

**London Borough of Enfield
Cabinet**

Meeting date: 14th September 2022

Subject: HRA Revenue and Capital Programme Monitor Quarter 1

**Cabinet Member: Councillor George Savva (Social Housing)
Councillor Tim Leaver (Finance & Procurement)**

Executive Director: Joanne Drew (Acting)

Key Decision: KD5495

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 actual expenditure and income up to the end of June 2022.

Executive Summary

3. The HRA is achieving the Council's objectives through the development of new affordable homes, providing good homes in well-connected neighbourhoods, improving existing housing stock to create a lifetime of opportunities in Enfield, and sustaining strong and healthy communities.
4. The purpose of the report is to provide a forecast of the full year 2022/23 spend and income (both for capital and revenue) for the Housing Revenue Account (HRA).
5. The HRA revenue budget is a ring-fenced budget which includes all operating income (e.g. housing rent) and costs (e.g. housing officers, grounds or lift maintenance of housing estates or block cleaning) for Council housing.
6. The HRA revenue budget (gross expenditure of £68.9m), is forecasting a pressure of £2.3m against the approved budget. The variations to budget are as follows:
 - a. Repairs expenditure: this service is experiencing inflation and sub-contractor pressures and is estimated to have a budget shortfall of £1.5m (the shortfall to be funded by HRA repairs reserves);
 - b. Energy inflation is expected to generate a budget pressure of £0.8m (to be funded by HRA energy reserves).
 - c. Reduction in rental income due to delays in the handover of 12 new build properties— this is as a result of extension of time requirements from contractors as a result of the pandemic;

- d. Garage lettings have increased slightly this year which has seen an increase in the expected level of rental income
 - e. Since setting the budget the HRA reserves position has reduced as reported in the outturn report. This has reduced the interest receivable on the HRA reserves this year.
 - f. Reduction in expected borrowing levels due to the reduction in the capital programme outturn has reduced the borrowing requirement and in turn has reduced the interest payments expected.
7. On the HRA capital programme, the Council is forecast to spend £98.2m against the approved budget of £134.2m for 2022/23. The capital programme includes building and maintaining Council homes (e.g. fire safety works, replacement of bathrooms and building new homes). This is funded from grant, capital receipts and borrowing. The interest on borrowing is paid for from the Housing Revenue Account, essentially from Council housing rental income.
8. This year we are investing in existing Council homes to:
- a. comply with the requirements of the Building Safety Act and the Fire Safety Act
 - b. comply the requirements of the Decent Homes Standard
 - c. improve energy and thermal efficiency
 - d. to address statutory requirements (other than building investment and decency) including Water Safety and Lift Replacement
9. We are developing new Council homes:
- a. Bullsmoor Lane (31 new homes) being progressed by Modern Methods of Construction (MMC) with start on site due in November 2022. Dendridge Close has been withdrawn from MMC route with the budget to be used to purchase 27 units from Meridian Water.
 - b. Bury Street West (50 new homes, 25 affordable rented and 25 private sales) - construction works are on going with expected completion in January 2023.
 - c. Reardon Court (70 units) preparation works have commenced on site with the main build to commence in September 2022.
 - d. Joyce and Snells - A planning application will be submitted this year to enter into a Pre-contract Services Agreement to enable works to commence prior to construction.
 - e. Upton and Raynham (130 homes) – the forecast outturn has been reduced this year as contract award has been delayed due to further negotiations. Due to the current climate this scheme is being reviewed and options of how to progress this scheme are being considered.
 - f. Exeter Road (130 new homes) - Due to the current climate (inflationary pressures) this scheme is being reviewed and options of how to progress this scheme are being considered.
10. The report provides an update on the forecast position for the level of HRA reserves as at the end of financial year 2022/23.

