

London Borough of Enfield

Meeting Date: Cabinet 15th September 2021

Subject: HRA Revenue and Capital Programme Monitor Quarter 1

Cabinet Member: Councillor Maguire

Key Decision: KD

Purpose of Report

1. To inform Cabinet of the current forecast outturn position of the HRA, covering both revenue and capital expenditure associated with delivering the Council's Housing service. In the light of the Social Housing White paper, and the need to prepare for an enhanced regulatory environment, this report and those in the future will consider service standards and performance in key areas alongside the financial position. In this way Cabinet can have oversight – not just of spend against budget, but the way resources are deployed to meet the expected standards of a council housing landlord as well as the Council's strategic priorities for this service.
2. The overall forecast monitoring position is based on information known as at the end of June 2021. There are a number of factors which mean the forecasts are likely to change in the future including the impact of building cost inflation and the outcome of the current work on the Housing development and Investment programmes. The year-end forecasts are reviewed and updated through the financial year, with updates to Cabinet at the end of September (Q2) and November

Revenue Budget

3. This report sets out the Council's forecast 2021/22 revenue budget monitoring position based on information to the end of June 2021. The report sets out the position with, and without, the impact of Covid-19.
4. The Housing Revenue Account is forecasting a £0.032m underspend against the approved revenue budget at Q1 but is subject to revision following the review over the next period and in light of in year pressures identified.
5. The report provides an update on the forecast position for the level of HRA reserves as at the end of financial year 2021/22.

Capital Programme

6. The report also informs Cabinet on the current position (as at the end of June 2021) of the HRA's 10 Year Capital Programme 2021/22 to 2030/31, considering the latest information available for all capital schemes including the funding arrangements.
7. The report shows the 2021/22 forecast expenditure for the approved programme is projected to be £116.05m.

8. The report sets out the estimated capital spending plans for 2021/22 to 2030/31 including the proposed arrangements for funding.
9. Council approved the 2021/22 HRA Capital Budget and noted the 2021/22-2030/31 10-Year Programme (2nd March 2021, KD5212). This included approval for the HRA 10-year Capital Programme of £1,226.07m.
10. The report notes the budget pressures on Exeter Road phases 1-3 and Upton & Raynham schemes (approved under KD5286 (phase 1 only) and KD5217), for additional place making costs and because of market conditions as set out from paragraph 57.

Proposals

11. To note the Housing Revenue Account (HRA) forecast outturn position for 2021/22 for both revenue and capital.
12. To note the revenue Covid-19 impact of £0.408m.
13. To approve the procurement of a single contractor for Exeter Road and Upton & Raynham to administer the investment/placemaking and development works, with final budget approval at award of tender stage.
14. To note that the funding of the additional costs to deliver Upton and Rainham & Exeter Road Phase 2 and 3, as detailed in paragraph 65 of the report, will be finalised and reported as part of the Q2 Monitoring report

Relevance to the Council's Corporate Plan

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

Background

18. The Council's Capital Programme is regularly reviewed, and monitoring reports are submitted to Cabinet on a quarterly basis. The Council continually strives to maximise external grants and contributions and attract new income

streams to fund projects wherever possible and minimise the need to borrow.

Main Considerations for the Council

19. This period has seen a range of issues that have had, and will continue to have, an impact on the strategy, priorities and outcomes for the service. This report is therefore proposing in-year measures as well as flagging up issues which will need to be considered and are likely to have an impact on the HRA business plan going forward.
20. Following Cabinet approval to the consultation on enhanced arrangements for Resident Engagement it is anticipated that additional investment will be required in this area to support the active participation and involvement of residents in the service. This activity can also help to build the confidence of residents and enhance skills for those who wish to get into the jobs market or to increase their opportunities for progression. These costs will be proposed in the 2022/23 budget.
21. A review of the Anti-Social Behaviour service has commenced to ensure we are compliant with the regulatory standards in this area and are responding effectively to the issues which can blight the lives of residents. With the community policing service contract coming to an end in March 2022 – a material investment of £1m will be required to review and plan for the model going forward.
22. Investment in technology, including to provide data assurance is required. Whist Civica is programmed for go live this financial year, investment is required in the asset management systems and data storage systems for building safety information and the costs for this will be considered in the business plan review this year.
23. In the light of the changing living patterns of residents which has seen an increase in rubbish and fly tipping and reflecting the priority to improve the look and feel of estates a revised service programme which includes window cleaning, increased frequency of grass cutting and bulky waste collection on estates, collection of fly tipping and enforcement action. Although contained within budget this and future financial years the additional costs for this enhanced service may be incorporated into a review of service charges depending on resident feedback following consultation next financial year.

