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FINANCE & PERFORMANCE SCRUTINY PANEL

Wednesday, 15th December, 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 (Chair), Ayten Guzel, James Hockney, Tim Leaver (Vice Chair) 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. FOCUS ON COUNCIL COMPANIES (Pages 1 - 16)

To receive a report from the Executive Director Resources.

4. REVIEW OF IMPACT OF COVID-19 2021/22 (Pages 17 - 36)

To receive a report from the Executive Director Resources.

5. MINUTES OF THE PREVIOUS MEETING (Pages 37 - 44)

To agree the minutes of the Financial & Performance Scrutiny Panel meeting held on 14 September 2021.

6. WORK PROGRAMME 2021/22 - UPDATED (Pages 45 - 46)

Work programme attached for information.

7. DATE OF NEXT MEETING

To note that the next Finance & Performance Scrutiny Panel meeting is scheduled to take place on Thursday 6 January 2022.

Agenda Item 3

London Borough of Enfield

Finance & Performance Scrutiny Panel

15 December 2021

Subject: Focus on Council Companies
Cabinet Member: Cllr Mary Maguire
Executive Director: Fay Hammond – Executive Director, Resources

Key Decision: N/A

Purpose of Report and Proposals

1. The purpose of the report is to brief the Finance and Performance Scrutiny Panel on the Council companies and joint venture organisations focussing on providing assurance that they continue to contribute effectively to the achievement of the Council's corporate objectives. Nationally council companies have come under the spotlight where they have impacted a Council's financial resilience, this report explores this issue and how any lessons learnt could be applied to Enfield companies.

Proposal(s)

2. Recommended that the Panel note the progress made to date in operation of the Council's companies, and the identified risks in relation to the next phase of their development and operation.

Reason for Proposal(s)

3. Reporting of the Companies' performance, governance and risks is essential to enable full and effective consideration of the Council's corporate risk, particularly in relation to financial risk.

Background

4. During the financial year ending March 2021, the Council operated three active subsidiary companies. These are:

    a. Housing Gateway ltd (HGL) – HGL is wholly owned by the Council and provides private rented accommodation, accommodation for rough sleepers (drawing in £6.7m capital grant) and an ethical letting agency to assist the Council to minimise the impact of homelessness, to reduce barriers that residents face to accessing the private rented sector as part of its poverty and inequality strategy and to support the Council's TA reduction strategy. The HGL Board consists of a Councillor

Chair, up to 3 Council-appointed officer directors, and two external independent directors.

b. Lee Valley Heat Network Operating Co ltd (trading as Energetik) – Energetik is wholly owned and operates heat networks in the borough of Enfield, assisting the Council in decarbonising housing in the borough. The Energetik Board consists of a Council-nominated Councillor director, two externally appointed executive directors and two externally appointed non-executive directors.

c. Montagu 406 Regeneration LLP – a partnership with Henry Boot Developments ltd (50% owned each), to regenerate the Montagu industrial estate. As a partnership, Montagu does not have an appointed Board in the manner of the limited companies. However, the Members Agreement sets out that the company will be steered by company meetings of four appointees, two from each partner. The Council has a nominated officer and Councillor whom attend company meetings for the Council.

5. The Council has dissolved or is in the process of dissolving four previously operated companies – Independence and Wellbeing Enfield ltd, Red Lion Homes ltd, Enfield Innovations ltd and Enfotec ltd. The Council has also disposed of its interest in Enfield Norse ltd.

6. Nationally council companies have come under the spotlight where they have impacted a Council's financial resilience, this report explores this issue and how any lessons learnt could be applied to Enfield companies. Recently it was agreed to create a Finance Director post which specifically focusses on commercial, companies, borrowing and capital programme, which will significantly strengthen capacity to focus on the financial resilience of the Council's arrangements.

Main Considerations for the Council

7. This report covers the following areas:
    - Governance and oversight of the companies
    - Strategic Risks arising for the Council through the use of company models and structures
    - Performance of the companies to date

<u>Governance</u>

8. The companies are separate legal entities from the Council, and as such the Council cannot necessarily directly control them as it would its own operations. Indeed, part of the benefit of the company structure is that some risks can be contained within a company entity, or that benefits can arise from the presence of a separate legal entity. However, as the Council is the owner of the companies then by necessity some of the risks of the companies have high impact on the Council, particularly in relation to funding the companies. The Council therefore provides strategic direction via several means, including approval of company business plans.

9. This means that clarity of roles and responsibilities in regard to the company is essential to effective governance. The Council addresses this via shareholder agreements (or Members Agreement in the case of Montagu), which are discussed further in paragraph 29. The shareholder agreement sets out the Council's roles as shareholder, lender, and client in relation to companies, the key responsibilities of each role, and whom carries out the role.

10. In setting out the governance framework the Council must find the right balance between delegation of responsibilities and oversight and control. There are examples of where this has not been achieved effectively in Public Interest reports issued on subsidiary companies in other Local Authorities (LAs), and these reports can act as a type of benchmarking for the Council to ensure it has enacted effective controls and is not exposed to similar risks as occurred in comparable situations. This report will consider some of the themes of those Public Interest Reports and how the Council has enacted effective governance to avoid those situations, or where improvements may be required.

Complex company structures and regular review of use

11. Some other LAs have utilised holding companies to oversee multiple corporate operations. This has been criticised by the External Auditors of those Councils, as overly hierarchical structures and indirect control can lead to ineffective oversight and lack of transparency.

12. Enfield does not operate a holding company structure to oversee its companies. An officer function holds responsibility for direct monitoring of company risks, and the Council has shareholder agreements in place with its companies to set out its expectations in regard to monitoring.

13. Enfield has previously operated a holding company structure specifically in relation to Energetik, but following the introduction of the officer shareholder function, this was dissolved, and the Council now owns Energetik directly.

14. A lack of review in the effectiveness and use of company models was also identified. The Council has operated a number of companies at different times, and these were reviewed in 2018-19. As a result, the Council decided to withdraw from some partnerships or joint ventures, and to implement different models for some of its wholly owned companies. This was due to a variety of reasons, including changes in Council priorities and financial emphasis, and an associated desire not to have complex arrangements in place for some aspects of business, which were not assessed to be delivering proportionate benefits. To date, the Council has withdrawn from two joint ventures, including dissolving one, and dissolved one of its wholly owned companies.

15. Governance arrangements should be subject to regular review to ensure alignment with the Council requirements. Therefore, the Council will be undertaking a regular review of reserved matters and the Company articles of association and reporting the outcome within the annual report to Cabinet on the companies.

16. The current governance arrangements for companies include two annual reports to Cabinet – the business plan, and the annual accounts and performance. There are additional more frequent reports at officer level. This current arrangement will be reviewed in the coming financial year.

Lending and repayment monitoring

17. Other LAs have been criticised for lending with insufficient assurance to their subsidiary companies, lending frequently and above initially agreed amounts, along with a subsequent lack of repayment monitoring, leading to circumstances in which LAs were unaware of whether loans were being repaid or not. For example, in one circumstance, an authority approved a loan to a subsidiary on the basis of a business case; the subsidiary returned three weeks later requesting another £9m loans, which was granted.

18. Enfield does have substantial loans to its subsidiary companies, aggregating to over £130m at 31st March 2021, with over £100m of potential further investment contained within the 10-year Capital Programme. The risk of this exposure should not be taken lightly. In a worst-case scenario, the Council could have to write off substantial amounts of capital investment in the event of company failure. This risk essentially materialises if a company fails while holding insufficient saleable assets to meet the level of debt it owes the Council; therefore, the key risk factor for security of loans is what assets the companies hold.

19. However, the Council has substantive controls in place to mitigate this risk. Unlike other LAs in Public Interest reports, the Council does not pay loans to companies up front. It approves a total facility, against which companies place draw down requests when they require funding, in which the company detail what the request is for. The Treasury team monitors repayments against lending agreement schedules, and the company is required to submit loan repayment evidence when submitting a draw down request, which is copied to the Treasury team for reconciliation to the Council's equivalent records prior to approving the draw down request.

20. This process serves to limit the Council's loan exposure only to that which is necessary at any one time. For example, while the Council has approved facilities for Energetik exceeding £80m for various projects, at 31st March 2021, the company had an actual outstanding loan value of £12.5m. Therefore, the Council's practical exposure is significantly lower than the available facilities.

21. Further, the Council commissions independent review of investment business cases prior to approving any capital investment into a company. The independent reports are presented with the papers for approval to the appropriate executive function.

