

## **London Borough of Enfield**

**Meeting Date – Cabinet 19<sup>th</sup> January 2022**

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**Subject:** HRA Revenue and Capital Programme Monitor Period 8

**Cabinet Member:** Councillor Maguire and Councillor Needs

**Key Decision:** KD5350

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### **Purpose of Report**

1. To provide an update on 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 November 2021.
3. The impact 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. The HRA Business Plan has been updated to reflect these challenges, which was approved at Cabinet in December 2021.

### **Revenue Budget**

4. This report sets out the Council's forecast 2021/22 revenue budget monitoring position based on information to the end of November 2021. The report sets out the position with, and without, the impact of Covid-19.
5. The HRA is forecasting a £0.346m saving (Qtr. 2 £0.035m pressure) against the approved revenue budget.
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 the Leader on the current position (as at the end of November 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 £84.89m (Qtr. 2 £88.35m) of which some £46.9m 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 and surveys associated with planning preparation.
  - Completion of 75 homes at London Affordable Rent and Shared Ownership at Electric Quarter
  - Preparation of planning applications for 258 more homes to secure start on sites by March 2022.
  - Construction contract awarded for demolition and redevelopment of Bullsmoor Lane for 27 homes built using Modern Methods of construction.
  - Phase 2A and 4 planning secured and under contract to increase number of family sized Council owned homes for existing residents.
  - Change of use approved for 6 commercial units to be owned and managed by the Council as income generation at Ladderswood. Currently 3 out of 6 are under offer or entering into leases.
  - 31 homes due to complete in January across Newstead, Maldon and Gatward Green and works progressing on Bury St West, with in-year budget expected to be committed in line with contractors cashflow profile.
9. Since reporting last period, spend has improved across the Estate Regeneration and Development programme which reflects the pre-construction and main works activity across the portfolio of sites. Against start of year budget, the Development spend is at 63% and the Estate Regeneration is at 69% with expectation that full budget will be spent before the end of the financial year.
10. Expenditure on the Investment is relatively low for some schemes, however, is expected to reach that forecast for the financial year. Negotiations directed at minimising costs of materials and labour are concluding which will enable expenditure to proceed in line with estimates.
11. Further explanations on specific schemes spend is shown in the main considerations section of the report.
12. The report sets out the estimated capital spending plans for 2021/22 to 2030/31 including the proposed arrangements for funding.
13. 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.
14. In addition, the HRA Business Plan update (KD5342) report was approved at Cabinet in December 2021, which included a reduction in the 10-year Capital Programme of £94.7m. The approved 10-year capital programme is now £1,151.96m.

## **Proposals**

15. Cabinet is recommended:
16. To note the Period 8 HRA forecast outturn position for 2021/22 for the revenue and capital budgets

17. To note the revenue Covid-19 impact of £0.280m pressure.

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

18. The overarching aim of the Capital Programme is to provide a framework within which the Council's investment plans can be delivered.
19. The strategy for Council Housing is set out in the Housing and Good Growth Strategy which supports the Corporate Plan 2018-2022. The objectives are to:
  - a. Deliver good homes in well-connected neighbourhoods
  - b. Sustain strong and healthy communities
  - c. Build our local economy to create a thriving place
20. 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**

21. 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.
22. A Business Plan review has been undertaken this year, which provided an update on the HRA 30-year position. The main changes were as follows:
  - a. Revised 10-year development programme to secure ongoing delivery
  - b. Updated borrowing profile
  - c. Re-profiled 10-year investment in stock programme
  - d. Revenue budget update
  - e. CPI update
  - f. Financial framework update, including, financial metric and assumptions

### **Main Considerations for the Council**

23. This year 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 provides an update on the revenue and capital outturn projections.