Revenue Forecast Outturn

24. The HRA 2021/22 year end forecast at Quarter 1 is a £0.440m underspend against the approved budget. However, due to pressures as a result of Covid-19 the additional costs and loss of income are estimated to be £0.408m. The movements are explained below and shown in detail in Appendix A.
25. Supervision & Management (£0.130m pressure).

The Communal Services team continues to be impacted by Covid-19 this year. This front-line service is incurring additional costs for agency staff to cover caretakers who are self-isolating and is providing equipment and additional PPE to staff working in this area, with additional costs estimated at £130k.

26. Community Halls (£0.278m income shortfall)
Several community halls have re-opened following the easing of Government restrictions and are being used as nurseries and leased to the regeneration team. The demand for halls has been low and the service estimates a shortfall in income of £0.278m against budget of £0.393m.
27. Bad debt provision (£0.440m underspend)
A 10% provision was allocated for the potential increase in arrears due to the impact of Covid-19 however arrears have not as yet shown a significant increase. Based on current arrears a reduction in the provision of £0.440m is considered reasonable although the position will be kept under review.
28. The last 18 months has seen an insignificant impact on arrears levels, particularly in the current climate. This is due to the improvements made by the income collection team, including the introduction of 'RentSense' which has assisted in more targeted intervention work.
29. The table below shows Council tenants arrears levels for current and former tenants:

Council Housing Tenants Arrears	Apr-21	May-21	Jun-21
	£000's	£000's	£000's
Current Tenants: Total Arrears	1,780	1,770	1,730
Former Tenant: Total Arrears	1,640	1,660	1,690
Total Arrears	3,420	3,440	3,430

30. On average the collection of tenant's arrears is 102.9%, compared to 102.1% last year. The indicator exceeds 100% as it reflects the collection of arrears from prior years.
31. Repairs Service
The current trend in repairs is seeing an increase in cost for materials of around 7-15%. We are working closely with our merchants to mitigate this impact on the overall budget and will continue to monitor closely.
32. Efficiency savings
The HRA Business Plan has an efficiency target of £1m to be achieved this financial year. The table below shows how these savings are expected to be achieved after considering known pressures:

Savings	£000's
Interest rate on borrowing reduction – to be finalised in Business Plan update	(2,000)
Rent on office space - reduction in charge	tbc
Total Savings	(2,000)
Pressures	
Redundancy costs – final costs tbc	70

Additional environmental services	1,000
Total	1,070
Net Savings	(930)

33. Further work is in progress to quantify savings and to ensure these are achieved.

Capital Programme Outturn

34. Appendix B sets out the approved ten-year capital programme inclusive of carry-forwards from 2020/21 and will be included the HRA Business Plan update.
35. The HRA capital budget for the current financial year is summarised in the table below. It provides the latest forecast position reflecting updated expenditure profiles as advised by programme managers.

Table 1

Current Year Approved HRA Programme	2021/22 Approved Budget	2020/21 Outturn Adj.	2021/22 Revised Budget	Reprofiling	2021/22 Forecast	Actuals	Spend vs Forecast
	£000's	£000's	£000's	£000's	£000's	£000's	%
Asset-Led Works	4,933	95	5,028	(692)	2,965	83	3%
Asset-Led Works: Cambridge Road West	5,412	35	5,447	(3,000)	2,447	0	0%
Asset-Led Works: Upper Edmonton	8,046	(193)	7,852	(219)	5,634	648	17%
Demand-Led Works	280	41	321	0	321	17	5%
Demand-Led Works: Aids & Adaptations	2,300	(163)	2,137	(200)	1,337	158	23%
Demand-Led Works: Structural Repairs	770	44	814	0	199	2	1%
Fire-Led Works	35,001	519	35,520	(16,040)	18,370	650	5%
Stock-Condition-Led Works	27,604	(1,897)	25,706	(200)	31,203	2,879	16%
Investment in Stock Total	84,345	(1,519)	82,827	(20,351)	62,476	4,437	7%
Development Programme: Holding code for future projects	43,370	15,698	59,068	(49,484)	9,250	6	1%
Development Programme: Gatward/Newstead/Maldon	4,696	(140)	4,556	0	4,891	1,328	25%
Development programme: Upton & Raynham	9,000	(420)	8,580	(5,596)	2,985	20	1%
Development Programme: Reardon Court	0	0	0	3,154	3,154	32	1%
Development Programme: Bury Street	12,409	982	13,391	0	13,391	2,115	19%
Development Programme: Electric Qtr.	6,683	508	7,191	0	7,191	18	0%
Development Programme Total	76,158	16,629	92,787	(51,925)	40,862	3,519	9%
Estate Regeneration	2,321	210	2,531	(482)	2,049	95	4%
Estate Regeneration: Alma Towers	5,434	4,491	9,925	(419)	9,506	1,662	18%
Estate Regeneration: Ladderswood	160	23	183	0	183	25	20%
Estate Regeneration: New Avenue	205	773	978	0	978	212	22%

