

## MUNICIPAL YEAR 2015/2016 REPORT NO.

### PORTFOLIO DECISION OF:

- Director of Finance, Resources and Customer Services
- Director of Health, Housing and Adult Social Care
- Cabinet Member for Finance
- Cabinet Member for Housing and Estate Regeneration

**Agenda – Part: 1**

**Item:**

**Subject: Investment in Private Rented Sector – Loan Instalment 4**

**Wards: All**

**Key Decision No: 3782**

**Cabinet Member consulted: Cllr Stafford and Cllr Oykenner**

### REPORT OF:

Director of Finance, Resources and Customer Services

Contact officer and telephone number: Kayt Wilson (020 8379 4566)

E mail: [kayt.wilson@enfield.gov.uk](mailto:kayt.wilson@enfield.gov.uk)

### 1. EXECUTIVE SUMMARY

- 1.1 In February 2014 Cabinet agreed to establish a wholly owned local authority company to acquire and manage properties that the Council can use to discharge its statutory duties. This was in response to the significant temporary accommodation budget pressures facing the Council, resulting from an increase in demand for housing and rising rental prices.
- 1.2 Cabinet, and later Council, agreed the financial model, which provided authority for the Council to borrow funding up to an agreed amount and lend this to the company in a number of instalments. The first instalment of the loan was agreed in February 2014 and authority for further instalments was delegated to the Director of Finance, Resources and Customer Services; Director of Health, Housing and Adult Social Care; Cabinet Member for Finance; and Cabinet Member for Housing and Estate Regeneration.
- 1.3 The company has been in operation since March 2014 and good progress has been made. The company has an established acquisition process in place and now requires the next instalment of the loan to continue the acquisition of properties in line with the agreed criteria.
- 1.4 This report seeks approval for the next instalment of the loan to the company – Housing Gateway Limited – in line with the delegated authority granted in KD3782 and in accordance with the terms of the Facility Letter.

## **2. RECOMMENDATIONS**

- 2.1 Note that Cabinet delegated authority to the Director of Finance, Resources and Customer Services; Director of Health, Housing and Adult Social Care; Cabinet Member for Finance; and Cabinet Member for Housing and Estate Regeneration, to finalise the timing, profile of acquisitions and the detail of the funding arrangements for each phase of the portfolio development, based on the most viable finance stream available, type and level of housing need at that time, and the Council's best interests (KD 3782).
- 2.2 Note that the terms of the Facility Letter were agreed by the Director of Finance, Resources and Customer Services; Director of Health, Housing and Adult Social Care; Cabinet Member for Finance; and Cabinet Member for Housing and Estate Regeneration in September 2014 and the Housing Gateway Board of Directors in April 2014.
- 2.3 Agree to access the next instalment of the loan and on-lend this to Housing Gateway Limited in accordance with the Facility Letter.
- 2.4 Note that the treasury management decisions regarding the Council's borrowing to enable the on-lending to Housing Gateway Limited will be subject to the Council's existing arrangements for governance and specialist advice.

## **3. BACKGROUND**

- 3.1 In February 2014 Cabinet agreed to establish a wholly owned local authority company to own and manage a portfolio of houses, to make available to those residents primarily with housing need or at risk of homelessness (KD 3782). Cabinet agreed that properties would be purchased on a case by case basis using funding from the Public Works Loan Board (PWLb) or via external finance depending on the most viable option at the time of purchase.
- 3.2 Cabinet agreed to delegate to the Director of Finance, Resources and Customer Services; Director of Health, Housing and Adult Social Care; Cabinet Member for Finance; and Cabinet Member for Housing and Estate Regeneration, authority to finalise the timing, profile of acquisitions and detail of the funding arrangements. This included the terms of the loan agreement between the Council and the Company.
- 3.3 The local authority company - Housing Gateway Limited – has now been formed with an established acquisition process in place. As over 90 acquisitions have been completed the company requires the next

instalment of the loan, to enable the acquisition process to continue. This will mark the fourth instalment of the loan.

