

Subject:	Together Housing Group Legal Structure Review	Status:	For Publication
Report to:	Council	Date:	9 th December 2015
Report of:	Together Housing Group	Portfolio Holder:	Leader / Regeneration and Leisure
Key Decision:	<input checked="" type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>	General Exception <input type="checkbox"/>	Special Urgency <input type="checkbox"/>
Equality Impact Assessment:	Required:	No	Attached: No
Biodiversity Impact Assessment	Required:	No	Attached: No
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1.	RECOMMENDATION(S)
1.1	It is recommended that Members support the Together Housing Group's legal structure review and nominate its shareholder representative to vote in favour of the changes at a special general meeting of Green Vale Homes in January 2016.

2. PURPOSE OF REPORT

2.1 This report aims to update Members on the review of the legal structures at the Together Housing Group, and seek approval to support the changes at Green Vale Homes' SGM in January 2016.

3. CORPORATE PRIORITIES

3.1 The matters discussed in this report impact directly on the following corporate priorities:

- **Regenerating Rossendale:** This priority focuses on regeneration in its broadest sense, so it means supporting communities that get on well together, attracting sustainable investment, promoting Rossendale, as well as working as an enabler to promote the physical regeneration of Rossendale.

The Together Housing Group (THG) is a founding partner of the RTB Partnership, which aims to bring together investment, skills and resources through a joint venture vehicle to regenerate Rossendale.

Supporting the legal structure review will mean that the THG will be able to be flexible with its funding and resources, and will be more likely to attract investment at an affordable rate, resulting in more investment in the borough through RTB and the Newground charity.

- **Responsive Value for Money Services:** This priority is about the Council working collaboratively, being a provider, procurer and a commissioner of services that are efficient and that meet the needs of local people.

The THG is expected to reduce its costs and operate efficiently by its regulator, the Homes and Communities Agency (HCA) The review of legal structures will contribute significantly towards reduced costs.

- **Clean Green Rossendale:** This priority focuses on clean streets and town centres and well managed open spaces, whilst recognising that the Council has to work with communities and as a partner to deliver this ambition.

The aims of the Newground charity are to contribute to better neighbourhoods, create more jobs and training, and improve health and wellbeing. Supporting the legal structure review will mean that the Together Housing Group has an improved chance of making surpluses and raising affordable finance to re-invest into Rossendale communities via the Newground Charity.

4. RISK ASSESSMENT IMPLICATIONS

4.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:

- The legal structure of the Together Housing Group is seen as complex, high cost and high risk by the group's regulator, the Homes and Communities Agency. Funders and investors in the group also take the same view.
- If Members were not to support the legal structure review, it's likely that the THG would be downgraded in its assessment by the HCA, meaning it would be harder for the group to obtain HCA grant funding for new homes.
- If the restructure did not go ahead, potential investors would be discouraged from investing by any regulatory downgrade, resulting in higher borrowing costs. This would have implications for THG to invest in new homes and neighbourhoods in Rossendale.
- If the restructure did not go ahead, the costs savings of the legal structure review would have to be met by reducing front line services.

5. BACKGROUND AND OPTIONS

5.1 When the THG formed in April 2011, it operated with a federal governance structure with a parent (or group) board, and 5 charitable subsidiaries, each with its own board. The THG commissioned a review by an independent consultant, who recommended that the governance arrangements of the group should be amalgamated into one parent board, with one operations committee, supported by a local panel and enhanced tenant scrutiny arrangements. This has been agreed by all boards in the THG, including Green Vale Homes, and was supported by the Council at its meeting on 15th July 2015. The THG is now governed by a common group board, supported by an operations committee and local panels.

5.2 The current operating environment for housing associations is one of unprecedented change and challenge. Welfare reform, forced rent cuts and the right to buy is forcing many smaller housing associations to look at partnership opportunities or mergers. The Government's Spending Review on 25th November 2015 is expected to pose further financial challenges for housing associations. In THG's case, it makes sense for them to simplify their complicated company structures.

5.3 Although the THG has moved towards one common group board, the local housing associations (including Green Vale Homes) still exist as companies. They see this as an unnecessary extra cost, as managing the bureaucracy created by having several local companies places extra demands on THG's budgets and staff resources. In addition, the THG is limited in how it can borrow and spend money by having many different companies in the group. Service standards can also vary across the group, and it is difficult to foster a group culture and standards amongst staff. The THG has a fragmented regional voice, making it harder to be a partner of choice with LCC and other regional bodies.

- 5.4 The proposals are to move towards a legal structure which mirrors THG's governance arrangements. The THG Board has agreed that all the existing associations in the group should be merged into one company, the Together Housing Association. If this is agreed at SGMs in January 2016, this will be implemented in April 2016, and the existing housing association companies – Green Vale Homes, Chevin, Housing Pendle, Pennine, and Twin Valley Homes - will be amalgamated into one company, the Together Housing Association. The group is considering the merits of keeping the Green Vale Homes name as a local trading name, pending a review of local brands (in the 2011 census, the percentage of tenants in social housing in Rossendale saying they live in a **council** property was 33%, indicating a low awareness of the Green Vale Homes' brand status).

COMMENTS FROM STATUTORY OFFICERS:

6. SECTION 151 OFFICER

- 6.1 There are no material financial implications for Council.

7. MONITORING OFFICER

- 7.1 All legal implications are contained within the body of the report.

8. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT

- 8.1 THG delivered a briefing and provided a hand out to Members in advance of this report.

9. CONCLUSION

- 9.1 THG's review of its legal structure arrangements will reduce costs and complexity; It also meets the requirements of its regulator, the Homes and Communities Agency, and its funders. If approved it will mean that the THG is more likely to maintain its good regulatory rating, and therefore continue to access funding at an affordable rate, resulting in continued investment in Rossendale and a firm commitment to the Borough.

The collapse of the THG's housing associations into one company will give the group the flexibility and resilience it will need to face the challenges ahead, plus, it will help them to achieve its objectives in the following ways:-

- Strategic Impact - It will enhance THG's ability to be a key regional partner and use resources where they are most needed.
- Efficiency Savings – By 2020, the THG will need to make cost savings of circa 14% as a result of forced rent cuts. The legal structure review will be a big help towards these savings targets.
- Stronger Finances – the Group will be stronger financially through the efficiency savings but also through being able to more effectively pool its financial strength.

THG have assured senior council officers and lead members of their continued commitment to Rossendale, and are happy to set out their commitment in a memorandum of understanding.

It is recommended that Members support the review and nominate its shareholder representative to vote in favour of the changes at a special general meeting of Green Vale Homes in January 2016.

No background papers.