



MINUTES OF A CABINET MEETING
Council Chamber - Town Hall
Wednesday, 13 May 2015
(7.30 - 8.30 pm)

Present:

Councillor Roger Ramsey (Leader of the Council), Chairman

	Cabinet Member responsibility:
Councillor Damian White	Housing
Councillor Robert Benham	Environment
Councillor Wendy Brice-Thompson	Adult Social Services and Health
Councillor Meg Davis	Children and Learning
Councillor Osman Dervish	Regulatory Services and Community Safety
Councillor Melvin Wallace	Culture and Community Engagement
Councillor Clarence Barrett	Financial Management
Councillor Ron Ower	Housing Company Development and OneSource Management

Councillors Ray Morgon, David Durant and Keith Darvill also attended.

There were no members of the public present, but a representative of the press was in attendance.

There were no disclosures of pecuniary interest.

Unless otherwise indicated, all decisions were agreed unanimously with no Member voting against.

43 MINUTES

The minutes of the meeting held on 18 March 2015 were agreed as a correct record and were signed by the Chairman.

44 **ADOPTION OF ARTICLE 4 DIRECTION ON HMOS**

Councillor Osman Dervish, Cabinet Member for Regulatory Services and Community Safety, introduced the report

Cabinet was reminded that the report before it followed the 25 March Council Motion about the introduction of an Article 4 Direction on HMOs (Houses in Multiple Occupation). Introducing an Article 4 Direction would mean that those new HMOs falling within a category of change of use which currently did not need planning permission would need approval through a planning application once an Article 4 was in effect.

An exercise of collating and mapping data about known and suspected HMOs was underway. When complete this would create an evidence base from which to make informed decisions about the extent of HMOs and their impacts, both to progress detailed Article 4 work and also to support other initiatives for improving the monitoring, control and enforcement of HMOs through areas such as licensing.

The report explained that two Article 4s were anticipated, one geographically specific and the other to address possible displacement of HMOs into other parts of the Borough. The aim was to strike an appropriate balance - recognising the continuing contribution that HMOs made as part of the borough's housing mix - but sufficiently controlled so that their day to day operation had no materially harmful impact on the community including the living conditions of neighbouring occupiers.

Delegated powers existed for the Head of Regulatory Services to make Article 4 Directions. The Head of Service would consult with the Leader and Lead Member for Regulatory Services and Community Safety when deciding to which wards the two respective Article 4 Directions should apply on the basis of evidence produced from the data profiling exercise currently taking place.

Reasons for the Decision

The decision responds to a Council's Motion and seeks to introduce measures to bring the formation of HMOs within the Council's planning controls so that the suitability of premises and their impacts may be fully considered in the interest of amenity.

Alternative Options Considered

Failure to make an Article 4 Direction(s) would leave the Council unable to exercise planning control over the impact of HMOs. Given the trend identified of converting smaller dwellings and the likely problems identified, this option is not recommended in the interests of the amenity and wellbeing of the Borough.

Cabinet **noted** that:

1. The Head of Regulatory Services would make a non-immediate Article 4 Direction to restrict permitted development rights to change the use, within geographically specific Havering wards, of any detached, semi-detached or terraced dwellings to HMOs under Schedule 2, Part 3, Class L of the Town and Country Planning (General Permitted Development) (England) Order 2015. That the Head of Regulatory services would decide the geographical basis for this Article 4 based on a data gathering exercise and in consultation with the Leader of the Council and the Cabinet Member for Regulatory Services and Community Safety

That the Article 4 Direction would come into effect 12 months after the notice of direction.

That any representations made in regard to the Direction would be considered in deciding whether to proceed with Direction coming into effect.

2. The Head of Regulatory Services would make a non-immediate Article 4 Direction to restrict permitted development rights to change the use within Havering wards, except for the geographically specific wards identified in accordance with recommendation 1 above, of any semi-detached or terraced dwellings to HMOs under Schedule 2, Part 3, Class L of the Town and Country Planning (General Permitted Development) (England) Order 2015. That the Head of Regulatory Services would decide the geographical basis for this Article 4 based on a data gathering exercise and in consultation with the Leader of the Council and the Cabinet Member for Regulatory Services and Community Safety

That the Article 4 Direction would come into effect 12 months after notice of direction.

That any representations made in regard to the Direction would be considered in deciding whether to proceed with Direction coming into effect.

3. A further report would be brought to Cabinet setting out proposed measures for improving the monitoring, control, licensing and enforcement of HMOs, including the resources necessary to support this.

