

**CONFIDENTIAL**  
**Rochford District Council**  
**RSL Group Partner Selection**  
**Brief for Shortlisted RSLs**  
**October 2005**

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## 1 Introduction

- 1.1 The Rochford Joint Transfer Steering Group (JTSG) is charged with recommending a RSL Group partner for the LSVT of the Council's housing stock. This Brief sets out the criteria developed by the JTSG and the information it wishes shortlisted RSL Groups to provide to help it in making its recommendations.
- 1.2 The Brief is structured as follows:
- Section 2 sets out the relevant background;
  - Section 3 sets out the JTSG's criteria and information requested in that respect;
  - Section 4 outlines the forward process and timescales.

## 2 Background

- 2.1 On 13 April 2005 the Council resolved to pursue the transfer of its housing stock to a new local housing association, which we shall refer to as "Rochford Housing Association" (RHA), to be registered with the Housing Corporation and, in view of the relatively small size of the housing stock concerned, to be part of a larger RSL Group structure.
- 2.2 This decision followed consideration by the Council<sup>1</sup> of the outcome of its Housing Options Appraisal and report of the Rochford Housing Options Appraisal Board (RHOAB), which was established to oversee the process. The Government Office signed off the Council's Housing Options Appraisal in June 2005 and the proposed transfer is now being pursued. A range of information produced by the RHOAB is enclosed with this Brief – see appendix.
- 2.3 Other decisions / objectives made by the Council, based on RHOAB's work and approved by the Government Office, are set out below. They are seen by RHOAB and the Council as important in securing good quality locally controlled services, in helping the Council to meet housing need in Rochford, and in reducing / removing possible adverse effects upon the community and staff. As such, helping to achieve meet these objectives will be an important

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<sup>1</sup> It is also relevant to note that the Council had a failed transfer ballot in 1988, and that, as set out in various reports to RHOAB and presented to the Council, the test of opinion undertaken as part of the Options Appraisal indicated more tenants in favour of ALMO than Transfer, although opinion appeared to be moving towards transfer and the poor mock inspection results were not known to tenants at the time.

consideration in selecting the RSL Group partner as well as in influencing the transfer process generally.

- 2.3.1 The large scale voluntary transfer of the whole Council housing stock to a local Rochford housing association (registered social landlord) in partnership with a parent group housing association.
- 2.3.2 The local Rochford housing association should have charitable status within a group housing association structure, so as to obtain VAT shelter benefit.
- 2.3.3 The highest standard be sought of investment in the housing service for tenant benefit in Rochford that Government rules allow.
- 2.3.4 That every effort be made to minimise the potential cost to the Council's General Fund so as to avoid Council Tax increases.
- 2.3.5 That Council staff protection throughout the process should be sought.
- 2.3.6 That the housing association be required to make maximum provision of affordable housing in Rochford, in consultation with this Council.
- 2.3.7 That the housing association should have an extremely robust business plan and that it should ensure that benefits for and commitments to tenants and residents are delivered.
- 2.3.8 That authority be delegated to the Head of Revenue and Housing Management to take all necessary steps to prepare for the transfer and the related statutory ballot of tenants, reporting regularly to Council on progress and in relation to key decisions.
- 2.3.9 That a steering group be set up by the Head of Revenue and Housing Management, whose purpose will be to pursue all necessary actions to achieve a smooth transfer in accordance with ODPM guidance. The composition of the Group should be flexible to meet changing requirements, but initially should comprise 4 Council nominees, 3 tenant representatives, 1 leaseholder representative and a staff-side observer. The Group to be supported by appropriate Council staff, including a senior Council officer (who will be expected to remain with the Council after transfer and will be charged with the responsibility of securing best value for the Council), and in due course a representative of the partner housing association.
- 2.3.10 That, by agreeing to transfer the housing stock it is estimated to place an additional financial burden on the General Fund of £165,000. A strategy should therefore be developed by officers between now and the transfer

taking place to negate these costs.