22. In addition, the majority of the Council's investment exposure to date has been into businesses utilising the funds to purchase fixed assets. This improves security of loans as it provides a saleable asset to recoup the loan value in the event of company failure. For example, HGL at 31st March 2021,

had outstanding loan values of £121m. However, it’s property value in the same accounts was valued at £130m, meaning that there are sufficient saleable assets to cover the Council’s invested loan capital in full should the worst-case scenario arise. Similarly, the Council’s investment into Montagu will be via the purchase of land, a saleable asset that may reasonably be expected to appreciate in value over time.

23. By contrast, Energetik’s loan value is currently greater than the fixed asset value, as at March 2021 the outstanding loan value was £13m and the fixed asset value was £5.07m, indicating a lack of saleable assets to repay the full outstanding loan should the business fail at present. This is reported in the Council’s accounts. The accounting basis recognises the company being an innovative start-up company, which by its very nature requires intensive up-front capital investment and is therefore deemed to be of a higher risk. Energetik’s networks and projects have also been funded in part by £17m total grants from central government, and a £1.2m grant from Greater London Authority.

24. In addition to the loans, the Council has equity investment in HGL of £5m and Energetik of £17.75m (funded by grants).

25. The Treasury Strategy transparently reports the lending to companies; however, stress testing of this lending needs to be considered. In future this is will be considered at the mid-year position when the Company year-end audited accounts will be available and included in the Council mid-year Treasury Update. This is appropriate as the risk sits with the Council as the lender distinct from the Company reports.

Skills, knowledge and responsibilities

26. A final theme of public interest reports was the presence of clear officer roles to monitor companies, and the level of industry expertise on company Boards, these both having been considered insufficient in multiple cases.

27. For Enfield’s companies, the HGL Board is populated by independent non-executive directors and executive officers with extensive experience in the private rented sector and financial management in a company context. The Council has much experience internally in this regard and therefore purchasing in additional experience would be unnecessary. Similarly, Enfield’s representative at Member meetings of Montagu is an officer with extensive property and regeneration expertise, and suitable seniority within the organisation.

28. For Energetik, the Council does not have in-house expertise in the industry. The Council therefore appoints externally to the Energetik Board, and the current board has substantial experience and expertise in the heat network industry, which is essential to the success of the company. While there is a cost attached to this, the experience of other LA subsidiary companies will attest to the much more significant cost of having insufficient industry knowledge on the company Board.

29. The Council has a clear officer role and function with designated responsibility for shareholder matters. The shareholder agreements with the companies also allocate clear responsibilities in relation to the Council's roles as a lender to companies, and as a service client or strategic partner, and also designate a clear list of 'Reserved Matters', which are business decisions the company cannot take without the Council's approval as shareholder. This is generally over strategic or financing decisions which would impact the Council as shareholder or a lender; the vast majority of day-to-day and operational business is left to the company, with the Council monitoring results. There are standard monitoring processes in place to measure company performance on a quarterly basis, using targets and projections directly from the companies' business plans; the business plans are refreshed annually.

30. The executive function on company oversight is exercised ultimately by Cabinet, based on qualified officer advice, whom receive annual reports on company accounts and performance, as well as approving the annual refreshed business plans. Reports are also taken to scrutiny committees from time to time.

31. Reports have also identified the importance of member training, to ensure that executive Members have sufficient understanding and skill in the Council's governance arrangements and interpreting company performance. This will be considered following local elections in May.

Montagu partnership

32. The governance for Montagu cannot be entirely similar to that for wholly owned companies. As a partnership, the Council cannot make unilateral decisions. A number of agreements are in place with The Council's partner, Henry Boot, covering both the strategic operation of the company via a Members' Agreement, and specific aspects of the project (e.g. Development Agreement, Land Agreement, and so on). However, there remains scope to improve the operational aspects of decision making and day-to-day business between the partners. The Council has requested an internal audit of its governance on Montagu, which is due to report shortly. Any recommendations arising from this review will support the improvement to the governance outcomes and progress to implementing these.

Energetik and energy markets

33. Among the incidences of LA subsidiary company failure in public interest reports are some energy companies; Members will also be aware of the current issues in the main energy markets which have seen a number of private operators enter administration. This report will therefore outline briefly the differences between Energetik and the more open energy markets, and how this affects risk.

34. The LA subsidiaries and private sector companies facing failure operated in 'white label' energy, that is energy provided through the national grid. This is subject to extensive regulation affecting prices, high external risks (e.g. supply issues, OPEC decisions) and entails direct competition for customers.

35. Energetik operates heat networks, to which development projects agree to connect at the planning stage. Energetik does not compete directly for individual customers, rather Energetik's risks arise at the development stage. This generally results in easier planning and steady growth, although it is not without risk as will be outlined further in this report. The main benefit is that unlike other 'white label' LA subsidiary start-ups, Energetik does not directly compete with large established energy companies with much further reaching marketing ability.

36. Further, as a self-contained heat network, Energetik does not have the same exposure to destabilisation of the open market, as has been seen in recent weeks and months. While there be some indirect effects in time, the fact that Energetik does not buy or supply via the open market means it is substantially less affected by changes in that market. Energetik's energy is also prepaid, thereby reducing the likelihood of debt. There are provisions to ensure no loss of energy to its register of vulnerable customers.

37. Supply of white label energy was at one point considered for Energetik; however, it was considered a high-risk venture, and therefore the Council decided to wait and observe the other LA-owned subsidiaries before considering the possibility further. The Council's approach in this regard has proven prudent.

38. The trade-off of this circumstance is that customers purchasing properties on developments supplied by Energetik, cannot opt out of supply or choose another supplier. In recognition of this, Energetik operates a price-matching mechanism which matches against the lower end of the market.

<u>Strategic Risks</u>

39. While the enactment of substantial controls to avoid risks occurring elsewhere provides effective assurance, this does not mean that the companies are without risk to the Council. This section will consider the key strategic risks over the coming years.

Financial Resilience

40. The companies, as identified above do require a high level of strategic investment from the Council, which is funded in the vast majority through Council borrowing and on-lending to the companies. There are two strands of risk in this regard, the most obvious being the potential loss of funds invested in the companies, leaving the Council to write off its on lending, and potentially be forced to repay some of its borrowing from its own funds. The main controls in this regard are outlined above.

41. Perhaps the more significant strategic risk looking forward is the effect of the companies on the Council's overall borrowing levels, both in terms of absolute amount and opportunity cost. The Council has an ambitious capital programme, and therefore there is little room for manoeuvre in terms of individual capital investments. Return on capital employed is an important measure in considering the allocation of capital resources and it may be that other Council priorities may generate a higher return so the best use of capital

within limited capacity requires assessment. The Capital Board is now considering all projects/programmes against return criteria so will be in an improved position to understand, in financial terms, the best deployment of capital. To support this end, officers are in the process of commissioning strategic review of the future of companies, to explore their return and the possibility of other funding sources to reduce the effect of companies on the overall debt level.

42. Additionally, there is opportunity cost; that is to say, capital invested in the companies cannot be invested elsewhere. This a matter of comparative risk and return on investment. This is an area in which the Council could improve its strategic governance, and work will be ongoing to do so, improving the data available to the Council to consider comparative return on different potential projects.

43. It should be noted, however, that there will always be an element of difficulty in comparing potential capital spend for the Council. The presence of significant impact against the Council's Corporate Plan, which can be difficult to quantify will lead to an element of subjectivity being inherent in comparison. For example, the reduction of time spent in temporary accommodation by homeless families is clearly of benefit to those families, however it is difficult to quantify, and therefore an element of judgment will always be present in considering it and other projects with similar social effects.

44. There is no revenue impact (i.e. to Council Tax payers) of the company on lending. HGL loan rates cover the costs including administration, Energetik's blended rate includes a premium over the Council's rate, which acts as a source of income for the Council, while still providing good terms for Energetik. This is transparently reported in the Treasury reports which set out the interest paid by each entity.

Energetik – connections

45. Energetik has performed well over its life to date – this is discussed further below. However, its long-term success depends on continuing to scale up its customer levels until income outweighs costs.

46. To date it has exceeded its business plan assumptions, however, the next two years are critical in terms of connections if this trend is to be sustained. From 1st April 2022 to 31st March 2024, the business plan assumes the delivery of close to 2000 connections, well above the rate achieved to date. This was based reasonably on the information available to the company at the time, including information about the Council's Meridian water programme. Development schedules are subject to change, however, and as such close attention will need to be maintained on connection levels, and some additional scenario planning may be helpful in assessing the potential impacts of not achieving the level of connections in these two years specifically. To mitigate this risk the Interdependency Board will continue to monitor connections and Energetik will be required to submit quarterly monitoring on the connection pipeline to inform the funding profile.

