

## London Borough of Enfield

**Cabinet**  
**7<sup>th</sup> July 2021**

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**Subject:** Development of land formerly known as Reardon Court  
**Cabinet Member:** Cllr Nesil Caliskan and Cllr Alev Cazimoglu  
**Executive Director:** Sarah Cary

**Key Decision:** 5344

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### **Purpose of Report**

1. To provide the necessary authorities to progress the Reardon Court extra-care scheme noting that the scheme has been revised to respond to issues raised by local residents and that engagement will continue through the planning process and delivery.

### **Proposals**

2. Approve the extension of professional services and expenditure for the preparation of a revised design and planning application and budget for the main construction to be committed in 2021-2022 and 2022-2023.
3. Approve the appropriation of Reardon Court from the General Fund to the HRA in accordance with the capital financing rules and valuation which has regard to the intended development for social housing.
4. Accept the grant funding, or in the event that GLA grant funding is not confirmed, approve the allocation of Right to Buy receipts towards the costs of development.
5. Delegate authority to approve the final scheme proposal and tenure mix to the Director of Housing and Regeneration, in consultation with the Director for Adult Social Care.
6. Delegate authority to approve the procurement strategy for the delivery of the Reardon Court extra-care scheme, including consideration of frameworks for direct award route to secure a start on site by March 2022, to the Director for Housing and Regeneration in consultation with the Executive Director for Resources and the Director of Law and Governance.
7. Delegate authority to award and enter into the main build contract, professional service contracts, GLA grant funding agreement and any other ancillary documents and consents required in relation to the development of Reardon Court extra-care scheme to the Executive Director for Place.

8. Approve the operational structure, including any proposals for commissioning a care provider, to the Director for Adult Social Care in consultation with the Director for Housing and Regeneration.

### **Reason for Proposal(s)**

9. The land formerly known as Reardon Court has planning designation for residential use for extra care. The proposals seek to deliver a revised scheme which is in accordance with the requirements of external funding, namely the Greater London Authority affordable housing grant.
10. The total development budget of £30.1m was approved for Reardon Court by full Council for the provision of 91 homes in September 2020. This increased the budget approved in July 2019 (KD4958) by £2.61m to reflect the tendered construction price £26m. Further £18.5 was allocated as a borrowing commitment in the General Fund, as the property was a corporate asset. The General Fund allocated £30.1m (£18.5) as a borrowing commitment as the former property was a corporate asset. Reardon Court will be appropriated to the HRA for social housing purposes in line with grant conditions.
11. Due to the impact of Covid-19 creating uncertainty in the build programme and increasing cost exposures, the previous procurement process was terminated and a full project review was undertaken. This concluded that the design should be developed further to address concerns about infection control, in light of the pandemic, and reduce the height and scale to better respond to the concerns raised by residents living in properties in close proximity. This report proposes to resubmit the scheme for planning for up to 70 units.
12. The professional services team was appointed in 2019 from the SCAPE consultancy framework to deliver the scheme from design stage, through planning and manage the construction. This approval seeks to extend that appointment of Perfect Circle (Pick Everard and sub consultants, Levitt Bernstein, to design and manage the project construction). The £2.5m fee includes a fee for the QS service. The expenditure will be committed against the HRA budget of £30.1m approved by Cabinet in February 2021, under the "Better Council Housing" (KD5219). Against the capital budget allocation, the spend is broadly split as 5% historical costs, 75% construction costs (including contingency) and 20% fees. The current construction budget is c£25m. The planning application will be submitted this month and considered by committee in October, to enable works to commence by March 2022.
13. These proposals create new genuinely affordable older people accommodation within the Council's ownership which diversifies the offer for Enfield's ageing residents. The operation and management of the building and accommodation will be provided by the Council Housing team, offering a higher quality of service. Proposals for care and any provider will be developed and commissioned in consultation with the housing service.

