

Carlisle City Council

Report to:-	The Chairman & Members of the Housing Consultative Group			
Date of Meeting:-	3rd December 2001		Agenda Item No:-	
Public		Information	Delegated: No	
Accompanying Comments and Statements		Required	Included	
Tenant Consultation:		Yes	-	
Environmental Impact Statement:		No	-	
Corporate Management Team Comments:		No	-	
City Treasurers Comments:		Yes	-	
City Solicitor & Secretary Comments:		Yes	-	
Head of Personnel Services Comments:		No	-	
Title:-	'Due diligence' items – update from riverside group			
Report of:-	Director of Housing			
Report reference:-	H114/01			

Summary:-

The attached report describes Riverside Group's progress on a number of the 'Due Diligence' items previously identified as outstanding at previous meetings of the HCG. Its content will be the subject of evaluation by City Council officers and HCH.

Recommendation:-

To note progress.

Contact Officer: Tony Bramley

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T Bramley

Director of Housing

23 November 2001

Riverside Group

Report to the Carlisle City Council Housing Consultative Group

Report: Progress on Due Diligence

1. Purpose of the report

1.1 As part of the transfer process, Carlisle City Council requested that Riverside respond formally on a range of 'due diligence issues'. A report to this effect was produced in September. The report noted a number of items which were still outstanding as 'works in progress' and that they would need to be finalised at a later date. This report outlines the progress on those outstanding issues.

2. Progress

1. **Rents:** The new rent regime (Rent Convergence) set by DTLR is formula driven. It uses a multiplier based on average local manual earnings and property capital values to set a 'target rent' for each year. The rent formula comes into effect from April 2002 and RSLs and LAs must reach their target rent in a maximum of 10 years. The objective is for Carlisle HA to reach the target rent at year 8. This leads to an average increase in rents within Carlisle over the next ten years of 2.18% above inflation.
2. The effect of the rent regime is to remove any significant measure of local discretion in rent setting. To be clear rents will not be determined by either the Council or the new RSL but by this formula. Rent levels will be driven by the same formula, what this means is that tenants rents will increase whether the transfer proceeds or not. This outcome is explicit, as the aim is for a single social rent.
3. **Careline:** Riverside is clear that it will keep Careline local to deliver the types of services it does now and into the future. Careline along with the housing visitor service and the sheltered accommodation is a vital part of an integrated service package for older people and Riverside recognises its value and its strengths – indeed, the value of this whole strategy. As part of a long term approach in partnership with staff at the Riverside Customer Service Centre, the issue will be explored as to whether Carlisle Careline specialises as the whole Group's alarm and elderly services specialist centre. To undertake such a role would require an expansion of the service, not just in terms of technology and personnel, but also in terms of simple

physical space which, in the current environment, is at a premium.

4. **Customer Service Centre:** In relation to the main Riverside Customer Service Centre (CSC) we have taken a view it will not operate within Carlisle in the medium term. The development of a CSC took many years of planning and systems development at Riverside Housing Association and developing its role for the tenants of Carlisle would require substantial planning, training, systems re-engineering and investment. In the early years, the core business and focus of the RSL must be on the management and training of the transferred City Council Housing Department and DSO staff and ensuring the housing investment programme is delivered on time and on cost. This is all within the context of a major relocation out of the Civic Centre in April 2004 into a number of offices. CSC integration in the early years is a step too far on a crowded business programme. The long-term approach will be a matter for the Shadow Board. They will want to ensure that tenants are receiving the highest standards of customer care.
5. **Stock Condition:** As part of the transfer process FPD Savills were commissioned to undertake a stock condition survey. An important part of the development of the new RSL is the validation on behalf of the new RSL of this survey; this was undertaken by Taylor Hutchinson. This exercise has taken much longer than anticipated to complete because receiving the correct underlying database from FPD Savills was delayed. Riverside is satisfied that the basic underlying survey data was used to produce the final stock condition report. Riverside is now sample-surveying a number of properties to confirm the survey has picked up all the investments needs of the property archetypes. We are also exploring the investment unit pricing to ensure it reflects local market conditions.
6. **Housing Demand:** The demand study by Sheffield Hallam University on behalf of Carlisle City Council gave a thorough analysis of the dynamics and drivers of local housing demand problems. From a stock transfer perspective the study has one major weakness. It did not aim to quantify housing demand – it simply gives no indications of potential housing stock numbers.
7. Estimates of housing stock numbers are important to the new RSL, the business plan and are essential to the lenders. Riverside at present is planning a reduction in stock of a potential 1000 units which is a figure determined by the City Council Housing Department. Aside the already established programme of 500 demolitions on Raffles, Riverside has made no decision as to where the other potential 500 demolitions would take place. The figures provided by the Council may well be a best guess and a further study may do little more than endorse them. However, it is important that an independent analysis be undertaken.
8. Discussions have taken place with Sheffield Hallam University to undertake the necessary further research. Unfortunately they have withdrawn due other research commitments. This has led to a search for potential research consultancies in order to try to identify a way forward. There are two main issues that have drawn this process out. Firstly, there are relatively few organisations with the expertise to do this work. The second issue is cost.

Some consultants some have quoted costs in excess of the original study and have stated a wish to re-research many of the elements already covered by Sheffield Hallam.

9. Despite these problems we are now in the process of appointing a research consultancy to undertake the study, which should report in early March.
10. **Land Ownership:** The RSL business plan makes a number of assumptions about the costs associated with the transfer of HRA land to the new RSL. These assumptions are based on the historic costs of the Housing Department in the context of the current Local Authority structure. The detail of the transfer of land cannot however be discussed until the Authority has mapped the land it owns. This exercise is being led by the Property Services Division.

3. The Way Forward

3.1 Progress has been made a number of important matters, not least the new rent structure which has been resolved. However, there are still a number of areas which need further work over the coming weeks. Riverside will update the Housing Consultative Group as this is done.

Paul Anson

Assistant Director Carlisle

Riverside Group

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