

MUNICIPAL YEAR 2018/2019 REPORT NO. 144

MEETING TITLE AND DATE:

Shareholder Board
29th January 2019

REPORT OF:

Commercial Director

Contact officer and telephone number:

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Agenda – Part:1

Item: 8

Subject: Business Plans of the Companies

Wards: All

Cabinet Members consulted:

Cllrs Daniel Anderson & Ahmet Oykener

1. EXECUTIVE SUMMARY

- 1.1 This report introduces the Business Plan Update 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 and approve the Part 1 Company Business Plan Update Reports listed as Appendix of this report for Energetik, Housing Gateway Ltd, Enfield Innovations Ltd and Independence and Wellbeing Ltd
- 2.2 To approve the development of a broad business plan format for the companies, supported by individual key indicators to be approved at a future meeting of the Shareholder Board.
- 2.3 To agree a regular annual schedule for Shareholder review of updated business plans for the January meeting annually.

3. BACKGROUND

- 3.1 As part of the Shareholder Board Work Plan, Business Plan Updates are required from the companies to keep the Shareholder and sole owner of the companies updated on their aims and objectives. They are also required so that the shareholder can approve, amend and redirect the Boards of the

Companies to deliver what the owners want the company to achieve.

- 3.2 The Companies are now asked to submit their Business Plans for the following year or to submit any alterations to their long-term Business Plans that materially alter the objectives and operational delivery methods of the company. 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 Prior to the formation of the Shareholder Board, the Council has not exercised a single point of oversight for company business plans. Thus, companies have developed their own individual mechanisms and timelines for review regarding their plans, resulting in a wide variety of scope and detail between the companies, as Members will note from the attached business plans.
- 3.4 The HGL business plan covers a five-year period, commencing from 1st April 2018. The company plans a significant expansion in properties over five years, accompanied by steady increases in profit. Clear, measurable targets are stated for each year of the plan, enabling effective monitoring of success. Due to market challenges, some risks have been identified which may require strategic decisions and revision of the business plan. These are addressed in part 2 reports.
- 3.5 Members will note that EIL's business plan is limited only to targets relating to the Small Housing Sites project and consists of key actions which need to be undertaken regarding sale of the remaining 40 properties for which EIL has a leasehold interest. This is reflective of the need for the Council and EIL to agree the future direction and strategy for the company. Proposals for this will be reported the Shareholder Board in due course.
- 3.6 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 public information as possible to improve transparency.

4. ALTERNATIVE OPTIONS CONSIDERED

None. The Shareholder Board has requested to approve the Business Plans annually.

5. REASONS FOR RECOMMENDATIONS

- 5.1 The Shareholder Board are asked to note and approve the existing company Business Plans as these are either reserved matters or part of the shareholder responsibilities.
- 5.2 The Shareholder Board are asked to approve the development of a broad business plan format and review procedure in collaboration with the companies, to ensure consistency of scope and detail within plans, and consistency of key information indicating general factors of company success projected forward; e.g. profit/loss, debt to equity levels. This will assist the Board in fulfilling its objective of assessing progress and providing strategic direction to the companies.
- 5.3 Further, the Board is asked to schedule a future agenda item to discuss and determine two to four individual key performance indicators for each company, which will reflect the objectives and primary intentions of each company. Targets for these indicators will be added to business plans and reports and will assist the Board in clearly evaluating of each company's success in achieving its original vision.
- 5.4 The Board is asked to determine a forward annual schedule for review of updated business plans, to ensure that the companies observe effective governance practices and that the Shareholder Board can diligently exercise its function of considering forward strategic directions for the companies. However, the Council does believe that the companies will benefit from discretion in the length of their business plan, to reflect the differing business models which the companies operate; longer forward-looking plans will be appropriate for some companies.

6. COMMENTS FROM OTHER DEPARTMENTS

6.1 Financial Implications

HGL. Any constraints on further expansion of HGL's property estate may have an impact on the cost of the Council's Temporary accommodation.

EIL. Failure by EIL to sell its remaining properties could potentially be a cost to the Council's HRA. and impact the company's ability to repay the outstanding loan balance of £12.236M. The company is currently repaying interest only. The intention is for the outstanding loan to be fully repaid in September 2019, assuming the 40 remaining properties are sold at the current forecast cost.

6.2 Legal Implications

The Shareholder Board's Terms of reference state: "The role of the Shareholder Board (a committee of Cabinet) will be to exercise governance of and provide direction for the companies on behalf of the Council's Cabinet. Cabinet will remain the ultimate decision-making body on specific material issues affecting the strategic direction of each company. The Shareholder Board will not have operational control over Companies. Further, it states that the Shareholder Board will have a number of responsibilities, one of these is to: "Provide companies with clear strategic direction and support in its role as sole Shareholder. As the Shareholder Board is a committee of Cabinet and Cabinet and the Council have approved the Council's strategic direction, it follows that the Shareholder Board uses the aims and objectives in the Corporate Plan to guide and influence the strategic direction of the companies.

6.3 Property Implications

None

7. KEY RISKS

- 7.1 Without sufficient oversight of forward business plans, the companies may drift from their original purpose, or may fail to achieve sound financial results and retain long-term viability.
- 7.2 Without sufficient detail in business plans, the Shareholder Board may be unable to provide adequate strategic direction or fully assess whether the companies have achieved the objectives envisioned for them. Thus, companies may fail to achieve or drift from their strategic aims, or business plans may be ineffective leading to company financial failure.

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

8.1 Good homes in well-connected neighbourhoods

The Business Plans show how the companies are delivering on the Council's priorities including how they deliver good quality sustainable homes in well connected neighbourhoods.

8.2 Sustain strong and healthy communities

The Business Plan 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 Business Plan demonstrate 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. Housing Gateway Ltd Business Plan Part 1 Report
2. Enfield Innovations Ltd Business Plan Part 1 Report