Estate Regeneration: Small Sites	7	(7)	0	0	0	17	0%
Estate Regeneration Total	8,127	5,490	13,617	(901)	12,716	2,011	16%
Total	168,630	20,600	189,230	(73,177)	116,053	9,967	9%

36. Table 2 analyses the HRA budget reprofiling, with explanations below the table for significant items.

Table 2

Reprofiling to the approved HRA Capital programme	2021/22	2022/23	2023/24	2024/25	2025/26	Future Years
	£000's	£000's	£000's	£000's	£000's	£000's
Asset-Led Works	(692)	(308)	0	0	0	0
Asset-Led Works: Cambridge Road West	(3,000)	3,000	0	0	0	0
Asset-Led Works: Upper Edmonton	(219)	219	0	0	0	0
Demand-Led Works	0	0	0	0	0	0
Demand-Led Works: Aids & Adaptations	(200)	200	0	0	0	0
Demand-Led Works: Structural Repairs	0	0	0	0	0	0
Fire-Led Works	(16,040)	19,440	0	0	0	0
Stock-Condition-Led Works	(200)	(2,200)	0	0	0	0
Stock-Condition-Led Works: Boroughwide	0	0	0	0	0	0
Investment in Stock Total	(20,351)	20,351	0	0	0	0
Development Programme: Holding code for future projects	(49,484)	43,504	(15,050)	(6,599)	0	0
Development Programme: Gatward/Newstead/Maldon	0	(40)	0	0	0	0
Development programme: Upton & Raynham	(5,596)	5,596	0	0	0	0
Development Programme: Reardon Court	3,154	12,515	12,000	0	0	0
Development Programme: Bury Street	0	0	0	0	0	0
Development Programme: Electric Quarter	0	0	0	0	0	0
Development Programme Total	(51,925)	61,574	(3,050)	(6,599)	0	0
Estate Regeneration	(482)	482	0	0	0	0
Estate Regeneration: Alma Towers	(419)	(997)	(425)	1,841	0	0
Estate Regeneration: Ladderswood	0	0	0	0	0	0
Estate Regeneration: New Avenue	0	0	0	0	0	0
Estate Regeneration: Small Sites	0	0	0	0	0	0
Estate Regeneration Total	(901)	(515)	(425)	1,841	0	0
Total HRA Reprofiling	(73,177)	81,411	(3,475)	(4,758)	0	0

Asset Led Works (£3.911m)

37. Hertford Road external works retention payment has been reprofiled into 2022/23 due to delays in the leaseholder consultation process.
38. Cambridge Road West works have had delays linked to leaseholder consultation and longer than expected lead times for building materials (up to 26 weeks for roofing). The budget has been re-profiled accordingly.

Fire-Led Works (£16.04m)

39. A number of tenders for cladding replacements were withdrawn in March to enable the scope of works to be reviewed resulting in significant delays to the works. It's at design stage and this is expected to be complete by the end of August 21. The works are due to start in Spring 2022.

Development Programme (£51.925m)

40. The planned GLA programme included the acquisition of Willoughby Lane (Meridian Water Phase 1) with the HRA budget assuming staged payments for the affordable housing. The General Fund will instead make the payments and the budget assumed in the HRA will be committed on completion of the homes, when appropriation between the General Fund and HRA takes effect. Based on the current projections, Phase 1 has sectional completions and therefore the HRA cashflow has been reprofiled (£49m) accordingly.
41. To comply with the GLA grant programme, 219 affordable starts are expected by March 2022. This is comprised of Upton & Raynham (90 affordable) and Exeter Road (129) which have both been submitted for planning.
42. Due to initial soft market testing showing a 10% build cost inflation, it is proposed to procure and award the total number of homes as a single contract which provides better value for money and costs efficiency. Due to the delay in planning and procuring contracts the budget has been reprofiled (£5.5m) to reflect scheme progress. The combined budget for Exeter Road (all phases) and Upton and Raynham is approximately £120m (approval for £85m) with the two-stage procurement commencing in September.
43. In July 2021 Cabinet approved (KD 5344) to progress the Reardon Court extra care scheme within the HRA development programme. It was envisaged that this scheme would commence next year, however due to the scheme being re-designed budget has been brought forward. This budget will fund the revised design and planning application costs.
44. the scheme will need to submit a new planning application is required. The budget has been brought forward to fund these costs.
45. from the General Fund to the HRA. 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
46. Estate Regeneration (£0.901m)
The Alma project contractor payments have been reprofiled to reflect delays in activity on site. This has meant that payments have slipped into future years.

