



ADVANCED PUBLICATION OF REPORTS

This publication gives five clear working days' notice of the decisions listed below.

These decisions are due to be signed by individual Cabinet Members
and operational key decision makers.

Once signed all decisions will be published on the Council's
Publication of Decisions List.

- 1. LETTING OF HAWLEY ROAD SITE** (Pages 1 - 20)
- 2. INVESTMENT IN PRIVATE RENTED SECTOR - ADDITIONAL LOAN
INSTALMENT** (Pages 21 - 38)

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MUNICIPAL YEAR 2019/2020 REPORT NO.**ACTION TO BE TAKEN UNDER
DELEGATED AUTHORITY**

PORTFOLIO DECISION OF:
Leader of the Council

REPORT OF:
Programme Director –
Meridian Water &
Director of Property &
Economy

Agenda – Part 1:	Item: 4936
Subject: Letting of Hawley Road site	
Wards:	
Key Decision No: 4936	

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1. EXECUTIVE SUMMARY

- 1.1 Meridian Water is the Council's flagship regeneration programme, with plans for 10,000 new homes and thousands of new jobs delivered over the next 20 – 25 years supported by the recently opened Meridian Water station.
- 1.2 The Stonehill site was acquired from HSBC in June 2017. This site is currently classified as being strategic industrial land (SIL) as confirmed in the current Enfield Leaside Area Action Plan (ELAAP) and would not be developed for at least 15 years.
- 1.3 The key objective behind the marketing of the site, by the Council's property agent Lambert Smith Hampton, was to secure a tenant for the site that would provide a significant income and support the regeneration scheme. Further details are provided in the Part 2 report.
- 1.4 North London Waste Authority are a strategic partner, as the rebuilding of the ecoplant is an essential project to support future waste and energy requirements both for Meridian Water and Enfield Council as a whole. Further details are provided in the Part 2 report.
- 1.5 The North London Waste Authority have indicated that they are aiming to submit their planning application on 3rd September 2019, with a view that a decision will be made at the November/December Planning Committee meeting.

- 1.6 As the proposed lease would be conditional to achieving planning consent, the Council is looking to enter into an Agreement to Lease with the North London Waste Authority, while they are progressing their planning application.
- 1.7 The Agreement to Lease would be for a short and finite period of time (maximum period of 6 months), so as to not commit the Council to this letting indefinitely. In the event that this letting is not achievable, the Council would look to re-market the site to the open market.

2. RECOMMENDATIONS

That the Leader of the Council:

- 2.1 Delegates approval of the final version of Heads of Terms to the Programme Director of Meridian Water and the Director of Property and Economy.
- 2.2 Intrusts the authorised legal officer to enter into an Agreement To Lease.
- 2.2 Intrusts the authorised legal officer to enter into a lease based upon the final agreed terms.

3. BACKGROUND

- 3.1 The Hawley Road site is a 3.82 acre site located north of Hawley Road. The site is formed of the concrete slab of the former building and is enclosed by a metal wire fence.
- 3.2 The northern part of the site is vacant. The southern part of the site (1.69 acre) is currently let to NLC Distribution Ltd, a pallett storage and distribution company, since 20/03/2018.
- 3.3 The site was marketed in parallel with the main Stonehill site, by Lambert Smith Hampton through the Estates Gazette, the Enfield Independent as well as their own website, from 12th January 2019 to 22nd March 2019. Bidders could bid for either one of these sites or both of these sites together. During the marketing phase, a potential term of 12 years was being offered.

3.4 Submissions received

3.4.1 No compliant bids were originally received for the main part of Stonehill (7.5 acre) site). It was then re-marketed. The submissions are currently being evaluated. Recommendations for the letting of the Stonehill site will be subject to a separate report.

3.4.2 In relation to the Hawley Road site, only two compliant bids were received. These details are provided in the Part 2 report.

3.5 Evaluation of the bids received

3.5.1 The Hawley Road site was evaluated through submissions using the criteria of 75% price and 25% quality. It is important that the Council obtains a significant rental income from this site to help meet it's current meanwhile income targets.

3.5.2 To evaluate the bids received, a panel consisting of 4 members of the Council was set up. It included members from the Meridian Water Team, the Property Team and the Finance Team. The panel were asked to go through each proposal and score elements that met the price criteria and required quality criteria.

