

MUNICIPAL YEAR 2006/2007 REPORT NO. 163

MEETING TITLE AND DATE:

Cabinet – 22nd November 2006

REPORT OF:

Director of Finance and
Corporate Resources

Contact officer and telephone number:

John Austin – 020 8379 4094

Agenda – Part: 1

Item: 9

Subject:

Enfield Homes – Memorandum and Articles
of Association

Wards: All wards

Cabinet Member consulted: Councillors
Rye and Lavender

1. EXECUTIVE SUMMARY

Cabinet on 11 October 2006 received a report from the Chief Executive (No. 128) summarising information previously reported in relation to the setting up of Enfield Homes, the Council's Arms Length Management Organisation for housing in Enfield. The report sought approval to the Memorandum and Articles of Association.

Cabinet had a number of queries in relation to the Memorandum and Articles of Association. This report seeks to respond to those queries, following a meeting between Council officers, the Council's legal advisors and Councillor Lavender, and asks Cabinet to now approve the Memorandum and Articles of Association.

2. RECOMMENDATIONS

- (a) Cabinet note the responses received following the queries at the meeting on 11th October 2006 and approve the Memorandum and Articles of Association circulated with the October agenda.
- (b) Cabinet note that a report on the financial control and governance arrangements will be submitted to a future meeting.

3. BACKGROUND

- 3.1 Cabinet on 11 October 2006 received a report from the Chief Executive (No. 128) summarising information previously reported in relation to the setting up of Enfield Homes, the Council's Arms Length Management Organisation for housing in Enfield. The report sought approval to the Memorandum and Articles of Association.
- 3.2 Cabinet had a number of queries in relation to the Memorandum and Articles of Association and, pending satisfactory responses, deferred approval. These queries were as follows.
- (a) Should the Memorandum include a general power to do any such thing as may be necessary for the business of the company.
 - (b) In the Articles, there were a number of square brackets that needed to be removed
 - (c) Was a board of 18 too large?
 - (d) Whilst there was provision in Article 13 for the composition of the board, there were no provisions as to the composition of sub-committees. However, powers can be delegated to sub-committees under Article 22. Not only could significant powers be delegated to sub-committees that may not be "balanced", but Article 22 allowed for decisions by a single member sub-committee.
 - (e) What safeguards are there to prevent the articles being altered without the consent of the Council?
 - (f) What controls are there on the borrowing powers in clause 22?
 - (g) That a report detailing proposed financial control and governance be presented to a future meeting.
- 3.3 A meeting was held on 8th November between Councillor Lavender, Council officers and the Council's legal advisors for the ALMO (Trowers and Hamlin) to discuss the issues (a) – (f) above.
- 3.4 The following was agreed at that meeting. It follows the same order as above:
- (a) & (f) Clause 6 of the memorandum requires the ALMO to obtain the council's prior written consent before entering into any borrowing or any arrangements that are equivalent to borrowing. The Management Agreement will also contain controls on borrowing. The powers clause gives the ALMO wide powers but they can only be used to achieve the objects set out in the memorandum. They are therefore limited by the objects. There will be further

controls in the Management Agreement particularly around the finances of the ALMO.

(b) The square brackets have been removed.

(c) Clarification was given to why the council has opted for 18 board members. This is to allow appropriate representation of both tenants and leaseholders within an equal composition of residents, independent members and councillors. It also provides a sufficient pool of Board members to cover the workload required in the various sub-groups in preparation for the ALMO.

(d) This clause will be amended

(e) The council as the sole “shareholder” of the company is the only body that is able to amend the Memorandum and Articles.

(f) See (a) above

(g) see paragraph 3.5 below

3.5 Paragraph 3.2 (g) above refers to a future report on the proposed financial and governance arrangements to be agreed between the Council and Enfield Homes. A considerable amount of detailed work has still to be undertaken to finalise the financial and governance arrangements pertaining to the ALMO and to ensure that the Council’s requirements are included in the Management Agreement. The intention is to bring a report to Cabinet in the new year, to seek formal approval to the arrangements.

4. ALTERNATIVE OPTIONS CONSIDERED

No alternatives were considered. The meeting was required to clarify issues raised by Cabinet.

5. REASONS FOR RECOMMENDATIONS

To clarify the issues raised by Cabinet.

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

6.1 Financial Implications

This report seeks to clarify queries arising from the report presented to Cabinet on 11 October. There are no specific financial implications in this report.

6.2 Legal Implications

These are contained within the body of the report.

7. PUTTING ENFIELD FIRST

Supporting the delivery of excellent services

Background Papers

Cabinet Report and minute dated 11 October 2006.