### **Relevance to the Council's Plan**

14. The development of the land at Reardon Court contributes to the Corporate Plan by providing a vibrant inclusive living environment for older people with support and care needs, that fosters connection with the wider community through shared activity and social space. It supports work on reducing inequalities through the provision of accessible and affordable housing in later life.
15. The development of affordable adult social extra care accommodation at Reardon Court will enable the provision of good quality, affordable housing for those most in need, supporting older people to maintain independent and full lives in the community. It will also support the improvement of public health and wellbeing, through the promotion of healthy, active ageing, that supports social inclusion and reduces the likelihood of social isolation and loneliness.

## **Background**

16. Reardon Court is the site of a former residential care home which closed in 2017. The site is Council owned and vacant with recent demolition works clearing the building and preparing the site for redevelopment.
17. In July 2018 Cabinet approved (KD 4710) a Council-led demolition, design and redevelopment of the Reardon Court Site for provision of 69 fully accessible self-contained extra care homes with provision for flexible site-based care and communal facilities to promote healthy, active and inclusive ageing, for older people with care and support needs in the borough.
18. In July 2019, Cabinet approved (KD 4898) £27.5m to the Council's General Fund Capital programme for the overall scheme cost based on a business case to deliver 91 units and a borrowing requirement of £18.1m. Subsequently in September 2020, Council approved an increased budget to £30.1m based on the tender price returned for award of construction works for the delivery of 91 units. However, contracts were not let as terms could not be agreed due to concerns about the potential for contractor delays, as a result of Covid-19, and the cost burden this will have placed on the Council, which could have further increased the budget.
19. Since December 2020, officers have undertaken a review of the:
  - i. Consented design to ensure scheme provides useable accommodation, taking lessons learnt from impact on the elderly in care during the pandemic.
  - ii. Land constraints, taking into consideration recent residents' concerns about removal of a slither of land which currently provides noise abatement from the adjacent recycling centre.
  - iii. Build costs and extra care accommodation models in the sector to agree a budget envelope which is within industry parameters for this type of development and reflects build costs inflation for construction.
  - iv. Demand for this accommodation and identifying the eligibility criteria for allocation purposes.
  - v. Allowance from the Kingsdown Charitable Trust fund which has been received by the Council and will be contributed to the scheme for care purposes.

## Main Considerations for the Council

20. Following a review of the tender process undertaken in December 2020, it was concluded that the procurement should be terminated due to risks around future build costs and any impact of Brexit on supply chain and materials and Covid-19 on construction timescales. The demolition contractor was already appointed which allowed for enabling works to be completed by the end of April.

21. The interim period presented an opportunity for the Council to re-evaluate the business case for Reardon Court and ensure it presented a viable investment decision. The following matters are areas of change to the original business case for Reardon Court and sets out how the scheme will be taken forward.

### General Fund Appropriation

22. The proposal for redevelopment of the former care home was identified against the capital programme in the General Fund and managed by the corporate project team.

23. The Council is a local housing authority with a retained housing stock. The starting point for developing and holding residential property is therefore the statutory powers to provide social housing (which comprises property for low-cost rent or shared ownership). Relying on these powers requires the affordable social care accommodation to sit within the HRA and not the General Fund.

24. As the homes will be let at London Affordable Rent (social housing rents) the accommodation will be part of the Council's own housing stock and will therefore be governed by the provisions of the 1989 Act. The Council is required by Section 74(1) of the Local Government and Housing Act 1989 ("the 1989 Act") to keep an HRA for the financial information it has in respect of the houses or buildings provided, land acquired, houses purchased and other matters listed in section 74(1) of the 1989 Act.

25. According to [Ministry of Housing, Communities & Local Government's](#) guidance, a local authority may hold up to 199 homes outside the HRA under direction of the Secretary of State for Housing, Communities and Local Government. As Enfield Council meets the threshold for having a HRA, the new homes at Reardon Court will need to be accounted for within the HRA. This requires the land to be appropriated for the intended scheme from the General Fund. Appropriation is recommended at certified value, commonly known as the market value associated with the intended use. The certified value will reflect the fact that the land will be used in accordance with HRA ring fence rules. Generally, this means that rents will be at social rent levels (as set out in the Rent Standard).

26. Appropriation from the General Fund to the Housing Revenue Account does not involve a sale and purchase. No transfer of title takes place. The land simply "moves" from one Council account to another - or rather it is accounted for in a statutorily ring-fenced account (the HRA) within the overall account (the General Fund).