Criteria	Factors under consideration	Score
Supporting Regeneration	<ul style="list-style-type: none"> How the proposal will relate to neighbouring permanent and temporary development, such as the Causeway, River Lea Navigation and the Employment Hub How the leaseholder will demonstrate flexibility to comply with Strategic Infrastructure works that are scheduled to be delivered between 2021-2023. 	10%
Positive Socio-Economic Impact	<ul style="list-style-type: none"> This includes both existing businesses but also other placemaking and meanwhile tenants both within Meridian Water and beyond. 	10%
Stakeholder Impact	<ul style="list-style-type: none"> Creativity of proposals in contributing to changing perceptions of Stonehill and the East Bank. Demonstration of successful proposals elsewhere that have improved overall profile of industrial estates or brownfield pre-development land. 	5%
TOTAL:		45%

The quality elements above reflect the aspirations and vision set out in the Meridian Water Place booklet.

3.5.3 The quality elements were scored from 0-5 with the scoring definitions as follows:

Scoring	Definition
0	<p style="text-align: right;">An unacceptable response:</p> <p>The information is either omitted or completely fails to address the requirement and/or poses an unacceptable risk to the Authority.</p>
1	<p style="text-align: right;">A poor response:</p> <p>Information contains significant shortcomings and/or lacks evidence of compliance with the requirement and/or poses a high risk to the Authority.</p>
2	<p style="text-align: right;">A below expectations response:</p> <p>Information has some omissions and/or only partially addresses the requirement and/or is inconsistent with the other proposals and/or poses a significant risk to the Authority.</p>
3	<p style="text-align: right;">A satisfactory response that meets expectations:</p> <p>Proposal demonstrates it can meet the minimum expected standard in most material respects in terms of level of detail, accuracy and relevance.</p>
4	<p style="text-align: right;">A good response:</p> <p>Proposal meets the required standard and is comprehensive in terms of detail, accuracy and relevance.</p>
5	<p style="text-align: right;">A very good response:</p> <p>Proposal meets the required standard, is comprehensive and demonstrates best practice and/or delivers added value.</p>

3.5.4 The evaluation scoring was undertaken individual, then the panel came to together to moderate the scoring. The panel jointly agreed the quality score for each submission. Further details are provided in the Part 2 report.

3.5.6 To convert the quality scores in percentages to help establish a quality percentage score, the following formula was used:

$$(Bidders\ score \div 5) \times percentage\ of\ criteria = Bidders\ Percentage$$

$$Example: (3 \div 5) \times 10\% = 6\%$$

Further details are provided in the Part 2 report.

- 3.6 The North London Waste proposal for meanwhile use at Hawley Road will further enhance the level to which Meridian Water could be considered a sustainable development, as the energy from the ecoplant along with Energetik, would power all the homes at Meridian Water. Further details are provided in the Part 2 report.

3.7 **Current position**

These details are provided in the Part 2 report.

3.8 **Heads of Terms**

These details are provided in the Part 2 report.

3.9 **Valuation**

These details are provided in the Part 2 report.

4. **ALTERNATIVE OPTIONS CONSIDERED**

These details are provided in the Part 2 report.

5. **REASONS FOR RECOMMENDATIONS**

These details are provided in the Part 2 report.

6. **COMMENTS FROM OTHER DEPARTMENTS**

6.1 **Financial Implications**

These details are provided in the Part 2 report.

6.2 **Legal Implications**

These details are provided in the Part 2 report.

6.3 Property Implications

These details are provided in the Part 2 report.

7. KEY RISKS

These details are provided in the Part 2 report.

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

8.1 Good homes in well-connected neighbourhoods

The proposal stipulated in this report would not positively or negatively impact upon this priority.

8.2 Sustain strong and healthy communities

The proposal stipulated in this report would provide a positive impact upon the recycling rate and would also reduce the amount of waste sent to landfill. This in turn would have a beneficial impact upon the level of sustainability and air quality in the area.

8.3 Build our local economy to create a thriving place

The implementation of this proposal has a positive impact on this objective by boosting employment opportunities at Meridian Water and the borough. It would also generate a sizeable income for the Council which could be used to further other regeneration initiatives.