HRA Capital Programme: Forecast and Expected Outcomes for 2021/22

47. On the investment of existing and new homes we have experienced challenges arising from the market – cost pressures for materials which is likely to be short term and longer-term pressures on labour costs. This has necessitated a review of contracts and programmes for both investment and development. Our aim has been to sustain delivery whilst not contributing

further to an overheating of the market especially on the investment programme where some delays may see a stabilisation of material prices.

Council Housing Investment Programme

48. In line with the Better Council Homes programme, investment in the Council's housing stock is a priority to bring it up to the Decent Homes Standard, addressing building safety risks and to reduce the need for responsive repairs.
49. Asset-Led Works (£11.046m)
The forecast spend is based upon the delivery of decency and building safety driven improvement works to schemes where blocks in close proximity have been grouped together and procured. These schemes are all live and include, Hertford Road, Upper Edmonton and Cambridge Road West.
50. Demand-Led Works (£1.85m)
This budget funds the Councils adaptations works to housing properties and also includes budget for conversion works to Dover House Surgery, which is being converted to residential, structural repairs and a cycle storage scheme.
51. Fire-Led Projects (£18.37m)
The building safety improvement projects include replacement flat entrance doors across the borough, fire suppression system (sprinklers) installation, fire / smoke alarm upgrades, communal redecorations, infrastructure replacement works such as soil stacks, and electrical submains. Projects include live works to Bliss and Purcell, Britany, Channel Islands and Walbrook House and procurement phase works to various other blocks within the Borough.
52. The Fire Safety Act 2021 is now in force, bringing with it a range of measures that will increase the costs of building safety management which will be quantified in the annual review of the HRA Business Plan and will form part of revised budgets from 2022/23. The increased staffing costs required to perform the accountable person function will be material and estimated at £800k per annum. The Housing Scrutiny Panel is scheduled to review the Council's preparedness for the new arrangements and effectiveness of the existing building safety programme.
53. Stock-Condition-Led Works (£31.2m)
This budget funds decent homes improvements works including, kitchen, bathroom, heating, electrical, roofing, windows, door replacements. The Council are currently delivering various contracts across the borough for these works. Stock led works also includes lift upgrade works which are being delivered to blocks including Burgundy, Normandy, Picardy, Dover, Jackson, Swinson and Woolmer this year.

Social Value

54. The contracts awarded will deliver the following social value outcomes:
 - Apprenticeships
 - school placement/ work experience placements, with 4 targeted at BME and disabled school leavers

- DIY skills workshops (2 per year) for residents
 - greening projects
 - A commitment that 40% of all contract labour will be from Enfield residents
 - A 3-tonne reduction in carbon generated from the council
 - 100% recyclable waste target
 - Resident energy awareness programme to address energy consumption and fuel poverty.
55. Moving forward all Social Value outcomes will be captured via the Social Value Portal, using the Council Housing social value model and will account for 10% of the tender evaluation score.
56. Development Programme (£40.86m)
The Development Programme is targeted to deliver approximately 3,500 new affordable homes over the next 13 years, funded through a mix of GLA grant, Right to Buy (RTB) receipts, HRA borrowing and cross subsidy from sales. The programme aims to bring forward several Council owned sites to develop housing and generate a long-term revenue stream to support the provision of wider Council services included in the HRA 30-year Business Plan. Although a variety of tenures will be created, the focus will be on Council homes for residents on the waiting list.
57. Current Market Conditions
Analysis from Mott Macdonald, who are the Employer's Agent and Cost Consultant on most of the Council's Building Council Homes for Londoners programme, estimate that general material prices are 10.2% higher than a year ago with prices for key construction materials such as fabricated steel, plyboard and cement up against prior year by 38.1%, 29.8% and 30% respectively.
58. The Royal Institute of Chartered Surveyors (RICS) have estimated material prices over the next year will increase by a further 10% and 64% of contractors in a recent survey indicated that labour shortages would be the limiting factor to their activity, up 22% from the first quarter of 2021. As a result, contractors are asking for longer tender periods and for 2-stage design & build. Although nationally sales value outlook is positive, values in east Enfield are starting at much lower base and growing at much slower rate.
59. In addition to the impact of current market conditions several schemes currently on site have experienced additional Covid-19/Brexit related delays, resulting from supply chain and labour shortages, of around 3 months:
- Newstead House has moved from Q1 to Q2.
 - Maldon Road from Q1 to Q3.
 - Gatward Green from Q3 to Q4.
 - Electric Quarter, which had moved to Q1 from Q4 2020/21, is now likely to complete in Q2 due to site issues not related to Covid or Brexit.
 - Bury Street West, which also suffered delays due to site contamination, will still complete in 2022/23 but in Q3 rather than Q2.