47. As identified in the Full Council report on Energetik's expansion in June 2021, future expansion and growth of the company may continue to require capital to grow in future years, due to the nature of its business and the requirement to build infrastructure before income can be received from a network. As the June report noted, there is therefore a possible risk of creating a cycle whereby the Council continues investing to take advantage of opportunities, ahead of realising returns on existing investments. Energetik was approved on condition of conducting an independent Strategic Review, which will determine a forward strategy to manages the Council's financial risk, and make use of external investment opportunities to fund potential future growth of the network where available. Sound management and creation of a successful initial network will make the project more attractive to outside investment, potentially enabling the Council to continue expansion while stepping back as the company's primary funding body.

Energetik – skills and knowledge

48. While Energetik has significant knowledge, experience and skills on its current Board (as outlined above), this alone does not fully mitigate all the risks in this area; there remains a risk that the current knowledge base is not retained or replaced in the long run. To that end, the strategic review of Energetik will include aspects of specification on skill retention and succession planning, to ensure the Council has a clear strategy in place to maintain the skills necessary to continue the company's good performance to date.

Energetik – regulation

49. Forthcoming regulation on heat networks provides both potential additional costs but also opportunities for Energetik and therefore the Council. The government has consulted on both consumer protection regulation and on regulation which would encourage or require consumers to use heat networks. While the regulatory burden may increase on the company, requiring more resources away from direct energy provision, the regulations could increase the rate of connections and also provide a more stable industry context.

50. This would reduce the risks associated with connections in the long run, were it to come to fruition, as there would be a source of developments potentially required to connect or retrofitting of existing buildings to provide income. However, it should be borne in mind that this is extremely unlikely to be in place in time to affect the next couple of critical years for Energetik; and also there is the possibility that the existing buildings required to connect to a network may include public buildings.

51. The impact of regulation will be monitored via risk register and will be fully assessed to identify and quantify costs and benefits, when clear proposals are available.

Housing Gateway – forward direction

52. Housing Gateway has been successful to date in delivering its business aims. However, in recent years the company has seen relatively steady growth of its core business affected by the number of available properties that are viable to acquire. Some diversification has happened with the addition of property procurement for supported lettings for rehoused rough sleepers and an ethical letting agency, however, this carries different risk levels which are being closely monitored. For example, margins on the letting agency are reliant on fixed costs servicing the targeted number of properties in management. The level of property hand-backs and the adequacy of dilapidations provision is also critical.

53. A review of the company is therefore prudent. Any proposals would be presented to Cabinet through revision of the company's business plan.

54. HGL has expanded to include Enfield Lets, a property management unit currently in its first year of operation. This activity is reported as a distinct business division in in HGL management accounts so that performance can be kept under review. The performance of the unit is also being monitored separately to the business as a whole on a quarterly basis by the Council as shareholder.

Montagu - land costs

55. The cost of the regeneration at the Montagu industrial estate is split among the two partners according to type of cost; the Council's cost is the acquisition of land, while Henry Boot is responsible for development costs. This is codified within the Member's Agreement. The reasoning for the split is to ensure each partner is in direct control of the costs for which they are liable and is not required to contribute to costs they have no control over.

56. The key risk for the Council, therefore, is that land acquisitions are more expensive than planned. Much of the land may have to be acquired through compulsory purchase order (CPO), and as such the cost is harder to predict as elements such as lost revenue will become relevant.

57. The company business case included a contingency amount above the official valuation of the land, however, as per the above outlined reasons, this may not be sufficient, depending on the exact claims submitted under the CPO process. The development is, however, being conducted in phases, and the land acquired in accordance with this. If land costs are substantially higher than expected, over and above contingency amounts, in early phases, then there will be opportunity to review the plan as a whole and determine whether any extra investment is warranted, or whether to reduce the scope of the project to manage costs. This risk and decision are not delegated to the company but managed by the Council as a JV partner.

Montagu – timetable

58. The timetable of Montagu, and as such the benefit realisation, has slipped substantially from the original approved business plan. However, substantive progress in acquiring necessary land has been made in recent months, and the company will be requested to update the timetable in the business plan

when the land has been acquired. This can then be reconciled back to the Council's long-term income projections, and the effect of delays quantified and addressed through the medium-term planning process and approved by Cabinet in the first half of 2022.

Inflation

59. Inflation is a general risk for all companies in terms of costs, but particularly HGL; as it rents at the LHA rate, if the LHA rate does not increase at the rate of inflation this exacerbates cash flow risk. The company mitigates effects through a strict viability model for all purchases, which incorporates conservative assumptions on costs, as well as equally conservative assumptions in its general model on voids, repair costs and so on. However, inflation will remain a risk, and the company's cost control will need careful monitoring. Inflation in house prices is also a risk for HGL, as it reduces the number of potentially viable properties in the borough; the strategic review of HGL will seek to examine and analyse the viability of options that could address this risk. Land valuation inflation could also affect Montagu, as the valuations upon which the original cost assumptions were based may no longer be sufficient.

60. Inflation could also impact the assumptions made on the cost of Montagu redevelopment, due to the slippage in timetable. While this does not directly affect the Council, as it is not liable for development costs under the Members Agreement, it may reduce the overall return of the project, or financially impact on Henry Boot's ability to complete the project.

Optimism bias

61. There is a general risk of optimism bias or corporate blindness within the Council, which could lead to risks being unaddressed or unidentified, resulting in company failures. The Council addresses this by reporting widely within the organisation, as well as involving external opinion and oversight at key points; for example, in reviewing investment business cases, and in conducting the strategic reviews which will assess options. These exercises have helped the Council identify key risks as well as providing assurance through scenario planning, including scenarios significantly worse than the projected business case, to assess the extent of contingency and comfort for the Council. They have also driven improvement, e.g. a current exercise to update and streamline Energetik's financial model to be more adept at scenario planning in itself was an outcome of a due diligence review on the expansion business case by EY (it should be noted that EY found no concerns with the data or conclusions of the model, only that its build could be revised to allow more reactiveness and planning ability).

Funding conditions

62. Many of the loans and grants to the Council in relation to Energetik come with conditions due to being governmental sources of funding directed at certain policy outcomes (specifically decarbonisation). This means that there is a risk that while the total amount of funding for Energetik may be as required, if the profile of spend changes, conditions attached to funding

sources may mean that those sources cannot be utilised in full, and therefore different sources have be identified to cover some expenses. This is monitored through regular contact and client meetings with the company directors.

Covid-19 and Brexit

63. Risks associated with Covid-19 have generally been resolved at the time of reporting – although their future applicability will of course depend on the future path of the pandemic. HGL suffered a substantial devaluation in its portfolio, although this has begun to recover in the current financial year, and the portfolio remains of sufficient value to cover the Council's loans to the company. The company's rent arrears increased and have remained at the point of tolerance level (4.6%). This remains a risk and continues to be monitored for any further increase.

64. Energetik suffered some delay to construction of energy centres at its satellite networks as a result of lockdown restrictions, however these are all complete at the time of reporting.

65. The central change as a result of Brexit is from state aid regulation over the Council's lending and equity in the companies, to subsidy control. Previous decisions will continue to apply as before, and the system are similar in nature, therefore there is not expected to be any significant risk to future decisions.

<u>Performance of the Companies</u>

66. As identified above, the companies report performance quarterly, in additional to filing annual accounts as required by law. A full annual report is due to be presented to Cabinet in January on financial and service performance for the companies.

67. The companies report performance from both a financial perspective, as well as service KPIs and key business plan actions. The finances initially cover high level projected profit/loss figures, including income and costs, against budget and high-level balance sheet figures; if these are under-performing against budget, then further detail will be requested to identify any issues. Key financial ratios are measured in some instances, dependent on the circumstances of the company, which inform the assessment of key risks such as liquidity. An element of return on investment is also monitored for each company (e.g. temporary accommodation cost avoidance for HGL).

68. The companies have consistently over-performed against budgeted targets, with one exception for HGL in 2019-20, when the value of its portfolio was negatively affected by Covid-19 lockdown, affecting its balance sheet revaluation reserve, with the write-down being put through the profit and loss result; otherwise, the company would have returned another positive result. HGL's balance sheet has remained positive, indicating good security of the Council's loans. It has delivered an estimated £10.4m of temporary accommodation cost avoidance over its life to date, a return on investment of around 8%.

69. Energetik is not due to record net profit until March 2027; however, it has controlled its losses to substantially below the projections of its budgets, in part due to being over a year ahead of its current connections targets (though there are risks for the next couple of years, as outlined above). The company recorded a positive balance sheet in its most recent accounts, however the assets included may not be in a saleable position until further construction and development is complete, therefore risk still remains.

70. While not delivering profit, Energetik does pay an interest premium on its loans, therefore there is a positive return for the Council.

71. The Council has also accepted government grant payments on Energetik's behalf and there is a risk that the grant conditions are not met. The risks are mirrored in the Council's funding agreements with Energetik, and this risk is monitored through a project schedule and regular officer meetings.

