



## **LONDON BOROUGH OF ENFIELD**

**AGENDA FOR THE COUNCIL MEETING  
TO BE HELD ON WEDNESDAY, 18TH  
SEPTEMBER, 2019 AT 7.00 PM**



## MEETINGS THAT HAVE TAKEN PLACE SINCE THE LAST COUNCIL (10 July 2019)

Set out below is a list of meetings that will have taken place since the last Council Meeting: The contact names for the relevant officers are included.

Name of Meeting	Date	Officer	Contact Telephone
Vulnerable Young Persons Task Group	11 July 2019	Elaine Huckell	020 8132 1330
Public Transport Consultative Group	11 July 2019	Dominic Millen	020 8132 0987
Winchmore Hill Ward Forum	1 July 2019	Claire Johnson	020 8132 1154
Southgate Ward Forum	11 July 2019	Claire Johnson	020 8132 1154
Southgate Green Ward Forum	15 July 2019	Claire Johnson	020 8132 1154
Overview and Scrutiny Committee	15 July 2019	Elaine Huckell	020 8132 1154
Planning Committee	16 July 2019	Metin Halil	020 8132 1296
Cabinet	17 July 2019	Jacqui Hurst	020 8132 1207
Local Pension Board	18 July 2019	Susan O'Connell	020 8132 1399
Remuneration Committee	18 July 2019	Andy Ellis	020 8132 1111
Southbury Ward Forum	18 July 2019	Claire Johnson	020 8132 1154
Overview and Scrutiny Committee	23 July 2019	Elaine Huckell	020 8132 1178
Housing Board	24 July 2019	Elaine Huckell	020 8132 1178
Electoral Review Panel	24 July 2019	Jacqui Hurst	020 8132 1207
Safer Neighbourhood Board	24 July 2019	Susan O'Connell	020 8132 1399
Conservation Advisory Group	30 July 2019	Penelope Williams	020 8132 1330
Licensing Sub Committee	7 August 2019	Jacqui Hurst	020 8132 1207
Turkey Street Ward Forum	8 August 2019	Claire Johnson	020 8132 1154

Name of Meeting	Date	Officer	Contact Telephone
Planning Committee	27 August 2019	Metin Halil	020 8132 1296
Member & Democratic Services Group	3 September 2019	Stacey Gilmour	020 8132 1383
Conservation Advisory Group	3 September 2019	Penelope Williams	020 8132 1330
Councillor Conduct Committee	4 September 2019	Penelope Williams	020 8132 1330
Overview and Scrutiny Committee	4 September 2019	Elaine Huckell	020 8132 1178
Palmers Green Ward Forum	4 September 2019	Claire Johnson	020 8132 1154
Pension Policy and Investment Committee	5 September 2019	Penelope Williams	020 8132 1330
Vulnerable Young Persons Task Group	5 September 2019	Elaine Huckell	020 8132 1330
Bowes Ward Forum	9 September 2019	Claire Johnson	020 8132 1154
Health Scrutiny Panel	10 September 2019	Andy Ellis	020 8132 1111
Cabinet	11 September 2019	Jacqui Hurst	020 8132 1207
Crime Scrutiny Panel	12 September 2019	Stacey Gilmour	020 8132 1383

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

**Please  
Reply to:** Penelope Williams

**Phone:** (020) 8379 4098

**E-mail:** Penelope.Williams@enfield.gov.uk  
**My Ref:** DST/PW

**Date:** 10 September 2019

Dear Councillor,

You are summoned to attend the meeting of the Council of the London Borough of Enfield to be held at the Civic Centre, Silver Street, Enfield on Wednesday, 18th September, 2019 at 7.00 pm for the purpose of transacting the business set out below.

Yours sincerely

*Jeremy Chambers*

Director Law & Governance

### **ITEMS 1-5 (15 MINUTES)**

- 1. THE MAYOR'S CHAPLAIN TO GIVE A BLESSING**
- 2. MAYOR'S ANNOUNCEMENTS IN CONNECTION WITH THE ORDINARY BUSINESS OF THE COUNCIL**
- 3. MINUTES OF THE MEETING HELD ON 10 JULY 2019** (Pages 1 - 16)

To approve the minutes of the meeting held on 10 July 2019 as a correct record.

- 4. APOLOGIES**
- 5. DECLARATION OF INTERESTS**

Members of the Council are invited to identify any disclosable pecuniary, other pecuniary or non pecuniary interests relating to items on the agenda.

### **ITEM 6 (20 MINUTES)**

**6. PETITION - STOP THE BIN COLLECTION CHANGES (Pages 17 - 20)**

To receive a report from the Director of Law and Governance detailing a petition received seeking to stop the bin collection changes. (Report No. 94)

Members are asked to note that the Petition has been submitted under the Council's Petition scheme and, in accordance with the scheme, has been referred for debate at Council as it contains more than the requires 3124 signatures.

Under the terms of the Petition Scheme the petition organiser will be given 5 minutes to present the petition at the Council meeting. Council will then have the opportunity to discuss the petition for a maximum period of 15 minutes.

The Council will then need to decide how to respond to the petition. In doing this, Council may decide to take the action requested, not take the action (for reasons given during the debate) or to commission further investigation.

Where the issue is one on which the Council Executive are required to make the final decision, the Council will decide whether to make recommendations to inform that decision.

**ITEM 7 (45 MINUTES)**

**7. OPPOSITION BUSINESS - INAPPROPRIATE DEVELOPMENT (45 MINUTES) (Pages 21 - 26)**

An issues paper prepared by the Opposition Group is attached for Council to consider.

The Council rules relating to Opposition Business are also attached for information.

**ITEMS 8-14 AND 20-21 (60 MINUTES)**

**8. TREASURY MANAGEMENT OUTTURN REPORT 2018/19 (Pages 27 - 64)**

To receive a report from the Executive Director of Resources presenting the Council's Annual Treasury Management Report for 2018 -19 in accordance with Treasury Management Practices.

It is a regulatory requirement for Council to receive this report by 30 September each year. (Report No: 41) (Key Decision Reference Number: KD: 4926)

**9. CAPITAL PROGRAMME MONITOR FIRST QUARTER (JUNE) 2019 (Pages 65 - 80)**

To receive a monitoring report from the Executive Director Resources on the Capital Programme First Quarter to June 2019. (Report No: 72A)

(Key Decision Reference Number: KD 4943)

Council is asked to approve changes to the Capital programme.

Cabinet is due to consider this report at their meeting on 11 September 2019.

The Cabinet decisions will be reported to Council on the green update sheet tabled at the meeting.

**10. ENERGETIK - TRANCHE 2 INVESTMENT DECISION** (Pages 81 - 118)

To receive a report from the Director of Commercial seeking a second tranche of funding to deliver the remainder of the Energetik business plan. (Report No: 74) (Key Decision Reference Number: KD: 4642)

This report should be considered in conjunction with Report No: 78 on the part 2 agenda.

This report is due to be considered at Cabinet on 11 September 2019 after this agenda has been published. The Cabinet decision on recommendation will be reported to Council on the green update sheet tabled at the meeting.

**11. REARDON COURT EXTRA CARE HOUSING SCHEME** (Pages 119 - 130)

To receive the report of the Executive Director People on the Reardon Court Extra Care Housing Scheme.

Council is asked to approve the allocation of capital funding for the Reardon Court development from the Council's Capital Programme based on an improved business case. (Report No: 48) (Key Decision Reference Number: KD: 4898)

Council is asked to note that Cabinet agreed the scheme on 17 July 2019 and recommended that Council approve the additional funding.

This report should be considered in conjunction with report no 51 on the part 2 agenda.

**12. OVERVIEW AND SCRUTINY WORKPROGRAMME 2019/20** (Pages 131 - 142)

To receive a report from the Overview & Scrutiny Committee setting out the Scrutiny Annual Work Programme and Workstreams identified for 2019/20. (Report No: 69)

Council is asked to approve the work programme and workstreams for 2019/20.

This report is also due to be considered at Cabinet on 11 September 2019. Any comments will be reported on the update sheet at the meeting.

**13. CHANGES TO HOUSING ADVISORY BOARD (Pages 143 - 152)**

To receive a report from the Director of Housing and Regeneration seeking changes to the terms of reference to the Housing Advisory Board.

The Member and Democratic Services Group at their meeting on 3 September 2019 agreed to recommend the changes to Council. (Report No: 61).

**14. MEMBERS ALLOWANCES**

The Members' Allowances Scheme forms Part 6 of the Constitution. Paragraph 6.3 (c) states that "Annual Increases in allowances will be linked to average earnings, for the period ending the previous March of each year. New rates will be effective from the new Municipal year."

There is a need to consider the level of allowances payable under the scheme for 2019/20, with Council asked to consider the following recommendation.

**Recommendation:**

"That the current Members Allowances Scheme is re-approved as set out in Part 6 of the Constitution, and that the automatic increase in allowances by the average earnings as at March not be implemented for the 2019/20 financial year."

**ITEM 15 (20 MINUTES)**

**15. COUNCILLOR QUESTION TIME**

12.1 Urgent Questions (Part 4 - Paragraph 9.2.(b) of Constitution – Page 4-9)

With the permission of the Mayor, questions on urgent issues may be tabled with the proviso of a subsequent written response if the issue requires research or is considered by the Mayor to be minor.

Please note that the Mayor will decide whether a question is urgent or not.

The definition of an urgent question is "An issue which could not reasonably have been foreseen or anticipated prior to the deadline for the submission of questions and which needs to be considered before the next meeting of the Council."

Submission of urgent questions to Council requires the Member when submitting the question to specify why the issue could not have been reasonably foreseen prior to the deadline and why it has to be considered before the next meeting.



12.2 Councillors' Questions (Part 4 – Paragraph 9.2(a) of Constitution – Page 4 - 8)

The list of questions and their written responses will be published on Tuesday 17 September 2019.

**ITEM 16 (50 MINUTES)**

**16. MOTIONS**

**Motion 1 in the name of Councillor Joanne Laban**

“Bullying is the use of coercion, force, or threat to abuse, aggressively dominate or intimidate. In light of the recent articles in the press, Enfield Council agrees to confirm its opposition to the use of bullying and will deliver an anti-bullying campaign across the authority.”

**Motion 2 in the name of Councillor Joanne Laban**

“The administration failed to listen to resident’s views on changes to wheeled bin collections. It was clear from the consultation that the majority of people did not support alterations to the current wheeled bin collection service. The recent refusal to accept a petition supported by 6,000 people further underlines that this new administration is simply not listening to the residents of Enfield.”

**Motion 3 in the name of Councillor Edward Smith**

“This Council agrees to resist residential developments on Underground Station car parks in Enfield that are not in conformity with the existing local plan on the grounds that these car parks encourage commuters to use public transport.”

**Motion 4 in the name of Councillor Maria Alexandrou**

“Cervical screening is a way for women to protect themselves from cancer. The sad reality is that fewer women are now having cervical screening. Last year 1.3m women didn’t attend NHS screenings. There are 3,200 new cases of cervical cancer every year and of those 870 women die from it.”

According to CANCER RESEARCH UK 99.8% of cases are preventable. When Jane Goody fought her cancer battle, nearly 80% of women went for smear tests. 10 years later, only 72% of women go. If this rate falls any lower, the rise in deaths will shoot up. In the case of Jade Goody, she ignored letters about her abnormal cells. She needed to go to hospital for surgery to remove those abnormal cells, surgery which most probably would have saved her life.

Many young women in their 20s and 30s are dying from cervical cancer and

the tragedy is they are leaving behind their partners and young children. We need to encourage everyone to look after their health and have regular check-ups.

“Enfield Council therefore agrees to work together with other agencies for a local campaign on cervical cancer awareness and encourage women to attend that important screening test. It only takes 5 minutes at the doctor’s surgery and this test can save your life.”

### **Motion 5 in the name of Councillor Ian Barnes**

“Air pollution is a cause of major health inequality in Enfield and across London: Some areas of our borough suffer nitrogen dioxide levels higher than the World Health Organisation limit.

Obesity is also a huge issue and Enfield is in the grip of an inactivity crisis. The number of adults in the borough who are obese stands at 57% and even though this number is slowly decreasing there are twenty boroughs across London which are doing better than Enfield.

More than 40% of Londoners do not achieve the recommended 150 minutes of physical activity a week, hardly surprising when around 40% of car journeys are under two miles.

In a bid to make people think twice about using their car many London boroughs have now committed to Low Traffic Neighbourhoods (LTNs): A whole residential neighbourhood in which streets are ‘access only’ by car, diverting ‘rat-run’ traffic (some measured at 80mph in 30mph zones in Enfield) back onto surrounding main roads whilst encouraging drivers to use more sustainable modes of transport, such as walking, cycling and public transport.

This council wholeheartedly supports the implementation of LTNs in wards across our borough so residents can benefit from the positive effects that will be created in tackling pollution, obesity and concerns relating to traffic safety.”

### **Motion 6 in the name of Councillor Doug Taylor**

“The last Labour government introduced a free TV licence to all over-75s regardless of income. Support for the welfare state is dependent upon targeted benefits and universal benefits that cover everyone. The free TV licence Labour introduced in 1999 is a benefit available to all more elderly pensioners in Enfield regardless of wealth and is particularly important in combating loneliness and isolation. Television is a window onto the world and a steady companion.

The free licence appears to be under threat and Enfield Council calls upon the Government to ensure that it remains.”

### **Motion 7 in the name of Councillor Joanne Laban**

“This Council has no confidence in Councillor Nesil Caliskan as Leader of the Council and confirms her removal as Leader of the Council pursuant to paragraph 2.3 of the Council Rules of Procedure.”

### **Motion 8 in the name of Councillor James Hockney**

“Residents have raised a number of key concerns for improving road and environmental safety around schools in the Borough.

This Council must:

- Maintain and increase school crossing patrols.
- Robustly enforce the existing 20mph speed limit around the perimeter of schools.
- Bring forward a strategy to address engine idling”

### **Motion 9 in the name of Councillor Joanne Laban**

“Eighty years ago, this month, Britain declared war on Germany. We sit in this chamber this evening as elected councillors due to the sacrifices made in that war to uphold democracy, human rights and the rule of law. Enfield Council agrees to say thank you to all those who fought and died for us to have the freedoms we have today.”

### **Motion 10 in the name of Councillor Rick Jewell**

“Enfield Council believes that the continuing ideological drive towards academisation is flawed and does nothing to improve educational outcomes. Indeed, evidence exists to suggest that attainment gets worse.

1. This council notes that even with evidence of failing trusts and declining educational standards, academies cannot revert to local authority control. This will have a detrimental effect on our children’s learning. Enfield Council will lobby the government to allow schools to return to a local authority governed school.
2. This council is very proud of our schools and our staff and we want them to stay within the control of the local authority. Schools, and the education of children, are best served when they are part of the local authority working collectively and collaboratively.
3. Academizing schools only makes the school less accountable and disenfranchises the parents giving them less input into the schools their children attend.
4. This council will encourage schools to run separate meaningful consultation ballots for both parents and staff prior to any academisation process and to take notice of the mandate from that consultation.
5. This council will stand in full support of any school where the staff acts to

stop a forced academisation.

6. We will work harder towards keeping the dialogue and relationship between the council and those schools that have already academised.

This administration will do its utmost to protect the schools in our borough, the education of our children, the wishes of the parents and the terms and conditions of employment of our staff within those schools.”

#### **Motion 11 in the name of Councillor Hamilton**

“Britain and London are facing numerous Public Health Emergencies. Air Quality, Smoking, Obesity, Alcohol and Gangs to name but a few but the Conservative government have seen it fit to slash public health grants by 85 million for 2019-2020. This is a 60% cut in Public Health over the last 10 years. Shocking! Enfield's Public Health Allocation is now £47 per head compared with London average of £73 per head. Islington receives £103, Camden £100, Kensington and Chelsea £130, even our next-door borough Haringey with £69 per head is way above our allocation.

The public health grant, funds vital services and functions that prevent ill health and contribute to the future sustainability of the NHS. Councils are responsible for delivering most public health services, but our ability to do so is compromised by these reductions and the broader funding climate. The total funding package which is used for sexual health services, drug and alcohol treatment, smoking and obesity also helps directors have an input into transport and housing services and supports children's services.

Taking funds away from prevention is a false economy. Without proper investment in public health people suffer, demand on local health services increases and the economy suffers. We have introduced HIAP, 'Health in all policies' in Enfield and aspire to becoming a Public Health Borough. This preventative approach not only values the lives of our residents who we are here for but also encourages our residents to take more control over their health.

This Council believes that the impact of cuts to public health on our communities has become impossible to ignore. This becomes more pressing given the Government's consideration of a 10-year plan for the NHS. For this reason, we support Cancer Research UK's and Enfield's Over 50's Forum call for increased and sustainable public health funding. This Council calls on the Government to deliver increased investment in public health and to support a sustainable health and social care system by taking a 'prevention first' approach.

These cuts are a 'slap in the face' from this government's 'radical upgrade in prevention' as put forward by NHS England in the five year Forward Plan. A reduction in almost a quarter in spending per person between 2014 and 2019 under an austerity regime that is literally killing people needs to stop! The current allocation based on historical funding patterns need rapid realignment to the realities of health needs to the government now.

We must demand the government reinstates the £440,000 which has been cut this year and an increase of funding to Enfield that at least matches the average London level each year.

## **REMAINING ITEMS (5 MINUTES)**

### **17. COMMITTEE MEMBERSHIP**

To confirm changes to Committee memberships:

No changes notified to date.

Any changes received once the agenda has been published will be tabled on the Council update sheet at the meeting.

### **18. NOMINATIONS TO OUTSIDE BODIES**

To confirm any changes to the nominations on outside bodies:

No changes notified at present.

Members are asked to note that any changes notified after the agenda has been published will be reported to Council on the update sheet to be tabled at the meeting.

### **19. DATE OF NEXT MEETING**

To note the date agreed for the next Council meeting:

- Wednesday 20 November 2019 at 7pm at Enfield Civic Centre.

## **PART 2 AGENDA**

**Please note that the documents included in this part of the agenda pack contain exempt information. They should not be released to the press or public and will need to be handled in accordance with the Council's Information Security Policy. Under the policy anyone issued with a pack will be responsible for ensuring the information is stored securely in order to protect it against unauthorised access and maintain its confidentiality. Further details on the Information Security Policy can be found on the Council's intranet.**

### **20. ENERGETIK TRANCHE 2 INVESTMENT DECISION (Pages 153 - 218)**

To receive a report from the Director of Commercial seeking a second tranche of funding to deliver the remainder of the Energetik business plan.  
(Report No: 78) (Key Decision Reference Number: KD: 4642)

This report should be considered in conjunction with Report No: 74 on the

part 1 agenda.

This report is due to be considered at Cabinet on 11 September 2019 after this agenda has been published. The Cabinet decision on recommendation will be reported to Council on the green update sheet tabled at the meeting.

**21. REARDON COURT EXTRA CARE HOUSING** (Pages 219 - 226)

To receive the report of the Executive Director People on the Reardon Court Extra Care Housing Scheme.

Council is asked to approve the allocation of capital funding for the Reardon Court development from the Council's Capital Programme based on an improved business case. (Report No: 51) (Key Decision Reference Number: KD: 4898)

Council is asked to note that Cabinet agreed the scheme on 17 July 2019 and recommended that Council approve the additional funding.

This report should be considered in conjunction with report no 48 on the part 1 agenda.

COUNCIL - 10.7.2019

**MINUTES OF THE MEETING OF THE COUNCIL  
HELD ON WEDNESDAY, 10 JULY 2019**

**COUNCILLORS****PRESENT**

Kate Anolue, Huseyin Akpınar, Mahmut Aksanoglu, Maria Alexandrou, Daniel Anderson, Tolga Aramaz, Guner Aydin, Ian Barnes, Dinah Barry, Mahym Bedekova, Yasemin Brett, Anne Brown, Nesil Caliskan, Alev Cazimoglu, Mustafa Cetinkaya, Katherine Chibah, Will Coleshill, Lee David-Sanders, Birsan Demirel, Guney Dogan, Ergin Erbil, Ergun Eren, Alessandro Georgiou, Charith Gunawardena, Christine Hamilton, Ahmet Hasan, Elaine Hayward, James Hockney, Rick Jewell, Saray Karakus, Nneka Keazor, Joanne Laban, Tim Leaver, Dino Lemonides, Derek Levy, Mary Maguire, Andy Milne, Gina Needs, Ayfer Orhan, Ahmet Oykenler, Sabri Ozaydin, Lindsay Rawlings, Michael Rye OBE, George Savva MBE, Edward Smith, Jim Steven, Claire Stewart, Doug Taylor, Mahtab Uddin, Glynis Vince and Hass Yusuf

**ABSENT**

Chris Bond, Sinan Boztas, Clare De Silva, Chris Dey, Elif Erbil, Susan Erbil, Achilleas Georgiou, Margaret Greer, Stephanos Ioannou, Bernadette Lappage, Terence Neville OBE JP and Vicki Pite

**1****THE MAYOR'S CHAPLAIN TO GIVE A BLESSING**

Father Emmanuel Ogunnaike from St Edmund's Church, Edmonton gave the blessing.

**2****MAYOR'S ANNOUNCEMENTS IN CONNECTION WITH THE ORDINARY BUSINESS OF THE COUNCIL**

The Mayor began by wishing everyone good evening and welcoming them to first ordinary Council meeting since becoming Mayor.

The Mayor said "I have embraced my Mayoral duties with great pride. I am also lucky enough to be supported by two highly intelligent and thoroughly decent young individuals who have been nominated to be our new Young Mayor, Mr Okan Gurhan, and Deputy Young Mayor, Miss Christevie Ngoma. I am very proud of them and eagerly await to see how their future pans out as I am sure they will be fine upstanding pillars of our community as they enter adulthood."

**1. Citizenship**

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One of her first tasks as Mayor had been chairing the Citizenship ceremony. She had been honoured to be part of this ceremony where so many members of the borough came to obtain their place in this country. New citizens attended with great excitement and she said that she enjoyed them all. She had attended six ceremonies so far.

**2. Events**

Over the last two months the Mayor had received many invitations and thanked the Deputy Mayor, Cllr Sabri Ozaydin, for helping her with some of the events, together with the Mayoral office, making a great team.

The Mayor had the pleasure of meeting many of those involved with the Mayor's Office, some of whom she had known when she was last Mayor in 2012. She named: Ann Cable (Deputy Lieutenant), Kathy Worrall, Paul Everitt, Shaun Rogan, Andrea Clemons, and the very helpful press team.

The Mayor had been extremely lucky to be able to meet many voluntary sector and community agency workers and had been overwhelmed by the amount of work that they all do for the community in our borough. This helped her to decide which charities she had chosen to support in her Mayoral year.

The Mayor had visited many local organisations since becoming mayor and had been amazed at the work being done in the borough. She said that she had met some wonderful people.

**3. The Mayor's Charities**

The Mayor's chosen charities were Sickie Cell and Thalassaemia, Dementia Care, the Children's Society, the Nightingale Cancer Support Centre, the Lefkara Association in Enfield, the Zebra Children and Adults Charity, Enfield Carers Centre, Stroke Action, Over 50's Forum, Capel Manor Enriching Programme for Youth Clubs and Groups.

The Mayor had begun work on raising as much money as she could for her charities. The first event was to be the quiz night on the 25th July 2019, which was to take place in the Civic Centre restaurant. She hoped that as many people as possible would join her for what she hoped would be a very enjoyable evening. Tickets would cost £10, all of the money collected was to go directly to her charity.

**4. Future Engagements**

The Mayor was launching her autobiography in the Council Chamber on Friday 26th July 2019 at 7pm in the Council Chamber. She hoped members would join her to share this special moment.

On the 22nd September 2019, the Mayor planned to hold a Civic Mass.



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On 29th September 2019 there was to be the annual Mayor's Forty Hall Fun Run.

The Mayor's main fund raiser, a gala, will be on the 18th October 2019 at the Selby Centre. She asked members to mark the date in their diaries as she wanted to celebrate these events with everyone.

**5. Tribute to Mrs Rita Miller, Freeperson of the Borough**

The Mayor paid tribute to a late freeperson of the borough, Mrs Rita Miller, who had passed away the preceding week. Her funeral was due to take place on Monday 15th July 2019 at 11am at Christchurch, Southgate and afterwards at the Walker Cricket Ground.

A minute's silence was held in honour of Mrs Rita Miller.

Finally, the Mayor thanked everyone for attending the meeting and wished them all a very nice summer.

**6. Young Mayor and Deputy Young Mayor**

The Young Mayor, Mr Okan Gurhan, and Deputy Young Mayor, Miss Christevie Ngoma also made short speeches saying how much they were looking forward to working with the Mayor and that they were enjoying their new roles.

**3**

**MINUTES OF THE MEETING HELD ON 8 MAY 2019**

The minutes of the Council meeting held on 8 May 2019 were received and agreed as a correct record.

**4**

**APOLOGIES**

Apologies for absence were received from Councillors Bond, Boztas, Dey, De Silva, Elif Erbil, Susan Erbil, Achilleas Georgiou, Greer, Ioannou, Lappage and Pite and for lateness from Councillor Alessandro Georgiou.

**5**

**DECLARATION OF INTERESTS**

Councillors Brett, Laban, Milne, Orhan, Rawlings, Smith, Taylor and Vince declared non-pecuniary interests in item 7 on The Response to Climate Change Emergency and Motion 2 in the name of Councillor Vicki Pite.

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**6**

**OPPOSITION BUSINESS - STREET RACING ON THE A10 GREAT CAMBRIDGE ROAD**

Councillor Laban introduced the issues paper, prepared by the Opposition Group.

1. Issues highlighted by Councillor Laban were as follows:

- Racing on the A10 had been causing distress for a long time despite efforts on all sides to improve the situation.
- The wards abutting the A10 and further afield were disturbed by the noise and affected by the increased emissions.
- It was a key issue for residents, raised on the doorstep and as shown by comments on social media forums and had also been discussed on BBC London.
- Transport for London were aware of the issue and questions had been asked of the Mayor of London.
- Cameras monitoring average speeds which could help solve the problem had been promised in 2015, but had not materialised.
- Detective Superintendent Andy Cox and his police team had helped to alleviate the problem, but this was only a temporary solution. A permanent solution was needed.
- In Hertfordshire, further up the A10, average speed cameras had been installed and this had reduced racing.
- Lives were being put in danger and quality of life disturbed.
- Councillor Laban asked Council to agree the recommendations in the report.

2. Councillor Caliskan, the Leader of the Council, responded on behalf of the Majority Group highlighting:

- Welcoming of the opportunity to discuss this important issue, where safety was paramount.
- Before 2015 there had been 60 slight, 1 serious and no fatal accidents. Since, there had been 11 serious and 2 fatal accidents, a marked increase. Members were right to be concerned.
- Acknowledgement that the current police operation, while welcome, was a temporary solution and that a permanent solution was needed.
- The Government had overseen a cut of 30,000 police officers in London and a £6 million cut in police budgets. This was unsustainable.
- The problem with the Opposition recommendations was that they gave no suggestion as to how the cameras were to be funded. The Government had decimated funding in London and cut the Transport for London operational grant, which now received £1 billion less every year. This meant that they were

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forced to ration resources and were reviewing the criteria for safety cameras.

- The Leader had written to the Mayor of London, Transport for London and to Heidi Alexander (Deputy Mayor of London) to raise the issue and had offered a contribution from the Council towards the cost of installing cameras.
- She had also written to Chris Grayling, Secretary of State for Transport asking for additional funding, which he had refused to provide.
- She felt that it was misleading to state that all transport funding had been devolved, as any fines collected were returned to the treasury. She felt that this money should be spent on safety measures.
- She thanked the opposition for the debate, said that they had been right to highlight the issue and invited them to write to the Secretary of State with her to ask him to invest income from fines in road safety measures. This could save lives.

3. Other issues highlighted during the debate were as follows:

a. The need highlighted by the members of the Opposition Group:

- To recognise the issue as non-party political and to acknowledge the enforcement work being done by Andy Cox and his team. In May 2015 there had been 5 serious injuries and 1 fatality, in 2018 5 serious injuries but in 2019, thanks to Andy Cox, none.
- To acknowledge the concern that it took the Mayor of London 3 months to respond to the Leader's letter.
- As part of their operations, the police team had also found many other criminal offences including driving without tax and insurance and drunk driving.
- The view that many local residents' lives had been blighted by poor behaviour on the roads and that installing cameras could help prevent this.
- Compliments to the Leader for the areas of commonality. The problem needed to be addressed and pressure maintained to find a solution.

b. The need highlighted by members of the Majority Group:

- To recognise that the removal of the old-style cameras in 2015 had led to an increase in fatal and serious accidents.
- That the Council was working with the police on finding a solution to the lack of funding for average speed cameras.
- To acknowledge that if there were 30,000 fewer police officers and less funding, this was bound to lead to a lower conviction rate. Convictions had dropped by two thirds.

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- To recognise the impact on the residents of Southbury Ward including that a young woman had died, that 127 vehicles had been seized and 165 caught speeding.
- That we could not expect the police to continue their operation indefinitely. A permanent solution was needed.

During the discussion Councillor Ergin Erbil moved and Councillor Barnes seconded a proposal to extend the time spent on this item by 15 minutes.

This was agreed after a vote with the following result:

For: 32

Against: 15

Abstentions: 3

4. At the end of the debate Councillor Laban summed up on behalf of the Opposition Group as follows:

Councillor Laban was pleased that sentiments were shared and hoped that members would agree the recommendations in the Opposition Business Paper and would be happy to sign a joint letter with the Leader.

5. Councillor Caliskan then summed up on behalf of the majority group responding to the recommendations in the Opposition Priority Business Paper:

Councillor Caliskan felt that the recommendations were sensible, that multi agency actions were needed and she was heartened by the support from the Opposition on this issue. She felt that money raised through speeding fines should be used to address the problem.

After the debate, the Leader's response to the Conservative Opposition Business paper, was agreed unanimously, without a vote.

**AGREED** the Leader's response in support of the following recommendations from the Opposition Business Paper:

1. For the Leaders of both groups to write a joint letter to the Mayor and ask for the following:
  - To commit to placing average speed cameras on the A10 Great Cambridge Road.
  - Until cameras are installed, request that the police presence (Operation Vision Zero) remains fully funded to combat speeding/ racing at the known prevalent times when operationally appropriate.
2. Council to lead on arranging a multi-agency meeting(s) as required with key stakeholders including Transport for London (TfL), Police and Retail Parks to ensure a coordinated response to tackling the problem.

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3. That the Council communications team actively work with the Police to raise awareness in the community of the Vision Zero strategy, new Dashcam enforcement process and dangers of speeding.
4. Council to conduct a review of how many times the PSPO power has been implemented, its effectiveness and if it can be deployed better in tackling large gatherings on the retail parks.

**7**

**CHANGE IN ORDER OF BUSINESS**

Councillor Ergin Erbil moved and Councillor Nesil Caliskan seconded a proposal under paragraph 2.2(B) of the Council procedure rules to change the timing and order of items on the agenda.

