

Report of	Meeting	Date
Head of Housing Services (Introduced by the Executive Leader)	Executive Cabinet	29 September 2005

HOUSING STOCK TRANSFER - UPDATE

PURPOSE OF REPORT

1. To inform members of progress on the proposed housing stock transfer, and to seek approval for:
 - a. the name and constitution of the new Registered Social Landlord which will receive the Council's stock;
 - b. Statement of Visions, Values and Aspirations for partner selection;
 - c. Corporate essential requirements for partner selection; and
 - d. Employment Protocol

CORPORATE PRIORITIES

2. This report relates to the Corporate priorities of serving our customers better.

RISK ISSUES

3. The issues raised and recommendations made in this report involve risk considerations in the following categories:

Strategy	✓	Information	
Reputation	✓	Regulatory/Legal	✓
Financial	✓	Operational	✓
People	✓	Other	

4. The proposed transfer provides an opportunity to significantly increase investment into the Council's housing stock, and to ensure the long term viability of the housing service. However, transfer can only proceed with the support of a majority of tenants, and the Council would have to pick up the costs in the event of a no vote. Post-transfer the Council will have to manage the loss of income to central services from the Housing Revenue Account. Action is being taken to mitigate these risks, as discussed further in the report.

BACKGROUND

5. At its meeting on 14 December 2004, Council determined to pursue a Large Scale Voluntary Transfer of its housing stock to a new Registered Social Landlord (RSL). Executive Cabinet, at its meeting on 10 February 2005 agreed to a structure to deliver transfer, including the following elements:

- A Housing Shadow Management Group of tenants, Councillors and independents to oversee the process;
- A joint selection panel of tenants, members and staff to select a preferred RSL partner for the new Chorley RSL;
- An officer group to manage the process;
- A transfer team;
- The development of a Housing Business Unit, and the establishment of a new identity for Housing Services prior to transfer;
- A transfer budget of £650,000.

CONSTITUTIONAL ISSUES

6. The Joint Selection Panel determined that the Council should establish a new, independent stock holding RSL, within a group. This would provide local identity and accountability, whilst providing the financial benefits of procuring support services from an existing RSL. In order to reflect the requirement for a strong local identity for the new RSL, they have recommended that the name should be Chorley Community Housing Limited. This name has been protected by registering with Companies House, pending approval by Executive Cabinet.
7. In order to achieve registration with the Housing Corporation, Chorley Community Housing must be formed with an acceptable constitution. The options available, as prescribed by the Housing Act 1996, are either an Industrial & Providential Society or a Company Limited by Guarantee. The new RSL also has an option as to whether to be charitable or non-charitable.
8. There are significant financial benefits to Chorley Community Housing (CCH) becoming a charity. As a charitable concern the new organisation will be able to take advantage of a VAT scheme, with the agreement of the Council, which makes VAT recoverable on improvement works. There are also Corporation Tax benefits. However, charitable status does restrict the activities that CCH will be able to undertake, for example in developing market rented housing schemes. These restrictions can be countered by the setting up of a non-charitable subsidiary in the future. The Housing Shadow Management Group have therefore recommended that the Chorley Community Housing should seek charitable status.
9. Industrial & Providential Societies are easier to administer than Companies Limited by Guarantee. Procedural requirements laid down by Companies Act do not apply, and it is easier to register as a charity without being registered with the Charity Commission. This removes a layer of regulation. The Housing Shadow Management Group therefore recommend the Chorley Community Housing should be an Industrial & Providential Society.
10. With the agreement of the name and constitution the Housing Shadow Management Group has now become the Shadow Board of Chorley Community Housing. The recruitment of independent members of the board will now take place.

RSL PARTNER SELECTION

11. The decision to establish CCH as an independent RSL within a group means that a preferred RSL partner must be selected, and this work is being undertaken by the Joint Selection Panel (JSP) of 8 tenants, 5 Councillors and 5 staff. This group agreed a statement of visions, values and aspirations, which was distributed to interested RSL partners. Executive Cabinet are asked to endorse this statement, a copy of which is attached (see appendix 1).

