



London Borough of Enfield

Title of Report:	Housing Revenue Account (HRA) P5 forecast outturn Report 2023-24
Report to:	Cabinet
Date of Report briefing:	18 th October 2023
Cabinet Member:	Cllr Tim Leaver (Finance & Procurement) and Cllr George Savva (Social Housing)
Directors:	Fay Hammond, Executive Director - Resources
Report Author:	Claire Eldred, Head of Finance HRA
Ward(s) affected:	All
Key Decision Number	
Implementation date, if not called in:	
Classification:	Part I Public
Reason for exemption	

Purpose of Report

1. To provide an update of the Housing Revenue Account (HRA) Period 5 forecast outturn position for 2023-24, covering both revenue and capital expenditure associated with delivering the Council's Housing service.

Recommendations

2. Cabinet is recommended:

- i. To note the Period 5 forecast outturn position for 2023/24 for both revenue and capital.
- ii. To note, that buybacks supported from the GLA Land fund are being progressed across the estate and beyond the properties affected by the current 0-3 phases, this is in order to support the delivery of the Joyce and Snells regeneration scheme

Background and Options

3. The principle of maintaining a financially sustainable Housing Revenue Account and Capital programme is imperative in the context of an ambitious housing development programme. On 23rd February 2023, the 2023/24 budget for both the revenue and the capital programme was set by Council.
4. The revenue budget covers operational or more day to day expenditure whereas the capital budget covers long term investment in Council housing assets.
5. The Council's Capital Programme is regularly reviewed, and monitoring reports are submitted to Cabinet on a quarterly basis. The Council continually strives to maximise external grants and contributions and attract new income streams to fund projects wherever possible and minimise the need to borrow.

Executive Summary

6. The HRA is achieving the Council's objectives through the development of new affordable homes, providing good homes in well-connected neighbourhoods, improving existing housing stock to create a lifetime of opportunities in Enfield, and sustaining strong and healthy communities.
7. The purpose of the report is to provide an overview of the 2023-24 forecast outturn position at Period 5, for the Housing Revenue Account (HRA) for the Capital and Revenue programmes.
8. The HRA revenue outturn position is forecasting a planned pressure of £1.5m against the approved budget. This compares to the reported £0.20m saving reported in Period 3. The variations to budget are as follows:
 - a) vacancies within the Supervision & Management teams has created estimated savings of £0.14m.
 - b) costs are being incurred from the decant of Walbrook, Shropshire and Cheshire Houses, these costs are estimated to be £1.1m this year and will be funded from reserves set aside for this purpose
 - c) the borrowing requirement to support the capital programme has increased which has put a pressure on the revenue interest costs this year, it should be noted that this may change if the interest rates increase/decrease.
 - d) delays in the handover of units at Meridian Water has reduced the expected rental income this year
 - e) the number of void Garage's has started to increase over the past few months, with the void level rising from 50% to 52%, this has created a pressure in the budget of £0.08m
 - f) Community halls lettings have increased slightly this year which has seen an increase in the expected level of rental income by £0.05m
9. The Council is forecast to spend £129.9m against the approved budget of £142.4m (inclusive of carry forwards from 2022-23).
10. This year we are continuing to invest in our Council homes to deliver improvement to our decency standards, comply with building and fire safety regulations and improve the energy performance our properties.

11. In addition, we will continue to deliver new council homes through development, estate regeneration and acquisitions programme.
12. The report provides an update on the forecast position for the level of HRA reserves as at the end of financial year 2023/24.