27. An independent valuation was commissioned for appropriation purposes and is attached at Appendix 1.

## HRA budget allocation Feb 2021

28. To reflect the future capital financing requirement for Reardon Court, the revised HRA Business Plan included an allocation of £30.1m for the development. This was considered and approved by Cabinet in February 2021. To offset the debt requirement for Reardon Court, adjustments were made to the overall 10-year HRA capital programme to ensure that projects, existing and new, did not exceed the parameters of the HRA financial framework. This report proposes approval for the scheme to be progressed within the approved capital budget.

### Changes to the consented scheme

29. Demolition works commenced in January 2021, at which point residents of Cosgrove Close contacted the Council in early 2021, objecting to the development for the following reasons:
- Removal of shrubland “mound” opposite will increase noise from the recycling centre.
  - Loss of car park spaces as residents currently use the public highway for overflow from the estate.
  - Scale and height of the proposed extra care scheme
  - Extra care use will attract different residents to previous client group, which was previously offered as a mix of residential dementia care and extra care accommodation.
  - Boundary dispute and use of Thames Water hydrants for critical supply to the site, during and post construction.
30. As well as concerns about the impact of the development, residents of Cosgrove Close believed they are the owners of the land to be removed as part of the consented scheme. The Council has verified its ownership with the Land registry and it is confirmed that the Council owns the freehold. The freehold for the Cosgrove Close management company does not include the land and the title plans provided are for individual flats incorrectly include the land. Leasehold titles need to flow from a freehold but as the Council has not granted that right, there is no claim of ownership based on title.
31. The Council does, however, recognise that the land in dispute provides a barrier between the residential properties and the Barrowell Recycling Centre and therefore it is proposed to leave the mound in situ. Additionally, the Council is reviewing what complementary structures or landscaping can be installed to further reduce the concerns about noise for existing and future residents. These costs are assumed within the total scheme budget in this report.
32. The impact of this change is that the scheme design has been revised and it is proposed that the Council develops a 70 units scheme within the footprint of the previous accommodation.

### Planning and programme

33. The revised scheme requires a new planning permission. This will be submitted in July and is for up to 70 homes, mixture of 1 and 2 beds.

### Grant Funding

34. The GLA approved an allocation for £9.4m under the Department of Health care and support programme. This equated to £104k per home and had to be

drawdown by March 2021. Given the challenges presented to the market in 2020, the GLA worked positively with officers to agree an extension for the allocation. However, the reduction in units means there is a viability gap of £10.35m which equates to £150k per unit. The Council has negotiated with the GLA to secure an extension to the grant milestones to March 2022 and gap funding for £10.35m.

35. If for any reason the GLA grant is not committed to the project, the HRA will commit unspent Right to Buy receipts up to 40% of the scheme costs to ensure the scheme remains viable and affordable.

#### Adult Social Care savings

36. The development of Extra Care accommodation on the Reardon Court site will support cost reduction for Adult Social Care in respect of funding care and support. Local evidence indicates that the average cost to Adult Social Care of supporting an individual in Extra Care Housing is less than high-cost residential placements or community packages.
37. The development of 70 homes on the Reardon Court site has potential to support cost avoidance of more than £369k in savings to the adult social care budget.
38. Additional cross departmental efficiencies linked with the development of Extra Care accommodation on the Reardon Court site may also be realised through:

- the reduction of hospital discharge delays and cost associated with delayed discharge;
- a reduction in costs relating to carer breakdown – by providing a supportive environment whereby partners can remain living together;
- a reduction in costs relating to the adaptation of inaccessible properties that are not suited to the often complex needs of older people with care and support needs;
- a potential reduction in temporary accommodation costs, realised through the increase in local housing supply, and in some instances, release of Council and Housing Association properties.
- a potential reduction in levels of social isolation and loneliness, and costs associated with this, given the identified links between loneliness and mental/physical ill health.
- a reduction in falls, injuries and subsequent hospitalisation caused by housing design that does not suit the needs of people with disabilities.
- a potential reduction in care package costs for people with dementia, who require 24-hour support in a community setting due to risk factors of living alone, but have minimal support and care needs

#### Housing Development and Council Housing

39. The project management will be transferred to Housing Development who will client the professional services team and manage the construction to completion. Proactive risk management and monthly cashflow issues will be

resolved in a timely manner and risks escalated where appropriate to the Client Project Manager /Project Board to ensure full oversight.