12. Whilst we are looking for our partner to deliver all these aspirations, a list of essential elements has been distilled. Executive Cabinet are asked to approve the essential requirements, which are:
 - Pre-ballot support (financial and non-financial);
 - Full underwriting of the Council's at risk costs;
 - Delivery of Chorley Homes Standard;
 - Delivery of additional affordable housing, and utilising modern methods of construction;
 - Utilise the VAT shelter, and agree to sharing capital receipts post transfer;
 - Involvement in local strategic partnerships;
 - Support for local autonomy, identity and presence;
 - Commitment to customer and employee care.

13. The Housing Shadow Management Group have further established their list of essential requirements. These are:
 - Reflection of a clear local identity and a high degree of local autonomy on investment and management, plus a local presence;
 - A commitment to use the direct labour workforce to provide a responsive and cost effective repairs and maintenance service;
 - Investment in tenant participation, empowerment and decision making.

14. The partner selection process is in two stages. The first stage, which is now complete, involved an open advert, and interested RSLs were asked to complete a set questionnaire setting out how they would meet our visions, values and aspirations. They were also asked to provide details of their financial standing, and their proposed governance arrangements. Fourteen submissions were received.

15. At its meeting on 12 September 2005, the JSP agreed a shortlist of 6 RSLs, plus a reserve, who will go through to the second stage. The short listed RSLs are:
 - Accent
 - Adactus
 - Helena
 - New Charter
 - Regenda
 - Twin Valleys
 - Reserve: Knowsley Housing Trust

16. The second stage will involve a second questionnaire, followed by a visit to each RSL. The selection will conclude with interviews held on the 5th and 6th December 2005. At the interview, an opportunity will be made available for Councillors, staff and tenants not involved in the JSP to meet the short listed RSLs. Executive Cabinet will be asked to approve the preferred partner, and a reserve, at its meeting on 12 January 2006.

17. As part of the Stage 2 process RSLs will be asked specifically whether they are prepared to agree to underwrite the Council's at risk pre-ballot costs in the event of a no vote. This will mitigate the risk to the Council in the event that tenants vote against transfer.

EMPLOYMENT PROTOCOL

18. The stock transfer will also involve the transfer of staff from the Council to CCH. The transfer of staff is subject to the Transfer of Undertakings (Protection of Employment) Regulations 1981 which give protection to employees when the undertaking in which they are working transfers. The staff affected are predominantly those within the Housing

Services Unit involved in the management and maintenance of the housing stock. However, some staff in central support units will also be affected.

19. A protocol, setting out general principles on how the Council and CCH will manage the process has been prepared by Wright Hassall, the Council's Legal Consultants for transfer. This protocol has been circulated to all Housing Services Staff and the trades union for comment. No responses have been received. Executive Cabinet are asked to approve the protocol, a copy of which is attached (see appendix 2).

HOMELESSNESS & ALLOCATIONS REVIEW

20. Following the transfer, the Council will still retain statutory housing responsibilities under the Housing Act 1996 (as amended by the Homelessness Act 2002). This includes responsibility for assessing homeless applications, and for maintaining and reviewing an Allocations Policy. The Council can contract out some of these functions, to the new RSL or to another body. The decision as to whether to contract out these functions should be made on Best Value principles.
21. A Homeless & Allocations Service Review group has been established to make this assessment. The group is chaired by the Deputy Chief Executive, and involves officers from Corporate & Policy Services, Housing Services, Human Resources and Finance. A representative from Help the Homeless (Chorley) and the Chorley Citizen's Advice Bureau also sit on the group. The scope of the review is to cover the following functions:
 - Homeless assessments and decisions;
 - Securing temporary accommodation;
 - Allocation of long-term social housing;
 - Securing provision of advice on homelessness and the prevention of homelessness.
22. The review is timetabled to be complete by the end of December 2005, with a report to Executive Cabinet in January 2006. This will enable the outcomes to be taken into account in negotiations with the preferred RSL partner.