It was proposed that 120 minutes be allocated to motions and 10 minutes to reports and that motions should be taken in the following order: 15.2, 15.14, 15.8, 15.6, 15.7, 15.5.

This was agreed after a vote with the following result:

For: 30

Against: 13

Abstentions: 2

The minutes reflect the order of the meeting.

**8**

**RESPONSE TO CLIMATE CHANGE EMERGENCY**

Councillor Nesil Caliskan moved and Councillor Ian Barnes seconded the report of the Executive Director Place on a response to the Climate Change Emergency. (Report No: 57)

NOTED

1. This report had been considered at a Cabinet meeting held on 8 July 2019. Cabinet had agreed to recommend that the Council should make a commitment to make Enfield carbon neutral by 2030.
2. The Leader's view that:
  - This report provided clarity on an important issue which was subject to protest.
  - The issue was also due to be debated in a motion later in the agenda.
  - The issue required urgent attention. It was important that the Council should take the lead on making the borough carbon neutral by 2030, if not before. It represented a step change in attitudes.
  - The Council should be looking to divest in fossil fuel companies that increase carbon emissions.

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- The Pension Policy Investment Committee had already begun to consider their investments, as was right and proper.
  - Further details would be considered during the discussion on the motion.
3. The response of the Leader of the Opposition, saying that she could not support the report and expressing:
- Concern that this issue had not been urgent when the motion was originally presented in January.
  - Concern that it had only been brought forward because of pressure from Enfield Voices and Extinction Rebellion.
  - Concern that the report was weak, too narrowly focussed and contained little financial information on how the targets would be met.
  - Concern that not all Cabinet members had been present when the declaration was signed.
  - Concern that the new local plan was proposing building on the Green Belt, which she felt was contrary to the ambitions on climate change.
  - Concern that the report had not included more on proposals to increase electric charging points and planting more trees.
4. Thanks to Extinction Rebellion for their brilliant campaign and for bringing the matter to the fore.
5. That the Cabinet had had a target and that members had signed a pledge on carbon reduction. They had also made a significant investment in green energy.

After the debate a vote was taken on the report recommendations and they were agreed with the following result:

For: 28

Against: 1

Abstentions: 14

**AGREED**

1. To note that this report was considered by Cabinet at a meeting on 8 July 2019 and that Cabinet agreed to recommend the report to Council.
2. To approve a commitment to make Enfield Council carbon neutral by 2030 – or earlier if possible – and to undertake to move all strategic, budgetary and policy decisions in line with this shift.
3. To note that Cabinet was asked (8 July 2019) to establish a Climate Emergency Task Force of officers and members to determine how to achieve this target and to explore what more can be done to cut greenhouse gas emissions in the Council's operations and supply chain, as well as across the borough, and to:

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- Update the Sustainable Enfield plan by 2020 and submit it to Cabinet for approval.
  - Involve all our partners, but especially the Youth Parliament, in updating the plan.
4. That the Pension Policy and Investment Committee consider revisions to the policy on Environmental, Social and Governance (ESG) within its Investment Strategy Statement. The new policy will require the Fund to review its holdings in companies ensuring they do contribute towards a de-carbonised economy. In particular, the Fund should continue to actively reduce its holdings in fossil fuel companies over a planned period of time.

**9**

**CHANGE IN THE ORDER OF BUSINESS**

Councillor Ergin Erbil moved and Councillor Gina Needs seconded a proposal under paragraph 2.2(B) of the Council procedure rules to change the order of items on the agenda to take the motions as the next item:

This was agreed after a vote with the following result:

For: 30

Against: 12

Abstentions: 0

The minutes reflect the order of the meeting.

**10**

**MOTIONS**

**Motion 15.2**

Councillor Levy moved, on behalf of Councillor Vicki Pite, and Councillor Barry seconded the following motion:

“More than 92 councils, including the London Assembly, have now made Climate Emergency Declarations since the IPCC “Special Report on Global Warming of 1.5<sup>o</sup> C”, published in October 2018, described the enormous harm that a 2<sup>o</sup>C rise in world temperature is likely to cause, urging that governments and authorities world-wide seek to limit global warming to 1.5<sup>o</sup> C. Two thirds have set a target date for net zero carbon of 2030. Others have set no target date or have aimed for 2050.

On May 1<sup>st</sup> Parliament approved an opposition motion to declare an environment and climate emergency; a citizens’ assembly on climate change is to meet this autumn and the Prime Minister used one of her last major acts to set 2050 as the date for Britain to end greenhouse gas emissions, making it the first major economy in the world to do so.

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Research from Greener UK and the Climate Coalition revealed that two thirds of Britons want faster action to tackle climate change.

Extinction Rebellion Enfield Enfield has petitioned the Council to declare a climate emergency immediately and come up with concrete plans to get Enfield to net zero carbon emissions by 2025.

The London Assembly, in a unanimous vote, called on the Mayor of London to put an emergency plan in place and declare a Climate Emergency in London. Reflecting our ambitions for Enfield, our children's future and the demand for action not words, Enfield council notes:

- the IPCC's Special Report on Global Warming of 1.5°C and endorses the proposal that limiting Global Warming to 1.5°C may still be possible with ambitious action from national and sub-national authorities and others
- the Mayor of London's climate change mitigation and adaptation responsibilities and recognises his aims to make London a zero-carbon city by 2050 but welcomes, and supports, further ambitious steps.
- the declarations by other councils in the UK and around the world that commit resources to tackling the 'Climate Emergency'
- that strong policies to cut emissions have associated health, wellbeing and economic benefits

And therefore Enfield Council agrees:

- to declare a climate emergency that requires urgent action
- that all strategic and policy decisions, budgets, and approaches to planning decisions are in line with a shift to carbon neutrality by 2030
- that cabinet and officers determine what more can be done locally to cut emissions, and publish a plan setting out these actions for debate and approval by 2020
- that the Pensions Policy & Investment Committee should continue to play its part in reducing carbon and mitigating its effects by looking, in consultation with pension beneficiaries, to invest in assets which contribute to a decarbonised economy; including divesting from assets, in a managed way, which do not contribute to meeting the objectives
- that our partners, especially young people, are involved in these plans so that our communities have a voice in shaping their future.

Enfield Council further asks, in line with the unanimous vote of the London Assembly, that the leaders of both parties write to

- the Mayor of London to support the Mayor's declaration of a Climate Emergency, underpinned by specific emergency plans with the actions



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necessary to make London carbon neutral by 2030, and, as vice chair of the C40 Cities network, to be a leader on this agenda.

- The Secretary of State for the Environment, Food and Rural Affairs urging him to give the Mayor of London the powers and funding to make this possible.”

Following the debate the motion was put to the vote and agreed with the following result:

For: 35  
Against: 0  
Abstentions: 11

Councillor Brett asked for her thanks to Councilor Pite be recorded for bringing this matter forward.

**Motion 15.14**

Councillor Uddin moved and Councillor Cazimoglu seconded the following motion

“To adopt the All-Party Parliamentary Group (APPG) definition of Islamophobia.

Enfield Council notes that the APPG is investigating prejudice and discrimination against British Muslims and the aim of their definition is to build a common understanding of the causes and consequences of Islamophobia and show a united determination to end it.

Enfield Council adopts the All-Party Parliamentary Group (APPG) definition of Islamophobia. The definition is “Islamophobia is rooted in racism and is a type of racism that targets expressions of Muslimness or perceived Muslimness”.

Enfield’s Council condemns, in the strongest possible terms, Islamophobia and believes that it has no place in our society. We must do all we can to stand together against those who seek to divide our communities.

This was altered by Councillor Uddin to include the following additional sentence:

“We must review the Council’s own policies and procedures to ensure we support those affected.”

Following the debate, the motion was put to the vote and agreed with the following result:

For: 35  
Against: 10  
Abstentions: 0

The following motions lapsed under the guillotine arrangements: 15.1, 15.3, 15.4, 15.5, 15.6, 15.7, 15.8, 15.9, 15.10, 15.11, 15.12, 15.13, 15.15

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**11**

**DURATION OF COUNCIL MEETING**

The Mayor advised, at this stage of the meeting, that the time available to complete the agenda had now elapsed so Council Procedure Rule 9 would apply.

NOTED that in accordance with Council Procedure Rule 9 (page 4-8 – Part 4), the remaining items of business on the Council agenda were considered without debate.

**12**

**LED CONVERSION PROJECT 2019 FOR HIGHWAY STREET LIGHTING**

RECEIVED: the report from the Executive Director Place on the LED Conversion Project for Street Lighting. (Report No: 7)

NOTED

1. That Cabinet had agreed at their meeting held on 12 June 2019 and had recommended that Council approve additional funding for the Council's Capital Programme to cover the cost of the project.
2. The Cabinet decision had been called in and was considered at a meeting of the Overview and Scrutiny Committee held on 9 July 2019. At the meeting, the Overview and Scrutiny Committee agreed to confirm the original Cabinet decision.

**AGREED:**

1. To note that Cabinet had approved at their meeting on 12 June 2019:
  - ii) A project to replace the existing street lights with LED lighting in line with current design standards and introduce a smart central management system.
  - ii) A recommendation to Council, for the inclusion of the Street Lighting Project in the Council's approved Capital Programme at a cost of £6.375m.
  - iii) A recommendation to Council, for funding arrangements as set out in the report being external borrowing of £6.375m of which there is a five-year interest free loan of £4.09m from SALIX.
  - iv) To note that the updated net savings will be reflected in the MTFP for 2020/21 and future years.
  - v) To delegate to the Director of Environment and Operational Services, in consultation with the Director of Law and Governance, approval to make any necessary changes to the terms of the Street Lighting PFI contract.
2. To approve:

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- i) The inclusion of the Street Lighting Project in the Council's approved Capital Programme at a cost of £6.375m.
- ii) Funding arrangements as set out in the report being external borrowing of £6.375m of which there is a five-year interest free loan of £4.09m from SALIX.

**13**

**COUNCILLOR CONDUCT COMMITTEE ANNUAL REPORT 2018/19**

RECEIVED the Annual Report of the Councillor Conduct Committee setting out the work carried out over the past year (2018/9).

NOTED

- 1. The report was considered and agreed at the meeting of the Councillor Conduct Committee held on 3 July 2019 with the following additional information: "The monitoring officer had dealt with 22 complaints in total during the year and there were 6 outstanding complaints, subject to further investigation".

**AGREED** to note the Annual Report 2018/19 of the Councillor Conduct Committee.

**14**

**INDEPENDENT PERSON - EXTENSION OF TERM OF APPOINTMENT**

RECEIVED the report of the Director of Law and Governance regarding the extension of the appointment of Christine Chamberlain as Independent Person. (Report No: 55)

NOTED that the Councillor Conduct Committee at their meeting held on 3 July 2019 had agreed to recommend that Council extend the term of appointment of Christine Chamberlain for two years to 30 June 2021.

**AGREED** to extend the term of appointment of Christine Chamberlain, Independent Person, whose current term of office comes to an end on 30 June 2019, by two years to 30 June 2021.

**15**

**MEMBERSHIP OF AUDIT AND RISK MANAGEMENT COMMITTEE**

RECEIVED a report from the Director of Law and Governance on changes to the Audit and Risk Management Committee Membership. (Report No: 59)

**AGREED** to determine the membership of the Audit and Risk Management Committee to be a committee of nine with seven Labour and two Conservative members.

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**16**

**COUNCIL HOUSING BOARD - CHANGES TO TERMS OF REFERENCE**

This item was withdrawn.

**17**

**URGENCY REPORT**

NOTED

1. The details provided of three decisions recently taken under the Council's urgency procedure relating to the waiver of the Council's key decision and call in processes along with the reasons for urgency.
2. The decisions were made in accordance with the urgency procedures set out in Paragraph 17.3 of Chapter 4.2 (Scrutiny) and Paragraph 16 of Chapter 4.6 (Access to Information) of the Council's Constitution.

Councillor Laban indicated that if there had been a vote on this issue the Opposition would have voted against.

**18**

**COUNCILLOR QUESTION TIME**

**1. Urgent Questions**

There were no urgent questions.

**2. Questions by Councillors**

NOTED

1. The forty questions on the Council agenda and the written responses provided by the relevant Cabinet Members.

**19**

**COMMITTEE MEMBERSHIP**

**AGREED** to confirm the following changes to Committee memberships:

- Audit and Risk Management Committee: Councillor Tim Leaver to be appointed to the Committee as Vice Chair and Councillors Claire Stewart and Councillor James Hockney to be appointed to the new vacancies.
- Pension Policy and Investment Committee – to confirm the appointment of Councillor Tim Leaver as Chair and Councillor Claire Stewart as Vice Chair.
- Conservation Advisory Group – Councillor Ayfer Orhan to replace Councillor Charith Gunawardena
- Electoral Review Panel – to appoint Councillor Nesil Caliskan as Chair and Councillor Ian Barnes as Vice Chair.

**20**

**NOMINATIONS TO OUTSIDE BODIES**

**AGREED** to confirm the following changes to the nominations on outside bodies:

- North London Waste Authority – Councillor Bond to replace Councillor Barnes as the Council representative.

**21**

**DATE OF NEXT MEETING**

**NOTED** that the next ordinary Council meeting will take place on Wednesday 18 September 2019 at 7pm.

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## MUNICIPAL YEAR 2019/2020 REPORT NO.

**94**

**MEETING TITLE AND DATE:**  
Council- 18<sup>th</sup> September  
2019

**REPORT OF:**  
Director of Law &  
Governance

<b>Agenda – Part:1</b>	<b>Item: 12</b>
<b>Subject:</b>	<b>Petition – Stop the bin collection changes</b>
<b>Wards:</b>	<b>All.</b>
<b>Members consulted: N/A</b>	

Contact officer and telephone number: Claire Johnson, Head of Governance & Scrutiny Email: [Claire.Johnson@enfield.gov.uk](mailto:Claire.Johnson@enfield.gov.uk)

## **1 EXECUTIVE SUMMARY**

- 1.1 This report details the petition received with a request for the Council to stop the changes to the bin collections.
- 1.2 Under the Council's Petition scheme if more than 3,124 signatures are received it will be debated at Full Council.

## **2 RECOMMENDATIONS**

- 2.1 Council is asked to receive the petition from the Lead Petitioner, and in accordance with the Councils Petition Scheme, allow consideration of the views expressed in the petition.

## **3. BACKGROUND**

- 3.1 The Council's Petition Scheme enables Petitions with 3124 signatures (1% of the assessed population from the 2011 census as published by the Office of National Statistics) to be debated at Full Council.

- 3.2 Under the Council's scheme, a Petition can be signed by a person of any age who lives, works, studies or does business in the borough.

#### **4. Stop the bin collection changes**

- 4.2 An electronic petition requesting that the Council to stop the changes to the bin collections was submitted on the 28<sup>th</sup> August 2019.
- 4.2 The E-petition has been submitted with 3,974 signatures.
- 4.3 The petition statement is:  
We the undersigned petition the Council to reverse its decision to change the bin collection service as it is at present and furthermore to cancel its intention to impose the annual charge or levy to collect green waste.

#### **5. COMMENTS FROM OTHER DEPARTMENTS**

##### **5.1 Financial Implications**

- 5.1.1 The decision to implement the waste changes was taken at Cabinet on the 13<sup>th</sup> February 2019 and will generate savings of £2.5m which have been built in to the Council's Medium-Term Financial Strategy (MTFS). It was also agreed in the same report that £500k per year would be reinvested in Street Cleansing and fly tipping along with additional resources for waste enforcement and recycling. If the Council were to reverse the decision, the benefits would not be realised in terms of contribution to the Council's overall financial position or the additional investment in key areas mentioned above.
- 5.1.2 In July 2019 a report on the Council's Medium-Term Financial Strategy updated the Council's financial position, which indicates that the Council has a budget gap of £14m in 2020/21 and a total gap of circa £40m over the 5 years of the MTFS. If the decision was reversed this would further increase this gap and require significant alternative savings to be identified to bridge the gap.

##### **5.2 Legal Implications**

- 5.2.1 The Council's statutory duty to have a petition scheme was repealed by s46 of the Localism Act 2011. Although no longer a duty, the Council has retained its petition scheme in the interest of promoting democracy. The Council's petition scheme is therefore still valid.



- 5.2.2 The request in this report to refer the petition to full Council is in line with the Council's petition scheme, a Petition with at least 3,124 signatures will be referred to full Council for debate.

## **6 KEY RISKS**

Members of the Council note that the council petition scheme allows a debate at Full Council following the requisite number of signatures. There may be implications arising from any action's resultant from this consideration.

## **7. IMPACT ON COUNCIL PRIORITIES - CREATING A LIFETIME OF OPPORTUNITIES IN ENFIELD**

**Good Homes in Well-Connected Neighbourhoods; Sustain Strong and Healthy Communities; Build our Local Economy to Create a Thriving Place**

The Council's Petitions Scheme ensures that the public are able to register their opinions on issues of importance to them.

## **8. EQUALITIES IMPACT IMPLICATIONS**

Corporate advice has been sought in regard to equalities and an agreement has been reached that an equalities impact assessment is neither relevant nor proportionate for the approval of this report.

## **9. PERFORMANCE AND DATA IMPLICATIONS**

There are no Performance Management Implications

## **10. PUBLIC HEALTH IMPLICATIONS**

There are no Public Health Implications from the consideration of this petition. There may be implications arising from any action's resultant from this consideration.

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## OPPOSITION PRIORITY BUSINESS – FULL COUNCIL 18/9/2019

### Inappropriate high-rise residential development and the loss of car parks, etc.

#### 1.0 Executive Summary

- 1.1 The purpose of this OPB report is to draw attention to the increasing number of high-rise, high density residential schemes in suburban areas in Enfield that are in the pipeline, to raise concerns about the impact on local communities and to debate the implications for local planning policy.
- 1.2 The report is concerned with the damage that these schemes will cause to the character of these areas and amenity of existing residents. These problems could be reduced if there was greater clarity about the appropriate scale and location of such schemes. The need for additional housing for young people is fully recognised by the Conservative Group, but we are concerned that, because larger housing schemes provide higher levels of affordable housing, the Administration may not give due weight in the Local Plan to other considerations when dealing with such planning applications.
- 1.3 The differences in approach to housing density between the current London Plan and the new Plan are examined in order to clarify the range of options and discretion the Borough has when it comes to planning policy for larger residential schemes.
- 1.4 It would be inappropriate to make detailed recommendations about schemes that have been submitted for planning or are under consideration. Rather it seeks to identify areas of concern and uncertainty in current planning policy and put forward broad guidelines to assist decision making in the future.

#### 2.0 Recommendations

- 2.1 The Council should seek to amend the draft Local Plan to direct housing developers, both private and public, in the main to former industrial areas and other brownfield sites, and low-rise retail sites in the Borough. The Local plan should provide guidelines regarding the suitable height and density for residential development in different parts of the Borough.
- 2.2 Under the Local plan, the Council should deter high-rise residential blocks **outside** our town centres where the existing building form is traditional and low density. Developing housing near transport hubs in some cases is perfectly reasonable, but only where all the other relevant material planning considerations, including the appropriate height and density, have been taken into account.
- 2.3 The Council should also generally restrict (not prohibit) high rise, high density residential developments in traditional suburban town centres like Enfield Town and seek an article 4 direction to control inappropriate development of offices into residential with the consequence loss of jobs. The new residential development of the Electric Quarter in Ponders End is a good example of the sort of desirable, low rise housing that should be encouraged in our town centres.

### **3.0 Background**

- 3.1 In the 1960s, Enfield Council developed the largest number of high-rise blocks of Council flats in London. Although spacious by modern standards, these tower blocks became notorious for anti-social behaviour and proved to be very problematic and expensive to maintain, e.g. in terms of lift replacement and door entry systems. Not surprisingly, they proved unpopular with many tenants who in most cases were on low incomes and had limited choices about where to live. More recently, refurbished high-rise blocks have been subject to a number of serious fires and loss of life, as occurred at Grenfell Tower. The lessons learnt from this type of housing development should not be forgotten.
- 3.2 In the last period of Conservative control, a substantial amount of affordable housing and retail regeneration was successfully initiated, e.g. in partnership with Green Horizons in Edmonton Green. In this period, much of the Galahad and Victoria Rd areas near Edmonton Green Station were replaced with good quality, low-rise, family housing.
- 3.3 In recent months, a clutch of new proposals for very large, high-rise residential schemes have come forward. Two of these schemes are promoted by Transport for London on the car parks adjacent to Cockfosters and Arnos Grove Underground Stations. Two further high-rise developments are proposed for Southgate Village near Southgate Underground Station and for a retail site on the A10 known as the Colosseum scheme. They each involve the development of hundreds or in the case of the Colosseum scheme thousands of new units. The Colosseum scheme proposes three towers, one of which would be up to 29 storeys high and would be visible across the Borough.
- 3.4 To date, only the Southgate Village scheme has been submitted for planning, but it is likely that the others will be submitted in the next few months. This report is about the precedent being set by the scale and location of these proposed developments and their impact on local communities.

### **4.0 Planning Policy**

- 4.1 The Mayor's new London Plan has completed its consultation and Examination in Public stages and is likely to come into effect shortly. The consultation process for the Council's Local Plan has only just started and will take several years to complete. In the meantime, local planning decisions will need to be in conformity with the Mayor's London plan once it is approved by the Secretary of State for Communities and Local Government.
- 4.2 The Mayor's London Plan has been amended significantly and beneficially during the consultation process. It is now more of a nuanced document which gives local boroughs considerable discretion and scope in developing their own policies. It is a given that the population in London is rising rapidly and that growth of the housing stock is a priority. However, location, density and infrastructure considerations are still a matter for local discretion because circumstances vary in different parts of London.

- 4.3 One significant departure in the new draft London Plan is that the residential density guidelines in the current London plan (Table 3.2) have been dropped in favour of a more discretionary approach. The current guidelines specifically quantify different housing densities for Central, Urban and Suburban areas, in each case increasing with closer proximity to public transport. This had the advantage of being relatively clear and recommended housing densities in suburban areas that were substantially less than indicated in the latest schemes referred to above.
- 4.4 The new London Plan takes a broader approach: “To help assess, monitor and compare development proposals several measures of density are required to be provided by the applicant. Density measures related to the residential population will be relevant for infrastructure provision, while measures of density related to the built form and massing will inform its integration with the surrounding context. The following measurements of density should be provided for all planning applications that include new residential units:
- 1) number of units per hectare
  - 2) number of habitable rooms per hectare
  - 3) number of bedrooms per hectare
  - 4) number of bed spaces per hectare”

These new guidelines however would appear to leave responsibility for setting appropriate density figures to individual boroughs.

- 4.5 The new draft London Plan gives further useful guidance: “Delivering good quality, affordable homes, better public transport connectivity, accessible and welcoming public space, a range of workspace in accessible locations, built forms that work with local heritage and identity, and social, physical and environmental infrastructure that meets London’s diverse needs is essential if London is to maintain and develop strong and inclusive communities”.
- 4.6 Finally, it states: “Early engagement with local people leads to better planning proposals, with Neighbourhood Plans providing a particularly good opportunity for communities to shape growth in their areas. Taking advantage of the knowledge and experience of local people will help to shape London’s growth, creating a thriving city that works better for the full diversity of its inhabitants.”

## **5.0 Concerns**

- 5.1 These planning policy distinctions may appear obscure, but they are of vital significance to decisions that will be taken over the next few years in regard to housing developments in Enfield. Uncertainty on the part of councillors, officers and members of the public over the planning position will undoubtedly lead developers to press for excessively large and high residential tower blocks in inappropriate locations as we have already seen.
- 5.2 These new schemes have upset and outraged many local residents, who feel powerless to object to them. This is contrary to the spirit of the new London Plan.

- 5.3 As well as these schemes being out of character and proportion with the suburban landscape, local residents are deeply concerned that the large number of additional residents will place undue strain on their already creaking health and education services and create even worse traffic congestion, pollution and parking problems.
- 5.4 In particular, the TfL developments would lead to the disappearance of two large car parks at Cockfosters and Arnos Grove Underground stations that are used by commuters to enable them to travel into central London for work and who often live some distance from the Piccadilly Line. Effectively a park and ride scheme. As well as being disruptive to members of the public this is environmentally damaging and may generate greater car use not less.

## **6.0 Conclusions**

- 6.1 The Conservative side recognises that the population of Enfield is likely to continue to grow in future years and this necessitates greater housing development.
- 6.2 The report concludes that local Boroughs can through their Local Plans set clear guidelines about acceptable housing densities in specific locations and, just as with setting appropriate room sizes and heights, should do so.
- 6.3 Failure to address this issue will simply lead to developers taking advantage by submitting larger and higher residential schemes in inappropriate locations justified by claims that they are merely helping to solve the housing crisis.
- 6.4 Enfield is lucky compared to other more built up areas in London in having substantial amounts of brown field sites available. The Council should concentrate on enabling the development of these sites and not permit the many attractive traditional housing areas within the Borough to be spoiled for future generations.

**End**

## **15. OPPOSITION BUSINESS**

- 15.1 The Council will, at four meetings a year, give time on its agenda to issues raised by the Official Opposition Party (second largest party). A minimum of 45 minutes will be set aside at each of the four meetings.
- 15.2 All Council meetings will also provide opportunities for all parties and individual councillors to raise issues either through Question Time, motions or through policy and other debates.
- 15.3 The procedure for the submission and processing of such business is as follows:
- (a) The second largest party shall submit to the Monitoring Officer a topic for discussion no later than 21 calendar days prior to the Council meeting. This is to enable the topic to be fed into the Council agenda planning process and included in the public notice placed in the local press, Council publications, plus other outlets such as the Council's web site.
  - (b) The Monitoring Officer will notify the Mayor, Leader of the Council, the Chief Executive and the relevant Corporate Management Board member(s) of the selected topic(s).
  - (c) Opposition business must relate to the business of the Council, or be in the interests of the local community generally.
  - (d) If requested, briefings on the specific topic(s) identified will be available to the second largest party from the relevant Corporate Management Board member(s) before the Council meeting.
  - (e) No later than 9 calendar days (deadline time 9.00 am) prior to the meeting, the second largest party must provide the Monitoring Officer with an issues paper for inclusion within the Council agenda. This paper should set out the purpose of the business and any recommendations for consideration by Council. The order in which the business will be placed on the agenda will be in accordance with Council Procedure Rule 2.2 relating to the order of business at Council meetings.
  - (f) The discussion will be subject to the usual rules of debate for Council meetings, except as set out below. The Opposition Business will be conducted as follows:
    - (i) The debate will be opened by the Leader of the Opposition (or nominated representative) who may speak for no more than 10 minutes.
    - (ii) A nominated councillor of the Majority Group will be given the opportunity to respond, again taking no more than 10 minutes.
    - (iii) The Mayor will then open the discussion to the remainder of the Council. Each councillor may speak for no more than 5 minutes but, with the agreement of the Mayor, may do so more than once in the debate.

- (iv) At the discretion of the Mayor the debate may take different forms including presentations by councillors, officers or speakers at the invitation of the second largest party.
- (v) Where officers are required to make a presentation this shall be confined to background, factual or professional information. All such requests for officer involvement should be made through the Chief Executive or the relevant Director.
- (vi) The issue paper should contain details of any specific actions or recommendations being put forward for consideration as an outcome of the debate on Opposition Business.
- (vii) Amendments to the recommendations within the Opposition Business paper may be proposed by the Opposition Group. They must be seconded. The Opposition will state whether the amendment(s) is/are to replace the recommendations within the paper or be an addition to them.
- (viii) Before the Majority party concludes the debate, the Leader of the Opposition will be allowed no more than 5 minutes to sum up the discussion.
- (ix) The Majority Group will then be given the opportunity to say if, and how, the matter will be progressed.
- (x) If requested by the Leader of the Opposition or a nominated representative, a vote will be taken on whether to approve the Majority Group's response.



**MUNICIPAL YEAR 2019/20 REPORT NO. 41****MEETING TITLE AND DATE:**Cabinet: 17<sup>th</sup> July 2019

Council: 18 September 2019

**REPORT OF:**

Executive Director of Resources

**Contact officer and telephone no:**

Paul Reddaway

020 8379 4730

e-mail: paul.reddaway@enfield.gov.uk

**Agenda – Part: 1****Item: 8****Subject:****ANNUAL TREASURY MANAGEMENT  
OUTTURN REPORT 2019/19****KD:****Wards: All****Cabinet Member consulted:****Cllr Maguire****1. EXECUTIVE SUMMARY**

1.1. This report reviews the activities of the Council's Treasury Management function over the year ended 31 March 2019.

1.2. The key points of the report are highlighted below:

		<b>See section:</b>
<b>Debt Outstanding at 31<sup>th</sup> March 2019</b>	£844.8m - an increase of £148.0m since 1 <sup>st</sup> April 2018.	<b>5</b>
<b>Average interest on total debt outstanding</b>	The average interest rate fell to 3.05% This in part reflects the maturing of the £30m high coupon and new borrowing being taken at lower than average rates.	<b>6</b>
<b>Debt Rescheduling</b>	None undertaken.	<b>7</b>
<b>Other Treasury Activities</b>	Schools balances de-coupled from a group balance position	<b>8</b>
<b>Treasury Investment activity</b>	£275k – (excluding interest receipts from loans made by the council).	<b>9</b>
<b>Compliance with Treasury Management prudential indicators</b>	No breaches	<b>10</b>
<b>Investments &amp; Net Borrowing</b>	Net borrowing has increased by £125.5m	<b>11</b>

## **2. RECOMMENDATIONS**

### **2.1. Council is asked to:**

- i.** Note and comment on the contents of the report
- ii.** Approve the revised Treasury Management Strategy noting the change to the Minimum Revenue Provision with the addition of 4 c) in Appendix E of the Strategy

## **3. BACKGROUND**

- 3.1. The Authority adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Authority to approve treasury management half yearly and annual reports.
- 3.2. The Authority's Treasury Management Strategy for 2018/19 was approved at an Authority meeting on the 21st February 2018. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

## **4. ECONOMIC BACKGROUND**

- 4.1. The Bank of England have made no change to monetary policy at its meetings in May and June. However, in August 2018 they made a unanimous decision for a rate rise of 0.25%, taking the Bank Rate to 0.75%. This increase was predicated on fears of rising inflation, falling unemployment rates, and greater wage growth.
- 4.2. There has been a high level of volatility in the financial markets as a result of potential trade wars resulting from the US implementing tariffs on imports. Perhaps the greatest issue is the great uncertainty around the UK's withdrawal from the EU. These two factors will continue to have a great influence over the next year.
- 4.3. Given all these factors the gilt yields have overall not moved greatly, nevertheless, this has not prevented there from being great volatility over the period. With yields reacting to market news and reverting back on to trend.

## **5. BORROWING IN 2018/19**

- 5.1. The Actual borrowing for the year was £845million. The actual borrowing was within the Operational limit of £1,067 million (as set out in the 2018/19 Treasury Management Strategy Report). The outturn position was in line with the borrowing requirement set out in the mid year Treasury Management report.
- 5.2. The chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long term plans change being a secondary objective.