### **Revenue Forecast Outturn**

24. This year there has been additional investment made in improving the environmental conditions of estates following lifestyle changes as a result of the pandemic. These improvements include:
  - Enhanced grounds maintenance service
  - Additional waste removal, fly tipping and bin collections
  - Window cleaning and deep cleaning projects
25. These works are estimated to cost an additional £1m per annum with part year impact of £0.518m on the budget this year. These costs will be contained within the existing revenue budget.
26. The Housing Service is continuing to improve our housing offer for older people, this includes developing new housing for older people and a review of the current Sheltered Housing stock. This includes the introduction of an enhanced housing management service. The progress of this programme had been adversely affected by the pandemic, as the basis of the engagement with residents is a personalised face-to-face discussion as well as capital investment works undertaken in communal areas and individual flats. The savings and additional income will be partially archived during the year 2022/2023.
27. Spend is low in Supervision and Management and Repairs Admin, however there are still several recharges to be posted to the accounts, these will be completed by March 2022.
28. The HRA 2021/22 year end forecast at Period 8 is a £0.346m saving against the approved budget. This is a movement of £0.381m from the quarter 2 reported position of £0.035m pressure. This quarter has seen a reduction in the projected Covid-19 costs and income losses, changing from £0.315m in quarter 2 to £0.280m in period 8. The movements are explained below and shown in detail in Appendix A.
29. Supervision & Management – Special Services (£0.070m 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 £0.070m this year. This is an increase in the previously reported pressure last month of £0.065m.
30. Rental Income (£0.350m income shortfall)

Due to the current market conditions (Covid-19 and Brexit) the development of new homes within our capital programme has been delayed. Further details can be found in the capital section of this report. This has impacted on the expected rental income to the HRA this year and has created a pressure in the revenue budget.
31. Community Halls (£0.210m 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 £0.210m against budget of £0.393m.

32. Garage rents (£0.175m 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.

33. 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.

34. 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.

35. The table below shows Council tenant arrears for current and former tenants:

Council Housing Tenants Arrears	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21
	£m						
Current Tenants: Total Arrears	1.78	1.77	1.73	1.80	1.80	1.76	1.81
Former Tenant: Total Arrears	1.64	1.66	1.69	1.69	1.71	1.75	1.78
<b>Total Arrears</b>	<b>3.42</b>	<b>3.44</b>	<b>3.43</b>	<b>3.49</b>	<b>3.51</b>	<b>3.51</b>	<b>3.59</b>

36. 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.

37. Repairs Service (£0.111m saving)

This year we have reacted to responsive repairs and compliance works. These works have seen an increase in cost for materials of around 7-15%, however we have been working closely with our merchants to mitigate this impact and these costs have been contained within the overall budget.

38. There has been a reduction in the planned and cyclical works this year, however, these works will be completed in 2022/23 and will assist in reducing future responsive repairs costs.

39. Interest on debt (£0.600m saving)

40. There has been a reduction in the borrowing requirement for the capital programme this year, this has reduced the interest payments on the HRA debt.

41. 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 have been achieved after considering known pressures:

<b>Savings</b>	<b>£000's</b>
Interest rate on borrowing reduction	(600)
Bad debt – reduction in contribution	(440)
Reduction in water provision	(500)
Housing Operations restructure	(400)
<b>Total Savings</b>	<b>(1,940)</b>
<b>Pressures</b>	
Redundancy costs	403
Additional environmental services	518
<b>Total</b>	<b>921</b>
<b>Net Savings</b>	<b>(1,019)</b>

42. The efficiency target has been achieved this year, as shown in table above. These savings will assist in improving the HRA hurdle rates of Loan to Value (LTV) and Interest Cover ratio (ICR) and ensure the HRA remains sustainable.

### Capital Programme Outturn

43. The ten-year capital programme is detailed in Appendix B. It shows the revised ten-year position inclusive of carry-forwards from 2020/21 as part of the HRA Business Plan update.
44. The HRA capital budget for the current financial year is summarised in table 1 below. It provides the latest forecast position reflecting updated expenditure profiles as advised by programme managers.

