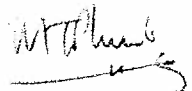
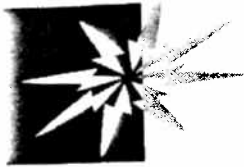


Haringey Council

Report for:	Cabinet – 12 June 2012	Item Number:	
Title:	Out of Borough Housing Estate – Waltham Cross		
Report Authorised by:	Mun Thong Phung, Director of Adult & Housing Services		
	Signed: 		Date: 1-6-2012
Lead Officer:	Nick Powell – Head of Carbon Management and Sustainability Tel: 020 8489 4774 Email: nick.powell@haringey.gov.uk		
Ward(s) affected:	N/A - Out of Borough	Report for: Key Decision	

1. Describe the issue under consideration
 - 1.1 Members have previously agreed that consideration be given to the various options available for meeting the future management and investment needs of the Council's out of borough housing stock in Waltham Cross.
 - 1.2 Cabinet are asked to approve the disposal of the Waltham Cross estate (comprising a total of 90 homes, 16 of which are leasehold) to the selected Registered Housing Provider subject to a positive residents ballot and consent from the Secretary of State.
 - 1.3 Some of the information relating to this report relates to the offer price and valuation of the Waltham Cross estate and is defined as **exempt** under Schedule 12A of the Local Government Act 1972. This information appears, separately, in Agenda Item 25 in Part B of this Agenda.



2. Cabinet Member introduction

- 2.1 The Waltham Cross estate is the only out of borough estate that is situated some considerable distance from Haringey. This raises concerns about the effectiveness of the management of these homes and the ability of residents to be actively and meaningful involved in any consultation events taking place in the borough.
- 2.2 The cost of managing these properties is a growing concern and, as there has been insufficient capital investment in the estate over a long period, any opportunity to bring these homes up to the decent homes standard without drawing on the Council's limited resources is certainly worth exploring.
- 2.3 The proposed transfer of stock to a local Registered Housing Provider will resolve these issues and will provide residents with much improved homes within a three year period improve resident involvement in the management of the estate and provide the Council with a capital receipt to cover the debt allocation with any surplus being reinvested in the borough.

3. Recommendations

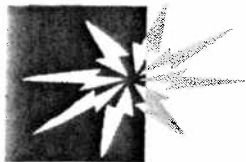
It is recommended that Cabinet:

- (a) Notes the outcome of the Options Appraisal recommending stock transfer as the only viable option that will deliver investment in the homes.
- (b) Notes the selection of Broxbourne Housing Association as the preferred new Registered Provider landlord.
- (c) Agrees to accept the minimum offer price [exempt information] made to the Council by Broxbourne Housing Association for the Waltham Cross estate.
- (d) Gives delegated authority for Director of Adult and Housing Service to progress the proposals to transfer the Waltham Cross estate to progress to completion subject to a positive independent Waltham Cross estate ballot and formal consent from the Secretary of State.

4. Other options considered

Private Finance Initiative

- 4.1 Under the private finance initiative (PFI) the Council would continue to own the stock and let a long term contract (typically around 25 – 30 years) for the management, maintenance and capital investment in the stock to a private sector provider. Typically PFI schemes cover a substantially larger number of homes than those at Waltham Cross in order to generate market interest.



- 4.2 Furthermore the government has announced that funding for schemes not currently in contract has been suspended and no further funding rounds are currently anticipated. This effectively closes this route as an alternative option that would deliver additional investment in the homes.
- 4.3 The PFI route is not available at present and not considered as a viable option to deliver investment.

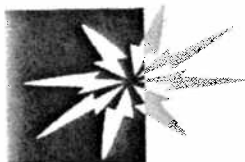
Outsourced Management Contract

- 4.4 An outsourced management contract is similar to PFI, in that the Council would continue to own the stock and let a contract for the management and maintenance of the stock to a private sector provider, often a registered provider or housing association. The contract could also include maintenance and major works.
- 4.5 Typically contracts are let for between 5 and 10 years in order to enable the service provider to secure value over time, reducing the cost of services to the Council. As with PFI, market interest is often higher for schemes involving larger numbers of homes. This option may provide a more localised management service (depending on the partner secured to deliver the management contract) but does not enable access to additional public funding to deliver the capital investment required in the homes. The Council would still need resources to manage the contract, either directly, or through Homes for Haringey.
- 4.6 The management option will not deliver additional funding for investment in the homes, and therefore not considered as a viable option.

