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THE CABINET

Wednesday, 18th January, 2017 at 8.15 pm in the Conference Room, Civic Centre, Silver Street, Enfield, EN1 3XA

Membership:

Councillors : Doug Taylor (Leader of the Council), Achilleas Georgiou (Deputy Leader of the Council), Daniel Anderson (Cabinet Member for Environment), Yasemin Brett (Cabinet Member for Community, Arts & Culture), Alev Cazimoglu (Cabinet Member for Health & Social Care), Krystle Fonyonga (Cabinet Member for Community Safety & Public Health), Dino Lemonides (Cabinet Member for Finance & Efficiency), Ayfer Orhan (Cabinet Member for Education, Children's Services and Protection), Ahmet Oykener (Cabinet Member for Housing and Housing Regeneration) and Alan Sitkin (Cabinet Member for Economic Regeneration & Business Development)

Associate Cabinet Members

Note: The Associate Cabinet Member posts are non-executive, with no voting rights at Cabinet. Associate Cabinet Members are accountable to Cabinet and are invited to attend Cabinet meetings.

Bambos Charalambous (Associate Cabinet Member – Non Voting), George Savva MBE (Associate Cabinet Member – Non Voting) and Vicki Pite (Associate Cabinet Member – Non Voting)

NOTE: CONDUCT AT MEETINGS OF THE CABINET

Members of the public and representatives of the press are entitled to attend meetings of the Cabinet and to remain and hear discussions on matters within Part 1 of the agenda which is the public part of the meeting. They are not however, entitled to participate in any discussions.

Cabinet are advised that any recommendations included within the reports being considered by Cabinet as part of this agenda, that are for noting only, will not be subject to the Council's call-in procedures. Such recommendations are not deemed to be decisions of the Cabinet, but matters of information for the Executive.

AGENDA – PART 1

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

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

DECISION ITEMS

3. URGENT ITEMS

The Chair will consider the admission of any reports (listed on the agenda but circulated late) which have not been circulated in accordance with the requirements of the Council's Constitution and the Local Authorities (Executive Arrangements) (Access to Information and Meetings) (England) Regulations 2012.
Note: The above requirements state that agendas and reports should be circulated at least 5 clear working days in advance of meetings.

4. DEPUTATIONS

To note, that no requests for deputations have been received for presentation to this Cabinet meeting.

5. ITEMS TO BE REFERRED TO THE COUNCIL

To agree that the following reports be referred to full Council:

1. Report Nos.175 and 180 – The Council's Main Investment Decision in Energetik

6. TRANCHE 8 - ASSET MANAGEMENT - POTENTIAL DISPOSAL OF COUNCIL OWNED PROPERTIES (Pages 1 - 6)

A report from the Director of Finance, Resources and Customer Services is attached. This seeks approval in principle to the sale of various Council properties, as detailed in the report. **(Key decision – reference number 4448)**

(Report No.173)
(8.20 – 8.25 pm)

7. TAKING FORWARD ENFIELD COUNCIL'S IT OFFER (Pages 7 - 16)

A report from the Director of Finance, Resources and Customer Services is attached. This sets out proposals for taking forward Enfield Council's IT offer.

(Report No.179, agenda part two also refers) **(Key decision – reference number 4378)**

(Report No.174)
(8.25 – 8.30 pm)

8. THE COUNCIL'S MAIN INVESTMENT DECISION IN ENERGETIK (Pages 17 - 56)

A report from the Director of Regeneration and Environment is attached. This seeks approval to the Council's main investment decision in Energetik. (Report No.180, agenda part two also refers) **(Key decision – reference numbers 4266 and 4035)**

(Report No.175)
(8.30 – 8.35 pm)

9. PART SALE OF COTTAGE; BUILDING AND LAND AT HOLLY HILL FARM, 303 THE RIDGEWAY, ENFIELD, EN2 8AN (Pages 57 - 66)

A report from the Director of Finance, Resources and Customer Services is attached. This proposes to sell part of the freehold sale of Holly Hill Farm as detailed in the report. **(Key decision – reference number 4447)**

(Report No.176)
(8.35 – 8.40 pm)

10. INDEPENDENT AND WELL BEING ENFIELD LTD. GOVERNANCE REPORT

A report from the Director of Health, Housing and Adult Social Care **will be circulated as soon as possible.** (Non key)

(Report No.177)
(8.40 – 8.45 pm)
TO FOLLOW

11. REPROVISION PROJECT (Pages 67 - 78)

A report from the Director of Health, Housing and Adult Social Care and the Director of Finance, Resources and Customer Services is attached. (Report No.181, agenda part two also refers) **(Key decision – reference number 4309)**

(Report No.178)
(8.45 – 8.50 pm)

12. ISSUES ARISING FROM THE OVERVIEW AND SCRUTINY COMMITTEE

To note that there are no items to be considered at this meeting.

13. CABINET AGENDA PLANNING - FUTURE ITEMS (Pages 79 - 82)

Attached for information is a provisional list of items scheduled for future Cabinet meetings.

14. MINUTES (Pages 83 - 108)

To confirm the minutes of the previous meeting of the Cabinet held on 14 December 2016.

INFORMATION ITEMS

15. ENFIELD STRATEGIC PARTNERSHIP UPDATE

To note that there are no written updates to be received.

16. DATE OF NEXT MEETING

To note that the next meeting of the Cabinet is scheduled to take place on Wednesday 8 February 2017 at 8.15pm.

CONFIDENTIAL ITEMS

17. EXCLUSION OF THE PRESS AND PUBLIC

To consider passing a resolution under Section 100A(4) of the Local Government Act 1972 excluding the press and public from the meeting for the items of business listed on part 2 of the agenda on the grounds that they involve the likely disclosure of exempt information as defined in those paragraphs of Part 1 of Schedule 12A to the Act (as amended by the Local Government (Access to Information) (Variation) Order 2006)
(Members are asked to refer to the part 2 agenda)

MUNICIPAL YEAR 2016/2017 REPORT NO. 173

MEETING TITLE AND DATE: **Cabinet 18th January 2017**	**Agenda Part: 1** / **Item 6**
Report of: Director of Finance, Resources and Customer Services	**TRANCHE 8- ASSET MANAGEMENT – POTENTIAL DISPOSAL OF COUNCIL OWNED PROPERTIES** **WARDS:** Various **KD No: 4448**
Contact officer:	**Cabinet Members consulted:** Councillor Lemonides

Mohammed Lais Tel: 020 8379 4004 mohammed.lais@enfield.gov.uk

1. EXECUTIVE SUMMARY

1.1 This report seeks approval in principle to the sale of various Council properties listed in the Appendix to the report, which are considered in the Council's overall best interests to sell, subject to satisfactory further evaluation and consultation, in order to assist in funding capital spending.

2. RECOMMENDATION

That Cabinet is recommended;

2.1 That approval is given in principle to the disposal of those properties listed in the Appendix.

2.2 To delegate the method of sale and the approval of provisionally agreed terms of sale to the Cabinet Member for Finance and Efficiency in consultation with the Director of Finance, Resources and Customer Services.

3. BACKGROUND

3.1 This is the eighth in a series of reports to Cabinet since December 2010. The general principles for consideration of retention/re-use or disposal of property have been set out in previous reports.

3.2 The consideration of the properties put forward in this report has been approved by relevant Cabinet Members, Service Directors and the Corporate Asset Management Group.

3.3 More specific criteria to reach a final decision to sell now include;

- Consultation with Ward Members
- Consultation with affected users if appropriate
- Cash flow analysis of the worth of current or proposed rental income compared to a potential capital receipt if appropriate.

3.4 A report to Cabinet on the 21st October 2015 under KD4189 titled Future options for improvements to Enfield's Nursing and Residential Dementia Care services highlighted the disposal of a number of care homes subject to consultation with residents.

3.5 A new care home, on the former Elizabeth House site, is due to reach practical completion at the end of January 2017 and it is anticipated that the service will be operational in spring 2017. Residents of Bridge House and Coppice Wood Lodge will be moving to the new provision and both care homes will be decommissioned and sites vacant following this.

3.6 Honeysuckle House closed in December 2016, following a decision by Care UK to end the service, and this site is also currently vacant.

3.7 The William Preye Centre is considered to be surplus to the Council's requirements moving forward as day care services have been relocated to the Rose Taylor Day Centre and the centre requires significant capital investment. The Parker Centre, let to AGE UK will continue as an operational building.

3.8 The Director of Adult Social Care has confirmed that these sites will no longer be required for the provision of care or support services.

4. PROPOSAL

Properties recommended for potential disposal are listed in the Appendix.

5. ALTERNATIVE OPTIONS CONSIDERED

Retention of property without regular review is clearly not in the Council's business interests. If property is not disposed of, it would cause a reduction in capital spending or increased borrowing. However evaluation of individual cases may result in retention being the better option.

6. REASONS FOR RECOMMENDATIONS

Potential disposal of the properties is recommended as being in the Council's best financial interests balanced against service and community needs.

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

7.1 Financial Implications

7.1.1 The appendix to the report contains a list of potential disposals. Each disposal will be evaluated to determine whether the disposal offers value for money.

7.1.2 The proceeds from disposals will be one off and used to fund the existing capital or transformation programmes. The alternative method for funding the programme would be to borrow and the current cost of borrowing is estimated at 7.5% pa including interest and MRP.

7.1.3 Eligible costs associated with disposals can be offset against the receipt up to a maximum of 4% of the sale price for each disposal. The expenditure will be closely monitored to ensure that all appropriate costs are offset against the capital receipts.

7.2 Legal Implications

7.2.1 By Section 123 of the Local Government Act 1972 (“S.123 LGA”) and/or Section 1 of the Localism Act 2011 the Council has the power to dispose of land in any manner it wishes, subject to certain provisions.

7.2.2 The Council has a statutory duty to obtain the best price reasonably obtainable, subject to certain exemptions.

7.2.3 In accordance with the Council's Property Procedure Rules the inclusion of property on the disposals programme requires approval either by the appropriate Cabinet member or by Cabinet itself.

7.2.4. All disposals should be made on a competitive basis, unless justified and approved otherwise, as required by the Property Procedure Rules.

7.2.5 Some disposals may be subject to conditions such as the grant of planning permission which will be a pre-requisite to the completion of the disposal and the receipt of the sale proceeds.

7.2.6 Contracts for sale will be in a form approved by the Assistant Director of Finance, Resources and Customer Services (Legal Services).

7.3 **Property Implications**

7.3.1 The Assistant Director of Finance, Resources and Customer Services (Property Services) will confirm that the proposed terms of individual sales comply with statutory duties and the Council’s Property Procedure Rules.

7.3.2 55 Church Lane, Cheshunt, EN8, may in principle be sold to Housing Gateway Limited subject to their investment criteria.

8. KEY RISKS

8.1 The risk of property disposals not providing the necessary proceeds to fund the approved Capital Programme will be mitigated as far as possible by prudent budget setting and processes for review and monitoring of progress and assessment of market conditions.

8.2 The key risk to the Council, that Members should be aware of, is that the Capital receipts received for the sale of assets are unlikely to realise their full potential value and subsequently bids received will represent a discounted receipt given the importance of obtaining funds by the end of this financial year.

9. IMPACT ON COUNCIL PRIORITIES

9.1 Fairness for All

The sale of property generates capital receipts, which are used to fund spending priorities within the Council, helping protect services essential to those most disadvantaged in the borough.

9.2 Growth and Sustainability

Residential redevelopment will be appropriate for some of the property to be sold, which increases the housing stock, producing more sustainable and carbon efficient homes. The disposal of property for development attracts inward investment and funding and boosts local economic activity.

9.3 Strong Communities

Capital receipts help fund capital projects that assist the Council in building strong communities.

10. EQUALITIES IMPACT ASSESSMENT

Equality Impact Assessments will be conducted on individual properties where appropriate and considered in the Delegated Authority Reports that authorise the terms of disposal.

11. PERFORMANCE MANAGEMENT IMPLICATIONS

Rationalisation and more efficient use of property will contribute to improving service delivery to assist in meeting the Council’s objectives.

12. PUBLIC HEALTH IMPLICATIONS

Public Health Implications will be considered in the Delegated Authority Reports that authorise the terms of disposal of individual properties.

13. HEALTH AND SAFETY IMPLICATIONS

Health and Safety Implications are considered in the evaluation of properties and will be reported in the Delegated Authority Reports that authorise the terms of disposal of individual property.

Background Papers
None

APPENDIX 1

- **William Preye Centre**, Houndsfield Road, N9
- **Coppice Wood Lodge**, New Southgate, N11
- **Honeysuckle House**, Palmers Green, N13
- **Bridge House,** Forty Hill, EN1
- **55 Church Lane,** Cheshunt, EN8

MUNICIPAL YEAR 2016/17 – REPORT NO. 174

MEETING TITLE AND DATE: **Cabinet:** 18th January 2017 **Report of:** Director of Finance, Resources and Customer Services **Contact:** James Rolfe - 0208 379 4600 Rocco Labellarte - 0208 837 1451	**Agenda: Part 1** **Item: 7** **Subject:** Taking forward Enfield Council's IT offer **Wards:** All **Key Decision Number: 4378** **Cabinet Members Consulted:** Cllr. A. Georgiou Cllr. D. Lemonides

1 EXECUTIVE SUMMARY

1.1 On 10th February 2016, Cabinet agreed to register a limited company, owned by the Council, to leverage the IT investment made in the Enfield 2017 programme, helping mitigate future cost pressures on the Council by generating income.

1.2 This paper seeks Cabinet approval for the business case and governance arrangements, as noted in section 2.1.5 of the Cabinet report 32, key decision 4314 of 7th July 2016.

1.3 There is considerable market interest in the Enfield digital platform, in terms of the technology which underpins the Council's transformation, and, with the scale and ambition of the transformation, the experience gained. This technology includes the Digital Platform, and other solutions being developed in parallel, including Artificial Intelligence, Data Analytics and Systems Thinking.

1.4 Put together – the technology, solutions and know-how – makes the Enfield experience and the solutions we built sought after by others in the public sector.

1.5 In choosing how to proceed, three options were considered, two of which use the general power of competence from section 1 of the Localism Act 2011, and with this being for a commercial purpose, require the formation of a limited company.

1.6 **OPTION 1 - Do nothing:** avoids any commercial risk; does not mitigate any future cost pressures on the Council; loses any income generation opportunity.

1.7 **OPTION 2 - Establish an IT company to design, build, maintain, market and support technology products and services**: takes on the full commercial risk, potentially mitigates future cost pressures on the Council; takes full advantage of any income generation opportunity; increases setup and operational costs.

1.8 **OPTION 3 (Recommended) - Establish an IT company that negotiates income generating agreements with commercial organisations and provides specialist services to other public bodies:** minimises commercial risk; potentially mitigates future cost pressures on the Council; takes advantage of income generation opportunities; avoids most of the setup costs incurred in option 2 above.

2. RECOMMENDATIONS

2.1 Cabinet is invited to:

2.1.1 Approve option three, summarised at 1.8 and detailed at 4.3, to establish an IT company, limited by shares and owned by the Council, that negotiates income generating agreements with commercial organisations as well as providing IT specialist services, delegating the finalisation and signature of all start-up arrangements to the relevant Cabinet Member together with the Director of Finance, Resources and Customer Services.

2.1.2 Approve the governance arrangements detailed in sections 3.18 to 3.25 inclusive.

3. BACKGROUND

3.1 Since Cabinet's decision in October 2014 to initiate the Enfield 2017 transformation programme, there has been considerable progress. Completion of the programme is in hand. At the heart of Enfield 2017 are clear design principles, based on an overall vision for the Council, which have followed through into the organisational design, cultural change and technological development that has occurred over the last 18 months.

3.2 Because of this programme of change, there has been interest in opportunity areas from other councils and public sector bodies. Those areas include:

3.2.1 The technology solutions that support the customer pathway through the organisation. Typically, a customer's journey through the organisation entails moving amongst a series of separate IT systems, supported by a Customer Relationship Management (CRM) solution. Enfield's solution is different, and provides a unified customer journey, based on an initial triage of customer needs. The Enfield solution streamlines and automates whole aspects of the customer journey, and allows a personalised experience.

3.2.2 The experience of implementing these complex systems as part of a much wider transformation programme, working with a range of providers across the private and public sectors. This means that Enfield has the potential to create new relationships, monetising the Council's digital transformation experience and, in turn, raise the Council's profile.

Progress to Date

3.3 Since February 2016, discussions have taken place between the Council, interested third parties and local authorities regarding our approach to digital transformation. This dialogue shows there is market interest in the idea of a digital platform for local government. We have financial propositions on the table that, if developed, could realise one or more income streams for the Council. Advice sought suggests that this approach is consistent with legislation, but must be arranged through a company separate to the Council as it uses the general power of competence specific to the Localism Act 2011.

Developing the Commercial Offer

3.4 To take forward the opportunities mentioned in 3.2 above, the Council is negotiating referral based income streams for future sales of solutions developed for the Council through third-parties. Alongside these agreements, by consolidating the know-how being generated through the Enfield 2017 programme, the Council can develop a specialist IT offering for other local authorities seeking to deliver their own digital transformation programmes.

3.5 The "referral" model recognises Enfield Council a financial benefit (commission) for the use, from time to time, of officer time as a reference site for the products developed by third-parties. Effectively, the Council reputation has an economic value which we can monetise.

3.6 Each agreement between the Council and third parties allows Enfield to maintain full control over its use as a reference site as well as mitigating liability toward other parties.

3.7 Should the Council choose not to act as a reference then future sales realised by the third-party with that customer would result in no referral commission being paid to Enfield Council. In all other circumstances, regardless of whether the third-party asks the Council to act as a reference site or not, any customer purchasing one of the agreed IT solutions from the third-party, or any of their subsidiary, related organisations, or licensees, will result in the agreement being enforceable, and an on-going annual commission be payable to the Council.

3.8 Given that agreements stipulated with third parties are revenue generating, they will be predicated on the Council having autonomy of choice over whether to act as a reference. Additionally, no service will be provided to the Council by the third parties as part of this agreement, nor will the Council make any payments to those third parties in relation to these agreements. As such EU procurement rules do not apply.

3.9 Since the referral commission is independent of any other organisation there are no other dependencies that could affect their payment. Measures will also be taken to avoid liability to either the Council or the IT company for sales made by those third parties.

3.10 Enfield will, through the IT company, manage any intellectual property rights to council-specific business processes developed by IT specialists working for the Council. Any such processes will be separate to the aforementioned agreements and subject to copyright registration on a case by case basis. For the avoidance of doubt, as the existing digital platform and underlying IT software is dependent on third party products, it is not the intellectual property of the Council.

3.11 As the income stream from commercial agreements builds, other elements of the Council's IT service could be moved into the company, so that all IT commercial activity sits in one place. This would include IT subject matter experts providing specialist services and solutions to councils and other organisations.

3.12 Initially, staff may be seconded for a limited time into the company. There is no intention that these staff would ever become permanent employees of the company and well drafted secondment agreements would be in place supporting this arrangement between the company and the London borough of Enfield that documents the secondment. As such, TUPE should not apply to these arrangements.

Delivery

3.13 It is proposed that the IT Company be developed in three phases:

3.13.1 Phase 1 – Start up (Q1/Q2 2017)

- o Finance is arranged
- o Establish the company, board appointed
- o Board approve the business plan
- o Sign referral agreements with third-party providers for commission streams

3.13.2 Phase 2 – IT Company operational (2017 – 2021). Company commences operation with details of existing and potential referral agreements and development of the specialist skills and solutions to deliver IT services to customers through to 2021.

3.13.3 Phase 3 – Exit strategy considered (2022) – as further development of the business could become privately financed, the local authority (and any partners that may be on board at the time) will be able to consider the full range of exit strategies linked to return on investment and delivery of strategic objectives at that time. Care will be taken when selecting partners to ensure that Public Contracts Regulations are respected.

3.14 Other shareholders may be able to join the IT company, with terms to be carefully decided on a case by case basis. This will allow, for example, other local authorities to become actively involved in developing a broader digital offering to market.

Benefits

3.15 There are many examples of successful Local Authority Trading Companies (LATCs) such as the Essex Care, KCC Commercial Services, and Kingstown Works Limited. Managed effectively, they can provide significant opportunities for councils to provide better services and drive efficiencies. Other benefits include:

- The ability to trade in the wider market
- Economies of scale and greater efficiency
- Returning revenue to the Council through profitability
- A more commercial culture
- Knowledge retention within the Council, through the company
- A blend of commercial awareness and public sector ethos
- Safeguarding jobs through diverse working and contracts

3.16 The strategic fit of the company with the Council priorities is clearest in the benefits afforded to “Growth and Sustainability”, whereby the Council’s association with the digital platform solution puts in place the foundations for it becoming recognised across the local government sector, giving Enfield a stronger employment and helping to attract inward investment more indirectly by raising the borough’s profile and standing.

Key Steps to Success and Growth

3.17 The key considerations to support the success and growth of the IT company are:

- Ensuring the right leadership team is in place with the drive and ambition to succeed.
- Creating the right culture with a commercial mindset and shared sense of purpose.
- Establish reward mechanisms for attracting and retaining the right people.
- Build customer focus, delivering high quality, value for money services.
- Ensure the commitment of the Council, with on-going dialogue and aligned goals.
- Prepare for growth, diversification and innovation; each opportunity assessed on merit
- Create and promote the brand, through research, marketing and public relations
- Maintain a rigorous control of costs
- Build the appropriate risk management and governance

Governance

3.18 Effective governance is key to protecting Enfield Council and the IT company. A clear governance structure that supports its business and provides surety to Enfield Council in risk management. Key factors include:

- The Council appoints the **executive board of directors** which runs the company.
- Performance and contract management arrangements will need establishing between the Council and the company. It is proposed that the responsibility for the exercise of the Council’s shareholder role (which shall include the right to vote in meetings of the company and to exercise any rights afforded to the Council in the management agreement (if applicable), or the company’s articles of association, shall be delegated to the Director - Finance, Resources and Customer Services in consultation with the Assistant Director Legal & Governance.
- The shareholder(s) receive a bi-annual report from the executive board.
- The shareholder(s) will evaluate the effectiveness of the board and its delivery of strategic objectives on an annual basis.
- A forward plan of audits will be agreed on an annual basis.
- A register of interests and potential conflicts of interest will be maintained by the company.
- A decision on proportionate repatriation of company profits to the Council. It is proposed that the company maintains sufficient profits to cover operating costs, audits, and a marketing budget, with other profits repatriated or reinvested in the company, dependent on the shareholder(s).
- As the market proposition develops and the customer base expands, further investment in the development of the company may be considered by the shareholder(s) using, for example, loans to fund expansion.
- The Council will initially retain any assets and the company will pay a fee for their use. Once the company has achieved a full year profit, this approach may be reviewed by the executive board.

3.19 Following a positive Cabinet decision on this paper, the IT company can be established to lead delivery of commercial IT services. Only one resource will be required to be funded from the outset, for management, marketing and coordination of relationships with third parties and their potential customers, all others coming on board once the first referral agreement begins to deliver an income stream. It is estimated that the full year cost of start-up, marketing and operating costs should not exceed £250,000. A loan facility for this funding will need to be established.

3.20 The IT company will be set up conventionally as a company limited by shares so that the legal constraints on it are minimised and to sustain the confidence of funders, private sector partners, shareholders and customers. To protect the IT company's ability to evolve towards a national services provider, and simplify its contracting arrangements, it will be an arm's length local authority controlled company.

3.21 The Executive Board of Directors will include a Managing Director, Board Director, Company Secretary and one or two non-executive directors with relevant IT technical and marketing experience.

3.22 Further detailed steps that will need to be taken to ensure appropriate governance include agreeing the board chairman, board composition, operational plans, service and financial reporting, risk management processes, legal and human resources processes, audit requirements and stakeholder committee reporting.

