

Meeting:	Cabinet
Date:	23 October 2008
Subject:	Mill Farm Close Regeneration Proposal
Key Decision:	Yes
Responsible Officer:	Paul Najsarek, Corporate Director Adults and Housing Services
Portfolio Holder:	Cllr Barry Macleod-Cullinane, Adults and Housing Portfolio Holder
Exempt:	Public Appendix 1 – Analysis of RSL submissions is exempt under paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 – Information relating to the financial or business affairs of any particular person (including the authority holding that information).
Enclosures:	Appendix 1 – Analysis of RSL submissions (Exempt) Appendix 2 - Proposed Project Timetable, Appendix 3 - Equalities Impact Assessment

Section 1 – Summary and Recommendations

This report recommends the appointment of a preferred Registered Social Landlord (RSL) partner to enable the improvement and regeneration of the Mill Farm estate, Pinner following a competitive selection process carried out with residents from March – September 2008.

Recommendations:

Cabinet is requested to:

1. Approve the formal appointment of Catalyst Housing Group as the Council and residents preferred partner to take forward the regeneration proposals for the Mill Farm estate;

2. Delegate authority to the Corporate Director Adults and Housing Services to work with Catalyst Housing Group and the Resident Steering Group to agree a Formal Offer document setting out detailed proposals and terms for the transfer of the estate and conduct a formal ballot of tenants and leaseholders;
3. Authorise officers to seek formal approval from the Secretary of State to the transfer under Section 32 and 43 of the Housing Act 1985 subject to a favourable ballot.
4. Authorise officers to serve initial demolition notices and subsequently final demolition notices under the Housing Act 1985.

Reason: To enable a comprehensive improvement of the Mill Farm estate to meet and exceed Decent Home standards and provide a better mix of housing to meet existing and future residents needs.

Section 2 – Report

2.1 Introductory paragraph

The Council must ensure all its homes meet the Decent Homes standards by 2010. The HRA Business Plan must have a robust asset management strategy for managing its properties over a 30 year period. This report details the process undertaken to select an RSL to which the estate would be transferred to enable a comprehensive regeneration of the Mill Farm estate, Pinner. The regeneration of Mill Farm will deliver a broad range of benefits including the provision of new, modern homes to meet a range of housing needs, the provision of appropriate play space, a design that minimises crime and anti-social behaviour and opportunities to provide a range of activities to increase social inclusion. It meets a number of key local priorities:

- Corporate Plan – to improve the well being of adults and children and the care of those who most need our help
- Sustainable Community Strategy – Ensure continuous improvements in the quality of housing, affordability and choice of size, type and tenure, increase social inclusion
- Housing Strategy – improve neighbourhoods and quality of life, increase the supply of housing

2.2 Options considered and current Situation

2.2.1 An Option Appraisal process undertaken May-September 2007 established that estate residents would prefer to see a comprehensive redevelopment of the estate even if this would mean a transfer of the estate to another landlord. To recap the preferred option would involve the demolition of all the flats in Mill Farm Close, to be replaced with new build housing to provide around 86 replacement social rented homes of a different mix to include some larger family homes, and around 115 other new homes for sale. There would be an estimated net gain of around 90 homes.

2.2.2 The Council's consultants advised that the identified funding gap may be closed by inviting competitive bids from a number of RSL partners.

- 2.2.3 On the 14 February 2008 Cabinet authorised officers to progress proposals to improve and regenerate the Mill Farm estate, Pinner by inviting RSLs to submit proposals on a competitive basis.
- 2.2.4 A Resident Steering Group was set up to agree the selection process and work with officers to assess the bids received. Officers would like to take this opportunity to formally thank all of the residents who have committed time and effort to the Project to date as without their input the selection process could not have been so thorough or robust.
- 2.2.5 Residents have been supported independently throughout this process by First Call independent tenant advisors (ITA). The Council has retained Tribal Consulting to provide advice on the financial aspects of the selection process.

