




Haringey Council

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| Report for: | Cabinet - 12 February 2013 | Item Number: | |
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| Title: | Out of Borough Housing Estate – Waltham Cross |
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| Report Authorised by: | Mun Thong Phung, Director of Adult and Housing Services  Signature: pp Date: 1 February 2013 |
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| Lead Officer: | Shannon Francis – Enabling Officer Tel: 020 8489 4728 Email: Shannon.francis@haringey.gov.uk |
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| Ward(s) affected: N/A - Out of Borough | Report for: Key Decision |
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1. Describe the issue under consideration

- 1.1 Members agreed on 12 June 2012 to the selection of B3Living Limited (formerly Broxbourne Housing Association) as our preferred Registered Provider partner and gave delegated authority to the Director of Adult and Housing Services to progress the transfer to the Waltham Cross estate subject to a positive independent ballot of the tenants.
- 1.2 Cabinet is asked to approve the disposal of the Waltham Cross estate (comprising a total of 90 homes, 17 of which are leasehold) to B3 Living Limited (“B3 Living”) following a vote in favour of a transfer in the ballot of the tenants.

2. Cabinet Member introduction



Haringey Council

- 2.1 The ballot clearly indicates that the majority of residents fully support the Council's decision to transfer the housing estate in Waltham Cross to B3Living. This will see a significant amount of capital investment into the stock to bring them up to the decent home standard.
- 2.2 Officers will continue to work with B3Living following transfer to monitor the progress of internal and external works to completion.
- 2.3 It is important that best use is made of the net capital receipt from this sale..

3. Recommendations

It is **recommended** that Cabinet:

- (a) Notes the outcome of the ballot of the tenants and leaseholders.
- (b) Agrees to dispose of the Council's freehold interest in the Waltham Cross Estate to B3Living Limited for the offer price of [exempt information] and enter into the VAT shelter arrangements [exempt information];
- (c) Authorises the Head of Corporate Property to complete the disposal of the Council's freehold interest in the Waltham Cross Estate to B3Living Limited for the offer price and that agreement of the full terms and conditions of the disposal be delegated to Director of Adults and Housing Service after consultation with the Head of Legal Services and Cabinet Member for Housing;
- (d) Agrees that all reasonable costs associated with the stock transfer project and the self-financing debt allocation for these units, are deducted from the capital receipt; and
- (e) Agrees that the net capital receipt should be used to support capital projects within the borough.

4. Alternative options considered

- 4.1 On the 12 June 2012, Cabinet noted that the alternative options of Private Finance Initiative and Outsourced Management Contract were considered and deemed as unviable to deliver the required investment.

5. Background information

- 5.1 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 also agreed that officers be allowed to explore alternative options for bringing investment into the estate.
- 5.2 Savills were commissioned to undertake an Options Appraisal for the Waltham Cross Estate. The following alternative options were explored:



- Private Finance Initiative
- Outsourced Management Contract
- Stock Transfer

- 5.3 This appraisal concluded that stock transfer was the only viable option with the capacity to deliver the investment required to bring the homes up to the decent homes standard.
- 5.4 On 12 June 2012, Members resolved to accept the offer price [exempt information] from B3 Living for the freehold interest in the Waltham Cross Estate and gave delegated authority to the Director of Adult and Housing Service to progress the proposals to transfer the Waltham Cross Estate subject to a positive independent ballot of the tenants.
- 5.5 Since this resolution, the offer price for the transfer of stock has been reduced from [exempt information] to [exempt information] due to the reduction in stock levels through the completion of a right to buy sale on the estate. The Council has already received the capital receipt from this sale.

Tenant Consultation

Residents Informal Consultation

- 5.6 Consultation with residents has been ongoing since early 2011 and various ways have been used to consult with residents prior to the ballot, including:
- Regular meetings with the Residents Steering Group
 - Public estate meetings
 - Home visits to every tenant and leaseholder on the estate
 - Opening a 'show home' close to the estate
 - Independent advice from SOLON has been available throughout the process at no cost to residents
 - Holding two open day events on the estate

Formal Consultation Document

- 5.7 The details of the formal proposal were published and issued to residents of the estate on 4 October 2012. The issue of the Formal Consultation Document to all secure and temporary tenants was the start of the formal consultation process. A Formal Consultation document was also issued to leaseholders. Guidance on the



Haringey Council

content and level of information contained in the Formal Consultation Documents are set out by regulation from Central Government.

5.8 A doorstep visit of the estate was carried out by officers from the Council and Homes for Haringey to ascertain whether residents felt they had sufficient information to make an informed decision on the transfer proposals. Five questions were asked of the 74 tenanted dwellings whereby 60 households were interviewed representing 81% of tenants.