3.23 From a contractual perspective, the Council will grant the company a licence to use intellectual property rights in its name and logo for the purpose of negotiating agreements with third parties. It will also offer the company all assistance required (in terms of access to the software and to relevant individuals at the Council) to allow the Company to enter into agreements with those third parties as a reference site and will approve a scope within which the company may make statements about the Council and its use of the System. Payment terms would need to be agreed between the company and the Council for payments of commission received by the company.

3.24 The company will enter into arrangements on its own behalf with third party software providers in which it agrees to act (or rather, agrees that the Council will act) as a reference site for that software, agrees to allow access to the software and allows the provider to promote the software by reference to the Council.

3.25 In return for the access and references provided by the Council (via the company), the company will seek an ongoing commission on all sales by the software provider to the public sector. The intention would be that such commission would be paid to the company regardless of whether or not the Council or the company have been instrumental in introducing the supplier or whether the customer has used the reference. The amount of the commission is to be negotiated with the software supplier.

4 ALTERNATIVE OPTIONS CONSIDERED

4.1 Alternative options were considered in Cabinet Report 32 on 7 July 2016. Those have since been further developed with the final three options described below.

4.2 The first option: "**Do nothing**", avoids any risk and offers no income stream for the Council, missing the opportunity to generate income. Doing nothing does not help relieve the pressure on overall funding for Council services.

4.3 The second option: "**Establish an IT company to build, market and support products and services**", offers the highest potential financial return but, at the same time, the highest risk of financial loss. Guidance from the Finance department states that a company set up by the Council would need to pay off start-up loans within a few years and from thereon in, be financially self-sustaining. Based on projections of costs and sales, the company would not be able to achieve this, as the combined start-up and running costs would exceed income for up to four years. Furthermore, the bulk of costs from year one onwards were deemed to be running costs which the Council would have to fund using revenue, not capital. In the worst-case scenario, were the company to not sell any product or service, the losses would be in the region of £1m to £2m over three years.

4.4 The third option: "**Establish an IT company that negotiates income generating agreements with commercial organisations and provides specialist services to other public bodies**", offers a lower return than the second option but minimises the risk of any financial investment or operating loss. Guidance from the Legal department, suggests the following approach: any interested third-party would sign an agreement, with the IT company which recognises the value of the Enfield Council brand, providing the IT Company (who would in turn pay the Council) with a commission for all income related to sales of the Enfield digital platform, including related products and specialist IT services, and annual renewals in perpetuity, to new local government customers. This approach offers a faster route to market. It also potentially generates the greatest income at any point considered over the first 5 years of operation of any of the three options considered. It does not preclude development of products and solutions at any time in the future, which opens new markets and/or broadens existing ones.

5. REASONS FOR RECOMMENDATIONS

5.1 In recommending option three, at section 4.3, the two key considerations are:

5.1.1 Council has developed, as part of the Enfield 2017 programme, with the support of third parties, a reputation in local government for having a digital platform that could be easily adapted for other councils. This know-how and reputation can be leveraged to generate an income stream for the Council over the next five years. Market interest and discussions with various commercial organisations suggest that this is possible, and negotiations with some of those organisations are under way to enable this to happen.

5.1.2 The income from referrals together with specialist IT services provided directly by the company would offset some of the future financial pressures on the Council.

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

6.1 Financial implications

6.1.1 The recommendation in this paper sets out the opportunity for the Council to exploit its investment to generate a sustainable income source for the Council. As stated in recommendation in section 2, approval is sought to form the IT Company to enable the Council to receive income in the form of referral fees and through the provision of specialist IT services to other organisations. Start-up costs, including company formation, legal advice and contractual agreements are projected to be less than £50,000. Running costs are projected to be in the region of £200,000 for the first year. These costs will need to be covered by a working capital loan from the Council initially, with income streams offsetting these by the end of the first full financial year of operation.

6.1.2 Full details of the commercial arrangements with third parties are being finalised.

6.2 Legal Implications

6.2.1 Section 1 of the Localism Act 2011 ("2011 Act") provides local authorities with a general power of competence ("GPOC"). Section 1(1) of the 2011 Act provides that a local authority has the power to do anything that individuals generally may do, provided it is not prohibited by legislation. The GPOC provides the Council with the necessary power given that in to utilise the GPOC the Council would have to do so through a company for a commercial purpose.

6.2.2 In accordance with the 2011 Act, the Council can set up a company under the Companies Act 2006 to do, for a commercial purpose, that which it is empowered to do under the general power of competence.

6.2.3 The proposed arrangement with the third-party company is not captured by the Council's Contract Procedure Rules ("CPRs") which apply to "the procurement by the Council, of Works, Supplies and Services …" (CPR 1.1) nor is the arrangement captured by the Public Contract Regulations 2015 which apply to contracts where there is a "pecuniary interest concluded in writing between one…economic operator(s) and one…contracting authority and having as their object the execution of works, the supply of products or the provision of services" (Regulation 2(1)).

6.2.4 The Council is satisfied that the proposed arrangement with the third party, as envisaged by the Council, would appear to be a pure income-generation arrangement, with the Council paying no fees to the third party nor receiving a service from them. Instead, the Council shall receive a portion of the income generated by the third party's sale of its own product, assisted in such sale by the allowance of the Council (as and when it deems it to be in its interests to do so) to use its site as a (sale) reference site. Considering this, the Council is satisfied that the arrangement can proceed without the need to go out to procurement.

6.2.5 The initial establishment and development of the company will be undertaken by the Council, establishing a company limited by shares for the development, ownership and operation of IT specialist services and brand commission referrals. External specialist legal advice will be sought to support this project (to consider procurement, state aid, etc. issues that might arise). An external legal firm will be appointed by LBE in accordance with the Council's Constitution. All of which will be closely managed by the in-house Legal team.

6.2.6 The Council must be mindful of the rules with regards to State Aid. Any services, rights or property provided by the Council must be provided at a commercial rate or exemptions to the extent available will need to be utilised to avoid issues of State Aid.

6.2.7 The company will be set up in accordance with the Companies Act (2006) (as amended), including the appointment to the Board of the company. All legal documents, including any agreements that are entered because of the setting up of a company, will need to be in a form approved by the Assistant Director of Legal and Governance Services.

6.3 Property Implications

6.3.1 None arising directly from the decision in this Cabinet paper.

7. KEY RISKS

7.1 Like all issues and decisions the Council faces, there are risks and opportunities provided by this paper. The risks and opportunities will be managed using a risk register that will be reviewed at each FRCS departmental risk management meeting, with appropriate mitigating actions and controls put in place and/or adjusted as necessary as the risk pattern changes over time.

7.2 Key risks identified for the recommendation are:

7.2.1 **Product lifecycle** – like all IT products, timescales for development, sales and implementation are short, and there is a limited timeframe within which sales can be generated without the need for further updates or development. The know-how developed by Enfield is no different, and, if the Council is to get a financial benefit from its earlier investment, it must move quickly to establish the Company and enable the income/royalties to be collected from partners.

7.2.2 **Potential market interest** – early estimates suggest that whilst there are over 400 councils in the UK, around 125 currently use the Microsoft platform upon which the digital product relies, and therefore may be interested in adopting the solution. The arrangements with potential suppliers enable a royalty from each of their customers to be returned to Enfield, and that royalty would be based on a percentage of the overall sales value of the products. In addition, through a limited company vehicle, Enfield Council would be able to provide direct specialist services to those same customers, further enhancing the income stream to the Council. The benefit of this approach being that the specialist IT aspect would come with a low investment profile for the Council, being based upon services rather than products.

7.2.3 **Competition** – although the products Enfield has developed are at present unique, other companies are developing similar products and, as with the product lifecycle, the Council must move quickly if it is to mitigate this risk.

7.2.4 **Know-how –** in developing the specialist solutions, the knowledge of marketing needed, the relationships with vendors, customers and the general reputation and technical know-how of key individuals is especially important in the first few years of operation of the company. Establishing commercial tie-ins mitigates the risk of losing that expertise and know-how.

8. IMPACT ON COUNCIL PRIORITIES

8.1 Fairness for All

By generating income for the Council through the sales of the IT platform, the need to make financial savings elsewhere in the budget to manage within the available resources reduces and, therefore, increases the possibilities for ensuring all customers within the borough are treated fairly by maintaining a wider range of services than would otherwise be possible.

8.2 Growth and Sustainability

Development of the Council's association with the digital platform solution puts in place the foundations for it becoming recognised across the local government sector, giving Enfield a stronger employment and helping to attract inward investment more indirectly by raising the borough's profile and standing.

8.3 Strong Communities

Additional income for the Council helps to maintain key services in our local communities, so helping them survive and prosper.

9. EQUALITIES IMPACT IMPLICATIONS

9.1 Formulating a third-party agreement to commercialise the digital platform does not create any equalities-related issues. However, should the IT company be formed at some point in the future, full equalities impact assessments will be undertaken. Similarly, although not the subject of this report, any restructuring of teams will be fully compliant with the Council's employment relations policies and practices, including equalities.

10. PERFORMANCE MANAGEMENT IMPLICATIONS

10.1 None arising from this report.

11. HEALTH AND SAFETY IMPLICATIONS

11.1 None arising from this report.

12. HR IMPLICATIONS

12.1 None arising from this report.

13. PUBLIC HEALTH IMPLICATIONS

13.1 None arising from this report.

14. BACKGROUND PAPERS

14.1 None

MUNICIPAL YEAR 2016/2017 REPORT NO. 175

MEETING TITLE AND DATE:
Cabinet 18 January 2017
Council 25 January 2017

REPORT OF:
Director – Regeneration and Environment

Contact officer and telephone number:

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Agenda – Part: 1	**Item: 8**
Subject: The Council's Main Investment Decision in energetik **Wards:** Cockfosters, Southgate Green, Upper Edmonton, Edmonton Green and Ponders End **Key Decision No:** 4266 and 4035	
Cabinet Members consulted: Cllr Alan Sitkin Cllr Dino Lemonides	

1. EXECUTIVE SUMMARY

1.1 energetik is a limited liability company which has been set up by Enfield Council to develop, own and operate a series of community energy networks throughout Enfield and North London. This local energy company was established in September 2015 with a vision to revolutionise the local energy market and be the supplier to trust.

1.2 Community energy networks (also known as district heating systems) supply homes and businesses with heating and hot water through a network of highly insulated water pipes. The UK is committed to heat networks through national government, the Mayor of London and locally, with strong policy support to deliver heat networks as a means by which to deliver ambitious carbon reduction targets.

1.3 Enfield's Decentralised Energy Network Supplementary Planning Document was approved in December 2015 and takes national and regional policy a step further. It requires the technical specification of heat networks in new developments in Enfield to ensure a fair price for consumers. The delivery of high quality heat networks is a planning requirement for all large developments in Enfield.

1.4 Enfield's residents and businesses will benefit from energetik being able to respond to this technical specification. By the Council undertaking this project and entering the heat market, it is able to take a long-term view on its investment for local benefit, delivering a better quality system that will last longer and ensure a fair price for consumers.

1.5 energetik's customers will be charged a fair price for their heat whilst receiving higher standards of customer service than could be offered by a private-sector Energy Service Company (ESCo). Residential prices will be benchmarked annually against gas, with no premium for low carbon heat. energetik's financial model allows for this approach, whilst providing an acceptable commercial return to the Council.

1.6 The energetik Business Plan shows how energetik intends to deliver a heat network equalling those found in continental Europe in scale, ambition and quality, with £4.37 million development costs already committed to develop this innovative project.

1.7 The Business Plan is prudently based on 15,500 connections and has the potential to provide heat to over 30,000 homes and businesses. The first 15,500 connections are planned to consist of:

- 13,500 homes served by the Lee Valley Heat Network, including 10,000 at Meridian Water; 2,000 to the west and 1,500 (or equivalent commercial demand) at Edmonton Green
- 517 homes and hotel at the Montmorency Heat Network (formerly Ladderswood)
- 992 homes at the Alma Road Heat Network, including an extension to a further 167 at Electric Quarter
- 402 homes at the New Avenue Heat Network

1.8 The Council's energy company is best placed to undertake this project and is in a position to build an exemplary, city-scale heat network, using planning policy to ensure that its technical specification is on par with the best networks in Europe. This unique opportunity enables the Council to underpin its regeneration aspirations whilst providing fairly priced, low carbon heat to homes and businesses across the borough.

1.9 The £3.5 billion Meridian Water development will provide 10,000 new homes, 6,700 new permanent jobs and a new train station over the next 20 years. The Estate Renewal schemes at Montmorency Park (formerly Ladderswood), Alma Road and New Avenue will provide a further 2,000 new homes. energetik will underpin this large-scale regeneration, providing fairly priced low carbon heat and hot water to all new homes and businesses at Meridian Water and the Estate Renewal schemes.

1.10 energetik will also deliver wider benefits to the community through improved air quality, reduced carbon emissions, smart technology providing access to consumption information for customers, and a wide range of payment options to suit all circumstances. This helps create warmer, more sustainable and comfortable places to live and work for Enfield residents and businesses. energetik's base case Business Plan is forecast to save 250,000 tonnes of carbon and 70,000 kg of NOx over 40 years.

1.11 energetik's prudent Business Plan is financially sound and affordable, with a financially viable model forecast to provide the Council with an acceptable Internal Rate of Return (IRR) for the business. In line with the principles required by The Heat Trust, energetik is also able to charge consumers across the borough a fair price for their heat whilst covering the cost of capital.

1.12 In addition to the revenue generated over the cost of capital, the Business Plan provides for the Council to receive an interest rate premium of £5.97 million Net Present Value from energetik paying back the loans and up to £800,000 per year business rates once the main network is built, using the existing standard valuation method.

1.13 PWC calculate that the energetik Business Plan is forecast to deliver significant economic, environmental and social benefits, with up to £225 million gross monetised benefit over 40 years, a Net Present Value of £94.7 million and a cost-benefit ratio of 3.4. PWC also identified a number of other non-financial benefits that were not possible to quantify in value terms. These included strategic benefits of delivering a Council-owned heat company; the ability to provide warmer homes and cleaner air; and the benefits of providing state of the art smart metering to customers.

1.14 The first customers at the Montmorency Heat Network are planned to receive heat in early 2017, closely followed by residents at Electric Quarter in 2017, Alma Road in 2018, Meridian Water in 2019 and New Avenue in 2020.

1.15 At the Estate Renewal Networks, the business aims to sell electricity generated on site by the Combined Heat and Power (CHP) engines over private wire networks to create revenue.

1.16 As has been demonstrated through the detailed financial cost modelling and Business Plan, as well as a series of rigorous audits by external consultants, the use of public funds is justified to deliver the energetik Business Plan, on the basis that the benefits achieved are commensurate with the risks involved and that the risks can be managed in the way described in this Report.

1.17 energetik demonstrates financial viability through its model and is resilient to changes in market conditions, whilst still delivering a secure heat supply to thousands of residents and businesses at a price comparable with gas.

1.18 The Business Plan and Cabinet Report have been reviewed and validated by a Gateway Review undertaken by KPMG, with a recommendation to progress to implementation, noting that:

- The Business Plan is prudent, robust and deliverable. It is based on well-informed assumptions, with the potential to create greater economic returns and social value through expansion
- Significant work has been undertaken by the business to mitigate and manage risks
- The Council has recruited a very experienced management team with knowledge to deliver and operate this type of business
- There is an appropriate governance framework, providing clear decision making and delegated authority. The processes and agreements in place give the company a solid footing on which to grow

1.19 A comprehensive risk register has been developed, categorising each identified risk. The key risks are manageable as the Council has an ability to secure the heat demand. A phased delivery approach has been developed so that the network can grow with demand, and contracts have been structured in such a way as to ensure that risk exposure is minimised. Active risk management processes are in place to continually monitor and manage risks, and an independent Audit Committee has been created to scrutinise the financial and risk management actions of energetik.

1.20 The energetik team has worked on and delivered some of the largest district heating systems in the country in their previous roles, and have owned and managed successful private-sector businesses in the industry. With over 100 years of combined knowledge and experience in the industry, energetik has the best possible knowledge to deliver a successful business.

1.21 The contractors who have been selected to deliver the infrastructure elements are industry leading experts in the UK, again helping to ensure that the Business Plan is deliverable.

1.22 The Value for Money Statement demonstrates how the strategic, economic, commercial, financial and management elements of the Business Plan provide value for money for the Council.

1.23 The combination of energetik's team of industry experts; a thorough review of the Business Plan and Cabinet Report by Council officers; PWC's work on the both the Value for Money Statement and Security Package; and KPMG's Gateway Review of both the Business Plan and Cabinet Report, demonstrate that the Council has undertaken thorough due diligence ahead of its main investment decision in energetik.

2. RECOMMENDATIONS

To ask Cabinet:

2.1 To approve the Business Plan, prepared for and approved by the Holding Company Board of LVHN Ltd on 19 July 2016, with an update report to account for the revised two phase funding strategy scheduled to be approved on 10 January 2017.

2.2 – 2.5 See Part 2 of the report.

2.6 To delegate to the Director of Finance, Resources and Customer Services to agree an On-Lending Agreement between the Council and energetik for the outstanding balance from the £15 million Tranche 1 funding, noting that £12 million has already been successfully secured under a match funding arrangement with the European Investment Bank (EIB) (£6 million) and the London Energy Efficiency Fund (LEEF) (£6 million).

2.7 To delegate to the Council's Director of Finance, Resources and Customer Services to approve and vary the schedule of loan repayments with energetik; to approve the entering into of further loan agreements between the Council and energetik to make available the funds which are the subject of this report; to operate the lending facilities; and to agree milestones required to be met before the release of funds. All borrowing will be in accordance with the Council's Treasury Management Strategy to mitigate the risk of a negative impact on the Council's budget and MTFP.

2.8 To authorise Parent Company Guarantees to energetik to cover its financial obligations in relation to the Heat Sale Agreement, Agreement for Lease and the Lease with the North London Waste Authority (NLWA) as per section 7.2.16 below

2.9 To delegate to the Council's Director of Regeneration and Environment authority to settle final drafting matters for the Heat Supply Agreement, Lease and Agreement for Lease in conformity with the Business Plan

2.10 To approve energetik to enter into contracts to sell the locally produced, private wire electricity from Montmorency, Alma Road and New Avenue as part of the efficient operation of Combined Heat and Power generating plant.

3. BACKGROUND

Strategic Context

3.1 Decentralised Heat networks will play an essential part in decarbonising the UK energy supply market and will contribute to helping the UK meet its carbon reduction targets.

3.2 The role of community energy in the national context was outlined in "The Future of Heating: A Strategic Framework for Low Carbon Heat in the UK" published by Department of Energy and Climate Change in 2012. The subsequent implementation strategy "The Future of Heating: Meeting the Challenge" was published in 2013, prioritising the supply of low carbon heat as a key opportunity to help the UK meet its international climate change commitments and ensure security of energy supply.

3.3 The Committee on Climate Change's October 2016 report "Next Steps for UK Heat Policy" concludes that deployment of low-carbon heat cannot wait until the 2030s. Opportunities exist to install low-carbon heat networks in cities. Delivery of additional heat networks can however only be realised with strong local and national government leadership.

3.4 In response to the 2015 Which? report on heat networks highlighted cases where the historical lack of standards and consumer protection has led to poor outcomes for households connected to heat networks, the Committee on Climate Change conclude that 'Recent evidence now points to improving heat networks experiences, including the majority of London new-build networks. New business models and smart systems have successfully addressed issues of poor-performing schemes.'

3.5 At the London level, the Mayor and Greater London Authority (GLA) have policy commitments to encourage community energy networks through the London Plan. The London Heat Map is a key tool for deployment of Heat Networks in London. Supported by the Mayor, the London Heat Map led to changes in Planning Policy that incentivise planners and developers to consider community energy. The policies are intended to reduce the carbon footprint of homes and buildings, and the country's reliance on old, out of date fossil fuel power stations and imported gas. In the process, they will deliver community energy networks that provide greater energy security and stable prices to local communities.

3.6 energetik is best placed to undertake a project of such importance and is in a position to build and deliver an exemplary, city-scale heat network that is on par with the best networks in Europe. This unique opportunity enables the Council to underpin its regeneration aspirations by providing competitively priced, low carbon heat to over 30,000 homes and businesses.

3.7 In response to the policy frameworks in place and in an attempt to deliver a host of economic and wider benefits within the Borough, Enfield Council has set up its own local energy company, energetik, to capture the opportunity presented by Meridian Water and the Borough's estate renewal schemes, eventually it will provide thousands of homes and businesses with better value energy that is reliable and environmentally friendly.

3.8 Enfield Council is in a unique position to enter the heat market as it is able to take a longer term view than a private Energy Services Company (ESCo) on its investment for local benefit whilst delivering a high quality heat network. This will provide a benefit to customers through fair prices and comfortably heated homes, whilst providing an acceptable commercial return to the Council.

Timeline So Far: A Quick Reminder

3.9 The energetik Business Plan and delivery strategy has been developed over the last five years, evolving to suit updated delivery strategies at Meridian Water and the Estate Renewal sites, with each milestone unlocking the next stage of development. The key milestones are summarised below:

Milestone	**Dates**
Greater London Authority's heat map: confirmed the opportunity for heat networks across London https://www.london.gov.uk/what-we-do/environment/energy/london-heat-map	2011
Pre-Feasibility and feasibility studies: confirmed the opportunity for Enfield Council to provide the low carbon energy infrastructure for Enfield's sizeable regeneration agenda to deliver significant economic, environmental and social benefits	2011 and 2012
Cabinet agreed to establish a conventional limited company as its preferred delivery option to design, build, operate and maintain a city-scale heat network in Enfield	December 2012
First Business Plan approved by Full Council, demonstrating the original project's viability and significant economic, environmental and social benefits. This secured a further £1.285 million development funding	October 2014
First UK local authority to receive back to back funding from the European Investment Bank (EIB)	February 2015

and London Energy Efficiency Fund totalling £12 million investment in energetik, demonstrating that energetik is a financially sound low carbon business. The EIB's £6 million investment in energetik's low carbon business formed part of wider £80 million investment in Enfield's strategic infrastructure, including Meridian Water	
'Invest in Enfield' event at the top of the Gherkin for Meridian Water and energetik, with key note speech by the European Investment Bank's Vice-President for Climate Change	May 2015
Full Council agreed to release £2.143 million funding to start-up the energetik business as a conventional limited company with its own company Boards, brand and operations	June 2015
First LVHN Ltd Board meeting	September 2015
NLWA Board Members approved the authority to enter in to the HSA / Lease / Agreement for Lease	October 2016
Council's main investment decision in energetik 'Go live' for www.energetik.london	18 January 2017 (Cabinet) 25 January 2017 (Full Council)

energetik Business Plan

3.10 energetik has been set up as the operating company tasked with delivering the heat network. The business operates at arm's length from the Council, run by a team of industry experts. To ensure good governance and appropriate control measures are in place, a holding company sits above energetik (Lee Valley Heat Network Limited (LVHN Ltd), with the Council as 100% shareholder. Further details can be found in Section 4 on governance.

3.11 The Council secured an initial £12 million of funding, with £6 million provided by the European Investment Bank (EIB) and a further £6 million from the London Energy Efficiency Fund (LEEF), which will be on-lent to energetik. The GLA has also committed to provide the Council with a £3.7 million zero interest loan Housing Zone grant for the Lee Valley Heat Network, which will reduce the Council's total borrowing requirement.

