Trading 57 services
- Used by 120 Schools
- Traded £ 3.5m 21/22 +9.5% vs LY
- Centralised Approach to:
 - Invoicing
 - Customer Services
 - Enquiries



Engagement

- Annual Feedback Surveys
- Service leads and commercialisation
- Forums
- Headteacher Meetings
- Education Leaderships
- Networking opportunities

Joining the dots...



- Online presence
- Sept 21 back to schools
- Summer term -27% vs Summer 19
- Current Autumn trade -10% vs Sept 19



- June 21 joined STS
- DfE Devices
- Procurement
- New opportunities



- Chefs in Schools
- New team
- +1 new contract
- +5 retained
- Reduced budget pressure by £200k
- HAF Programme
- Procurement concluded



- Revised programme
- Growing school numbers
- Swimphony
- Unit costs
- Operating Model

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MINUTES OF THE MEETING OF THE FINANCE & PERFORMANCE SCRUTINY PANEL HELD ON WEDNESDAY, 23RD JUNE, 2021

MEMBERS: Councillors Mahym Bedekova, Lee David-Sanders (Deputy Leader of the Opposition), Birsen Demirel, Christine Hamilton (Deputy Mayor) and Tim Leaver. Councillor Ayfer Orhan substituted for Cllr Dino Lemonides and Councillor Edward Smith substituted for Cllr James Hockney

Officers: Fay Hammond (Executive Director Resources), Koulla Panaretou (Governance and Scrutiny Officer)

Also Attending: Councillor Mary Maguire (Cabinet Member for Finance and Procurement)

1. WELCOME & APOLOGIES

Councillor Birsen Demirel (Chair) welcomed everyone to the meeting and invited Panel Members to introduce themselves.

Apologies for absence were received from Councillor Dino Lemonides who sent Cllr Ayfer Orhan to substitute on his behalf.

Apologies for absence were also received from Councillor James Hockney who sent Cllr Edward Smith to substitute on his behalf.

Cllr Yasemin Brett was absent from the meeting.

2. DECLARATIONS OF INTEREST

Initially no declarations of interest were noted but as the meeting progressed it was evident that Cllr Tim Leaver disclosed a non-pecuniary interest in respect of an item on the work programme which involved Housing Gateway Limited of whom he is a Director. Further clarity will be sought to his involvement in the work planning item in this respect.

3. MINUTES OF THE PREVIOUS MEETING

AGREED, that the minutes of the previous Scrutiny Panel meeting held on the 11th March 2021 be confirmed as a correct record.

4. INTRODUCTION - PURPOSE OF THE MEETING

Councillor Demirel (Chair) introduced the purpose of the meeting which was to agree the Scrutiny Panel's work programme for 2021/22, in the light of the

FINANCE & PERFORMANCE SCRUTINY PANEL - 23.6.2021

following presentation (detailed in Minute No.4 below) on the priorities and areas of challenge for the Council in relation to the Scrutiny Panel's remit.

5. LOCAL PRIORITIES FOR 2021-22

Councillor Demirel (Chair) invited Councillor Mary Maguire (Cabinet Member for Finance and Procurement) and Fay Hammond (Executive Director - Resources) to present to the Panel the local priorities for 2021-22.

Councillor Mary Maguire (Cabinet Member for Finance and Procurement) took this opportunity to outline to the Panel the challenges being currently faced by the local authority:

1. The Council is currently operating with 50% less funding going forward than was available ten years ago. With this reduction and the need to balance the books accordingly, the challenge has been to reduce risks and ensure that Adult & Children's Social Care and Social Services are supported.
2. Rigorous control of our spending has been required to reach our priorities. The Council's financial resilience has strengthened. However there are ongoing future risks arising from Covid 19, such as uncertainty in job security in the borough, which will have a huge impact on income from Council Tax and Business Rates collections. The likelihood is that the collection fund will be significantly lower this year.
3. It will be difficult to plan with only one-year settlements to work with, especially as the Fair Funding revenue is still awaited. The Council have done a good job although there are still challenges ahead. If comparisons are made to other Councils, Enfield is in a good resilient position.