40. The accommodation will be managed by council housing under the sheltered housing service. A working group has been established to agree the structure and how nominations will apply, including proposals for commissioning an independent housing care operator.
41. The revenue funding for care and support in extra care accommodation is separate to the revenue funding to meet housing costs. In rented extra care accommodation, (and in respect of rented units in mixed tenure schemes) housing costs are recovered from tenants via rents and service charges, as in other forms of social housing. The apportionment of costs between rent and service charge varies between providers. The service charge is the route through which housing costs are recovered, other than those received via rent (for social tenants). Payment of these charges is a condition of tenancy or lease. Total cost is distributed between all units of accommodation with variation according to the size of the unit.
42. The care model will provide cost effective care solutions. Although a budget for these proposals is separate to the capital budget proposals, this will be assessed to ensure any management model remains affordable to the Council.

### **Safeguarding Implications**

43. The Enfield Safeguarding Adults Strategy 2018-2023 sets out the need to reduce social isolation, engage with our community to promote a culture where abuse and neglect are not tolerated and people are supported to protect themselves from harm. There is a link between social isolation and the increased risk of vulnerability and abuse.
44. This accommodation will encourage community cohesion, reduce isolation for those that may have been living alone, and support people to protect themselves from harm by providing both peer and professional support.

### **Public Health Implications**

45. The Reardon Court Extra Care Housing development will contribute to the improved health and wellbeing of older people with care and support needs in the borough, facilitating prevention and early intervention, the reduction of health inequality and the delivery of high quality, integrated approaches to the delivery of housing with care in the borough.
46. The scheme will offer a purposefully designed environment to encourage healthy, active and inclusive ageing through for example, accessible allotment/garden space, accessible walkways and shared social space to encourage human connection and socialisation.

### **Equalities Impact of the Proposal**

47. A predictive Equalities Impact Assessment has been completed for update and review pending approval of recommendations within this report. The proposed development is predicted to have a positive impact on disability and age groups, and a positive socio-economic impact on disadvantaged community groups, including people in poor health and people in social housing, through the extension of affordable Housing with Care options in the borough.

### **Environmental and Climate Change Considerations**

48. A requirement of grant was the project needed to deliver a high sustainability performance. To meet Building Regulations energy standards, the strategy is to connect to the decentralised energy network which complies with the Council's current adopted planning policies. The return on cost is better for residents and as Energetik is wholly owned by the Council, this change has positive benefits on connection. This option has a higher initial cost but the additional capital investment will minimise ongoing revenue costs.
49. The revised scheme will explore options to ensure this energy strategy remains cost efficient and an affordable investment. If viable, temporary gas boilers will be used and once the heat network is connected in the Winchmore Hill area scheduled for 2024, that Energetik will provide the connection to the property and the heat exchanger substation. They will also be responsible for its operation, maintenance, repair and component replacement
50. In conclusion, the building is to have a thermally efficient building fabric exceeding both the minimum Part L standards and the building fabric performance within the Part L 2013 Notional Building. A 'best practice' air permeability figure has also been targeted to reduce fabric energy losses.

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

51. The GLA has advised that if a building contract is not signed and main works commenced by March 2022, then the grant allocation will be withdrawn. This will result in a c.£10m increase to the capital programme which would render the scheme unaffordable for the HRA to deliver in the next two years.
52. To date the Council has already committed £2.3m to this project which would be absorbed as abortive revenue costs to the General Fund if the project was not to proceed. This will add to the existing pressures incurred as a result of Covid-19 on minimum revenue provisions.
53. If the accommodation is not delivered, the savings forecast in the adult social care budget from 2023 will not be achieved and the Council will continue to support residents in more expensive care settings.