3.12 The Business Plan sets out a vision and strategy for the energy business, showing how it will enable a city-scale heat network, supplying over 15,500 homes with heat and hot water across four heat networks, which will serve as a minimum:

- The Montmorency Heat Network (formerly Ladderswood) to serve the first 40 customers in early 2017, with 517 homes and a hotel to be built and served in total in later phases
- The Lee Valley Heat Network, the largest of the community energy networks that the business will own and operate, which includes:
    - 10,000 new homes at Meridian Water
    - 26,000m^2 of commercial demand
    - 2,000 homes extension to the west of Meridian Water
    - 1,500 homes (or equivalent commercial demand) at Edmonton Green
- The Alma Road Heat Network (992 homes) and extension to Electric Quarter (167 homes)
- The New Avenue Heat Network (402 homes)

3.13 The potential demand for heat identified in the Business Plan is over 30,000 homes and businesses to make full use of existing heat sources. In reality, the system can be expanded beyond this depending on requirement, by connecting additional thermal storage and heat sources.

3.14 The business will sell electricity generated by the Combined Heat and Power (CHP) engines to commercial customers over a private wire network at the Estate Renewal Heat Networks, where possible, and any surplus will be exported back to the National Grid. This will include entering Power Purchase Agreements (PPAs), which are to be drafted and agreed with the relevant customer. The PPAs will enable energetik to receive a greater financial reward for the electricity that is produced by the CHP plant, but they will also include certain guarantees and obligations with respect to the continuity of electricity supply to the customer. energetik intends to follow industry standard obligations with respect to the PPAs.

3.15 The energetik business has three distinct competitive advantages in the local market place:

I. Enfield Planning Policy actively encourages heat networks, adding further strength to the London Plan. Approved by Cabinet in December 2015, the ‘Decentralised Energy Network Supplementary Planning Document’ requires all new large developments in Enfield not only to connect to a heat network but to meet a suitably high technical specification to ensure a fair price for consumers. energetik has followed this specification when designing the Lee Valley, Montmorency, Alma Road and New Avenue Heat Networks

II. The Portfolio Agreement between the Council and energetik enables all new Estate Renewal Schemes in Enfield to benefit from fairly priced low carbon heating and hot water supplied by energetik

III. energetik has negotiated a Heat Supply Agreement with the NLWA to be supplied with heat from its new Energy Recovery Facility (ERF), if/when it is built, potentially adding a very low carbon heat source to the network. A private-sector ESCo would be unlikely to have reached a commercial agreement to connect to the ERF due to the cost of the connection and the terms sought by NLWA, removing the opportunity to supply customers with a very low carbon heat source

3.16 energetik has developed a strong offer for residents and businesses located in Enfield and beyond. As shown in Appendix 1, energetik:

- provides better value for money
- aims to be better for customer service; the local economy; the environment and people's health
- is better through innovation

3.17 In addition to a financially sound Business Plan that covers the cost of capital and creates an investment return for the Council, significant sustainability benefits consolidate the investment proposition. There are environmental, economic and social benefits for the Council in its capacity as both sole shareholder and investor.

3.18 The Council's Value for Money (VfM) Statement for the energetik Business Plan is detailed in Appendix 2, which is broken into strategic, economic, commercial, financial and management considerations.

3.19 Key benefits include:

- the prudent energetik Business Plan is forecast to save 250,000 tonnes of carbon and 70,000 kg of Nitrogen Oxide (NOx) emissions over forty years. Reduction in carbon emissions
- direct Gross Value Added impact of the energetik business, considered to be the revenues of the business less its costs
- potential inward investment opportunities created by the heat networks
- energy savings for end users as compared to private-sector ESCos
- future proof to enable new technologies to "plug and play" in the decades to come

3.20 As has been demonstrated through both KPMG's Gateway Review of the Business Plan and Cabinet Report, and subsequent work undertaken by PWC, the energetik Business Plan provides the Council with value for money.

3.21 PWC has monetised the strategic importance of the energetik business to the Council. 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
TOTAL	***£225.2***	***£94.7***

3.22 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.

3.23 In addition, there are a number of 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.

3.24 In assessing the value for money of the proposed investment, PWC's assessment of the potential financial and non-financial benefits needs to be considered alongside the potential downside risks (that could impact on costs and benefits) and overall deliverability of those benefits identified. The risks are detailed in Section 8 of this Report. The deliverability of the identified benefits is detailed in the energetik Business Plan.

Heat Sources

3.25 The benefit of heat network infrastructure is that once installed, it is able to accommodate future changes in technology easily and quickly. Heat networks are often described as 'plug and play,' whereby different heat sources and heat loads are added over time to increase economies of scale, reduce peak heat demand and increase overall network efficiencies. If a more efficient and/or low carbon heat generating technology arises in the future, this means it can be connected to improve system performance and environmental impact.

3.26 The heat sources to be used in Enfield vary dependent upon the heat network in question. For the Montmorency, Alma and New Avenue heat networks, low carbon, gas-fired Combined Heat and Power (CHP) engines provide heat and electricity generation, backed-up and topped-up by gas boilers.

3.27 In Zone 1 at Meridian Water, the first blocks to be developed will receive heat from gas fired boilers in an energy centre located in one of the blocks being developed. Once a critical mass of properties is programmed to be delivered, energetik will commence the build-out of the energy centre to be located at the NLWA EcoPark. Modular CHP will be installed to provide heat to subsequent phases until such time that connection with the NLWA's new ERF plant is feasible. The gas-fired boilers from Zone 1 and the CHP engines in the energetik energy centre will then provide backup network resilience in case of any unforeseen supply issues from the ERF.

3.28 Good quality gas-fired Combined Heat and Power has been selected due to its proven track record of reliably providing a low carbon heat supply at an economical cost. It can be installed in a modular fashion to meet the growing demand of customers, making it the ideal solution to bridge the gap until the new ERF is built and supplying heat at to the Lee Valley Heat Network. Thereafter it is able to supply backup low carbon heat should the heat supply from the new ERF be unavailable due to maintenance or breakdown.

3.29 The business has managed to successfully negotiate a Heat Supply Agreement with NLWA for them to provide heat from their new ERF. If or when it is built, this will add a very low carbon heat source to the Lee Valley Heat Network. If for any reason it is not built, the CHP plant installed in the energy centre is able to satisfy the ongoing low carbon heat demand whilst remaining profitable.

3.30– 3.73 See Part 2 of the report.

Programme

3.75 The timeline below shows key business milestones, subject to the Council's main investment decision:

Year / Quarter		Milestone
2017	Q1	Council's main investment decision
		First customers at Montmorency Park
	Q2-Q 4	First customers at Electric Quarter
2018	Q3	First customers at Alma Road
2019	Q2	First customers at Meridian Water, with all 10,000 customers forecast to be connected by 2039
2020	Q1	First customers at New Avenue

Heat Network Expansion Potential

3.76 The Business Plan is based on providing heat to an initial 15,500 homes and local businesses set to benefit from better value, reliable and environmentally friendly energy. The potential demand for heat identified in the Business Plan is over 30,000 homes and businesses to make full use of existing heat sources. In reality, the system can be expanded beyond this depending on requirement, by connecting additional thermal storage and heat sources.

3.77 This development potential places the Council in a position to deliver a true city-scale heat network, potentially the largest in the UK, and to a quality and scale comparable with European district heating schemes. energetik's ultimate development vision is to extend the network to other London Boroughs to provide low carbon, affordable heat to thousands more properties, rivalling the success seen across the continent. The technical specification, the operational experience of the team and the vision sets the business apart from others in the UK market.

3.78 It is recommended that a £4 million Business Expansion Fund is added to the indicative capital programme to enable the business to expand when opportunities arise, prior to it having built up adequate cash surplus itself. Each investment decision is subject to a separate feasibility study and is subject to HoldCo approval, so that additional connections further increase the efficiency and financial viability of the Business Plan, with positive impacts on both energetik's cash flow and Internal Rate of Return.

4 Governance and Risk Management

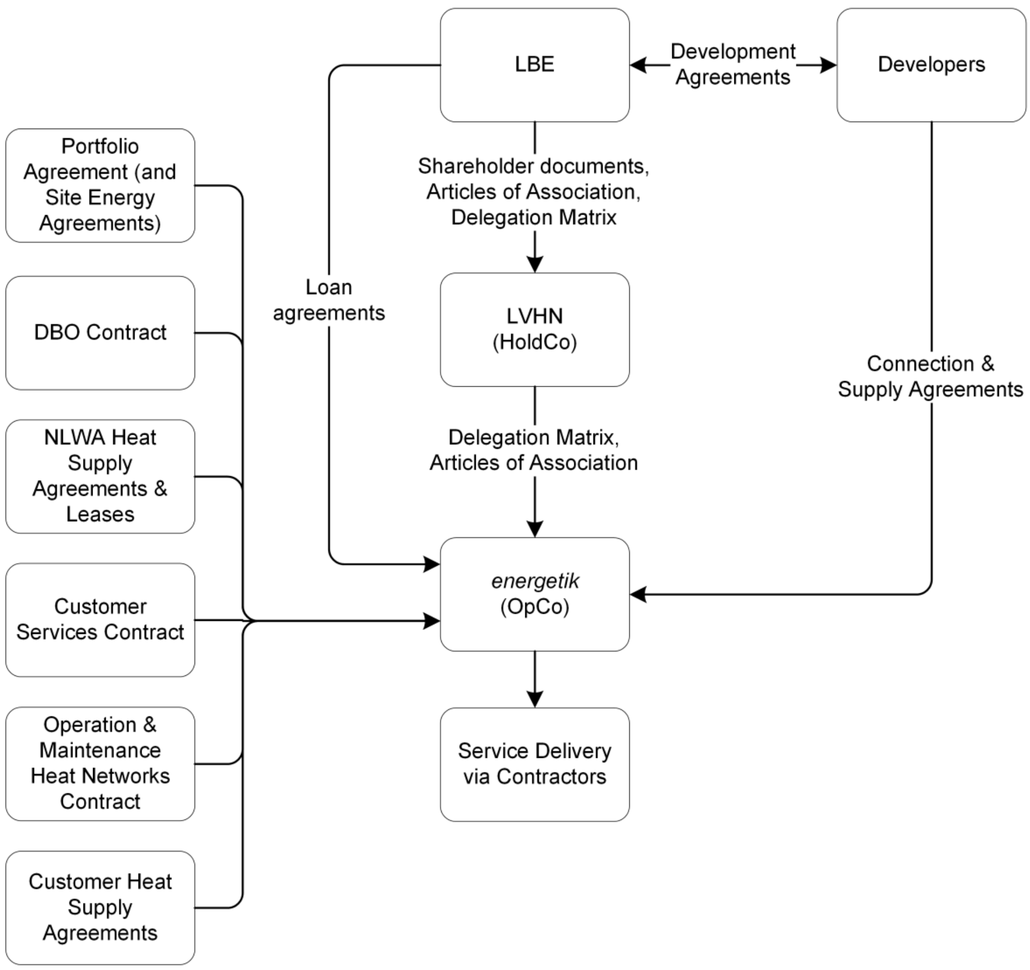
4.1 Governance

4.1.1 A complete set of governance procedures have been put in place to ensure energetik is governed in a prudent manner, aligned with the Council's ambition to ensure effective delivery throughout the life of the business whilst the Council maintains ultimate control. This includes:

- A two tier commercial structure has been adopted, with a Holding Company "HoldCo" and an Operating Company "OpCo" (energetik). The Council is 100% shareholder in the holding company, which in turn owns energetik. As sole shareholder, the Council has ability to exercise controls over the companies, and the board appointments. A two tier structure allows day to day operational decision making to happen quickly and efficiently by the management team, within approved decision making and spending thresholds, whilst the holding company provides strategic assistance and acts as an approvals board for decision making where approved thresholds are exceeded. Certain reserved matters are in place, and can only be approved at the highest level, through a Full Council decision
- Delegations Matrix to govern spending limits and decision making abilities

- The HoldCo Board includes two non-executive directors appointed from the industry to provide strategic advice and challenge decision making and the Managing Director of the OpCo
- An independent Audit Committee has been established for the energetik business that meets on a quarterly basis, chaired by the Council's Director of Finance, Resources and Customer Services. The function of the committee is to monitor financial processes; supervise auditing functions; and to assess risks and liabilities, the implications for the finances and the reputation of the Council, and to consider actions proposed or taken to mitigate them. Any actions identified as a result of this Audit Committee meeting are discussed with energetik to action accordingly

4.1.2 The diagram below explains the intended corporate structure and contract arrangements that underpin energetik's procurement transactions. The Council on-lending agreement for the LEEF and EIB loan presently resides with HoldCo but is in the process of being transferred to OpCo in accordance with the contract arrangements below. The rest of this report explains roles after completion of this process:



4.1.3 Following the main investment decision the Council will establish a Programme Board, chaired by the Director of Regeneration and Environment, to:

- Manage the risks, interdependencies and opportunities between energetik, Meridian Water and the Council's Estate Renewal schemes
- Manage the Council's Tranche 1 investment in energetik, including business development and communications opportunities, and Council side risks
- Manage and finalise the Council's overall investment in Tranche 2
- Ensure the Council optimises individual investments across its portfolio of regeneration projects
- Manage the expansion opportunity arising from the Council's future Estate Renewal schemes, as covered through the Portfolio Agreement

4.1.4 The Council's Procurement Board will ensure contracts are entered into in the right sequence and at the right time.

4.2 Risk Management

4.2.1 A full risk management strategy has been developed to manage and mitigate risks associated with the business. Mitigation strategies have been developed to ensure that all risks are reduced from high to low, or at worst moderate. energetik's risk management framework is in line with the Council's own risk management procedures. A comprehensive risk register has been developed, categorising each identified risk into eight key areas:

- Governance
- Legal
- Procurement
- Business Development
- Construction
- Commercial
- Financial
- Operational

4.2.2 Each risk is allocated a risk owner and then scored both on probability and impact to assess overall severity and exposure, as well as being given a financial value, where possible, if the risk were to materialise. These risks are then reviewed on a monthly basis, with mitigating actions, risk scores and values updated. Each month, a new version of the risk table is created, to provide an audit trail showing how risks are being managed and actions taken to reduce or remove the impact as the project progresses. The key risks are regularly reported back to both the holding company board, operating company board and once established, a Programme Board Chaired by the Director of Regeneration and Environment.

4.2.3 The security package work stream completed by PWC will be used to inform the work of the Programme Board, to specifically consider Council side risks as described in section 8 of this report, as well as strategic oversight of key interdependencies and opportunities.

5. ALTERNATIVE OPTIONS CONSIDERED

5.1 **No decision by the Council to invest in Tranche 1:** This ‘Do nothing’ scenario is based on a private-sector Energy Services Company (ESCo) delivering a heat network, letting developers proceed without energetik. Not providing a heat network is not an option due to the Council’s Supplementary Planning Document for Decentralised Energy Networks. Left to normal market conditions to provide the community energy schemes energetik intends to deliver, customers would not receive a heat network that provides the same benefits as that proposed by the energetik. To achieve the higher 12% investment returns that would be expected by a private-sector ESCo to reflect the higher cost of capital, the residential energy price on a ‘like for like’ infrastructure scheme would typically be higher and the specification of the design and on-going services would be of a lower standard.

5.1.2 A ‘Do Nothing’ decision would however mean that the Council avoids all the risks associated with the investment decision as identified in this report (although taking into account the write-off and other costs that would be incurred).

5.1.3 Private-sector ESCos would also be unlikely to connect to the ERF, instead going for gas CHP. This removes the opportunity to supply customers with a very low carbon heat source.

5.1.4 As has been proven elsewhere in the UK, private developers are also generally unlikely to seek to expand their community energy networks for additional local benefit beyond their initial project boundary.

5.1.5 - 5.16 See Part 2 report

5.1.7 In summary, without a decision to invest, the delivery of the necessary heat networks in Enfield would fall to the private ESCo market. If this were to happen the Council will:

- Not realise the financial benefits provided by delivering the network itself
- Write off the £4.37 million invested in the development of the business to date, which would be a charge to revenue for which there is no budget provision and would increase pressure on Council reserves and balances
- Have significantly less influence over the delivery of low carbon energy infrastructure as part of its regeneration ambitions at Meridian Water and its Estate Renewals
- Have to consider how to cover the capital and operating costs required to deliver effective customer service to its first customers at the estate renewal heat networks, including the necessary operational and capital

expenditure requirements. This is an existing commitment regardless of the Council's main investment decision in energetik

- Not achieve the economy of scale required to deliver a city-scale heat network, in which case it would need to consider selling the Montmorency Heat Network and halting asset adoption at the Alma Road and New Avenue Heat Networks. This incurs an additional reputational risk for both the Council and business
- Have to consider how to deliver heat network infrastructure as per the tender requirement already placed upon Barratt London, as the appointed Meridian Water master developer
- Halt the commencement of the detailed design of the Lee Valley Heat Network and energy centre in accordance with the Design, Build and Operate contract as part of the Tranche 1 funding, which is required to enable heat supply to the first customers at Meridian Water in 2019
- Be in breach of the LEEF funding criteria and be at risk of having to pay a £180k penalty

5.2 See Part 2 report

6. REASONS FOR RECOMMENDATIONS

6.1 Appendix 2 provides a Value for Money Statement which is broken into the strategic, economic, commercial, financial and management elements of the Business Plan. As has been demonstrated through the detailed financial cost modelling and Business Plan, as well as a series of rigorous audits by external consultants, the energetik Business Plan provides the Council with value for money.

6.2 As a result of these strategic, commercial, financial, economic and management cases, the use of public funds is justified as:

- energetik has member and officer support, as well as being supported at local, national and international policy levels
- The business will deliver significant carbon savings, in line with the Council's carbon reduction savings targets
- The Business Plan sets out a robust and deliverable business, based on well-informed assumptions with the potential to create greater economic returns and social value through continued expansion
- The governance arrangements are well structured and ensure that the Council as ultimate shareholder has appropriate control of the energetik business using a robust risk management strategy, including regular performance monitoring
- The risks are considered to be manageable, and the Business Plan is based on prudent assumptions, with critical attention being paid to key strategic risks
- The energetik management team has a wealth of industry specific knowledge and experience required to deliver and manage the business

6.3 – 6.5 See Part 2 report

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

7.1 Financial Implications

See Part 2 of the report.

7.2 Legal Implications

Vires

7.2.1 As previously reported to Cabinet in June 2015, 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. 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 the previous legal justifications for establishing and implementing the business, and the decisions taken.

7.2.2 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 LVHN Ltd. The sale by energetik over private wire of electricity generated from combined heat and power can and will need to be structured so as to remain legally compliant.

7.2.3 In relation to the guarantees referred to in 7.2.16 below, the introduction of the ‘general power of competence’ under the Localism Act 2011 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.

Company Structure

7.2.4 Also as previously reported, LVHN Ltd and energetik are both set up as arm’s length companies in accordance with the Companies Act 2006, and limited by shares. The company structure includes LVHN Ltd, which is wholly owned by the Council, and in turn holds all the shares in the operating company, energetik. As such the matters addressed in this report are consistent with the structure previously authorised, subject to the further descriptions of the roles of each company detailed and recommended in this report.

7.2.5 It is intended that LVHN Ltd (and its subsidiary) will operate as a commercial entity, and the Business Plan now sets out the basis for moving forward operationally and financially. In addition, this Report sets out the investment approach being taken by the Council and makes recommendation in relation to that. None of these arrangements (at both Company and Council level) are contrary to the previous basis on which legal implications have been reported, and remain lawful. The final investment decision should 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 8 below).

Procurement

7.2.6 The ongoing procurement activity in relation to the business will continue to remain compliant with EU procurement law, and appropriate legal advice taken on an ongoing basis. Ultimately, all legal agreements will be in a form approved by the Assistant Director of Legal and Governance Services.

State Aid

7.2.7 State aid legal compliance is being managed on an ongoing basis, and legal and other professional advice has been taken. This is critical given the number of ways in which the business is being supported by the Council (and other public bodies). None of the arrangements set out in this report, or the recommendations flowing from it, are intended to grant unlawful state aid. However, as the report from the Council's legal advisers confirms, the position will need to be kept under review as the various investment decisions are implemented.

7.2.8 The Council's financial advisers have confirmed that the quantum of State Aid which is required by energetik falls within the parameters of what can be provided as legal State Aid using the General Block Exemption Regulation. The Council will work closely with its legal and financial advisers to put in place the appropriate contractual mechanisms to ensure the funding and ancillary support is provided in a State Aid compliant manner. This compliance will be addressed as part of the On-Lending Agreement between the Council and energetik.

Housing Revenue Account (HRA) Considerations

7.2.9 The main consideration for HRA is the need for the scheme to operate on terms which ensure that HRA land is only disposed of for best consideration (as required by statute). Provided the financial basis for transferring land and then securing payment from energetik for assets under the Portfolio Agreement meet this requirement, the arrangements will meet legal requirements. A financial methodology has been agreed between energetik and the Council to achieve this.

Financial Exposures of the Council

7.2.10 The Council's overall risk exposure is not limited to financial risks; as mentioned it includes reputational risk. All of these risks should be weighed in the balance when making the investment decision, taking account of the risk mitigation steps identified throughout the Report. It is, however, the Council's financial exposure that links with the Council's obligation to take account of its fiduciary duties. In that regard, the PWC Report assessed direct and indirect financial exposures, and those findings are reflected in the Report (and where possible the level of risk quantified). Where a risk exposure cannot, with any degree of meaningful accuracy, be quantified, the nature of the risk is described alongside the risk mitigation factors.

7.2.11 Given that a limited company is to enter into all contracts in its own name, the Council's direct financial exposure comes from:

(a) borrowing to invest in energetik. 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

(b) Council on-lending to energetik. This is discussed further below in paragraph 7.2.12

(c) Acting as guarantor to energetik under two parent company guarantees that have been sought. These are discussed further below in paragraph 7.2.16

Funding Agreements

7.2.12 Funding agreements (lending between the Council and the business):

i) **Existing LEEF loan agreement:** a condition of the previously approved funding from LEEF to the Council is that the key business document (the Design, Build, Operate contract) is entered by 1st June 2016 or the Council potentially faces enforcement action for default. A request to have this timeline extended to the end of February 2017 has in principle been agreed with LEEF, who are fully aware of the reasons for the delay and have confirmed that they will not be taking action to claim the default penalty as the position currently stands. It must be noted however that further delays would introduce a higher risk of enforcement against the default for which the Council would be liable. The potential liability under the agreement is £180k (3% of the £6 million balance). The LEEF loan agreement imposes restrictions on how the money is deployed, which if the better solution being discussed with LEEF (referred to in paragraph 4.1.2 above) is not agreed and implemented, would require a service agreement between the holding company and operating company and some additional company re-organisation.

ii) **Additional loan agreements:** providing the additional funding required to deliver the Business Plan requires additional loan agreements to be put in place for the Council to deploy necessary funding into the business. This funding will largely replicate the structure and terms of the LEEF loan agreement but with conditions reflecting conditions attached to the original funding source and/or to help ensure compliance with state aid rules. Other tailoring will be required on 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 (see recommendations).

iii) **Lender risk:** the Council, as lender under these agreements, is exposed to the potential failure of energetik, as borrower, and energetik's inability to repay the money it owes to the Council. This is mitigated to a large degree by the terms of the loan agreements, the oversight the Council has over the running of the business as sole shareholder, and the governance measures implemented through the Delegations Matrix.

As ultimate shareholder in the borrower, through requirements imposed on energetik to report to its Holding Company Board (which includes Council representation), and through Board and shareholder approval requirements, the Council will have substantially greater visibility of the ongoing financial and technical performance of the business. This will give the Council advanced warning of any issues arising, the ability to probe and seek guidance, and the opportunity to remedy such issues. This additional level of oversight, control and influence is significantly greater (in both a legal and practical sense) than a normal lender would have in a pure lender-borrower relationship (where security rights would be purely contractual).