Fay Hammond (Executive Director - Resources) followed with a detailed presentation to the Panel providing an update on the following:

- Covid 19 - ongoing impact; key area is impact on income, namely Council Tax and Business Rates: There is a need to examine how the Council is performing and steps to address any issues arising from this financial uncertainty and the pressure faced by our residents and businesses.
- External audit pressures on the external audit industry, including the recommendations from the Redmond Review: The need to identify a clear strategic reason where this can be resolved
- Fair Funding: it is not certain when the government will progress the Fair Funding of Local Government, it is envisaged that this is to be considered by next April but may not materialise. The damping arrangement equivalent to £11m estimated loss in funding each year. There is an option to bring in an independent specialist to brief the Panel on the history of damping, and the latest information on

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government funding and what this could mean for Enfield. CIPFA Financial Management Code: Finance Department undertaking a self-assessment on this code; in the autumn CIPFA have been asked to assess Enfield. It is suggested that this assessment and the improvement plan are reported here.

- Consultation on Prudential Code - Treasury: the Treasury Strategy is reviewed by the General Purposes Committee, however, it was suggested that the Finance Scrutiny Panel may wish to look at this as well.
- Company Business Plans – the Panel may wish to undertake a closer review of these.
- Public Interest reports - financial resilience, governance and leadership: There have been a number of Public Interest reports published, the Panel may seem to gain assurances that Enfield have reviewed these and are acting on any lessons learnt.
- Financial Risk and Governance: **although the financial** foundations are more resilient, however, in the context of the current pandemic, the Council continues to review our resilience, governance and risks continues to be a priority
- Customer Performance: the new website will be operational in the summer 2021, and the Panel may wish to receive an update on the impact of this on customer experience.

Councillor Demirel (Chair) thanked Councillor Mary Maguire and Fay Hammond for their comprehensive and informative presentation to the Panel. They left the meeting at this point to enable the Panel to consider the work programme.

6. PLANNING THE WORK PROGRAMME 2021/22

A detailed discussion took place on planning the Panel's work programme 2021-2022 in the light of the presentation detailed in Minute No. 4 above. Councillor Demirel (Chair) reminded Members that they had three scheduled meetings for the remainder of the Municipal year, and it was suggested that the Panel focus on two main areas of scrutiny at each of those meetings. The potential priorities outlined in the presentation were highlighted for the Panel's consideration.

Councillor Demirel (Chair) invited members to raise any specific areas of interest to them. The following issues were raised in discussion:

1. Councillor Demirel (Chair) advised that fair funding and MTFP overview is to be discussed for awareness but not for scrutiny. She also advised that a short update on the Council Companies business plans is to be received.
2. On behalf of Councillor Dino Lemonides, Councillor Orhan asked for the panel to look at the number of agency staff and the cost to the Council.
3. Cllr Demirel asked for comparisons with other councils on how much the agency staffing costs have affected the Council's budget, especially pre and

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post Covid. Many permanent staff have been self-isolating and agency staff have been an essential tool during these unprecedented times.

Members had a detailed discussion on the suggestions that had been raised together with the priorities noted in the presentation, and the Panel's terms of reference. In conclusion, the following areas were priorities for the current year, some of which are for information only by way of an update.

AGREED the following items for inclusion on the Panel's work programme for 2021-2022:

1. Fair Funding presentation on impact for Enfield
2. MTFP Overview including focus on Covid 19 impact and review of our risks and overall financial resilience. To include Council debt recovery and our approach to recover and monitoring of Council Tax and Business Rate income and performance levels.
3. Update on commercial, property and income generation.
4. CIPFA FM Assessment outcome.
5. Focus on Council company's business plan; HGL; Montague and Energetik.
6. Review of impact of Covid 19 in 2021-2022
7. Cost of agency staff to the Council during the Covid period and beyond.
8. Public Interest Report.
9. Budget update to include departmental restructures and the ramifications to the Council.
10. Focus on financial governance arrangements.
11. Focus on performance - customer experience - measuring the impact of the website and performance in customer.

In conclusion, Councillor Demirel (Chair) advised the Panel that the work programme would go forward for consideration by Overview and Scrutiny Committee by the 13th July, Cabinet by 15th September and Council by 22nd September.

7. TERMS OF REFERENCE

The Panel Members noted and agreed the content of the Terms of Reference for the Finance and Performance Scrutiny Panel as detailed in the Council's Constitution.

8. DATE OF NEXT MEETING

NOTED that the scheduled dates for future Panel meetings for the current municipal year are as follows:

Tuesday 14th September 2021

FINANCE & PERFORMANCE SCRUTINY PANEL - 23.6.2021

Wednesday 15th December 2021

Thursday 10th March 2022

It was agreed that an additional meeting is required and availability sought from Panel Members for the 5th or 6th January, to be confirmed.

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