London Borough of Enfield

Cabinet

3rd February 2021

Subject:	**Better Council Homes – Progress, plans and review of HRA Business Plan for 2021**
Cabinet Member:	**Cllr Gina Needs (Cabinet Member for Social Housing) and Cllr Maguire (Cabinet Member for Finance and Procurement)**
Director:	**Sarah Cary and Fay Hammond**
Key Decision:	**5219**

Purpose of Report

1. This report provides a backward-looking review of the last 12 months highlighting the challenges and issues arising for the HRA/council housing service over the period. Then outlines a number of strategic and policy issues for decision, representing a future strategy and then finally provides a revised 30-year HRA Business Plan which consolidates the financial impact of the revised strategy in a revised plan, outlining its affordability against the financial framework agreed by Cabinet for the HRA.

2. The Good Growth Housing Strategy published in 2020 outlined an ambition to invest in and be proud of our Council homes. This report outlines progress against this ambition, which is comprised of a Development programme, an investment in the improvement of existing council homes, the establishment of an in-house repairs service and the delivery of high-quality housing services. It proposes the strategy for 2021 and beyond.

3. Improvement of housing services has also been a priority during the year, and we update on key achievements and plans for 2021 as we prepare for the new requirements arising from the Social Housing White paper.

Proposals

4. Cabinet is recommended to:

5. Note the progress made to date on the Councils Housing Development Programme and in the light of this agree the updated Development Strategy proposed in this report.

6. Recommend to Council to approve the updated 13-year Housing Development Programme, noting the reduction in homes from 3,804 to 3,500.

7. Approve a bid to the GLA for its Affordable Housing Programme 2021-26 and for additional schemes through the Building Council Homes for Londoners programme as appropriate and based on capacity that been

established with the HRA Business Plan and as outlined in this report, and to note the risks and impact to the Housing Development Programme.

8. Authorise the Executive Director of Place, in consultation with Executive Director of Resources, to enter into development partnerships, award contracts for works and professional services and enter into or agreements for the acquisition or disposal of property for development schemes.

9. Approve the revised budget of £21,303,999 for Bury Street West in the updated 13-year Housing Development Programme per paragraph 78, subject to a forthcoming portfolio decision.

10. Delegate authority to the Director of Housing and Regeneration after consultation with the Portfolio Holder and Executive Director of Resources, to initiate and agree changes to housing development and estate renewal schemes, including submission of planning applications, provided they do not impact on the revised HRA Business Plan

11. Agree applications for the Mayor of London Energy Efficiency Fund (MEEF) and Government's Green Homes Fund to support planned investment in carbon efficient homes, subject to the approval of loan terms by the Executive Director of Resources

12. Approve the entering into a collaboration agreement (the Retrofit Accelerator Homes Innovation Partnership (RAHIP)) to enable the Council to access BEIS funding, to support the retrofitting of council homes to achieve carbon zero standard.

13. Agree the schemes for investment in Council homes for 2021/22 and updated 10-year programme as outlined at paragraph 56.

14. Approve the extension of the existing measured term repairs contracts for mechanical and electrical services and compliance management up to and inclusive of October 2021, to enable OJEU compliant re-procurement exercises to be completed.

15. Approve an introduction of additional financial hardship measures for leaseholders as outlined in paragraph 65.

16. Recommend to Council to approve the revised HRA Business Plan which incorporates the updated strategy and 10-year HRA capital Programme budget, which will come forward as part of the Council's 10-year Capital Programme recommended to Council in February 2021.

17. Note £500k savings to be generated from a restructure in Council Housing and delegate authority to the Director of Housing and Regeneration to implement the changes required.

Reason for Proposals

12-month review

18. This section summarises the revenue and capital financial performance as at Period 8 and the progress with the Better Council Homes programme.

19. The GLA funded development programme was approved in February 2020 which agreed the delivery of 3,804 units to be delivered over the next 10 years (subject to the securing of grant). This is progressing well with year

one starts on site being achieved and five schemes in delivery at New Avenue, Electric Quarter, Gatward Green, Newstead House & Maldon Road and Bury Street West, which together with 80 street property acquisitions will deliver 239 homes (of which nearly 90% 2 to 4 bedroom family homes) for people in housing need. Where we build 1 bed homes, we will be looking to prioritise these to downsizers, thus freeing up further family homes for those in housing need.

Schemes on site:

Newstead House & Maldon Road
22 new affordable rent homes of which 12 will be family homes and 10 will be "later living" flats for older residents.

Due to complete by Summer 2021

Bury Street West
50 new family homes of which 25 will be affordable rent. Next to Salmon's Brook and the wetland, will be a large natural meadow seeded and left to colonise with native plants and animals.

Due to complete by Spring 2022

Gatward Green
12 new affordable family homes across 3 former garage sites.

Due to complete by Summer 2021

Electric Quarter
Scheme is partnership with Lovell to deliver 167 new mix tenure homes. The council has acquired and converted 75 private units, of 57 are family homes, to affordable rent and shared ownership homes, bringing the level of affordable homes on the scheme to over 47%.

Due to complete by Spring 2021

New Avenue
The council has acquired 25 additional homes, of which 21 are family homes in this multi-phased estate renewal partnership with Countryside, which has planning consent for 268 private sale properties and 140 affordable homes. The whole project is due to complete by 2026/27.

20. One of the aims of the Council's house building programme is to bring forward schemes and housing products that the market would not otherwise deliver. The schemes in development, which will be delivered through a range of delivery methods (including Modern Methods of Construction (MMC)), and funding regimes, aim to deliver more affordable family-sized (40%) and accessible (above 10%) homes in a range of tenures. The intergeneration housing design competition that took place in October 2020 is another example of this and we propose to apply the ideas (which range from sectional arrangements within the home that demarcate shared and private spaces to communal and public spaces that engineer causal interactions and community cohesion) in the design and development of our schemes.

21. The challenge to delivering the amount and range of housing options that Enfield needs is the balancing of quantity, costs, available funding, quality and time. The revised development strategy discussed in this paper attempts to do this by reducing the total units delivered to 3,500, extending the programme for a further 3 years (so that, although all of the starts are achieved in 10 years, the programme now completes in 2032/33), adopting a medium term financial strategy and adjusting the viability thresholds.

22. The repairs service has successfully been brought in-house from 1st May 2020. The service is operating within the agreed budget and achieving some positive outcomes despite the challenges of operating through the Pandemic. A review of performance is scheduled for the Housing Scrutiny Panel.

23. As agreed in our new model, work is underway to procure a suite of specialist support contractors for mechanical and electrical work streams.

24. Improvement of housing services has been a priority during the year, and we have successfully delivered front line services during the lockdown period. We continued providing cleaning and caretaking services to our blocks and estates, without interruptions, and introduced a sanitising deep cleaning and spraying service. We provided additional support and protected our most vulnerable residents living in sheltered accommodation from adverse impact of the virus.