- 5.3. On the 31st March 2019 the Authority held £845million of loans, (an increase of £148.2 million since 1<sup>st</sup> April 2018), as part of its strategy for funding the Council's capital programme.
- 5.4. During this period the Authority borrowed £290 million of which £141.8 million was used to replace maturing debt.
- 5.5. Outstanding loans as at 31 March 2019 are summarised in Table 1 below.

<b>Table 1: Treasury Management Borrowing Summary</b>				
<b>Type of Loan</b>	<b>1<sup>st</sup> April 2018</b>	<b>New Borrowing</b>	<b>Repaid Borrowing</b>	<b>31<sup>st</sup> March 2019</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>PWLB</b>	<b>556,752</b>	125,000	(7,906)	<b>673,846</b>
<b>Commercial Loan</b>	<b>30,000</b>		(30,000)	<b>-</b>
<b>European Investment bank</b>	<b>9,238</b>		(317)	<b>8,921</b>
<b>LEEF</b>	<b>4,626</b>		(627)	<b>3,999</b>
<b>Local Authority</b>	<b>28,000</b>		(15,000)	<b>13,000</b>
<b>SALIX</b>	<b>153</b>		(86)	<b>67</b>
<b>Short-terms loans</b>	<b>68,000</b>	165,000	(88,000)	<b>145,000</b>
<b>Total*</b>	<b>696,769</b>	<b>290,000</b>	<b>(141,936)</b>	<b>844,833</b>

**Note1\*See table 2**

**Note2: The HRA borrowing remains unchanged at £157.7m**

<b>Table 2 Loans made by to LB of Enfield companies total is included in Table 1</b>				
<b>Loans made to LBE Companies</b>	<b>1<sup>st</sup> April 2018</b>	<b>New Borrowing</b>	<b>Repaid Borrowing</b>	<b>31 March 2019</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>HGL</b>	<b>115,849</b>	5,000	(5,997)	<b>114,852</b>
<b>Energetik</b>	<b>6,209</b>	2,880	(216)	<b>8,873</b>
<b>EIL</b>	<b>12,820</b>	-	(584)	<b>12,236</b>
<b>EEA</b>	<b>750</b>	-	-	<b>750</b>
<b>Total</b>	<b>135,628</b>	<b>7,880</b>	<b>(6,797)</b>	<b>136,711</b>

## **6. COST OF BORROWING**

- 6.1. The average interest rate paid on total external debt in 2018/19 was 3.05% (3.4% in 2017/18).
- 6.2. Table 3 shows the interest paid (i.e. the cost of borrowing) by the Council during the year:

<b>Table 3: Cost of Borrowing</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
Public Works Loan Board	16,736	19,448
Commercial	2,144	1,885
Local Authority	384	304
EIB	217	210
LEEF	86	75
Salix	-	-
Commission on loans	92	130
<b>Total Interest on Debt</b>	<b>19,659</b>	<b>22,052</b>
Short term Loans	293	917
<b>Total Interest Paid</b>	<b>19,952</b>	<b>22,969</b>
<b>Interest Income Receipts from:</b>		
Housing Revenue Account	8,159	8,159
Capitalised Interest on Meridian Water	5,745	7,226
HGL	2,534	2,836
EIL	992	828
Energetik Note 3	366	439
Enfield Enterprise	113	38
General Fund	2,042	3,443
<b>Total Cost of Debt</b>	<b>19,951</b>	<b>22,969</b>

Note 3: Energetik pay an inflated interest rate to meet the State Aid regulations set by the European Union this additional interest cost amounted to £259K in 2018/19 and is used to reduced the interest paid budget.

## 7. DEBT MATURITY

- 7.1. The Council has 79 loans spread over 50 years with the average maturity being 29 years. The maturity profile allows the Council to spread the risk of high interest rates when debt matures in any one year.
- 7.2. Table 4 shows the maturity structure of Enfield's long term debt:

<b>Table 4: Profile of Maturing Debt</b>	<b>Loans Outstanding as at 31 March 18</b>	<b>Loans Outstanding as at 31 March 19</b>
	<b>£m</b>	<b>£m</b>
Under 1 year	121.6	164.6
1-5	54.7	67.1
5-10	44.9	85.0
10-15	51.6	151.8
15-25	115.3	67.6

25-30	58.5	58.5
30-40	141.4	141.4
40+	108.8	108.8
	<b>696.8</b>	<b>844.80</b>

## 8. TREASURY INVESTMENT ACTIVITY

- 8.1. Total cash balances over the year varied considerably, predominantly because of the significant peaks and troughs arising from payment profiles of business rate collections, capital expenditure, DWP payments and housing benefit payments.
- 8.2. During the year the Authority's investment balance ranged between £5 million and £111 million due to timing differences between income and expenditure. The investment position at year end is shown in table 5.

<b>Table 5: Investments held by LB of Enfield</b>				
<b>Counter parties</b>	<b>1<sup>st</sup> April 2018</b>	<b>Cumulative Sums Invested</b>	<b>Cumulative Repaid sums</b>	<b>31<sup>st</sup> March 2019</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Money Market Funds</b>				
Goldman Sachs	-	118,800	(118,800)	-
Deutsche	-	97,600	(97,600)	-
Ignis	-	172,115	(172,115)	-
Federated	-	131,500	(121,500)	<b>10,000</b>
<b>Call Accounts</b>				
Santander	-	7,000	(7,000)	-
HSBC	<b>6,000</b>	254,572	(247,872)	<b>12,700</b>
Handelsbanken	<b>9,000</b>	46,000	(40,000)	<b>15,000</b>
	<b>15,000</b>	<b>827,587</b>	<b>(804,887)</b>	<b>37,700</b>

- 8.3. Given the continued low interest environment in comparison to cost of borrowing, it is still appropriate to maintain low levels of deposit and to use these deposits as internal borrowing.
- 8.4. Further, given the relevant low level of cash held and with low interest environment deposits been held with daily access to aid daily liquidity.

## 9. OTHER TREASURY CONSIDERATIONS

### 9.1. Schools banking

- 9.2. In February following a change in banking regulations HSBC the Council's bankers requested that all the Council's banking accounts be de-coupled. This had the effect that schools' balances could no longer be grouped as one account. The impact of this was that a schools' in an overdrawn position which had previously been protected by schools with credit balances are now exposed to the cost of being overdrawn. At year end 6 schools were in an overdrawn position amounting to a total of £6.2m. The Council has mitigated the interest costs to these schools by granting a revolving credit facility and charging interest at lower rate than the bank - 1.25%. The

Treasury team remain in close communication with both the affected schools and the Education department.

### 9.3. Minimum Revenue Provision (MRP)

- 9.4. Council officers have been working with Treasury Consultants (Arlingclose) and the Council's External Auditors to construct an equitable but prudent policy to account for MRP on borrowing by HGL for investment properties that are housing assets. The current MRP policy is overly prudent where there is evidence of sustained appreciation in asset valuations and for which there is a long asset-life. The review has concluded and the Policy is to be amended to provide for principal period over 75 years for such assets with an asset-life of that longevity.

## 10. COMPLIANCE WITH TREASURY MANAGEMENT INDICATORS

### 10.1. Borrowing Prudential Indicators

- 10.2. Within the prudential indicators there are several key indicators to ensure that the Council operates its activities within well-defined limits. For example, the operational borrowing limit set by the council, determines the external debt levels which are not normally expected to be exceeded, whereas the authorised borrowing limit represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs full council to approve any increase.
- 10.3. Throughout 2018/19 the total loan debt was kept within the limits approved by the Council against an authorised limit of £1,147 million. The authorised limit (as defined by the Prudential Code) was set as a precaution against the failure, to receive a source of income or a major unexpected expenditure. In the unlikely event of this happening, the Council would need to borrow on a temporary basis to cover the shortfall in cash receipts. Any significant breach must be reported to the Council.
- 10.4. The Council held no variable interest rate debt during 2018/19. However, the Council's Treasury Management Strategy does permit variable interest rate loans.
- 10.5. Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 6 below.

<b>Table 6: Debt Limits</b>	<b>31st March 2019 Actual</b>	<b>2018/19 Operational Boundary</b>	<b>2018/19 Authorised Limit</b>	<b>Complied?</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Borrowing	845	1,067	1,147	Yes
PFI and Finance Leases	45	75	100	Yes
<b>Total Debt</b>	<b>890</b>	<b>1,142</b>	<b>1,247</b>	

- 10.6. The Council's Treasury Management Strategy permits up to 30% of its debt to mature in one year (equivalent to £253 million at year end). This limit was not breached. The actual position as at 31 March 2019 was £159m (19.5%), which includes the short-term loans from LAs, repayment of other loans which will be due within a year and principal payments of all other loans which will be paid in 2019/20. Section 7.2 shows the outturn position.

**10.7. Investment Prudential Indicators**

10.8. **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring and ensuring that it only invests deposits with financial institutions.

<b>Table 7: Credit rating</b>	<b>31 Mar 2019</b>	<b>2018/19 Target</b>	<b>Compiled?</b>
Portfolio average credit	AA-	A-	Yes

10.9. There have been no breaches of investments during the year. Any breach would be reported to the Director of Finance.

<b>Table 8: Investment Limits</b>	<b>30 Sep 2018 Actual</b>	<b>2018/19 Max Limit to any one counterparty</b>	<b>Complied?</b>
	<b>£000</b>	<b>£000</b>	
Any single organisation, except the UK Government	15,000	15,000	Yes

10.10. The Authority measures and manages its exposures to treasury management risks using the following indicators.

**11. DEBT RESTRUCTURING**

11.1. Debt restructuring normally involves prematurely replacing existing debt (at a premium or discount) with new loans to secure net savings in interest payable or a smoother maturity profile. Restructuring can involve the conversion of fixed rate interest loans to variable rate loans and vice versa.

11.2. No rescheduling was done during the year as the new PWLB borrowing rates and premature repayment rates made rescheduling unviable. The Council will continue to actively seek opportunities to re-structure debt, if viable.

**12. NET DEBT**

12.1. The Council's net borrowing increased in 2018/19 as demonstrated in Table 7. This recognises that future capital expenditure will need to be financed from external borrowing and will create pressure on the revenue budget, however this impact has been recognised in the Council's Medium Term financial plan.

<b>Table 9: Trend in Net Borrowing</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Total Borrowing</b>	298.6	313.0	438.6	554.8	696.8	844.8
<b>Total Investments</b>	(40.2)	(63.4)	(28.5)	(4.5)	(15.0)	(37.7)
<b>Net Borrowing</b>	258.4	249.6	410.1	550.3	681.8	807.1
<b>Annual Change</b>	-	(8.8)	160.5	140.1	131.5	125.3

## 12.2. The Capital Financing Requirement

**12.3.** The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). Usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. This has been achieved in 2018/19 but with the Authority's internal borrowing now exhausted we will move closer to the CFR limit in future years.

<b>Table 10: Capital Financing Requirement (CFR)</b>	<b>31 March 2018</b>	<b>31 March 2019</b>
	<b>£m</b>	<b>£m</b>
<b>General Fund</b>	733.0	795.1
<b>Housing Revenue Account</b>	157.7	157.7
<b>Total CFR</b>	<b>890.7</b>	<b>952.8</b>
<b>External Borrowing</b>	696.8	844.8
<b>Under Borrowing</b>	193.9	108.0
<b>Authorised Limit</b>	<b>1,078</b>	<b>1,148</b>

## 13. ALTERNATIVE OPTIONS CONSIDERED

13.1. None. This report is required to comply with the Council's Treasury Management Policy statement, agreed by Council.

## 14. REASONS FOR RECOMMENDATIONS

14.1. To inform the Council of Treasury Management performance in the financial year 2018/19.

## 15. COMMENTS OF OTHER DEPARTMENTS

### 15.1. Financial Implications

15.2. Financial implications are set out in the body of the report.

### 15.3. Legal Implications

15.4. This report sets out the lawful basis for the recommendation to approve the 2018/19 Treasury Half Year Report. The Council has duties within an existing legal and regulatory framework to produce an annual Treasury Management review of activities and the actual prudential and Treasury indicators for 2018/19.

### 15.5. Key Risks

15.6. Extending the maximum period of deposits will increase the level of risk of default. This fact must be considered against the backdrop that investments will still be restricted to countries outside the UK with a sovereign rating of AAA and that deposits will be made only with financial institutions with a high credit rating.

## 16. IMPACT ON COUNCIL PRIORITIES

**Good homes in well-connected neighbourhoods**  
**Build our Economy to create a thriving place**  
**Sustain Strong and healthy Communities**



- 16.1. The Treasury Strategy indirectly contributes to the council's ability to address the values set out within the Council's priorities

## **17. PERFORMANCE MANAGEMENT IMPLICATIONS**

- 17.1. The report provides clear evidence of sound financial management, efficient use of resources, promotion of income generation and adherence to Best Value and good performance management.

## **18. PUBLIC HEALTH IMPLICATIONS**

- 18.1. The Council's Treasury Management indirectly contributes to the delivery of Public Health priorities in the borough.

## **19. EQUALITIES IMPACT IMPLICATIONS**

- 19.1. 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.

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# **Treasury Management Strategy Statement**

Minimum Revenue Provision Policy Statement and  
Annual Investment Strategy

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London Borough of Enfield  
2019/20

## Treasury Management Strategy - 2019/20

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### Contents:

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2.	Economic Outlook
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Appendix A.	Economic Context
Appendix B.	Interest Rate Forecast – December 2018
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Appendix D.	Prudential Indicators
Appendix E.	Minimum Revenue Provision
Appendix F.	Approved Investment Counterparties and Limits

## Treasury Management Strategy Statement 2019/20

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### 1. Introduction

- 1.1. Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and/or invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.
- 1.2. Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.
- 1.3. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 1.4. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short term loans or using longer term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.5. CIPFA defines treasury management as:  
  
*"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*
- 1.6. Investments held for service purposes or for cashflow purposes are considered in a different report, the Investment Strategy (**Section 4**).

## 2. **Economic Outlook**

- 2.1. **Appendix A** sets out the economic national context within which this Strategy has been constructed. There remains uncertainty with the Brexit negotiation still underway, UK GDP growth is behind trend and there are still low expectations for significant increase in base rate although this naturally dependent on inflationary pressures which are broadly under control at this point.
- 2.2. A forecast of future interest rates provided by the Council's Treasury Management advisers Arlingclose is set out in **Appendix B**. For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.75%, and that new long-term loans will be borrowed at an average rate of 3%.

## 3. **Borrowing Strategy**

- 3.1. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
- 3.2. The Authority has an increasing CFR due to the requirements of the Authority's capital programme and will therefore be required to borrow up to £731m over the forecast period. As set out in **Table 1**.

**Table 1:** Financing of capital Expenditure

	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£m	£m	£m	£m	£m	£m
Council financing requirements	69.7	203.2	164.8	154.8	61.5	654.0
Companies financing requirements	5.4	43.3	11.1	47.5	47.5	154.8
<b>Total Financing requirement</b>	<b>75.1</b>	<b>246.5</b>	<b>175.9</b>	<b>202.3</b>	<b>109.0</b>	<b>808.8</b>

- 3.3. CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years – **Table 2** sets out the position over the forecasted period.

**Table 2: Relation between Total Borrowing & Capital Financing Requirement.**

Relationship between total borrowing & Capital Financing Requirement	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
<b>Capital Financing Requirement:</b>				
Capital Programme	402.8	500.5	513.0	504.4
Commercial Housing & Regeneration	401.5	484.1	578.7	742.3
Housing Revenue Account (HRA)	157.7	219.7	276.7	305.2
<b>Total Capital Financing Requirement (CFR)</b>	<b>962.0</b>	<b>1,204.3</b>	<b>1,368.4</b>	<b>1,551.9</b>
<b>External Borrowing</b>	<b>860.0</b>	<b>1,100.0</b>	<b>1,260.0</b>	<b>1,437.0</b>

- 3.4. As at 31 December 2018 the Authority holds £804 million of loans, an increase of £107 million on the previous year, as part of its strategy for funding previous years' capital programmes. This is set out in detail in **Appendix C**, which includes level of investments held at that time too. The balance sheet forecast in Table 1 shows that the Authority expects to borrow up to £188m in 2019/20. The Authority may also borrow additional sums to prefund future years' requirements, providing this does not exceed the authorised limit for borrowing of £1.2 billion.
- 3.5. The Treasury Management Prudential Indicators – shown in **Appendix D** set out the limits on Council borrowing and helps inform the its decision making process around the affordability of the capital programme over the budgeted period.
- 3.6. **Appendix E** sets out how the Council accounts for the repayment of debt. This is termed the Minimum Revenue Provision (MRP). This ensures the Council repays loan debt over a period of in line with the economic life of the assets.
- 3.7. **Objectives:** The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.
- 3.8. **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer term stability of the debt portfolio. With short term interest rates currently much lower than long term rates, it is likely to be more cost effective in the short term to either use internal resources, or to borrow short term loans instead.

3.9. By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal/short term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long term fixed rates in 2019/20 with a view to keeping future interest costs low, even if this causes additional cost in the short term.

3.10. **Sources of borrowing:** The approved sources of long term and short-term borrowing are:

- i. Public Works Loan Board (PWLB) and any successor body
- ii. any institution approved for investments (see below)
- iii. any other bank or building society authorised to operate in the UK
- iv. any other UK public sector body
- v. UK public and private sector pension funds (except the London Borough of Enfield Pension Fund)
- vi. capital market bond investors
- vii. UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
- viii. Mayor of London Energy Efficiency Fund (MEEF)

3.11. **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- i. leasing
- ii. hire purchase
- iii. Private Finance Initiative
- iv. sale and leaseback

3.12. The Authority has previously raised the majority of its long term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.

3.13. **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a joint and several guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.



- 3.14. **Short term and variable rate loans:** These loans leave the Authority exposed to the risk of short term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.
- 3.15. **Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

#### 4. **Investment Strategy**

- 4.1. The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. All cash balances the Authority holds during the year are invested with approved financial institutions as set out in **Appendix F**. The Authority plans to have a zero daily current bank closing balance every day ensuring all surplus cash is always appropriately invested. The level of cash deposit will fluctuate during the course of the year. During 2018/19 the Authority on average held £40m in investments and this position is likely to continue in the forthcoming year. Appendix C sets the position as at 31 December 2018. The year end actual invested cash balance will be in line with the previous year of £15m.
- 4.2. **Objectives:** The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.
- 4.3. **Negative interest rates:** If the UK enters into a recession in 2019/20, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.
- 4.4. **Strategy:** Given the low interest rate environment and that the Authority continues not to hold any non core cash (i.e. deposits that will not be used in year). The Authority continues to diversify cash deposits between short term unsecured bank deposits and money market funds.
- 4.5. **Business models:** Under the new IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The

Authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

- 4.6. **Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types set out in **Appendix F**, subject to the cash limits (per counterparty).
- 4.7. **Credit rating:** Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.
- 4.8. **Banks unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- 4.9. **Banks secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.
- 4.10. **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.
- 4.11. **Pooled funds:** Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.
- 4.12. Bond, equity and property funds offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying

investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

- 4.13. Operational bank accounts:** The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail in, and balances will therefore be kept below £15 million per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed in than made insolvent, increasing the chance of the Authority maintaining operational continuity.
- 4.14. Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
  - any existing investments that can be recalled or sold at no cost will be, and
  - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 4.15.** Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.
- 4.16. Other information on the security of investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
- 4.17.** When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the

Authority's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned but will protect the principal sum invested.

**4.18. Investment limits:** The Authority will limit the risk of loss from a default from lending to any one organisation (other than the UK Government) will be £15 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

**4.19. Liquidity management:** The Authority uses its own in house cash flow forecasting software model (Predictor) to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

## **5. Treasury Management Indicators**

**5.1.** The Authority measures and manages its exposures to treasury management risks using the following indicators.

**5.2. Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

<b>Credit risk indicator</b>	<b>Target</b>
Portfolio average credit score	6

**5.3. Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

<b>Liquidity risk indicator</b>	<b>Target</b>
Total cash available within 3 months	£25m

**5.4. Interest rate exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

<b>Interest rate risk indicator</b>	<b>Limit</b>
-------------------------------------	--------------

Upper limit on one year revenue impact of a 1% <u>rise</u> in interest rates	+£2.6m
Upper limit on one year revenue impact of a 1% <u>fall</u> in interest rates	-£2.6m

- 5.5. The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates. The effect of an increase in interest rates will be mitigated through the Authority's risk budget.
- 5.6. **Maturity structure of borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	30%	0%
12 months and within 24 months	35%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	45%	0%
10 years and above	100%	0%

- 5.7. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.
- 5.8. **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2019/20	2020/21	2021/22
Limit on principal invested beyond year end	£15m	£10m	£5m

## 6. **Related Matters**

- 6.1. The CIPFA Code requires the Authority to include the following in its treasury management strategy.
- 6.2. **Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 6.3. The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken

into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

- 6.4. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.
- 6.5. **Financial Derivatives:** In the absence of any explicit legal power to do so, the Authority will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.
- 6.6. **Housing Revenue Account:** On 1st April 2012, the Authority notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Authority's average interest rate on investments, adjusted for credit risk
- 6.7. **Markets in Financial Instruments Directive:** The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Director of Finance believes this to be the most appropriate status.
- 6.8. **Local Authority Companies:** The Authority will only lend to wholly own companies by the Authority or where the Authority has a controlling majority interest in the company.
- 6.9. All borrowing to companies owned by the London Borough of Enfield will require a formal on-lending agreement.
- 6.10. Prior to that they will have to achieve to meet the following requirements:
  - An independently reviewed business case and cashflow forecast.
  - To be able to demonstrate the ability to repay both interest and principal over the agreed repayment scheduled.
  - Where possible the Council will secure the loan on the Council

**6.11. Lending to Schools with the HSBC Banking Scheme:** Where LEA schools with a HSBC bank account are in a structural overdraft position then the Council will provide a credit facility to endure they remain in a credit position. In interest will be charged at ½% above the prevailing bank rate.

## **7. Were Other Options Considered**

7.1. The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Finance having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

## Appendix A

**Economic Context**

**Economic background:** The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2019/20.

UK Consumer Price Inflation (CPI) for October was up 2.4% year/year, slightly below the consensus forecast and broadly in line with the Bank of England's November Inflation Report. The most recent labour market data for October 2018 showed the unemployment rate edged up slightly to 4.1% while the employment rate of 75.7% was the joint highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.3% as wages continue to rise steadily and provide some pull on general inflation. Adjusted for inflation, real wages grew by 1.0%, a level still likely to have little effect on consumer spending.

The rise in quarterly GDP growth to 0.6% in Q3 from 0.4% in the previous quarter was due to weather-related factors boosting overall household consumption and construction activity over the summer following the weather-related weakness in Q1. At 1.5%, annual GDP growth continues to remain below trend. Looking ahead, the BoE, in its November Inflation Report, expects GDP growth to average around 1.75% over the forecast horizon, providing the UK's exit from the EU is relatively smooth.

Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy has been made since. However, the Bank expects that should the economy continue to evolve in line with its November forecast, further increases in Bank Rate will be required to return inflation to the 2% target. The Monetary Policy Committee continues to reiterate that any further increases will be at a gradual pace and limited in extent.

While US growth has slowed over 2018, the economy continues to perform robustly. The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the current 2%-2.25% in September. Markets continue to expect one more rate rise in December, but expectations are fading that the further hikes previously expected in 2019 will materialise as concerns over trade wars drag on economic activity.

**Credit outlook:** The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ringfencing legislation. Bank of Scotland, Barclays Bank UK, HSBC UK Bank, Lloyds Bank, National Westminster Bank, Royal Bank of Scotland and Ulster Bank are the ringfenced banks that now only conduct lower risk retail banking activities. Barclays Bank, HSBC Bank, Lloyds Bank Corporate Markets and NatWest Markets are the investment banks. Credit rating agencies have adjusted the ratings of some of these banks with the ringfenced banks generally being better rated than their non-ringfenced counterparts.

The Bank of England released its latest report on bank stress testing, illustrating that all entities included in the analysis were deemed to have passed the test once the levels of



capital and potential mitigating actions presumed to be taken by management were factored in. The BoE did not require any bank to raise additional capital.

European banks are considering their approach to Brexit, with some looking to create new UK subsidiaries to ensure they can continue trading here. The credit strength of these new banks remains unknown, although the chance of parental support is assumed to be very high if ever needed. The uncertainty caused by protracted negotiations between the UK and EU is weighing on the creditworthiness of both UK and European banks with substantial operations in both jurisdictions.

**Interest rate forecast:** Following the increase in Bank Rate to 0.75% in August 2018, the Authority's treasury management adviser Arlingclose is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The Bank of England's MPC has maintained expectations for slow and steady rate rises over the forecast horizon. The MPC continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. Arlingclose believes that MPC members consider both that ultra-low interest rates result in other economic problems, and that higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.

The UK economic environment remains relatively soft, despite seemingly strong labour market data. Arlingclose's view is that the economy still faces a challenging outlook as it exits the European Union and Eurozone growth softens. While assumptions are that a Brexit deal is struck and some agreement reached on transition and future trading arrangements before the UK leaves the EU, the possibility of a "no deal" Brexit still hangs over economic activity. As such, the risks to the interest rate forecast are considered firmly to the downside.

Gilt yields and hence long-term borrowing rates have remained at low levels but some upward movement from current levels is expected based on Arlingclose's interest rate projections, due to the strength of the US economy and the ECB's forward guidance on higher rates. 10-year and 20-year gilt yields are forecast to remain around 1.7% and 2.2% respectively over the interest rate forecast horizon, however volatility arising from both economic and political events are likely to continue to offer borrowing opportunities.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix B.

**Appendix B****Arlingclose Economic and Interest Rate Forecast December 2018****Underlying assumptions:**

1. Our central interest rate forecasts are predicated on there being a transitional period following the UK's official exit from the EU.
2. The MPC has a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. We believe that MPC members consider that: 1) tight labour markets will prompt inflationary pressure in the future, 2) ultra-low interest rates result in other economic problems, and 3) higher Bank Rate will be a more effective policy weapon if downside risks to growth crystallise.
3. Both our projected outlook and the increase in the magnitude of political and economic risks facing the UK economy means we maintain the significant downside risks to our forecasts, despite the potential for slightly stronger growth next year as business investment rebounds should the EU Withdrawal Agreement be approved. The potential for severe economic outcomes has increased following the poor reception of the Withdrawal Agreement by MPs. We expect the Bank of England to hold at or reduce interest rates from current levels if Brexit risks materialise.
4. The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in the middle quarters of 2018, but more recent data suggests the economy slowed markedly in Q4. Our view is that the UK economy still faces a challenging outlook as the country exits the European Union and Eurozone economic growth softens.
5. Cost pressures are easing but inflation is forecast to remain above the Bank's 2% target through most of the forecast period. Lower oil prices have reduced inflationary pressure, but the tight labour market and decline in the value of sterling means inflation may remain above target for longer than expected.
6. Global economic growth is slowing. Despite slower growth, the European Central Bank is conditioning markets for the end of QE, the timing of the first rate hike (2019) and their path thereafter. More recent US data has placed pressure on the Federal Reserve to reduce the pace of monetary tightening – previous hikes and heightened expectations will, however, slow economic growth.
7. Central bank actions and geopolitical risks have and will continue to produce significant volatility in financial markets, including bond markets.

**Forecast:**

8. The MPC has maintained expectations of a slow rise in interest rates over the forecast horizon, but recent events around Brexit have dampened interest rate expectations. Our central case is for Bank Rate to rise twice in 2019, after the UK exits the EU. The risks are weighted to the downside.

9. Gilt yields have remained at low levels. We expect some upward movement from current levels based on our central case that the UK will enter a transitional period following its EU exit in March 2019. However, our projected weak economic outlook and volatility arising from both economic and political events will continue to offer borrowing opportunities.

**Risk**

10. The table below sets out and assumes:

PWLB Certainty Rate (maturity loans) = Gilt yield + 0.80%

PWLB Infrastructure Rate (maturity loans) = Gilt yield + 0.60%

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Average
<b>Official Bank Rate</b>														
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.17
<b>Arlingclose Central Case</b>	<b>0.75</b>	<b>0.75</b>	<b>1.00</b>	<b>1.00</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.13</b>
Downside risk	0.00	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-0.85
<b>3-mth money market rate</b>														
Upside risk	0.10	0.10	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.17
<b>Arlingclose Central Case</b>	<b>0.90</b>	<b>0.95</b>	<b>1.10</b>	<b>1.30</b>	<b>1.40</b>	<b>1.40</b>	<b>1.40</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.27</b>
Downside risk	-0.20	-0.45	-0.60	-0.80	-0.90	-0.90	-0.90	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.76
<b>1-yr money market rate</b>														
Upside risk	0.20	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.33
<b>Arlingclose Central Case</b>	<b>1.15</b>	<b>1.25</b>	<b>1.35</b>	<b>1.50</b>	<b>1.70</b>	<b>1.60</b>	<b>1.50</b>	<b>1.40</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.40</b>
Downside risk	-0.35	-0.50	-0.60	-0.80	-0.90	-0.90	-0.90	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.77
<b>5-yr gilt yield</b>														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
<b>Arlingclose Central Case</b>	<b>1.15</b>	<b>1.25</b>	<b>1.35</b>	<b>1.50</b>	<b>1.50</b>	<b>1.40</b>	<b>1.35</b>	<b>1.35</b>	<b>1.30</b>	<b>1.30</b>	<b>1.30</b>	<b>1.30</b>	<b>1.30</b>	<b>1.33</b>
Downside risk	-0.50	-0.60	-0.65	-0.80	-0.80	-0.70	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.66
<b>10-yr gilt yield</b>														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
<b>Arlingclose Central Case</b>	<b>1.50</b>	<b>1.65</b>	<b>1.70</b>	<b>1.80</b>	<b>1.80</b>	<b>1.75</b>	<b>1.75</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>
Downside risk	-0.55	-0.70	-0.70	-0.80	-0.80	-0.75	-0.75	-0.70	-0.70	-0.70	-0.70	-0.70	-0.70	-0.71
<b>20-yr gilt yield</b>														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
<b>Arlingclose Central Case</b>	<b>2.00</b>	<b>2.10</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.20</b>	<b>2.18</b>
Downside risk	-0.60	-0.70	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73
<b>50-yr gilt yield</b>														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
<b>Arlingclose Central Case</b>	<b>1.90</b>	<b>1.95</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>1.99</b>
Downside risk	-0.60	-0.70	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73

## Appendix C

## Existing Investment &amp; Debt Portfolio Position

Treasury Management: Borrowing Summary				
Type of Loan	1 <sup>st</sup> April 2018	New Borrowing	Repaid Borrowing	31 <sup>st</sup> December 2018
	£000's	£000's	£000's	£000's
Short-terms loans	68,000	115,000	(48,000)	135,000
PWLB	556,752	60,000	(4,534)	612,218
European Investment bank	9,238	-	(317)	8,921
Commercial Loan	30,000	-	-	30,000
LEEF	4,626	-	(469)	4,157
Local Authority	28,000	-	(15,000)	13,000
SALIX	153	300	(52)	401
Total*	696,769	175,300	(68,372)	803,697

## Investments

Treasury Management: Investment Summary				
Type of Loan	1 <sup>st</sup> April 2018	30 <sup>th</sup> June 2018	30 <sup>th</sup> Sept. 2018	31 <sup>st</sup> Dec 2018
	£000's	£000's	£000's	£000's
On-call accounts	15,000	10,150	20,350	30,350
Money Market Funds (MMFs)		10,000	-	35,000
	15,000	20,150	20,350	65,350

## Prudential Indicators

## Appendix D

## Prudential Indicators

This report covers the requirements of the 2017 CIPFA Prudential Code to set prudential indicators. This item should be approved by the full Council before the start of the new financial year which is a legislative requirement. The Local Government Act 2003 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow.

