

WEST DUNBARTONSHIRE COUNCIL

Report by the Executive Director of Housing, Environmental and Economic Development

**Special Housing, Environment and Economic Development Committee:
15 February 2012**

Subject: Partial Housing Stock Transfer - Assessment of Business Plans

1. Purpose

- 1.1** This report details the outcome of the assessment of the business plans from potential stock transfer receiving landlords. The report asks the Committee to approve the nomination of potential stock transfer landlords. The report also requests the Committee to delegate authority to the Executive Director of Housing, Environmental and Economic Development to progress alternative solutions for the Dumbarton package area.

2. Background

- 2.1** In April 2009, the Scottish Government provided approval of the Council's Scottish Housing Quality Standard (SHQS) standard delivery plan which was predicated on the principle that 45% of the housing stock would be transferred to alternative social landlords.
- 2.2** At its meeting of 5 May 2010, Housing, Environment and Economic Development Committee approved the Partial Housing Stock Transfer Strategy.
- 2.3** At its meeting of 6 October 2010, Housing, Environment and Economic Development Committee approved the Stock Transfer Package areas of Vale of Leven, Dumbarton, Clydebank East and Clydebank West. The Committee approved the inclusion of additional addresses prior to the submission of business plan proposals by Registered Social Landlords (RSLs) should it prove difficult to assemble a neutral valuation for each transfer area package.
- 2.4** At its meeting of 26 May 2011, Housing, Environment and Economic Development Committee reaffirmed the Council's policy of partial stock transfer.

2.5 At a special meeting of 29 June 2011, Housing, Environment and Economic Development Committee agreed to bring the six Central Dalmuir multi-storey buildings back into the Council's retention model; to instruct the issue of the invitation to bidding RSLs to submit their business plan proposals based on the price calculated for each transfer area; and, in recognition of the request of the RSLs and tenants, instructed officers to put in place a timeline that facilitated additional time requested by tenants and RSLs to discuss the bids with a view to ballots being held in September 2012. This resulted in a revised programme as outlined below:

- Business Plan appraisal: completes end January 2011
- Potential receiving RSL for each transfer area identified: February 2012
- Detailed tenant consultation: February 2012 onwards
- Formal tenant consultation (Stage 1) carried out by August 2012
- Stage 2 Notice by September 2012
- Separate independent ballots for each package: September 2012
- Actual Stock Transfer (subject to tenant approval): April 2013

2.6 Table 2.1 below provides a summary of the key stages the business plan process and the final submissions. Bidders had a formal period of nine weeks to submit business plans but had access to key pieces of information well in advance of the submission deadline to help inform planning.

Table 2.1 Key stages in the business plan production and assessment	
Provision of business plan templates to bidders	05.05.11
Special HEED Committee approves transfer packages and pricing model	29.06.11
Pricing model briefing session	17.08.11
Invitation to submit business plan	02.09.11
Business Plan submission deadline	11.11.11
Business Plan clarification and assessment process. Clarifications (six separate rounds) were sought by Council officers from each of the bidders on a weekly basis.	11.11.11 – 12.01.12
Council Implementation Group Business Plan assessment	13.01.12

3. Main Issues

3.1 The aim of the business planning process is to ensure that the bidding landlords provide robust business plans to show sustainable investment over a thirty year period. A total of four bids were received in November 2011 (table 3.1) from three community-based RSLs (two community-based RSLs having submitted an expression of interest withdrew from the process at the start of November). The bids were evaluated by Council officers in conjunction with Arneil Johnston, the lead consultants for the project. Running parallel to the Council evaluation was an evaluation carried out by Tenants Information Scotland (TIS) as the independent tenant advisor.

3.2 The Council assessment process comprised two stages:

- Stage one was a 'screening' assessment to ensure that the plans met five requirements (failure to meet any of the requirements meant that the bid would not be considered any further);
- Stage two was further examination of each chapter of the business plan assessed against criteria based on the Scottish Government's former Community Ownership Programme business plan assessment matrix (further information regarding the criteria is at Appendix 1). The threshold for an acceptable bid is an overall weighted score of 60%. The outcomes of the evaluation are illustrated below.

3.3 Full copies of the final bid submissions have been placed in the Members Libraries following a Member briefing session on 7 February 2012. The key considerations of each bid are summarised below:

Package Area	No. of properties in package area	Bidding landlord	Overall weighted score
1 - Vale of Leven	928	Cordale HA	66%
2 - Dumbarton	1649	Cordale HA	Did not pass stage 1
3 - Clydebank West	656	Dalmuir Park HA	67%
4 - Clydebank East	1209	Clydebank HA	75%

3.3.1 Vale of Leven

The bid achieved an overall weighted score of 66% but there was a significant degree of support given and negotiation with Cordale Housing Association to establish the final submission.