Preferred Option and Reasons for Preferred Option

13. Position on the revenue and capital accounts of the HRA are a matter of fact therefore there are no options in this regard.
14. Consideration has been given to these objectives with due regard to the financial position of the Council's HRA with a view to refreshing the overarching HRA Business Plan later in the financial year as a prelude to refreshing the Council's financial strategies

Relevance to the Councils Plan and Strategies

15. The overarching aim of the Capital Programme is to provide a framework within which the Council's investment plans can be delivered.
16. The strategy for Council Housing is set out in the Housing and Good Growth Strategy which supports the Corporate Plan 2018-2022. The objectives are to:
 - a) Deliver good homes in well-connected neighbourhoods
 - b) Sustain strong and healthy communities
 - c) Build our local economy to create a thriving place
17. The Corporate plan also identifies 3 guiding principles, which underpin these objectives; they will govern how the Council communicates with residents, works with residents and works as efficiently as possible, including increasing resident access to digital services and transactions.

Revenue Forecast Outturn

18. The HRA revenue budget is forecasting a planned pressure of £1.47m against the approved budget.
19. The table below shows the forecast outturn position and total variances against budget. The movements are explained below:

Table 1

Council Housing (HRA) Revenue Monitor 2023-24	Budget	Actuals to date	Forecast Outturn	Variance
	£m	£m	£m	£m
Supervision and Management	22.6	8.3	23.5	0.9
Repairs Admin & Base	15.1	9.3	15.1	0.0
Rates	0.6	0.0	0.6	0.0
Bad Debt Provision	0.7	0.2	0.7	0.0
Interest on debt & Depreciation	27.0	0.0	27.3	0.3
Corporate & Democratic Core	0.1	0.0	0.1	0.0
Gross Expenditure	66.1	17.9	67.3	1.2

Rents Dwellings	-64.4	-19.1	-64.1	0.3
Rents Non-Dwellings	-3.2	-1.5	-3.2	0.0
Interest on HRA Balances	-0.2	0.0	-0.2	0.0
Leaseholders Service Charges	-5.2	-3.7	-5.2	0.0
Gross Income	-73.0	-24.2	-72.6	0.3
Total	-6.8	-6.4	-5.4	1.5

Supervision and Management (£0.9m shortfall)

20. Vacancies within the Supervision & Management teams has created a forecast saving of £0.14m this year.

21. This year we continue to incur costs on the decant of Walbrook, Shropshire and Cheshire Houses. These costs include compensation payments for moves and security costs and will be funded from reserves set aside for this purpose. The decanting of Shropshire and Cheshire Houses is progressing, and residents have high priority for moves and are being made direct offers where applicable. The costs of security for the building which is also addressing anti-social behaviour issues are proposed to be levied as a service charge from December.

Repairs

22. Enfield Repairs Direct (ERD) is experiencing cost pressures from inflation for materials, higher sub-contractor costs than estimated and additional works arising from fire safety measures and HHSRS assessment actions. There is currently no shortfall in the projected budget as we are working closely with our merchants and adopting close budget management to mitigate any impact. However further works requirements could increase the budget requirement in this area and we will review the scope of our repairs policy to identify less essential repairs in order to prioritise health and safety works. If materialised, additional costs will be funded from earmarked repairs reserves.

23. The spend to date is currently higher than the estimated average spend, however there are a number of recharges and capitalisation journals outstanding, and the actual spend to date is 53% of the budget.

Interest on Debt (£0.3m shortfall)

24. Since setting the budget central government have announced that there would be a 0.4% discount on borrowing for HRA's, which will reduce the estimated interest costs on borrowing. However, due to the increase in borrowing requirement this year there is an increase in borrowing costs of £0.28m. It should be noted that this may change if the interest rates increase/decrease.

25. Rent Dwellings (£0.3m income shortfall)

26. There is a reduction in the expected level of income expected this year, this is due to the delay in handover of units at Meridian Water. These units are being appropriated between the GF and HRA, to date 20 out of the expected 119 have been handed over with the remaining units expected to complete by the end of this financial year.

Rents Non-Dwellings (£0.03m income shortfall)

27. The number of void garages has increased slightly since April, with the void rate increasing from the estimated 50% to 52%, this has reduced the level of income expected this year by £0.08m.

28. We continue to see an increase in the use of our community halls, this year income generation will increase by £0.05m above the estimated target.