**Table 1**

Current Year Approved Capital Programme	2021/22 Budget (Q2)	Repro-filing	Vire-ment's	2021/22 Forecast (P8)	Actuals	Spend
	£'000			£'000		
Asset-Led Works	1,483	(200)	(600)	683	281	41%
Asset-Led Works: Cambridge Road West	1,497	(800)	0	697	15	2%
Asset-Led Works: Upper Edmonton	5,134	0	300	5,434	2,810	52%
Demand-Led Works	195	0	(20)	175	18	11%
Demand-Led Works: Aids & Adaptations	1,337	(200)	0	1,137	713	63%
Fire-Led Works	12,280	(900)	(100)	11,280	4,946	44%
Stock-Condition-Led Works	25,969	(400)	420	25,989	12,592	48%
<b>Investment in Stock Total</b>	<b>47,895</b>	<b>(2,500)</b>	<b>0</b>	<b>45,395</b>	<b>21,376</b>	<b>47%</b>
Development Programme	2,135	(15)	0	2,120	857	40%
Development Prog: Gatward/Newstead & Maldon	5,001	0	0	5,001	3,767	75%
Development Prog: Upton & Raynham	2,857	0	0	2,857	343	12%
Development Prog: Reardon Court	1,800	0	0	1,800	624	35%
Development Prog: Bury	9,526	0	0	9,526	5,680	60%

Street						
Development Prog: Electric Quarter	<b>5,851</b>	50	0	<b>5,901</b>	5,847	99%
Development Prog: Joyce & Snells	<b>2,049</b>	0	0	<b>2,049</b>	1,433	70%
<b>Development Programme Total</b>	<b>29,218</b>	<b>35</b>	<b>0</b>	<b>29,253</b>	<b>18,551</b>	<b>63%</b>
Estate Regeneration: Small Sites	<b>80</b>	0	0	<b>80</b>	74	92%
Estate Regeneration: Alma Towers	<b>9,859</b>	(880)	0	<b>8,980</b>	6,305	70%
Estate Regeneration: Ladderswood	<b>183</b>	0	0	<b>183</b>	91	50%
Estate Regeneration: New Avenue	<b>1,112</b>	(106)	0	<b>1,007</b>	577	57%
<b>Estate Regeneration Total</b>	<b>11,235</b>	<b>(985)</b>	<b>0</b>	<b>10,250</b>	<b>7,047</b>	<b>69%</b>
<b>Total Capital Programme</b>	<b>88,347</b>	<b>(3,450)</b>	<b>0</b>	<b>84,897</b>	<b>46,973</b>	<b>55%</b>

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

**Table 2**

HRA Budget Reprofiling P8	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Future Years £'000	Total
Asset-Led Works	(200)	800	0	0	0	0	600
Asset-Led Works: Cambridge Road West	(800)	800	0	0	0	0	0
Demand Led works	(200)	200	0	0	0	0	0
Fire-Led Works	(900)	5,575	0	0	0	0	4,675
Stock-Condition-Led Works	(400)	(4,875)	0	0	0	0	(5,275)
<b>Investment in Stock Total</b>	<b>(2,500)</b>	<b>2,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Development Programme	(15)	15	0	0	0	0	0
Development Programme: Electric Quarter	50	(50)	0	0	0	0	0
<b>Development Programme Total</b>	<b>35</b>	<b>(35)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Estate Regeneration: Alma Towers	(880)	848	0	0	25	7	0
Estate Regeneration: New Avenue	(106)	106	0	0	0	0	0
<b>Estate Regeneration Total</b>	<b>(986)</b>	<b>954</b>	<b>0</b>	<b>0</b>	<b>25</b>	<b>7</b>	<b>0</b>
<b>Total HRA Reprofiling</b>	<b>(3,450)</b>	<b>3,419</b>	<b>0</b>	<b>0</b>	<b>25</b>	<b>7</b>	<b>0</b>

#### Asset Led Works (£1.000m)

46. Hertford Road and Cambridge Road external works have experienced slight delays due to extended lead in times for construction materials, expected to commence January 2022.

47. Demand Led Works (£0.200m)

This budget has been reprofiled to reflect the forecasted aids and adaptations works that will be completed this year.

#### Fire-Led Works (£0.900m)

48. Additional design consideration for the fire safety works at Channel Islands have been identified during mobilisation which has resulted in commencement delay.