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

54. The main risk is that if the construction market changes there could be increase in costs. Based on the advice provided, the budget includes a 10% project contingency to absorb any uplift at tender stage. The risk of external factors such as the end of the Brexit transitional period in January 2021 and



Covid-19 on the supply chain are having impacts on the price of materials. The contractor will price for risk for cost increases to material and sub-contracting trades and the contract provisions will help to de-risk the Council's exposure.

55. To mitigate the cost of unforeseen delays, maintaining the budget up to £30.1m (less historical costs) will provide a programme contingency. Provision of extra care is important for a number of factors which means the Council will need to build in flexibility on hurdle rates to ensure the project does not lose momentum.
56. The Employer's Agent will ensure that all necessary legislative and client requirements are met and oversee all aspects of the construction and budget monitoring which will help the Council identify impacts early.

### **Financial Implications**

57. Proposals within this report request approval:

- a. For the appointment of professional services for a revised design and planning application and the associated costs
- b. To appropriate the Reardon Court site from the General Fund to the HRA at nil value
- c. To approve the budget for main construction of social housing on the Reardon Court site

58. In September 2020 full Council approved report requesting an additional £2.6m be added to the capital program for the redevelopment Reardon Court. This increased the total approved budget for the project to £30.1m.

59. To date £2.3m has been spent on security, planning, design and demolition on the Reardon Court redevelopment. There is £27.8m budget remaining to develop the designs further to address the issues noted in paragraph 11, 29 and 30 of this report.

60. The changes to the design will reduce the number of units to 69, seek to address the concerns of residents detailed in paragraph 29, and the issues detailed in paragraph 11 and 30 of this report. These changes in design impact the viability of the scheme and the project team have addressed this by negotiating an increased grant of £150k per unit with the GLA.

61. The scheme viability has been assessed based on a 69-unit scheme, attracting £150k per unit of grant, that would deliver approx. £369k of savings to the adult social care budget. The Council has negotiated with the GLA to secure an extension to the grant milestones to March 2022 and £150k of grant per unit. In the event the grant milestone is not met, and the Council does not receive any GLA grant for this scheme, it will no longer be financially viable, and the project will need to be paused to determine the next course of action. The initial approval for the scheme was based on receiving GLA grant as per the report presented to Council at the September 2018 meeting (KD4710)

62. Should the scheme not receive GLA grant for whatever reason an alternative funding approach is to use unspent right to buy receipts as mentioned in paragraph 35. Following government changes to the use of Right to Buy receipts, they can be used to fund 40% of scheme costs from 1 April 2021.

### 63. Right to Buy Receipts

64. The Council currently has right to buy receipts that can be used towards the cost of delivering replacement homes. In April 2021 the cap on the cost of both social and affordable homes that can be financed by receipts increased to 40% for both existing and future receipts. This allows for 40% of the costs for developing Reardon Court to be funded from Right to Buy Receipts.

65. Applying the 40% cap to Reardon Court would mean up to £11.1m of funding through Right to Buy Receipts is available for the redevelopment, which would cover the GLA grant. There are limited restrictions on the rent that can be charged on the homes built using RTB receipts, which allows the existing proposal for charging social rents to be reviewed. If rents were increased this would improve the financial viability of the scheme.

66. Any unspent RTB receipts are paid back to central government and held by the GLA for a further 3 years. Enfield can drawdown the unspent receipts directly through the GLA, based on a business case submitted by Enfield. However, if Enfield haven't spent their receipts within the 5-years an interest charge of 4% above the base rate will be charged over the period. By using RTB receipts it reduces the risk of having to return the money to central government and incurring an additional interest charge.

### 67. Summary

No. of Units	69
<i>Budget:</i>	£m
Approved Budget	£30.1m
Costs to date	£2.3m
Remaining Budget	£27.8m
<i>Estimated Costs:</i>	
Professional Fees	£2.5m
Construction cost	£22.8m
Contingency (10% of total costs)	£2.5m
<b>Total Estimated Costs</b>	<b>£27.8m</b>
<i>Funding:</i>	
GLA Grant	£10.4m
Kingsdown Grant	£2.2m
<b>Total External Funding</b>	<b>£12.5m</b>
Council Borrowing	£17.6m

68. The project has an approved budget of £30.1m which will be funded from £12.5m of external grant in the form of GLA grant and the Kingsdown charity

funding, with the remaining costs funded from Council borrowing at an estimated interest rate of 3.5%.