Background

25. Cabinet agreed in January 2020 a new financial framework to assess and measure the viability of the HRA Business Plan. It set targets for growth of new homes, for investment in council housing and for operating efficiencies including the small-scale disposal of uneconomic properties.

26. In February 2020 Cabinet also agreed a Development Strategy to deliver 3,500 new council-led homes by 2030. To enable this, Cabinet agreed the following delegations that will not be superseded by this report:

    a. Agreed that the viability of each project to be determined by the Director of Housing and Regeneration in consultation with the Director of Finance in accordance with the financial criteria.

    b. Subject to compliance with the Budget Policy Framework, delegated authority to the Leader to approve additional sites and site substitutions, where a site in the programme is no longer viable or deliverable, within the Council's housing development programme's financial limits.

    c. Delegated authority to the Executive Director for Resources to agree the appropriation of General Fund sites to the Housing Revenue Account (HRA) based on an open market valuation for the proposed affordable housing mix.

    d. Delegated authority to the Director of Housing and Regeneration in consultation with the Director of Finance to approve a community engagement and local offer strategy for residents that will be disrupted by development proposals.

27. This programme was subject to an annual review to ensure the benchmark assumptions were deliverable in the local operating context. This report outlines the progress of the Development Strategy and proposes changes to secure ongoing delivery. It also sets out the strategy for bidding for the next round of the GLA Affordable Housing programme 2021-26.

28. Cabinet also agreed an ambitious investment programme to improve the quality of existing Council homes. This report reviews progress with that programme and proposes the plan for investment in 2021/22 pending the agreement by Cabinet of a 30-year Asset Management Strategy to come forward in January 2020.

29. Cabinet also agreed to bring in-house the repairs service and this report outlines the positive progress made with the service having commenced from May 2021 and the strategy for ongoing development of the service during 2021.

Future Strategy

Review of the Development Strategy

Proposed Changes to the Development Strategy

30. In the light of experience from this year's programme a strategic review has been undertaken with the following conclusions for the overall assumptions in the development strategy to be delivered we need to consider 3-year programmes to reflect economic, funding and policy cycles and extend the programme period from 10 to 13 years. It is proposed that principles and hurdle rates for a 3-year cycle from 2021 should be as follows:

    a. Unit numbers, tenure split, housing mix and other requirements (such large family size homes, wheelchair accessibility, carbon neutrality and placemaking) are assessed at programme level to ensure viability is optimised – e.g. the cost of delivering 4-bedroom homes at affordable rents on one site is cross subsidised by delivery of homes for sale on another. The order of delivery will also be considered.

b. Total development cost and a budget envelope are established for the programme. The programme is funded through grants, retained Right To Buy RTB receipts, sales income and borrowing. All operating costs and income are managed within the 3-year budget envelope and will inform programme parameters to ensure that its objectives are delivered.

c. In addition, each 3-year programme is assessed against the following hurdle rates, with variation agreed at start of the programme to reflect near term economic, funding and policy realities.

    i. Average Cost Per Unit of £300k or less

    ii. Net Present Value per unit of -£50k or higher

    iii. Internal Rate of Return of 3.5% or higher depending on the risk associated with the scheme

    iv. Loan Repayment Period of 40 years or less from a 30-year period

d. Increase development cost hurdle rate for replacement homes on estate renewal schemes and for schemes that require land assembly to £450k per unit in recognition of the actual costs of delivery, whilst noting that without grant additional forms of subsidy will be required.

e. Use the discretion to charge higher rents within the scope of the Governments Social Rent Standard when delivering specialised housing such as PassivHaus or Extra Care to balance the higher delivery costs of measures that benefit the occupants noting that total rent costs will remain affordable and within benefit thresholds. This will be considered on a scheme by scheme basis.

f. With the agreement of the Executive Director of Resources on a case by case basis, when appropriating land from the General Land, rather than paying the agreed sale value at point of acquisition, considering can be given to adjusting the debt cap to point when sales and revenue capitalisation is achieved. This is in line with advice provided via the GLA and the Mayor’s report “Building London’s Future: The Next Generation of Council Homes” which encourages councils to utilise both HRA and General Fund sites to build their housing delivery pipeline. There are pressures on the HRA programme affordability to pay open market prices for land transferred from the General Fund, equally there are financial challenges in the General Fund to reduce borrowing: therefore, a balanced approach needs to be considered that has regard to the overall strategic benefits to the Council.

31. This strategy is subject to the achievement of subsidy such as GLA affordable housing grant and retained Right-to-Buy receipts, and, to a lesser extent, from cross subsidy shared ownership and private sales. In delivering homes for ownership our priorities will be to ensure our product reflects the emerging aspirations for homes in the light of the pandemic – i.e. they will be digitally enabled, have thoughtful design to

accommodate home working, have outdoor space where-ever feasible and enable the care and support of vulnerable family members. We will also carefully evaluate the location and market demand for schemes to maximise sales success. Our sales and marketing strategy (attached as Appendix 1), which includes our "Your Home, Enfield" branding guide, will ensure that we are effectively marketing to potential home buyers, that we support access to home-ownership for local residents and that we have an efficient and effective sales function, including partnering to our registered providers network for services we cannot provide in house.

32. The Development Strategy modelled income from shared ownership on the basis of an initial 30% equity stake. However, the new model Shared Ownership introduced by Government has reduced that initial purchase to 10% of purchase price. The new model also reduced the annual staircasing from 10% to 1% and prohibited recharge of repair and maintenance costs for the first 10 years. This reduces the Development Programme's revenue projections from £311m to £230m, which has a significant impact on funding the future programme.

33. The Development Strategy supported the Council's ambitions in regard to climate change and agreed to pursue a pilot at Bury Street West. This pilot told us that achieving PassivHaus added a 10% uplift to build costs. We are committed to the delivery of high standards of environmental sustainability in new housing that we deliver, and we must have regard to costs versus the challenge with delivering the quantum of housing required. It is therefore proposed that we will seek to deliver, as a minimum, the sustainability standards set out in the Mayor's London Plan (which are also a funding condition for the Homes for Londoners: Affordable Housing Programme 2021-2026) and seek to improve sustainability as more cost-effective methods of delivery, building materials and technologies become available.

34. To facilitate the delivery of much needed affordable homes at Meridian Water and to ensure coherent management arrangements, the Council is seeking to acquire 25% of the homes over the next 10 years, subject to viability/affordability.