29. The HRA Business Plan has an efficiency target of £1m to be achieved this financial year, work is ongoing to achieve this target. These savings will ensure the HRA remains sustainable and remains within the recommended hurdle rate levels.

Capital Forecast Outturn

30. The HRA capital budget for the current financial year is summarised in the table below. It provides the latest forecast outturn position compared to the original budget as advised by programme managers.

Table 2

HRA Capital Programme	2023-24 Budget	P5 Projected Outturn	Projected Outturn to Budget Variance	Actuals
	£m	£m	£m	£m
Building Safety Investment & Decency	53.7	41.7	-12.0	7.4
Statutory Compliance	2.8	5.2	2.4	0.7
Energy Efficiency	2.1	1.4	-0.7	0.6
Overheads & other investment	2.4	2.7	0.4	0.4
Total Investment Programme	61.0	51.0	-10.0	9.1
Reardon Court	8.7	20.1	11.4	5.6
Joyce & Snells	16.0	11.0	-5.0	1.6
Bullsmoor Lane	4.4	2.0	-2.4	0.1
Bury Street	4.3	3.3	-1.0	0.5
Upton & Raynham	1.7	0.7	-1.0	0.4
HRA Acquisitions	33.9	26.8	-7.0	11.5
GLA Programme	5.3	0.0	-5.3	0.0
Electric Quarter	0.7	0.7	0.0	0.0
Exeter Road	0.2	0.0	-0.2	0.0
Development Programme	1.2	1.2	0.0	0.0
Development Programme Total	76.0	65.9	-10.1	19.8
Alma Towers	5.3	5.3	0.0	0.3
Ladderswood	0.1	0.1	0.0	0.0
New Avenue	0.1	0.1	0.0	0.0
Estate Regeneration - Buybacks	0.0	7.6	7.6	1.7
Total Estate Regeneration	5.4	13.0	7.6	2.0
HRA Total	142.4	129.9	-12.5	30.8

Capital Programme: Forecast, Expected Outcomes and reasons for variations to budget for 2023/24

31. This section provides details of significant areas of forecast spend, the associated outputs and variations to budget that will be delivered by those

schemes this year. This includes investment in improving safety and the condition of Council homes and achieving regulatory requirements, investment to support the climate action plan, addressing building safety risks to reduce the need for responsive repairs and building new homes and large-scale regeneration schemes.

Investment Programme (Projected forecast £51.0m)

32. The projected outturn for the investment on existing homes has been reduced in this year, to ensure the management of the HRA cash flow is maintained.

33. The investment programme will deliver the following this year:

Building Safety Investment & Decency

34. We are investing in our homes to ensure we are compliant with the Building Safety Act and Fire safety Act requirements. Cladding works on a number of blocks are progressing well, sprinklers and fire doors are being installed to our higher risk blocks and fire safety works including compartmentation and soil stack replacement are underway. Due to the intrusive nature of the works there has been some delays in accessing properties, this has slowed the programmes progress this year.

35. This budget funds decent homes improvement works, to ensure we comply with the Decent Homes Standard requirements. Since April we have replaced 444 boilers, 123 kitchens, 86 bathrooms and 81 roofs. We have experienced delays due to supply chain constraints and design approvals which has slightly delayed the programme, however works are progressing well to achieve decency standards.

Statutory Compliance

36. We continue to address our statutory requirements including investing in water safety and lift replacements works.

Energy Efficiency

37. These projects aim to improve the energy and thermal efficiency of our existing stock. These projects include the deep retrofit and external wall insulation, which are partly grant funded projects and replacement of heating components to high rise blocks.

Overheads and other Investment

38. This budget includes professional fees, stock condition surveys, structural strengthening and estate improvements works.

Development & Regeneration Programme (£78.9m)

39. This year the new homes programme continues to experience challenges arising from the current volatile market conditions and additional fire safety requirements on new developments. As a way to mitigate these risks, we are reviewing alternative delivery models and in the short term we are achieving new homes targets by acquiring additional homes.