The rent promise to transferring tenants is RPI + 2.25% for the first five years with rents rising at RPI+1% thereafter.

Cordale's approach to business planning has been to mirror the pricing model assumptions (the pricing model was used to determine the transfer price of the stock and to help the RSL formulate their business plans. Assumptions in the model are factors such as rents, bad debts, maintenance costs. Further information is at Appendix 2). However, there is limited evidence of scenario planning to test the impact of alternative investment strategies.

The baseline business plan presents a positive financial position over thirty years and manageable levels of debt.

Essentially, the bid can only be viewed as a 'management and maintenance' of existing and transferred stock given the absence of a cash-flow to substantiate the extent to which regeneration activity can be funded. The bid makes reference to a Commercial Partnership bid (which has the capacity to deliver 170 homes in the Vale of Leven), but there is no evidence to assess the likelihood of this happening or, more importantly, the extent of risk that this proposal would place on the stock transfer business plan.

3.3.2 Dumbarton

The final submission of Cordale Housing Association's business plan for the Dumbarton package area failed the screening process in relation to management, maintenance, investment and fundability (specifically lack of evidence that the plan is fundable over 30 years and lack of evidence that funders have provided 'in principle' support based on financial indicators such as gearing and peak debt).

As a consequence the plan was not given a final score but specific failures were:

Proposed supervision and management costs that were substantially higher than the benchmarks provided in the pricing model and these costs did not reconcile with the association's investment proposals;

The investment programme was reduced below assessed expenditure levels by assuming the benefits of a VAT arrangement, which would not be considered a legitimate assumption by any lender or their valuers.

Assumptions in relation to void management and bad debts do not appear to reflect the challenging nature of the stock proposed for transfer. Overall, the approach was unrealistic and over reliant on housing management (with a reduction in housing investment).

3.3.3 Clydebank West

The bid is a robust submission but there was a degree of clarification required;

The rent promise to transferring tenants is RPI + 2.25% for the first five years with rents rising at RPI+1% thereafter;

The bid is supported 'in principle' by lenders based on the financial plan submitted;

The baseline business plan presents a healthy position throughout the 30 year period with sustainable levels of debt;

There is a sound approach to investment planning with evidence of scenario testing resulting in an additional 73 demolitions to those assumed in the pricing model; and

A new build cash-flow was presented that demonstrates that Dalmuir Park Housing Association can support up to £6M of investment to support the delivery of 100 new homes during the first five years.

3.3.4 Clydebank East

The quality of the bid is good submission and there was a minimal level of clarification required. The bid is supported 'in principle' by lenders based on the financial plan submitted;

The rent promise to transferring tenants is RPI + 2.25% for the first five years with rents rising at RPI+1% thereafter;

The baseline business plan presents a healthy financial throughout with manageable levels of debt;

There is a sound approach to business planning with evidence of scenario testing resulting in an additional 339 demolitions to those assumed in the pricing model; and

A new build cash-flow was presented that demonstrates that Clydebank Housing Association can support up to £8M of investment to support the delivery of approximately 90 new homes within the first five years.

3.3.5 Independent Tenant Advisor Assessment

Tenant Information Scotland (TIS) carried out a full appraisal of the business plans and further analysis of the tenants promise section with Tenant Panels and attendees at wider public meetings (copies of all TIS assessments and feedback reports from Tenant Panel and public meetings are in the Political Group rooms and main libraries or are available from the report author).

There is a high degree of consistency between the findings of the Council assessments and the TIS assessments - which provides a degree of validation of the assessment process overall.

There is only one area where there is a degree of divergence between the two approaches:

Management Cost Benchmarks: TIS believe that because the benchmarks utilised in the pricing model are lower than the bidder's existing spend on supervision and management that the plan does not provide sufficient capacity to deliver the quality of housing management that RSL tenants are accustomed to. However, the combined business plan submissions (the RSLs own stock plus transfer stock) show allowances that are substantially higher than the pricing model and local authority benchmarks. In addition, the pricing model provides contingencies (7% discount rate, higher void rates) that provide comfortable levels of capacity to improve performance.

Essentially, TIS feel confident that the bids on offer for Clydebank East and Clydebank West are very good bids; the bid for Vale of Leven is a good "steady state" (i.e. management and maintenance only) bid but are disappointed regarding the lack of costed regeneration proposals as this is a priority for tenants. TIS recognise that the Dumbarton bid fails to provide the necessary financial needed to pass the screening and believe that the strategy adopted for Dumbarton relies on a great deal of trust in the absence of fully costed proposals. The concluding paragraphs from the TIS non-financial and financial assessment reports and feedback from the Tenant Panels are at Appendix 3.

