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**THE WORSHIPFUL THE MAYOR
AND COUNCILLORS OF THE
LONDON BOROUGH OF ENFIELD**

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My Ref: DST/PW

Date: 19 September 2016

Dear Councillor,

To Follow Papers: Council 21 September 2016

Please find attached the following papers mentioned as “to follow” on the agenda for the Council meeting to be held on 21 September 2016.

Item 9 **BOUNDARY COMMISSION FOR ENGLAND PARLIAMENTARY CONSTITUENCY REVIEW 2018** (Pages 1 - 22)

Item 16 **HOUSING GATEWAY LIMITED PROPERTY ACQUISITION** (Pages 23 - 32) This report should be read in conjunction with report no: 84 on the Part 2 Agenda.

Please bring these papers with you to the meeting on Wednesday 21 September 2016. If you have any queries in the meantime, please contact Penelope Williams, details above.

Thank you

Yours sincerely

Asmat Hussain

Assistant Director Legal & Corporate Governance

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MUNICIPAL YEAR 2016/2017 REPORT NO. **87**

MEETING TITLE AND DATE:

Council
21 September 2016

REPORT OF:

Chief Executive

Agenda – Part: 1	Item: 9
Subject: Boundary Commission for England Parliamentary Constituency Boundary Review 2018	
Wards: All	
Cabinet Member consulted: Not applicable	

Contact officer and telephone number: James Kinsella 020 8379 4041

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1. EXECUTIVE SUMMARY

- 1.1. The Boundary Commission for England (BCE) announced in February 2016 that, in accordance with the Parliamentary Voting System and Constituencies Act 2011, it would be commencing its next review of Parliamentary constituency boundaries in September 2016.
- 1.2. The BCE published its initial proposals for the review of parliamentary constituency boundaries on Tuesday 13 September 2016 and this report outlines how the proposals will impact on Enfield and the timetable for the consultation and review process which the BCE will now follow.

2. RECOMMENDATION

- 2.1. Council is asked to note publication of the initial parliamentary constituency boundary review proposals by the Boundary Commission for England and timetable for their review process.
- 2.2. That the review proposals be referred on to the Electoral Services Panel for more detailed consideration and in order to consider whether Council should be recommended to make formal representations to the BCE as part of the review process.

3. BACKGROUND

3.1 Review Process

- 3.1.1 The Boundary Commission for England (BCE) has the task of periodically reviewing all Parliamentary constituencies in England. In accordance with the

Parliamentary Voting System and Constituencies Act 2011, they have now commenced their latest review, on which they are required to make recommendations to Government by September 2018.

3.1.2 The legislation requires that there will be 501 parliamentary constituencies in England (an overall reduction of 32) and that, with the exception of the Isle of Wight, each constituency must contain between 71,031 and 78,507 parliamentary electors. The legislation also states that in undertaking the review, the Commission may take into account:

- a. Special geographical considerations, including the shape, size and accessibility of a constituency (primarily relating to physical, geography e.g. lakes, rivers rather than human or social geography)
- b. Local government boundaries as they existed on 7 May 2015;
- c. Boundaries of existing constituencies;
- d. Any local ties that would be broken by changes in constituencies.

Guidance published by the BCE on the review makes it clear, however, that whilst these factors may be taken into account, the statutory electorate range will remain as the primary consideration i.e. achieving electorates of between 71,031 and 78,507. These figures are based on the requirement within Schedule 2 of the 2011 Act that every constituency must have an electorate (as at the review date) that is no less than 95% and no more than 105% of the UK electoral quota, which for the 2018 review is the nearest whole number to 74,769.

3.1.3 The BCE have also been clear in their review guidance on factors that will not be taken into consideration which include:

- a. Impact on future elections results;
- b. New local government boundaries; and
- c. Changes to the electorate after the initial review date (which has been based on the revised electoral register published on 1 December 2015)

3.1.4 The parliamentary electorates for the 3 existing Enfield constituencies (based on the electoral register published on 1 December 2015) are as follows:

Edmonton	Bush Hill Park	9,872
	Edmonton Green	9,491
	Haselbury	8,872
	Jubilee	8,502
	Lower Edmonton	8,849
	Ponders End	8,441
	Upper Edmonton	9,333
	Total	63,360
	Under quota by	(7,671)

Enfield North	Chase	9,210
	Enfield Highway	9,402
	Enfield Lock	9,711
	Highlands	9,630
	Southbury	8,782
	Town	10,525
	Turkey Street	8,721
	Total	65,981
	Under quota by (5,050)	
Enfield Southgate	Bowes	7,796
	Cockfosters	9,532
	Grange	9,321
	Palmers Green	9,154
	Southgate	9,321
	Southgate Green	8,805
	Winchmore Hill	9,129
	Total	62,915
	Under quota by (8,118)	

- 3.5 The BCE decided at the outset to base its recommendations on the nine regions used for European Parliamentary elections, of which London is one. On this basis, there is a need to reduce the number of Members of Parliament (MPs) elected in London by 5 from 73 to 68. In adopting this approach the BCE have made it clear that this is not designed to impact on European electoral matters and has not been affected by the recent referendum result. They have also advised that whilst it will not prevent anyone from submitting alternative proposals, as part of the consultation process, that do cross regional boundaries, “very compelling reasons” would need to be provided to persuade them to depart from this regional based approach.

3.2 Review Proposals

- 3.2.1 The BCE published its initial proposals on 13 September 2016. It decided from a “purely practical approach” to divide London into two sub-regions: North Thames and South Thames.

Enfield has been placed in the North Thames sub-region along with Barking and Dagenham, Barnet, Brent, Camden, City of London, Ealing, Hackney, Hammersmith and Fulham, Haringey, Harrow, Havering, Hillingdon, Hounslow, Islington, Kensington and Chelsea, Newham, Redbridge, Richmond upon Thames, Tower Hamlets Waltham Forest and Westminster. On this basis, 42 constituencies have been recommended in the sub region, 3 fewer than at present.

- 3.2.2 The BCE’s rationale for the grouping of boroughs into sub regions is as follows:

“Our approach in attempting to group London boroughs together into sub-regions was based both on trying to respect natural boundaries, and on achieving where we could, obvious practical groupings such as those dictated in some part by the geography of the area.....we were mindful of seeking to respect, where we could, the external boundaries of London boroughs and the natural boundaries such as the River Thames and the River Lee.”

The BCE then go on to state, within their initial proposals: “A particular issue that affected our distribution of constituencies throughout London is the electoral size of the wards in each London borough. The majority of wards contain more than 6,000 electors. This made it difficult to create constituencies with an electorate within 5% of the electoral quota, while avoiding dividing wards between constituencies. In considering alternative distributions of constituencies in London, we noted that it was possible to create constituencies by aggregating wards from a number of neighbouring boroughs.”

3.2.3 In terms of the specific proposals for the North Thames sub region the BCE state:

“The electorate for the North Thames sub-region is 3,171,133....of the existing constituencies 14 have electorates within 5% of the electoral quota: Barking, Bethnal Green and Bow, Brent Central, Chipping Barnet, Ealing North, Hackney North and Stoke Newington, Hackney South and Shoreditch, Hampstead and Kilburn, Hornchurch and Upminster, Hornsey and Wood Green, Ilford South, Poplar and Limehouse, Ruislip, Northwood and Pinner and Twickenham. Of the remaining constituencies 25 have electorates that are below the 5% limit and six are above.

