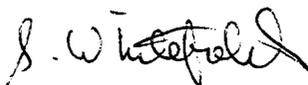


NORTH LANARKSHIRE COUNCIL

Source DIRECTOR OF HOUSING
Destination CHIEF EXECUTIVE
Subject INTERIM EXECUTIVE COMMITTEE
Date 8 AUGUST 1995
My Ref GSW/MR
Your Ref -
Distribution -

I attach for submission to the Interim Executive Committee a copy of a report produced by the Chief Housing Officer of Cumbernauld and Kilsyth District Council outlining the background to his Council's bid for the Development Corporation's housing stock of approximately 4,000 houses.

The District Council's bid has to be submitted by 31 August 1995 and therefore there is no requirement to obtain the agreement of the Shadow Council in terms of Section 55 of the Local Government (Scotland) Act 1994 which comes into operation from 1 September 1995. However as I have previously reported to the North Lanarkshire Co-ordinating Committee (Aggregation), it was considered appropriate to fully inform the new Council of the District Council's bid and its future potential implications if all or a proportion of the Corporation's housing stock is transferred next October.



G S Whitefield

Encl.

NLC2.doc



Cumbernauld & Kilsyth District Council

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James Hutton I.P.F.A., I.R.R.V.
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Daniel McGowan M.I.L.A.M.
Director of Community Services

If phoning or calling please ask for

Mr Slater

Our Ref:

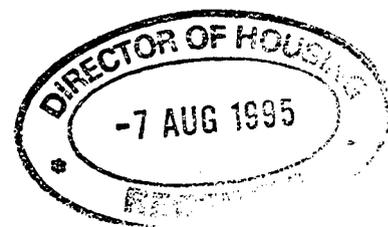
RS/VWG

Your Ref:

GSW/CAB

7 August 1995

Mr G S Whitefield
Director of Housing
North Lanarkshire Council
PO Box 14
Civic Centre
Motherwell, ML1 1TW



Dear Gavin

Disposal of Cumbernauld Development Corporation Housing Stock

I refer to our discussions regarding the above and enclose as agreed an amended report for submission to North Lanarkshire Council.

Yours sincerely

ROBIN SLATER
CHIEF HOUSING OFFICER

THE DISPOSAL OF CUMBERNAULD DEVELOPMENT CORPORATION HOUSING STOCK

1 Background

1.1 The automatic transfer to the Local Authority of all Development Corporation housing stock at wind up was the generally agreed procedure until the Government's Consultation Paper "Maintaining the Momentum" was issued on 28 October 1988. The Government indicated that "Ministers have made it clear that they do not now see the District Councils as the automatic inheritors of the new town housing at wind up, although the Councils might remain as an option among a number of other possibilities."

1.2 In response to the consultation paper, SLANT, (Scottish Local Authorities with New Towns) which was formed in April 1985 to corroborate the views of the District Councils on the future development direction of the Scottish New Towns, including the principles governing the winding up of the Development Corporation, responded disagreeing with the position the Government had adopted. The Government however published a white paper "The Scottish New Towns The Way Ahead" in July 1989 and indicated that "the sole and automatic transfer of Development Corporation housing to District Councils would run directly counter to the expressed wishes of a significant number of tenants". As a result SLANT undertook a campaign to have the Councils included as a choice at wind up.

1.3 Opinion surveys carried out by independent market research companies, on behalf of the Councils, showed a clear majority of tenants (generally around 90%) wishing the Councils as a choice at wind up. In February 1992 the Government finally conceded that District Councils could be a choice at wind up.

1.4 Cumbernauld & Kilsyth District Council, along with the other SLANT authorities submitted evidence to the Scottish Office to support the transfer of Development Corporation housing stock to councils based on housing need. Despite Cumbernauld & Kilsyth District Council's bid being formally noted by Cumbernauld Development Corporation and informally supported by them, the Government did not accept the argument.

1.5 After considering the option of transfer to locally based Housing Associations, Cumbernauld & Kilsyth District Council formally adopted a strategy for housing wind up which offered the Council as a Landlord to all Cumbernauld Development Corporation tenants who wished to transfer at wind up. This strategy was based on overwhelming support for the Council in all surveys carried out.