- 3.4** Viable bids have been received for Vale of Leven, Clydebank East and Clydebank West which can proceed to the next stage of the Stock Transfer process. Currently, there is no viable bid for the Dumbarton package and as a consequence it is necessary to consider the options available for the treatment of the stock in this area.

Three alternatives exist for the Committee to consider:

- A. Further negotiation with Cordale Housing Association to develop a business plan that is fundable and sustainable
- B. Retention of the Dumbarton package area in the Council's HRA business plan
- C. Return to the RSL sector to seek an alternative bidder

3.5 An options appraisal was completed (at Appendix 4) and the key considerations are outlined below:

Option A - Further Negotiation with CHA

- Cordale advised the Council that the December submission was the best and final bid which would suggest that there is limited scope for negotiation.
- There is no evidence that the funders would support a combined bid for both the Dumbarton and Vale of Leven packages.

Option B - Retention of the Dumbarton Package

- The Council must meet the Scottish Housing Quality Standard and has committed to doing so if any/all packages fail to transfer (Partial Housing Stock Transfer Strategy May 2012 (p6)).
- The HRA will have to bear the £2M cost to demolish the Bellsmyre multi-storey properties
- Options for regeneration are very limited - there may be the possibility of some new build properties (30-35 units)
- The Council will retain the debt associated with the Dumbarton stock (approx. £17M) and rents will increase by RPI +3.25% (across the whole stock) for years one to five to support the debt charges.

Option C - Seek an Alternative Bidder

- The selection criteria will ensure that bidders have a scale, level of asset cover and financial capacity to support regeneration
- Debt write off (£17M) is secured
- Rents capped to RPI plus 2.25% for years one to five (across the whole stock).
- The Council has received bids which are fundable, sustainable and offer regeneration so there is scope for another RSL to be identified that will deliver the Council's objectives

3.6 Option C provides, at this stage, the best opportunity to secure transfer optimising Value for Money to the Housing Revenue Account, maintaining affordable rents as well as the potential for more significant investment and regeneration in the Dumbarton area.

3.7 Given this, it is proposed that adverts are placed on the Public Sector Contracts Website and Scottish Housing News to increase the pool of potential bidders. The wealth of detailed information that is readily available for bidders would mean an estimated turnaround time of four to eight weeks with an additional four to six weeks to undergo assessment with the Council and the Scottish Housing Regulator.

It is proposed that the following criteria be used to help select bidders:

- Size of organisation
- Previous experience of the stock transfer process
- Current presence in the Council area
- Performance against the following financial indicators: interest cover, gearing, net debt per unit and cash balances
Operating within the Glasgow and Clyde Valley Development Plan Area

3.8 With careful management, the additional time incurred by looking for an alternative bidder for package 2 should not affect the overall target of ballots during September 2012. The proposed timescales for packages 1, 3 and 4 are:

February 2012:

Seek approval from the Scottish Housing Regulator for business plans.

April 2012 - end July 2012:

Detailed tenant consultation plus preparation of the Stage 1 notice

August 2012:

Issuing of the Stage 1 notice for 28 days

September 2012:

Issue Stage 2 notice

End September 2012:

Tenant ballots

April 2013: actual stock transfer (depending on outcome of ballots)

Proposed timescales for package 2 (Dumbarton) reflect the requirement to return to the market to identify an appropriate bidder for the stock and are:

Mid-April 2012:

Seek approval from the Scottish Housing Regulator for the business plan.

June 2012 - end July:

Detailed tenant consultation plus preparation of the Stage 1 notice

August 2012:

Issuing of the Stage 1 notice for 28 days

September 2012:

Issue Stage 2 notice

End September 2012:

Tenant ballots

4. People Implications

- 4.1** There are no people implications associated with this specific report but the Partial Housing Stock Transfer project has implications for staff directly involved in the delivery of Housing Services. These have been identified and are taken forward through the Staff Issues Group.

5. Financial Implications

- 5.1** There are no financial implications associated with this specific report but the Partial Housing Stock Transfer process has major implications on the Council's ability to implement successfully the Standard Delivery Plan and meet the Scottish Housing Quality Standard by 2015.