9. EQUALITIES IMPACT IMPLICATIONS

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

Background Papers

N/A

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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

Director of Finance

Contact officer and telephone number:

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Agenda – Part:1**Item:****Subject: Investment in Private Rented Sector – Additional Loan Instalment****Wards: All****Key Decision No:4444****Cabinet Member consulted: Cllr Mary Maguire & Cllr Gina Needs****1. EXECUTIVE SUMMARY**

- 1.1 In February 2014 Cabinet agreed to establish a wholly owned local authority company, Housing Gateway Ltd, to acquire and manage properties that the Council can use to discharge its statutory duties. This was in response to the significant temporary accommodation budget pressures facing the Council, resulting from an increase in demand for housing and rising rental prices.
- 1.2 Cabinet, and later Council, agreed the financial model, which provided authority for the Council to borrow funding up to an agreed amount and lend this to the company in a number of instalments.
- 1.3 The overall budget envelope was approved as part of the Council's Capital Program 2019-20. This report seeks approval for the next instalment of the loan to Housing Gateway Ltd in line with the delegated authority granted in KD3782 and in accordance with the terms of the Facility Letter referred to below.
- 1.4 The company has been in operation since March 2014 and good progress has been made. It has an approved business plan in place to continue to expand the portfolio and now requires the next instalment of the loan to continue the acquisition of properties in line with the business plan.
- 1.5 The detailed financial assumptions to support additional loan instalment are provided in the Part 2 report.

2. RECOMMENDATIONS

- 2.1 Note that in 2014 Cabinet delegated authority to the Director of Finance; Director of Housing; Cabinet Member for Finance & Procurement; and Cabinet Member for Social Housing, to finalise the timing, profile of acquisitions and the detail of the funding arrangements for each phase of the portfolio development, based on the most viable finance stream available, type and level of housing need at that time, and the Council's best interests (KD 3782). It should be noted that since the delegation was agreed in 2014, the Council's processes have changed and it has been agreed that the report is now a decision of the Cabinet Member for Finance and Procurement, in consultation with the Cabinet Member for Social Housing, Acting Executive Director Resources and Executive Director Place.
- 2.2 Note that a further decision was taken by Council in February 2019 (KD4828), to approve the Councils Capital Strategy, including additional lending to Housing Gateway for 2019-21.
- 2.3 Note that a pro forma Facility Letter to govern loan arrangements between Housing Gateway and the Council was agreed in September 2014.
- 2.4 Agree to access the next instalment of the loan and on-lend this to Housing Gateway Limited under the terms of the pro forma Facility Letter.
- 2.5 Note that the treasury management decisions regarding the Council's borrowing to enable the on-lending to Housing Gateway will be subject to the Council's existing arrangements for governance.
- 2.6 To note and agree recommendations set out in Part 2 of the report.

3. BACKGROUND

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

terms of the loan agreement between the Council and the Company. It should be noted that since the delegation was agreed in 2014, the Council's processes have changed and it has been agreed that the report is now a decision of the Cabinet Member for Finance and Procurement, in consultation with the Cabinet Member for Social Housing, Acting Executive Director Resources and Executive Director Place.

- 3.3 The overall budget envelope available to Housing Gateway has been agreed by Cabinet in February 2019 (KD4828) as part of the Council's Capital Strategy. The company is now requesting part of the agreed budget to be released to facilitate ongoing expansion of the property portfolio.
- 3.4 Housing Gateway has an established acquisition process in place and has built a portfolio of 536 acquisitions properties. The company's Business Plan 2019-22 clearly sets out its goal to acquire a further 250 properties in the next three years, with an anticipated 50 units being acquired by March 2020. In June 2019, the Council's Shareholder Board recommended to Cabinet to approve the activities detailed in the HGL Business Plan for 2019-22, subject to presentation of a further report for approval of the forward financial structure based on a full options appraisal, and the submission of clear annual expansion targets. In order to fulfil the aims of the business plan, the company requires the next instalment of the loan to be made available.
- 3.4 A pro forma facility letter was drafted by external lawyers Trowers & Hamlins LLP, and agreed in September 2014.
- 3.5 The pro forma facility letter sets out the terms to govern loan arrangements between the Council and Housing Gateway. This stipulates that the loan can only be used by Housing Gateway to support the activities agreed by the Council. In line with the Cabinet decision, the remit of Housing Gateway is to acquire and manage properties, for which the Council has full nomination rights and can use these properties to discharge its statutory duties. The loan can therefore only be used for this purpose, unless the Council agrees to additional activities at a later date.
- 3.6 The facility letter enables the loan to be given to Housing Gateway in instalments to minimise unnecessary interest repayment costs before the company has properties and tenants in place. The facility letter therefore contains a schedule that can be completed for every separate instalment. The loan has now almost reached the limit, so a further instalment is required. The terms of the facility letter will remain unchanged but the facility letter will be re-issued to the agreed amount.
- 3.7 The delivery of Housing Gateway's business plan relies on refinancing the company to ensure appropriate cash flows are generated to support the ongoing growth and development of the portfolio. Housing