2.3 Selection Process

- 2.3.1 Eleven RSL's were invited to submit initial expressions of interest in April 2008. Six submissions were received. These were assessed by Council officers, Tribal Consulting, the Resident Steering Group and ITA on the basis of financial strength, resourcing proposals, management and maintenance performance and experience in similar projects.
- 2.3.2 Four RSL's were shortlisted to proceed to the detailed Stage 2 of the selection process: Catalyst Housing Group, Dominion Housing Group, Network Housing Group, and Paradigm Housing Group. The final selection stage required the RSL's to submit outline designs for the estate, more detailed proposals in relation to management and maintenance, community development including youth engagement, tackling worklessness, a business model demonstrating how the scheme would be funded both now and in the future and a project timetable.
- 2.3.3 The following selection criteria were used by all participants in the selection process: Financial ability, funding proposals, experience, commitment to resident involvement, long term tenant participation/empowerment objectives, housing management performance, proposed levels of social housing for rent, leaseholder proposals, deliverability, innovation and proposals likely to return a favourable ballot.
- 2.3.4 A comprehensive assessment of the submissions under the above criteria has been undertaken as follows: Officer assessment of the written submissions, Tribal Consulting assessment of the business model and financial ability of the RSL's, interview by a panel comprising Officers, Residents, Tribal Consulting and the ITA, Resident Steering Group Assessment, resident visits to similar estates owned and managed by each RSL that have undergone regeneration and feedback from residents following open days.
- 2.3.5 The financial models were required to take account of the following assumptions:
- The existing number of social rented units on the estate must be retained as a minimum calculated by either units or bed spaces,

whichever is applicable and if possible to increase this level of provision

- The mix of social rented units should be changed to include some large family housing, including houses
- The rented units should be completed within 5 years of the transfer taking place
- Minimum space standards for the social rented properties of:

1 bed	50 m2
2 bed	75m2
3 bed	95m2
4 bed	115m2
5 bed	125m2

Information was also required on the level of internal storage facilities proposed.

- That a toddler play area be provided within the Estate boundary
- The scheme should be completed at nil cost to the Council

Submissions from all four of the RSL's met the above minimum requirements. The assumptions within the business models were all tested for prudence given the current market conditions around house price values and the availability of finance.

2.3.6 A detailed report on the selection process and reasons for the agreed rank of each RSL under the above criteria is contained in Appendix 1. This appendix is exempt under Schedule 12A Local Government Act 1972 – Information relating to the financial or business affairs of any particular person (including the authority holding that information).

2.3.7 Tribal Consulting have submitted an independent report to the Council (included within Appendix 1) concluding that all of the submissions provide robust business models having due regard of the current housing market conditions but that overall the proposal from Catalyst Housing Group best meets all of the objectives sought from the regeneration process.

2.3.8 The following table summarises the ranking under each of the criteria:

Selection Criteria	Catalyst	Dominion	Network	Paradigm
1. Financial ability	2	4	1	3
2. Funding Proposals	1	2	2	3
3. Experience	1	4	1	3
4. Commitment to resident involvement	2	4	1	3
5. Long term Tenant Empowerment Initiatives	1	2	1	2
6. Housing Management Performance	2	3	1	1
7. Proposed level of social housing for rent	1	4	3	2

8. Leaseholder Proposals	1	3	1	2
9. Deliverability	1	4	2	2
10. Innovation	1	3	1	2
11. Proposals likely to return a favourable ballot	1	4	3	2
Total Scores	14	37	18	25
Rank	1	4	2	3

2.3.9 The conclusion of the selection process is that the association whose submission best meet the Council's and resident's objectives with a viable and sustainable business plan is that of Catalyst Housing Group. This is the unanimous decision of Officers, the Council's consultants and the Resident Steering Group. However it should be noted that all of the submissions received were of high quality and are considered capable of delivering the project and all the RSL's are to be congratulated on the commitment they have shown in presenting their proposals to the Council and the residents of Mill Farm.

