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OVERVIEW & SCRUTINY COMMITTEE - 19.2.2019

MINUTES OF THE MEETING OF THE OVERVIEW & SCRUTINY COMMITTEE HELD ON TUESDAY, 19 FEBRUARY 2019

COUNCILLORS: Derek Levy (Chair), Gina Needs (Vice-Chair), Huseyin Akpinar, Mahmut Aksanoglu, Tolga Aramaz, James Hockney, Lee David Sanders.

STATUTORY CO-OPTES: 1 *vacancy (Church of England diocese representative)*, Mr Simon Goulden (*other faiths/denominations representative*), Mr Tony Murphy (*Catholic diocese representative*), Alicia Meniru & 1 *vacancy (Parent Governor representative)* – *Italics Denotes absence*

OFFICERS: Nicky Fiedler (Commercial Director), Joanne Drew (Director Housing & Regeneration), Mark Bradbury (Director of Property and Economy), Matt Bowmer (Interim Director of Finance), Susan O'Connell (Scrutiny Officer), Elaine Huckell (Scrutiny Secretary).

Also Attending: Councillor Nesil Caliskan (Leader of the Council), Councillor Ahmet Oykenar (Cabinet Member for Property & Assets), Councillor Joanne Laban (Leader of the Opposition), Councillor Hass Yusuf and Simon Allin (member of the press).

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WELCOME & APOLOGIES

Councillor Levy welcomed all attendees to the meeting.

It was noted that Councillor Aksanoglu, was substituting for Councillor Susan Erbil and Councillor Hockney was substituting for Councillor Edward Smith. Apologies for absence had been received from Councillor Susan Erbil and Councillor Edward Smith.

Councillor Levy explained that the three Call-Ins to be discussed would be considered in the following way:

Item 3 on 'Companies Audited Accounts' under Part 1 of the agenda only.
Item 4 'Small Sites Housing Development Update 2019' under Part 1 and Part 2 of the agenda and

Item 5 'Strategic Property – Corporate Property Investment Programme' to be discussed mainly under Part 2 of the agenda.

Councillor Levy reminded everyone that discussion would be about the specific reasons for call-in given in the papers and responses to them.

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DECLARATIONS OF INTEREST

There were no declarations of interest from members of Overview and Scrutiny Committee.

Councillor Oykenner referred to his work in the Care Sector and said although he did not wish to declare a pecuniary or non-pecuniary interest for item 3 on the agenda, he thought that this may be a potential cause of conflict and therefore left the room during discussion of this item.

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CALL IN OF DECISION: COMPANIES AUDITED ACCOUNTS

The Committee received a report from the Director of Law and Governance outlining details of a call-in received on the Shareholder Board decision taken on Companies Audited Accounts. The Shareholder Board Decision was taken on 29 January 2019.

The Chair invited Councillor Laban to outline the reasons for call-in.

Councillor Laban highlighted the following:

- The decision had not given full details regarding the loss shown in the audit accounts for Independence and Wellbeing Enfield (IWE) of £3.7m.
- Directors of the Company were also on the Shareholder Board.
- The decision had not gone into full details of what consolidation would look like.
- It had not put forward an action plan regarding the pension liability to show how the company is to return to profitability.
- It was not known if leasing expansion would affect service delivery.
- She wondered why the loss had not been foreseen?
- She asked why had the Shareholder Board met only twice in the last year and why were the accounts not available for the October Board meeting.

The Chair invited Matt Bowmer (Interim Director of Finance), to respond to the points raised. Councillor Levy said one of the key points appears to be about whether it was correct to assume that the loss shown for the Independence and Wellbeing Board appears to be a technical rather than a service issue.

The following responses were given:

- That the loss of £3.7m shown for the financial year (at end of March 2018) arises from the increase in the value of pension fund liabilities. £3.2m relates to future actuarial value of pension liabilities. The additional £503k relates to the impact of pension contributions charged against operating staff arising from the previous year's pension fund valuation.
- The account had been prepared under an assumption that the council would not safeguard the pension liability. However, in the autumn

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further assurances were given that the council would fully guarantee the pension position. Future assets/ liabilities now show a surplus of £200k.

- For 2017/18 there was no requirement for company accounts to be consolidated within the LBE accounts and the liability would remain within LBE's balance sheet.
- That the loss relates to the pension liabilities of the company, as opposed to service delivery issues. This had been explored and remedied by officers for the future, and thus does not need to be resolved within the company business plan.