40. We will be looking to maximise grant income and use buyback schemes as a strategy to progress with our GLA targets. This will reduce the risk of development, as the current market is volatile and financially challenging.

Reardon Court

41. Works are progressing well towards the delivery of 70 affordable units, these units are expected to be complete in April 2024. The profile of spend, including contractor payments has been reviewed this period and has identified that the budget allocated for 2024-25 will need to be brought forward increasing the spend this year.

Joyce and Snells

42. Its estimated that a number of leaseholders will be brought back this year which will assist in achieving vacant possession of the site. In order to secure flexibility for the scheme it is proposed to extend the scope of buy backs funded from the Land Fund from across the estate and beyond phases 0-3 as currently permitted. New building safety legislations will impact this project and a full review of the scheme and financial position is currently being undertaken.

Acquisitions

43. The acquisitions budget includes the purchase of 137 new affordable homes at Alma and 27 units at Meridian Water. The Alma units will be handed over this financial year and the Meridian Water units in 2024-25, these units will add the affordable units to the HRA stock and will generate long term rental income. We anticipate the announcement of a GLA Right to Buy back scheme and we have therefore identified a budget of £** for such acquisitions which will also assist with decanting requirements.

GLA Programme

44. The Council is contractually obligated to deliver starts through the GLA programme with a longer-term commitment to deliver 3,500 homes. To manage the pressures of the economic climate and grant condition delivery timescales we are:
 - Value engineering aspects of schemes to create efficiencies
 - Seeking higher levels of grant – especially those funded through historical low grant rate programme such as Upton and Raynham.
 - Seeking funding via the S106/CIL budgets.
 - Review of procurement strategies including packaging schemes to identify cost efficiencies.
 - Review of tenure and increasing private sale
 - reviewing alternative delivery models

Alma

45. Following the approval of the revised planning consent, phases 2a and 4 completion dates have been brought forward. These phases will deliver 69 affordable units, increasing the HRA stock portfolio. The units will be handed over in stages from January to June 2024 and will generate long term rental income.

Buybacks

46. This budget will buyback the leaseholders at Walbrook, Shropshire and Cheshire Houses as a result of essential gas safety works that need to be undertaken.

Social Value

47. Contracts let this year are expected to deliver the following social value outcomes:
 - Apprenticeships

- school placement/ work experience placements, with 4 targeted at BME and disabled school leavers
- DIY skills workshops (2 per year) for residents
- greening projects
- A commitment that 40% of all contract labour will be from Enfield residents
- A 3-tonne reduction in carbon generated from the council
- 100% recyclable waste target
- Resident energy awareness programme to address energy consumption and fuel poverty.
- Moving forward all Social Value outcomes will be captured via the Social Value Portal, using the Council Housing social value model. Social Value will account for 10% of the tender evaluation score.

Financing the capital programme

48. Table 3 below sets out the projected financing of the 2023/24 capital programme from a combination of grants, capital receipts (sale of assets), reserves and borrowing

Table 3

HRA Capital Programme Financing 2023-24	Grant	Capital Receipts	RTB Receipts	Major Repairs Reserve	Earmarked Reserves	Prudential Borrowing	Total
	£m	£m	£m	£m	£m	£m	£m
Building Safety Investment & Decency	10.8	13.3	0.0	5.2	10.7	1.7	41.7
Statutory Compliance	0.0	1.5	0.0	2.9	0.8	0.0	5.2
Energy Efficiency	1.4	0.0	0.0	0.0	0.0	0.0	1.4
Overheads & other investment	0.0	0.0	0.0	1.5	1.2	0.0	2.7
Total Investment Programme	12.2	14.8	0.0	9.6	12.7	1.7	51.0
Reardon Court	0.0	0.0	0.0	0.0	0.0	20.1	20.1
Joyce & Snells	5.1	0.0	0.0	0.0	0.0	5.9	11.0
Bullsmoor Lane	0.0	0.0	0.0	0.0	0.0	2.0	2.0
Bury Street	0.0	0.0	0.0	0.0	0.0	3.3	3.3
Upton & Raynham	0.0	0.0	0.0	0.0	0.0	0.8	0.8
HRA Acquisitions	0.5	0.0	7.0	0.0	0.0	19.0	26.8
GLA Programme	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electric Quarter	0.0	0.0	0.0	0.0	0.0	0.7	0.7
Exeter Road	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Development Programme	0.0	0.0	0.0	0.0	0.0	1.2	1.2
Total Development Programme	5.6	0.0	7.0	0.0	0.0	53.0	65.9
Alma Towers	1.0	0.0	0.0	0.0	0.0	4.0	5.3
Ladderswood	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New Avenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Estate Regeneration	0.6	0.0	3.0	0.0	0.0	3.0	7.7
Total Estate Regeneration	1.6	0.0	3.0	0.0	0.0	7.0	13.0
HRA Total	19.4	14.8	10.0	9.6	12.7	61.7	129.9

