

Report of	Meeting	Date
Introduced by the Executive Leader	Council	27 <sup>th</sup> September

## **CHORLEY COMMUNITY HOMES (CCH) – DELIVERY OF STOCK TRANSFER PROMISES**

### **PURPOSE OF REPORT**

1. To inform members of CCH's delivery against the tenant promises arising from the transfer of the Council's housing stock in 2007. The report is concerned with whether the promises have been completed and not the qualitative aspects of delivery. The report sets out how particular key promises including any outstanding promises will be delivered post March 2012 and in consideration of this information requests the Council to formally 'sign-off' CCH's delivery.

### **RECOMMENDATION(S)**

2. Members are asked to:-
  - (i) Note the CCH Position Statement at Appendix 1 on all promises and the position of a number of key transfer promises highlighted in the main body of the report.
  - (ii) Approve the proposed position negotiated with CCH set out at paras 20-34 which will form an agreement between CCH and the Council post March 2012 on a number of key promises.
  - (iii) Subject to approval of (ii) above, resolve to formally agree to 'sign-off' delivery of the tenant promises by CCH.
  - (iv) The Council agree to a deed of variation being created in respect of the management rather than the transfer of properties to CCH as a temporary measure.

### **EXECUTIVE SUMMARY OF REPORT**

3. The report shows, based on the position statement and evidence supplied by CCH that the majority of the tenant promises have been delivered.
4. There are five promises which are outstanding as follows:
  - Provision of car parking – 728 new or improved off street parking spaces have been delivered against a target of 985 where practicable see para. 19(a);
  - Investment in estate re-modelling to improve safety – It is projected that £519,828 will be invested in the Longfield Avenue and Greenside Estates combined, against a target of £600k see para. 19(b);
  - Provision of affordable housing - 151 affordable housing units have been delivered against a target of 200 see para.19(c);
  - Fascias and soffits – 638 new fascias and soffits have been completed against a target of 1,122 see para. 19(d); and

- Roofing – Full re-roofing has been completed on 78 roofs against a target of 108 see para. 19(e)

Reasons for the non-delivery are provided by CCH and paras. 22-26 set out CCH's position post March 2012. In respect of affordable housing, information is also provided at Appendix 3 on how they intend to meet their outstanding commitment post March 2012.

5. The report also sets out CCH's position following discussion with officers on a number of other key promises related to the transfer which the Council require to be continued post March 2012 namely:
  - Town centre office location, summarised at para 27-28;
  - Nominations percentage, summarised at para. 29-30
  - Funding for disabled facilities grants, summarised at para 31-32

The statements made by CCH regarding the outstanding and key promises would form the basis of an agreement between the Council and CCH, subject to member approval, and would be regularly monitored.

6. In the light of the tenant promises position statement at Appendix 1, investment expenditure at Appendix 2 and the statements made by CCH on key promises post March 2012 including the proposed commitments to affordable housing delivery at Appendix 3, members are asked to formally 'sign off' CCH delivery of the tenant promises.

## REASONS FOR RECOMMENDATION(S)

### (If the recommendations are accepted)

7. CCH were required as part of the stock transfer contract to deliver against all the tenant promises (where practicable) by March 2012. The Council is required to ensure the tenant promises are delivered, and if satisfactory evidence of delivery pre March 2012 is provided and the Council is satisfied with the arrangements regarding key and outstanding promises post March 2012, the Council is required to formally 'sign-off' that CCH will have met the tenant promises.

## ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

8. Given that there are a few promises outstanding, the Council could refuse to sign off delivery. However, given that there appears to be legitimate and practicable reasons for the shortfall and a clear statement of future plans to seek to address the shortfall, which the Council will monitor, the option to refuse to sign-off delivery is not considered to be fair and appropriate.

## CORPORATE PRIORITIES

9. This report relates to the following Strategic Objectives:

Strong Family Support		Education and Jobs	
Being Healthy		Pride in Quality Homes and Clean Neighbourhoods	√
Safe Respectful Communities	√	Quality Community Services and Spaces	√
Vibrant Local Economy		Thriving Town Centre, Local Attractions and Villages	
A Council that is a consistently Top Performing Organisation and Delivers Excellent Value for Money			

## BACKGROUND

10. As part of the Council's proposal to transfer the ownership and management of its council housing stock to CCH, the Council produced a formal Offer Document to tenants in 2006 which set out the promises the Council was making to tenants should the transfer go ahead and was the basis on which the tenants made their decision and voted to transfer.
11. The tenant promises numbered 76 in total and were wide ranging. Several of the promises related to the investment of £26 million in the housing stock in the first five years after transfer. Other key promises related to delivery of new homes, creating better neighbourhoods through e.g. the setting up a new dedicated anti-social behaviour team and employing neighbourhood officers, to delivering a range of opportunities to deliver tenant involvement.
12. The tenant promises formed a key part of the transfer contract with CCH which commenced in April 2007 for five years expiring March 2012. Progress on delivery against the promises has been reported to Executive Cabinet on a twice yearly basis as part of the report on the 'Performance of key Partnerships'. The tenant promises have also been the subject of an Overview and Scrutiny (O&S) Inquiry in 2008. The recommendations arising from the Inquiry have been addressed as reported to O&S in March 2010.