Stock condition led works (£0.400m)

49. The wall insulation LAD funded project has been slightly re-profiled to reflect actual productivity, these improvements will vastly improve building insulation and reduce heat loss.

Estate Regeneration (£0.986m)

50. Budgets have been reprofiled to reflect the latest leaseholder buyback position on Alma and New Avenue regeneration projects. The buyback of these units is expected in 2022-23

**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 have been re-profiled based on priorities as appropriate.

53. Due to the negotiations around these increases, commencement of works has been slower than anticipated. However, works are mobilising, and we are seeing commencement on site.

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. We are working in collaboration with partner contractors to complete the projected works and associated spend within the financial year.

55. Asset-Led Works (£6.814m)

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, Pruden Close and Cambridge Road West. Pruden Close ground source heat pump installation and Upper Edmonton are due to be completed by the end of the financial year. Hertford Road and Cambridge Road West are currently in the mobilisation stage.

56. These decency works will delivery:

- a. Roof renewals
- b. Fire safety door replacements
- c. Communal area works to blocks
- d. Communal electric works
- e. Replacement windows
- f. Installation of ground source heat pumps

57. There is a risk that the Upper Edmonton project could experience delays to the progress of electrical works if UK Power Networks (UKPN) do not deliver infrastructure upgrades in accordance with our contractor's programme. We are awaiting confirmation of a commencement date from UKPN, which could impact the spend profile. There are however large sections of the works due for completion in January and February including the roof replacements in the Mews blocks. This accounts for the majority of programme expenditure.
58. Demand-Led Works (£1.312m)  
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. These schemes are demand led so there is a small risk that reduced demand will result in impact the spend profile.
59. Fire-Led Projects (£11.280m)  
The building safety improvement projects include replacement flat entrance doors across the borough, fire suppression system (sprinklers) installations, fire/smoke alarm upgrades, compartmentation works, communal fire door installation, communal redecorations, infrastructure replacement works such as soil stacks, and electrical submains. Projects currently live include Bliss House and Purcell House, Britany House, Channel Islands and Walbrook House. Procurement is currently underway for works to various other blocks within the Borough.
60. Walbrook is a re-investment pilot for the Council aiming to address the replacement of high-risk cladding (already removed) alongside other internal fire safety works and zero carbon ambitions. The project is currently in the design stages, with early enabling works due in this financial year. The full project once live will take 2 to 3 years to complete.
61. The Flat Door remediation programme has experienced progress delays due to price uplift negotiations. These have been finalised and progress is being made on these projects with forecast spend expected to be reached. Progress to date on Bliss and Purcell and Channel Islands has been limited to date due to design delays and contractual negotiations, these have now been concluded and works will ramp up in the last quarter of the year.
62. Stock-Condition-Led Works (£25,989m)  
This budget funds decent homes improvement works, delivered through various contracts across the borough. These include communal boiler upgrades, Brimsdown modular POD extension replacements (due to be completed this year), lift replacements, kitchen, bathroom and electric replacements, roofing renewals, window replacements and external wall insulation applications.
63. This programme includes the following estimated improvement works to homes:
  - a. Installation of 565 kitchens and 470 bathrooms
  - b. Replacement of 1,300 new boilers

- c. Replacement of 400 roofs and 100 windows (programme has recently commenced and is expected to make significant progress within this financial year to meet the forecast spend profile)
- 64. These works will improve building insulation and reduce heat loss, which will create savings in energy costs to residents.
- 65. In addition, lift upgrade works which are being delivered to blocks including Burgundy, Normandy, Picardy, Dover, Jackson, Swinson and Woolmer will complete this year.
- 66. 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 circa. £2million.  
Social Value
- 67. 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.
- 68. 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 (£29.253m)
- 69. 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 £129m with contract award programmed for Cabinet in Jan 2022.
- 70. 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.

