

London Borough of Enfield

Meeting Date: Cabinet 8th December 2021

Subject: HRA Revenue and Capital Programme Monitor Quarter 2

Cabinet Member: Councillor Maguire and Councillor Needs

Key Decision: KD5341

Purpose of Report

1. To inform Cabinet of the current forecast outturn position of the Housing Revenue Account (HRA), covering both revenue and capital expenditure associated with delivering the Council's Housing service.
2. The overall forecast monitoring position is based on information known as at the end of September 2021. There are several 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 the final quarterly update to Cabinet on 9th February 2022 before final accounts are produced.
3. The confluence of Brexit, the Covid-19 pandemic and supply chain constraints have resulted in unprecedented material and labour shortages which have increased prices and reduced supplies. Whilst the HRA Business Plan update, appearing elsewhere on the agenda, has been modified to reflect these challenges, the position will be kept under and review and reported appropriately. Market intelligence reviews are included later in the report.

Revenue Budget

4. This report sets out the Council's forecast 2021/22 revenue budget monitoring position based on information to the end of September 2021. The report sets out the position with, and without, the impact of Covid-19.
5. The HRA is forecasting a £0.035m pressure (Qtr 1 £0.032m saving) against the approved revenue budget but is subject to revision following the review over the next period and considering in year pressures identified.
6. 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

7. The report also informs Cabinet on the current position (as at the end of September 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.

8. The report shows the 2021/22 forecast expenditure for the approved programme is projected to be £88.35m (Qtr 1 £116.05m) of which some £32m has already been spent which includes:
 - Health & Safety works which will ensure compliance with legislation and make residents safer in their homes
 - Improvement works to bring stock closer decent homes standards
 - Acquisition of Beck House for redevelopment as part of Upton and Raynham scheme
 - Completion of 75 homes at London Affordable Rent at Electric Quarter together with preparation of planning applications for 258 more homes.
 - Construction contract awarded for demolition and redevelopment of Bullsmoor Lane for 31 homes built using Modern Methods of construction.
 - Completion of Youth Centre for Alma Estate together with planning secured to increase number of affordable homes providing more family sized accommodation which better meets housing needs.
9. Expenditure on certain schemes, which is relatively low for some schemes, is expected to reach that forecast for the financial year for the following reasons:
 - Negotiations directed at minimising costs of materials and labour are expected to conclude which will enable expenditure to proceed in line with estimates.
 - Works and land assembly for Development and Regeneration schemes, including Alma Estate and Newstead & Maldon, are on site with expenditure expected to reach that estimated by the end of the financial year
10. The report sets out the estimated capital spending plans for 2021/22 to 2030/31 including the proposed arrangements for funding.
11. Council approved the 2021/22 HRA Capital Budget and noted the 2021/22 to 2030/31 10-Year Programme (2nd March 2021, KD5212). This included approval for the HRA 10-year Capital Programme of £1,226.07m.

Proposals

12. To note the Quarter 2 HRA forecast outturn position for 2021/22 for both revenue and capital.
13. To note the revenue Covid-19 impact of £0.315m.
14. To note the reduction in the 10-year HRA capital programme of £94.8m made relating to reconfiguration of Joyce & Snells scheme approved by Cabinet 15th September 2021 (KD5343)

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 2018-2022. 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 are included in the HRA Business Plan appearing elsewhere on the agenda.
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 have been included in the HRA Business Plan update and will be proposed in the 2022/23 budget.
21. 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 are included in the business plan review.
22. 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 will be incorporated into a review of service charges depending on resident feedback and this has been reflected in the HRA Business Plan update appearing elsewhere on the agenda.

Revenue Forecast Outturn

23. The HRA 2021/22 year end forecast at Quarter 2 is a £0.035m pressure against the approved budget. This is a movement of £0.067m from the quarter 1 reported position of £0.032m underspend. This quarter has seen a reduction in the projected Covid-19 costs and income losses, changing from £0.408m in quarter 1 to £0.315m in quarter 2. The movements are explained below and shown in detail in Appendix A.

24. Supervision & Management (£0.065m pressure)

The Communal Services team continues to be impacted by Covid-19 this year. This front-line service has incurred additional costs for agency staff to cover caretakers in isolation and has been providing equipment and additional PPE to staff working in this area, its anticipated that these costs will be £0.065m this year. This is a reduction in the previously reported pressure last month of £0.128m, this is due to the changes in Government guidance and easing of restrictions.