- 3.4 A Facility Letter was agreed in September 2014 by the Director of Finance, Resources and Customer Services; Director of Health, Housing and Adult Social Care; Cabinet Member for Finance; and Cabinet Member for Housing and Estate Regeneration acting for the Council, and by the Housing Gateway Board of Directors in April 2014. This was drafted by Trowers and Hamlin and provides the mechanism for a loan agreement between the Council and Housing Gateway Limited.
- 3.5 The Facility Letter sets out the terms of the loan agreement. This stipulates that the loan can only be used by Housing Gateway Limited to support the activities agreed by the shareholder. In line with the Cabinet decision, the remit of Housing Gateway Limited is to acquire and manage properties, for which the Council has full nomination rights and can use these properties to discharge its statutory duties. The loan can therefore only be used for this purpose, unless the shareholder agrees to additional activities at a later date.
- 3.6 The Facility Letter enables the loan to be given to Housing Gateway Limited in instalments to minimise unnecessary interest repayment costs before the company has properties and tenants in place. The Facility Letter therefore contains a schedule that can be completed for every separate instalment. The loan has now almost reached the limit set in the third Facility Letter, so the fourth instalment of the loan is required. The terms of the Facility Letter will remain unchanged but the Facility Letter will be re-issued to the agreed amount.
- 3.7 The fourth instalment of the loan will enable Housing Gateway to continue to acquire properties that can then be used by the Council to discharge its statutory homeless duties.

#### **4. ALTERNATIVE OPTIONS CONSIDERED**

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

## **5. REASONS FOR RECOMMENDATIONS**

- Cabinet approved the business case, financial model and overall financial envelope in February 2014 as per KD 3782.
- Housing Gateway Limited was established in February 2014 and the company is now fully operational. The acquisition process is well established and the next phase of the loan is required to enable the acquisitions to continue.
- A Facility Letter has been agreed by the Council and Housing Gateway Limited which sets out the terms of the loan agreement and provides clear terms of repayment. This was drafted by Trowers and Hamlin acting on behalf of both the Council and Housing Gateway Limited.
- The Facility Letter enables Housing Gateway Limited to access the fourth instalment of the loan in a series of instalments, under Schedule 3 of the Facility Letter. This will enable the company to access funding to coincide with the speed of acquisitions and better manage its cash flow.
- A six month review has been undertaken by Social Finance which reviewed the assumptions in the original business case and progress to date. This concluded that the business case remains undiminished and measurable progress has been made in all areas of the company's operation.

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

### **6.1 Financial Implications**

- 6.1.1 The overall loan value was agreed by Cabinet in February 2014 (KD 3782) and authority was delegated to agree the instalments of the loans as they are required. Furthermore in February 2014, Council agreed to add the borrowing for the Investment in Private Rented Sector scheme to the capital works programme. The fourth instalment of the loan to the company falls within the budget envelope set by Cabinet.
- 6.1.2 The Council will earmark the loans raised on behalf of the Company. The Treasury Management team will minimise the cost of interest costs and with reference to future interest trends. Borrowing on behalf of the company will be undertaken in conjunction with the Council's overall borrowing strategy.
- 6.1.2 The Council will also provide a line of credit to the company to facilitate its working capital and cash flow. This will be charged at the prevailing bank rate.



## **6.2 Legal Implications**

6.2.1 The Council has power to establish and participate in Housing Gateway Limited in accordance with Section 1 of the Localism Act 2011 and section 95 of the Local Government Act 2003. In addition, section 111 of the Local Government Act 1972 permits a local authority to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or right) which is calculated to facilitate, or is conducive or incidental to the discharge of any of their functions. It also has the necessary powers to borrow funding pursuant to Section 1 of the Local Government Act 2003 and to provide a loan, grant funding and/or share capital to the SPV under Section 24 & 25 of the Local Government Act 1988.

6.2.2 The Facility letter is in a form approved by the Assistant Director of Legal Services.

## **6.3 Property Implications**

None.

## **7. KEY RISKS**

- **The interest rate of the loan the Council can access to then on-lend to Housing Gateway Limited is not at a constant rate so the Council has to subsidise the loan rate of this changes over the course of the loan period.** This has been addressed by providing the flexibility to set the interest rate for each instalment of the loan, as determined by Schedule 3 of the Facility Letter.
- **Housing needs change and Housing Gateway Limited is no longer required to manage a property portfolio for use by the Council.** This has been mitigated by providing the flexibility for early repayment of the loan, for example if Housing Gateway Limited needed to sale a property to release capital.
- **The business case assumptions are not realised and the company does not achieve the objectives set.** This has been mitigated by commissioning an external review of the company's operation and by the exit strategies set out in KD 3782 to approve the original business model.