- 2.4 The Joint Transfer Steering Group has now been established and work on the proposed transfer is progressing. The JTSG's terms of reference and the current Project Plan it is following are included with this Brief.
- 2.5 Bidders should note that since the RHOAB completed its work, further investigations of the demand for and investment required in the Council's sheltered schemes have been made. They indicate that for sheltered schemes to be in long term demand considerable investment over and above that used in the Options Appraisal will be needed, but that not all of the stock will be in demand as sheltered housing. A Council working party is investigating the matter in detail and is due to report in the early part of 2006. It is only on conclusion of this work that we believe firm financial projections can be made for the future of the stock under transfer (see below).
- 2.6 Also included with this Brief is a version of the financial model of the Council's stock showing cash flow projections for both Council retention (the Housing Revenue Account model) and under Transfer. The model has been configured to show the Transfer cash flows to achieve the so-called Gold Standard (see stock condition report/ Newsletter) and the full sheltered stock improvement referred to above. At this "maximum" level of investment the model indicates that gap funding is required to achieve transfer, in which circumstances ODPM would reserve its financial support until VAT shelter and post-transfer RTB receipts had been used to support the Business Plan.
- 2.7 The Council wishes to avoid this situation and to achieve a transfer price that covers setting up costs, but with HRA debt exceeding £10 million, believes that the transfer receipt will be insufficient to enable debt redemption. In these circumstances the Council anticipates that the current (2005) Transfer Guidance will apply, and that ODPM support will be available to meet the overhanging debt and early redemption premia, providing that the transfer price is not below a minimum amount that must be agreed as part of the process of gaining a place on the ODPM Transfer Programme. On the outcome of the sheltered scheme review being completed, the Council anticipates working in detail with the RSL Group partner to determine the minimum transfer price with ODPM, while maximising the Council and community benefits from VAT recovery and post-transfer RTB receipts.
- 2.8 Any queries concerning the model should be directed to Graham Moody on 01727 832283, email [moodys@btinternet.com](mailto:moodys@btinternet.com).

### **3 Selection Criteria and Information Required**

- 3.1 The following criteria, issues and queries have been developed by the JTSG, with the information requested to help assess Bidder's proposals against

them noted.

## **Independence, Governance and Corporate Form**

- 3.2 The objective is to establish a new asset owning RSL within the Group with the maximum of independence. The new Rochford HA (RHA) should have and control its own robust Business Plan within prudential constraints without Group intervention. The Board should have a minimum of 1/3<sup>rd</sup> each of Council and Tenant (including leaseholders) nominees, the other 1/3<sup>rd</sup> to be appointed by the foundation Members from the local community (following public advertisement) to ensure an appropriate blend of skills. The intra-group agreement would guarantee RHA's independence in this way. To ensure these arrangements in the future, the Council would have a direct agreement with the parent of the Group, giving the Council contractual rights to preserve the independence of RHA. RHA would have charitable status.
- 3.3 Bidders should:
- Confirm the key principle of establishing RHA as a new asset-owning RSL within their Group as something they support and will work together with the Council and Tenants to achieve. They should state any problems they foresee in achieving this objective, which was fundamental to the Council's recommendation to pursue transfer and "signed off" by the Government Office as part of the Housing Options Appraisal.
  - Discuss possible governance arrangements and in particular the source of nominations to RHA's Board of Management. They should identify any Group requirements, for example in relation to its own nominations and approval of Board Members generally, and note how RHA could influence the Group Board. Bidders should also note any issues they see as arising from the Council's desire for RHA to have charitable status and whether they have any preference for IPS or Company Limited by Guarantee for RHA's corporate form.
  - Indicate how they have tackled the issues of diversity and inclusiveness at Board level, aiming at the Board Membership demographic profile resembling that of the community (ies) served.
- 3.4 We envisage RHA controlling and making its own arrangements for service delivery and immediate "back office" functions including budgetary control. This would mean RHA e.g. employing its own Chief Executive and local housing management staff, R&M contractors and finance controller, but using Group services for Treasury management/ Business Plan development (but controlled by RHA).
- 3.5 In the transitional period after transfer completion, there would be a range of

subsisting Council contracts that would be assigned to RHA (see also 3.17 to 3.19 below). Additionally, in order to help both RHA and the Council adjust to their new circumstances, the Council could continue to provide support services in the short term. These arrangements could also apply “vice versa”, with RHA taking transfer of specialist staff and providing the service back to the Council. Subject to Best Value, such arrangements could continue for a longer period. Joint contracts between RHA and the Group, and between RHA and the Council for works and services (such as major improvement programmes and new development, specialist services such as arboriculture) could also be developed.