6. Risk Analysis

- 6.1** The Council has secured three viable bids for the packages in the Vale of Leven, Clydebank West and Clydebank East which allows the progress of the stock transfer process in these areas. The Scottish Housing Regulator will consider the issues and risks associated with these bids over the coming months in advance of moving to Stage 1 consultation.
- 6.2** In respect of the Dumbarton package, even if Option C is adopted, there remains a risk that no viable bid is received albeit every effort will be made to instigate this by advertising to a wider pool of RSL's who have the financial and organisational capacity to take on the stock. The consequences for the HRA Business Plan have been modelled and are summarised in Appendix 2 (Option B). Arrangements are already in place through framework contracts for key elements of capital works to facilitate the practical delivery of improvements to support the delivery of the SHQS.

7. Equalities Impact Assessment (EIA)

- 7.1** There is no equalities impact associated with this report: the stock transfer process is based on the ability to manage, maintain and regenerate housing stock with no regard to race, disability, gender, age, sexual orientation, gender re-assignment, religion or belief, civil partnership/marriage and pregnancy/maternity.

8. Strategic Assessment

- 8.1** The partial housing stock transfer is a key element of providing high quality housing, and positively contributing towards the Council's strategic priority of Social and Economic Regeneration.

How does this contribute to economic and social regeneration?

- 8.2** The partial stock transfer will correct the mismatch between current demand for affordable housing and the excess supply of obsolete stock, improve the quality of existing housing and provide opportunities for regeneration. The investment activity associated with this should create or sustain job and training opportunities, and enable greater stability within communities resulting in positive impacts on health and economic stability in the longer term.

How will this help make best use of our money?

- 8.3** The partial transfer would mean rental increases for retained stock to be kept to inflation + 2.25% for 5 years. In the event of tenants voting for transfer in a ballot, the administrative set up costs for transfer will facilitate the HRA debt write off for transferring stock. This would result in an additional benefit for both the Council and the wider social housing community.

How does it make better use of assets?

- 8.4** Bringing both transferring, and all retained housing stock, up to the Scottish Housing Quality Standard is a legal requirement and contributes to meeting the Council's strategic priority of Social and Economic Regeneration. The partial stock transfer will also contribute to addressing the mismatch the supply and demand for social housing in West Dunbartonshire by removing already identified surplus housing stock.

How does it change / impact on service provision?

- 8.5** The service provided by stock transfer landlords should at least meet the standard delivered by the Council at the point of transfer, and be planned to improve over time following transfer.

9. Conclusions and Recommendations

- 9.1** To conclude, the Council is in a position where there are viable bids for three of the package areas but no viable bid for the Dumbarton package area. The findings of the Council's assessment of the business plans are, to a large extent, mirrored by the findings of the independent tenant advisor which provides a significant degree of validation for the assessment process overall. It is proposed that the Committee approves the nomination of the landlords specified in table 3.1 as the potential receiving landlords for the relevant package areas.

- 9.2** Of the options that are available to the Council in regard of the Dumbarton package area, a return to the RSL sector for an alternative bidder (Option C) is proposed as it is an extension of existing Council policy (and fits with the aims and objectives of the Council's Partial Housing Stock Transfer Strategy).
- 9.3** To facilitate this it is proposed that a notice is placed on the Procurement Scotland and Scottish Housing News websites to ensure that as many RSLs as possible are aware of the current availability of the Dumbarton stock for transfer purposes. Given the wealth of detailed information readily available, the identification and assessment of an alternative bidder should take between four to eight weeks.
- 9.4** It is recommended that the Committee:
- (i) approves the nomination of Cordale Housing Association as the stock transfer receiving landlord for package area 1 - Vale of Leven;
 - (ii) approves the nomination of Dalmuir Park HA as the stock transfer receiving landlord in package area 3 - Clydebank West;
 - (iii) approves the nomination of Clydebank Housing Association as the stock transfer receiving landlord for package area 4 - Clydebank East;
 - (iv) agrees to delegate authority to the Executive Director of Housing, Environmental and Economic Development to pursue Option C regarding package 2 (Dumbarton); and
 - (v) agree that a report be brought to a future Committee detailing the outcome of (iv) above.