25. Community Halls (£0.250m 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 £0.250m against budget of £0.393m.

26. Garage rents (£0.160m income shortfall)

There has been a reduction in the expected rental income from garages this year due to a reduction in the number of garages lets.

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 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 tenant arrears for current and former tenants:

Council Housing Tenants Arrears (£m)	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21
Current Tenants: Total Arrears	1.78	1.77	1.73	1.80	1.80	1.76

Former Tenant: Total Arrears	1.64	1.66	1.69	1.69	1.71	1.75
Total Arrears	3.42	3.44	3.43	3.49	3.51	3.51

30. On average the collection of tenant's arrears is 101.6%, 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. Improved External Services

33. Additional contribution towards improved external standards across the Borough have been agreed this year. The improvements include:

- Enhanced grounds maintenance service
- Additional waste removal, fly tipping and bin collections
- Window cleaning and deep cleaning projects

34. These works are estimated to cost an additional £1m per annum with part year impact on the budget this year. These costs will be contained within the existing revenue budget.

35. Sheltered Housing Service

The Council has delayed the re-designation of the sheltered Housing service whilst we explore how best to provide housing for older residents in the future. This service is rechargeable to tenants and may impact rental income assumptions for 2022-23, this is currently under review.

36. 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	(2,000)
Rent on office space - reduction in charge	tbc
Housing Operations restructure – final tbc	(300)
Total Savings	(2,300)
Pressures	
Redundancy costs – final costs tbc	435
Additional environmental services	550
Total	985
Net Savings	(1,315)

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

Capital Programme Outturn

38. Appendix B sets out the approved ten-year capital programme inclusive of carry-forwards from 2020/21, Qtr 1 approved adjustments and those proposed for Qtr 2 and are included in the HRA Business Plan update appearing elsewhere on the agenda.
39. 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 Capital Programme £'000	2021/22 Budget (Q1)	Reprofiling	Virements	2021/22 Forecast (Q2)	Actuals	Spend %
Asset-Led Works	2,965	(1,482)	0	1,483	96	6%
Asset-Led Works: Cambridge Road West	2,447	(950)	0	1,497	4	0%
Asset-Led Works: Upper Edmonton	5,634	(500)	0	5,134	1,726	34%
Demand-Led Works	520	(325)	0	195	29	15%
Demand-Led Works: Aids & Adaptations	1,337	0	0	1,337	478	36%
Fire-Led Works	18,370	(9,966)	0	8,404	1,556	19%
Stock-Condition-Led Works	31,053	(1,358)	0	29,695	9,546	32%
Stock-Condition-Led Works: Boroughwide	150	0	0	150	(0)	0%
Investment in Stock Total	62,476	(14,581)	0	47,895	13,436	28%
Development Programme	9,250	(6,925)	(190)	2,135	725	34%
Dev Prog :Gatward/Newstead & Maldon	4,891	0	110	5,001	3,152	63%
Dev Prog :Upton & Raynham	2,985	(128)	0	2,857	197	7%
Dev Prog: Reardon Court	3,154	(1,354)	0	1,800	121	7%
Dev Prog: Bury Street	13,391	(3,865)	0	9,526	3,411	36%
Dev Prog: Electric Quarter	7,191	(1,341)	0	5,851	5,814	99%
Dev Prog - Joyce & Snells	2,049	0	0	2,049	790	39%
Development Prog Total	42,911	(13,613)	(80)	29,218	14,211	49%
Estate Regen: Small Sites	0	0	80	80	50	62%
Estate Regen: Alma Towers	9,506	353	0	9,859	3,691	37%
Estate Regen: Ladderswood	183	0	0	183	37	20%
Estate Regen: New Avenue	978	134	0	1,112	499	45%
Estate Regeneration Total	10,667	488	80	11,235	4,277	38%
Total Capital Programme	116,053	(27,706)	0	88,347	31,924	36%

40. Table 2 analyses the HRA budget reprofiling proposed for Qtr 2, with explanations below the table for significant items. Positives and negatives denote proposed increases and reductions in capital budget respectively yielding an overall neutral impact on the 10-year programme.