3.6 Bidders should set out:

- Their views on such arrangements and how they might/ would propose supporting them;
- Any requirements for RHA to use Group or other RSL services. Examples of service level agreements should be provided together with an explanation of how they would be priced; and
- Any requirements on RHA’s Chief Executive’s accountability and reporting lines.

3.7 The Group Partner selected will be required to enter into an intra-Group agreement with RHA and a separate agreement with the Council. The former will limit the Group’s ability to intervene in RHA’s affairs and will also define the circumstances under which RHA would be able to leave the Group. The latter agreement will secure the continued existence and independence of RHA unless the Council agrees otherwise.

3.8 Bidders should provide:

- A draft intra-Group agreement that meets the Council’s requirements. This should set out clearly the circumstances in which the Group would be able to intervene (“step in”) to help remedy any breaches of the agreement, the means by which it would be able to do this, and the terms under which it would “step out” once problems had been rectified. Exit terms should also be clearly set out; and
- Confirm that they are willing to enter into a direct agreement with the Council as noted.

3.9 Bidders will also be required to demonstrate that they are financially sound and well managed and should provide copies of:

- Recent accounts, annual reports, and business/ corporate plans and copies of returns to the Housing Corporation; and
- Housing Corporation regulatory assessments.

### **Meeting Housing Need in Rochford**

3.10 RHA should have a particular focus on assisting to meet local housing need and maximising the provision of affordable housing in Rochford.

3.11 Bidders should:

- Identify aspects of their proposals and otherwise note any ways in which their selection would help to further the Council's ability to meet housing need.
- Note how they have assisted the Council to meet housing and other community needs in the past, and how they might help meet community needs in the future.

### **Quality of Services and Tenant Satisfaction**

3.12 The Council and Tenants wish to secure high standards of housing services and investment for tenant and leaseholder benefit, including assisting in improving the housing service provided to meet at least a two-star standard.

3.13 The aim will be to ensure that RHA has its own robust Business Plan that delivers investment to at least the Silver Standard, and that the RHA's housing service achieves at least a two star inspection rating. While RHA will control its own Business Plan and service delivery, the Group will be expected to help support high service standards generally.

3.14 Bidders should:

- Set out how they would help achieve high standards in Rochford, maximising value for money from investment and service budgets and the quality of service delivery.
- In particular bidders should indicate how they would help achieve a 2 star standard within 18 months of transfer and three stars within a further 18 months;
- Describe their performance in recent years and future plans in securing the Decent Homes Standard and any higher investment standards;



- Describe the resources and facilities available to support Tenant and Resident involvement and empowerment within their Group, particularly Group-wide resources and networks, Board places for tenant nominees; and
- Describe their response to the Egan and Gershon agendas, and their approach to annual efficiency improvements;
- Provide information, including PI statistics, on their housing management track record and copies of any Inspection reports. Information in respect of tenant satisfaction would be especially useful.

### **Council Staff and General Fund Protection**

3.15 In relation to protecting the Council's staff, shortlisted RSLs' responses to date have been generally satisfactory in relation to Council staff falling under the TUPE Regulations (taken as those staff where 50% or more of their time is in relation to transferring functions). There will also be effects upon staff where only a minor part of their work is connected with the transferring stock, for example where the Council has teams of staff where no one person spends a majority of his/ her time on work that is transferring, but taken together a significant amount of time is spent. Taking no action would leave the Council with a financial burden that would need resolving to prevent Council Tax increases.