72. HGL does not record an interest premium; due to the nature of its business and the submarket rental rate charged, it is exempt from previous state aid and current subsidy control regulation. The Council therefore lends at cost (including both its own interest and administration costs), in order to assist the company in maintaining cash flow, as the Council's financial return is achieved through cost avoidance. Similarly, although HGL consistently records higher than expected profit, the Council does not take dividends as the profit is in part property value rather than cash profit, and to take a dividend against that value would create unnecessary liquidity risk for the company, meaning the Council may realise less return on investment in the long-term.

73. Phase 1 construction of the Montagu regeneration is underway and lets have been agreed on some units, with income from these units likely to commence in the new year. Monthly management accounts are produced and presented to company meetings quarterly and provided to the Council finance team.

Safeguarding Implications

74. There are no safeguarding implications to this report.

Public Health Implications

75. The specific proposal does not have any implications for public health. However, Energetik and HGL do contribute to public health through the low-cost heating and housing they respectively supply, and therefore it is important to monitor their performance to ensure such benefits continue.

Equalities Impact of the Proposal

76. The proposal is to note progress. As there is no decision required, an Equalities Impact Assessment is not applicable.

Environmental and Climate Change Considerations

77. The proposal does not have any direct climate change or environmental impacts, although Energetik's business plan works towards significant carbon reduction in energy provision. Impacts of particular company proposals or business plans will be considered in the relevant reports.

Risks that may arise if the proposed decision and related work is not taken

78. If companies' performance is not monitored and reported, then the companies may fail to deliver against objectives, and may not contribute towards the Council's Corporate Plan, or provide a return on the Council's investment. Cabinet may be unable to fulfil its role as shareholder guardian in ensuring that companies continue to align strategically with the Council's objectives.

79. The specific risks arising in the event that companies fail are detailed above. There would, in addition, likely be substantial reputational risk to the Council, and the possibility of a Public Interest report similar to those issued in relation to other local authorities.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

80. The proposal is to note progress, to provide assurance on company performance, and to provide an opportunity for oversight and challenge. There are therefore no specific risks arising from the proposal relating to the companies considered. However, the general risks in relation to the companies are detailed in the report above.

Financial Implications

81. HGL had £121m in long-term loans from the Council outstanding at 31st March 2021, against a portfolio value of £130m (note 11). This indicates that the value of the portfolio provides effective security over the Council's loans, with a buffer of around £9m in total excess value. Therefore, the Council would be able to recoup its loans to the company in the event of failure.

82. HGL has contributed £10.4m in cost avoidance to the Council's revenue account and savings plans across its life as a business. It currently delivers around £2m per year.

83. Energetik had outstanding long-term loan amounts of £12.6m, against a fixed asset value of £5.07m. This indicates that the Council's loans remain at high risk until further saleable assets are developed.

84. Montagu is projected to cost £56m in land acquisition to the Council across the project. The Council has budgeted a total of £1.2m income in its current MTFP savings plan, consisting of £300k in 2023/24, and £900k in 2024/25.

Legal Implications

85. The Council has a general power of competence under Section 1(1) of the Localism Act 2011 to do anything which individuals generally may do provided it is not prohibited by legislation and subject to public law principles. In addition, in accordance with such Act, the Council can set up a company under the Companies Act 2006 to do, for a commercial purpose, that which it is empowered to do under the general power of competence.

86. When supporting the companies, particularly in its role as lender/funder, the Council must be continually mindful of the rules with regard to state aid. ‘Aid’ in this context means any benefit conferred, not just monetary payments. This could include any services/resources provided by the Council to the company at less than market value.

87. When taking any actions in its role as shareholder, the Council must also be continually mindful of the requirements of the Companies Act 2006, and the requirements contained in the Articles of Association of each company.

Workforce Implications

88. There are no workforce implications to this report.

Property Implications

89. There are no property implications.

Other Implications

90. There are no other implications to this report.

Options Considered

91. The only alternative option is not to report or monitor progress, which as identified in paragraph 54 may result in a lack of cohesion between the Council’s objectives and its use of companies and place the Council’s investments in its companies at greater risk.

Conclusions

92. The progress of the companies and the risks to the next stages of development should be noted and should continue to be monitored and reported.

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6 December 2021

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This report format is for scrutiny reports

London Borough of Enfield

Finance and Performance Scrutiny Panel

15 December 2021

Subject: Review of Impact of Covid-19 2021/22

Cabinet Member: Cllr Maguire
Executive Director: Fay Hammond

Purpose of Report

1. This report provides an update on the impact of Covid-19 on the Councils finances for 2021/22, both revenue and capital and the current assumptions and challenges for 2022/23.

Proposal

2. Members are asked to note the report.

Relevance to the Council Plan

3. This update Report sets out how the Council is managing its limited resources and specific Government Funding to deliver the Council's objectives in 2021/22. These objectives are:

   i. Good homes in well-connected neighbourhoods

   ii. Sustain strong and healthy communities

   iii. Build our local economy to create a thriving place

Background

4. The Council continues to respond to the Covid-19 crisis ensuring that the community is supported as effectively as possible in very challenging circumstances.

5. The approach to managing the impact on the Council's finances in 2021/22 has remained the same from that taken in 2020/21. The Quarterly monitoring reports and returns to the Department for Levelling Up, Housing and Communities (previously the MHCLG), in that the impact is reported as additional expenditure, loss of income and impact on the savings programme.

6. The Covid-19 impact as reported in the 2020/21 Outturn position was total pressures of £65.2m, all of which was funded by Government grants.

7. The total pressures are currently forecast to be £36.9m and continues to be met by Government grants in 2021/22. This is a £28.3m reduction in

pressure compared to last year. This is a circa £16m reduction in expenditure and £12m improvement in the loss of income.

8. However, this is most likely to be the end of government funding and no further grants have been announced for 2022/23 and beyond. Anticipating this and that there would be some on going pressure the Council set aside £10m to create a specific Covid-19 earmarked reserve.

9. Executive Directors and their services continue to review costs to manage, minimise and mitigate the Covid-19 impact. The Commercial Board will be undertaking a review of the areas impacted by the loss of income from sales, fees and charges to explore options for long term recovery. Project leads of schemes in the capital programme that experience cost pressures resulting from Covid-19 will be expected to manage them within project contingencies.

10. London Councils provide a regular overview of the impact across London. The total impact of Covid-19 on London Boroughs is forecast to be £1bn in 2021/22. This includes £597m of additional spend and £453m reduction in income and once estimated funding is considered, the estimated gap is circa £384m. Excluding Local Council Tax Support funding and tax losses, this gap reduces to £235m and around a fifth of boroughs have received enough funding to at least cover their expected pressures.

11. **Economic Review**

12. There has been a significant economic impact on Enfield due to Covid-19, and the available comparative data indicates that the Borough has been hit especially hard. As at September 2021 unemployment was down for the sixth month in a row, at a claimant count of 16,470 (7.7% of the working age population). Though a reducing number could be seen as encouraging compared to the 20,625 at its peak in March 2021, this still represents a 113% increase on 7,715 count as at March 2020, i.e. the pre-pandemic level and is higher than both the London and national averages. Enfield has the 8th highest unemployment rate in London and our under 30's have an unemployment rate of over 9% and it should be noted that there were 10,100 employees on the furlough scheme at the end of September.

13. It remains to be seen how many of these employees will be returned to their pre-pandemic working arrangements by their employers, and how many will find alternative opportunities. Enfield's furlough rate as a percentage of eligible employments has consistently tracked above that of both London and England since the start of the programme.

14. Inflation (CPI) has increased to 4.2% in October, up from 3.3% in September and notably this represents a 10 year high. The most significant factors contributing to this increase are housing and transport, with electricity, gas and other fuels being the main drivers.

15. Both global and UK GDP increased in July to September 2021. Growth is restrained by disruption in supply chains. Alongside the rapid pace at which global demand for goods has risen, this has led to supply bottlenecks in certain sectors. There have also been some signs of weaker UK consumption demand. While bottlenecks will continue to restrain growth in the near term, global and UK GDP are nonetheless expected to recover further from the effects of Covid-19. UK GDP is projected to get back to its 2019 Q4 level in 2022 Q1.

16. Whilst these reflect signs of improvement the position remains challenging.

Main Considerations for the Panel

17. As reported in the Quarter 2 Revenue monitoring report and the latest DLUHC Covid-19 return, the total impact is forecast to be £36.9m and is expected to be fully funded by government grants. Table 1 below sets out the financial impact across the Council as a Quarter 2, whilst Table 2 sets out the expected Government grants. It should be noted that these are made up of new funding for 2021/22 and carry forward of grants from 2020/21.