71. 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
72. 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.
73. Currently there is £3m expected in income from initial Shared Ownership receipts at Electric Quarter. Red Loft have been appointed as the Sales Agent and marketing will formally commence in the new year. Based on sales values, the income projection is higher but given affordability will impact on how accessible mortgages are, the income forecasts will remain as is but the timing of when income will be received will be reprofiled to 2022/23.

#### Estate Regeneration (£10.250m)

74. This programme, which includes the Joyce and Snells, 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.
75. To comply with the Government's social distancing guidelines, on site capacity has reduced by some 30% in most cases, impacting on construction activity.
76. 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

77. Ladderswood – Spend is likely to be taken up this financial year and are associated with change of use planning application. This has also impacted on new commercial units being let and therefore the rental income has been

reprofiled from this financial year to 2022/23 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 completion of sales units.

78. New Avenue - spend forecast reflect expected Leaseholder claims and project costs. There is potentially an underspend if the claims are not received and therefore payable this year. Planning has been granted for uplift of homes from 408 to 502 which will allow for additional affordable housing on the site. Subject to planning conditions and Deed of Variation to the Development Agreement, construction of the new phases is due to commence in the New Year.
79. Joyce & Snell's – Full spend against in-year budget likely to be taken up. Ballot period commenced in Nov and runs to mid-December. The results of the Ballot will be known before the end of the calendar year 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.
80. 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

81. 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 10<sup>th</sup> Oct 2021)
82. 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.

83. 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.
84. 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.
85. 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.
86. 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

87. 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.
88. 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.
89. There are 610 private sales units built into the plan, depending on market conditions the sale of these units could add financial pressure to the business plan and impact on cashflow if the sales were delayed or were sold at a lower value than estimated.
90. 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.
91. 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 the 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.

92. 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.
93. The Housing Service is exploring mitigations to address these risks which include:
  - engaging with GLA to maximise grant support
  - alternative income sources i.e. S106 and CIL
  - 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**

94. Table 3 below sets out the current financing position for the 2021/22 to 2030/31 HRA Capital programme:

**Table 3**

HRA Capital Financing	2021/22 Budget £000's	2022/23 Budget £000's	2023/24 Budget £000's	2024/25 Budget £000's	Future Years £000's	Total £000's
<b>Grants &amp; External Contributions</b>	6,700	17,347	9,139	21,140	124,102	<b>178,427</b>
<b>Capital Receipts</b>	11,309	42,912	35,264	60,325	185,778	<b>335,588</b>
<b>Major Works Allowance</b>	11,185	11,744	12,062	14,145	84,660	<b>133,795</b>
<b>Earmarked Reserves</b>	21,703	21,427	6,923	0	68,097	<b>118,150</b>
<b>Borrowing</b>	34,000	61,200	132,800	0	158,000	<b>386,000</b>
	<b>84,897</b>	<b>154,629</b>	<b>196,188</b>	<b>95,610</b>	<b>620,637</b>	<b>1,151,960</b>

95. Appendix C has been introduced this period to show the movement in financing the capital programme since the agreed budget position.
96. The main movements are as follows:
  - a. Reprofiling of the Joyce and Snells project has reduced the capital programme budget by £94.7m. This project is now profiled over a longer period reducing the spend commitment for the first 10 years.
  - b. There has been changes in the profile of grant and capital receipts being received due to Development schemes being reprofiled based on delivery, starts on site and completion of units.

- c. There has been an overall increase in the estimated grant over the 10-year period which is based on the secured (subject to delivery) AHP 21-26 programme grant allocation from the GLA.
97. These changes have been included in the mid-year business plan update.

### **Grants Summary**

98. Table 4 below provides a summary of the grant assumptions over the next 5 years:

**Table 4**

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

99. 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 2021 to 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.
100. 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**

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

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

### **Public Health Implications**

102. 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.