35. The HRA Business Plan has allocated budget for 230 rented homes on Phase 1 to be acquired as council-housing for local residents. By acquiring and retaining these homes in the HRA, the Council is seeking to address the housing challenges faced by many low-income households in the Edmonton ward and create positive growth in the deprived areas in the East of the Borough. Alongside its development programme, the Council will seek to continuously review opportunities to acquire additional units on the Meridian Water development and ensure funding is targeted at schemes which present value for money, have certainty of delivery and are affordable to the HRA within borrowing capacity,

GLA Affordable Housing Programme

36. The GLA has issued its prospectus for the Homes for Londoners: Affordable Housing Programme 2021-2026 (AHP 2021-26). We have been preparing for this new programme by developing our own pipeline of

sites and estate regeneration schemes, by building strategic relationships with RPs, and by exploring innovative methods of construction.

37. We propose to make a bid that will enable delivery of around 1,214 new homes through a mix of direct delivery and development partnerships. As the grant rate will be negotiated on a scheme by scheme basis, it is not possible to give a precise value at this time. The schedule of schemes is attached as Appendix 3 in Part 2 of this report.

38. A summary of the key points in of the prospectus are as follows:

- Two funding streams (none specifically for council build) which means we will be competing or need to partner with RPs
- The General London Affordable Housing 2021-2026 settlement of £4bn funding for projects with starts on site from 1 April 2021 to 31 March 2026 and completions to 31 March 2028.
- The Long-Term Strategic settlement consisting of £1bn funding for projects with starts on site from 1 April 2022 to 31 March 2026 and completions to 31 March 2029. Projects will be subject to additional approvals from MHCLG, which the GLA will undertake.
- Funding for Social Rent (i.e. will no longer fund London Affordable Rent), London Living Rent & new model Shared Ownership.
- Will no longer accept nil-grant (e.g. RTB funded) schemes
- No fixed grant rate – introducing negotiated route for all projects
- No funding for replacement homes (although some exception for support housing). Demand to be meet through other funding sources where available.
- Can bid for named sites & indicative proposals. Indicative bids will be assessed on the basis of average funding per unit levels.
- No developer-led route – only fund increase above S106 and beyond otherwise viable without grant.
- Expectation that programmes maximise use of modern methods of construction (MMC)
- Funding conditions aim to drive up quality, sustainability and inclusion:
- building safety – meet 5 mandatory standards
- design – meet or exceed 9 minimum design standards
- EDI – most have EDI action plan and meet 5 minimum standards within 1 year of allocation approval.
- sustainability – meet 6 sustainability standards, including Net Zero
- Strategic Partner Status will be offered to organisations offering large scale delivery within the programme parameters.
- Grant drawdown of 40 per cent at land acquisition, 35 per cent at start on site and the remaining 25 percent at completion.

39. The GLA has also reopened bids for the AHP 2016-23 programme, which consisted of the Building Council Homes for Londoner and the Homes for Londoners programmes, for schemes that can achieve start on site by September 2022. The AHP 2016-23 programme will continue to fund replacement homes, developer-led schemes, the current Shared Ownership model and London Affordable Rent. We will therefore select the right schemes or split schemes between the two programmes to ensure viability.

40. We propose to bid, through a development partnership with a housing association, for funding to bring forward an additional estate renewal schemes if it can achieve start on site by September 2022 – this will be subject to ballot and affordability within the HRA Business Plan. The bid would be submitted by and granted to the selected partner in line with the terms of the development agreement.

41. In the light of this new funding environment, our bid strategy is to:

a. Demonstrate organisational capacity and corporate buy-in – highlight enabling policies/procedures such as joined up financial framework, design code, strategic infrastructure plan, procurement strategy, resident engagement and Diversity and Equality plans.

b. Establish our track record – show that we will meet current AHP targets. In particular, promote our open partnership approach with the GLA and our resilience and agility in resolving barriers to delivery.

c. Develop strategic partnerships – establish the Cabinet agreed RP framework and partner with RPs and developers to maximise resources available to the borough, particularly on estate renewal schemes, and prioritise progression of a scheme that can achieve start on site by September 2022.

d. Utilise our Right to Buy receipts for replacement homes and seek alternative sources of infrastructure funding to support delivery of the Joyce and Snells estate renewal scheme. Where deliverable (with start on site requirement by September 2022) seek to bid for the existing programme

e. Demonstrate work in progress to develop a strategic approach to bringing forward land (from all sources) to support the development programme over the longer term.

f. Establish the deliverability of our bid programme– undertake site, planning and financial due diligence on bid sites to establish:

   i. Viability – take a balanced portfolio approach to build costs, delivery and tenure mix across sites in 3-year cycles to optimise viability
   ii. Unencumbered title – ensure there are no vacant possession issues or site constraints that might make site undeliverable
   iii. Planning compliance – confirm sites can be optimised within planning densities and that there are no planning issues that might put planning consent at risk
   iv. Cost certainty – secure early options on Section 106 acquisitions (at below cost per unit benchmark), focus on residential delivery on HRA land and use MMC systems through-out the programme.
   v. Programme certainty – ensure sites can be on site from March 2022 and are completed by no later than 2027. This includes use of RP framework and MMC to achieve certainty

42. The following table summarises the updated development programme which reflects the proposed changes to the Development Strategy and the Council funding strategy in light of the new AHF 2021-26 programme and the extension of the AHF 2016-23 programme. The full programme is provided in Appendix 3 in Part 2 of this report.

Total number of units delivered by March 2030	3,500
Percentage of affordable units (social rent, London Affordable Rent, shared ownership and shared equity)	85% (2,968)
Total number of affordable units being/to be delivered through AHP 2016-23	1,047
Total number to affordable units to be delivered through AHP 2021-26	1,214
Total number units outside both programmes (i.e. private units, current estate regeneration programme and future projects & acquisitions which will require separate funding programmes)	1,244

43. The Council intends to use MMC systems across all of it direct delivery projects but at least 30% will be pre-manufactured 2D and 3D primary structural systems (Categories 1 and 2 of the Government's MMC Definitions Framework). The Council will also seek to participate in a regional buyers' club or MMC framework to create economies of scales.

Existing estate renewal schemes

44. The Council has three partnership regeneration schemes in delivery where we work to ensure the best possible scheme outcomes are delivered. Progress has been made across all three sites, including the successful delivery of new Council social rented homes on Alma and New Avenue and new housing association homes and a hotel at Ladderswood. Due to the duration of estate renewal schemes it is necessary to regularly review development agreements and assess against the current objectives of the Council, market conditions and resident requirements. Such reviews have been carried out across all three schemes and the HRA business plan adjusted where required. Discussions with development partners have also focused around issues such as the size of homes being delivered, with a requirement for increasing the number of family sized homes wherever possible.