The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

**Prudential Indicator: Capital Expenditure**

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans. In considering the affordability of its capital plans, the Council is required to consider all of the resources currently available to it/estimated for the future, together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the following two years.

<b>Financing of Capital Expenditure</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>
<b>Total General Fund &amp; HRA Expenditure</b>	<b>184.1</b>	<b>303.0</b>	<b>207.9</b>	<b>189.7</b>
Funded From:				
Grants & Contributions	(31.7)	(31.8)	-	-
Revenue Funding	(8.2)	(11.2)	(6.2)	(4.5)
Capital Receipts	(13.7)	(11.4)	(12.7)	(15.6)
Earmarked Reserves	(60.8)	(45.5)	(24.0)	(14.8)
<b>Financing Requirement</b>	<b>69.7</b>	<b>203.1</b>	<b>164.8</b>	<b>154.8</b>
<b>Companies Finance Requirement</b>	<b>5.4</b>	<b>43.4</b>	<b>11.1</b>	<b>47.5</b>
<b>Total Financing Requirement</b>	<b>75.1</b>	<b>246.5</b>	<b>175.9</b>	<b>202.3</b>

**Prudential Indicator: Capital Financing Requirement (CFR)**

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than its highest forecast CFR over the next four years. The tables and graph below show that the Council expects to comply with this recommendation during 2018/19.

<b>Estimated Capital Financing Requirement</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>
Capital Programme	402.8	500.5	513.0	504.4
Commercial Housing and Regeneration	401.5	484.1	578.7	742.3
Housing Revenue Account	<b>157.7</b>	<b>219.7</b>	<b>276.7</b>	<b>305.2</b>
<b>Total Capital Financing Requirement</b>	<b>962.0</b>	<b>1,204.3</b>	<b>1,386.4</b>	<b>1,551.9</b>

### Gross Debt and the Capital Financing Requirement

In order to ensure that over the medium-term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

<b>Estimated Debt</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>
Capital Financing Requirement	962.0	1,204.3	1,368.4	1,551.9
PFI and Finance Leases	44.6	42.9	41.3	39.7
<b>Total Capital Debt Requirement</b>	<b>1,006.6</b>	<b>1,247.2</b>	<b>1,409.7</b>	<b>1,591.6</b>
External Borrowing	860.0	1,100.0	1,260.0	1,437.0
Other Long-Term Liabilities	44.6	42.9	41.3	39.3
<b>Total Debt</b>	<b>904.6</b>	<b>1,142.9</b>	<b>1,301.3</b>	<b>1,476.7</b>

### Prudential Indicator: Operational Boundary

The operational boundary is based on the Council's estimate of most likely, i.e. prudent, but not worst-case scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance leases, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt.

<b>Operating Boundary</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Borrowing	1,067	1,200	1,350	1,500
Other Long Term Liabilities	75	75	75	75
<b>Total Operating Limit</b>	<b>1,142</b>	<b>1,275</b>	<b>1,425</b>	<b>1,575</b>

### Prudential Indicator: Authorised Limit

A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this

limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

<b>Authorised Limit</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Borrowing	1,147	1,300	1,500	1,700
Other Long-Term Liabilities	100	100	100	100
<b>Total Authorised Limit</b>	<b>1,247</b>	<b>1,400</b>	<b>1,600</b>	<b>1,800</b>

### **Prudential Indicator – Ratio of Financing Costs to Net Revenue Stream**

This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream for the General Fund and the Housing Revenue Account. It also exemplifies the element of housing rental that relates to financing costs, this calculation is notional and assumes all other things are equal.

<b>Estimated Ratio of Financing Costs to Net Revenue Stream</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
General Fund	6.7	8.3	10.4	12.9
Housing Revenue Account	15.4	18.4	20.7	20.7



## Appendix E

**Annual Minimum Revenue Provision Statement (With effect from 1 April 2019)**

- 1 When the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Ministry for Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance).
- 2 The broad aim of the MHCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.
- 3 The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods. Council is asked to approve the continuation of the existing policy for the calculation of MRP, which is consistent with the guidance issued under the regulations and the introduction of the following:
  - a) the principle that the determination of a prudent amount of MRP for any given year will take account of payments made in previous years, and an assessment of whether those payments exceed what the current policy would require in terms of prudence;
  - b) For capital expenditure incurred before 1 April 2008, and for capital expenditure incurred from 1 April 2008 to 31 March 2011, and which is Supported Capital Expenditure (SCE), MRP will be calculated at 2% on a straight-line basis.
- 4 The approaches are therefore as follows, with effect from 1 April 2019.
  - a) For capital expenditure incurred before 1 April 2008, and for capital expenditure incurred from 1 April 2008 to 31 March 2011, and which is Supported Capital Expenditure (SCE), MRP will be calculated at 2% on a straight-line basis;
  - b) For unsupported borrowing incurred from 1 April 2008 onwards, MRP is calculated based on amortising the amount borrowed over the estimated lives of the assets acquired (or the enhancement made) as a result of the related expenditure using the annuity repayment method in accordance with MHCLG Statutory guidance.
  - c) For borrowing by companies for housing assets for onward rental, due regards has been given to the MHCLG guidance but given the nature of the assets a 75-year asset life is considered appropriate.
  - d) No MRP will be charged in respect of assets held within the Housing Revenue Account.

- e) Capital expenditure financed from borrowing incurred during one financial year will not be subject to an MRP charge until the following financial year.
- f) Assets acquired with the intention of onward sale which will not be used in the delivery of services will not generally attract MRP as in these events the capital receipts generated by the loan and sale will be set aside to repay debt. Loans made to third parties to enable them to incur capital expenditure are repaid by the borrower and so MRP provision does not need to be made by the Council from Council Tax. In the case of loans for investment assets, a prudent amount will be set aside for MRP in accordance with Government Guidance based on asset life.
- g) MRP in respect of PFI liabilities will be calculated by spreading the cost of the capital repayments included in the ongoing charges over the estimated life of the asset on an annuity basis.

#### **Date of implementation and estimated MRP**

- 5 This policy will take effect from 2019/20. Government Guidance requires that an annual statement on the Council's policy for its MRP should be submitted to Council for approval before the start of the financial year to which the provision will relate but that changes during the year are permitted if approved by full Council. Based on the Authority's latest estimate of its Capital Financing Requirement on 31st March 2019, the MRP for 2019/20 is estimated as follows:

	<b>Est. CFR 31 Mar 2019 £m</b>	<b>Est. MRP 2019/20 £m</b>
<b>General Fund</b>		
Capital expenditure before 1 April 2008 and Supported capital expenditure from 1 April 2008 to 31 Mar 2011	141.0	3.9
Unsupported capital expenditure after 31 Mar 2008	261.8	8.6
Land acquisition for regeneration and disposal	260.0	-
Loans to Council owned companies (met by repayments from the companies)	141.5	-
<b>Total General Fund</b>	<b>804.3</b>	<b>12.5</b>
<b>HRA</b>		
Assets in the Housing Revenue Account	124.8	-
HRA subsidy reform payment	32.9	-
<b>Total Housing Revenue Account</b>	<b>157.7</b>	<b>0.0</b>
<b>PFI</b>	<b>44.6</b>	<b>1.6</b>
<b>Total</b>	<b>1,006.0</b>	<b>14.1</b>
PFI Contract Payment		<b>(3.2)</b>
Overprovision set aside in MRP Reserve		<b>(9.9)</b>
<b>Charge to General Fund</b>		<b>1.0</b>

**Counterparties****Appendix F****Approved Investment Counterparties and Limits**

General Counterparty List	Credit Rating	Cash Limit	Max Time Limit
Banks Unsecured	AAA	£25m	5 years
	AA+		5 years
	AA		4 years
	AA-		3 years
	A+		2 years
	A	£15m	12 months
	A-		6 months
Banks Secured	AAA	£25m	20 years
	AA+	£15m	10 years
	AA		5 years
	AA-		4 years
	A+		3 years
	A		2 years
	A-		13 months
UK Government	AA+	Unlimited	50 years
Corporates	AA+	£5m	10 years
	AA		5 years
	AA-		4 years
Registered Providers	AA+	£5m	10 years
	AA		10 years
	AA-		10 years
Money Market Funds*	AAA	75% per fund (de minimus level £5m)	Next Day

\* As from 21 July 2018, there will be three structural options for existing MMFs, these are as follows:

1. Public Debt Constant Net Asset Value ("CNAV") MMFs (mainly government assets)
2. Low Volatility NAV ("LVNAV") MMFs (market fund doesn't deviate by more than 20bps)
3. Variable NAV ("VNAV") MMFs (more fluctuating assets)

A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below

**The following table provides additional information on the counterparties mentioned above**

**Table 7**

Councils' Main Bank Account - HSBC	The Council banks with HSBC and will continue to bank with HSBC with a revised contract. At the current time, it does meet the minimum credit criteria of A- (or equivalent) long term. If the credit rating falls below the Council's minimum criteria A-, it will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements. If funds come into the bank account during the day (after daily dealing has been undertaken) and cannot be placed out with any other approved financial institutions, they can be placed into the HSBC Call Account to attract interest even if it breaches the counterparty limit (the matter will be reported to the Director of Finance, Resources & Customer Services). The temporary breach will be addressed on the next banking business day.
Banks Unsecured	Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.
Banks Secured	Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.
Government	Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.
Corporates	Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.
Registered Providers	Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed
Money Market	Shares in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the

Funds	advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.
Bond, Equity and Property Funds	These offer the potential for enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

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## MUNICIPAL YEAR 2019/2020 REPORT NO. **72A**

**MEETING TITLE AND DATE:**Cabinet - 11<sup>th</sup> SeptemberCouncil - 18<sup>th</sup> September**REPORT OF:**

Executive Director of Resources

**Contact:** Matt Bowmer**Tel:** 0208 379 5580**E-mail:** [Matt.Bowmer@enfield.gov.uk](mailto:Matt.Bowmer@enfield.gov.uk)**Agenda – Part: 1****Item: 9****Subject:** Capital Programme Monitor  
First Quarter (June) 2019**Wards:** All**Key Decision No:** 4943**Cabinet Member consulted:****1. EXECUTIVE SUMMARY**

- 1.1 The purpose of this report is to inform Members of the current position up to the end of June 2019 regarding the Council's Capital Programme (2019/20 to 2022/23) considering the latest information for all capital schemes including the funding arrangements.
- 1.2 The report shows that the overall expenditure for the approved programme is projected to be £144m for the General Fund, £117m for HRA and £24m for Enfield Companies for 2019/20.
- 1.3 The report sets out the estimated capital spending plans for 2019/20 to 2022/23 including the proposed arrangements for funding and confirms that the revenue capital financing costs for the approved 2019/20 to 2022/23 programme are provided for in the budget.

**2 RECOMMENDATIONS**

Council as to be recommended by Cabinet at their meeting on 11 September 2019:

- 2.1 Notes the additions to the Capital Programme set out in Table 3 in paragraph 4.9. and approves the addition of the following to the approved Capital Programme:
  - i. Reardon Court and,
  - ii. Corporate Capital Condition Programme (CCCP)
- 2.2 Notes the proposed reductions set out in Table 4 in paragraph 4.11.
- 2.3 Notes the £156m Housing Infrastructure Fund (HIF) award.
- 2.4 Agrees the revised four-year approved programme totalling £562m as set out in Appendix A.

### 3. BACKGROUND

- 3.1 The Council's Capital Programme is continually reviewed, and monitoring reports are submitted to Cabinet on a quarterly basis. The Council continually strives to maximise external grants and contributions, attracting new income streams to fund projects wherever possible and minimising the need to borrow.
- 3.2 This is the first report on the Capital Strategy (2019/20) and Four-Year Capital Programme (2019/20 to 2022/23) as approved by Council on the 27th February 2019. This is reporting the position at the end of the first quarter.

### 4. 2019/20 CAPITAL PROGRAMME BUDGET

- 4.1 The full capital programme is detailed in Appendix A and is a four-year programme with the budgets shown inclusive of carry forwards from 2018/19.
- 4.2 The approved capital budget for the current financial year 2019/20 is summarised in Table 1 below and this provides the latest position reflecting updated project expenditure profiles as advised by programme managers.

**Table 1 Current Year Capital Programme**

	<b>*2019/20 Revised Budget</b>	<b>Reprofi- ling</b>	<b>Growth</b>	<b>Proposed Reduc- tions</b>	<b>Forecast 2019/20</b>	<b>Actuals as at end of June</b>	<b>Spend against Q1 Forecast</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>
Resources	12,405	24	0	0	<b>12,429</b>	(465)	-3.74%
People	30,733	(38,711)	24,974	0	<b>16,996</b>	1,404	8.26%
Place	67,916	(4,346)	20,706	(2,685)	<b>81,591</b>	4,154	5.09%
Place - Meridian Water	(1,234)	0	34,381	0	<b>33,147</b>	(59)	-0.18%
General Fund exc. Companies	109,820	(43,034)	80,062	(2,685)	144,163	5,034	3.49%
Energetik	6,036	(2,121)	0	0	<b>3,915</b>	0	0.00%
Housing Gateway Ltd	40,000	(19,721)	0	0	<b>20,279</b>	0	0.00%
<b>Total General Fund inc. Companies</b>	<b>155,856</b>	<b>(64,876)</b>	<b>80,062</b>	<b>(2,685)</b>	<b>168,357</b>	<b>5,034</b>	<b>2.99%</b>
Place - HRA	72,376	0	44,338	0	<b>116,714</b>	10,267	8.80%
<b>Total Capital Programme</b>	<b>228,232</b>	<b>(64,876)</b>	<b>124,399</b>	<b>(2,685)</b>	<b>285,071</b>	<b>15,301</b>	<b>5.37%</b>

*\*Includes carry forwards from 2018/19*

*Note on Actuals: negative figures are due to outstanding creditors as at Q1.*

### 4.3 Carry Forwards from Previous Years



4.4 Carry forwards within the revised budget represent the net effect of reprofiling the prior year 2018/19 approved budgets into or from 2019/20 to reflect a change in the delivery of the timing of projects.

#### 4.5 Reprofiling

4.6 These are changes regarding the forecast timing of expenditure from the approved programme between financial years with no reported increase or decrease in budget requirement. Unless otherwise reported below these movements have minimal impact on the overall delivery of the project. Where service delivery may be impacted, this will be reported quarterly to members.

4.7 Table 2 summarises the budget reprofiling in Q1, with explanations below the table for the significant items.

**Table 2 Budget Reprofiling**

Programme	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Funding Source
IT Investment	24	(24)	0	0	General Resources
<b>RESOURCES</b>	<b>24</b>	<b>(24)</b>	<b>0</b>	<b>0</b>	
Extra Care Housing: Reardon Court	(9,831)	1,658	1,658	6,515	External Grant (GLA) & General Resources
Schools' Future Programme	(26,880)	14,324	9,977	2,578	External Grant (ESFA)
Mental Health and Wellbeing Centre	(2,000)	2,000	0	0	External Grant (BCF)
<b>PEOPLE</b>	<b>(38,711)</b>	<b>17,982</b>	<b>11,636</b>	<b>9,093</b>	
Electric Quarter	(4,746)	4,746	0	0	General Resources
Vehicle Replacement Programme	400	(400)	0	0	Earmarked Reserves
<b>PLACE</b>	<b>(4,346)</b>	<b>4,346</b>	<b>0</b>	<b>0</b>	
Energetik	(2,121)	2,121	0	0	Borrowing Funded by Deferred Capital Receipts
Housing Gateway Ltd	(19,721)	19,721	0	0	Borrowing Funded by Deferred Capital Receipts
<b>COMPANIES</b>	<b>(21,842)</b>	<b>21,842</b>	<b>0</b>	<b>0</b>	
<b>TOTAL Budget Reprofiling</b>	<b>(64,876)</b>	<b>44,147</b>	<b>11,636</b>	<b>9,093</b>	

- i. Extra Care Housing: Reardon Court - Following the increased capital funding and contribution from the GLA, the budget has been reprofiled to reflect timetable of planned development as set out in report KD4898.
- ii. Schools Future Programme - Following the latest Maintenance Grant allocations, the Schools' capital programme has been reprofiled to reflect the updated plan as set out in The Updated School Condition and Fire Safety Programme 2018/19 to 2020/21 (KD4755) Report. The report outlines a proposed programme for 2019/20 and 2020/21 which has been formulated to address the most urgent condition items. Projects have

been prioritised for inclusion in the Programme based mainly on technical information from condition surveys.

- iii. Mental Health and Wellbeing Centre - Currently in the process of locating a building for the Centre. £500k remains assigned for 2019/20 to facilitate any potential work they may be required in preparing the building.
- iv. Electric Quarter and Ponders End - £2.9m reprofiled to 2020/21 for Library Fit costs on Electric Quarter Project Delivery. £1.8m reprofiled for potential interest holders claims.
- v. Vehicle Replacement Programme - £400k has been brought forward to 2019/20 for parks and cemeteries equipment replacements.
- vi. Energetik - The impact of prior year delays regarding pipe connection between Electric Quarter and Alma, resulting in other activities being reprofiled
- vii. Housing Gateway - Deferred loan requirements as a result of the slowdown experienced in the acquisition of 110 properties planned for 2018/19.

#### 4.8 Growth

- 4.9 There are several additions to the 2019/20 Approved Capital Programme which are summarised in Table 3. These are newly approved schemes and additions to existing programmes since the approval of the Capital Strategy (2019/20) and Four-Year Capital Programme (2019/20 to 2022/23) on 27th February 2019.

**Table 3 Additional Items**

Programme	2019/20 £'000	Future Years £'000	Total Growth £'000	Funding Sources	Notes
Community Safety	300	0	300	General Borrowing	KD4744
Schools' Future Programme	14,658	0	14,658	External Grants (ESFA)	KD4755
Extra Care Housing: Reardon Court	10,016	0	10,016	External Grants (GLA) & General Borrowing	KD4898; pending Council approval
<b>PEOPLE</b>	<b>24,974</b>	<b>0</b>	<b>24,974</b>		
Broomfield House	180	0	180	General Borrowing	Operational Decision
Corporate Property Investment Programme	800	1,100	1,900	General Borrowing	KD4792
Flood Alleviation	319	0	319	External Grants (EA and others)	KD4795

LED Street Lighting	1,918	4,457	<b>6,375</b>	<i>External Grant (SALIX) &amp; General Borrowing</i>	<i>KD4863</i>
Corporate Capital Condition Programme (prev. BIP)	1,500	0	<b>1,500</b>	<i>General Borrowing</i>	<i>KD4853; pending Council approval</i>
Highways & Street Scene	6,450	0	<b>6,450</b>	<i>General Borrowing</i>	<i>KD4821</i>
Waste & Recycling	1,197	455	<b>1,652</b>	<i>Capital Receipts</i>	<i>KD4810</i>
Transport for London	8,342	0	<b>8,342</b>	<i>External Grant (TFL)</i>	<i>KD4905-based on total TFL allocations</i>
Meridian Water	34,381	0	<b>34,381</b>	<i>General Borrowing</i>	<i>KD4469</i>
<b>PLACE</b>	<b>55,088</b>	<b>6,012</b>	<b>61,100</b>		
Major Works	0	8,872	<b>8,872</b>	<i>Revenue Contribution &amp; Earmarked Reserves</i>	<i>KD4741</i>
Minor Works	6,350	600	<b>6,950</b>	<i>Earmarked Reserves</i>	<i>KD4741</i>
Estate Renewals	37,988	78,622	<b>116,610</b>	<i>Capital Receipts, External &amp; Revenue Contributions</i>	<i>KD4741</i>
<b>HRA</b>	<b>44,338</b>	<b>88,094</b>	<b>132,432</b>		
<b>TOTAL Growth</b>	<b>124,399</b>	<b>94,106</b>	<b>218,505</b>		

#### 4.10 Proposed Reductions

4.11 Table 4 details the removal of budgets from the Capital Programme.

**Table 4 Reductions**

<b>Programme</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>Total Reductions £'000</b>
Ponders End	(2,685)	(1,569)	<b>(4,254)</b>
<b>PLACE</b>	<b>(2,685)</b>	<b>(1,569)</b>	<b>(4,254)</b>
<b>TOTAL Reductions</b>	<b>(2,685)</b>	<b>(1,569)</b>	<b>(4,254)</b>

4.12 The Ponders End Opportunity Sites (Ponders End Phase-2) are mainly focussed around accelerating housing delivery. The new organisation structure reflects that this work no longer sits with Neighbourhood Regeneration and has been transferred to Housing and Regeneration. Housing and Regeneration are

currently reviewing the Ponders End Opportunity Sites and will take any suitable sites forward as part of the Housing Pipeline Programme.

- 4.13 The project is progressing on site and any further phases will be housing based delivery. Therefore, previous allocations for further phases/acquisitions from the property capital budget has been removed.

#### 4.14 Financing General Fund Capital Expenditure

**Table 5 General Fund Capital Expenditure Financing**

	2019/20		2020/21	2021/22	2022/23	Total Funding
	General Fund	Companies	General Fund inc. Companies	General Fund inc. Companies	General Fund inc. Companies	
	£'000	£'000	£'000	£'000	£'000	
Capital Grants & External Contributions	33,320		19,183	9,977	2,578	65,058
Revenue Contributions	759		0	0	0	759
Capital Receipts	1,629		0	0	0	1,629
Earmarked & Reserves	411		1,860	0	0	2,271
Borrowing Funded by Deferred Capital Receipts	33,147	24,194	33,399	0	0	90,740
General Borrowing	74,897		27,400	12,420	6,515	121,232
<b>Total Funding</b>	<b>144,163</b>	<b>24,194</b>	<b>81,842</b>	<b>22,397</b>	<b>9,093</b>	<b>281,689</b>
<b>2019/20 Total</b>	<b>168,357</b>					

#### 4.15 2019/20 Forecast and Projected Outputs

#### 4.16 Resources

- 4.17 IT Investment (£11.876m) - The Council's ICT and Transformation Capital Programme aims to improve the customer experience of individuals, businesses, and employees through enabling a digital workforce and operating seamlessly through its systems. These are some of the expected deliverables for 2019/20:

- i. Infrastructure Programme which is building an onsite datacentre to increase the council's self-reliance and flexibility in how it manages the performance of key business applications (such as Northgate Housing and Lagan). In addition, it is moving some key applications such as SAP, Skype for Business and IPO from the SunGard data centre to Microsoft Azure which is a more secure environment.
- ii. Replacement of the current customer platform; there will be an initial soft market test and a comprehensive procurement exercise to receive,

evaluate and select the most economically advantageous tender for Council.

- iii. A new case management system (Eclipse) for Adult Social Care and the 'My Life' web-based resource for information, advice and services.
- iv. Capita AIM project through implementation of SCP, implementation of IT to support direct debits, e-billing, SMS and email messaging and VAT improvements.
- v. LiquidLogic Children's Portal and Delegation Portal; LiquidLogic Finance Integration; requirements and planning for a new EHCP system, delivery of a Synergy/SAP interface for SEN and planning for an Educational psychologist case management system.

#### 4.18 **People**

4.19 Reardon Court (£1.318m)- Professional and technical costs are expected to be incurred for the procurement of main contract works. The cost of demolishing existing Reardon Court buildings will also be charged in 2019/20.

4.20 Education (£14.878m) - The most urgent schools' capital projects undertaken in 2019/20 include the following:

- i. Finishing works to the Autistic Provision at Minchenden and Broomfield,
- ii. Progression to the building of Russett House School,
- iii. Refurbishment of the existing KS2 building and external areas to facilitate an autistic unit at Garfield School. As well as moving and rebuilding the Caretaker's house,
- iv. Phase-A to West Lea begins with an extension to the assembly hall,
- v. Heating and electrical works to Eldon School.

4.21 Furthermore, many of Enfield Schools will also be undertaking fire safety and evacuation works. Also included in the forecasted spend for the Schools' Capital Programme are professional fees, retention and potential costs for contractors' claims.

#### 4.22 **Place**

4.23 LED Street Lighting (£1.918m) - The PFI Service Provider will undertake the designs for the new LED units throughout autumn, place orders with the supplier and start the installation programme of the LED lighting units in February/March 2020.

4.24 Highways & Street Scene (£6.992m) – Schemes are progressing on site to deliver approximately 10km of carriageway resurfacing and approximately 6km of footway renewals in accordance with the approved programme for 2019/20, and approximately 1,800 individual highway defects, such as potholes and paving trips, are being repaired each month in accordance with our highway maintenance plan. The deck joints have been replaced at Conduit Lane bridge and other bridge maintenance schemes are on programme. Several flood management schemes are progressing in

accordance with the approved report, with the official opening of the Broomfield Park Wetlands Project on 14th August. The tree planting programme is scheduled for the winter period in accordance with normal planting practices.

4.25 Waste & Recycling (£1.434m) - The key deliverables are listed as follows:

- i. The purchase and delivery of kitchen caddy, kerbside caddy and liners,
- ii. Dry recycling bin exchange and replacements,
- iii. The collection of garden bins that do not subscribe to service,
- iv. Garden bin exchange and replacements,
- v. And compost bins giveaway.

4.26 TFL: Local Implementation Plans (£2.356m) - The following are included in 2019/20 plans for Enfield:

- i. Delivery of Quieter Neighbourhoods and Quietway with the current programme including routes through Haselbury neighbourhood, several Quieter Neighbourhood areas and school streets / neighbourhood connectors.
- ii. Road Safety Schemes which include the improvements of 11 school crossings and completion of Ponders End safety and walking scheme.
- iii. Cycle Enfield Supporting Measures- delivery of Cycle Enfield Wayfinding strategy, installation of at least 15 bike hangars and 50 Sheffield stands.
- iv. Programme, Project and Scheme Development- areas of interest include Healthy Streets and controlled parking zones including in the Bowes Road area.

4.27 Also included in the programme are Highway Interventions, Air Quality and Road Safety Schemes.

4.28 TFL: Cycle Enfield (£6.060m)- The following are included in 2019/20 plans for Enfield:

- i. Substantial construction of A1010 North from Ponders End to Freezy Water.
- ii. Completion of A1010 South from Edmonton Green to Ponders End.
- iii. Feasibility and design for this route connecting Enfield Town centre with the regeneration at Ponders End railway station.
- iv. Development of design and delivery of a series of mini hubs at several railway stations in the Borough.

4.29 Meridian Water (£33.147m) - In 2019/20 the Meridian Water project is expected to spend £33m to continue the work on regenerating the site. During the year £4.7m of land acquisitions are expected which will enable infrastructure works to go ahead to unlock the site for the development of homes. Further works on the Willoughby Lane site will begin to allow an additional 600 homes to be developed on the site. Approximately £7m will be spent on acquiring land, relocating the pressure reduction station and remediating the Willoughby Lane site to allow it to be fully developed.

- 4.30 Planning for infrastructure works across the Meridian Water site is expected to cost £2.2m in the coming year. The Council has very recently received the very positive announcement on Housing Infrastructure Fund, the £156m bid was successful. This will enable the required planning to be in place to allow works will be begin at the earliest point.
- 4.31 There will be nearly £3m spent in the year on the Meanwhile project with Building Bloqs, which involves refurbishing the VOSA building, a Council asset, for Building Bloqs to occupy. Grants will be paid to Building Bloqs to support the capital investment in equipment and machinery for the business.
- 4.32 The project will continue with securing the site and preventing unwanted occupation and vandalism, marketing sites for meanwhile use, clearing land of refuse and community engagement. Other expenditure on the project includes sitewide planning and design, staffing and commercial advisors.
- 4.33 Corporate Capital Condition Programme (CCCP) (£2.174m)- Cyclical improvement works continue to be carried out across various council dwellings. In 2019/20, this will include:
- i. continuation of replacing the agricultural shed at Beech Barn Farm,
  - ii. sprinkler installation to the basement of Millfield House,
  - iii. Demolition of structures deemed to be at the state of disrepair,
  - iv. works required by the Disability Discrimination Act (DDA) to allow better access at the Civic Centre,
  - v. Fire Precaution and Health & Safety works across various sites.
- 4.34 Corporate Property Investment Programme (CPIP) (£0.800m) - This new programme starts with the initial stages of relocating the Integrated Learning Disabilities Services from St. Andrews Court to Enfield Highway Carnegie Building. This will involve consultations, planning and designing; with works on site due to start towards February 2020. Other works within CPIP for 2019/20 include:
- i. improvements to the public area at John Wilkes House,
  - ii. the relocation of Southgate Library,
  - iii. civic centre toilet refurbishments,
  - iv. and pre-construction services for 'Build the Change'.
- 4.35 Electric Quarter (£3.424m) - The key deliverables are listed as follows:
- i. Commencement of Phase-B to deliver 106 units by 2021,
  - ii. Demolition of existing structures within Phase-B,
  - iii. Granting of Phase B Lease to Lovell,
  - iv. Construction underway with ground and enabling works and above ground build,
  - v. Delivery of 22 three- and four-bedroom houses by 31 March 2020,
  - vi. Temporary library relocated into Swan Annex,
  - vii. And Qube Meanwhile facility relocated into Eagle House Car Park.

4.36 Genotin Road (£12.249m) - Construction and development costs, including associated consultants' fees.

4.37 Montagu Industrial Estate (£11.446m) – The planning application has been submitted. A separate report is due to go to Cabinet in October where the overall project delivery and budgets will be reviewed. An update will be provided in Q2.

#### 4.38 **Companies**

4.39 Energetik - The company's plan for 2019/20 is leveraged on several key activities/major works. These include:

- i. Diverting the trunk sewer on the EcoPark which runs under the proposed leased site of the energy centre.
- ii. Extending a district heating pipe from the Alma Estate to Ponders End High Street.
- iii. Extending the Electric Quarter primary heat network and installing a heat exchanger substation for Phase-B of Electric Quarter.
- iv. Build a mobile prefabricated boiler plantroom (1000kwh).
- v. Undertake site investigation works at the EcoPark near the proposed leased site of the energy centre.

4.40 Housing Gateway - Deliver demonstrably, good quality housing solutions for residents through a variety of products suitable for residents on low to median income levels. Deliver increased housing supply to the Council with at least an additional 50 units in 2019/20.