5. Background information

Decent Homes

- 5.1 In January 2008, Haringey Council was awarded funding of £198.5m over a 6 year period for the Decent Homes programme to tenanted properties. The funding was confirmed for the first 3 years of the programme, with indicative allocations for the remaining years.
- 5.2 Following the Comprehensive Spending Review in October 2010, the Homes and Communities Agency (HCA) published its consultation paper 'Decent Homes Backlog Funding for Council landlords 2011-15'. The document set out how future allocations are to be distributed. Due to the public spending cuts, the Government announced that the overall funding allocation to the borough has been cut by £50m over years 2011-13.



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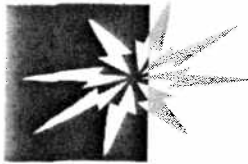
- 5.3 Given the limited amount of capital funding available to the Council, Members decided that priority should be given to homes within the borough, in order to maximise the quality of investment and ongoing management that can be delivered through available resources.

Waltham Cross

- 5.4 On 26 January 2011, Cabinet Members gave approval to defer decent home work on all stock outside of the borough in light of the overall reduction in the funding allocation. It was also agreed that officers be allowed to explore alternative options, in consultation with Waltham Cross estate residents, for bringing investment into the estate.
- 5.5 This was seen as the most beneficial and pragmatic approach, given the geographical location of the estate, as residents on the estate could benefit from investment and a local management service.
- 5.6 Following the Cabinet decision, Officers from the Council and Homes for Haringey began consulting residents about meeting the future management and investment needs of the estate.
- 5.7 It was agreed that a Resident Steering Group would be set up and an Independent Tenant Advisor appointed to work with and support residents through the consideration of potential options and thereafter the preferred option.
- 5.8 Officers also agreed to commission an Independent Options Appraisal study to consider the viability of potential options.

Options Appraisal

- 5.9 In September 2011, Savills were commissioned to undertake an Options Appraisal for the Waltham Cross estate. The brief included a financial analysis of the alternative options available in the context of Housing Revenue Account self-financing reforms, which came into effect in April 2012.
- 5.10 The overall objective was to identify the most viable and sustainable alternative model for meeting the future investment and management needs of the estate.
- 5.11 In terms of investment need, an estimated £1.3m is required to bring the homes up to the Decent Homes Standard with the biggest single issue being the windows; the majority of which are original cruttall and single glazed. When a window becomes beyond repair, the individual window is replaced giving an unsightly non-uniform look to the building. There has been no major internal modernisation works carried and there is also no controlled entry to the blocks.



5.12 In addition, the estate is the only out of borough stock which is some considerable distance from Haringey, which has given rise to concerns about the effectiveness of the management of these homes and the involvement of residents.

5.13 Savills issued its report (**exempt information** in Part B of this Agenda) in November 2011, which concluded that stock transfer was the only viable option with the capacity to deliver the investment required to bring their homes up to the decent homes standard.

Stock Transfer

5.14 Stock transfer involves the ownership of the housing stock transferring to a registered Provider. Tenants would become assured tenants of the new landlord. Leaseholder would retain their existing leases, but their freehold would pass to the new landlord, rather than the Council.

5.15 The new landlord is not subject to the same funding restrictions as the local authority and therefore, as long as a viable business can be established, it can borrow additional money to finance the investment needed in the homes.

5.16 In order for a transfer to take place, tenants must be formally consulted on the proposals, with clear information on their rights under the new landlord, and the service that the new landlord would provide. This includes arrangements for management, maintenance and investment in the homes, and the details of how tenants can participate in decision about the services they receive from the new landlord.

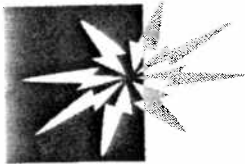
5.17 The full implications of a transfer of these homes will be considered in the context of HRA self financing. The potential receipt from the transfer needs to be considered in the context of the debt allocation of the homes and the investment required over the period of the business plan.

Residents Consultation

5.18 Four public meetings have been held to date and a further open day is planned for this summer.

5.19 Feedback from residents received to date indicate that, although they are not happy that Decent Homes works have been deferred, they would like us to proceed with the stock transfer proposal as an option for bringing investment into the estate.

5.20 A Residents Steering Group has been formed and was involved in the selection of the Independent Tenant Advisor. The Steering group has played an integral part in encouraging estate residents to engage in the consultation process.