69. The interest rate of 3.5% is the Councils long term borrowing rate for modelling projects, but current rates are below 3.5% which would result in improved financial metrics.

### 70. Scheme Viability

Scheme Viability	HRA Hurdle Rate	Scheme
IRR	3.50%	3.63%
NPV		302,265
NPV Per Unit	(50,000)	4,381
Scheme Cost per Unit £	300,000	368,036
Payback Period (years)	40	28

71. The HRA hurdle rates are for the development of general residential properties and this scheme meets the IRR, NPV per unit and payback period requirements. The scheme costs per unit are higher than the requirement, but this scheme is for an extra care facility which are more expensive to build. Taking this into account the scheme is considered financially viable based on the assumptions set out in this report.

72. The metrics in the scheme viability table exclude the estimated adult social care savings and show the metrics for the HRA elements only.

### 73. Financial Summary

£m	General Fund (GF)	Housing Revenue Account (HRA)	Council	Note
<b>Capital</b>				
Appropriation of Reardon Court Site from GF to HRA	£0.0m	£0.0m	£0.0m	1
Development of Reardon Court	£0.0m	£30.1m	£30.1m	2
GLA Grant	£0.0m	(£10.4m)	(£10.4m)	3
Kingsdown Charity Funding	£0.0m	(£2.2m)	(£2.2m)	3
Borrowing	£0.0m	£17.6m	£17.6m	3
<b>Revenue*</b>				
Operating Expenditure of the redeveloped care home	£0.0m	£0.4m	£0.4m	4
Rental Income	£0.0m	(£1.1m)	(£1.1m)	4
Savings	(£0.4m)	£0.0m	(£0.4m)	4
(Surplus)/Deficit	(£0.4m)	(£0.7m)	(£1.1m)	4
Annual Financing Costs	£0.0m	£0.6m	£0.6m	4
Post Financing (Surplus)/Deficit	(£0.4m)	(£0.1m)	(£0.5m)	4
<b>Balance Sheet</b>				
<i>Assets:</i>				

Appropriation of Reardon Court site from GF to HRA	(£3.5m)	£3.5m	£0.0m	5
Redeveloped Reardon Court site	0	£25.3m	£25.3m	5
<i>Liabilities:</i>				
Long Term Liabilities (Debt)	0	£17.6m	£17.6m	6

\*based on averages over 40 years

#### Note 1

The current Reardon Court site is accounted for within the Councils General Fund. The proposed redevelopment has secured GLA grant. One of the conditions of the grant means the redeveloped site should be accounted for with HRA. Therefore, an appropriation of the site from the General Fund to HRA is required and this is performed at certified market value.

A formal valuation of the site has been conducted by Savills. They have given a market value for the consented scheme as effectively £0, therefore the appropriation is recommended to be at nil cost to the HRA.

#### Note 2

The total cost of redeveloping the Reardon Court site is estimated at £30.1m for which there is an approved budget for the same amount. The breakdown of these costs is detailed in paragraph 63 and includes costs to date, professional fees, main construction costs and a contingency at 10% of the main construction costs. These costs will all be funded from the capital budget.

#### Note 3

The redevelopment will be funded from a combination of GLA grant, Kingsdown Charity funding and Council borrowing. The scheme has secured GLA grant of £150k per unit which totals £10,350,000 and has conditions attached to it. More detail on the GLA grant is provided in paragraphs 34, 60 and 61.

The Kingsdown Society was set up as a charity to run a residential home. The history of the charity is that the residential home they ran had to be sold and the charity was left with the money from the sale of the home. The Kingsdown Society were prepared to allow these funds to be used for a purpose closely aligned with the original trusts of the society. The development of the Reardon Court site to an extra care facility meets this requirement and as a result the Charity has granted the Council £2,155,623 towards the scheme. These funds are allocated to the HRA towards the funding of the scheme.

The remaining funds required for the scheme will be sourced through Council borrowing and will total £17,594,377. The assumed interest rate for this loan will be 3.5% for the purposes of modelling the financial viability of the scheme.