5.9 The results of the interviews were:

| | Yes (% of tenants) | No/Not sure (% of tenants) |
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| Have you received information about the proposal? | 56 (93%) | 4 (7%) |
| Have you been to any of the public meetings? | 20 (33%) | 40 (67%) |
| Do you feel you have been kept well informed? | 52 (87%) | 8 (13%) |
| Are you aware that transfer will only take place on based on a majority of those who vote? | 48 (80%) | 12 (20%) |
| Is it your intention to vote? | 51 (85%) | 9 (15%) |

Ballot Results

5.10 A ballot was conducted of all secure tenants and leaseholders on the Waltham Cross Estate by the Electoral Reform Society. The ballot was conducted over a four-week period from 9th November until 10th December 2012. Whilst leaseholders are given the vote, transfer is dependent on the majority vote of tenants. The results were as follows:

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| <u>Tenants-</u> | |
| Total number eligible to vote | 86 |
| Total number of ballot papers returned | 62 |
| Total number of spoilt/blank papers | 00 |
| Total number of valid votes counted | 62 |
| | |
| Total number voting 'YES' | 53 (85.5%) |
| Total number voting 'NO' | 09 (14.5%) |
| <u>Leaseholders-</u> | |
| Total number eligible to vote | 23 |
| Total number of ballot papers returned | 12 |
| Total number of spoilt/blank papers | 00 |
| Total number of valid votes counted | 12 |
| | |
| Total number voting 'YES' | 08 (66.7%) |



B3 Living Limited's Offer

- 5.11 Following B3Living being selected as the preferred partner they undertook a full Stock Condition Survey of the properties on the estate. This was done to validate the information that had been provided to them by the Council as this information was not comprehensive and based on a small sample of the stock.
- 5.12 On completion of the full survey, B3 Living's revised investment calculations showed an increase to the original overall investment costs proposed (from £2million to £2.8million). It was acknowledged that whilst some allowances for a variation had been made within B3Living's bid, there were some areas which no-one could have reasonably assumed, for example, severe damp, which would only be picked up by a full survey rather than a sample survey, given the size of the stock.
- 5.13 It was negotiated that both B3Living and the Council would accept a responsibility for elements of this shortfall and both parties have agreed to fund the difference. Not wanting to reduce the offer price, the Council agreed to adjust the sharing arrangements of the VAT shelter to cover their share of the shortfall.
- 5.14 The main terms of the sale of the Waltham Cross Estate are as follows:
- Disposal at the Offer Price.
 - 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.
 - B3Living enters into a VAT sharing arrangement with the Council.
 - B3Living enters into a RTB agreement with the Council.
 - B3Living fulfils the promises made to the residents in the Formal Consultation Documents.
 - 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.



6. Comments of the Chief Finance Officer and financial implications

- 6.1 Under the HRA self financing regime, councils have been given greater certainty of funding and more flexibility over how they manage their housing stock. For Haringey, however, there is a short term funding gap which makes the achievement of Decent Homes more difficult and Councils are expected to consider a range of options for bridging this gap.
- 6.2 Following an evaluation of all the options, the transfer to B3Living is considered the best outcome for residents of the estate and the council. The financial terms of the transfer are as follows:
- A capital receipt to the Council of a minimum of (exempt) plus a share of potential cash flows from future Right To Buy (RTB) receipts
 - B3Living has allocated £2.8million for improvement and maintenance works to bring properties up to the Decent Homes standard.
 - The council will retain nomination rights in perpetuity on all 'true' voids for 3+ bed units and 50% on 'true' voids on one and two bed units.
- 6.3 Before inviting bids, Corporate Finance assessed the minimum receipt required which was equal to the value of the debt these properties would support under self financing. This was calculated using the methodology used for the self financing determination, the actual rent income for the properties and Haringey's average management, maintenance and investment (MRA) costs. The sale price offered by B3Living met this prerequisite.
- 6.4 The initial bid from B3Living in the sum of (exempt) was based on investments works they would carry out on the estate in the sum of £2million. Following a full stock condition survey, it was revealed that £2.8million of works were actually required. Through negotiation, it was agreed that the Council would still receive the full capital receipt in the sum of (exempt), adjusted only for a Right to Buy disposal that has taken place. B3Living were instead to have the full benefit of the VAT shelter, in the sum of (exempt), being the VAT element of the investment works they would be carrying out. It was agreed that they would also receive the first (exempt) from future RTB receipts.
- 6.5 For future RTB sales, Haringey has retained the right to receive a proportion of future sales proceeds, after B3Living has set aside a balance to meet the funding gap that would arise in their business plan. This is subject to B3Living having first call on (exempt) referred to in paragraph 6.4. above. The current policy in Haringey is to use proceeds from RTB receipts to fund the delivery of new affordable housing in the borough.



- 6.6 The Capital Finance Regulations allow the council to set off reasonable costs associated with the stock transfer against the capital receipt in order to reduce the burden on revenue budgets. Although the self financing rules do not require that the proceeds of disposal of HRA properties are used to repay the outstanding debt on these properties, if this does not take place, it would place a greater burden on the remaining tenants within Haringey's HRA stock.

7. Head of Legal Services and legal implications

- 7.1 The Waltham Cross Estate is held for housing purposes and cannot be disposed of without the consent of the Secretary of State. Prior to disposal and seeking consent the Council must carry out a ballot of the secure tenants of the estate to seek their approval of the proposal. This has now been done and the Council can proceed with the disposal (subject to Secretary of State consent) as the ballot result was positive.
- 7.2 The Council must ensure that the promises made to the residents in the Consultation Documents by B3 Living are captured in the Sale Agreement to be negotiated between the Council and B3 Living.

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.
- 8.2 Every reasonable opportunity has been given to residents to express their views and given the apparent support from tenants for the proposal to transfer the estate to B3Living, officers recommended proceeding to ballot to allow residents to formally express their preference of transferring to a new landlord.

9. Policy Implication

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

10. Use of Appendices

- 10.1 Electoral Reform Society – Ballot Results

11. Local Government (Access to Information) Act 1985

- 11.1 The following background papers were used to inform the production of this report:

- Savills (L&P) Ltd – Options Appraisal
- Cabinet Report – 26 January 2011;
- Cabinet Report – 12 June 2012.