We considered whether we could leave unchanged any of the 14 existing constituencies that have an electorate within 5% of the electoral quota. However, in developing proposals in which all the proposed constituencies are within the 5% limit and taking account of the reduction in number of constituencies in this sub-region, we propose changing all but two constituencies – Hornchurch and Upminster and Twickenham.

In this sub-region, we treated the River Lee as a natural boundary and were thus able to allocate 11 constituencies to the east of the Lee, across the five London boroughs (Barking and Dagenham, Havering, Newham, Redbridge and Waltham Forest). However, our proposed Bow and Canning Town constituency crosses the River Lee at the local authority boundaries of Newham and Tower Hamlets.”

The BCE then go on to state: “Our proposals to the west of the River Lee, extending to the Edgware Road and Maida Vale (A5), include the boroughs of Barnet, Camden, Enfield, Hackney, Haringey, Islington, Tower Hamlets, the City of London and part of Westminster.....Our proposals in the remainder of the North Thames sub-region, west of the Edgware Road and Maida Vale (A5) include the boroughs of Brent, Ealing, Harrow, Hammersmith and Fulham, Hillingdon, Hounslow, Kensington and Chelsea and Richmond upon Thames.”

- 3.2.4 In terms of the specific proposals relating to Enfield, the BCE have stated in their initial proposals:

“In Enfield, we noted that the borough was too large for two constituencies. We propose an **Enfield constituency**, which retains seven wards from the existing Enfield North constituency and adds Grange ward from the existing Enfield Southgate constituency. Our proposed **Edmonton constituency** retains seven wards from the existing constituency and includes the ward of Palmers Green from the existing Enfield Southgate constituency. We believe that this reconfiguration provides for improved road connections within the constituency, particularly with the Bush Hill Park ward that lies to the west of the A10.”

In addition the proposals state:

“In Barnet, we noted that the borough was too small for three whole constituencies within its borough boundary. We propose a **Finchley and Southgate Constituency**, which includes three wards (Southgate, Southgate Green & Winchmore Hill) from the existing Enfield Southgate constituency, two wards from the existing Chipping Barnet constituency and three wards from the existing Finchley and Golders Green constituency. We propose a **Chipping Barnet and Mill Hill constituency**, which retains five wards from the existing Chipping Barnet constituency and includes Cockfosters ward from the existing Enfield Southgate constituency and Mill Hill ward from the existing Hendon constituency....”

In Haringey we propose a **Hornsey and Wood Green constituency**, which retains nine of its current wards and includes the Enfield borough ward of Bowes from the existing Enfield Southgate constituency. These changes have been undertaken to ensure that the constituencies are within 5% of the electoral quota.”

- 3.2.5 The parliamentary electorates for the 5 constituencies that are proposed for Enfield by the BCE are as follows:

Chipping Barnet and Mill Hill	72,580
(Cockfosters)	
Above minimum quota by	1,549
Below maximum quota by	(5,927)
Edmonton	72,514
(Bush Hill Park, Edmonton Green, Haselbury, Jubilee, Lower Edmonton, Palmers Green, Ponders End, Upper Edmonton)	
Above minimum quota by	1,483
Below maximum quota by	(5,993)
Enfield	75,302
(Chase, Enfield Highway, Enfield Lock, Grange, Highlands, Southbury, Town and Turkey Street)	
Above minimum quota by	4,271
Below maximum quota by	(3,205)

Finchley and Southgate	76,857
(Southgate, Southgate Green and Winchmore Hill)	
Above minimum quota by	5,826
Below maximum quota by	(1,650)

Hornsey and Wood Green	74,418
(Bowes)	
Above minimum quota by	3,387
Below maximum quota by	(4,089)

3.2.6 If the BCE's initial proposals are approved by Parliament, there will be a number of practical implications, which will include the following:

- a) 5 rather than the current 3 MPs will have a constituency interest in Enfield, which may present challenges to those MPs, to other elected representatives including councillors and to the local authority;
- b) The arrangements for local government, London Mayoral and Assembly and European Parliamentary elections will remain unchanged. The re-drawing of parliamentary constituency boundaries will have no direct effect on the electoral boundaries relating to these other elections;
- c) There will be no effect on electoral registration matters. The Electoral Registration Officer for Enfield will continue to administer the register of electors and absent voting arrangements for the borough for all elections;
- d) There will however be a direct effect on the administration of parliamentary elections. The Returning Officers for the relevant constituencies (which are likely to be Enfield for Edmonton and Enfield Barnet for Chipping Barnet and Mill Hill & Finchley and Southgate and Haringey for Hornsey and Wood Green) will be responsible for the administration of the polls in each of those constituencies, and will therefore be managing the polls within the respective areas of Enfield. This situation will be exacerbated should a parliamentary election be combined with that for any local government, London Mayoral, London Assembly or European Parliamentary election, as is currently scheduled in 2020 with the Parliamentary due to be combined with the London Mayoral and Assembly elections;
- e) When parliamentary polling districts and polling places are reviewed in the future, the Returning Officers for the relevant constituencies will need to be invited to make representations in the Enfield wards they "take in", not the Enfield Returning Officer.

3.3 Consultation Process and Timetable

3.3.1 The BCE are consulting on their initial proposals for a 12-week period, from 13 September to 5 December 2016. In doing so, they have made it clear that:

- a) They cannot recommend constituencies that have parliamentary electorates of less than 71,031 or more than 78,507;
- b) In the absence of exceptional and compelling circumstances, it would not be appropriate to divide wards;
- c) Compelling reasons would need to be given to persuade them to cross regional boundaries.

3.3.2 The 2018 review is being carried out under a new procedure that relies on a combination of written representations and oral representations at public hearings. The system of public inquiries previously used has been abolished to be replaced by shorter public hearings, chaired by an independent Assistant Commissioner. The Commission has stated that “all representations [written or oral] will be given equal consideration”.

3.3.3 The BCE is required to consider all written representations made in the 12-week consultation period. In order to enable comments to be submitted the Commission has set up an interactive consultation website which not only allows you to submit comments but also to check which constituency you will fall within under the new proposals and compare this with the existing constituency and local government boundaries. The website can be accessed via the following address:

www.bce2018.org.uk

The BCE are strongly encouraging anyone who wishes to submit their comments in writing to do so via the consultation website.

3.3.4 In addition the BCE will also welcome oral representations, for which purpose they will be conducting a series of public hearings during the consultation period.

3.3.5 Five public public hearings have been arranged across London with the locations and dates as follows:

- Westminster: Central Hall Westminster: Monday 17 – Tuesday 18 October 2016
- Bromley: Bromley United Reform Church Hall – Thursday 20 – Friday 21 October 2016
- Harrow: Kenton Hall, Woodcock Hill – Monday 24 – Tuesday 25 October 2016
- Kingston: The Main Guildhall – Thursday 27 – Friday 28 October 2016
- Romford: Havering Town Hall – Monday 31 October – Tuesday 1 November 2016

The purpose of these hearings is to provide an opportunity for people to put their views on the proposals directly to an Assistant Commissioner, who will

chair the hearing and subsequently assist the Commission in the analysis of all the evidence received in the region. The Commission have advised that that the hearings will differ from the previous way they used to conduct “local inquiries” which were much more judicial in style e.g. allowing people to cross examine each other. The legislation under which the current review is being undertaken specifically rules out these type of inquiries, requiring instead that the Commission host “public hearings” intended “purely as a way for people to make representations orally, directly to representatives of the Commission, as well as to provide an opportunity for the Commission to explain its proposals”. As such they have stated that any “public hearing is intended to provide an opportunity for people to make representations about any of the BCE’s initial proposals ... and to present any counter-proposals ... [and] is not intended to focus to any significant degree on comments about any counter-proposals ... put forward by others, as this can be done in the secondary consultation stage”.