## CCH TENANT PROMISES POSITION STATEMENT

13. Given that the deadline for the delivery of the tenant promises will expire in March 2012, CCH were invited to provide a Position Statement regarding delivery of all the tenant promises with supporting evidence. This Position Statement is attached at Appendix 1.
14. CCH were also asked to provide a breakdown of the £26 million investment programme to improve tenants' homes and achieve the decent homes standard. In the evidence provided at Appendix 2, CCH have shown they have actually spent £36.7m by 31<sup>st</sup> March 2011 and plan to spend a total of circa £39.5m by March 2012, circa. £13.5m over target.
15. Part of this investment covered the promise OD59 (Page 18 and elsewhere in the Offer Document) regarding funding for disabled adaptations. The offer document stated "that a budget of £250k a year for disabled adaptations for the first five years after transfer, at least" would be provided. The position statement and spending profile shows that between March 2007 and March 2011 CCH have spent £1,815,000 on disabled adaptations and have made available £518k in this years budget (11/12) to address and clear the waiting list.
16. Currently the statutory duty to provide disabled adaptations rests with the Local Authority. However, it is considered good practice by the Tenant Services Authority who oversee registered providers of social housing that they make provision in their budgets to provide adaptations in their own stock. i.e The TSA document "Regulatory Framework for social housing in England from April 2010" states:

*2.1 Registered providers shall ensure a prudent, planned approach to repairs and maintenance of homes and communal areas. This should demonstrate an appropriate balance of planned and responsive repairs, and value for money. The approach should include: responsive and cyclical repairs, planned and capital work, work on empty properties, and adaptations.*

*2.2 Registered providers shall co-operate with relevant organisations to provide an adaptations service that meets tenants' needs.*

17. The Council receives a very modest disabled facilities grant from the government to cover requests. Going forward if we are to go some way to meeting customer needs across the whole of the Borough, a contribution from registered providers will be essential.
18. Also included in the investment information at Appendix 2, (although it was not the subject of a specific transfer promise), is £255k for 2011/12 relating to properties in Chorley Lane, Charnock Richard. Post transfer, CCH agreed to tackle the problem of three long-term empty properties on Chorley Lane, Charnock Richard. Given the properties had major structural issues costs for the refurbishment of these properties were prohibitive. However, the Board of CCH agreed in August 2010 to the option of demolishing the properties and building 2 new two bed properties and up to £300k has been ring fenced in their business plan to deliver the work.
19. In analysing CCH's response and the evidence supplied in support of their position statement there are five promises where CCH were unable to demonstrate that they have met the promise in full or will be able to do so in the next financial year. The three promises are:-
  - a) Tenant promise OD4 (page 20 of the Offer Document) which is in relation to car parking provision. The offer document estimates the provision of 985 new and improved off street car parking spaces will be delivered by CCH. In the evidence supplied, CCH expect to have provided approximately 728 car parking spaces by March 2012. Whilst this falls short of the target, from surveys undertaken by CCH there are 769 properties that cannot accommodate a car parking space and as such CCH believe they have met the promise made in relation to "the provision of new and improved car parking areas where parking provision is poor and new parking areas are practical".
  - b) Tenant promise OD16 (page 21 of the offer document) which is in relation to spending £600k on re-modelling the Longfield Avenue and Greenside estates to improve safety. CCH have completed the works at Longfield Avenue Coppull at a cost of £231,808 and state they have had no empty properties at Longfield Avenue since the improvements to the estate were completed. The work has yet to be tendered for the Greenside estate Euxton. However, from earlier consultation with residents the budget estimate including contingencies is £288,020. Therefore, CCH state that they expect to spend less than £600k on the two schemes combined.
  - c) OD17 (page 22 of the offer document) which is in relation to the delivery of 200 additional affordable homes over 5 years. A total of 113 units have been completed with funding and agreements secured on a further 38 properties, albeit some of those units may be delivered past the March 2012 deadline. Information regarding these 151 units is attached at Appendix 3. CCH have stated that the 49 units to meet the balance of the 200 are currently being negotiated with developers for delivery post March 2012.
  - d) OD7 (page 20 of the offer document) which is in relation to fascias and soffits. The offer document estimates that 1122 homes require work to fascias and soffits. New fascias and soffits have been completed in 638 properties since March 2008. CCH are currently updating their stock condition information to inform the completion of a future programme.
  - e) OD12 (page 20 of the offer document) which is in relation to roofing. Full re-roofing work has been completed on 78 properties against a target of 108. A future planned programme to complete the remainder is being produced by CCH.