Gateway is undertaking a thorough review of refinancing options including external financiers and funding through the Council.

- 3.8 Whilst the review of refinancing is undertaken, it is important that Housing Gateway can access short term funding from the Council to facilitate further expansion of the company's portfolio. The further instalment of the loan as proposed in this report will enable Housing Gateway to continue to acquire properties that can then be used by the Council to discharge its statutory homeless duties.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 As outlined in KD 3782, a number of alternative options were considered in the development of the Investment in Private Rented Sector business case.
- 4.2 In the development of the pro forma facility letter a number of alternative options were also considered, including a loan with a single instalment or the absence of a formal agreement. These options were discounted, as a formal agreement safeguards the interests of both the Council and Housing Gateway and the ability to access the loan in instalments provides greater flexibility.

5. REASONS FOR RECOMMENDATIONS

- 5.1 Cabinet approved the business case, financial model and overall financial envelope in February 2014 as per KD 3782.
- 5.2 Housing Gateway Limited was founded in March 2014 (assuming the name HGL in April 2014) and the company is now well established. The next phase of the loan is required to enable the company to continue acquiring properties and providing further cost avoidance to the Council.
- 5.3 A pro forma facility letter has been agreed by the Council and Housing Gateway Limited which sets out the terms of the loan agreement and provides clear terms of repayment.
- 5.4 The facility letter enables Housing Gateway Limited to access the loan in a series of instalments, under Schedule 3 of the Facility Letter. This will enable the company to access funding to coincide with the speed of acquisitions and better manage its cash flow.

6. COMMENTS FROM OTHER DEPARTMENTS

6.1 Financial Implications

- 6.1.1 The total loan amount available for drawdown as approved in the Council's approved Capital programme.

- 6.1.2 Separate to the Council's approved capital programme there is an additional sum in the Council's 'Projects in the pipeline'. This represents an estimate of future requirements. This is **not** part of the approved capital programme. If this funding is required it will be subject to the relevant Cabinet /Council approval, following which, it will be added to the Council's approved capital programme
- 6.1.3 Further details are provided in part 2.

6.2 Legal Implications

- 6.2.1 The Council has power to establish and participate in Housing Gateway Limited in accordance with Section 1 of the Localism Act 2011 and section 95 of the Local Government Act 2003. In addition, section 111 of the Local Government Act 1972 permits a local authority to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or right) which is calculated to facilitate, or is conducive or incidental to the discharge of any of their functions.
- 6.2.2 The Council has the power to borrow in connection with its functions or for the prudent management of its finances under section 1 of the Local Government Act 2003. The Council has a duty under section 3 of the Local Government Act 2003 to determine and keep under review how much it can afford to borrow. The Council is also required to have regard to the Prudential Code for Capital Finance in Local Authorities when carrying out its duties under Part I of the Local Government Act 2003.
- 6.2.3 Section 12 of the Local Government Act 2003 (2003 Act) permits the Council to invest for any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs.
- 6.2.4 The Council must be mindful of EU state aid rules (Articles 107 to 109 of the Treaty on the Functioning of the European Union (TFEU)) which prohibit the Council from using its resources to provide selective financial support to a third party operating in the market. There are ways in which financial support can be provided in compliance with state rules, for example if the support is provided on market terms or a relevant exemption applies, such as an exemption for what are known as services of general economic interest ('SGEI'). One such SGEI is the provision of social housing to those unable to obtain housing under normal market conditions, and this is the exemption the Council is seeking to rely on when making loans to HGL. The state aid position will be kept under review to ensure that support from the Council is provided throughout the loan term in a way which is compatible with the state aid regime, and specialise legal and financial advice will be sought as part of the refinancing review referred to at 3.7. above.