3.3.6 For ease of consideration, the Commission has asked that consultation responses take the following form:

- a) “First, if you support our proposals, please tell us so...;”
- b) “Second, if you are considering objecting to our proposals, do please use the resources (such as maps and electorate figures) available on our website and at the places of deposit to put forward counter-proposals which are in accordance with the rules to which we are working...”

3.3.7 Whilst keen to encourage the submission of any comments, the Commission have also highlighted the need to consider any knock-on effects that may arise as a result of the suggestions being made not only on neighbouring constituencies but also further afield across the region as a whole.

3.3.8 The BCE have also confirmed that comments can be submitted both in writing (via their interactive website) and also in person at one of the public hearings.

3.3.9 As soon as possible after the initial 12-week consultation period, the BCE will publish all of the representations received.

3.3.10 A further 4-week secondary consultation period will then follow (likely to take place in Spring 2017) to allow interested parties to submit written comments to the BCE on those representations. There are no public hearings at this stage.

3.3.11 Following the initial and secondary consultation periods, the Commission will consider and analyse all representations made and whether the initial proposals should be amended or not in light of those representations.

3.3.12 If any of the initial proposals are revised by the BCE, then they will need to publish the revised proposals for the areas concerned and consult on them for a further period of 8-weeks. This is likely to be towards the end of 2017, and

will not involve any further public hearings or the same opportunity to comment on any representations received.

3.3.13 The Commission will then consider any further representations made on the revised proposals and throughout the review, before determining their final recommendations which will be set out in a published report to the Government.

3.3.14 The Government must then lay the final report and a draft Order in Council giving effect to the recommendations before Parliament. It may not modify any of the recommendations unless specifically requested to do so by the BCE.

3.3.15 Both Houses of Parliament must actively debate and approve or reject the draft Order. If the draft Order is not approved by both Houses, the Government may amend the draft and lay an amended version before Parliament for approval.

3.3.16 Any revised constituency boundaries will come into effect at the next general election, in May 2020.

3.4 London Borough of Enfield - review

3.4.1 Council is being asked to note publication of the initial consultation proposals by the BCE and how they impact on Enfield, along with the timetable for the BCE review process. It is also recommended that consideration of the detailed proposals be undertaken by the Electoral Services Review Panel in order to consider whether any formal representations should be recommended to Council in terms of how the review affects Enfield.

3.4.2 Attached for information as Appendix A is a breakdown of the wards and electorates within each of the five constituencies initially proposed where Enfield will have an interest

3.4.3 Attached as Appendix B are maps showing the outlines of the 5 constituencies initially proposed by the BCE in which Enfield will have an interest.

3.4.4 It should be noted that the boundary changes proposed will not affect local government boundaries, which means that the London Borough of Enfield will continue as an administrative entity despite parts of the area falling within a parliamentary constituency also covering another local authority area. .

4 ALTERNATIVE OPTIONS CONSIDERED

The Council is not obliged to make representations to the BCE but the Commission has published its initial proposals for consultation by all interested parties.

5 REASONS FOR RECOMMENDATIONS

To determine whether Council should be recommended to make representations to the BCE.

6 COMMENTS OF THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES AND OTHER DEPARTMENTS

a) Financial Implications

There are no direct financial implications other than Officer time in the preparation of supporting information.

b) Legal Implications

The BCE must undertake its review of parliamentary constituency boundaries in accordance with the provisions of the Parliamentary Voting System and Constituencies Act 2011, including taking into account representations made by interested parties.

7 KEY RISKS

The re-designation of parliamentary constituency boundaries will have an effect on the relationship of MPs with the Council. At present, 3 MPs have a direct interest in the Borough; the BCE's initial proposals will increase this representation to 5, 3 of whom will also have an interest in neighbouring local authority areas.

8. IMPACT ON COUNCIL PRIORITIES

8.1 Fairness for All

To ensure fairness for all, appropriate democratic representation is required at all levels.

8.2 Growth and Sustainability

To generate growth and sustainability, appropriate democratic representation at all levels is required.

8.3 Strong Communities

The development and maintenance of strong communities is enhanced by effective democratic representation at all levels..

9. PERFORMANCE MANAGEMENT IMPLICATIONS

The designation of effective and appropriate parliamentary constituency boundaries assists the local authority in continuing to deliver high quality services across the borough.

10. EQUALITY IMPACT IMPLICATIONS

An equality impact assessment has not been undertaken at this stage in relation to the BCE consultation proposals.

11. PUBLIC HEALTH IMPLICATIONS

The development and monitoring of public health is enhanced by effective democratic representation at all levels.

Background papers:

Boundary Commission for England's initial proposals for the review of parliamentary constituency boundaries published on 13 September 2016

APPENDIX A Proposed Constituencies Electorate Figures
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Proposed Constituency	Electorate	Ward & Borough
CHIPPING BARNET & MILL HILL	72,580	
	10,684	East Barnet – LB Barnet
	10,508	High Barnet – LB Barnet
	11,380	Mill Hill – LB Barnet
	10,637	Oakleigh – LB Barnet
	9,302	Totteridge – LB Barnet
	10,537	Underhill – LB Barnet
	9,532	Cockfosters – LB Enfield
EDMONTON	72,514	
	9,872	Bush Hill Park – LB Enfield
	9,491	Edmonton Green – LB Enfield
	8,872	Haselbury – LB Enfield
	8,502	Jubilee – LB Enfield
	8,849	Lower Edmonton – LB Enfield
	9,154	Palmers Green – LB Enfield
	8,441	Ponders End – LB Enfield
	9,333	Upper Edmonton – LB Enfield
ENFIELD	75,302	
	9,210	Chase – LB Enfield
	9,402	Enfield Highway – LB Enfield
	9,711	Enfield Lock – LB Enfield
	9,321	Grange – LB Enfield
	9,630	Highlands – LB Enfield
	8,782	Southbury – LB Enfield
	10,525	Town – LB Enfield
	8,721	Turkey Street – LB Enfield
FINCHLEY & SOUTHGATE	76,857	
	10,823	Brunswick Park – LB Barnet
	9,989	Coppetts – LB Barnet

	9,748	East Finchley – LB Barnet
	8,794	West Finchley – LB Barnet
	10,391	Woodhouse – LB Barnet
	9,178	Southgate – LB Enfield
	8,805	Southgate Green – LB Enfield
	9,129	Winchmore Hill – LB Enfield

HORNSEY & WOOD GREEN	74,418	
	7,796	Bowes – LB Enfield
	7,473	Alexandra – LB Haringey
	7,195	Bounds Green – LB Haringey
	8,207	Crouch End – LB Haringey
	7,735	Fortis Green – LB Haringey
	7,150	Highgate – LB Haringey
	7,880	Hornsey – LB Haringey
	7,049	Muswell Hill – LB Haringey
	7,078	Noel Park – LB Haringey
	6,855	Woodside – LB Haringey