1.6 Cumbernauld Development Corporation have for a number of years had an active campaign to sell houses to sitting tenants. This has resulted in sales of approximately 70% of the stock built by the Development Corporation. This will pose particular difficulties in respect of future improvement works for the Council if they are successful in their bid.

1.7 Brief background details of the Council's bid were included in the North Lanarkshire Joint Working Group report dated March 1995, and are attached as appendix 1.

2 The Scottish Office Guidelines on Disposal of Development Corporation Housing Stock

2.1 The Government issued guidelines in August 1992 which detailed the plans to be implemented in lead up to wind up, the timetable, the disposal process, the prospective Landlords, and the financial arrangements.

2.2 The guidelines indicate the size of packages. In Cumbernauld Development's case, 5 areas have been identified; appendix 2 details the stock profile in each area. Cumbernauld & Kilsyth District Council will bid in all 5 ballot areas and would expect to be placed on the ballot paper in all 5 with another Landlord. At this stage the Council is aware of interest from other Landlords, but is unsure as to whether all or any will remain interested. Nevertheless the guidelines advise that only one other Landlord can be placed on the ballot paper with the Council.

2.3 The latest timetable requires the bid to be submitted by 31 August 1995. After evaluation and confirmation by the Secretary of State, the Council should be made aware of the outcome of bids by December 1995. The ballot is scheduled to take place in March 1996 and the actual transfer of housing stock September/October 1996.

2.4 The financial model being used is known as a 30 year discounted income stream method. This model takes account of projected income and expenditure, including identified improvements over a 30 year period. The difference between income and expenditure produces a figure which will support a loan which is in effect the price to be paid. The guidelines indicate that if a Local Authority is successful in their bid, additional borrowing consent to purchase the houses will be granted.

2.5 The guidelines do not allow for the offer of rent reductions over the medium term. (Average weekly rents are currently £33.16 as compared with Cumbernauld & Kilsyth District Council's of £27.02).

3 The Bid by Cumbernauld & Kilsyth District Council

3.1 To assist in the preparation of the financial aspects of the bid, CKDC hired Chapman Hendy Associates who had considerable experience in stock transfers both in Scotland and England. At the same time, the Council decided

that to support the bid an independent house condition survey should be undertaken. This was also managed by Chapman Hendy and carried out by independent quantity surveyors. As expected, the results of the survey have shown that a number of improvements will be required throughout the stock and particularly in areas where there is a high incidence of non-traditional type property, eg flat roof housing. The bid price therefore will fully reflect the conditions of the stock and make provision for any required improvements over the 30 year period.

3.2 Over the last two years, the Council has embarked upon a series of events which have fully informed CDC tenants of the choices available to them at wind-up along with advising of the Council's service standards. Feedback through return of leaflets have continued to support the view that an overwhelming majority of CDC tenants (over 90%) want the Council as landlord and will choose the Council in the ballot.

3.3 If the bid is successful, 4,000 houses (present figure which will be reduced by house sales) will transfer in 1996 to North Lanarkshire Council. Under the Transfer of Undertakings Protection of Employment Regulation (TUPE), the housing staff directly involved in providing the service will also transfer. The accommodation currently utilised for CDC Housing Department in Fleming House, Cumbernauld is expected to continue as a local housing office with a sub-office in the Abronhill area of Cumbernauld and housing surgeries in three other areas.

4 Summary

4.1 Cumbernauld & Kilsyth District Council and the other authorities involved in SLANT campaigned long and hard to have Councils as an option at wind-up, in response to overwhelming public support.

4.2 The addition of some 4,000 houses to the public sector stock in Cumbernauld will assist the Council (CKDC and North Lanarkshire) to meet its statutory obligation in terms of homelessness and to relieve waiting lists.

4.3 The Bid and the resultant price to be paid for the housing stock will reflect their condition and take account of required improvements over a 30 year period.

Options

- a) One Central Housing Committee; or
- b) One Central Housing Committee and Area Housing Committees with devolved powers to determine policy and budgets etc.

