

CALL-IN OF DECISION

(1) Part One Reason why decision is being called in:

HGL

- a. Para 7 of the Part 1 report (Key Risks) mentions that incomes have stayed at around the same level as before during the pandemic. What it does not take fully into account is the Furlough Scheme is due to end completely in October. At the end of the government backed scheme, which is only a few months away, there is a significant risk that unemployment will rise and a potential for incomes to drop substantially leading to a fall in rental income available to the company.

Response

Paragraph 7.6 acknowledges that the stability of income thus far has been at least in part due to the furlough scheme. It further notes that the effects of the pandemic will remain for some time. It does not identify any specific future factors as these remain extremely difficult to predict; the furlough scheme itself is a good example of this, having been extended several times from its original remit. The key risk is rental income as a part of cash flow, and many factors could influence this:

- 1. The furlough scheme could end, and income could fall (though this may be offset by Universal Credit);*
- 2. Property prices could fall, allowing the company to achieve greater yields on purchases, with a positive effect on overall cash flow;*
- 3. A second spike of infection could result in the return of lockdown restrictions and the extension of furlough support;*
- 4. The economy may recover quicker than expected, minimising the effect of the furlough scheme tapering off.*

It is important to note that Housing Gateway sets its rents in line with Local Housing Allowance to ensure that all residents, regardless of their financial situation are able to access benefits which cover the full rental charge. Therefore, any residents impacted by the end of the furlough scheme will be able to access benefit if required, in turn minimising the impact on cash flow.

There is immense difficulty in fully predicting the forward path of these factors, as they may depend on levels of coronavirus infections. Therefore, the report identifies that the Company will continue to closely monitor its income and debt to identify any issues at an early stage.

Energetik

- f. in order to compensate for potential delays at Meridian Water the report claims a number of potential developments such as Cockfosters Tube the

Colosseum; Southgate Village and Arnos Grove Tube will provide future customers for Energetik. The schemes in question have not even got planning permission or any agreements in place that the homes will be connected to the Energetik heat network were they to be built. The business plan simply assumes that Energetik will get the business.

Response

This report presents the Energetik Operating Plan, as opposed to the Business Plan.

The Energetik Business Plan runs for 40 years and was recently approved by Full Council in September 2019. It has not changed since that time. The Business Plan financial projections do not include any of the developments identified by the call in.

The Operating Plan is an operational document which covers the key tasks required over the next year to deliver the Business Plan. It does not require shareholder approval, but it is presented to ensure full transparency for the Council as shareholder. As one aspect of the Business Plan is identifying and pursuing expansion opportunities, the Operating Plan identifies negotiation of potential involvement in the above projects as a task for the coming year. The report clearly identifies that these are potential opportunities, not guaranteed.

Should the company be successful in obtaining and funding any of the potential developments, the Business Plan would be amended to include them and re-presented for approval.

- g. The Council as planning authority is responsible for approving these developments whilst the Council as the main stakeholder in Energetik has a commercial interest in them going ahead with no reduction in the number of units proposed. This is an unacceptable conflict of interest between the two roles.

Response

The local planning authority is completely independent of the shareholder function of Energetik. The Council has a Shareholder Agreement in place which identifies the different roles in relation to the company. The shareholder role, which considers and determines any potential extension to Energetik's network, is separate to planning considerations and decisions. The shareholder role will take at face value whatever development proposal may be put forward and evaluate its merits or otherwise for the company.

It should be noted that it is both GLA policy and national planning policy that any new developments connect to a district heating network where nearby and available. This forms part of the GLA hierarchy which sits in its energy policy and fits in with the national decarbonisation policy.