## 5 HOUSING REVENUE ACCOUNT

5.1 Table 6 summarises the 3-year programme, with sections 5.1 and 5.2 highlighting key projected outputs.

**Table 6 HRA Capital Programme**

PROGRAMME	2019/20	2020/21	2021/22	TOTAL
	£'000	£'000	£'000	£'000
Major Works	7,410	23,817	22,066	53,294
Major Works: Borough Wide Decent Homes	9,000	0	0	9,000
Major Works: Cambridge Road West	4,575	0	0	4,575
Major Works: New Southgate	2,198	0	0	2,198
Major Works: Upper Edmonton	4,135	0	0	4,135
Major Works: Waltham Cross	1,500	0	0	1,500
Minor Works	1,920	900	900	3,720
Minor Works: Aids & Adaptations	750	750	750	2,250
Minor Works: Fire Precaution	6,550	200	200	6,950
Minor Works: Health & Safety	2,210	0	0	2,210
Minor Works: Structural Repairs	800	50	50	900



Estate Renewals	19,904	65,395	38,198	<b>123,497</b>
Estate Renewals: Alma Towers	26,192	3,492	4,078	<b>33,763</b>
Estate Renewals: Ladderswood	360	2,401	0	<b>2,761</b>
Estate Renewals: New Avenue	5,358	333	301	<b>5,992</b>
Estate Renewals: Small Sites 1	4,895	0	0	<b>4,895</b>
Estate Renewals: Small Sites 2	18,957	0	0	<b>18,957</b>
<b>Total HRA</b>	<b>116,714</b>	<b>97,339</b>	<b>66,543</b>	<b>280,596</b>

## 5.2 Major and Minor Works

- i. Borough Wide Decent Homes Programme - This includes core decent homes catch up works in Council properties including kitchens, bathrooms, rewires, heating and insulation works. These works will improve levels of decent homes compliance. Tenders have been received for these works and are now in the evaluation stages. It is anticipated that c. 7,000 homes will receive these decent homes works over the next 5 years.
- ii. Upper Edmonton Externals - These major works consist of both external works and communal area works to 21 blocks within the borough. These works are due to start in October 2019 and include renewal and roof repairs, window renewals and balcony works.
- iii. Waltham Cross Houses - This scheme consists of decent homes works to 71 street properties. The works include roofing, window, kitchen and bathroom renewals and rewiring. The contracts have been let and the contractors will be on site by the end of July 2019.
- iv. New Southgate Externals - These major works consist of both external works and communal area works to 24 blocks within the borough. These works are due to finish at the end of the financial year and included pitched and flat roof covering replacement, window and door replacements and upgraded door entry systems.
- v. Fire improvement works- Bliss, Purcell and Walbrook have all had their cladding removed and we are in the process of determining and procuring contractors to undertake the replacement and associated works.
- vi. Other Projects- Smaller projects within the programme include lift replacements, health and safety works, aids and adaptations and boiler replacements.

## 5.3 Estate Renewals & Development

5.4 The Estate Renewal budgets have been re-profiled to reflect the accurate position for all projects. The main movements in the projects are due to the following:

- i. Alma - The Alma leaseholder buybacks budget has been reprofiled to reflect the revised buyback programme. Phase-1 will see the completion of 97 affordable HRA units in July 2019.
- ii. New Avenue - The construction of Phase 1 has made good progress, with 127 units being delivered by early 2020. There are 18 leaseholders left to

buyback on the estate and its anticipated that these will complete in 2019/20.

- iii. Ladderswood - Phase 1 consists of 23 affordable units and 17 private units which were handed over during October 2017. These properties are being managed by One Housing and are now all in occupation. Phases 2 and 3 are progressing well. Utility and ground works have been completed to form the basement car park. These phases will deliver 114 private units, 21 affordable homes, 85 bed hotel and 6 commercial units by September 2019. Costs to the HRA for this project include staffing and tenant decants.
- iv. Small Sites - The construction of the 6 remaining sites has progressed well, completion of all 94 units in this project is expected to December 2019. Additional budget was agreed in January 2019 to complete and finish construction works.

## 5.5 HRA Capital Financing

- 5.6 The Council was successful in securing £18.1m of GLA grant for the next 3 years as part of the Building Council Homes for Londoners scheme. The programme is made up of several small site schemes and is expected to deliver 150 new homes within the Borough.
- 5.7 The RTB receipts programme will fund development schemes, acquiring land and properties and funding Registered Providers to assist in developing sites or acquiring properties. As the HRA debt cap has been lifted it has enabled Enfield to match fund receipts and build in growth within the HRA. This programme is expected to deliver 675 additional affordable homes.
- 5.8 The HRA development strategy (agreed at February 2019 Cabinet) will use our RTB receipts, GLA Grant and additional HRA headroom borrowing (c. £132m) to fund the housing programme in the next 3 years.

**Table 7 HRA Capital Programme Financing**

HRA	Grants & External Contributions	Revenue Contributions	Capital Receipts	Earmarked Reserves	Borrowing	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Major Works		4,578		80,453		85,031
Minor Works				5,700		5,700
Estate Renewals	10,608	12,880	18,877		147,500	189,865
	<b>10,608</b>	<b>17,458</b>	<b>18,877</b>	<b>86,153</b>	<b>147,500</b>	<b>280,596</b>

## **6 ALTERNATIVE OPTIONS CONSIDERED**

- 6.1 No alternative options were considered.

## **7 REASONS FOR RECOMMENDATIONS**

- 7.1 To update the programme for carry forwards from 2018/19 along with amendments to the Programme for additions and deletions since Council approval in February and also to inform members of the current forecast position at the end of the first quarter of the financial year. Additionally to bring to the attention of members the significant award of £156m of HIF grant.

## **8 COMMENTS FROM OTHER DEPARTMENTS**

### **8.1 Financial Implications**

- 8.2 As the Section 151 Officer, the Executive Director of Finance, Resources & Customer Services is required to keep under review the financial position of the Authority. The quarterly capital monitoring is part of this review process. If required, measures will be put in place to address risks identified through the monitoring process and to contain expenditure within approved budgets.

### **8.3 Legal Implications**

- 8.4 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.”

### **8.5 Property Implications**

- 8.6 This report has been written in consultation with Property Services and therefore any relevant implications are included within the body of the report. Capital investment in the Council's property assets to ensure compliance and support income growth is supported by the Council's Strategic Asset Management Plan. Any type of property transactions related to this report will follow the Council's usual processes, complying with the Property Procedure Rules and being in line with the Strategic Asset Management Plan and Corporate Landlord Policy.

## **9 KEY RISKS**

- 9.1 All the key risks relating to the quarter are included within the main report.

## **10 IMPACT ON COUNCIL PRIORITIES – CREATING A LIFETIME OF OPPORTUNITIES IN ENFIELD**

### **a. Good homes in well-connected neighbourhoods**

The Capital Programme is designed to address the deliver the Councils priorities and all projects are considered in the context of these priorities.

### **b. Sustain strong and healthy communities**

The Capital Programme is designed to address the deliver the Councils priorities and all projects are considered in the context of these priorities.

**c. Build our local economy to create a thriving place**

The Capital Programme is designed to address the deliver the Councils priorities and all projects are considered in the context of these priorities.

**11 EQUALITIES IMPACT IMPLICATIONS**

11.1 Not applicable to this report.

**12 PERFORMANCE AND DATA IMPLICATIONS**

12.1 The report provides clear evidence of sound financial management, efficient use of resources.

**13 HEALTH AND SAFETY IMPLICATIONS**

13.1 Not applicable to this report

**14 HUMAN RESOURCES IMPLICATIONS**

14.1 Not applicable to this report.

**15 PUBLIC HEALTH IMPLICATIONS**

15.1 The underlying schemes which this report refers, all contribute to the overall public health objectives of the borough

**16 BACKGROUND PAPERS**

None.

## APPENDIX A – Approved Capital Programme (Detailed)

APPENDIX A - Approved Capital Programme	2019/2020	2020/2021	2021/2022	2022/2023	TOTAL
	£'000	£'000	£'000	£'000	£'000
<b>RESOURCES</b>					
<b>Commercial</b>					
Forty Hall	68	0	0	0	68
<b>Total Commercial</b>	<b>68</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>68</b>
<b>Customer Experience &amp; Change</b>					
IT Investment	11,876	2	0	0	11,878
Libraries	485	0	0	0	485
<b>Total Customer Experience &amp; Change</b>	<b>12,361</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>12,363</b>
<b>Total RESOURCES</b>	<b>12,429</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>12,431</b>
<b>PEOPLE</b>					
<b>Adult Social Care</b>					
Extra Care Housing: Reardon Court	1,318	6,999	12,420	6,515	27,252
Mental Health and Wellbeing Centre	500	2,000	0	0	2,500
<b>Total Adult Social Care</b>	<b>1,818</b>	<b>8,999</b>	<b>12,420</b>	<b>6,515</b>	<b>29,752</b>
<b>Education</b>					
School Expansions	9,435	0	0	0	9,435
Schools Maintenance	2,518	0	0	0	2,518
Schools' Future Programme	925	14,324	9,977	2,578	27,805
Schools Devolved Capital	2,000	0	0	0	2,000
<b>Total Education</b>	<b>14,878</b>	<b>14,324</b>	<b>9,977</b>	<b>2,578</b>	<b>41,758</b>
<b>Strategic Commissioning</b>					
Community Safety	300	0	0	0	300
<b>Total Strategic Commissioning</b>	<b>300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>300</b>
<b>Total PEOPLE</b>	<b>16,996</b>	<b>23,324</b>	<b>22,397</b>	<b>9,093</b>	<b>71,810</b>
<b>PLACE</b>					
<b>Environment &amp; Operations</b>					
Alley Gating	100	0	0	0	100
<b>Highways:</b>					
Flood Alleviation	553	0	0	0	553
LED Street Lighting	1,918	4,457	0	0	6,375
Highways & Street Scene	6,992	0	0	0	6,992
<b>Parks:</b>					
Edmonton Cemetery	1,327	0	0	0	1,327
Southgate Cemetery	1,116	0	0	0	1,116
Play Areas	41	0	0	0	41
Tennis Courts Works	292	0	0	0	292
<b>Waste, Recycling &amp; Fleet:</b>					
Waste & Recycling	1,434	455	0	0	1,889
Vehicle Replacement Programme	411	1,860	0	0	2,270
<b>Traffic &amp; Transportation:</b>					
TFL: Local Implementation Plans	2,356	0	0	0	2,356
TFL: Cycle Enfield	6,060	0	0	0	6,060
TFL: Angel Walking	720	0	0	0	720
<b>Total Environment &amp; Operations</b>	<b>23,321</b>	<b>6,772</b>	<b>0</b>	<b>0</b>	<b>29,373</b>
<b>Meridian Water</b>					
Meridian Water	33,147	456	0	0	33,604
<b>Total Meridian Water</b>	<b>33,147</b>	<b>456</b>	<b>0</b>	<b>0</b>	<b>33,604</b>
<b>Property &amp; Economy</b>					
Broomfield House	266	0	0	0	266
Bury Street West Depot	19,029	0	0	0	19,029
Corporate Capital Condition Programme (prev. BIP)	2,174	0	0	0	2,174
Corporate Property Investment Programme	800	1,100	0	0	1,900
Edmonton Cemetery Chapel Conversion	108	0	0	0	108
Electric Quarter	3,424	4,746	0	0	8,171
Genotin Road (Metaswitch)	12,249	12,500	0	0	24,749
Montagu Industrial Estate	11,446	0	0	0	11,446
Town Centre Regeneration	6,761	0	0	0	6,761
<b>Total Property &amp; Economy</b>	<b>56,257</b>	<b>18,346</b>	<b>0</b>	<b>0</b>	<b>74,603</b>
<b>Housing &amp; Regeneration</b>					
<b>Assessment Services:</b>					
Housing Adaptations (DFG)	2,001	0	0	0	2,001
Housing Assistance	12	0	0	0	12
<b>Total Assessment Services</b>	<b>2,013</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,013</b>
<b>Total PLACE exc. HRA</b>	<b>114,738</b>	<b>25,574</b>	<b>0</b>	<b>0</b>	<b>140,312</b>
<b>Total GENERAL FUND exc. COMPANIES</b>	<b>144,163</b>	<b>48,899</b>	<b>22,397</b>	<b>9,093</b>	<b>224,553</b>
<b>COMPANIES</b>					
Energetik	3,915	2,121	0	0	6,036
Housing Gateway Ltd	20,279	30,822	0	0	51,101
<b>Total COMPANIES</b>	<b>24,194</b>	<b>32,943</b>	<b>0</b>	<b>0</b>	<b>57,137</b>
<b>Total GENERAL FUND inc. COMPANIES</b>	<b>168,357</b>	<b>81,842</b>	<b>22,397</b>	<b>9,093</b>	<b>281,689</b>
<b>Housing Revenue Account:</b>					
Major Works	28,818	23,817	22,066	0	74,701
Minor Works	12,230	1,900	1,900	0	16,030
Estate Renewals	75,666	71,622	42,577	0	189,865
<b>Total HRA</b>	<b>116,714</b>	<b>97,339</b>	<b>66,543</b>	<b>0</b>	<b>280,596</b>
<b>Total PLACE inc. HRA</b>	<b>231,452</b>	<b>122,914</b>	<b>66,543</b>	<b>0</b>	<b>420,909</b>
<b>APPROVED CAPITAL PROGRAMME</b>	<b>285,071</b>	<b>179,182</b>	<b>88,940</b>	<b>9,093</b>	<b>562,285</b>

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## MUNICIPAL YEAR 2019/2020 REPORT NO. 74

**MEETING TITLE AND DATE:**

Cabinet -  
11 September 2019  
Council  
18 September 2019

**Agenda – Part: 1**
**Item: 10**

**Subject:** Energetik - Tranche 2  
Investment Decision

**REPORT OF:**

Director – Commercial

**Wards:** All wards

**Key Decision No:** KD4642

Contact officer and telephone no:  
Nicky Fiedler tel: 0208 379 2016  
Email: [nicky.fiedler@enfield.gov.uk](mailto:nicky.fiedler@enfield.gov.uk)  
Andrew Whelan tel: 020 8379 4561  
Email:  
[andrew.whelan@enfield.gov.uk](mailto:andrew.whelan@enfield.gov.uk)

**Cabinet members consulted:**

Cllr Nesil Caliskan  
Cllr Mary Maguire

### 1. EXECUTIVE SUMMARY

- 1.1 Energetik, the Council's heat network company, received approval of its business plan and initial funding of £15 million in January 2017 (Ref: RE 16/068 C - Parts 1 & 2), to allow it to commence operations on its 'satellite' heat networks, continue the design to planning stage of its largest heat network at Meridian Water and to complete various outstanding activities required before the full investment could be made.
- 1.2 All activities have now been completed and the company is now seeking its second tranche of funding to deliver the remainder of its business plan which includes building the heating infrastructure required to serve Meridian Water.
- 1.3 Energetik was created to design, build and operate heat networks within Enfield that supply better value energy that's reliable and environmentally friendly. A wholly owned energy company allows the Council to realise the multiple advantages of managing heat networks from start to finish, with a customer focused approach that delivers wider benefits within the borough. These benefits include:
  - 1.3.1 **Helps tackle the climate change emergency** – the carbon footprint of heating homes connected to Energetik's heat networks is reduced by up to 80% compared to individual gas boilers. The total CO2 offset by the Council through Energetik's 40-year business plan is forecast to be over 200,000 tonnes – the equivalent of 400,000 trees being planted today and absorbing carbon for the next 45 years. This contributes to the Council's target to be carbon neutral by 2030 in accordance with its recent climate emergency declaration (*see Response to Climate Change Emergency PL 19/024 C*).

**1.3.2 Improvements to air quality and health** - residents of North London will benefit from the avoidance of harmful Nitrous Oxides (NOx) being released into the environment which would otherwise be emitted from individual gas boilers. NOx and particulates are harmful to people's health and cause thousands of deaths per year in the capital. By the time the 10,000 new homes are built at Meridian Water, the networks will be saving 2,175 tonnes of NOx from being added to the atmosphere, the equivalent of taking 2000 cars off the road each year, every year.

**1.3.3 Helps to alleviate fuel poverty** – fair heating charges, no penalty for using pay as you go (prepayment is often charged a higher tariff in electricity and gas markets) and smart in-home technology helps Energetik's customers to see and manage their spending in real time, helping them to manage their budget better. Flexible payment options for customers in financial difficulty, as well as links to charitable organisations who can offer support strikes a balance between prudential debt risk for the company and supporting the most fuel poor customers. Further, some of the interest premium paid by Energetik to the council can ring-fenced for fuel poverty projects.

1.3.4 – 1.3.5 See part 2 report

**1.3.6 Robust, expandable infrastructure** – future-proofed, with resilience built in, Energetik's heat networks have the capacity and ability to be expanded to supply more homes in the future, sharing the outline benefits with more customers whilst generating equitable income for the Council. The company can supply high quality, reliable and resilient heat networks - built to a bespoke technical specification that exceeds the standard of most UK heat networks.

**1.3.7 Returning benefits to Enfield's economy** – Energetik's low carbon infrastructure supports the borough's regeneration ambitions, helping to create a positive environment to attract new business to Enfield.

**1.4** As a result of the due diligence undertaken in 2016, and before the remaining funding could be released to realise the remainder of Energetik's business plan, the company was required to ascertain greater certainty on the following (3.33 RE 16/068 C - Parts 1 & 2):

**1.4.1** The construction and phasing programme for Meridian Water, and the appointment of a development partner.

**1.4.2** A timetable for the delivery of the Meridian Water train station.

**1.4.3** The timetable for the replacement of the North London Waste Authority's replacement Energy Recovery Facility (ERF).



1.4.4 The company's suite of legal documents.

1.5 Since 2017, more certainty on all items has been established:

1.5.1 A development partner is in place at Meridian Water for the first phase, and the Council is controlling the pace of development since its change of delivery strategy.

1.5.2 The Meridian Water train station is now open.

1.5.3 The timetable for the new ERF is known, and the NLWA has received approval from government to proceed via the Development Consent Order (DCO).

1.5.4 The company has successfully concluded negotiations and executed the majority of its legal agreements, including with three separate developers on its four active heat networks (Alma Road, Electric Quarter, New Avenue and Ladderswood). It expects to execute the Heat Supply Agreement (HSA) with the North London Waste Authority (NLWA) by the end of September 2019.

1.6 Since entering heat agreements with developers at all four of its satellite heat networks, the company has commenced operations to provide its customers with heat and hot water and all associated metering, billing and maintenance services. It has received positive recognition in the industry, being included in various national publications and receiving mention in Westminster hall as an example of best practice.

1.7 Its designs for the main energy centre at Meridian Water are complete and currently in the town planning process, which is expected to be determined later in 2019.

1.8 See part 2 report

## **RECOMMENDATIONS**

2.1 - 2.7 See part 2 report

### **3. BACKGROUND**

#### **Overview and context**

3.1 - 3.2 See part 2 report

3.3 In the 2017 cabinet report, it was noted that tranche 2 funding would be applied for once more information was known in relation to:

3.3.1 The construction and phasing programme for Meridian Water.

3.3.2 Network Rail's programme for the new Meridian Water train station.

3.3.3 NLWA's timetable for the replacement Energy Recovery Facility (ERF).

3.3.4 What is required to be delivered under the suite of contract documents, including the On-Lending Agreement from the Council to the business, and works required under Phase 2 of the Meridian Water Design Build Operate (DBO) contract.

3.4 It is now considered that the above items have been progressed, and given the timing and updated position, sufficient information is available to enable the Council to approve investment in and the second phase of loans to Energetik. Taking each item in turn:

3.4.1 An updated construction and phasing plan has been established for Meridian Water following the revision of the delivery strategy. The company works closely with the Meridian Water delivery team via the interdependency board to ensure it is appraised of the latest information.

3.4.2 Network rail's Meridian Water train station is now complete and open to the public.

3.4.3 The NLWA's ERF programme is forecast to commence operations in 2026. Joint preparatory works have commenced on utility diversions across the site, following the NLWA receiving approval of their DCO in 2017.

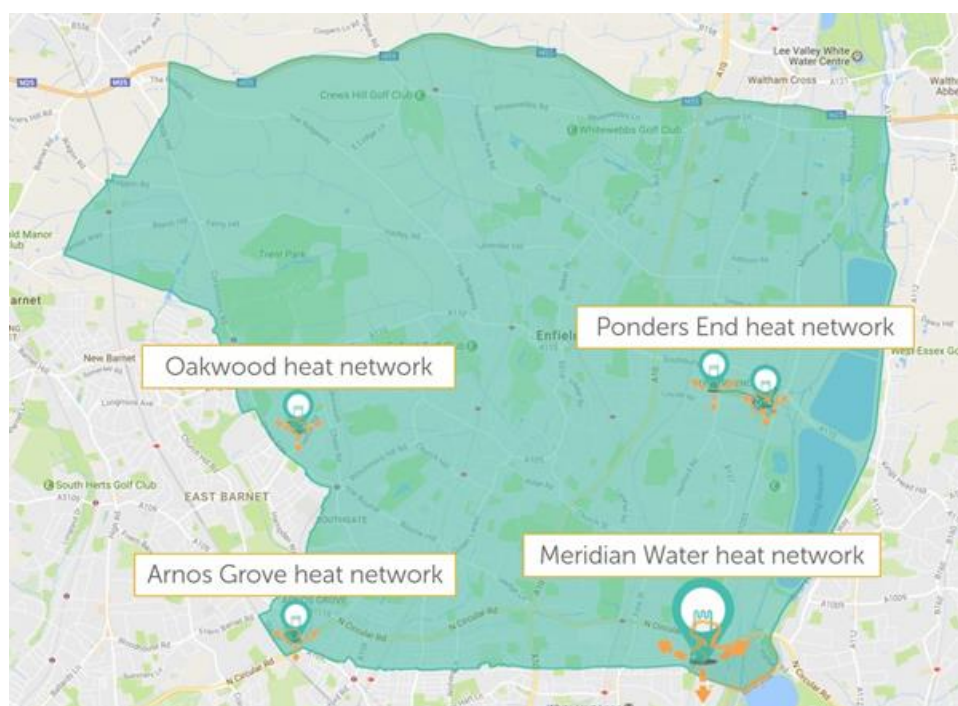
3.4.4 See part 2 report

3.4.5 Energetik's suite of heat agreements has been tested on each of the company's four active development sites, where they have been agreed and executed with a number of different developers, proving they are a balanced set of legal agreements. An On-lending agreement is in place for Tranche 1 that governs Energetik's drawdown of capital and the design to planning phase of Energetik's DBO contract is practically complete.

3.5 Since 2017, Energetik has made significant progress in the delivery of its business plan, adopting customers on four separate heat network

developments at Ladderswood, Electric Quarter, Alma Road and New Avenue, and has progressed with the town planning phase of the Meridian Water heat network and infrastructure that will serve the Meridian Water development. Now that the approach has been determined, a developer has been selected to build the first phase and a phasing plan for the remaining delivery is in place, Energetik are seeking from the Council to apply for the second tranche funding.

#### **Map of Energetik Heat Network locations:**



- 3.6 In October 2018 in preparation for the request for the second phase of funding being sought, Cabinet asked Energetik to review alternative funding sources to be ensure they were fully appraised of the funding options available to the Council as shareholder, which was undertaken. This included approval to explore the Mayor's Energy Efficiency Fund (MEEF) and to establish the details of such alternative funding arrangements that may be available (see Cabinet Report entitled 'Energetik Funding Options' – October 2018).
- 3.7 In March 2019, a further Cabinet report provided an update on the progress made with the various funding options and sought to establish a co-ordinated view of the current shareholder position in terms of investment options, so that the favoured option could be developed further ahead of a final decision. on the company's Tranche 2 investment decision.

#### **Progress to date**

- 3.8 The initial £15 million of funding (Tranche 1) approved by Enfield Council, allowed Energetik to establish itself as a functional heat network utility provider. Tranche 1 funding has enabled Energetik to:

3.8.1 Complete its suite of legal documents including:

- a) The Heat Supply Agreement with the North London Waste Authority (finalised, execution expected September 2019)
  - b) Lease and Agreement for Lease with the North London Waste Authority/London Energy (awaiting final NLWA chair sign off, execution expected December 2019)
  - c) Execution of connection and supply agreements with developers at all four of Energetik's 'satellite' heat network developments at:
    - i) Ladderswood,
    - ii) Electric Quarter,
    - iii) Alma Road, and
    - iv) New Avenue
  - d) The Portfolio Agreement between Energetik and the Council (DAR signed, execution August 2019)
- 3.8.2 Adopt the energy plant and commence heat network operations at Ladderswood on the Arnos Grove Heat Network.
- 3.8.3 Procure, manufacture and commission a pre-fabricated boiler plant to serve Electric Quarter until connection to the permanent energy centre as part of phase 2 of the Alma Road development.
- 3.8.4 Procure, manufacture and commission a pre-fabricated boiler plant unit to serve Alma Road development until connection is achieved to the permanent energy centre as part of phase 2 of the Alma Road development and commence heat network operations at the Alma Road development.
- 3.8.5 Adopt the energy plant and commence heat network operations at New Avenue on the Oakwood Heat Network.
- 3.8.6 Commence the heat service and customer services operations to residents on all four 'satellite' heat networks.
- 3.8.7 Complete the design to planning stage of Energetik's energy centre and heat distribution infrastructure on the Meridian Water heat network (due for decision Oct 2019).
- 3.9 In addition to its core activities, the company has established itself as an example of best practice in the industry in relation to its stringent technical requirements and its focus on customer service and protection, and has gained positive recognition at both the local and national level, receiving mention in Westminster Hall debate<sup>1</sup> and inclusion as a case study in a government document on financing heat networks in the UK, prepared by

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<sup>1</sup> <https://hansard.parliament.uk/Commons/2018-11-28/debates/18112839000003/HeatNetworksRegulation?highlight=heat%20networks%20regulation#contribution-B1E56981-505C-455A-B6C7-D313E63F8201>

Grant Thornton<sup>2</sup>. Additionally, OFGEM, the future regulator of the heat industry has recently requested a visit to Energetik's Arnos Grove heat network to view a scheme that is performing efficiently, to a high design specification, whilst delivering excellent customer service at a reasonable price. For further information on Energetik's progress, please refer to the company's Business Plan Addendum 2019.

(For a summary of progress on each of Energetik's heat networks, see Appendix A).

### **Connection numbers**

- 3.10 At the time of writing Energetik has four live developments connected to its heat networks with 113 customers receiving service from Energetik. An additional 400 customers are estimated to be connected by March 2020 (subject to developer delivery programmes), bringing the total to over 500 + a commercial heat and power agreement with the Premier Inn at Ladderswood.
- 3.11 Connection figures vs. forecast have seen a variance from the 2017 business plan, primarily due to development programme slip outside of Energetik's control. The most significant delay to Energetik's revenue income has been at Meridian Water due to a change in the delivery strategy for this development (see below). However, commensurate with the delay is a reduction to Energetik's capital expenditure requirements as it has not had to commence construction of its energy centre and distribution network.
- 3.12 Therefore, whilst the company is not receiving revenues, it is also not incurring significant build / operating costs to run a large heat network with minimal / no demand. Reduced capital requirements have meant interest payments have been significantly reduced as a result.
- 3.13 Delays on the satellite heat networks do not have a significant impact on the financial returns to the company. Additionally, due to a delay in the execution of the portfolio agreement, Energetik is yet to make adoption payments to the HRA and has therefore not incurred interest expenses from borrowing to make these payments, although the company has accrued the payment in the company's accounts to reflect the charge once the agreement is signed.

### **Revised total connection forecast**

- 3.14 The table below provides an update on the forecast number of connections to Energetik's heat networks for known developments. It should be noted that some Council developments connected to the satellite heat networks (Arnos Grove, Oakwood, Ponders End) may increase in size however these are

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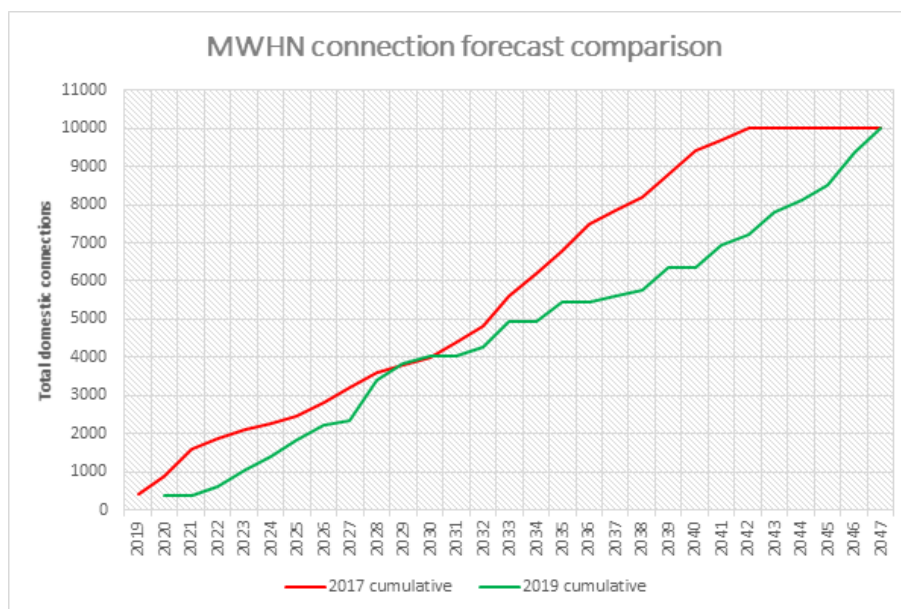
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subject to revised planning applications and therefore have not been included in conservative forecasts.