#### Note 4

Revenue expenditure consists of the management and maintenance of the care home.

Income consists of rents and service charge. Rents will be charged at social housing rent levels which is a requirement as part of the GLA grant conditions.

Savings relate to reduced costs in the adult social care budget. These savings are based on an estimate of the reduced number of home care packages as a result of residents moving into Reardon Court a specialist extra care facility.

The annual financing costs relate to the £17.6m borrowing for the redevelopment. An interest rate of 3.5% is used to estimate the financing cost, this is a long term rate which is used for modelling all Council projects. Currently the actual rate the Council borrows at is less than 3.5%, which would mean financing costs may be lower than estimated in this report. Financing costs include interest charge and principal loan repayment.

The project is estimated to deliver increased income to the HRA of £0.1m and deliver cost savings of £0.4m in the general fund adult social care budget.

#### Note 5

The reasons for the site being appropriated from the General Fund to the HRA are detailed from paragraph 20 onwards in this report. The site is currently held at a book value of £3.5m on the General Fund balance sheet (based on a March 2020 valuation prior to the current consented scheme).

As a result of the appropriation the asset would no longer be held on the General Fund balance sheet and move to the HRA balance sheet. As the site has a nil value for the current consented scheme the General fund assets would reduce by £3.5m and the HRA assets increase by £3.5m, based on the March 2020 book value.

Once the scheme is complete the HRA balance sheet will have a new asset which for the purposes of this report, the value is estimated to equal the main construction cost of the asset.

#### Note 6

The Council borrowing will be accounted for on the HRA balance sheet and sit in the accounts as a long-term liability. It will reduce as the borrowing is paid down over the life of the asset.

### **74. Change in assumed savings for the General Fund**

75. The initial scheme would have been accounted for in full in the General fund, and included all income and expenditure from the operation of the homes within the Medium Term Financial Plan (MTFP) and the estimated savings in the adult social care budget for future years.

76. As the homes are let at London Affordable rent the accommodation will be part of the Councils housing stock and be accounted for within the HRA. This means all income and expenditure related to the homes will be assumed in the HRA budgets. The estimated adult social care savings remain with the General Fund budgets. The table below shows the change in the assumed income and savings in the General Fund.

<b>Change in General Fund Savings</b>	<b>Initial</b>	<b>Proposed</b>	<b>Difference</b>
Rental Income	(£0.6m)	£0.0m	£0.6m
Adult Social Care Savings	(£0.5m)	(£0.4m)	£0.1m
<b>Total</b>	<b>(£1.1m)</b>	<b>(£0.4m)</b>	<b>£0.8m</b>

77. The general fund is currently assuming £630k of income from 2023/24 based on the original cabinet approval. The scheme moving from the general fund to the HRA will result in this income being removed from the Medium Term Financial Plan and included in the HRA business plan.
78. The proposed scheme is changing from 91 units to 69 units, the adult social care savings have been updated to reflect fewer residents living in the new facility compared to the original proposals.

#### **79. Proposals**

80. The professional services costs for the redesign and planning of the scheme are estimated to cost £2.5m and will be funded from the remaining approved budget.
81. The main construction for the redesign is currently estimated to cost £25m and will also be funded from the remaining approved budget.
82. Under current regulations appropriations between General and HRA must be at certified market value based on a valuation conducted by a RICS Qualified Valuer. An appropriation value of effectively £nil is proposed based on a valuation conducted by Savills (see confidential appendix).

#### **Legal Implications**

83. The Care Act 2014 imposes a general duty on the Council to promote an individual's well-being. In doing so, the Council must provide or arrange for the provision of services, facilities, resources or any other steps it considers will contribute towards the prevention, delay or reduction of the development by adults and carers in its area of needs for care and support. The Local Government Act 2003 gives the Council power to borrow for any purpose related to its functions and section 111 of the Local Government Act 1972 gives the Council power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. The Council therefore has the statutory powers to enter into the transactions proposed in this report.
84. Section 19(1) of the Housing Act 1985 permits the Council to appropriate land vested in it from the General Fund ("GF") to the Housing Revenue Account ("HRA"). While there will be no legal transfer of land, the HRA will "pay" for the land through an increase in its Capital Financing Requirement. Any such adjustment should be based on the certified market value of the land, taking into account the intended use. The Council's Property Procedure Rules require that any appropriation of a property asset between the General Fund and the Housing Revenue Account is supported by a valuation by an appropriately qualified (internal or external) valuer confirming the market value of the property asset. The appropriating service will be required to transfer funds matching that valuation to the budget under which the property asset was previously being held.
85. Any procurement and award of consultant, services and/or works contracts must comply with the Council's constitution including the Contract Procedure