2.3.10 The next steps in the process are to draw up detailed proposals with Catalyst Housing Group and the residents of Mill Farm Close which will be presented in a formal Offer document to tenants and residents and upon which they will be formally balloted. The Offer document guarantees to protect the existing tenancy rights of tenants including the Right to Buy (known as the "Preserved Right to Buy") and any enhanced conditions that may have been negotiated. It will also provide details of the type of new property to be offered to existing tenants, the decant and moving process, the terms and conditions of the tenancy agreement that tenants are expected to follow, the programme timetable, community development initiatives etc.

2.3.11 The Offer document forms the basis of the legal agreements between the Council and Catalyst Housing Group and provides the guarantee to the Council and residents that the regeneration project will go ahead as planned and the promises made by the RSL are delivered. A proposed timetable for the next stage of the Project is attached at Appendix 2.

2.3.12 The detailed proposals will change and develop as the process continues, for example to reflect accurately the housing needs of existing residents. The next stage will also enable further work with residents, the preferred RSL and other agencies to build on empowering the community to tackle issues around anti-social behaviour.

2.3.13 A further report will be made to Cabinet to report the outcomes of the ballot. Final development proposals will be submitted for planning approval and consideration by the Strategic Planning Committee, in the normal way.

2.4 Resident Involvement and Consultation

2.4.1 The selection process has been fully inclusive putting residents at the heart of the decision making process. A Resident Steering Group was established in March 2008, made up of volunteer tenants and leaseholders from the estate. The group comprises 12 residents with

an average of 8-10 attending each meeting. Meetings have been held at frequent intervals to enable residents to be involved in all aspects of the selection.

- 2.4.2 The ITA has provided training to the Steering Group on a number of key issues including the financial background of RSL's, the Transfer process.
- 2.4.3 Regular newsletters have been sent to all residents on the estate.
- 2.4.4 Two estate events were held giving opportunities for all residents to see the various proposals submitted by the RSL's, meet and discuss the proposals with the RSL's and give feedback to the Council. 55% of households on the estate have attended one of these events.
- 2.4.5 Members of the Steering Group have visited similar estates owned and managed by the 4 RSL's to see how they have approached similar regeneration projects and how they have performed.
- 2.4.6 A progress report was made to the Tenants and Leaseholder Consultative Forum on the 22 July 2008.
- 2.4.7 Ward Councillors have been copied in to all the consultation material provided to residents.

2.5 Equalities Impact

- 2.5.1 A partial Equalities Impact Assessment (EIA) has been completed and a full EIA will be undertaken once the detailed proposals are finalised. The EIA is attached at Appendix 3. It assesses the impact the regeneration will have on existing residents and future residents having regard to broader strategies such as the Homelessness Strategy, BME Housing Strategy etc.
- 2.5.2 The assessment has shown there are higher proportions of Black and Minority Ethnic (BAME) households on the estate as compared to the wider local area and across the borough. The BME Housing Strategy identifies the need for larger accommodation to meet the needs particularly of BAME households.
- 2.5.3 There is a high proportion of studio and 1 bedroom flats and the needs of vulnerable households will need to be considered.
- 2.5.4 None of the existing properties are built to Lifetime Homes standards or are wheelchair accessible. In addition to the EIA, the Council needs to demonstrate that it has due regard to promoting the equality of opportunity of disabled people and other persons in accordance with Section 49A of the Disability Discrimination Act 2005.
- 2.5.5 In order to address all of the above, the Council asked all of the RSL's to submit proposals that would provide a range of housing types and specifically larger homes to meet current and future needs, that all of the new homes would be to Lifetime Homes standards and that at least 10% would be to full wheelchair standard. The submissions all

addressed these issues and the Catalyst proposal significantly increases the numbers of larger homes for rent.

