

AGENDA ITEM: 6

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Meeting	Cabinet Resources Committee
Date	4 th November 2004
Subject	Dollis Valley estate regeneration – Underwriting agreement with the Home Group Ltd (Warden Housing Association)
Report of	Cabinet Member for Housing, Neighbourhoods & Community Safety
Summary	The report details the underwriting agreement between the Council and Warden HA for the Dollis Valley estate

Officer Contributors	Regeneration Manager, Borough Treasurer.
Status (public or exempt)	Public (with a separate exempt section)
Wards affected	Underhill
Enclosures	None
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not Applicable

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1 RECOMMENDATIONS

- 1.1 That approval be given to enter into the proposed underwriting agreement with Warden Housing Association**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 At its meeting on 1 December 2003 the Cabinet resolved the following:

“That the Council enter into further negotiations with Warden Housing Association for the regeneration of the Dollis Valley estate in order to consider possible amendments to the two schemes under consideration.”

- 2.2 It was noted that underwriting provisions were anticipated in relation to Warden HA master planning and related costs . It was also clearly noted that these would be on the basis of risk-sharing between the Council and Warden Housing Association.
- 2.3 On 27th September 2004 the Cabinet agreed to endorse Warden Housing Association as its preferred partner to take forward the regeneration of the Dollis Valley estate.

3 CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The proposed regeneration will help towards meeting the Council’s obligations to achieve decent homes standards by 2010.

- 3.1 The proposal supports the corporate policy of “Putting the Community First”, and contributes to the five key Priorities for our Community in the Corporate Plan:

- 3.2 A First Class Education Service: Each of the bidders proposed radical changes to Barnet Hill Primary and proposed working with further education providers and contractors to provide a first class education service and good quality opportunities to learn and strengthen business success and the health and quality of life of the residents.

- 3.3 Tackling Crime: The bids promoted community safety through “Secure by Design” principles

- 3.4 Supporting the Vulnerable in our Community:Regeneration of priority estates is one of the keys for helping the diverse members of the community to participate in shaping their future and accessing wider opportunities.

- 3.5 A Cleaner Greener Barnet: The bidders were encouraged to use the adjacent green belt to improve the vista for residents and incorporate access to the green belt from the regenerated estate

- 3.6 Repairing Roads and Pavements: The proposals allow for the renewal and replacement of the existing highway infrastructure and for improvement to public transport services.

4 RISK MANAGEMENT ISSUES

- 4.1 Similar agreements in respect of projects at Grahame Park and Stonegrove have been underwritten against the value of surplus land on those estates. As with West Hendon, this is not available and it is proposed that these costs be underwritten against the Housing Revenue Account (HRA) working balance.
- 4.2 The budget estimate and capped amount to be underwritten is £1,300,000 inclusive of VAT.
- 4.3 Should this be called upon, it will impact on the proposed investment towards meeting Decent Homes standards in the Council's housing stock and generally supporting the HRA for financial years 2004/05 to 2006/07.

5 FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 5.1 Details of the amounts involved are included in the report containing exempt information
- 5.2 This agreement will commit the Council to underwriting up to a maximum of £1.3m. Comparable underwriting provisions have been agreed for the Grahame Park, Stonegrove & Spur Rd and West Hendon regeneration projects.
- 5.3 The maximum total value of the underwriting agreements to date is £4.49m. If the Dollis valley agreement is entered into, this takes the maximum commitment to some £5.79m. However, the agreements for Stonegrove & Spur Road and Grahame Park contain the opportunity to meet those underwritten sums from the value of land released by the relevant regeneration schemes. This could fund up to £3.19m of the overall commitment.
- 5.4 The ultimate source of any remaining funds necessary to meet the residual sums required for the overall underwriting provision would be the Housing Revenue Account (HRA) working balance. The forecast of the HRA balance position at the end of 2004-05 currently stands at £5.4m and current good practice means we assume a minimum requirement of £2m. However a full monitoring exercise is currently underway on the HRA and this will update the balances position. Alternative funding can also be considered around opportunities presented by the new housing capital financing regulations.
- 5.5 Regular risk assessment appraisals for the existing underwriting commitments are carried out and these have been used to establish the context for this final underwriting agreement.

6 COMMENTS, IF ANY, OF THE COUNCIL'S STATUTORY OFFICERS (Head of Paid Service, Chief Finance Officer, Monitoring Officer)

6.1 Comments have been incorporated within the main body of the report

7 BACKGROUND INFORMATION

- 7.1 Following the decision of Cabinet on 1st December 2003, the Council entered into further negotiations with Warden Housing Association. These negotiations have now reached a stage where more detailed work and extensive consultation needs to take place. On 1st July 2004 Warden Housing Association became a division of the Home Group Ltd, therefore the underwriting agreement will be made directly with the parent company.
- 7.2 Over the next period the masterplan will be developed in consultation with residents to the point of submission of an Outline Planning Application by June 2005.
- 7.3 Warden Housing Association has incurred substantial expense to date and the next stage in the project's development will involve the expenditure of considerable resources, including a large proportion of costs on external consultants. Warden Housing Association currently has no contractual relationship with the Council and has been proceeding entirely at risk.
- 7.4 Over the next period it is intended to negotiate a detailed Principal Development Agreement that will establish a contractual relationship between the Council and the consortium which will be reported to Members for agreement in 2005/06.
- 7.5 In the interim, it is proposed to enter into an underwriting agreement. This will commit to a sharing of risk between the Council and its selected partner and provide for certain costs to be underwritten in specific circumstances that are substantially outside of Warden Housing Association's control.
- 7.6 The Underwriting Agreement will exclude costs relating to Warden HA's own personnel and services, with the exception of dedicated project staff. The primary costs eligible to be underwritten will relate to third party consultants, their fees and disbursements.
- 7.7 Warden HA has provided a breakdown of its own projected costs, its budgeted costs for third party consultants and cost incurred to date and this is provided in the Exempt Report. The Council has engaged construction cost consultants Davis Langdon to carry out an initial review of the projected costs.
- 7.8 It is envisaged that the circumstances under which payments may become due under the Agreement would be the following:
- Outline Planning Consent – Provided the consortium has used its reasonable endeavours, the Council would commit to underwrite a proportion of eligible costs in the event that outline planning consent was not obtained.

- Compulsory Purchase Order (CPO) – In the event that the Council decides to use a CPO to purchase certain leasehold and freehold interests to enable the scheme the Council will be responsible for the CPO's promotion and for setting out the case for its approval. The decision on whether to approve a CPO is reserved to the Secretary of State. If the CPO was required for the scheme to proceed and was not confirmed the Council would commit to underwrite a proportion of eligible costs.
- Council withdrawal from the project – Until a Principal Development Agreement is in place the Council will agree to underwrite eligible costs in the event that it withdraws from the project and its partnership with Warden HA .
- Failure to gain resident support for the regeneration proposals. Following development of the masterplan, management and associated proposals a survey to establish residents support will be held. If residents do not support the proposals a proportion of the costs will be underwritten

7.9 Warden HA also indicated their willingness to underwrite a certain proportion of the Council's costs relating to third-party consultants (e.g. external legal advisers), in the event that they unreasonably withdraw from the project.

8 LIST OF BACKGROUND PAPERS

None

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BT: JO