45. Projections for the New Avenue were reviewed ahead of commencing phase 2 and 3. The development agreement requires the developer, Countryside (CPUK), to submit a revised planning application in recognition that permission was granted for a lower quantum of homes than originally envisaged. Through negotiation with CPUK, a revised scheme that, subject to the planning process, would see the Council receive a better mix of family sized housing (an increase of 6 three bedroom homes out of its allocation) alongside an adjusted land has been agreed. The HRA business plan has been adjusted to reflect this revised figure.

46. The overage assumption on the Alma scheme is being reviewed with the Developer in line with the completion of phase 1 of the project.

47. Estate renewal schemes such as New Avenue and Alma are subject to complex development agreements covering relatively long time periods over a number of years. Budgets and income projections are made in the business plan based upon the content of the development agreement. During the course of a regeneration scheme there are multiple factors including the economic context and funding environment, which may result in the projections originally made requiring a reassessment. It may also be appropriate to review the quantum of homes proposed, the design of the development or similar aspects of the scheme, resulting in the submission of a planning application, whether a full application, a minor material amendment (Section 73) or a non-material amendment (Section 96a). Where such an application is to be made, the developer will be required to seek approval from the Council to proceed.

48. In order to ensure that necessary adjustments and improvements to schemes can be made without risking significant delay that could jeopardise viability and any return due to the Council, it is proposed the authority to approve applications to planning for established estate renewal schemes is delegated to the Director for Housing and Regeneration in consultation with the Leader. In approving such amendments/submissions the Director will need to be satisfied that appropriate due diligence has been carried out and the proposal under consideration represents best consideration and value for money for the Council. Where appropriate this will be in the form of an independent review or assessment of the proposals. Budget changes will be in line with the Finance Procedure Rules,

49. Following the Cabinet decision in November 2019, we have been working up the proposals for Joyce and Snells with a view to producing a viable offer to residents that will ensure that they benefit from the regeneration of the area adopting the Good Growth Housing Strategy model for regeneration. The HRA business plan has been updated based on the financial modelling work undertaken by EY and phasing plans worked through with HTA architects. This continues to be an evolving process with a range of considerations including viability, commercial strategy and resident engagement all feeding into it. An outline GLA is proposed in this report to secure funding for new homes in the early phases.

Capital investment

50. Cabinet has agreed a 10-year investment programme of £258m investment in Council homes. A new Asset and Sustainability strategy has been produced and is currently being costed to ascertain affordability against the business plan. Once this exercise is completed the new strategy will come forward to Cabinet for approval with a revised 10-year investment programme, aligned to the new strategy.

51. As agreed by Cabinet we have called on Government to meet the costs of new burdens arising from the Building Safety Bill and from the zero-carbon agenda which amounts to circa £370m over the next 30 years. Funding streams for decarbonisation of council housing has been launched but these require bidding rounds with shovel ready schemes being a condition. The funding is available up to 31st May 2023. Whilst we will

seek to access all sources of funding, this approach does not allow us to take a strategic approach to stock investment. No formal application for this funding has been made to date.

52. To enable us to progress a number of initial schemes, we require authority to formulate and submit several bids for funding to support our investment programme. An initial bid for capital grant via the MEEF fund; a joint bid, with other London LAs to the Green Homes Fund and the Department for Business, Energy & Industrial Strategy (BEIS) BEIS Local Authority Delivery Schemes (LADs) scheme for match funding, has been successful.

53. The BEIS LADS funding bid will provide match funding of circa £1.8m to support an initial programme of retrofitting 36 homes to meet Zero carbon status.

54. To access the funding the Council is required by the fund administrator BEIS, to enter into a collaboration agreement, which sets out the project's procurement and cost pathway, with the objective of ensuring the proposed retrofit solution delivers at an economic price point. On sign up, a small fee of £6,000 will be payable to the GLA.

55. Additional funding is being sought to bring all tenanted homes to Energy Performance Certificate (EPC) D rating or higher, by the end of 2023.

56. Due to the re-profiling of budgets from 2020-21 to 2021-22, the following programme of works are estimated to start in 2021. The specific homes and areas to benefit from this investment will be identified based on need and efficient procurement and delivery strategies.

Investment area	Value (£000's)	Commentary
Internal improvement works	9,123	Replacement of kitchen, bathroom and electrical wiring upgrades to ensure compliance with the Decent Homes standard (tenants only)
Building Safety Improvements inclusive of internal refurbishment	32,801	Works include installation of new passive and active fire safety elements; upgrades to existing active measures and some general internal fabric improvements.
Energy Efficiency	2,000	Energy Efficiency improvements across the stock to bring all tenanted homes to EPC D rating or higher. Work to be delivered in conjunction with external funding.
External envelope works	30,954	Replacement of external building elements at end of life. i.e. roofs; rainwater goods; windows and doors.
M&E infrastructure	6,067	Replacement of internal mechanical and electrical services at end of serviceable life i.e. lifts; mechanical ventilation systems; water tanks
Aids & Adaptations	2,300	In-flat adaptations
Specialist advice	600	Costs incorporate annual stock

services		condition and structural survey programmes; CAD and BIM services and specialist consultancy services to assist in the development of the programme.
Capital Contingency	500	Allocation to address emergency works arising from statutory inspections/ intrusive investigations of cladding systems, where interim safety measures may be required.
Total	**83,345**	

57. This programme will deliver the following benefits:

    a. Increase compliance with the Decent Homes Standard.
    b. Ensure homes continue to be safe for occupation and prepare the stock for the new building safety bill by making targeted investment decision based on risk;
    c. Reducing lift outages that cause residents inconvenience;
    d. Addressing persistent service failures, associated with failing building infrastructure;
    e. Prevent water leaks and penetration, leading to mould growth, effecting resident's health and wellbeing;
    f. Improve building performance, reducing energy consumption and fuel bills.
    g. Wherever possible link capital works to the development programme so that on estate infill developments the whole estate can benefit from an uplift.

Enfield Repairs Service

58. The repairs direct service has successfully been brought in-house from 1st May. The service is operating within the agreed budget and achieving some positive outcomes despite the challenges of operating through the Pandemic – this includes employment of apprenticeships and resident satisfaction.

59. Following the development of a new target operating model for Council Housing, work has been concluded to design a structure for Council Housing that is aligned to support its delivery. This work has been further developed taking account of lessons learnt during the pandemic to ensure we respond to both the risks and opportunities that it has brought, in order to both drive improvements in customer satisfaction as well as deliver efficiency savings from improved use of technology and ways of working.

60. The structure delivers circa £500k full year revenue savings which will contribute to the budgeted savings required for the 2021/21 financial year. There are some likely redundancy costs associated with the restructure and provisions have been made within the 2021/22 revenue budget to cover these costs

61. As agreed in our new model, work is underway to procure a suite of specialist support contractors for mechanical and electrical work streams.