Table 1: Financial Impact

Department	**Net Budget**	**Covid-19 Additional Expenditure £m**	**Covid-19 Loss of Income £m**	**Covid-19 Impact on Savings Programme £m**	**Covid-19 Total Impact £m**
Chief Exec	11.955	0.694	0.000	0.000	0.694
People	127.330	11.178	0.000	0.000	11.178
Place	29.915	9.265	3.852	1.900	15.017
Resources	26.163	5.077	0.902	0.000	5.979
Service Net Costs	**195.363**	26.214	4.754	1.900	32.868
Corporate Expenses	64.435	4.024	0.000	0.000	4.024
Bad Debt Provisions	0.791	0.000	0.000	0.000	0.000
Contingency	3.000	0.000	0.000	0.000	0.000
Net Expenditure	**263.589**	30.238	4.754	1.900	36.892
Expenditure financed by:					0.000
Business Rates	(94.241)	0.000	0.000	0.000	0.000
Council Tax	(133.108)	0.000	0.000	0.000	0.000
Other non-ring-fenced Government Grants	(31.125)	0.000	0.000		0.000
Reserves	(5.115)	0.000	0.000	0.000	0.000
General Fund Corporate Financing	**0.000**	**30.238**	**4.754**	**1.900**	**36.892**

18. The forecasted position includes £36.9m of Government funding. This has been in the form of £10.5m support grant which has supplemented the Council's response. At the same time the Government has extended the support to help manage the loss of sales and fees and charges income for the first quarter of the year. Alongside the £10.5m support grant, the Government has made further specific ring-fenced funding available and these total £17.8m.

Table 2:

	£m	£m
Covid-19 impact (2021/22)	36.892	
Covid-19 impact (2022/23)*	0.340	
Covid-19 HRA Impact (2021/22)	0.458	
		37.690
Funding		
Covid-19 Support Grant 2021/22	10.534	
Covid-19 Support Grant c/f 2020/21	4.287	
Sales, Fees & Charges support (estimate)	1.582	
Contain Outbreak Management 2021/22	2.718	
Contain Outbreak Management c/f 2020/21	3.960	
Test, Track & Trace c/f 2020/21	1.195	
Community Testing Programme	2.147	
CEV grant c/f 2020/21	0.274	
Reopening High Street Safely/Welcome Back	0.262	
ARG	2.944	
Infection Control Tranche 1 and 2	2.870	
NHS Hospital Discharge funding	1.400	
Substance Misuse	0.271	
Local Elections Grant	0.104	
Self Isolation Payment admin	0.608	
Winter Grant scheme/Local Support Grant	1.861	
Practical Support Grant	0.668	
Total Funding		37.690
Gap After Funding		**0.000**

19. This other funding includes the Contain Outbreak Management Fund, NHS discharge programme funding from the NHS, infection control, Local Support grant, Community Testing programme and Practical Support grant.

20. The Collection Fund deficit of £16.6m is forecast to be offset by the use of the Collection Fund Equalisation Reserve, as the ongoing pressure of £5.5m will be spread over 3 years. The majority of the impact will be funded by the Taxation Income Guarantee and the COVID Relief Grants provided by Central Government.

21. Within the funding available it is proposed to also support the Covid-19 pressures reported in the HRA and this is reflected in Table 2.

22. Specific projects that have been agreed to start in 2021/22 are expected to run into 2022/23, such as the recruitment to additional Public Health Consultant and Health Protection Practitioner, as well as additional resources in SEN services and Planning to manage the backlog of cases resulting from the pandemic. Provision has been made within the resources available to fund these.

23. However, there is significant risk and uncertainty due to the ongoing nature of the pandemic that the pressures could persist beyond 2021/22 and continue into 2022/23 and indeed beyond. These are all under continuous review and reported in the MTFP October update report was there was a strong likelihood that circa £5m will need to be built into the Medium Term Plan initially as a one off but potentially as ongoing cost. This figure is being reviewed and the next update will be reported in the MTFP update to Cabinet in the new year.

24. Appendix B provides an overview of the likely pressures but predominantly focus on the impact on social care, workforce pressures and loss of income.

25. The following sections of this update provide the service specific pressures by Department.

26. **Chief Executive's: net Resources budget is £11.9m; the total estimated additional costs of £0.7m (5.8%)**

27. The focus of Covid-19 impact has shifted in the Chief Executive's department from loss of income to expenditure in 2021/22. The more notable areas are additional legal cover required to deal with the increase in Children's social care cases and the additional cost incurred related to the recent elections. Though it should be noted that this was partly covered by the Local Elections grant.

28. **People: Adult Social Care (ASC) and Public Health – net budget is £82.9m; the total estimated additional costs of £5.5m (Gross i.e. includes NHS Hospital discharge costs), £4.1m (Net) 4.9%**

29. The impact on Adult Social Care (ASC) continues to be additional cost. The current forecasted impact directly in the department is £1.012m. The most significant cost pressures are judged to be additional staffing costs of £0.2m for additional staffing across ASC services.

30. Additional costs of £0.4m are anticipated resulting from the cancelation of routine operations e.g. hips, knees and the long term impact this may have a care cost. Placement breakdowns in Learning Disability services are also forecast to cost an additional £0.4m.

31. Outside safe areas in care facilities are also planned at a cost of £0.2m to be funded from the Contain Outbreak Management Fund grant.

32. The NHS Hospital discharge programme has been extended and is now forecast to cost a further £1.4m though this is recovered from the additional Government funding that has been allocated to the NHS.

33. There has further tranches of the Infection Control grant and the Rapid testing grant totalling £2.9m which has been passported on to care providers in line with the grant conditions.

34. **People: Education – net budget is £4.7m; the total estimated additional costs are £0.168m (3.5%)**

35. Additional support staff resources are required in the SEND team to manage and deal with the backlog of cases resulting from the pandemic. In order to support Covid-19 recovery in the boroughs Schools, a pilot of after school provision for supervised independent study is taking place in four of the borough's secondary schools, costing circa £48k.

36. **People: Children's & Families – net budget is £44.3m; the total estimated additional costs of £1.9m (4.3%)**

37. The most significant costs forecast relate to the need for additional staffing resources, with £0.980m for addition staff predominantly source via agencies and a further £0.4m required to recruit and retain social workers. Care placements and support packages into homes to safeguard children particularly but not exclusively children with SEND and/or severe emotional and mental health needs continues as does the need for PPE. Delays in final hearings due to backlogs at Courts are causing a further £0.150m pressure. Various items are to be funded from the Contain Outbreak Management Fund and include increase in short breaks and outside safe areas to increase contact facilities.

38. **Place – net budget is £29.9m; the total estimated additional costs of £15m gross (50.2%)**

39. Strategic Property Services are forecasting a £0.2m loss of income due to Covid-19 from areas such staff car parking fees and filming income.

40. The forecast net loss of income for Culture Services continues to be £0.2m.

41. £0.3m of expenditure will funded by the Welcome Back Grant/Reopening the High Street Safely grant. Whilst the new Additional Restrictions Grant is £2.9m and expected to be fully distributed by the end of this year.

42. Temporary additional resources of £0.1m have been required in the Planning service to implement workload recovery and backlog management plan in response to the pandemic.

43. Loss of income of £0.9m is expected in Traffic and Transport services, Commercial waste, Passenger Transport, Regulatory Services, waste services, leisure services and parks activities and engagement.

44. The most substantial loss of income continues to be experienced in the decline in Parking income, the restrictions and National Lockdowns has meant less travel undertaken and less use of car parks, resulting in a forecast loss of £2.2m.

45. Operational services such as Waste, Cemeteries and Parks have all had to incur additional expenditure during the pandemic at a cost of £0.9m.

46. The Community Testing programme is forecast to cost in the region of £2m, which will be fully funded by government grant. This has been reduced from the physical testing sites provided at the beginning of the year to providing a number of pop up sites per day. Continuation of the Covid-19 Marshalls will cost £0.5m, Contact tracing officers £0.3m and compliance officers £0.1m will all be funded from the Contain Outbreak Management Fund.

47. The estimated Covid-19 related cost in the Housing is £3.6m, of which £1.7m is the continuation of the housing and support to protect rough sleepers, with £1.9m the impact of Covid-19 on the services ability to deliver the savings programme.

48. **Resources: net Resources budget is £26.163m; the total estimated additional costs of £5.9m (22.5%)**

49. The most significant impacts identified in Resources services relate to additional costs. £0.46m relates to additional IT requirements, £0.5m additional demand in Financial assessments and £0.75m in income collection. Additional expenditure also continues to be incurred to meet the demand in Customer operations which is being funded from the grant to support the clinically extremely vulnerable.

50. The increase in the number of discretionary housing payments resulting from Covid-19 is still to be determined and will be included in future reports.