Contracting at company level and contingent risks in contracts

7.2.13 There is a high degree of interdependency between the key contracts (e.g. the Design, Build, Operate contract; the Operations and Maintenance Agreement; the Customer Services Agreement; the Heat Supply Agreement; the LEEF Loan Agreement and the On-Lending Agreement; the Meridian Water Development Agreement; and development/adoption commitments in respect of the Montmorency Heat Network etc.) with the risk of stranded costs/liabilities potentially resulting under one agreement, if another fails to be delivered. These are risks facing energetik and principally flowing through (contractually) to the Council as a repayment risk under the loan agreements and/or a contractual risk under the relevant Development Agreements entered into by the Council. This has been mitigated to some extent through the ability to adjust development programmes and to reshape energetik's debt repayment profile. For example, steps are being taken to ensure that the Master Development Agreement for Meridian Water dovetails with how other agreements operate and triggering of obligations to match the split between Tranche 1 funding and any subsequent Tranche 2 funding decision.

7.2.14 In the event that the Meridian Water development agreement is not signed, none of the heat agreements other than in respect of the Estate Renewals Schemes will be signed.

7.2.15 In the event that Tranche 2 funding is not forthcoming, limited works should have been instructed to that point and each of the agreements contains either a termination right or rights that can be used to bring about termination (e.g. a longstop date in the DBO contract for the instruction of Tranche 2 works).

Parent Company Guarantees

7.2.16 **Guarantees required to support energetik entering into the Heat Supply Agreement, Agreement for Lease and Lease:** energetik intends to enter into these agreements as a means of obtaining greater certainty that North London Waste Authority will deliver items which are important to the future performance of the heat network (e.g. the Energy Recovery Facility, from which energetik will purchase heat).

7.2.17 It is proposed that the Council will enter into two separate guarantees (on the same terms), one in respect of the Heat Supply Agreement and a second covering the Lease and Agreement for Lease. Under each guarantee, the Council shall from execution guarantee the financial obligations of energetik under the relevant document. There is no obligation to carry out the role of energetik. Neither guarantee may be called upon until NLWA as claimant has issued a Warning Notice to the Council and where the notice is disputed by energetik; the dispute resolution process must be followed before a claim can be made directly against the Council. The maximum liability under the HSA guarantee is £5,000,000 unless waived by the option of energetik or uncapped in accordance with legislation. There is no liability cap in the Agreement for Lease or Lease (a market norm for property leases). However exposure to liability to both energetik and the Council is mitigated as much as possible by the inclusion of a number of market lease provisions to restrict the likelihood of there being a tenant liability, as with market norm provisions.

Project Security Package

7.2.18 PWC assessed the key security package and investment risk considerations with respect to the initial £15 million (entire Tranche 1 investment, including £4.37 million development costs). In this context they considered:

Design, Build and Operate contractor

7.2.19 Vital Energi has been selected as the preferred DBO partner but not yet appointed.

7.2.20 A contracting basis is being proposed that includes a standard basis for design and build and allows for delivery of specific works to be undertaking on a fixed price basis. As yet, a scope and fixed cost for the key works outlined in Phase 1 of Meridian Water have not been agreed with Vital Energi. This will happen once Barratt’s detailed development programme has been agreed. Whilst the exact scope is not known, energetik has a detailed schedule of rates derived through the competitive tendering process. This enables such variations to be priced, as is the norm for contracts where the complete scope cannot be determined at the time of tender.

Mitigation

7.2.21 If an acceptable fixed price for the Phase 1 works cannot be agreed with Vital Energi, then energetik retains the right to procure another contractor to deliver the works.

7.2.22 Should the work be agreed with Vital Energy, where necessary, its performance and financial obligations will be supported by its parent company, Vital Holdings Limited. The guarantee being provided by Vital Holdings Ltd is uncapped.

7.2.23 PWC's analysis highlights that Vital Holdings Limited has:

- Turnover, as at 30 June 2015, of £54m, down from £58m in 2014
- Net assets of £10.7m, an increase from £9.1m in 2014
- Dun & Bradstreet credit report rates Vital Holdings Ltd as 3A2, and indicate that c. 77% of UK businesses are higher risk than the company

The scope of the work for Tranche 1 for the DBO contractor is around £5 million of the £10.63 million, which is comfortably within the asset value and a small percentage of the annual turnover of the company.

7.2.24 The existence of this parent company support, provides additional comfort over Vital Energi's ability to meet its obligations of the DBO contract in Phase 1 of Meridian Water.

7.2.25 The contract with Vital Energi contains a longstop date and termination right at the end of the two year period in the event that Phase 2 Meridian Water works are not instructed. This can be used as a termination right in the event that energetik is unable to secure follow-on investment.

7.2.26 energetik will monitor the financial strength of the DBO partner and parent over the course of Tranche 1 and that it is subject to further, more detailed review ahead of any Tranche 2 investment being agreed**.**

Customer Services Agreement

7.2.27 energetik selected Switch 2 Energy Ltd as the preferred bidder for this contract.

Mitigation

7.2.28 energetik is protected by an annual cap on liabilities under this contract amounting to 100% of the annual fee payable to the contractor. Operation of this cap is subject to further clarification.

7.2.29 Similarly energetik would propose to novate this contract to a third party in the event that Meridian Water Phase 2 funding is not forthcoming, with a no-penalty termination right arising by 2024, giving time for sale of the Estate Renewal schemes if necessary.

Other Agreements

7.2.30 There are other agreements that either the Council has, or intends, to enter into (e.g. Development Agreements on the three Estate Renewal schemes and Meridian Water) or energetik has or intends to enter into (e.g. Connection and Supply Agreements). Each of these creates potential obligations for the Council and / or energetik.

7.2.31 With regard to the former, the Council has or will enter into these development agreements with the respective developers on each of the schemes. Under these contracts, it is proposed that the developers are obligated to develop a heat network which is capable of connection to the heat networks once available, with a no-penalty termination right arising by 2024, giving time for sale of the Estate Renewal schemes, should that be necessary.

7.2.32 In the event that energetik is unable to fulfil this role (via the Connection and Supply Agreement, for example), or it does not secure follow-on investment to allow it to continue in this role, it is intended that contract to be novated to a third party ESCo.

7.2.33 Generally, in relation to the contracts to which the Council is not a party (such as the supply/connection agreements and contracts for construction and operation), the Council carries a reputational risk if these are not performed. The possible risk of third parties seeking recourse against the Council as owner of the business (LVHN Ltd and its subsidiary, energetik) cannot be ruled out (although the Council could rely on the limited liability status of the companies).

7.2.34 Agreements between the Council and energetik (the Portfolio Agreement for example) create limited risk exposure as the Council has ultimate control of the companies.

7.2.35 Where the Council has a relationship with the companies as lender (under the loan agreements) the primary risk is of default, mitigated via the Council's oversight of the business.

7.2.36 **Leases:** with respect to the Lee Valley Heat Network and Estate Renewal heat networks, energetik will enter in to all necessary leases and easements in respect of all relevant energy centres and pipe network. In respect of the Estate Renewal heat networks, this will be delivered via the relevant development agreement between the Council and the developer.

7.2.37 **Debt vs. Equity:** since the project is being funded entirely by means of loans to energetik, without any equity participation, there are greater risks in the project. That is because any shortfalls in revenues may more immediately put energetik in breach of its loan obligations, without the buffer of equity participation.

7.3 Property Implications

7.3.1 With respect to the Lee Valley Heat Network, energetik will be responsible for obtaining planning consent, necessary property rights and statutory approvals. Working towards obtaining these approvals has commenced to mitigate risk to the business as follows:

- Planning: energetik working with their architects and engineering consultants have created an outline design for the energy centre proposed at the EcoPark and discussed its design with Enfield's planning team, urban regeneration team and the landlord NLWA. Comments received to date have been incorporated into the evolving design to mitigate potential risks to planning or landlord approval. This soft landing approach will be continued by also submitting a pre-planning application prior to the formal planning application in 2017
- Statutory Approvals: through the process of developing the present outline design by the DBO Contractor, responsibility for discharging all necessary statutory approvals, including at the operational stage has been contracted through the DBO Contractor
- Property Rights Required:
  - energetik is in the process of finalising the lease and easement agreement with NLWA for the energy centre and pipe network on their land
  - The route of the heating network from the energy centre to Meridian Water has been proven via a detailed review of utility drawings, site investigation and ground penetration radar surveys to demonstrate via 3D drawings that an unimpeded route is viable. The route follows Council adopted highways, with the exception of four small parcels of land. Two of the land owners are involved with land swap deals with the Council due to Meridian Water, one landowner has a section 106 obligation to provide a pipe easement to the business, and the other land owner is controlled by the GLA. energetik has employed specialist property lawyers who do not envisage any problems obtaining the necessary property rights required from these four land owners. Detailed discussions with the land owners will commence in 2017, well ahead of the network installation of in 2019
  - The Meridian Water developer is required to provide property rights as required for the LVHN heat network via the development agreement and is intended to be re-enforced via a section 106 obligation

7.3.2 With respect to the Estate Renewal heat networks, the developer is required via the development agreement with HRA for obtaining planning consent, necessary property rights and statutory approvals. These are then passed down to energetik via a lease and asset adoption agreement.

8. KEY RISKS

8.1.1 **Section 9 of the Business Plan considers the key strategic risks to the** business, and sets out the ways in which they have been or could be mitigated.

8.1.2 A risk management framework and detailed operational Risk Register has been developed and audited externally, which follows the Council's own risk management procedures. It is reviewed and updated on a monthly basis to record mitigating actions taken to reduce the risks and protect the Council's reputation.

8.1.3 Sensitivity Analysis has been undertaken for the three most significant business risks to determine how realisation of these risks would impact on the IRR and capital programme, as shown in the Business Plan. The three scenarios are NLWA Delivery, Slow Build-Out Rate and Potential Change in Interest Rates.

8.2 - 8.7 See Part 2 report

8.8 The Council and company agree key contracts out of sequence

8.8.1 This would create exposure for the Council. The agreed mitigation is a combination of building in the ability to terminate some contracts; the ability to adjust programme; and the ability of the Holding Company Board to manage the timing of signing of contracts and giving instructions. This will be monitored by the Council's Programme Board.

8.8.2 energetik will be entering into a number of other key contracts. The exposure of the Council under these contracts is detailed in the legal implications.

8.9 Parent Company Guarantees

8.9.1 If energetik defaults under the Heat Supply Agreement, the Lease or Agreement for Lease, the Council is exposed as guarantor of the financial obligations of energetik but will not be obliged to carry out its role.

8.9.2 The maximum liability under the HSA guarantee is £5,000,000 unless uncapped in accordance with legislation. There is no liability cap in the Agreement for Lease or Lease, however exposure to liability to both energetik and the Council is mitigated as much as possible by the inclusion of a number of standard market lease provisions.

8.10 energetik Does Not Achieve Its Forecast Return

8.10.1 Detailed governance controls have been put in place to ensure that all is done to mitigate this risk over the lifetime of the project.

8.10.2 The Council, through its role as 100% shareholder and its members and officers sitting on the Holding Company Board, will be fully informed as to the operating efficiency and financial performance of energetik through the provision of regular financial management reporting.

8.10.3 If energetik's financial performance fails to deliver and is due to external factors outside of the control of the management team, the operating costs and expenditure would be restructured in such a way that ensures that it delivers expected returns as is the norm for any successful, commercial entity.

8.10.4 If energetik defaults under its loan agreements with the Council – see section 7.2.12 above.

8.11 See Part 2 of the report

9 IMPACT ON COUNCIL PRIORITIES

9.1 Fairness for All

The heat networks will help tackle inequalities in the borough by:

9.1.1 Providing an affordable service:

- The Council is best placed to provide fair pricing across developments served by district energy networks managed by energetik, whilst ensuring each site remains economically viable in its own right. If left to the private sector, it would not be possible to deliver a fair pricing strategy across community energy developments within the borough. Prices can vary dramatically from scheme to scheme when delivered by a private ESCo, due to their pricing methodologies and the requirement of a higher return on investment
- By delivering multiple schemes under one entity owned by the Council, heat tariffs can be structured fairly and balanced across all schemes. These tariffs will be fair and benchmarked against gas on an annual basis to keep prices stable for customers, with a number of payment options available, designed to suit individual circumstances. The business has pledged to sign up to the principles detailed by the Association of Decentralised Energy (The ADE)

9.1.2 Providing a high quality, accessible service:

- Through the provision of a highly skilled customer service operator, energetik will provide a single point of contact for queries, with rapid response times in place if something goes wrong and compensation if obligations are not met. The strategic approach adopted provides all energetik developments with high quality, uniform treatment of customers that takes into account their individual needs and any vulnerability

9.2 Growth and Sustainability

energetik is a catalyst for the Council's ambitious plans for regeneration of deprived areas and sustainable economic growth. It addresses these plans in the following ways:

9.2.1 Maintaining a clean, green, sustainable environment:

- The Lee Valley, Montmorency, Alma Road and New Avenue Heat Networks will contribute to carbon reduction in the borough through its design as an inherently low carbon heating network, helping Enfield as well as businesses in the borough reach their carbon reduction targets. It will help meet Enfield 2020's 40% carbon reduction target for the Borough by 2020
- A highly insulated and efficient network is better for the environment than the equivalent high efficiency domestic gas boiler alternative. Homes connected to the estate renewal networks for example will save 194kg of CO2 per annum, a 30% reduction in carbon footprint than the same home with gas installed
- energetik is one over 50 large scale sustainability projects in the Enfield 2020 Action Plan, making Enfield a better place to live, work and visit

9.2.2 Bringing growth, jobs and opportunities to the Borough:

- The energy infrastructure that will be delivered will underpin Enfield's regeneration ambitions
- energetik will be able to provide a secure supply of low carbon heat to local businesses close to the Lee Valley Heat Network and the Estate Renewals
- It will support inward investment opportunities by providing an energy efficient, low carbon platform to attract new businesses to Enfield, helping deliver the Mayor of London's and the Council's regeneration aspirations
- A Targeted Recruitment and Training Plan (TR&T) was included within the DBO and customer services tenders, requesting tenderers to propose how they would deliver recruitment and training in the Borough. This includes apprenticeships, work placements and employment opportunities for those in long term unemployment. There are clauses within the relevant contracts requiring the contractors to work in partnership with energetik to ensure, as far as is reasonably possible, recruitment happens within the Borough

9.3 Strong Communities

9.3.1 Community engagement and enabling is a cornerstone of the business' delivery model. This in turn promotes stronger, more cohesive communities and active citizenship. The community impact of the project can be described as follows:

- An innovative approach to community engagement will ensure that the local community is involved and understands what energetik is, what it is trying to achieve and how this will benefit them
- Helping people to understand and manage their own energy use whilst assisting others to do the same encourages active citizenship

- The new homes that will be supplied will be more energy efficient, helping customers stay warm and well, and making people proud of where they live
- Public health will be improved through cleaner air and there will be no risk of carbon monoxide poisoning associated with gas boilers
- The Council-owned energy company will provide local benefits through jobs and employment opportunities as well as supporting a major boost to the local economy

10 EQUALITIES IMPACT IMPLICATIONS

10.1 An EQIA Assessment has been undertaken. It identified that the recommendations in this Cabinet Report are unlikely to have a significant impact on the protected characteristic groups or the way that individuals access information or services. An EQIA Action Plan has been created and will be regularly reviewed and updated.

11 PERFORMANCE MANAGEMENT IMPLICATIONS

11.1 Lee Valley Heat Network Ltd and its ‘energetik’ subsidiary have been trading since September 2015 in accordance with its Articles of Association. The performance of energetik is managed through one-to-ones; team meetings; the monthly OpCo Board meeting; and regular HoldCo Board meetings.

11.2 Regular reports are prepared on the programme, budgets, the business’ Risk Register and energetik’s overall performance, including Highlight Reports. An independent Audit Committee has also been established.

12 HEALTH AND SAFETY IMPLICATIONS

12.1 The corporate Pre-Qualification Questionnaire addresses issues of Health and Safety management by any provider being considered for invitation to tender for a qualifying council contract.

12.2 The contractor presents relevant information and examples of their health and safety management system, mandatory reporting and notification systems and systems for ensuring competence of staff and any sub-contractors that may be employed.

12.3 Exemption from this requirement is given to contractors who can prove accreditation with a Health and Safety Accreditation scheme or organisation which has membership of the Safety Schemes in Procurement scheme.

12.4 Pre-Qualification Questionnaire responses are checked for completeness and compliance before they are assessed to ascertain whether they attain the required “Pass” status.

12.5 energetik has made use of the web based London Tenders Procurement Portal to facilitate this process and adhere to the council's policy on the reduction of paper based documentation.

12.6 The Design, Build, Operate and Maintain contract, the O&M Agreement and the Customer Services Agreement has followed the procedure set out above.

12.7 The business shall adhere with all new and up to date CDM regulations.

12.8 energetik appointed Frankham Consultancy Group Limited as its specialist CDM Co-ordinator. However, with the introduction of CDM 2015, the CDM Co-ordinator role no longer exists. Therefore, as part of the CDM Transition, Frankham Consultancy Group Limited role as CDM Co-ordinator has ceased and has been transferred to the regulatory role of Principal Designer.

12.9 Once appointed, the Design, Build and Operate contractor shall undertake the regulatory role of Principal Designer and Frankham Consultancy Group Limited shall undertake the non-regulatory role of Advisor to Client.

13 HR IMPLICATIONS

13.1 The Council is an accredited London Living Wage (LLW) Employer. The Council will use its best endeavours to ensure that to the extent permitted by law, contractors pay the LLW.

14 PUBLIC HEALTH IMPLICATIONS

14.1 energetik will deliver significant economic, environmental and social benefits.

14.2 Climate change is a major threat to public health. energetik will help to reduce its impact. The carbon footprint of a home due to heating will be reduced at least 50% compared to conventional fuel. The business is hugely important for meeting London's carbon reduction targets.

14.3 energetik will deliver better value heat to new homes, and possibly, at a later stage of development to existing homes. Well heated homes help to promote the general health of the people who live in them, through reductions in vascular and respiratory disease and by reducing social isolation.

Background Papers

None

Appendix 1, energetik's Residential and Commercial Offer

Better value for money	
Benefits for residential customers	Benefits for commercial customers
• We don't charge a premium for low carbon heat • The cost of a traditional private ESCo providing the same residential service would typically be 40% higher on a 'like for like' infrastructure scheme, to enable them to achieve a typical target IRR of 12%. • Private-sector ESCos are unlikely to connect to the ERF, instead going for gas CHP. This removes the opportunity to supply customers with a very low carbon heat source • As has been proven elsewhere in the UK, private developers are also generally unlikely to seek to expand their community energy networks for additional local benefit beyond their initial project boundary • energetik's forecast 6.74% IRR provides a benefit to the end customer, with a better quality scheme that enables a fair price for consumers, whilst providing an acceptable return to the Council • Residential pricing will be benchmarked annually against gas • All homes will have a state-of-the-art smart meter to control consumption and review carbon savings • Fair tariffs, using common charging for all residential customers • Stable charges: only annual change to prices	• Secure and low carbon source of heat, which is competitively priced • Bespoke commercial offers depending on heat load and proximity to the network

<table>
<tr><th colspan="2">Better for customer service</th></tr>
<tr><td>Benefits for residential customers</td><td>Benefits for commercial customers</td></tr>
<tr><td>• Reliable and secure supply of heat
• A single UK based high quality Customer Service Centre, which is also available online: for all issues and enquiries
• Flexible appointment times
• 24/7 x 365 Call out
• Smart meters with easy to use displays, to help customers manage their energy use
• Individual billing for heat supply to each customer</td><td>• Reliable and secure supply of heat:
• Rapid response times to fix faults, and compensation if we fail to meet our service commitments
• energetik’s move towards a local supply of heat means better energy security and less reliance on the National Grid and imported fuel
• No requirement for annual gas safety checks</td></tr>
<tr><th colspan="2">Better for the environment</th></tr>
<tr><td>Benefits for residential customers</td><td>Benefits for commercial customers</td></tr>
<tr><td>• Low carbon, clean energy
• Homes connected to energetik’s Estate Renewal heat networks will save 194 kg of CO_2 per year. This is a 30% smaller carbon footprint than residential properties equipped with high efficiency gas boilers
• Significantly reduced Nitrogen Oxide (NOx) emissions</td><td>• Low carbon, clean energy
• Helping businesses meet their statutory and/or voluntary carbon reduction targets e.g. Carbon Reduction Commitment / Corporate Social Responsibility
• Reputational benefits of using low carbon energy
• Highly insulated pipe work maximising efficiency and minimising heat loss across the networks</td></tr>
<tr><th colspan="2">Better for people’s health</th></tr>
<tr><td>Benefits for residential customers</td><td>Benefits for commercial customers</td></tr>
<tr><td>• Warm homes
• Cleaner air
• No risk of carbon monoxide poisoning or explosion due to gas boilers in the home</td><td>• Cleaner air
• Businesses contributing to improving their local environment and their community’s wellbeing
• No risk of carbon monoxide poisoning or explosion due to gas boilers</td></tr>
<tr><th colspan="2">Better for the local economy</th></tr>
<tr><td>Benefits for residential customers</td><td>Benefits for commercial customers</td></tr>
<tr><td>• energetik’s low carbon energy infrastructure underpins Enfield’s regeneration ambitions
• Council-owned energy company provides local benefit
• Supports local jobs and businesses
• PWC forecast a direct GVA impact from energetik of up to £128.6 million gross monetised benefit over 40 years, with NPV of £50.1 million</td><td>• energetik’s low carbon energy infrastructure underpins Enfield’s regeneration ambitions
• Secure supply of low carbon heat for local businesses
• Supports local jobs and businesses
• Supports inward investment opportunities, helping attract new businesses to Enfield</td></tr>
</table>

Better through innovation	
Benefits for residential customers	Benefits for commercial customers
• Highly insulated network ensures a fair price for consumers • Innovative approach to community engagement that starts with the customer • We are investing for network expansion • Council-owned local energy company for local benefit	• We are investing for network expansion • Council-owned local energy company for local benefit

Appendix 2, Value for Money Statement

The Strategic Context

The delivery of heat networks is aligned with national, regional and local policy on community energy networks, which is a requirement for all large developments in Enfield.

As noted in Section 3, the UK is committed to heat networks at both national, regional and local levels, with strong policy support to deliver heat networks as a means by which to deliver its carbon reduction targets. One of the key ways in which to deliver such savings is through the decarbonisation of space heating, as heating and hot water for UK buildings make up around 40% of energy consumption, and around 20% of greenhouse gas emissions. Two thirds of these emissions are from housing, with the rest from commercial, industrial and public premises.[1]

The energetik Business Plan also fully aligns with the Council's corporate priorities of Fairness for All; Growth and Sustainability; and Strong Communities as detailed in Section 9.

Enfield's Decentralised Energy Network Supplementary Planning Document was approved in December 2015 and takes national and regional policy a step further. It requires the technical specification of heat networks in new developments in Enfield to ensure a fair price for consumers.

Enfield's residents and businesses will benefit from energetik being able to respond to this technical specification. By the Council undertaking this project and entering the heat market, it is able to take a long-term view on its investment for local benefit.

energetik customers will be charged a fair price for their heat whilst receiving higher standards of customer service than could be offered by a private ESCo. Residential prices will be benchmarked annually against gas, with no premium for low carbon heat. energetik's financial model ensures this is possible, whilst providing an acceptable commercial return to the Council.

The Council has committed to cutting carbon emissions by 40% in the borough by 2020. One key way of delivering the low carbon regeneration aspirations is through the delivery of a city-scale heat network to provide heating and hot water to the Meridian Water housing development and estate renewal schemes at Montmorency Park, Electric Quarter, Alma Road and New Avenue. Specifically in relation to Meridian Water, the Council is the only entity capable of negotiating a deal with the NLWA and therefore able to provide a very low carbon heat source, crucial in achieving the overall carbon savings targets.