Proposals

11. Cabinet is recommended to note the Quarter 1 HRA forecast outturn position for 2022/23 for both revenue and capital.

Relevance to the Council's Corporate Plan

12. The overarching aim of the Capital Programme is to provide a framework within which the Council's investment plans can be delivered.
13. 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
14. 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

15. The principle of maintaining a financially sustainable Housing Revenue Account and Capital programme are imperative in the context of an ambitious housing development programme. On 24th February 2022, the 2022/23 budget for both the revenue and the capital programme was set by Council.
16. The revenue budget covers operational or more day to day expenditure whereas the capital budget covers long term investment in Council housing assets.
17. 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.
18. This report is set out in three sections:
 - a. HRA Revenue budget
 - b. HRA Capital Programme
 - c. HRA Reserves

Main Considerations for the Council

19. This year we continue to experience a range of issues that 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

20. The HRA forecast outturn has generated an estimated pressure of £2.3m made up of repairs £1.5m and energy price increased £0.8m.
21. Table 1 below shows the forecast outturn position and total variances against budget. The movements are explained below.

Table 1 – Summary of the HRA Forecast Outturn

Council Housing (HRA) Revenue Monitor 2022/23	Budget	Actuals to date	Forecast Outturn	Variance
	£m	£m	£m	£m
Rents Dwellings	-60.49	-9.20	-60.46	0.04
Rents Non-Dwellings	-3.13	-1.28	-3.17	-0.04
Interest on HRA Balances	-0.19	0.00	-0.15	0.04
Leaseholders Service Charges	-5.08	-6.32	-5.08	0.00
Gross income	-68.90	-16.80	-68.86	0.04
Supervision and Management	22.45	0.50	23.25	0.80
Repairs Admin & Base	13.74	5.01	15.24	1.50
Rates	0.59	0.00	0.59	0.00
HRA Surplus (to fund Capital)	9.10	0.00	9.10	0.00
Bad Debt Provision	0.61	0.00	0.61	0.00
Capital Financing	22.27	0.00	22.23	-0.04
Corporate & Democratic Core	0.14	0.00	0.14	0.00
Gross Expenditure	68.90	5.51	71.16	2.26
Total	0.00	-11.29	2.30	2.30

Rental Income (£0.031m income shortfall)

22. Due to the current market conditions, the completion of 12 new homes at Gatward Green has been delayed. The delays in the units being completed has impacted the expected rental income to the HRA this year and has created a pressure in the revenue budget.

Garage Rents (£0.038m income surplus)

23. Letting of HRA garages has increased slightly this year which has seen an increase in the expected level of rental income this year.

Interest on balances (£0.044m shortfall)

24. Since setting the budget the HRA reserves position has reduced as reported in the outturn report. This has reduced the interest receivable on the HRA reserves this year.

Interest on debt (£0.037m saving)

25. There has been a reduction in the borrowing requirement for the capital programme this year. This is due to the increase in grant payments for a number of development projects. The allocation was estimated to be paid on the basis of 50% start on site and 50% on completion, however the GLA have allocated 85% start on site with the remaining 15% paid on completion. Receiving a higher level of grant at the start of the project has reduced the borrowing requirement this year, which has reduced the estimated interest payments on the HRA debt.

Repairs (£1.500m shortfall)

26. Enfield Repairs Direct (ERD) is experiencing cost pressures from inflation for materials and higher sub-contractor costs than estimated. The shortfall in budget, if materialised, will be funded from earmarked repairs reserves.

Energy (£0.800m shortfall)

27. The cost of energy has seen significant increases. Enfield Council procure energy through LASER, the well-established public-sector energy procurement firm. The events taking place in Ukraine are causing a significant impact to the UK energy market, with energy prices seeing a dramatic increase since the war started. Prices in March are at unprecedented levels and continue to show extreme volatility. Market prices have been moving by up to 80% within a 24hr period, which makes reliable future price forecasting exceptionally difficult to provide. Based on the latest energy data its estimated that the budget pressure in the HRA this year will be £0.8m after taking account of service charge income. This pressure will be funded from the earmarked energy reserves held in the HRA.
28. The HRA Business Plan has an efficiency target of £1m to be achieved this financial year. The table below shows how these savings are being achieved after considering known pressures:

Savings and Pressure summary	£m
Savings	
Reduction in cost of Safe and Connected service	0.03
Efficiency savings in cleaning community centres and sheltered accommodation	0.07
A reduction in temporary accommodation spending for council tenants	0.02
Increased income from community spaces hire	0.08
Reduction in overtime spend	0.24
Staffing vacancy factor @ 5%	0.88
Reduction in use of casual staff – community halls	0.01
Total Savings	1.31
Pressures	
Staffing pay award 2022/23	-0.50
Agency cover for vacant posts	tbc
Total Pressures	-0.50
Net Savings	0.81

29. The efficiency target hasn't yet been achieved this year, however work is still ongoing, and we estimate that the target will be found this year. 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 Forecast

30. The HRA capital budget for the current financial year is summarised in table 2 below. It provides the latest forecast outturn position compared to the original

budget as approved by Council. In order to manage cash flow and risk, the HRA has reduced forecast spend in the first two quarters pending receipt of income which would allow the drawing down of the full budget in Q3.

Table 2 HRA Capital Programme forecast

HRA Capital Programme 2022/23	Budget	Forecast Outturn	Variance
	£m	£m	£m
Decency	17.41	17.89	0.48
Energy Efficiency	4.93	3.18	-1.75
Building Investment	26.31	16.87	-9.44
Statutory Compliance	3.86	2.88	-0.98
Overheads & other investment	1.71	1.39	-0.31
Investment Programme	54.20	42.20	-12.00
Development Programme	22.52	9.27	-13.25
Development Programme - Joyce & Snells	5.96	6.68	0.72
Development Programme: Bury Street	10.66	10.66	0.00
Development Programme: Electric Quarter	1.26	1.26	0.00
Development Programme: Reardon Court	10.46	10.46	0.00
Development Programme: Exeter Road	7.04	7.04	0.00
Development Programme: Upton & Raynham	11.74	3.10	-8.64
Development Programme: Bullsmoor Lane	4.09	4.09	0.00
Development Programme	73.73	52.55	-21.18
Estate Regeneration: Alma Towers	5.68	3.12	-2.57
Estate Regeneration: Ladderswood	0.23	0.09	-0.14
Estate Regeneration: New Avenue	0.36	0.33	-0.03
Estate Regeneration Programme	6.27	3.53	-2.73
Grand Total	134.20	98.29	-35.91

HRA Capital Programme: Forecast, Expected Outcomes and reasons for variations to budget for 2022/23

31. This section provides details of significant areas of forecast spend, the associated outputs and variations to budget that will be delivered by those schemes this year. This includes investment in improving safety and the condition of Council homes, general maintenance, investments the support the climate action plan, building new homes and large-scale regeneration schemes.

Council Housing Investment Programme (£42.2m)

32. The Council Housing Investment Programme includes investment in the Council's housing stock, achieving the Decent Homes Standard and maintaining this, addressing building safety risks and reducing the need for responsive repairs.

33. The projected outturn for the investment on existing homes has been reduced in this quarter. this is to ensure the management of the HRA cash flow is maintained. There are a number of capital receipts expected this year to assist

in funding this programme, when these receipts are received the outturn position will be reviewed and it may be possible to increase spend in later quarters.

34. The headings that were previously reported for the investment programme have been updated to reflect the changing requirements for our existing stock. The new headings and descriptions are as follows:
- a. Building Investment – Investment to council homes to comply with the requirements of the Building Safety Act and the Fire Safety Act.
 - b. Decency – Investment to council homes to comply the requirements of the Decent Homes Standard.
 - c. Energy Efficiency – Investment to council homes to improve energy and thermal efficiency.
 - d. Statutory Compliance – Investment to council homes to address statutory requirements (other than building safety and decency) including Water Safety and Lift Replacement
 - e. Capital Programme Overheads and Other Investment – Investment to council homes not included in the above descriptions including professional fees, stock condition surveying, structural strengthening and estate improvements.