STOCK CONDITION SURVEY

23. The Council has commissioned Savills to undertake a new stock condition survey of the Council's properties. The last stock condition survey was undertaken in 2002, with the purpose of assessing the Council's compliance with the Government's Decent Home Standard.
24. A new survey is required to inform the investment programme post-transfer. It is essential that this is undertaken specifically for the purpose of transfer, and that it can be warranted. This will be a pre-requisite for funders, and for the RSL partner. The cost of the survey, which will involve a 20% sample, is £48,000 plus £20,000 for the asset management software. The survey work will start immediately, with the draft report expected November 2005.
25. The results from the survey will provide a key part of the valuation of the stock to be transferred, and as such will determine the level of receipts available to the Council, and the investment programme which can be delivered post-transfer. Whilst we are expecting similar results to our last survey, there is the potential for change given the under-investment in the stock over the last three years, and above inflation increases in maintenance costs.

COMMENTS OF THE HEAD OF HUMAN RESOURCES

26. The Transfer should recognise that employees who transfer do so under the TUPE regulations as already outlined. The Employment Protocol should be conformed to without fail.

COMMENTS OF THE DIRECTOR OF FINANCE

27. The Council has previously agreed to a stock transfer budget of £650k to ensure the process is complete. I am pleased to report that almost all the arrangements are now in place and the budget is on track. Members will be interested to note that as part of the selection of a preferred partner we are asking potential partners to underwrite the cost of transfer should there be a no vote. Given the response we have received to date I am confident that if not all, a significant part of the cost will be underwritten, thus protecting the Council's position.
28. Work has been ongoing to identify the general final impact should a transfer occur. Initial indications are that it will be significant, the eventual outcome being dependent upon the cost of the retained strategic housing function, which is currently work in progress.
29. Actions to mitigate the cost implications are currently being considered and a proposal will be brought to members in the very near future.

RECOMMENDATION(S)

30. Members are recommended to note the report and to approve:
- a. That the name for the new RSL should be Chorley Community Housing Limited;
 - b. That the new RSL should be an Industrial & Providential Society with charitable status;
 - c. The statement of visions, values and aspirations;
 - d. The list of essential requirements for partner selection, as set out in paragraph 12;
 - e. The employment protocol.

REASONS FOR RECOMMENDATION(S) (If the recommendations are accepted)

29. The name of the new Registered Social Landlord reflects the aspiration for a strong local identity. By establishing Chorley Community Homes as an Industrial & Providential Society with charitable status, it will be able to take advantage of the tax and other financial benefits available to charities. The statement of visions, values and aspirations, and the Council's essential requirements have been developed to assist in the selection of the RSL partner for CCH, to ensure a partner with whom the Council can work in the long term post transfer, and that is able to deliver both the Council's and tenants aspirations. The employment protocol sets out the principles under which the transfer of staff to the new RSL will take place.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

30. The principle area for considering alternatives was with regard to the constitution of the new RSL. Non-charitable status was rejected. Whilst it provided the potential for CCH to undertake a more diverse range of activities, these did not out-weigh the loss of financial benefits available to a charity. The alternative to establish CCH as a Company Limited by Guarantee was rejected as it did not provide any material benefits to setting up as an Industrial & Providential Society, and would add another layer of regulation though registration with the Charity Commissioners.

STEVE LOMAS
HEAD OF HOUSING SERVICES

ON BEHALF OF
SHADOW BOARD
CHORLEY COMMUNITY HOUSING

Background Papers			
Document	Date	File	Place of Inspection
Housing Transfer Manual 2005 Programme	October 2004	***	Duxbury

Report Author	Ext	Date	Doc ID
Richard Roe	235803	15 September 2005	ADMINREP/REPORT