49. The disposals programme will deliver capital receipts of £1.2m this year, this exceeds the estimated target of £1m. These receipts will assist in funding the capital programme.

Reserves position

50. The level of HRA reserves, after capital financing, are shown below:

Table 4

Reserves	Balance at 01/04/2023	Movement (net of capital financing)	Estimated Balance at 01/04/2024
	£m	£m	£m
HRA Balance	13.6	-6.2	7.5
Insurance	0.5	0.0	0.5
Repairs Fund	0.9	0.0	0.9
Capital reserve	1.0	0.0	1.0
Major repairs reserve	0.1	0.0	0.1
Capital receipts	1.3	0.6	1.9
Total	17.4	-5.5	11.9
RTB one for one receipts	20.2	-0.2	19.9
Total Reserves	37.6	-5.8	31.8

51. The year-end reserves position will reduce slightly this year to fund the capital programme spend. In order to achieve the regulatory requirements for decency and fire safety the use of reserves is necessary in the short term.

Financial Implications

52. Financial implications are integral to this report.

Legal Implications

53. The Council has a statutory duty to arrange for the proper administration of its financial affairs and a fiduciary duty to taxpayers with regards to its use of and accounting for public monies. This report assists in the discharge of those duties.

54. Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs. The Local Government Act 1972 brought in the current regime for capital finance for local authorities.

55. There are no direct legal implications arising from this report. The report is produced as part of the requirements for managing the Council's spending within budget.

Equalities Implications

56. Not relevant to this report.

HR and Workforce Implications

57. Not relevant to this report.

Environmental and Climate Change Considerations

58. Environmental and climate changes implications are referenced as relevant in the body of the report

Public Health Implications

59. Through investment in capital building and maintenance, the Council influences the built environment within Enfield significantly. The built environment in turn influences how residents interact with their environment; for example, during active travel or accessing facilities. Ensuring that our capital buildings are maintained, fit for purpose, and wellbeing considerations are taken in terms of their use, how they promote residents' wellbeing is key to contributing positively towards the public's health. Additionally, ensuring that all buildings have minimal environmental impact also contributes towards enhancing resident's wellbeing.

60. The Council moved swiftly to safeguard the health of its residents and staff during a period of threat unprecedented in living memory. As previously reported the financial implications of this have been harsh and have reached into every department in the Council. As the council is fundamental to the health of Enfield residents it needs to achieve financial balance.

61. This report notes the work that the Council is and has already undertaken and therefore in and of itself does not have public health implications. However, both the Office for Budget Responsibility (OBR) and the Institute for Financial Services (IFS) have both reported on the negative health effects of the 2008 financial crisis. In order to mitigate the effects of this current crisis the council will need to attain financial balance, consider what the 'new normal' might be and how this might be achieved whilst optimising resident's health.

Property Implications

62. Whilst a number of capital projects mentioned within this report have property implications, these will have been highlighted in the relevant report that authorised the project. As such, this report in itself does not have any direct property implications.

Safeguarding Implications

63. Not relevant to this report

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