Decency (£17.89m)

35. This budget funds decent homes improvement works, to ensure we comply with the Decent Homes Standard requirements. These works include the replacement of kitchens, bathrooms and electrical works on properties within our stock. The budget requirements have increased slightly this year to meet decency strategy requirements.

Energy Efficiency (£3.18m)

36. These projects aim to improve the energy and thermal efficiency of our existing stock. These projects include the deep retrofit and external wall insulation, which are partly grant funded projects. The contractors have proposed an increased pricing schedule (based on current market pressures) and in addition a reduced programme of works. We are continuing with this project on the revised basis as this will assist in achieving the net zero homes objective.

Building Investment (£16.87m)

37. We are investing in our homes to ensure we are compliant with the Building Safety Act and Fire safety Act requirements. Cladding works on a number of blocks has been delayed due to contract award delays, this has reduced the budget requirement for this year.

Statutory Compliance (£2.88m)

38. This budget will address statutory requirements (other than building safety and decency) including water safety and lift replacements works.

Overheads and other investments (£1.39m)

39. This budget includes professional fees, stock condition surveys, structural strengthening and estate improvements works.

Social Value

40. Contracts let this year are expected to 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.
 - Moving forward all Social Value outcomes will be captured via the Social Value Portal, using the Council Housing social value model. Social Value will account for 10% of the tender evaluation score.

Development Programme (£52.55m)

41. Bullsmoor Lane (31 new homes) – this project is being progressed by Modern Methods of Construction (MMC) with start on site due in November 2022. Dendridge Close has been withdrawn from MMC route with the budget reallocated to purchase 27 units from the Meridian Water project.
42. Bury Street West (50 new homes, 25 affordable rented and 25 private sales) - construction works are ongoing with expected completion of the units expected in January 2023.
43. Reardon Court (70 units) - The contractor for this project has now been selected. Preparation works have commenced on site with the main build to commence in September 2022. This project will provide new affordable homes with care for older residents in the borough.
44. Electric Quarter (75 new homes) - All 75 homes were acquired by the Council, with the last 28 shared ownership transferred to the Council in March 2022. The developer is still under obligations to complete the estate and meeting development and sales conditions, including defects, arising from the agreements with the Council. At as June 2022, 9 of the shared ownership units have been sold, with 7 available for sale, and 10 reserved and in the conveyancing process, with total capital receipts anticipated of £2.7m in 2022/3.
45. Joyce and Snells - This year a planning application will be submitted to enter into a Pre-contract Services Agreement to enable works to commence prior to construction. Further procurements will also be progressing to support this including cost consultants and external legal services. Furthermore, it is proposed (subject to Cabinet) that work will commence on a Compulsory Purchase Order application on existing blocks to ensure that vacant possession can be secured prior to commencement of Phase 1.

46. Upton and Raynham (130 homes) - This budget has been reduced this year as contract award has been delayed due to further negotiations. Due to the current climate this scheme is being reviewed and options of how to progress this scheme are being considered.
47. Exeter Road (130 new homes) - Due to the current climate (inflationary pressures) this scheme is being reviewed and options of how to progress this scheme are being considered.
48. 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.
49. As part of this review empirical build costs and revised expenditure profiles are being used to update the HRA Business Plan which will be submitted to Cabinet later in the financial year

Estate Regeneration (£3.53m)

50. 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.
51. Alma - all residential properties have been acquired, with a few commercial units that will be acquired over the next two years. In September 2021 a revised planning consent was granted and phases 2a and 4 have been brought forward, the completions of these phases is expected in January 2024. The expected spend this year has been reduced based on the latest contractor payments forecast.
52. Ladderswood - Phase 4 construction is progressing well, with the super structure frame close to completing. This phase is programmed for completion in June 2024. Due to various delays and title issues, the commercial units remain void which will impact on rental income, we currently we only have 1 out the 6 units on offer and are progressing completion of the lease. We are anticipating an overage payment of £5m in Q3.
53. New Avenue - all residential buyback properties have been acquired. Phase 1 is complete, phase 2 commenced in April 2022 and is well underway with foundations largely complete and some concrete frames rising. The existing building in phase 3 (Coverack Close) is fully vacated and is due to be demolished in September 2022.