Progress against 2022 Starts

60. There are 175 starts forecast to be delivered by March 2022. This is comprised of Upton and Raynham and Exeter Road Phases 1 and 2. Phase 3 will need to commence in May 2022. Exeter Road has been submitted for planning and Upton and Raynham will follow in September. Both schemes will have regeneration and placemaking benefits but the complexities of the site and integrating with existing residential setting have resulted in increased costs. Both schemes include placemaking improvements to the existing estate such as refurbishment of two car park podiums, façade improvement to existing dwellings and creation of doorstep play areas on Exeter Road and a new car park podium, energy centre and public realm for Scott House on Upton & Raynham.

It is proposed to fund this from within the approved development capital budget, seek additional grant funding from the GLA, funding from the MHCLG estate regeneration programme and where costs are associated with the existing investment programme from the capital programme for existing homes. The market pressures as a result of Brexit and Covid-19 have also impacted on build costs and pricing for risks in the construction market. This has been reflected in the budget proposals covered within this report.

61. Following an initial unsuccessful soft market test for Exeter Road, the market was re-engaged combined with the Upton & Raynham scheme. The outcome was much higher interest in delivering the 2 schemes together with a main contract award for Exeter Road Phase 1 and a Pre-Contract Service Agreement period for Exeter Road Phases 2&3 and Upton & Raynham.
62. Budget approval has been sought for Upton and Raynham and Exeter Road phase 1. A budget has been allocated within the overall capital programme for phase 2 & 3, however, a further report to request approval to spend is required in the light of the procurement exercise outlined above.
63. The table below provides a high-level summary of the estimated increase in costs:

Project costs	Approved budget	Proposed budget	Additional budget requirement
	£000's	£000's	£000's
Upton & Raynham	42,955	60,614	17,659
Exeter Road phase 1	15,000	20,689	5,689
Exeter Road phase 2 & 3 (budget envelope - not currently approved)	27,000	41,547	14,547
Total Budget	84,955	122,850	37,895

64. It should be noted that these are high level estimates and a full financial review is underway. This review will:
- capture an analysis of additional costs
 - update the change in unit numbers, if reduced understand the loss of rental income

- review grant assumptions
- review private sale and shared ownership sales income
- update hurdle rates for each scheme
- additional income sources i.e. grant outside the GLA programme

65. The table below shows a further breakdown of the estimated expenditure and income for the projects. Overall there is an:

- Increase in scheme costs of £37.8m – to be transferred from the investment programme over the next 2 years. These works are built into the current investment programme, but it may be necessary to bring forward these works, work is on-going.
- a shortfall in funding of £5.1m to be met from increased grant and HRA reserves.
- reduction of overall stock number of 27 units.
- Grant assumptions are based on £100k per unit for affordable homes and £28k per unit for shared ownership homes. Part of this grant has been secured as part of the BCHL programme with the remaining grant included within the AHP programme bid, this is yet to be secured.

Summary - Upton & Raynham, Exeter Road 1 and Exeter Road 2&3	Cabinet approved budget - (Exeter Rd phase 2&3 budget envelope only)	Proposed budget	Difference
Expenditure	£000's	£000's	£000's
Build costs	84,955	122,850	37,895
Total Capital Budget	84,955	122,850	37,895
Income			
GLA grant	(19,688)	(16,028)	3,660
Private sales income	(18,000)	(16,800)	1,200
Shared ownership receipts	(8,160)	(7,880)	280
S106 contribution	(1,350)	(1,380)	(30)
Subsidy from Investment programme/HRA reserves – subject to HRA Business Plan refresh	0	(37,895)	(37,895)
Balance – to be funded from increased GLA grant/HRA reserves	0	(5,110)	(5,110)
Total	(47,198)	(85,093)	(37,895)
Net Budget	37,757	37,757	0

66. Once the tender process has completed, the information will be reported as part of the Q2 HRA monitoring report, including assessment against the hurdle rates.

67. It is envisaged these works will be funded from the investment programme due to their nature. Although these estate improvements already form part of this programme, it may become necessary to vire the budget from the Investment programme.