<b>Site</b>	<b>2017 connection assumptions</b>	<b>2019 updated connection assumptions</b>	<b>Note / comment</b>
<i>Meridian Water area</i>	10,000	10,000	No change
<i>Meridian Water North / West extension</i>	3,500	2,850	Updated forecast now only includes Joyce and Snells estate renewal. Extension to Edmonton has been removed from forecast as presently no guaranteed connections
<i>Arnos Grove (Ladderswood)</i>	517 + hotel	517 + hotel	No change
<i>Ponders End – Alma Road</i>	992	992	No change
<i>Ponders End - Electric Quarter</i>	167	167	No change
<i>Oakwood (New Avenue)</i>	402	657	Greater number of properties at New Avenue planned plus new development connection of 200 homes to the south.
<b>Total</b>	<b>15,578</b>	<b>15,183</b>	

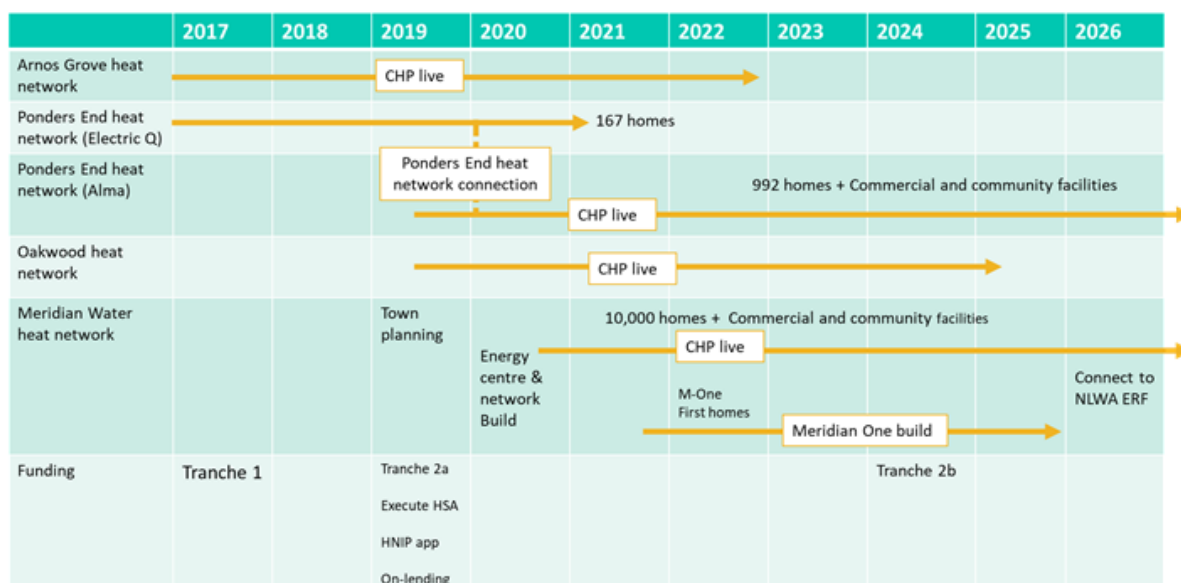
- 3.15 The overall forecast connection figures have reduced marginally since the 2017 business plan forecast and these are reflected within the financial modelling. However, there appears to be significant potential for greater numbers to connect as the developments where Energetik has its heat networks look to increase housing density via revised planning applications and new private planning applications commit to connect such as at New Avenue. The company has not included these increases in its modelling as they are not yet certain, so any increase is considered upside to the forecast returns.
- 3.16 A potential large-scale bulk heat supply is being discussed with a neighbouring borough which could add a heat demand of the equivalent of up to 8,000-10,000 homes but this is not included within the financial models as it is not certain.

- 3.17 The table below shows how the Meridian Water heat network connection forecast has changed since 2017, as this represents the bulk of Energetik's connection income. The overall connection numbers remain unchanged at 10,000 but a profile that reflects a delayed and longer delivery programme as advised by the Meridian Water project team has been shown and is now reflected in the financial model:



### Summary of Key milestones:

The diagram below provides an overview of the estimated programme timescales and key milestones Energetik expects over the coming years. As the company is not in control of developer programmes, specific development phases have not been included, but rather an overall expectation of programme delivery with expected development numbers. It should be noted that there is an expectation that these numbers will increase, as developers look to increase density on each site, however these are subject to separate planning applications out of Energetik's control.



## Industry changes towards a regulated market

- 3.18 Since Energetik commenced its operations in 2017, there has been significant policy and financial support from Government at both local and national level, with heat networks being prioritised as a way to deliver the country's carbon reduction targets (space heating in buildings accounts for nearly half of all the UK's carbon emissions), provide a secure energy supply for the future, all whilst improving local air quality through the reduction of nitrous oxides being emitted into the atmosphere.
- 3.19 It is expected that the industry will be regulated in the next 2-3 years to implement minimum service standards and provide those living on heat networks with customer protection, much like the gas and electricity markets are regulated through OFGEM. Energetik welcomes this move to regulation and is actively involved / contributing to the consultation process with government and through industry trade bodies.

(For a summary of the main policy changes since 2017, see Appendix B)

## Tranche 2 investment

### Funding requirements

3.20 - 3.23 See part 2 report

### Updated funding strategy – Tranche 2A and 2B

3.24 - 3.29 See part 2 report

### Forecast impact of reducing the on-lending rate



3.30 - 3.33 See part 2 report

### **Fuel Poverty – Energetik’s contribution to the borough**

- 3.34 Ensuring that all residents can afford to heat their home is not a task that any organisation can accomplish alone, nor can it be tackled quickly. Eradicating fuel poverty in Enfield will require sustained effort and cooperation over a long period of time. Community groups and organisations that already work with vulnerable residents - such as Enfield Council, Enfield Citizens Advice Bureau, Enfield Age UK, Enfield CCG and local GPs – need to work together to tackle fuel poverty.
- 3.35 There are three main aspects to tackling fuel poverty which yield the best results:
1. Using national statistical data to identify areas of concern
  2. Maximising income and raising awareness of those effected
  3. Making homes more energy efficient
- 3.36 By combining and cross referencing, several publicly available data sets, it is possible to identify areas where Enfield residents are most affected by fuel poverty. This will allow targeted interventions in areas and for individuals that need it the most.
- 3.37 With the headroom provided by the improved borrowing rates and the uplift in the interest rate premium charged to Energetik, the Council is now able to ring fence some of this new benefit, to be specifically used to address fuel poverty in the borough. The value and application of this ring-fenced fund will be the subject of an additional report to Cabinet.

### **Heat Tariff reduction**

- 3.38 Energetik already offers competitive heat tariffs to its customers via a fixed charge and a unit charge for consumption. The Council has requested that the company aims to reduce the unit charge for its heat (tariff), to be comparable or below that of natural gas when compared with the ‘big 6’ energy providers. Whilst it is challenging to compare heat with gas like-for-like, gas is still currently the traditional benchmark with which heat is compared. Therefore, the company has amended its financial models to reduce its unit charge for heat consumption from 5.44p/kWh to 4.44p/kWh to meet this objective, a reduction of 1p/kWh. As the unit charge is only part of the tariff, (the fixed charge being the other part), whilst this reduction requires the Council to accept a lower rate of return on investment in the company, the reduction in the rate of return is modest.
- 3.39 Energetik forecast that an average customer consumption would be 3,500kWh of heat energy in one year, costing £410.77\* in total for social tenants based on a two-bedroom home. On the Arnos Grove heat network,

customers used an average of 3289 kWh, meaning the average total annual cost for a social tenant was £408.11 (*includes the daily availability charge + VAT, and a tariff change in the period*).

- 3.40 In comparison, the estimated annual heating and hot water cost for the traditional gas central heating alternative in this type of property is £566.97 based on Heat Trust's cost calculator, a difference of over 30%.
- 3.41 It should be noted that for new build properties, gas central heating is not a realistic option in multi-storey developments, due to health and safety risk and as such gas central heating is quickly becoming redundant, with government recently announcing that there will be no new gas boiler installations in homes after 2025. Therefore, moving forwards, comparisons with gas will become less realistic.
- 3.42 Energetik is currently contributing to a consultation on an electricity version of the Heat Trust calculator, which looks at electric heating as a more realistic 'traditional' alternative heating method, due to be released in 2019.

### **Council tenants on Energetik networks**

- 3.43 Energetik has agreed that for Enfield Council tenants living on one of its heat networks it will undertake an annual price comparison with a basket of the three lowest prepay electricity tariffs available. If Energetik's prices are found to be higher, the company will reduce its tariff to be equal to or less than the available electricity tariffs at the time.

### **White label electricity supply**

- 3.44 Energetik is reviewing the potential to expand operations into electricity supply via a 'white label' arrangement with a licensed energy supplier. A lower-risk, low-investment alternative to a full supplier license is the 'white label' arrangement; offering electricity from another supplier under the Energetik brand to Enfield customers. It is not economically or resource feasible to obtain a full energy supply license directly, as it is high risk, requiring significant investment and time and no guarantee of success.
- 3.45 This model has seen success in other boroughs across the UK and can allow creative, lower cost electricity tariffs to be offered to customers that may not normally be able to access them (such as electricity prepayment customers that are often charged a premium tariff to protect suppliers from risk). This in turn can help contribute to alleviating fuel poverty, thereby spreading Energetik's benefit to customers not connected to one of its heat networks.
- 3.46 The company is investigating the options surrounding electricity supply, and a separate paper will be provided to Energetik's board and the Shareholder board when this proposition has been researched in detail.

### **Funding plan and financial projections (company side)**

3.47 - 3.49 See part 2 report

### **Anticipated sources of funding**

3.50 See part 2 report

### **Key assumptions**

3.51 See part 2 report

### **Key financial data**

3.52 - 3.55 See part 2 report

### **Sensitivity analysis**

3.56 See part 2 report

### **Programme/key milestones**

- 3.57 **Execution of Heat Supply Agreement** – agreement with the North London Waste Authority (NLWA) governing the terms of the heat offtake from the NLWA's waste facility (existing and new). This agreement incurs costs once executed, and therefore has been delayed until it is required and certainty gained before executing. It is expected to be executed by the end of September 2019. The Lease and agreement for lease will be appended to the Heat Supply Agreement in template form for reference as the documents must be read together, but the lease and agreement for lease will not be entered into immediately, as the lease terms are still being discussed and the company is reviewing alternative sites with the Meridian Water team to potentially co-locate the Energetik energy centre with Meridian Water electrical infrastructure.
- 3.58 **Energy Centre and heat network construction** – following Tranche 2 approval and the successful conclusion of Energetik's planning application, Energetik will commence activities to build out its heat network and energy centre to serve Meridian Water.
- 3.59 **Enter contracts with Meridian One Developer** – included within the tender to deliver Meridian One, the company's framework supply and connection agreements will be entered with the developer, expected in 2020.
- 3.60 **Delivery of Energetik pipe infrastructure as part of Meridian Water Housing Infrastructure Fund** – to share synergies and cost and to ensure a coordinated approach to infrastructure delivery, Energetik is working with the Meridian Water team to ensure its pipework is installed at the same time as

other services, covered under the Council's Housing Infrastructure Funding bid.

- 3.61 **Commencement of heat supply at Meridian Water** – anticipated to be in 2022, dependent on delivery of Meridian Water first homes.
- 3.62 **Ladderswood Phase 2 adoption (September 2019)** – 135 additional residential units and hotel connection, which will see the CHP commence operation and the sale of private wire electricity to the Hotel.
- 3.63 **Alma Road phase 2 adoption including energy centre (through to March 2020)** – a total of 228 properties are expected to be delivered at Alma Road, including the delivery of the energy centre which Energetik will adopt once complete.
- 3.64 **Connection of Electric Quarter to the Ponders End heat network** (April – May 2020) - programmed to take place following completion of the permanent energy centre at Alma Road as part of phase 2, which will supply both Alma Road and Electric Quarter. The pipe route will extend from Alma Road along South Street, turn into and travel across Ponders End park and connect to the pipework already installed under Ponders End High Street.
- 3.65 **Extension of Oakwood heat network to Southgate** – via planning, Energetik has identified a connection opportunities in Southgate. Subject to commercial negotiations and a viable network route being established, the development will allow Energetik to extend the Oakwood network south toward Southgate.

#### **Business development / expansion opportunities**

- 3.66 **Oakwood** – route between New Avenue and Southgate – any additional connections identified along the route (schools, leisure centre etc.) will be approached to establish appetite and compatibility with the network.
- 3.67 **Arnos Grove** – adjacent to Ladderswood is the Highview Gardens estate, owned by the Council, consisting of high and low-rise Council blocks. The company has undertaken initial desktop feasibility studies and will look to establish if it is commercially feasible to retrofit the estate with a district heating solution in the coming years, potentially applying to HNIP to fund any shortfall between capital expenditure and forecast revenue income.
- 3.68 **Meridian Water** – the company has engaged in talks with Haringey to establish if a heat offtake agreement can be agreed to provide their various developments with heat. The ability to commit to and achieve a connection is based on the development of Energetik's energy centre and heat network infrastructure. The company has also held early talks with the GLA to look at the strategic development of the Meridian Water Heat Network to serve a greater catchment area in North London. These discussions will continue as Energetik develops its Meridian Water heat network.

- 3.69 **Stratford Olympic Park** – early talks have been held with the scheme operators of the Olympic Park and Stratford heat network to establish whether a long-term connection to Energetik’s heat network would be possible. There is appetite to make this connection, however costs to reach the development would be ca. £25 million. Any future connection would be dependent on additional connections being picked up along the route (Haringey, Waltham Forest) and potentially strategic support from the GLA. Further, funding, potentially from HNIP or subsequent funding rounds, could be used.

## **Due diligence**

### Tranche 1

- 3.70 Given the significant investment required for Tranche 1, it was prudent to seek external review and due diligence of the investment decision and the company’s business plan. In autumn 2016, PWC undertook a review of the value for money statement and security package and KPMG undertook a review of the business plan and Cabinet report.
- 3.71 The review on the business plan was positive with minor recommendations. However, the review carried out by PWC on the security packages (i.e. risk to the Council of sensitivities on the business plan) concluded that a two-phase investment approach (i.e. Tranche 1 and Tranche 2) was recommended to limit the Council’s risk exposure at that time, since the developer at Meridian Water had not been appointed with a MDFA and various legal agreements had not been agreed.
- 3.72 The reviews recommended a set of actions. With the exception of the Master Developer Agreement, all of the actions from both reviews have been completed.

### Tranche 2

- 3.73 The Council’s Treasury Strategy requires due diligence to be completed on the Tranche 2 investment. Accordingly, KPMG were commissioned in May 2019 to review the updated Energetik financial model and business plan addendum that the financial figures within this cabinet report are based on.
- 3.74 The first draft of the KPMG report was received on 24<sup>th</sup> June; comments were returned by the Council (in conjunction with Energetik) and the report was finalised on 12<sup>th</sup> July. The report identified a number of issues requiring attention (i.e. 13 high priority, 12 medium priority and 7 low priority) and the Council is currently working closely with Energetik to resolve the issues raised. The recommendations have been put into an action plan and their implementation is being closely monitored. Immediate attention is being given to those of a high priority which will be closed off before the decision is taken.
- 3.75 The KPMG review looked at three key areas:

### **Review of the business case**

- 3.75.1 The objective was to assess the overall financial viability of Energetik as this is key to the Council's decision to make further investment in Energetik. This comprised a financial overview, high level SWOT analysis and observations on the business plan addendum document.

#### **Review of the financial model**

- 3.75.2 This comprised basic integrity checks, key input and assumption changes, reconciliation of the consolidation process, reconciliation of the total spend to funding requirement, accuracy review involving tracking of input to outputs and comparison of key project assumptions 2019 vs 2017.

#### **Requirements of the lending proposal**

- 3.75.3 Given the Council's role of shareholder and funder, there is a range of information that is required to support the evaluation of the proposal.

#### **State aid**

- 3.76 See section 6.2 - Legal Implications.

#### **Meridian Water**

- 3.77 Following decisions to stage Meridian Water developments in phases as opposed to appointing a single master developer, Cabinet approved the appointment of Galliford Try as Phase 1 development partner on 24 April 2019. This is projected to deliver 725 homes by 2022. The Council is currently seeking a development partner for phase 2.
- 3.78 The change in structure of development – and any concurrent change in the build profile – will affect Energetik's connection programmes, which may require adjustment of the company's financial projections. This will be addressed within the company's financial model and rolling three-year operating plan projections. The three-year operating plan will be considered and approved by the Shareholder Board.

#### **Governance and risk management**

- 3.79 **Council side** - The company is subject to regular scrutiny from the Council and reports quarterly on progress to the shareholder board as well as reporting regularly through various other channels. The summary below provides an overview of Energetik's governance arrangements. For further information, please refer to Energetik's business plan addendum.
- 3.80 **Interdependency board** - A recommendation of the due diligence undertaken as part of the first approval to fund Energetik, the interdependency board was set up to monitor the Council's key projects to ensure that any proposed changes in one project that may have a material impact on another (material

changes to programme, dwelling numbers etc.) are considered holistically to avoid any potential conflicts/unintended impacts. Energetik attends and contributes to this board, along with Council colleagues responsible for the other Council projects.

**3.81 Corporate Governance** - In 2018 the Council reviewed and decided to change its governance arrangements with each of its trading companies. The changes impacting Energetik were:

- Amendment to company corporate structure, removing the holding company (HoldCo) to ensure no conflicts arose from directorship (cabinet members and senior officers made up the board).
- Replacement of HoldCo with the Council's newly formed shareholder committee to undertake the oversight function of Council companies.
- Appointment of a single councillor director and the two Non-Executive Directors to the Energetik operating board to ensure suitable challenge and oversight
- Adoption of new Articles of Association by Energetik to align with the governance changes requested (new board structure, replacement of references to HoldCo, merging of delegated authority limits)
- The company and Council are currently working to agree a new list of shareholder reserved matters and shareholder agreement, to be finalised once agreed between the parties.

**3.82 Shareholder Board** – previously reporting to the HoldCo, the company now reports to the Shareholder board on a quarterly basis. The Shareholder Board is a sub-committee of Cabinet and is made up of cabinet members.

**3.83 External audit** - although not a legal requirement due to the company's size/turnover, Energetik's is subject to an annual external audit of its finances.

## **Environmental and green credentials**

**3.84 Helps tackle the climate change emergency** – the carbon footprint of heating homes connected to Energetik's heat networks is reduced by up to 80% compared to individual gas boilers. The total CO2 offset by the Council through Energetik's 40-year business plan is forecast to be over 200,000 tonnes – the equivalent of offsetting 100 million trees' worth of carbon. This contributes to the Council's target to be carbon neutral by 2030 in accordance with its recent climate emergency declaration (see Response to Climate Change Emergency PL 19/024 C).

**3.85 Improvements to air quality and health** - residents of North London will benefit from the avoidance of harmful Nitrous Oxides (NOx) being released into the environment which would otherwise be emitted from individual gas boilers. NOx and particulates are harmful to people's health and cause thousands of deaths per year in the capital. By the time the 10,000 new homes are built at Meridian Water, the networks will be saving 2,175 tonnes of NOx from being added to the atmosphere, the equivalent of taking 2000 cars off the road each year, every year.

## **4. ALTERNATIVE OPTIONS CONSIDERED**

### **Funding options explored**

4.1 - 4.3 See part 2 report

### **Delay build out of key infrastructure**

4.4 - 4.8 See part 2 report

## **5. REASONS FOR RECOMMENDATIONS**

- 5.1 Energetik has already had a positive impact on the customers living on its heat networks, with fair pricing and a high quality of service. The second investment in Energetik will allow the company to realise the remainder of its business plan, to serve over 10,000 homes and businesses in Enfield and beyond.
- 5.2 The company's aims and objectives are aligned with the Council's key strategic goals, and will contribute significantly to the Council's carbon reduction targets, improve air quality in the area and provide environmentally friendly energy to Enfield residents at a fair price.

## **6. COMMENTS OF OTHER DEPARTMENTS**

### **6.1 Financial Implications**

6.1.1 – 6.1.10 See part 2 report

### **6.2 Legal Implications**

#### **Vires**

- 6.2.1 The Council has power under Section 1(1) of the Localism Act 2011 to do anything which individuals generally may do provided it is not prohibited by legislation and subject to public law principles (the 'general power of competence'). Further statutory powers exist to establish and invest in Energetik, and Section 1 of the Local Government Act 2003 permits the Council to borrow and lend (subject to complying with the Prudential Code for Finance in Local Authorities). The recommendations detailed in this report are in accordance with legal justifications previously reported to Cabinet (June 2015) for establishing and implementing the business, and the decisions taken.



- 6.2.2 Local authorities are also permitted to sell electricity under the general power of competence under the Localism Act 2011, as well as the Local Government (Miscellaneous Provisions) Act 1976 (as amended) but subject to the limitations under the 1976 Act (restricting sales to electricity generated with heat or from renewables) and under the Electricity Act 1989 (requiring distribution and supply to be under a distribution or supply licence, as applicable, or to fall within a number of exemptions under the Electricity (Class Exemptions from the Requirement for a Licence) Order 2001 (as amended)). These restrictions will apply to Energetik, and any future arrangements for the supply of electricity will need to have a legally-compliant structure.
- 6.2.3 In relation to any provision of parent company guarantees by the Council, the general power of competence referred to above enables local authorities to explore innovative solutions to deliver more with less, generate income by charging and trading and to provide indemnities and guarantees. The legislation provides that *“a local authority has power to do anything that individuals generally may do.”* This includes giving guarantees. However, other restraints of public law still apply. The most relevant of these is that local authorities have a fiduciary duty to act prudently with public monies entrusted to them and must establish (and maintain a full audit trail to support) that the underlying transaction being guaranteed by the Council is itself ‘intra vires’ and that it has been given due and proper consideration in accordance with the normal public law considerations.
- 6.2.4 In taking the decision to approve the next stage of investment, the Council must take into account the risk factors described in this report, so that the Council takes its decisions with proper regard to its fiduciary duties (see section 7 ‘Key Risks’ below).

## **Procurement**

- 6.2.5 The ongoing procurement activity in relation to the business must continue to remain compliant with EU procurement law, and appropriate legal advice taken on an ongoing basis.

## **State Aid**

- 6.2.6 The proposed further funding will be provided on broadly the same basis as the initial tranche of funding which was confirmed to be state aid compliant at the time. The Council’s external financial and legal advisers have confirmed that the proposed further funding can be deployed in compliance with the rules on state aid. None of the arrangements set out in this report, or the recommendations flowing from it, are intended to give rise to unlawful state aid.

## **On-lending**

- 6.2.7 Providing the additional funding required to deliver the Business Plan requires an additional loan agreement to be put in place for the Council to deploy necessary funding into the business. Such agreement will need to include provisions reflecting conditions attached to the original funding source(s) and/or to help ensure compliance with state aid rules. Provisions will also be required to address draw down profiles, details on eligible expenditure, interest and principal repayment profiles, cover ratios, security provisions and step-in rights. These remain to be developed. It is recommended that these terms are agreed and included in any financial modelling ahead of the Council releasing further investment to Energetik, and the final agreements must be in a form approved by Legal Services on behalf of the Director of Law and Governance. Similarly, any parent company guarantees that the Council may be asked to provide must be in a form approved by Legal Services on behalf of the Director of Law and Governance.
- 6.2.8 The Council, as lender, is exposed to the potential failure of Energetik, as borrower, and Energetik's inability to repay the money it owes to the Council. Irrespective of the performance of the Council's on-lending to Energetik, the Council will have a requirement to meet its repayment obligations to its own lenders. In addition, the provision of any parent company guarantees by the Council will also entail direct financial exposure.
- 6.2.9 The above will be mitigated to a large degree by the terms of the on-lending agreements, the oversight the Council has over the running of the business as sole shareholder, and the governance measures implemented through the shareholder reserved matters.

6.2.10 - 6.2.11 See part 2 report

### **6.3 Property Implications**

6.3.1 - 6.3.3 See part 2 report

## **7. KEY RISKS**

### **HNIP funding not successful before March 2020**

7.1 – 7.3 See part 2 report

### **Risks of Delay to Tranche 2 on Regeneration Projects**

7.4 See part 2 report

### **NLWA delivery of heat network supply and/or location of energy centre**

7.5 See part 2 report

### **Customer connections at Meridian Water may increase too slowly**

7.6 - 7.10 See part 2 report

### **Opportunity – expansion beyond Enfield**

- 7.11 Energetik has engaged with potential heat customers outside the borough, in the neighbouring borough of Haringey as well as further afield at the Olympic Park and Stratford scheme. There is interest to take a connection, subject to suitable commitments from both parties around timing and delivery. Energetik requires its tranche 2a drawdown in order to commit to heat connection dates for potential customers so programmes can be designed accordingly.
- 7.12 In addition to neighbouring boroughs, Energetik is in talks with the GLA about their interest in becoming a stakeholder in the company, and how such a deal might help the strategic vision of both Energetik and the GLA to deliver large scale, city-wide district heating networks. Talks are ongoing to establish how the GLA could positively contribute to Energetik from a strategic perspective.

### **Preferred pipe route found to be impractical**

- 7.13 The preferred route for the Meridian Water Heat Network has been surveyed using sophisticated ground penetration radar techniques and potential obstacles have been identified, together with utility searches to mitigate the risk of it being necessary to re-plan the route.
- 7.14 A further risk is associated with any requirement to cross private land. Unlike other utilities, district heating companies lack the statutory rights to require landowners to deal with them on reasonable terms. To minimise the risk, the preferred route avoids private land where possible. Where crossing private land is unavoidable, the company is arranging with planning authorities to include its requirements in Section 106 agreements; this has been achieved already in respect of part of Advent Way.
- 7.15 There is a patchwork of land ownership at Meridian Water. Since 2017, Enfield Council has acquired a significant proportion of the land it requires to deliver Meridian Water and has opted to deliver the infrastructure itself. Energetik is working with the infrastructure team to ensure its pipe route along the proposed line spine of the development is installed at the same time to save on cost/disruption.
- 7.16 Particular issues arise when railway lines or waterways have to be crossed. Network Rail, the Canals and Rivers Trust and the Environment Agency require extended lead times for giving permission to cross their land. Engagement with them has commenced, in order to mitigate any potential delays relating to the route of the Meridian Water Heat Network.
- 7.17 In every instance of potential obstruction or inaccessibility, contingencies have been built into the financial model to support mitigation activities.

### **Costs higher than expected**

- 7.18 Significant construction and operational cost overruns have the potential to undermine the viability of the business and can occur due to unforeseen variations to contract during construction or subsequent operation. Energetik procured its DBO contractor on a fixed term, lump sum contract, using the team's extensive experience in construction projects of this nature to create a suite of contract documents for the design, installation and operation of the Meridian Water Heat Network that reflects a balanced risk and reward for the contractor via bonus and penalty payments tied to key performance indicators.
- 7.19 The cost allowances within the financial model were market tested via the competitive tender process, and the tendered costs from the DBO contractor were used to develop the costs within the financial model. The fixed term, lump sum contract has an expiry date of December 2020, after which prices will be linked to certain specified indices within the contract that will determine price change. The financial model includes an allowance for this indexation.

### **Energy price rises**

- 7.20 In general, a higher gas price benefits the project as it raises the benchmark against which prices to customers are set. But a significantly higher price for electricity poses a risk because the price of heat obtained from the EcoPark depends on the wholesale price of electricity. A substantial rise in the price of electricity, in absolute terms or relative to the price of gas, might make it uneconomic to serve commercial customers unless a cheaper heat source could be identified.
- 7.21 The response to this would be an increase in tariffs to customers, as the pricing is benchmarked against gas. In general, though, the relative price of electricity and gas (termed the "spark spread") moves up and down within a relatively narrow band. This is because gas is used to generate electricity; it is therefore unlikely that Energetik's fuel costs would increase greatly without its being able to increase its charges for heat.

### **Heat losses across the network**

- 7.22 The base case assumes heat losses on the Meridian Water Heat Network start out high but fall below 20% as the volume of heat delivered increases. If heat losses were to be 50% higher than expected (e.g. 30% instead of 20%), then the rate of return would be reduced by around half a percentage point. The Meridian Water Heat Network is not particularly sensitive to heat losses because of the inclusion of large thermal stores and low cost of its energy compared to standalone CHP or biomass boilers. Nonetheless, Energetik has specified stringent standards based on extensive project experience, to which network pipework must be designed and installed by both developers and contractors.

- 7.23 Business development activities targeting a diverse customer base with a more balanced heat demand across the day than pure residential will increase the efficiency of the networks, mitigating this risk and protecting profitability.

### **Bad debt**

- 7.24 The financial model assumes that bad debt will run at 1% of revenues. For most district heating systems, this is usually 10%-15%; however, Energetik has mitigated the risk by inclusion of pay-as-you-go payment systems and smart meters in each property to manage debt as the main form of contract with residential customers.
- 7.25 Keeping bad debt under control requires the formulation and effective implementation of debt management policies, which is the primary responsibility of the customer services contractor, via Key Performance Indicators (KPIs) and financial penalties built into the contract. Further, close monitoring of debt via exception management processes allows Energetik and its customer services contractor to manage and mitigate any bad debt before it becomes significant. In the two years of operation to date, the company has not incurred bad debt across its residential service on its heat networks, other than one property abandonment which amounted to £140 before due process was followed and the supply agreement was terminated and liability transferred back to the Registered Provider.

## **8. IMPACT ON COUNCIL PRIORITIES**

### **8.1 Good homes in well-connected neighbourhoods / Sustain strong and healthy communities / Build our local economy to create a thriving place**

- 8.1.1 In line with Enfield Council's Vision to make Enfield a better place to live and work, delivering fairness for all, growth, sustainability and strong communities, Energetik provides the Council with the opportunity to reach and exceed its 60% carbon reduction target as businesses and properties connect over time.
- 8.1.2 Energetik follows the same values and principles as the Council: working to improve Enfield for the long term. The company's activities play a key role in creating good homes in well-connected neighbourhoods: Energetik provides an essential service to residents in an innovative way, whilst supporting the borough's ambitious regeneration and housebuilding programme.
- 8.1.3 Its supply of environmentally friendly energy to the 15,000 homes and businesses that will be connected over Energetik's agreed business plan will help to sustain strong and healthy communities by delivering real improvements to the lives and wellbeing of local people; directly as a result of living in warmer, healthier homes and through improvements in air quality.
- 8.1.4 Energetik's futureproofed energy infrastructure forms an attractive secure low-carbon platform for energy-intensive businesses who are considering relocating to this area. With an active focus on investigating connection

opportunities with existing local businesses as well as potential new entrants, Energetik is already working with local partners to build Enfield's local economy and create a thriving place.

- 8.1.5 **Intangible benefits** - In the 2017 approved business plan, PWC were asked to monetise the strategic importance of the Energetik business to the Council. This took into consideration both tangible and intangible benefits being derived from the delivery of Energetik's heat networks. The table below sets out potential monetary value of the sustainability benefits assessed by PWC:

Identified Benefit	Gross monetised benefit up to £x million over 40 years	Net Present Value (£ Million)
Reduction in carbon emissions and public health benefit	£14.1	£6
Reduction in Nitrogen Oxide and public health benefit of better air quality	£2.9	£1.2
Direct GVA impact (from Energetik)	£128.6	£50.1
Potential inward investment impact	£64.6	£33.3
Reduced cost to end users	£15	£4.1
<b>TOTAL</b>	<b>£225.2</b>	<b>£94.7</b>

- 8.1.6 PWC forecast that up to £225 million of benefit may be delivered over a 40-year period, based on the Energetik Business Plan, with a Net Present Value of £94.7 million and cost benefit ratio of 3.4.
- 8.1.7 In addition, there are other non-financial benefits that PWC could not quantify in value terms. These included strategic benefits of delivering a Council-owned heat company to underpin the Council's regeneration ambitions; the ability to provide cleaner air; and the benefits of providing state of the art smart metering to customers. The low carbon energy infrastructure to be delivered by Energetik also underpins the Council's ambitious regeneration agenda and housing aspirations.

## 9. EQUALITIES IMPACT IMPLICATIONS

- 9.1 Due to the subject nature of this Report, there are no Equality Impact Implications. However, an EQIA and EQIA Action Plan have been created for the overall project and is regularly reviewed and updated. An example of a high-level action, its implementation and the outcome for customers is given in 9.2.