62. As outlined in the 2020 Cabinet Report, the Council's existing measured term contracts will reach the end of their term in May 2021. Following the successful launch of Enfield Repairs direct, a number of specialist support contracts are required to support the in-house service over the next five years, this includes the provision of mechanical and electrical repairs; compliance management; access services; Communication systems and specialist roofing services, amongst others.

63. Procurement activity commenced in the summer of 2020, however due to operational demands over the preceding months, due to the impact of the pandemic on service capacity and the complexity of a number of the contract specifications, the procurement timetable has slipped, necessitating that the existing term contracts be extended by six months, to allow for OJEU compliant tender exercises to be completed and the new contracts mobilised.

64. Following discourse with our existing suppliers, agreement for a six month extension under the current contract terms has been agreed in principle.

Housing services

65. As we deliver the investment programme which will improve the quality of homes and meet our landlord responsibilities, we are acutely aware of the impact major works bills may have on individual leaseholders. For the current and past investment works we are seeking to collect circa £5m of leaseholder costs with further charges arising from the new programme which can rise to circa £50k per property in some circumstances. The impacts could be exacerbated by the current and future economic situation affected by the pandemic. We currently offer a comprehensive range of payment options as follows:

66. Resident leaseholders:

- Two years interest free period
- Up to ten years repayment period with interest
- Prompt Payment Discount of 5%
- Statutory Service Charge Loan

67. Non-resident leaseholders:

- Prompt payment discount of 5% for individual homeowners, excluding large scale and commercial landlord, subject to the approved sought in this report
- Up to two years payment term in exceptional circumstances, with interest payable

68. We are therefore proposing to introduce a temporary measure to further support leaseholders financially, in the form of 6-month payment holiday. Leaseholders, resident and non-resident will be able to apply for this additional discretional payment options if they met financial hardships conditions. Non-resident leaseholders will continue being charged interest

during the period of the payment holiday. Temporary measures will last for 12 months, starting from 1 January 2021.

69. In addition, we are also proposing to introduce a further measure to help the most vulnerable and financially challenged owner occupiers by way of a Buy Back option. This would allow the Council to acquire the property using either the Council Owned company Gateway or through the use of a mixture of RTB receipts and capital funding. Decision to proceed to a Buy Back would need to be signed off by the Director of Housing and Regeneration and the Director of Finance.

70. Staff will identify leaseholders who are facing extreme financial difficulty and place them on a waiting list for a Buy Back. Priority will be given to leaseholders in immediate danger of losing their homes, but the following factors will also be considered in assessing relevant priority:

- age
- disability
- total debt
- income of household, including an assessment of outgoings
- future service charge liabilities
- whether or not the leaseholders were put on notice of service charge
- liability when they purchased
- suitability of current accommodation (overcrowding or under-occupation)
- need for sheltered accommodation or social services care accommodation
- length of time on the repurchase waiting list
- mortgage ability of the property (value)
- whether or not the leaseholder is in occupation
- benefit to the Council (purchase price, size of accommodation etc).

Updated HRA Business Plan and financial framework for next 30 years based on revised strategy

71. In February 2020, the HRA Business Plan was updated and a revised Financial and investment framework was approved. This report included the introduction of the financial metrics which are to assist in ensuring sustainability of the HRA 30-year business plan.

72. The report approved additional borrowing of £341m to support the delivery of 3,804 new homes (3,500 affordable) in the development programme over the next 10 years.

73. In February 2020, the HRA rent setting was approved which included the 30-year revenue and capital programme budget approvals.

74. This report gives an update on the HRA 30-year business plan position and includes the following main changes:

- Revised 10-year development programme including extension to 13 years and updated financial hurdle rates

- Changes to the GLA funding and new Affordable Housing Programme (AHP)
- Updated borrowing profile
- Re-profiled 10-year investment in stock programme
- Update on efficiency savings that need to be achieved
- CPI for 2021/22 is 0.5% (change from the estimated 2%)
- Updated financial metrics
- The impact of the introduction of a revised payment policy for leaseholders

Development Programme

75. An updated programme to re-establish a pipeline of schemes has been produced by the development team and these schemes have been built into the business plan The main changes to the programme have been outlined and are as follows:

- Updated programme based on a 3-year cycle to reflect economic, funding and policy updates
- Increase in average build cost per unit – based on current market conditions
- Reduction in the number of new homes from 3,804 to 3,500, with affordable homes reducing 3,500 to 2,968
- increase the loan repayment period from maximum of 30 years to maximum 40 years when reviewing the viability of future schemes
- Funding of the programme will remain with agreed borrowing levels - the profile of borrowing has been updated
- Updated grant assumptions based on the GLA's Affordable Housing (AHP) grant programme, including grant rates, rent levels and shared ownership entry levels (shown below).
- Viability assessment to remain at scheme level but additionally assessed at a 3-year programme level. This will enable less viable projects to be moved forward and subsidised by better performing schemes.

Assumption	**Original (BCHL)**	**Revised (AHP)**
GLA Grant:		
Affordable	£100k	Maximum: £150k
Shared ownership/equity	£28k	£50k
Rent Levels:		
Affordable	LAR: £168.81 average per week	Social: £142.99 per week
Shared ownership/equity	30% minimum share purchase	10% minimum share purchase

76. The changes in the GLA programme has added pressure to the Business Plan mainly due to the change from London Affordable rent to Social rent and the reduction in the initial shared ownership equity share.

77. In addition to the AHP funding conditions the average build cost has been reviewed. The previous programme included an average build cost of £250k per affordable unit, based on current market conditions this has been revised to an average £300k per unit. The estate regeneration average build cost has also increased from £350k to £450k per unit.

78. On the Bury Street West development, the contractor has uncovered a significant amount of asbestos on site that requires extensive remediation that had not been identified through site investigation. The remediation cost is approximately £1m and cannot be undertaken within its approved budget of £20.3m, as approved in KD4998). Proposal 8 request approval for the increased budget.

79. The private sales market is volatile and based on the latest average valuations in Enfield, this has been reduced from the previously expected £467k per unit to £400k per unit, this has added additional pressure to the development programme.

80. These changes have in summary:

- Increased the overall grant expected by £19m
- Reduced rental income over 30 year by £95m
- Reduced shared ownership equity and Private sale income by £56m
- Increased the development programme budget envelope by £85m

81. Although, the programme still delivers 3,500 units overall, the changes highlighted above have resulted in the number of overall units reducing from 3,804 to 3,500 over the 10-year programme.