68. Bullsmoor Lane and Dendridge Close
Although MMC contractors have not been as adversely affected from current market conditions, their supply chain model rely on factory orders being placed at least 3 months in advance of start of production. This

means our 2 MMC schemes (Bullsmoor Lane and Dendridge Close) will need to meet their planning consent targets in order to have the modules manufactured on time to meet start on site deadlines.

69. Bullsmoor Lane has completed contractor procurement with the award of contract sum within existing budget. Contractors will submit planning for 31 homes in Q3, with start on site forecast in Q4 and completion by 2023/24.
70. Dendridge Close starts contractor procurement in Q2 with the expectation that contract sum will also be within budget and aims to submit planning in Q4, with start in Q1 2022/23.
71. We are contractually obligated to deliver starts through the GLA programme and longer term we are committed to the delivery of our 3,500 homes plan. In order to manage the pressures to address both priorities, we have reviewed the following:
 - Value engineering aspects of schemes to create efficiencies.
 - Seeking higher levels of grant – especially those funded through historical low grant rate programme such as Upton and Raynham.
 - Seeking funding via the S106/CIL budgets.
 - Review of procurement strategies including packaging schemes to identify cost efficiencies.
 - Review of tenure and increasing private sale.
 - Reviewing of lease based social housing models which are funded through revenue lease payments rather than capital.
72. Because of this review, and as part of the annual business planning update, we will be reviewing benchmark build costs for schemes involving wider works on existing estates. Short term we have and will continue to rephase and reprofile capital budgets.

Estate Regeneration (£12.71m)
73. The estate regeneration programme includes the Alma Estate, New Avenue and Ladderswood. These schemes are investing in large scale phased regeneration projects which are delivering much needed affordable housing and unlocking new homes for low cost home ownership for Enfield residents. In line with social distancing, the capacity on site has reduced by 30% in most cases, which has impacted on construction activity. This is being closely monitored and forecasting will continue to reflect changes to spend if pace does slow down on site. A revised application was submitted for Alma which was approved by Cabinet and increases the number of units from 993 to 1050. Although there is no net effect and delivery remains within existing budgets, the cashflow profile has been adjusted to take into account the Council will be receiving replacement homes sooner than the previous construction profile. Budget has been brought forward to 2021-2022 to reflect the build programme for Phases 2a and 4.
74. Delays with the change of use application at Ladderswood have impacted on new commercial units being let and therefore there is a reduction in rental income in 2021-2022.

75. The changes to building regulations, including requirements for sprinklers and future proofing through use of appropriate cladding/materials, will increase build costs. Although developers are required to deliver compliant homes, some aspects such as future proofing may be subject to negotiation as some requirements will have to be anticipated.
76. A planning application has been submitted to increase the number of homes at New Avenue. This is subject to planning and will, if approved, fall into the new regulatory requirements.
77. Over the 30-year business plan, the estate regeneration schemes will provide rental income for the Council and help to rebalance the age and investment profile of the stock.
78. A Joyce and Snell's project report will be submitted to Cabinet 15th September 2021 requesting approval to commence procurement of contractors for phases 0 – 3 which is exclusively HRA. The report will also request Cabinet to note the results of financial modelling, results of scenario testing and the impact of the scheme on the borrowing position of Council. A significant risk is that of increasing construction costs and longer phasing programme impacted by decants, which will need to be carefully modelled and assessed as part of the overall ten-year HR Business Plan. Mitigations will have to be found in specification of works and securing maximum grant support whilst monitoring market conditions and the macro-economic environment. As per the HRA Business Plan approved 1.4% for resources, this will be committed this financial year to reinforce the team with specialised estate regeneration, procurement and programme delivery personnel to ensure the project can deliver key milestones over the next year.

Risks

79. New and emerging legislation around Building Safety, Decency standards and the Climate Action agenda, are placing significant financial pressures on the HRA and it is acknowledged that the Council will need to explore external funding and continue to lobby Central Government, for additional financial support, to enable it to deliver this strategy.
80. A significant risk is that of increasing construction costs, noted below, which is expected to impact on residential contracts entered in financial year 2021/22. Mitigations will have to be found in specification of works and securing maximum grant support whilst monitoring market conditions and the macro-economic environment.
81. **Development Programme**
Risks relate to planning timescales and cost of development. In the current climate, the contractor market is likely to amend pricing to include the risk of reduced supply and material chains which will impact on the Council's ability to deliver within hurdle rates.
82. Changes in grant conditions could impact the future development programme i.e. reduction in rent levels and grant receivable. Unlike its predecessor the new Affordable Homes Programme (AHP) is based on a

lower social rent and no longer has a tariff rate and each scheme is based on value for money test and grant as a % of total scheme costs. The assumption in HRA Business Plan is £150k (social rent and £50k (shared ownership) for bids submitted under the AHP programme.