## PROPOSED WAY FORWARD

20. Given that there are a few promises outstanding and a need to ensure that post March 2012 a number of other key transfer promises continue, the Council officers have met with CCH to discuss and agree how they will be addressed.
21. Outlined below is CCH's position regarding these promises which if members agree will form an agreement between the Council and CCH which will be monitored on a regular basis to ensure delivery.

### *Car Parking Provision*

22. CCH maintain the view that by March 2012 they will have delivered/improved 728 parking spaces (231 in 11/12) where it has been practical to do so (in line with the wording of the promise) and have stated that "they believe all identified parking hot spots will have been tackled". In terms of provision beyond March 2012, they anticipate providing further off street parking on the Chorley Moor estate (see below) and dealing with other individual requests as they arise.

### *Estate Re-Modelling Underspend*

23. CCH acknowledge that the estate improvement programme for Longfield Avenue (completed) and Greenside estates (to be tendered) combined, is not expected to result in the need for the £600k promised to be spent. However, CCH have stated "that other estates also require investment and we intend to invest further monies in environmental works across CCH's stock over the next few years in consultation with residents". CCH also state that "subject to Board approval, they are proposing a five year improvement strategy starting in 2012/13 for the Chorley Moor estate that will focus on improved boundary treatments and additional car parking for the estate" (as outlined above). As part of the strategy for the estate, CCH are shortly to meet with the Council to review whether the public open space at Buttermere Green could be better used.

### *Affordable Housing*

24. Adactus will have delivered or have committed delivery of 151 of the 200 units promised. Adactus/CCH has stated that they will seek to provide the remaining 49 units in 2012/13. Appendix 3 provides a list of the pipeline schemes and when completed will deliver 206 affordable homes.
25. Adactus/CCH have a proven track record for the delivery of affordable housing and working with officers of the Council, they have submitted a formal offer to the Homes and Communities Agency (HCA), which includes a package of schemes which are both grant and non grant funded. The contracts are expected to be signed imminently and will deliver much needed affordable housing in the borough.
26. Only the non-grant funded schemes will contribute to the delivery of the target and given the number of forthcoming opportunities on new sites, officers are fairly confident that this target will be met.

### *Fascias, Soffits and Roofing*

27. CCH have acknowledged in the position statement that they have not met the targets in this area. However, they have committed to developing a planned programme for the outstanding works. With regards fascias and soffits CCH will develop an on-going programme to complete any remaining fascias and soffits based on updated stock condition information by 2013. In respect of roofing they have stated that of the outstanding 30 roofs, a budget has been set to allow the completion of 10 roofs by March 2012 and the remaining 20 will be completed in 2012/13.

#### *Town Centre Office Location*

28. One of the promises (OD27) requires CCH to provide a town centre office for 15 years accommodating senior management and the majority of professional, operational and administrative staff that is open from 8.45am to 5.00pm. Since 1 September 2008 the office at Gillibrand Street has been open from 8.00am to 6.00pm Monday to Friday.
29. The CCH Board has chosen not to renew the lease on 24-26 Gillibrand Street, Chorley which expires on 26 March 2012. It is understood that CCH are currently negotiating on alternative office accommodation in the town centre and will confirm the location and the term of the lease once the Heads of Terms have been agreed. CCH have stated that 32 staff can be accommodated in the new office and will comprise CCH Management, Neighbourhood Management, ASB and Customer Services teams together with interview facilities, meeting rooms and a tenant resource room.

#### *Nomination Percentages*

30. The contract with CCH provides Chorley Council with 75% nominations to their stock. One of the promises (OD25) required CCH to work with the Council to introduce Choice Based Lettings. The Select Move Scheme went live in March 2011 and CCH have put 100% of their stock into the scheme which is welcomed by the Council.
31. Going forward, the Council has made it clear that the Council would want CCH to remain in Select Move and require confirmation that 75% nomination rights would continue in the event that CCH seek to withdraw from Select Move. CCH have given the assurance by providing the following statement from the Director of Operations ***"I can confirm that CCH will continue to offer the Council 75% nomination rights and that any variation of this arrangement will only be made with the full agreement of the Council. I can also confirm that any decision to withdraw from CBL (Select Move) would only be made after full engagement with the Council"***.