45 **FUTURE JOINT LOBBYING ARRANGEMENTS**

Councillor Roger Ramsey, Cabinet Member for Value, introduced the report

Cabinet was informed that the report set out proposals to formally establish a North East London Strategic Alliance (NELSA). Its objectives were contained within the report and it sought approval for the Council to join the

new organisation. The report also outlined discussions taking place about the wider devolution agenda.

Cabinet was reminded that NELSA came into existence after the dissolution of the North London Strategic Alliance, which had been established in 1999 as the sub-regional strategic partnership for North London. Membership then included Enfield, Hackney, Haringey, Islington, Redbridge and Waltham Forest. In early 2014, Hackney, Haringey and Islington withdrew and the decision was taken to dissolve the partnership.

The purpose of the NELSA partnership was to develop a clear vision and voice for North East London, to work together to raise awareness of the challenges faced by the North East London boroughs, to lobby to obtain the necessary infrastructure and investment and to pursue shared opportunities. This new grouping met in July 2014 to discuss options for the way forward. The potential members all agreed that they would like to pursue this as an option for a strategic partnership. Alongside this, East London Solutions had also been considering how to increase strategic collaboration on economic regeneration.

NELSA was formed as a politically-led strategic partnership, at present consisting of Barking and Dagenham, Enfield, Newham, Redbridge, Waltham Forest and Havering (as an observer to date). Its main purpose was to lobby for a fair deal for NE London, particularly in terms of ensuring sufficient infrastructure investment to support NE London and to be a strong voice for the sub region. It had not yet been formally constituted, but discussions on the governing documents were at an advanced stage and alongside this, a legal funding agreement was proposed and the above authorities had been invited to sign up to it (a letter was attached as Appendix 2 to the report), at an annual cost of £10k per authority. No proposals were yet in place as to how this funding might be used, but it would include promotion of the partnership and commissioning of research as agreed by the proposed Leaders' and Mayors' Board.

Reasons for the decision: Were set out in the report.

Other options considered: Not to join NELSA at this stage, which was not recommended for the reasons set out in the report. To request Observer status at NELSA – this was unlikely to be agreed by the other participating authorities.

Cabinet **agreed** that the Council become a founder member of NELSA and **authorised** the Group Director, Communities and Resources to approve and execute membership documentation following consultation with the Director of Legal and Governance.

46 **PRIVATE RENTED SECTOR IN HAVERING**

Councillor Ron Ower, Cabinet Member for Housing Company Development and oneSource Management, introduced the report

Cabinet was informed that the report sought the Cabinet's approval to the establishment of a wholly-owned, arm's-length company of the Council the purpose for which was to develop a portfolio of homes for market rent (its prime focus) and sale.

It was proposed that the Council would dispose of assets (land/buildings) to the Company at market value for this purpose, for which it would receive a market payment. It was proposed that the Company received state aid compliant loans and funding from the Council. This would provide a long-term revenue stream for the Council in the form of interest payments from the Company to the Council. The Company would operate in the same way as any other private-sector company, driven by the requirement to produce profits and to operate in a commercial manner. The Council's rights as a shareholder in the Company would be set-out in the Company's Articles of Association and the proposed Shareholder's Agreement.

The Council's main objectives for entering into this market were:

- To generate a financial return to the Council by operating a business;
- To contribute to dealing with the housing supply issue in the borough which threatened the economic and social well-being of residents and was also a threat to the local economy. It would seek to avoid large tracts of buy-to-let housing characterised by fragmented ownership, poor management of families from outside the borough, who might place unsustainable pressures on local services;
- To ensure a mix of housing, in terms of type, size and tenure, best matched to the needs of Havering; and
- To support the Council's regeneration and growth aims, bringing forward high quality development on regeneration sites in key parts of the borough, notably - though not limited to - Rainham along the A1306, and Romford Town Centre.

London's population was forecast to grow from 8.3 million in 2012 to 9.5 million in 2020. Of this increase, one of the largest groups would be those in the 20 to mid-30s age bracket. This group was the key rental demographic whose aspiration for home ownership might not be satisfied until much later in life. There was now a growing demand from private sector tenants for quality, professionally-managed accommodation and this demand was likely to continue to grow.

Several local authorities were venturing into this market. These included: Kings Lynn & West Norfolk, Ealing, Waltham Forest, Enfield and Newham (through its Red Door Ventures). Other institutions, such as Registered Providers, were also seizing on opportunities primarily focused on London and the South East.

The proposal to establish the Housing Company (HC) were based on a high level options appraisal conducted to determine the most appropriate means by which the Council's objectives, as set out in paragraphs 1.1.2 to the report, could be met.