Table 2

HRA Budget Reprofiting Q2 £'000	2021/22	2022/23	2023/24	2024/25	2025/26	Future Years
Asset-Led Works	(1,482)	1,300	0	0	0	0
Asset-Led Works: Cambridge Road West	(950)	950	0	0	0	0
Asset-Led Works: Upper Edmonton	(500)	500	0	0	0	0
Demand-Led Works	(325)	0	0	0	0	0
Demand-Led Works: Aids & Adaptations	0	(600)	0	0	0	0
Demand-Led Works: Structural Repairs	0	0	0	0	0	0
Fire-Led Works	(9,966)	5,457	5,507	0	0	0
Stock-Condition-Led Works	(1,358)	1,624	(157)	0	0	0
Stock-Condition-Led Works: Boroughwide	0	0	0	0	0	0
Investment in Stock Total	(14,581)	9,231	5,350	0	0	0
Development Programme	(6,925)	(54,671)	(1,611)	(40,820)	(23,327)	(403,221)
Development Programme: Bury Street	(3,865)	7,028	200	0	0	0
Development Programme: Electric Quarter	(1,341)	1,341	0	0	0	0
Development Programme - Joyce & Snells	0	6,274	38,410	43,144	52,721	370,111
Development Programme: Reardon Court	(1,354)	(2,446)	6,231	0	0	0
Development Programme: Upton & Raynham	(128)	(16,841)	17,214	10,000	1,726	0
Development Programme: Gatward/Newstead & Maldon	0	0	0	0	0	0
Development Programme Total	(13,613)	(59,315)	60,444	12,324	31,120	(33,110)
Estate Regeneration	0	0	0	0	0	0
Estate Regeneration: Small Sites	0	0	0	0	0	0
Estate Regeneration: Alma Towers	353	3,469	(626)	(1,751)	(17)	568
Estate Regeneration: Ladderswood	0	0	0	0	0	0
Estate Regeneration: New Avenue	134	0	0	20	0	0
Estate Regeneration Total	488	3,469	(626)	(1,731)	(17)	568
Total HRA Reprofiting	(27,706)	(46,615)	65,168	10,593	31,102	(32,542)

Asset Led Works (£2.932m)

41. Hertford Road external works delayed due to extended lead in times from suppliers, expected to commence January 2022

Cambridge Road West works re-profiled pending decision on material costs.

Upper Edmonton contingency re-profiled to 2022-23 although works will be completed this financial year.

Demand Led Works (£0.325m)

42. Lower level of demand, diversion of resources proposed to fire safety works

Fire-Led Works (£9.966m)

43. Further re-profiling to reflect delayed start date from Spring to Summer 2022. Currently at RIBA stage 3 with delays due to additional design considerations becoming apparent as project is scoped to ensure full compliance and optimal fire safety for residents.

Stock condition led works (£1.358m)

44. Re-profiling to 2022-23 due to longer than anticipated procurement process related to deep retrofit which will improve energy efficiency, living standards and resident safety through :

New boilers	1,300 dwellings
New Kitchens & bathrooms	1,035 dwellings
Roof replacement	400 dwellings.

Development Programme (£13.613m)

45. Exeter Road and Upton and Raynham - currently out to tender and re-profiling reflects revised estimates of expenditure. The total budget required is estimated at £129m which will be funded from existing budgets and in the development programme (part funded from right to buy receipts) combined with budget for improvement works to existing blocks. This will ensure the whole estate is delivered as a holistic project for new and current residents.

46. Bury Street West – based on site activity has been reprofiled over 2021/22 and 2022/23 due to delays from ground contamination and asbestos removal. Completion is expected October 2022 and profile reflects the revised contractor estimates.

47. Other projects being progressed this year and at pre-app or tender stage include Dendridge Road, Bullsmoor Lane and Reardon Court.

48. Joyce and Snell's, approved by Cabinet 15th September (KD5343) is proceeded to ballot November, with results expected imminently. The planning application is being prepared for a hybrid masterplan to be submitted in February 2022, subject to the results of the ballot.

49. Other projects being progressed this year and at pre-app or tender stage include Dendridge Road, Bullsmoor Lane and Reardon Court.

Estate Regeneration (£0.488m brought forward)

50. Budgets have been reprofiled in line with current contractor estimates. Alma scheme forecast reflects spend commitments this year to secure housing delivery by 2023/24.

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

51. 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.

52. Agreed uplifts will be covered within contingency or drawn from in-year underspends. Works will also be re-profiled based on priorities if appropriate.
53. Due to the negotiations around these increases, commencement of works has been slower than anticipated. As these draw to agreement, works can properly mobilise and commence on site, gathering pace as the contractors; processes settle in and ceasing further slippage in spend.