The following issues/ questions were raised:

- In answer to a question from Councillor Hockney, Matt Bowmer answered that this would not sit on the risk register audited accounts. This was a relatively low risk for small companies
- Councillor David- Sanders said although it would appear this had been a technical issue, he did not think there was sufficient clarity in the documentation. Matt Bowmer spoke of the difficulty in assessing how the stock markets may have an effect. He would ensure less jargon is used for future reports.
- Councillor Caliskan referred to the changed composition of the Shareholders Board which followed a review of the governance process. This is to ensure there is not a conflict of interest. There would also be more meetings held. Cabinet members no longer chair any of the trading companies, this position is held by non-executive councillors. She said these are key areas and involve council money it is therefore important to maintain an oversight by the council.
- Councillor Levy welcomed the future attendance at Overview and Scrutiny Committee of our trading companies when there are matters of interest to be discussed.

Councillor Laban summed up by saying that the decision by the Shareholder Board showed a loss on the account and, as such, this needed to be scrutinized. She welcomed changes in the governance arrangements for the Shareholder Board and our trading companies and asked that reports relating to them are set out clearer going forward. She was content with the answers received.

Following the discussion, the Committee took a vote and unanimously voted to confirm the original Shareholder Board decision.

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CALL IN OF DECISION: SMALL SITES HOUSING DEVELOPMENT UPDATE 2019

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The Committee received a report from the Director of Law and Governance outlining details of a call-in received on the Cabinet decision taken on Small Sites Housing Development Update 2019 (Report no:135).

NOTED that this report was considered in conjunction with the information in the part 2 agenda.

The Chair invited Councillor Laban to outline the Part 1 reasons for call-in.

Councillor Laban highlighted the following:

- The project had been delayed and this followed previous delays. In 2017 Cabinet approved new arrangements with completions set for early 2019.
- The original main subcontractor had gone out of business and delays have been blamed on this. However, there had also been a problem at Jasper Close where weather damage at the development site had resulted in properties having to be pulled down, this had not been mentioned in the report.
- The tenure mix has changed since the original plans were put forward – with fewer opportunities for private rentals.
- This is the second time that delays have been reported back, if an evaluation had been made at the first stage it may have helped to keep the project on track and saved money.

Councillor Levy invited a response to the points raised. The following response was given:

- Councillor Caliskan, said this report is about getting the Small Sites programme back on track, the decision to move towards private sales will enable the council to safeguard the percentage of affordable homes that can be offered.
- It was noted that officers will be carrying out a comprehensive evaluation of lessons learnt from the delivery of this programme, which will be reported back to OSC in April 2019. This would be used in the taking forward of future small sites schemes.
- Councillor Oykenner spoke of the council's primary objective being to deliver more affordable new homes which is being done. Delays were as a result of the original main subcontractor going out of business. Some of the homes are being sold and this would enable the project to be brought on course.

Further issues were raised:

- Councillor Needs noted that there had been a switch from private rented to private sales she asked if this would be the trend for all new builds.

Councillor Caliskan said this would not be the case for all new builds – the decision to do this for the existing programme is in order that we can get the programme back on track. She reminded members that the 'Small Sites Phase 1' continues to positively contribute to the Housing Revenue Account (HRA). She said the tenure mix is important, and the protection of affordable homes is a priority.

Further discussions took place under the Part 2 section of the meeting.

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CALL IN OF DECISION: STRATEGIC PROPERTY- CORPORATE PROPERTY INVESTMENT PROGRAMME

The Committee received a report from the Director of Law and Governance outlining details of a call-in received on the Cabinet decision taken on Strategic Property- Corporate Property Investment Programme -(taken on 23/01/19)

NOTED that this report was considered in conjunction with the information in the part 2 agenda.

All the discussion on this item took part in the part 2 section of the meeting.

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DATES OF FUTURE MEETINGS

Noted the dates as follows:

Call -Ins –

Thursday 28 February 2019

Monday 11 March 2019

Provisional Call-Ins:

Tuesday 26 March, 2019

Thursday 11 April, 2019

The business meeting of the Overview & Scrutiny Committee:

Wednesday 3 April, 2019

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EXCLUSION OF PRESS AND THE PUBLIC

Resolved in accordance with the principles of Section 100A (4) of the Local Government Act 1972 to exclude the press and public from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3 of the Part 1 of Schedule 12A to the Act (as amended by the Local Government (Access to Information) (Variation) Order 2006.

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SMALL SITES HOUSING DEVELOPMENT UPDATE

The Committee received the information provided on the Small Sites Housing Development Update 2019 which had been included in the part 2 section of the agenda.

NOTED

The information was considered in conjunction with the report on the part 1 agenda.