Rules and where relevant the Public Contracts Regulations 2015 (“PCR 2015”). Value for money must be demonstrated in each case. Before use of any external framework agreement due diligence will need to be conducted in order to ensure that the framework covers the works or and services to be procured and to ensure that the Council is entitled to use the framework. Award of contracts under a framework agreement, including by way of direct award, must comply with the procedures set out under the relevant framework agreement. Further legal implications will be provided in any delegated authority report approving the award of contract. It is proposed that the Council’s existing contract with Perfect Circle JV Ltd for the provision of project management, design and support services is varied. The contract was a direct award off of the single-supplier SCAPE framework and the contract permits variations to its terms. It is unlikely that the proposed variations will be considered “substantial” and therefore permissible under Regulation 72(1)(e) PCR 2015.

86. Advice should be obtained from Legal Services on the terms of any grant funding secured from the GLA. Alternatively, should right to buy receipts be used to fund the scheme, then the Council must comply with the terms of its retention agreement with the Secretary of State which governs the terms on which the Council may use such receipts. The application of proceeds from the Kingsdowne Charitable Trust towards the costs of development must comply with the terms of use that fund and any direction issued by the Charity Commission and the fund’s administrators.

### **Workforce Implications**

87. The property will be managed within Council Housing and future staffing requirements will be reviewed with Adult Social Care as part of the commissioning of care process.

### **Property Implications**

88. Given the situation outlined in this report regarding the intended use for Reardon Court, the property must fall within the jurisdiction of the Housing Revenue Account, and therefore must be appropriated into the HRA.
89. As an appropriation of land from one part of the Council to another (i.e. General Fund to Housing Revenue Account) does not involve a legal transfer of property rights, the property implications can only relate to the determination of the sum that is applied to respective Capital Financing Requirements of both funds.
90. Legal advice published in October 2020 by the GLA for the benefit of all London Boroughs on this nature of appropriation concludes that the sum applied should be based on the market value of the land but taking account of the intended use of the land. In this instance it is for social housing.
91. Despite the valuation carried out by Savills on the above basis the recommends that the appropriation sum should be effectively £nil, this is not regarded as a detrimental outcome for the General Fund.

## **Other Implications**

92. All Procurement must be carried out in accordance with the Public Contracts Regulations 2015 and the Council's Contract Procedure Rules (CPRs).
93. To ensure all Procurements have an audit trail, all Procurement over the EU thresholds must be administered using the Council's e-tendering portal (or an alternative approved e-tendering tool).
94. The principles set out in 1.3 of the CPRs should be followed by all service departments in all Procurements to ensure that contracts are entered in to and deliver value for money for the Council.
95. Due Diligence of any proposed Frameworks Agreements must be carried out by Procurement Services. A Business Cases will need to be presented to Procurement Services for approval to agree the route to market. Social value must be considered due to the value of this contract
96. The awarded contract must be promoted to the Contract Registered and Contracts Finder.

## **Options Considered**

97. A range of options were considered, including disposal to another party to build the accommodation for the Council. Although this reduces call on debt for the Council, a disposal would mean the Council is not able to own or manage the units and therefore cannot control lets.

## **Conclusions**

98. The proposals in this report highlight the need for affordable Council owned adult social care accommodation. Residents have been consulted and the changes to the scheme incorporate their feedback and address concerns about height and land use. There are significant benefits to the Council developing, owning and managing its own accommodation. Reardon Court will meet the needs of residents whose care provision is funded by the Council in more expensive private residential settings or may be living in rented homes which are not suitable for their enduring needs. The project requires a cross departmental and collaboration and working with residents, is key to the success.

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## **Confidential Appendix**