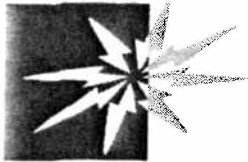
- 5.21 A door step resident's survey was undertaken which provided the following outcomes:
- 57% of households responded to the survey.
 - 69% of those surveyed were council tenants and 31% were leaseholders.
 - 83% of respondents had heard about the proposals to transfer homes to a Registered Provider.
 - Council tenants indicated that windows (91%), kitchens (57%) and bathrooms (55%) were the three priority improvement works.
 - 50% of overall respondents were **fairly happy** with the services they received from Haringey Council.
 - 30% of overall respondents were **very unhappy** with the services they received from Haringey Council.

Independent Tenant Advisor (ITA)

- 5.22 During a competitive tendering process, Officers from the Council and Homes for Haringey shortlist 5 of the 14 tender submissions received. Those shortlisted were then interviewed by members of the residents Steering Group and Solon Community Network was appointed as Independent Tenant Advisor.
- 5.23 Solon is an experienced and well respected company working in this field. They have worked with the Steering Group to give independent advice and support to residents helping residents through the initial stages of the transfer process and exploration of their chosen preferred option. Should the decision be to proceed with the transfer option, it is normal practice to maintain the services of an ITA throughout the process.
- 5.24 Solon's work programme includes attendance at Resident Steering Group meetings, door knocking and other surveys, newsletters, resident freephone helpline, training and workshops on investment, ownership and management options, and tenants' rights.

Process for selecting a Registered Provider

- 5.25 Residents and the Council agreed the following assessment criteria for selecting the preferred new landlord:
- The Registered Provider has the ability to deliver Decent Homes in accord with resident aspirations within an acceptable timescale;
 - The organisation can provide a local management presence and has a proven track record of resident involvement;

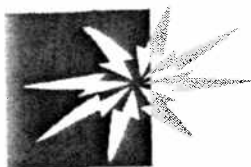


- The organisations can satisfy the council as to its financial capacity to undertake the transfer with a robust business plan to ensure long term financial viability; and
- In the context of HRA self financing, the potential receipt from the transfer needs to be considered in the context of the debt allocation of the homes.

- 5.26 Government guidance requires that transfer can only take place to a Registered Housing Provider. It also requires the process of selection to be as open as possible to encourage competitive proposals, and for tenants to be involved in the selection process.
- 5.27 Bids were sent to four bidders who had indicated a willingness to participate in a competitive selection process to become the preferred landlord. During the bidding process three bidders withdrew from the competition for a variety of reasons.
- 5.28 The remaining bid was assessed compared with what residents could reasonably expect from the Council without transfer. This provided the context to the offer so that residents could compare future plans with or without the selection of a new landlord.
- 5.29 The Evaluation Panel comprising of members of the Residents Steering Group, Council and Homes for Haringey Officers. Under the auspices of the ITA, residents agreed that the bid submitted by Broxbourne Housing Association (BHA) met the aspirations of residents to enable them to recommend that the Council proceed with BHA as the preferred new landlord.
- 5.30 BHA also presented their offer to a public meeting of estate residents, at which the offer was favourably received.
- 5.31 The choice of BHA as preferred partner was a unanimous decision among residents and Officers, and Members are therefore recommended to support the choice of BHA as preferred new landlord for the Waltham Cross estate.

Broxbourne Housing Association Offer

- 5.32 The terms of the sale of the Waltham Cross estate are as follows:
- Capital receipt of a minimum of [exempt information]
 - £2million allocated for improvement and maintenance works to bring the properties up to a decent homes standard over a three year period, which includes £650,000 for communal and environmental work.



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- Nomination rights in perpetuity on 75% of all 'true' voids on properties with 3 or more bedrooms and 50% of all 'true' voids on properties with 1 or 2 bedrooms.
- Residents will be able to choose how to monitor and influence service delivery on the estate and across the whole housing stock through the various residents' forums.
- All qualifying secure tenants will retain the statutory Preserved Right to Buy

5.33 Negotiations are continuing between the Council and BHA in relation to any future development on the estate. Whilst BHA has no current plans to develop any part of the estate, the Council will seek a development clause to be included within the Heads of Terms for BHA itself and its successors in title to covenant to pay the Council a percentage of any profits that arise from any future development.

5.34 The Capital receipt of [exempt information] assumes that Her Majesty's Revenue and Customs will not change the regulations in relation to the VAT Shelter before completion of the transfer. In the event that any changes to the VAT Shelter are made, this could reduce the capital receipt by [exempt information].