Council intervention has been deemed necessary due to the current standards of delivery of heat networks by the private-sector. Whilst standards are generally improving, they are not yet in a state to deliver high quality and reliable district heating at affordable prices to end users, whilst generating a reasonable return for

[1] The Committee on Climate Change's October 2016 report "Next Steps for UK Heat Policy"

the investor. Disparate systems, delivered by multiple ESCos across boroughs can result in a lack of synergy and joined up thinking, and the standards can vary widely leading to poorly designed, inefficient systems where local residential and business customers have to pay to cover the cost of a poor performing system that is not built to last.

The Council's intervention in the marketplace is justified on the basis that it can take a longer term view on its investment, whilst delivering a better quality system that will last longer and can generate real benefits for its residential and business customers. Whilst the private-sector capital costs may be cheaper, the cost to customers is generally higher due to poor standards of insulation.

The Council also has access to lower rates of borrowing, meaning that an acceptable rate of return can be achieved, whilst delivering an exemplary heating system that will continue to provide sustainable energy far longer than current market offerings, whilst not charging a premium to the end user.

The added benefits generated by the Business Plan are described in Appendix 1 and include carbon reduction, cleaner air quality, and the provision of secure and reliable heat at a fair price. energetik's base case Business Plan is forecast to save 250,000 tonnes of carbon and 70,000 kg of NOx over 40 years.

The key risks are manageable as the Council has an ability to secure the heat demand. A phased delivery approach has been developed so that the network can grow with demand, and contracts have been structured in such a way as to ensure that risk exposure is minimised. Active risk management processes are in place to continually monitor and manage risks, and an independent Audit Committee has been created to scrutinise the financial and risk management actions of the company.

The Economic Context
From an economic perspective, the Business Plan focuses on providing best value to both the Council and energetik's customers. In considering the energy strategy to deliver both carbon efficient and cost effective space heating at Meridian Water and the Estate Renewal schemes, the alternative options have been considered and were deemed unsuitable as detailed below.

For a housing development the size of Meridian Water, and in the policy context of the UK, London and indeed at local authority level, district heating is the only viable option able to deliver an energy strategy able to support the housing density planned. Supplying gas to properties is both difficult in terms of legislation and health and safety, and is not a low carbon option. Individual electrical space heating is both more expensive to customers and is not a low carbon option.

An alternative option to energetik delivering the heat supply would have been to allow the developers to deliver their own energy strategies, or to let the delivery of space heating as part of a competitive tender for the entire heat network. However, for the reasons described in section 5, this would not have provided the required levels of carbon savings, quality installation and lower pricing to customers.

There would be no joined up approach to delivering an energy strategy that would serve so many customers, and costs to end users would invariably increase due to the higher rates of returns expected by private-sector ESCos. Heat Network standards would be likely to be more like British Standard, as opposed to the higher quality standards required in Scandinavia and Germany, meaning that the systems would not last as long, would provide less comfort and be less efficient.

Whilst there are risks associated with taking on the delivery of a heat network of this scale, by allowing the market to dictate its own direction, the Council, and its residents, would not gain any of the benefits that can be delivered as a result of doing it themselves, both economically and in terms of quality.

The Commercial Context

energetik's prudent business case is financially sound and affordable, with a financially viable business case that provides the Council with an acceptable investment return.

energetik demonstrates commercially viability through its financial model and is robust enough to cope with changes in market conditions, whilst still delivering a secure heat supply to thousands of residents in the borough at a stable price comparable with gas.

There is also scope for increased revenue and returns to the Council through future expansion of the network. More connections provide more customers and increased heat revenues. The current business case is based on a prudent number of connections, which the Council has an ability to deliver by means of its role in managing developments. Should the potential of the network be realised through expansion as is expected, the rates of return will be much higher. Coupled with an intention to enter the electricity supply market, revenues are likely to increase beyond the base case, with energetik able to offer both low carbon electricity and heat to its customers.

Once the Council decided to investigate the viability of delivering a heat network itself, actions were taken to identify if a viable and well-structured deal could be procured. This was in the form of initial feasibility studies, and later by the development of cost estimates and tenders.

energetik prepared a series of tenders to procure the main contracts, namely the Design Build and Operation (DBO) of the heat network and energy centre and the provision of a quality customer services contractor. After preparation of specifications and tender documentation, these tenders and specifications were subjected to cost estimations from quantity surveyors to understand and refine the project budgets and financial models.

The Council's procurement processes were used to run two tenders through the Official Journal of the European Union (OJEU), and the tender responses that were received and subsequently scored were deemed to be of the right quality and within the budgets expected (see section 7.2.20). Furthermore, they were all within the viability criteria to allow the Council to make a return on investment and deliver the expected benefits.

Preferred bidders were selected as a result and await official contract award post the Council's main investment decision in energetik.

From a commercial perspective, the contracts to be let have all been drafted in in a way that wherever possible protect the Council from risk exposure. For example:

- The DBO contract has been broken into separate works packages so that the design and planning submission phase can be undertaken, without a requirement to continue to the build phase to protect the Council should there be any unforeseen changes to the build programme at Meridian Water. There is also a long-stop date to allow termination should the next tranche of Council funding not be approved for any reason.
- The customer services contract can be terminated seven years after entering into contract. Until that date, the contract will be required to support the estate renewal heat networks that are already in development. No compensation is payable to the customer services contractor for early termination
- Should energetik be wrapped up or sold, or is unable to continue operation for any reason, connection and supply agreements are able to be novated to incoming ESCos. All rights, benefits, obligations and liabilities are able to be transferred.
- The Agreement for Lease with the NLWA can be terminated by energetik. energetik can already terminate the Agreement for Lease if it has not requested the Lease. If Tranche 2 funding is not forthcoming, energetik will not build its energy centre at the EcoPark and thus will not have requested the Lease (which otherwise would be requested on completion of the energy centre build). Even if energetik had commenced works at the EcoPark, as long as energetik reinstate the EcoPark site to its original condition then the Agreement for Lease can still be terminated. No compensation will be payable.
- The Heat Sale Agreement with NLWA can be terminated. Upon termination of the Agreement for Lease, energetik is entitled to terminate the Heat Supply Agreement. No compensation will be payable

The Financial Context

As is demonstrated in the energetik business case, there is an adequate internal rate of return to the council of 6.74%, with a Net Present Value of £10.3 million over the 40 year business plan.

In addition to the revenue generated over the cost of capital, the Council will receive an interest rate premium of £5.97 million NPV from energetik paying back the loans and can expect up to £800,000 per year business rates once the main network is built, calculated using the existing standard valuation method for this type of business.

These figures are based on a prudent 15,500 connections that are within the Council's control. If the number of connections increase through business expansion, as is expected via the business development strategy and future estate renewals under the Portfolio Agreement, the IRR will increase.

The first tranche of £12 million required to fund the project has been provided by external lenders (LEEF and the EIB) at low interest rates and demonstrates that the project has gained investor confidence and support. Furthermore, housing zone grant funding from the GLA to the sum of £3.7 million has been secured for the project which is a zero interest loan. This investor confidence shows that the project is viable and supported externally.

The second tranche of funding to cover the main build out programme has been provisionally offered by LEEF if required, as well as a provisional offer from the Green Investment Bank, which provides further evidence that the energetik business is supported by reputable lenders.

The final decision on how to bridge the funding gap between the Tranche 1 and Tranche 2 investment phases will be for the Council to decide, depending on the interest rates and best commercial offer available at the time. This may come from external lenders such as LEEF or the EIB, or may be taken in the form of loans from the Public Works Loans Board.

PWC were commissioned to undertake economic modelling, calculating that the energetik business case is forecast to deliver significant economic, environmental and social benefits, with up to £225 million gross monetised benefit over 40 years, a Net Present Value of £94.7 million and a cost benefit ratio of 3.4.

Working with PWC, a number of other non-financial benefits were also identified that were not possible to quantify in value terms. These included strategic benefits of delivering a Council-owned heat company; the ability to provide warmer homes and cleaner air; and the benefits of providing state of the art smart metering to customers.

The Management Context
In assessing the value for money contribution to the project, a key element is to ensure that it is capable of being delivered successfully and in accordance with best practice.

Whilst investigating the possible delivery options available to the Council in the early stages, a team of experts was assembled from various parts of the district heating and utility services industry to help formulate the business case and delivery strategy.

The energetik team has worked on and delivered some of the largest district heating systems in the country in their previous roles, and have owned and managed successful private-sector businesses in the industry. The advantage this brings to the Council is the broad spectrum of stakeholders the team have experience with, having worked alongside both large-scale private sector developers and local authorities alike. As a result, they have a deep understanding of the needs of stakeholders in the value chain, from local authority managers to social housing tenants, and are best placed to ensure that each stakeholder’s specific requirements are balanced with delivery of a successful business.

With over 100 years of combined knowledge and experience in the industry, the energetik team has the required skills in commercial and financial strategy; technical design; project management; construction and commissioning; maintenance; and customer service and billing to ensure that energetik has the best possible in-house knowledge.

Some of the energetik team were also members of the founding body which is now the Heat Trust, so understand the issues and practicalities of delivering district energy to communities.

In terms of construction and project management, the energetik team has vast experience in delivering heat networks of this size, as well as other large-scale projects. The team’s project manager has worked on many prestigious projects, including the Olympic Park and Athletes Village. The Millennium Dome (now the O2 Arena), Royal Ascot Racecourse and the Rugby World Cup, and is an expert in delivering large scale infrastructure projects on time and to the required standards, whilst following recognised programme and project management methodology.

Once energetik receives a positive investment decision, a full project management methodology will be developed with the businesses’ contractors to ensure that the construction is managed effectively, change is managed appropriately and risks are constantly reviewed and mitigated.

The contractors who have been selected to deliver the infrastructure elements are industry leading experts in the UK, again ensuring that the Business Plan is deliverable.

The Business Plan and Cabinet Report have been reviewed and validated by a Gateway Review undertaken by KPMG, with a recommendation to progress to implementation. This demonstrates that the proposed business is robust, financially viable and well managed.

The Holding Company Board is made up of both senior officers and members, which provides the scrutiny required from the Council to ensure the project remains on track. In addition, the independent Audit and Risk Committee has been set up to regularly monitor project risks to ensure the management is performing as expected.

Regular board meetings are held, with budgets and operating plans submitted for approval to the Holding Company Board to ensure the Council maintains visibility on how the business is progressing.

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MUNICIPAL YEAR 2016/2017 REPORT NO. 176

MEETING TITLE AND DATE:

CABINET – 18th January 2017

REPORT OF:
Director of Finance, Resources and Customer Services

Contact officer and telephone number:
Keith Crocombe Tel: 0208-379-3020
Email: Keith.crocombe@enfield.gov.uk

Agenda - Part: 1	**Item: 9**
Subject: Part sale of cottage; building and land at Holly Hill Farm, 303 The Ridgeway, Enfield EN2 8AN **KD 4447** **Ward:** Chase	
Cabinet Members consulted: Cllrs Sitkin & Lemonides	

1. EXECUTIVE SUMMARY

1.1. An opportunity has arisen for the Council to sell part of the freehold of Holly Hill Farm.

1.2. Holly Hill Farm and North Lodge Farm is a Council owned asset and comprises approximately 300 acres with associated farm buildings and cottages.

1.3. Halo Dogs occupy Holly Hill Farm Cottage, Farm Buildings and Land by way of such a sublet from the Council's farm tenant.

1.4. It is proposed to sell the freehold interest in these assets to Halo Dogs, being the land shown edged red on the attached plan along with a right of access shown shaded brown.

1.5. The agreed sale price is £750,000 and there is an overage provision agreed of 50% of the market value of any additional residential planning being granted.

1.6. The overage clause stands for 50 years and will be registered by a charge.

1.7. The heads of terms for this agreement are as set out in appendix 1 of this report.

1.8. The annual rental income, which the Council receives from this farm asset, will reduce from £31k to £18k as a result of the proposed part sale.

1.9. The Council's specialist rural consultant, Knight Frank (KF), have recommended the proposed terms and have confirmed that these represent best value as set out in section 123 of the Local Government Act 1972.

2. RECOMMENDATIONS

It is recommended that Cabinet:

2.1. Approves the proposed terms of the part sale of cottage; building and land at Holly Hill Farm, 303 The Ridgeway, Enfield EN2 8AN as detailed in the report

2.2. That Cabinet delegates authority to the Director of Finance, Resources and Customer Services and the Assistant Director of Property Services, to agree final terms and enter into appropriate legal agreement for the freehold sale and subsequent amendments to the FBT as detailed in this report.

2.3. That Members note that the annual rental income, which the Council receives from this farm asset will reduce from £31k to £18k as a result of the proposed part sale

3. BACKGROUND

3.1. Holly Hill Farm and North Lodge Farm is let to a farm tenant – by way of a farm business tenancy agreement (FBT) and comprises approximately 300 acres with associated farm buildings and cottages

3.2. Their tenancy allows them to sublet any building, upon receiving the appropriate planning consent, with the Council sharing in 50% of any such income received.

3.3. At Holly Hill Farm, Halo Dogs currently occupy Holly Hill Farm Cottage, Farm Buildings and Land by way of such a sublet.

3.4. It is proposed to sell the freehold interest in these assets, being the land shown edged red on the attached plan along with a right of access shown shaded brown.

3.5. Under the FBT legislation a 12 month notice can be served (at any time) on the tenant to obtain vacant possession of the site. This will be served on Exchange by Enfield Council's legal team.

3.6. The agreed freehold sale price is £750,000 and there is a overage provision agreed to receive 50% of the market value or sale price (whichever is the greater) of that part or those parts of the Property which is the subject of the grant of any residential planning permission, other than a planning permission for residential dwellings which are classed (in planning terms) as ancillary to a commercial use on the Property or relate to the redevelopment of, or an extension of, the Cottage itself, provided that such redevelopment or extension shall not result in multiple dwellings being created for future sale.

3.7. This clause stands for 50 years and will be registered by a charge.

3.8. The Council's specialist rural consultant, Knight Frank (KF), have recommended the proposed terms and have confirmed that these represent best value as set out in section 123 of the Local Government Act 1972.

3.9. As a result of the proposed sale the existing FBT will need to be amended to delete the reference to the land and buildings subject to this report.

3.10. Early access for planning, surveys and access works will be allowed under the proposed terms of the freehold sale.

3.11. Selling this property does not adversely affect the Council from a strategic planning point of view.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1. Do nothing – This option is not recommended as the Council would forgo a capital receipt of £750,000.

5. REASONS FOR RECOMMENDATIONS

5.1. It will generate a capital receipt for the Council which can be allocated to help fund spending priorities.

5.2. It will ensure that this local business will remain in the borough.

5.3. It will provide an opportunity for the local business to plan and build for the future

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

6.1. Financial Implications

6.1.1. Currently £31k per annum rent is received for the site and this will reduce to £18k as a result of the partial disposal as per recommendation 2.3 of this report. This reduced income stream for the service could result in a budget pressure if it cannot be contained from within existing resources.

6.1.2. The capital receipts arising from the disposal of circa £750k will be used to contribute towards the funding of the Council’s existing capital programme and transformation agenda less up to 4% of sale proceeds which will be used to meet direct disposal costs.

6.1.3. Whilst the Council cannot forecast at this stage the extent of any overage which might fall to the Council under the agreement of the sale (supported by the charge on the asset) it should be noted that this too would be a capital receipt and be accounted for as such.

6.2. Legal Implications

6.2.1. By Section 123 of the Local Government Act 1972 and/or Section 1 of the Localism Act 2011 the Council has the power to dispose of land in any manner it wishes, subject to obtaining the best price reasonably achievable.

6.2.2. In accordance with the Council's Property Procedure Rules the inclusion of property on the disposals programme requires approval either by the appropriate Cabinet member or by Cabinet itself.

6.2.3. All disposals should be made on a competitive basis, unless justified and approved otherwise, as required by the Property Procedure Rules.

6.2.4. As this property is within the Green Belt the proposed disposal must be advertised in a local newspaper and consent obtained from the Department of Communities and Local Government in accordance with the Green Belt (London and Home Counties) Act 1938 before the sale can take place.

6.2.5. Contracts for sale will be in a form approved by the Assistant Director of Finance, Resources and Customer Services (Legal Services).

6.3. Property Implications

As embedded within the reports

7. KEY RISKS

7.1 Potential loss of capital receipt which can be pooled to help fund spending priorities within the general fund.

7.2 Potential loss of existing local business from the borough.

7.3 Lost opportunity for the local business to plan and build for the future.

8. IMPACT ON COUNCIL PRIORITIES

8.1. Fairness for All

8.1.1. Any capital receipt generated will be pooled and help fund spending priorities within the general fund, which in turn will help protect those functions deemed essential.

8.2. Growth and Sustainability

8.2.1. The capital receipt will help fund priorities within the General Fund.

8.2.2. It will provide an opportunity for the local businesses to plan and build for the future.

8.3. Strong Communities

8.3.1. The proposal will help the Council build strong communities within the borough.

9. EQUALITIES IMPACT IMPLICATIONS

9.1. An equality impact assessment/analysis is not deemed relevant or proportionate for the proposed transaction.

10. PERFORMANCE MANAGEMENT IMPLICATIONS

10.1. The sale will have clauses and conditions that will bond the performance of the tenant to the land.

11. PUBLIC HEALTH IMPLICATIONS

The following benefits will result from the proposal:

11.1. Opportunity to retain existing and create job opportunities by retention of this business within the borough.

11.2. The capital receipt can be used to fund frontline services to the community to assist in enhancing health and wellbeing in the Borough.

Background Papers

None

Appendices

Plan
Heads of Terms

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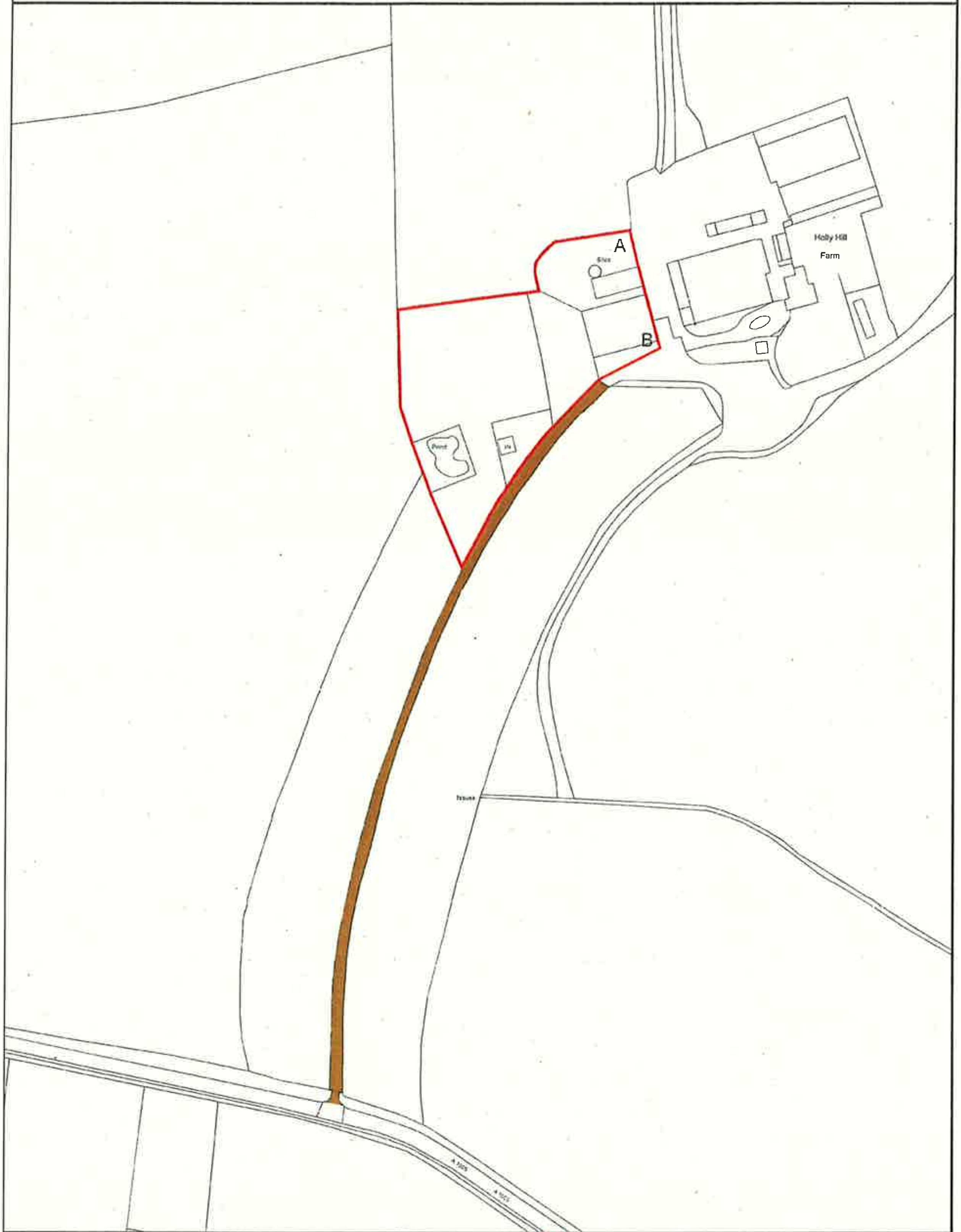
Holly Hill Farm



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Knight Frank

Date:	Drawn By:	Scale:	Plan Ref.
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Title **Holly Hill Farm**

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Heads of Terms for the sale of
Holly Hill Farm Cottage, Farm Buildings and Land, Enfield

1.	**Parties**	
1.1	Vendor	The Mayor and Burgess of The London Borough of Enfield C/O Civic Centre, Silver Street, Enfield, EN1 3XA
1.2	Purchaser	Halo Dogs Limited/Justin Kumaran - TBC Registered office: Holly Hill Farm, 303 The Ridgeway, Enfield EN2 8AN
2.	**The Advisors**	
2.1	Vendor's agent	Knight Frank LLP, 26 North Street, Bishop's Stortford, CM23 2LW FAO: Alastair Paul Tel: 07768 232 922 Email alastair.paul@knightfrank.com
2.2	Vendor's Solicitor	Legal Services, Enfield Council, Civic Centre Silver Street Enfield EN1 3XA FAO Duncan Creevy Tel: 020 8379 6444 Email duncan.creevy@enfield.gov.uk
2.3	Purchaser's agent	Whirledge & Nott, White Hall, Margaret Roding, Great Dunmow, Essex, CM6 1QL FAO Jeremy Zeid MA FRICS Tel: 01245 231123 Email: j.zeid@whirledgeandnott.co.uk
2.4	Purchaser's Solicitors	Taylor Wessing, 5 New Street Square, London EC4A 3TW FAO Adam Marks Tel 020 7300 4619 Email A.Marks@taylorwessing.com
3.	**The Property**	Holly Hill Farm Cottage, Farm Buildings and Land, Enfield, being the land shown edged red on the attached plan along with a right of access shown shaded brown
4.	**The Interest to be Sold**	The freehold, with vacant possession provided within 12 months of exchange with access for planning, surveys and access works. (The Property is let by way of a Farm Business Tenancy and a 12 month notice (at any time) can be served on the tenant to obtain vacant possession of the site. This will be served on Exchange by Enfield Council's legal team)
5.	**Sale Price**	£750,000 (Seven hundred and fifty thousand pounds sterling)
6.	**Deposit**	10% payable on Exchange
7.	**Overage**	The Vendor will retain the right to receive 50% of the market value or sale price (whichever is the greater) of that part or those parts of the Property which is the subject of the grant of any residential planning permission, other than a planning permission for residential dwellings which are classed (in planning terms) as ancillary to a commercial use on the Property.