Risks

54. 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.
55. A significant risk is that of increasing construction costs, noted below, which is expected to impact on residential contracts entered into. Mitigations will have to be found in specification of works and securing maximum grant support whilst monitoring market conditions and the macro-economic environment.
56. 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.
57. 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. If project expenditure increases significantly it may mean that projects may be delayed, must be redesigned to remain affordable or abandoned. If projects are abandoned then this will have an impact on the revenue reserves position, as costs which have already been capitalised may need to revert back to revenue as there will be no asset to capitalise the costs against.
58. 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.
59. 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.
60. 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 HRA Capital Programme

61. Table 3 below sets out the forecast financing of the 2022/23 HRA Capital programme, which will be a combination of grants, capital receipts (sales of assets), reserves and borrowing.

Table 3 Forecast financing of the HRA Capital Programme

HRA Capital Programme Financing 2022/23	Capital Grants	S106, CIL, Revenue	Usable Capital Receipts	Major Repairs Allowance	Reserves	Borrowing	Total Funding
	£m	£m	£m	£m	£m	£m	£m
Decency	0.00	0.00	6.84	3.76	-1.46	8.74	17.89
Energy Efficiency	0.50	0.00	0.04	0.24	1.00	1.49	3.28
Building Investment	0.00	0.00	4.68	4.89	1.37	5.84	16.77
Statutory Compliance	0.00	0.00	1.34	1.15	0.08	0.31	2.88
Overheads & other investment	0.00	0.00	0.14	1.25	0.01	0.00	1.39
Total Investment Programme	0.50	0.00	13.04	11.28	1.00	16.38	42.20
Development Programme (General)	2.33	0.00	0.00	0.00	0.00	6.94	9.27
Joyce & Snells	0.00	0.00	0.00	0.00	0.00	6.68	6.68
Bury Street	1.25	0.00	0.00	0.00	0.00	9.41	10.66
Electric Quarter	0.27	0.00	0.00	0.00	0.00	1.00	1.26
Reardon Court	7.84	0.00	0.00	0.00	0.00	2.62	10.46
Exeter Road	0.00	0.00	0.00	0.00	2.81	4.22	7.04
Upton & Raynham	3.75	0.00	0.00	0.00	0.00	-0.64	3.10
Bullsmoor Lane	2.30	0.00	0.00	0.00	0.00	1.79	4.09
Total Development Programme	17.72	0.00	0.00	0.00	2.81	32.01	52.55
Alma Towers	0.00	0.00	0.00	0.00	0.00	3.12	3.12
Ladderswood	0.00	0.00	0.00	0.00	0.00	0.09	0.09
New Avenue	0.00	0.00	0.00	0.00	0.00	0.33	0.33
Total Estate Regeneration	0.00	0.00	0.00	0.00	0.00	3.53	3.53
Grand Total	18.22	0.00	13.04	11.28	3.81	51.92	98.29

62. This year there is a significant focus on how the capital programme is financed. The below details the grants and capital receipts elements as these areas are the highest risk and will impact the borrowing or reserves position if not achieved.

Grants Summary

63. Table 4 overleaf provides a summary of the expected grant levels in 2022/23, awarding bodies and risk associated with received the grant.

Table 4 Summary of Grant Funding

Project	£m	Awarding Body	Risk
Bullsmoor	2.30	GLA	Low
Upton and Raynham	3.75	GLA	High
Reardon Court	7.40	GLA	Low
Reardon Court	0.44	Kingsdown Charitable Trust fund	Low
Gatward Green	0.71	GLA	Low
Bury Street West	1.25	GLA	Low
Electric Quarter	0.27	GLA	Low
Meridian Water Acquisition	1.62	GLA	Medium
External Wall and Deep Retrofit	0.50	Department for Business, Energy and Industrial Strategy (BEIS)	Low
Total	18.22		

64. 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 2021-26 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.
65. 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) last year that the application has successfully met the assessment criteria for funding to provide energy efficiency upgrades to low-income homes. This funding is supporting the installation of External Wall Insulation in 61 Council properties.