Elaine Melrose
Executive Director of Housing, Environmental and Economic Development
Date: 15 February 2012

Person to Contact: Sarah Ward - Stock Transfer Project Development Officer, Garshake Road, Dumbarton, G82 3PU, telephone: 01389 737152, e-mail: sarah.ward@west-dunbarton.gov.uk

John Kerr - Housing Strategy Manager, Garshake Road, Dumbarton, G82 3PU, telephone: 01389 737889, e-mail: John.kerr2@west-dunbarton.gov.uk

Appendices: Appendix 1 - Scoring assessment explanation
Appendix 2 - Pricing model assumptions

Appendix 3 - Summary from TIS business plan assessments and summary feedback from Tenant Panel and public meetings
Appendix 4 - Options Appraisal for Dumbarton

Background Papers: RSL Business Plans for all four transfer package areas
TIS assessments of all four business plans
TIS Tenant Panel and public meetings reports
Standard Delivery Plan
Stock Transfer Strategy

Wards affected: All

The five **stage one requirements** that were agreed by members of the Council Implementation Group (plus additional input from Housing Management staff) are:

Chapter	Package 1	Package 2	Package 3	Package 4
Vision & Objectives	75%	Did not pass the stage 1 assessment.	67%	67%
Past, Present & Future	68%		66%	70%
Operational Environment	65%		60%	60%
Participation & Empowerment	75%		63%	100%
Promises to Tenants	63%		62%	70%
Housing Investment and Improvement/ Business Plan Financial Assessment	64%		68%	70%
Risk Assessment	63%		76%	60%
OVERALL SCORE	66%		67%	75%

- Compliance with the Council's staffing and recruitment protocol (drawn up by Staffing Issues Group);
- Committed to working in partnership to address homelessness;
- Committed to working in partnership to provide temporary accommodation;
- Committed to working in partnership to provide a Common Housing Register and a common allocations policy; and
- A fundable proposal that is sustainable for the long term that shows funding from external lenders and/or the use of internal reserves

The **stage two assessment criteria** are:

- Presentation of the strategic context of the plan and the strategic aims and objectives of the organisation;
- The association's performance as a landlord;
- Understanding of the housing system of the package area;
- Tenant involvement;
- Tenant promises;
- Business plan assumptions;
- Approach to investment;
- Risk Assessment;

The regeneration and new build chapters were not given a score because assumptions regarding financial borrowing, subsidy and development sites

cannot be finalised at this time which means that RSLs cannot offer definitive proposals for tenant consideration. However, the RSL still had to present various funding scenarios to show how the organisation could deliver regeneration.

Each criterion was given a separate weighting to reflect the priorities of the Council: criteria related to Tenants Promises and the investment programme were given the highest weighting. Each criterion was then scored on a scale of 0-4 (no response to excellent response) and the score was multiplied by the weighting to give a weighted mark (expressed as a %age). The pass mark is 60%.

Pricing Model Assumptions

Appendix 2

Each RSL was given a data book that set out all the elements needed to formulate a business plan and to provide the rationale for the transfer price for the Council stock. Below is an extract from the data book (pages 5-6) that explains the various assumptions used:

“All financial inputs fall into three broad categories:

- ***Factual Assumptions*** - any assumption of a factual nature that is basically indisputable (but still subject to the provision of a clear audit trail).
- ***Assumptions for Individual Discussion*** - these are assumptions specific to particular areas.
- ***Benchmark Assumptions*** - these are assumptions on particular costs and economic indicators which we would expect to see fall within specified benchmarks that are based on industry norms.

The inputs falling mainly into these categories are illustrated below and include:

<i>Factual Assumptions</i>	<i>Assumptions for Discussion</i>	<i>Benchmarked Costs</i>
<i>Stock numbers at date the PM was completed</i>	<i>Rental Growth Assumptions</i>	<i>Voids & Bad Debts from Year 6 onward</i>
<i>Opening Year 1 Rents</i>	<i>Capital & certain elements of current expenditure that are liable for VAT</i>	<i>Reactive & Cyclical Maintenance Costs from Year 6 onwards</i>
<i>Current Year 1 Voids and Bad Debts</i>	<i>Financial assumptions contingent on the future of contractors</i>	<i>Management Costs from year 6 onwards</i>
<i>Other Income Year 1</i>	<i>Treatment of Related Assets</i>	<i>Real variations in building costs, maintenance costs & management costs over the long term</i>
<i>Reactive Maintenance and Cyclical Maintenance Costs Year 1</i>	<i>Risk Mitigation</i>	<i>Prelims and fees associated with the capital programme</i>
<i>Management Costs Year 1</i>		

Table 1.1 - Examples of types of assumptions

The pricing model is a spread sheet based financial model. The application of the range of assumptions will allow the determination of a price for each package and therefore determines the price that Registered Social Landlords (RSLs) must pay for each package.