82. The updated programme is summarised below and detailed in Appendix 3:

	Total Homes	**Total Affordable Homes**	**Total Scheme Costs**	**Total GLA Grant**	**Total RTB & S106 Receipts**	**Total Headroom Required (Loan & Reserves)**
			£m	**£m**	**£m**	**£m**
AHP 2016-23, On-site/Complete (BCHL Funding)	**624**	**599**	149.0	21.9	11.5	115.6
AHP 2016-23, Committed/Proposed (BCHL Funding)	**863**	**803**	223.2	58.2	2.2	162.8
AHP 2021-26 Council led (Affordable Homes Programme Funding)	**2,013**	**1,566**	635.1	46.7	44.8	543.6
10 Year Development Programme	**3,500**	**2,968**	**1,007.3**	**126.8**	**58.5**	**822.1**

83. The overall budget has increased by £85.8m, however, borrowing has remained at approved levels. Financing of the programme will continue to be monitored on a quarterly basis and changes will be identified as part of this process.

84. It should be noted that the Social rent will be calculated using the January 1999 valuation. In addition, this formula can be flexed by up to 5% (10% for supported housing) if this is based on a clear rationale taking account of local circumstances and affordability. This is regulated under the Policy Statement and Rent Standard 2020.

85. The GLA have confirmed that the Affordable Housing programme grant will not support the development of re-provision units and S106 units, so its anticipated that recycled RTB receipts will be used to assist in funding these schemes.

86. A revenue feasibility budget has been identified of £500k per annum to fund future programme assessments.

87. The viability of the programme will still be assessed on a scheme by scheme basis but will also be reviewed at a programme level over a 3 year period. Future schemes loan repayment period will be assessed at a maximum of 40 years (previously 30 years) period. This will enable less viable projects to be moved forward and subsidised by better performing schemes.

88. Bury Street West budget increase – to be updated with summary of increase in budget and updated viability assessment of the overall project

Updated borrowing profile

89. The current level of borrowing within the HRA is £226.6m and is increasing by £429.6m to £656.2m over the next 10 years, this was approved in the rent setting report in February 2020.

90. There has been an update to the borrowing profile based on the revised development programme requirements. The revised borrowing profile is as follows:

Financial year	**Additional borrowing £m**
2020/21	10.0
2021/22	59.0
2022/23	61.0
2023/24	59.0
2024/25	0.0
2025/26	6.6
2026/27	58.0
2027/28	143.0
2028/29	33.0
Total	429.6

91. Borrowing assumptions within the Business Plan are based on PWLB loans at 3.5%. It should be noted that all borrowing requirements will remain within the Councils financial metrics and in line with the General Funds Prudential Indicators and Treasury Management Strategy. The loan

principal will be paid back in full when it falls due. Interest is charged annually over the life of the loan.

Investment programme for existing Council Homes

92. A revised 10-year budget reflecting the results from the stock condition survey was approved in 2019/20.

93. There has been significant re-profiling in the programme this year, which has been reflected in Q1, Q2 and P8 capital monitoring reports. These changes have been reflected in the Business Plan update.

94. An Asset Management Strategy update is in progress, once finalised this will be reflected in 2021/22 Capital monitoring process.

95. The updated programme is summarised below reflecting re-profiling within the approved programme:

Description	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 to 2030/31	TOTAL
	£’000	£’000	£’000	£’000	£’000	£000's	£000's
Stock Condition led Works	28,704	29,649	27,525	14,933	14,539	69,695	**185,045**
Defined Asset led Projects	18,391	2,813	0	0	0	0	**21,204**
Demand led Works	3,350	2,550	2,350	0	0	0	**8,250**
Fire led Projects	33,901	9,186	1,394	0	0	0	**44,481**
Total	**84,345**	**44,198**	**31,269**	**14,933**	**14,539**	**69,695**	**258,979**

96. A bid for funding from the Green Homes funds of £2m will be submitted to match fund costs to support the zero-carbon agenda. This funding is included in the Business Plan update and will be reviewed once the outcome of the bidding process has been finalised. There are also future funding opportunities from the Mayor of London Energy Efficiency Fund (MEEF), but these are yet to be confirmed.

Efficiency savings update

97. Last year saw the implementation of the Interest Cover Ratio (ICR) and Loan to Value (LTV) financial metrics to ensure that the business plan remains financially viable and within affordable limits.

98. In order to achieve the optimum financial metric levels each year, efficiency savings of 5% per annum for 5 years have been built into the business plan.

99. The following revenue savings and pressures in Management and Maintenance and the Repairs service have been identified to date (Q3 2020/21).

Savings	£000's
Vacancy factor from 2.9% to 5%	-264
Repairs - various	-1,500
Supervision & Management running cost savings	-114
Total Savings	**-1,878**
Pressures	
Redundancy costs	250
Feasibility budget	500
Total	**750**
Net Savings	**-1,128**

100. Further efficiencies will be achieved by the introduction of a new IT system (Civica CX) and fully insourcing the repairs, these changes are expected to make long term savings

CPI update

101. The annual rent increase will be set in line with the social rent policy.

102. CPI for 2021/22 was estimated to be 2% but the actual September 2020 CPI is 0.5%.

103. Rents will be increased by CPI+1% in 2021/22, overall a 1.5% increase. The original assumption was that CPI would be set at 2% in 2021/22 which will see a reduction in the expected level of income. The net impact to the business plan (considering the CPI uplift on all services) will be a reduction of £280k in 2021/22, with a 30-year business plan impact of £12.9m. Full approval for rents and service charges will be included in the Rent Setting report going to February Cabinet for approval.

104. External consultant advice on the long-term assumption of CPI remains at 2% for the life of the business plan.

Leaseholders

105. The proposed 6-month payment holiday for leaseholder on major works bills is estimated to result in an increase in the level of arrears and will be a debt against the leaseholder's property. The Business Plan is based on the bills raised so will not impact the cashflow.

106. The following calculations have been based on the expected level of bills to be raised between 1st January and 30th June 2021 (circa £4.8m) and shows the impact on arrears depending on what % of leaseholders take up this offer.

% of tenants opting into the amended terms	100%	50%	25%	10%
	£000's increase in arrears			
Payment holiday - 6 months - without interest	518	259	130	52
Payment holiday - 6 months - with	524	262	131	53

interest					

107. The option to buyback leaseholder properties if required would be assessed on a case by case basis. Any buybacks through the HRA would need approval and funding would be considered from HRA reserves.

108. Summary

109. The updated HRA Business Plan remains affordable and sustainable, with no increase in borrowing requirements above the approved levels. This position is underpinned by the following assumptions:

	Current	**Proposed**
Inflation (CPI)	2%	0.50%
Efficiency savings per annum	£1.3m	£1m
Borrowing levels	£656.2m	£656.2m
Borrowing Rate	3.5%	3.5%
Development Programme delivery period	10 years	13 years
Rent Levels per week	London Affordable Rent (Average £168.81)	Social Rent (Average £142.99)
Grant Levels per unit	Affordable £100k Shared Ownership £28k	Max Affordable £150k & Shared Ownership £50k
Shared Ownership Equity	30%	10%
Private Sale & Shared Ownership sale value per unit	£467k	£400k
Build cost per unit	New build £250k Regeneration £350k	New build £300k Regeneration £450k

110. As part of the Financial Framework agreed in January 2020, the following financial metrics were introduced to ensure that the business plan remains financially viable and within affordable limits.