- 9.2 A fair and sustainable pricing policy for customers has been implemented which means that Energetik contributes to the alleviation of fuel poverty and has a positive impact on people facing socio-economic disadvantage in the borough. A single tariff for all customers ensures there are no discriminatory penalties.

## **10. PERFORMANCE AND DATA IMPLICATIONS**

- 10.1 The company reports to the Council regularly and interfaces closely through various channels. It reports quarterly to the Shareholder Committee on financial performance and key performance indicators.

## **11. HEALTH AND SAFETY IMPLICATIONS**

- 11.1 Heat networks are inherently safer than traditional gas supplies as there is no risk of fire or explosion associated with gas supplies within residential dwellings as there is no gas entering the properties.
- 11.2 In addition, heat networks are healthier than individual gas alternatives, thanks to reduced nitrous oxides being distributed into the atmosphere from every residential boiler. Efficient, well maintained central plant, utilising a waste product to provide heat, means carbon dioxide emissions are reduced compared to the alternatives.
- 11.3 The majority of Energetik's works are carried out by sub-contractors. Contractors working for Energetik are required under the terms of their agreements to manage health and safety (H&S) in accordance with all applicable law with respect to all works carried out.
- 11.4 The Energetik management team has the responsibility to ensure it takes appropriate advice and carries out the required audits of contractors to ensure they are adhering to all H&S requirements. Energetik's project manager is responsible for the day to day management of this function and reports directly to the Technical Director. Both team members have approximately 30 years' experience delivering large scale construction projects in line with all H&S requirements.

## **12. HR IMPLICATIONS**

- 12.1 Subject to investment, HR advice should be sought when staff resource is considered. At that point, the Council's policies and procedures should be followed.

## **13. PUBLIC HEALTH IMPLICATIONS**

- 13.1 The delivery of Energetik's Business Plan will create substantial carbon savings due to the avoidance of gas being installed in residential dwellings across its heat networks. It is estimated that over the business plan, Energetik will save over 200,000 tonnes of CO<sub>2</sub>. Over the same period, 65 tonnes of harmful NO<sub>x</sub> will be avoided, which is the equivalent of taking 2,000 cars off the road each year. This intervention will improve local air quality, contribute to public health, reduce fuel poverty and help meet the UK's net zero carbon emission target by 2050.
- 13.2 Any reduction or mitigation in exposure to either CO<sub>2</sub> or NO<sub>x</sub> is most welcome. In Enfield, 5.4% of all mortality is attributable to air pollution. The biggest contributors to air pollution in Enfield are domestic CO<sub>2</sub> emissions which this scheme will directly reduce/replace.

### **Background Papers**

None

### **Appendices**

- Appendix A – Heat network update summary
- Appendix B – Policy update
- Appendix C – see part 2 report
- Appendix 1 – see part 2 report
- Appendix 2 – see part 2 report



## Appendix A - Heat network update summary

The information below provides a brief summary on each of Energetik's heat networks, in order of 'go-live' dates:

### Arnos grove Heat Network

The Ladderswood development, an estate renewal project currently being developed by New Ladderswood LLP (the Council, its developer, and its selected registered provider) completed and handed over the first 40 properties to Energetik in October 2017. Completion of phase 2 (135 dwellings and a hotel) is expected in September 2019, with subsequent phases programmed to be handed over annually until 2023. This development has expansion potential with additional connection opportunities to the north, east and west; accordingly, the energy centre has been designed with capacity to allow further plant to be installed to serve more developments in the area as required.

Key assumptions / information:

- *Energetik's first live heat network – October 2017*
- *A 517 home, Enfield Council estate renewal scheme to be completed from 2017 to 2023*
- *On-site hotel connection with heat and power offtake agreement from 2019*
- *Designed with ability to extend in future*

2017 Business Plan assumptions	2019 Business Plan assumptions
Adoption of the heat network and supply of heat is based on the present developer's phasing programme	No change
Energetik supplies properties with heat via the installed gas boilers from 2016 to 2017 with the CHP being operational from 2018	Heat supply commenced from gas boilers in October 2017 due to programme delay. CHP will be operational from 2019 to serve second phase and hotel
All figures are indexed each year by a range of relevant indices, ranging from CPI to DECC predicted gas prices	No change
Electricity generation by CHP is supplied to the hotel under a private wire arrangement	No change – agreement being negotiated for September commencement
There are no capital build costs	No change
The agreed adoption fee for the heat network is payable to the HRA	No change
Operating costs are based on: <ul style="list-style-type: none"> <li>• Customer services contract tendered costs</li> <li>• Quoted costs for operation and maintenance</li> <li>• Predicted overheads for Energetik</li> </ul>	Operating costs are now based on known tendered market rates  O&M costs are known and contracted

<ul style="list-style-type: none"> <li>• Utility prices based on DECC forward looking indices</li> <li>• Business rates being payable in full</li> <li>• Insurance advice received from AON and previous operating schemes</li> </ul>	Business rates have been removed  Insurance costs are known and contracted
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## Ponders End Heat Network

### Electric Quarter

Electric Quarter has completed and handed over phase A of the development, consisting of 40 private and 21 social rented properties. Energetik successfully negotiated and agreed connection and supply agreements with the developer and will connect this development to the Alma Road development in 2019/2020 to form the Ponders End heat network. Phase A, consisting of 61 homes, was completed in November 2018, with the remaining properties on the development to be handed over by December 2020. Electric Quarter required heat prior to Alma Road to serve phase 1; Energetik therefore designed, built and supplied a temporary plant solution in December 2017 in line with programme requirements. Enabling works for the future connection to the main Ponders End heat network have been completed; pipework was installed across Ponders End High Street in August 2017.

Key information:

- *A 167 home, private developer led scheme*
- *Energetik's first successfully negotiated connection agreements with private developer*
- *Currently supplied by Energetik's temporary heat source, the development will be connected to Alma Road to form the Ponders End heat network in early-2020*

### Alma Road

Forming the bulk of heat connections on the Ponders End heat network, development on phase 1 is well underway on the estate renewal scheme at Alma Road, which once built will serve over 1000 homes. Low carbon heat will be supplied by gas fired Combined Heat and Power (CHP) engines, which will become operational in phase 2 of the development. Phase 1 is served by temporary plant provided by Energetik in January 2019, and first customers were received in March 2019. The energy centre will be built and delivered in early 2020 and soon after the Electric Quarter development will be connected.

Key information:

- *Over 1000 homes, part of Enfield's estate renewal programme*
- *Will connect to the Electric Quarter development to supply heat from 2020*
- *Will comprise a mixture of private residential and Enfield Council homes*

<b>2017 Business Plan assumptions</b>	<b>2019 Business Plan assumptions</b>
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Adoption of the heat network and supply of heat is based on the developer's phasing programme	No change
Energetik supplies properties with heat via the installed gas boilers from 2018 to 2019 with the CHP being operational from 2020	Heat supply via temporary gas boilers from March 2019 until energy centre completed in April 2020. CHP commences operation from 2021
All figures are indexed each year by a range of relevant indices, ranging from CPI to DECC predicted gas prices	No change
Electricity generation by CHP is sold to the local electricity distribution system at wholesale prices	No change
Capital costs are included to extend the heat network to 167 homes at Electric Quarter	No change
Energetik receives residential connection charges at Electric Quarter, paid by the developer and indexed by CPI	No change
100% of connection receipts are realised within the P&L account in the year that they are received	No change
The agreed adoption fee for the heat network is payable to the HRA	No change
Operating costs are based on: <ul style="list-style-type: none"> <li>• Customer services contract tendered costs</li> <li>• Quoted costs for operation and maintenance</li> <li>• Predicted overheads for Energetik</li> <li>• Utility prices based on DECC forward looking indices</li> <li>• Business rates being payable in full</li> <li>• Insurance advice received from AON and previous operating schemes</li> </ul>	Operating costs are now based on known tendered market rates  O&M costs are known and contracted  Business rates have been removed  Insurance costs are known and contracted

**Table 1 - Alma Road assumptions comparison**

### **Oakwood Heat Network**

The heat network is currently under construction and first properties expected to be handed over to Energetik in early 2019, ahead of the original September 2019 programme. It is expected these will be heated via a gas boiler for one year whilst the energy centre in phase 1 is completed, along with a further 118 properties, expected in September 2020. Later programme information for the remaining properties is not yet available due to amendments to the planning submission.

Key information:

- *Comprising ca. 450 homes in the north west of Enfield*
- *Enfield Council estate renewal scheme*

- *Same developer as at Alma Road*
- *Assumes expansion to identified development in Southgate incorporating 200 homes and 3,500m<sup>2</sup> of commercial, which may facilitate connection to fusion leisure centre*

<b>2017 Business Plan assumption</b>	<b>2019 Business Plan assumption</b>
Adoption of the heat network and supply of heat is based on the present developer's phasing programme	No change
Energetik supplies properties with heat via the installed gas boilers from 2020 to 2021 with the CHP being operational from 2022	Programme has been brought forward to commence supply from mid-2019, with CHP becoming operational in 2021
All figures are indexed each year by a range of relevant indices, ranging from CPI to DECC predicted gas prices	No change
Electricity generation by CHP is sold to the local electricity distribution system at wholesale prices	No change
No capital build costs	No change
The agreed adoption fee for the heat network is payable to the HRA	No change
Operating costs are based on: <ul style="list-style-type: none"> <li>• Customer services contract tendered costs</li> <li>• Quoted costs for operation and maintenance</li> <li>• Predicted overheads for Energetik</li> <li>• Utility prices based on DECC forward looking indices</li> <li>• Business rates being payable in full</li> <li>• Insurance advice received from AON and previous operating schemes</li> </ul>	Operating costs are now generally based on known tendered market rates  O&M costs are known and contracted  Business rates have been removed  Insurance costs are based on known rates from other contracted schemes

**Table 2 - Oakwood assumptions comparison**

### **Meridian Water**

By far the largest of Energetik's heat networks, it will eventually serve over 10,000 customers (residential and commercial) with very low carbon heat from the North London Waste Authority's (NLWA) new Energy Recovery Facility (ERF) when built. The development being undertaken by the Council will transform currently under-utilised land bordering the Lee Valley into a place to live. Energetik intends to expand its network west and north to connect the estate renewal scheme at Joyce and Snells and has held positive early discussions with Haringey regarding a bulk heat supply agreement in the future.

The scale and timing of the Meridian Water development will determine when and how Energetik's infrastructure will be delivered, and this will be largely influenced by the development programme set by the Council and its developers. Construction of Energetik's energy centre and heat network infrastructure is expected to commence in late 2019 following approval of the company's tranche 2 drawdown. CHP will provide low carbon heat in the medium-term until the NLWA's new ERF is completed in 2026.

The Council's tender process received positive submissions (see below summary on the updated Meridian Water delivery strategy), and the Council spent early 2019 evaluating the tenders it received. The Cabinet has recently approved the award of the first phase development to deliver the first phase of Meridian Water (725 homes) to Galliford Try, subject to call in and formal award. Energetik's suite of connection and supply agreements were included within the tender pack so there is not expected to be significant modification to the template forms.

The tender for phase 2 (up to 2,300 homes, hotel primary school) will be released in early summer 2019, with outline planning to be submitted late summer 2019.

Construction is expected to commence on Meridian One and Two in 2020. Meridian 1a - circa 325 homes, and Meridian 2 are programmed to finish in 2023. Meridian 1b will add circa 400 homes - total 725 - and is programmed to finish in 2025. During that time other parts of the site outside of construction will be opened for temporary 'meanwhile' uses and will provide workspace, space for events and festivals etc.

**Key information:**

- *Energetik's anchor load with a forecast 10,000 homes and significant commercial connection opportunities*
- *Will deliver over 200,000 tonnes of carbon savings and over 60,000kg of Nitrous Oxides over Energetik's 40-year business plan, improving local air quality and contributing to greenhouse gas emissions reduction*
- *Energetik will build, own and operate the energy centre and infrastructure to serve the development*

<b>2017 Business Plan assumption</b>	<b>2019 Business Plan assumption</b>
Meridian Water builds first homes in 2018, completes build of 10,000 homes in 2037	Meridian Water builds first homes commencing in 2020, expected to finish between 2023 and 2025. The remaining homes will be tendered in lots to retain Council control. See connection summaries above for more information.
The Meridian Water developer connects all properties to the heat network	No change
Energetik supplies Meridian Water properties with heat via gas boilers located at Meridian Angel (plantroom provided by Meridian Water) until 2021	Energetik will serve the first Meridian Water properties with temporary gas boilers when needed, until Energetik's own energy centre is completed end-

	2021.
Energetik will expand the heat network from the gas boilers located at Meridian Angel to other developments as required to supply heat	Energetik will serve the first phases with a temporary heat supply until its energy centre is completed. Some of the distribution network will be delivered as part of the infrastructure works being delivered by Meridian Water team.
The energy centre and the heat network to be built in 2019/20, for operation in 2021	The energy centre and heat network will commence build-out in 2020 and be ready for 2022, aligned with developer delivery programme
Energetik installs CHP at the energy centre to supply low carbon heat until the new ERF is built	No change
The new ERF supplies heat to Energetik in 2026	No change
Should the new ERF be delayed, Energetik will continue to install CHP to meet demand	No change
The heat network will be extended west to supply a further 2,000 homes	The heat network will be extended west to supply Joyce and Snells estate renewal scheme. Property estimates are ca. 2850. This project is due to commence in 2021
The heat network will be extended north towards Edmonton Green to supply a further 1,500 homes	This item has been removed from the business plan at this stage to show the prudent case. Should adequate connection loads be identified once Energetik has the ability to connect and supply heat, an extension will be considered
Energetik receives residential connection charges paid by the developer and indexed by CPI	No change
100% of connection receipts are realised within the P&L account in the year that they are received	
All figures are indexed each year by a range of relevant indices, ranging from CPI to DECC predicted gas prices	No change
Development overheads are capitalised up to 2022	Capitalisation policy change due to programme delay. Reduction from 92% to 76%
Electricity generation by CHP is used to power the energy centre; any residual electricity is sold to the local electricity distribution system at wholesale prices	Unlikely to install CHP unless there are delays to ERF delivery, in which case it will be installed to bridge the gap. This is due to reduction in carbon factor for

	operating CHP
Capital build costs are based on the DBO tender returns, quotes from utility companies, plus a 10% contingency CIU's to be purchased by Energetik	No change. Capital costs at known rates until price expiry in December 2020, index linked thereafter.  CIU's are now to be purchased by the contractor and reflects a saving in capital expenditure to Energetik
Operating costs are based on: <ul style="list-style-type: none"> <li>• Customer service contract tendered costs</li> <li>• DBO contract tender returns</li> <li>• Predicted overheads for Energetik</li> <li>• Utility prices based on DECC forward looking indices</li> <li>• Business rates being payable in full</li> <li>• Insurance advice received from AON and previous operating schemes</li> </ul>	Operating costs are based on: <ul style="list-style-type: none"> <li>• Customer service contract known costs</li> <li>• DBO contract known returns</li> <li>• Predicted overheads for Energetik</li> <li>• Utility prices based on DECC forward looking indices</li> <li>• Business rates not payable</li> <li>• Insurance advice received from AON and previous operating schemes</li> </ul>

**Table 3 - Meridian Water assumptions comparison**

## **Appendix B - Policy update**

There has been significant changes / progress in the heat network industry since 2017, with advances towards market regulation happening faster than expected as more focus is given to emissions and air quality. Energetik is at the forefront of customer protection and sustainable growth and welcomes these changes. The list below outlines the significant events / policy updates since the 2017 business plan was approved:

- ***Government's Clean Growth Strategy (CGS): October 2017:***
  - This strategy sets out government's proposals for de-carbonising all sectors of the UK economy through the 2020s. It explains how the whole country can benefit from low carbon opportunities, while meeting national and international commitments to tackle climate change.
  - Clean growth involves cutting greenhouse emissions "while ensuring an affordable energy supply" for consumers. This is a key pillar of the UK's Industrial Strategy.
  - The CGS is a government-led environmental scheme created to meet the goals set by the 2015 Paris Agreement, with the tagline "leading the way to a low carbon future".
  - Includes the target of 18% of heat in UK homes to come from heat networks by 2050 – compared to just 2% now.
  - [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/766109/decarbonising-heating.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/766109/decarbonising-heating.pdf)
- ***Competition & Markets Authority (CMA) Market Study: December 2017:***
  - The CMA carried out a market study into domestic heat networks, to review how well the market works and if consumers are getting a good deal.
  - Energetik participated in the market study, advocating regulation and higher standards across the industry to better protect customers
  - <https://www.gov.uk/cma-cases/heat-networks-market-study>

### **CMA analysis:**

Consistent with other research, the CMA's pricing analysis found that heat networks appear to offer an efficient supply of heat and hot water at prices which are close to or lower than those of other potential sources of supply (such as gas or electricity) and with comparable service standards.

The CMA concluded that the sector should be regulated (naming Ofgem as likely sector regulator) and made a series of recommendations to government.

- ***Draft new London Plan: (published for consultation December 2017, now undertaking Examination in Public)***
  - Energetik responded to the consultation



- Drives heat networks at a strategic level, at development level, and via a 'heating hierarchy' for developments to minimise impacts on climate change and air quality - the use of waste heat through heat networks is at the top of the hierarchy, aligned with Energetik's strategy to use heat from the ERF.
- **London Environment Strategy: May 2018**
  - The strategy brings together approaches to every aspect of London's environment, integrating the following areas:
    - air quality
    - green infrastructure
    - climate change mitigation and energy
    - waste
    - adapting to climate change
    - ambient noise
    - low carbon circular economy
  - *"London will be a zero-carbon city by 2050, with energy efficient buildings, clean transport and clean energy."*
  - *"the Mayor wants to change the way London produces and consumes its energy. Old systems of heating, cooling and powering buildings using coal and gas must be replaced by cleaner, local renewable energy...many of these solutions will help tackle fuel poverty"*
  - Heat networks are a key feature of the strategy: *"Energy efficient buildings and local energy generation will reduce carbon dioxide emissions and improve air quality"*
  - Energetik responded to the public consultation in 2017.
  - <https://www.london.gov.uk/what-we-do/environment/london-environment-strategy>
- **BEIS response to CMA: Heat Networks: Ensuring Sustained Investment and Protecting Consumers - July 2018**
  - Sets out response to CMA recommendations (above), outlining need for further consultation on regulation of heat networks and creating a self-sustaining market.
  - Energetik is actively engaging with BEIS in its consultation
  - [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/774586/heat-networks-ensuring-sustained-investment-protecting-consumers.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/774586/heat-networks-ensuring-sustained-investment-protecting-consumers.pdf)
- **Mayor of London's 'Cleaner Heat Cashback' scheme, launched July 2018**
  - a £10m boiler scrappage scheme for small businesses.
  - Small businesses in London can get 35% cashback when installing a renewable heating system (such as air or ground source heat pumps, solar thermal or hybrid systems) or connecting to a local heat network.
- **Launch of the Heat Network Industry Council (HNIC): October 2018**

- The Council has been established following close consultation with Government, with the objective of supporting Government in achieving its vision of achieving a sustainable industry
- Energetik's Managing Director (Jayne Clare) is one of the 13 senior members of the Council, elected from across the industry
- Council members will develop an offer to Government on what industry can do to create jobs, cut costs, reduce carbon, create more liveable cities, and deliver exceptional customer outcomes if the right policy environment is in place
- <https://www.theade.co.uk/news/press-releases/heat-network-industry-promises-more-jobs-smart-cities-and-a-fix-to-the-deca>
- **GLA 'Delivering District Heating Networks' project**
  - to evaluate the various roles that the Mayor could play in supporting stakeholders and accelerate build-out of district heating projects in London and develop detailed business cases for how these could be implemented.
  - Energetik is participating in the research for this project.
  - <https://www.london.gov.uk/decisions/add2293-delivering-district-heating-networks>
- **Heat Network Technical Compliance Scheme – autumn 2018**
  - Acknowledged as important by CMA, who have identified build standards as crucial for future market (and to be covered in regulation). The scheme will ensure all heat networks are required to be built and operated to the same high standards.
  - Energetik's Technical Director (Ian Guest) is supporting the development of this scheme
- **Heat Network Investment Project (HNIP) – full scheme launched early 2019**
  - A Government Major Project which will invest £320m of capital funding in heat network projects through grants and loans. This is provided as 'gap funding' to leverage around £1bn of private and other investment, paving the way for the continued growth of the UK heat networks market.
  - Energetik submitted an application to HNIP in April 2019
  - <https://www.gov.uk/government/collections/heat-networks-investment-project-hnip-overview-and-how-to-apply>
- **Committee on Climate Change (CCC): Net Zero – The UK's contribution to stopping global warming - May 2019**
  - This report responds to a request from the Governments of the UK, Wales and Scotland, asking the CCC to reassess the UK's long-term emissions targets.
  - It recommends a new emissions target for the UK: net-zero greenhouse gases by 2050.
  - A net-zero GHG target for 2050 will deliver on the commitment that the UK made by signing the Paris Agreement. It is achievable with known technologies, alongside improvements in people's lives, and

within the expected economic cost that Parliament accepted when it legislated the existing 2050 target for an 80% reduction from 1990.

- <https://www.theccc.org.uk/publication/net-zero-the-uks-contribution-to-stopping-global-warming/>

**Appendix C – See part 2 report**

**Appendix 1 – see part 2 report**

**Appendix 2 – see part 2 report**

## MUNICIPAL YEAR 2019/2020 REPORT NO. **48**

**MEETING TITLE AND DATE:**

Cabinet - Wednesday 17<sup>th</sup> July 2019  
 Council – Wednesday 18<sup>th</sup> September 2019

**JOINT REPORT OF:**

Executive Director People  
 Tony Theodoulou  
 Executive Director Place  
 Sarah Cary

**Agenda – Part: 1****Item: 11**

**Subject: Reardon Court Extra Care  
 Housing Scheme  
 Wards: Winchmore Hill  
 Key Decision No: 4898**

**Cabinet Member consulted:  
 Cllr Cazimoglu**

Contact officer and telephone number:

Lia Markwick, Strategic Commissioning & Service Development Manager

Email: [lia.markwick@enfield.gov.uk](mailto:lia.markwick@enfield.gov.uk)

### 1. EXECUTIVE SUMMARY

1.1 In July 2018, Cabinet approved:

- a Council led demolition, design and redevelopment of the Reardon Court Site for provision of Extra Care Housing provision
- indicative borrowing subject to securing a capital contribution from the Greater London Authority (GLA).

1.2 Indicative borrowing requirements included within the July Cabinet report were based on a high-level assessment of 69 homes with a projected GLA contribution of £60,000 per home.

1.3 Since this time, more detailed work has been undertaken. Early discussion with Enfield's Local Planning Department suggests it might be possible to develop circa 91 self-contained homes on the Reardon Court site subject to consideration of a full planning application. Negotiations with the GLA have resulted in an increased capital contribution – from £60,000 to £103,771 per unit, and following a successful bid in February 2019, £9.443,161 funding has now been secured.

1.4 This report updates on requirements for allocation against the Council's Capital Programme to support the development of this project in line with the Council's GLA bid submission.

## **2. RECOMMENDATIONS**

To note that Cabinet agreed at their meeting on 17 July 2019:

- 2.1 To note the content of this report, including the Council's successful bid to the Greater London Authority (GLA) for £9,443,161 capital funding to develop Extra Care Housing at Reardon Court.
- 2.2 To delegate authority to the Executive Director of Place in consultation with the Cabinet Member for Finance and Procurement, the Director of Health & Adult Social Care and the Cabinet Member for Cabinet Member for Health & Social Care:
  - 2.2.1 the award of construction work contracts for the demolition and redevelopment of the site.
  - 2.2.2 project management and procurement arrangements including operational resourcing, appointments for all pre and post contract construction services and submission of a planning application.
- 2.3 To approve the application of funds (circa £2.5m – see section 3.5.7) from the Kingsdowne Society Trust to this project - subject to administrators releasing the funds and the Charity Commission approval - to reduce the Council's borrowing requirement for the scheme.

It is recommended that Council:

- 2.4 Approve the allocation of capital funding for this development from the Council's Capital Programme based on the improved business case. (See Part 2).

## **3. BACKGROUND**

3.1 In July 2018, Cabinet:

- approved removal of the Reardon Court Site from the Council's current disposal list
- approved a Council led demolition, design and redevelopment of the Reardon Court site for the provision of modern, accessible, self-contained Extra Care Housing provision
- approved the appointment of design expertise to develop architectural plans and support an application to the Local Planning Authority
- granted permission for officers to tender for a building contractor to develop the scheme

- approved indicative borrowing requirements for development capital, subject to securing a capital contribution from the Greater London Authority (GLA)
- delegated to the Executive Director Place, in consultation with Adult Social Care, Legal and Procurement Services, the appointment of a design team

3.2 It was recommended that Cabinet receive a further report to:

- appoint a building contractor to develop the scheme
- tender and appoint a provider of support and care services (as required)

3.3 Since this time Council officers have engaged with the Greater London Authority (GLA) and submitted an extended bid to the Mayor's Specialist Housing Care & Support Fund for the development of 91 fully accessible self-contained homes plus communal facilities on the Reardon Court Site.

3.4 This bid was successful and in February 2019, the Council was awarded £9,443,161 for development of the Reardon Court Extra Care Housing scheme. This GLA funding is equivalent to £103,771 per home and exceeds the expectation of £60,000 per home as detailed in the Cabinet Report of July 2018. See Part 2.

### 3.5 Capital Programme Requirements

3.5.1 – 3.5.4 See Part 2.

#### The Kingsdowne Society

3.5.5 The Council has been made aware of Kingsdowne Residential Care Home Limited, which is subject to a Charity Trust, The Kingsdowne Society. It has been identified by the administrators that the successor to the trust is potentially Enfield Council. After considerable work and having taken legal advice and consulted with the Charity Commission this position has been confirmed.

3.5.6 The Kingsdowne Residential Home Limited, Barnet, was closed a number of years ago and the administrators sought to sell the building and release the remaining capital assets in Trust to the successor organisation, identified now as Enfield Council. It is the Council's understanding that the Charity Commission require the funds (Capital) to be used for the purposes of the object of the charity which is "the relief of sickness and the preservation of health among people residing in the London Borough of Enfield and surrounding areas." It is felt that a capital project such a Reardon Court would meet the objectives of the charity and permission is being sort from the Charity Commission to proceed on this basis. It is the Council's understanding that the resources cannot be converted to revenue expenditure.

- 3.5.7 The Kingsdowne Residential Home is understood to have sold for circa £2.8 million. It is therefore proposed that, subject to approval from the administrators and the Charity Commission, the funds remaining following deduction (circa £2.5m) be used to contribute to the capital cost of Reardon Court and reduce the Council's borrowing proportionately.

### 3.6 Development Progress

#### Design Approach

- 3.6.1 A Project Board has been established to oversee the early development of this project. High level architectural plans have been drawn together, informed by the views of Occupational Therapists and service user / carer representatives. In line with the Council's funding bid, early designs include the provision of 91 wheelchair accessible self-contained homes plus shared facilities including lounges, a hairdressing/treatment room, activity rooms and sensory green space to support healthy, active and inclusive ageing.
- 3.6.2 As part of a holistic approach to connecting and caring for people living at the project new technologies shall be explored, including the use of assistive technology and health monitoring tools. The scheme will meet and where possible exceed standards in respect of sustainability as set out in Housing Supplementary Planning Guidance (2016) and Building Regulations. The building will be designed to reach the equivalent of Code for Sustainable Homes Level 5 and will include green roofing and Photo-Voltaic (PV) panels to supplement energy used in the building.

#### Procurement Approach

- 3.6.3 A procurement approach for the selection and appointment of services to deliver this project has been developed and agreed at the Council's Procurement and Commissioning Board (February 2019).
- 3.6.4 Design services will be led by the Council's Corporate Maintenance & Construction Team (CMCT), utilising consultants via compliant frameworks.
- 3.6.5 The demolition works contract will be a single stage procurement, competitively tendered to include local SME contractors.
- 3.6.6 The main construction works contract will be in excess of the EU threshold for works. An OJEU notice will be issued for a single stage procurement, competitively tendered for a Design & Build contract.



### Operational Approach

- 3.6.7 The Reardon Court site is owned by the Council and held within the Council's General Revenue Fund.
- 3.6.8 Rent and service charge income generated from the Reardon Court Extra Care Housing scheme will be paid to the Council's General Revenue Fund to enable the repayment of Council borrowing as detailed in Part 2 of this report.
- 3.6.9 In line with GLA funding bid rent and service charges will not exceed 80% of Market Rent for comparable properties. Rents will not exceed Enfield Local Housing Allowance levels as applicable to specialist/supported housing of this nature.
- 3.6.10 Financial modelling undertaken for this project is based on applying London Affordable Rent levels. It is noted that increases above and beyond London Affordable Rent levels would be scrutinised to ensure genuine affordability. Currently, London Affordable Rent levels are less than Local Housing Allowance caps.
- 3.6.11 Housing Management (including tenancy management and general maintenance functions) will be provided by a Housing Management organisation to be determined and selected in line with Legal and Procurement advice. One option that will be considered is the provision of these services by Enfield's Council Housing services.
- 3.6.12 In line with Cabinet Report July 2018, support and care services at the scheme shall be delivered by a separate organisation, to be selected and appointed in line with appropriate Procurement and Legal advice.

### Projected Timescales

- 3.6.13 Pending approval of recommendations within this report, officers will progress works in line with the programme approved by the Greater London Authority (GLA). This includes the development and submission of a planning application to Enfield's Local Planning Authority, and, pending necessary planning approvals, the tender and appointment of building contractors.