Knight Frank

		This clause stands for 50 years and will be registered by a charge on the Property and is therefore binding on successors. The Purchaser and his successors in title will be obliged to notify the vendor within 28 days of the grant of any planning permission and or exchange of contracts for sale or transfer. Payment of the overage will be made on the date which is 6 months after the date of receipt of any planning permission or on the date of completion of the sale or transfer.
8.	**Conditions for Completion**	Completion will be conditional on: • The Purchaser securing a planning permission for a dog day care and boarding centre • The Purchaser securing a licence to operate a dog day care and boarding centre • Enfield Council Cabinet approval • Green Belt (London and Home Counties) Act 1938, Section 5, land disposal publication
9.	**VAT**	The Property is not subject to VAT but if required, the Purchaser will be liable to pay VAT
10.	**Boundaries**	(The exact Boundaries need to be agreed and pegged before Exchange) The Purchaser will be responsible for fencing the Boundaries. The boundary marked A-B on the attached plan will be fenced with a solid fence of no less than 2m high
11.	**Access**	The Purchaser shall be responsible for a proportion, subject to user, of the cost of the up keep of the access road. If Enfield Council obtains planning permission for land improvement works at Holly Hill Farm and the track is upgraded as part of those works, the Purchaser will not be obliged to contribute. Once the land improvement works at Holly Hill Farm have been completed the Purchaser will be responsible again as above.
12.	**Confidentiality**	The Purchaser to maintain complete confidentiality in relation to the transaction until it is ratified by Enfield Council's Cabinet
13.	**Timings**	Exchange - January 2017 Completion - TBC
14.	**Costs**	Each party will be responsible for their own

Signed by the Lessor ______________________

Date __________

Signed by the Lessee ______________________

Date __________

MUNICIPAL YEAR 2016/2017 REPORT NO. 178

MEETING TITLE AND DATE; **Cabinet – 18 January 2017** **JOINT REPORT OF:** Director of Health, Housing and Adult Social Care and the Director of Finance, Resources and Customer Services	**Agenda – Part: 1** **Item: 11** **Subject:** Reprovision Project **Wards: All** **Key Decision No:** KD 4309 **Cabinet Members consulted:** Councillor Cazimoglu, Councillor Lemonides

Contact officer and telephone number:

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1. EXECUTIVE SUMMARY

1.1 In July 2013, Cabinet and full Council agreed to commission the design and construction of a dual registered care home and to then procure the service delivery aspect separately through a tender process.

1.2 The new care home will be a 70 bed dual registered care home for older people, on the former Elizabeth House site in the East of the Borough, and is due to open in early 2017 (the “Home”)

1.3 The new facility will provide 70 beds of care and accommodation for older people initially catering for the resident population transferring from the two care homes Bridge House and Coppice Wood Lodge and following this to become a high need residential and nursing care facility.

1.4 The Council has undertaken repeated tender processes in relation to this Home. Two of these were based on a design, build, operate and maintain model (DBOM) and were undertaken without success between 2011 and 2013. A further tender process was launched in January 2016 for the nursing and care elements only, with the Council building of the Home directly through a standard building contract. At the close of that tender no satisfactory bids had been received.

1.5 Following further consultation with the market, Members and the procurement and commissioning hub, a final procurement was launched. The procedure adopted allowed for dialogue and negotiation with bidders. Unfortunately, this process also failed to yield any satisfactory bids that can be recommended to meet either the Council’s expectations of quality or value for money.

1.6 This report recommends now activating the Council’s contingency arrangements, which are to expand the role of the Council’s Local Authority Trading Company (LATC), Independence and Wellbeing Enfield, so that it can also undertake service delivery at the Home.

2. RECOMMENDATIONS

Cabinet is asked to:

2.1 note the contents of the Super Part 2 report detailing background information of the recent tender exercise and the decision to abandon the process;

2.2 award the extension of the management agreement for the new dual registered 70 bed care home to the Council's Local Authority Trading Company (LATC), Independence and Wellbeing Enfield subject to completion of due diligence jointly between the Council and the LATC in respect of the proposal, scope of services, management arrangements, mobilisation and agreed oversight arrangements.

2.3 note the due diligence to be undertaken and the delegation to the Director – Health, Housing and Adult Social Care, in consultation with Finance and Legal Services, to confirm a satisfactory outcome on behalf of the Council. The outcome of which is to be reported to the Oversight Board.

2.4 note the requirements set out in the legal implications regarding the LATC governance as detailed in section 6.2 of this report and subject to these actions being completed approve the implementation of the contingency arrangements.

3. BACKGROUND

3.1 Independence and Wellbeing Enfield, the Council's Local Authority Trading Company (LATC) commenced trading in September 2016, following approval by Cabinet in December 2015.

3.2 The purpose of establishing the LATC was to enable the Council to continue to deliver high quality independence and wellbeing services, and to pursue commercial opportunities, otherwise not permitted under the local authority regulatory framework.

3.3 The LATC currently delivers and manages a number of services, including:

- Wellbeing services
- Outreach services
- ICES
- Wheelchair Service
- Safe and Connected
- New Options

- Formont
- Community Link
- Park Avenue
- Rose Taylor
- Adult Placement Scheme
- Enablement Service

3.4 The LATC has been established in a manner that complies with the requirements of the exemption set out in regulation 12 of the Public Contracts Regulations 2015 (sometimes referred to as the Teckal Exemption). By complying with this exemption the Council is able to award the LATC contracts without the need to follow a procurement process. The requirements of regulation 12 in particular include that the LATC:

3.4.1 is controlled in a manner which is similar to the way in which the Council controls its internal departments;

3.4.2 does at least 80% of its activities with the Council; and

3.4.3 has no private sector participation in the share capital of the company.

3.5 Bridge House and Coppice Wood Lodge, which the LATC currently manages on behalf of the Council are residential care homes for older people. They have both been rated by the Care Quality Commission as delivering 'Good' services.

3.6 The LATC will be well placed to deliver the Council's contingency arrangements within the appropriate time frame, subject to approval being given to amend the current management arrangements.

3.7 **THE PROCUREMENT PROCESS**

3.7.1 In January 2009, Cabinet gave approval for the commissioning and procurement of a 70 bed dual registered care home for older people, on the Elizabeth House site, in the Eastern part of the Borough. In July 2013 Cabinet decision 3593 gave approval to procure the service element of this project.

3.7.2 The Council sought to procure the Reprovision Project twice without success between 2011 and 2013 based on a design, build, operate, maintain model (DBOM). This required a provider to enter into a long-term care service contract that included procurement of a suitable dual-registered care home facility, located on a Council owned site. The operator was expected to fund the construction of the new care home and then recoup the cost of the development from the service contract; at the end of the service contract the facility would revert to the Council. A significant stumbling block on this procurement route was the inflation risk which made the offer unattractive to bidders. In addition the Feedback highlighted that the financial recession caused significant changes in market conditions, meaning that the contracts were less profitable and was perceived as higher risk.

3.7.3 Instead approval was sought from Cabinet in July 2013 (KD 3593) to approve the procurement of the Care Service provision as a distinct Contract. Approval to commence this procurement was given at strategic procurement board in September 2015 following submission of the business case. The Procurement was launched in January 2016. At the close of the tender period no bids were received. Feedback was sought from Providers who submitted an expression of interest to understand the reasons for this. A number of key factors emerged which Providers claimed prohibited them from submitting a compliant or competitive bid. These included;

- Concerns with the Pension and TUPE obligations
- Uncertainty with the requirements
- Service User Dependency Levels

3.7.4 Certain elements of the tender were pass/fail only – Providers suggested allowing "alternative" offers to be submitted would have enabled them to submit a bid response

3.7.5 The need to secure a compliant bidder to provide these services became a critical priority for the Council. Overseen by the Procurement and Commissioning board, officers initiated an appraisal of possible next steps and actions for securing an appropriately qualified Provider. The team considered a range of options and assessed the advantages and disadvantages of these. The team then held a market engagement event on 31st May 2016 to share the Council's vision for the service provision, test the revised Procurement approach and seek feedback from the market as to how this tender could be shaped to ensure it presented an attractive opportunity to the market. In addition the Council offered individual surgery slots to all Providers; affording them an opportunity to feedback their initial thoughts in relation to the proposed service requirements and outcomes and to ask any further questions prior to the tender publication.

3.7.6 After consultation with the market, the procurement and commissioning hub, legal and members – it was decided to relaunch the Procurement utilising a procurement procedure that permitted mid-tender dialogue and negotiation with Providers. The project team where practical and appropriate addressed concerns flagged by the market in the tender documentation prior to publication.

3.7.7 The opportunity was advertised widely, using all appropriate communication mechanisms, including the London Tenders Portal and the OJEU. Invitations were also sent directly to all Enfield Suppliers along with local providers including Small, Medium, Enterprises

(SME's).

3.7.8 At the close of the tender process three bids were received. All three Providers were invited to participate in dialogue sessions and their tender responses were evaluated based on a ration of Quality 60% and Price 40%. The sub-criterion for the evaluation was detailed in full in the tender documentation. A cross functional team of officers representing functions across the Council and with the requisite expertise and experience evaluated tenders. Providers were expected to deliver a high quality service meeting all requirements whilst providing value for money throughout the term of the Contract. All Providers have been formally notified of this outcome and the decision not to award the Contract to any of the bidders.

3.7.9 Following completion of final offers from bidders it was determined that none of the Providers were able to meet either the Council's expectations of quality or value for money. As a result the Council are seeking approval to activate contingency arrangements, which are to expand the role of the Council's Local Authority Trading Company, Independence and Wellbeing Enfield, so that it can also undertake service delivery at the new home.

3.8 THE MANAGEMENT AGREEMENT

3.8.1 As previously reported to Cabinet in KD 4194 (Setting up the Council's Trading Company) in December 2015 Cabinet approved a recommendation to establish a trading company. The LATC currently provides a variety of services (as set put in 3.3) which deliver support to people within their own homes, day centre based activities and support, community equipment and residential based services for people with dementia, including respite provision and end of life care with nursing support co-ordinated by the homes from within the district nursing service. The management agreement will now be expanded to include a requirement by the Council of LATC to directly provide, in addition to support for people with dementia in a residential care setting, nursing care and care for continuing healthcare patients. As this is a new venture for the LATC the Directors of the Company will need to resolve at a formal board meeting that they have considered this expansion of scope for the company and are satisfied they can meet the necessary requirements. At the time of writing this report Board Members have been consulted and agreed in principle to take forward this proposal subject to 3.8.2.

3.8.2 Further diligence will be conducted jointly by the Council and the Company to review and confirm the proposals, scope of services, management arrangements, and mobilisation and oversight arrangements before the scope of the management agreement is expanded to include the management of the new 70 bed care home. It is proposed that this is delegated to the Director of Health, Housing and Adult Social Care in consultation with Legal Services on behalf of the Council.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1 The procurement process has now been exhausted and no offers were received from bidders which met the quality and price criteria as detailed within the tender documentation and which were within the Council's financial budget envelope.

4.2 If no additional action is taken the new 70 bed care home would remain vacant and the Council would not be able to decommission the two currently owned local authority residential homes (Coppice Wood Lodge and Bridge House). These two homes fall below the current Care Quality Commission minimum requirements for residential based accommodation. The Council has a duty to ensure adequate affordable and good quality residential and nursing home care for local residents.

4.3 Expanding the scope of the LATC Management Agreement to include provision for the company to deliver the service at the Home will enable the Council to activate its contingency arrangement to deliver services in a new facility.

5. REASONS FOR RECOMMENDATIONS

5.1 Building works for the new scheme will be completed by late January 2017. Approval of the recommendation contained within this report means that the mobilisation plans, (that is to transition residents from Coppice Wood Lodge and Bridge House to the new care home), will be able to take place in a timely and effective manner. This will also reduce any risks associated with a leaving a new building empty for any prolonged period of time.

5.2 The Cabinet Report of the 15th July 2015 summarised the history and reconfirmed their intention regarding the “Reprovision project” The Reprovision Project remit has been to re-organise and improve care provision to older people through the Reprovision of two Local Authority run Care Homes (Coppice Wood Lodge and Bridge House) that in the future will not be suitable to be registered by CQC and to re-provide a high quality service within a single new purpose built building.

5.3 It is planned that the new facility, which is sited on the former Elizabeth House site, 1 Old Road, EN3, will provide care and accommodation for 70 bed spaces for older people initially catering for the transferring resident population from the two care homes, Bridge House and Coppice Wood. The home will be registered by CQC as a Care Home with Nursing. Staff from Bridge House and Coppice Wood Lodge will be subject to a TUPE transfer.

5.4 In the intervening time, residents, relatives and staff have been fully engaged and kept informed of the progress with regular engagement and briefing about the progress with the new care home build and attempts to appoint a contractor to manage the home going forward.

5.5 It should be noted that for some time, permanent admissions to both Bridge House, and Coppice Wood Lodge had been ceased given the impending transfer to the new home being planned. The decision detailed in the recommendations to ask the Local Authority Trading Company – Independence and Wellbeing to manage the new home, will certainly be welcomed in bringing to an end a protracted period of uncertainty.

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

6.1 Financial Implications

See Super Part 2

6.2 Legal Implications

6.2.1 The management agreement of the LATC may be expanded to include the provision of nursing and respite care as well as residential care as more particularly detailed in this report however the extension is subject to

6.2.1.1 The approval and adoption of new articles of association in a form approved by the councils legal services (the "articles") and the filing thereof at Companies House subject to written resolution of the LATC;

6.2.1.2 the appointment of at least 3 directors of the LATC in accordance with the Articles

6.2.2 Until the above actions have been completed the scope of the management agreement may not be extended in the manner set out in this report additionally the Council will monitor the requirements of Regulation 12 as set out in paragraph 3.4 of this report on an annual basis to ensure that the exemption still applies

6.2.3 The Council has established the LATC to operate on a commercial basis and therefore will be relying on the powers under the Localism Act 2011 to expand the scope of the LATC

6.2.4 Section 1(1) of the 2011 Act provides that "a local authority has power to do anything that individuals generally may do", often referred to as the general power of competence or GPOC. Whilst GPOC is not geographically limited, it is always subject to any pre-existing limitations in legislation enacted prior to implementation of the 2011 Act and specific limitations in legislation post implementation of the 2011 Act.

6.2.5 However, it is important to note that there are limits on the utilisation of the GPOC when using it for a commercial purpose. If the GPOC is to be used by a local authority, then Section 4 of the 2011 Act provides:

"(1) The general power confers power on a local authority to do things for a commercial purpose only if they are things which the authority may, in exercise of the general power, do otherwise than for a commercial purpose.
(2) Where, in exercise of the general power, a local authority does things for a commercial purpose, the authority must do them through a company.
(3) A local authority may not, in exercise of the general power, do things for a commercial purpose in relation to a person if a statutory provision requires the authority to do those things in relation to the person.
(4) In this section "company" means—
(a) a company within the meaning given by section 1(1) of the Companies Act 2006, or
(b) [a registered society within the meaning of the Co-operative and Community Benefit Societies Act 2014 or a society registered or deemed to be registered under] the Industrial and Provident Societies Act (Northern Ireland) 1969."

6.2.6 Nursing services - Section 22 of the Care Act sets out the limits on what a local authority may provide by way of healthcare and so, in effect, sets the boundary between the responsibilities of local authorities for the provision of care and support, and those of the NHS for the provision of health care.

6.2.7 This general rule is intended to provide clarity and avoid overlaps, and to maintain the existing legal boundary. However, there is an exception to this general rule, in that the local authority may provide some limited healthcare services as part of a package of care and support, but only where the services provided are "incidental or ancillary" (that is, relatively minor, and part of a broader package), and where the services are the type of support that an authority whose primary responsibility if to provide social services could be expected to provide.

6.2.8 However, while the limits of local responsibility have not been changed, the Care Act 2014 does provide local authority and NHS organisations with more flexibility about how they integrate, cooperate and work in partnership on their respective responsibilities. Section 22(4) of the Care Act 2014 gives local authorities power to arrange the provision of accommodation which includes the provision of nursing care by a registered nurse (a term that is defined in section 22(8)), provided it has first obtained the agreement of the relevant NHS body (the body that would be responsible for meeting the cost of that nursing element)

6.2.9 The relevant body will be Enfield Clinical Commissioning Group who have agreed to purchase 12 CHC beds. Further any additional patient placed at the home requiring nursing care will be eligible, subject to assessment, to receive an NHS free Nursing Care contribution and as such written consent from the relevant CCG(s) under section 22(4) of the Care Act 2014 will be received.

6.3 **Property Implications**

6.3.1 The procurement proposes that the liability to keep the external and structural parts of the property in good repair falls upon the council. The costs for this will need to be met from the corporate Repairs and Maintenance Programme over the period of the contract. The costs of the maintenance of internal and non-structural parts, including inspection, testing and maintenance of Building Services, are proposed to fall to the tenant.

6.3.2 To protect the Council's property interests, the terms of the agreement for the Operator to occupy the premises must be in a form approved by the Assistant Director for Strategic Property Services. It is essential that the Operator's right to occupy is limited to only the period during which the Operator is supplying services to the Council.

6.3.3 The independent and well-being services transferred to the LATC from 1st September. The properties within the trading company will continue to be used to run the same services but with the company running the services instead of the Council.

6.3.4 Elizabeth House will be provided on the basis of a short-term lease which is coterminous with the services agreement. As such the lease, would be on the basis of a period less than 7 years so it does not amount to a disposal for the purposes of section 123 and does not constitute State Aid

6.4 **Procurement Implications**

6.4.1 The tender exercise has been concluded, and suppliers have been notified that the tender process has been abandoned on the basis that the Council has not received bids which meet the Councils expectations on quality and / or value for money.

6.4.2 Details behind this can be found in the Super Part 2 report.

6.4.3 The Council will be utilising its contingency arrangements and expanding the role of the Council' LATC to undertake service delivery at the Home. The Council will do this in accordance with regulation

12 of the Public Contract Regulations 2015 as explained in paragraph 3.4.

6.4.4 As highlighted above the Council will need to ensure that the new articles of association are adopted in advance of the extension of the Management Agreement. Confirmation of the appointed directors will also be required before the management agreement can be extended.

7. KEY RISKS

7.1 Independence and Wellbeing Enfield (IWE) management team have and continue to manage both Bridge House and Coppice Wood Lodge Care Homes and therefore have a proven track record of delivering successful and high quality residential services for older people with dementia. Both care homes operated by IWE are rated by the Care Quality Commission as good. Current experience of delivering nursing care support does exist within the IWE through support sourced by IWE from the district nursing service for service users requiring that level of support. Within the new home provision (in terms of the cost and directly employed staff) has been included. This includes an appropriately skilled leadership team (Manager, deputy manager and clinical lead) as well as an appropriate whole time equivalent number of qualified nursing staff.

7.2 IWE will work closely with the Care Quality Commission to support timely registration of the new scheme and to ensure that the service meets regulatory requirements

8. IMPACT ON COUNCIL PRIORITIES

8.1 Fairness for All

Approval of the recommendation contained within this report will ensure the continued provision of high quality, affordable and accessible care services to all sections of Enfield's community. It will also provide a nursing home facility in an area where they are scarce, giving access to those who may live in this area the ability to remain in their community and close to family and local connections, improving the equality of access to services in the local area.

8.2 Growth and Sustainability

As a Local Authority Trading Company, Independence and Wellbeing Enfield may seek opportunities to pursue profit making activities. Any profits which are realised will be reinvested in the local community.

8.3 Strong Communities

The new service will contribute to the community by providing a quality service to vulnerable older people in the Borough, and enabling them to maintain family relationships by staying in the local area. The new service may provide employment opportunities to Borough residents and potentially be of benefit to other local businesses. Independence and Wellbeing will be required to demonstrate commitment to developing strong working relationships with local advocacy and community groups and access resources within the Enfield community. Carer, Resident and Local Community Advocacy Group representatives will be pivotal to working in partnership with the Authority to ensure that the service meets the diverse needs of the Enfield community.

9. EQUALITIES IMPACT IMPLICATIONS

9.1 The service will be available to vulnerable older people who are Enfield citizens and require nursing or residential care. Staff will be recruited from the local area wherever possible, and will access the Council's diversity and equalities training.

9.2 There is an under-representation of nursing and residential provision in the East of the borough, where this new scheme will be located. The new scheme will address this under-representation.

10. PERFORMANCE MANAGEMENT IMPLICATIONS

A new nursing residential dementia care unit will contain adequate contract provision to ensure that the required performance management measures are met to deliver quality provision and service user satisfaction to optimum effect. The additional capacity in the new care home will contribute to national performance indicators, including minimising delayed transfers of care (DToC).

11. HEALTH AND SAFETY IMPLICATIONS

11.1 Independence and Wellbeing Enfield will ensure that trained, registered nurses and a clinical lead are recruited to the team, to ensure effective oversight of the nursing element of the service. As part of the mobilisation considerations Independence and Wellbeing Enfield will factor in a lead in time for recruitment of specialist staff and whether agency staff will be required to support the mobilisation and start-up of the new service.

11.2 All staff will undertake appropriate training to ensure that they are fully aware of and adhere to approved health and safety standards in delivering nursing and residential care. The Management Team, including the clinical lead will be responsible for undertaking appropriate checks and ensuring the safety and wellbeing of residents.

11.3 The service will also be supported by the Council’s Contract Monitoring and Quality Teams to ensure that the service operates to the highest standards.

12. HR IMPLICATIONS

Independence and Wellbeing Enfield will take appropriate legal advice to guide staff transfer and recruitment arrangements.

13. PUBLIC HEALTH IMPLICATIONS

There are approximately 40,000 adults over the age of 65 in Enfield with national data indicating that 58% of those aged over 60 have at least one long-term condition (LTC). Older people continue to need greater support with daily living tasks due to physical frailty, chronic conditions or multiple impairments including dementia which affects more than 3,100 people in the borough. Where practicable and safe the Council will always try to assist people with dementia to carry on living independently within their own homes. However, the demand for residential and nursing care for people with advanced dementia continues to increase and providing this very vulnerable group of people with an appropriate living environment and level of support is increasingly challenging due to shortages of residential and nursing capacity locally within the borough. The provision of a new residential/nursing dementia facility in the north east of the borough where there are currently capacity gaps is timely and will ensure that there are sufficient high quality placement options available to local people to ensure that where necessary older people's needs continue to be met within the borough.

Background Papers
None

THE CABINET

List of Items for Future Cabinet Meetings
(NOTE: The items listed below are subject to change.)