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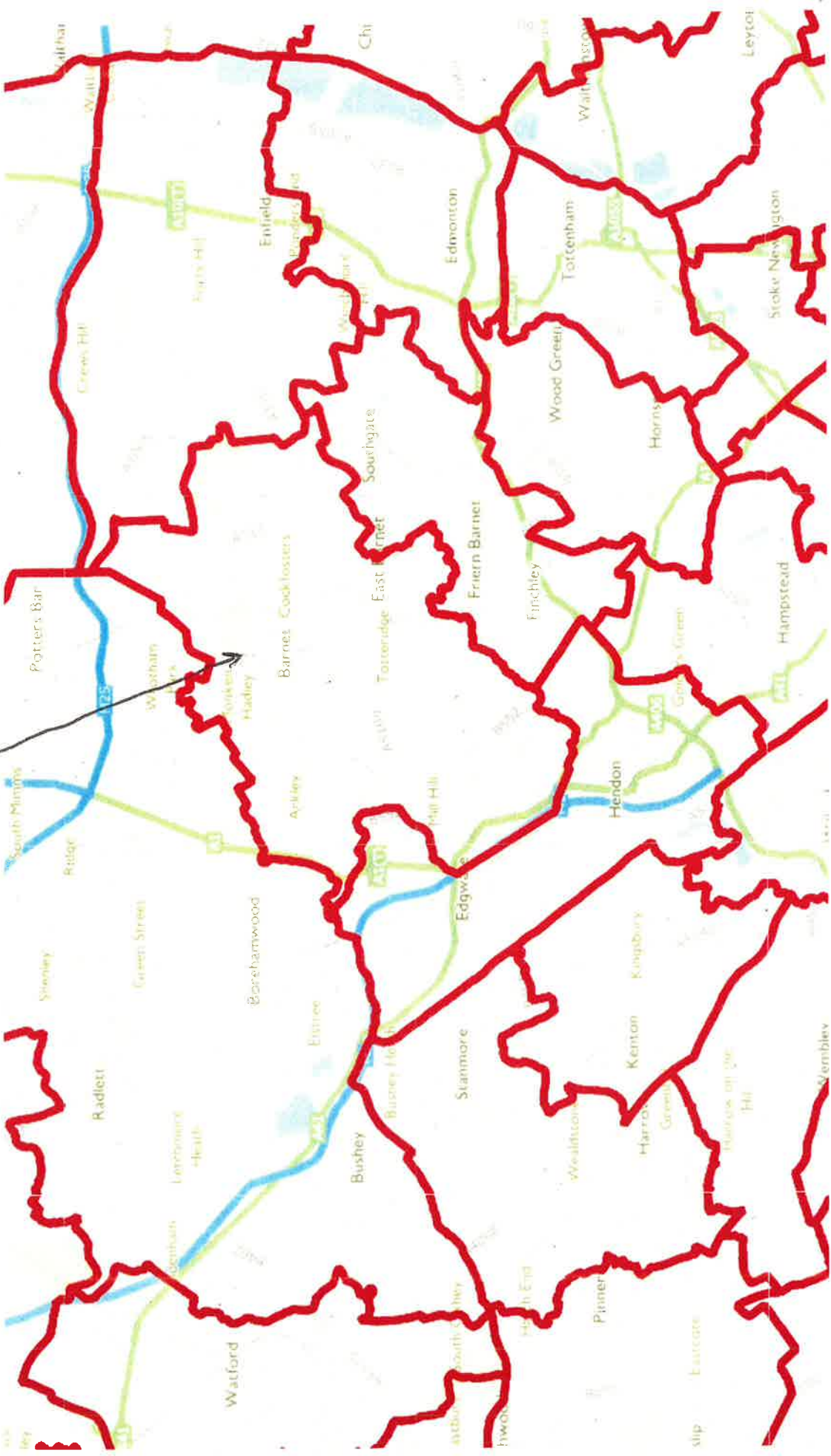
Review of Parliamentary Constituency Boundaries

Appendix B

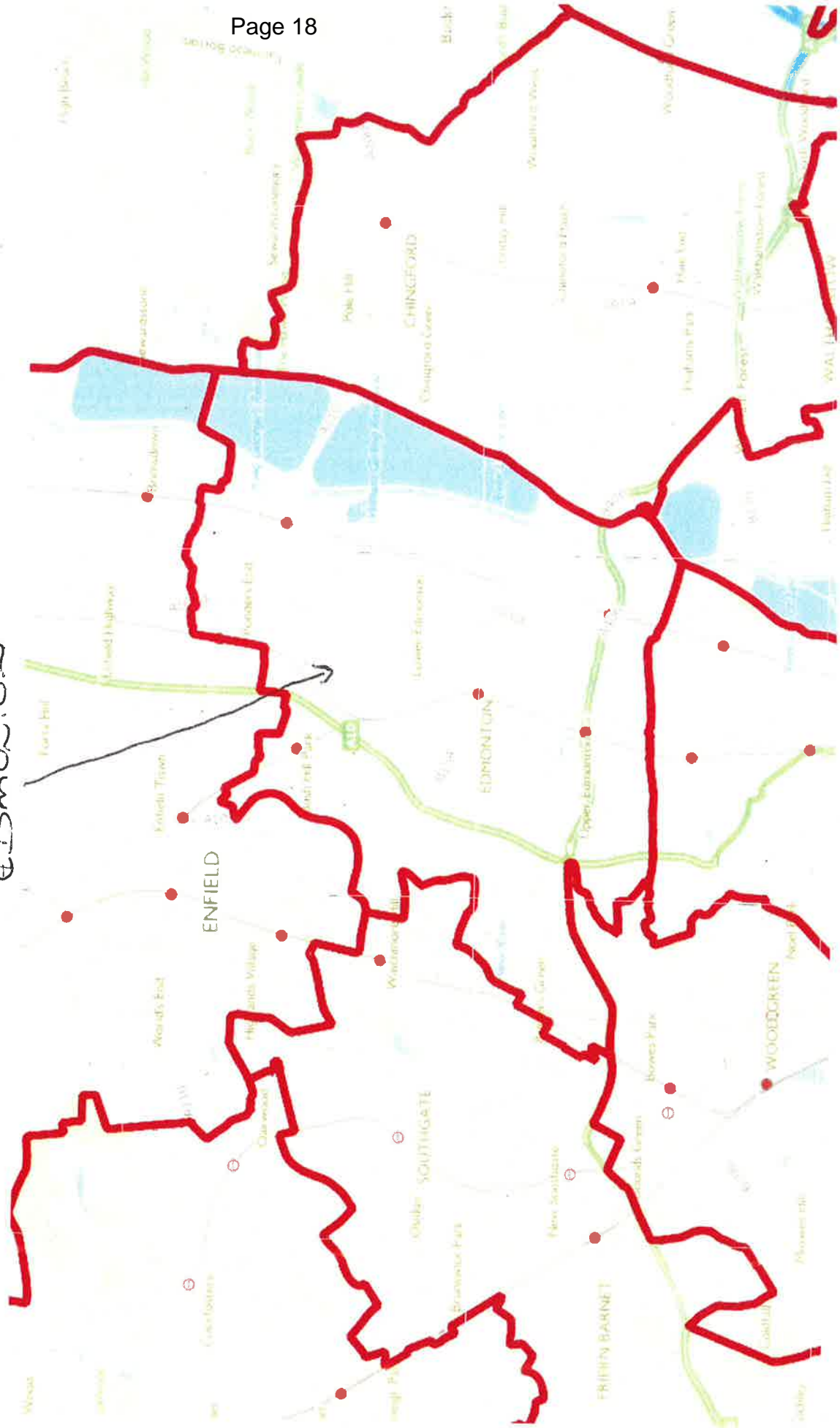
Outline boundary maps for proposed constituencies