3.16 Bidders should:

- Confirm their proposals in respect of staff protection, consolidating their original proposals with any matters contained in their clarifications; and
- Set out their proposals to assist with such problems, including any opportunities for staff so affected to apply for similar work within the Group.
- Set out opportunities for career development, skills and competencies training which would be provided within the Group structure.

3.17 The Council's IT contract includes the provision of housing management systems that extend over several years yet would no longer be needed under transfer. The Council has a range of nominations arrangements to RSL stock in the District and will need to make arrangements to exercise these as well as nominations to the transferred stock. It will also need to move to choice-based lettings, possibly in conjunction with neighbouring authorities.

3.18 In relation to allocations and nominations, The Council believes that the best

way forward is for the Council to continue to maintain its Housing Register, establishing this as a joint housing register with RHA and including applications to transfer within RHA's stock. From this register it would operate its nominations arrangements and provide an allocations service to RHA under a medium term renewable contract. The joint housing register and allocations service could also be extended to other RSLs operating in the area.

### 3.19 Bidders should:

- Comment on the possible assignment of housing management (but not allocations) aspects of the Council's IT contract to RHA or the Group.
- Comment on its willingness to enter into a joint waiting list and allocations operation with the Council, RHA and other willing RSLs operating within the District; and
- Outline how it would assist in the move to choice-based lettings.

## **Support to the Transfer Process**

3.20 The JTSG's pre-ballot Project Plan is included with this Brief. The intention is to mount the information campaign for tenants and residents in the New Year in conjunction with the RSL Group partner. The Council has already engaged temporary staff for project management (John Pritchard), and consultants for the pre-ballot period in relation to financial matters (Graham Moody Associates), legal matters (Bircham Dyson Bell) and the Independent Tenant Adviser (Your Choice Housing Consultants). It is in the process of engaging a Communications Consultant and will have completed this before Christmas.

### 3.21 Bidders should:

- Set out how they would support the transfer process both before and after the ballot (assuming a positive outcome), including proposals in relation to project management, technical issues, staff support, the information campaign and setting up costs.

## **4 Process and Timescale**

4.1 The JTSG has arranged to meet to interview Bidders on 14 and 15 December 2005. Bidders are requested to submit their responses to this Brief by noon on 25 November and to email them (in Microsoft Word, Excel or Acrobat formats) as set out below.

4.2 JTSG members, other tenants and Council staff are aiming to visit shortlisted

RSLs, and you have been contacted separately about those arrangements.

- 4.3 The JTSG will be aiming to decide on its recommendations before Christmas, but Bidders will recognise that clarifications and confirmations may extend this timescale into the New Year.
- 4.4 A4 paper responses (or other formats suitable for photocopying) should be received before noon on Friday 25 November (late guaranteed delivery packages will be accepted) addressed to:
- The Head of Revenue and Housing Management  
Rochford District Council  
Council Offices  
South Street  
Rochford  
Essex SS4 1BW
- 4.5 As soon as possible after this deadline and in any event before 3 pm on 25 November 2005, Bidders should email copies of their responses to:
- John Pritchard, Housing Manager (Housing Services), email:  
john.pritchard@Rochford.gov.uk
- Catherine Hand, legal adviser, email: catherinehand@bdb-law.co.uk
- Gerry McDonnell, Your Choice Housing Consultants, ITA, email:  
ychc@btconnect.com
- Graham Moody, financial adviser, email: moodys@btinternet.com
- 4.6 If you require further details or have any queries before submitting a quotation, please contact John Pritchard on 01702 546366 ext 3355, or Graham Moody on 01727 832283.
- 4.7 Any such questions and their responses will be circulated to all Bidders.

Graham Moody Associates  
October 2005

## **Information Enclosed with this Brief**

1. RHOAB and other Housing Options Appraisal documents:
  - a. Stock condition survey report
  - b. Financial adviser's report
  - c. ITA's report
  - d. Report to Council
  - e. Council's advertisement for RSL Group partners
  - f. Summary of key issues arising from tenant consultation
  - g. Copy of Your Home incorporating the 'Rochford Standard'
2. Terms of Reference of JTSG
3. Transfer Project Plan at September 2005