The pricing model is built on agreed assumptions concerning:

- *anticipated rental income stream;*
- *investment requirement to meet the SHQS; and*
- *30 year management and maintenance costs.*

*It should be noted that these assumptions will inform the **PRICE ONLY** and that RSLs are **free to vary assumptions** in their own business plans.”*

Appendix 3

Concluding paragraphs from independent tenant advisor assessments & feedback from public meetings

Package area	Concluding paragraph (financial assessment)	Concluding paragraph (non- financial assessment)
Vale of Leven	<p>“5.19 In conclusion, the rent guarantee and higher housing management aspirations give Cordale the edge over the council plan although we believe tenants will feel a lot more comfortable with Cordale as a potential new landlord if they can demonstrate how the Commercial Partnership New build will offer benefits in the long run. The only way we can see this being done is if details of the scheme are communicated to tenants along with more concrete proposals on their other regeneration plans (Community Delivery Plans).”</p>	<p>“10.1 The rent guarantee and higher housing management aspirations give Cordale’s bid and advantage over the Council retention plan, although we believe tenants will feel a lot more confident about the proposal if Cordale demonstrates how the Commercial Partnership New build will offer benefits to them in the long run. The only way we can see this being done is if details of the scheme are communicated to tenants along with more concrete proposals on their other regeneration plans (Community Delivery Plans).”</p>
Dumbarton	<p>“10.1 In summary this is an SHQS only plan (meet and maintain the standard). While a 5 year rent guarantee is welcome, tenants still have to wait 5 years for all their properties to meet the SHQS standard and they have no firm promises on regeneration or new build. We do not doubt that Cordale will offer high standards of housing management and maintenance to tenants and they do give an outline commitment to use the “Cordale approach” post transfer to slowly improve standards and regenerate by bringing all the relevant agencies together. While this may be a sound practical strategy from Cordale’s point of view, from a tenants perspective it relies on a high degree of trust that Cordale will deliver eventually without any specific regeneration promises having been made or costed.”</p>	<p>“10.1 In summary this is an SHQS only plan (meet and maintain the standard). While a 5 year rent guarantee is welcome, tenants still have to wait 5 years for all their properties to meet the SHQS standard and they have no firm promises on regeneration or new build. We do not doubt that Cordale will offer high standards of housing management and maintenance to tenants and they do give an outline commitment to use the “Cordale approach” post transfer to slowly improve standards and regenerate by bringing all the relevant agencies together. While this may be a sound practical strategy from Cordale’s point of view, from a tenants perspective it relies on a high degree of trust that Cordale will deliver eventually without any specific regeneration promises having been made or costed.”</p>

Clydebank West	<p>“5.18 Our conclusions lead us to believe these proposals are worthy of serious consideration by tenants even although there are still a number of issues to be discussed and resolved. Nevertheless, Dalmiur Park come over well in their submission and we expect tenants will be interested in their plans for a better way forward.”</p>	<p>“10.1 In conclusion, we are confident about the ability of Dalmuir Park Housing Association to fund and operate a viable combined organisation post transfer. We have raised issues for clarification in this report, but feel confident they can be addressed in the run up to the transfer. This is a robust proposal and our conclusions lead us to believe these proposals are worthy of serious consideration by tenants.”</p>
Clydebank East	<p>“5.20 This is a robust bid and our conclusions lead us to believe these proposals are worthy of serious consideration by tenants.”</p>	<p>“10.1 In conclusion, we are confident about the ability of Clydebank Housing Association to fund and operate a viable combined organisation post transfer. We have raised issues for clarification in this report, but feel confident they can be addressed in the run up to the transfer. This is a robust proposal and our conclusions lead us to believe these proposals are worthy of serious consideration by tenants.”</p>

Feedback from Tenants Panels and public meetings

Overall, the turnout the meeting was very low and cannot be taken to be representative of all tenants. However, it is clear that the tenants who responded want change and are not too concerned about the proposed rental increases if the Council retained its stock.

Package area 1: Vale of Leven

The Panel members considered this proposal “to be a luke warm proposal that does not fulfil Tenants Priorities and does not improve on what tenants currently receive from the Council”.

There were 18 attendees at the public meeting. Overall, there was real concern and disappointment that Cordale’s bid does not include regeneration plans for the Vale of Leven area. Regeneration is at the top of tenant’s lists and tenants have been waiting for years for regeneration. Tenants stated that all the communities within the Vale of Leven transfer area would be bitterly disappointed with Cordale’s bid.

Package area 2: Dumbarton

The Panel members considered this proposal does not benefit tenants as it provides no regeneration plans and will not deliver the SHQS by the 2015 deadline.

There were 22 attendees at the public meeting. Overall there were some positive comments made about Cordale’s approach, especially on management and maintenance standards, tenants still need a lot of convincing around the specifics and detail behind their regeneration plans. They also are not happy with them taking so long to meet the SHQS (5 years).