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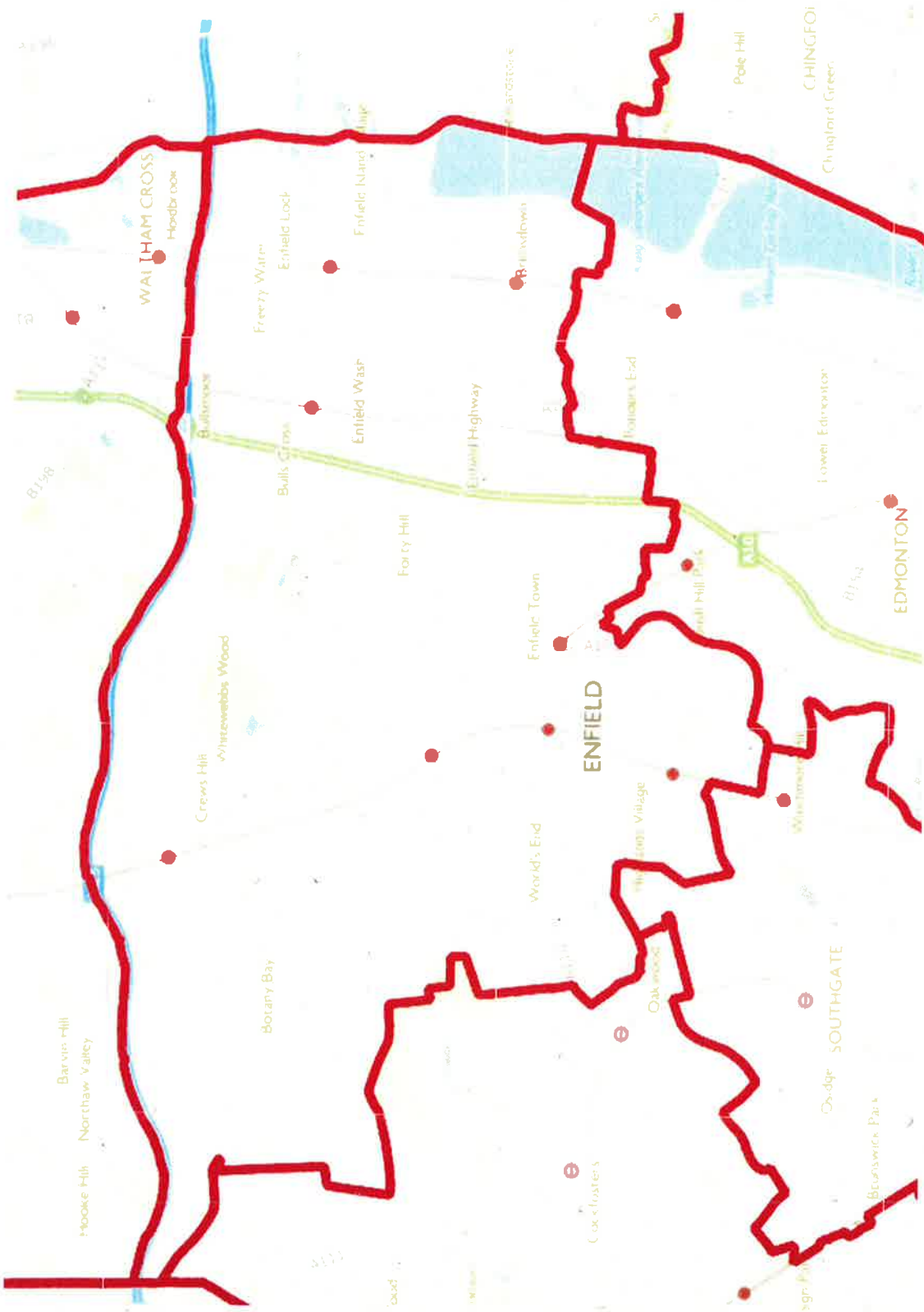
CHIPPING BARNET AND MILL HILL