Council Housing Investment Programme

54. In line with the Better Council Homes programme, investment in the Council's housing stock and achieving the Decent Homes Standard and maintaining this is a Council priority; to address building safety risks and to reduce the need for responsive repairs.
55. Asset-Led Works (£8.114m)
The forecast spend is based upon the delivery of decency and 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.
56. Demand-Led Works (£1.532m)
This budget funds the Council's adaptation works to housing properties and includes budget for conversion works to Dover House Surgery, which is being converted to residential, structural repairs and a cycle storage scheme.
57. Fire-Led Projects (£8.404m)
The building safety improvement projects include replacement flat entrance doors across the borough, fire suppression system (sprinklers) installations, fire / smoke alarm upgrades, communal redecorations, infrastructure replacement works such as soil stacks, and electrical submains. Projects currently live include Bliss and Purcell, Britany, Channel Islands and Walbrook House and procurement phase works to various other blocks within the Borough. Walbrook is a flagship re-investment project for the Council and will address the replacement of high-risk cladding (already removed) alongside other internal fire safety works, but also zero carbon ambitions. Currently in design stages, the full project, once live will take 2-3 years.
58. The Fire Safety Act 2021 is now in force, bringing with it a range of obligations that will increase the costs of building safety management. These 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 are estimated at £800k per annum. The Housing Scrutiny Panel reviewed the Council's preparedness for the new arrangements and effectiveness of the existing building safety programme.
59. Stock-Condition-Led Works (£29.845m)

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. We are also working on an application for Social Housing Decarbonisation Funding (SHDF) in a bid led by Barking & Dagenham Council for EnergieSprong. Deep retrofitting to net zero carbon. If successful, this will receive match funding to the value of c.£2million

Social Value

53. 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 and sustainability 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.
60. 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.
- Development Programme (£29.218m)
61. Spend forecasts have been amended in line with current programme activity. Invitation to Tender have been issued for Upton and Raynham and Exeter Road with responses due in by the end of November. Due to initial soft market testing showing a 10% build cost inflation and material supplies constrained, it is proposed to procure and award the total number of homes as a single contract which will help to improve value for money and costs efficiency. The combined budget for Exeter Road (all phases) and Upton and Raynham are approximately £113m with contract award programmed for Cabinet in Jan 2022.
62. Two projects are being progressed via Modern Methods of Construction (MMC), Bullsmoor Lane and Dendridge Close. Zedpods have been awarded main contract works for Bullsmoor and spend forecasts reflect approved cashflow. Planning is due to be submitted in January for 31 homes and starts on site in 2022/23. Dendridge is currently at feasibility stage with tenders to be issued in November using an MMC Framework. Planning submission expected in January and start on site in 2022/23.
63. The Council is contractually obligated to deliver starts through the GLA programme with a longer-term commitment to deliver 3,500 homes. To manage cost pressures and deadlines a review is in progress as follows :
- 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. These will be appraised for value for money based on revenue surplus/deficit position over a 40-year term together with impact on Capital Financing Requirement in the context of the Council's Treasury Management Strategy Statement

64. As part of this review empirical build costs and revised expenditure profiles have been used to update the HRA Business Plan appearing elsewhere on the agenda.

Estate Regeneration (£11.235m)

65. This programme, which includes the Alma Estate, New Avenue and Ladderswood schemes, is investing in large scale phased regeneration for delivery of in-demand affordable housing as well as unlocking new homes for low cost home ownership for Enfield residents.

66. To comply with the Government's social distancing guidelines, on site capacity has reduced by some 30% in most cases, impacting on construction activity.

67. To mitigate this works on Alma Phase 2a and Phase 4 has been brought forward with revised planning consent, issued in September, increasing the number of homes for phases 2a and 4 by 88 as shown below.

Alma Estate Phase	Previous consent	Revised	Increase
2a	192	228	36
4	23	75	32
Total	215	303	88

68. Ladderswood - Delays with the change of use planning application have impacted on new commercial units being let and therefore there is a reduction in rental income this financial year. Phase 4 is due to commence in this financial year and negotiations are in progress to secure a Deed of Variation to the existing Development Agreement, which seeks to resolve historical costs issues associated with changes in requirement to connect to the heat network. This should result in £1.6m adjustment to the overage forecasts which is usually paid as a % on completion of sales units.

69. New Avenue - planning application has been submitted to increase the number of homes at New Avenue and is due to be determined by the end of this financial year. 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.