Councillor Laban set out further Part 2 reasons for calling in the decision:

- The additional budget required to complete the remaining sites is higher than the funding agreed under the arrangements agreed by Cabinet on July 2017, and is substantially higher than the original estimates for the project.
- Discrepancies in some of the designs began to come to light early in 2018 and should have been acted upon sooner.

The responses were given as follows:

- Councillor Caliskan, Leader of the Council, said last year discussions were held, and legal advice taken on how to proceed to ensure the future viability of the small sites programme. She was confident with the figures now given for the project to be delivered.
- Councillor Oykenner, Cabinet Member for Property & Assets said it should be remembered that this had been one of the first small sites projects where Council had led new house building for many years. He referred to awards for good design that some of our sites had won and said we had learnt lessons for the future. Our experience has helped in the delivery of other projects for example in the early completion of the Ordnance Road site.

Other points discussed included:

- That sites should be completed June/ July with sales by September 2019.
- It is not intended for any private sale properties to be bought by HRA funding.
- Clarity was given regarding Councillor David-Sanders concern around contingency funding and whether this was sufficient to ensure the project would be able to break even in the event of any further delays.
- Discussions were held around the consultants.
It was asked if in future would you consider using one main developer or would you go down the joint venture route? Councillor Caliskan referred to the way Meridian Water project would be procured.

Councillor Laban thanked everyone for clarity given and said we should ensure that we are not reliant on a developer in the same way in future.

Following the discussion and noting the comments made the Committee agreed to confirm the original Cabinet decision.

Councillors Levy, Needs, Akpinar, Aksanoglu and Aramaz voted in favour of the decision. Councillors David-Sanders and Hockney abstained.

The original Cabinet decision was therefore agreed.

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STRATEGIC PROPERTY - CORPORATE PROPERTY INVESTMENT PROGRAMME

The Committee received the information provided on the Strategic Property-Corporate Property Investment Programme which had been included in the part 2 section of the agenda.

Councillor Laban was invited to set out the reasons for calling in the decision:

- The lease on St Andrews Court expires in June 2019 and the intention is to relocate the Integrated Learning Disabilities Services (ILDS) from St Andrews Court to Enfield Highway Carnegie Building (previously known as the Enfield Highway Library). Councillor Laban said she welcomed the use of the building for this purpose as the building has been empty for nearly three years. However, it may prove costly as a short-term lease would be required for St Andrews Court.
- Negotiations regarding the extension of the lease at St Andrews Court may prove difficult due to tight timescales, which should have been foreseen.
- Consideration should have been given to moving the ILDS into the Civic Centre building.
- Additional borrowing required re Corporate Property Investment Programme

Councillor Levy referred to an answer provided by officers that the use of the Civic Centre would not be appropriate for use by the ILDS. He invited responses.

The responses to the issues raised by Councillor Laban:

- Delays and succession planning was discussed. Since May 2018 there had been a new portfolio area with an emphasis on property, looking at what the Council own and rent and who might need. There have been key staff appointments to allow a focus on property strategy. Councillor Oykener, referred to the new Strategic Property Framework including a Strategic Asset Management Plan (SAMP) which is currently being prepared. One of the principles of the strategy is that the Council makes use of its own properties rather than having leases from private landlords. The aim is to invest to save. This will include a lease events diary so the council knows information well in advance. The proposal for ILDS is as a result of work undertaken on the SAMP.
- Councillor Caliskan, Leader of the Council, spoke of the new team who were working on the SAMP and referred to the necessity for us to

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ensure that we make best use of property assets. She said the public want the Carnegie Building to be for public use and health provision and it will be a health facility for the most vulnerable.

- Mark Bradbury, Director of Property and Economy, provided further information about lease negotiations regarding St Andrews Court and referred to the SAMP, with the aim to use our assets better. In the future there would be a more strategic approach, and for now this is the clear way forward. We would not be looking to rent out more areas of the Civic Centre without first assessing the needs of our services.

Other points discussed included:

- Councillor David-Sanders said issues appear to have arisen as a result of officers leaving and others being unaware of outstanding issues.
- A well managed portfolio lease events diary is now in place.
- Assurance that we are working closely with people with learning difficulties to manage the proposed move for the ILDS to the Carnegie Building.

The summing up by Councillor Laban - She thanked members and said, we should have been more aware of the issues discussed, at an earlier point and hoped the new Strategy would ensure this did not happen again.

Following the discussion and noting the comments made the Committee took a vote and unanimously agreed to confirm the original Cabinet decision.

Councillor Hockney advised he had voted in favour due to the vulnerability of those involved.

Councillor Levy thanked everyone for attending the meeting.