Package area 3: Clydebank West

The Panel representatives were present at the open meetings. The total number of attendees - 13 plus 8 phone calls from individuals

The Clydebank West tenants seemed satisfied with the detail of the proposal which was presented to them. Following the decision of the Housing, Environment and Economic Development committee tenants look forward to the consultation period with Dalmuir Park Housing Association whereby detailed face to face questions can be asked.

Package area 4: Clydebank East

The Panel representatives were present at the open meetings. Total attendees - 14 plus 5 phone calls from individuals.

The Clydebank East tenants seemed satisfied with the detail of the proposal which was presented to them. However two tenants were cynical that that Clydebank Housing Association would be able to meet its promises.

Options Appraisal - Transfer Package 2 - Dumbarton

The Cordale HA business plan for the Dumbarton area has failed to pass stage 1 and cannot be considered for further assessment. The Council therefore, has three alternative options for the package area. Set out below are the three options assessed against criteria that reflect the five strategic aims of the stock transfer policy:

- Meeting the Scottish Housing Quality Standard by 2015
- Achieving a balance between housing need, demand and supply within West Dunbartonshire
- Supporting area regeneration
- The current funding environment
- Protection of the terms and conditions of transferring staff

Assessment criteria:

- Will the option achieve the SHQS by 2015?
- Will the option support the long term maintenance of stock?
- Will the option provide opportunities for regeneration?
- Does the option allow the Council to re-dress the miss-match between housing need and supply?
- Is the option achievable within the current funding climate?
- Does the option represent Value for Money?
- What is the impact on the HRA?

- Will the terms and conditions of existing staff be protected?
- Is the option achievable within the revised timescales so as to avoid a negative impact on the remaining packages?
- Overall, will the bid help the Council meet its strategic objective for the stock transfer process?

Option A: Re-negotiation with Cordale HA regarding the bid to bring it to an acceptable standard

This assessment is based on what we would anticipate to happen given that we have an acceptable bid from Cordale HA for the Vale of Leven package area.

Criteria	Assessment
Will the option achieve the SHQS by 2015?	Potentially, the bid would be brought into line with the Vale of Leven bid which commits to achieving the SHQS by 2015
Will the option support the long term maintenance of stock?	Potentially, the bid would show a 30-year funding plan for the long term maintenance of Cordale's existing stock plus the transfer stock.
Will the option provide opportunities for regeneration?	Unlikely, Cordale's proposals for regeneration are linked to a Commercial Partnership Bid which they claim could deliver 170 homes. However, they will not share any details of the financial model so it is impossible to assess the likelihood of this happening and what risk it presents to the stock transfer investment plan.
Does the option allow the Council to re-dress the miss-match between housing need and supply?	Unlikely, for the reason above. It would be hard for Cordale to set out plans for demolitions, acquisition of alternative sites/re-use of cleared sites and new build without revealing the financial model underpinning the Commercial Partnership Bid (which they are unwilling to do). In addition, previous versions (including the final version) of the Dumbarton presented no understanding of the housing system in Dumbarton and associated problems and solutions.
Is the option achievable within the current funding climate?	Potentially, because it is likely to be a management and maintenance plan only with no additional borrowing requirements for new build.
Does the option represent Value for Money?	Yes, if the bid is constructed using the pricing model and used the assumptions that have been assessed by the Scottish Government as VFM.

<p>What is the impact on the HRA?</p>	<p>The option will support debt write off of approximately £17M in Dumbarton.</p> <p>There will be the possibility of reclaiming VAT through the VAT Shelter</p> <p>Assuming the other packages transfer also then the rent will be limited to RPI plus 2.25% for years 1-5</p>
<p>Will the terms and conditions of existing staff be protected?</p>	<p>Yes, the organisation has signed up to staff recruitment and retention protocol which was developed by the Council.</p>
<p>Is the option achievable within the revised timescales so as to avoid a negative impact on the remaining packages?</p>	<p>Yes, a revised business plan could be drawn up within 3-4 working days.</p>
<p>Overall, will the bid help the Council meet its strategic objective for the stock transfer process?</p>	<p>In reality, no. In terms of submitting a business plan, there is no doubt that an acceptable document would be produced. However, Cordale decided that their revised bid which was submitted in December was their “best and final bid” for Dumbarton - even although it was a fail at that stage (a fact of which they were aware).</p>

Option B - Retention of the transfer area (including demolition of the Bellsmyre multi-storeys)