Capital Receipts

66. Table 5 below provides a summary of the expected HRA capital receipts in 2022/23, and risk associated.

Table 5 Summary of forecast 2022/23 Capital receipts

Project	£m	Risk
Land Disposals Programme	2.00	Medium
Alma Developer Receipt	0.06	Low
Electric Quarter Shared Ownership Sales	2.71	Medium
Capital Receipts from previous years	8.27	Low
Total	13.04	

67. As part of the Electric Quarter project the HRA has acquired 75 homes of which 28 are shared ownership units. At as June 2022, 9 of the shared ownership

units have been sold, with 7 available for sale, and 10 reserved and in the conveyancing process.

68. In order to assist in funding the capital programme there is currently a review of HRA owned land that could be disposed of. The £2m target this year is on track to be achieved from these sales.

Reserves

69. The level of HRA reserves, after capital financing, is shown below:

Reserves -ve expenditure +ve positive balances on reserves	Balance at 01/04/2022	Movement (net of capital financing)	Balance at 01/04/2023
	£m	£m	£m
HRA Repairs Fund	1.58	0.00	1.58
HRA Balance	3.19	9.09	12.28
HRA Capital reserve	1.06	3.40	4.46
HRA Major repairs reserve	0.77	0.00	0.77
HRA Capital receipts	0.17	0.00	0.17
Total Reserves (Usable)	6.77	12.49	19.26
HRA Insurance	0.32	0.00	0.32
HRA RTB one for one receipts	18.16	11.00	29.16
Total Reserves (specific use)	18.48	11.00	29.48
Total Reserves	25.25	23.49	48.74

70. In 2021/22 the reserves position reduced (as expected) due to the increase in spend in the HRA capital programme. In order to achieve the Council objectives for the delivery of 3,500 new homes over the next 14 years it has been necessary to use reserves to fund the demands in the short term, and in the long term the delivery of new homes will generate additional revenue rental income and capital sales receipts in order to maintain a viable HRA business plan. However, the reserves position was reduced further than expected due to capital receipts not materialising. The reserve levels remain above the minimum balance level of £6m.
71. In 2022/23 receipts of £17.05m are expected which will be utilised to fund the capital programme. In addition, a higher level of major works receipts from leaseholders has already been achieved this year which will assist in increasing the reserves position.
72. In addition, more robust cash flow monitoring has been introduced to ensure minimum reserve levels are maintained throughout the year. In addition, this will assist in ensuring the capital receipts received during the year are sufficient to fund the Investment Programme this year.

Safeguarding implications

73. Not relevant to this report

Public Health Implications

74. 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.
75. 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.
76. 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

77. Not relevant to this report

Environmental and Climate Change Considerations

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

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

79. Not relevant to this report

Financial Implications

80. There are not direct financial implications of noting this report. Wider financial implications are implicit in the report.

Legal Implications

81. 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.
82. Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs. The

Local Government Act 1972 brought in the current regime for capital finance for local authorities.

83. There are no direct legal implications arising from this report. The report is produced as part of the requirements for managing the Council's spending within budget.

Workforce implications

84. Not relevant to this report

Property Implications

85. Whilst a number of capital projects mentioned within this report have property implications, these will have been highlighted in the relevant report that authorised the project. As such, this report in itself does not have any direct property implications.

Other Implications

86. There are no other implications

Conclusions

87. The HRA revenue budget will continue to be closely monitored over the coming year, in particular monitoring the cost pressures arising from the current economic position. Action will be taken to address in year cost pressures as these arise to ensure that the HRA maintains financial resilience this will be reported to Cabinet during the coming financial year. A review will be required of repairs costs in particular to ensure the cost pressures can be mitigated as far as possible.

Report Author: Claire Eldred
HRA Finance Manager
claire.eldred@enfield.gov.uk

Date: 15 September 2022

Background Papers

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

1. **Ten year Capital programme report (KD5353)**