70. Joyce & Snell's – Cabinet approved, on 15th September 2021 (KD5343), for phases 0-3 scheme budget, proceeding to ballot, submission of planning next year and to commence procurement of contractors. A review of scheme's phasing is in progress to assess impact on costs and viability, given market conditions and the need to meet decant requirements. The scheme is included in the HRA Business plan update, appearing elsewhere on the agenda, with appropriate assumptions for specialised resources in place to ensure key milestones can be met over the next year.
71. As a result of the reconfiguration of the scheme, also approved by Cabinet (KD5343), the capital budget for Joyce & Snells has been reduced in the 10-year capital programme by £94.8m. The estimates within the 10-year capital programme together with future years will be kept under review with progress and updates reported to Cabinet as appropriate.

Market conditions update

72. The pandemic, BREXIT, climate change and Suez Canal back log have created market volatility resulting in material shortages and cost increases, thus having an impact on the supply chain. Construction firms have reported transport constraints, materials and continued staff shortages including bricklayers, drivers, ground workers, joiners and plumbers. This has resulted in many firms struggling to find the subcontractors needed for building projects. While the construction industry has been growing fast with the pandemic easing, data from last month reported the weakest speed of recovery for eight months. New official data also shows that UK brick sales, a sign of the state of housebuilding, were 9.3% lower in August than July and 3.3% lower than the 2019 average.(Source : The Guardian 10th Oct 2021)
73. According to the Department for Business, Energy and Industrial Strategy's (BEIS), generally material prices were 10.2% higher in May 2021 than in May 2020. However, key construction materials such as fabricated steel and plyboard have increased by 38.1% and 29.8% respectively. The Telegraph also reported the price of cement has risen 30% throughout the past year.
74. The Royal Institution of Chartered Surveyors (RICS) is estimating that the material prices over the next year will increase by a further 10%. This is mainly due to the UK Government's continued belief that construction projects are the best route to economic recovery which places pressure on supply. However, 64% of contractors in a recent survey indicated labour shortages would be the limiting factor to their activity, this is up 22% from the first quarter of 2021.
75. The issue is illustrated in the following chart which shows the current and forecasted UK tender price and building cost indices compiled by

Costmodelling Limited from information published on 1 October 2021 by the Office of National Statistics and from the RICS and several leading UK construction cost consultancies.

76. Also, with several insurers exiting the market or reducing their packages (particularly professional indemnity), there are emerging issues in procuring the consultants and technical experts needed to delivery schemes.
77. This will continue to impact on delivery milestones and costs for the balance of the financial year. We are continuously monitoring the market and engaging with stakeholders (including the GLA) to mitigate impact to programme and funding. The tender returns for Exeter Road and Upton & Raynham, which is due in November, will be the key test of the deliverability of the programme.

Risks

78. 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.
79. 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.

80. 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.
81. 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. Joyce and Snell's has been allocated a higher level of grant per unit reflecting the complexities of the scheme.
82. 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.
83. 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

84. Table 3 below sets out the financing position for the 2021/22 to 2024/25 and future years to 2030/31:

Table 3

HRA Capital Financing £'000	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	Future Years
Grants & External Contributions	6,700	17,347	9,139	21,140	124,102
Capital Receipts	13,360	39,493	35,264	60,325	186,173
Major Works Allowance	11,385	11,744	12,062	14,145	84,234
Earmarked Reserves	22,903	21,427	6,923	0	68,097
Borrowing	34,000	61,200	132,800	0	158,000
Total	88,347	151,210	196,188	95,610	620,605

Grants Summary

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

Grant £'000s	2021/22	2022/23	2023/24	2024/25	2025/26
GLA Grant	6,353	16,218	9,139	21,140	13,121
Local Authority Delivery Scheme	346	1,129	0	0	0
Total Grant	6,700	17,347	9,139	21,140	13,121

86. The Council is currently delivering a number of large housing schemes under the Building Council Homes for Londoners programme which requires starts on site no later than March 2023. Through a mixture of direct delivery and acquisitions, the Council is progressing schemes through planning to ensure the current committed programme is delivered to time. In April, the Council submitted a bid as part of the AHP 21-26 programme and announcements were made in September confirming the full bid was successful and allocated the full amount applied for of £166.5m to support future new build and regeneration projects. The grant relates to sites in future years and projects commencing from April 2023 and is subject to contract.
87. 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

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

Reserves £'000s	Balance at 1st April 2021	Forecast Transfers 2021/22	Forecast Balance 31st March 2022
HRA Repairs Fund	(10,064)	0	(10,064)
HRA Balance	(9,943)	(9,048)	(18,991)
Total HRA Reserves and Balances	(20,007)	(9,048)	(29,055)

Public Health Implications

89. 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.
90. 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.