103. 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.
104. 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**

105. 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.
106. 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**

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

### **Financial Implications**

108. Financial implications are implicit in the report.

### **Legal Implications**

109. 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.
110. 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**

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

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Date:

### **Appendices**

### **Background Papers**

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

## Appendix A – HRA Revenue monitor Period 8 position

Council Housing Revenue Monitor	2021-22 Latest Budget	Spend to date	Projected Outturn at Year End	Variance excluding Covid impact	Variance including Covid Impact	Last Month's Variance	Difference compared to last month
<b>Expenditure</b>							
<b>Supervision and Management (General)</b> *Housing Development & Estate Renewals *Director Housing Management *Tenancy and Estate Management *Income Collection *Re-Housing *Home Ownership & RTB's *Communications	15,024	7,064	15,024	0	0	0	0
<b>Corporate &amp; Democratic Core</b>	134	0	134	0	0	0	0
<b>Supervision and Management (Special)</b> *Grounds Maintenance *Energy *Communal Services *Sheltered Housing *Concierge & CCTV	6,721	4,503	6,791	0	70	65	5
<b>Repairs Admin</b> *Housing Prof Services *Technical Services	4,628	1,391	4,628	0	0	0	0
<b>Repairs Base</b> *Responsive & Planned	11,198	7,823	11,087	(111)	(111)	0	(111)
<b>Rates - Council Tax on Estate Renewals</b>	614	0	614	0	0	0	0
<b>Rates - Business Rates &amp; Council Tax</b>	62	0	62	0	0	0	0
<b>HRA Surplus (to fund Capital)</b>	7,016	0	7,016	0	0	0	0
<b>Bad Debt Provision</b>	605	0	165	(440)	(440)	(440)	0
<b>Capital Financing</b>	21,708	0	21,108	(600)	(600)	0	(600)
<b>Expenditure Total</b>	<b>67,712</b>	<b>20,782</b>	<b>66,631</b>	<b>(1,151)</b>	<b>(1,081)</b>	<b>(375)</b>	<b>(706)</b>
<b>Income</b>							
<b>Rents Dwellings</b>	(58,871)	(33,762)	(58,52)	350	350	0	350
<b>Rents Non Dwellings</b> (Shops/Garages/Community Halls)	(3,445)	(1,939)	(3,060)	175	385	410	(25)
<b>Interest on HRA Balances</b>	(380)	0	(380)	0	0	0	0
<b>Leaseholders Service Charges</b>	(5,016)	(4,144)	(5,016)	0	0	0	0
<b>Income Total</b>	<b>(67,712)</b>	<b>(39,846)</b>	<b>(66,977)</b>	<b>525</b>	<b>735</b>	<b>410</b>	<b>325</b>
<b>Total Cash Limit</b>	<b>0</b>	<b>(19,064)</b>	<b>(346)</b>	<b>(626)</b>	<b>(346)</b>	<b>35</b>	<b>(381)</b>