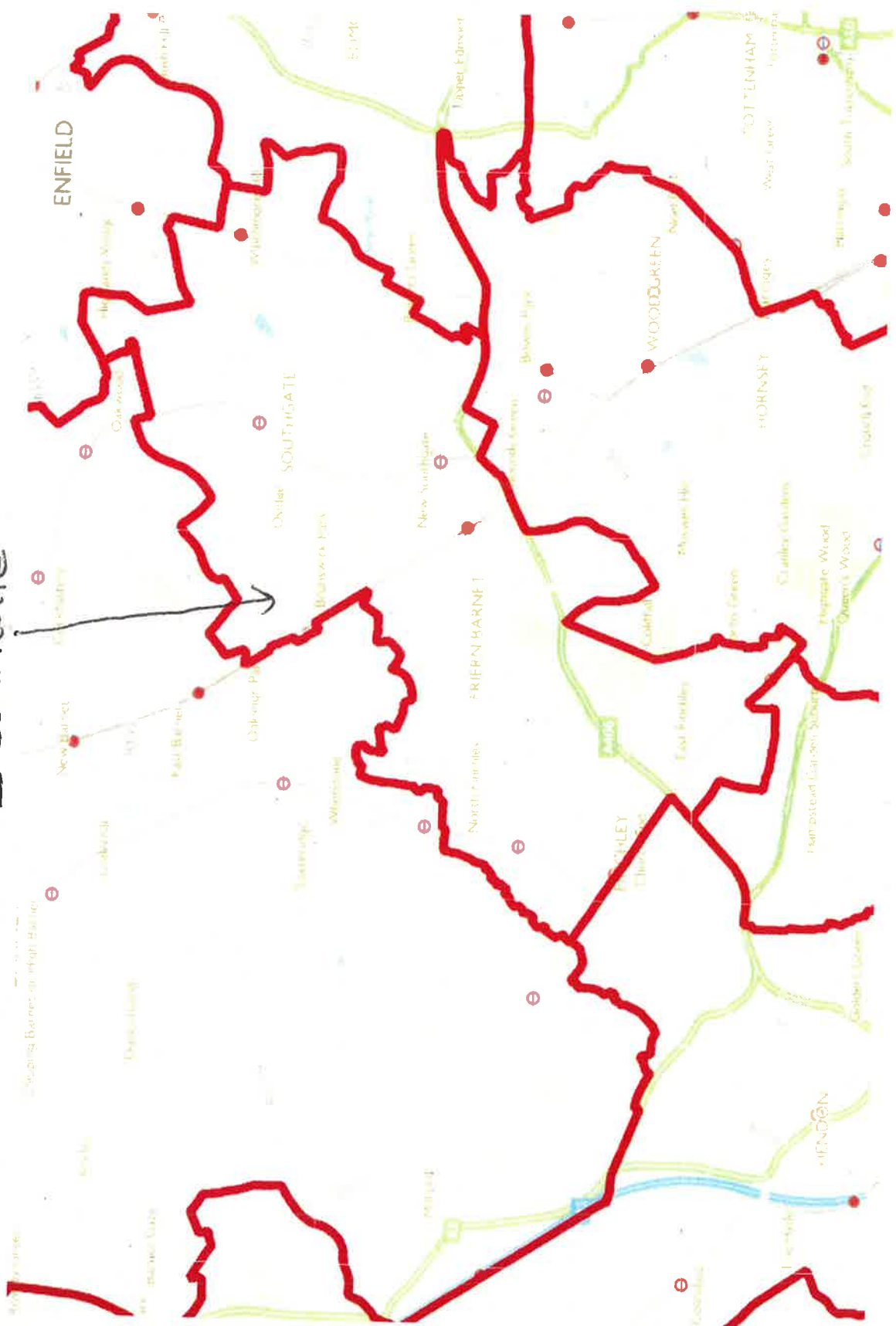
EDMONTON



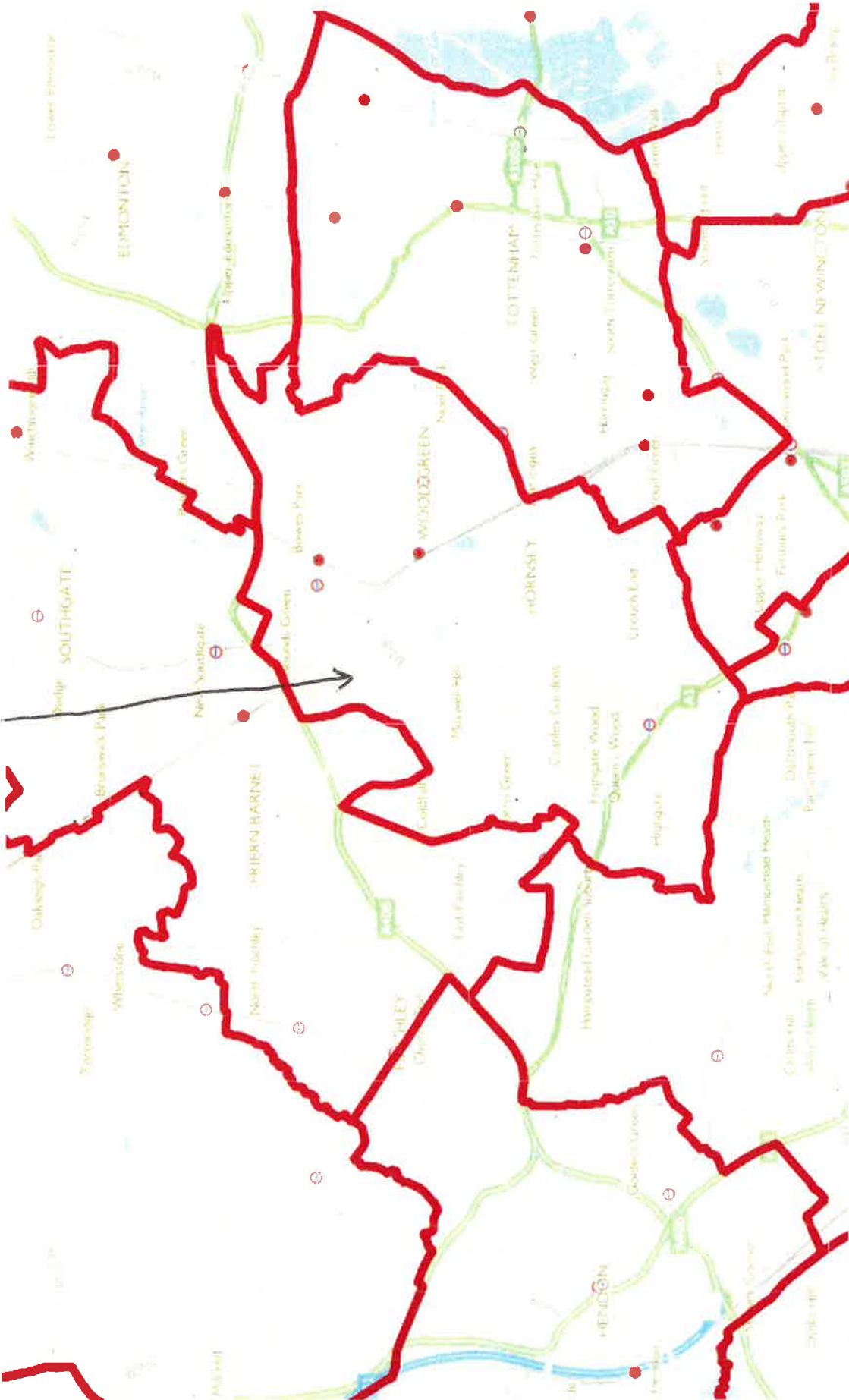
ENFIELD



FINCHLEY AND SOUTHGATE



HORNSEY AND WOOD GREEN



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MUNICIPAL YEAR 2016/2017 REPORT NO. 83

MEETING TITLE AND DATE
Council – 21 September 2016

REPORT OF: Director of Finance,
Resources and Customer Services

Contact officer and telephone number:
Kayt Wilson (020 8379 4566)
E mail: kayt.wilson@enfield.gov.uk

Agenda – Part: 1	Item: 16
Subject: Housing Gateway Block Property Purchase Proposal	
Wards: Southbury Ward Key Decision No: 4326	
Cabinet Members Consulted: Cllr Lemonides & Cllr Oykener	

1. EXECUTIVE SUMMARY

- 1.1 In February 2014 Cabinet agreed to establish a wholly owned local authority company, Housing Gateway Limited (“HGL”), to acquire and manage properties that Enfield Council (“LBE” or “the Council”) could use to discharge its statutory duties. This was in response to the significant temporary accommodation budget pressures facing the Council, resulting from an increase in demand for housing and rising rental prices.
- 1.2 HGL has been in operation since March 2014 and good progress has been made. The company now wishes to purchase a block of 124 units in order to assist the Council’s efforts to reduce its spending on Nightly paid accommodation and to grow the company’s portfolio.
- 1.3 This report seeks approval for a loan to HGL to enable it purchase the block. The terms of the loan are in accordance with the Facility Letter approved September 2014.
- 1.4 HGL has an existing portfolio which has already reduced LBE’s Nightly Paid costs considerably.

2. RECOMMENDATIONS

- 2.1 To note that the Leader had agreed, under the Cabinet Urgent Action Procedure, to recommend to Council that additional funding should be allocated to the Capital Programme to enable the purchase of a block of 124 units and its use as temporary accommodation.
- 2.2 For Council to agree to approve new Council borrowing (as set out in Part 2) and on-lend this to Housing Gateway Limited (HGL) in accordance with the Facility Letter, to allow the purchase of 124 units. This will require an addition to the existing capital programme fully funded by repayments from HGL.
- 2.3 For Council to approve new borrowing by the Council (as set out in Part 2) for the Affordable Housing Capital Programme (currently shown as part of the Indicative Capital Programme budget) and for this funding to be provided to HGL for the purchase of the Block.
- 2.4 To note that the project will result in a net cost saving to the Council which will help meet the pressure on nightly paid accommodation. This saving will be taking into account in the 2017-18 budget and medium term financial plan.
- 2.5 To note that the terms of the Facility Letter were agreed by the Director of Finance, Resources and Customer Services; Director of Health, Housing and Adult Social Care; Cabinet Member for Finance; and Cabinet Member for Housing and Estate Regeneration in September 2014 and the HGL Board of Directors in April 2014.
- 2.6 To note that the treasury management decisions regarding the Council's borrowing to enable the on-lending to HGL will be subject to the Council's existing Treasury Management Strategy.
- 2.7 To note that, although an offer has been submitted, the purchase of the block is not complete and negotiations are ongoing.