51. There is an estimated loss of income across services in the department of £0.9m with the most significant being in catering which continues from last year though not at the same extent. The recovery of Court costs has seen an improvement and is forecast to be within budget for 2021/22 and therefore no longer a Covid-19 related pressure.

52. The forecast also includes expenditure of £1.8m that will be funded via the Winter Grant/Local Support scheme, self isolation payments of £0.6m which are also funded from a specific government grant and £0.6m for the Practical Support for those self isolating.

53. **Corporate**

54. In 2020/21 a contribution to the London provision of coroners and mortuary services cost an additional £1.4m. There has not been a further call in 2021/22 and the provision has been removed to reflect this and unspent funds from 2020/21 have been returned which will support the Council Covid-19 resources for 2021/22.

55. An estimate for Personal Protective Equipment has been included at £0.3m for use across all Council services excluding Adult Social Care where this is recorded separately for the purposes of the MHCLG return.

56. There is still a contingency held for unknown Covid-19 impacts which will be continued to be reviewed and where possible carried forward into 2022/23 to help manage longer term Covid-19 impact.

57. **Collection Fund**

58. The Collection Fund deficit is forecast to be offset by the use of the Collection Fund Equalisation Reserve, as the ongoing pressure will be spread over 3 years. The majority of the impact will be funded by the Taxation Income Guarantee and the COVID Relief Grants provided by Central Government.

59. **Council Tax Support and Discretionary Housing Payments**

60. The cost of Council Tax Support remains an active area of monitoring. The cost of the scheme has risen from £33m in 2019/20 to £38m in 2021/22.

61. Although in part attributable to the increase in council tax, the claimant numbers have increased from an average of 35,800 between 2018-20 to 36,407 currently, peaking at 37,400 claimants.

62. In 2021/22 the Council received Hardship grant funding of £6.262m which is mitigating the additional council tax support costs in the current financial year and contributing to the additional welfare hardship costs.

63. The discretionary housing payments have also increased from £2.4m in 2019/20 to £3.2m in 2020/21. The current forecast for 2021/22 is £3.021m, with the Council receiving a grant for DHP of £2.357m, there is therefore a gap between the grant and the actual expenditure of £0.664m.

64. **Capital**

65. The previous sections have focused on the immediate and medium term Revenue impacts of the pandemic. Looking at the impacts on the Council's capital programme, the pandemic, BREXIT, climate change and Suez Canal back log have created market volatility resulting in material shortages and cost increases, thus having an impact on the supply chain. Construction firms have reported transport constraints, materials and continued staff shortages including bricklayers, drivers, ground workers, joiners and plumbers. This has resulted in many firms struggling to find the subcontractors needed for building projects. While the construction industry has been growing fast with the pandemic easing, data from last month reported the weakest speed of recovery for eight months

66. According to the Department for Business, Energy and Industrial Strategy's (BEIS), generally material prices were 10.2% higher in May 2021 than in May 2020. The Royal Institution of Chartered Surveyors (RICS) is estimating that the material prices over the next year will increase by a further 10%. This is mainly due to the UK Government's continued belief that construction projects are the best route to economic recovery which places pressure on supply.

67. Also, with several insurers exiting the market or reducing their packages (particularly professional indemnity), there are emerging issues in procuring the consultants and technical experts needed to delivery schemes. These issues will continue to impact on delivery milestones and costs for the balance of the financial year.

68. These pressures are not specifically quantified in the capital programme however they are expected to be managed through project contingencies.

Conclusions

69. Despite the positive position reported in the Revenue Outturn report for 2020/21 and the Quarter 2 forecasts in that the Council's financial impact from Covid-19 being funded by government grants, the on going outlook remains challenging. Government funding is expected to cease but the on going impact of the pandemic on the Council's services is expected to continue. Residents behaviour and the current economic conditions remain a significant challenge of the Council's ability to generate income through fees and charges. It is anticipated that there will be on going social care

pressures due to the impact of long Covid and delays to operations causing on going longer term demand for services.

70. The Council has prudently created a Covid-19 earmarked reserve of £10m but this is a finite sum of money and the latest reported requirement is circa £5m but it should be noted that this is reviewed regularly and will be updated for the MTFP update report going to Cabinet in the new year.

71. Executive Directors and their services continue to review costs to manage, minimise and mitigate the Covid-19 impact. The Commercial Board will be undertaking a review of the areas impacted by the loss of income from sales, fees and charges to explore options for long term recovery. Project leads of schemes in the capital programme that experience cost pressures resulting from Covid-19 will be expected to manage them within project contingencies.

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Resources

Date of report 07.12.2021

Appendices

Appendix A: Covid-19 impact by department

Appendix B: Estimated Covid-19 impact for 2022/23

Background Papers

2020/21 Revenue Outturn Report

Quarter 1 2021/22 Revenue Monitoring Report

Quarter 2 2021/22 Revenue Monitoring Report

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Covid-19 Impact by Department **Appendix A**

Covid-19 Impact	Additional Expenditure	Loss of income	Impact on Savings
	£m	£m	£m
Chief Executive			
CEX: Life After Loss Project with CAB	0.070	0.000	0.000
CEX: Additional legal to cover C&F case work (2 lawyers and a paralegal)	0.255	0.000	0.000
CEX: Communications Officer	0.030	0.000	0.000
CEX: Communications & Marketing	0.104	0.000	0.000
CEX: Additional Elections cost	0.191	0.000	0.000
CEX: Emergency Planning	0.044	0.000	0.000
Chief Executive Total	**0.694**	**0.000**	**0.000**
People			
Adult Social Care			
ASC: Additional Social Workers/agency staff-MH	0.058	0.000	0.000
ASC: Additional Social Workers/agency staff-OP/PD Social workers and OTs	0.030	0.000	0.000

ASC: Additional Social Workers/agency staff-Enablement staff DTA	0.040	0.000	0.000
ASC: Additional Social Workers/agency staff-LD	0.045	0.000	0.000
Specialist nursing care to providers LD/MH	0.050	0.000	0.000
Additional payments to carers to cover self isolating	0.010	0.000	0.000
ASC: Expenditure on P-cards: food, supplies, care of pets, transport.	0.030	0.000	0.000
ASC: Additional long term care purchasing costs as a result of cancelation of routine operations, hip, knee etc	0.400	0.000	0.000
ASC: Learning Disability Service – Placement breakdown	0.350	0.000	0.000
ASC: Hospital Discharge	1.400	0.000	0.000
ASC: Infection Control/Rapid Testing	1.426	0.000	0.000
ASC: Infection Control/Rapid Testing	0.179	0.000	0.000
ASC: Infection Control/Rapid Testing	0.050	0.000	0.000
ASC: Infection Control/Rapid Testing-2	0.478	0.000	0.000
ASC: Infection Control/Rapid Testing-2	0.533	0.000	0.000
ASC: Infection Control/Rapid Testing-2	0.205	0.000	0.000

ASC: Outside Safe areas	0.200	0.000	0.000
Public Health			
Public Health: Community Food Co-ordinator	0.028	0.000	0.000
Public Health: Vaccination Bus	0.300	0.000	0.000
Public Health: Rough Sleeping Drug and Alcohol Treatment Grant	0.271	0.000	0.000
Public Health: Outreach support for rough sleepers, people living in encampments, Gypsy Roma and Traveller community.	0.075	0.000	0.000
Public Health: Testing	1.350	0.000	0.000
Public Health: Vaccination deployment	0.700	0.000	0.000
Public Health: Surge Testing	0.723	0.000	0.000
Public Health Consultant & Health Protection Practitioner	0.130	0.000	0.000
Health & Adult Social Care Total	**9.061**	**0.000**	**0.000**
Children's & Families			
C&F: Care placements, support packages into homes to safeguard children particularly but not exclusively children with SEND and/or severe emotional and mental health needs	0.036	0.000	0.000
C&F: Additional staffing resources	1.343	0.000	0.000
C&F: Block booking placements	0.060	0.000	0.000
C&F: PPE for Children's Services (including Leaving care)	0.030	0.000	0.000
C&F: Other Children's related expenditure.	0.005	0.000	0.000

C&F: Increased support for care leavers, increased allowances and cost of accommodation.	0.015	0.000	0.000
C&F: Increased in Short Breaks (JSDC)	0.100	0.000	0.000
C&F: Play equipment (JSDC)	0.025	0.000	0.000
C&F: Our voice parent forum (JSDC)	0.010	0.000	0.000
C&F: Additional home care for children with complex medical needs (JSDC)	0.030	0.000	0.000
C&F: Outside safe areas to increase contact facilities	0.068	0.000	0.000
C&F: Youth Services	0.027	0.000	0.000
C&F: Delays in final hearings due to backlog at Courts	0.152	0.000	0.000
C&F: Covid-19 Reward Payments (JSDC)	0.003	0.000	0.000
C&F: Configuration of laptops provided by the DfE for care leavers	0.016	0.000	0.000
C&F: Youth Participation Consultation & Engagement Recovery Project	0.028	0.000	0.000
Children’s & Families Total	**1.948**	**0.000**	**0.000**
Education			
Education: SEND support staff	0.120	0.000	0.000
Education: pilot after-school provision for supervised independent study at four Enfield secondary schools	0.048	0.000	0.000
Education Total	**0.168**	**0.000**	**0.000**