- 2.5.6 A key action from the partial EIA is to undertake a Housing Needs survey of existing residents on the estate as soon as Catalyst are confirmed as the preferred RSL partner, to ensure that the redevelopment proposals enable specific needs to be met whilst providing better opportunities to meet future needs.
- 2.5.7 Other issues of potential disadvantage noted in the EIA include access to work opportunities, child care and youth engagement and will be addressed as the project progresses.
- 2.5.8 Any financial implications resulting from the partial EIA to address the identified issues are incorporated in the financial models provided by the RSL's.
- 2.5.9 Staffing Implications
- 2.5.10 There are no anticipated staffing implications. The Mill Farm Close estate accounts for only around 2% of the overall Council housing stock. There are no staff employed solely in relation to management and maintenance services for the Mill Farm estate or for whom the majority of the job relates to services provided to the estate.

2.6 Legal comments

- 2.7 Any disposal of land held for housing purposes would be under the provisions of Section 32 and 43 of the Housing Act 1985 and would require the consent of the Secretary of State. Existing tenants would have their Right to Buy preserved as specified in the Act.
- 2.8 A transfer of tenanted properties can only take place following a ballot of tenants. A majority of those who vote must be in favour of the transfer for it to proceed. It is good practice to also conduct a ballot of leaseholders and this will be undertaken.
- 2.9 Under Schedule 5A of the Housing Act 1985, on service of initial demolition notices stating that the landlord intends to demolish the relevant premises followed by the subsequent service of final demolition notices, any Right to Buy claims made after service of the initial demolition notices will cease to be effective. Compensation may be payable under Section 138C of the 1985 Act in respect of certain expenditure on Right to Buy claims existing at the time of service of the initial demolition notices. Initial demolition notices expire after seven years after the date of service on the tenant.
- 2.10 The procurement of the demolition and construction works (the "Works") will be subject to the EU public procurement rules and either the Council or the RSL will need to comply with the Public Contracts Regulations 2006 (the "Regulations"). This means that the contract for the work must be advertised in OJEU and the procurement process must follow the rules set out in the Regulations. The RSL's already have framework agreements in place which mean they will have to

advertise via the OJEU process for the works contract specific to the Mill Farm estate.

3. Financial Implications

- 3.1 The competitive selection process has resulted in a business model that eliminates the funding gap identified during the Options Appraisal process whilst meeting the key objectives of the Council. The Catalyst business model assumes the transfer of the estate to them at nil cost (as did all the RSL's). No additional capital or revenue funding is required from the Council to meet the funding gap.
- 3.2 All of the RSL's have assumed that Social Housing Grant funded by the Housing Corporation would be available to subsidise the cost of providing additional homes for rent (measured in terms of units or the number of people housed) over the existing provision on the estate. These assumptions are reasonable to assume as additional funding has been levered in to other similar regeneration schemes in the borough (Rayners Lane) and clearly set out as a priority in government policy documents.
- 3.3 At this stage none of the RSL's were in a position to offer the Council a guaranteed capital receipt for the estate given the high costs of redevelopment and that all the risk in doing so would be transferred to the RSL. However, a "profit sharing" agreement will form part of the legal agreements if for example the project generates significant surpluses in the future.
- 3.4 Consideration of other delivery vehicles has been considered since the February Cabinet report. Kier undertook to review a proposal for a Local Housing Company (LHC) in Harrow. The benefit of this is that the Council retains an interest in the properties and therefore in the long term asset value. This is being pioneered in some Local Authorities. However it usually requires significantly larger sites or number of homes to be transferred to the LHC to be viable. The Kier review for Harrow concluded that the Mill Farm estate on its own would not be viable for such a proposal because of its small size and therefore the stock transfer option is the only solution to achieve the regeneration objectives for the estate.
- 3.5 The HRA Business Plan assumed that removal of Mill Farm Close, representing around 2% of the overall housing stock, from the HRA in 2009-10 would not generate any capital receipt or transfer costs to the HRA. It assumed that all dwelling income would be lost, that there would be no savings in management and service costs. There would be some savings on the revenue and capital repairs on the basis of the assumed average unit costs.
- 3.6 The impact of the transfer is assumed to result in the HRA operating account balance falling in year 10 and pushing it below the required minimum in year 28 instead of year 30. It will also result in increasing the capital shortfall by almost £4m over 30 years and will have the effect of bringing forward the year of capital shortfall to year 10 instead of 11.