The rationale for establishing the wholly owned Council Company was:

- The Council had the power to on-lend funds to a company at commercial rates. This was an attractive option as the Council would make a margin on its own borrowing from the Public Works Loan Board (PWLB) where interest rates were lower, pension investment funds or Council cash reserves. The cost and returns for a proposed scheme were presented in the Exempt Part B of the report, which will follow when finalised. This did not preclude the Council re-financing completed projects through commercial loans or having a mixed loan portfolio as the project matures;
- In addition to generating a revenue stream for the General fund through interest from loans, revenue income would also be forthcoming from ground rent and dividend payments from the Company. The Council would also benefit from any increase in value of the company's assets;
- Dwellings owned by the company were not HRA properties and thus would not impact on the HRA borrowing cap;
- Dwellings owned by the company would be let on Assured Tenancies and, as market rented homes, would not be subject to the allocations provisions of Part VI of the Housing Act 1996 (which might have particular significance in relation, for example, to any prospective development for market rent);
- Establishing a Company isolated elements of financial risk as the HC would be a limited entity;
- Establishing a Company provided a flexible operating model to participate in the commercial market place; and
- A Company vehicle could potentially extend its operations to wider trading functions related to housing development (subject to Shareholder approval).

Reasons for the decision:

The proposition met the objectives stated in 1.1.2 of the report and the outline business case contained in the Exempt part B of the report met the financial objectives of the Council within the MTFS.

Alternative Options Considered

A review of the alternative options of do nothing, seeking to undertake the proposition in the General Fund or through the HRA, or establishing a formal joint venture were either not feasible or did not fulfil the objectives to the extent of the preferred option as discussed in the report.

Cabinet:

1. **Agreed** to the incorporation of a company limited by shares that would be wholly owned by the Council and **delegated** to the Director of Legal and Governance authority to take all necessary steps to establish the company.
2. **Delegated** to the Leader of the Council and Cabinet Member for Housing Company Development & One Source Management, approval of the business case for and the Housing Company's (HC) first business plan. In addition, the Group Director for Communities & Resources, following consultation with the Director of Legal and Governance, was **authorised** to approve the business case as being compliant with legislation, due diligence and being commercially sustainable.
3. **Agreed in principle** to the disposal of assets (land/buildings) to the Company at market rates and **delegated** to the Group Director for Communities & Resources, following consultation with the Head of Property and the Director of Legal and Governance, authority to determine the principles and processes by which the said assets should be disposed of and the terms of disposal.
4. **Agreed in principle** to provide to the company funding through state aid compliant loans, subject to such funding being in line with the Council's financial strategy. It further **agreed** that the Leader of the Council and Cabinet Member for Housing Company & One Source Management following consultation with the Director of Legal and Governance would agree the Heads of Terms of the loan agreements, the negotiation and finalisation of the loan agreements, provided they were broadly consistent with the Heads of Terms, and the decision to release funding subject to satisfactory financial due diligence, to be **delegated** to the Group Director for Communities & Resources.
5. **Delegated** to the Leader of the Council and Cabinet Member for Housing Company Development & One Source Management, supported by a Senior Council Officer other than Group Director of Communities & Resources, to release funds through such loans needed to meet the requirements of the agreed business case.
6. **Delegated** to the Leader of the Council and Cabinet Member for Housing Company Development & One Source Management, supported by a Senior Council Officer other than Group Director of Communities & Resources, the exercising of the Council's rights as shareholder.
7. **Delegated** to the Leader of the Council and Cabinet Member for Housing Company Development & One Source Management to agree to the Heads of Terms of the Shareholder Agreement and **delegated** to the Group Director for Communities & Resources, in

conjunction with the Director of Legal and Governance, the authority to negotiate and finalise the Shareholder agreement.

8. **Delegated** to the Group Director for Communities & Resources authority to approve the Articles of Association following consultation with the Director of Legal and Governance.
9. **Agreed** to the establishment of the Company's board consisting of the following Council officers, as well as an external, unconnected individual (to be recruited) who had relevant experience in the house-building sector:
 - a. Group Director for Communities & Resources
 - b. Head of Economic Development
 - c. Head of Property Services, One Source.
 - d. Assistant Director Business Services, oneSource
10. Subject to the final sign-off of the Business Case as specified in recommendation 2 and the Council and the company entering into the ancillary agreements referred to above, **agreed** that the Company might thereafter commence trading.

In addition, an appendix containing exempt information, detailing further Cabinet decisions. This was made within the meaning of paragraph 3 of Schedule 12A of the Local Government Act 1972 as it was not in the public interest to publish.

Chairman