People Total	**11.178**	**0.000**	**0.000**
Place			
Housing: Emergency bed spaces for rough sleepers	1.900	0.000	0.000
Continuation of housing and support to protect rough sleepers from Covid-19	1.700	0.000	0.000
ARG Grant	2.944	0.000	0.000
Welcome back fund (Phase 2)	0.262	0.000	0.000
Vehicles (Waste, Street Scene and Parks, PTS Services additional costs due to Covid-19)	0.084	0.000	0.000
Fleet Staffing Covid Costs	0.115	0.000	0.000
Covid Marshals	0.487	0.000	0.000
PPE Waste, Street Scene and Parks, PTS Services additional costs due to Covid	0.021	0.000	0.000
Env & Ops: EHOs for outbreak control and implicated premises	0.063	0.000	0.000
Env & Ops: Covid-19 Compliance Officers	0.055	0.000	0.000
Env & Ops: Locally Supported contact tracing	0.264	0.000	0.000
Env & Ops: Reopening Barrowell Green	0.054	0.000	0.000

Community Mass Testing Programme and Mobile testing units	2.147	0.000	0.000
Env & Ops: Vaccination Centre	0.003	0.000	0.000
Parks Signs and Comms	0.004	0.000	0.000
Parks Operations Additional Staffing	0.113	0.000	0.000
NRSWA Signs and Comms	0.037	0.000	0.000
Street Scene Additional Staffing	0.132	0.000	0.000
Waste Op Additional Staffing	0.449	0.000	0.000
Env & Ops: Bulky Waste	0.150	0.000	0.000
Env & Ops: Mortuary and funerals (Haringey shared service)	0.030	0.000	0.000
Property: Additional cleaning, hand santisers and materials in council buildings (FM)	0.020	0.000	0.000
Strategic Planning & Design, CIL, S106 loss of income	0.000	0.160	0.000
Loss of income from advertising on Highways	0.000	0.060	0.000
Reduction in TFL funding	0.000	0.253	0.000
Pay and display and parking enforcement income	0.000	2.182	0.000
Regulatory services e.g. trading standards, licencing, enviro crime etc	0.000	0.063	0.000

Waste services income	0.000	0.064	0.000
Loss in Commercial waste income	0.000	0.033	0.000
Parks activities such as sports pitches and events	0.000	0.044	0.000
Loss of income from Fusion contract	0.000	0.352	0.000
Passenger Transport income	0.000	0.066	0.000
Income from filming, staff car parking fees and rents	0.000	0.183	0.000
Community halls and youth service	0.000	0.182	0.000
Culture services	0.000	0.200	0.000
Meanwhile use from Meridian Water	0.000	0.060	0.000
Place Total	**11.164**	**3.852**	**0.000**
Resources			
Winter Grant	1.861	0.000	0.000
Practical Support for those Self Isolating	0.668	0.000	0.000
Customer Experience: Financial Assessments staff overtime	0.174	0.000	0.000
Customer Experience: Civica on Demand Extra staff - Benefits	0.240	0.000	0.000
Customer Experience: Additional Financial assessment staff	0.086	0.000	0.000
Customer Experience: Additional Resources in Income & Debt service post COVID recovery	0.342	0.000	0.000

Customer Experience: Inc & Debt staff time	0.023	0.000	0.000
Customer Experience: Inc & Debt agency staff	0.055	0.000	0.000
Customer Experience: Inc & Debt Civica on Demand	0.336	0.000	0.000
Digital: Overtime	0.025	0.000	0.000
Digital: H&S equipment such as cleaners, storage, safe disposal, collection of equipment	0.005	0.000	0.000
Digital: Changes to 4th floor/Basement layout	0.015	0.000	0.000
Digital: Additional remote working devices	0.250	0.000	0.000
Digital: Adjustments to allow people with Disability to work remotely	0.020	0.000	0.000
Digital: Increased correspondence with customers to improve collection rates impacted by Covid-19	0.150	0.000	0.000
Customer Experience: Community Hub Lead	0.045	0.000	0.000
Customer Experience: Customer Services additional agency staff	0.176	0.000	0.000
Self Isolations Payments	0.608	0.000	0.000
Schools Catering service income	0.000	0.426	0.000
Music Service	0.000	0.000	0.000

Libraries service income	0.000	0.230	0.000
Other Resources services loss of income e.g. recharges	0.000	0.247	0.000
Resources Total	**5.077**	**0.903**	**0.000**
Corporate			
Corporate: Share of increase mortuary and coroners' provision across London.	0.000	0.000	0.000
Corporate: Personal Protective Equipment across all Council services	0.300	0.000	0.000
Corporate: Communications with residents, banners, posters and guidance	0.030	0.000	0.000
Other miscellaneous costs	0.100	0.000	0.000
Corporate: COVID-19 Pressures Contingency	3.124	0.000	0.000
Corporate: Support for vulnerable groups and targeted community interventions - Housing	0.220	0.000	0.000
COMF: Prevention etc	0.250	0.000	0.000
Corporate Total	**4.023**	**0.000**	**0.000**
Covid-19 Total	**32.137**	**4.755**	**0.000**

This report format is for scrutiny reports

Estimated Covid-19 impact 2022/23 Appendix B

Department	Description	2022/23 £ms
CEX	CEX workforce pressures	0.020
CEX	CEX: Comms, project work	0.060
People	People: Miscellaneous costs	0.015
People ASC	One off pressure across Learning Disabilities	0.400
People ASC	One off pressure – Older People/Physical Disabilities	0.500
People ASC	ASC workforce pressures	0.215
People ASC	ASC: Additional long term care purchasing costs as a result of cancelation of routine operations, hip, knee etc	0.250
People ASC	ASC: Learning Disability Service – Placement breakdown	0.100
People ASC	ASC: Hospital Discharge	0.300
People C&F	Children's Social Workers (fixed term posts)	0.620
People C&F	Children's Social Workers (agency staff)	0.401
People C&F	Children's short breaks & block bookings	0.130
People C&F	Additional Legal Support for Children & Families	0.200
People Education	Education workforce pressures	0.040
Place	Loss of Sales, Fees & Charges (Place)	0.500
Resources	Resources workforce pressures	0.600
Resources	Loss of Sales, Fees & Charges (Resources)	0.800
Total		5.151

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MINUTES OF THE MEETING OF THE FINANCE & PERFORMANCE SCRUTINY PANEL HELD ON TUESDAY, 14TH SEPTEMBER, 2021

MEMBERS: Councillors Mahym Bedekova, Birsen Demirel, Ayten Guzel, James Hockney, Tim Leaver and Andrew Thorp

Officers: Fay Hammond, (Executive Director, Resources), Sue Nelson (Director of Customer Services), Clare Bryant (Governance Manager), Cheryl Headon (Head of Schools traded Services), Matthew Watts (Assistant Head of Service- Commercial

Also Attending: Adrean Jenkins (Pixar Financial Management),

1. WELCOME & APOLOGIES

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

Apologies for absence were received from Cllr Mary Maguire (Cabinet Member for Finance and Procurement) and Cllr James Hockney requested a substitute should have represented her.

2. DECLARATIONS OF INTEREST

There were no declarations of interest registered in respect of any items on the agenda.

3. FAIR FUNDING PRESENTATION ON IMPACT FOR ENFIELD

The Panel received a presentation from Adrian Jenkins of Pixel Financial Management included in the agenda pack. The information outlines major changes in local government funding expected in 2021-24 (delayed for 4+ years).

The modelling provided suggests that Enfield will gain from the review from areas such as council tax equalisation, new public health formula and the remainder from a combination of formula changes and data to include the unwinding of “damping”.

The following comments were received:

<u>Fair Funding Review:</u>

- There is a financial pressure on Enfield and the funding review is needed as soon as possible.

- The government's commitment would be dependent on Covid fall out and no work has taken place within the central government department.

Adult Social Care Funding:

- It was noted that the new Adult Social Care formula was developed 5+ years ago and is now out of date.
- Enfield will see a 4% reduction in funding and will therefore not benefit from this review.

Funding For Deprivation:

- This important funding formula will help Enfield gain £250K.
- Measures show Enfield's deprivation scores are marginally above average.
- It was noted that deprivation within the borough changes dramatically from road to road, although groundwork has shown that Enfield's deprivation has proven to be localised in areas, not across the Borough and these clusters of deprivation can benefit from commissioned work to aid improvement.