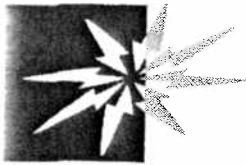
5.35 The VAT Shelter was introduced by government in 2002. It allowed organisations to recover VAT on catch-up repairs programmes carried out by the housing association following transfer that would have been claimed by the local authority.

5.36 The Secretary of State also requires satisfaction that the offer price for the Waltham Cross estate correctly reflects the debt allocation for the properties. The Council has been as open as possible to encourage competitive proposals, and the tenants have been fully engaged and involved in the selection process.

5.37 The Council intends to commission the Electoral Reform Society to conduct an independent secret ballot of Waltham Cross estate residents to determine whether the majority of tenants who vote are in favour transferring to a new landlord, Broxbourne Housing Association under the agreed terms of transfer.

6. Comments of the Chief Finance Officer and financial implications

6.1 Under the new self financing regime, councils have been given greater certainty of funding and more flexibility over how they manage their housing stock. However for a number of councils, of which Haringey is one, there is a potential short term funding gap which makes the achievement of Decent Homes more difficult and Councils will be expected to consider a range of options for bridging this gap.



- 6.2 The proposed transfer of the Waltham Cross Estate is driven by the requirement to attract essential investment funding to the estate as well as having the provision of a local estate management service. Broxbourne Housing Association (BHA) has offered the following financial terms:
- A capital receipt to the Council of [exempt information]
 - £2m allocated for improvement and maintenance works to bring properties to decent homes standard
 - Nomination rights in perpetuity on 75% of all 'true' voids on properties with 3 or more bedrooms and 50% of all 'true' voids on properties with 1 or 2 bedrooms
- 6.3 Before inviting bids, Corporate Finance assessed the minimum receipt required which was equal to the value of debt these 74 properties will support under self financing. This was calculated using the methodology used for the self financing determination, the actual rent income for the 74 properties and Haringey's average management, maintenance and investment (MRA) costs.
- 6.4 By transferring these properties, Haringey will benefit from the net receipt and will no longer need to find funding for improvements to the properties within the HRA business plan. There will also be a loss of rental income from the properties (£387k per year.) Given that Homes for Haringey will no longer have to provide a management and maintenance service to these 74 properties (a little under half a percent of the total tenanted stock) then it should be possible for them to reduce running costs. Overall, the transfer is therefore of financial benefit to the Council. This will remain the case even if the offer is reduced because of changes to the VAT regime.
- 6.5 As the Council has retained some nomination rights, a proportion of the estate will still be available to the Council to meet housing needs within the borough. It is not expected that the transfer will result in excessive pressures on the Homelessness service.
- 6.6 DCLG have yet to re-issue detailed guidance on stock transfers in the new self-financing regime but based on existing guidance and the treatment of RTB receipts then it is likely to require that HRA is compensated for amount of debt the properties are estimated to support and this would anyway be prudent. The remaining balance may then be available as a capital receipt. It is not current Council policy to ring-fence receipts in advance of detailed plans for their use.
- 7. Head of Legal Services and legal implications**
- 7.1 The Council has the power to dispose of the estate but must first obtain the consent of the Secretary of State and then carry out a formal consultation with the tenants of Waltham Cross Estate. In carrying out the consultation the Council must adhere to the Code of Recommended Practice on Local Authority Publicity.



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- 7.2 Legal advice must be obtained throughout the process to ensure that the Council adhere to the statutory requirements and the tenants' rights are safe guarded.

8. Equalities and Community Cohesion Comments

- 8.1 Residents have been consulted extensively throughout the process with the Council appointing an Independent Resident Advisors on behalf of the residents. Officers have ensured that language and disability needs have been addressed.

9. Head of Procurement Comments

- 9.1 The results of an options appraisal identified a preferred "stock transfer".
- 9.2 The opportunity was subsequently advertised to the market and initially 4 potential bidders expressed an interest. However, as the process progressed, 3 bidders withdrew, thus leaving the (one) recommended RSL.
- 9.3 Broxbourne Housing Association meets the requirements of the Council and importantly, Residents.
- 9.4 Government requires that any transfer of housing stock can only be made to a Registered Housing Provider, are also satisfied by the recommendation in this report.

10. Policy Implication

- 10.1 There are no specific policy implications stemming from this report.

11. Use of Appendices

- 11.1 Savills (L&P) Ltd – Options Appraisal

12. Local Government (Access to Information) Act 1985