MUNICIPAL YEAR 2016/2017

FEBRUARY 2017

1. **Budget Report 2017/18 and Medium Term Financial Plan 2017/18 to 2020/21** — James Rolfe

This will present the budget report 2017/18 and the Medium Term Financial Plan 2017/18 to 2010/21. **(Key decision – reference number 4371)**

2. **December 2016 Revenue Monitoring Report** — James Rolfe

This will present the December 2016 revenue monitoring report. **(Key decision – reference number 4368)**

3. **Land Acquisition at Meridian Water** — Ian Davis

This will seek approval to acquire a 2.13 acre plot of land within the Meridian Water opportunity area. **(Key decision – reference number 4377)**

4. **Ponders End Delivery Programme** — Ian Davis

This will outline for approval the Ponders End Delivery Programme. **(Key decision – reference number 4382)**

5. **School Places Scrutiny Workstream Report** — James Rolfe

This will provide for information, a report from the School Places Scrutiny Work stream. **(Key decision – reference number 4381)**

6. **Housing Revenue Account (HRA) 30 Year Business Plan, Budget 2017/18, Rent Setting and Service Charges** — James Rolfe/Ian Davis

This will set out a number of recommendations in relation to the Housing Revenue Account (HRA) for approval by full Council. **(Key decision – reference number 4451)**

7. **Capital Programme Monitor – 3rd Quarter 2016/17** — James Rolfe

This will present the capital programme monitor third quarter 2016/17. **(Key decision – reference number 4364)**

8. **Investment Property Asset Management** — James Rolfe

This will seek approval to the establishment of an investment property asset management fund. **(Key decision – reference number 4356)**

9. **Bury Street West - Development** James Rolfe/Ian Davis

This will progress the proposals set out in the December Cabinet report. **(Key decision – reference number 4008)**

MARCH 2017

1. **January 2017 Revenue Monitoring Report** James Rolfe

This will present the January 2017 revenue monitoring report. **(Key decision – reference number 4369)**

2. **Heritage Strategy** Ian Davis

This will review the existing Heritage Strategy. **(Key decision – reference number 4428)**

3. **Broomfield House** Ian Davis

The report will refer to the Broomfield Conservation Management Plan and Options Appraisal and will set out options for the next steps. **(Key decision – reference number 4419)**

4. **Local Heritage Review** Ian Davis

A local heritage review and preparation of draft local list has been undertaken in conjunction with community volunteers. Following completion of public consultation the draft local list will be presented for approval. **(Key decision – reference number 4321)**

5. **Alma Estate Regeneration – Completion of Supplemental Development Agreement and Development Phase 3** Ian Davis

This will seek approval of the completion of the supplemental development agreement and the development of phase 3. **(Key decision – reference number 4441)**

6. **Construction of Relocated National Grid Infrastructure** Ian Davis

This will seek approval to the construction of relocated national grid infrastructure. **(Key decision – reference number 4439)**

7. **Consideration of Public Spaces Protection Orders** Ian Davis

This will consider whether to implement Public Spaces Protection Orders to control anti-social behaviours. **(Key decision – reference number tbc)**

8. **Housing Development and Estate Renewal Programme Report** Ian Davis

This will provide an update on housing development and the estate renewal programme, and related activity and approvals where required. **(Key decision – reference number 4272)**

9. **Meridian Water: Programme Update (Meridian Water Station, Contract Close and Budget Update)** Ian Davis

This will provide an update on the Meridian Water Programme. **(Key decision – reference number tbc)**

10. **Meridian Water: Land Acquisition** Ian Davis

This will seek authorisation to, and provide an update on, a number of aspects of the Meridian Water scheme. **(Key decision – reference number 4442)**

11. **William Preye Redevelopment** James Rolfe

This will seek approval of the development of the William Preye Centre. **(Key decision – reference number 4433)**

12. **Southgate Circus Redevelopment** James Rolfe

This will seek approval to the development of Southgate Circus Library and the Alan Pullinger Centre. **(Key decision – reference number 4432)**

13. **Claverings Industrial Estate** James Rolfe

(Key decision – reference number 4381)

14. **Increased Budget Envelope for Housing Gateway Ltd.** James Rolfe

This will request, for recommendation to full Council, an increased budget envelope for Housing Gateway Ltd. **(Key decision – reference number 4444)**

15. **Small Housing Sites Update** Ian Davis

This will provide a summary of the current position and proposed next steps to deliver the scheme. **(Key decision – reference number 4298)**

16. **New Avenue Estate Renewal: Update** Ian Davis

This will update Cabinet on the New Avenue estate renewal. **(Key decision – reference number 4425)**

17. **Draft Submission Version North London Waste Plan** Ian Davis

Following consultation on the Draft North London Waste Plan in 2015, approval is required for the draft submission version of the Plan before further consultation in the summer. **(Key decision – reference number 4280)**

APRIL 2017

1. Quarterly Corporate Performance Report Rob Leak

This will provide performance information against the indicators contained in the Corporate Performance Scorecard, which shows the progress being made in delivering the Council's priorities. **(Key decision – reference number 4330)**

2. February 2017 Revenue Monitoring Report James Rolfe

This will present the February 2017 revenue monitoring report. **(Key decision – reference number 4370)**

3. Housing Supply and Delivery Ian Davis

This will set out how the Council will increase housing supply in the short and medium terms. **(Key decision – reference number 4165)**

4. Flexible Housing – Capital Programme Ray James/Ian Davis

This will seek approval of capital funding to deliver flexible housing. **(Key decision – reference number 4333)**

NEW MUNICIPAL YEAR 2017/2018

1. Approval of Cycle Enfield Proposals for the A110 Southbury Road Ian Davis

This will seek approval of Cycle Enfield proposals for the A110 for implementation. **(Key decision – reference number 4113)**

MINUTES OF THE MEETING OF THE CABINET HELD ON WEDNESDAY, 14 DECEMBER 2016

COUNCILLORS

PRESENT	Doug Taylor (Leader of the Council), Achilleas Georgiou (Deputy Leader/Public Service Delivery), Daniel Anderson (Cabinet Member for Environment), Yasemin Brett (Cabinet Member for Community, Arts and Culture), Alev Cazimoglu (Cabinet Member for Health and Social Care), Krystle Fonyonga (Cabinet Member for Community Safety and Public Health), Dino Lemonides (Cabinet Member for Finance and Efficiency), Ahmet Oykener (Cabinet Member for Housing and Housing Regeneration) and Alan Sitkin (Cabinet Member for Economic Regeneration and Business Development) **Associate Cabinet Members (Non-Executive and Non-Voting):** Bambos Charalambous (Enfield West), Vicki Pite (Enfield North), George Savva (Enfield South East)
ABSENT	Ayfer Orhan (Cabinet Member for Education, Children's Services and Protection)
OFFICERS:	Rob Leak (Chief Executive), James Rolfe (Director of Finance, Resources and Customer Services), Ian Davis (Director of Regeneration & Environment), Tony Theodoulou (Director of Children's Services), Asmat Hussain (Assistant Director Legal & Governance Services), Jayne Middleton-Albooye (Head of Legal Services), Bob Griffiths (Assistant Director - Planning, Highways & Transportation), David B Taylor (Head of Traffic and Transportation), Tony Gilling (Assistant Director Human Resources), Paul Kearsey (Assistant Director Transformation), Andrew Thomson (Health, Housing and Adult Social Care), Gerry Ansell (Principal Planner), Detlev Munster (Head of Property Programmes), Heather McManus (Interim Assistant Director Property, Strategic Property Services), Bindi Nagra (Assistant Director Health, Housing and Adult Social Care), Glenn Stewart (Assistant Director Public Health), Rocco Labellarte (Assistant Director ICT), Andrew Golder (Press and New Media Manager), Jon Judah (Cycle Enfield Project Director), Demos Kettenis (Cycle Enfield Programme Manager) and Richard Eason (Cycle Enfield Consultation Manager) Jacqui Hurst (Secretary)
Also Attending:	Councillor Derek Levy (Chair of the Overview and Scrutiny Committee), Councillor Mike Rye (Enfield Town Ward Councillor), Councillor Terence Neville (Leader of the Opposition and Grange Ward Councillor), Alex Stebbings (Jacobs), approximately 40 members of the public

1
APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor Ayfer Orhan (Cabinet Member for Education, Children's Services and Protection).

2
DECLARATIONS OF INTEREST

NOTED, that there were no declarations of interest in respect of any items listed on the agenda.

3
URGENT ITEMS

NOTED, that the reports listed on the agenda had been circulated in accordance with the requirements of the Council's Constitution and the Local Authorities (Executive Arrangements) (Access to Information and Meetings) (England) Regulations 2012, with the exception of Report No.153 – Revenue Monitoring Report 2016/17: October 2016 and 2017/18 Budget Update (Minute No.9 below refers) and, Report No.161 – Bury Street West – Development (Minute No.15 below refers).

AGREED, that the above reports be considered at this meeting.

4
DEPUTATIONS

Councillor Doug Taylor (Leader of the Council) advised those present that he had received deputation requests from Councillor Mike Rye (Enfield Town Ward Councillor) in respect of Report No.151 – Approval of Cycle Enfield Proposals for Enfield Town (Minute No.7 below refers); and from Councillor Terence Neville (Leader of the Opposition and Grange Ward Councillor) and from Clare Rogers (Co-ordinator – Enfield Cycling Campaign and Better Streets for Enfield representative) in respect of Report No.151 – Approval of Cycle Enfield Proposals for Enfield Town and Report No.152 – Approval of Cycle Enfield Proposals for the A1010 (North) (Minute Nos.7 and 8 below refer).

5
ITEMS TO BE REFERRED TO THE COUNCIL

AGREED, that the following reports be referred to full Council:

1. Report No.156 – Proposed Submission Edmonton Leeside Area Action Plan
2. Report No.157 – ICT Capital Investment 2017-2020

Asmat Hussain (Assistant Director – Legal and Governance) took this opportunity to advise those members of the public present at the meeting of the Council's filming policy.

6
CHANGE IN ORDER OF THE AGENDA

Councillor Doug Taylor (Leader of the Council) advised those present that he would vary the order of the agenda to facilitate the attendance of Councillor Terence Neville for the discussion on Report Nos. 151 and 152 – Approval of Cycle Enfield Proposals for Enfield Town and the A1010 (North), as detailed in the minutes below.

For ease of reference the minutes reflect the order of the published agenda, however, the order of the consideration of the reports at the meeting was as follows:

- Report No.156 – Proposed Submission Edmonton Leeside Area Action Plan (Minute No.11 below refers)
- Report No. 161 – Bury Street West – Development (Minute No.15 below refers)
- Report No.155 – Quarterly Corporate Performance Report (Minute No.19 below refers)
- Report No.160 – Award of the Substance Misuse Recovery Service Contract (Minute No.14 below refers)

The order of the published agenda was then resumed.

7
APPROVAL OF CYCLE ENFIELD PROPOSALS FOR ENFIELD TOWN

Councillor Taylor (Leader of the Council) welcomed those members of the public present at the meeting and advised all in attendance that a copy of the large scale plans for the proposals for both Cycle Enfield reports were available at the meeting for viewing, Appendix A to the reports referred.

Councillor Daniel Anderson (Cabinet Member for Environment) introduced the report of the Director of Regeneration and Environment (No.151) seeking approval to undertake detailed design and statutory consultation for segregated cycling facilities and public realm improvements at Enfield Town. Councillor Anderson drew Members' attention to the Cabinet report and supporting pack of appendices setting out the detailed background information to the proposals under consideration.

NOTED

1. That the proposals now presented were the result of a two year process of engagement. Section 4 of the report outlined the detailed consultation process which had been undertaken. A public engagement event had been held in February 2015 and, a TfL sponsor review had been carried out in June 2015, as set out in the report. A 12 week consultation had taken place, as outlined in section 4 of the report. This had included writing to approximately 53,000 properties within a 1km radius of the centre of Enfield Town; consultation with specific community groups; a business event; and, public exhibition. The public consultation had started on 25 September 2015 and had run until 18 December 2015. A high level of response had been received, as set out in the report. The results of the consultation and resulting changes to design were set out in Appendix B1 of the report.

2. That throughout 2016, the Council's designers had continued to amend the initial proposals to take account of the extensive consultation feedback, which had favoured Cecil Road remaining one-way with two-way cycle lanes, and Church Street remaining open for all vehicular access.

3. The specific engagement which had been undertaken with young people, as outlined in section 4 of the report, to ensure that their views were considered; approximately 1,100 young people had been involved in the engagement events.

4. The comments which had been received from the emergency services and the impact assessments which had been undertaken. Particular attention was drawn to the Economic Impact Assessment and Air Quality Assessment. Councillor Anderson highlighted the challenges faced with regard to air quality and reported that representations had been made to the Mayor of London that the proposed ultra-low emission zone needed to include the M25; restrictions were currently only proposed for Inner London; this would have a negative impact on outer London boroughs. The challenges faced by Enfield, due to an increasing population and increased car usage, were recognised.

5. Councillor Anderson acknowledged the level of engagement and extensive comments which had been received and also noted the points that had been raised by Councillor Mike Rye in recent correspondence. All comments had been and would continue to be considered and fed into the scheme design process. Subject to Cabinet approval this evening, the scheme would progress to statutory consultation in the New Year. Co-design workshops would take place.

Councillor Anderson highlighted the benefit of the scheme to Enfield including the potential improvement to the health and well-being of residents and improvements to the public realm.

6. The recommendations set out in the report for Members' consideration.

7. At this point, Councillor Doug Taylor invited Councillor Mike Rye to present his deputation to the Cabinet. Councillor Rye raised a number of issues for Members' consideration including the following points:

- Thanks were expressed to Councillor Anderson for his prompt response to issues raised.
- The vast range of shopping centres in the Borough relied on passing trade and the ability to park conveniently. It was noted that the capacity of roads in Enfield was limited.
- Concern was expressed in relation to the impact of the cycle scheme on the viability of Enfield Town retail centre especially in the light of the number of current vacant retail units.
- The Enfield Town Masterplan proposals were acknowledged.
- The Economic Impact Assessment did not guarantee an uplift in trade but indicated that the scheme was likely to result in a downturn in trade particularly through the construction stage. This would require careful management and suggestions were made to consider the provision of appropriate free parking periods; clear signage; engagement with landlords; and, potential business rate relief for those adversely affected.
- The displacement of traffic and potential negative pollution impact on residential properties in the surrounding area. Pollution levels could increase from queuing traffic in some areas.
- The traffic survey had been undertaken in July 2015 in good weather and when schools were not at their full capacity. It was therefore not a true reflection of the impact on traffic flows at busier times of the year.
- Displacement of traffic could have an adverse effect on particular junctions and areas such as Gentleman's Row and Willow Road/Parsonage Lane.
- Councillor Rye was pleased to note the changes that had been made to the original scheme as a result of consultation responses however there were a number of specific areas still to be addressed including access to the service areas in Cecil Road and loss of residents' parking. Thorough consideration would be required of all of the issues that had been raised.
- Councillor Rye welcomed the proposed public realm improvements however, he expressed concern regarding the bus terminus and ugly toilet block located opposite the Stag public house and asked that the Council and TfL give consideration to improving the public realm of this area which was an entrance to the town centre.

- As the original scheme design had been subject to change, Councillor Rye requested that the consultation period be extended beyond the statutory period.

8. Councillor Taylor thanked Councillor Rye for his deputation. He supported Councillor Rye in his concerns regarding the bus terminus and had also expressed the view that improvements needed to be made. Representations would continue to be made to TfL. It was noted that a number of issues had been raised for consideration. Members' discussion continued on the proposals in the report as set out in the minutes below.

9. Glenn Stewart (Assistant Director Public Health) responded to the issues which had been raised with regard to public health and air quality. He stressed the importance of increasing the physical activity of residents in the Borough and enabling exercise to become a part of everyday life. The huge financial pressures faced by the NHS in dealing with patients with long-term health conditions such as diabetes was noted together with the positive impact physical activity could have on reducing the instances of such conditions. Cycle Enfield was supported by public health and local NHS health care providers for the potential health benefits that it encouraged.

10. In response to one of the questions raised, positive comparisons were made with other countries where cycling was encouraged and the benefits highlighted. In response to specific concerns with regard to air quality and potential pockets of increased pollution levels, Members were advised that the health benefits of cycling outweighed any pollution exposure. Whilst it had been acknowledged that there could be some increase in pollution at particular junctions the overall assessment was of a minor net benefit. Councillor Taylor requested that consideration be given to the use of appropriate planting and screening where possible to minimise the effects of any increased levels in pollution. The personal health benefits of cycling were reiterated by Councillor Oykener.

11. That the consultation undertaken had been meaningful and comments received had been taken into account and, had resulted in changes to the original scheme proposals.

12. Councillor Sitkin outlined his ambitions for town centres in the Borough and acknowledged the widespread issues that were currently being experienced due to other factors regardless of the introduction of cycle lanes.

13. Councillor Taylor invited Councillor Terence Neville to present his deputation to the Cabinet. Councillor Neville raised a number of issues for Members' consideration including the following points:

- Councillor Neville acknowledged that town centres in general were already facing difficulties but emphasised the need to carefully consider the impact that the introduction of cycle lanes would have on the town centres. The Council was dependent on the success of its town centres and it was important to ensure that any negative impact on trade was minimised.
- Councillor Neville questioned the consultation which had been undertaken and expressed the view that the revised scheme presented to Members' this evening had not been subject to consultation. He requested that a full consultation process be undertaken on the revised scheme proposals rather than relying solely on the statutory consultation period. It was important that an opportunity was given for all views to be expressed prior to proceeding with the scheme. The consultation needed to make clear the proposals and what it would involve including loss of parking provision and loading bays and the subsequent inconvenience to residents and businesses. He felt that statutory consultation would not be sufficient. The public needed to see what was now proposed and have an opportunity to make its views known.
- Councillor Neville questioned whether the Economic Impact Assessment related to the original scheme or the revised scheme and expressed concern that a business walk had taken place in relation to the A1010 (North) scheme but not for this scheme.
- Members' attention was drawn to paragraph 8.2.6 of the legal implications in the report which stated that "before making any decision with respect to this matter, the Cabinet must conscientiously consider the consultation responses". Councillor Neville expressed the view that the consultation process was flawed and that a further period of consultation should be allowed.
- Concerns were raised with regard to the potential impact on air quality and that the introduction of cycle lanes would not provide any improvement. It had recently been reported that cyclists in London were being harmed by air pollution and the Government needed to act. Councillor Neville reiterated his concerns on the potential negative impact on Enfield Town centre and on surrounding areas through displaced traffic flows.

14. Councillor Taylor thanked Councillor Neville for his deputation and highlighted the issues raised for response by officers present.

15. Councillor Yasemin Brett sought reassurance regarding the routes that would be available for use by the emergency services following the introduction of cycle lanes, particularly for instances of more than one emergency vehicle requiring access in opposite directions at any one time.

16. At this point in the discussion, Councillor Taylor invited Clare Rogers, Co-ordinator, Enfield Cycling Campaign and Better Streets for Enfield representative, to present her deputation to the Cabinet. Clare Rogers raised a number of issues for Members' consideration including the following points:

    - She felt that Enfield had achieved its capacity with regard to the level of car usage. The negative impacts of vehicle use included public health implications, increased number of car collisions, lack of physical activity, pressures on the NHS, air pollution, poor child development and health. Clare expressed the view that it was vital to improve public health and this could be assisted by providing safe routes for cycling reducing the current levels of vehicle use. The proposals would provide safe cycling routes including to schools and shopping centres and could potentially replace a lot of short car journeys.
    - Research had shown that the introduction of cycle lanes reduced traffic congestion and would be of benefit to the future of Enfield Town. She expressed disappointment that the scheme had changed with regard to the proposals for Church Street, which would no longer be pedestrianised. She felt that it was important to put people first and encourage a healthier population in Enfield.

17. Councillor Taylor thanked Clare Rogers for her deputation and acknowledged the issues that had been raised.

18. David Taylor (Head of Traffic and Transportation) responded to a number of the issues that had been raised. Members were advised that the Economic Impact Assessment had been undertaken on the current scheme proposals. The overall conclusion was that the impact of the scheme was neutral or slightly positive dependent on the proposed mitigating measures. With regard to the emergency services, Members' attention was drawn to the responses which had been received, as set out in the report. It was confirmed that emergency vehicles could pass on both directions on areas of lightly segregated cycle routes.

19. With regard to the consultation, Officers present confirmed that the original proposals had been consulted on some time ago, the scheme had since evolved taking on board the significant feedback which had been received. There would be further opportunity for engagement in the New Year with an exhibition and co-design workshops. The public would be invited to give their views on the proposals. Leaflets would also be distributed to local households and businesses highlighting how they could become involved.

20. In response to further questions raised by Councillor Neville, it was stated that a meeting had been offered to the Palace Exchange manager but that this had been deferred to the New Year at the manager's request. Business Walks had begun in London Road and

officers were engaging with local businesses. Regular meetings were held with TfL who had the duty to engage with their bus operators. There was a statutory requirement to notify bus operators of the proposals.

21. In conclusion, Councillor Anderson acknowledged all of the points which had been raised in discussion and the responses which had been provided. The consultation undertaken had been extensive and there would be further opportunities for input into the scheme. The scheme proposals had been amended in response to the consultation responses received. The proposals were the result of two years of consultation and engagement. The proposals were seeking to make Enfield a better and healthier place for its residents.

22. Councillor Taylor noted the comments which had been raised and sought clarification of the process going forward for the benefit of all present. He noted the differences of opinion which had been expressed.

23. Subject to approval of the recommendations in the report, capital expenditure of £288,000, fully funded by TfL, would be used to develop the detailed design and undertake statutory consultation. Leading up to the period of statutory consultation there would be a public exhibition and engagement with residents and local businesses. Leaflets would be distributed inviting further comments. Consideration would be given to all related issues including traffic management, economic impact assessment, air quality assessment and equalities assessment before any final decision was taken to proceed further.

24. Councillor Taylor reiterated a number of specific concerns that had been raised requiring further consideration including: loading and drop off facilities in Cecil Road; access for people with disabilities; the future of market square and millennium fountain; the challenges to be addressed particularly during the construction period and the options and potential impact in agreeing the way forward and timescales for implementation.

25. Councillor Taylor thanked Councillor Mike Rye, Councillor Terence Neville and Clare Rogers for their contributions to the full and detailed discussion that had taken place.

Alternative Options Considered: NOTED, that the Council could decline the Mini Holland funding. However, this would mean forgoing £4.7 million of investment in the borough on this scheme, £37.6 million of investment on other Mini Holland schemes and the associated economic, health and transport benefits.

DECISION: Cabinet agreed

1. To note the results of the public consultation on options 1 and 6A and the resulting changes made to the design.

2. To note the air quality assessment, the economic impact assessment, the parking assessment, the traffic modelling, the equalities impact assessment and the comments of critical friends. These assessments had been made in respect of the emerging design following public consultation.

3. That approval be granted to undertake detailed design and statutory consultation for lightly segregated cycling facilities and public realm improvements at Enfield town centre.

4. That approval be granted for capital expenditure of £288,000 for detailed design and statutory consultation.

5. That delegated authority be granted to the Cabinet Member for Environment to approve and implement the final design of the scheme subject to further traffic modelling, consultation and completion of all necessary statutory procedures and made any additional changes as appropriate.

Reasons: As follows:

- To create better, healthier communities.
- To make cycling a safe and enjoyable choice for local travel.
- To make places cycle-friendly and provide better streets and places for everyone.
- To provide better travel choices for the 34% of Enfield households who have no access to a car and an alternative travel choice for the 66% that do.
- To transform cycling in Enfield.
- To encourage more people to cycle.
- To enable people to make short journeys by bike instead of by car.
- To increase physical activity and therefore the health of cyclists.
- To reduce overcrowding on public transport.
- To enable transformational change to our town centres.

(Key decision – reference number 4112)

8
APPROVAL OF CYCLE ENFIELD PROPOSALS FOR THE A1010 (NORTH)

Councillor Doug Taylor (Leader of the Council) stated that in the light of the comprehensive discussion on the previous report, Members and Officers present were asked to raised specific issues in relation to the Cycle Enfield proposals for the A1010 (North) rather than issues relating to cycling in general.

Councillor Daniel Anderson (Cabinet Member for Environment) introduced the report of the Director of Regeneration and Environment (No.152) seeking approval to undertake detailed design and statutory consultation for segregated cycling facilities and public realm improvements on the A1010 North between Southbury Road/Nags Head Road and Bullsmoor Lane/Mollison Avenue.

NOTED

1. That these proposals were more advanced than those of Enfield Town in so far as the co-design workshops had already taken place. Section 4 of the report detailed the consultation process that had been undertaken leading to the proposals being presented for consideration by Members this evening. In April 2015 the Council had held a public engagement event at the Ordnance Unity Centre and in April 2016 the scheme had undergone a TfL sponsor review, as detailed in the report. A 12 week consultation period had been held, including an exhibition and engagement with various representative community groups. A business event had been held at the Dharma Centre. The consultation period had run from 1 July 2016 until 23 September 2016. A booklet had been delivered to more than 50,000 properties. The results of the consultation and resulting changes to design were detailed in Appendix B1 of the report. A business walk had taken place and specific youth engagement held, section 4 of the report referred.