Criteria	Assessment
Will the option achieve the SHQS by 2015?	Yes. The Council's stock transfer strategy states: "It is important to recognise that failure to achieve a positive ballot for all or part of the potential stock transfer would require there to be:- an absolute focus on the achievement of Scottish Housing Quality Standard in the remaining time period running up to 2015" (p6)
Will the option support the long term maintenance of stock?	The long term maintenance of the stock is the problem for the Council for this package area. Analysis of the data from the asset management database shows that over half (54.6%) of stock in the Dumbarton area is classed as category 8. This is stock that can be brought up to SHQS at a low capital cost, will contribute to future housing need but is a drain on HRA resources. A further 21.1% of stock is classed as category 2 – stock that requires a high capital cost to bring up to SHQS, is a drain on HRA resources but will contribute to future housing need. Only 12.1% of the stock in Dumbarton is classed as category 5 (best stock) compared to 31.7% across all Council stock.
Will the option provide opportunities for regeneration?	Yes – but to a limited extent. The Council is awaiting the confirmation of the (likely) three-year budget for investment in affordable housing. Colleagues suggest that this tranche of funding could deliver 30-35 new affordable homes which could develop the Aitkenbar Drive/Auchenreoch Ave sites.
Does the option allow the Council to re-dress the mis-match between housing need and supply?	Not to the extent that the Council would wish. As noted above, a small amount of new build could be provided through the new Council house building that would meet need but that is nowhere near enough to equate with the amount of obsolete and high risk stock that needs to be re-provided.
Is the option achievable within the current funding climate?	Yes but rents will have to increase to support the debt charges associated with additional borrowing and SHQS investment requirements.

Does the option represent Value for Money?	No.
What is the impact on the HRA?	<p>See above - plus:</p> <ul style="list-style-type: none"> ➤ There will be no debt write-off so the £9,900 per house remains ➤ Rents will rise by RPI plus 3.25% for years 1-5 (1% above the current rental framework) ➤ The HRA will have to bear the cost of demolition of the Bellsmyre multis (approx. £2M) If all 464 units are to be demolished then demolition costs will be approx. £2.3M.
Will the terms and conditions of existing staff be protected?	Yes.
Is the option achievable within the revised timescales so as to avoid a negative impact on the remaining packages?	Yes.
Overall, will the bid help the Council meet its strategic objective for the stock transfer process?	It will help the Council achieve the SHQS by 2015 and protection of staff terms and conditions. However, the longer term strategic aims of increased investment and regeneration will be very difficult to realise.

Option C - seek an alternative Registered Social Landlord to bid for the package

Criteria	Assessment
Will the option achieve the SHQS by 2015?	Unknown until the market is tested however bidding landlords will develop proposals predicated on the requirement of SHQS compliance within timescales as an essential criteria of engagement.
Will the option support the long term maintenance of stock?	Unknown until the market is tested however bidding landlords will develop proposals predicated on the requirement for the long term maintenance of the stock as an essential criteria of their engagement.
Will the option provide opportunities for regeneration?	Unknown until the market is tested; however, bidding landlords will develop proposals for regeneration part of their engagement.
Does the option allow the Council to re-dress the miss-match between housing need and supply?	Unknown until the market is tested; however, bidding landlords will provide an analysis of the Dumbarton area and develop proposals for re-dressing the imbalance as essential criteria of their engagement.
Is the option achievable within the current funding climate?	Yes - the outcomes for packages 1, 3 & 4, have shown that transfer proposals can be fundable if a bidder with a sustainable financial position can be identified.
Does the option represent Value for Money?	Yes. If a bidder with a sustainable financial position can be identified, option 3 provides realistic potential to provide an outcome which is VFM for the Council, tenants and the Scottish Government.
What is the impact on the HRA?	<ul style="list-style-type: none"> ➤ Debt write off (£17M) ➤ Rents retained to RPI plus 2.25% for years one to five (across the whole stock) ➤ The VAT shelter will apply

<p>Will the terms and conditions of existing staff be protected?</p>	<p>Yes, the organisation will be required to sign the staff recruitment and selection protocol devised by the Council.</p>
<p>Is the option achievable within the revised timescales so as to avoid a negative impact on the remaining packages?</p>	<p>Yes. It would take another eight weeks to through the expression of interest process and the development of an appropriate business plan submission. There would then be a period of four to six weeks for the plan to be assessed by the Council and the Scottish Housing Regulator. It is likely to be the end of May before there is a plan which is ready to be put before tenants. This would leave June, July and August for consultation prior to a ballot deadline in September.</p>
<p>Overall, will the bid help the Council meet its strategic objective for the stock transfer process?</p>	<p>Yes. The Council has received three bids which are fundable, sustainable and offer benefits for the tenants so there is no reason to assume that a RSL with the capacity could not deliver the objectives.</p>