#### *Funding for Disabled Facilities Grants*

32. Whilst there is no contractual requirement for CCH to make budgetary provision for disabled adaptations beyond March 2012, as stated earlier in the report the requirement for Registered Providers to make available budgets for adaptations is considered good practice and will be key if the Council is to maximise the limited funds available for disabled facilities grants and meet its statutory housing obligations.
33. CCH were unable at this stage to specify a budget for adaptations but in correspondence from the Director of Operations has made it clear that the needs of the elderly and vulnerable residents including those with disabilities remains a priority for them and have stated " we will be recommending to the Board of CCH that they make budget provision in 2012/13 based on previous demand and taking account of the existing waiting list and the number of adaptations that have been carried out and will be able to confirm the level of budgetary provision for next year once the budget has been approved in February 2012. Further budget provision for this area of expenditure will be determined on an annual basis as part of our normal budgetary cycle"
34. Finally, CCH were asked if they wished to make any further statements in the report for member consideration. As a consequence they provided the following:

"Now we have completed the investment programme that was set out in the offer document to tenants, CCH is happy to seek to agree with the Council a fresh set of objectives on how our two organisations might work more closely to regenerate the Borough and further improve Housing supply. This might include:

- Regeneration of the Liptrott estate (as described earlier in the report)
- Regeneration of the Longfield Avenue environment in Coppull
- Utilising the Council's landholdings for the provision of further affordable housing"

35. "Since transfer CCH has also worked closely with the Council on a number of initiatives that were not specified in the transfer contract. Examples are of our funding of the sports development officer, developing a database of adapted properties and the tackling tenancy fraud initiative. We are always happy to discuss joint working in other areas in order to collaborate and ensure the best use of our combined resources".

## CONCLUSION

36. Overall, it can be seen from the evidence provided that CCH have delivered against the majority of the promises (71 out of 76), in some cases exceeding them and have invested more than the £26m promised. The position going forward regarding the outstanding and key promises as negotiated with CCH is set out in paragraphs 20-33 and would form an agreement between the Council and CCH which the Council will monitor. Subject to CCH adhering to the agreement and in consideration of the position overall, members are recommended to 'sign-off' that CCH have delivered the tenant promises.

## IMPLICATIONS OF REPORT

37. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	√	Customer Services	
Human Resources		Equality and Diversity	
Legal	√	No significant implications in this area	

## COMMENTS OF THE SECTION 151 OFFICER

38. There remains a number of outstanding issues in relation to the financial aspects of the agreement.

- a) In relation to the transfer agreement, CCH committed to spending £58.335m over the 25 year business plan. This level of investment was needed to bring the stock up to standard and then maintain it. We have asked for an updated profile of the spend, given the expenditure incurred to date. This is important as the scale of the works fee determined the valuation of the stock, which for Chorley was negative and no receipt was paid to the Council. The spending also drives the scale of the VAT Shelter and the sums the Council subsequently receives.
- b) At the point of transfer a pension liability existed for the employees transferring to CCH. As part of the agreement the liability was to be extinguished by paying some of the VAT shelter proceeds to the pension fund. Discussions are on-going about the sum to be paid to the pension fund which are as yet unresolved.
- c) As part of the agreement, Adactus made proposals to transfer the ownership of 600 properties from other group members to CCH. The purpose of this was to make CCH financially sustainable as the transfer would generate an on-going annual surplus of £300k.

However, to date this has not yet been completed as finance has to be raised to pay for the transfer of stock between the two companies which has been difficult to achieve in the current economic climate. As a pragmatic solution 1906 properties have been transferred to be managed by CCH rather than the transfer of property ownership and this will continue to generate an annual surplus for CCH. The Council is asked to agree this as an interim solution pending a more permanent solution being implemented. As ultimately the stock should be transferred for CCH ownership.

## COMMENTS OF THE HEAD OF GOVERNANCE

39. As part of the agreement to transfer the Council's housing stock to CCH, the Association (CCH) covenanted to carry out the programme of repairs and improvements contained within section 2 of the Consultation Document. Failing to comply with the covenant would be treated as a breach of the contract and would enable the Council to pursue restitution either by way of a claim for specific performance or damages.

The proposal, a supplemental agreement addressing the outstanding promises, is a reasonable approach. It provides a negotiated basis for the completion of the works as opposed to court proceedings which are costly, would cause delay and are likely to produce and order for specific performance in similar terms to those proposed to be agreed.

In relation to the issues raised by the section 151 Officer, these are for information only, and any sign off of the Agreement resolved by Council would exclude any outstanding contractual obligations that are not contained within the Consultation Document.

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DIRECTOR OF PARTNERSHIPS, PLANNING & POLICY

Report Author	Ext	Date	Doc ID
Lesley-Ann Fenton	5323	16 <sup>th</sup> September 2011	***

Background Papers			
Document	Date	File	Place of Inspection
Tenant Promises Offer Document	2006	-	Legal Services offices Strategic Housing offices

Document	Date	File	Place of Inspection
CCH Transfer Document	26 <sup>th</sup> March 2007	-	Legal Services offices Strategic Housing offices