2. That section 5 of the report set out the scheme design proposals. The scheme involved the installation of lightly segregated cycle lanes on both sides of the A1010 Southbury Road/Nags Head Road and Bullsmoor Lane/Mollison Avenue; additional traffic signals to reduce conflicts and enable cyclists to pass safely through junctions; public realm improvements; the installation of bus stop boarders and bus stop by-passes, new zebra crossings, side road entry treatments and raised tables; and remodelling of key junctions, as shown in the report and appendices.

3. Councillor Taylor specifically raised the issue of the proposed removal of a right-turn pocket at The Ride junction, which provided access to two schools and an industrial area and asked that this be reviewed as the scheme proposals progressed.

4. Councillor Cazimoglu praised the consultation which had taken place and the engagement with the ward councillors who had responded on behalf of the residents that they represented. It was noted that comments received during the consultation had been taken into consideration when developing the scheme designs.

5. Councillor Fonyonga was pleased to note the specific youth engagement which had taken place and commended officers for undertaking this specific consultation.

6. Councillor Pite congratulated officers for their engagement with hard to reach community groups and questioned the detail of the breakdown of respondents to the consultation. In response to a comment made by Councillor Neville previously, Councillor Pite stressed the importance of safe and direct cycle routes for young people and other cyclists, and outlined a number of reasons for the justification of the use of main roads rather than back routes for cycling. Councillor Pite expressed the view that habits can change when developments take place.

7. Councillor Taylor invited Councillor Neville to present his comments to the Cabinet in respect of the report under consideration. The points raised included the following:

   - Councillor Neville reiterated his view that particular daily used driving routes can become a habit if difficulties were faced in using other alternative routes. Councillor Neville noted that alternative cycle routes along canals for example were successful in other areas such as Kingston and Camden.
   - Councillor Neville noted the consultation which had been undertaken on the proposals for the A1010 (North) and that the results had been relatively low as outlined in paragraph 4.10 of the report.
   - It was noted that a business walk had been undertaken, Councillor Neville sought more information on the information arising and the reaction of the businesses who had been contacted.
   - The parking implications set out in section 5.8 of the report were highlighted and questions asked as to how the impact of the proposals would be mitigated. This included clarification on the provision of free crossovers subject to the planning process.
   - Further information was requested with regard to the number of bus routes using this part of the A1010 (North) and the bus companies involved. Councillor Neville's view that TfL would not be consulting with the bus companies concerned.

8. Councillor Taylor invited Clare Rogers to present her comments to the Cabinet in respect of the report under consideration. The points raised included the following:

   - A number of the comments made previously with regard to the Enfield Town scheme also applied to this scheme. In addition, it was noted that the East of the Borough was a more deprived area with relatively lower incomes and increased instances of childhood obesity. Clare quoted from a report addressing the issue of fairness in a car dependent society and highlighted the unfairness for those who did not have access to a car and were excluded from this form of travel. Cycle Enfield would go some way to address this unfairness and by opening up other cheaper travel options for those living in the East of the Borough. Successful implementation of the scheme could result in a decrease in car usage, increased levels of physical activity and have positive benefits in tackling childhood obesity if children were able to cycle safely.

9. Councillor Charalambous drew attention to a number of points included within the Economic Impact Assessment report and noted that most of the shopping undertaken in the area was by public transport or walking. The proposals were assessed as having a neutral or negligible impact on the town centres affected.

10. In response to the issues which had been raised, officers present provided a number of points of clarification. It was noted that the reduction in parking provision was minimal. The majority of users to the shopping centres concerned were by public transport or walking. It was felt that the parking provision available would be sufficient to meet demand whilst acknowledging the demands particularly at the southern and northern ends of the route, section 5 of the report referred.

11. With regard to the provision of free crossovers, an assessment was still to be done, and would be subject to the restrictions of the planning process.

12. Councillor Levy was able to confirm for Members the bus routes that used this part of the A1010 (North) and the bus companies concerned.

13. In response to questions raised, officers provided a more detailed breakdown of the responses that had been received, the level of support and the age groups represented by the responses.

14. The business walk had been undertaken towards the end of the consultation period to ensure that businesses were aware of the proposals and had an opportunity to participate. Parking and loading restrictions had been addressed as part of this. An additional loading bay at Albany Road had been proposed in the scheme.

15. In clarifying the process in going forward, it was noted that subject to approval of the recommendations, £368,000 of capital expenditure, fully funded by TfL, would be used for the detailed design and statutory consultation as detailed in the report. Co-design workshops had already taken place. There would be a public exhibition and a significant level of publicity of the proposals going forward.

Alternative Options Considered: NOTED, that the Council could decline the Mini Holland funding. However, this would mean forgoing £4.7 million of investment in the borough on this scheme, £37.6 million of investment on other Mini Holland schemes and the associated economic, health and transport benefits.

DECISION: The Cabinet agreed

1. To note the results of the public consultation.

2. To note the air quality assessment, the economic impact assessment, the parking assessment, the traffic modelling, the equalities impact assessment and the comments of critical friends.

3. That approval be granted to undertake detailed design and statutory consultation for lightly segregated cycling facilities and public realm improvements along the A1010 North, between Southbury Road/Nags Head Road and Bullsmoor Lane/Mollison Avenue.

4. That approval be granted for capital expenditure of £368,000 for detailed design and statutory consultation, which would be fully funded by Transport for London.

5. That delegated authority be granted to the Cabinet Member for Environment to approve and implement the final design of the scheme subject to consultation and completion of all necessary statutory procedures and make any additional changes as appropriate.

Reasons: As follows:

- To create better, healthier communities.
- To make cycling a safe and enjoyable choice for local travel.
- To make places cycle-friendly and provide better streets and places for everyone.
- To provide better travel choices for the 34% of Enfield households who had no access to a car and an alternative travel choice for the 66% that do.
- To transform cycling in Enfield.
- To encourage more people to cycle.
- To enable people to make short journeys by bike instead of by car.
- To increase physical activity and therefore the health of cyclists.
- To reduce overcrowding on public transport.
- To enable transformational change to our town centres.

(Key decision – reference number 4115)

9
REVENUE MONITORING REPORT 2016/17: OCTOBER 2016 AND 2017/18 BUDGET UPDATE

Councillor Dino Lemonides (Cabinet Member for Finance and Efficiency) introduced the report of the Director of Finance, Resources and Customer Services (No.153) setting out the Council’s revenue budget monitoring position based on information to the end of October 2016.

NOTED

1. For information, the £7.2m overspend revenue outturn projection. This position was the same as reported in September 2016.

2. For information, that Cabinet Members would continue to work with Directors to implement action plans to reduce the forecast overspend in 2016/17.

3. For information, the mitigating actions proposed to date by Directors of overspending departments as set out in Appendix A of the report.

4. For information, that Cabinet Members would continue to work with Directors to agree and implement plans to mitigate pressures being forecast in the Medium Term Financial Plan.

5. That Table 1 of the report set out the summary performance overview and the current red risk ratings in respect of the year end variances and schools budget as detailed.

6. Members' attention was also drawn to the forecast projected departmental outturn variances shown in Table 2 and detailed in the appendices to the report.

7. Councillor Lemonides highlighted the key risks as set out in section 13 of the report which included demand-led service pressures.

8. That work on the budget for 2017/18 and subsequent years was continuing, section 9 of the report referred, with the finalisation of budget proposals being reported to Cabinet and Council in February 2017.

9. That as previously reported, Enfield had accepted the Government's multi-year settlement offer, section 9.2 of the report referred.

10. Members' continued concerns that the Government was not providing adequate funding to meet the demands being faced by local authorities. Councillor Cazimoglu reiterated the need for increased funding with regard to Adult Social Care. Councillor Oykener also highlighted the continuing housing pressures being faced by local authorities.

Alternative Options Considered: Not applicable to this report.

Reason: To ensure that Members were aware of the projected budgetary position, including all major budget pressures and underspends which had contributed to the present monthly position and that were likely to affect the final outturn.
(Key decision – reference number 4367)

10

CAPITAL PROGRAMME MONITOR SECOND QUARTER SEPTEMBER 2016 BUDGET YEAR 2016-17

Councillor Dino Lemonides (Cabinet Member for Finance and Efficiency) introduced the report of the Director of Finance, Resources and Customer Services (No.154) informing Members of the current position up to the end of September 2016 regarding the Council's Capital Programme (2016-20) taking into account the latest information for all capital schemes including the funding arrangements.

NOTED

1. That the report showed that the overall expenditure was projected to be £227.3m for the General Fund and £65.2m for the HRA for 2016/17.

2. Members' attention was drawn to appendix A of the report setting out the detailed capital programme budget. Councillor Lemonides highlighted the significant spend with regard to Meridian Water and Housing Gateway; noted the capitalisation of interest charges; and, reiterated the close and continued monitoring of the programme, as set out in the report.

3. Councillor Terence Neville expressed his concerns over the cost of borrowing to the Council which would result in increasing pressures on the council tax and/or further reductions in Council services.

4. Councillor Alan Sitkin highlighted the need for a continued vision and aspiration for the future of the Borough for the benefit of future generations and therefore did not support the issues raised by Councillor Neville.

5. Councillor Lemonides concluded by reiterating the close monitoring of capital programme projects to ensure that the responsibilities of the Council were met and drew a distinction between those projects and the significant projects highlighted above which represented invest to save opportunities, for example, the savings on temporary accommodation costs being achieved through the work of Housing Gateway.

Alternative Options Considered: Not applicable to this report.

DECISION: The Cabinet

1. Agreed the revised Capital Programme totalling £292.5m for 2016/17 and noted the full four-year programme as detailed in Appendix A of the report and the indicative programme set out in Appendix B of the report.

2. Noted that the additions to the programme were for information only and either required no additional borrowing as they were grant funded or had already been approved as part of the Council's democratic process as detailed in Table 3 of the report.

Reason: To keep Members informed of the current position regarding the Council's Capital Programme (2016-20).
(Key decision – reference number 4363)

11
PROPOSED SUBMISSION EDMONTON LEESIDE AREA ACTION PLAN

Councillor Alan Sitkin (Cabinet Member for Economic Regeneration and Business Development) introduced the report of the Director of Regeneration and Environment (No.154) seeking approval of the proposed submission Edmonton Leeside Area Action Plan.

NOTED

1. That this had formerly been known as the Central Leeside Area Action Plan. The Plan was ambitious and aimed to deliver the spatial vision and land use strategy for this part of south east Enfield which included Meridian Water, as detailed in the report. The Plan reflected the progress which had been made to date and the aspirations for the future including employment in the area.

Alternative Options Considered: None. Having an adopted and comprehensive planning framework for the area provided a basis for setting the area specific planning policies by which decisions on development could be guided. This was essential to support the Council's regeneration programme, for on-going as well as future investment opportunities.

DECISION: The Cabinet agreed

1. To endorse the Proposed Submission Edmonton Leeside Area Action Plan and recommended to Council its approval for publication, under Regulation 19 of the Town and Country Planning (Local Planning) (England) Regulations 2012, and thereafter be subject to a statutory period of public consultation and submission to the Secretary of State for public examination.

2. That the Cabinet Member for Economic Regeneration and Business Development be delegated authority to agree the publication of the supplementary documents (assessment and supporting evidence base documents) of the Proposed Submission Edmonton Leeside Area Action Plan.

3. That the Director of Regeneration and Environment be delegated authority to make appropriate changes to the submission version of the Edmonton Leeside Area Action Plan and undertake any further consultation required, in the run up to and during the public examination process into the document, in response to representations received, requests from the Planning Inspector and any emerging evidence, guidance or legal advice. Changes of a substantive nature would be considered by the Local Plan Cabinet Sub-Committee.

RECOMMENDED TO COUNCIL to approve the Proposed Submission Edmonton Leeside Area Action Plan for publication, under Regulation 19 of the Town and Country Planning (Local Planning) (England) Regulations 2012, and thereafter be subject to a statutory period of public consultation and submission to the Secretary of State for public examination.

Reason: To fulfil the following aims:

- Supporting an acquisition strategy
- Providing a planning framework against which the Council could determine planning applications at Meridian Water and the wider Edmonton Leeside area.
- Providing a took with which the Council could measure and assess the master developer's plans; and
- Giving the Council the confidence of having a long-term planning approach to Meridian Water

(Key decision – reference number 4389)

12
ICT CAPITAL INVESTMENT 2017-2020

Councillor Dino Lemonides (Cabinet Member for Finance and Efficiency) introduced the report of the Chief Executive and Director of Finance, Resources and Customer Services (No.157) outlining the required capital investment for Information and Communication Technology (ICT) over the next three years.

NOTED

1. That the report outlined the proposed next phase of ICT investment which would be mainly focused on essential modernisation of software systems for major council services and, essential updates to core ICT infrastructure and hardware.

2. That section 3 of the report detailed what ICT investment was required and provided a breakdown of the main areas of investment: £9m for keeping hardware up to date, compliant and data secure; and, £23m for upgrading and replacing software for external compliance, service integration, internal efficiencies and improved customer experience.

3. In response to questions raised, Members were advised of the consequences if the required investment did not take place. Further reports would outline the planned programme of works.

4. Councillor Neville expressed his concern that the required funding had not been highlighted at an earlier stage for inclusion in the Council's capital programme.

5. Councillor Lemonides concluded by highlighting the funding requirements and advised Members of the progress which had been made in implementing the aims of Enfield 2017 which should be completed by April/May 2017. Councillor Lemonides outlined the Council's proposals for moving forward.

Alternative Options Considered: NOTED, the alternative options that had been considered as set out in full in section 4 of the report: Option 1 – continue to operate under the now rescinded ICT outsources service, with a higher revenue funded proportion of transformation staff; and, Option 2 – do nothing.

RECOMMENDED TO COUNCIL, to approve the addition of £32m to the capital programme for ICT capital requirements over the 3 years 2017/18, 2018/19 and 2019/20.

Reason: NOTED, the detailed reasons for the recommendations as set out in section 5 of the report under the areas of: improved customer experience and wider stakeholder engagement; ongoing external compliance and compatibility, fit for purpose internal solutions; and, securing the £29m annual revenue saving delivered by Enfield 2017 for the long term.
(Key decision – reference number 4410)

13
SENIOR JOB PAY STRUCTURE AND TITLES

Councillor Dino Lemonides (Cabinet Member for Finance and Efficiency) introduced the report of the Assistant Director Human Resources (No.158) reviewing the current pay structure for senior leaders in the Council.

NOTED

1. That the proposals had previously been discussed and agreed by the Council's Remuneration Committee.

2. The processes that would need to be followed. There would be a requirement for the new posts to be supported by a sound business case, implementation of an external process to evaluate posts and the new Director level posts would be subject to ratification by the Remuneration Committee, section 7 of the report referred.

Alternative Options Considered: NOTED, that given the retention problems identified in the report, maintaining the status quo in the senior leadership pay structure could hinder the Council's ability to attract high quality candidates who could lead and manage the successful delivery of services with reduced resources in the future. Implementing an across the board pay uplift at the Assistant Director and Head of Service level would be extremely costly and potentially controversial in the current climate of austerity and job losses. Any pay uplifts would need to be objectively justified and targeted in areas where there was an organisational or business need.

DECISION: The Cabinet agreed

1. With effect from 1 January 2017:

   (a) That the four posts of Director be renamed as Executive Directors to better reflect the organisational requirements of officers at this level.
   (b) To reintroduce an intermediate grade of Director (where it was externally validated that the job size required this grade) to meet the need to provide additional capacity to Executive Directors with wide spans of control.
   (c) To agree an external evaluation process to determine whether any new or existing posts should be graded at the new levels and the Director level posts should be subject to ratification at the Council's Remuneration Committee.

2. With effect from 1 April 2017, to reintroduce an intermediate grade of Head of Service 3m (where it was externally validated that the job size required this grade) to recognise the increased responsibilities and demands at this level resulting from the reduction in the number of managers.

Reason: To provide capacity in the pay structure to support the development of an organisation structure which enabled the delivery of value for money services with fewer resources.
(Non key)

14
AWARD OF THE SUBSTANCE MISUSE RECOVERY SERVICE CONTRACT

Councillor Krystle Fonyonga (Cabinet Member for Community Safety and Public Health) introduced the report of the Director of Health, Housing and Adult Social Care (No.160) seeking approval to the award of the substance misuse recovery service contract.

NOTED

1. That Report No.162 also referred as detailed in Minute No.23 below.

2. That the proposed contract award was the conclusion of a successful procurement process which would also result in savings for the Council, as detailed in the report; and, the opportunity for further efficiency savings moving forward.

3. The proposed relocation of the family therapy services as set out in the report.

Alternative Options Considered: NOTED, that there had been no alternative option to tendering externally as Enfield Council was unable to directly provide such a specialist treatment service in-house, as outlined in full in section 4 of the report.

DECISION: The Cabinet agreed to

1. Note that the tender process had adhered to Corporate Procurement Procedures, EU Procurement Regulations, and that the new contract would afford the Council with on-going annual savings of £225,448 and performance improvements.

2. The award of the new contract to the preferred bidder, as outlined in the part two report (Minute No.22 below refers), for an initial period of three years, with options to extend on a consecutive basis of three years and two years, therefore, rolling up to a further five years, subject to satisfactory performance.

3. Support a relocation of the family therapy service, which was a key element of this contract, to achieve £311,000 of on-going annual savings that were part of the overall planned reductions to the drug and alcohol budget of £585,000, subject to an acceptable property solution being realised.

Reason: NOTED, that the detailed reasons for the recommendations were set out in section 5 of the report.
(Key decision – reference number 4302)

15
BURY STREET WEST - DEVELOPMENT

Councillor Dino Lemonides (Cabinet Member for Finance and Efficiency) introduced the report of the Director of Finance, Resources and Customer Services and Director of Regeneration and Environment (No. 161) reviewing the disposal strategy for the Bury Street West site.

NOTED

1. The detail of the previous approvals in 2014 and subsequent negotiations and consultations as set out in the Executive Summary of the report. As a result of the changes to the potential development proposals, further consideration was now required on the disposal options for this site.

2. That a further report would be brought back to Cabinet in January setting out the disposal options for further consideration.

Alternative Options Considered: NOTED, that the alternative options considered would be included within the forthcoming report to the January Cabinet meeting.

DECISION: Cabinet agreed to review the disposal strategy for the Bury Street West site which would ensure the Council sought maximum value for money for the site, taking into consideration current market conditions and the Council's current financial position.

Reason: As a consequence of the guidance given by the GLA to reduce the proposed number of units on the site, consideration should be given to reconsider the disposal options available to the Council, ensuring that the Council seeks maximum value for the site, taking into account current market conditions and the Council's financial strategy.
(Key decision – reference number 4008)

16
ISSUES ARISING FROM THE OVERVIEW AND SCRUTINY COMMITTEE

NOTED, that there were no items to be considered at this meeting.

Councillor Derek Levy (Chair of the Overview and Scrutiny Committee) took this opportunity to advise Members of the planned training sessions for Members on the scrutiny function.

17
CABINET AGENDA PLANNING - FUTURE ITEMS

NOTED, the provisional list of items scheduled for future Cabinet meetings.

18
MINUTES

AGREED, that the minutes of the previous meeting of the Cabinet held on 16 November 2016 be confirmed and signed by the Chair as a correct record.

19
QUARTERLY CORPORATE PERFORMANCE REPORT

Councillor Achilleas Georgiou (Deputy Leader) introduced the report of the Chief Executive (No.155) showing the latest available performance at the end of the second quarter of 2016/17 and comparing it to the Council's performance for the same period in 2015/16.

NOTED

1. For information only, the progress being made towards achieving the identified key priorities for Enfield.

2. Councillor Georgiou drew Members' attention to a number of the indicators set out in the report with regard to Housing, Adult Social Care, Sport and Culture, Income Collection, Employment and Worklessness, Planning and Crime Rates. Councillor Georgiou invited the Cabinet Members to address the issues raised within their own areas of responsibility.

3. Councillor Alev Cazimoglu addressed the indicators relating to Adult Social Care and took this opportunity to raise her continued concerns regarding the provision of insufficient Government funding to meet the growing demands of Adult Social Care. There was an increase in the number of residents going into residential care as there was insufficient support for caring for people in their own homes. The growing pressure on the NHS and adult social care provision was recognised. It was noted that Government discussions were currently taking place on the funding required to meet such demands.

4. Councillor Krystle Fonyonga highlighted the indicators with regard to crime rates and noted the exceptional work of the police and community safety unit in reducing certain levels of crime in the borough. It was noted that many of the indicators were beyond the Council's control. Members were advised of the work undertaken in raising awareness of domestic violence and encouraging the reporting of instances of such crime.

5. Councillor Fonyonga was also pleased to report on the growing success of the Council's campaign to increase participation in sport with the number of visits to the Borough's sports and leisure facilities having increased significantly.

6. Councillor Ahmet Oykener noted the challenges facing the Council with regard to Housing and Homelessness and the impact of Government

policy in this regard. Members noted that the current underspend on the Housing Revenue Account (HRA) would be used for continuing programmes of major works. Councillor Oykener noted the positive indicator in relation to rent collected by council homes as a proportion of rent due (excluding rent arrears); this continued to be a challenging area.

7. Councillor Alan Sitkin was pleased to report that the employment rate in Enfield had improved at a faster rate when compared to the rest of London and nationally. This was a significant achievement for the Borough. Councillor Sitkin highlighted the work that had been undertaken in attracting businesses to the Borough and praised the work of officers in this regard.

Alternative Options Considered: Not to report regularly on the Council's performance. This would make it difficult to assess progress made on achieving the Council's main priorities and to demonstrate the value for money being provided by Council services.

Reason: To update Cabinet on the progress made against all key priority performance indicators for the Council.
(Key decision – reference number 4330)

20
ENFIELD STRATEGIC PARTNERSHIP UPDATE

NOTED, that there were no written updates to be received at this meeting.

21
DATE OF NEXT MEETING

NOTED, that the next Cabinet meeting was scheduled to take place on Wednesday 18 January 2017.

22
EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED, in accordance with Section 100(A) of the Local Government Act 1972 to exclude the press and public from the meeting for the items listed on part 2 of the agenda on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 (information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part 1 of Schedule 12A to the Act (as amended by the Local Government (Access to Information) (Variation) Order 2006).

23
AWARD OF THE SUBSTANCE MISUSE RECOVERY SERVICE CONTRACT

Councillor Krystle Fonyonga (Cabinet Member for Community Safety and Public Health) introduced the report of the Director of Health, Housing and Adult Social Care (No.162).

NOTED

1. That Report No.160 also referred as detailed in Minute No.14 above.

2. The detailed information provided on the preferred bidder and the outcome of the evaluation which had taken place, as set out in the report.

3. That Members' attention was drawn to section 4.3 of the report setting out the terms of the contract and required performance improvements. The contract would be closely monitored to ensure that the performance requirements were being achieved.

4. The savings that would be achieved by the Council as detailed in the report, section 7, financial implications referred.

5. The proposed relocation of the family therapy service as set out in the part one report (Report No.160, Minute No.14 above referred).

6. In response to a question raised by Councillor Anderson, Members were advised of the monitoring mechanisms that would be put in place to ensure compliance with the performance requirements of the new contract.

Alternative Options Considered: As detailed in Report No.160, Minute No.14 above referred.

DECISION: The Cabinet agreed to note the additional information set out in the report in support of the recommendations in Report No.160 (Minute No.14 above referred) and, agreed the award of the new contract to the preferred bidder as detailed in section 4 of the report.

Reason: As detailed in Report No.160, Minute No.14 above referred.
(Key decision – reference number 4302)

24
BURY STREET WEST - DEVELOPMENT

There was no part two report in respect of this item, Minute No.15 above refers.