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

### **8.1 Fairness for All**

The formation of Housing Gateway Limited enables the Council to access finance to increase the supply of good quality, value

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

## **8.2 Growth and Sustainability**

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

## **8.3 Strong Communities**

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

## **9. EQUALITIES IMPACT IMPLICATIONS**

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

## **10. PERFORMANCE MANAGEMENT IMPLICATIONS**

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

## **11. PUBLIC HEALTH IMPLICATIONS**

By increasing the supply of good quality housing in the borough across tenures, health and wellbeing of individuals will be improved. All properties purchased will be fit for purpose or refurbished so that they fall in line with the Council's decent homes standard. Where investment

is used to provide quality housing to enable the Council to discharge its statutory homelessness duties, residents selected for these properties will be most at need and therefore most affected by the Government's housing benefit cap.

### **Background Papers**





## MUNICIPAL YEAR 2014/2015 REPORT NO.

### MEETING TITLE AND DATE:

### REPORT OF:

Director of Finance Resources  
and Customer Services

Contact officer and telephone number:

Mike Weston x5279

### Agenda – Part: 1

### Item:

**Subject:** Office 365 Integration to enable corporate use of SharePoint online, Yammer, Exchange online and Office Pro plus.

**Wards:**

**Cabinet Member consulted:**

### 1. EXECUTIVE SUMMARY

The Council would like to further leverage its investment in Microsoft Office 365 cloud services. Currently only the Exchange online component has been integrated, but there is an opportunity to deliver cost savings through the increased utilisation of the rest of the Council investment in Microsoft Cloud Service which includes but is not limited to SharePoint online, Yammer, Identity Management, Multifactor authentication, Mobile Device Management and Office Pro Plus.

While the key objective of the Office 365 Integration is to enable and support the Council's transformation (Enfield 2017) programme and new ways of working agenda, it is expected that by the middle of year two the Office 365 Integration project will be cost neutral and will make an annual saving of over £250,000 in years three and four, while at the same time enabling and supporting the Council's transformation programme.

The basis of these cost savings will be storage and backup cost avoidance from Serco which total approximately £250,000 per annum due to the migration of all unstructured individual and shared data from the traditional file directories (file shares) to SharePoint online. There will also be cost avoidance based on the inclusion of document classification of approximately £450,000 over three years. This is in addition to the non-financial benefits to the whole organisation due to search, collaboration and information availability enhancements.

The use of some of the features of Office 365 such as the SharePoint Search and workflow engine and Yammer enterprise social network will enable the Council to rationalise line of business application. Improving the organisation's ability to improve people search, document search and responses to FOI requests alongside employee self-service while improving security through the use of Role Based Access Controls (RBAC).

This report was approved by the Strategic Procurement Board on 24<sup>th</sup> June; it seeks authority to procure a contract with Automated Intelligence under the terms and conditions of the IT Outsourcing Contract between the Council and Serco.

### 2. RECOMMENDATIONS

That approval and funding is agreed for the migration of all unstructured Council data from the traditional file directories to SharePoint Online using the Serco Contract to procure the toolset provided by Automated Intelligence.

Serco will sign a contract with Automated Intelligence, and Automated Intelligence will supply the services to the Council as a sub-contractor of Serco.

### 3. BACKGROUND

The Council is increasingly looking to cloud computing for IT cost reductions, flexibility in delivering the latest tools to information workers, greater workforce productivity and collaboration, reduced infrastructure complexity and improved IT security. The Council is also pursuing the strategy of removing the large upfront capital expenditures associated with IT investments in favour of the predictability of paying on a metered on-demand or per-user basis.

To this end the Council has invested in Microsoft Office 365 which is Microsoft's cloud service offering. Microsoft Office 365 takes the industry's most recognized set of productivity and collaboration tools that the Council are already using or about to start using and delivers them as a subscription service. Office 365 includes Exchange, Lync Online, SharePoint, and Office Professional Plus. This offering has Microsoft's a financially-backed service-level agreement, is backed by Microsoft's industry experience and aligned to Microsoft's Mobile First, Cloud First Strategy.

Office 365 removes the need for on-premise Exchange, File Services, SharePoint and eventually Lync servers and the associated implementation, support and maintenance costs. It also removes the need for a large storage implementation — SAN and/or direct attach while offering a fully geographic redundancy. The Council has already taken advantage of the Exchange online component of Office 365. Making 25 gigabyte mailboxes available to each employee which would have required a significant investment in additional storage if provisioned on-premise.