## Appendix B - HRA 10-year Capital programme Period 8 position

HRA APPROVED CAPITAL PROGRAMME	2021/22	2022/23	2023/24	2024/25	2025/26 to 2030/31	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Asset-Led Works	683	4,605	0	0	0	5,288
Asset-Led Works: Cambridge Road West	697	4,750	0	0	0	5,447
Asset-Led Works: Upper Edmonton	5,434	719	0	0	0	6,152
<b>Total Asset-Led Works</b>	<b>6,814</b>	<b>10,074</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,888</b>
Demand-Led Works	175	1,050	850	0	0	2,075
Demand-Led Works: Aids & Adaptations	1,137	1,300	1,500	0	0	3,937
Demand-Led Works: Structural Repairs	0	0	0	0	0	0
<b>Total Demand-Led Works</b>	<b>1,312</b>	<b>2,350</b>	<b>2,350</b>	<b>0</b>	<b>0</b>	<b>6,012</b>
Development Programme	2,120	32,994	70,725	26,550	205,157	337,546
Development Programme: Bury Street	9,526	9,636	438	0	0	19,599
Development Programme: Electric Quarter	5,901	1,291	0	0	0	7,191
Development Programme - Joyce & Snells	2,049	6,756	38,410	43,144	328,123	418,482
Development Programme: Reardon Court	1,800	10,069	18,231	0	0	30,100
Development Programme: Upton & Raynham	2,857	11,254	30,714	10,000	1,726	56,552
Development Programme: Gatward/Newstead & Maldon	5,001	110	0	0	0	5,111
<b>Total Development Programme</b>	<b>29,253</b>	<b>72,110</b>	<b>158,518</b>	<b>79,694</b>	<b>535,007</b>	<b>874,582</b>
Estate Regeneration: Alma Towers	8,980	5,679	736	648	1,286	17,328
Estate Regeneration: Ladderswood	183	250	110	110	110	763
Estate Regeneration: New Avenue	1,007	311	205	224	0	1,746
Estate Regeneration: Small Sites	80	0	0	0	0	80
<b>Total Estate Regeneration</b>	<b>10,250</b>	<b>6,239</b>	<b>1,051</b>	<b>982</b>	<b>1,396</b>	<b>19,917</b>
<b>Fire-Led Works</b>	<b>11,280</b>	<b>46,533</b>	<b>10,476</b>	<b>0</b>	<b>0</b>	<b>68,288</b>
Stock-Condition-Led Works	25,989	17,323	23,793	14,933	84,234	166,273
<b>Total Stock-Condition-Led Works</b>	<b>25,989</b>	<b>17,323</b>	<b>23,793</b>	<b>14,933</b>	<b>84,234</b>	<b>166,273</b>
<b>Total HRA</b>	<b>84,897</b>	<b>154,629</b>	<b>196,188</b>	<b>95,610</b>	<b>620,637</b>	<b>1,151,960</b>

## Appendix C – Financing Movement

The financing movements in the table below represent the change in financing in the full ten-year programme at period 8 compared to the approved position in February 2021.

Current Year Approved HRA Programme	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27- 2030/31	Future Years	TOTAL
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Development Programme:</b>								
External Sources- Grants & Contributions	(14,894)	791	(9,571)	2,599	(20,950)	26,069	0	(15,956)
LBE Resources-Reserves & Capital Receipts	(17,051)	13	(11,082)	(40,017)	(24,051)	(210,333)	0	(302,521)
Borrowing	(33,658)	(4,854)	39,638	0	23,400	(218,956)	0	(194,430)
<b>Development Programme Total</b>	<b>(65,603)</b>	<b>(4,050)</b>	<b>18,985</b>	<b>(37,418)</b>	<b>(21,601)</b>	<b>(403,220)</b>	<b>0</b>	<b>(512,907)</b>
<b>Estate Regeneration:</b>								
External Sources- Grants & Contributions	2,015	2,944	3,196	2,884	8,622	46,624	0	66,285
LBE Resources-Reserves & Capital Receipts	(11,025)	0	0	40,371	12,082	148,346	0	189,774
Borrowing	7,708	7,238	34,162	0	32,025	81,007	0	162,140
<b>Estate Regeneration Total</b>	<b>(1,302)</b>	<b>10,182</b>	<b>37,358</b>	<b>43,255</b>	<b>52,729</b>	<b>275,977</b>	<b>0</b>	<b>418,199</b>
<b>Investment in Stock:</b>								
External Sources- Grants & Contributions	346	1,129	0	0	0	0	0	1,475
LBE Resources-Reserves & Capital Receipts	(37,775)	32,218	5,350	0	0	0	0	(207)
Borrowing	0	(1,265)	0	0	0	0	0	(1,265)
<b>Investment in Stock Total</b>	<b>(37,429)</b>	<b>32,082</b>	<b>5,350</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>
<b>Total HRA Movements</b>								
External Sources- Grants & Contributions	(12,533)	4,864	(6,375)	5,483	(12,328)	72,693	0	51,804
LBE Resources-Reserves & Capital Receipts	(65,851)	32,231	(5,732)	354	(11,969)	(61,987)	0	(112,954)
Borrowing	(25,950)	1,119	73,800	0	55,425	(137,949)	0	(33,555)
<b>Total HRA Movements</b>	<b>(104,334)</b>	<b>38,214</b>	<b>61,693</b>	<b>5,837</b>	<b>31,128</b>	<b>(127,243)</b>	<b>0</b>	<b>(94,705)</b>