Metric/Ratio	**Measure**	**Description**
Interest Cover Ratio (ICR)	1.25 minimum	• This ratio determines whether the net cost of services covers the borrowing interest expenses. • Ratio of operating surplus divided by interest costs
Loan to Value (LTV)	50% maximum	• This ratio measures the level of debt compared to the asset value of our stock • Outstanding debt divided by fixed asset value

111. The table below shows the latest ICR and LTV ratios based on the updated business plan:

Metrics	**Limits**	**20-21**	**21-22**	**22-23**	**23-24**	**24-25**	**25-26**	**26-27**	**27-28**	**28-29**	**29-30**
ICR	**>1.25**	1.80	-3.91	-0.48	0.46	1.78	1.94	1.92	1.57	1.56	1.88

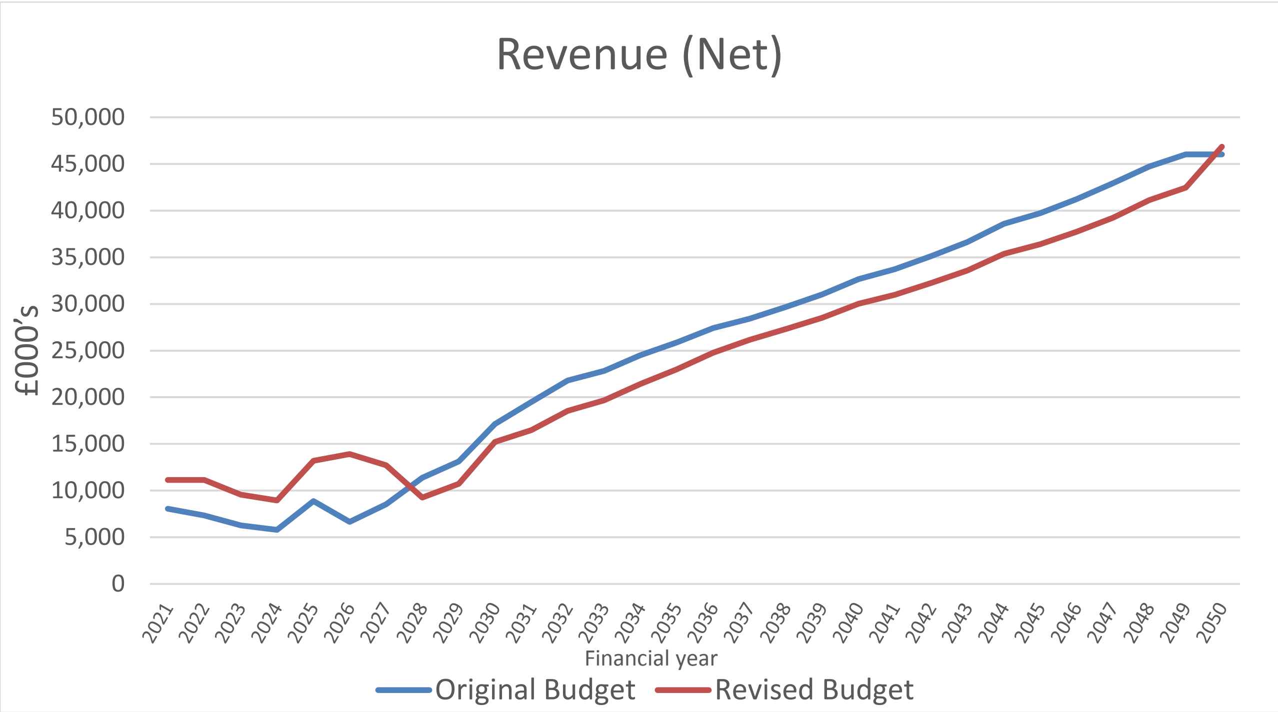
LTV	**<50%**	35%	43%	51%	52%	54%	52%	57%	59%	58%	53%

112. The current year reflects the significant re-profiling of budget spend from 2020/21 to 21/22. From 2021/22 the ICR is below the target level required, this is due to the amount of backlog works that need to be undertaken. As these legacy works (decent homes and fire-works) are completed the ICR continues to rise towards the recommended level over the short to medium term. This does not affect the borrowing capacity in the first few years which is currently within recommended limits. However, as borrowing requirements increase from 2023/24 the LTV exceeds the recommended limits.

113. In order to achieve optimum levels, the efficiency savings need to be achieved and borrowing levels need to be monitored closely to ensure the Business Plan remains sustainable.

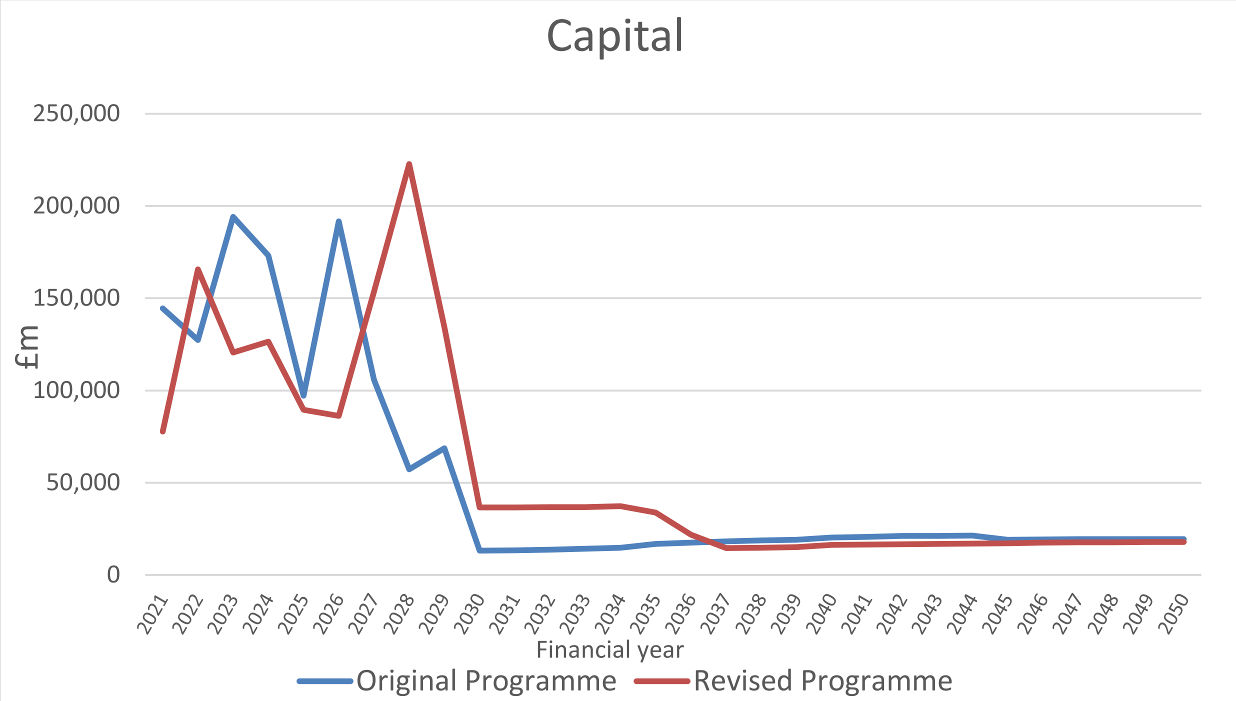
114. A minimum balance of 5% of the total revenue income (plus interest less depreciation) and 5% of the capital expenditure for the existing financial year, provides the Council with an ‘assurance buffer’ against unforeseen short-medium term variations to income and expenditure. The current minimum balance is £6m per annum, balances will not go below this level.