3. BACKGROUND

- 3.1 In February 2014 Cabinet agreed to establish a wholly owned local authority company to own and manage a portfolio of houses, which were, for the most part, to be made available to residents with housing need or at risk of homelessness (KD 3782). Cabinet agreed that properties would be purchased on a case by case basis using funding from the Public Works Loan Board ("PWLB") or via external finance depending on the most viable option at the time of purchase.
- 3.2 Cabinet agreed to delegate to the Director of Finance, Resources and Customer Services; Director of Health, Housing and Adult Social Care; Cabinet Member for Finance; and Cabinet Member for Housing and Estate Regeneration, authority to finalise the timing, profile of acquisitions and detail of the funding arrangements. This included the terms of the loan agreement between the Council and the Company.

- 3.3 HGL aims to purchase 500 units in 5 years and has an established acquisition process in place which has enabled it to meet its year 2 targets. To date, the company has purchased 229 properties of which 194 are let.
- 3.4 Since June 2014, the effect of the Council discharging its statutory duties and moving families out of Nightly paid accommodation is estimated to be a reduction in the Council's costs by almost £1m.
- 3.5 HGL has identified a property block within the borough that would be suitable for purchase and enable the Council to discharge its statutory homeless duties. In order to proceed with this purchase, HGL requires an additional loan from the Council. This would require an addition to the Capital Programme to be funded by new borrowing primarily met by repayment from HGL.
- 3.6 If the block is not purchased by HGL there is a significant risk that another Local Authority could use the block to discharge its statutory homeless duty within Enfield. This is highly likely to lead to increased pressure on LBE's homeless provision and other Council Services over the Medium Term Financial Plan.

4. PURCHASE PROPOSAL

- 4.1 HGL continues to seek opportunities to expand and diversify its property portfolio by introducing permitted development or block purchases. A suitable block has been identified, within the borough, which would be suitable for purchase and enable LBE to discharge its statutory homeless duties.
- 4.2 The block has had a full internal reconfiguration and been refurbished to a high standard. The building has also been re-clad. The block consists of 124 units of which 115 are studios and 9 are one bedroom apartments.
- 4.3 The development is now complete and ready for sale.
- 4.4 Negotiations have been undertaken with the vendor and an offer has been placed on the property.

Advantages of Purchase

- 4.5 There has been significant interest in the block by other London Boroughs and institutional investors. There is a significant risk of further strain being placed on the Council's services and potential for additional price inflation in the wider private rented market if another organisation purchases the block.
- 4.6 If another Local authority were to purchase or lease the block and used it discharge their statutory homelessness duty, there is a strong

likelihood that the 124 families placed in these units would, in future, seek housing and other assistance from the Council. As the families would have a local connection to the Borough, by virtue of living in LB Enfield, the Council may have a duty to assist them.

- 4.7 By purchasing 124 units in one transaction HGL will gain scale at a faster rate than would be possible purchasing individual properties and the company will be ahead of target. This will ensure that HGL's financial viability improves at a faster rate and the Council's investment in HGL will be strengthened.
- 4.8 The purchase of the block provides a cost benefit to the Council in comparison to using more expensive Nightly paid accommodation. In addition the block represents a good investment for both HGL and LBE.

Disadvantages of Purchase

- 4.9 Managing the block is likely to be more challenging than the management of the single units that HGL usually purchases. It is also possible that the quantity and concentration of studio units will result in a higher than normal turnover of tenants. HGL intends to provide a full management service for the block and this cost has been included in the financial model.
- 4.10 The vendors initially intended to lease the block and they have refurbished the property to a very high standard. The standard of refurbishment will reduce the cost of short term maintenance and increase the units' resilience to everyday wear and tear. It will also delay the point at which HGL will need to consider major repairs. The refurbishment also confers a number of environmental and fuel efficiency benefits due to the installation of a new heating system and triple glazed windows.
- 4.11 Due to its size, the block is not as liquid as HGL's other assets, as the individual units owned by HGL can be disposed of on the open market as and when required. Given the current and projected demand for temporary accommodation, it is unlikely that HGL would need to sell the block with the next 5-10 years which reduces the liquidity risk. If disposal is required, HGL will adopt a staged approach to selling the units in the open market. The Valuers do not foresee HGL finding it difficult to dispose of the units and, as this is a long term investment, it is believed that the model will hold true. If LBE leases the building from HGL, the covenant will make the building attractive to institutional investors.
- 4.12 Due to the size and composition of the block there is a potential risk that the Council may not be able to supply sufficient tenants. However, the Council has indicated that there are sufficient families in need of temporary accommodation who would be able to fill these properties and demand is not expected to fall in the short to medium term.

Impact on Housing Gateway's Portfolio

- 4.13 To date HGL has purchased one, one bedroom unit and has not purchased any studio units. Therefore, there is scope for 115 studio units within the portfolio
- 4.14 However, the purchase of the block would require HGL to rebalance its portfolio, moving the focus from studio and one bedroom units. Increased volumes of 2 and 3 bed units would be required and these are particularly difficult to purchase in the current market.

5. FINANCIAL CONSIDERATIONS

Purchase Proposal

- 5.1 It is proposed that HGL purchase the block using an additional loan facility funded by new borrowing. This new facility would be supplemented by an LBE contribution drawn from new borrowing under the Affordable Housing Capital Programme. The building would then be leased to LBE on a guaranteed rent basis for 5 years.
- 5.2 Based on current assumptions, financial modelling indicates that net cash flow is mostly positive and no working capital is required. In the years that net cash flow turns negative there is a sufficient buffer from previous years to absorb the loss.

Funding

- 5.3 It has been identified that the Council could supplement the funds requested by HGL using the Indicative Affordable Housing Capital Budget. This budget can be used for projects which either increase the supply of temporary accommodation or help to facilitate a reduction in temporary accommodation costs to the Council.
- 5.4 The purchase of the block by HGL and use of the units for temporary accommodation meets the Affordable Housing Capital Budget's requirements. In addition, the Council would have nomination rights to dwellings in the property block for a maximum of 21 years.
- 5.5 The use of Affordable Housing Capital Budget requires a restriction to be placed on the title of the property to secure the Council's interest. The property could be sold, but only with the consent of the Council and following sale a proportion of the sale proceeds reflecting LBE's contribution via the Affordable Housing Capital Budget would be returned to the Council.

Cost Benefits for Housing Gateway Ltd

- 5.6 Purchasing the block represents good value for HGL, as it will allow the company to obtain both more rental income and more units for less outlay than if the same amount of funding was used to purchase single units.
- 5.7 Further details are contained within Part 2.

Savings to LBE

- 5.8 The purchase of the block provides a cost benefit to LBE. Financial analysis undertaken by LBE has indicated that an annual cost saving could be achieved by moving 124 2 person households from more expensive nightly paid accommodation into the block. Further details are available in the Part 2 report.