4.7 Impact of New Town Wind Up

4.7.1 Section 33 of the Enterprise and New Towns (Scotland) Act 1990 enabled the Secretary of State by order to provide for the winding up of a Development Corporation. The Scottish Office Industry Department on 8 December 1993 issued the Cumbernauld Development Corporation (CDC) wind-up order, requiring the wind-up procedures to begin on 1 January 1994 and to end on 31 December 1996, although the Corporation will continue as a legal entity until 31 March 1997. Specific guidelines on the disposal of housing stock have also been issued by the Scottish Office.

4.7.2 The timetable for disposal of housing stock issued by the Scottish Office is contained in Appendix 4. After considerable pressure from SLANT (Scottish Local Authorities with New Towns) tenants and residents groups in the New Towns, the Government has allowed the District Council to be an option on the ballot paper. One other alternative landlord; a Housing Association or private landlord meeting the Scottish Homes approved landlord status, could also be on the ballot paper.

4.7.3 In response to adverts placed by the Development Corporation on 24 January 1995, Cumbernauld and Kilsyth District Council has formerly registered an interest in and is committed to bidding for the housing stock, presently 4,200, in all five disposal areas.

4.7.4 The bid is likely to be between £25m and £30m and will include the following :

- a) Financial Details i.e. a full Business Plan with financial projections on stock disposals over a 30 year period, proposed capital improvement programmes and funding arrangements to support the bid.
- b) Housing Management and Service Proposals i.e. details of tenants' rights housing policies (allocations, repairs etc), proposals for tenant consultation, factoring and service delivery arrangements.

- c) Staffing i.e. proposed structures, details of proposed transfer of Development Corporation Staff and Terms and Conditions of employment.
- d) Role in Local Housing Market i.e. Proposals for responding to homelessness, care in the community and broadening tenants' choice.

4.7.5 As the guidelines will not allow Cumbernauld and Kilsyth District Council to offer rent reductions, and with average Development Corporation rent levels of £30.67 per week as against the Council's average of £26.50 per week, harmonisation of rents if considered by the new Council could take a considerable number of years to achieve.

4.7.6 Under the terms of the Local Government (Scotland) Act 1994 financial transactions exceeding £2.5m undertaken in the shadow year will require the sanction of the new Authority. As the bid for the housing stock requires to be submitted by June 1995, North Lanarkshire Council will therefore require to approve it.

4.7.7 If the bid and subsequent ballots are successful, it is estimated that by 1996 some 3,900 houses will transfer to North Lanarkshire Council. As the Transfer of Undertakings Protection of Employment Regulations (TUPE) may apply the staff currently employed by CDC in the housing function (presently 26) could also transfer

4.7.8 The Scottish Office has confirmed that if a Council was to be successful in its bid, additional borrowing consent will be granted to permit the purchase. Future investment to repair and improve the stock will be considerable and will require to be financed from the North Lanarkshire Housing Capital Allocation.

Recommendation

A report on the detailed implications of the District Council's bid should be submitted by them to the Shadow Authority no later than 31st May 1995.

4.8. Disaggregation of Strathkelvin Housing Service

4.8.1 Uniquely among the District Councils which will form North Lanarkshire, Strathkelvin faces additional problems of disaggregation of staff, premises, systems equipment etc.

Stock profile

The number and mix of Corporation owned dwellings throughout the town is set out in the following table:-

	No. of apartments						Sub-total	Total
	1	2	3	4	5	6 +		
1 Abronhill	4	218	281	252	122	46		923
2 Kildrum		76	169	275	12		532	
Village	1	27	62	35			125	657
3 Seafar & Ravenswood		95	356	164	17	4	636	
Greenfaulds		47	38	51	28	32	196	832
4 Carbrain	88	66	241	527	80	22		1024
5 Balloch		46	70	90	7	1	214	
Westfield		86	124	82		16	308	
Condorrat		48	58	74	63	19	262	784
Totals	93	709	1399	1550	329	140		4220

Notes:

- i) Totals are correct at 28 March 1995 but can be expected to reduce through further sales to tenants prior to wind-up.
- ii) Package 1: 102 houses and flats have subsequently been acquired by Abronhill Housing Association Ltd. The Association expects around 200 tenants in total to transfer their tenancies prior to wind-up.
- iii) Package 3: Includes stock in all twelve high rise blocks.
- iv) Package 4: Houses affected by on-going rehabilitation but not yet transferred to other owners are excluded from the table.