The next stage of leveraging the Council's investment in Office 365 is the migration of all unstructured data to SharePoint Online. SharePoint Online enables document sharing, collaboration, individual, teams and intranet Sites that allow users to share documents and insights with colleagues, partners, and customers. This unstructured data currently accounts for approximately 40 Terabytes of storage and is growing at a rate of approximately 15% per annum. Serco currently charge the Council for supporting the 40 Terabytes with an additional backup cost. There are also hardware refresh cycles that incur a capital cost every four to five years.

The move to Office 365 SharePoint Online allows the Council to eliminate hardware and minimise storage and maintenance costs for file services. As part of the SharePoint Online offering each user is assigned 1TB of personal data storage. Each user license also receives 500 Gigabytes of corporate storage space on SharePoint. This is a direct avoidance of current Serco storage costs.

The Council have identified a toolset from Automated Intelligence that will ensure that efficient and effective data migration to SharePoint. In addition, the migration to SharePoint Online and cloud based archiving, using the proposed Automated Intelligence toolset will allow the Council to classify and add metadata to all the documents that are migrated. Metadata summarises basic information about data, which can make finding and working with particular instances of data easier. A separate classification project would cost the Council approximately £450,000 in addition to prolonged business disruption. The Automated Intelligence toolset will assist by automating the classification process using Council policies and then enabling the continued maintenance and application of classification and metadata. As part of the migration, the toolset will identify and remove redundant and duplicate data while archiving of data that is no longer current but the Council needs to retain.

Automated Intelligence have developed software integration solutions which address organisational challenges with migration to Office 365. Issues such as user adoption,

additional classification workload of metadata entry and adherence to corporate information governance policies are addressed by specific integration with Microsoft SharePoint and Outlook such that users will not realise that they are working with SharePoint as they will be presented with a familiar Microsoft Outlook interface.

Initial tests have been completed on a subset of the Council's file services and a report of the analysis and classified the data. It will still be the responsibility of CIT and the end users to determine which data is retained but the software reduces the time and effort in obtaining the information to support the decision making. The software is proven in a number of locations to successfully index documents for retrieval, and to analyse them for security concerns and formal classification. In our case the standard government security classification scheme will be used. The local government classification scheme may also be used as a framework classification system but this has yet to be agreed.

#### **4. ALTERNATIVE OPTIONS CONSIDERED**

The Council IT consultants have considered the generic migration to SharePoint and have concluded that alongside being time consuming facilities, it would be difficult to classify document, add metadata in a user friendly way that will increase adoption of the new platform.

The Council IT consultants have considered the use of the RecordPoint product set which offers migration services. While offering migration services RecordPoint does not address the user adoptions issues that have plagued many SharePoint implementations in the local government sector.

Automated Intelligence is considered to be a more comprehensive and function rich product which will carry out far more of the data analysis Enfield Council requires and in particular has additional functionality which will simplify the introduction and operation of SharePoint for end users. An example of this is the Outlook integration; Staff spend on average 70% of their working day working within email applications (Outlook), the ability to capture key emails and attachments directly into SharePoint, rather than keep them stored within their individual email accounts is important.

#### **5. REASONS FOR RECOMMENDATIONS**

As part of the transformation programme, Enfield Council needs to improve and enhance its document management capability. The Council is transforming into an information-centric organisation, transcending service and even organisational boundaries to deliver smarter customer-centred services. The ability to access, search, share, collaborate and gain insight from Council document repositories has become a critical business need. Information is now the currency that is shaping services and predicting, targeting and channelling how customer needs are met based on their behaviour.

The Council needs to maximise the use and value of its data assets, both within and beyond the Council. Core to this will be increased data transparency, publishing and sharing information in a manner that is useful and provides actionable insight. All staff need to be able to obtain all relevant information on demand (self-service), and ensure that informed decisions are taken based on available knowledge. SharePoint online provides a central, secure, searchable, geographically redundant repository for storage, sharing and collaboration.

The Council operates in an era where smart mobile devices, social media, collaboration tools and cloud computing are continually changing how both the public and staff interact with the Council, businesses and each other. The use of Office 365 especially SharePoint online enables the Council to leverage these advances in technology.