6. ALTERNATIVE OPTIONS CONSIDERED

- 6.1 HGL still has a portion of its original loan facility which has not yet been spent. However, the remaining money has been allocated to properties which have had offers accepted. HGL, in consultation with LBE, considered the viability of withdrawing from the transactions in which it is currently engaged and reallocating the money to the purchase of the block. If HGL chose to act in this way it is likely to cause severe reputational damage to both the Council and the company. The damage caused to HGL's reputation with local estate agents would also prevent it from resuming normal expansion in the event that the purchase of the block does not proceed. This will prevent HGL hitting its purchasing target and deny LBE the opportunity to further reduce its spending on nightly paid accommodation. In order to safeguard HGL's future purchasing power and the associated reduction in LBE's spending on nightly paid accommodation, it is recommended that the existing HGL budget is not diverted to fund the purchase of the block.
- 6.2 HGL and LBE have also investigated the possibility of utilising alternative letting strategies. However, it has been concluded that pursuing these options is likely to cause further price inflation in the local rental market and could lead to an overall increase in LBE's already overstretched nightly paid accommodation budget.

7. REASONS FOR RECOMMENDATIONS

- 7.1 The purchase of the block by HGL will reduce the Council's nightly paid accommodation costs. It will also prevent the sale and subsequent letting of the block from inflating the local nightly paid/temporary accommodation market.
- 7.2 The purchase of the block will provide HGL with a good return and will increase the pace of acquisition, leading to a faster expansion of the

current portfolio. This will benefit LBE by enabling it to reduce spending on nightly paid accommodation.

- 7.3 If HGL does not purchase the block there is a significant risk that another Local Authority or institutional investor will. Under these circumstances LBE would have no control over the building or its tenants and this could have a negative impact on the Council's Homelessness provision. In addition, an influx of new families will exert additional cost pressures on Council Services, in particular, education and social care.

8. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS

8.1 Financial Implications

8.1.1 The recommendation to approve a loan and onward lend to HGL will result in an addition to the existing Capital Programme to be funded by repayments from HGL.

8.1.2 Inclusion of the Indicative Affordable Housing budget to supplement the acquisition of the block will result in a financial cost to borrow which would not be met by HGL but would require covering from the cost savings made in reduced nightly paid accommodation.

8.1.3 Further details are contained within Part 2.

8.2 Legal Implications

8.2.1 The Council has power under section 1(1) of the Localism Act 2011 to do anything that individuals generally may do provided it is not prohibited by legislation and subject to public law principles. This power may be exercised for the benefit of the local authority, its area or for persons resident or present there. Accordingly, the Council is empowered to enter into the proposed arrangement pursuant to this general power of competence.

8.2.2 Section 111 of the Local Government Act 1972 further gives the Council the power to do anything ancillary to, incidental to or conducive to the discharge of any of its statutory functions (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or right). The recommendation and proposals in this report are in accordance with those powers.

8.2.3 The Council also has the necessary powers to borrow funding under section 1 of the Local Government Act 2003 and provide

a loan or grant funding to the company under sections 24 & 25 of the Local Government Act 1988.

- 8.2.4 For the purposes of paragraphs 5.3, 5.4 & 5.5, HGL is providing services of general economic interest (“SGEI”) to the Council. To comply with state aid legislation, LBE must enter into an act of entrustment with HGL setting out the nature and duration of the SGEI obligations to be undertaken by HGL. The entrustment document must also set out the parameters for calculating, controlling and reviewing the amount of compensation provided to HGL, and the arrangements for avoiding and repaying any overcompensation.
- 8.2.5 The amount of compensation provided to HGL for performing the SGEI must be limited to what is necessary to cover the net costs incurred in discharging the SGEI obligations; taking into account costs, income and a reasonable profit necessary for discharging those obligations.

8.3 Property Implications

- 8.3.1 The proposed addition to the Capital Programme will result in a loan facility to HGL. This loan will be used to acquire property which is consistent with HGL’s remit viz.: to acquire and manage properties, for which the Council has full nomination rights and can use these properties to discharge its statutory duties.
- 8.3.2 The loan is secured by an underlying real asset (unencumbered freehold asset) which, given historic and current property market conditions, is expected to appreciate in value. However, historic performance of an asset should not be taken as a reflection of future performance.
- 8.3.3 Strategic Property Services has reviewed the details of the proposed acquisition, and has provided input into its appraisal. Life cycle costs are included and the over appraisal is considered to be viable and consistent with HGL’s investment criteria.
- 8.3.4 The draft terms of the acquisition have been reviewed by the Assistant Director (Property Services) in accordance with the Property Procedure Rules. Further due diligence will however be undertaken as part of the conveyancing process and appropriate assurances will be sought.
- 8.3.5 An external valuation has been obtained which supports the agreed purchase price.
- 8.3.6 An appropriate charge will be registered against the property’s title to ensure compliance with the Council’s funding obligations.

9 KEY RISKS

- **Housing needs change and the Council can no longer provide suitable tenants for the property block.** This has been mitigated by providing the flexibility that HGL can sell or lease individual blocks or properties and repay the loan earlier.
- **The interest rate of the loan the Council can access to then on-lend to HGL is not at a constant rate so the Council has to subsidise the loan rate of this changes over the course of the loan period.** This has been addressed by providing the flexibility to set the interest rate for each instalment of the loan, as determined by Schedule 3 of the Facility Letter.
- For further information, please see part 2 report.

10 IMPACT ON COUNCIL PRIORITIES

10.2 Fairness for All

The formation of HGL enables the Council to access finance to increase the supply of good quality, value for money housing in the borough, to meet the objectives set out in Enfield's Housing Strategy (2012-2027). By increasing the supply of quality accommodation within the Council's control, this will enable the Council to discharge its statutory duties or prevent homelessness and increase access to secure accommodation for some of the most vulnerable residents in the borough. The Facility Letter and grant of a loan to HGL is a key component of the model agreed by Cabinet and essential to the successful operation of the company.

10.3 Growth and Sustainability

Access to good quality, stable housing is a key aspect of a person's health and wellbeing. By using long term finance the Council will remove concerns over refinancing or the need to sell properties after a few years. Furthermore by ensuring properties are maintained to a good standard, the scheme will be able to increase the supply of quality accommodation and in turn improve health and wellbeing and prospects of securing employment.

10.4 Strong Communities

By increasing the supply of quality homes that the Council can access within the borough and the surrounding area, this will increase opportunities for local residents to access employment

and training and thus reduce the likelihood of them requiring additional services from the Council.

11 EQUALITIES IMPACT IMPLICATIONS

An overarching Equalities Impact Assessment was undertaken as part of KD 3782.

12 PERFORMANCE MANAGEMENT IMPLICATIONS

Through the establishment of HGL, the Council has the opportunity to reduce the number of households in temporary accommodation and provide quality accommodation for some of the most vulnerable residents. This in turn, provides the opportunity for the Council to make a positive impact for wider objectives, such as reducing employment and improving health and wellbeing.

13 PUBLIC HEALTH IMPLICATIONS

By increasing the supply of good quality housing in the borough across tenures, health and wellbeing of individuals will be improved. All properties purchased will be fit for purpose or refurbished so that they fall in line with the Council's decent homes standard. Properties will be used to provide quality housing to enable the Council to discharge its statutory homelessness duties.

Background Papers

- None.