- 3.7 Catalyst Housing Group has agreed to underwrite the Council's reasonable costs including consultancy and consultation in taking forward the transfer of the estate.
- 3.8 The estimated scheme costs can rise if there is an increase in Right to Buy sales resulting in an increased number of leaseholders to be bought out. It is therefore considered prudent to use the Council's powers under Schedule 5A of the Housing Act 1985 to suspend tenant's rights to buy their home on the Mill Farm estate. At the present time there are no outstanding Right to Buy applications on the estate.

Performance Issues

The regeneration of Mill Farm Close contributes to the following Indicators:

NI 158 Percentage of non Decent Homes

Target 2008/9	0%
Q1 Actual	41%
Q 4 forecast	0%

Ex BVPI 184b Percentage change in the proportion of non decent homes at the end of the year

Target 2008/9	100%
Q1 Actual	9.6%
Q4 forecast	100%

Both of the above are on target for 2008/9. Non decent dwellings scheduled for demolition before 2010 and partial transfers (such as Mill Farm) are not to be counted in the non decency numbers. Year end forecasts for the above targets assume that dwellings on the Mill Farm estate are not included in the calculation and that the transfer of the estate proceeds to the proposed timetable (and it should be noted that the agreed timetable to date has been achieved). Advice is being sought from the Audit Commission to confirm this interpretation: if otherwise, the targets above for 2008/9 will not be achieved until 2009/10.

NI 155 No. of Affordable homes delivered (gross), LAA target

Target 2008/9	200
Q1 Actual	30
Q4 forecast	200

The above is on target for 2008/9. The redevelopment of Mill Farm will contribute to future delivery targets once the building process commences and completion of new homes follows.

Risk Management Implications

Risk included on Directorate risk register? Yes

Separate risk register in place? Yes

Several of the risks identified in the earlier Cabinet report are now dealt with as follows:

- Risk that no RSL would be interested in the proposal to regenerate Mill Farm - there was sufficient interest and good quality submissions were made enabling the selection of a highly experienced RSL with a deliverable proposal.
- The identified funding gap would not be met – the gap has been met and the business models submitted by the RSL’s were all considered to be viable.

The ongoing key risk continues to be that tenants do not vote in the ballot to be held in approximately 6 months time and that the majority who vote are not in favour of the transfer proposal. This would leave the Council with an estate that does not meet the Decent Homes standards and insufficient funding to carry out the necessary works. This will be mitigated by continuing the consultation process and events that took place during the RSL selection process to ensure that the majority of tenants are informed of and have the ability to influence the offer that will be made to them by Catalyst Housing Group. Catalyst will also have additional resources over and above those available to the Council to ensure that the ongoing consultation process is involving as many residents as possible.

During the selection process a further key risk has emerged as a result of the falling housing market and credit crunch. It has been positive to note that all of the RSL’s have submitted business models that take account of the current and predicted situation critical to the proposed development period. The business model will be kept under close scrutiny as the Offer documents are worked up to ensure that the selected RSL is able to deliver the submitted proposals.

Section 3 - Statutory Officer Clearance

Name: Donna Edwards	<input checked="" type="checkbox"/>	on behalf of the* Chief Financial Officer
Date: 22 September 2008		
Name: Rachel Jones	<input checked="" type="checkbox"/>	on behalf of the* Monitoring Officer
Date: 26 September 2008		

Section 4 – Performance Officer Clearance

Name: Martin Randall	<input checked="" type="checkbox"/>	On behalf of Divisional Director (Strategy and Improvement)
Date: 26 September 2008		

Section 4 - Contact Details and Background Papers

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Background Papers: Cabinet Report 14 February 2008, Information provided at the public consultation events