

# MUNICIPAL YEAR 2018/2019 REPORT NO. 142

## MEETING TITLE AND DATE:

Shareholder Board  
29<sup>th</sup> January 2019

## REPORT OF:

Commercial Director

Agenda – Part:1

Item: 5

**Subject:** Quarter 2 Shareholder Reports

**Wards:** All

## Cabinet Members consulted:

Cllrs Daniel Anderson & Ahmet Oykenner

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## 1. EXECUTIVE SUMMARY

- 1.1 This report introduces the Quarter 2 Shareholder Reports that are in Part 1 of the meeting and can be publicly discussed without divulging commercially sensitive information.

## 2. RECOMMENDATIONS

- 2.1 To note the Part 1 Quarter 2 Shareholder Reports listed as Appendix of this report for Energetik, Housing Gateway Ltd (HGL), and Enfield Innovations Ltd.

## 3. BACKGROUND

- 3.1 As part of the Shareholder Board Work Plan Quarterly Reports from the companies are required to keep the Shareholder and sole owner of the companies apprised of the progress of the companies against the targets that have been set for them. These updates will be measured against the Business Plan targets of the companies.
- 3.2 The Companies are now asked to submit their Quarter 2 Shareholder Report listed in the Appendix of this report. Some of the companies will have to submit items as part 2 items due

to the commercial sensitivity of the information. There is a Part 2 agenda discussion for each company as part of this meeting.

- 3.3 The HGL report indicates success in the objective of assisting the Council to avoid temporary accommodation costs through providing social housing for which the Council retains nomination rights. However, the report also identifies that HGL is currently operating without a Managing Director following the resignation of James Rolfe. This is currently being addressed in collaboration with the company and the Shareholder Board will be advised of developments.
- 3.4 The company is experiencing issues with cash flow however this has been recognised and options are actively being pursued to resolve the issues. The company remains successful and profitable, maintaining required loan repayments. The shareholder report does not quantify the financial benefit on the Councils Temporary Accommodation budget which is achieved through avoiding cost and therefore relieving the pressure on the revenue budget. The benefit is currently being calculated and will be confirmed for the Shareholder board.
- 3.5 The EIL report indicates progress in fulfilling the existent business plan. The remaining properties for which EIL retains leasehold interest are currently under marketing to be sold off-plan. This will help the company to realise its financial model and make a projected small surplus.
- 3.6 However, there are currently no further projects which EIL has invested in, and the company report highlights the need to determine long-term strategy for the company. The Council will discuss the future strategy and business plan with the company and report to the Shareholder Board in due course.
- 3.7 IWE and Energetik reports are considered within the companies' respective part 2 items. This is due to commercial sensitivity of the information presented. The Council will work with companies to ensure future reports provide as much as public information as possible to improve transparency.

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

None. The Shareholder Board has requested Quarterly Updates.

## **5. REASONS FOR RECOMMENDATIONS**

- 5.1 The Shareholder Board are asked to note the Quarter 2 Shareholder Update.
- 5.2 HGL is currently operating without a Managing Director. This reduces resilience and efficiency for key decisions including financial authorisations which require the Managing Director's authorisation under schemes of delegation.

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

### **6.1 Financial Implications**

HGL. The current negative cash flow situation may impair the company's ability to finance further portfolio expansion, which would in turn impact the value achieved by the Council through use of HGL properties to reduce the temporary accommodation budget.

EIL. The company's outstanding debt is £12.4M, excluding interest. The company is forecast to pay off the loan and associated interest by September 2019, subject to the completion and sale of outstanding properties

Energetik. The company has drawdown £2.7M of £4.9M forecast for 2018/19, to design, plan and construct the connection between the Electric Quarter development and the Alma Road heat network; Design, plan and construct a temporary boiler plant for the Alma Road estate and commence the design, planning and works for the Thames Water sewer and utility diversion works on the Eco Park site. £950K previously forecast to be drawdown in the current year, has been reprofiled to 2019/20, reflecting a review of development activity connected with the Meridian Water and Electric Quarter schemes.

IWE. The report states that the company is forecasting a loss of £575k for 2018/19. As a result, the commissioning department have already requested a recovery plan be put in place. Any loss that is not managed in the year could result in additional commissioning costs and therefore increased pressure on the revenue budget for LB Enfield in addition to the £8.9m reported in the September revenue monitoring report.

## 6.2 **Legal Implications**

The appointment and removal of Directors is governed by the Articles of Association dated 3<sup>rd</sup> October 2018. The recommendations within this report are within the Council's powers and duties. The Council has general competence powers in section 1 of the Localism Act 2011 that empowers it to undertake the actions recommended in this report.

## 6.3 **Property Implications**

None

## 7. **KEY RISKS**

7.1 Operating without a Managing Director may leave HGL with insufficient resilience or senior officers to authorise key decisions and expenditure, exacerbating the company's issues with acquisitions and cash flow (see other reports). Awaiting a direct Shareholder Board appointment may cause unnecessary delays. This can be mitigated by the Shareholder Board delegating authoring to the HGL Board to appoint a Managing Director, within the requirements of the HGL Articles of Association.

7.2 Failure to define a strategy and forward business plan for EIL could leave the company without direction or investment opportunities, and consequently delay the continuation of the company towards its intended purpose. In this case the Council may fail to achieve the benefits envisioned from EIL. Proposals will be brought forward to the Shareholder Board to address this risk in due course.

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

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

The Quarterly updates show how the companies are delivering on the Council's priorities, including provision of good quality sustainable homes and low-cost energy in well connected neighbourhoods.

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

The Quarterly updates show how the companies help improve health by providing good quality housing for residents. Energetik aims to provide low cost sustainable energy in terms of heating and hot water reducing greenhouse gasses and improving the environment and therefore the health prospects of residents.

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

The Quarterly updates show how the companies aim to provide clean sustainable fairly priced energy and good quality homes that have a fair rent. IWE provides support for some of the most vulnerable people in Enfield. The companies help build strong and sustainable communities ensuring access to good quality services

**9. EQUALITIES IMPACT IMPLICATIONS**

There has been no equality Impact assessment completed.

**10. PERFORMANCE AND DATA IMPLICATIONS**

The Shareholder Board will put in place a formal and robust reporting process between the companies and the Council to ensure they are supporting the Council's aims and objectives.

**11. PUBLIC HEALTH IMPLICATIONS**

There are no public health implications associated with this report

**Background Papers – None**

**Appendix**

1. Energetik Quarter 2 Shareholder Report
2. Housing Gateway Ltd Quarter 2 Shareholder Report
3. Enfield Innovations Ltd Quarter 2 Shareholder Report