Enfield Council needs to undertake analysis, classification and tagging/metadata creation of all data held on its existing file storage prior to moving it to a SharePoint Online in order to identify the data it holds. This is a preliminary step to ensuring the appropriate governance, understanding, leveraging and maximisation of the use and value of the Council's data asset. Automated Intelligence provides the software solution to carry out the analysis, classification and tagging/metadata creation. Automated Intelligence also offers functionality which will improve the end user experience when introducing SharePoint.

The Automated Intelligence proposed solution includes:

Part 2 of this report contains the detailed functions, services and day rates quoted by Automated Intelligence.

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

### **6.1 Financial Implications**

There are sufficient resources for the total project cost within the IT Investment Funds.

Details of the costs are in Part 2 of this report.

### **6.2 Risk Management Implications**

SharePoint online is part of a substantial Council investment in the Microsoft Enterprise Agreement and additional productivity tools. The Office 365 cloud platform is already being used by the Council for its email as part of the Exchange Online component. Serco and Enfield are already using elements of the SharePoint component to share and collaborate as part of the Enfield IT infrastructure, PMO and design governance.

Automated Intelligence is a Microsoft partner and already has its software working with SharePoint online and integrated with end user Microsoft Outlook 365 in other organisations. There is always risk in implementing new software but this is an already proven product with an established partnership with Microsoft our main IT software supplier.

There are a number of risks that are already being managed as part of the Council's move to a cloud first strategy.

The first is allowing Council data to reside outside of the organisation. The mitigation for this risk is that Microsoft Office 365 has been accredited to the Official classification level. The Council will implement the appropriate security controls to ensure that the access to the data is secure and controlled.



The second risk is Microsoft's service going down. While Microsoft has designed its solution and provides a 99.9% uptime SLA, there is always the risk that Microsoft could experience a data centre outage or some other type of performance degradation. In most cases, the risk of a service outage should be less with the Office 365 infrastructure than with an on premise self-managed solution

The third risk that the Council's connection to the Internet goes down. While this does not occur frequently, it is something that should be taken into careful consideration and the Council has already upgraded and increased the resilience and redundancy of its internet connections.

### **6.3 Legal Implications**

*(Legal Services must be consulted in all cases, please refer to the guidance notes paragraph 7.1, for officer contact details)*

- 6.3.1 Section 1 of the Localism Act 2011 permits the Council to do anything that individuals generally may do provided it is not prohibited by legislation and subject to Public Law principles. Section 111 of the Local Government Act 1972 gives a local authority power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. The implementation of the programme proposed within this Report is incidental to the functions of the Council's departments and will ensure an effective support to the Council. In addition, the Council has the statutory power to utilise the mechanisms under the Serco contract, in accordance with the Local Government (Contracts) Act 1997. The contract with Serco includes a User Catalogue and Procurement Service under Schedule(s) 3 (Core Services) Part 13 which is the mechanism to enable the Council to proceed with the recommendations under this report. As such, the Council has both the statutory and the contractual power and ability to invoke the proposals under the report.
- 6.3.2 In accordance with the Council's Constitution, in particular the Contract Procedure Rules, the Council is permitted to utilise existing contracts without the need for further procurement and the SIAM model of delivery agreed with Serco was specifically structured to perform as such a contractual vehicle.
- 6.3.3 The client has confirmed that the proposed purchase of the toolset from Automated Intelligence is within the scope of the specification/schedules to the current Serco Contract, and therefore Legal services can confirm that in accordance with the contract conditions under the Serco contract, the Council is able to proceed with the engagement of Serco for these services via the current Serco Contract.
- 6.3.4 All payments will be made to Serco, and Serco will pay Automated Intelligence for the services as a sub-contractor. The contract between Serco and Automated Intelligence will also allow the Council to enforce its rights through the Contracts (Rights of Third Parties) Act 1999.
- 6.3.5 Any resultant change notices in accordance with the Serco Contract will be in accordance with the terms set out under the Serco Contract in a form approved by the Assistant Director of Legal and Governance Services.
- 6.3.6 Procuring these services through Serco is a compliant procurement route, however the Council is charged an agreed fee of 5% of the contract value (this fee has been included in the contract sums referred to above).





**6.4 Property Implications**  
None

**6.5 IT Implications**  
This report and Notice of Decision are specifically dealing with an IT issue.

**6.6 Performance Management Implications**  
Serco the Council ITSM provider will integrate the SharePoint online service into the existing contact in a similar way the Exchange Online has been integrated.

**6.7 Community Implications**  
None