83. The overall programme risk is the availability of grant for future years which is likely to have a stringent set of restrictions. In the short term, it is important to develop processes and a flexible approach to planning and hurdle rates to maintain grant levels currently allocated for this financial year.
84. The Housing Service is exploring mitigations to address these risks which include:
- engaging with GLA to maximise grant support
 - reviewing phasing of construction to minimise the impacts of increased construction costs
 - exploring innovations in construction technology (like modern methods of construction “MMC”) to take advantage of cost savings without compromising quality and tenants’ safety.

Financing the Capital Programme

85. Table 3 sets out the financing position for the 2021/22 to 2030/31:

Table 3

HRA Capital Financing	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	Future Years	Total
	£000’s	£000’s	£000’s	£000’s	£000’s	£000’s
Grants & External Contributions	6,549	25,845	24,874	15,658	63,737	136,662
Capital Receipts	31,085	46,678	6,213	7,234	16,156	107,366
Major Works Allowance	11,067	11,257	11,474	5,103	90,572	129,473
Earmarked Reserves	23,352	38,046	29,459	57,022	305,733	453,612
Borrowing	44,000	76,000	59,000	0	240,556	419,556
Total	116,053	197,826	131,020	85,017	716,754	1,246,669

Grants Summary

86. The table below provides a summary of the grant assumptions over the next 5 years:

Grant	2021/22	2022/23	2023/24	2024/25	2025/26
	£000’s	£000’s	£000’s	£000’s	£000’s
GLA Grant	6,549	25,845	24,874	15,658	25,450
Local Authority Delivery Scheme	305	0	0	0	0
Total Grant	6,854	25,845	24,874	15,658	25,450

87. The Council is currently delivering a number of large housing schemes and through the AHP have been successful in securing funding. In April, Enfield submitted a bid as part of the AHP 21-26 programme to secure further funding to support future new build and regeneration projects, we are

awaiting results from this bidding process and the grant assumptions above haven't been confirmed by the GLA as yet.

88. Enfield Council have been successful in the bidding application for Phase 1B of the Local Authority Delivery scheme and received confirmation from Department for Business, Energy and Industrial Strategy (BEIS) in February 2021 that the application has successfully met the assessment criteria for funding to provide energy efficiency upgrades to low-income homes which amounts to £305,000 worth of funding. This funding will support the installation of External Wall Insulation in 61 Council properties.

Earmarked Reserves

89. The level of HRA earmarked reserves is shown below and have remained stable:

Reserves	Balance at 1st April 2021	Forecast Transfers 2021/22	Forecast Balance 31st March 2022
	£000's	£000's	£000's
HRA Repairs Fund	(15,104)	0	(15,104)
HRA Insurance	(323)	0	(323)
HRA Balance	(4,623)	(7,048)	(11,671)
Total HRA Reserves and Balances	(20,050)	(7,048)	(27,098)

Public Health Implications

90. Through investment in capital building and maintenance, the Council influences the built environment within Enfield significantly. The built environment in turn influences how residents interact with their environment; for example, during active travel or accessing facilities. Ensuring that our capital buildings are maintained, fit for purpose, and wellbeing considerations are taken in terms of their use, how they promote residents' wellbeing is key to contributing positively towards the public's health. Additionally, ensuring that all buildings have minimal environmental impact also contributes towards enhancing resident's wellbeing.
91. The Council moved swiftly to safeguard the health of its residents and staff during a period of threat unprecedented in living memory. As previously reported the financial implications of this have been harsh and have reached into every department in the Council. As the council is fundamental to the health of Enfield residents it needs to achieve financial balance.
92. This report notes the work that the Council is and has already undertaken and therefore in and of itself does not have public health implications. However, both the Office for Budget Responsibility (OBR) and the Institute for Financial Services (IFS) have both reported on the negative health effects of the 2008 financial crisis. In order to mitigate the effects of this current crisis the council will need to attain financial balance, consider what the 'new normal' might be and how this might be achieved whilst optimising resident's health.

Equalities Impact of the Proposal

93. The Council is committed to Fairness for All to apply throughout all work and decisions made. The Council serves the whole borough fairly, tackling inequality through the provision of excellent services for all, targeted to meet the needs of each area. The Council will listen to and understand the needs of all its communities.
94. Financial reporting and planning are important in ensuring resources are used to deliver equitable services to all members of the community.