## **4. ALTERNATIVE OPTIONS CONSIDERED**

### **4.1 Do nothing**

- 4.1.1 This option is not recommended as it does not address the strategic requirement for additional accommodation of this nature, resulting in avoidable and costly placements to residential care. Over £9.4m capital funding to support the redevelopment of this site would be lost, as would opportunities for cost avoidance to the value of circa £740,00 per annum (See 5.1.2)

## **4.2 Proceed on existing borrowing approvals**

- 4.2.1 An option considered is to proceed based on existing Council borrowing approvals and develop 69 homes rather than 91 new homes. This option is not recommended as the Council would lose additional external funding that has been secured at a time when supply is required to meet escalating need. Cost avoidance opportunities to the value of circa £180,000 per annum would also be lost (See 5.1.2)

## **5. REASONS FOR RECOMMENDATIONS**

### **5.1 Financial Rationale**

- 5.1.1 Increasing the number of units delivered on this local authority owned site will increase the long-term security of supply, helping to ensure that future costs can be managed, and statutory care requirements can be met.
- 5.1.2 The development of Extra Care Housing on the Reardon Court site will support cost avoidance for Adult Social Care in respect of funding care and support. Local evidence indicates that the average cost to Adult Social Care of supporting an individual in Extra Care Housing is less than high cost residential placements or community packages. The current cost of supporting an individual within one of the Council's directly commissioned extra care services is £178.51 per week. The average cost to adult social care of an intensive package within this setting is £304 per week (£264 average net cost per week). The average weekly cost of a residential care placement for older people with physical frailty is £670 per week (£420 average net cost per week). On this basis the development of 91 homes on the Reardon Court site holds potential to support cost avoidance in excess of circa £740,000 per annum. This compares to circa £559,000 per annum if 69 homes are developed.
- 5.1.3 Longitudinal research undertaken by Aston University in association with the Extra Care Charitable Trust is also helpful in quantifying the potential cross cutting impact of Extra Care Housing. In a recent study, 162 new extra care housing residents were compared against control participants on measures of health, well-being, cognitive ability and mobility following 18 months living in an extra care housing environment. The research documented:
- significant savings in NHS budgets (38% cost reduction over 12 month period)
  - a reduction in the length of unplanned hospital stays
  - a reduction in GP visits
  - significant cost savings on Adult Social Care (lower level care 17.8% less, higher level social care 26% less)
  - reductions in depressive symptoms

5.1.4 Additional cross departmental efficiencies linked with the development of Extra Care Housing on the Reardon Court site may also be realised through:

- the reduction of hospital discharge delays and cost associated with delayed discharge;
- a reduction in costs relating to carer breakdown – by providing a supportive environment whereby partners can remain living together;
- a reduction in costs relating to the adaptation of inaccessible properties that are not suited to the often complex needs of older people with care and support needs;
- a potential reduction in temporary accommodation costs, realised through the increase in local housing supply, and in some instances, release of Council and Housing Association properties.
- a potential reduction in levels of social isolation and loneliness, and costs associated with this, given the identified links between loneliness and mental/physical ill health.
- a reduction in falls, injuries and subsequent hospitalisation caused by housing design that does not suit the needs of people with disabilities.
- a potential reduction in care package costs for people with dementia, who require 24-hour support in a community setting due to risk factors of living alone, but have minimal support and care needs

## **5.2 Strategic Rationale**

5.2.1 The development of Extra Care Housing on the Reardon Court site is consistent with national drivers for improvement and change set out in the Care Act 2014. Strategic development in this area will contribute to the delivery of a local housing with care market that helps to ensure:

- people receive services that prevent their support and care needs escalating, or delay the impact of their needs;
- the emotional physical and mental wellbeing of people in need of care and support, and their carer is maximised;
- people are supported to maximise their independence and feel in control of the support and care that they receive;
- people experience an integrated approach to the planning and delivery of support and care;
- people have a choice of a range of providers offering high quality, safe and appropriate services from a vibrant and diverse marketplace;
- people feel able to maintain the social and support networks that are important to them

5.2.2 Locally, the development of Extra Care Housing on the Reardon Court site is consistent with priorities set out in Enfield's Housing Strategy (2012-2027) and Enfield's Joint Health and Wellbeing Strategy (2014-2019), specifically priority 5 – enabling people to be safe, independent and well and delivering high quality health and social care services.

5.2.3 Development of Extra Care Housing provision in the borough is aligned with Adult Social Care Commissioning Priorities, as set out in Enfield's Adult Social Care Market Statement.

### **5.3 Community & Public Value Rationale**

5.3.1 Community and Public Value Benefits include opportunities to

- raise the profile of high-quality housing with care options in Enfield, to support a positive understanding of what high quality housing with care can offer
- improve building quality within the Housing with Care sector, to better meet the changing aspirations of older people with support needs

## **6. COMMENTS FROM OTHER DEPARTMENTS**

### **6.1 Financial Implications**

6.1.1 - 6.1.6 See Part 2.

### **6.2 Legal Implications**

6.2.1 Section 111 of the Local Government Act 1972 gives a local authority power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. The provisions of Section 9 of the Housing Act empowers the Council to provide housing accommodation as part of its functions.

6.2.2 The Council also has a general power of competence in section 1(1) of the Localism Act 2011. This states that a local authority has the power to do anything that individuals generally may do provided it is not prohibited by legislation. The proposed services the Council wishes to provide within this report are in accordance with this power.

6.2.3 The Council must ensure compliance with its Constitution. Where required, the Council shall carry out any procurement exercises in accordance with its Contract Procedure Rules and the Public Contracts Regulations 2015 (where procurements are caught by these Regulations) seeking assistance from the Council's Procurement & Commissioning Hub and Legal Services where required.

- 6.2.4 The Council must ensure value for money in accordance with the Best Value principles under the Local Government Act 1999.
- 6.2.5 As this is a Key Decision the Council must comply with the Key Decision procedure.
- 6.2.6 Any legal agreements (and ancillary documents where relevant) arising from the matters described in this report must be approved in advance of contract commencement by Legal Services on behalf of the Director of Law and Governance.
- 6.2.7 The Council is being advised by external lawyers, Browne Jacobsen, in relation to the receipt of funds from the Kingsdowne Society Trust. Without amendment, and by virtue of 139 of the Local Government Act, the Trust's charitable objects would prevent the Council from accepting the funds to be used to fund the development at Reardon Court. In order to apply the funds as required, the Council will need to be appointed as the sole trustee of the Trust and a Charity Commission Scheme must be put in place to change the Trust's objects.
- 6.2.8 Work is now underway to appoint The Council as the sole trustee of the charity. A Charity Commission Scheme is being finalised which will change the objects of the charity, and enable the application of funds to this project. Officers should continue to seek legal advice to ensure that the Kingsdowne Trust funds are legitimately applied.

### **6.3 Property Implications**

- 6.3.1 Reardon Court is no longer fit for purpose as outlined earlier in this report. Refurbishing the asset is not an option, as this would not be a good return on the investment required. The ongoing revenue costs relating to security and incursions will be eliminated by development of the site.
- 6.3.2 All new or revised asset data arising out of the proposed works must be sent by the Project Manager to Strategic Property Services for input onto the Asset Management Data System, ATRIUM, including revised site plans, floor plans, asset information and maintenance regimes.

### **6.4 Corporate Procurement Implications**

- 6.4.1 All procurements of goods/services/works will be in accordance with the Councils Constitution, Contract Procedure Rules ("CPRs") and the Public Contracts Regulations 2015. In particular, the Council is able to utilise a range of EU compliant frameworks to engage the services of construction contractors or technical support staff such as architects or quantity surveyors in full compliance with the CPRs. Any use of a framework must be in accordance with the framework terms.

- 6.4.2 The proposed use of frameworks set out in Part 2 is compliant with the Council's Contract Procedure Rules.

## **7. KEY RISKS**

- 7.1 There is a risk that the project will exceed projected timescales for completion. To mitigate this risk, project progress shall be monitored by the Project Board. Foreseeable delays will be escalated to enable a timely response. Contractual provisions shall be put in place to help ensure the timely development of this project.
- 7.2 There is a risk that planning permission for the development of this site will not be secured. Early consultation with the Local Planning Authority to include pre- planning advice (by way of a pre- planning application) shall be sought to help mitigate this risk.
- 7.3 There is a risk that development costs will exceed those projected in this report. Officers will put in place contract and review mechanisms to minimise this risk.
- 7.4 There is a risk that delay in tenancy uptake upon scheme opening will impact the financial viability of the project through loss of rent and service charging. This risk shall be reduced through the application of an early marketing strategy to promote awareness of the project, including the availability of open days and show flats, to engage potential residents at an early stage.
- 7.5 A Project Risk Register is maintained and owned by the Project Board to monitor the above-mentioned risks and escalate accordingly.

## **8. IMPACT ON COUNCIL PRIORITIES – CREATING A LIFETIME OF OPPORTUNITIES IN ENFIELD**

### **8.1 Good homes in well-connected neighbourhoods**

- 8.1.1 The development of Extra Care Housing at Reardon Court will support the creation of thriving, affordable neighbourhoods, through the provision of good quality, accessible and affordable housing options for older people with support and care needs.

### **8.2 Sustain strong and healthy communities**

- 8.2.1 The development of Extra Care Housing at Reardon Court will enable the provision of good quality, affordable housing for those most in need, supporting older people to maintain independent and full lives in the community. It will also support the improvement of public health and wellbeing, through the promotion of healthy, active and ageing, that supports social inclusion and reduces the likelihood of social isolation and loneliness.

### **8.3 Build our local economy to create a thriving place**

- 8.3.1 The development of Extra Care Housing at Reardon Court will provide a vibrant inclusive living environment for older people with support and care needs, that fosters connection with the wider community through shared activity and social space. It supports work on reducing inequalities through the provision of accessible and affordable housing in later life.

## **9. EQUALITIES IMPACT IMPLICATIONS**

- 9.1 A Predictive Equalities Impact Assessment has been completed for update and review pending approval of recommendations within this report. The proposed development is predicted to have a positive impact on disability and age groups, and a positive socio-economic impact on disadvantaged community groups, including people in poor health and people in social housing, through the extension of affordable Housing with Care options in the borough.

## **10. PERFORMANCE AND DATA IMPLICATIONS**

- 10.1 The need for appropriate performance measures will be reviewed and implemented as required, aligned with any contractual agreements that may arise from this recommendation.

## **11. HEALTH AND SAFETY IMPLICATIONS**

- 11.1 Health & Safety measures shall be implemented as required and appropriate to ensure that development on this site adheres to all necessary measures for correct planning implementation for safety. All construction and building work projects have to be managed under the various parts of CDM regulations.

## **12. PUBLIC HEALTH IMPLICATIONS**

- 12.1 The Reardon Court Extra Care Housing development will contribute to the improved health and wellbeing of older people with care and support needs in the borough, facilitating prevention and early intervention, the reduction of health inequality and the delivery of high quality, integrated approaches to the delivery of housing with care in the borough.
- 12.2 The scheme will offer a purposefully designed environment to encourage healthy, active and inclusive ageing through for example, accessible allotment/garden space, accessible walkways and shared social space to encourage human connection and socialisation.

### **Background Papers**

None

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**MUNICIPAL YEAR 2019/2020 REPORT NO.****69****MEETING TITLE AND DATE:**

EMT

- 2 July 2019

Cabinet, 11 September 2019

Council, 19 September 2019

**REPORT OF:**Director of Director of Law &  
Governance

Contact officer and telephone number:  
 Claire Johnson, Head of Governance &  
 Scrutiny Tel: 020 8379 4239  
 E-mail: Claire.johnson@enfield.gov.uk

<b>Agenda - Part:1</b>	<b>Item: 12</b>
<b>Subject: Scrutiny Work Programme 2019/20, and update on new Statutory Scrutiny guidance</b>	
<b>Wards: None specific</b>	
<b>Cabinet Member consulted:</b>	

**1. EXECUTIVE SUMMARY**

- 1.1 This report and Appendices 1 & 2 set out the Scrutiny work programme and workstreams for 2019/20 for the Council's Overview & Scrutiny Committee (OSC), Health and Crime Standing Panels.
- 1.2 The Council's Constitution requires that the work programme proposed by OSC is adopted by Council on the recommendation of the Overview & Scrutiny Committee, following consultation with the Cabinet and the Executive Management Team (EMT).

**2. RECOMMENDATIONS**

Council is asked to approve the scrutiny work programme and workstreams for 2019/20

**3. BACKGROUND**

- 3.1 The Overview and Scrutiny Committee sets its own work programme for the year, taking into consideration wider consultation with Cabinet, EMT, and stakeholders.

- 3.2 OSC consists of one overarching Overview & Scrutiny Committee, 2 Standing Panels on Health and Crime, with 8 members, 6 majority and 2 opposition.
- 3.3 The Overview & Scrutiny Committee holds 8 business meetings throughout the municipal year. In addition to this, 12 provisional dates are put in the calendar to accommodate call-ins and pre-decision Scrutiny.
- 3.4 The Committees first meeting of the year, is set aside for planning the work programme and workstreams. The Leader of the Council was invited to the work planning session to outline the Cabinet's priorities for 2019/20. EMT were consulted on any areas where they felt Scrutiny could add value and these were all considered at the meeting.

#### **4.0 Workprogramme & workstreams**

- 4.1 OSC have agreed the work programme and workstreams for 2019/20 to put forward to Council. The OSC work programme and the Crime and Health Panels work programmes are shown in Appendix 1. The agreed workstreams are shown as Appendix 2.
- 4.2 Workstreams vary in their duration, with some being more condensed than others. Therefore, to enable a wider span of effective coverage in each municipal year, subject to support resource capacity, OSC has an ongoing 'waiting list' of pre-agreed additional topics or themes ready to replace workstreams once they have been fully concluded. This provides continuity and ensures that a forward plan is in place from the start of the forthcoming year.
- 4.3 Membership of the workstreams will be agreed with the OSC leads and party whips, allocating non-executive councillors to the workstreams who have expressed an interest in undertaking scrutiny in those areas. Membership of the workstreams is cross party and will reflect political proportionality. However, membership numbers can be flexible on the workstreams, and once the work stream has finished, the membership is disbanded.
- 4.4 Before beginning its work, each workstream will agree a scope for the review including:
- Terms of reference
  - Desired outcomes
  - Key stakeholders
  - Training/information required for members to prepare for the review
  - Timescale for the review
  - Co-optees
- 4.5 Final recommendations from reviews will be discussed in detail between the Chair of the workstream, the Cabinet member and Executive Director.
- 4.6 Implementation of all agreed recommendations will be monitored by OSC.

## **5.0 Engagement**

- 5.1 The Scrutiny work programme will be an item for information for the Health & Wellbeing board and the Safer and Stronger Communities Board. In addition, the work programmes will be sent to key stakeholders such as Health, the Police, CCG, and EVA.

## **6.0 New Statutory Guidance on Overview & Scrutiny in Local and Combined Authorities**

- 6.1 In May 2019, the Ministry of housing, Communities and Local Government published new statutory guidance for Scrutiny. The guidance has been issued under section 9Q of the Local Government Act 2000 and under paragraph 2(9) of Schedule 5A to the Local Democracy, Economic Development and Construction Act 2009.
- 6.2 The Guidance is seeking to ensure local authorities are aware of the purpose of OSC, what effective scrutiny looks like, how to conduct it effectively, and the benefits it can bring. The guidance covers:
- Culture
  - Resourcing
  - Selecting committee members
  - Powers to access information
  - Planning work and engaging the public
  - Evidence sessions
- 6.3 It reminds authorities of the role and areas that effective scrutiny should undertake, and lists:
- Provide constructive critical friend challenge
  - Amplify the voices and concerns of the public
  - Be led by independent people who take responsibility for their role; and
  - Drive improvement in public services.
- 6.4 Much of the guidance is about authorities re-establishing the authority of Scrutiny to ensure it is effective and can add value, however, there are also some changes under the new guidance that the council needs to pay regard to. These are particularly around selecting committee members. The changes in this area will need to be communicated to members, and the Director of law & Governance has undertaken some initial discussions with the Chair of Scrutiny which will be communicated to all members in due course. Please see the link below to the guidance, section 4 paragraphs 25 and 31.

Link to the guidance:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/800048/Statutory\\_Guidance\\_on\\_Overview\\_and\\_Scrutiny\\_in\\_Local\\_and\\_Combined\\_Authorities.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800048/Statutory_Guidance_on_Overview_and_Scrutiny_in_Local_and_Combined_Authorities.pdf)

## **7. ALTERNATIVE OPTIONS CONSIDERED**

The Overview & Scrutiny Committee is required, under the Council's Constitution, to present an annual scrutiny work programme to Council for adoption.

## **8. REASONS FOR RECOMMENDATIONS**

To comply with the requirements of the Council's Constitution, the work programme has to be formally adopted by Council. In addition, scrutiny is essential to good governance, and enables the voice and concerns of residents and communities to be heard, and provides positive challenge and accountability.

## **9. COMMENTS FROM OTHER DEPARTMENTS**

### **9.1 Financial Implications**

Any cost implications of undertaking the Scrutiny workstreams must be contained within budgeted resources.

### **9.2 Legal Implications**

The recommendations within this report for adoption of the annual Scrutiny Workstream Programme are lawful and will help support the Council in meeting its statutory obligations for effective overview and scrutiny.

The Council has statutory duties within an existing legal framework to make arrangements for the scrutiny of its decisions and service delivery, including the areas of crime and health, which are covered within these recommendations.

The setting of the annual scrutiny work programme is a matter for the Council, following consultation with EMT, members and key stakeholders within an agreed protocol. These requirements are set out in the Council's Constitution.

## **10. KEY RISKS**

There are no key risks associated with this report. Any risks relating to individual scrutiny workstreams will be identified and assessed through the scoping process.

## **11. IMPACT ON COUNCIL PRIORITIES - CREATING A LIFETIME OF OPPORTUNITIES IN ENFIELD**

**Good Homes in Well-Connected Neighbourhoods; Sustain Strong and Healthy Communities, Build our Local Economy to Create a Thriving Place**

OSC will monitor the scrutiny work programme to ensure that it addresses issues affecting a wide range of Enfield residents and that services provided are fair and equitable

## **12.EQUALITIES IMPACT IMPLICATIONS**

Equalities impact assessments relating to individual scrutiny workstreams and their recommendations will be assessed through the scrutiny process.

## **13.PERFORMANCE AND DATA IMPLICATIONS**

OSC will monitor the work programme and ensure that review recommendations are acted on and implemented by departments.

## **14.PUBLIC HEALTH IMPLICATIONS**

There are no direct public health implications of this report, but rather what happens as a result of scrutiny

# Appendix 1

## OSC WORK PROGRAMME 2019/20

WORK	22 May 19 (Planning)	18 June 19	23 July 19	4 Sept 19	31 Oct 19	7 Nov 19	19 Dec 19	13 Feb 20	2 Apr 20
Date papers to be with Scrutiny Team									
<b>Specific Topics:</b>									
HR issues- The Council's plan of reducing the number of external consultants and agency staff/ sickness & recruitment/ employment of BAME, gender/ women returning to work								Report	
ACM's work programmes					Receive work programmes				
Temporary accommodation						Report			
Population Growth & Housing targets									Report
Cultural strategy									
<b>Pre-Decision scrutiny</b>									
Future of Responsive Repairs Service	Report								
HIF infrastructure works- the procurement strategy/ approval to procure		Report							

WORK	22 May 19 (Planning)	18 June 19	23 July 19	4 Sept 19	31 Oct 19	7 Nov 19	19 Dec 19	13 Feb 20	2 Apr 20
ICT & Digital Strategy									
<b>Standing Items</b>									
Children's and Young People's Issues			Annual Complaints Report for Adults Social Care and Children's Social Care	Fostering & Adoption/ IRO/LADO		Annual social care self assessment Ofsted Improvement Plan		SEND places strategy update  Educational attainment  Pupil Places	
<b>Monitoring/Updates</b>									
Scrutiny Involvement in Budget Consultation 19/20						Update Report	Budget Meeting		
Workstream -Tracking recommendations									Update Reports
Crime Scrutiny & Health Scrutiny Panel Updates					Update Reports				Update Reports
Annual Corporate Complaints Report			Report						
Customer Experience								Report	
Safeguarding Enfield 2020/2021 priorities									Report
<b>Work Programme</b>									
Setting the Overview & Scrutiny Annual Work Programme 2019/20	Agree Work Programme and discuss workstreams	Finalise workstreams							

<b>WORK</b>	<b>22 May 19 (Planning)</b>	<b>18 June 19</b>	<b>23 July 19</b>	<b>4 Sept 19</b>	<b>31 Oct 19</b>	<b>7 Nov 19</b>	<b>19 Dec 19</b>	<b>13 Feb 20</b>	<b>2 Apr 20</b>
Selection of New Workstreams for 2019/20	Discuss new Workstreams	Finalise new workstreams							

Note: Provisional call-in dates: 20th June, 3<sup>rd</sup> July, 8th August, 19th September, 31<sup>st</sup> October, 28th November, 15th January, 30th January, 6th February, 4th and 26th March, 28th April. These dates may also be used for pre-decision scrutiny as necessary. Any call-ins received will take precedence at this meeting.

Please note that the above programme may be subject to change during the year



### CRIME SCRUTINY PANEL: WORK PROGRAMME 2019/2020 DRAFT

WORK	Thursday 13 June (Work Planning)	Thursday 12 September	Tuesday 28 Jan	Tuesday 17 Mar
<b>Deadline for sending papers to Scrutiny Team</b>	N/A			
<b>Panel Work Programme 2019/20 – To consider the Panel work programme</b>	Agree work programme			
<b>Standing Items</b>				
<b>SSCB Partnership Plan &amp; Strategic Priorities</b> – To review the development of the Plan and strategic priorities for 2019 – 20.		Verbal update		Progress Update –
<b>SSCB Performance Management</b> – provide a monitoring overview on performance of SSCB		Monitoring Update	Monitoring Update	Monitoring Update
<b>Briefings, Monitoring &amp; Updates:</b>				
Update from the Fire Brigade (on the work they are doing to reduce crime)		Report		
Prostitution				Report
Burglary			Report	
Cuckooing			Report	
Parks (issues of safety and vandalism)		Report		

## HEALTH SCRUTINY PANEL: WORK PROGRAMME 2019/2020 DRAFT

Work Programme	Tuesday 11 <sup>th</sup> June 2019 (planning session)	Wednesday 10th September 2019	Thursday 23rd January 2020	Wednesday 25th March 2020
<b>Deadline for sending papers to Scrutiny Team</b>	<b>n/a</b>	<b>30<sup>th</sup> August</b>	<b>10<sup>th</sup> January</b>	<b>13th March</b>
<b>Annual Items</b>				
Agree Annual Work Programme 2019/20	Agree			
NHS Trust Quality Accounts B&CF(RF), NMUH, BEHMHT, (in liaison with NCL JHOSC)				If available
<b>Monitoring Items</b>				
Chase Farm Hospital:  Feasibility Study Urgent Care Centre Phlebotomy Services		Presentations/briefings		
North Middlesex Hospital:  CQC Inspection and Action Plan A&E Performance				Presentations/briefings
Continuing Healthcare – Enfield CCG  GPs and Primary Care Networks - Enfield CCG  Immunisation Services – NHS England			Presentations/briefings	

## Appendix 2

### Workstreams agreed for 2019/20

- **Improving Enfield Shopping Areas/ Empty shops**

- Lead Member: Tolga Aramaz

This is a continuation of the workstream, to conclude the review and finalise recommendations

- **Review of the Procurement**

- Lead Member: Edward Smith

- **Review of Exclusions**

- Lead Member: Bernadette Lappage

- **Meridian Water**

- Lead Member: Achilleas Georgiou

The above workstreams were put forward by members, these will need to be scoped and discussed with lead officers identified within departments.

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## MUNICIPAL YEAR 2019/2020 - REPORT NO. **61**

**MEETING TITLE AND DATE /**

Council:  
18 September 2019

**REPORT OF:** Joanne Drew  
Director of Housing & Regeneration

Contact officer and telephone number:  
Sarah Carter  
[Sarah.carter@enfield.gov.uk](mailto:Sarah.carter@enfield.gov.uk)

<b>Agenda - Part: 1</b>	<b>Item: 13</b>
<b>Subject:</b> <b>Housing Board – Revised Terms of Reference</b>	
<b>Key Decision No: None</b>	
<b>Cabinet Member consulted:</b>  <b>Councillor Needs</b>	

### 1. EXECUTIVE SUMMARY

- This report proposes changing the Housing Board to a new group called the Housing Advisory Group.
- The purpose of this group is to act as a sounding board on housing issues for the Director of Housing & Regeneration by working alongside residents for which we have a housing responsibility. It is a Group, which can provide feedback to officers on the development of strategy, policy and service delivery issues and can make recommendations as appropriate to Cabinet and Cabinet Members. It will ensure that residents have a role in advising on housing policy and performance issues

### 2. RECOMMENDATIONS

- 2.1 Member and Democratic Services Group (MDSG) recommends the revised Housing Advisory Group terms of reference to Council for approval.

### **3. BACKGROUND**

- 3.1 The Terms of Reference have been widened to better reflect the wider Housing remit, i.e. will include issues on Homelessness and Temporary Accommodation which enables the group to consider wider policy issues.
- 3.2 Terms of Reference are attached as Appendix 1 and have been updated following comments from Housing Board members.
- 3.3 It should be noted that, once agreed, the Terms of Reference will need to be submitted to Members and Democratic Services Group then Full Council for approval as it's a change to the council's constitution.

### **4.0 Operation of the Group**

- 4.1 The group will meet a minimum of six times a year with two of the meetings being led by Customer Voice on issues that specifically affects this service. These meetings agenda will be set by Customer Voice and will reflect their workplan.
- 4.2 Additional meetings will be arranged as required to discuss specific pieces of work such as the Housing Strategy and budgets.
- 4.3 Agendas and papers for this Private meeting will be circulated 5 working days prior to each meeting. Minutes and action points from each meeting will be recorded and circulated to all members of the group within ten days of the meeting date and will be reviewed at the beginning of each meeting.

### **5.0 Membership**

- 5.1 The current Housing Board membership agreed at a meeting in June 15 confirmed the following:
  - That the number of resident members on the Housing Board should be three tenants and one leaseholder and that there should be two independent members of the Housing Board
  - That the resident members should be nominated by the Customer Voice, using a process agreed by them, and that the independent members should be recruited via advertisement and interview
  - That the Board should be chaired by the Cabinet Member for Housing, and membership will include the Opposition Lead for Housing.

5.2 Membership proposal for the Housing Advisory Group is;

- That membership of the Housing Board is initially transferred to the Housing Advisory Group.
- That the number of resident members on the Housing Advisory Group should include:
  - 4 Council tenants
  - 2 Council leaseholders
  - 1 Housing Gateway tenant
  - 3 Residents in temporary accommodation
  - 2 Residents with experience of our homelessness prevention service and private rented sector
  - An Independent representative

5.3 Members will be recruited through an advertised selection process meeting an agreed criteria. The Housing Advisory Group can invite/co-opt other relevant individuals, organisation representatives or experts to assist with its activities as appropriate.

- That the Group will be chaired by the Cabinet Member for Social Housing and membership will include the Opposition Lead for Housing

## **6.0 Sub- Groups**

6.1 It is proposed that there will no longer be regular Housing Board sub-groups, but individual meetings will be held to consider individual projects and budgets.

## **7.0 Governance Process**

7.1 Consultation with Member and Democratic Services Group, then full Council for approval.

## **8.0 Review Process**

8.1 Appointments will be made every three years and the Terms of Reference reviewed on an annual basis.

## **9. ALTERNATIVE OPTIONS CONSIDERED**

The revised terms of reference are considered preferable to continuing with the current format and gives a greater understanding of issues that affect all forms of Housing.

## **10. REASONS FOR RECOMMENDATIONS**

The Terms of Reference have been widened to better reflect the wider Housing remit, i.e. will include issues on Homelessness and Temporary Accommodation which enables the group to consider wider policy issues.

## **11.0 COMMENTS OF OTHER DEPARTMENTS**

### **11.1 Financial Implications**

There are no financial implications arising from the recommendations contained within this report.

### **11.2 Legal Implications**

Any Governance issues have been addressed in the body of the report.

## **12. KEY RISKS**

The review of the terms of reference is timely to ensure they meet the requirements of tenants and the service.

## **13. EQUALITIES IMPACT IMPLICATIONS**

The proposals within the terms of reference will help to ensure fair representation from tenant groups. The proposals have not been subject to a detailed equalities impact assessment.

## **14. IMPACT ON COUNCIL PRIORITIES**

### **14.1 Good homes in well-connected neighbourhoods**

### **14.2 Sustain strong and healthy communities**

### **14.3 Build our local economy to create a thriving place**

The revised Terms of Reference will have a positive impact on residents' participation and the council's link with local communities and members' representational role.

## **15. PERFORMANCE MANAGEMENT IMPLICATIONS**



None identified

## **16. PUBLIC HEALTH IMPLICATIONS**

None identified

**Background Papers:** None

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**HOUSING ADVISORY GROUP**

The purpose of this group is to act as a sounding board on housing issues for the Director of Housing and Regeneration by working alongside residents for which we have a housing responsibility. It is a Group which can provide feedback to officers on the development of strategy, policy and service delivery issues and can make recommendations to Cabinet and Cabinet Members. The Group builds on the roles and responsibilities of the previous Housing Board and its members.

**Appointed by:** Council

**Proportionality:** Does not apply

**Membership:****Councillor Representation:**

Cabinet Member for Social Housing

Opposition Lead for Housing.

**LBE Officer Representation:**

As required

**Representation:**

- 4 Council tenants
- 2 Council leaseholders
- 1 Housing Gateway tenant
- 3 Residents in temporary accommodation
- 2 Residents with experience of our homelessness prevention service and the private rented sector
- An Independent representative

The Housing Advisory Group can invite/co-opt other relevant individuals, organisation representatives or experts to assist with its activities as appropriate.

**Membership** – Will be drawn from: Existing members of Customer Voice, residents living in Housing Gateway and Temporary Accommodation, residents affected by homelessness and independent representatives.

**Chair**

The Chair of the Housing Advisory Group is the Cabinet Member for Social Housing.

**Private meeting**

**Substitutes:** Where a member is unable to attend a meeting, an alternative representative may be nominated to attend on their behalf.

**Quorum:**

Quorum is 4 Board members, including a minimum of 1 councillor and 1 representation from Council housing – either a tenant or leaseholder representative.

**Frequency:**

The Housing Advisory Group will meet at least 6 times a year with two of the meetings being led by the members representing Council Housing (as appointed by Customer Voice) on issues that specifically affect this service. These meetings agenda will be set by these member and will reflect their workplan.

There will be no specific sub-groups but ‘special meetings’ will be determined by the Group and provide the opportunity to scrutinise issues including budgetary that impact on all areas of Housing and Regeneration..

**Terms of Reference: Overview**

The Housing Advisory Group (HAG) is an Advisory Group to the Director of Housing and Regeneration, the Council’s Executive Management Team (EMT) and Cabinet. Its role is to:

- Build on the good work undertaken by the Housing Board and Customer Voice but with a wider remit as the division now includes Homelessness with an overview of Housing Gateway and Temporary Accommodation
- Act as a key consultee in the development of the Housing Strategy, the Homelessness Strategy, and all other relevant housing and regeneration strategies and policies.
- Maintain an overview on the effectiveness of all housing services across the Council.
- Act as the formal link on behalf of the Council’s Cabinet with its tenants and leaseholders ensuring all its landlord responsibilities including for involvement and engagement are fulfilled.
- Understand the external policy landscape and the implications for Enfield residents making recommendations to the Director of Housing and Regeneration on specific campaigning and lobbying for national policy change.

**Specific functions**

- Development, delivery and monitoring of the annual Housing Revenue Account Business Plan
- Development of housing operating models to ensure effective service delivery
- Development, delivery and performance management of all housing services including the review of customer satisfaction levels
- Safety, health and wellbeing of all residents receiving housing services

**Operation of The Board**

Agendas and papers for meetings will be circulated 5 working days prior to each meeting.

Minutes and action points from each meeting will be recorded and circulated to all members within 10 days of the meeting date. These documents will be reviewed at the beginning of each meeting.

**Review**

The Group will review its operation and terms of reference on an annual basis.

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