Population Change:

- Enfield has seen small reductions in mid-2019 and mid-2020 population estimates - possibly Brexit related. This will impact on Enfield's funding which will be far less than what is needed.
- It is envisaged that there will be a significant increase in older people living in Enfield which inevitably increases expenditure. There is already a localised pattern in North and East London boroughs.

Area Cost Adjustment:

- Significant losses from these changes will be seen in Enfield and most other London Boroughs except Tower Hamlets and Westminster as ACA based on LA only.

Business Rates Baseline Reset:

- Business Rates baseline is expected to be reset in 2023-24 so that it equals business rate income.

- The local share needs to be increased. Higher growth of share will be kept by Enfield, who have done moderately well from the current model of this.

- Enfield would lose any retained growth as baseline increased to the amount of income produced.

- It is likely that business rate reset will happen sooner than envisaged.

New Homes Bonus and Incentive Payments:

- The scheme is being phased out during the last 4 years based on council tax returns. A replacement scheme is expected where a huge range of proposals could be put in place.

Council Tax Support:

- The Band D value of Council Tax Support has fallen since its transfer to Local Government in 2013-14 and no longer supports Council. This is one of Enfield's biggest pressures.

- There is a strong case to have funding for Council Tax Support reset in some way as Council Tax is equalised and it was recommended that this be lobbied.

Covid Support:

- The final tranche of Covid support will be received 2021/22 and will then be dependent on spending review thereafter.

- £10m were set aside for Covid financial reserve.

Total Resources and Damping:

- Overall, Enfield is likely to gain from all funding changes in 2023-24.

Short and Medium Term Funding:

- Funding is expected for public services and growth is expected from spending review.

Future of Local Government Spending, Levelling Up and Lobbying:

- Enfield has some characteristics similar to typical "levelling up" authority but new sources of funding are unlikely to go to Enfield.

- Lobbying needs to be more informed and pressure put on Ministers as there is a risk of impact on services that are provided to residents.

- It is important to lobby where funding does not represent our residents such as areas of deprivation.

The Chair thanked Adrian Jenkins for his informed presentation.

4. MTFP OVERVIEW INCLUDING FOCUS ON COVID-19 IMPACT & REVIEW OF RISKS & OVERALL FINANCIAL RESILIENCE

The Panel received a report from Fay Hammond (Executive Director, Resources) providing an update on the Council's 2022/23 to 2026/27 Medium Term Financial Plan, Covid-19 Risks and Financial Resilience.

The Council have done a significant amount of work to ensure the budgets are more robust, with a reserve set up for Covid-19 financial resilience.

The following comments were received:

1. Fay confirmed that Covid-19 funding has covered costs. The grant has covered this year's outgoings, but the loss in fees and charges was not covered. Therefore, there are concerns for the forthcoming year.

2. It was noted that the Council Officers did an amazing job during the pandemic period. The funding helped but there is concern as the furlough schemes begin to end as the pandemic is expected to continue for a further 2/3 years.

3. In response to how front line services have been impacted, Fay advised that there is a need to refresh the plan as the level of borrowing was stable last year and the regeneration programme struggled to progress during the pandemic.

4. With several authorities being bankrupt, the CIPFA review have suggested a borrowing plan to tighten Enfield's lending. Enfield have independently reviewed their financial review and will share the findings with the panel in due course.

5. COVID-19 IMPACT ON COUNCIL TAX AND BUSINESS RATES

The Panel received a report from Fay Hammond (Executive Director of Resources) outlining the impact of Covid-19 on Council Tax and Business Rates in the Borough.

The following comments were received:

1. 12% loss in Business Rates and 1% loss in Council Tax has been seen. Contributory factors for these figures include high furlough numbers, unemployment rates, and council tax support increases.

2. The MTFP resets targets for business rates and debt collections have now restarted seeing lump sum reductions coming in.

3. The impact of furlough, devaluation on business rates to be reviewed after Christmas and reported back if possible.

4. The recovery plan includes better engagement with debtors and introducing a nudge technique implemented for Council Tax and Business Rates. This is to be enhanced by an increased capacity of officers that deal with these specifications. A review of the single person discounts will also be seen.

5. Arrears levels have been reviewed and it has been evident that benefit capping has had a huge impact on figures but the difficulty is ascertaining those who cannot pay and those who will not pay and it is the role of the Council to ensure income is maximised whilst being official.

6. Communications are encouraged by debtors and engagement is recommended which often leads to the debt not being passed onto the debt collectors.

The Chair thanked the officers for their in depth reports.

6. UPDATE ON COMMERCIAL & PROPERTY & INCOME GENERATION

The Panel received an update report, providing an overview of the current workplan of the Commercial services team and outlining future proposals for delivery9ing a commercial approach across Council services together with current income from Commercial Property Assets and plans for a portfolio review.

The following comments were received:

<u>Commercial:</u>

1. Business cases for new projects to include project management.
2. Service reviews for trading services, examples of which include:

    - Grounds maintenance which is now sourced in house.
    - Fleet workshop - provides services for third party organisations
    - NEXUS created a saving to the Council
    - Southgate Cemetery
    - Commercial Waste Services, to include how they are structured, monitor customer base.

3. It was noted that the report lacks details on property and commercial schemes and income generation. How much income did the Council make?

4. In response £2.2m and figures include total of project generation for 2021-22.

5. NEXUS is not a Pupil Referral Unit (PRU) which was deemed better from an educational prospective as less expensive than a PRU.

6. Enfield Council trade with 120 schools across the country, often on-line, across 57 services. This allows patterns to be monitored easily. The Hub allows for a stronger invoicing system.

7. In-house chefs in schools and good feedback has been received on quality and nutritional value of school meals.

8. A survey was conducted to schools on all services provided. An offer for 2022/23 is tailored around customer demand.

Property:

1. Income had been held up.

2. There was a rent free period during COVID meaning rental income was reduced.

3. Income had been maintained at the expected levels.

4. Looking at incentives to increase income.

5. Vacancy rates showed improvement from 3.9% to 3.5%.

6. The portfolio required investment and there would be a review of all commercial and operational assets.

7. There was an active review to look at these higher-level targets for leasing within Parks. The asset had to be understood and know what is best for that asset. It was important to consider the condition of those hubs.

8. The strategy for reviewing assets in public spaces namely Broomfield Park and the bowling green was queried. In respect of the commercial portfolio estimated at £9.8 million, it was queried whether these are effective managed assets or whether this will increase. It was noted that Broomfield Park is managed by the Leisure team. The majority of retail is managed on behalf of the HRA as well as ground rents from car parks and large supermarkets. A potential review on how estates can improve for the future was discussed.

9. It was noted by the Panel that retail is a key issue as the increase in remote working has added more pressure on small industrial units.

Officers advised that they will be led by political direction on whether it is best to rent or whether it will focus on the population.

10. The Council's approach to reaching targets was questioned and it was noted that current focus is on commercial income which is not without risk. In respect of targets it is important to have a commercial strategy that is ambitious but realistic.

7. MONITORING UPDATES

The review of the quarterly monitoring reports was noted.

8. MINUTES OF THE PREVIOUS MEETING

The minutes from the Finance & Performance Scrutiny Panel dated 23 June 2021 were agreed.

9. DATE OF NEXT MEETING

The date of the next Finance & Performance Scrutiny Panel was noted and agreed as 15th December 2021 in the Conference Room.

The meeting ended at Time Not Specified.

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FINANCE & PERFORMANCE SCRUTINY PANEL WORK PROGRAMME 2021/22

ITEM	Weds 23 June 2020 work planning	Tues 14 September 2021	Weds 15 December 2021	Thurs 6 January 2022	Thurs 10 March 2022
Annual Items					
Setting the Panel's Work Programme 2021/22	Agree work programme				
Budget 2022/23 and Medium-Term Financial Plan 2022/23 to 2025/26		To consider draft proposals and report onto Overview and Scrutiny Committee			
Specific Items					
Local Priorities for 2021/22	Verbal presentation				
Focus on Council company's business plan; HGL; Montagu and Energetik			Report		
MTFP overview including focus on Covid19 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.		Report			
Update on commercial and		Report			

property and income generation					
Review of impact of Covid 19 in 2021-2022			Report		
Budget update to include departmental restructures and the ramifications to the Council.				Report	
Public Interest Report				Report	
Focus on performance - customer experience - measuring the impact of the website; performance in customer.					Report
Fair Funding presentation on impact for Enfield		Report			
CIPFA FM Assessment outcome					Report
Cost of agency staff to the Council during Covid and beyond				Report	
Focus on financial governance arrangements					Report
Monitoring/Updates					
Quarterly Monitoring Reports: • Revenue • Capital • Performance		Review		Review	Review