91. 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

92. 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.
93. 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

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

Financial Implications

95. Financial implications are implicit in the report.

Legal Implications

96. 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.
97. 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

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

Report Author: Matt Bowmer
Director of Finance
Matt.Bowmer@Enfield.gov.uk
0208 379 5580
Date : 21st Oct 2021

Appendices

Background Papers

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

Appendix A – HRA Revenue monitor Qtr 2 position

Council Housing Revenue Monitor £'000s	2021-22 Original Budget	Approved Variations	2021-22 Latest Budget	Spend to date	Projected Outturn at Year End	Variance	Last Months Variance	Difference compared to last month
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	6,524	15,495	0	0	0
Supervision and Management (Special) *Grounds Maintenance *Energy *Communal Services *Sheltered Housing *Concierge & CCTV	7,088	0	7,088	3,396	7,153	65	130	-65
Repairs Admin *Housing Prof Services *Technical Services	1,655	0	1,655	1,099	1,655	0	0	0
Repairs Base *Responsive & Planned	11,198	0	11,198	5,797	11,198	0	0	0
Rates - Council Tax on Estate Renewals	614	0	614	0	614	0	0	0

Rates - Business Rates & Council Tax	62	0	62	0	62	0	0	0
HRA Surplus (to fund Capital)	7,016	0	7,016	0	7,016	0	0	0
Bad Debt Provision	858	0	858	0	418	-440	-440	0
Capital Financing	23,412	0	23,412	0	23,412	0	0	0
Rents Dwellings	-58,871	0	-58,871	-23,612	-58,871	0	0	0
Rents Non-Dwellings (Shops/Garages/Community Halls)	-3,266	0	-3,266	-1,746	-2,856	410	278	132
Interest on HRA Balances + RTB mortgages	-380	0	-380	0	-380	0	0	0
Corporate & Democratic Core	134	0	134	0	134	0	0	0
Leaseholders Service Charges	-5,016	0	-5,016	-3,203	-5,016	0	0	0
Total Cash Limit	0	0	0	-11,744	35	35	-32	67

Appendix B - HRA 10-year Capital programme Qtr 2 position

HRA 10 year Capital Programme : Approved budget with carry fwds and Qtr 2 adjustments £'000s	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget	Future Years	Total
Asset-Led Works	1,483	3,805	0	0	0	0	5,288
Asset-Led Works: Cambridge Road West	1,497	3,950	0	0	0	0	5,447
Asset-Led Works: Upper Edmonton	5,134	719	0	0	0	0	5,852
Demand-Led Works	195	1,050	850	0	0	0	2,095
Demand-Led Works: Aids & Adaptations	1,337	1,100	1,500	0	0	0	3,937
Demand-Led Works: Structural Repairs	0	0	0	0	0	0	0
Fire-Led Works	8,404	34,558	7,476	0	0	0	50,438
Stock-Condition-Led Works	29,695	24,598	22,793	0	0	0	77,086
Stock-Condition-Led Works: Boroughwide	150	4,000	4,000	14,933	14,539	69,695	107,317
Investment in Stock Total	47,895	73,780	36,619	14,933	14,539	69,695	257,460
Development Programme: Holding code for future projects	2,135	32,979	70,725	26,550	59,501	145,656	337,546
Development Programme: Gatward/Newstead & Maldon	9,526	9,636	438	0	0	0	19,599
Development Programme: Upton & Raynham	5,851	1,341	0	0	0	0	7,191
Development Programme: Reardon Court	2,049	6,756	38,410	43,144	52,721	275,403	418,482
Development Programme: Bury Street	1,800	10,069	18,231	0	0	0	30,100
Development Programme: Electric Quarter	2,857	11,254	30,714	10,000	1,726	0	56,552
Development Programme Total	5,001	110	0	0	0	0	5,111
Estate Regeneration	29,218	72,145	158,518	79,694	113,948	421,059	874,581
Estate Regeneration: Alma Towers	9,859	4,831	736	648	628	626	17,328
Estate Regeneration: Ladderswood	183	250	110	110	110	0	763
Estate Regeneration: New Avenue	1,112	205	205	224	0	0	1,746
Estate Regeneration: Small Sites	80	0	0	0	0	0	80
Estate Regeneration Total	11,235	5,285	1,051	982	738	626	19,917
Total	88,347	151,210	196,188	95,610	129,225	491,380	1,151,958