115. The below graphs summarise the revenue and capital 30 year budgets and compares the proposed position to the current approved position:



116. To note:

- Reduction in rent levels charged due to change in GLA grant conditions
- Includes 5 year efficiency savings
- Reserve levels remain above the recommended £6m



117. To note:

- Year 1 reflects delays in programme
- Extended development programme from 10 to 15 years
- Peak spend in 2027/28
- Additional borrowing of £429m over the 30-year period

118. The revenue and capital 30-year budgets are shown in Appendix 4.

Public Health Implications

119. The service has adapted to the changing landscape of central governments and Public Health England over the last seven months regarding the ongoing pandemic, changing service models and delivery methods to ensure the ongoing delivery of key services to residents.

120. Processes, controls and relevant PPE and material supplies are in now in place to ensure that key services can continue (with adaptation where appropriate) though the second wave of infection.

121. In light of the impact of the pandemic on resident's health, priority status has been given to a number of estate and buildings, to address legacy issues regarding damp and mould to mitigate any enhanced risk of respiratory infection, associated with their living conditions. We will continue to provide targeted intervention as appropriate into next year.

122. Whilst some major works schemes were temporarily halted during the national lockdown in March-April, should a second circuit breaker lockdown be enforced, we are confident that works will be able to continue on site, subject to continued cooperation by residents, where works are required inside homes.

Equalities Impact of the Proposal

123. The HRA 30-Year Business Plan supports the delivery of high-quality services that promote equality and values diversity

Environmental and Climate Change Considerations

124. A new Sustainability Asset Management Strategy (SAMS) has been developed and will be implemented next year, subject to Cabinet approval.

125. Subject to funding being attained, via a number of governments backed routes, we plan to deliver a whole house retrofit programme across circa 100 council homes during 2021/22 to deliver carbon neutral homes for the future. This will form the model for future years programmes

126. In addition, we plan to undertake a range of interventions to deliver improvements across properties which falls into the EPC bands G-F with the aim of ensuring that all council homes meet EPC D status by 2023.

127. We are further promoting greening of our estates and sustainable procurement via implementation of new social value requirements across our contracts, utilising the Social Value Portal.

Financial Implications

128. The financial implications are implicit within the body of the report.

Risks

129. Changes in grant conditions could impact the future development programme i.e. reduction in rent levels and grant receivable. The new AHP doesn't have the grant certainty the previous programme had, with no fixed grant rate and the minimum grant being £60k per unit (assumption in BP £150k). If all schemes were to receive the minimum allocation the programme will be unaffordable.

130. The business plan is based on achieving reductions in Management and Maintenance costs (circa £1m per annum). If these savings are not achieved it could impact on the affordability of the proposals included in the Business Plan.

131. There are 532 private sales units built into the plan, depending on market conditions the sale of these units could add financial pressure to the business plan and impact on cashflow if the sales were delayed.

132. Long term future rent uncertainty – any rent reductions will have a significant impact on the Business Plan.

133. Borrowing rates are assumed at 3.5%, if this rate was to increase this would affect borrowing capacity and will impact on the viability of the business plan.

134. Future building regulation changes including zero carbon agenda and potentially decent homes standard 2, will require additional funding in the long term.

135. The 10-year development programme is based on an average build cost of £300k. The assumed build cost is based on market knowledge and may in some circumstances prove to be higher. If build costs were to increase this would impact the number of units we are able to deliver.

Legal Implications

136. The Council must maintain a Housing Revenue Account ("HRA") in accordance with section 74 of the Local Government and Housing Act 1989 (as amended) (the "1989 Act"). The duties in the 1989 Act include in January or February each year to formulate proposals relating to HRA income and expenditure, based on best assumptions and estimates at that time, and that implementation of these proposals will secure that the account for that year does not show a debit balance. The proposals are contained in this report

137. By section 24 of the Housing Act 1985 (as amended) ("the 1985 Act") the Council has a broad discretion in setting such reasonable rents and other charges as it may determine and must from time to time review rents and make such changes as circumstances may require. This is subject to the 1985 Act's requirements for notice of a variation which can only take effect four weeks or the rental period (whichever is longer) from the date on which it is served

138. Further, pursuant to the Housing and Regeneration Act 2008 the Secretary of State has made a direction on the rent standard, which imposed a requirement on the regulator of social housing to set a rent standard in accordance with the policy statement, with effect from April 2020. This now must be complied with in setting and changing rent levels for social rent and affordable rent housing

139. The Council also has the power pursuant to the 1985 Act to alter, repair or improve its housing stock and a duty under the Landlord and Tenant Act 1985 (as amended) to ensure repairs to its properties are carried out effectively and in a timely manner. Furthermore, under the terms of the leases granted under the right to buy scheme, the Council has an obligation to leaseholders to repair and maintain its housing stock

140. The Council has a power under section of the 111 Local Government Act 1972 to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions The Council also has a general power of competence under section 1(1) of the Localism Act 2011 to do anything that individuals generally may do, provided it is not prohibited. by legislation and subject to public law principles The recommendations set out in this report are consistent with the Council's powers and duties.

Workforce Implications

141. There are no workforce implications

Property Implications

142. All Property Disposals will be subject to the council's Property Procedure Rules ensuring best value for the HRA Business Plan.

Other Implications

143. There are no other implications.

Report Author: **Joanne Drew**
Director of Housing and Regeneration

Appendices
Appendix 1- Development Strategy - Confidential
Appendix 2 -Development programme sales strategy – Confidential
Appendix 3 -GLA Affordable Housing Programme-Confidential
Appendix 4 - 30 year Capital and Revenue Budgets
Appendix 5 - 2021/22-2030/31 10 year capital programme