- 6.2.5 The facility letter for this loan, which will be based on the pro forma Facility Letter referred to at 3.4 above, must be in a form approved by the Director of Law and Governance.

6.3 Property Implications

None.

7. KEY RISKS

- 7.1 **The Company cannot refinance its portfolio as anticipated.** It is essential to the company's future that a more favourable financing structure can be found to support future growth. This has been addressed by investigating financing options by both the council and a wide range of private financiers. Housing Gateway is continuing to collaborate with the Council to find the most suitable proposal to meet the needs of the both the company and the shareholder.
- 7.2 **Property market fluctuations.** Housing Gateway's portfolio is valued annually in line with audit expectations and, as such, any depreciation in local property prices may have an impact on the value of Housing Gateway's asset base. However, Housing Gateway has reached a point of significant gearing where expected minor market fluctuations will not impact the overall model. In the long term, the market is expected to increase over 50 years and Housing Gateway's asset base will appreciate accordingly.
- 7.3 **Housing needs change and Housing Gateway is no longer required to manage a property portfolio for use by the Council.** Whilst highly unlikely as the Council has a growing requirement for alternatives to temporary accommodation, this has been mitigated by providing the flexibility for early repayment of the loan, for example if Housing Gateway needed to sale a property to release capital.
- 7.4 **Rental income.** Housing Gateway's initial business model aligned rents to Local Housing Allowance (LHA) rates, which were predicted to increase at a rate of 2% per annum. As the expected increase in rates were frozen by Central Government, Housing Gateway's income has not increased as predicted. LHA rates were increased marginally in 2019, but not to the levels initially modelled. Housing Gateway is analysing alternative rent models.

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

8.1 Good homes in well-connected neighbourhoods

- 8.1.1 The growth of Housing Gateway Limited enables the Council to increase the supply of good quality, value for money housing in

the borough, to meet the objectives set out in Enfield's Housing Strategy (2012-2027) and is aligned to the Council's proposed Good Growth strategy. By increasing the supply of quality accommodation within the Council's control, this will enable the Council to discharge its statutory duties or prevent homelessness and increase access to secure accommodation for some of the most vulnerable residents in the borough.

8.2 Sustain strong and healthy communities

8.2.1 Access to good quality, stable housing is a key aspect of a person's health and wellbeing. Housing Gateway provide a stable private rented sector offer to families who would otherwise be placed in uncertain and expensive temporary accommodation. Furthermore, by ensuring properties are maintained to a good standard, the company is able to set exemplary landlord standards as an example to other private sector landlords in the Borough.

8.3 Build our local economy to create a thriving place

8.3.1 By increasing the supply of quality homes that the Council can access within the borough and the surrounding area, this will increase opportunities for local residents to access employment and training and thus reduce the likelihood of them requiring additional services from the Council.

9. EQUALITIES IMPACT IMPLICATIONS

9.1 Local authorities have a responsibility to meet the Public Sector Duty of the Equality Act 2010. The Act gives people the right not to be treated less favourably because of any of the protected characteristics. It is important to consider the needs of the diverse groups with protected characteristics when designing and delivering services or budgets so people can get fairer opportunities and equal access to services.

9.2 The Council aims to serve the whole borough fairly, tackle inequality and protect vulnerable people. The Council will promote equality of access and opportunity for those in our communities from the protected characteristic groups or those disadvantaged through socio-economic conditions.

9.3 Predictive EQIA has been undertaken and has highlighted no negative impact on residents from the protected characteristic groups.

10. PERFORMANCE AND DATA IMPLICATIONS

10.1 Through the establishment of Housing Gateway Limited the Council has the opportunity to reduce the number of households in

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

11. HEALTH AND SAFETY IMPLICATIONS

None.

12. HR IMPLICATIONS

None.

13. PUBLIC HEALTH IMPLICATIONS

13.1 By increasing the supply of good quality housing in the borough across tenures, health and wellbeing of individuals will be improved. All properties purchased will be fit for purpose or refurbished so that they fall in line with the Council's decent homes standard. Where investment is used to provide quality housing to enable the Council to discharge its statutory homelessness duties, residents selected for these properties will be most at need and therefore most affected by the Government's housing benefit cap

Background Papers

None.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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