Environmental and Climate Change Considerations

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

Financial Implications

96. Financial implications are implicit in the report.

Legal Implications

97. The Council has a statutory duty to arrange for the proper administration of its financial affairs and a fiduciary duty to taxpayers with regards to its use of and accounting for public monies. This report assists in the discharge of those duties.
98. The Council has duties within an existing legal framework to arrange for the proper administration of its financial affairs. The recommendations in this report will support the Council in meeting its statutory obligations.

Property Implications

99. Property implications are implicit in the body of the report.

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Date of report

Appendices

Background Papers

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

Appendix A

Council Housing Revenue Monitor	2021-22 Original Budget	Approved Variations	2021-22 Latest Budget	Spend to date	Projected Outturn at Year End	Variance excluding Covid impact	Variance including Covid impact
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Supervision and Management (General) *Housing Development & Estate Renewals *Director Housing Management *Tenancy and Estate Management *Income Collection *Re-Housing *Home Ownership & RTB's *Communications	15,495	0	15,495	1,836	15,495	0	0
Supervision and Management (Special) *Grounds Maintenance *Energy *Communal Services *Sheltered Housing *Concierge & CCTV	7,088	0	7,088	2,051	7,218	0	130
Repairs Admin *Housing Prof Services *Technical Services	1,655	0	1,655	396	1,655	0	0
Repairs Base *Responsive & Planned	11,198	0	11,198	2,903	11,198	0	0
Rates - Council Tax on Estate Renewals	614	0	614	0	614	0	0
Rates - Business Rates & Council Tax	62	0	62	0	62	0	0
HRA Surplus (to fund Capital)	7,016	0	7,016	0	7,016	0	0
Bad Debt Provision	858	0	858	0	418	(440)	0
Capital Financing	23,412	0	23,412	0	23,412	0	0
Rents Dwellings	(58,871)	0	(58,871)	(4,639)	(58,871)	0	0
Rents Non Dwellings (Shops/Garages/Community Halls)	(3,266)	0	(3,266)	(1,087)	(2,988)	0	278
Interest on HRA Balances + RTB mortgages	(380)	0	(380)	0	(380)	0	0
Corporate & Democratic Core	134	0	134	0	134	0	0
Leaseholders Service Charges	(5,016)	0	(5,016)	(1,414)	(5,016)	0	0
Total Cash Limit	0	0	0	46	(32)	(440)	408

Appendix B

HRA 10 year Capital Programme	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget	Future Years	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Asset-Led Works	2,965	2,505	0	0	0	0	5,470
Asset-Led Works: Cambridge Road West	2,447	3,000	0	0	0	0	5,447
Asset-Led Works: Upper Edmonton	5,634	219	0	0	0	0	5,852
Demand-Led Works	321	250	250	0	0	0	821
Demand-Led Works: Aids & Adaptations	1,337	1,700	1,500	0	0	0	4,537
Demand-Led Works: Structural Repairs	199	800	600	0	0	0	1,599
Fire-Led Works	18,370	29,101	1,969	0	0	0	49,440
Stock-Condition-Led Works	31,203	26,974	26,950	14,933	14,539	56,656	171,255
Stock-Condition-Led Works: Boroughwide	0	0	0	0	0	13,039	13,039
Investment in Stock Total	62,476	64,549	31,269	14,933	14,539	69,695	257,461
Development Programme: Holding code for future projects	9,250	87,650	72,336	67,370	82,829	548,878	868,312
Development Programme: Gatward/Newstead & Maldon	4,891	110	0	0	0	0	5,001
Development Programme: Upton & Raynham	2,985	28,096	13,500	0	0	0	44,580
Development Programme: Reardon Court	3,154	12,515	12,000	0	0	0	27,669
Development Programme: Bury Street	13,391	2,608	238	0	0	0	16,236
Development Programme: Electric Quarter	7,191	0	0	0	0	0	7,191
Development Programme Total	40,862	130,978	98,073	67,370	82,829	548,878	968,990
Estate Regeneration	2,049	482	0	0	0	0	2,531
Estate Regeneration: Alma Towers	9,506	1,362	1,362	2,399	646	59	15,333
Estate Regeneration: Ladderswood	183	250	110	110	110	0	763
Estate Regeneration: New Avenue	978	205	205	204	0	0	1,592
Estate Regeneration: Small Sites	0	0	0	0	0	0	0
Estate Regeneration Total	12,716	2,299	1,677	2,713	756	59	20,219
Total	116,053	197,826	131,020	85,017	98,123	618,631	1,246,669